

Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

State of Hawaii

(State or other jurisdiction of incorporation or organization)

Hawaiian Electric Industries, Inc. – 1001 Bishop Street, Suite 2900, Honolulu, Hawaii 96813

Hawaiian Electric Company, Inc. – 900 Richards Street, Honolulu, Hawaii 96813

(Address of principal executive offices and zip code)

Hawaiian Electric Industries, Inc. – (808) 543-5662

Hawaiian Electric Company, Inc. – (808) 543-7771

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Hawaiian Electric Industries, Inc. Yes No

Hawaiian Electric Company, Inc. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Hawaiian Electric Industries, Inc. Yes No

Hawaiian Electric Company, Inc. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Hawaiian Electric Industries, Inc.:

Hawaiian Electric Company, Inc.:

Large accelerated filer (Do not check if a smaller reporting company)

Large accelerated filer (Do not check if a smaller reporting company)

Accelerated filer Smaller reporting company

Accelerated filer Smaller reporting company

Non-accelerated filer Emerging growth company

Non-accelerated filer Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Hawaiian Electric Industries, Inc.

Hawaiian Electric Company, Inc.

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

Hawaiian Electric Industries, Inc. Yes No

Hawaiian Electric Company, Inc. Yes No

Securities registered pursuant to 12(b) of the Act:

Registrant	Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Hawaiian Electric Industries, Inc.	Common Stock, Without Par Value	HE	New York Stock Exchange
Hawaiian Electric Company, Inc.	Guarantee with respect to 6.50% Cumulative Quarterly Income Preferred Securities Series 2004 (QUIPS _{SM}) of HECO Capital Trust III	HE PRU	New York Stock Exchange

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, 2019
Hawaiian Electric Industries, Inc. (Without Par Value)	108,936,912 Shares
Hawaiian Electric Company, Inc. (\$6-2/3 Par Value)	16,751,488 Shares (not publicly traded)

Hawaiian Electric Industries, Inc. (HEI) is the sole holder of Hawaiian Electric Company, Inc. (Hawaiian Electric) common stock.

This combined Form 10-Q is separately filed by HEI and Hawaiian Electric. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to the other registrant, except that information relating to Hawaiian Electric is also attributed to HEI.

Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
Form 10-Q—Quarter ended March 31, 2019

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Hawaiian Electric Industries, Inc. and Subsidiaries
Hawaiian Electric Company, Inc. and Subsidiaries
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GLOSSARY OF TERMS

Terms	Definitions
ADIT	Accumulated deferred income tax balances
AES Hawaii	AES Hawaii, Inc.
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income/(loss)
ASB	American Savings Bank, F.S.B., a wholly-owned subsidiary of ASB Hawaii, Inc.
ASB Hawaii	ASB Hawaii, Inc. (formerly American Savings Holdings, Inc.), a wholly owned subsidiary of Hawaiian Electric Industries, Inc. and the parent company of American Savings Bank, F.S.B.
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CBRE	Community-based renewable energy
CIAC	Contributions in aid of construction
CIP CT-1	Campbell Industrial Park 110 MW combustion turbine No. 1
Company	Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under Hawaiian Electric); ASB Hawaii, Inc. and its subsidiary, American Savings Bank, F.S.B.; Pacific Current, LLC and its subsidiaries, Hamakua Holdings, LLC (and its subsidiary, Hamakua Energy, LLC) and Mauo Holdings, LLC (and its subsidiary, Mauo, LLC); 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
DER	Distributed energy resources
D&O	Decision and order from the PUC
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOH	Department of Health of the State of Hawaii
DRIP	HEI Dividend Reinvestment and Stock Purchase Plan
ECAC	Energy cost adjustment clause
ECRC	Energy cost recovery clause
EIP	2010 Equity and Incentive Plan, as amended and restated
EPA	Environmental Protection Agency — federal
EPS	Earnings per share
ERPE/AM	Enterprise Resource Planning/Enterprise Asset Management
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
GAAP	Accounting principles generally accepted in the United States of America
GNMA	Government National Mortgage Association
Hawaii Electric Light	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.

GLOSSARY OF TERMS, continued

Terms	Definitions
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.
Hamakua Energy	Hamakua Energy, LLC, an indirect subsidiary of HEI and successor in interest to Hamakua Energy Partners, L.P., an affiliate of Arclight Capital Partners (a Boston-based private equity firm focused on energy infrastructure investments) and successor in interest to Encogen Hawaii, L.P.
HEI	Hawaiian Electric Industries, Inc., direct parent company of Hawaiian Electric Company, Inc., ASB Hawaii, Inc., Pacific Current, LLC and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.)
HEIRSP	Hawaiian Electric Industries Retirement Savings Plan
HELOC	Home equity line of credit
HPOWER	City and County of Honolulu with respect to a power purchase agreement for a refuse-fired plant
IPP	Independent power producer
Kalaeloa	Kalaeloa Partners, L.P.
kWh	Kilowatt-hour/s (as applicable)
LTIP	Long-term incentive plan
Maui Electric	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
Mauo	Mauo, LLC, an indirect subsidiary of HEI
MPIR	Major Project Interim Recovery
MSR	Mortgage servicing right
MW	Megawatt/s (as applicable)
NEM	Net energy metering
NII	Net interest income
NPBC	Net periodic benefit costs
NPPC	Net periodic pension costs
O&M	Other operation and maintenance
OCC	Office of the Comptroller of the Currency
OPEB	Postretirement benefits other than pensions
Pacific Current	Pacific Current, LLC, a wholly owned subsidiary of HEI and parent company of Hamakua Holdings, LLC and Mauo Holdings, LLC
PBR	Performance-based regulation
PIMs	Performance incentive mechanisms
PPA	Power purchase agreement
PPAC	Purchased power adjustment clause
PSIPs	Power Supply Improvement Plans
PUC	Public Utilities Commission of the State of Hawaii
PV	Photovoltaic
RAM	Rate adjustment mechanism
RBA	Revenue balancing account
RFP	Request for proposals
ROACE	Return on average common equity
RORB	Return on rate base
RPS	Renewable portfolio standards
SEC	Securities and Exchange Commission
See	Means the referenced material is incorporated by reference
Tax Act	2017 Tax Cuts and Jobs Act (H.R. 1, An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018)
TDR	Troubled debt restructuring
Trust III	HECO Capital Trust III
Utilities	Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited
VIE	Variable interest entity

CAUTIONARY NOTE REGARDING 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 “will,” “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, political 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 and political 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 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 future Federal government shutdowns, including the impact to our customers to pay their electric bills and/or bank loans and the impact on the state of Hawaii economy; 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; conflicts or other crisis; the effects of changes that have or may occur in U.S. policy, such as with respect to immigration and trade; terrorist acts; and potential pandemics);
- the effects of future actions or inaction of the U.S. government or related agencies, including those related to the U.S. debt ceiling or budget funding, monetary policy, trade policy and tariffs, and other policy and regulatory changes advanced or proposed by President Trump and his administration;
- weather, natural disasters (e.g., hurricanes, earthquakes, tsunamis, lightning strikes, lava flows and the potential effects of climate change, such as more severe storms, droughts, heat waves, and rising sea levels) and wildfires, including their impact on the Company’s and Utilities’ operations and the economy;
- the timing, speed 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 (including tax 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, as amended by the Economic Growth, Regulatory Relief and Consumer Protection Act;
- 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 potential delay by the Public Utilities Commission of the State of Hawaii (PUC) in considering (and potential disapproval of actual or proposed) renewable energy proposals and related costs; reliance by the Utilities on outside parties such as the state, independent power producers (IPPs) and developers; and uncertainties surrounding technologies, solar power, wind power, biofuels, environmental assessments required to meet renewable portfolio standards (RPS) goals and the impacts of implementation of the renewable energy proposals on future costs of electricity;
- the ability of the Utilities to develop, implement and recover the costs of implementing the Utilities’ action plans included in their updated Power Supply Improvement Plans (PSIPs), Demand Response Portfolio Plan, Distributed Generation Interconnection Plan, Grid Modernization Plans, and business model changes, which have been and are continuing to be developed and updated in response to the orders issued by the PUC, the PUC’s April 2014 statement of its inclinations on the future of Hawaii’s electric utilities and the vision, business strategies and regulatory policy changes required to align the Utilities’ business model with customer interests and the state’s public policy goals, and subsequent orders of the PUC;
- capacity and supply constraints or difficulties, especially if generating units (utility-owned or IPP-owned) fail or measures such as demand-side management, distributed generation (DG), 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) and energy cost recovery clauses (ECRC);
- the continued availability to the electric utilities or modifications of other cost recovery mechanisms, including the purchased power adjustment clauses (PPACs), rate adjustment mechanisms (RAMs) and pension and postretirement benefits other than pensions (OPEB) tracking mechanisms, and the continued decoupling of revenues from sales to mitigate the effects of declining kilowatt-hour sales;
- the ability of the Utilities to achieve performance incentive goals currently in place;
- the impact from the PUC’s implementation of performance-based ratemaking for the Utilities pursuant to Act 005, Session Laws 2018, including the potential addition of new performance incentive mechanisms, third party proposals adopted by the PUC in its implementation of performance-based regulation (PBR), and the implications of not achieving performance incentive goals;
- the impact of fuel price levels and volatility on customer satisfaction and political and regulatory support for the Utilities;
- the risks associated with increasing reliance on renewable energy, 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 growing risk that energy production from renewable generating resources may be curtailed and the interconnection of additional resources will be constrained as more generating resources are added to the Utilities' electric systems and as customers reduce their energy usage;
- the ability of IPPs to deliver the firm capacity anticipated in their power purchase agreements (PPAs);
- the potential that, as IPP contracts near the end of their terms, there may be less economic incentive for the IPPs to make investments in their units to ensure the availability of their units;
- the ability of the 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 the Utilities and ASB or their competitors such as the commercial development of energy storage and microgrids and banking through alternative channels;
- cyber security risks and the potential for cyber incidents, including potential incidents at HEI, its third-party vendors, and its subsidiaries (including at ASB branches and electric utility plants) and incidents at data processing centers used, to the extent not prevented by intrusion detection and prevention systems, anti-virus software, firewalls and other general IT controls;
- failure in addressing issues in the stabilization of the Enterprise Resource Planning/Enterprise Asset Management (ERP/EAM) system implementation could adversely affect the Utilities' ability to timely and accurately report financial information and make payments to vendors and employees;
- failure to achieve cost savings consistent with the minimum \$244 million in ERP/EAM project-related benefits (including \$141 million in operation and maintenance (O&M) benefits) to be delivered to customers over its 12-year estimated useful life;
- federal, state, county and international governmental and regulatory actions, such as existing, new and changes in laws, rules and regulations applicable to HEI, the Utilities and ASB (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 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);
- developments in laws, regulations and policies governing protections for historic, archaeological and cultural sites, and plant and animal species and habitats, as well as developments in the implementation and enforcement of such laws, regulations and policies;
- discovery of conditions that may be attributable to historical chemical releases, including any necessary investigation and remediation, and any associated enforcement, litigation or regulatory oversight;
- 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 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 Utilities to recover increasing costs and earn a reasonable return on capital investments not covered by RAMs;
- 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 and its subsidiaries, including the adoption of new U.S. accounting standards, the potential discontinuance of regulatory accounting, the effects of potentially required consolidation of variable interest entities (VIEs), or required capital/finance lease or on-balance-sheet operating lease accounting for PPAs with IPPs;
- downgrades by securities rating agencies in their ratings of the securities of HEI and Hawaiian Electric and their impact on 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 and/or mix 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 and its subsidiaries;
- the risks of suffering losses and incurring liabilities that are uninsured (e.g., damages to the Utilities' transmission and distribution system and losses from business interruption) or underinsured (e.g., losses not covered as a result of insurance deductibles or other exclusions or exceeding policy limits);
- the ability of the Company's non-regulated subsidiary, Pacific Current, LLC (Pacific Current), to achieve its performance and growth objectives, which in turn could affect its ability to service its non-recourse debt;
- the Company's reliance on third parties and the risk of their non-performance; 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, Pacific Current and their subsidiaries undertake no obligation to publicly update or revise any forward-looking statements, whether written or oral and whether as a result of new information, future events or otherwise.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The descriptions of legal proceedings (including judicial proceedings and proceedings before the PUC and environmental and other administrative agencies) in HEI's and Hawaiian Electric's 2018 Form 10-K (see "Part I. Item 3. Legal Proceedings" and proceedings referred to therein) and this Form 10-Q (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 3 and 4 of the Condensed Consolidated Financial Statements) are incorporated by reference in this Item 1. With regard to any pending legal proceeding, alternative dispute resolution, such as mediation or settlement, may be pursued where appropriate, with such efforts typically maintained in confidence unless and until a resolution is achieved. Certain HEI subsidiaries (including Hawaiian Electric and its subsidiaries, ASB and Pacific Current and its subsidiaries) may also be involved in ordinary routine PUC proceedings, environmental proceedings and litigation incidental to their respective businesses.

Item 1A. Risk Factors

For information about Risk Factors, see pages 17 to 27 of HEI's and Hawaiian Electric's 2018 Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk" and the Condensed Consolidated Financial Statements herein. Also, see "Cautionary Note Regarding Forward-Looking Statements" on pages iv and v herein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchases of HEI common shares were made on the open market during the first quarter of 2019 to satisfy the requirements of certain plans as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period*	Total Number of Shares Purchased **	Average Price Paid per Share **	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 to 31, 2019	21,089	\$36.27	—	NA
February 1 to 28, 2019	14,965	\$37.94	—	NA
March 1 to 31, 2019	162,768	\$39.97	—	NA

NA Not applicable.

* Trades (total number of shares purchased) are reflected in the month in which the order is placed.

** The purchases were made to satisfy the requirements of the DRIP, the HEIRSP and the ASB 401(k) Plan for shares purchased for cash or by the reinvestment of dividends by participants under those plans and none of the purchases were made under publicly announced repurchase plans or programs. Average prices per share are calculated exclusive of any commissions payable to the brokers making the purchases for the DRIP, the HEIRSP and the ASB 401(k) Plan. Of the "Total number of shares purchased," all of the 21,089 shares, 11,465 of the 14,965 shares and 141,978 of the 162,768 shares were purchased for the DRIP; none of the 21,089 shares, none of the 14,965 shares and 16,900 of the 162,768 shares were purchased for the HEIRSP; and the remainder was purchased for the ASB 401(k) Plan. The repurchased shares were issued for the accounts of the participants under registration statements registering the shares issued under these plans.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

(in thousands, except per share amounts)	Three months ended March 31	
	2019	2018
Revenues		
Electric utility	\$ 578,495	\$ 570,427
Bank	83,052	75,419
Other	68	28
Total revenues	661,615	645,874
Expenses		
Electric utility	521,935	519,058
Bank	56,930	50,532
Other	4,813	4,395
Total expenses	583,678	573,985
Operating income (loss)		
Electric utility	56,560	51,369
Bank	26,122	24,887
Other	(4,745)	(4,367)
Total operating income	77,937	71,889
Retirement defined benefits expense—other than service costs	(763)	(1,833)
Interest expense, net—other than on deposit liabilities and other bank borrowings	(23,123)	(21,518)
Allowance for borrowed funds used during construction	1,078	1,444
Allowance for equity funds used during construction	2,910	3,294
Income before income taxes	58,039	53,276
Income taxes	11,878	12,556
Net income	46,161	40,720
Preferred stock dividends of subsidiaries	473	473
Net income for common stock	\$ 45,688	\$ 40,247
Basic earnings per common share	\$ 0.42	\$ 0.37
Diluted earnings per common share	\$ 0.42	\$ 0.37
Weighted-average number of common shares outstanding	108,913	108,818
Net effect of potentially dilutive shares	355	206
Weighted-average shares assuming dilution	109,268	109,024

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

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

(in thousands)	Three months ended March 31	
	2019	2018
Net income for common stock	\$ 45,688	\$ 40,247
Other comprehensive income (loss), net of taxes:		
Net unrealized gains (losses) on available-for-sale investment securities:		
Net unrealized gains (losses) on available-for-sale investment securities arising during the period, net of (taxes) benefits of \$(3,455) and \$4,867, respectively	9,439	(13,297)
Derivatives qualifying as cash flow hedges:		
Unrealized interest rate hedging losses arising during the period, net of tax benefits of \$140 and nil, respectively	(403)	—
Retirement benefit plans:		
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of \$870 and \$1,792, respectively	2,503	5,146
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$797 and \$1,603, respectively	(2,298)	(4,622)
Other comprehensive income (loss), net of taxes	9,241	(12,773)
Comprehensive income attributable to Hawaiian Electric Industries, Inc.	\$ 54,929	\$ 27,474

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

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

(dollars in thousands)	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 186,407	\$ 169,208
Accounts receivable and unbilled revenues, net	265,440	325,672
Available-for-sale investment securities, at fair value	1,348,263	1,388,533
Held-to-maturity investment securities, at amortized cost	140,203	141,875
Stock in Federal Home Loan Bank, at cost	9,434	9,958
Loans held for investment, net	4,803,883	4,790,902
Loans held for sale, at lower of cost or fair value	8,136	1,805
Property, plant and equipment, net of accumulated depreciation of \$2,685,983 and \$2,659,230 at March 31, 2019 and December 31, 2018, respectively	4,867,127	4,830,118
Operating lease right-of-use assets	241,486	—
Regulatory assets	826,186	833,426
Other	581,350	530,364
Goodwill	82,190	82,190
Total assets	\$ 13,360,105	\$ 13,104,051
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	\$ 195,538	\$ 214,773
Interest and dividends payable	33,711	28,254
Deposit liabilities	6,205,659	6,158,852
Short-term borrowings—other than bank	110,399	73,992
Other bank borrowings	89,870	110,040
Long-term debt, net—other than bank	1,880,339	1,879,641
Deferred income taxes	375,330	372,518
Operating lease liabilities	241,340	—
Regulatory liabilities	953,219	950,236
Defined benefit pension and other postretirement benefit plans liability	538,100	538,384
Other	518,792	580,788
Total liabilities	11,142,297	10,907,478
Preferred stock of subsidiaries - not subject to mandatory redemption	34,293	34,293
Commitments and contingencies (Notes 3 and 4)		
Shareholders' equity		
Preferred stock, no par value, authorized 10,000,000 shares; issued: none	—	—
Common stock, no par value, authorized 200,000,000 shares; issued and outstanding: 108,936,912 shares and 108,879,245 shares at March 31, 2019 and December 31, 2018, respectively	1,670,433	1,669,267
Retained earnings	554,451	543,623
Accumulated other comprehensive loss, net of tax benefits	(41,369)	(50,610)
Total shareholders' equity	2,183,515	2,162,280
Total liabilities and shareholders' equity	\$ 13,360,105	\$ 13,104,051

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(in thousands)	Common stock		Retained Earnings	Accumulated other comprehensive income (loss)	Total
	Shares	Amount			
Balance, December 31, 2018	108,879	\$ 1,669,267	\$ 543,623	\$ (50,610)	\$ 2,162,280
Net income for common stock	—	—	45,688	—	45,688
Other comprehensive loss, net of tax benefits	—	—	—	9,241	9,241
Share-based expenses and other, net	58	1,166	—	—	1,166
Common stock dividends (32¢ per share)	—	—	(34,860)	—	(34,860)
Balance, March 31, 2019	108,937	\$ 1,670,433	\$ 554,451	\$ (41,369)	\$ 2,183,515
Balance, December 31, 2017	108,788	\$ 1,662,491	\$ 476,836	\$ (41,941)	\$ 2,097,386
Net income for common stock	—	—	40,247	—	40,247
Other comprehensive loss, net of tax benefits	—	—	—	(12,773)	(12,773)
Share-based expenses and other, net	53	658	—	—	658
Common stock dividends (31¢ per share)	—	—	(33,741)	—	(33,741)
Balance, March 31, 2018	108,841	\$ 1,663,149	\$ 483,342	\$ (54,714)	\$ 2,091,777

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

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

(in thousands)	Three months ended March 31	
	2019	2018
Cash flows from operating activities		
Net income	\$ 46,161	\$ 40,720
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	57,435	53,091
Other amortization	9,792	8,745
Provision for loan losses	6,870	3,541
Loans originated and purchased, held for sale	(30,934)	(36,409)
Proceeds from sale of loans, held for sale	24,900	33,114
Deferred income taxes	(3,171)	(2,889)
Share-based compensation expense	2,162	1,657
Allowance for equity funds used during construction	(2,910)	(3,294)
Other	(3,482)	2,150
Changes in assets and liabilities		
Decrease (increase) in accounts receivable and unbilled revenues, net	57,949	(7,829)
Increase in fuel oil stock	(37,574)	(1,704)
Increase in regulatory assets	(5,040)	(16,900)
Increase in accounts, interest and dividends payable	10,413	22,808
Change in prepaid and accrued income taxes, tax credits and utility revenue taxes	(33,136)	(29,842)
Increase (decrease) in defined benefit pension and other postretirement benefit plans liability	3,220	(390)
Change in other assets and liabilities	(25,486)	(31,892)
Net cash provided by operating activities	77,169	34,677
Cash flows from investing activities		
Available-for-sale investment securities purchased	(4,334)	(88,403)
Principal repayments on available-for-sale investment securities	57,074	51,895
Principal repayments of held-to-maturity investment securities	1,681	1,032
Purchase of stock from Federal Home Loan Bank	(26,036)	(2,853)
Redemption of stock from Federal Home Loan Bank	26,560	2,400
Net increase in loans held for investment	(19,804)	(75,006)
Proceeds from sale of commercial loans	—	7,149
Proceeds from sale of real estate acquired in settlement of loans	402	589
Capital expenditures	(120,424)	(129,022)
Contributions to low income housing investments	(1,627)	(1,425)
Other	3,530	2,593
Net cash used in investing activities	(82,978)	(231,051)
Cash flows from financing activities		
Net increase in deposit liabilities	46,807	86,095
Net increase in short-term borrowings with original maturities of three months or less	11,407	120,485
Proceeds from issuance of short-term debt	25,000	—
Net increase (decrease) in retail repurchase agreements	(170)	11,946
Proceeds from other bank borrowings	644,000	60,000
Repayments of other bank borrowings	(664,000)	(60,000)
Proceeds from issuance of long-term debt	550	—
Withheld shares for employee taxes on vested share-based compensation	(996)	(991)
Common stock dividends	(34,860)	(33,741)
Preferred stock dividends of subsidiaries	(473)	(473)
Other	(4,257)	(4,043)
Net cash provided by financing activities	23,008	179,278
Net increase (decrease) in cash and cash equivalents	17,199	(17,096)
Cash and cash equivalents, beginning of period	169,208	261,881
Cash and cash equivalents, end of period	\$ 186,407	\$ 244,785

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

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

(in thousands)	Three months ended March 31	
	2019	2018
Revenues	\$ 578,495	\$ 570,427
Expenses		
Fuel oil	160,609	166,968
Purchased power	134,445	139,910
Other operation and maintenance	118,130	107,610
Depreciation	53,947	50,466
Taxes, other than income taxes	54,804	54,104
Total expenses	521,935	519,058
Operating income	56,560	51,369
Allowance for equity funds used during construction	2,910	3,294
Retirement defined benefits expense—other than service costs	(703)	(1,264)
Interest expense and other charges, net	(17,986)	(17,694)
Allowance for borrowed funds used during construction	1,078	1,444
Income before income taxes	41,859	37,149
Income taxes	9,234	9,175
Net income	32,625	27,974
Preferred stock dividends of subsidiaries	229	229
Net income attributable to Hawaiian Electric	32,396	27,745
Preferred stock dividends of Hawaiian Electric	270	270
Net income for common stock	\$ 32,126	\$ 27,475

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K. 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.

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

(in thousands)	Three months ended March 31	
	2019	2018
Net income for common stock	\$ 32,126	\$ 27,475
Other comprehensive income (loss), net of taxes:		
Retirement benefit plans:		
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of \$805 and \$1,614, respectively	2,322	4,653
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of \$797 and \$1,603, respectively	(2,298)	(4,622)
Other comprehensive income, net of taxes	24	31
Comprehensive income attributable to Hawaiian Electric Company, Inc.	\$ 32,150	\$ 27,506

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

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

(dollars in thousands, except par value)	March 31, 2019	December 31, 2018
Assets		
Property, plant and equipment		
Utility property, plant and equipment		
Land	\$ 49,667	\$ 49,667
Plant and equipment	6,874,568	6,809,671
Less accumulated depreciation	(2,615,214)	(2,577,342)
Construction in progress	247,317	233,145
Utility property, plant and equipment, net	4,556,338	4,515,141
Nonutility property, plant and equipment, less accumulated depreciation of \$1,256 and \$1,255 as of March 31, 2019 and December 31, 2018, respectively	6,960	6,961
Total property, plant and equipment, net	4,563,298	4,522,102
Current assets		
Cash and cash equivalents	8,381	35,877
Customer accounts receivable, net	137,413	177,896
Accrued unbilled revenues, net	95,905	121,738
Other accounts receivable, net	7,253	6,215
Fuel oil stock, at average cost	116,498	79,935
Materials and supplies, at average cost	56,584	55,204
Prepayments and other	33,887	32,118
Regulatory assets	72,018	71,016
Total current assets	527,939	579,999
Other long-term assets		
Operating lease right-of-use assets	221,261	—
Regulatory assets	754,168	762,410
Other	104,222	102,992
Total other long-term assets	1,079,651	865,402
Total assets	\$ 6,170,888	\$ 5,967,503
Capitalization and liabilities		
Capitalization		
Common stock (\$6 2/3 par value, authorized 50,000,000 shares; outstanding 16,751,488 shares at March 31, 2019 and December 31, 2018)	\$ 111,696	\$ 111,696
Premium on capital stock	681,305	681,305
Retained earnings	1,171,354	1,164,541
Accumulated other comprehensive loss, net of tax benefits-retirement benefit plans	123	99
Common stock equity	1,964,478	1,957,641
Cumulative preferred stock — not subject to mandatory redemption	34,293	34,293
Long-term debt, net	1,337,016	1,418,802
Total capitalization	3,335,787	3,410,736
Commitments and contingencies (Note 3)		
Current liabilities		
Current portion of operating lease liabilities	61,269	—
Current portion of long-term debt	81,957	—
Short-term borrowings from non-affiliates	55,999	25,000
Accounts payable	156,146	171,791
Interest and preferred dividends payable	27,608	23,215
Taxes accrued, including revenue taxes	193,334	233,333
Regulatory liabilities	12,613	17,977
Other	62,423	60,003
Total current liabilities	651,349	531,319
Deferred credits and other liabilities		
Operating lease liabilities	159,875	—
Deferred income taxes	382,672	383,197
Regulatory liabilities	940,606	932,259

Unamortized tax credits	91,569	91,522
Defined benefit pension and other postretirement benefit plans liability	503,404	503,659
Other	105,626	114,811
Total deferred credits and other liabilities	2,183,752	2,025,448
Total capitalization and liabilities	\$ 6,170,888	\$ 5,967,503

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

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

(in thousands)	Common stock		Premium on capital stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
	Shares	Amount				
Balance, December 31, 2018	16,751	\$ 111,696	\$ 681,305	\$ 1,164,541	\$ 99	\$ 1,957,641
Net income for common stock	—	—	—	32,126	—	32,126
Other comprehensive income, net of taxes	—	—	—	—	24	24
Common stock dividends	—	—	—	(25,313)	—	(25,313)
Balance, March 31, 2019	16,751	\$ 111,696	\$ 681,305	\$ 1,171,354	\$ 123	\$ 1,964,478
Balance, December 31, 2017	16,142	\$ 107,634	\$ 614,675	\$ 1,124,193	\$ (1,219)	\$ 1,845,283
Net income for common stock	—	—	—	27,475	—	27,475
Other comprehensive income, net of taxes	—	—	—	—	31	31
Common stock dividends	—	—	—	(25,826)	—	(25,826)
Common stock issuance expenses	—	—	(8)	—	—	(8)
Balance, March 31, 2018	16,142	\$ 107,634	\$ 614,667	\$ 1,125,842	\$ (1,188)	\$ 1,846,955

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

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

(in thousands)	Three months ended March 31	
	2019	2018
Cash flows from operating activities		
Net income	\$ 32,625	\$ 27,974
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	53,947	50,466
Other amortization	6,714	5,344
Deferred income taxes	(3,127)	(1,580)
Allowance for equity funds used during construction	(2,910)	(3,294)
Other	(1,817)	2,681
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	37,163	(15,037)
Decrease in accrued unbilled revenues	25,833	7,419
Increase in fuel oil stock	(36,564)	(1,850)
Increase in materials and supplies	(1,381)	(1,295)
Increase in regulatory assets	(5,040)	(16,900)
Increase (decrease) in accounts payable	(927)	5,143
Change in prepaid and accrued income taxes, tax credits and revenue taxes	(34,668)	(32,866)
Increase (decrease) in defined benefit pension and other postretirement benefit plans liability	2,991	(938)
Change in other assets and liabilities	(3,423)	4,513
Net cash provided by operating activities	69,416	29,780
Cash flows from investing activities		
Capital expenditures	(102,891)	(110,127)
Other	794	603
Net cash used in investing activities	(102,097)	(109,524)
Cash flows from financing activities		
Common stock dividends	(25,313)	(25,826)
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	5,999	116,984
Proceeds from other bank borrowings	25,000	—
Other	(2)	(33)
Net cash provided by financing activities	5,185	90,626
Net increase (decrease) in cash and cash equivalents	(27,496)	10,882
Cash and cash equivalents, beginning of period	35,877	12,517
Cash and cash equivalents, end of period	\$ 8,381	\$ 23,399

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2018 Form 10-K.

Note 1 · Basis of presentation

The accompanying unaudited condensed 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 unaudited condensed consolidated 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 condensed 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, 2018.

In the opinion of HEI's and Hawaiian Electric's management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments required by GAAP to fairly state consolidated HEI's and Hawaiian Electric's financial positions as of March 31, 2019 and December 31, 2018 and the results of their operations and cash flows for the three months ended March 31, 2019 and 2018. All such adjustments are of a normal recurring nature, unless otherwise disclosed below or in other referenced material. Results of operations for interim periods are not necessarily indicative of results for the full year.

Recent accounting pronouncements.

Leases. In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)," which requires that lessees recognize a liability to make lease payments (the lease liability) and a right-of-use (ROU) asset, representing its right to use the underlying asset for the lease term, for all leases (except short-term leases) at the commencement date. For finance leases, a lessee is required to recognize interest on the lease liability separately from amortization of the ROU asset in the consolidated statements of income. For operating leases, a lessee is required to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

The Company adopted ASU No. 2016-02 on January 1, 2019 and used the effective date as the date of initial application. Consequently, financial information for dates and periods before January 1, 2019 will not be updated and the disclosures required under the new standard will not be provided (i.e., the Company will continue to report comparative periods presented in the financial statements in the period of adoption under Accounting Standards Codification (ASC) 840, including the required disclosures under ASC 840).

The most significant effect of the new standard relates to the recognition of new ROU assets and lease liabilities on the Company's balance sheet for purchase power agreements and real estate operating leases. On adoption, the Company recognized lease liabilities of approximately \$257 million for the Company and approximately \$236 million for the Utilities (\$215 million related to PPAs), based on the present value of the remaining minimum rental payments, with corresponding ROU assets, under current leasing standards for existing operating leases. In determining the lease liability upon transition, the Company used the incremental borrowing rates as of the adoption date based on the remaining lease term and remaining lease payments. See Note 6 for more information.

Credit losses. In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU No. 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date (based on historical experience, current conditions and reasonable and supportable forecasts) and enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU No. 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The other-than-temporary impairment model of accounting for credit losses on available-for-sale debt securities will be replaced with an estimate of expected credit losses only when the fair value is below the amortized cost of the asset. The length of time the fair value of an available-for-sale debt security has been below the amortized cost will no longer impact the determination of whether a credit loss exists. The available-for-sale debt security model will also require the use of an allowance to record the estimated losses (and subsequent recoveries). The accounting for the initial recognition of the estimated expected credit losses for purchased financial assets with credit deterioration would be recognized through an allowance for credit losses with an offset to the cost basis of the related financial asset at acquisition (i.e., there is no impact to net income at initial recognition).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

The Company plans to adopt ASU No. 2016-13 in the first quarter of 2020. The guidance is to be applied on a modified retrospective basis with the cumulative effect of initially applying the amendments recognized in retained earnings at the date of initial application. The Company has assembled a project team that meets regularly to evaluate the provisions of this ASU, identify additional data requirements necessary and determine an approach for implementation. The team has assigned roles and responsibilities and developed key tasks to complete and a general timeline to be followed. The Company is evaluating the effect that this ASU will have on the consolidated financial statements and disclosures. Economic conditions and the composition of the Company's loan portfolio at the time of adoption will influence the extent of the adopting accounting adjustment.

Compensation-retirement benefits-defined benefit plans. In August 2018, the FASB issued ASU 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans," which makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. The new guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and requires new ones that the FASB considers pertinent. ASU No. 2018-14 is effective for fiscal years ending after December 15, 2020. The Company is evaluating the impact of the adoption of ASU No. 2018-14 on its financial statement disclosures, but does not expect it to have a material impact.

Reclassifications. Reclassifications made to prior year financial statements to conform to 2019 presentation include classifying contributions in aid of construction with capital expenditures in the cash flows from investing activities section of the condensed consolidated statements of cash flows for HEI and Hawaiian Electric.

Note 2 · Segment financial information

(in thousands)	Electric utility		Bank		Other		Total	
Three months ended March 31, 2019								
Revenues from external customers	\$	578,482	\$	83,052	\$	81	\$	661,615
Intersegment revenues (eliminations)		13		—		(13)		—
Revenues	\$	578,495	\$	83,052	\$	68	\$	661,615
Income (loss) before income taxes	\$	41,859	\$	26,162	\$	(9,982)	\$	58,039
Income taxes (benefit)		9,234		5,323		(2,679)		11,878
Net income (loss)		32,625		20,839		(7,303)		46,161
Preferred stock dividends of subsidiaries		499		—		(26)		473
Net income (loss) for common stock	\$	32,126	\$	20,839	\$	(7,277)	\$	45,688
Total assets (at March 31, 2019)	\$	6,170,888	\$	7,062,367	\$	126,850	\$	13,360,105
Three months ended March 31, 2018								
Revenues from external customers	\$	570,414	\$	75,419	\$	41	\$	645,874
Intersegment revenues (eliminations)		13		—		(13)		—
Revenues	\$	570,427	\$	75,419	\$	28	\$	645,874
Income (loss) before income taxes	\$	37,149	\$	24,500	\$	(8,373)	\$	53,276
Income taxes (benefit)		9,175		5,540		(2,159)		12,556
Net income (loss)		27,974		18,960		(6,214)		40,720
Preferred stock dividends of subsidiaries		499		—		(26)		473
Net income (loss) for common stock	\$	27,475	\$	18,960	\$	(6,188)	\$	40,247
Total assets (at December 31, 2018)	\$	5,967,503	\$	7,027,894	\$	108,654	\$	13,104,051

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 and the profit on such sales is nominal.

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 and the profit on such fees is nominal.

Hamakua Energy, LLC's (Hamakua Energy's) sales to Hawaii Electric Light (a regulated affiliate) are eliminated in consolidation.

Note 3 · Electric utility segment

HECO Capital Trust III. Trust III, a statutory trust, which was formed to effect the issuance of \$50 million of cumulative quarterly income preferred securities in 2004 (2004 Trust Preferred Securities), has at all times been a wholly-owned unconsolidated subsidiary of Hawaiian Electric. Trust III's balance sheets as of March 31, 2019 and December 31, 2018 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 statements for the three months ended March 31, 2019 and 2018 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. On April 12, 2019, Trust III issued a conditional notice of redemption to the holders of the Trust's outstanding 6.50% Series 2004 Trust Preferred Securities, indicating that it will be redeemed in whole on May 15, 2019.

Unconsolidated variable interest entities.

Power purchase agreements. As of March 31, 2019, the Utilities had four PPAs for firm capacity (excluding the PGV PPA as PGV has been offline since May 2018 due to lava flow on Hawaii Island) and other PPAs with independent power producers (IPPs) and Schedule Q providers (i.e., customers with cogeneration and/or power production facilities who buy power from or sell power to the Utilities), none of which is currently required to be consolidated as VIEs.

Pursuant to the current accounting standards for VIEs, the Utilities are deemed to have a variable interest in Kalaeloa Partners, L.P. (Kalaeloa), AES Hawaii, Inc. (AES Hawaii) and Hamakua Energy by reason of the provisions of the PPA that the Utilities have with the three IPPs. However, management has concluded that the Utilities are not the primary beneficiary of Kalaeloa, AES Hawaii and Hamakua Energy because the Utilities do not have the power to direct the activities that most significantly impact the three IPPs' economic performance nor the obligation to absorb their expected losses, if any, that could potentially be significant to the IPPs. Thus, the Utilities have not consolidated Kalaeloa, AES Hawaii and Hamakua Energy in its condensed consolidated financial statements. Hamakua Energy is an indirect subsidiary of Pacific Current and is consolidated in HEI's condensed consolidated financial statements.

For the other PPAs with IPPs, the Utilities have concluded that the consolidation of the IPPs was not required because either the Utilities do not have variable interests in the IPPs due to the absence of an obligation in the PPAs for the Utilities to absorb any variability of the IPPs, or the IPP was considered a "governmental organization," and thus excluded from the scope of accounting standards for VIEs. Two IPPs of as-available energy declined to provide the information necessary for Utilities to determine the applicability of accounting standards for VIEs. If information is ultimately received from the IPPs, a possible outcome of future analyses of such information is the consolidation of one or both of such IPPs in the unaudited condensed consolidated financial statements. The consolidation of any significant IPP could have a material effect on the unaudited condensed 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 to the IPP.

Commitments and contingencies.

Fuel Contracts. The fuel contract entered into in January 2019, by the Utilities and PAR Hawaii Refining, LLC, for the Utilities' low sulfur fuel oil, high sulfur fuel oil, No. 2 diesel, and ultra-low sulfur diesel requirements was approved by the PUC, and became effective on April 28, 2019. The existing fuel contracts with Island Energy Services, LLC (IES), terminated on April 27, 2019, as agreed with IES under a mutual termination and release agreement entered into in November 2018.

Contingencies. The Utilities are 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, the Utilities cannot rule out the possibility that such outcomes could have a material effect on the results of operations or liquidity for a particular reporting period in the future.

Interim rate increases. As of March 31, 2019, the Utilities recognized \$17 million of revenues with respect to the Maui Electric 2018 rate case interim order. On March 18, 2019, the PUC issued a final order which resulted in a refund of approximately \$0.5 million proposed to be returned to customers, starting June 2019.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Power purchase agreements. Purchases from all IPPs were as follows:

(in millions)	Three months ended March 31	
	2019	2018
Kalaeloa	\$ 40	\$ 40
AES Hawaii	32	37
HPOWER	18	15
Puna Geothermal Venture	—	11
Hamakua Energy	16	7
Wind IPPs	20	22
Solar IPPs	7	6
Other IPPs ¹	1	2
Total IPPs	\$ 134	\$ 140

¹ Includes hydro power and other PPAs

Kalaeloa Partners, L.P. Under a 1988 PPA, as amended, Hawaiian Electric is committed to purchase 208 MW of firm capacity from Kalaeloa. Hawaiian Electric and Kalaeloa are currently in negotiations to address the PPA term that ended on May 23, 2016. The PPA automatically extends on a month-to-month basis as long as the parties are still negotiating in good faith. Hawaiian Electric and Kalaeloa have agreed that neither party will terminate the PPA (which has been subject to automatic extension on a month-to-month basis) prior to October 31, 2019, to allow for a negotiated resolution and PUC approval.

AES Hawaii, Inc. Under a PPA entered into in March 1988, as amended (through Amendment No. 2) for a period of 30 years ending September 2022, Hawaiian Electric agreed to purchase 180 MW of firm capacity from AES Hawaii. Hawaiian Electric and AES Hawaii have been in dispute over an additional 9 MW of capacity. In February 2018, Hawaiian Electric reached agreement with AES Hawaii on an amendment to the PPA. However, in June 2018, the PUC issued an order suspending review of the amendment pending a DOH decision on AES' request for approval of its Emission Reduction Plan and partnership with Hawaiian Electric. If approved by the PUC, the amendment will resolve AES Hawaii's claims related to the additional capacity.

Hu Honua Bioenergy, LLC (Hu Honua). In May 2012, Hawaii Electric Light signed a PPA, which the PUC approved in December 2013, with Hu Honua for 21.5 MW of renewable, dispatchable firm capacity fueled by locally grown biomass from a facility on the island of Hawaii. Under the terms of the PPA, the Hu Honua plant was scheduled to be in service in 2016. However, Hu Honua encountered construction and litigation delays, which resulted in an amended and restated PPA between Hawaii Electric Light and Hu Honua dated May 5, 2017. In July 2017, the PUC approved the amended and restated PPA, which becomes effective once the PUC's order is final and non-appealable. In August 2017, the PUC's approval was appealed by a third party. The appeal is still pending. Hu Honua expects to complete construction of the plant by the end of September 2019, and begin commissioning activities in the fourth quarter of 2019.

Utility projects. Many public utility projects require PUC approval and various permits from other governmental agencies. Difficulties in obtaining, or the inability to obtain, the necessary approvals or permits can result in significantly increased project costs or even cancellation of projects. In the event a project does not proceed, or if it becomes probable the PUC will disallow cost recovery for all or part of a project, or if PUC-imposed caps on project costs are expected to be exceeded, project costs may need to be written off in amounts that could result in significant reductions in Hawaiian Electric's consolidated net income.

Enterprise Resource Planning/Enterprise Asset Management (ERP/EAM) implementation project. On August 11, 2016, the PUC approved the Utilities' request to commence the ERP/EAM implementation project, subject to certain conditions, including a cap on cost recovery as well as a requirement that the Utilities achieve future cost savings consistent with a minimum of \$244 million in ERP/EAM project-related benefits to be delivered to customers over the system's 12-year service life.

The ERP/EAM Implementation Project went live in October 2018. In the Hawaiian Electric 2017 rate case, a settlement agreement approved by the PUC included authorization for the deferred project costs to accrue a return at 1.75% after the project went into service and until the deferred project costs are included in rate base, and for amortization of the deferred costs to not begin until the amortization expense is incorporated in rates and the unamortized deferred project costs are included in rate base. As of March 31, 2019, the total deferred project costs and accrued carrying costs after the project went into service amounted to \$58.7 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

In February 2019, the PUC approved a methodology for passing the benefits of the new ERP/EAM system to customers developed by the Utilities in collaboration with the Consumer Advocate. The minimum of \$244 million in customer benefits to be delivered over the 12-year service life is comprised of \$141 million in future net O&M expense reductions and cost avoidance, and \$103 million in future cost avoidance related to capital cost and tax cost. The Utilities are required to file their Benefits Clarification filing by June 3, 2019.

West Loch PV Project. In June 2017, the PUC approved the expenditure of funds for Hawaiian Electric to build, own and operate a utility-owned, grid-tied 20-MW (ac) solar facility on property owned by the Department of the Navy, including a proposed project cost cap of \$67 million and a performance guarantee to provide energy at 9.56 cents/kWh or less to the system.

In approving the project, the PUC agreed that the project is eligible for recovery of costs offset by related net benefits under the newly-established major project interim recovery (MPIR) adjustment mechanism. (See “Decoupling” section below for MPIR guidelines and cost recovery discussion.) Hawaiian Electric has provided supplemental materials, as requested by the PUC, to support meeting the MPIR guidelines, accompanied by system performance guarantee and cost savings sharing mechanisms. A decision on these matters is pending.

Hawaiian Electric executed a fixed-price Engineering, Procurement, and Construction (EPC) contract for the project on December 6, 2017. The EPC contract includes the cost of the solar panels for the project, which is not subject to modification due to any tariffs that may be imposed under the current photovoltaic (PV) cell and module import tariffs. Construction of the facility began in the second quarter of 2018, and the facility is expected to be placed in service in the third quarter of 2019. Project costs incurred as of March 31, 2019 amounted to \$44.2 million.

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.

Hawaiian Electric, Hawaii Electric Light and Maui Electric, like other utilities, periodically encounter petroleum or other chemical releases associated with current or previous operations. The Utilities 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 effect, individually or in the aggregate, on Hawaiian Electric’s consolidated results of operations, financial condition or liquidity.

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 Environmental Protection Agency (EPA) has since identified environmental impacts in the subsurface soil at the Site. In cooperation with the Hawaii Department of Health and EPA, Maui Electric further investigated the Site and the Adjacent Parcel to determine the extent of impacts of polychlorinated biphenyls (PCBs), residual fuel oils and other subsurface contaminants. Maui Electric has a reserve balance of \$2.7 million as of March 31, 2019, representing the probable and reasonably estimable cost for remediation of the Site and the Adjacent Parcel; however, final costs of remediation will depend on cleanup approach implemented.

Pearl Harbor sediment study. In July 2014, the U.S. Navy notified Hawaiian Electric of the Navy’s determination that Hawaiian Electric is a Potentially Responsible Party responsible for the costs of investigation and cleanup of PCB contamination in sediment in the area offshore of the Waiiau Power Plant as part of the Pearl Harbor Superfund Site. Hawaiian Electric was also required to assess potential sources and extent of PCB contamination onshore at Waiiau Power Plant.

As of March 31, 2019, the reserve account balance recorded by Hawaiian Electric to address the PCB contamination was \$4.7 million. The reserve balance represents the probable and reasonably estimable cost for the onshore investigation and the remediation of PCB contamination in the offshore sediment. The final remediation costs will depend on the assessment of potential source control requirements for onshore sediment and actual offshore cleanup costs.

Regulatory proceedings

Decoupling. Decoupling is a regulatory model that is intended to provide the Utilities with financial stability and facilitate meeting the State of Hawaii’s goals to transition to a clean energy economy and achieve an aggressive renewable portfolio standard. The decoupling mechanism has the following major components: (1) monthly revenue balancing account (RBA) revenues or refunds for the difference between PUC-approved target revenues and recorded adjusted revenues, which delinks revenues from kilowatt-hour sales, (2) RAM revenues for escalation in certain O&M expenses and rate base changes, (3) MPIR component, (4) performance incentive mechanisms (PIMs), and (5) an earnings sharing mechanism, which would provide for a reduction of revenues between rate cases in the event the utility exceeds the return on average common equity

(ROACE) allowed in its most recent rate case. Under the decoupling mechanism, triennial general rate cases are required. On March 29, 2019, the Utilities filed the 2019 annual filing which is subject to PUC review.

Rate adjustment mechanism. The RAM is based on the lesser of: a) an inflationary adjustment for certain O&M expenses and return on investment for certain rate base changes, or b) cumulative annual compounded increase in Gross Domestic Product Price Index applied to annualized target revenues (the RAM Cap). Annualized target revenues reset upon the issuance of an interim or final decision and order (D&O) in a rate case.

The RAM Cap impacted the Utilities' recovery of capital investments as follows:

- Hawaiian Electric's RAM revenues were limited to the RAM Cap in 2018.
- Maui Electric's RAM revenues were below the RAM Cap in 2018.
- Hawaii Electric Light's RAM revenues were limited to the RAM Cap in 2018.

Major project interim recovery. On April 27, 2017, the PUC issued an order that provided guidelines for interim recovery of revenues to support major projects placed in service between general rate cases.

The PUC approved recovery of capital costs under the MPIR for Schofield Generating Station, which increased revenues in 2018 by \$3.6 million and will be collected in customer bills beginning in June 2019. In February 2019, Hawaiian Electric submitted an MPIR filing of \$19.8 million for 2019 (which accrued effective January 1, 2019) that included the 2019 return on project amount (up to the capped amount) in rate base, depreciation and incremental O&M expenses, for collection from June 2020 through May 2021.

Performance incentive mechanisms. The PUC has ordered the following PIMs.

- Service Quality performance incentives are measured on a calendar-year basis. The PIM tariff requires the performance targets, deadbands and the amount of maximum financial incentives used to determine the PIM financial incentive levels for each of the PIMs to be re-determined upon issuance of an interim or final order in a general rate case for each utility.
 - Service Reliability Performance measured by System Average Interruption Duration and Frequency Indexes (penalties only). Target performance is based on each utility's historical 10-year average performance with a deadband of one standard deviation. The maximum penalty for each performance index is 20 basis points applied to the common equity share of each respective utility's approved rate base (or maximum penalties of approximately \$6.7 million - for both indices in total for the three utilities).
 - Call Center Performance measured by the percentage of calls answered within 30 seconds. Target performance is based on the annual average performance for each utility for the most recent 8 quarters with a deadband of 3% above and below the target. The maximum penalty or incentive is 8 basis points applied to the common equity share of each respective utility's approved rate base (or maximum penalties or incentives of approximately \$1.3 million - in total for the three utilities).
 - The Utilities accrued \$2.1 million in estimated net service quality penalties for 2018, which will be reflected in the 2019 annual decoupling filing and will reduce customer rates in the period June 1, 2019 through May 31, 2020.
- Procurement of low-cost variable renewable resources through the request for proposal process in 2018 measured by comparison of the procurement price to target prices. The incentive is a percentage of the savings determined by comparing procured price to a target of 11.5 cents per kilowatt-hour for renewable projects with storage capability and 9.5 cents per kilowatt-hour for energy-only renewable projects. For PPAs filed by December 31, 2018 and subsequently approved by the PUC, the incentive is 20% of the savings, with a cap of \$3.5 million for the three utilities in total. For PPAs filed in January, February, and March 2019 and subsequently approved by the PUC, scaled incentives are 15%, 10% and 5%, respectively, of the savings for PPAs, with a cap of \$3 million for the three utilities in total. There are no penalties. On March 25, 2019, the PUC approved six contracts, which were filed by December 31, 2018 and qualified for incentives. Half of the incentive is earned upon PUC approval of the contract and the other half is eligible to be earned in the year following the in-service date of the projects. The Utilities accrued \$1.7 million in incentives in March 2019.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Annual decoupling filings. The Utilities filed annual decoupling filings on March 29, 2019, which are subject to PUC review. The net annual incremental amounts proposed to be collected (refunded) from June 1, 2019 through May 31, 2020 are as follows:

(in millions)	Hawaiian Electric		Hawaii Electric Light		Maui Electric	
2019 Annual incremental RAM adjusted revenues	\$	14.0	\$	3.5	\$	3.3
Annual change in accrued RBA balance as of December 31, 2018 (and associated revenue taxes)	\$	(12.2)	\$	(1.9)	\$	0.8
2017 Tax Act Adjustment*	\$	—	\$	—	\$	2.8
Performance Incentive Mechanism	\$	0.1	\$	—	\$	(0.4)
Net annual incremental amount to be collected under the tariffs	\$	1.9	\$	1.6	\$	6.5

* Maui Electric incorporated a \$2.8 million adjustment into its 2018 annual decoupling filing to incorporate the impact of the lower corporate income tax rate and the exclusion of the domestic production activities deduction, as a result of the 2017 Tax Cuts and Jobs Act (the Tax Act). This item is not recurring in 2019, therefore it is shown on this schedule of incremental changes as an increase.

Performance-based regulation proceeding. On April 18, 2018, the PUC issued an order, instituting a proceeding to investigate performance-based regulation (PBR). The PUC intends to provide a forum to collaboratively develop modifications or new components to better align utility and customer interests. The PUC stated that PBR seeks to utilize both revenue adjustment mechanisms and performance mechanisms to more strongly align utilities' incentives with customer interests.

The order stated that, in general, the PUC is interested in ratemaking elements and/or mechanisms that result in:

- Greater cost control and reduced rate volatility;
- Efficient investment and allocation of resources regardless of classification as capital or operating expense;
- Fair distribution of risks between utilities and customers; and
- Fulfillment of State policy goals.

Through this investigation, the PUC intends to: (1) identify specific areas of utility performance that should be improved; (2) determine appropriate metrics for measuring successful outcomes in those areas; and (3) establish reasonable financial rewards and/or penalties that are sufficient to incent the utility to achieve those outcomes.

The proceeding has two phases. Phase 1 examines the current regulatory framework and identifies those areas of utility performance that are deserving of further focus in Phase 2. The PUC provided staff reports to the parties, held technical workshops and the parties filed briefs on: 1) goals and outcomes and 2) assessment of the existing regulatory framework and 3) metrics. PUC staff issued a Phase 1 proposal, and parties filed statements of position on March 8, 2019 and reply statements of position on April 5, 2019. A PUC decision on Phase 1 is pending. Phase 2 will address design and implementation of performance incentive mechanisms, revenue adjustment mechanisms and other regulatory reforms.

Performance-based ratemaking legislation. On April 24, 2018, Act 005, Session Laws 2018 was signed into law, which establishes performance metrics that the PUC shall consider while establishing performance incentives and penalty mechanisms under a performance-based ratemaking model. The law requires that the PUC establish these performance-based ratemaking mechanisms on or before January 1, 2020. The PUC opened a proceeding on April 18, 2018. See "Performance-based regulation proceeding" above.

Most recent rate proceedings.

Hawaiian Electric consolidated 2014 and 2017 test year rate cases. On February 16, 2018, Hawaiian Electric implemented an interim increase of \$36 million. On April 13, 2018, Hawaiian Electric implemented an additional interim rate adjustment to adjust rates for the impact of the Tax Act.

On June 22, 2018, the PUC issued its Final D&O, approving final rate relief of a \$37.7 million increase before the Tax Act impact reduction of \$38.3 million, based on an ROACE of 9.5% and an overall rate of return of 7.57%. The PUC indicated that a revised ECRC mechanism shall reflect a 98%/2% fossil fuel generation cost risk-sharing split between ratepayers and Hawaiian Electric, with an annual maximum increase or decrease to revenues of \$2.5 million for the utility. On December 7, 2018, the PUC approved the ECRC tariff, consistent with the rate case order, with an effective date of January 1, 2019.

Hawaiian Electric 2020 test year rate case. On April 26, 2019, Hawaiian Electric filed a notice that it intends to file an application for a general rate increase after June 30, 2019, but not later than September 30, 2019, based on a 2020 calendar year test period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Maui Electric consolidated 2015 and 2018 test year rate cases. On August 9, 2018, the PUC approved an interim rate increase based on a stipulated settlement, that included the effects of the 2017 Tax Act, between Maui Electric and the Consumer Advocate. On March 18, 2019, the PUC issued its D&O, that approved, with certain modifications, the stipulated settlement, addressed all issues in the rate case, and directed the utility to file tariffs and rate schedules reflecting the provisions of the D&O. The D&O stated that a revised ECRC mechanism would replace the ECAC and effectuate the removal of the recovery of fuel and purchased power from base rates. It also stated that the ECRC shall reflect a 98%/2% fossil fuel generation cost risk-sharing split between ratepayers and Maui Electric, with an annual maximum increase or decrease to revenues to \$0.6 million for the utility.

On April 17, 2019, Maui Electric filed proposed tariffs, with an effective date of June 1, 2019, and rate schedules reflecting a final increase of \$12.2 million over revenues at current effective rates based on the approved 7.43% rate of return (which incorporates a ROACE of 9.5% and a capital structure that includes a 57% common equity capitalization) on a \$454 million rate base. Upon the approval of the ECRC tariff, Maui Electric will file revised tariffs to rebalance rates resulting from the recovery of all fuel and purchased energy through the ECRC and the removal of the recovery of these costs from base rates.

Hawaii Electric Light 2016 and 2019 test year rate cases. In August 2017, the PUC issued an order granting an interim rate increase of \$9.9 million based on the Stipulated Settlement Letter of Hawaii Electric Light and the Consumer Advocate filed on July 11, 2017 and an ROACE of 9.5% and subject to refund with interest, if it exceeds amounts allowed in a final order. The interim rate increase was implemented on August 31, 2017. On May 1, 2018, Hawaii Electric Light implemented an interim rate reduction of \$9.9 million which was primarily to incorporate the effects of the Tax Act. On June 29, 2018, the PUC issued its Final D&O, approving the rates implemented in the interim rate reduction. On January 15, 2019, the PUC approved the ECRC tariff with an effective date of February 1, 2019.

On December 14, 2018, Hawaii Electric Light filed an application for a general rate increase for its 2019 test year rate case, requesting an increase of \$13.4 million over revenues at current effective rates (for a 3.4% increase in revenues), based on an 8.3% rate of return (which incorporates a ROACE of 10.5%).

Condensed 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, which was issued by Hawaii Electric Light and Maui Electric to Trust III, since all of their voting capital stock is owned, and their obligations with respect to these securities have been fully and unconditionally guaranteed, on a subordinated basis, by 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Income
 Three months ended March 31, 2019

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	\$ 405,669	87,205	85,653	—	(32)	\$ 578,495
Expenses						
Fuel oil	108,922	20,842	30,845	—	—	160,609
Purchased power	105,223	19,177	10,045	—	—	134,445
Other operation and maintenance	81,178	18,736	18,216	—	—	118,130
Depreciation	35,867	10,453	7,627	—	—	53,947
Taxes, other than income taxes	38,631	8,105	8,068	—	—	54,804
Total expenses	369,821	77,313	74,801	—	—	521,935
Operating income	35,848	9,892	10,852	—	(32)	56,560
Allowance for equity funds used during construction	2,447	132	331	—	—	2,910
Equity in earnings of subsidiaries	11,849	—	—	—	(11,849)	—
Retirement defined benefits expense—other than service costs	(567)	(106)	(30)	—	—	(703)
Interest expense and other charges, net	(12,800)	(2,901)	(2,317)	—	32	(17,986)
Allowance for borrowed funds used during construction	902	56	120	—	—	1,078
Income before income taxes	37,679	7,073	8,956	—	(11,849)	41,859
Income taxes	5,283	1,770	2,181	—	—	9,234
Net income	32,396	5,303	6,775	—	(11,849)	32,625
Preferred stock dividends of subsidiaries	—	134	95	—	—	229
Net income attributable to Hawaiian Electric	32,396	5,169	6,680	—	(11,849)	32,396
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	\$ 32,126	5,169	6,680	—	(11,849)	\$ 32,126

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Income
 Three months ended March 31, 2019

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	\$ 32,126	5,169	6,680	—	(11,849)	\$ 32,126
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	2,322	352	289	—	(641)	2,322
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(2,298)	(351)	(289)	—	640	(2,298)
Other comprehensive income, net of taxes	24	1	—	—	(1)	24
Comprehensive income attributable to common shareholder	\$ 32,150	5,170	6,680	—	(11,850)	\$ 32,150

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Income
 Three months ended March 31, 2018

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	\$ 401,180	87,933	81,356	—	(42)	\$ 570,427
Expenses						
Fuel oil	114,498	18,487	33,983	—	—	166,968
Purchased power	107,370	23,834	8,706	—	—	139,910
Other operation and maintenance	72,940	16,098	18,572	—	—	107,610
Depreciation	34,439	10,055	5,972	—	—	50,466
Taxes, other than income taxes	38,167	8,212	7,725	—	—	54,104
Total expenses	367,414	76,686	74,958	—	—	519,058
Operating income	33,766	11,247	6,398	—	(42)	51,369
Allowance for equity funds used during construction	2,887	111	296	—	—	3,294
Equity in earnings of subsidiaries	9,325	—	—	—	(9,325)	—
Retirement defined benefits expense—other than service costs	(1,062)	(103)	(99)	—	—	(1,264)
Interest expense and other charges, net	(12,495)	(2,907)	(2,334)	—	42	(17,694)
Allowance for borrowed funds used during construction	1,238	64	142	—	—	1,444
Income before income taxes	33,659	8,412	4,403	—	(9,325)	37,149
Income taxes	5,914	2,177	1,084	—	—	9,175
Net income	27,745	6,235	3,319	—	(9,325)	27,974
Preferred stock dividends of subsidiaries	—	134	95	—	—	229
Net income attributable to Hawaiian Electric	27,745	6,101	3,224	—	(9,325)	27,745
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	\$ 27,475	6,101	3,224	—	(9,325)	\$ 27,475

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Comprehensive Income
 Three months ended March 31, 2018

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	\$ 27,475	6,101	3,224	—	(9,325)	\$ 27,475
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	4,653	675	562	—	(1,237)	4,653
Reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(4,622)	(675)	(562)	—	1,237	(4,622)
Other comprehensive income, net of taxes	31	—	—	—	—	31
Comprehensive income attributable to common shareholder	\$ 27,506	6,101	3,224	—	(9,325)	\$ 27,506

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Balance Sheet
 March 31, 2019

(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	\$ 40,449	5,606	3,612	—	—	\$ 49,667
Plant and equipment	4,505,063	1,262,332	1,107,173	—	—	6,874,568
Less accumulated depreciation	(1,548,895)	(554,438)	(511,881)	—	—	(2,615,214)
Construction in progress	200,399	14,520	32,398	—	—	247,317
Utility property, plant and equipment, net	3,197,016	728,020	631,302	—	—	4,556,338
Nonutility property, plant and equipment, less accumulated depreciation	5,313	115	1,532	—	—	6,960
Total property, plant and equipment, net	3,202,329	728,135	632,834	—	—	4,563,298
Investment in wholly owned subsidiaries, at equity	582,374	—	—	—	(582,374)	—
Current assets						
Cash and cash equivalents	2,994	3,825	1,461	101	—	8,381
Advances to affiliates	9,500	9,200	—	—	(18,700)	—
Customer accounts receivable, net	94,489	23,373	19,551	—	—	137,413
Accrued unbilled revenues, net	69,315	13,398	13,192	—	—	95,905
Other accounts receivable, net	10,667	1,447	1,967	—	(6,828)	7,253
Fuel oil stock, at average cost	91,090	10,796	14,612	—	—	116,498
Materials and supplies, at average cost	30,766	8,037	17,781	—	—	56,584
Prepayments and other	25,940	3,944	4,003	—	—	33,887
Regulatory assets	60,374	2,993	8,651	—	—	72,018
Total current assets	395,135	77,013	81,218	101	(25,528)	527,939
Other long-term assets						
Operating lease right-of-use assets	219,246	1,605	410	—	—	221,261
Regulatory assets	530,424	118,315	105,429	—	—	754,168
Other	71,528	16,076	16,618	—	—	104,222
Total other long-term assets	821,198	135,996	122,457	—	—	1,079,651
Total assets	\$ 5,001,036	941,144	836,509	101	(607,902)	\$ 6,170,888
Capitalization and liabilities						
Capitalization						
Common stock equity	\$ 1,964,478	298,497	283,776	101	(582,374)	\$ 1,964,478
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	938,284	217,775	180,957	—	—	1,337,016
Total capitalization	2,925,055	523,272	469,733	101	(582,374)	3,335,787
Current liabilities						
Current portion of operating lease liabilities	61,149	91	29	—	—	61,269
Current portion of long-term debt	61,968	—	19,989	—	—	81,957
Short-term borrowings from non-affiliates	55,999	—	—	—	—	55,999
Short-term borrowings from affiliate	9,200	—	9,500	—	(18,700)	—
Accounts payable	120,366	14,391	21,389	—	—	156,146
Interest and preferred dividends payable	19,629	4,073	3,929	—	(23)	27,608
Taxes accrued	135,189	29,238	28,907	—	—	193,334
Regulatory liabilities	3,981	3,882	4,750	—	—	12,613
Other	45,380	9,355	14,493	—	(6,805)	62,423
Total current liabilities	512,861	61,030	102,986	—	(25,528)	651,349
Deferred credits and other liabilities						
Operating lease liabilities	157,980	1,513	382	—	—	159,875

Deferred income taxes	271,098	53,967	57,607	—	—	382,672
Regulatory liabilities	664,229	177,240	99,137	—	—	940,606
Unamortized tax credits	60,323	16,366	14,880	—	—	91,569
Defined benefit pension and other postretirement benefit plans liability	359,109	72,991	71,304	—	—	503,404
Other	50,381	34,765	20,480	—	—	105,626
Total deferred credits and other liabilities	1,563,120	356,842	263,790	—	—	2,183,752
Total capitalization and liabilities	\$ 5,001,036	941,144	836,509	101	(607,902)	\$ 6,170,888

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Balance Sheet
 December 31, 2018

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Assets						
Property, plant and equipment						
Utility property, plant and equipment						
Land	\$ 40,449	5,606	3,612	—	—	\$ 49,667
Plant and equipment	4,456,090	1,259,553	1,094,028	—	—	6,809,671
Less accumulated depreciation	(1,523,861)	(547,848)	(505,633)	—	—	(2,577,342)
Construction in progress	193,677	8,781	30,687	—	—	233,145
Utility property, plant and equipment, net	3,166,355	726,092	622,694	—	—	4,515,141
Nonutility property, plant and equipment, less accumulated depreciation	5,314	115	1,532	—	—	6,961
Total property, plant and equipment, net	3,171,669	726,207	624,226	—	—	4,522,102
Investment in wholly owned subsidiaries, at equity	576,838	—	—	—	(576,838)	—
Current assets						
Cash and cash equivalents	16,732	15,623	3,421	101	—	35,877
Customer accounts receivable, net	125,960	26,483	25,453	—	—	177,896
Accrued unbilled revenues, net	88,060	17,051	16,627	—	—	121,738
Other accounts receivable, net	21,962	3,131	3,033	—	(21,911)	6,215
Fuel oil stock, at average cost	54,262	11,027	14,646	—	—	79,935
Materials and supplies, at average cost	30,291	7,155	17,758	—	—	55,204
Prepayments and other	23,214	5,212	3,692	—	—	32,118
Regulatory assets	60,093	3,177	7,746	—	—	71,016
Total current assets	420,574	88,859	92,376	101	(21,911)	579,999
Other long-term assets						
Regulatory assets	537,708	120,658	104,044	—	—	762,410
Other	69,749	15,944	17,299	—	—	102,992
Total other long-term assets	607,457	136,602	121,343	—	—	865,402
Total assets	\$ 4,776,538	951,668	837,945	101	(598,749)	\$ 5,967,503
Capitalization and liabilities						
Capitalization						
Common stock equity	\$ 1,957,641	295,874	280,863	101	(576,838)	\$ 1,957,641
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	1,000,137	217,749	200,916	—	—	1,418,802
Total capitalization	2,980,071	520,623	486,779	101	(576,838)	3,410,736
Current liabilities						
Short-term borrowings-non-affiliate	25,000	—	—	—	—	25,000
Accounts payable	126,384	20,045	25,362	—	—	171,791
Interest and preferred dividends payable	16,203	4,203	2,841	—	(32)	23,215
Taxes accrued	164,747	34,128	34,458	—	—	233,333
Regulatory liabilities	7,699	4,872	5,406	—	—	17,977
Other	46,391	15,077	20,414	—	(21,879)	60,003
Total current liabilities	386,424	78,325	88,481	—	(21,911)	531,319
Deferred credits and other liabilities						
Deferred income taxes	271,438	54,936	56,823	—	—	383,197
Regulatory liabilities	657,210	176,101	98,948	—	—	932,259
Unamortized tax credits	60,271	16,217	15,034	—	—	91,522
Defined benefit pension and other postretirement benefit plans liability	359,174	73,147	71,338	—	—	503,659
Other	61,950	32,319	20,542	—	—	114,811

Total deferred credits and other liabilities	1,410,043	352,720	262,685	—	—	2,025,448
Total capitalization and liabilities	\$ 4,776,538	951,668	837,945	101	(598,749)	\$ 5,967,503

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries

Condensed Consolidating Statement of Changes in Common Stock Equity

Three months ended March 31, 2019

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2018	\$ 1,957,641	295,874	280,863	101	(576,838)	\$ 1,957,641
Net income for common stock	32,126	5,169	6,680	—	(11,849)	32,126
Other comprehensive income, net of taxes	24	1	—	—	(1)	24
Common stock dividends	(25,313)	(2,545)	(3,767)	—	6,312	(25,313)
Common stock issuance expenses	—	(2)	—	—	2	—
Balance, March 31, 2019	\$ 1,964,478	298,497	283,776	101	(582,374)	\$ 1,964,478

Hawaiian Electric Company, Inc. and Subsidiaries

Condensed Consolidating Statement of Changes in Common Stock Equity

Three months ended March 31, 2018

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2017	\$ 1,845,283	286,647	270,265	101	(557,013)	\$ 1,845,283
Net income for common stock	27,475	6,101	3,224	—	(9,325)	27,475
Other comprehensive income, net of taxes	31	—	—	—	—	31
Common stock dividends	(25,826)	(3,821)	(3,006)	—	6,827	(25,826)
Common stock issuance expenses	(8)	—	—	—	—	(8)
Balance, March 31, 2018	\$ 1,846,955	288,927	270,483	101	(559,511)	\$ 1,846,955

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Cash Flows
 Three months ended March 31, 2019

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	\$ 32,396	5,303	6,775	—	(11,849)	\$ 32,625
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity in earnings of subsidiaries	(11,874)	—	—	—	11,849	(25)
Common stock dividends received from subsidiaries	6,311	—	—	—	(6,311)	—
Depreciation of property, plant and equipment	35,867	10,453	7,627	—	—	53,947
Other amortization	5,740	1,072	(98)	—	—	6,714
Deferred income taxes	(2,757)	(987)	617	—	—	(3,127)
Allowance for equity funds used during construction	(2,447)	(132)	(331)	—	—	(2,910)
Other	(1,288)	(145)	(384)	—	—	(1,817)
Changes in assets and liabilities:						
Decrease in accounts receivable	42,419	4,194	5,633	—	(15,083)	37,163
Decrease in accrued unbilled revenues	18,745	3,653	3,435	—	—	25,833
Decrease (increase) in fuel oil stock	(36,828)	230	34	—	—	(36,564)
Increase in materials and supplies	(475)	(883)	(23)	—	—	(1,381)
Increase in regulatory assets	(1,114)	(212)	(3,714)	—	—	(5,040)
Increase (decrease) in accounts payable	6,251	(4,253)	(2,925)	—	—	(927)
Change in prepaid and accrued income taxes, tax credits and revenue taxes	(25,874)	(4,078)	(4,716)	—	—	(34,668)
Increase in defined benefit pension and other postretirement benefit plans liability	2,322	313	356	—	—	2,991
Change in other assets and liabilities	(9,249)	(5,783)	(3,449)	—	15,083	(3,398)
Net cash provided by operating activities	58,145	8,745	8,837	—	(6,311)	69,416
Cash flows from investing activities						
Capital expenditures	(78,220)	(8,371)	(16,300)	—	—	(102,891)
Advances (to) from affiliates	(9,500)	(9,200)	—	—	18,700	—
Other	1,221	(293)	(134)	—	—	794
Net cash used in investing activities	(86,499)	(17,864)	(16,434)	—	18,700	(102,097)
Cash flows from financing activities						
Common stock dividends	(25,313)	(2,544)	(3,767)	—	6,311	(25,313)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(270)	(134)	(95)	—	—	(499)
Increase (decrease) in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less	15,199	—	9,500	—	(18,700)	5,999
Proceeds from other bank borrowings	25,000	—	—	—	—	25,000
Other	—	(1)	(1)	—	—	(2)
Net cash provided by (used in) financing activities	14,616	(2,679)	5,637	—	(12,389)	5,185
Net decrease in cash and cash equivalents	(13,738)	(11,798)	(1,960)	—	—	(27,496)
Cash and cash equivalents, beginning of period	16,732	15,623	3,421	101	—	35,877
Cash and cash equivalents, end of period	\$ 2,994	3,825	1,461	101	—	\$ 8,381

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Hawaiian Electric Company, Inc. and Subsidiaries
Condensed Consolidating Statement of Cash Flows
 Three months ended March 31, 2018

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	\$ 27,745	6,235	3,319	—	(9,325)	\$ 27,974
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity in earnings of subsidiaries	(9,350)	—	—	—	9,325	(25)
Common stock dividends received from subsidiaries	6,827	—	—	—	(6,827)	—
Depreciation of property, plant and equipment	34,439	10,055	5,972	—	—	50,466
Other amortization	3,237	1,554	553	—	—	5,344
Deferred income taxes	(271)	(1,806)	497	—	—	(1,580)
Allowance for equity funds used during construction	(2,887)	(111)	(296)	—	—	(3,294)
Other	2,868	(103)	(84)	—	—	2,681
Changes in assets and liabilities:						
Increase in accounts receivable	(13,255)	(2,048)	(1,396)	—	1,662	(15,037)
Increase in accrued unbilled revenues	6,558	758	103	—	—	7,419
Decrease (increase) in fuel oil stock	(1,322)	(803)	275	—	—	(1,850)
Decrease (increase) in materials and supplies	(1,095)	(550)	350	—	—	(1,295)
Increase in regulatory assets	(13,256)	(1,773)	(1,871)	—	—	(16,900)
Increase (decrease) in accounts payable	(2,028)	4,050	3,121	—	—	5,143
Change in prepaid and accrued income taxes, tax credits and revenue taxes	(25,892)	(1,882)	(5,532)	—	440	(32,866)
Decrease in defined benefit pension and other postretirement benefit plans liability	(592)	(198)	(148)	—	—	(938)
Change in other assets and liabilities	2,976	2,875	349	—	(1,662)	4,538
Net cash provided by operating activities	14,702	16,253	5,212	—	(6,387)	29,780
Cash flows from investing activities						
Capital expenditures	(80,899)	(14,505)	(14,723)	—	—	(110,127)
Advances (to) from affiliates	(3,000)	—	12,000	—	(9,000)	—
Other	269	264	510	—	(440)	603
Net cash used in investing activities	(83,630)	(14,241)	(2,213)	—	(9,440)	(109,524)
Cash flows from financing activities						
Common stock dividends	(25,826)	(3,821)	(3,006)	—	6,827	(25,826)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(270)	(134)	(95)	—	—	(499)
Net increase in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less	104,984	3,000	—	—	9,000	116,984
Other	(31)	(2)	—	—	—	(33)
Net cash provided by (used in) financing activities	78,857	(957)	(3,101)	—	15,827	90,626
Net increase (decrease) in cash and cash equivalents	9,929	1,055	(102)	—	—	10,882
Cash and cash equivalents, beginning of period	2,059	4,025	6,332	101	—	12,517
Cash and cash equivalents, end of period	\$ 11,988	5,080	6,230	101	—	\$ 23,399

Note 4 · Bank segment

Selected financial information

American Savings Bank, F.S.B.

Statements of Income Data

(in thousands)	Three months ended March 31	
	2019	2018
Interest and dividend income		
Interest and fees on loans	\$ 57,860	\$ 52,800
Interest and dividends on investment securities	10,628	9,202
Total interest and dividend income	68,488	62,002
Interest expense		
Interest on deposit liabilities	4,252	2,957
Interest on other borrowings	528	496
Total interest expense	4,780	3,453
Net interest income	63,708	58,549
Provision for loan losses	6,870	3,541
Net interest income after provision for loan losses	56,838	55,008
Noninterest income		
Fees from other financial services	4,562	4,654
Fee income on deposit liabilities	5,078	5,189
Fee income on other financial products	1,593	1,654
Bank-owned life insurance	2,259	871
Mortgage banking income	614	613
Other income, net	458	436
Total noninterest income	14,564	13,417
Noninterest expense		
Compensation and employee benefits	25,512	24,440
Occupancy	4,670	4,280
Data processing	3,738	3,464
Services	2,426	3,047
Equipment	2,064	1,728
Office supplies, printing and postage	1,360	1,507
Marketing	990	645
FDIC insurance	626	713
Other expense	3,854	4,101
Total noninterest expense	45,240	43,925
Income before income taxes	26,162	24,500
Income taxes	5,323	5,540
Net income	\$ 20,839	\$ 18,960

Reconciliation to amounts per HEI Condensed Consolidated Statements of Income*:

(in thousands)	Three months ended March 31	
	2019	2018
Interest and dividend income	\$ 68,488	\$ 62,002
Noninterest income	14,564	13,417
*Revenues-Bank	83,052	75,419
Total interest expense	4,780	3,453
Provision for loan losses	6,870	3,541
Noninterest expense	45,240	43,925
Less: Retirement defined benefits gain (expense)—other than service costs	40	(387)
*Expenses-Bank	56,930	50,532
*Operating income-Bank	26,122	24,887
Add back: Retirement defined benefits gain (expense)—other than service costs	(40)	387
Income before income taxes	\$ 26,162	\$ 24,500

American Savings Bank, F.S.B.

Statements of Comprehensive Income Data

(in thousands)	Three months ended March 31	
	2019	2018
Net income	\$ 20,839	\$ 18,960
Other comprehensive income (loss), net of taxes:		
Net unrealized gains (losses) on available-for-sale investment securities:		
Net unrealized gains (losses) on available-for-sale investment securities arising during the period, net of (taxes) benefits of \$(3,455) and \$4,867, respectively	9,439	(13,297)
Retirement benefit plans:		
Adjustment for amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of (taxes) benefits of \$(1,166) and \$694, respectively	(3,187)	1,222
Other comprehensive income (loss), net of taxes	6,252	(12,075)
Comprehensive income	\$ 27,091	\$ 6,885

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

American Savings Bank, F.S.B.

Balance Sheets Data

(in thousands)	March 31, 2019	December 31, 2018
Assets		
Cash and due from banks	\$ 136,585	\$ 122,059
Interest-bearing deposits	31,703	4,225
Investment securities		
Available-for-sale, at fair value	1,348,263	1,388,533
Held-to-maturity, at amortized cost (fair value of \$142,333 and \$142,057, respectively)	140,203	141,875
Stock in Federal Home Loan Bank, at cost	9,434	9,958
Loans held for investment	4,858,180	4,843,021
Allowance for loan losses	(54,297)	(52,119)
Net loans	4,803,883	4,790,902
Loans held for sale, at lower of cost or fair value	8,136	1,805
Other	501,970	486,347
Goodwill	82,190	82,190
Total assets	\$ 7,062,367	\$ 7,027,894
Liabilities and shareholder's equity		
Deposit liabilities—noninterest-bearing	\$ 1,879,244	\$ 1,800,727
Deposit liabilities—interest-bearing	4,326,415	4,358,125
Other borrowings	89,870	110,040
Other	122,651	124,613
Total liabilities	6,418,180	6,393,505
Commitments and contingencies		
Common stock	1	1
Additional paid-in capital	347,877	347,170
Retained earnings	328,125	325,286
Accumulated other comprehensive loss, net of tax benefits		
Net unrealized losses on securities	\$ (14,984)	\$ (24,423)
Retirement benefit plans	(16,832)	(31,816)
(13,645)	(38,068)	
Total shareholder's equity	644,187	634,389
Total liabilities and shareholder's equity	\$ 7,062,367	\$ 7,027,894
Other assets		
Bank-owned life insurance	\$ 150,705	\$ 151,172
Premises and equipment, net	208,309	214,415
Accrued interest receivable	20,654	20,140
Mortgage-servicing rights	7,897	8,062
Low-income housing equity investments	65,428	67,626
Real estate acquired in settlement of loans, net	—	406
Real estate held for sale	9,014	—
Other	39,963	24,526
	\$ 501,970	\$ 486,347
Other liabilities		
Accrued expenses	\$ 36,067	\$ 54,084
Federal and state income taxes payable	5,391	2,012
Cashier's checks	27,432	26,906
Advance payments by borrowers	5,956	10,183
Other	47,805	31,428
	\$ 122,651	\$ 124,613

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

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.

Other borrowings consisted of securities sold under agreements to repurchase and advances from the Federal Home Loan Bank (FHLB) of \$65 million and \$25 million, respectively, as of March 31, 2019 and \$65 million and \$45 million, respectively, as of December 31, 2018.

Investment securities. The major components of investment securities were as follows:

(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Gross unrealized losses					
					Less than 12 months			12 months or longer		
					Number of issues	Fair value	Amount	Number of issues	Fair value	Amount
March 31, 2019										
Available-for-sale										
U.S. Treasury and federal agency obligations	\$ 142,179	\$ 93	\$ (1,428)	\$ 140,844	2	\$ 10,022	\$ (7)	20	\$ 117,499	\$ (1,421)
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	1,149,167	1,318	(21,498)	1,128,987	3	13,792	(10)	161	1,010,168	(21,488)
Corporate bonds	49,417	1,045	—	50,462	—	—	—	—	—	—
Mortgage revenue bonds	27,970	—	—	27,970	—	—	—	—	—	—
	\$ 1,368,733	\$ 2,456	\$ (22,926)	\$ 1,348,263	5	\$ 23,814	\$ (17)	181	\$ 1,127,667	\$ (22,909)
Held-to-maturity										
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	\$ 140,203	\$ 2,528	\$ (398)	\$ 142,333	—	\$ —	\$ —	3	\$ 39,027	\$ (398)
	\$ 140,203	\$ 2,528	\$ (398)	\$ 142,333	—	\$ —	\$ —	3	\$ 39,027	\$ (398)
December 31, 2018										
Available-for-sale										
U.S. Treasury and federal agency obligations	\$ 156,694	\$ 62	\$ (2,407)	\$ 154,349	5	\$ 25,882	\$ (208)	19	\$ 118,405	\$ (2,199)
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	1,192,169	789	(31,542)	1,161,416	22	129,011	(1,330)	145	947,890	(30,212)
Corporate bonds	49,398	103	(369)	49,132	6	23,175	(369)	—	—	—
Mortgage revenue bonds	23,636	—	—	23,636	—	—	—	—	—	—
	\$ 1,421,897	\$ 954	\$ (34,318)	\$ 1,388,533	33	\$ 178,068	\$ (1,907)	164	\$ 1,066,295	\$ (32,411)
Held-to-maturity										
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	\$ 141,875	\$ 1,446	\$ (1,264)	\$ 142,057	3	\$ 29,814	\$ (400)	2	\$ 31,505	\$ (864)
	\$ 141,875	\$ 1,446	\$ (1,264)	\$ 142,057	3	\$ 29,814	\$ (400)	2	\$ 31,505	\$ (864)

ASB does not believe that the investment securities that were in an unrealized loss position at March 31, 2019, represent an other-than-temporary impairment (OTTI). Total gross unrealized losses were primarily attributable to change in market conditions. On a quarterly basis the investment securities are evaluated for changes in financial condition of the issuer. Based upon ASB's evaluation, all securities held within the investment portfolio continue to be investment grade by one or more agencies. The contractual cash flows of the U.S. Treasury, federal agency obligations and agency mortgage-backed securities are backed by the full faith and credit guaranty of the United States government or an agency of the government. ASB does not intend to sell the securities before the recovery of its amortized cost basis and there have been no adverse changes in the timing of the contractual cash flows for the securities. ASB did not recognize OTTI for the quarters ended March 31, 2019 and 2018.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

U.S. Treasury, federal agency obligations, corporate bonds, and mortgage revenue bonds have contractual terms to maturity. Mortgage-backed securities have contractual terms to maturity, but require periodic payments to reduce principal. In addition, expected maturities will differ from contractual maturities because borrowers have the right to prepay the underlying mortgages.

The contractual maturities of investment securities were as follows:

March 31, 2019	Amortized cost	Fair value
(in thousands)		
Available-for-sale		
Due in one year or less	\$ 15,000	\$ 14,960
Due after one year through five years	133,142	133,294
Due after five years through ten years	55,997	55,595
Due after ten years	15,427	15,427
	219,566	219,276
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	1,149,167	1,128,987
Total available-for-sale securities	\$ 1,368,733	\$ 1,348,263
Held-to-maturity		
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	\$ 140,203	\$ 142,333
Total held-to-maturity securities	\$ 140,203	\$ 142,333

Proceeds from the sale of available-for-sale securities were nil for both the three months ended March 31, 2019 and 2018. Gross realized gains and losses were nil for both the three months ended March 31, 2019 and 2018.

Loans. The components of loans were summarized as follows:

	March 31, 2019	December 31, 2018
(in thousands)		
Real estate:		
Residential 1-4 family	\$ 2,159,886	\$ 2,143,397
Commercial real estate	737,489	748,398
Home equity line of credit	995,624	978,237
Residential land	12,941	13,138
Commercial construction	98,734	92,264
Residential construction	10,924	14,307
Total real estate	4,015,598	3,989,741
Commercial	576,235	587,891
Consumer	266,437	266,002
Total loans	4,858,270	4,843,634
Less: Deferred fees and discounts	(90)	(613)
Allowance for loan losses	(54,297)	(52,119)
Total loans, net	\$ 4,803,883	\$ 4,790,902

ASB's policy is to require private mortgage insurance on all real estate loans when the loan-to-value ratio of the property exceeds 80% of the lower of the appraised value or purchase price at origination. For non-owner occupied residential properties, the loan-to-value ratio may not exceed 80% of the lower of the appraised value or purchase price at origination. ASB is subject to the risk that the private mortgage insurance company cannot satisfy the bank's claim on policies.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Allowance for loan losses. 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	Total
Three months ended March 31, 2019									
Allowance for loan losses:									
Beginning balance	\$ 1,976	\$ 14,505	\$ 6,371	\$ 479	\$ 2,790	\$ 4	\$ 9,225	\$ 16,769	\$ 52,119
Charge-offs	(14)	—	—	—	—	—	(618)	(5,559)	(6,191)
Recoveries	609	—	5	7	—	—	180	698	1,499
Provision	(660)	320	117	(61)	53	(1)	2,027	5,075	6,870
Ending balance	\$ 1,911	\$ 14,825	\$ 6,493	\$ 425	\$ 2,843	\$ 3	\$ 10,814	\$ 16,983	\$ 54,297
March 31, 2019									
Ending balance: individually evaluated for impairment	\$ 771	\$ 7	\$ 491	\$ 4	\$ —	\$ —	\$ 2,965	\$ 4	\$ 4,242
Ending balance: collectively evaluated for impairment	\$ 1,140	\$ 14,818	\$ 6,002	\$ 421	\$ 2,843	\$ 3	\$ 7,849	\$ 16,979	\$ 50,055
Financing Receivables:									
Ending balance	\$ 2,159,886	\$ 737,489	\$ 995,624	\$ 12,941	\$ 98,734	\$ 10,924	\$ 576,235	\$ 266,437	\$ 4,858,270
Ending balance: individually evaluated for impairment	\$ 17,403	\$ 902	\$ 14,046	\$ 2,065	\$ —	\$ —	\$ 15,895	\$ 88	\$ 50,399
Ending balance: collectively evaluated for impairment	\$ 2,142,483	\$ 736,587	\$ 981,578	\$ 10,876	\$ 98,734	\$ 10,924	\$ 560,340	\$ 266,349	\$ 4,807,871
Three months ended March 31, 2018									
Allowance for loan losses:									
Beginning balance	\$ 2,902	\$ 15,796	\$ 7,522	\$ 896	\$ 4,671	\$ 12	\$ 10,851	\$ 10,987	\$ 53,637
Charge-offs	(31)	—	—	(8)	—	—	(602)	(4,232)	(4,873)
Recoveries	54	—	14	5	—	—	1,170	347	1,590
Provision	(400)	163	446	(219)	(310)	(8)	(1,064)	4,933	3,541
Ending balance	\$ 2,525	\$ 15,959	\$ 7,982	\$ 674	\$ 4,361	\$ 4	\$ 10,355	\$ 12,035	\$ 53,895
December 31, 2018									
Ending balance: individually evaluated for impairment	\$ 876	\$ 7	\$ 701	\$ 6	\$ —	\$ —	\$ 628	\$ 4	\$ 2,222
Ending balance: collectively evaluated for impairment	\$ 1,100	\$ 14,498	\$ 5,670	\$ 473	\$ 2,790	\$ 4	\$ 8,597	\$ 16,765	\$ 49,897
Financing Receivables:									
Ending balance	\$ 2,143,397	\$ 748,398	\$ 978,237	\$ 13,138	\$ 92,264	\$ 14,307	\$ 587,891	\$ 266,002	\$ 4,843,634
Ending balance: individually evaluated for impairment	\$ 16,494	\$ 915	\$ 14,800	\$ 2,059	\$ —	\$ —	\$ 5,340	\$ 89	\$ 39,697
Ending balance: collectively evaluated for impairment	\$ 2,126,903	\$ 747,483	\$ 963,437	\$ 11,079	\$ 92,264	\$ 14,307	\$ 582,551	\$ 265,913	\$ 4,803,937

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, commercial real estate and commercial construction loans.

Each commercial and commercial real estate loan is assigned an Asset Quality Rating (AQR) reflecting the likelihood of repayment or orderly liquidation of that loan transaction pursuant to regulatory credit classifications: Pass, Special Mention, Substandard, Doubtful and Loss. The AQR is a function of the probability of default model rating, the loss given default and possible non-model factors which impact the ultimate collectability of the loan such as character of the business owner/guarantor, interim period performance, litigation, tax liens and major changes in business and economic conditions. 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. Special Mention loans have potential weaknesses that, if left uncorrected, could jeopardize the liquidation of the debt. Substandard loans have well-defined weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the Bank may sustain some loss. An asset classified Doubtful has the weaknesses of those classified Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. An asset classified Loss is considered uncollectible and has such little value that its continuance as a bankable asset is not warranted.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

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

(in thousands)	March 31, 2019				December 31, 2018			
	Commercial real estate	Commercial construction	Commercial	Total	Commercial real estate	Commercial construction	Commercial	Total
Grade:								
Pass	\$ 659,853	\$ 96,445	\$ 534,127	\$ 1,290,425	\$ 658,288	\$ 89,974	\$ 547,640	\$ 1,295,902
Special mention	7,960	—	11,148	19,108	32,871	—	11,598	44,469
Substandard	69,676	2,289	30,960	102,925	57,239	2,290	28,653	88,182
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 737,489	\$ 98,734	\$ 576,235	\$ 1,412,458	\$ 748,398	\$ 92,264	\$ 587,891	\$ 1,428,553

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, 2019							
Real estate:							
Residential 1-4 family	\$ 2,625	\$ 2,954	\$ 3,866	\$ 9,445	\$ 2,150,441	\$ 2,159,886	\$ —
Commercial real estate	2,225	—	—	2,225	735,264	737,489	—
Home equity line of credit	1,244	251	2,726	4,221	991,403	995,624	—
Residential land	818	488	9	1,315	11,626	12,941	—
Commercial construction	—	—	—	—	98,734	98,734	—
Residential construction	—	—	—	—	10,924	10,924	—
Commercial	3,167	570	337	4,074	572,161	576,235	—
Consumer	4,173	2,551	2,458	9,182	257,255	266,437	—
Total loans	\$ 14,252	\$ 6,814	\$ 9,396	\$ 30,462	\$ 4,827,808	\$ 4,858,270	\$ —
December 31, 2018							
Real estate:							
Residential 1-4 family	\$ 3,757	\$ 2,773	\$ 2,339	\$ 8,869	\$ 2,134,528	\$ 2,143,397	\$ —
Commercial real estate	—	—	—	—	748,398	748,398	—
Home equity line of credit	1,139	681	2,720	4,540	973,697	978,237	—
Residential land	9	—	319	328	12,810	13,138	—
Commercial construction	—	—	—	—	92,264	92,264	—
Residential construction	—	—	—	—	14,307	14,307	—
Commercial	315	281	548	1,144	586,747	587,891	—
Consumer	5,220	3,166	2,702	11,088	254,914	266,002	—
Total loans	\$ 10,440	\$ 6,901	\$ 8,628	\$ 25,969	\$ 4,817,665	\$ 4,843,634	\$ —

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

The credit risk profile based on nonaccrual loans, accruing loans 90 days or more past due and troubled debt restructuring (TDR) loans was as follows:

(in thousands)	March 31, 2019	December 31, 2018
Real estate:		
Residential 1-4 family	\$ 13,878	\$ 12,037
Commercial real estate	—	—
Home equity line of credit	6,888	6,348
Residential land	452	436
Commercial construction	—	—
Residential construction	—	—
Commercial	14,447	4,278
Consumer	4,542	4,196
Total nonaccrual loans	\$ 40,207	\$ 27,295
Real estate:		
Residential 1-4 family	\$ —	\$ —
Commercial real estate	—	—
Home equity line of credit	—	—
Residential land	—	—
Commercial construction	—	—
Residential construction	—	—
Commercial	—	—
Consumer	—	—
Total accruing loans 90 days or more past due	\$ —	\$ —
Real estate:		
Residential 1-4 family	\$ 10,145	\$ 10,194
Commercial real estate	902	915
Home equity line of credit	11,013	11,597
Residential land	1,613	1,622
Commercial construction	—	—
Residential construction	—	—
Commercial	1,622	1,527
Consumer	61	62
Total troubled debt restructured loans not included above	\$ 25,356	\$ 25,917

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

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

(in thousands)	March 31, 2019			Three months ended March 31, 2019	
	Recorded investment	Unpaid principal balance	Related Allowance	Average recorded investment	Interest income recognized*
With no related allowance recorded					
Real estate:					
Residential 1-4 family	\$ 9,208	\$ 9,833	\$ —	\$ 7,991	\$ 160
Commercial real estate	—	—	—	—	—
Home equity line of credit	2,508	2,778	—	2,534	12
Residential land	2,036	2,235	—	2,036	26
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial	4,736	5,897	—	3,973	—
Consumer	31	31	—	31	—
	\$ 18,519	\$ 20,774	\$ —	\$ 16,565	\$ 198
With an allowance recorded					
Real estate:					
Residential 1-4 family	\$ 8,195	\$ 8,248	\$ 771	\$ 8,394	\$ 83
Commercial real estate	902	902	7	906	10
Home equity line of credit	11,538	11,577	491	11,823	130
Residential land	29	29	4	29	—
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial	11,159	11,159	2,965	4,750	26
Consumer	57	57	4	57	1
	\$ 31,880	\$ 31,972	\$ 4,242	\$ 25,959	\$ 250
Total					
Real estate:					
Residential 1-4 family	\$ 17,403	\$ 18,081	\$ 771	\$ 16,385	\$ 243
Commercial real estate	902	902	7	906	10
Home equity line of credit	14,046	14,355	491	14,357	142
Residential land	2,065	2,264	4	2,065	26
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial	15,895	17,056	2,965	8,723	26
Consumer	88	88	4	88	1
	\$ 50,399	\$ 52,746	\$ 4,242	\$ 42,524	\$ 448

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

(in thousands)	December 31, 2018			Three months ended March 31, 2018	
	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized*
With no related allowance recorded					
Real estate:					
Residential 1-4 family	\$ 7,822	\$ 8,333	\$ —	\$ 8,496	\$ 107
Commercial real estate	—	—	—	—	—
Home equity line of credit	2,743	3,004	—	1,700	5
Residential land	2,030	2,228	—	1,168	5
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial	3,722	4,775	—	2,357	10
Consumer	32	32	—	7	—
	\$ 16,349	\$ 18,372	\$ —	\$ 13,728	\$ 127
With an allowance recorded					
Real estate:					
Residential 1-4 family	\$ 8,672	\$ 8,875	\$ 876	\$ 9,129	\$ 93
Commercial real estate	915	915	7	1,008	11
Home equity line of credit	12,057	12,086	701	7,741	81
Residential land	29	29	6	77	2
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial	1,618	1,618	628	1,957	36
Consumer	57	57	4	58	1
	\$ 23,348	\$ 23,580	\$ 2,222	\$ 19,970	\$ 224
Total					
Real estate:					
Residential 1-4 family	\$ 16,494	\$ 17,208	\$ 876	\$ 17,625	\$ 200
Commercial real estate	915	915	7	1,008	11
Home equity line of credit	14,800	15,090	701	9,441	86
Residential land	2,059	2,257	6	1,245	7
Commercial construction	—	—	—	—	—
Residential construction	—	—	—	—	—
Commercial	5,340	6,393	628	4,314	46
Consumer	89	89	4	65	1
	\$ 39,697	\$ 41,952	\$ 2,222	\$ 33,698	\$ 351

* Since loan was classified as impaired.

Troubled debt restructurings. A loan modification is deemed to be a TDR when the borrower is determined to be experiencing financial difficulties and ASB grants a concession it would not otherwise consider.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Loan modifications that occurred during the first quarters of 2019 and 2018 were as follows:

Loans modified as a TDR (dollars in thousands)	Three months ended March 31, 2019			Three months ended March 31, 2018		
	Number of contracts	Outstanding recorded investment (as of period end) ¹	Related allowance (as of period end)	Number of contracts	Outstanding recorded investment (as of period end) ¹	Related allowance (as of period end)
Troubled debt restructurings						
Real estate:						
Residential 1-4 family	8	\$ 1,048	\$ 5	1	\$ 345	\$ 107
Commercial real estate	—	—	—	—	—	—
Home equity line of credit	2	264	23	18	2,155	417
Residential land	1	335	—	—	—	—
Commercial construction	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—
Commercial	1	195	17	5	2,213	—
Consumer	—	—	—	—	—	—
	12	\$ 1,842	\$ 45	24	\$ 4,713	\$ 524

Loans modified in TDRs that experienced a payment default of 90 days or more during the first quarters of 2019 and 2018, and for which the payment of default occurred within one year of the modification, were as follows:

(dollars in thousands)	Three months ended March 31, 2019		Three months ended March 31, 2018	
	Number of contracts	Outstanding recorded investment (as of period end) ¹	Number of contracts	Outstanding recorded investment (as of period end) ¹
TDRs that defaulted during the period within twelve months of their modification date				
Real estate:				
Residential 1-4 family	—	\$ —	1	\$ 49
Commercial real estate	—	—	—	—
Home equity line of credit	—	—	1	86
Residential land	—	—	—	—
Commercial construction	—	—	—	—
Residential construction	—	—	—	—
Commercial	1	19	—	—
Consumer	—	—	—	—
	1	\$ 19	2	\$ 135

¹ The period end balances reflect all paydowns and charge-offs since the modification period. TDRs fully paid off, charged-off, or foreclosed upon by period end are not included.

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 loan terms have been modified in a TDR totaled nil at March 31, 2019 and December 31, 2018.

The Company had \$5.2 million and \$4.2 million of consumer mortgage loans collateralized by residential real estate property that were in the process of foreclosure at March 31, 2019 and December 31, 2018, respectively.

Mortgage servicing rights (MSRs). In its mortgage banking business, ASB sells residential mortgage loans to government-sponsored entities and other parties, who may issue securities backed by pools of such loans. ASB retains no beneficial interests in these loans other than the servicing rights of certain loans sold.

ASB received proceeds from the sale of residential mortgages of \$24.9 million and \$33.1 million for the three months ended March 31, 2019 and 2018, respectively, and recognized gains on such sales of \$0.6 million for both of these periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

There were no repurchased mortgage loans for the three months ended March 31, 2019 and 2018. The repurchase reserve was \$0.1 million as of March 31, 2019 and 2018.

Mortgage servicing fees, a component of other income, net, were \$0.7 million for both the three months ended March 31, 2019 and 2018.

Changes in the carrying value of MSR were as follows:

(in thousands)	Gross carrying amount	Accumulated amortization	Valuation allowance	Net carrying amount
March 31, 2019	\$ 18,786	\$ (10,889)	\$ —	\$ 7,897
December 31, 2018	18,556	(10,494)	—	8,062

Changes related to MSR were as follows:

(in thousands)	Three months ended March 31	
	2019	2018
Mortgage servicing rights		
Beginning balance	\$ 8,062	\$ 8,639
Amount capitalized	230	335
Amortization	(395)	(433)
Other-than-temporary impairment	—	—
Carrying amount before valuation allowance	7,897	8,541
Valuation allowance for mortgage servicing rights		
Beginning balance	—	—
Provision (recovery)	—	—
Other-than-temporary impairment	—	—
Ending balance	—	—
Net carrying value of mortgage servicing rights	\$ 7,897	\$ 8,541

ASB capitalizes MSR acquired upon the sale of mortgage loans with servicing rights retained. On a monthly basis, ASB compares the net carrying value of the MSR to its fair value to determine if there are any changes to the valuation allowance and/or other-than-temporary impairment for the MSR.

ASB uses a present value cash flow model to estimate the fair value of MSR. 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 "Revenues - bank" in the consolidated statements of 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 ASB's MSR used in the impairment analysis were as follows:

(dollars in thousands)	March 31, 2019	December 31, 2018
Unpaid principal balance	\$ 1,172,573	\$ 1,188,514
Weighted average note rate	3.99%	3.98%
Weighted average discount rate	10.0%	10.0%
Weighted average prepayment speed	7.4%	6.5%

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

The sensitivity analysis of fair value of MSRs to hypothetical adverse changes of 25 and 50 basis points in certain key assumptions was as follows:

(dollars in thousands)	March 31, 2019	December 31, 2018
Prepayment rate:		
25 basis points adverse rate change	\$ (421)	\$ (250)
50 basis points adverse rate change	(962)	(566)
Discount rate:		
25 basis points adverse rate change	(126)	(139)
50 basis points adverse rate change	(251)	(275)

The effect of a variation in certain assumptions on fair value is calculated without changing any other assumptions. This analysis typically cannot be extrapolated because the relationship of a change in one key assumption to the changes in the fair value of MSRs typically is not linear.

Other borrowings. FHLB advances are fixed rate for a specific term. As of March 31, 2019, ASB had an FHLB advance outstanding for \$25 million with a maturity date of April 2019. ASB was in compliance with all Advances, Pledge and Security Agreement requirements as of March 31, 2019.

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 condensed consolidated balance sheets. ASB pledges investment securities as collateral for securities sold under agreements to repurchase. All such agreements are subject to master netting arrangements, which provide for a 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 Sheets	Net amount of liabilities presented in the Balance Sheets
Repurchase agreements			
March 31, 2019	\$ 65	\$ —	\$ 65
December 31, 2018	65	—	65

(in millions)	Gross amount not offset in the Balance Sheets		
	Net amount of liabilities presented in the Balance Sheets	Financial instruments	Cash collateral pledged
Commercial account holders			
March 31, 2019	\$ 65	\$ 90	\$ —
December 31, 2018	65	92	—

The securities underlying the agreements to repurchase are book-entry securities and were delivered by appropriate entry into the counterparties' accounts or into segregated tri-party custodial accounts at the FHLB. The securities underlying the agreements to repurchase continue to be reflected in ASB's asset accounts.

Derivative financial instruments. ASB enters into interest rate lock commitments (IRLCs) 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 risks associated with selling loans.

ASB enters into 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

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 were as follows:

(in thousands)	March 31, 2019		December 31, 2018	
	Notional amount	Fair value	Notional amount	Fair value
Interest rate lock commitments	\$ 31,406	\$ 462	\$ 10,180	\$ 91
Forward commitments	34,165	(161)	10,132	(43)

ASB's derivative financial instruments, their fair values and balance sheet location were as follows:

(in thousands)	March 31, 2019		December 31, 2018	
	Asset derivatives	Liability derivatives	Asset derivatives	Liability derivatives
Interest rate lock commitments	\$ 463	\$ 1	\$ 91	\$ —
Forward commitments	9	170	—	43
	\$ 472	\$ 171	\$ 91	\$ 43

¹ Asset derivatives are included in other assets and liability derivatives 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 ASB's statements of income:

(in thousands)	Derivative Financial Instruments Not Designated as Hedging Instruments	Location of net gains (losses) recognized in the Statements of Income	Three months ended March 31	
			2019	2018
	Interest rate lock commitments	Mortgage banking income	\$ 371	\$ 124
	Forward commitments	Mortgage banking income	(118)	(36)
			\$ 253	\$ 88

Low-Income Housing Tax Credit (LIHTC). ASB's unfunded commitments to fund its LIHTC investment partnerships were \$16.5 million and \$18.1 million at March 31, 2019 and December 31, 2018, respectively. These unfunded commitments were unconditional and legally binding and are recorded in other liabilities with a corresponding increase in other assets. As of March 31, 2019, ASB did not have any impairment losses resulting from forfeiture or ineligibility of tax credits or other circumstances related to its LIHTC investment partnerships.

Note 5 - Credit agreements

HEI and Hawaiian Electric each entered into a separate agreement with a syndicate of eight financial institutions (the HEI Facility and Hawaiian Electric Facility, respectively, and together, the Facilities), effective July 3, 2017, to amend and restate their respective previously existing revolving unsecured credit agreements. The \$150 million HEI Facility and \$200 million Hawaiian Electric Facility, both terminate on June 30, 2022. As of March 31, 2019 and December 31, 2018, no amounts were outstanding under the Facilities.

The Facilities will be maintained to support each company's respective short-term commercial paper program, but may be drawn on to meet each company's respective working capital needs and general corporate purposes.

Note 6 • Leases

The Company adopted ASU No. 2016-02 and related amendments on January 1, 2019, and used the effective date as the date of initial application. The Company elected the practical expedient package under which the Company did not reassess its prior conclusions about whether any expired or existing contracts are or contain leases, whether there is a change in lease classification for any expired or existing leases under the new standard, or whether there were initial direct costs for any existing leases that would be treated differently under the new standard. The Company elected the short-term lease recognition exemption for all of its leases that qualify, and accordingly, does not recognize lease liabilities and ROU assets for all leases that have lease terms that are 12 months or less. The amounts related to short-term leases are not material. The Company elected the practical expedient to not separate lease and non-lease components for its real estate and equipment and fossil fuel and renewable energy PPAs. The Company elected the practical expedient to not assess all existing land easements that were not previously accounted for in accordance with ASC 840.

The Company leases certain real estate and equipment for various terms under long-term operating lease agreements. The agreements expire at various dates through 2054 and provide for renewal options up to 10 years. The periods associated with the renewal options are excluded for the purpose of determining the lease term unless the exercise of the renewable option is reasonably certain. In the normal course of business, it is expected that many of these agreements will be replaced by similar agreements. Certain real estate leases require the Company to pay for operating expenses such as common area maintenance, real estate taxes and insurance.

Additionally, the Utilities contract with independent power producers to supply energy under long-term power purchase agreements. Certain PPAs are treated as operating leases under the new standard because the Company elected the practical expedient package under which prior conclusions about lease identification were not reassessed. PPAs generally include variable lease payments (e.g., payments based on kWh), and several as-available PPAs have variable-only payment terms. For PPAs with no minimum lease payments, the Utilities do not recognize any lease liabilities or ROU assets, and the related costs are reported as variable lease costs.

The Utilities' lease payments for each operating lease agreement were discounted using its estimated unsecured borrowing rates for the appropriate term, reduced for the estimated impact of collateral. ASB's lease payments for each operating lease agreement were discounted using Federal Home Loan Bank of Des Moines (FHLB) fixed rate advance rates, which are collateralized, for the appropriate term. The FHLB is the bank's primary wholesale funding source and can provide borrowing rates for various terms starting at overnight borrowings to 30-year borrowing terms.

Amounts related to the Company's total lease cost and cash flows arising from lease transaction are as follows:

Three months ended March 31, 2019 (in thousands)	HEI consolidated			Hawaiian Electric consolidated		
	Other leases	PPAs classified as leases	Total	Other leases	PPAs classified as leases	Total
Operating lease cost	\$ 2,684	\$ 15,478	\$ 18,162	\$ 1,486	\$ 15,478	\$ 16,964
Variable lease cost	2,804	41,280	44,084	2,086	41,280	43,366
Total lease cost	\$ 5,488	\$ 56,758	\$ 62,246	\$ 3,572	\$ 56,758	\$ 60,330
Other information						
Cash paid for amounts included in the measurement of lease liabilities—Operating cash flows from operating leases	\$ 2,586	\$ 15,037	\$ 17,623	\$ 1,397	\$ 15,037	\$ 16,434
Weighted-average remaining lease term—operating leases (in years)	6.7	3.5	4.0	5.0	3.5	3.6
Weighted-average discount rate—operating leases	3.71%	4.08%	4.01%	4.17%	4.08%	4.09%

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

The following table summarizes the maturity of our operating lease liabilities as of March 31, 2019:

(in millions)	HEI consolidated			Hawaiian Electric consolidated		
	Other leases	PPAs classified	Total	Other leases	PPAs classified	Total
		as leases			as leases	
2019 (remaining months) \$	8	\$ 48	\$ 56	\$ 4	\$ 48	\$ 52
2020	10	63	73	6	63	69
2021	8	63	71	5	63	68
2022	5	42	47	2	42	44
2023	4	—	4	2	—	2
Thereafter	11	—	11	3	—	3
Total lease payments	46	216	262	22	216	238
Less: Imputed interest	(6)	(15)	(21)	(2)	(15)	(17)
Total present value of lease payments	\$ 40	\$ 201	\$ 241	\$ 20	\$ 201	\$ 221

The future minimum lease obligations under operating leases in effect as of December 31, 2018, having a term in excess of one year as determined prior to the adoption of ASC 842 are as follows:

(in millions)	HEI consolidated			Hawaiian Electric consolidated		
	Other leases	PPAs classified	Total	Other leases	PPAs classified	Total
		as leases			as leases	
2019 \$	11	\$ 63	\$ 74	\$ 6	\$ 63	\$ 69
2020	9	63	72	6	63	69
2021	8	63	71	5	63	68
2022	5	42	47	2	42	44
2023	4	—	4	2	—	2
Thereafter	12	—	12	3	—	3
Total lease payments	\$ 49	\$ 231	\$ 280	\$ 24	\$ 231	\$ 255

Note 7 • Shareholders' equity

Accumulated other comprehensive income/(loss). Changes in the balances of each component of accumulated other comprehensive income/(loss) (AOCI) were as follows:

(in thousands)	HEI Consolidated				Hawaiian Electric Consolidated	
	Net unrealized gains (losses) on securities	Unrealized gains (losses) on derivatives	Retirement benefit plans	AOCI	AOCI-Retirement benefit plans	
Balance, December 31, 2018	\$ (24,423)	\$ (436)	\$ (25,751)	\$ (50,610)	\$	99
Current period other comprehensive income (loss)	9,439	(403)	205	9,241		24
Balance, March 31, 2019	\$ (14,984)	\$ (839)	\$ (25,546)	\$ (41,369)	\$	123
Balance, December 31, 2017	\$ (14,951)	\$ —	\$ (26,990)	\$ (41,941)	\$	(1,219)
Current period other comprehensive income (loss)	(13,297)	—	524	(12,773)		31
Balance, March 31, 2018	\$ (28,248)	\$ —	\$ (26,466)	\$ (54,714)	\$	(1,188)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Reclassifications out of AOCI were as follows:

(in thousands)	Amount reclassified from AOCI		Affected line item in the Statements of Income / Balance Sheets
	Three months ended March 31		
	2019	2018	
HEI consolidated			
Retirement benefit plans:			
Amortization of prior service credit and net losses recognized during the period in net periodic benefit cost	\$ 2,503	\$ 5,146	See Note 9 for additional details
Impact of D&Os of the PUC included in regulatory assets	(2,298)	(4,622)	See Note 9 for additional details
Total reclassifications	\$ 205	\$ 524	
Hawaiian Electric consolidated			
Retirement benefit plans:			
Amortization of prior service credit and net losses recognized during the period in net periodic benefit cost	\$ 2,322	\$ 4,653	See Note 9 for additional details
Impact of D&Os of the PUC included in regulatory assets	(2,298)	(4,622)	See Note 9 for additional details
Total reclassifications	\$ 24	\$ 31	

Note 8 • Revenues

Revenue from contracts with customers. The following tables disaggregate revenues by major source, timing of revenue recognition, and segment:

(in thousands)	Three months ended March 31							
	2019				2018			
	Electric utility	Bank	Other	Total	Electric utility	Bank	Other	Total
Revenues from contracts with customers								
Electric energy sales - residential	\$ 175,745	\$ —	\$ —	\$ 175,745	\$ 178,589	\$ —	\$ —	\$ 178,589
Electric energy sales - commercial	187,408	—	—	187,408	188,998	—	—	188,998
Electric energy sales - large light and power	198,926	—	—	198,926	192,321	—	—	192,321
Electric energy sales - other	4,078	—	—	4,078	4,060	—	—	4,060
Bank fees	—	11,233	—	11,233	—	11,497	—	11,497
Total revenues from contracts with customers	566,157	11,233	—	577,390	563,968	11,497	—	575,465
Revenues from other sources								
Regulatory revenue	6,207	—	—	6,207	4,750	—	—	4,750
Bank interest and dividend income	—	68,488	—	68,488	—	62,002	—	62,002
Other bank noninterest income	—	3,331	—	3,331	—	1,920	—	1,920
Other	6,131	—	68	6,199	1,709	—	28	1,737
Total revenues from other sources	12,338	71,819	68	84,225	6,459	63,922	28	70,409
Total revenues	\$ 578,495	\$ 83,052	\$ 68	\$ 661,615	\$ 570,427	\$ 75,419	\$ 28	\$ 645,874
Timing of revenue recognition								
Services/goods transferred at a point in time	\$ —	\$ 11,233	\$ —	\$ 11,233	\$ —	\$ 11,497	\$ —	\$ 11,497
Services/goods transferred over time	566,157	—	—	566,157	563,968	—	—	563,968
Total revenues from contracts with customers	\$ 566,157	\$ 11,233	\$ —	\$ 577,390	\$ 563,968	\$ 11,497	\$ —	\$ 575,465

There are no material contract assets or liabilities associated with revenues from contracts with customers existing at the beginning of the period or as of March 31, 2019. Accounts receivable and unbilled revenues related to contracts with customers represent an unconditional right to consideration since all performance obligations have been satisfied. These amounts are disclosed as *accounts receivable and unbilled revenues, net* on HEI's condensed consolidated balance sheets and *customer accounts receivable, net* and *accrued unbilled revenues, net* on Hawaiian Electric's condensed consolidated balance sheets.

As of March 31, 2019, the Company had no material remaining performance obligations due to the nature of the Company's contracts with its customers. For the Utilities, performance obligations are fulfilled as electricity is delivered to customers. For ASB, fees are recognized when a transaction is completed.

Note 9 · Retirement benefits

Defined benefit pension and other postretirement benefit plans information. For the first three months of 2019, the Company contributed \$8 million (\$8 million by the Utilities) to its pension and other postretirement benefit plans, compared to \$16 million (\$15 million by the Utilities) in the first three months of 2018. The Company's current estimate of contributions to its pension and other postretirement benefit plans in 2019 is \$47.5 million (\$46.8 million by the Utilities, \$0.7 million by HEI and nil by ASB), compared to \$38.5 million (\$37.6 million by the Utilities, \$0.9 million by HEI and nil by ASB) in 2018. In addition, the Company expects to pay directly \$2.6 million (\$1.2 million by the Utilities) of benefits in 2019, compared to \$1.5 million (\$0.6 million by the Utilities) paid in 2018.

The components of NPPC and NPBC for HEI consolidated and Hawaiian Electric consolidated were as follows:

(in thousands)	Three months ended March 31			
	Pension benefits		Other benefits	
	2019	2018	2019	2018
HEI consolidated				
Service cost	\$ 15,382	\$ 17,113	\$ 541	\$ 669
Interest cost	21,033	19,234	1,997	1,931
Expected return on plan assets	(27,998)	(27,254)	(3,086)	(3,192)
Amortization of net prior service gain	(11)	(10)	(452)	(452)
Amortization of net actuarial (gains) losses	3,839	7,395	(3)	(2)
Net periodic pension/benefit cost (return)	12,245	16,478	(1,003)	(1,046)
Impact of PUC D&Os	12,279	2,657	811	1,071
Net periodic pension/benefit cost (adjusted for impact of PUC D&Os)	\$ 24,524	\$ 19,135	\$ (192)	\$ 25
Hawaiian Electric consolidated				
Service cost	\$ 15,001	\$ 16,673	\$ 537	\$ 664
Interest cost	19,414	17,710	1,917	1,859
Expected return on plan assets	(26,164)	(25,607)	(3,035)	(3,140)
Amortization of net prior service (gain) cost	2	2	(451)	(451)
Amortization of net actuarial loss	3,576	6,710	—	—
Net periodic pension/benefit cost (return)	11,829	15,488	(1,032)	(1,068)
Impact of PUC D&Os	12,279	2,657	811	1,071
Net periodic pension/benefit cost (adjusted for impact of PUC D&Os)	\$ 24,108	\$ 18,145	\$ (221)	\$ 3

HEI consolidated recorded retirement benefits expense of \$15 million (\$14 million by the Utilities) and \$12 million (\$11 million by the Utilities) in the first three months of 2019 and 2018, respectively, and charged the remaining net periodic benefit cost primarily to electric utility plant.

The Utilities have implemented pension and OPEB tracking mechanisms under which all of their retirement benefit expenses (except for executive life and nonqualified pension plan expenses) determined in accordance with GAAP are recovered over time. Under the tracking mechanisms, these retirement benefit costs that are over/under amounts allowed in rates are charged/credited to a regulatory asset/liability. The regulatory asset/liability for each utility will be amortized over 5 years beginning with the issuance of the PUC's D&O in the respective utility's next rate case.

Defined contribution plans information. For the first three months of 2019 and 2018, the Company's expenses for its defined contribution pension plans under the Hawaiian Electric Industries Retirement Savings Plan (HEIRSP) and the ASB 401(k) Plan were \$1.9 million and \$1.6 million, respectively, and cash contributions for both were \$3.7 million. For the first three months of 2019 and 2018, the Utilities' expenses for its defined contribution pension plan under the HEIRSP were \$0.7 million and \$0.5 million, respectively, and cash contributions were \$0.7 million and \$0.5 million, respectively.

Note 10 · Share-based compensation

Under the 2010 Equity and Incentive Plan, as amended, HEI can issue shares of common stock as incentive compensation to selected employees in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares and other share-based and cash-based awards. The 2010 Equity and Incentive Plan (original EIP) was

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

amended and restated effective March 1, 2014 (EIP) and an additional 1.5 million shares were added to the shares available for issuance under these programs.

As of March 31, 2019, approximately 3.2 million shares remained available for future issuance under the terms of the EIP, assuming recycling of shares withheld to satisfy minimum statutory tax liabilities relating to EIP awards, including an estimated 0.8 million shares that could be issued upon the vesting of outstanding restricted stock units and the achievement of performance goals for awards outstanding under long-term incentive plans (assuming that such performance goals are achieved at maximum levels).

Under the 2011 Nonemployee Director Stock Plan (2011 Director Plan), HEI can issue shares of common stock as compensation to nonemployee directors of HEI, Hawaiian Electric and ASB. As of March 31, 2019, there were 46,607 shares remaining available for future issuance under the 2011 Director Plan.

Share-based compensation expense and the related income tax benefit were as follows:

(in millions)	Three months ended March 31	
	2019	2018
HEI consolidated		
Share-based compensation expense ¹	\$ 2.2	\$ 1.7
Income tax benefit	0.3	0.2
Hawaiian Electric consolidated		
Share-based compensation expense ¹	0.8	0.6
Income tax benefit	0.1	0.1

¹ For the three months ended March 31, 2019 and 2018, the Company has not capitalized any share-based compensation.

Stock awards. HEI granted HEI common stock to nonemployee directors under the 2011 Director Plan as follows:

(dollars in thousands)	Three months ended March 31	
	2019	2018
Shares granted	—	1,074
Fair value	\$ —	\$ 39
Income tax benefit	—	10

The number of shares issued to each nonemployee director of HEI, Hawaiian Electric and ASB is determined based on the closing price of HEI Common Stock on the grant date.

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

	Three months ended March 31			
	2019		2018	
	Shares	(1)	Shares	(1)
Outstanding, beginning of period	200,358	\$ 33.05	197,047	\$ 31.53
Granted	94,559	37.68	88,905	34.10
Vested	(76,712)	32.61	(75,235)	30.55
Forfeited	(6,980)	33.18	(2,629)	33.09
Outstanding, end of period	211,225	\$ 35.28	208,088	\$ 32.97
Total weighted-average grant-date fair value of shares granted (in millions)	\$ 3.6		\$ 3.0	

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

For the first three months of 2019 and 2018, total restricted stock units and related dividends that vested had a fair value of \$3.2 million and \$2.7 million, respectively, and the related tax benefits were \$0.5 million and \$0.5 million, respectively.

As of March 31, 2019, there was \$6.9 million of total unrecognized compensation cost related to the nonvested restricted stock units. The cost is expected to be recognized over a weighted-average period of 3.1 years.

Long-term incentive plan payable in stock. The 2017-2019, 2018-2020 and 2019-2021 long-term incentive plans (LTIP) provide for performance awards under the EIP of shares of HEI common stock based on the satisfaction of performance goals,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

including a market condition goal. The number of shares of HEI common stock that may be awarded is fixed on the date the grants are made, subject to the achievement of specified performance levels and calculated dividend equivalents. The potential payout varies from 0% to 200% of the number of target shares depending on the achievement of the goals. The market condition goal is based on HEI's total shareholder return (TSR) compared to the Edison Electric Institute Index over the relevant three-year period. The other performance condition goals relate to EPS growth, return on average common equity (ROACE), Hawaiian Electric's net income and ASB's efficiency ratio.

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

	Three months ended March 31			
	2019		2018	
	Shares	(1)	Shares	(1)
Outstanding, beginning of period	65,578	\$ 38.81	32,904	\$ 39.51
Granted	34,647	41.07	35,626	38.21
Vested (issued or unissued and cancelled)	—	—	—	—
Forfeited	(1,914)	38.62	(1,739)	38.83
Outstanding, end of period	98,311	\$ 39.61	66,791	\$ 38.84
Total weighted-average grant-date fair value of shares granted (in millions)	\$	1.4	\$	1.4

(1) Weighted-average grant-date fair value per share determined using a Monte Carlo simulation model.

The grant date fair values of the shares were determined using a Monte Carlo simulation model utilizing actual information for the common shares of HEI and its peers for the period from the beginning of the performance period to the grant date and estimated future stock volatility and dividends of HEI and its peers over the remaining three-year performance period. The expected stock volatility assumptions for HEI and its peer group were based on the three-year historic stock volatility, and the annual dividend yield assumptions were based on dividend yields calculated on the basis of daily stock prices over the same three-year historical period.

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

	2019	2018
Risk-free interest rate	2.48%	2.29%
Expected life in years	3	3
Expected volatility	15.8%	17.0%
Range of expected volatility for Peer Group	15.0% to 73.2%	15.1% to 26.2%
Grant date fair value (per share)	\$41.07	\$38.20

As of March 31, 2019, there was \$2.3 million of total unrecognized compensation cost related to the nonvested performance awards payable in shares linked to TSR. The cost is expected to be recognized over a weighted-average period of 1.8 years.

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

	Three months ended March 31			
	2019		2018	
	Shares	(1)	Shares	(1)
Outstanding, beginning of period	276,169	\$ 33.80	131,616	\$ 33.47
Granted	138,580	37.68	142,509	34.10
Vested	—	—	—	—
Forfeited	(7,659)	33.91	(6,958)	33.81
Outstanding, end of period	407,090	\$ 35.12	267,167	\$ 33.80
Total weighted-average grant-date fair value of shares granted (at target performance levels) (in millions)	\$	5.2	\$	4.9

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

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As of March 31, 2019, there was \$8.5 million of total unrecognized compensation cost related to the nonvested shares linked to performance conditions other than TSR. The cost is expected to be recognized over a weighted-average period of 1.8 years.

Note 11 · Income taxes

The Company's and the Utilities' effective tax rates were 20% and 22%, respectively, for the three months ended March 31, 2019. These rates differed from statutory rates, due primarily to the tax effect of the state income tax deduction and the amortization of excess deferred income taxes related to the provision in the Tax Act that lowered the federal income tax rate from 35% to 21%. The Company's and the Utilities' effective tax rate were 24% and 25%, respectively, for the three months ended March 31, 2018.

Note 12 · Cash flows

Three months ended March 31	2019	2018
(in millions)		
Supplemental disclosures of cash flow information		
HEI consolidated		
Interest paid to non-affiliates, net of amounts capitalized	\$ 21	\$ 19
Income taxes paid (including refundable credits)	4	3
Income taxes refunded (including refundable credits)	4	—
Hawaiian Electric consolidated		
Interest paid to non-affiliates	12	12
Income taxes paid (including refundable credits)	5	5
Income taxes refunded (including refundable credits)	4	—
Supplemental disclosures of noncash activities		
HEI consolidated		
Property, plant and equipment		
Estimated fair value of noncash contributions in aid of construction (investing)	—	3
Unpaid invoices and accruals for capital expenditures, balance, end of period (investing)	36	48
Loans transferred from held for investment to held for sale (investing)	—	1
Common stock issued (gross) for director and executive/management compensation (financing) ¹	3	3
Real estate transferred from property, plant and equipment to other assets held-for-sale (investing)	9	—
Transfer of retail repurchase agreements to deposit liabilities (financing)	—	102
Hawaiian Electric consolidated		
Electric utility property, plant and equipment		
Estimated fair value of noncash contributions in aid of construction (investing)	—	3
Unpaid invoices and accruals for capital expenditures, balance, end of period (investing)	29	29

¹ The amounts shown represent the market value of common stock issued for director and executive/management compensation and withheld to satisfy statutory tax liabilities.

Note 13 • Fair value measurements

Fair value measurement and disclosure valuation methodology. The following are descriptions of the valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not carried at fair value:

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

Investment securities. The fair value of ASB's investment securities is determined quarterly through pricing obtained from independent third-party pricing services or from brokers not affiliated with the trade. Non-binding broker quotes are infrequent and generally occur for new securities that are settled close to the month-end pricing date. The third-party pricing vendors ASB uses for pricing its securities are reputable firms that provide pricing services on a global basis and have processes in place to ensure quality and control. The third-party pricing services use a variety of methods to determine the fair value of securities that fall under Level 2 of ASB's fair value measurement hierarchy. Among the considerations are quoted prices for similar securities in an active market, yield spreads for similar trades, adjustments for liquidity, size, collateral characteristics, historic and generic prepayment speeds, and other observable market factors.

To enhance the robustness of the pricing process, ASB will on a quarterly basis compare its standard third-party vendor's price with that of another third-party vendor. If the prices are within an acceptable tolerance range, the price of the standard vendor will be accepted. If the variance is beyond the tolerance range, an evaluation will be conducted by ASB and a challenge to the price may be made. Fair value in such cases will be based on the value that best reflects the data and observable characteristics of the security. In all cases, the fair value used will have been independently determined by a third-party pricing vendor or non-affiliated broker.

The fair value of the mortgage revenue bonds is estimated using a discounted cash flow model to calculate the present value of future principal and interest payments and, therefore is classified within Level 3 of the valuation hierarchy.

Loans held for sale. Residential and commercial loans are carried at the lower of cost or market and are valued using market observable pricing inputs, which are derived from third party loan sales and, therefore, are classified within Level 2 of the valuation hierarchy.

Loans held for investment. Fair value of loans held for investment is derived using a discounted cash flow approach which includes an evaluation of the underlying loan characteristics. The valuation model uses loan characteristics which includes product type, maturity dates and the underlying interest rate of the portfolio. This information is input into the valuation models along with various forecast valuation assumptions including prepayment forecasts, to determine the discount rate. These assumptions are derived from internal and third party sources. Since the valuation is derived from model-based techniques, ASB includes loans held for investment within Level 3 of the valuation hierarchy.

Impaired loans. At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Fair value is determined primarily by using an income, cost or market approach and is normally provided through appraisals. Impaired loans carried at fair value generally receive specific allocations within the allowance for loan losses. For collateral-dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Generally, impaired loans are evaluated quarterly for additional impairment and adjusted accordingly.

Real estate acquired in settlement of loans. Foreclosed assets are carried at fair value (less estimated costs to sell) and are generally based upon appraisals or independent market prices that are periodically updated subsequent to classification as real estate owned. Such adjustments typically result in a Level 3 classification of the inputs for determining fair value. ASB estimates the fair value of collateral-dependent loans and real estate owned using the sales comparison approach.

Mortgage servicing rights. Mortgage servicing rights (MSRs) are capitalized at 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. MSRs are evaluated for impairment at each reporting date. ASB's MSRs are stratified 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 "Revenues - bank" in the consolidated statements of income. A direct write-down is recorded when the recoverability of the valuation allowance is deemed to be unrecoverable. ASB compares the fair value of MSR to an estimated value calculated by an independent third-party. The third-party relies on both published and unpublished sources of market related assumptions and their own experience and expertise to arrive at a value. ASB uses the third-party value only to assess the reasonableness of its own estimate.

Deposit liabilities. Includes only fixed-maturity certificates of deposit beginning in 2018. The fair value of fixed-maturity certificates of deposit was estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. Deposit liabilities are classified in Level 2 of the valuation hierarchy.

Other borrowings. For advances and repurchase agreements, fair value is estimated using quantitative discounted cash flow models that require the use of interest rate inputs that are currently offered for advances and repurchase agreements of similar remaining maturities. The majority of market inputs are actively quoted and can be validated through external sources, including broker market transactions and third party pricing services.

Long-term debt—other than bank. Fair value of long-term debt of HEI and the Utilities was obtained from third-party financial services providers based on the current rates offered for debt of the same or similar remaining maturities and from discounting the future cash flows using the current rates offered for debt of the same or similar risks, terms, and remaining maturities. Long-term debt-other than bank is classified in Level 2 of the valuation hierarchy.

Interest rate lock commitments (IRLCs). The estimated fair value of commitments to originate residential mortgage loans for sale is based on quoted prices for similar loans in active markets. IRLCs are classified as Level 2 measurements.

Forward sales commitments. To be announced (TBA) mortgage-backed securities forward commitments are classified as Level 1, and consist of publicly-traded debt securities for which identical fair values can be obtained through quoted market prices in active exchange markets. The fair values of ASB's best efforts and mandatory delivery loan sale commitments are determined using quoted prices in the market place that are observable and are classified as Level 2 measurements.

The following table presents the carrying or notional amount, fair value and placement in the fair value hierarchy of the Company's financial instruments. For stock in Federal Home Loan Bank, the carrying amount is a reasonable estimate of fair

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

value because it can only be redeemed at par.

(in thousands)	Carrying or notional amount	Estimated fair value			Total
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
March 31, 2019					
Financial assets					
HEI consolidated					
Available-for-sale investment securities	\$ 1,348,263	\$ —	\$ 1,320,293	\$ 27,970	\$ 1,348,263
Held-to-maturity investment securities	140,203	—	142,333	—	142,333
Stock in Federal Home Loan Bank	9,434	—	9,434	—	9,434
Loans, net	4,812,019	—	8,146	4,848,885	4,857,031
Mortgage servicing rights	7,897	—	—	13,046	13,046
Derivative assets	38,755	—	472	—	472
Financial liabilities					
HEI consolidated					
Deposit liabilities	780,296	—	773,168	—	773,168
Short-term borrowings—other than bank	110,399	—	110,399	—	110,399
Other bank borrowings	89,870	—	89,867	—	89,867
Long-term debt, net—other than bank	1,880,339	—	1,968,642	—	1,968,642
Derivative liabilities	50,815	141	1,160	—	1,301
Hawaiian Electric consolidated					
Short-term borrowings	55,999	—	55,999	—	55,999
Long-term debt, net	1,418,973	—	1,499,417	—	1,499,417
December 31, 2018					
Financial assets					
HEI consolidated					
Available-for-sale investment securities	1,388,533	—	1,364,897	23,636	1,388,533
Held-to-maturity investment securities	141,875	—	142,057	—	142,057
Stock in Federal Home Loan Bank	9,958	—	9,958	—	9,958
Loans, net	4,792,707	—	1,809	4,800,244	4,802,053
Mortgage servicing rights	8,062	—	—	13,618	13,618
Derivative assets	10,180	—	91	—	91
Financial liabilities					
HEI consolidated					
Deposit liabilities	827,841	—	817,667	—	817,667
Short-term borrowings—other than bank	73,992	—	73,992	—	73,992
Other bank borrowings	110,040	—	110,037	—	110,037
Long-term debt, net—other than bank	1,879,641	—	1,904,261	—	1,904,261
Derivative liabilities	34,132	34	596	—	630
Hawaiian Electric consolidated					
Short-term borrowings	25,000	—	25,000	—	25,000
Long-term debt, net	1,418,802	—	1,443,968	—	1,443,968

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Fair value measurements on a recurring basis. Assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	March 31, 2019			December 31, 2018		
	Fair value measurements using			Fair value measurements using		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Available-for-sale investment securities (bank segment)						
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	\$ —	\$ 1,128,987	\$ —	\$ —	\$ 1,161,416	\$ —
U.S. Treasury and federal agency obligations	—	140,844	—	—	154,349	—
Corporate bonds	—	50,462	—	—	49,132	—
Mortgage revenue bonds	—	—	27,970	—	—	23,636
	\$ —	\$ 1,320,293	\$ 27,970	\$ —	\$ 1,364,897	\$ 23,636
Derivative assets						
Interest rate lock commitments (bank segment) ¹	\$ —	\$ 463	\$ —	\$ —	\$ 91	\$ —
Forward commitments (bank segment) ¹	—	9	—	—	—	—
	\$ —	\$ 472	\$ —	\$ —	\$ 91	\$ —
Derivative liabilities						
Interest rate lock commitments (bank segment) ¹	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —
Forward commitments (bank segment) ¹	141	29	—	34	9	—
Interest rate swap (Other segment) ²	—	1,130	—	—	587	—
	\$ 141	\$ 1,160	\$ —	\$ 34	\$ 596	\$ —

¹ Derivatives are carried at fair value in other assets or other liabilities in the balance sheets with changes in value included in mortgage banking income.

² Derivatives are included in other liabilities in the balance sheets.

There were no transfers of financial assets and liabilities between Level 1 and Level 2 of the fair value hierarchy during the three months ended March 31, 2019.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis were as follows:

Mortgage revenue bonds	Three months ended March 31	
	2019	2018
(in thousands)		
Beginning balance	\$ 23,636	\$ 15,427
Principal payments received	—	—
Purchases	4,334	—
Unrealized gain (loss) included in other comprehensive income	—	—
Ending balance	\$ 27,970	\$ 15,427

ASB holds two mortgage revenue bonds issued by the Department of Budget and Finance of the State of Hawaii. The Company estimates the fair value by using a discounted cash flow model to calculate the present value of estimated future principal and interest payments. The unobservable input used in the fair value measurement is the weighted average discount rate. As of March 31, 2019, the weighted average discount rate was 4.04% which was derived by incorporating a credit spread over the one month LIBOR rate. Significant increases (decreases) in the weighted average discount rate could result in a significantly lower (higher) fair value measurement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)

Fair value measurements on a nonrecurring basis. Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above. These measurements primarily result from assets carried at the lower of cost or fair value or from impairment of individual assets. The carrying value of assets measured at fair value on a nonrecurring basis were as follows:

(in thousands)	Balance	Fair value measurements		
		Level 1	Level 2	Level 3
March 31, 2019				
Loans	\$ 237	\$ —	\$ —	\$ 237
December 31, 2018				
Loans	77	—	—	77
Real estate acquired in settlement of loans	186	—	—	186

For three months ended March 31, 2019 and 2018, there were no adjustments to fair value for ASB's loans held for sale.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a nonrecurring basis:

(\$ in thousands)	Fair value	Valuation technique	Significant unobservable input	Significant unobservable input value ⁽¹⁾	
				Range	Weighted Average
March 31, 2019					
Residential loan	\$ 192	Fair value of property or collateral	Appraised value less 7% selling cost		N/A (2)
Commercial loan	45	Fair value of property or collateral	Fair value of business assets		N/A (2)
Total loans	<u>\$ 237</u>				
December 31, 2018					
Home equity line of credit	\$ 77	Fair value of property or collateral	Appraised value less 7% selling cost		N/A (2)
Total loans	<u>\$ 77</u>				
Real estate acquired in settlement of loans	<u>\$ 186</u>	Fair value of property or collateral	Appraised value less 7% selling cost		N/A (2)

(1) Represent percent of outstanding principal balance.

(2) N/A - Not applicable. There is one asset in each fair value measurement type.

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

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

The following discussion updates "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in HEI's and Hawaiian Electric's 2018 Form 10-K and should be read in conjunction with such discussion and the 2018 annual consolidated financial statements of HEI and Hawaiian Electric and notes thereto included in HEI's and Hawaiian Electric's 2018 Form 10-K, as well as the quarterly (as of and for the three months ended March 31, 2019) condensed consolidated financial statements and notes thereto included in this Form 10-Q.

HEI consolidated

RESULTS OF OPERATIONS

(in thousands, except per share amounts)	Three months ended March 31		% change	Primary reason(s)*
	2019	2018		
Revenues	\$ 661,615	\$ 645,874	2	Increases for the electric utility and bank segments
Operating income	77,937	71,889	8	Increases for the electric utility and bank segments, partly offset by higher operating losses for the "other" segment
Net income for common stock	45,688	40,247	14	Higher net income at the electric utility and bank segments, partly offset by higher net losses at the "other" segment. See below for effective tax rate explanation.
Basic earnings per common share	\$ 0.42	\$ 0.37	14	Higher net income
Weighted-average number of common shares outstanding	108,913	108,818	—	Issuances of shares under compensation and director stock plan

* Also, see segment discussions which follow.

The Company's effective tax rates for the first three months of 2019 and 2018 were 20% and 24%, respectively. The effective tax rates were lower for the three months ended March 31, 2019 compared to the same period in 2018 due primarily to the amortization of excess deferred income taxes related to the provision in the Tax Act that lowered the federal income tax rate from 35% to 21% and higher bank owned life insurance income that is nontaxable.

HEI's consolidated ROACE was 9.7% for the twelve months ended March 31, 2019 and 8.2% for the twelve months ended March 31, 2018.

Dividends. The payout ratios for the first three months of 2019 and full year 2018 were 76% and 67%, respectively. HEI currently expects to maintain its dividend at its present level; however, the HEI Board of Directors evaluates the dividend quarterly and considers many factors in the evaluation including, but not limited to, the Company's results of operations, the long-term prospects for the Company and current and expected future economic conditions.

Economic conditions.

Note: The statistical data in this section is from public third-party sources that management believes to be reliable (e.g., Department of Business, Economic Development and Tourism (DBEDT), University of Hawaii Economic Research Organization, U.S. Bureau of Labor Statistics, Department of Labor and Industrial Relations (DLIR), Hawaii Tourism Authority (HTA), Honolulu Board of REALTORS® and national and local newspapers).

Through the first quarter of 2019, Hawaii's tourism industry, a significant driver of Hawaii's economy, showed a decrease in visitor spending and increase in visitor arrivals. Visitor expenditures decreased -2.4% and arrivals increased 2.6% compared to the same period in 2018. Looking ahead, the HTA expects scheduled nonstop seats to Hawaii to increase as the year progresses, driven primarily by an increase in seats from the West Coast, East Coast and Asia.

Hawaii's unemployment rate increased slightly to 2.8% for March 2019, which was higher than the rate for March 2018 and lower than the national unemployment rate of 3.8%. It is also the fifth lowest unemployment rate in the nation.

Hawaii real estate activity, as indicated by the home resale market, experienced a growth in median sales prices for single family homes and a decline in median sales prices for condominiums so far in 2019. Median sales prices for single family residential homes on Oahu through March 2019 were higher by 2.0% and for condominiums were lower by -3.2% over the same time period in 2018. The number of closed sales for single family residential homes and condominiums were down by -5.7% and -10.5%, respectively, through March of 2019 compared to same time period in 2018.

Hawaii's petroleum product prices reflect supply and demand in the Asia-Pacific region and the price of crude oil in international markets. Although the price of crude oil fluctuates month to month, the recent trend over the last quarter and first two months of 2019 has been a decreasing one, which followed a 2.5 year stretch of general increases.

At its March 2019 meeting, the Federal Open Market Committee (FOMC) decided to maintain the target range for the federal funds rate at "2.25% to 2.50%" in view of realized and expected labor market conditions and inflation.

At its meeting in March, the state's Council on Revenues lowered its forecast for growth in the State General Fund tax revenue in fiscal year 2019 for the second time this year from 4.2% to 3.0%. The Council's decision to lower the estimate was based on the expectation of lower economic growth and lower than expected tax revenue growth. Overall, Hawaii's economy is expected to see another year of modest growth with a potential for weakening conditions as the business cycle matures. In 2018, tourism challenges were not limited to the aftermath of flood and fire, but also reflected weakening in some key markets and falloff in spending. A modest growth in visitor arrivals is expected for the rest of 2019 with slowing thereafter. The introduction of Southwest Airlines to the Hawaii market could lead to a potential boost in visitor arrivals over the next few months.

"Other" segment.

(in thousands)	Three months ended March 31		Primary reason(s)
	2019	2018	
Revenues	\$ 68	\$ 28	
Operating loss	(4,745)	(4,367)	The first quarters of 2019 and 2018 include \$0.2 million and \$0.9 million, respectively, of operating income from Pacific Current ¹ . First quarter 2019 corporate expense was \$0.4 million lower than the first quarter of 2018, primarily due to higher incentive compensation accruals and adjustments in the first quarter of 2018, as compared to the first quarter of 2019, partially offset by higher professional fees in the first quarter of 2019.
Net loss	(7,277)	(6,188)	The net loss for the first quarter of 2019 was higher than the net loss for the first quarter of 2018 due to higher interest expense (as a result of higher interest rates and balances at corporate) and lower Pacific Current income, partially offset by a higher income tax benefit and lower HEI corporate expenses.

¹ Hamakua Energy's sales to Hawaii Electric Light (a regulated affiliate) are eliminated in consolidation.

The "other" business segment (loss)/income includes results of the stand-alone corporate operations of HEI and ASB Hawaii, Inc. (ASBH), as well as the results of Pacific Current, a direct subsidiary of HEI focused on investing in clean energy and sustainable infrastructure projects; Pacific Current's indirect subsidiary, Hamakua Energy, which owns a 60-MW combined cycle power plant, formerly owned by Hamakua Energy Partners, L.P.; Pacific Current's indirect subsidiary, Mauo, LLC (Mauo), which is currently constructing a 8.6 MW solar-plus-storage project; and The Old Oahu Tug Service, Inc., a maritime freight transportation company that ceased operations in 1999, but has remaining employee benefit payments obligations; as well as eliminations of intercompany transactions.

FINANCIAL CONDITION

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

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

(dollars in millions)	March 31, 2019		December 31, 2018	
Short-term borrowings—other than bank	\$ 110	2%	\$ 74	2%
Long-term debt, net—other than bank	1,880	45	1,880	45
Preferred stock of subsidiaries	34	1	34	1
Common stock equity	2,184	52	2,162	52
	\$ 4,208	100%	\$ 4,150	100%

HEI's commercial paper borrowings and line of credit facility were as follows:

(in millions)	Average balance		Balance	
	Three months ended March 31, 2019		March 31, 2019	December 31, 2018
Commercial paper	\$	43	\$ 54	\$ 49
Line of credit draws		—	—	—
Undrawn capacity under HEI's line of credit facility			150	150

Note: This table does not include Hawaiian Electric's separate commercial paper issuances and line of credit facilities and draws, which are disclosed below under "Electric utility—Financial Condition—Liquidity and capital resources." The maximum amount of HEI's external short-term borrowings during the first three months of 2019 was \$54 million.

HEI has a \$150 million line of credit facility with no amounts outstanding at March 31, 2019. See Note 5 of the Condensed Consolidated Financial Statements.

The Company has the ability to satisfy the share purchase requirements for the HEI Dividend Reinvestment and Stock Purchase Plan (DRIP), HEIRSP and ASB 401(k) Plan either through the issuance of new shares, which provides new equity capital, or through open market purchases of its common stock. From December 7, 2016 to date, HEI satisfied the share purchase requirements for these plans through open market purchases of its common stock rather than through new issuances.

For the first three months of 2019, net cash provided by operating activities of HEI consolidated was \$77 million. Net cash used by investing activities for the same period was \$83 million, primarily due to capital expenditures and ASB's net increase in loans, partly offset by ASB's receipt of repayments from available-for-sale investment securities. Net cash provided by financing activities during this period was \$23 million as a result of several factors, including increases in ASB's deposit liabilities and short-term borrowings and the issuance of short-term debt, partly offset by net repayments of other bank borrowings and payment of common stock dividends. During the first three months of 2019, Hawaiian Electric and ASB (through ASB Hawaii) paid cash dividends to HEI of \$25 million and \$18 million, respectively.

MATERIAL ESTIMATES AND CRITICAL ACCOUNTING POLICIES

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

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

For information about these material estimates and critical accounting policies, see pages 37 to 39, 50 to 51, and 66 to 68 of HEI's MD&A included in Part II, Item 7 of HEI's 2018 Form 10-K.

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

Electric utility

RESULTS OF OPERATIONS

Three months ended March 31		Increase (decrease)	(dollars in millions, except per barrel amounts)
2019	2018		
\$ 578	\$ 570	\$ 8	Revenues. Net increase largely due to:
		\$ 13	higher rates
		5	MPIR for Schofield Generating Station
		2	renewable RFP Phase 1 PIM
		2	billing to a third party for mutual assistance work reimbursement
		1	Joint pole attachment fees
		(7)	lower kWh generated
		(7)	lower kWh purchased
161	167	(6)	Fuel oil expense. Decrease due to lower kWh generated while fuel oil prices remaining at comparable levels
134	140	(6)	Purchased power expense. Net decrease largely due to:
		(7)	lower kWh purchased
		(3)	lower AES and PGV capacity charges
		4	higher purchased power energy price ¹
118	108	10	Operation and maintenance expenses. Net increase largely due to:
		4	reset of pension costs included in rates as part of rate case decisions
		3	higher administrative expense due to less being allocated to capital and billable projects
		2	cost for asset management data cleansing
		2	cost for a third party mutual assistance work
		1	voluntary retirement bonus payout
		1	higher medical premium costs
		(3)	2019 PUC approval of deferral treatment for previously-incurred expenses to modify existing generating units on Maui to run at lower loads in order to accept more renewable generation
109	105	4	Other expenses. Increase due to higher depreciation expense for plant investments in 2018, coupled with higher revenue taxes from higher revenue
57	51	6	Operating income. Increase due to higher revenue, offset in part by higher operation and maintenance and depreciation expenses
32	27	5	Net income for common stock. Increase due to higher rates, MPIR and PIMS revenues, offset in part by higher expenses and lower allowance for funds under construction (AFUDC) due to lower level of construction work in progress
1,916	2,012	(96)	Kilowatthour sales (millions) ²
\$ 80.39	\$ 80.68	\$ (0.29)	Average fuel oil cost per barrel ³
463,964	462,764	1,200	Customer accounts (end of period)

- 1 The rate schedules of the electric utilities currently contain PPACs through which changes in purchase power expenses (except purchased energy costs) are passed on to customers.
- 2 kWh sales were lower when compared to the same quarter in the prior year due largely to continued energy efficiency and conservation efforts by customers and increasing levels of private customer-sited renewable generation, coupled with cooler and less humid weather.
- 3 The rate schedules of the electric utilities currently contain ECACs and ECRCs through which changes in fuel oil prices and certain components of purchased energy costs are passed on to customers.

The Utilities' effective tax rates for the first three months of 2019 and 2018 were 22% and 25%, respectively. The effective tax rates were lower for the three months ended March 31, 2019 compared to the same periods in 2018 due primarily to the amortization of excess deferred income taxes related to the provision in the Tax Act that lowered the federal income tax rate from 35% to 21%.

Hawaiian Electric's consolidated ROACE was 7.8% and 6.9% for the twelve months ended March 31, 2019 and March 31, 2018, respectively.

The Utilities' consolidated kWh sales have declined each year since 2007. Based on expectations of additional customer renewable self-generation and energy-efficiency installations, and the cooler and less humid weather in the first quarter of the year, the Utilities' full year 2019 kWh sales are expected to be below the 2018 level. However, due to the decoupling model implemented in 2011, revenues are not tied to kWh sales and include annual rate adjustments to revenues. See "Decoupling" in the "Regulatory proceedings" section of Note 3 of the condensed consolidated financial statements for additional information.

The net book value (cost less accumulated depreciation) of utility property, plant and equipment (PPE) as of March 31, 2019 amounted to \$4 billion, of which approximately 28% related to generation PPE, 62% related to transmission and distribution PPE, and 10% related to other PPE. Approximately 10% of the total net book value relates to generation PPE that has been deactivated or that the Utilities plan to deactivate or decommission.

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

Executive overview and strategy. The Utilities provide electricity on all the principal islands in the state, other than Kauai, to approximately 95% of the state's population and operate five separate grids. The Utilities' mission is to provide innovative energy leadership for Hawaii, to meet the needs and expectations of customers and communities, and to empower them with affordable, reliable and clean energy. The goal is to create a modern, flexible and dynamic electric grid that enables an optimal mix of distributed energy resources, such as private rooftop solar, demand response and grid-scale resources to enable the creation of smart, sustainable, resilient communities and achieve the statutory goal of 100% renewable energy by 2045.

Transition to renewable energy. The Utilities are fully committed to a 100 percent renewable future for Hawaii and are partnering with the State of Hawaii in achieving its Renewable Portfolio Standard goal of 100% renewable energy by 2045. Hawaii's RPS law requires electric utilities to meet an RPS of 30%, 40%, 70% and 100% by December 31, 2020, 2030, 2040 and 2045, respectively. The regulatory framework includes a number of mechanisms designed to provide utility financial stability during the transition toward the state's 100% renewable energy future. Under the sales decoupling mechanism, the utilities are allowed to recover from customers, target test year revenues, independent of the level of kWh sales, which have declined as privately-owned distributed energy resources have been added to the grid and energy efficiency measures have been put into place. Other regulatory mechanisms reduce regulatory lag, such as the major project interim recovery mechanism, which allow the utilities to recover and earn on certain approved major capital projects placed into service in between rate cases. See "Decoupling" in Note 3 of the Consolidated Financial Statements.

Power Supply Improvement Plans and Integrated Grid Planning. The December 2016 PSIP Update Report accepted by the PUC in July 2017 includes the continued growth of private rooftop solar and describes the grid and generation modernization work needed to reliably integrate an estimated total of 165,000 private systems by 2030, and additional grid-scale renewable energy resources. In addition, the plans forecast the addition of 360 MW of grid-scale solar and 157 MW of grid-scale wind, with 8 MW derived from the first phase of the community-based renewable energy (CBRE) program. The plans also include 115 MW from Demand Response (DR) programs, which can shift customer use of electricity to times when more renewable energy is available, potentially increasing the capacity to add even more renewable resources. The December 2016 Update Report emphasizes work that is in progress or planned through 2021 on each of the five islands the Utilities serve.

Achieving 100% renewable energy will require modernizing the grid through coordinated energy system planning in partnership with local communities and stakeholders. To accomplish this, the Utilities filed its Integrated Grid Planning (IGP) Report with the PUC on March 1, 2018, which provides an innovative systems approach to energy planning intended to yield the most cost-effective renewable energy pathways that incorporates customer and stakeholder input.

The PUC opened a docket for the IGP process that the Utilities had proposed. As required, the Utilities filed an IGP Work plan on December 14, 2018, describing the timing and scope of major activities that will occur in the IGP process.

Demand response programs. Pursuant to PUC orders, the Utilities are developing an integrated DR Portfolio Plan that will enhance system operations and reduce costs to customers. The reduction in cost for the customer will take the form of either rates or incentive-based programs that will compensate customers for their participation individually, or by way of engagements with turnkey service providers that contract with the Utilities to aggregate and deliver various grid services on behalf of participating customers and their distributed assets.

In October 2017, the PUC approved the Utilities request made in December 2015 to defer and recover certain computer software and software development costs for a DR Management System in an amount not to exceed \$3.9 million, exclusive of AFUDC, through the Renewable Energy Infrastructure Program Surcharge. The Utilities placed the DR Management System in service in the first quarter of 2019.

On January 25, 2018, the PUC approved the Utilities' revised DR Portfolio tariff structure. The PUC supported the approach of working with aggregators to implement the DR portfolio. In 2019, the Utilities are expected to sign a number of multi-year Grid Services Purchase Agreements with third party aggregators. These contracts pay service providers to aggregate grid-supporting capabilities from customer-sited Distributed Energy Resources. The first of these five-year contracts in a not-to-exceed amount of \$22 million has been executed (pending PUC approval to commence) and is expected to not only deliver benefit through efficient grid operations and avoided fuel costs over that 5-year period, but as the PUC considers Performance-based Regulation, demonstrated savings resulting from these contracts could result in shared savings for the Utilities. This complements the Utilities' transformation and supports customer choice.

Grid modernization. The overall goal of the Grid Modernization Strategy is to deploy modern grid investments at an appropriate priority, sequence and pace to cost-effectively maximize flexibility, minimize the risk of redundancy and obsolescence, deliver customer benefits and enable greater DER and renewable energy integration. Under the Grid Modernization Strategy, new technology will help triple private rooftop solar and make use of rapidly evolving products, including storage and advanced inverters. The Utilities have begun work to implement the Grid Modernization Strategy by selecting a vendor for the advanced meters, a meter data management system, and a communications network through solicitations. The Utilities filed an application with the PUC on June 21, 2018, for the first implementation phase and received approval on March 25, 2019. The estimated cost for this initial phase is approximately \$86 million and is expected to be incurred over five years. Additional applications will be filed later to implement subsequent phases of the strategy.

Community-Based Renewable Energy. In December 2017, the PUC adopted a CBRE program framework which allows customers who cannot, or chose not to, take advantage of private rooftop solar to receive the benefits of renewable energy to help offset their monthly electric bills and support clean energy for Hawaii. The program has two phases.

The first phase, which commenced in July 2018, totals 8 MW of solar PV only with one credit rate for each island. The Utilities' role is limited to administrative only during the first phase. As administrators, the Utilities will work with subscriber organizations to allocate capacity, answer general program questions, verify subscriber eligibility and process bill credits for subscribers. The Utilities are in the process of verifying the projects and awarding the capacity to interested subscriber organizations.

The second phase will commence after review of the first full year of the phase one. The second phase is contemplated to be a larger capacity and include multiple credit rates (e.g., time of day) and various technologies. The Utilities will have the opportunity to develop self-build projects; however 50% of utility capacity will be reserved for low to moderate income customers.

Microgrid services tariff proceeding. In July 2018, the PUC issued an order instituting a proceeding to investigate establishment of a microgrid services tariff, pursuant to Act 200 of 2018. The PUC granted motions to intervene in the docket by eight parties, and has completed its initial procedural schedule for the proceeding, which included a technical conference, and the parties' filing of opening and reply briefs. The parties are awaiting further PUC guidance on next steps for the docket.

Decoupling. See "Decoupling" in Note 3 of the Condensed Consolidated Financial Statements for a discussion of decoupling.

As part of decoupling, the Utilities also track their rate-making ROACEs as calculated under the earnings sharing mechanism, which includes only items considered in establishing rates. At year-end, each utility's rate-making ROACE is compared against its ROACE allowed by the PUC to determine whether earnings sharing has been triggered. Annual earnings of a utility over and above the ROACE allowed by the PUC are shared between the utility and its ratepayers on a tiered basis. Earnings sharing credits are included in the annual decoupling filing for the following year. Results for 2018, 2017 and 2016 did not trigger the earnings sharing mechanism for the Utilities.

Regulated returns. Actual and PUC-allowed returns (as of March 31, 2019) were as follows:

%	Rate-making Return on rate base (RORB)*			ROACE**			Rate-making ROACE***		
	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Hawaiian Electric	Hawaii Electric Light	Maui Electric
Twelve months ended March 31, 2019									
Utility returns	6.65	6.75	6.92	7.52	8.02	8.79	7.99	7.64	8.54
PUC-allowed returns	7.57	7.80	7.43	9.50	9.50	9.50	9.50	9.50	9.50
Difference	(0.92)	(1.05)	(0.51)	(1.98)	(1.48)	(0.71)	(1.51)	(1.86)	(0.96)

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

** Recorded net income divided by average common equity.

*** ROACE adjusted to remove items not included by the PUC in establishing rates, such as incentive compensation.

The gap between PUC-allowed ROACEs and the ROACEs actually achieved is primarily due to: the consistent exclusion of certain expenses from rates (for example, incentive compensation and charitable contributions), the recognition of annual RAM revenues on June 1 annually rather than on January 1, the low RBA interest rate (currently a short-term debt rate rather than the actual cost of capital), O&M increases and return on capital additions since the last rate case in excess of indexed escalations, and the first-year averaging convention for MPIR investments for rate base purposes.

Most recent rate proceedings. In 2018, final D&Os were issued by the PUC for the Hawaiian Electric 2017 rate case and the Hawaii Electric Light 2016 rate case. Interim rates for Maui Electric's 2018 rate case were effective on August 23, 2018, and D&O directing Maui Electric to file rate schedules that calculated the final increase based on rulings in the D&O was issued on March 18, 2019. Rates resulting from the March D&O were lower than what was allowed in the interim order and Maui Electric accrued approximately \$0.5 million to be refunded to customers. In December 2018, Hawaii Electric Light filed its 2019 rate case.

Test year (dollars in millions)	Date (filed/ implemented)	Amount	% over rates in effect	ROACE (%)	RORB (%)	Rate base	Common equity %	Stipulated agreement reached with Consumer Advocate
Hawaiian Electric								
2017¹								
Request	12/16/16	\$ 106.4	6.9	10.60	8.28	\$ 2,002	57.36	Yes
Interim increase	2/16/18	36.0	2.3	9.50	7.57	1,980	57.10	
Interim increase with Tax Act	4/13/18	(0.6)	—	9.50	7.57	1,993	57.10	
Final increase	9/1/18	(0.6)	—	9.50	7.57	1,993	57.10	
Hawaii Electric Light								
2016²								
Request	9/19/16	\$ 19.3	6.5	10.60	8.44	\$ 479	57.12	Yes
Interim increase	8/31/17	9.9	3.4	9.50	7.80	482	56.69	
Interim increase with Tax Act	5/1/18	1.5	0.5	9.50	7.80	481	56.69	
Final increase	10/1/18	—	—	9.50	7.80	481	56.69	
2019								
Request	12/14/18	\$ 13.4	3.4	10.50	8.30	\$ 537	56.91	
Maui Electric								
2018³								
Request	10/12/17	\$ 30.1	9.3	10.60	8.05	\$ 473	56.94	Yes
Interim increase with Tax Act	8/23/18	12.5	3.82	9.50	7.43	462	57.02	
Final increase	6/1/19	12.2	3.7	9.50	7.43	454	57.02	

Note: The "Request" date reflects the application filing date for the rate proceeding. The "Interim increase" and "Final increase" date reflects the effective date of the revised schedules and tariffs as a result of the PUC-approved increase.

1 Final D&O was issued on June 22, 2018.

2 Final D&O was issued on June 29, 2018.

3 A D&O issued on March 18, 2019 ordered Maui Electric to make certain changes to revenue requirements to implement as the final rate increase. Maui Electric filed the revised revenue requirements on April 17, 2019 and proposed implementing final rates effective June 1, 2019.

See "Most recent rate proceedings" in Note 3 of the Condensed Consolidated Financial Statements.

Performance-based regulation. See “Performance incentive mechanisms” and “Performance-based regulation proceeding” in Note 3 of the Condensed Consolidated Financial Statements.

Developments in renewable energy efforts. Developments in the Utilities’ efforts to further their renewable energy strategy include renewable energy projects discussed in Note 3 of the Condensed Consolidated Financial Statements and the following:

New renewable PPAs.

- In December 2014, the PUC approved a PPA for Renewable As-Available Energy dated October 3, 2013 between Hawaiian Electric and Na Pua Makani Power Partners, LLC (NPM) for a proposed 24-MW wind farm on Oahu. The NPM wind farm was expected to be placed into service by August 31, 2019, but has been delayed due to an appeal of the decision in the Habitat Conservation Permit contested case.
- In July 2017, the PUC approved, with certain modifications and conditions, three PPAs for solar energy on Oahu with Waipio PV, LLC for 45.9 MW, Lanikuhana Solar, LLC for 14.7 MW and Kawailoa Solar, LLC for 49.0 MW. The three projects are now owned by Clearway Energy Group LLC, whose controlling investor is Global Infrastructure Partners. The three projects are expected to be in service by the end of 2019.
- In July 2018, the PUC approved Maui Electric’s PPA with Molokai New Energy Partners to purchase solar energy from a PV plus battery storage project. The 4.88 MW project will deliver no more than 2.64 MW at any time to the Molokai system. The Guaranteed Commercial Operations Date is January 2020.
- In November 2018, Hawaiian Electric filed with the PUC a PPA for Renewable As-Available Energy dated October 22, 2018 between Hawaiian Electric and EE Ewa, LLC (Palehua) for a proposed 46.8 MW wind farm on Oahu, subject to PUC approval. The project is expected to be in service by December 2022.

Tariffed renewable resources.

- As of March 31, 2019, there were approximately 469 MW, 100 MW and 111 MW of installed distributed renewable energy technologies (mainly PV) at Hawaiian Electric, Hawaii Electric Light and Maui Electric, respectively, for tariff-based private customer generation programs, namely Standard Interconnection Agreement, Net Energy Metering, Net Energy Metering Plus, Customer Grid Supply, Customer Self Supply, Customer Grid Supply Plus and Interim Smart Export. As of March 31, 2019, an estimated 29% of single family homes on the islands of Oahu, Hawaii and Maui have installed private rooftop solar systems, and approximately 17% of the Utilities’ total customers have solar systems.
- The Utilities began accepting energy from feed-in tariff projects in 2011. As of March 31, 2019, there were 33 MW, 3 MW and 5 MW of installed feed-in tariff capacity from renewable energy technologies at Hawaiian Electric, Hawaii Electric Light and Maui Electric, respectively.

Biofuel sources.

- In July 2018, the PUC approved Hawaiian Electric’s 3-year biodiesel supply contract with Pacific Biodiesel Technologies, LLC (PBT) to supply 2 million to 4 million gallons of biodiesel at Hawaiian Electric’s Schofield Generating Station and the Honolulu International Airport Emergency Power Facility (HIA Facility) and any other generating unit on Oahu, as necessary. The PBT contract became effective on November 1, 2018. Hawaiian Electric also has a spot buy contract with PBT to purchase additional quantities of biodiesel at or below the price of diesel. Some purchases of “at parity” biodiesel have been made under the spot purchase contract, which was extended through June 2020.
- Hawaiian Electric has a contingency supply contract with REG Marketing & Logistics Group, LLC to also supply biodiesel to any generating unit on Oahu in the event PBT is not able to supply necessary quantities. This contingency contract has been extended to November 2020, and will continue with no volume purchase requirements.

Requests for renewable proposals, expressions of interest, and information.

- Under a request for proposal process governed by the PUC and monitored by independent observers, in February 2018, the Utilities issued RFPs for 220 MW of renewable generation on Oahu, 50 MW of renewable generation on Hawaii Island, and 60 MW of renewable generation on Maui. The Utilities selected a final award group for Hawaii Island in August 2018 and for Maui and Oahu in September 2018.

In December 2018, the Utilities executed a total of seven renewable generation PPAs utilizing photovoltaic technology paired with a battery storage system for a total of 262 MW, of which six PPAs were approved by PUC in March 2019 and one PPA for Maui Electric is still under PUC review. In February 2019, Hawaiian Electric filed an additional PPA for a proposed 12.5 MW PV plus battery storage project, subject to PUC approval. Summarized information for a total

of 8 PPAs, including one each for Hawaiian Electric and Maui electric that are pending PUC approval, is as follows:

Utilities	Number of contracts	Total photovoltaic size (MW)	Battery Energy Storage System (BESS) Size (MW/MWh)	Guaranteed commercial operation dates	Contract term (years)	Total projected annual payment (in millions)
Hawaiian Electric	4	139.5	139.5 / 558	9/30/2021 & 12/31/2021	20 & 25	\$ 30.9
Hawaii Electric Light	2	60	60 / 240	7/20/2021 & 6/30/2022	25	14.1
Maui Electric	2	75	75 / 300	7/20/2021 & 6/30/2022	25	17.6
Total	8	274.5	274.5 / 1098			\$ 62.6

In March 2019, the Utilities received PUC approval to recover the total projected annual payment of \$54.9 million for 6 PPAs through the PPAC to the extent such costs are not included in base rates. \$7.7 million of total projected annual payment for 2 PPAs are pending PUC approval.

- In October 2017, the Utilities filed a draft request for proposal with the PUC for 40 MW of firm renewable generation on Maui (Maui Firm RFP) to be in service by the end of 2022. The Utilities have since decided to move forward with an RFP for variable renewable energy and energy storage.
- In continuation of its February 2018 request for proposal process, the Utilities issued draft requests for proposals for a stage two procurement with the PUC on April 1, 2019. The second phase, if approved by the PUC, will be open to all variable renewable and storage resources, including efforts to add more renewable solar and wind generation, renewable plus storage, standalone storage and grid services.

Legislation and regulation. Congress and the Hawaii legislature periodically consider legislation that could have positive or negative effects on the Utilities and their customers. Also see “Environmental regulation” in Note 3 of the Condensed Consolidated Financial Statements.

Clean Water Act Section 316(b). On August 14, 2014, the EPA published in the Federal Register the final 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 regulations were effective October 14, 2014 and apply to the cooling water systems for the steam generating units at three of Hawaiian Electric’s power plants on the island of Oahu. The regulations prescribe a process, including a number of required site-specific studies, for states to develop facility-specific entrainment and impingement controls to be incorporated in each facility’s National Pollutant Discharge Elimination System permit. Hawaiian Electric submitted the final site specific studies to the DOH in December 2016 for the Honolulu and Waiau power plants and in September 2017 for the Kahe power plant. Hawaiian Electric will work with the DOH to identify the appropriate compliance methods for the 316(b) rule. Until new permits are issued by DOH, Hawaiian Electric is operating the facilities under administrative extensions under the prior permit. Final compliance costs may vary depending on the outcome of the final permit.

Impact of lava flows on PGV. In May 2018, a lava eruption occurred within the Leilani Estates subdivision and resulted in the shutdown of independent power producer PGV’s facilities. The financial impact to Hawaii Electric Light has not been material. In March 2019, Hawaii Electric Light and PGV entered into a Rebuild Agreement, which sets forth the parties’ respective responsibilities associated with restoration of facilities and reconnection of the PGV facility to the electric grid.

FINANCIAL CONDITION

Liquidity and capital resources. Management believes that Hawaiian Electric’s ability, and that of its subsidiaries, to generate cash, both internally from operations and externally from issuances of equity and debt securities and commercial paper and draws on lines of credit, is adequate to maintain sufficient liquidity to fund their respective capital expenditures, investments, debt repayments, retirement benefit plan contributions and other cash requirements in the foreseeable future.

Hawaiian Electric’s consolidated capital structure was as follows:

(dollars in millions)	March 31, 2019		December 31, 2018		
Short-term borrowings	\$	56	1%	\$ 25	1%
Long-term debt, net		1,419	41	1,419	41
Preferred stock		34	1	34	1
Common stock equity		1,964	57	1,958	57
	\$	3,473	100%	\$ 3,436	100%

Information about Hawaiian Electric’s commercial paper borrowings, borrowings from HEI and line of credit facility were as follows:

(in millions)	Average balance		Balance	
	Three months ended March 31, 2019		March 31, 2019	December 31, 2018
Short-term borrowings ¹				
Commercial paper	\$	1	\$	6
Line of credit draws		—		—
Borrowings from HEI		—		—
Undrawn capacity under line of credit facility		—	200	200

¹ The maximum amount of external short-term borrowings by Hawaiian Electric during the first three months of 2019 was \$9.5 million. As of March 31, 2019, Hawaiian Electric had short-term borrowings from Hawaii Electric Light of \$9.2 million and Maui Electric had short-term borrowings from Hawaiian Electric of \$9.5 million.

Hawaiian Electric has a \$200 million line of credit facility with no amounts outstanding at March 31, 2019. See Note 5 of the Condensed Consolidated Financial Statements.

On February 26, 2019, the PUC approved Hawaiian Electric and Hawaii Electric Light’s request to issue refunding special purpose revenue bonds (SPRBs) prior to December 31, 2020 to refinance their outstanding Series 2009 SPRBs in the amount of up to \$90 million and \$60 million, respectively.

In October 2018, the Utilities requested PUC approval to issue SPRBs in the amounts of up to \$70 million, \$2.5 million and \$7.5 million for Hawaiian Electric, Hawaii Electric Light and Maui Electric, respectively, prior to June 30, 2020, to finance the Utilities’ capital improvement programs.

On November 29, 2018, Hawaiian Electric entered into a 364-day, \$50 million term loan credit agreement that matures on November 28, 2019. Hawaiian Electric drew the first \$25 million on November 29, 2018 and the second \$25 million on January 31, 2019.

On January 31, 2019, the Utilities received PUC approval to issue the remaining authorized amounts under the April 2018 Approval in 2019 through 2020 (Hawaiian Electric up to \$205 million and Hawaii Electric Light up to \$15 million of taxable debt), as well as a supplemental increase to authorize the issuance of additional taxable debt to finance capital expenditures, repay long-term and/or short term debt used to finance or refinance capital expenditures, and/or to reimburse funds used for payment of capital expenditures, and to refinance the Utilities’ 2004 junior subordinated deferrable interest debentures prior to maturity. In addition, the Utilities received approval to extend the period to issue additional taxable debt from December 31, 2021 to December 31, 2022. The new total “up to” amounts of taxable debt requested to be issued through December 31, 2022 are \$410 million, \$150 million and \$130 million for Hawaiian Electric, Hawaii Electric Light and Maui Electric, respectively. See summary table below.

(in millions)	Hawaiian Electric	Hawaii Electric Light	Maui Electric
Taxable debt authorized and issued in 2018 under April 2018 Approval	\$ 75	\$ 15	\$ 10
Remaining authorized amounts under April 2018 Approval	205	15	—
Supplemental increase authorized	100	110	110
Taxable debt issuance to refinance the 2004 QUIDS ¹	30	10	10
Total “up to” amounts of taxable debt authorized through 2022	\$ 410	\$ 150	\$ 130

¹ On April 12, 2019, HECO Capital Trust III (Trust) issued a conditional notice of redemption to the holders of the Trust’s outstanding 6.50% Series 2004 QUIDS indicating that it will be redeemed in whole on May 15, 2019.

In October 2018, the Utilities received PUC approval for the supplemental increase to issue and sell additional common stock in the amounts of up to \$280 million for Hawaiian Electric and up to \$100 million each for Hawaii Electric Light and Maui Electric, with the new total “up to” amounts of \$430 million for Hawaiian Electric and \$110 million each for Hawaii Electric Light and Maui Electric, and to extend the period authorized by the PUC to issue and sell common stock from December 31,

2021 to December 31, 2022. See summary table below.

(in millions)	Hawaiian Electric		Hawaii Electric Light		Maui Electric	
Total "up to" amounts of common stock authorized to issue and sell through 2021	\$	150	\$	10	\$	10
Supplemental increase authorized		280		100		100
Total "up to" amounts of common stock authorized to issue and sell through 2022	\$	430	\$	110	\$	110

Cash flows. The following table reflects the changes in cash flows for the three months ended March 31, 2019 compared to the three months ended March 31, 2018:

(in thousands)	Three months ended March 31,		
	2019	2018	Change
Net cash provided by operating activities	\$ 69,416	\$ 29,780	\$ 39,636
Net cash used in investing activities	(102,097)	(109,524)	7,427
Net cash provided by financing activities	5,185	90,626	(85,441)

Net cash provided by operating activities. The increase in net cash provided by operating activities was primarily driven by higher cash receipts from customers due to increased customer bills as a result of higher rates, partially offset by higher cash paid for fuel oil stock due to higher volume purchased.

Net cash used in investing activities. The decrease in net cash used in investing activities was primarily driven by a decrease in capital expenditures for construction activities.

Net cash provided by financing activities. The decrease in net cash provided by financing activities was primarily driven by lower short-term borrowings.

Forecast capital expenditures. For the five-year period 2019 through 2023, the Utilities forecast up to \$2.2 billion of net capital expenditures, which could change over time based upon external factors such as the timing and scope of environmental regulations, unforeseen delays in permitting and timing of PUC decisions. Proceeds from the issuance of equity and long-term debt, cash flows from operating activities, temporary increases in short-term borrowings and existing cash and cash equivalents are expected to provide the funds needed for the net capital expenditures, to pay down commercial paper or other short-term borrowings, as well as to fund any unanticipated expenditures not included in the 2019 to 2023 forecast (such as increases in the costs or acceleration of capital projects or unanticipated capital expenditures that may be required by new environmental laws and regulations).

Management periodically reviews capital expenditure estimates and the timing of construction projects. These estimates may change significantly as a result of many considerations, including changes in economic conditions, changes in forecasts of kWh sales and peak load, the availability of purchased power and changes in expectations concerning the construction and ownership of future generation units, the availability of generating sites and transmission and distribution corridors, the need for fuel infrastructure investments, the ability to obtain adequate and timely rate increases, escalation in construction costs, the effects of opposition to proposed construction projects and requirements of environmental and other regulatory and permitting authorities.

Bank

(in millions)	Three months ended March 31		Increase (decrease)	Primary reason(s)
	2019	2018		
Interest income	\$ 68	\$ 62	\$ 6	The increase in interest income was primarily the result of an increase in balances and yields on earning assets other than interest-earning deposits. ASB's average investment securities portfolio balance for the three months ended March 31, 2019 increased by \$55 million compared to the same period in 2018 as ASB used excess liquidity to purchase investments. The yield on the investment securities portfolio increased by 33 basis points as new investment purchase yields were higher due to the rising interest rate environment and the amortization of premiums in the investment portfolio has decreased. ASB's average loan portfolio balance for the three months ended March 31, 2019 increased by \$158 million compared to the same period in 2018 due to increases in the average residential, home equity line of credit, consumer and commercial loan portfolios of \$31 million, \$71 million, \$39 million and \$28 million, respectively. The yield on loans benefited from the rising interest rate environment, which resulted in an increase in yields from the total loan portfolio of 27 basis points. The average balance of interest-earning deposits was \$10 million for the three months ended March 31, 2019 compared to \$56 million for the same period in 2018.
Noninterest income	15	13	2	Noninterest income increased for the three months ended March 31, 2019 compared to noninterest income for the three months ended March 31, 2018 primarily due to higher bank owned life insurance income.
Revenues	83	75	8	The increase in revenues for the three months ended March 31, 2019 compared to the same period in 2018 was due higher interest and noninterest income.
Interest expense	5	3	2	The increase in interest expense for the three months ended March 31, 2019 compared to the same period in 2018 was due to higher deposit balances and interest rates. Average deposit balances for the three months ended March 31, 2019 increased by \$280 million compared to the same period in 2018 due to an increase in core deposits and time certificates of \$242 million and \$38 million, respectively. Average cost of deposits for the three months ended March 31, 2019 was 28 basis points, or 8 basis points above the cost of deposits for the same period in 2018. Average other borrowings for the three months ended March 31, 2019 decreased by \$73 million compared to the same period in 2018 due to a decrease in repurchase agreements. The interest-bearing liability rate for the three months ended March 31, 2019 increased by 11 basis points compared to the same period in 2018.
Provision for loan losses	7	4	3	The provision for loan losses increased for the three months ended March 31, 2019 compared to the provision for loan losses for the three months ended March 31, 2018. The provision for loan losses for 2019 was due to increased loan loss reserves for the consumer loan portfolio, and additional reserves for an impaired commercial loan and a commercial real estate loan that were downgraded. The provision for loan losses for 2018 was primarily due to increased reserves for loan growth and additional loan loss reserves for the consumer loan portfolio, partly offset by the release of reserves for the commercial loan portfolio due to a recovery on a previously charged-off commercial loan and improved credit quality of the commercial and commercial real estate loan portfolios. Delinquency rates have increased from 0.44% at March 31, 2018 to 0.63% at March 31, 2019. The annualized net charge-off ratio for the three months ended March 31, 2019 was 0.39% compared to an annualized net charge-off ratio of 0.28% for the same period in 2018. The increase was due to higher net charge-offs in the consumer loan portfolio with risk-based pricing. The net charge-offs in 2018 benefited from a recovery on a previously charged-off commercial loan.
Noninterest expense	45	43	2	Noninterest expense for the three months ended March 31, 2019 compared to the same period in 2018 was slightly higher primarily due to higher compensation and employee benefits expenses as a result of an increase in the minimum pay rate for employees and annual merit increases.
Expenses	57	50	7	The increase in expenses for the three months ended March 31, 2019 compared to the same period in 2018 was due to higher interest expense, higher provision for loan losses and higher noninterest expenses.
Operating income	26	25	1	The increase in operating income for the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to higher interest and noninterest income, partly offset by higher provision for loan losses, higher interest expense, and higher noninterest expenses.
Net income	21	19	2	The increase in net income for the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to higher operating income and lower income tax expense.

See Note 4 of the Condensed Consolidated Financial Statements and "Economic conditions" in the "HEI Consolidated" section above.

ASB continues to maintain its low-risk profile, strong balance sheet and straightforward community banking business model.

ASB's return on average assets, return on average equity and net interest margin were as follows:

(%)	Three months ended March 31	
	2019	2018
Return on average assets	1.18	1.12
Return on average equity	13.09	12.58
Net interest margin	3.99	3.76

(dollars in thousands)	Three months ended March 31					
	2019			2018		
	Average balance	Interest income/ expense ¹	Yield/ rate (%)	Average balance	Interest income/ expense ¹	Yield/ rate (%)
Assets:						
Interest-earning deposits	\$ 10,359	\$ 62	2.41	\$ 56,495	\$ 216	1.53
FHLB stock	10,345	96	3.76	9,770	77	3.20
Investment securities						
Taxable	1,513,925	10,210	2.70	1,469,065	8,791	2.39
Non-taxable	25,966	329	5.07	15,427	150	3.88
Total investment securities	1,539,891	10,539	2.74	1,484,492	8,941	2.41
Loans						
Residential 1-4 family	2,160,284	22,250	4.12	2,129,318	21,847	4.10
Commercial real estate	845,315	10,173	4.83	853,485	9,251	4.35
Home equity line of credit	992,029	9,493	3.88	921,007	7,988	3.52
Residential land	12,801	183	5.71	16,445	223	5.41
Commercial	588,709	6,860	4.70	560,529	6,179	4.46
Consumer	270,220	8,901	13.36	230,841	7,312	12.85
Total loans ^{2,3}	4,869,358	57,860	4.78	4,711,625	52,800	4.51
Total interest-earning assets ²	6,429,953	68,557	4.29	6,262,382	62,034	3.88
Allowance for loan losses	(52,051)			(53,567)		
Noninterest-earning assets	682,251			574,107		
Total assets	\$ 7,060,153			\$ 6,782,922		
Liabilities and shareholder's equity:						
Savings	\$ 2,335,046	\$ 402	0.07	\$ 2,311,083	\$ 401	0.07
Interest-bearing checking	1,041,916	264	0.10	933,347	74	0.03
Money market	150,448	241	0.65	113,631	26	0.09
Time certificates	831,326	3,345	1.63	793,596	2,456	1.25
Total interest-bearing deposits	4,358,736	4,252	0.40	4,151,657	2,957	0.29
Advances from Federal Home Loan Bank	54,289	353	2.64	51,111	245	1.94
Securities sold under agreements to repurchase	78,776	175	0.90	154,744	251	0.66
Total interest-bearing liabilities	4,491,801	4,780	0.43	4,357,512	3,453	0.32
Noninterest bearing liabilities:						
Deposits	1,797,646			1,724,955		
Other	133,743			97,761		
Shareholder's equity	636,963			602,694		
Total liabilities and shareholder's equity	\$ 7,060,153			\$ 6,782,922		
Net interest income		\$ 63,777			\$ 58,581	
Net interest margin (%) ⁴			3.99			3.76

¹ Interest income includes taxable equivalent basis adjustments, based upon a federal statutory tax rate of 21%, of \$0.07 million and \$0.03 million for the three months ended March 31, 2019 and 2018, respectively.

² Includes loans held for sale, at lower of cost or fair value.

³ Includes recognition of net deferred loan fees of nil and \$0.1 million for the three months ended March 31, 2019 and 2018, respectively, together with interest accrued prior to suspension of interest accrual on nonaccrual loans.

⁴ Defined as net interest income, on a fully taxable equivalent basis, as a percentage of average total interest-earning assets.

Earning assets, costing liabilities, contingencies and other factors. Earnings of ASB depend primarily on net interest income, which is the difference between interest earned on earning assets and interest paid on costing liabilities. The interest rate environment has been impacted by disruptions in the financial markets over a period of several years. These conditions have begun to moderate with the interest rate increases in the past year, resulting in an increase in ASB's net interest income and net interest margin.

Loans and mortgage-backed securities are ASB's primary earning assets.

Loan portfolio. ASB's loan volumes and yields are affected by market interest rates, competition, demand for financing, availability of funds and management's responses to these factors. See Note 4 of the Condensed Consolidated Financial Statements for the composition of ASB's loans.

Home equity — key credit statistics. Attention has been given by regulators and rating agencies to the potential for increased exposure to credit losses associated with home equity lines of credit (HELOC) that were originated during the period of rapid home price appreciation between 2003 and 2007 as they have reached the end of their 10-year, interest only payment periods. Once the interest only payment period has ended, payments are reset to include principal repayments along with interest. ASB does not have a large exposure to HELOCs originated between 2003 and 2007. Nearly all of ASB's HELOC originations prior to 2008 consisted of amortizing equity lines that have structured principal payments during the draw period. These older equity lines represent 1% of the HELOC portfolio and are included in the amortizing balances identified in the loan portfolio table below.

	March 31, 2019	December 31, 2018
Outstanding balance of home equity loans (in thousands)	\$ 995,624	\$ 978,237
Percent of portfolio in first lien position	50.2%	49.2%
Annualized net charge-off ratio	—%	0.01%
Delinquency ratio	0.42%	0.46%

March 31, 2019	Total	Interest only	End of draw period – interest only			Current amortizing
			2019-2020	2021-2023	Thereafter	
Outstanding balance (in thousands)	\$ 995,624	\$ 742,200	\$ 27,969	\$ 126,657	\$ 587,574	\$ 253,424
% of total	100%	75%	3%	13%	59%	25%

The HELOC portfolio makes up 20% of the total loan portfolio and is generally an interest-only revolving loan for a 10-year period, after which time the HELOC outstanding balance converts to a fully amortizing variable rate term loan with a 20-year amortization period. This product type comprises 75% of the total HELOC portfolio and is the current product offering. Borrowers also have a "Fixed Rate Loan Option" to convert a part of their available line of credit into a 5, 7 or 10-year fully amortizing fixed rate loan with level principal and interest payments. As of March 31, 2019, approximately 24% of the portfolio balances were amortizing loans under the Fixed Rate Loan Option.

Loan portfolio risk elements. See Note 4 of the Condensed Consolidated Financial Statements.

Investment securities. ASB's investment portfolio was comprised as follows:

(dollars in thousands)	March 31, 2019		December 31, 2018	
	Balance	% of total	Balance	% of total
U.S. Treasury and federal agency obligations	\$ 140,844	10%	\$ 154,349	10%
Mortgage-backed securities — issued or guaranteed by U.S. Government agencies or sponsored agencies	1,269,190	85	1,303,291	85
Corporate bonds	50,462	3	49,132	3
Mortgage revenue bonds	27,970	2	23,636	2
Total investment securities	\$ 1,488,466	100%	\$ 1,530,408	100%

Currently, ASB's investment portfolio consists of U.S. Treasury and federal agency obligations, mortgage-backed securities, corporate bonds and mortgage revenue bonds. ASB owns mortgage-backed securities issued or guaranteed by the U.S. government agencies or sponsored agencies, including the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA) and Small Business Administration (SBA). Principal and interest on mortgage-backed securities issued by FNMA, FHLMC, GNMA and SBA are guaranteed by the

issuer and, in the case of GNMA and SBA, backed by the full faith and credit of the U.S. government. U.S. Treasury securities are also backed by the full faith of the U.S. government.

Deposits and other borrowings. Deposits continue to be the largest source of funds for ASB and are affected by market interest rates, competition and management’s responses to these factors. Deposit retention and growth will remain challenging in the current environment due to competition for deposits and the low level of short-term interest rates. Advances from the FHLB of Des Moines and securities sold under agreements to repurchase continue to be additional sources of funds. As of March 31, 2019, ASB’s costing liabilities consisted of 99% deposits and 1% other borrowings compared to 98% deposits and 2% other borrowings as of December 31, 2018. The weighted average cost of deposits for the first three months of 2019 and 2018 was 0.28% and 0.20%, respectively.

Federal Home Loan Bank of Des Moines. As of March 31, 2019 ASB had \$25 million advances outstanding at the FHLB of Des Moines compared to \$45 million as of December 31, 2018. As of March 31, 2019, the unused borrowing capacity with the FHLB of Des Moines was \$2.1 billion. The FHLB of Des Moines continues to be an important source of liquidity for ASB.

Contingencies. 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.

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

As of March 31, 2019, ASB had an unrealized loss, net of taxes, on available-for-sale investment securities (including securities pledged for repurchase agreements) in AOCI of \$15.0 million compared to an unrealized loss, net of taxes, of \$24.4 million as of December 31, 2018. See “Item 3. Quantitative and qualitative disclosures about market risk” for a discussion of ASB’s interest rate risk sensitivity.

During the first three months of 2019, ASB recorded a provision for loan losses of \$6.9 million due to increased loan loss reserves for the consumer loan portfolio, and additional reserves for an impaired commercial loan and a commercial real estate loan that were downgraded. During the first three months of 2018, ASB recorded a provision for loan losses of \$3.5 million primarily due to increased reserves for loan growth and additional loan loss reserves for the consumer loan portfolio, partly offset by the release of reserves for the commercial loan portfolio due to a recovery on a previously charged-off commercial loan and improved credit quality of the commercial and commercial real estate loan portfolios.

(in thousands)	Three months ended March 31		Year ended
	2019	2018	December 31, 2018
Allowance for loan losses, January 1	\$ 52,119	\$ 53,637	\$ 53,637
Provision for loan losses	6,870	3,541	14,745
Less: net charge-offs	4,692	3,283	16,263
Allowance for loan losses, end of period	\$ 54,297	\$ 53,895	\$ 52,119
Ratio of net charge-offs during the period to average loans outstanding (annualized)	0.39%	0.28%	0.34%

ASB maintains a reserve for credit losses that consists of two components, the allowance for loan losses and a reserve for unfunded loan commitments (unfunded reserve). The level of the reserve for unfunded loan commitments is adjusted by recording an expense or recovery in other noninterest expense. As of March 31, 2019 and December 31, 2018, the reserve for unfunded loan commitments was \$1.7 million.

Legislation and regulation. ASB is subject to extensive regulation, principally by the OCC and the FDIC. Depending on ASB’s level of regulatory capital and other considerations, these regulations could restrict the ability of ASB to compete with other institutions and to pay dividends to its shareholder. See the discussion below under “Liquidity and capital resources.”

Final Capital Rules. On July 2, 2013, the FRB finalized its rule implementing the Basel III regulatory capital framework. The final rule would apply to banking organizations of all sizes and types regulated by the FRB and the OCC, except bank holding companies subject to the FRB’s Small Bank Holding Company Policy Statement and Savings & Loan Holding Companies (SLHCs) substantially engaged in insurance underwriting or commercial activities. HEI currently meets the requirements of the exemption as a top-tier grandfathered unitary SLHC that derived, as of June 30 of the previous calendar year, either 50% or more of its total consolidated assets or 50% or more of its total revenues on an enterprise-wide basis (calculated

under GAAP) from activities that are not financial in nature pursuant to Section 4(k) of the Bank Holding Company Act. The FRB is temporarily excluding these SLHCs from the final rule while it considers a proposal relating to capital and other requirements for SLHC intermediate holding companies (such as ASB Hawaii). The FRB indicated that it would release a proposal on intermediate holding companies that would specify the criteria for establishing and transferring activities to intermediate holding companies and propose to apply the FRB's capital requirements to such intermediate holding companies. The FRB has not yet issued such a proposal, or a proposal on how to apply the Basel III capital rules to SLHCs that are substantially engaged in commercial or insurance underwriting activities, such as grandfathered unitary SLHCs like HEI.

Pursuant to the final rule and consistent with the proposals, all banking organizations, including covered holding companies, would initially be subject to the following minimum regulatory capital requirements: a common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6%, a total capital ratio of 8% of risk-weighted assets and a tier 1 leverage ratio of 4%, and these requirements would increase in subsequent years. In order to avoid restrictions on capital distributions and discretionary bonus payments to executive officers, the final rule requires a banking organization to hold a buffer of common equity tier 1 capital above its minimum capital requirements in an amount greater than 2.5% of total risk-weighted assets (capital conservation buffer). In addition, a countercyclical capital buffer would expand the capital conservation buffer by up to 2.5% of a banking organization's total risk-weighted assets for advanced approaches banking organizations. The final rule would establish qualification criteria for common equity, additional tier 1 and tier 2 capital instruments that help to ensure their ability to absorb losses. All banking organizations would be required to calculate risk-weighted assets under the standardized approach, which harmonizes the banking agencies' calculation of risk-weighted assets and addresses shortcomings in capital requirements identified by the agencies. The phased-in effective dates of the capital requirements under the final rule are:

Minimum Capital Requirements

Effective dates	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019
Capital conservation buffer		0.625%	1.25%	1.875%	2.50%
Common equity Tier-1 ratio + conservation buffer	4.50%	5.125%	5.75%	6.375%	7.00%
Tier-1 capital ratio + conservation buffer	6.00%	6.625%	7.25%	7.875%	8.50%
Total capital ratio + conservation buffer	8.00%	8.625%	9.25%	9.875%	10.50%
Tier-1 leverage ratio	4.00%	4.00%	4.00%	4.00%	4.00%
Countercyclical capital buffer — not applicable to ASB		0.625%	1.25%	1.875%	2.50%

The final rule was effective January 1, 2015 for ASB and as of March 31, 2019, ASB met the new capital requirements (see "Financial Condition" for a summary of ASB's capital ratios).

Subject to the timing and final outcome of the FRB's SLHC intermediate holding company proposal, HEI anticipates that the capital requirements in the final rule will eventually be effective for HEI or ASB Hawaii as well. If the fully phased-in capital requirements were currently applicable to HEI, management believes HEI would satisfy the capital requirements, including the fully phased-in capital conservation buffer. Management cannot predict what final rule the FRB may adopt concerning intermediate holding companies or their impact on ASB Hawaii, if any.

FINANCIAL CONDITION

Liquidity and capital resources.

(dollars in millions)	March 31, 2019	December 31, 2018	% change
Total assets	\$ 7,062	\$ 7,028	—
Investment securities	1,488	1,530	(3)
Loans held for investment, net	4,804	4,791	—
Deposit liabilities	6,206	6,159	1
Other bank borrowings	90	110	(18)

As of March 31, 2019, ASB was one of Hawaii's largest financial institutions based on assets of \$7.1 billion and deposits of \$6.2 billion.

As of March 31, 2019, ASB's unused FHLB borrowing capacity was approximately \$2.1 billion. As of March 31, 2019, ASB had commitments to borrowers for loans and unused lines and letters of credit of \$2.0 billion, of which commitments to

borrowers whose loan terms have been modified in troubled debt restructurings were nil. Management believes ASB's current sources of funds will enable it to meet these obligations while maintaining liquidity at satisfactory levels.

For the three months ended March 31, 2019, net cash provided by ASB's operating activities was \$15 million. Net cash provided during the same period by ASB's investing activities was \$23 million, primarily due to receipt of repayments from available-for-sale investment securities of \$57 million, partly offset by a net increase in loans of \$20 million, additions to premises and equipment of \$14 million and purchases of available-for-sale investment securities of \$4 million. Net cash provided by financing activities during this period was \$4 million, primarily due to increases in deposit liabilities of \$47 million, and proceeds from FHLB advances of \$644 million, partly offset by principal payments on FHLB advances of \$664 million and \$18 million in common stock dividends to HEI (through ASB Hawaii).

For the three months ended March 31, 2018, net cash provided by ASB's operating activities was \$14 million. Net cash used during the same period by ASB's investing activities was \$117 million, primarily due to purchases of available-for-sale investment securities of \$88 million, a net increase in loans of \$75 million, and additions to premises and equipment of \$12 million, partly offset by receipt of repayments from available-for-sale investment securities of \$52 million, and proceeds from the sale of commercial loans of \$7 million. Net cash provided by financing activities during this period was \$83 million, primarily due to increases in deposit liabilities of \$86 million, proceeds from FHLB advances of \$60 million, and a net increase in retail repurchase agreements of \$12 million, partly offset by principal payments on FHLB advances of \$60 million and \$11 million in common stock dividends to HEI (through ASB Hawaii).

ASB believes that maintaining a satisfactory regulatory capital position provides a basis for public confidence, affords protection to depositors, helps to ensure continued access to capital markets on favorable terms and provides a foundation for growth. FDIC regulations restrict the ability of financial institutions that are not well-capitalized to compete on the same terms as well-capitalized institutions, such as by offering interest rates on deposits that are significantly higher than the rates offered by competing institutions. As of March 31, 2019, ASB was well-capitalized (minimum ratio requirements noted in parentheses) with a Common equity Tier-1 ratio of 12.8% (6.5%), a Tier-1 capital ratio of 12.8% (8.0%), a Total capital ratio of 13.9% (10.0%) and a Tier-1 leverage ratio of 8.7% (5.0%). As of December 31, 2018, ASB was well-capitalized with a common equity Tier-1 ratio of 12.8%, Tier-1 capital ratio of 12.8%, a Total capital ratio of 13.9% and a Tier-1 leverage ratio of 8.7%. All dividends are subject to review by the OCC and FRB and receipt of a letter from the FRB communicating the agencies' non-objection to the payment of any dividend ASB proposes to declare and pay to HEI (through ASB Hawaii).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company considers interest-rate risk (a non-trading market risk) to be a very significant market risk for ASB as it could potentially have material impacts on the Company's results of operations, financial condition and liquidity. For additional quantitative and qualitative information about the Company's market risks, see HEI's and Hawaiian Electric's Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A of HEI's 2018 Form 10-K (pages 68 to 70).

ASB's interest-rate risk sensitivity measures as of March 31, 2019 and December 31, 2018 constitute "forward-looking statements" and were as follows:

Change in interest rates (basis points)	Change in NII (gradual change in interest rates)		Change in EVE (instantaneous change in interest rates)	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
	+300	3.3%	2.5%	14.8%
+200	2.5	1.9	11.8	8.1
+100	1.5	1.1	7.3	5.1
-100	(2.6)	(2.3)	(13.8)	(11.0)

ASB's NII sensitivity profile was more asset sensitive as of March 31, 2019 compared to December 31, 2018. The decrease in long term market rates increased prepayment expectations, resulting in higher reinvestment opportunity for the fixed-rate mortgage and mortgage-backed investment portfolios. In addition, mix shifts in the bank's funding base resulted in less sensitivity on the liability side.

EVE sensitivity increased as of March 31, 2019 compared to December 31, 2018 as the duration of assets shortened while the duration of liabilities lengthened. The downward shift in the yield curve led to faster prepayment expectations and shortened the durations of the fixed-rate mortgage and mortgage-backed investment portfolios, while lengthening core deposit duration.

The computation of the prospective effects of hypothetical interest rate changes on the NII sensitivity and the percentage change in EVE is based on numerous assumptions, including relative levels of market interest rates, loan prepayments, balance

changes and pricing strategies, and should not be relied upon as indications of actual results. To the extent market conditions and other factors vary from the assumptions used in the simulation analysis, actual results may differ materially from the simulation results. NII sensitivity analysis measures the change in ASB's twelve-month, pretax NII in alternate interest rate scenarios, and is intended to help management identify potential exposures in ASB's current balance sheet and formulate appropriate strategies for managing interest rate risk. The simulation does not contemplate any actions that ASB management might undertake in response to changes in interest rates. Further, the changes in NII vary in the twelve-month simulation period and are not necessarily evenly distributed over the period. These analyses are for analytical purposes only and do not represent management's views of future market movements, the level of future earnings or the timing of any changes in earnings within the twelve month analysis horizon. The actual impact of changes in interest rates on NII will depend on the magnitude and speed with which rates change, actual changes in ASB's balance sheet and management's responses to the changes in interest rates.

Item 4. Controls and Procedures

HEI:

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act. Management, including the Company's Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this report, at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the first quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Hawaiian Electric:

Disclosure Controls and Procedures

Hawaiian Electric maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by Hawaiian Electric in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC's rules and forms, and that such information is accumulated and communicated to Hawaiian Electric's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was performed under the supervision and with the participation of Hawaiian Electric's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Hawaiian Electric's disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act. Management, including Hawaiian Electric's Chief Executive Officer and Chief Financial Officer, concluded that Hawaiian Electric's disclosure controls and procedures were effective, as of the end of the period covered by this report, at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the first quarter of 2019 that have materially affected, or are reasonably likely to materially affect, Hawaiian Electric's internal control over financial reporting.

Item 6. Exhibits

HEI Exhibit 31.1	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Constance H. Lau (HEI Chief Executive Officer)
HEI Exhibit 31.2	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Gregory C. Hazelton (HEI Chief Financial Officer)
HEI Exhibit 32.1	HEI Certification Pursuant to 18 U.S.C. Section 1350
HEI Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
HEI Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
HEI Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
HEI Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
HEI Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Hawaiian Electric Exhibit 10	Supply Contract for Low Sulfur Fuel Oil, High Sulfur Fuel Oil, No. 2 Diesel, and Ultra-Low Sulfur Diesel by and between Hawaiian Electric, Hawaii Electric Light, and Maui Electric and PAR Hawaii Refining, LLC dated January 21, 2019 (certain confidential information has been omitted)
Hawaiian Electric Exhibit 31.3	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Alan M. Oshima (Hawaiian Electric Chief Executive Officer)
Hawaiian Electric Exhibit 31.4	Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Tayne S. Y. Sekimura (Hawaiian Electric Chief Financial Officer)
Hawaiian Electric Exhibit 32.2	Hawaiian Electric Certification Pursuant to 18 U.S.C. Section 1350

SIGNATURES

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

HAWAIIAN ELECTRIC INDUSTRIES, INC.

(Registrant)

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

By /s/ Gregory C. Hazelton
Gregory C. Hazelton
Executive Vice President, Chief Financial
Officer and Treasurer
(Principal Financial Officer of HEI)

Date: May 7, 2019

HAWAIIAN ELECTRIC COMPANY, INC.

(Registrant)

By /s/ Alan M. Oshima
Alan M. Oshima
President and Chief Executive Officer
(Principal Executive Officer of Hawaiian Electric)

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

Date: May 7, 2019

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Section 2: EX-10 (EXHIBIT 10)

Hawaiian Electric Exhibit 10

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.

SUPPLY CONTRACT FOR PETROLEUM FUELS

This Supply Contract for Low Sulfur Fuel Oil ("LSFO"), High Sulfur Fuel Oil ("HSFO"), No. 2 Diesel ("Diesel"), and Ultra-Low Sulfur Diesel ("ULSD") (this "Contract") is made this 21st day of January, 2019, by and between **HAWAIIAN ELECTRIC CO., INC.**, ("Hawaiian Electric"), a Hawaii corporation, **HAWAII ELECTRIC LIGHT COMPANY, INC.** ("Hawai'i Electric Light"), a Hawaii corporation, and **MAUI ELECTRIC COMPANY, LTD.** ("Maui Electric"), a Hawaii corporation, (collectively, the "Companies" or "BUYER") and **PAR HAWAII REFINING, LLC**, a Hawaii limited liability corporation ("SELLER"), with principal place of business and mailing address at 1132 Bishop Street, Suite 2500, Honolulu Hawaii 96813. The Companies and SELLER are each a "Party" and collectively the "Parties" to this Contract. This Contract shall become effective as provided in Section 2.3 below.

WHEREAS, the Companies are in the business of generation, transmission and distribution of electrical power on the islands of O'ahu, Hawai'i, Maui, Moloka'i, and Lana'i, State of Hawaii; and

WHEREAS, SELLER is a supplier of LSFO, HSFO, Diesel, and/or ULSD with delivery and transportation capabilities that desires to supply and deliver to Hawaiian Electric, Hawai'i Electric Light and Maui Electric the LSFO, HSFO, Diesel, and/or ULSD that meets the Companies' requirements; and

WHEREAS, SELLER represents that it is equipped and has the ability to supply LSFO, HSFO, Diesel, and/or ULSD of such suitable type and quality and in a quantity sufficient to meet the Companies' requirements; and

WHEREAS, SELLER is willing to sell and deliver such suitable LSFO, HSFO, Diesel, and/or ULSD to the Companies and

the Companies are willing to purchase and receive such LSFO, HSFO, Diesel, and/or ULSD from SELLER under the terms and conditions set forth hereinafter.

NOW, THEREFORE, it is mutually agreed by the Parties hereto as follows:

ARTICLE I
DEFINITIONS

Except where otherwise indicated, the following definitions shall apply throughout this Contract.

- 1.1. "Affiliate", except where otherwise expressly provided, means a corporation controlling, controlled by or under common control with SELLER or the Companies, as the case may be.
- 1.2. "API" means American Petroleum Institute, a long-established petroleum industry organization.
- 1.3. "Applicable Law" means any and all applicable present and future laws, statutes, rules, regulations, ordinances, orders, codes, judgments, decrees, requirements, grants, concessions, franchises, directives, governments; restrictions or similar norm or decision of or by any Governmental Authority.

- 1.4. "ASC" is defined in Section 17.10(a) below.
- 1.5. "ASTM" means the American Society for Testing and Materials, a long-established source of standard testing and evaluation methods for petroleum.
- 1.6. "Barrel" means 42 United States bulk gallons at 60 DF.
- 1.7. "BPTF" means Hawaiian Electric's Barbers Point Tank Farm, a fuel receiving, storage and distribution facility located at the Campbell Estate Industrial Park, in Kapolei, Hawaii.
- 1.8. "BTU" and "BTU content" means British Thermal Unit and refers to the standard assessment of fuel's gross heating value or gross heat content.
- 1.9. "Business Day" means any calendar day that is not a Saturday, a Sunday, or a federal or Hawaii state holiday.
- 1.10. "Certificate of Quality" or "Quality Certificate" means the formal document recording SELLER's laboratory determination of the quality of a particular sample which represents a specific Delivery, said laboratory determinations having been performed in accordance with the test methods specified in Exhibit A.
- 1.11. "Certificate of Quantity" means the formal document recording the measurements and quantity determination of a specific Delivery of Product prepared under the supervision of the Independent Inspector; said Certificate may be a part of or incorporated into the report of the Independent Inspector.
- 1.12. "CIP Generating Station" means Hawaiian Electric's facility located in Kapolei, Hawaii.
- 1.13. "Commission" means the State of Hawaii Public Utilities Commission
- 1.14. "Commission Approval Order" is defined in Section 2.2 below.
- 1.15. "Commission Approval Order Date" is the date the Commission files the Commission Approval Order.
- 1.16. "Company's Nominated Barge" means a petroleum tank barge or vessel designated by Hawaiian Electric, Hawai'i Electric Light or Maui Electric to receive Product Delivered by SELLER.
- 1.17. "Company's Nominated Marine Terminal" means a petroleum receiving, storage and distribution facility designated by Hawaiian Electric, Hawai'i Electric Light, or Maui Electric to receive Product Delivered by SELLER.
- 1.18. "Company's Nominated Truck(s)" means one or more tanker trucks designated by Hawaiian Electric, Hawai'i Electric Light, or Maui Electric to receive ULSD Delivered by SELLER at SELLER's Kahului Terminal, SELLER's Hilo Terminal or SELLER's Honolulu Terminal. Company's Nominated Trucks and drivers must be pre-approved by SELLER, as they must meet SELLER's, industry and government regulations and requirements.
- 1.19. "Consumer Advocate" means the Division of Consumer Advocacy of the Department of Commerce and Consumers Affairs of the State of Hawaii.
- 1.20. "Contract" means this Supply Contract for Petroleum Fuels between SELLER and the Companies.
- 1.21. "Cover Costs" is defined in Section 15.1(b) below.
- 1.22. "Cover Supplies" is defined in Section 15.1(b) below.
- 1.23. "Day" or "Days" means a calendar day.
- 1.24. "Default" and "Defaulting Party" is defined in section 15.1(a) below.
- 1.25. "Deliver", "Delivery", "Deliveries" or "Delivered" refers to the transfer of title or physical movement of LSFO, HSFO, Diesel, and/or ULSD by SELLER and received and purchased by the Companies.
- 1.26. "Delivery Status against Ratable" means the volume by which actual Barrels of Product Deliveries within a specified period vary above or below the volume that would have been delivered ratably pursuant to Hawaiian Electric's LSFO Nomination within the minimum and maximum daily average volumes for such period.

- 1.27. "DC" means degrees Celsius.
- 1.28. "DF" means degrees Fahrenheit.
- 1.29. "Diesel" means No. 2 Diesel produced in conformity with the provisions of the quality in the Specification which are set forth in Exhibit A.
- 1.30. "Discharge Pier" means the pier or wharf at Kalaeloa Harbor where a Marine Delivery is discharged.
- 1.31. "Displacement Stock" means for this purpose, LSFO, HSFO, Diesel or ULSD, or such other agreed upon fuels, to displace the transfer of liquid fuels with specifications as may be mutually agreed to between SELLER and the Companies, through SELLER's designated pipeline into the Company's Nominated Tank or the Company's Nominated Vessel.
- 1.32. "DOT" means the Department of Transportation of the State of Hawaii and/or of the United States, as the case may be.
- 1.33. "Effective Date" is defined in Section 2.3 below.
- 1.34. "ETA" means estimated time of arrival.
- 1.35. "Extension" means any Contract term in addition to and after the Original Term, each of which is a 12-Month period beginning January 1.
- 1.36. "Failure to Supply Position" is defined in Section 6.4 below.
- 1.37. "Gallon" means a United States liquid gallon of 231 cubic inches at 60 DF.
- 1.38. "Governmental Authority" means any nation, government, any state or political subdivision thereof, any federal, state, territorial, municipal or other governmental or quasi-governmental authority, agency, court or other body or entity of competent jurisdiction.
- 1.39. "G.S.V." means gross standard volume in U.S. Barrels at 60 DF.
- 1.40. "Hawaiian Electric's Facility" means the facilities designated for receipt of Product at BPTF, Campbell Industrial Park, in Kapolei, Hawaii.
- 1.41. "HEI" means Hawaiian Electric Industries, Inc.
- 1.42. "HSE Data" is defined in Section 12.2 below
- 1.43. "HSFO" means Industrial Fuel Oil No. 6 produced in conformity with the provisions of the quality in the Specifications which are set forth in Exhibit A.
- 1.44. "Independent Inspector" means a qualified third-party petroleum inspection contractor acceptable to both parties providing petroleum sampling, measurement and other services before, during and after a Delivery.
- 1.45. "Information" is defined in Section 17.10(a) below.
- 1.46. "Kalaeloa Harbor" means the public port and pier facilities operated by the State of Hawaii at Barbers Point, Kapolei, Hawaii.
- 1.47. "Law" means any law, decree, directive, judgment, order, decision, interpretation, enforcement, statute, code, ordinance, rule, regulation, treaty, convention or any action, direction or intervention or other requirement of any Governmental Authority.
- 1.48. "LSFO" means Low Sulfur Fuel Oil produced in conformity with the provisions of the quality in the Specifications which are set forth in Exhibit A.
- 1.49. "Marine Delivery" or "Marine Deliveries" means a Delivery of LSFO and/or the components thereof, including blend stock, all or part of which are Delivered by SELLER from a marine vessel.
- 1.50. "Month" means a calendar month.
- 1.51. "MT" means metric ton.
- 1.52. "Nominated" and "Nomination" means the amount of LSFO, HSFO, Diesel, and/or ULSD specified by Hawaiian Electric, Hawai'i Electric Light or Maui Electric to be sold and Delivered by SELLER and purchased and received by Hawaiian Electric, Hawai'i Electric Light or Maui Electric for a specified Month.
- 1.53. "Non-Defaulting Party" is defined in Section 15.1(a) below.

- 1.54. "NOR" means notice of readiness.
- 1.55. "Offsetting Party" is defined in Section 17.13 below.
- 1.56. "Original Term" is defined in Section 2.1 below.
- 1.57. "Par East" is SELLER's facility located at 91-325 Komohana Street, Kapolei, Hawaii
- 1.58. "Par West" is SELLER's facility located at 91-480 Malakole Street, Kapolei, Hawaii
- 1.59. "Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity.
- 1.60. "Party" and "Parties" are defined in the first paragraph above.
- 1.61. "Pipeline Blend" means a mixture of SELLER's Pipeline Fill and Product.
- 1.62. "Pipeline Delivery" or "Pipeline Deliveries" means a Delivery of Product and/or the components thereof, including blend stock, all or part of which are Delivered by SELLER to Hawaiian Electric's receiving and storage tanks at BPTF.
- 1.63. "Pipeline Fill" means the petroleum residing in the pipelines through which SELLER makes Delivery of Product to Hawaiian Electric, Hawai'i Electric Light or Maui Electric.
- 1.64. "Product" means LSFO, HSFO, Diesel, and/or ULSD as defined herein suitable for use as a fuel of the quality specifications per Exhibit A.
- 1.65. "Receiving Facility" means any of Hawaiian Electric, Hawai'i Electric Light or Maui Electric's generating facilities, storage facilities and/or other facilities used to receive, transport, store, or otherwise handle the LSFO, HSFO, Diesel, and/or ULSD located on the islands of O'ahu, Hawai'i, Maui, or Moloka'i as designated by the Companies.
- 1.66. "Representatives" of a party shall mean the respective officers, directors, members, managers, employees, and agents of such party or its Affiliates.
- 1.67. "Reverse Line Displacement" means an operation where Hawaiian Electric pumps Hawaiian Electric's fuel into the pipeline which SELLER uses to Deliver Product to Hawaiian Electric in order to displace SELLER's Pipeline Fill.
- 1.68. "SELLER's Hilo Terminal" means SELLER's marine petroleum storage and distribution terminal facilities located in Hilo, Hawaii.
- 1.69. "SELLER's Honolulu Terminal" means SELLER's marine petroleum storage and distribution terminal facilities located in Honolulu, Hawaii.
- 1.70. "SELLER's Kahului Terminal" means SELLER's marine petroleum storage and distribution terminal facilities located in Kahului, Hawaii.
- 1.71. "SELLER's Loading Pier" means Piers 5, 6 or any such other pier developed for or utilized for the purpose of Delivering Product to the Companies, located at Kalaeloa Harbor, and connected by pipeline to SELLER's refinery.
- 1.72. "SELLER's Nominated Barge" means a petroleum tank barge or vessel designated by SELLER to Deliver Diesel or ULSD to the Company's Nominated Marine Terminal.
- 1.73. "SELLER's Nominated Terminal" means a petroleum storage and distribution terminal facility designated by SELLER from which ULSD is Delivered to the Companies into the Companies' Nominated Marine Terminal, the Companies' Nominated Barge, or to the Companies' Nominated Truck(s).
- 1.74. "SOX 404" is defined in Section 17.10(a) below.
- 1.75. "Specification" means the fuel quality specifications applicable to LSFO, HSFO, Diesel, and/or ULSD as set forth in Exhibit A.
- 1.76. "SPM" means SELLER's offshore Single-Point Mooring off Barbers Point, Oahu.
- 1.77. "Tank Final Sample" is defined in Section 6.5 below.
- 1.78. "Third-Party Pier" means a pier or wharf or other marine facility, operated under the supervision of a third party, nominated by SELLER to be used for the purpose of Delivering Product into the Company's Nominated Barge.
- 1.79. "ULSD" means Ultra-Low Sulfur Diesel produced in conformity with the provisions of the quality in the Specification which are set forth in Exhibit A.

- 1.80. "USCG" means U.S. Coast Guard.
1.81. "USD" means currency denominated in U.S. dollars.
1.82. "Waiiau Generating Station" means Hawaiian Electric's facility located in Pearl City, Hawaii.
1.83. "Year" means a calendar year.

ARTICLE II

TERM

Section 2.1: Term. The term of this Contract (the "Original Term") shall be from the Effective Date through and including December 31, 2022, and shall continue in succession thereafter for an Extension, each a period of 12-Months, beginning each successive January 1, unless the Companies or SELLER give written notice of termination at least one hundred twenty (120) Days before the beginning of any Extension.

Section 2.2: Regulatory Approval.

(a) The Companies will file an application with the Commission requesting approval of this Contract following its execution. This Contract is contingent upon the issuance of a decision and order by the Commission that (i) approves this Contract and its pricing and terms and conditions, (ii) is in a final form deemed to be reasonable by the Companies, in their sole discretion; and (iii) allows the Companies to include the reasonable costs incurred by the Companies pursuant to this Contract in their revenue requirements for ratemaking purposes and for the purposes of determining the reasonableness of the Companies' rates and/or for cost recovery above those fuel costs included in base rate through the Companies' respective Energy Cost Adjustment Clause, hereinafter, the "Commission Approval Order".

(b) Without limiting the foregoing, SELLER understands, acknowledges and agrees that the decision and order may not be in a final form deemed to be reasonable to the Companies if it (i) contains terms and conditions deemed to be unacceptable to the Companies, in their sole discretion, (ii) denies or defers ruling on any part of the application before the Commission, or (iii) is not final (or deemed to be final by the Companies, in their sole discretion), because the Companies are not satisfied that no Party, to the proceeding in which the decision and order is issued, or other aggrieved person with the right to appeal, intends to seek a change in such decision and order through motion or appeal.

(c) If the Companies have not received the Commission Approval Order within three hundred sixty-five (365) Days of the date of this Contract, or if the Companies' request for Commission approval of this Contract is denied, then either SELLER or the Companies may terminate this Contract by providing written notice of such termination delivered to the other prior to the Effective Date, as it is defined in Section 2.3. In such event of termination, each Party shall bear its own respective fees, costs and expenses incurred prior to termination, if any, in preparation for performance hereunder, and the Parties shall have no further obligation to each other with respect to this Contract except for indemnity and any confidentiality obligations assumed by the Parties hereunder.

Section 2.3: Effective Date. This Contract shall become effective (the "Effective Date") upon (a) receipt by the Companies of the Commission Approval Order and (b) notice of the same from the Companies to SELLER. Alternatively, the Parties may mutually agree in

writing that some other date shall be deemed the Effective Date. Except for the obligations and provisions described herein, neither Party shall have any binding obligations under this Contract until the Effective Date, except that the Parties agree upon execution of this Contract to be bound by Sections 2.2 (Regulatory Approval), 11.1 (Force Majeure), 12.1 (Compliance with laws and regulations), 14.1 (Indemnity) and all provisions in Article XVII.

ARTICLE III **QUANTITY**

Section 3.1: Quantity of Product To Be Supplied/Delivered. Subject to the terms and conditions herein, SELLER shall sell and Deliver to the Companies, and the Companies shall purchase and receive from SELLER, LSFO, HSFO, Diesel, and/or ULSD as ordered by the Companies.

Section 3.2: Purchase Volumes. During each Year that this Contract is in effect, SELLER shall sell and Deliver to the Companies, and the Companies shall purchase and receive from SELLER, all LSFO, HSFO, Diesel, and/or ULSD that may be required by the Companies on the islands of O'ahu, Hawai'i, Maui, and Moloka'i following the notifications and coordination as outlined in Article VI. The Companies shall take commercially reasonable steps to receive Product ratably.

ARTICLE IV **QUALITY**

Section 4.1: Quality Of Product To Be Supplied/Delivered. The quality of LSFO, HSFO, Diesel, and/or ULSD to be sold and Delivered hereunder shall comply with the Specifications attached hereto as Exhibit A and made a part hereof ("Specifications"), and shall meet all Applicable Laws. If the quality does not comply with the Specification, SELLER shall be solely responsible for all reasonable costs and expenses, including testing, transportation, re-refining, and handling costs incurred by the Companies in returning, replacing or otherwise correcting off-specification Product.

ARTICLE V **PRICE**

Section 5.1: Pricing. Pricing of Fuel under this Contract shall be determined as set forth on the attached Exhibit B.

Section 5.2: Rounding. All prices, price formula component value averages and other sums payable with respect to LSFO, HSFO, Diesel, and/or ULSD purchased hereunder shall be rounded to [...] as in Exhibit B.

Section 5.3: Fees, Taxes, Assessments, Levies and Imposts. In addition to all other amounts payable by the Companies under this Contract, the Companies shall [...]

ARTICLE VI
DELIVERY

Section 6.1: Notification for LSFO.

(a) [...] prior to the first Day of each Month in which LSFO is to be Delivered, Hawaiian Electric shall provide written notification to SELLER of the Nominated volume of Delivery for said Month [...]SELLER agrees to notify Hawaiian Electric within five (5) Days of receipt of the LSFO Nomination if it cannot meet Hawaiian Electric's Nominated volume of Delivery.

(b) The Parties shall mutually coordinate the Delivery of any marine deliveries of LSFO. SELLER shall provide Hawaiian Electric with a proposed [...] Day shipment period or window for Delivery no later than [...] Days prior to the first day of the proposed shipment period ("[...] Notice"). Hawaiian Electric shall use reasonable efforts to accommodate SELLER's proposed [...] Day shipment period, however, should Hawaiian Electric be unable to accommodate SELLER's proposed [...] Day shipment period:

1. Hawaiian Electric may reject SELLER's proposed [...] Day shipment period upon providing SELLER with notice no later than [...] Business Days following Hawaiian Electric's receipt of SELLER's notification. In such event, Hawaiian Electric shall provide an explanation of the reason for such rejection.
2. SELLER may propose an alternate [...] Day shipment period; provided that such alternate shipment period is [...] Days of the date of SELLER's first proposed [...] Day shipment period.
3. SELLER shall provide to Hawaiian Electric the intended volume of Product to be Delivered to Hawaiian Electric subject to a variation of [...] with respect to the actual physical volume Delivered and a proposed [...] Day shipment period or window which is to be within the previous [...]

shipment period no later than [...] Days prior to the proposed [...] Day shipment period.

Notices given pursuant to this Section 6.1(b) may be provided by electronic mail or telephone.

Section 6.2: Coordination for LSFO.

(a) No later than [...], SELLER shall provide Hawaiian Electric with a proposed schedule of Pipeline Deliveries (“Delivery Schedule”) to be made by SELLER for [...]. The proposed Delivery Schedule shall specify the approximate quantities of LSFO, the approximate date and a characterization of the approximate viscosity, [...], for each individual Delivery. The planned Deliveries are to be made at reasonably regular intervals. Hawaiian Electric shall promptly notify SELLER of any objections or requested changes to the Delivery Schedule provided by SELLER. SELLER shall also provide a [...].

(b) SELLER shall promptly notify Hawaiian Electric of any change in the proposed Delivery Schedule [...] when such change becomes known to SELLER. If a change in the proposed Delivery Schedule is due to any of the following, SELLER's notice to Hawaiian Electric shall include detailed and specific information regarding the variance affecting the Delivery:

1. A change in the volume of an individual Pipeline Delivery if such change is in excess of [...] Barrels of the previously advised Delivery volume; or
2. A change in the date of an individual Delivery, if such change is greater [...] Days from the previously advised date; or
3. A change in the previously advised viscosity characterization of a Delivery.

Section 6.3: Delivery Rates for LSFO.

(a) Hawaiian Electric shall not be required to take Delivery, and SELLER shall not be required to make Delivery of more than [...] of a Monthly Nomination in any [...] period unless mutually agreed. SELLER shall make good faith efforts to plan its Pipeline Deliveries such that it shall have a Ratable Delivery status of approximately zero at Month-end for the third Month of each accepted Delivery schedule.

(b) Unless waived in advance by Hawaiian Electric, and subject to Hawaiian Electric tank availability, the physical volume of SELLER's Deliveries of Product shall be at least [...] Barrels and limited to [...] Barrels for any individual Pipeline Delivery, unless mutually agreed or [...] Barrels for any individual Marine Delivery.

Section 6.4: Failure to Supply LSFO.

(a) Except in the event of Force Majeure or an agreement by the Parties to the contrary, if SELLER's anticipated Pipeline Deliveries shall reasonably indicate that the cumulative quantity of its Deliveries to Hawaiian Electric shall result in a Delivery Status against [...], SELLER

shall be deemed to be in a [...] and shall give prompt written notice of same to Hawaiian Electric.

(b) In the event that the SELLER is in a [...] both Hawaiian Electric and SELLER shall attempt to [...] such that it does not impose an unreasonable risk to Hawaiian Electric. If, while in a [...] the status of SELLER's Delivery Status against Ratable [...] Hawaiian Electric may, [...], purchase an amount of Product equal to SELLER's [...] at the then [...] Should Hawaiian Electric elect to purchase such an amount of Product [...] then Hawaiian Electric shall give prompt written notice of same to SELLER. Hawaiian Electric will invoice to SELLER, and SELLER shall pay to Hawaiian Electric within [...] of such invoice issue date, [...] between [...] and the [...] as it would have been Delivered by SELLER, including but not limited to [...] such that the [...] This Section 6.4 is without prejudice to any other remedies Hawaiian Electric may have under this Contract with respect to SELLER's failure to comply with Section 3.2.

Section 6.5: Pipeline Delivery for LSFO.

(a) Pipeline Deliveries shall be made by SELLER from SELLER's on-island supply through SELLER's pipelines to Hawaiian Electric at BPTF. LSFO product temperature shall be [...] Title to Product and the risk of loss of Product Delivered by Pipeline Delivery shall pass from SELLER to Hawaiian Electric pursuant to Article IX.

(b) The Parties shall mutually coordinate Pipeline Deliveries into BPTF to minimize operational difficulties and costs.

(c) All samples, measurements and determinations drawn, taken and made, respectively, under this Section 6.5 shall be for LSFO and Diesel prior to blending, and if necessary, for the Product as blended in SELLER's tank prior to Pipeline Delivery. All samples described above shall be drawn by SELLER unless Hawaiian Electric elects to have samples drawn by an Independent Inspector. SELLER and Hawaiian Electric will share equally the cost of the Independent Inspector.

(d) The quality of the Product Delivered by Pipeline Delivery shall be determined on the basis of a volumetric weighted average composite of samples drawn by SELLER unless Hawaiian Electric elects to have samples drawn by an Independent Inspector from SELLER's issuing tank(s) in such manner as to be representative of each individual Pipeline Delivery ("Tank Final Sample").

(e) The Tank Final Sample shall be divided into a minimum of three (3) parts as follows:

1. One part shall be provided to SELLER's laboratory for analysis to determine quality.

2. One part shall be provided to Hawaiian Electric for the purpose of verifying SELLER's determinations.
3. At least one part shall be sealed and provided to the Independent Inspector to be retained for a period of at least [...].

(f) SELLER shall provide Hawaiian Electric and the Independent Inspector with a copy of SELLER's preliminary laboratory analyses of LSFO and Diesel prior to delivery or blending, and if necessary, the final blended Product Tank Final Sample ("Pre-shipment Report"), and shall provide this Pre-shipment Report prior to shipment of the Product. [...]

(g) SELLER agrees to provide Hawaiian Electric and the Independent Inspector with the Certificate of Quality representing the samples of LSFO and Diesel prior to blending or if necessary, samples of the blended Product Tank Final Sample, [...]SELLER will provide to Hawaiian Electric and the Independent Inspector the final determination of API gravity, flash point, sulfur content and sediment and water representing the Tank Final Sample.

(h) Hawaiian Electric shall have the right to perform laboratory analyses in order to verify the results of SELLER's laboratory analyses; provided however, that such verification analyses shall be performed in a timely manner. Deliveries may be delayed until such confirmation testing is complete.

(i) In order to eliminate or minimize the volume of SELLER's Pipeline Fill received by Hawaiian Electric in the course of a Pipeline Delivery operation, Hawaiian Electric shall have the option to perform a Reverse Line Displacement whereby SELLER's Pipeline Fill is displaced to SELLER using Hawaiian Electric's Product at the commencement of Pipeline Delivery operations.

(j) If Hawaiian Electric elects not to commence Pipeline Delivery operations by displacing SELLER's Pipeline Fill with Hawaiian Electric's Product, or if such displacement is operationally unfeasible or impractical for any other cause, SELLER and Hawaiian Electric recognize that the Product received by Hawaiian Electric in a Pipeline Delivery may be a blend which includes some amount of SELLER's Pipeline Fill ("Pipeline Blend"). In such instance, the specification of SELLER's Pipeline Fill shall be determined by SELLER on the basis of SELLER's samples representative of the contents of the storage tank from which SELLER's Pipeline Fill was issued. SELLER shall provide Hawaiian Electric, Hawaiian Electric's representative and the Independent Inspector with a copy of its laboratory analysis of the quality of SELLER's Pipeline Fill prior to commencing the Pipeline Delivery.

(k) To provide an early warning of any quality problems with the Product Delivered as a result of a Pipeline Blend, SELLER shall perform a pre-shipment computer blend simulation representing the quality of SELLER's LSFO and Diesel from the issuing tank(s) as indicated in the relevant Certificates of Quality or preliminary laboratory analyses of the Tank Final Samples and the quality of SELLER's Pipeline Fill as indicated in the relevant laboratory analyses. The computer blend simulation shall provide preliminary confirmation of the Pipeline Blend's conformance with the limits for API gravity, viscosity,

flash, and sulfur content specified in Exhibit A. SELLER shall provide to Hawaiian Electric or Hawaiian Electric's representative and the Independent Inspector a copy of the computer blend simulation results prior to shipment. SELLER agrees that under no circumstances shall it make a Pipeline Delivery of Product to Hawaiian Electric should the computer blend simulation or any other information available to SELLER indicate the Product or Pipeline Blend will not conform to the Specification, without Hawaiian Electric's expressed written permission.

(l) The quantity of Product in a Pipeline Delivery shall be determined at the time of each Pipeline Delivery by an Independent Inspector gauging of SELLER's issuing tank(s) immediately before and after pumping. Should Hawaiian Electric elect to perform a Reverse Line Displacement, the total quantity of Product Delivered to Hawaiian Electric shall be determined by an Independent Inspector gauging of Hawaiian Electric's receiving tank(s) immediately before and after pumping. Both Hawaiian Electric and SELLER agree that if measurement of Hawaiian Electric's receiving tank(s) is, in the opinion of the Independent Inspector, considered to have been rendered inaccurate for reasons including, but not limited to, operational constraints or inadvertent transfer of Product or of SELLER's Pipeline Fill within SELLER's facilities, then the quantity of Product or SELLER's Pipeline Fill may be determined by an Independent Inspector gauging of SELLER's issuing tank(s) reduced by reference to the rise in SELLER's tank(s) receiving SELLER's Pipeline Fill immediately before and after pumping. [...]

(m) Quantities of Product sold and Delivered by SELLER and purchased and received by Hawaiian Electric hereunder shall be calculated in accordance with the current measurement standards adopted by industry, ASTM, API and other recognized standard-setting bodies as are applicable in the opinion of the Independent Inspector and shall be expressed in G.S.V., U.S. Barrels @ 60 DF.

Section 6.6: Forecast and Notification for HSFO, Diesel, and ULSD.

(a) [...]. SELLER will communicate any operational conflicts to The Companies within two (2) business days after receipt of this schedule. The Companies or each Company will endeavor to promptly update SELLER of any changes that may occur.

(b) The Companies shall be responsible for scheduling dock space for the Companies' Nominated Barge with the State of Hawaii Department of Transportation - Harbors Division. The Company shall also provide [...] notice to SELLER during SELLER's regular business hours of the final quantity to be loaded ("Cargo Letter"); provided, however, that in the event of a loading on [...], or on[...] the Company shall provide SELLER the Cargo Letter, [...] At The Company's option[...] in the [...] may be [...].

Section 6.7: Coordination for Delivery of HSFO, Diesel, and ULSD.

(a) The Companies shall coordinate Deliveries of HSFO, Diesel and/or ULSD with SELLER:

1. **Deliveries in bulk to Company's Barge or from SELLER's Barge or pipeline.** SELLER agrees to Deliver and the Companies agree to receive HSFO, Diesel, and/or ULSD in bulk into the Company's Nominated Barge at Kalaeloa Barbers Point Harbor. The Delivery rate for HSFO and Diesel shall be at a minimum rate of [...]. The Delivery rate for ULSD shall be at a minimum rate of [...]. SELLER agrees to make a reasonable good faith effort to coordinate its loading of the Company's fuel in concert with the Company's concurrent loading of any other petroleum products. HSFO product temperature shall be a minimum of [...] throughout duration of the load. The per shipment minimum volume of ULSD to be Delivered to the Company's Nominated Barge is [...], and is required to be Delivered together with Diesel, unless otherwise mutually agreed by SELLER and the Companies. SELLER agrees to Deliver and the Company agrees to receive Diesel, and/or ULSD in bulk into Hawaiian Electric's storage tanks or pipelines at BPTF, Hawaiian Electric CIP Generating Station, and Hawaiian Electric's Waiiau Generating Station. SELLER agrees to Deliver and the Companies agree to receive LSFO, HSFO, Diesel or ULSD as Displacement Stock through SELLER's designated pipeline into the Company's Nominated Tank or the Company's Nominated Vessel as mutually agreed.
2. **Liftings from truck rack.** SELLER agrees to Deliver and the Company agrees to receive Diesel, and/or ULSD into the Company's Nominated tanker trucks from SELLER's nominated terminal truck rack at a minimum Delivery rate of [...] barrels per hour.
3. **Company's Nominated Barge Operations, Laytime, and Demurrage.**
[...]

Section 6.8: Determination of Quantity for HSFO, Diesel, and ULSD.

(a) Quantity determination of Product Delivered by SELLER in bulk to the Company's Nominated Barge on O'ahu shall be made by the Independent Inspector gauging of SELLER's Product issuing tanks before and after Delivery.

(b) Quantity determination of Product Delivered by SELLER in bulk to the Companies' Nominated Marine Terminal at Kahului, Hawaii or Hilo, Hawaii, shall be determined at the time of each Delivery by gauging the receiving tanks at the Company's Nominated Marine Terminal before and after discharge.

(c) Quantity determination of ULSD Delivered from SELLER's Nominated Terminal to the Companies' Nominated Truck (s) or in SELLER's Nominated Truck(s) shall be determined at the time of each Delivery by SELLER's calibrated loadrack meters, converted in each instance to volume @ 60 DF by the automated rack control system. Meters shall be calibrated on an annual basis or as required and agreed by SELLER and the Companies. The Companies shall have the right at its expense, and in accordance with procedures at SELLER's Nominated Terminal to independently certify said calibration. The Companies and SELLER shall each have the right to have one representative present to witness such meter calibration.

(d) Quantity determination of Product Delivered will be made in accordance with applicable API, ASTM and IP guidelines and shall be expressed in G.S.V., U.S. Barrels @ 60 DF and U.S. gallons @ 60 DF.

Section 6.9: Disputes Regarding Quantity or Quality of HSFO, Diesel, and ULSD.

(a) Quantity Disputes.

(1) Quantities of Product sold and Delivered shall be determined at the time of each Delivery by the Independent Inspector gauging of SELLER's Product issuing tanks before and after Delivery.

(2) Quantity determination of Product Delivered will be made in accordance with applicable API, ASTM and IP guidelines and shall be expressed in G.S.V., U.S. Barrels @ 60 DF and U.S. gallons @ 60 DF.

(3) For Delivery of Product in bulk, the Independent Inspector shall (i) prepare and sign a Certificate of Quantity stating the quantity of Product determined according to the provisions of this Section 6.9 to have been Delivered to the Companies, (ii) furnish the Companies and SELLER each with a copy of such Certificate, and (iii) advise SELLER and the Companies by electronic mail the quantity of Product Delivered. The data in the Independent Inspector's Certificate of Quantity prepared as provided herein shall, absent fraud or errors and omissions, be binding and conclusive upon both parties, and shall be used for verification of the invoice and Bill of Lading for barge deliveries.

(4) If the Companies or SELLER has reason to believe that the quantity of Product for a particular Delivery is incorrect, such Party asserting a belief that the quantity is incorrect shall within five (5) Days of the date of Delivery, present the other Party with documentation supporting such determination and the Parties will confer, in good faith, on the causes for the discrepancy and shall proceed to correct such causes and adjust the quantity, if justified, for the Delivery in question as specified in Section 6.7.

(b) Quality Disputes of HSFO, Diesel, and/or ULSD.

(1) The quality of Diesel and/or ULSD Delivered by SELLER to the Companies' Nominated Truck(s) or in SELLER's Nominated Trucks to the Companies' Site Locations shall be determined on the basis of a volumetric weighted average composite of samples drawn by an Independent Inspector or SELLER representative from SELLER's Nominated Terminal issuing tank(s) after the completion of each bulk receipt into such terminal tanks in such a manner as to be representative of the volume of the tank inventory from that time until the time of the next bulk receipt. Such samples of Diesel and/or ULSD shall be divided into a minimum of two (2) parts one of which shall be tested by SELLER for API, BTU, sulfur and Cetane and the other retained by an Independent Inspector, for a period of not less than forty-five (45) days.

(2) The quality of Product Delivered by SELLER to the Companies' Nominated Barge or by SELLER to the harbor terminal piping or by SELLER from its Nominated Barge to the Companies' Nominated Terminal shall be determined on the basis of a volumetric weighted average composite of samples drawn by an Independent Inspector or SELLER representative from SELLER's refinery or Nominated terminal tank(s) ("Tank Composite") in such a manner as to be representative of the volume of the tank inventory. The Tank Composite shall conform to the Specifications in Exhibit A. The Tank Composite preshipment report will be issued prior to loading. The Tank Composite Certificate of Quality will be issued within [...] after completion of the load. Such tank samples of Product shall be divided [...] parts as follows:

1. [...] shall be provided to SELLER's laboratory for analysis to determine quality.
2. [...] shall be provided to Hawaiian Electric for the purpose of [...].
3. At least [...] shall be sealed and provided to the [...] to be retained for a period of at least [...].

(3) The quality of Product Delivered by SELLER to the Companies' Nominated Barge ("Barge Composite") shall also conform to Specifications in Exhibit A for "Confirmation Tests". The Barge Composite Certificate of Quality will be issued within [...] completion of the load. The Barge Composite samples will be drawn from the Company's Nominated Barge by an Independent Inspector for the purpose of conducting the Confirmation Tests, and in such a manner as to be a volumetric weighted average composite of each product drawn from the cargo tanks at the completion of the load. Such Barge Composite samples of Product shall be divided [...] parts as follows:

1. [...] shall be provided to SELLER's laboratory for analysis to determine quality of the Confirmation Tests.
2. [...] shall be provided to Hawaiian Electric for the purpose of [...].
3. At least [...] shall be sealed and provided to the Independent Inspector to be retained for a period of at least [...].

(4) If SELLER or the Companies have reason to believe that the quality of Product stated for a specific Delivery fails to conform to the Specifications in Exhibit A of this Contract, that Party shall within five (5) Days after the later of the date of the completed Certificate of Quality or the date of the final determination of quality, present the other Party with documents supporting such determination and the Parties will confer, in good faith, on the causes for the discrepancy and shall proceed to correct such causes and adjust the quality, if justified, for the Delivery in question. In the event of an unresolved difference

between SELLER and the Companies, the sealed part of the representative sample in the possession of the Independent Inspector shall be provided to an independent laboratory for an official determination, which shall be final. SELLER and the Companies shall share equally the cost for such independent laboratory determination.

(5) If the quality of the Product received by the Companies fails to conform to the quality Specifications in Exhibit A of this Contract, the Companies and SELLER shall attempt to minimize the impact of any quality problem. At the Companies' reasonable discretion, such efforts may include a Specification [...]. Or, SELLER may attempt to remedy the Specification issue by Delivering higher quality Product in a timely manner to produce a blend that conforms to the Specifications in the Companies' storage tank(s) at the Companies' Receiving Facility. If all such and similar efforts fail to resolve the Specification issue, then the Companies may return non-Specification Product to SELLER, in which case SELLER shall replace the non-Specification Product by Delivering an equal volume of the Companies' verified on-Specification Product to the Companies in a timely manner. Notwithstanding the preceding, the Companies shall always have the right [...] with [...] if the [...]. The Companies may, at its [...] supplies of Product [...] the Delivery of non-conforming Product may not be remedied [...] the Delivery of non-conforming Product [...] non-conforming Product [...] paid by [...] Any remedy of non-conforming Product accepted by the Companies under this Section shall [...] or [...] remedy any similar non-conforming Product [...] acceptable to the Companies under the terms of this Contract.

(6) SELLER shall be solely responsible for all reasonable costs and expenses, including testing, transportation, re-refining, and handling costs incurred by the Companies in returning, replacing or otherwise correcting off-specification Product.

Section 6.10: Failure to Supply HSFO, Diesel, and/or ULSD.

(a) Except in the event of [...] or [...] to the contrary, if SELLER is unable to supply the volumes in the Diesel and HSFO Volume Forecast, SELLER shall give prompt written notice to the Companies. SELLER shall be deemed to be in a [...] and shall give prompt written notice of same to the Companies if [...] or [...] of the Diesel and HSFO Volume Forecast.

(b) In the event that the SELLER is in a Failure to Supply Position, The Companies and SELLER shall attempt to minimize the impact of any Failure to Supply Position such that it does not impose an unreasonable risk to The Companies. While in a [...] the Companies may elect to [...]. The

Companies will [...] and [...] within [...] the [...] the [...] by the Companies, and the [...] including but not limited to [...] amount is identical to what would have [...].

Section 6.11: Records/Right to Audit. SELLER shall retain any and all documents and records regarding the Delivery, quantity and quality of Product sold and purchased under the terms of this Contract for the twelve (12) Months after the date of the invoice for such Product, or until any dispute regarding such Delivery, quantity and quality is resolved. SELLER shall promptly make such records available for review to the Companies at its request.

Section 6.12: Inspection. The Companies may be represented and participate in all sampling, quality, inspection, measurements and tests of Product which may be conducted pursuant to this Contract and to inspect any equipment owned or controlled by SELLER and used in determining the quantity, quality or heat content of Product, provided that any such participation by the Companies shall not materially interfere with or otherwise disrupt such inspection, measurement and tests conducted by SELLER. The Companies may, upon reasonable notice to SELLER and during normal business hours and at the Companies' expense, inspect and audit any sample analysis of Product, including records and data used in the preparation of such analysis.

Section 6.13: Independent Inspector. SELLER and the Companies shall mutually agree on the Independent Inspector. SELLER shall be responsible for drawing samples, including determination samples, and at the Companies' request, said samples shall be drawn under the supervision of the Independent Inspector. All quantity measurements with respect to each designated Delivery shall be conducted by the Independent Inspector, who shall attend designated Deliveries. Reasonable charges for services rendered shall be borne equally by the Companies and SELLER or as otherwise mutually agreed upon by the Parties or otherwise specified.

ARTICLE VII

SELLER'S REPRESENTATIONS AND WARRANTIES

Section 7.1: SELLER's Representations and Warranties. SELLER agrees, represents and warrants as follows:

- (a) **Quality.** All Fuel Delivered hereunder shall comply with the terms of this Contract.
- (b) **Ability to Supply.** During the Term, SELLER shall commit to supply Product that meets the Specifications.
- (c) **Ability to Deliver.**
 - (i) For Truck Rack Deliveries, SELLER shall own, lease or have the right to use facilities sufficient to meet SELLER's Delivery obligations under this Contract.

- (ii) For Pipeline Deliveries, SELLER shall own, lease or have the right to use facilities sufficient to meet SELLER's Delivery obligations under this Contract.
- (iii) For Marine Deliveries, SELLER's nominated vessel employed to Deliver Product to Hawaiian Electric shall comply with all regulations, pier operator's standards for vessel acceptance quality, pollution mitigation, required pollution liability, Protection and Indemnity Insurance ("P&I") and other insurance coverages, pier operators Operations manual and accept liability for dues and other charges on said vessel.
- (iv) For Barge Deliveries, SELLER's nominated vessel employed to Deliver Product to the Companies shall comply with all regulations, pier operator's standards for vessel acceptance quality, pollution mitigation, required pollution liability, P&I and other insurance coverages, pier operators Operations Manual and accept liability for dues and other charges on said vessel.

ARTICLE VIII

INVOICING AND PAYMENT

Section 8.1: Invoicing.

(a) Invoices, which will show the price per physical Barrel of Product, will be prepared and dated following Delivery and shall be tendered from time to time each Month. Original invoices shall include full documentation, as approved by both Parties including Certificate of Quality, report of the Independent Inspector, and price calculation; such documentation may, however, be provided by SELLER to the Companies separately.

(b) Invoices will be prepared and dated following Delivery of Product to the Companies. Invoices, invoice documentation, laboratory analyses and other documents having to do with the quality, quantity and Delivery of Product or otherwise with the Product sold and purchased hereunder shall be sent by electronic mail to each respective Company at email addresses that will be provided by the Companies.

(c) Invoicing of sales and Deliveries of LSFO to Hawaiian Electric on any Invoice Date shall be limited to a [...] such that [...] against [...] (for this purpose calculated on the [...] does not exceed [...]).

Section 8.2: Payment.

(a) Payment of SELLER's invoices shall be made by bank wire transfer of immediately available funds by the Companies in U.S. dollars. Timing of payments of invoices sent to each respective Company shall be based upon [...] of the

invoice issue date, which shall be the later of the invoice date or the electronic mail date of the invoice. Details about the SELLER's banking information will be mailed directly to Hawaiian Electric's Treasury Division in accordance with the Notice requirements set forth in Section 16.1 below before the first invoice is sent.

Due dates are dates payments are to reach SELLER. If the due date falls on a Friday holiday or a Saturday, the payment shall be due on the preceding business day. If such date falls on a Sunday or a holiday falling other than on a Friday, payment shall be due the following business day.

(b) If a debit memo incorporating an adjustment to a previously issued invoice has been sent to the respective Company subsequent to said Company making payment of said original invoice, then said Company shall make payment in accordance with the provisions of this Section 8.2. If a credit memo incorporating an adjustment to a previously issued invoice has been sent to a respective Company subsequent to said Company making payment of said original invoice, then said Company shall have the option to apply such credit against payments to be made subsequent to the receipt of the credit, or if such payments are not expected to be made within [...], said Company shall be able to receive said credit in immediately available funds within [...] of SELLER's receipt of said Company's written instructions.

(c) If an invoice incorporating an item at variance with the documentation, or is disputed, has been sent to the respective Company, then said Company shall hold said invoice without penalty until such error, variance with documentation or dispute is resolved and said Company shall have received a corrected invoice or debit or credit issued subsequently to the original invoice. Said Company shall make payment for such subsequent invoices or debit in accordance with this Section 8.2.

ARTICLE IX

TITLE, CUSTODY AND RISK OF LOSS

Section 9.1: Title, Custody and Risk of Loss.

(a) **Deliveries to the Companies' nominated site locations.** Title to Product and risk of loss of Product Delivered by Pipeline Delivery shall pass from SELLER to Hawaiian Electric at the connection between the flange of SELLER's pipeline and Hawaiian Electric's pipeline. All Diesel and/or ULSD shall be dyed by SELLER in accordance with State and Federal requirements for tax-exempt, off-road diesel fuel.

(b) **Marine Deliveries into BPTF.** Title to Product Delivered by Marine Delivery shall pass from SELLER to Hawaiian Electric at BPTF as soon as the quality of Hawaiian Electric's receiving tank is determined by SELLER to meet the Specification in Exhibit A, subject to Hawaiian Electric's timely verification, or at Hawaiian Electric's option, Hawaiian Electric's verbal notice to SELLER allowing release for shipment prior to verification. The risk of loss of Product or the components thereof by Marine Delivery shall pass from [...] to [...] at the connection between [...] and [...]; provided however, that in the event an actual physical loss of Product or the components thereof is caused by qualities of the Product or the components thereof, e.g., low flash point causing a fire, or due to [...], [...] shall bear the risk of loss.

(c) **Deliveries at SELLER's Nominated Terminals.** For ULSD Delivered from SELLER's Nominated Terminal into the Companies' Nominated Truck(s), title, custody and the risk of loss of ULSD so Delivered shall pass from SELLER to the Companies at the flange connecting the loadrack arm/hose at SELLER's Nominated Terminal's truck loading facility to the receiving equipment of the Companies' Nominated Truck(s), and ULSD shall be dyed by SELLER in accordance with State and Federal requirements for tax-exempt, off-road diesel fuel.

(d) **Deliveries to the Companies' Nominated Barge.** For Product delivered in bulk to the Companies' Nominated Barge at either (i) SELLER's Loading Pier, (ii) a Third-Party Pier, title, custody and risk of loss of Product so Delivered shall pass from SELLER to the Companies at (for i and ii) the flange of the receiving hoses of the Companies' Nominated Barge at SELLER's Loading Pier or Third-Party Pier. If required by the Companies, the Diesel shall be dyed by SELLER, in accordance with State and Federal requirements for tax-exempt, off-road diesel fuel. In the case of Diesel and/or ULSD, risk of loss shall pass from SELLER to the Companies at the flange of the receiving hoses of the Companies Nominated Vessel, and title and custody shall pass after any dye, lubricity, or other injection system, installed, operated, and maintained by the SELLER.

(e) **Deliveries by SELLER's Nominated Barge.** For Product delivered in bulk to the pier, title, custody and risk of loss of Product so Delivered shall pass from SELLER to the Companies at the connection flange of the receiving pipeline at Companies' Nominated Marine Terminal. If required by the Companies, the Diesel shall be dyed by SELLER, in accordance with State and Federal requirements for tax-exempt, off-road diesel fuel.

ARTICLE X INSURANCE

Section 10.1: Insurance Requirements. SELLER and anyone acting under its direction or control or on its behalf shall at its own expense procure and maintain in full force and effect at all times during the term of this Contract the following insurance and all other forms of insurance that may be required by any applicable law, rule, ordinance or regulation of any governmental authority:

- (a) If SELLER employs an ocean-going tank barge for the Delivery of Product, SELLER shall maintain or cause to be maintained with respect to said vessel full form Protection & Indemnity Insurance, including Excess Collision, pollution/ environmental risk coverage, upon the vessel pursuant to a standard Protection & Indemnity Club entry, with a Club which is a member of the International Group of Protection and Indemnity Clubs ("P&I Club") or with commercial insurance companies, with minimum limits for pollution/environmental risks to be [...] per occurrence, or at least equal to the actual value of each vessel and barge, whichever is greater. Such insurance shall cover all of the risks covered under a standard Lloyd's Maritime Insurance policy per form SP-23, or P&I Club Rules, or equivalent.
- (b) Standard Workers Compensation and Employers Liability Insurance endorsed to be applicable to the State of Hawaii as well as the Longshore Act, with statutory limits for workers compensation and limits of [...] per occurrence

for employers liability. Limits may be certificated by use of Umbrella/Excess policies.

- (c) Commercial General Liability Insurance with a bodily injury and property damage combined single limit per occurrence of at least [...]. Limits may be certificated by use of Umbrella/Excess policies.
- (d) Automobile Liability Insurance on all owned, non-owned and hired vehicles used in conjunction with the Delivery of Product to the Companies with a bodily injury and property damage combined single limit per occurrence of at least [...]. Limits may be certificated by use of Umbrella/Excess policies.
- (e) **Other Coverage.** SELLER and anyone acting under its direction or control or on its behalf shall at its own expense procure and maintain in full force and effect at all times during the term of this Contract on all owned, non-owned and hired vehicles used in conjunction with the Delivery of Product to Hawai'i Electric Light or Maui Electric, any other insurance or surety bonding that may be required under the laws, ordinances and regulations of any governmental authority, including the Federal Motor Carrier Act of 1980 and all rules and regulations of the DOT and/or the USDOT.

Section 10.2: Insurance Paid. Premiums for all necessary insurance policies are included in the Delivered price of Product as determined in Section 5.1. No special payments shall be made by the Companies to SELLER in respect to such premiums.

Section 10.3: Waiver of Subrogation. SELLER and anyone acting under its direction or control or on its behalf will cause its insurers (except for Workers Compensation insurance) to waive all rights of subrogation which SELLER or its insurers may have against the Companies, the Companies' agents, or the Companies' employees.

Section 10.4: Hawaiian Electric, Hawai'i Electric Light and Maui Electric As Additional Insured. Insurance policies (except for Workers Compensation insurance) providing the insurance coverage required in this Contract will name the Companies, the Companies' agents or the Companies' employees as an additional insured. Coverage must be primary in respect to the additional insured. Any other insurance carried by the Companies will be excess only and not contribute with this insurance.

Section 10.5: Certificates of Insurance. Before performance of this Contract, SELLER shall file with the Companies' designated representative certificates of insurance, or other documentary evidence acceptable to the Companies, certifying that each of the foregoing insurance coverages is in force, and further providing that the Companies will be given thirty (30) Days' written notice of cancellation (other than non-payment) of the required policies. SELLER shall provide new insurance certificates reflecting the required policies prior to the expiration date of any coverage. Receipt of any certificate showing less coverage than required is not a waiver of SELLER's obligation to fulfill the coverage requirements.

Section 10.6: Failure to Procure Insurance. In the event SELLER fails to procure and/or maintain an insurance as required above, an insurance fails for any reason (including, without limitation, breach of policy condition or warranty) and/or an insurer otherwise refuses or is unable to pay, the Party required to procure that insurance shall be deemed an insurer or self-insurer, shall accept and pay claims which would have otherwise been submitted to

the failed insurance and shall indemnify and hold harmless (including legal fees and costs) the other Party of and from any loss, damage, expense, claim, liability and/or suit resulting from such failure.

ARTICLE XI **FORCE MAJEURE**

Section 11.1: Force Majeure.

(a) Neither Party shall be liable in any manner for failure to Deliver or to receive Product hereunder or any other failure to perform or delay in performing any obligations herein imposed in this Contract for the time and to the extent such failure or delay is caused by an event or act of force majeure ("Force Majeure"), [...] A Party rendered unable to fulfill any obligation under this Contract due to an event or act of Force Majeure shall make all reasonable effort to remove such inability in the shortest possible time.

(b) In no event, however, shall the Companies be excused from its obligation to make payments due for Product delivered for which title has transferred hereunder.

The Party claiming Force Majeure agrees to give the other Party prompt written notice of an act or event of Force Majeure, specifying the anticipated effect and duration of any suspension or reduction of Deliveries of Product arising there from. The Party claiming Force Majeure shall use due diligence to cure any act or event of Force Majeure, and shall give the other Party prompt notice when it expects the act or event of Force Majeure to terminate.

(c) If Delivery is suspended or reduced pursuant to an event or act of Force Majeure, it shall not be a breach of this Contract for either the Companies to buy Product from a supplier other than SELLER or for SELLER to sell Product to a third party other than the Companies for the quantities of Product which the Companies do not take or SELLER does not Deliver; and neither the SELLER nor the Companies shall be obligated to sell or buy, each as applicable, after the period of suspension or reduction, the undelivered quantity of Product which normally would have been sold and Delivered hereunder during the period of suspension or reduction.

Section 11.2: Option to Terminate. If Delivery of Product is suspended or reduced pursuant to an event or act of Force Majeure for more [...], the Companies shall have the option while such suspension or reduction continues to terminate this Contract on written notice to SELLER. If the Companies terminate this Contract pursuant to this Section 11.2, then this Contract shall be of no further force and effect and

the Parties shall each be relieved of any and all further obligations to each other, save and except for any obligations and liabilities incurred by a Party prior to the date of termination.

ARTICLE XII

COMPLIANCE WITH LAWS AND REGULATIONS

Section 12.1: Compliance with Laws and Regulations.

(a) This Contract is subject to all applicable present and future laws, statutes, orders, rules, and regulations of governmental or quasi-governmental authorities having jurisdiction over the Parties. SELLER shall fully comply with all statutes, ordinances, rules, regulations, and requirements of all city, county, state, federal and other applicable government authorities which are now or may hereafter be in force.

(b) If the Delivery or supply of Product pursuant to this Contract conflicts with or is limited or prohibited by any federal, state or local regulations, statutes, rules or permits then to the extent of such conflict, limitation or prohibition, SELLER shall have no obligation to Deliver or supply the Companies with the Product under this Contract and the Companies shall have no obligation to purchase or receive the Product under this Contract. The Companies, in the Companies' discretion, may elect to complete and file any and all required Federal or State regulatory forms to permit, facilitate, or enable the supply of Product to the Companies under this Contract. SELLER shall fully cooperate with the Companies in the completion and filing of the foregoing forms. If the Companies' purchase, receipt or use of Product pursuant to this Contract, or the Companies' emissions from the Companies' use of Product conflicts with or is limited or prohibited by any Federal, State or local regulations, statutes, rules or permits then to the extent of such conflict, limitation or prohibition, the Companies shall have no obligation to purchase and receive the Product under this Contract.

Section 12.2: Material Safety Compliance. SELLER warrants that it is fully informed concerning the nature and existence of risks posed by transporting, storing, using, handling and being exposed to Product. SELLER shall furnish to the Companies health, safety and environmental information (including without limitation Material Safety Data Sheets, "HSE Data") concerning health, safety and environmental aspects of the Product purchased by the Companies, including health, safety and environmental warnings, if any, required by applicable law. SELLER shall not be entitled to rely upon such HSE Data as being an inclusive presentation of all potential health, safety and environmental risks associated with the Product to be Delivered. SELLER shall furnish HSE Data to, and otherwise inform, SELLER's nominated vessel of all such risks, and the Master shall advise and instruct all crew, seamen and employees about the hazards, if any, associated with the Product and the safe and proper methods of handling and storing of the Product. Compliance by the SELLER with recommendations in HSE Data shall not excuse the SELLER from its obligations under Article XIV and this Section 12.2.

Section 12.3: Permits and Licenses. SELLER shall secure and pay for all required permits and licenses, and shall comply with all federal, state and local statutes, regulations and public ordinances applicable to this Contract, (including the provisions of the Occupational Safety and Health Act of 1970 and all amendments thereto, and the DOT Hazardous Materials Regulations), and shall indemnify, defend and save the Companies harmless from any and all liability, fines, damage, cost and expense, including but not limited to reasonable attorneys' fees and costs, arising from SELLER's failure to do so.

Section 12.4: Renegotiation.

(a) **Change In Law.** It is understood and agreed that the Parties entered into this Contract in reliance on the Applicable Laws and Government authority in existence or in effect on the Effective Date of this Contract and on the execution date of any subsequent amendments hereto, to the extent that they directly or indirectly affect the terms under which Product is sold by SELLER or purchased by the Companies hereunder. If at any time any of the said laws, rules, regulations, implementations or interpretations thereof are changed or if such laws, rules, regulations or new interpretations and implementations thereof come into existence and become effective after the date of execution of this Contract, and such change or such laws, rules, regulations, interpretations or implementations thereof have a significant economic effect upon either Party, such that performance of this Contract would be inequitable or cause substantial financial hardship to the affected Party, then the affected Party shall have the option to call for renegotiation of the Product price ("Product Price") or any other provision of this Contract the performance of which by the affected Party would be inequitable or cause substantial financial hardship. Such [...] shall be [...] by the affected [...] after such [...]. Within [...] the Parties shall [...] and in the event that the Parties do not agree upon [...] or other provision satisfactory to both Parties within [...], the affected Party shall have the right to [...] to the other Party. Such notice of [...] shall be [...] immediately following [...] period. Until a mutually satisfactory new [...] or other provision has been agreed upon, or until this Contract is terminated [...] that was in effect when the [...] was made shall continue in full force and effect.

(b) **Cessation of Crude Distillation Operations.** If at any time during the term of this Contract, SELLER intends to cease crude distillation operations at either Par East or Par West, then SELLER shall provide Hawaiian Electric with [...] prior written notice of its intention to terminate this Contract in connection with the cessation of crude distillation operations. Upon such notice, either Party may call for renegotiation of this Contract to address such circumstances. The Parties shall enter into renegotiations within [...] after the date of the notice to renegotiate. If the Parties have not reached a mutually satisfactory resolution within [...] days after the date of the notice to renegotiate and crude distillation operations have ceased, then either Party may terminate this Contract.

ARTICLE XIII RELEASES

Section 13.1: Spills/Environmental Pollution. In the event any spill or discharge occurs from any nominated vessel, Tanker Truck or ISO Container, pipeline, or tank utilized by SELLER in the performance of this Contract, or if any spill, discharge, or pollution damage is caused by or is threatened in connection with the loading, transportation or Delivery of Product by SELLER, then all regulatory notifications and filings, as well as all efforts and costs of containment and clean up shall be the sole responsibility of SELLER, provided that

SELLER'S aforesaid responsibility shall not be applicable to any liability directly attributable to the sole negligence, gross negligence, comparative negligence, inadequate or defective equipment or willful misconduct of the Companies.

Section 13.2: Pollution Mitigation.

(a) When an escape or discharge of oil or any polluting substance occurs in connection with or is caused by SELLER's or its agent's vessel or occurs from or is caused by discharging operations, SELLER or its agents shall promptly take whatever measures are necessary or reasonable to prevent or mitigate environmental damage, without regard to whether or not said escape or discharge was caused by the negligence or willful misconduct of SELLER's equipment, or SELLER or the Companies or others. Failing such action by SELLER or its agents, the Companies, on SELLER's behalf, may promptly take whatever measures are reasonably necessary to prevent or mitigate pollution damage and notify SELLER as soon as practicable thereafter of such actions. Each Party in good faith shall keep the other advised of the nature and results of the measures taken, and if time permits, the nature of the measures intended to be taken.

(b) The cost of all such measures taken shall be borne by SELLER except to the extent such escape or discharge was caused or contributed to by the sole negligence, gross negligence, comparative negligence, inadequate or defective equipment or willful misconduct of the Companies, and prompt reimbursement shall be made as appropriate; provided, however, that should SELLER or its agents give notice to the Companies to discontinue said measures (and to the extent government authorities allow the Companies to discontinue said measures) the continuance of the Companies' actions will no longer be deemed to have been taken pursuant to the provisions of this clause. Each Party in good faith shall provide written notice to the other of such actions and measures taken.

(c) Notwithstanding any other provision in this Contract, the foregoing provisions shall be applicable only between SELLER and the Companies and shall not affect, as between SELLER and the Companies, any liability that either SELLER or the Companies shall have to any third parties, including the State of Hawaii and the U.S. Government, if either Party shall have such liability.

Section 13.3: Release Liability. Should the Companies incur any liability as a result of a spill from SELLER's nominated vessel during discharge, SELLER shall indemnify, defend and hold the Companies harmless to the extent not caused by the Companies' gross negligence or willful misconduct.

**ARTICLE XIV
INDEMNITY**

Section 14.1 Indemnity.

(a) The Companies agrees to defend, protect, indemnify, and save SELLER, SELLER's parent corporation, SELLER's affiliates and their respective officers, directors, employees and representatives (the "SELLER Group") harmless from and against any and all claims, demands, liabilities, losses, causes of action, fines, penalties, costs and expenses (including

reasonable attorney's fees) of every kind and character for personal injury, death or damage to property, or violations of law, arising from or occurring or growing out of or incident to, or resulting from the willful or negligent acts or omissions of the Companies or its agents, servants, employees, contractors, representatives and invitees.

(b) SELLER agrees to defend, protect, indemnify, and save the Companies, the Companies' subsidiary corporations, the Companies' affiliates and their respective officers, directors, employees and representatives harmless against any and all claims, demands, liabilities, losses, causes of action, fines, penalties, costs and expenses (including reasonable attorney's fees) of every kind and character for personal injury, death or damage to property, or violations of law, arising from or occurring or growing out of or incident to, or resulting from the willful or negligent acts or omissions of SELLER or its agents, servants, employees, contractors, representatives and invitees.

(c) Where personal injury, death, or loss of or damage to property is the result of the joint negligence or misconduct of a Party hereto, the Parties expressly agree to defend and indemnify each other in proportion to their respective shares of such joint negligence or misconduct.

ARTICLE XV **DEFAULT**

Section 15.1: Default.

(a) Breach by SELLER of any of its representations and warranties in this Contract or failure of either Party to promptly perform any obligation under this Contract shall constitute Default. If the Companies or SELLER considers the other Party (the "Defaulting Party") to be in Default under this Contract, such Party (the "Non-Defaulting Party") shall give the Defaulting Party prompt notice thereof, describing the particulars of such Default. The Defaulting Party shall thereafter have [...] from the receipt of said notice in which to remedy such Default. If the Default is not cured, the Non-Defaulting Party may, without prejudice to any other right or remedy of such Party in respect of such Default, immediately terminate its obligations under this Contract by written notice to the Defaulting Party. Any termination shall be without prejudice to accrued rights, including without limitation the right of either Party to damages arising from such breach or prior breaches hereof. All rights and remedies hereunder are independent of each other and election of one remedy shall not exclude another. The prevailing Party in any action shall be entitled to recover its attorneys' fees and costs from the other Party.

(b) Notwithstanding the foregoing, if SELLER's Default is not Delivering Product as required by this Contract, SELLER's time to cure shall be [...] from the Companies' notice of Default. Without limiting any other right or remedy, if SELLER does not cure the Default in such time by Delivering compliant Product to the Companies and SELLER fails to provide alternative arrangements reasonably approved by the Companies, the Companies may immediately [...] and, except as otherwise provided in this Contract, [...] shall be [...] for the [...] the Product [...] and the [...] for the same [...] at the [...] as the [...] and [...] by the [...].

Section 15.2: Consequential Damages. Except with respect to claims of third parties that give rise to indemnification rights of a Party, in no event shall either Party be liable to the other for any prospective profits, or special, indirect, incidental or consequential damages of any kind, including punitive damages and fees, whether based in contract, tort (including negligence or strict liability) or otherwise.

ARTICLE XVI
NOTICE

Section 16.1 Notices. Except as otherwise expressly provided in this Contract, all notices shall be given in writing, by facsimile, electronic mail or first class mail, postage prepaid, to the following addresses, or such other address as the parties may designate by notice:

SELLER:

Par Hawaii Refining, LLC
1132 Bishop Street, Suite 2500
Honolulu, HI 96813
Attn: Jim Yates

With a copy to:

Par Hawaii Refining, LLC
91-325 Komohana Street
Kapolei, HI 96707
Attn: Richard Creamer

Par Pacific Holdings, Inc.
825 Town & Country Lane
Houston, TX 77024
Attn: Matt Vaughn

BUYER:

Hawaiian Electric Company, Inc.
PO Box 2750
Honolulu, HI 96840-0001
Attention: Manager of Fuel Operations - mailstop CIP-IF

Hawai'i Electric Light Co., Inc.
P. O. Box 1027
Hilo, Hawaii 96721-1027
Attn: Production Department

Maui Electric Company, Ltd.
P. O. Box 398
Kahului, Hawaii 96732
Attn: Production Department

Notice shall be deemed to have been delivered upon the earlier to occur of actual receipt or two (2) Days after sending.

ARTICLE XVII

GENERAL PROVISIONS

Section 17.1: Waiver and Severability. If any section or provision of this Contract or any exhibit or rider hereto is held by any court or other competent authority or be illegal, unenforceable or invalid, the remaining terms, provisions, rights and obligations of this Contract shall not be affected. The failure of a Party hereunder to assert a right or enforce an obligation of the other Party shall not be deemed a waiver of such right or obligation. In no event shall any waiver by either Party of any default under this Contract operate as a waiver of any further default.

Section 17.2: Assignment. This Contract shall extend to and be binding upon the successors and assigns of the Companies and SELLER, provided, however, that no assignments of this Contract shall be made by the Companies or SELLER without the prior written consent of the other Party, which shall not unreasonably be withheld.

Section 17.3: Conflicts of Interest. Conflicts of interest related to this Contract are strictly prohibited. Except as otherwise expressly provided herein, no Party, nor any director, employee, or agent of a Party shall give to or receive from any director, employee or agent of the other Party any gift, entertainment or other favor of significant value, or any commission, fee or rebate. Likewise, no Party nor any director, employee or agent of a Party shall enter into any business arrangement with any director, employee or agent of the other Party (or any affiliate), unless such person is acting for and on behalf of the other Party, without prior written notification thereof to the other Party.

Section 17.4: Applicable Law/Venue. This Contract shall be construed in accordance with, and all disputes arising hereunder shall be determined in accordance with, the law of the State of Hawaii, U.S.A. Hawaii shall be the exclusive venue for any litigation arising hereunder. Each Party agrees and consents that any dispute, litigation, action or proceeding arising out of this Contract, however defined, shall be brought exclusively in the State of Hawaii in a court of competent jurisdiction.

Section 17.5: Entire Agreement/Modification. This Contract shall constitute the entire understanding between the Parties with respect to all matters and things herein mentioned. It is expressly acknowledged and agreed by and between the Parties that neither Party is now relying upon any collateral, prior or contemporaneous agreement, assurance, representation or warranty, written or oral, pertaining to the subject matter contained herein. This Contract shall not be modified or changed except by written instrument executed by the duly authorized representatives of the Parties hereto.

Section 17.6: Contract Is Not an Asset. This Contract shall not be deemed to be an asset of either Party, and, at the option of a Party, shall terminate in the event of any voluntary or involuntary receivership, bankruptcy or insolvency proceedings affecting the other Party.

Section 17.7: Status of the Parties. Nothing in this Contract shall be construed to constitute either Party as a joint venturer, co-venturer, joint lessor, joint operator or partner of the other. In performing services pursuant to this Contract, SELLER is acting solely as an

independent contractor maintaining complete control over its employees and operations. Unless otherwise provided in this Contract, neither the Companies nor SELLER is authorized to take any action in any way whatsoever for or on behalf of the other.

Section 17.8: Headings. The headings or captions are for convenient reference only and have no force or effect or legal meaning in the construction or enforcement of this Contract.

Section 17.9: Confidentiality and Non-Disclosure.

(a) Each Party may have a proprietary interest or other need for confidentiality in information that may be furnished to the other pursuant to this Agreement ("Confidential Information"). The Party disclosing such information shall be referred to in this section as the "Disclosing Party," and the Party receiving such information shall be referred to as the "Receiving Party."

(b) The Receiving Party will hold in confidence and, without the consent of the Disclosing Party, will not use, reproduce, distribute, transmit, or disclose, directly or indirectly, the Confidential Information of the Disclosing Party except as permitted herein. The Receiving Party may only disclose the Confidential Information to its officers, directors, employees, professional advisors and independent contractors and consultants with a direct need to know the information for the implementation or exercise of rights and/or performance of obligations under or arising from this Contract, provided that such persons/entities (other than officers, directors and employees) are bound by written confidentiality agreements with terms and conditions that are no less restrictive than those contained in this section. Without limiting the foregoing, the Receiving Party agrees that it will exercise at least the same standard of care in protecting the confidentiality of the Disclosing Party's Confidential Information as it does with its own Confidential Information of a similar nature, but in any event, no less than reasonable care.

(c) Confidential Information for purposes of this Contract shall not include information if and only to the extent that the Receiving Party establishes that the information: (i) is or becomes a part of the public domain through no act or omission of the Receiving Party; (ii) was in the Receiving Party's lawful possession prior to the disclosure and had not been obtained by the Receiving Party either directly or indirectly from the Disclosing Party; or (iii) is lawfully disclosed to the Receiving Party by a third party without restriction on disclosure. Confidential Information may also be disclosed by the Receiving Party pursuant to a requirement of a governmental agency, regulatory body or by operation of law, provided that the recipient shall disclose only that part of the Confidential Information that it is required to disclose and shall notify the Disclosing Party prior to such disclosure in a timely fashion in order to permit the Disclosing Party to lawfully attempt to prevent or restrict such disclosure should it so elect, and shall take all other reasonable and lawful measures to ensure the continued confidential treatment of the same by the party to which the Confidential Information is disclosed.

(d) Any provision herein to the contrary notwithstanding, the Companies may disclose Confidential Information to the Commission, the Consumer Advocate, and/or any other governmental regulatory agency with notice to, but without need of prior consent by SELLER, provided that the Companies takes reasonable steps to obtain approval to submit the same under seal or under other procedures designed to preserve the confidentiality of the Confidential Information.

(e) The confidentiality and non-disclosure obligations contained in this Section 17.9 shall remain in effect for a period of three (3) years following the termination or earlier cancellation of this Contract; provided, however, that the confidentiality and non-disclosure obligations with respect to information concerning the Company's generation, transmission and distribution systems shall remain in effect indefinitely.

Section 17.10 Financial Compliance/Lease/No Consolidation:

(a) SELLER shall provide or cause to be provided to the Companies on a timely basis, as reasonably determined by the Companies, all information, including but not limited to information that may be obtained in any audit referred to below (the "Information"), reasonably requested by the Companies for purposes of permitting the Companies and its parent company, Hawaiian Electric Industries ("HEI"), to comply with the requirements (initial and on-going) of (i) identifying variable interest entities and determining primary beneficiaries under the accounting principles of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Consolidation ("FASB ASC 810"), (ii) Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"), (iii) FASB ASC 842 Leases ("FASB ASC 842"), and (iv) all clarifications, interpretations and revisions of and regulations implementing FASB ASC 810, SOX 404, and FASB ASC 842, Securities and Exchange Commission, the Public Company Accounting Oversight Board, Emerging Issues Task Force or other governing agencies. In addition, if required by the Companies in order to meet its compliance obligations, SELLER shall allow the Companies or its independent auditor, to audit, to the extent reasonably required, SELLER's financial records, including its system of internal controls over financial reporting; provided that the Companies shall be responsible for all costs associated with the foregoing, including but not limited to SELLER's reasonable internal costs.

(b) If there is a change in circumstances during the Term that would trigger consolidation of SELLER's finances on to the Companies' balance sheet, and such consolidation is not attributable to the Companies' fault, then the Parties will take all commercially reasonable steps, including modification of the Contract, to eliminate the consolidation, while preserving the economic "benefit of the bargain" to both Parties. Notwithstanding the foregoing, if for any reason, at any time during the Term, the Companies (and/or the Companies' affiliates or HEI) in their good faith analysis and sole discretion are required to consolidate SELLER into its financial statements in accordance with U.S. generally accepted accounting principles, then the Companies may take any and all action necessary to eliminate consolidation, including without limitation, by immediately terminating this Contract without fault or liability.

(c) If there is a change in circumstances during the Term that would trigger the treatment of this Contract as a lease under FASB ASC 842, and such treatment is not attributable to the Companies' fault, then the Parties will take all commercially reasonable steps, including modification of the Contract, to eliminate the lease treatment, while preserving the economic "benefit of the bargain" to both Parties. Notwithstanding the foregoing, if for any reason, at any time during the Term, the Companies' (and/or the Companies' affiliates, or HEI) in their good faith analysis and sole discretion are required to treat this Contract as a lease under FASB ASC 842, then the Companies may take any and all action necessary to eliminate this capital lease treatment, including without limitation, by immediately terminating this Contract without fault or liability.

(d) The Companies shall, and shall cause HEI to, maintain the confidentiality of the Information as provided in this Section 17.10. The Companies may share the Information on a confidential basis with HEI and the independent auditors and attorneys for the Companies and HEI. (The Companies, HEI, and their respective independent auditors and attorneys are collectively referred to in this Section 17.10 as "Recipient.") If either the Companies or HEI, in the exercise of their respective reasonable judgments, concludes that consolidation or financial reporting with respect to SELLER and/or this Contract is necessary, the Companies and HEI each shall have the right to disclose such of the Information as the Companies or HEI, as applicable, reasonably determines is necessary to satisfy applicable disclosure and reporting or other requirements and give SELLER prompt written notice thereof (in advance to the extent practicable under the circumstances). If the Companies or HEI disclose Information pursuant to the preceding sentence, the Companies and HEI shall, without limitation to the generality of the preceding sentence, have the right to disclose Information to the Commission and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs of the State of Hawaii ("Consumer Advocate") in connection with the Commission's rate making activities for the Companies, and other HEI affiliated entities, provided that, if the scope or content of the Information to be disclosed to the Commission exceeds or is more detailed than that disclosed pursuant to the preceding sentence, such Information will not be disclosed until the Commission first issues a protective order to protect the confidentiality of such Information. Neither the Companies nor HEI shall use the Information for any purpose other than as permitted under this Section 17.10.

(e) In circumstances other than those addressed in the immediately preceding paragraph, if any Recipient becomes legally compelled under applicable law or by legal process (e.g., deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or a portion of the Information, such Recipient shall undertake reasonable efforts to provide SELLER with prompt notice of such legal requirement prior to disclosure so that SELLER may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Section 17.10. If such protective order or other remedy is not obtained, or if SELLER waives compliance with the provisions of this Section 17.10, Recipient shall furnish only that portion of the Information which it is legally required to so furnish and shall use reasonable efforts to obtain assurance that confidential treatment will be accorded to any disclosed material.

(f) The obligation of nondisclosure and restricted use imposed on each Recipient under this Section 17.10 shall not extend to any portion(s) of the Information which (a) was known to such Recipient prior to receipt, or (b) without the fault of such Recipient is available or becomes available to the general public, or (c) is received by such Recipient from a third party not bound by an obligation or duty of confidentiality.

Section 17.11: Miscellaneous. No use of the pipelines, facilities or equipment used in connection with this Contract shall be construed as having been dedicated to public use and it is hereby acknowledged by the Parties that the owner of any pipelines used to transport Product under this Contract retains the rights to determine who, other than the Parties to this Contract, shall use said pipelines, facilities, and equipment.

Section 17.12: Attorneys' Fees. If there is a dispute between the Parties and either Party institutes a lawsuit, arbitration, mediation, or other proceeding to enforce, declare, or interpret the terms of this Contract, the prevailing Party shall be awarded its reasonable attorney's fees and costs.

Section 17.13: Offsets. In the event that a Party owes the other Party ("Offsetting Party") any amount under this Contract, the Offsetting Party owed such amount may at any time offset any and all amounts that are due and owed to the other Party against such amount that the other Party owes the Offsetting Party. The Offsetting Party asserting an offset shall provide a prompt written explanation of the amount and the basis for the offset.

Section 17.14: Counterparts. This Contract may be executed in as many counterparts as desired by the Parties, any one of which shall have the force and effect of any original but all of which together shall constitute the same instrument. This Contract may also be executed by exchange of executed copies via facsimile or other electronic means, such as PDF, in which case - but not as a condition to the validity of the Contract - each Party shall subsequently send the other Party by mail the original executed copy. A Party's signature transmitted by facsimile or similar electronic means shall be considered an "original" signature for purposes of this Contract.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract on the day and year first above written.

HAWAIIAN ELECTRIC COMPANY, INC.

HAWAII REFINING, LLC.

By: /s/ Robert C. Isler
Name: Robert C. Isler
Title: Vice President, Power Supply

By: /s/ Jim R. Yates
Name: Jim R. Yates
Title: Vice President

By: /s/ Alan M. Oshima
Name: Alan M. Oshima
Title: President & CEO

HAWAII ELECTRIC LIGHT COMPANY, INC.

MAUI ELECTRIC COMPANY, LTD.

By: /s/ Robert C. Isler
Name: Robert C. Isler
Title: Vice President

By: /s/ Robert C. Isler
Name: Robert C. Isler
Title: Vice President

By: /s/ Alan M. Oshima
Name: Alan M. Oshima
Title: Chairman of the Board

By: /s/ Alan M. Oshima
Name: Alan M. Oshima
Title: Chairman of the Board

EXHIBIT A
(Specifications)

Low Sulfur Fuel Oil (LSFO) Specifications

The LSFO to be supplied hereunder shall comply with the following specifications:

Test Property	Test Method	Unit Of Measure	Min	Max
API Gravity @ 60 DF	ASTM D-4052	Degrees API	12	25
[...]	[...]	[...]	[...]	[...]
Heat Value, Gross	ASTM D-240	MM BTU/BBL	6.0	
Flash Point	ASTM D-93	DF	150	
Pour Point	ASTM D-97, D-5949	DF		125
Ash	ASTM D-482	Percent, Weight		0.03
Sediment & Water ¹	ASTM D-1796	Percent, Volume		0.50 ¹
Sulfur	ASTM D-4294	Percent, Weight		0.50
Nitrogen	ASTM D-4629, D-5762	Percent, Weight		0.50
Vanadium	ASTM D-5863, D-6728, AES	PPM, Weight		50.0
[...] ²	[...]	[...]		[...] ² [...] ² [...]

¹[...]
²[...]

HSFO Specifications

High Sulfur Fuel Oil (HSFO) Specifications

The HSFO to be supplied hereunder shall be a regular commercial grade of Industrial Fuel Oil No. 6 and shall comply with the following specifications:

Test Property	Test Method	Unit of Measure	Min	Max
API Gravity @ 60 DF	ASTM D-1298, D-4052	Degrees API	6.5	
Viscosity	ASTM D-445, D-2161	CST @ 122 DF	380	480
Heat Value, Gross	ASTM D-240, D4868	MM BTU/BBL	6.0	
Flash Point	ASTM D-93, D-6450	DF	150	
Pour Point	ASTM D-97	DF		55
Sediment & Water	ASTM D-1796	Percent, Volume		0.50
Sulfur	ASTM D-1552, D-2622, D-4294	Percent, Weight		2.00
Nitrogen	ASTM D-5762, D-4629	PPM, Weight		Report
Vanadium	ASTM D-5863, D-6728, AES	PPM, Weight		Report

[...]

Diesel Specifications

All Diesel received from Par West will continue to be coalesced. The Diesel to be supplied hereunder shall be a regular commercial grade of Diesel Fuel No. 2 and shall comply with the following specifications:

Test Property	Test Method	Unit of Measure	Min	Max
API Gravity @ 60 DF	ASTM D-1298 or D-4052	Degrees API	30	
Viscosity	ASTM D-445, D-2161	CST @ 40 DC	1.9	4.1
Heat Value, Gross	ASTM D-240	MM BTU/BBL	Report	
Flash Point	ASTM D-93, D-6450	DF	150	
Pour Point	ASTM D-97, D-5949	DF		Report
Ash	ASTM D-482	PPM, Weight		100
Cetane Index	ASTM D-4737	Number	40	
Carbon Residue	ASTM D-524, D-4530	Percent, Weight		0.35
Sediment & Water	ASTM D-1796	Percent, Volume		0.05
Sulfur	ASTM D-4294, D-129, D-5453	Percent, Weight		0.40
Nitrogen ¹	ASTM D-4629, D-5762	PPM, Weight		150 ¹
Vanadium	ASTM D-3605, D-6728, AES	PPM, Weight		Report
Distillation 90% Recovered	ASTM D-86	DF	540	650
Sodium + Potassium	ASTM D-3605, D-6728, AES	PPM, Weight		0.5
Sodium + Potassium + Lithium	ASTM D-3605, D-6728, AES	PPM, Weight		Report

[...]

¹[...]

Ultra-Low Sulfur Diesel (ULSD) Specifications

The ULSD to be supplied hereunder shall be a regular commercial grade of Ultra-Low Sulfur Diesel and shall comply with the following specifications:

Test Property	Test Method	Unit of Measure	Min	Max
Appearance	ASTM D-4176	Number		2
API Gravity @ 60 DF	ASTM D-1298 or D-4052	Degrees API	Report	
Viscosity	ASTM D-445, D-2161	CST @ 40 DC	1.9	4.1
Heat Value, Gross	ASTM D-240, D4868	MM BTU/BBL	Report	
[...] ¹	[...]	[...]	[...] ¹	
Ash	ASTM D-482	PPM, Weight		100
Cetane Index	ASTM D-976	Number	40	
Carbon Residue	ASTM D-524, D-4530	Percent, Weight		0.35
Sediment & Water	ASTM D-1796	Percent, Volume		0.05
Sulfur	ASTM D-5453, D-7039	PPM, Weight		15
Copper Strip Corrosion: 3HR @ 50 DC	ASTM D-130-04e1	Classification		3
Distillation 90% Recovered	ASTM D-86	DC	282	338
Lubricity, 60 DC, WSD ²	ASTM D-6079	Microns		520 ²
Conductivity ²	ASTM D-2624, D-4308	pS/m	252	

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¹[...]

²[...]

EXHIBIT B
(Pricing)

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Section 3: EX-31.1 (EXHIBIT 31.1)

HEI Exhibit 31.1

Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Constance H. Lau (HEI Chief Executive Officer)

I, Constance H. Lau, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2019 of Hawaiian Electric Industries, Inc. (“registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

/s/ Constance H. Lau

Constance H. Lau

President and Chief Executive Officer

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Section 4: EX-31.2 (EXHIBIT 31.2)

HEI Exhibit 31.2

Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Gregory C. Hazelton (HEI Chief Financial Officer)

I, Gregory C. Hazelton, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2019 of Hawaiian Electric Industries, Inc. ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

/s/ Gregory C. Hazelton

Gregory C. Hazelton

Executive Vice President, Chief Financial Officer
and Treasurer

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Section 5: EX-31.3 (EXHIBIT 31.3)

Hawaiian Electric Exhibit 31.3

**Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Alan M. Oshima
(Hawaiian Electric Chief Executive Officer)**

I, Alan M. Oshima, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2019 of Hawaiian Electric Company, Inc. ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

/s/ Alan M. Oshima

Alan M. Oshima

President and Chief Executive Officer

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Section 6: EX-31.4 (EXHIBIT 31.4)

Hawaiian Electric Exhibit 31.4

Certification Pursuant to Rule 13a-14 promulgated under the Securities Exchange Act of 1934 of Tayne S. Y. Sekimura (Hawaiian Electric Chief Financial Officer)

I, Tayne S. Y. Sekimura, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 31, 2019 of Hawaiian Electric Company, Inc. ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

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Section 7: EX-32.1 (EXHIBIT 32.1)

HEI Exhibit 32.1

Hawaiian Electric Industries, Inc.

Certification Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Hawaiian Electric Industries, Inc. (HEI) on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the Report), we, Constance H. Lau and Gregory C. Hazelton, Chief Executive Officer and Chief Financial Officer, respectively, of HEI, certify, pursuant to 18 U.S.C. Section 1350, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HEI and its subsidiaries as of, and for, the periods presented in this report.

Date: May 7, 2019

/s/ Constance H. Lau

Constance H. Lau

President and Chief Executive Officer

/s/ Gregory C. Hazelton

Gregory C. Hazelton

Executive Vice President, Chief Financial Officer and Treasurer

A signed original of this written statement has been provided to HEI and will be retained by HEI and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 8: EX-32.2 (EXHIBIT 32.2)

Hawaiian Electric Exhibit 32.2

Hawaiian Electric Company, Inc.

Certification Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Hawaiian Electric Company, Inc. (Hawaiian Electric) on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the Hawaiian Electric Report), we, Alan M. Oshima and Tayne S. Y. Sekimura, Chief Executive Officer and Chief Financial Officer, respectively, of Hawaiian Electric, certify, pursuant to 18 U.S.C. Section 1350, that to the best of our knowledge:

- (1) The Hawaiian Electric Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The Hawaiian Electric information contained in the Hawaiian Electric Report fairly presents, in all material respects, the financial condition and results of operations of Hawaiian Electric and its subsidiaries as of, and for, the periods presented in this report.

Date: May 7, 2019

/s/ Alan M. Oshima

Alan M. Oshima
President and Chief Executive Officer

/s/ Tayne S. Y. Sekimura

Tayne S. Y. Sekimura
Senior Vice President and Chief Financial Officer

A signed original of this written statement has been provided to Hawaiian Electric and will be retained by Hawaiian Electric and furnished to the Securities and Exchange Commission or its staff upon request.

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