HAWAIIAN ELECTRIC INDUSTRIES INC
Form 10-Q
November 16, 2015

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

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

For the quarterly period ended September 30, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

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

Hawaiian Electric Industries, Inc. – 1001 Bishop Street, Suite 2900, Honolulu, Hawaii 96813
Hawaiian Electric Company, Inc. – 900 Richards Street, Honolulu, Hawaii 96813
(Address of principal executive offices and zip code)

Hawaiian Electric Industries, Inc. – (808) 543-5662
Hawaiian Electric Company, Inc. – (808) 543-7771
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Hawaiian Electric Industries, Inc. Yes x No o Hawaiian Electric Company, Inc. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Hawaiian Electric Industries, Inc. Yes x No o Hawaiian Electric Company, Inc. Yes x No o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Hawaiian Electric Industries, Inc. Yes o No x Hawaiian Electric Company, Inc. Yes o No x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding October 31, 2015
Hawaiian Electric Industries, Inc. (Without Par Value)	107,458,641 Shares
Hawaiian Electric Company, Inc. ($6-2/3 Par Value)	15,805,327 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
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GLOSSARY OF TERMS

Terms	Definitions
AES Hawaii	AES Hawaii, Inc.
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income/(loss)
ARO	Asset retirement obligation
ASB	American Savings Bank, F.S.B., a wholly-owned subsidiary of 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
CIP CT-1	Campbell Industrial Park 110 MW combustion turbine No. 1
CIS	Customer Information System
Company	Hawaiian Electric Industries, Inc. and its direct and indirect subsidiaries, including, without limitation, Hawaiian Electric Company, Inc. and its subsidiaries (listed under Hawaiian Electric); ASB Hawaii, Inc. and its subsidiary, American Savings Bank, F.S.B.; HEI Properties, Inc.; Hawaiian Electric Industries Capital Trust II and Hawaiian Electric Industries Capital Trust III (inactive financing entities); and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.).
Consumer Advocate	Division of Consumer Advocacy, Department of Commerce and Consumer Affairs of the State of Hawaii
DER	Distributed Energy Resources
D&O	Decision and order
DG	Distributed generation
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
DSM	Demand-side management
ECAC	Energy cost adjustment clause
EGU	Electrical generating unit
EIP	2010 Equity and Incentive Plan, as amended and restated
EPA	Environmental Protection Agency — federal
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act of 1974, as amended
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
FERC	Federal Energy Regulatory Commission
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
GHG	Greenhouse gas

GLOSSARY OF TERMS, continued

Terms	Definitions
GNMA	Government National Mortgage Association
Hawaii Electric Light	Hawaii Electric Light Company, Inc., an electric utility subsidiary of Hawaiian Electric Company, Inc.
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.
HIE	Hawaii Independent Energy, LLC
HEI	Hawaiian Electric Industries, Inc., direct parent company of Hawaiian Electric Company, Inc., ASB Hawaii, Inc., HEI Properties, Inc., Hawaiian Electric Industries Capital Trust II, Hawaiian Electric Industries Capital Trust III and The Old Oahu Tug Service, Inc. (formerly Hawaiian Tug & Barge Corp.)
HEIRSP	Hawaiian Electric Industries Retirement Savings Plan
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	Kilowatthour/s (as applicable)
LNG	Liquefied natural gas
LTIP	Long-term incentive plan
MATS	Mercury and Air Toxics Standards
Maui Electric	Maui Electric Company, Limited, an electric utility subsidiary of Hawaiian Electric Company, Inc.
Merger	As provided in the Merger Agreement, merger of Merger Sub I with and into HEI, with HEI surviving, and then merger of HEI with and into Merger Sub II, with Merger Sub II surviving as a wholly owned subsidiary of NEE
Merger Agreement	Agreement and Plan of Merger by and among HEI, NEE, Merger Sub II and Merger Sub I, dated December 3, 2014
Merger Sub I	NEE Acquisition Sub II, Inc., a Delaware corporation and a wholly owned subsidiary of NEE
Merger Sub II	NEE Acquisition Sub I, LLC, a Delaware limited liability company and a wholly owned subsidiary of NEE
MW	Megawatt/s (as applicable)
NEE	NextEra Energy, Inc.
NEM	Net energy metering
NII	Net interest income
O&M	Other operation and maintenance
OCC	Office of the Comptroller of the Currency
OPEB	Postretirement benefits other than pensions
PPA	Power purchase agreement
PPAC	Purchased power adjustment clause
PSIPs	Power Supply Improvement Plans
PUC	Public Utilities Commission of the State of Hawaii
PV	Photovaltaic
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
SAR	Stock appreciation right
SEC	Securities and Exchange Commission
See	Means the referenced material is incorporated by reference
Spin-Off	The distribution to HEI shareholders of all of the common stock of ASB Hawaii immediately prior to the Merger
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

FORWARD-LOOKING STATEMENTS

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

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

- the successful and timely completion of the proposed Merger with NextEra Energy, Inc. (NEE), which could be materially and adversely affected by, among other things, resolving the litigation brought in connection with the proposed Merger, obtaining (and the timing and terms and conditions of) required governmental and regulatory approvals, and ability to maintain relationships with employees, customers or suppliers, as well as the ability to integrate the businesses;
- the ability of ASB to operate successfully after the Spin-Off of its parent ASB Hawaii;
- international, national and local economic conditions, including the state of the Hawaii tourism, defense and construction industries, the strength or weakness of the Hawaii and continental U.S. real estate markets (including the fair value and/or the actual performance of collateral underlying loans held by American Savings Bank, F.S.B. (ASB), which could result in higher loan loss provisions and write-offs), decisions concerning the extent of the presence of the federal government and military in Hawaii, the implications and potential impacts of U.S. and foreign capital and credit market conditions and federal, state and international responses to those conditions, and the potential impacts of global developments (including global economic conditions and uncertainties, unrest, ongoing conflicts in North Africa and the Middle East, terrorist acts, potential conflict or crisis with North Korea or Iran, developments in the Ukraine 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 and monetary policy;
- weather and natural disasters (e.g., hurricanes, earthquakes, tsunamis, lightning strikes, lava flows and the potential effects of climate change, such as more severe storms and rising sea levels), including their impact on the Company's and Utilities' operations and the economy;
- the timing and extent of changes in interest rates and the shape of the yield curve;
- the ability of the Company and the Utilities to access the credit and capital markets (e.g., to obtain commercial paper and other short-term and long-term debt financing, including lines of credit, and, in the case of HEI, to issue common stock) under volatile and challenging market conditions, and the cost of such financings, if available;
- the risks inherent in changes in the value of the Company’s pension and other retirement plan assets and ASB’s securities available for sale;
- changes in laws, regulations, market conditions and other factors that result in changes in assumptions used to calculate retirement benefits costs and funding requirements;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and of the rules and regulations that the Dodd-Frank Act requires to be promulgated;
- increasing competition in the banking industry (e.g., increased price competition for deposits, or an outflow of deposits to alternative investments, which may have an adverse impact on ASB’s cost of funds);
- the 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, proposed undersea cables, biofuels, environmental assessments required to meet 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 and business model changes proposed and being developed in response to the four orders that the PUC issued in April 2014, in which the PUC: directed the Utilities to develop, among other things, Power Supply Improvement Plans, a Demand Response Portfolio Plan and a Distributed Generation Interconnection Plan; described the PUC's 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 emphasized the need to "leap ahead" of other states in creating a 21st century generation system and modern transmission and distribution grids;
- capacity and supply constraints or difficulties, especially if generating units (utility-owned or IPP-owned) fail or measures such as demand-side management (DSM), distributed generation (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);
- 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 kilowatthour sales;
- the impact of fuel price volatility on customer satisfaction and political and regulatory support for the Utilities;

- the risks associated with increasing reliance on renewable energy, 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;
- new technological developments, such as the commercial development of energy storage and microgrids, that could affect the operations of the Utilities;
- cyber security risks and the potential for cyber incidents, including potential incidents at HEI, ASB and the Utilities (including at ASB branches and electric utility plants) and incidents at data processing centers they use, to the extent not prevented by intrusion detection and prevention systems, anti-virus software, firewalls and other general information technology controls;
- federal, state, county and international governmental and regulatory actions, such as existing, new and changes in laws, rules and regulations applicable to HEI, 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 (GHG) emissions, governmental fees and assessments (such as Federal Deposit Insurance Corporation assessments), and potential carbon “cap and trade” legislation that may fundamentally alter costs to produce electricity and accelerate the move to renewable generation);
- 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 renewable portfolio standards (RPS));
- potential enforcement actions by the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (FRB), the Federal Deposit Insurance Corporation (FDIC) and/or other governmental authorities (such as consent orders, required corrective actions, restrictions and penalties that may arise, for example, with respect to compliance deficiencies under existing or new banking and consumer protection laws and regulations or with respect to capital adequacy);
- the ability of the 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);
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changes in accounting principles applicable to HEI, the Utilities and ASB, including the adoption of new U.S. accounting standards, the potential discontinuance of regulatory accounting and the effects of potentially required consolidation of variable interest entities (VIEs) or required capital lease accounting for PPAs with IPPs;

- changes by securities rating agencies in their ratings of the securities of HEI and Hawaiian Electric and the results of financing efforts;
- faster than expected loan prepayments that can cause an acceleration of the amortization of premiums on loans and investments and the impairment of mortgage-servicing assets of ASB;
- changes in ASB's loan portfolio credit profile and asset quality which may increase or decrease the required level of provision for loan losses, allowance for loan losses and charge-offs;
- changes in ASB's deposit cost or mix which may have an adverse impact on ASB's cost of funds;
- the final outcome of tax positions taken by HEI, the Utilities and ASB;
- the risks of suffering losses and incurring liabilities that are uninsured (e.g., damages to the Utilities' transmission and distribution system and losses from business interruption) or underinsured (e.g., losses not covered as a result of insurance deductibles or other exclusions or exceeding policy limits); and
- other risks or uncertainties described elsewhere in this report and in other reports (e.g., "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K) previously and subsequently filed by HEI and/or Hawaiian Electric with the Securities and Exchange Commission (SEC).

Forward-looking statements speak only as of the date of the report, presentation or filing in which they are made. Except to the extent required by the federal securities laws, HEI, Hawaiian Electric, ASB and their subsidiaries undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three months ended September 30		Nine months ended September 30	
(in thousands, except per share amounts)	2015	2014	2015	2014
Revenues				
Electric utility	$648,127	$803,565	$1,779,732	$2,262,056
Bank	69,091	63,536	199,222	187,771
Other	(42)	(5)	(4)	(325)
Total revenues	717,176	867,096	1,978,950	2,449,502
Expenses				
Electric utility	565,470	727,409	1,573,278	2,045,166
Bank	48,289	43,030	138,063	126,778
Other	6,322	4,621	28,278	13,125
Total expenses	620,081	775,060	1,739,619	2,185,069
Operating income (loss)				
Electric utility	82,657	76,156	206,454	216,890
Bank	20,802	20,506	61,159	60,993
Other	(6,364)	(4,626)	(28,282)	(13,450)
Total operating income	97,095	92,036	239,331	264,433
Interest expense, net—other than on deposit liabilities and other bank borrowings	(19,229)	(19,170)	(57,235)	(58,648)
Allowance for borrowed funds used during construction	737	740	1,918	1,877
Allowance for equity funds used during construction	2,057	1,937	5,366	4,933
Income before income taxes	80,660	75,543	189,380	212,595
Income taxes	29,516	27,264	70,406	76,302
Net income	51,144	48,279	118,974	136,293
Preferred stock dividends of subsidiaries	471	471	1,417	1,417
Net income for common stock	$50,673	$47,808	$117,557	$134,876
Basic earnings per common share	$0.47	$0.47	$1.11	$1.33
Diluted earnings per common share	$0.47	$0.46	$1.11	$1.32
Dividends per common share	$0.31	$0.31	$0.93	$0.93
Weighted-average number of common shares outstanding	107,457	102,416	106,067	101,768
Net effect of potentially dilutive shares	281	610	280	710
Adjusted weighted-average shares	107,738	103,026	106,347	102,478

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

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

	Three months ended September 30		Nine months ended September 30	
(in thousands)	2015	2014	2015	2014
Net income for common stock	$50,673	$47,808	$117,557	$134,876
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 ($2,543), $1,094, ($2,382) and ($2,249) for the respective periods	3,851	(1,657)	3,608	3,406
Less: reclassification adjustment for net realized gains included in net income, net of taxes of nil, nil, nil and $1,132 for the respective periods	—	—	—	(1,715)
Derivatives qualified as cash flow hedges:				
Less: reclassification adjustment to net income, net of tax benefits of $37, $37, $112 and $112 for the respective periods	59	59	177	177
Retirement benefit plans:				
Less: amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of $3,583, $1,900, $10,760, and $5,438 for the respective periods	5,611	2,829	16,850	8,515
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $3,243, $1,619, $9,729 and $4,858 for the respective periods	(5,091)	(2,542)	(15,274)	(7,627)
Other comprehensive income (loss), net of taxes	4,430	(1,311)	5,361	2,756
Comprehensive income attributable to Hawaiian Electric Industries, Inc.	$55,103	$46,497	$122,918	$137,632

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

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

(dollars in thousands)	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$228,417	$175,542
Accounts receivable and unbilled revenues, net	305,448	313,696
Available-for-sale investment securities, at fair value	785,837	550,394
Stock in Federal Home Loan Bank, at cost	10,678	69,302
Loans receivable held for investment, net	4,487,130	4,389,033
Loans held for sale, at lower of cost or fair value	5,598	8,424
Property, plant and equipment, net of accumulated depreciation of $2,318,227 and $2,250,950 at the respective dates	4,317,121	4,148,774
Regulatory assets	897,948	905,264
Other	453,099	542,523
Goodwill	82,190	82,190
Total assets	$11,573,466	$11,185,142
Liabilities and shareholders’ equity		
Liabilities		
Accounts payable	$152,896	$186,425
Interest and dividends payable	25,914	25,336
Deposit liabilities	4,825,954	4,623,415
Short-term borrowings—other than bank	171,992	118,972
Other bank borrowings	368,593	290,656
Long-term debt, net—other than bank	1,506,546	1,506,546
Deferred income taxes	643,951	633,570
Regulatory liabilities	362,251	344,849
Contributions in aid of construction	495,667	466,432
Defined benefit pension and other postretirement benefit plans liability	607,682	632,845
Other	456,726	531,230
Total liabilities	9,618,172	9,360,276
Preferred stock of subsidiaries - not subject to mandatory redemption	34,293	34,293
Commitments and contingencies (Notes 4 and 5)		
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: 107,458,641 shares and 102,565,266 shares at the respective dates	1,627,259	1,521,297
Retained earnings	315,759	296,654
Accumulated other comprehensive loss, net of tax benefits	(22,017)	(27,378)
Total shareholders’ equity	1,921,001	1,790,573
Total liabilities and shareholders’ equity	$11,573,466	$11,185,142

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

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

	Common stock		Retained	Accumulated other comprehensive	
(in thousands, except per share amounts)	Shares	Amount	Earnings	income (loss)	Total
Balance, December 31, 2014	102,565	$1,521,297	$296,654	$(27,378)	$1,790,573
Net income for common stock	—	—	117,557	—	117,557
Other comprehensive income, net of taxes	—	—	—	5,361	5,361
Issuance of common stock, net	4,894	105,962	—	—	105,962
Common stock dividends ($0.93 per share)	—	—	(98,452)	—	(98,452)
Balance, September 30, 2015	107,459	$1,627,259	$315,759	$(22,017)	$1,921,001
Balance, December 31, 2013	101,260	$1,488,126	$255,030	$(16,750)	$1,726,406
Net income for common stock	—	—	134,876	—	134,876
Other comprehensive income, net of taxes	—	—	—	2,756	2,756
Issuance of common stock, net	1,302	31,130	—	—	31,130
Common stock dividends ($0.93 per share)	—	—	(94,711)	—	(94,711)
Balance, September 30, 2014	102,562	$1,519,256	$295,195	$(13,994)	$1,800,457

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

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

Nine months ended September 30	2015	2014
(in thousands)		
Cash flows from operating activities		
Net income	$118,974	$136,293
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property, plant and equipment	137,721	129,574
Other amortization	12,080	5,081
Provision for loan losses	5,436	3,566
Loans receivable originated and purchased, held for sale	(226,081)	(102,523)
Proceeds from sale of loans receivable, held for sale	231,509	106,918
Increase in deferred income taxes	2,723	50,296
Share-based compensation expense	4,780	7,200
Excess tax benefits from share-based payment arrangements	(1,012)	(271)
Allowance for equity funds used during construction	(5,366)	(4,933)
Change in cash overdraft	—	(1,038)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable and unbilled revenues, net	8,248	(18,943)
Decrease in fuel oil stock	35,942	15,784
Increase in regulatory assets	(23,458)	(17,531)
Decrease in accounts, interest and dividends payable	(34,171)	(51,199)
Change in prepaid and accrued income taxes and utility revenue taxes	(8,458)	(2,044)
Increase (decrease) in defined benefit pension and other postretirement benefit plans liability	418	(2,594)
Change in other assets and liabilities	(38,033)	(56,326)
Net cash provided by operating activities	221,252	197,310
Cash flows from investing activities		
Available-for-sale investment securities purchased	(326,965)	(130,578)
Principal repayments on available-for-sale investment securities	96,053	52,678
Proceeds from sale of available-for-sale investment securities	—	79,564
Purchase of stock from Federal Home Loan Bank	(1,600)	—
Redemption of stock from Federal Home Loan Bank	60,223	17,482
Net increase in loans held for investment	(101,771)	(184,766)
Proceeds from sale of real estate acquired in settlement of loans	1,258	2,930
Proceeds from sale of real estate held-for-sale	7,280	—
Capital expenditures	(276,186)	(260,616)
Contributions in aid of construction	34,627	21,740
Other	4,084	674
Net cash used in investing activities	(502,997)	(400,892)
Cash flows from financing activities		
Net increase in deposit liabilities	202,539	161,320
Net increase in short-term borrowings with original maturities of three months or less	53,020	45,094
Net increase (decrease) in retail repurchase agreements	67,934	(6,306)
Proceeds from other bank borrowings	50,000	90,000
Repayments of other bank borrowings	(40,000)	(65,000)
Proceeds from issuance of long-term debt	—	125,000
Repayment of long-term debt	—	(100,000)
Excess tax benefits from share-based payment arrangements	1,012	271

Net proceeds from issuance of common stock	104,437	26,910
Common stock dividends	(98,452)	(94,674)
Preferred stock dividends of subsidiaries	(1,417)	(1,417)
Other	(4,453)	(5,097)
Net cash provided by financing activities	334,620	176,101
Net increase (decrease) in cash and cash equivalents	52,875	(27,481)
Cash and cash equivalents, beginning of period	175,542	220,036
Cash and cash equivalents, end of period	$228,417	$192,555

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

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

	Three months ended September 30		Nine months ended September 30	
(in thousands)	2015	2014	2015	2014
Revenues	$648,127	$803,565	$1,779,732	$2,262,056
Expenses				
Fuel oil	195,633	309,432	518,670	865,989
Purchased power	160,518	192,882	445,809	546,121
Other operation and maintenance	103,653	108,313	306,519	295,483
Depreciation	44,356	41,594	132,840	124,790
Taxes, other than income taxes	61,310	75,188	169,440	212,783
Total expenses	565,470	727,409	1,573,278	2,045,166
Operating income	82,657	76,156	206,454	216,890
Allowance for equity funds used during construction	2,057	1,937	5,366	4,933
Interest expense and other charges, net	(16,557)	(16,414)	(49,170)	(48,989)
Allowance for borrowed funds used during construction	737	740	1,918	1,877
Income before income taxes	68,894	62,419	164,568	174,711
Income taxes	25,390	23,042	60,351	64,686
Net income	43,504	39,377	104,217	110,025
Preferred stock dividends of subsidiaries	228	228	686	686
Net income attributable to Hawaiian Electric	43,276	39,149	103,531	109,339
Preferred stock dividends of Hawaiian Electric	270	270	810	810
Net income for common stock	$43,006	$38,879	$102,721	$108,529

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

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

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

	Three months ended September 30		Nine months ended September 30	
(in thousands)	2015	2014	2015	2014
Net income for common stock	$43,006	$38,879	$102,721	$108,529
Other comprehensive income, net of taxes:				
Retirement benefit plans:				
Less: amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of $3,245, $1,626, $9,735 and $4,878 for the respective periods	5,095	2,552	15,285	7,659
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes of $3,243, $1,619, $9,729 and $4,858 for the respective periods	(5,091)	(2,542)	(15,274)	(7,627)
Other comprehensive income, net of taxes	4	10	11	32
	$43,010	$38,889	$102,732	$108,561

Comprehensive income attributable to Hawaiian
Electric Company, Inc.

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

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

(dollars in thousands, except par value)	September 30, 2015	December 31, 2014
Assets		
Property, plant and equipment		
Utility property, plant and equipment		
Land	$52,283	$52,299
Plant and equipment	6,216,114	6,009,482
Less accumulated depreciation	(2,246,614)	(2,175,510)
Construction in progress	196,681	158,616
Utility property, plant and equipment, net	4,218,464	4,044,887
Nonutility property, plant and equipment, less accumulated depreciation of $1,228 and $1,227 at respective dates	6,562	6,563
Total property, plant and equipment, net	4,225,026	4,051,450
Current assets		
Cash and cash equivalents	10,704	13,762
Customer accounts receivable, net	162,468	158,484
Accrued unbilled revenues, net	123,578	137,374
Other accounts receivable, net	4,763	4,283
Fuel oil stock, at average cost	70,104	106,046
Materials and supplies, at average cost	58,973	57,250
Prepayments and other	46,891	66,383
Regulatory assets	79,950	71,421
Total current assets	557,431	615,003
Other long-term assets		
Regulatory assets	817,998	833,843
Unamortized debt expense	7,586	8,323
Other	75,951	81,838
Total other long-term assets	901,535	924,004
Total assets	$5,683,992	$5,590,457
Capitalization and liabilities		
Capitalization		
Common stock ($6 2/3 par value, authorized 50,000,000 shares; outstanding 15,805,327 shares)	$105,388	$105,388
Premium on capital stock	578,930	578,938
Retained earnings	1,032,690	997,773
Accumulated other comprehensive income, net of income taxes-retirement benefit plans	56	45
Common stock equity	1,717,064	1,682,144
Cumulative preferred stock — not subject to mandatory redemption	34,293	34,293
Long-term debt, net	1,206,546	1,206,546
Total capitalization	2,957,903	2,922,983
Commitments and contingencies (Note 4)		
Current liabilities		
Short-term borrowings from non-affiliates	94,995	—
Accounts payable	124,779	163,934
Interest and preferred dividends payable	25,078	22,316
Taxes accrued	193,575	250,402

Regulatory liabilities	347	632
Other	75,450	65,146
Total current liabilities	514,224	502,430
Deferred credits and other liabilities		
Deferred income taxes	625,422	602,872
Regulatory liabilities	361,904	344,217
Unamortized tax credits	83,648	79,492
Defined benefit pension and other postretirement benefit plans liability	570,028	595,395
Other	75,196	76,636
Total deferred credits and other liabilities	1,716,198	1,698,612
Contributions in aid of construction	495,667	466,432
Total capitalization and liabilities	$5,683,992	$5,590,457

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

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

	Common stock		Premium on capital	Retained	Accumulated other comprehensive	
(in thousands)	Shares	Amount	stock	earnings	income (loss)	Total
Balance, December 31, 2014	15,805	$105,388	$578,938	$997,773	$45	$1,682,144
Net income for common stock	—	—	—	102,721	—	102,721
Other comprehensive income, net of taxes	—	—	—	—	11	11
Common stock dividends	—	—	—	(67,804)	—	(67,804)
Common stock issuance expenses	—	—	(8)	—	—	(8)
Balance, September 30, 2015	15,805	$105,388	$578,930	$1,032,690	$56	$1,717,064
Balance, December 31, 2013	15,429	$102,880	$541,452	$948,624	$608	$1,593,564
Net income for common stock	—	—	—	108,529	—	108,529
Other comprehensive income, net of taxes	—	—	—	—	32	32
Common stock dividends	—	—	—	(66,369)	—	(66,369)
Common stock issuance expenses	—	—	(5)	—	—	(5)
Balance, September 30, 2014	15,429	$102,880	$541,447	$990,784	$640	$1,635,751

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

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

Nine months ended September 30	2015		2014	
(in thousands)				
Cash flows from operating activities				
Net income	$104,217		$110,025	
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation of property, plant and equipment	132,840		124,790	
Other amortization	9,827		4,289	
Increase in deferred income taxes	58,211		67,392	
Change in tax credits, net	4,247		5,816	
Allowance for equity funds used during construction	(5,366	)	(4,933	)
Change in cash overdraft	—		(1,038	)
Changes in assets and liabilities				
Increase in accounts receivable	(4,464	)	(19,731	)
Decrease in accrued unbilled revenues	13,796		971	
Decrease in fuel oil stock	35,942		15,784	
Increase in materials and supplies	(1,723	)	(1,595	)
Increase in regulatory assets	(23,458	)	(17,531	)
Decrease in accounts payable	(40,375	)	(53,280	)
Change in prepaid and accrued income taxes and revenue taxes	(61,635	)	(18,075	)
Increase (decrease) in defined benefit pension and other postretirement benefit plans liability	331		(748	)
Change in other assets and liabilities	(20,804	)	(41,969	)
Net cash provided by operating activities	201,586		170,167	
Cash flows from investing activities				
Capital expenditures	(265,521	)	(253,718	)
Contributions in aid of construction	34,627		21,740	
Other	778		713	
Net cash used in investing activities	(230,116	)	(231,265	)
Cash flows from financing activities				
Common stock dividends	(67,804	)	(66,369	)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(1,496	)	(1,496	)
Net increase in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less	94,995		84,987	
Other	(223	)	(462	)
Net cash provided by financing activities	25,472		16,660	
Net decrease in cash and cash equivalents	(3,058	)	(44,438	)
Cash and cash equivalents, beginning of period	13,762		62,825	
Cash and cash equivalents, end of period	$10,704		$18,387	

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 · Basis of presentation
The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for interim financial information, the instructions to SEC Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. The accompanying unaudited consolidated financial statements and the following notes should be read in conjunction with the audited consolidated financial statements and the notes thereto in HEI's and Hawaiian Electric's Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, for the year ended December 31, 2014.
In the opinion of HEI's and Hawaiian Electric's management, the accompanying unaudited consolidated financial statements contain all material adjustments required by GAAP to fairly state consolidated HEI's and Hawaiian Electric's financial positions as of September 30, 2015 and December 31, 2014, the results of their operations for the three and nine months ended September 30, 2015 and 2014, and their cash flows for the nine months ended September 30, 2015 and 2014. All such adjustments are of a normal recurring nature, unless otherwise disclosed below or elsewhere in this Form 10-Q (see "Revision of previously issued financial statements" below) or other referenced material. Results of operations for interim periods are not necessarily indicative of results for the full year.
Prior period financial statements reflect the retrospective application of Accounting Standards Update (ASU) No. 2014-01, "Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects," which was adopted as of January 1, 2015 and did not have a material impact on the Company's financial condition or results of operations. See "Investments in qualified affordable housing projects" in Note 11.
Revision of previously issued financial statements. Management discovered that the Utilities' capital expenditures on HEI's and Hawaiian Electric's Consolidated Statements of Cash Flows did not correctly account for the beginning of period unpaid invoices and accruals (that were paid in cash during the period) and is revising its previously filed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 to correct for such misstatement by adjusting cash used for "Capital expenditures" (investing activity) and change in accounts payable (operating activity).
Management also discovered that the eliminating journal entry to offset the Hawaiian Electric consolidated net operating loss deferred tax asset did not properly reflect the adjustment on the components of income taxes (current and deferred federal income taxes) and is revising its previously filed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 to correct for such misstatement by adjusting "Increase in deferred income taxes" and "Change in other assets and liabilities" (operating activities).
Management determined it needed to correct the presentation for share-based compensation expense on the Company's Consolidated Statement of Cash Flows, resulting in a corresponding change in the "Change in other assets and liabilities" amount.
These revisions to correct for such misstatements and other immaterial items do not impact HEI's and Hawaiian Electric's previously reported overall net change in cash and cash equivalents in their Consolidated Statements of Cash Flows for any period presented. Additionally, these revisions do not impact HEI's and Hawaiian Electric's Consolidated Balance Sheets or Consolidated Statements of Income for any period presented. The Company and Hawaiian Electric have concluded that the impact of the misstatements is not material to the previously issued Consolidated Statements of Cash Flows for the nine months ended September 30, 2014.

The table below illustrates the effects of the revisions on the previously filed financial statements:

(in thousands)	As previously filed	As revised	Difference
Nine months ended September 30, 2014			
Consolidated Statements of Cash Flows			
HEI consolidated			
Cash flows from operating activities			
Other amortization	$5,454	$5,081	$(373)
Increase in deferred income taxes (1)	49,270	50,296	1,026
Share-based compensation expense	—	7,200	7,200
Decrease in accounts, interest and dividends payable	(75,812)	(51,199)	24,613
Change in other assets and liabilities (1)	(47,760)	(56,326)	(8,566)
Net cash provided by operating activities	173,410	197,310	23,900
Cash flows from investing activities			
Capital expenditures	(236,003)	(260,616)	(24,613)
Cash flows from investing activities-Other	(39)	674	713
Net cash used in investing activities	(376,992)	(400,892)	(23,900)
Hawaiian Electric consolidated			
Cash flows from operating activities			
Other amortization	4,662	4,289	(373)
Decrease in accounts payable	(77,893)	(53,280)	24,613
Change in other assets and liabilities	(41,629)	(41,969)	(340)
Net cash provided by operating activities	146,267	170,167	23,900
Cash flows from investing activities			
Capital expenditures	(229,105)	(253,718)	(24,613)
Cash flows from investing activities-Other	—	713	713
Net cash used in investing activities	(207,365)	(231,265)	(23,900)
Note 10			
HEI consolidated and Hawaiian Electric consolidated			
Additions to electric utility property, plant and equipment - unpaid invoices and accruals (investing) (in millions)	40	15	(25)

(1) As previously filed and adjusted by ASU No. 2014-01 (see Note 11).

2 · Proposed Merger

On December 3, 2014, HEI, NextEra Energy, Inc., a Florida corporation (NEE), NEE Acquisition Sub I, LLC, a Delaware limited liability company and a wholly owned subsidiary of NEE (Merger Sub II) and NEE Acquisition Sub II, Inc., a Delaware corporation and a wholly owned subsidiary of NEE (Merger Sub I), entered into an Agreement and Plan of Merger (the Merger Agreement). The Merger Agreement provides for Merger Sub I to merge with and into HEI (the Initial Merger), with HEI surviving, and then for HEI to merge with and into Merger Sub II, with Merger Sub II surviving as a wholly owned subsidiary of NEE (the Merger). The Merger is intended to qualify as a tax-free reorganization under the Internal Revenue Code of 1986, as amended, and to be tax-free to HEI shareholders. Pursuant to the Merger Agreement, upon the closing of the Merger, each issued and outstanding share of HEI common stock will automatically be converted into the right to receive 0.2413 shares of common stock of NEE (the Exchange Ratio). No adjustment to the Exchange Ratio is made in the Merger Agreement for any changes in the market price of either HEI or NEE common stock between December 3, 2014 and the closing of the Merger.

The Merger Agreement contemplates that, immediately prior to the closing of the Merger, HEI will distribute to its shareholders all of the issued and outstanding shares of common stock of ASB Hawaii, the direct parent company of ASB (such distribution referred to as the Spin-Off), with ASB Hawaii becoming a new public company. In addition, the Merger Agreement contemplates that, immediately prior to the closing of the Merger, HEI will pay its shareholders a special dividend of $0.50 per share.

The closing of the Merger is subject to various conditions, including, among others, (i) the approval of holders of 75% of the outstanding shares of HEI common stock, (ii) effectiveness of the registration statement for the NEE common stock to be issued in the Initial Merger and the listing of such shares on the New York Stock Exchange, (iii) expiration or termination of the applicable Hart-Scott-Rodino Act waiting period, (iv) receipt of all required regulatory approvals from, among others, the Federal Energy Regulatory Commission (FERC), the Federal Communications Commission and the Hawaii Public Utilities

Commission, (v) the absence of any law or judgment in effect or pending in which a governmental entity has imposed or is seeking to impose a legal restraint that would prevent or make illegal the closing of the Merger, (vi) the absence of any material adverse effect with respect to either HEI or NEE, (vii) subject to certain exceptions, the accuracy of the representations and warranties of, and compliance with covenants by, each of the parties to the Merger Agreement, (viii) receipt by each of HEI and NEE of a tax opinion of its counsel regarding the tax treatment of the transactions contemplated by the Merger Agreement, (ix) effectiveness of the ASB Hawaii registration statement necessary to consummate the Spin-Off, and (x) the determination by each of HEI and NEE that, upon completion of the Spin-Off, HEI will no longer be a savings and loan holding company or be deemed to control ASB for purposes of the Home Owners' Loan Act. The Spin-Off will be subject to various conditions, including, among others, the approval of the Federal Reserve Board (FRB).

The Merger Agreement contains customary representations, warranties and covenants of HEI and NEE.

The Merger Agreement contains certain termination rights for both HEI and NEE, including the right of either party to terminate the Merger Agreement if the Merger has not been consummated by December 3, 2015 (subject to a 6-month extension if required to obtain necessary regulatory approvals), and further provides that upon termination of the Merger Agreement under specified circumstances NEE would be required to pay HEI a termination fee of $90 million and reimburse HEI for up to $5 million of its documented out-of-pocket expenses incurred in connection with the Merger Agreement.

On March 26, 2015, NEE’s Form S-4, which registers NEE common stock expected to be issued in the Initial Merger, was declared effective. HEI Shareholders approved the proposed merger agreement with NEE on June 10, 2015.

On March 30, 2015, ASB Hawaii filed its Form 10, the registration statement for the ASB Hawaii shares expected to be distributed in the Spin-Off.

On August 7, 2015, each of HEI and NEE filed their respective notifications pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), with the U.S. Department of Justice and Federal Trade Commission. On September 8, 2015, the mandatory, pre-merger waiting period under the HSR Act expired. Accordingly, the condition to the closing of the Merger with respect to the expiration of the applicable waiting period under the HSR Act has been satisfied.

PUC application. In January 2015, NEE and Hawaiian Electric filed an application with the PUC requesting approval of the proposed Merger (under which Hawaiian Electric would become a wholly-owned indirect subsidiary of NEE). The application also requests modification of certain conditions agreed to by HEI and the PUC in 1982 for the merger and corporate restructuring of Hawaiian Electric, and confirmation that with approval of the Merger Agreement, the recommendations in the 1995 Dennis Thomas Report (resulting from a proceeding to review the relationship between HEI and Hawaiian Electric and any impact of HEI’s then diversified activities on the Utilities) will no longer be applicable. The application includes a commitment that, for at least four years following the completion of the transaction, Hawaiian Electric will not submit any applications seeking a general base rate increase and will reduce the RAM, which amounts to approximately $60 million in cumulative savings for customers, over the four-year base rate moratorium, subject to certain exceptions and conditions, including that the following remain in effect: the revenue balancing account (RBA) and RAM tariff provisions, the Renewable Energy Infrastructure Program, and Renewable Energy Infrastructure Surcharge, the integrated resource planning/DSM Recovery tariff provisions, the ECAC tariff provisions, the PPA tariff provision and the Pension and OPEB tracker mechanism. Various parties, including governmental, environmental and commercial interests, have been allowed to intervene in the proceeding.

Twenty-eight interveners filed testimonies in the docket in July 2015. Eleven interveners recommended the merger not be approved, eleven recommended approval only with conditions, and six did not specifically make a recommendation either way. The Consumer Advocate filed its testimonies on August 10, 2015, stating that the Applicants have not justified that the proposed transaction is in the public interest but that if the Consumer Advocate’s recommended conditions were adopted, the results would reflect substantial net benefits that would support a finding that the proposed transaction is in the public interest. Among its recommended conditions was a rate plan to permanently reduce the Utilities’ rates by approximately $62 million annually. On August 31, 2015, the applicants filed their responsive testimonies, offering a number of additional commitments, including:

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subject to PUC approval, completing full smart meter deployment to all customers by December 31, 2019

- reflecting 100% of all net non-fuel O&M savings achieved by the Utilities and limiting non-fuel O&M expenses to levels no higher than the non-fuel O&M in 2014, adjusted for inflation, in the revenue requirements in the first rate case following the four-year rate case moratorium
- establishing a funding mechanism of $2.5 million per year during the four-year rate case moratorium to be used for purposes in the public interest at the PUC’s discretion and direction
- commiting to corporate giving of at least $2.2 million for a minimum of 10 years post-closing

- committing to not selling the Utilities or their holding company for at least 10 years post-closing

On October 7, 2015, the other parties filed rebuttal testimonies. On October 16, 2015, the Applicants filed surrebuttal testimonies. Evidentiary hearings are scheduled from November 30 to December 16, 2015.

Other requests. On January 29, 2015, HEI submitted its application to the FERC requesting all necessary authorization to consummate the transactions contemplated by the Merger Agreement. The FERC issued its order authorizing the proposed merger on March 27, 2015.

On February 1, 2015, HEI submitted a letter to the FRB advising the FRB of its intent to seek deregistration as a Savings & Loan Holding Company (SLHC).

Pending litigation and other matters.

Litigation. HEI and its subsidiaries are subject to various legal proceedings that arise from time to time. Some of these proceedings may seek relief or damages in amounts that may be substantial. Because these proceedings are complex, many years may pass before they are resolved, and it is not feasible to predict their outcomes. Some of these proceedings involve claims HEI and Hawaiian Electric believe may be covered by insurance, and HEI and Hawaiian Electric have advised their insurance carriers accordingly.

Since the December 3, 2014 announcement of the merger agreement, eight purported class action complaints were filed in the Circuit Court of the First Circuit for the State of Hawaii by alleged stockholders of HEI against HEI, Hawaiian Electric (in one complaint), the individual directors of HEI, NEE and NEE's acquisition subsidiaries. The lawsuits are captioned as follows: Miller v. Hawaiian Electric Industries, Inc., et al., Case No. 14-1-2531-12 KTN (December 15, 2014) (the Miller Action); Walsh v. Hawaiian Electric Industries, Inc., et al., Case No. 14-1-2541-12 JHC (December 15, 2014) (the Walsh Action); Stein v. Hawaiian Electric Industries, Inc., et al., Case No. 14-1-2555-12 KTN (December 17, 2014) (the Stein Action); Brown v. Hawaiian Electric Industries, Inc., et al., Case No. 14-1-2643-12 RAN (December 30, 2014) (the Brown Action); Cohn v. Hawaiian Electric Industries, Inc., et al., Case No. 14-1-2642-12 KTN (December 30, 2014) (the Cohn State Action); Guenther v. Watanabe, et al., Case No. 15-1-003-01 ECN (January 2, 2015) (the Guenther Action); Hudson v. Hawaiian Electric Industries, Inc., et al., Case No. 15-1-0013-01 JHC (January 5, 2015) (the Hudson Action); Grieco v. Hawaiian Electric Industries, Inc., et al., Case No. 15-1-0094-01 KKS (January 21, 2015) (the Grieco Action). On January 12, 2015, plaintiffs in the Miller Action, the Walsh Action, the Stein Action, the Brown Action, the Guenther Action, and the Hudson Action filed a motion to consolidate their actions and to appoint co-lead counsel. The Court held a hearing on this motion on February 13, 2015 and granted consolidation and appointment of co-lead counsel on March 6, 2015. On March 10, 2015, plaintiffs in the consolidated state action filed an amended complaint, and added J.P. Morgan Securities, LLC (JP Morgan), which was HEI’s financial advisor for the Merger, as a defendant. On March 17, 2015, plaintiffs in the consolidated state action moved for limited expedited discovery. After limited discovery, the parties in the consolidated state action stipulated and the Court ordered that the deadline for defendants to respond to the amended complaint is extended indefinitely. On April 30, 2015, the Court consolidated the seven state actions under the caption, In re Consolidated HEI Shareholder Cases. On January 23, 2015, the Cohn State Action was voluntarily dismissed. Thereafter, the same alleged stockholder plaintiff filed a purported class action complaint in the United States District Court for the District of Hawaii against HEI, the individual directors of HEI, NEE and NEE's acquisition subsidiaries. The lawsuit is captioned as Cohn v. Hawaiian Electric Industries, Inc. et al., 15-cv-00029-JMS-KSC (January 27, 2015) (the Cohn Federal Action). On May 28, 2015, the parties agreed to stay the Cohen Federal Action pending the outcome of the consolidated state action.

The actions allege, among other things, that members of HEI's Board breached their fiduciary duties in connection with the proposed transaction, and that the Merger Agreement involves an unfair price, was the product of an inadequate sales process, and contains unreasonable deal protection devices that purportedly preclude competing offers. The complaints further allege that HEI, NEE and/or its acquisition subsidiaries aided and abetted the purported breaches of fiduciary duty. The plaintiffs in these lawsuits seek, among other things, (i) a declaration that the Merger Agreement was entered into in breach of HEI's directors' fiduciary duties, (ii) an injunction enjoining the HEI Board from consummating the Merger, (iii) an order directing the HEI Board to exercise their duties to obtain a transaction which is in the best interests of HEI's stockholders, (iv) a rescission of the Merger to the extent that it is consummated, and/or (v) damages suffered as a result of the defendants' alleged actions. Plaintiffs in the consolidated state action also allege that JP Morgan had a conflict of interest in advising HEI because JP Morgan and its affiliates had business ties to and investments in NEE. The consolidated state action also alleges that the HEI board of directors violated its fiduciary duties by omitting material facts from the Registration Statement on Form S-4. In addition, the Cohn Federal Action alleges that the HEI board of directors violated its fiduciary duties and federal securities laws by omitting material facts from the Registration Statement on Form S-4.

HEI and Hawaiian Electric believe the allegations of the complaints are without merit and intend to defend these lawsuits vigorously.

3 · Segment financial information

(in thousands)	Electric utility	Bank	Other	Total
Three months ended September 30, 2015				
Revenues from external customers	$648,121	$69,091	$(36)	$717,176
Intersegment revenues (eliminations)	6	—	(6)	—
Revenues	648,127	69,091	(42)	717,176
Income (loss) before income taxes	68,894	20,802	(9,036)	80,660
Income taxes (benefit)	25,390	7,351	(3,225)	29,516
Net income (loss)	43,504	13,451	(5,811)	51,144
Preferred stock dividends of subsidiaries	498	—	(27)	471
Net income (loss) for common stock	43,006	13,451	(5,784)	50,673
Nine months ended September 30, 2015				
Revenues from external customers	$1,779,708	$199,222	$20	$1,978,950
Intersegment revenues (eliminations)	24	—	(24)	—
Revenues	1,779,732	199,222	(4)	1,978,950
Income (loss) before income taxes	164,568	61,159	(36,347)	189,380
Income taxes (benefit)	60,351	21,382	(11,327)	70,406
Net income (loss)	104,217	39,777	(25,020)	118,974
Preferred stock dividends of subsidiaries	1,496	—	(79)	1,417
Net income (loss) for common stock	102,721	39,777	(24,941)	117,557
Assets (at September 30, 2015)	5,683,992	5,855,497	33,977	11,573,466
Three months ended September 30, 2014				
Revenues from external customers	$803,559	$63,536	$1	$867,096
Intersegment revenues (eliminations)	6	—	(6)	—
Revenues	803,565	63,536	(5)	867,096
Income (loss) before income taxes	62,419	20,506	(7,382)	75,543
Income taxes (benefit)	23,042	7,253	(3,031)	27,264
Net income (loss)	39,377	13,253	(4,351)	48,279
Preferred stock dividends of subsidiaries	498	—	(27)	471
Net income (loss) for common stock	38,879	13,253	(4,324)	47,808
Nine months ended September 30, 2014				
Revenues from external customers	$2,262,038	$187,771	$(307)	$2,449,502
Intersegment revenues (eliminations)	18	—	(18)	—
Revenues	2,262,056	187,771	(325)	2,449,502
Income (loss) before income taxes	174,711	60,994	(23,110)	212,595
Income taxes (benefit)	64,686	21,806	(10,190)	76,302
Net income (loss)	110,025	39,188	(12,920)	136,293
Preferred stock dividends of subsidiaries	1,496	—	(79)	1,417
Net income (loss) for common stock	108,529	39,188	(12,841)	134,876
Assets (at December 31, 2014)	5,590,457	5,566,222	28,463	11,185,142

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

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

4 · Electric utility segment

Revenue taxes. The Utilities' revenues include amounts for the recovery of various Hawaii state revenue taxes. Revenue taxes are generally recorded as an expense in the period the related revenues are recognized. However, the Utilities' revenue tax payments to the taxing authorities in the period are based on the prior year's billed revenues (in the case of public service company taxes and PUC fees) or on the current year's cash collections from electric sales (in the case of franchise taxes). The Utilities included in the third quarters of 2015 and 2014 and the nine months ended September 30, 2015 and 2014 approximately $58 million, $74 million, $159 million and $203 million, respectively, of revenue taxes in "revenues" and in "taxes, other than income taxes" expense.
Recent tax developments. The Utilities adopted the safe harbor guidelines with respect to network (transmission and distribution) assets in 2011 and, in June 2013, the IRS released a revenue procedure relating to deductions for repairs of generation property, which provides some guidance (that is elective) for taxpayers that own steam or electric generation property. This guidance defines the relevant components of generation property to be used in determining whether such component expenditures should be deducted as repairs or capitalized and depreciated by taxpayers. The revenue procedure also provides an extrapolation methodology that could be used by taxpayers in determining deductions for prior years' repairs without going back to the specific documentation of those years. The guidance does not provide specific methods for determining the repairs amount. Management has adopted a method consistent with this guidance in its 2014 tax return filed in September 2015.
Unconsolidated variable interest entities.

HECO Capital Trust III. HECO Capital Trust III (Trust III) was created and exists for the exclusive purposes of (i) issuing in March 2004 2,000,000 6.50% Cumulative Quarterly Income Preferred Securities, Series 2004 (2004 Trust Preferred Securities) ($50 million aggregate liquidation preference) to the public and trust common securities ($1.5 million aggregate liquidation preference) to Hawaiian Electric, (ii) investing the proceeds of these trust securities in 2004 Debentures issued by Hawaiian Electric in the principal amount of $31.5 million and issued by Hawaii Electric Light and Maui Electric each in the principal amount of $10 million, (iii) making distributions on these trust securities and (iv) engaging in only those other activities necessary or incidental thereto. The 2004 Trust Preferred Securities are mandatorily redeemable at the maturity of the underlying debt on March 18, 2034, which maturity may be extended to no later than March 18, 2053; and are currently redeemable at the issuer's option without premium. The 2004 Debentures, together with the obligations of the Utilities under an expense agreement and Hawaiian Electric's obligations under its trust guarantee and its guarantee of the obligations of Hawaii Electric Light and Maui Electric under their respective debentures, are the sole assets of Trust III. Taken together, Hawaiian Electric's obligations under the Hawaiian Electric debentures, the Hawaiian Electric indenture, the subsidiary guarantees, the trust agreement, the expense agreement and trust guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of amounts due on the Trust Preferred Securities. Trust III has at all times been an unconsolidated subsidiary of Hawaiian Electric. Since Hawaiian Electric, as the holder of 100% of the trust common securities, does not absorb the majority of the variability of Trust III, Hawaiian Electric is not the primary beneficiary and does not consolidate Trust III in accordance with accounting rules on the consolidation of VIEs. Trust III's balance sheets as of September 30, 2015 and December 31, 2014 each consisted of $51.5 million of 2004 Debentures; $50.0 million of 2004 Trust Preferred Securities; and $1.5 million of trust common securities. Trust III's income statements for the nine months ended September 30, 2015 and 2014 each consisted of $2.5 million of interest income received from the 2004 Debentures; $2.4 million of distributions to holders of the Trust Preferred Securities; and $75,000 of common dividends on the trust common securities to Hawaiian Electric. As long as the 2004 Trust Preferred Securities are outstanding, Hawaiian Electric is not entitled to receive any funds from Trust III other than pro-rata distributions, subject to certain subordination provisions, on the trust common securities. In the event of a default by Hawaiian Electric in the performance of its obligations under the 2004 Debentures or under its Guarantees, or in the event any of the Utilities elect to defer payment of interest on any of their respective 2004 Debentures, then Hawaiian Electric will be subject to a number of restrictions, including a prohibition on the payment of dividends on its common stock.

Power purchase agreements. As of September 30, 2015, the Utilities had six PPAs for firm capacity and other PPAs with smaller IPPs and Schedule Q providers (i.e., customers with cogeneration and/or small power production facilities with a capacity of 100 kilowatts or less who buy power from or sell power to the Utilities), none of which are currently required to be consolidated as VIEs. Purchases from all IPPs were as follows:

	Three months ended September 30		Nine months ended September 30	
(in millions)	2015	2014	2015	2014
AES Hawaii	$37	$38	$97	$107
Kalaeloa	51	73	143	214
HEP	13	16	34	36
Hpower	18	18	50	50
Puna Geothermal Venture	8	10	22	36
Hawaiian Commercial & Sugar (HC&S)	2	2	7	50
Other IPPs	32	36	93	53
Total IPPs	$161	$193	$446	$546

In October 2015 the amended PPA between Maui Electric and HC&S became effective following PUC approval in September 2015. The amended PPA amends the pricing structure and rates for energy sold to Maui Electric, eliminates the capacity payment to HC&S, eliminates Maui Electric's minimum purchase obligation, provides that Maui Electric may request up to 4 MW of scheduled energy during certain months, and be provided up to 16 MW of emergency power, and extends the term of the PPA from 2014 to 2017.

Some of the IPPs provided sufficient information for Hawaiian Electric to determine that the IPP was not a VIE, or was either a "business" or "governmental organization," and thus excluded from the scope of accounting standards for VIEs. Other IPPs declined to provide the information necessary for Hawaiian Electric to determine the applicability of accounting standards for VIEs.

Since 2004, Hawaiian Electric has continued its efforts to obtain from the IPPs the information necessary to make the determinations required under accounting standards for VIEs. In each year from 2005 to 2014, the Utilities sent letters to the identified IPPs requesting the required information. All of these IPPs declined to provide the necessary information, except that Kalaeloa later agreed to provide the information pursuant to the amendments to its PPA (see below) and an entity owning a wind farm provided information as required under its PPA. Management has concluded that the consolidation of two entities owning wind farms was not required as Hawaii Electric Light and Maui Electric do not have variable interests in the entities because the PPAs do not require them to absorb any variability of the entities. If the requested information is ultimately received from the remaining IPPs, a possible outcome of future analyses of such information is the consolidation of one or more of such IPPs in the Consolidated Financial Statements. The consolidation of any significant IPP could have a material effect on the Consolidated Financial Statements, including the recognition of a significant amount of assets and liabilities and, if such a consolidated IPP were operating at a loss and had insufficient equity, the potential recognition of such losses. If the Utilities determine they are required to consolidate the financial statements of such an IPP and the consolidation has a material effect, the Utilities would retrospectively apply accounting standards for VIEs.

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

Hawaiian Electric and Kalaeloa are in negotiations to address the upcoming end of the PPA term in May 2016. The PPA will automatically extend on a month-to-month basis as long as the parties are still negotiating in good faith. The month-to-month term extensions shall end 60 days after either party notifies the other in writing that negotiations have terminated.

Pursuant to the current accounting standards for VIEs, Hawaiian Electric is deemed to have a variable interest in Kalaeloa by reason of the provisions of Hawaiian Electric's PPA with Kalaeloa. However, management has concluded that Hawaiian Electric is not the primary beneficiary of Kalaeloa because Hawaiian Electric does not have the power to direct the activities that most significantly impact Kalaeloa's economic performance nor the obligation to absorb Kalaeloa's expected losses, if any, that could potentially be significant to Kalaeloa. Thus, Hawaiian Electric has not consolidated Kalaeloa in its consolidated financial statements. A significant factor affecting the level of expected losses Hawaiian Electric could potentially absorb is the fact that Hawaiian Electric's exposure to fuel price variability is limited to the remaining term of the PPA as compared to the facility's remaining useful life. Although Hawaiian Electric absorbs fuel price variability for the remaining term of the PPA, the PPA does not currently expose Hawaiian Electric to losses as the fuel and fuel related energy payments under the PPA have been approved by the PUC for recovery from customers through base electric rates and through Hawaiian Electric's ECAC to the extent the fuel and fuel related energy payments are not included in base energy rates. As of September 30, 2015, Hawaiian Electric's accounts payable to Kalaeloa amounted to $13 million.

Commitments and contingencies.

Fuel contracts. The Utilities have contractual agreements to purchase minimum quantities of fuel oil, diesel fuel and biodiesel for multi-year periods, some through October 2017. Fossil fuel prices are tied to the market prices of crude oil and petroleum products in the Far East and U.S. West Coast and the biodiesel price is tied to the market prices of animal fat feedstocks in the U.S. West Coast and U.S. Midwest.

On August 27, 2014, Chevron Products Company (Chevron) and Hawaiian Electric entered into a first amendment of their Low Sulfur Fuel Oil Supply Contract, which was approved by the PUC in March 2015. The Amendment reduces the price of fuel above certain volumes, allows for increases in the volume of fuel, and modifies the specification of certain petroleum products supplied under the contract. In addition, Chevron agreed to supply a blend of low sulfur fuel oil (LSFO) and diesel as soon as January 2016 (for supply through the end of the contract term, December 31, 2016) to help Hawaiian Electric meet more stringent Environmental Protection Agency (EPA) air emission requirements known as Mercury and Air Toxics Standards.

The Utilities are parties to amended contracts for the supply of industrial fuel oil and diesel fuels with Chevron and Hawaii Independent Energy, LLC (HIE), respectively, which were scheduled to end December 31, 2015. In August 2014, Chevron and the Utilities entered into a third amendment to the Inter-Island Industrial Fuel Oil and Diesel Fuel Supply Contract, which amendment extended the term of the contract through December 31, 2016 and provided for automatic renewal for annual terms thereafter unless earlier terminated by either party. In February 2015, Hawaiian Electric executed a similar extension, through December 31, 2016, of the corresponding Inter-Island Industrial Fuel Oil and Diesel Fuel Supply Contract with HIE.

In June 2015, the Utilities issued Requests for Proposals (RFP) for most of their fuel needs with supplies beginning in 2017 after the expiration of Chevron LSFO and Chevron/HIE Interisland contracts on December 31, 2016. Proposals were received in July 2015 and new contracts, which would be subject to PUC approval, are expected to be executed by December 31, 2015.

AES Hawaii, Inc. Under a PPA entered into in March 1988, as amended, for a period of 30 years beginning September 1992, Hawaiian Electric agreed to purchase 180 MW of firm capacity from AES Hawaii. In August 2012, Hawaiian Electric filed an application with the PUC seeking an exemption from the PUC's Competitive Bidding Framework to negotiate an amendment to the PPA to purchase 186 MW of firm capacity, and amend the energy pricing formula in the PPA. The PUC approved the exemption in April 2013. However, Hawaiian Electric and AES Hawaii had not been able to reach agreement on an amendment. In June 2015, AES Hawaii filed an arbitration demand regarding a dispute about whether Hawaiian Electric was obligated to buy up to 9 MW of additional capacity based on a 1992 letter. Hawaiian Electric believes the claim asserted in the arbitration demand is without merit and has responded to the arbitration demand. In October 2015, AES Hawaii and Hawaiian Electric entered into a Settlement Agreement to stay the arbitration proceeding through February 15, 2016. The Settlement Agreement includes certain conditions precedent, which if satisfied will release the parties of the claims under the arbitration proceeding. Among the conditions precedent is the successful negotiation of an amendment to the existing purchase power agreement and PUC approval of such amendment.

On November 13, 2015, Hawaiian Electric entered into Amendment No. 3 to the PPA, subject to PUC approval. Amendment No. 3 has more favorable pricing which is passed on to customers, and among other things, provides (1) for an increase in firm capacity of up to 9 MW (the Additional Capacity) above the 180 MW capacity of the AES Hawaii facility, subject to a demonstration of such increased available capacity, (2) for the payment for the Additional Capacity to include a Priority Peak Capacity Charge, a Non-Peak Capacity Charge, a Priority Peak Energy Charge and a Non-Peak Energy Charge, and (3) that AES will make certain operational commitments to improve reliability, and Hawaiian Electric will pay a reliability bonus according to a schedule for reduced Full Plant Trips.

There are other conditions precedent, which are still required to be satisfied under the Settlement Agreement.

Liquefied natural gas. On May 31, 2015 the previous August 2014 agreement with Fortis BC Energy Inc. (Fortis) for liquefaction capacity for liquefied natural gas (LNG) was superseded with a liquefaction Heads of Agreement by and between FortisBC Holdings Inc. and Hawaiian Electric Company, Inc. The agreement, which is subject to Hawaii PUC approval, other regulatory approvals and permits, and other conditions precedent before it becomes effective, provides for LNG liquefaction capacity purchases of 700,000 tonnes per year for the first five years, 600,000 tonnes per year for the next five years, and 500,000 tonnes per year for the last ten years. Fortis must also obtain regulatory and other approvals for the agreement to become effective. The Fortis agreement is assignable and can be assigned to the selected bidder in the Utilities' RFP for the supply of containerized LNG and will help ensure that liquefaction capacity is available at pricing that management believes will lower customer bills.

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, 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. The Utilities submitted its Enterprise Information System Roadmap to the PUC in June 2014 and refiled an application for an ERP/EAM implementation project in July 2014 with an estimated cost of $82.4 million. The refiled application addressed the concerns raised by the PUC, in the initial application, regarding the benefits to customers of completing this project. The estimated cost of the project included the cost of ERP software that had been purchased and recorded as a deferred cost.

To address the Consumer Advocate's positon that the proceeding should be stayed to determine if the project as proposed in the application is reasonable and necessary for future operations as an indirect NEE subsidiary, in May 2015, the Utilities filed a report describing the impact the pending merger with NEE would have on the scope, costs and benefits of the ERP/EAM project. The report indicated that the two viable courses of action for replacing its current system are Option A (to proceed with the project as initially scoped in the Application, and Option B (to move the Utilities to NEE's existing ERP/EAM solutions). Option B is estimated to cost approximately $20.8 million less than Option A, but can only be pursued if the merger is approved. The Utilities requested the PUC to approve the commencement of work on Option B if the merger is approved; and in the alternative, Option A if the merger is not approved.

In October 2015, the PUC issued a D&O (1) finding that there is a need to replace the existing ERP/EAM system, and (2) deferring any ruling on whether it is reasonable and in the public interest for the Utilities to commence with the project under Options B or A.

In the D&O, the PUC denied the Utilities request to defer the cost for the ERP software purchased in 2012. As a result, the Utilities expensed the ERP software costs of $4.8 million in the third quarter of 2015.

The D&O requires the Utilities to file their bottom-up low-level benefits analysis for both Options A and B, and specified additional information required as part of the their Cost/Benefit Analysis, which will be due by April 8, 2016.

Management cannot predict the further outcome of this proceeding.

Schofield Generating Station Project. In August 2012, the PUC approved a waiver from the competitive bidding framework to allow Hawaiian Electric to negotiate with the U.S. Army for the construction of a 50 MW utility owned and operated firm, renewable and dispatchable generation facility at Schofield Barracks. In September 2015, the PUC approved Hawaiian Electric's application to expend $167 million for the project. In approving the project, the PUC placed a cap of $167 million for the project, stated 90% of the cap is allowed for cost recovery through cost recovery mechanisms other than base rates, and stated the $167 million cap will be adjusted downward due to any reduction in the cost of the engine contract due to a reduction in the foreign exchange rate. Hawaiian Electric is required to take all necessary steps to lock in the lowest possible exchange rate. The generating station is now expected to be placed in service in the first quarter of 2018.

Environmental regulation. The Utilities are subject to environmental laws and regulations that regulate the operation of existing facilities, the construction and operation of new facilities and the proper cleanup and disposal of hazardous waste and toxic substances. In recent years, legislative, regulatory and governmental activities related to the environment, including proposals and rulemaking under the Clean Air Act and Clean Water Act (CWA), have increased significantly and management anticipates that such activity will continue.

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 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. In the case of Hawaiian Electric's power plants, there are a number of studies that have yet to be completed before Hawaiian Electric and the State of Hawaii Department of Health (DOH) can determine what entrainment or impingement controls, if any, might be necessary at the affected facilities to comply with the new 316(b) rule.

On February 16, 2012, the Federal Register published the EPA’s final rule establishing the EPA’s National Emission Standards for Hazardous Air Pollutants for fossil-fuel fired steam electrical generating units (EGUs). The final rule, known as the Mercury and Air Toxics Standards (MATS), applies to the 14 EGUs at Hawaiian Electric’s power plants. MATS establishes the Maximum Achievable Control Technology standards for the control of hazardous air pollutants emissions from new and existing EGUs. Based on a review of the final rule and the benefits and costs of alternative compliance strategies, Hawaiian Electric has selected a MATS compliance strategy based on switching to lower emission fuels. The use of lower emission fuels will provide for MATS compliance at lower overall costs and avoid the reduction in operational flexibility imposed by emissions control equipment. Hawaiian Electric requested and received a one-year extension, resulting in a MATS compliance date of April 16, 2016. Hawaiian Electric submitted to the EPA a Petition for Reconsideration and Stay dated April 16, 2012, which asked the EPA to revise an emissions standard for non-continental oil-fired EGUs on the grounds that the promulgated standard was incorrectly derived. On April 21, 2015, the EPA denied Hawaiian Electric's Petition. Hawaiian Electric appealed the EPA’s denial of the Petition. On June 29, 2015, the U.S. Supreme Court found that the EPA’s determination that it was appropriate and “necessary” to regulate hazardous air pollutants from power plants was flawed because the EPA did not take the costs of compliance into account. The Supreme Court sent the MATS rule case back to the D.C. Circuit Court of Appeals for further proceedings. The likely timeframe for action by the Circuit Court is December 2015. Pending action by the Circuit Court, Hawaiian Electric will continue with its plan to comply with the MATS requirements by April 16, 2016.

On February 6, 2013, the EPA issued a guidance document titled “Next Steps for Area Designations and Implementation of the Sulfur Dioxide National Ambient Air Quality Standard,” which outlines a process that will provide the states additional flexibility and time for their development of one-hour sulfur dioxide (SO_2) National Ambient Air Quality Standard (NAAQS) implementation plans. In August 2015, the EPA published the final data requirements rule for states to characterize their air quality in relation to the one-hour SO_2 NAAQS. Under this rule, the EPA expects to designate areas as attaining, or not attaining, the one-hour SO_2 NAAQS in December 2017 or December 2020, depending on whether the area was characterized through modeling or monitoring. Hawaiian Electric will work with the DOH in implementing the one-hour SO_2 NAAQS and in developing cost-effective strategies for NAAQS compliance, if needed.

Depending upon the rules and guidance developed for compliance with the more stringent NAAQS, the Utilities may be required to incur material capital expenditures and other compliance costs, but such amounts and their timing are not determinable at this time. Additionally, the combined effects of the CWA 316(b) regulations, the MATS rule and the more stringent NAAQS may contribute to a decision to retire or deactivate certain generating units earlier than anticipated.

Hawaiian Electric, Hawaii Electric Light and Maui Electric, like other utilities, periodically encounter petroleum or other chemical releases into the environment 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 adverse effect, individually or in the aggregate, on Hawaiian Electric’s consolidated results of operations, financial condition or liquidity.

Potential Clean Air Act Enforcement. On July 1, 2013, Hawaii Electric Light and Maui Electric received a letter from the U.S. Department of Justice (DOJ) asserting potential violations of the Prevention of Significant Deterioration and Title V requirements of the Clean Air Act involving the Hill and Kahului Power Plants. The parties are continuing to negotiate toward a resolution of the DOJ’s claims. As part of the ongoing negotiations, the DOJ proposed in November 2014 entering into a consent decree pursuant to which the Utilities would install certain pollution controls and pay a penalty. The Utilities are currently reviewing the proposal, but are unable to estimate the amount or effect of a consent decree, if any, at this time.

Former Molokai Electric Company generation site. In 1989, Maui Electric acquired by merger Molokai Electric Company. Molokai Electric Company had sold its former generation site (Site) in 1983, but continued to operate at the Site under a lease until 1985. The EPA has since performed Brownfield assessments of the Site that identified environmental impacts in the subsurface. Although Maui Electric never operated at the Site and operations there had stopped four years before the merger, in discussions with the EPA and the DOH, Maui Electric agreed to undertake additional investigations at the Site and an adjacent parcel that Molokai Electric Company had used for equipment storage (the Adjacent Parcel) to determine the extent of impacts of subsurface contaminants. A 2011 assessment by a Maui Electric contractor of the Adjacent Parcel identified environmental impacts, including elevated polychlorinated biphenyls (PCBs) in the subsurface soils. In cooperation with the DOH and EPA, Maui Electric is further investigating the Site and the Adjacent Parcel to determine the extent of impacts of PCBs, residual fuel oils, and other subsurface contaminants. Maui Electric has a reserve balance of $3.6 million as of September 30, 2015 for the additional investigation and estimated cleanup costs at the Site and the Adjacent Parcel; however, final costs of remediation will depend on the results of continued investigation. The final site investigation plan was submitted to the DOH and EPA in December 2014 for their approval. The DOH formally approved the investigation plan on September 14, 2015. The EPA determined that their formal approval is not required until the next phase of work that determines cleanup actions for the site. Sampling of the site per the investigation plan will proceed after securing required permits and access agreements.

Pearl Harbor sediment study. In July 2014, the U.S. Navy notified Hawaiian Electric of the Navy's determination that Hawaiian Electric is responsible for cleanup of PCB contamination in sediment in the area offshore of the Waiau Power Plant. The Navy has also requested that Hawaiian Electric reimburse the costs incurred by the Navy to date to investigate the area, and is asking Hawaiian Electric to engage in negotiations regarding the financing and undertaking of future response actions to address the sediment contamination offshore from the Waiau Power Plant. The extent of the contamination, the appropriate remedial measures to address it, and Hawaiian Electric's potential responsibility for any associated costs, including any past costs incurred by the Navy, have not yet been determined. The Navy has completed a remedial investigation and a feasibility study (FS) for the remediation of contaminated sediment at several locations in Pearl Harbor. The Navy's study identified elevated levels of PCBs in the sediment in East Loch of Pearl Harbor, offshore from the Waiau Power Plant. The Navy issued its Final FS Report on June 29, 2015. The Navy has indicated that additional data collection is necessary and will be conducted as part of the remedial design, and that the results will be used to finalize the remediation plan and to better define the areas where remediation is necessary to reduce the potential environmental risks. Hawaiian Electric has requested to participate with the Navy in the preparation of the remedial design for the contaminated sediment offshore from the Waiau Power Plant, and in particular in the development of the work plan for additional data collection, and refinement of the environmental risk analysis, the final remedy, and the response costs for the offshore area. To date, Hawaiian Electric's role in the development of the remedial design and response costs is uncertain.

On March 23, 2015, Hawaiian Electric received a letter from the EPA requesting that Hawaiian Electric submit a work plan to assess potential sources and extent of PCB contamination onshore at the Waiau Power Plant. Hawaiian Electric submitted a sampling and analysis work plan to the EPA and the DOH. The extent of the onshore contamination, the appropriate remedial measures to address it, and any associated costs have not yet been determined.

In December 2014, Hawaiian Electric recorded a reserve of $0.8 million for investigation of certain onshore areas at the Waiau Power Plant that may have, in the past, contributed to the PCB contamination in the offshore sediment and for ongoing review and assessment of the Navy's remediation plan for the offshore sediment. The final remediation costs will depend on the results of the onshore investigation and assessment of potential source control requirements, as well as the further investigation of contaminated sediment offshore from the Waiau Power Plant.

Hawaiian Electric has also conducted a search for other potential sources of sediment contamination in the Waiau area that are unrelated to electric power generation at its Waiau Power Plant. Hawaiian Electric has identified a potential source east of the plant: a former Naval Reserve (a Formerly Used Defense Site (FUDS)) where a used drum storage area, a waste oil burning pit, and an oil/water separator were operated by the Navy from the 1940s until approximately 1962. This FUDS is located on the property currently occupied by the City and County (C&C) of Honolulu's Neal S. Blaisdell Park. To further assess this former Naval Reserve site, Hawaiian Electric has requested environmental investigation reports, environmental data, and permits for this property and the adjacent Waimalu Stream (e.g., dredging permits and related environmental impact assessments and studies) from several federal and state agencies, as well as the C&C of Honolulu. The contribution of PCBs to sediment contamination in East Loch from this potential source has not yet been determined.

Global climate change and greenhouse gas emissions reduction. National and international concerns about climate change and the contribution of greenhouse gas (GHG) emissions (including carbon dioxide emissions from the combustion of fossil fuels) to climate change have led to action by the State and to federal legislative and regulatory proposals to reduce GHG emissions.

In July 2007, Act 234, which requires a statewide reduction of GHG emissions by January 1, 2020 to levels at or below the statewide GHG emission levels in 1990, became law in Hawaii. On June 20, 2014, the Governor signed the final regulations required to implement Act 234 (i.e., the final GHG rule), which went into effect on June 30, 2014. In general, pursuant to Act 234 and corresponding regulations, affected sources that have the potential to emit GHGs in excess of established thresholds are required to reduce GHG emissions by 16% below 2010 emission levels by 2020. In accordance with the GHG rule, the Utilities submitted their Emissions Reduction Plan to the DOH on June 30, 2015. Hawaiian Electric, Maui Electric, and Hawaii Electric Light have a total of 11 facilities affected by the state GHG rule. Hawaiian Electric made use of the partnering provisions in the DOH GHG rule to prepare a single

Emissions Reduction Plan that covers all 11 of the Utilities' affected facilities, and has committed to a 16% reduction in GHG emissions company-wide. Pursuant to the State's GHG rule, the DOH will incorporate the proposed facility-specific GHG emission limits into each facility's covered source permit based on the 2020 levels specified in Hawaiian Electric's approved Emissions Reduction Plan. The GHG rule also requires affected sources to pay an annual fee that is based on tons per year of GHG emissions starting on the effective date of the regulations. The fee for the Utilities is estimated to be approximately $0.5 million annually. The State GHG is aligned with the federal "Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule" (GHG Tailoring Rule, see below) and creates new thresholds for GHG emissions from new and existing stationary source facilities. The latest assessment of the proposed federal and final state GHG rules is that the continued growth in renewable power generation will significantly reduce the compliance costs and risk for the Utilities.

On September 22, 2009, the EPA issued its “Final Mandatory Reporting of Greenhouse Gases Rule,” which requires that sources emitting GHGs above certain threshold levels monitor and report their GHG emissions. Following these requirements, the Utilities have submitted the required reports for 2010 through 2013 to the EPA. In December 2009, the EPA made the finding that motor vehicle GHG emissions endanger public health or welfare. Since then, the EPA has also issued rules to address GHG emissions from stationary sources, like the Utilities’ EGUs.

As part of President Obama’s Climate Action Plan, the EPA has been directed to adopt GHG emission limits for new and existing EGUs. The EPA issued the final federal rule for GHG emission reductions from existing EGUs, also known as the Clean Power Plan, on August 3, 2015. The final federal GHG rule for existing EGUs sets interim state-wide emissions limits for the 48 contiguous states that must be met on average from 2022 through 2029; final limits will apply from 2030. The EPA did not issue final guidelines for Alaska, Hawaii, Puerto Rico, or Guam because the Best System of Emission Reduction established for the contiguous states is not appropriate for these locations. The EPA said it will work with the state and territorial governments for Alaska, Hawaii, Puerto Rico, and Guam and other stakeholders to gather additional information regarding the emissions reduction measures available in these jurisdictions, particularly with respect to renewable generation. Hawaiian Electric plans to participate in this process. Management’s latest assessment of the Clean Power Plan is that the continued growth of renewable power generation and the expected implementation of LNG by the Utilities in the future will significantly reduce the compliance costs and risk for the Utilities. To date, no timetable has been established by the EPA to develop GHG emission limits for Alaska, Hawaii, Puerto Rico, or Guam.

The Utilities have taken, and continue to identify opportunities to take, direct action to reduce GHG emissions from their operations, including, but not limited to, supporting DSM programs that foster energy efficiency, using renewable resources for energy production and purchasing power from IPPs generated by renewable resources, burning renewable biodiesel in Hawaiian Electric’s Campbell Industrial Park combustion turbine No. 1 (CIP CT-1), using biodiesel for startup and shutdown of selected Maui Electric generating units, and testing biofuel blends in other Hawaiian Electric and Maui Electric generating units. The Utilities are also working with the State of Hawaii and other entities to pursue the use of LNG as a cleaner and lower-cost fuel to replace, at least in part, the petroleum oil that would otherwise be used. Management is unable to evaluate the ultimate impact on the Utilities’ operations of more comprehensive GHG regulations that might be promulgated; however, the various initiatives that the Utilities are pursuing are likely to provide a sound basis for appropriately managing the Utilities’ carbon footprint and thereby meet both state and federal GHG reduction goals.

While the timing, extent and ultimate effects of climate change cannot be determined with any certainty, climate change is predicted to result in sea level rise. This effect could potentially result in impacts to coastal and other low-lying areas (where much of the Utilities’ electric infrastructure is sited), and result in increased flooding and storm damage due to heavy rainfall, increased rates of beach erosion, saltwater intrusion into freshwater aquifers and terrestrial ecosystems, and higher water tables in low-lying areas. The effects of climate change on the weather (for example, more intense or more frequent rain events, flooding, or hurricanes), sea levels, and freshwater availability and quality have the potential to materially adversely affect the results of operations, financial condition, and liquidity of the Utilities. For example, severe weather could cause significant harm to the Utilities’ physical facilities.

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

Hawaiian Electric has recorded estimated AROs related to removing retired generating units at its Honolulu and Waiau power plants. These removal projects are ongoing, with significant activity and expenditures occurring in 2014 in partial settlement of these liabilities. Both removal projects are expected to continue through 2015.

Changes to the ARO liability included in “Other liabilities” on Hawaiian Electric’s balance sheet were as follows:

	Nine months ended September 30	
(in thousands)	2015	2014
Balance, beginning of period	$29,419	$43,106
Accretion expense	18	816
Liabilities incurred	—	—
Liabilities settled	(2,349)	(11,338)
Revisions in estimated cash flows	—	—
Balance, end of period	$27,088	$32,584

Decoupling. In 2010, the PUC issued an order approving decoupling, which was implemented by Hawaiian Electric on March 1, 2011, by Hawaii Electric Light on April 9, 2012 and by Maui Electric on May 4, 2012. Decoupling is a regulatory model that is intended to facilitate meeting the State of Hawaii’s goals to transition to a clean energy economy and achieve an aggressive renewable portfolio standard. The decoupling model implemented in Hawaii delinks revenues from sales and includes annual rate adjustments for certain other operation and maintenance (O&M) expenses and rate base changes. The decoupling mechanism has three components: (1) a sales decoupling component via a revenue balancing account (RBA), (2) a revenue escalation component via a RAM and (3) an earnings sharing mechanism, which would provide for a reduction of revenues between rate cases in the event the utility exceeds the return on average common equity (ROACE) allowed in its most recent rate case. Decoupling provides for more timely cost recovery and earning on investments, and has resulted in an improvement in the Utilities’ under-earning situation that had existed prior to the implementation of decoupling.

On May 31, 2013, as provided for in its original order issued in 2010 approving decoupling and citing three years of implementation experience for Hawaiian Electric, the PUC opened an investigative docket to review whether the decoupling mechanisms are functioning as intended, are fair to the Utilities and their ratepayers, and are in the public interest. The PUC affirmed its support for the continuation of the sales decoupling (RBA) mechanism and stated its interest in evaluating the RAM to ensure it provides the appropriate balance of risks, costs, incentives and performance requirements, as well as administrative efficiency, and whether the current interest rate applied to the outstanding RBA balance is reasonable. In October 2013, the PUC issued orders that bifurcated the proceeding (into Schedule A and Schedule B issues).

On February 7, 2014, the PUC issued a decision and order (D&O) on the Schedule A issues, which made certain modifications to the decoupling mechanism. Specifically, the D&O required:

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

As required, the Utilities have made available to the public, on the Utilities’ websites, performance metrics identified by the PUC. The Utilities are updating the performance metrics on a quarterly basis.

On March 31, 2015, the PUC issued an Order (the March Order) related to the Schedule B portion of the proceeding to make certain further modifications to the decoupling mechanism, and to establish a briefing schedule with respect to certain issues in the proceeding. The March Order modified the RAM portion of the decoupling mechanism to be capped at the lesser of the RAM Revenue Adjustment as currently determined (adjusted to eliminate the 90% limitation on the current RAM Period Rate Base RAM adjustment that was ordered in the Schedule A portion of the proceeding) and a RAM Revenue Adjustment calculated based on the cumulative annual compounded increase in Gross Domestic Product Price Index (GDPPI) applied to the 2014 annualized target revenues (adjusted for certain items specified in the Order). The 2014 annualized target revenues represent the target revenues from the last rate case, and RAM revenues, offset by earnings sharing credits, if any, allowed under the decoupling mechanism through the 2014 decoupling filing. The Utilities may apply to the PUC for approval of recovery of revenues for Major Projects (including related baseline projects grouped together for consideration as Major Projects) through the RAM above the RAM cap or outside of the RAM through the Renewable Energy Infrastructure Program (REIP) surcharge or other adjustment mechanism. The RAM was amended on an interim basis pending the outcome of the PUC’s review of the Utilities’ Power Supply Improvement Plans. The triennial rate case cycle required under the decoupling mechanism continues to serve as the maximum period between the filing of general rate cases, and the amendments to the RAM do not limit or dilute the ordinary opportunities for the Utilities to seek rate relief according to conventional/traditional ratemaking procedures.

In making the modifications to the RAM Adjustment, the PUC stated the changes are designed to provide the PUC with control of and prior regulatory review over substantial additions to baseline projects between rate cases. The modifications do not deprive the Utilities of the opportunity to recover any prudently incurred expenditure or limit orderly recovery for necessary expanded capital programs.

The RBA, which is the sales decoupling component, was retained by the PUC in its March Order, and the PUC made no change in the authorized return on common equity. The PUC stated that performance-based ratemaking is not adopted at this time.

In accordance with the March Order, the Utilities and the Consumer Advocate filed on June 15, 2015, their Joint Proposed Modified REIP Framework/Standards and Guidelines regarding the eligibility of projects for cost recovery above the RAM Cap through the REIP surcharge. On the same date, the Utilities filed their proposed standards and guidelines on the eligibility of projects for cost recovery through the RAM above the RAM cap. On June 30, 2015, the Consumer Advocate filed comments on this proposal, and the County of Hawaiʻi filed comments on both the REIP and the RAM above the RAM Cap proposals. On October 26, 2015, Hawaiian Electric filed an application to recover the revenue requirements associated with 2015 net plant additions in the amount of $40.3 million and other associated costs for its Underground Cable Program and the 138kV Transmission and 46kV Sub-Transmission Structures Major Baseline Projects through the RAM above the 2015 RAM Cap. On October 30, 2015, Maui Electric filed an application to recover the revenue requirements associated with 2015 net plant additions in the amount of $4.3 million and other associated costs for its transmission and distribution and generation plant reliability Major Baseline Project through the RAM above the 2015 RAM Cap.

On May 28, 2015, the PUC issued an Order (the May Order) related to the Utilities' revised annual decoupling filing for tariffed rates submitted on April 15, 2015. The May Order ruled on the specific matters identified by the PUC in its information requests and by the Consumer Advocate in its Statement of Position. As a result of the May Order, on June 3, 2015, the Utilities filed revised tariff rates reflecting a reduction to the RAM portion of the tariff filing. The revision was made primarily to adjust the RAM to reflect reduced operations and maintenance expenses associated with the Utilities' change in estimate related to the allocation of indirect costs implemented in 2014, and to exclude the GDPPI factor on the depreciation expense portion for the calculation of the 2015 RAM Cap. The May Order also requires a one-time adjustment to customers for the impact of bonus tax depreciation enacted in December 2014 on the RAM revenues used for the 2014 tariff filing.

The revised 2015 annual incremental RAM revenues for the Utilities amounts to $11.1 million compared to the $26.2 million filed on April 15, 2015 and the $31.6 million filed on March 31, 2015 based on the methodology prior to its modification in the March Order. The tariffed rates, which became effective on June 8, 2015, also include the collection or refund of the accrued RBA balance and associated revenue taxes as of December 31, 2014 and any accrued earnings sharing mechanism credits. The net refund to be provided by the three Utilities under the revised tariffs amounts to $0.4 million, compared to a collection of $14.7 million under the tariffs filed on April 15, 2015. Below is a summary of the 2015 incremental impact by company.

($ in millions)	Hawaiian Electric	Hawaii Electric Light	Maui Electric
Annual incremental RAM adjusted revenues	$8.1	$1.5	$1.5
Annual change in accrued earnings sharing credits to be refunded	$—	$—	$(0.1)
Annual change in accrued RBA balance as of December 31, 2014 (and associated revenue taxes) to be collected	$(9.2)	$0.1	$(2.2)
Net annual incremental amount to be collected under the tariffs	$(1.1)	$1.5	$(0.8)
Impact on typical residential customer monthly bill (in dollars) *	$(0.09)	$0.88	$(0.13)

Note: Columns may not foot due to rounding

* Based on a 500 kilowatthour (KWH) bill for Hawaiian Electric, Maui Electric, and Hawaii Electric Light. The bill impact for Lanai and Molokai customers is a decrease of $0.11, based on a 400 KWH bill.

As required by the March Order, the Parties filed initial and reply briefs related to the following issues: (1) whether, and if so, how the conventional performance incentive mechanisms proposed in this proceeding should be refined and implemented in this docket; (2) what are the appropriate steps, processes and timing for determining measures to improve the efficiency and effectiveness of the general rate case filing and review process; and (3) what are the appropriate steps, processes, and timing to further consider the merits of the proposed changes to the ECAC identified in this proceeding. In identifying the issue on possible changes to the ECAC, the PUC stated that changes to the ECAC should be made with great care to avoid unintended consequences.

The May Order indicates the PUC will review the change in estimate related to the allocation of indirect costs in a separate docket, and that the change will remain subject to adjustment pending the outcome of the review. Management cannot predict the outcome of this review or the further outcome of this proceeding or the ultimate impact of the proceeding on the results of operation of the Utilities or the net financial impact on the Utilities and HEI.

Potential impact of lava flows. In June 2014, lava from the Kilauea Volcano on the island of Hawaii began flowing toward the town of Pahoa. Hawaii Electric Light monitored utility property and equipment near the affected areas and protected that property and equipment to the extent possible (e.g., building barriers around poles). In March 2015 Hawaii Electric Light filed an application with the PUC requesting approval to defer costs incurred to monitor, prepare for, respond to, and take other actions necessary in connection with the June 2014 Kilauea lava flow such that Hawaii Electric Light can request PUC approval to recover those costs in a future rate case. A PUC decision is pending.

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

Integrated Resource Planning. The PUC did not accept the Utilities' Integrated Resource Plan and Action Plans submission, and, in lieu of an approved plan, has commenced other initiatives to enable resource planning. The PUC directed each of Hawaiian Electric and Maui Electric to file within 120 days its respective Power Supply Improvement Plans (PSIPs), and the PSIPs were filed in August 2014. The PUC also provided its inclinations on the future of Hawaii's electric utilities in an exhibit to the order. The exhibit provides the PUC's perspectives on the vision, business strategies and regulatory policy changes required to align the Utilities' business model with customers' interests and the state's public policy goals.

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

- Distributed Generation Interconnection Plan - the Utilities' Plan was filed in August 2014.
- Plan to implement an on-going distribution circuit monitoring program to measure real-time voltage and other power quality parameters - the Utilities' Plan was filed in June 2014.
- Action Plan for improving efficiencies in the interconnection requirements studies - the Utilities' Plan was filed in May 2014.
- The Utilities are to file monthly reports providing details about interconnection requirements studies.
- Integrated interconnection queue for each distribution circuit for each island grid - the Utilities' integrated interconnection queue plan was filed in August 2014 and the integrated interconnection queues were implemented in January 2015.

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

Policy Statement and Order Regarding Demand Response Programs. The PUC provided guidance concerning the objectives and goals for demand response programs, and ordered the Utilities to develop an integrated Demand Response Portfolio Plan that will enhance system operations and reduce costs to customers. The Utilities' Plan was filed in July 2014. In August 2014, the PUC invited public comment on the Utilities' Plan. The Utilities submitted status updates in October 2014 and March 2015. On July 28, 2015, the PUC issued an order appointing a special advisor to guide, monitor, and review the Utility's Plan design and implementation.

Maui Electric Company 2012 Test Year Rate Case. The PUC acknowledged the extensive analyses provided by Maui Electric in its System Improvement and Curtailment Reduction Plan (SICRP) filed in September 2013. The PUC stated that it is encouraged by the changes in Maui Electric's operations that have led to a significant reduction in the curtailment of renewables, but stated that Maui Electric has not set forth a clearly defined path that addresses integration and curtailment of additional renewables. The PUC directed Maui Electric to present a PSIP to address present and future system operations so as to not only reduce curtailment, but to optimize the operation of its system for its customers' benefit. The Maui Electric PSIP was filed in August 2014, and is currently being reviewed by the PUC in a new docket along with the Hawaiian Electric and Hawaii Electric Light PSIPs. Maui Electric filed its second annual SICRP status update in September 2015.

Review of PSIPs. Collectively, the PUC's April 2014 resource planning orders confirm the energy policy and operational priorities that will guide the Utilities' strategies and plans going forward.

PSIPs for Hawaiian Electric, Maui Electric and Hawaii Electric Light were filed in August 2014. The PSIPs each include a tactical plan to transform how electric utility services will be offered to meet customer needs and produce higher levels of renewable energy. Each plan contains a diversified mix of technologies, including significant distributed and utility scale renewable resources, that is expected to result, on a consolidated basis, in over 65% of the Utilities' energy being produced from renewable resources by 2030. Under these plans, the Utilities will support sustainable growth of rooftop solar, expand use of energy storage systems, empower customers by developing smart grids, offer new products and services to customers (e.g., community solar, microgrids and voluntary "demand response" programs), switch from high-priced oil to lower cost liquefied natural gas, retire higher-cost, less efficient existing oil-based steam generators, and lower full service residential customer bills in real dollars.

In November 2015, the PUC issued an order in the proceeding to review the PSIPs filed. The order provided observations and concerns on the PSIPs submitted and requires the Utilities to review and submit a Proposed Revision Plan by November 25, 2015. The PUC ordered the Proposed Revision Plan to include a schedule and a work plan to supplement, amend and update the PSIPs in order to address the PUC's observations and concerns. The Proposed Revision Plan would need to include an Interim PSIP Update filing by February 15, 2016 and updated PSIPs by April 1, 2016. The parties and participants will file comments on the Utilities Proposed Revision Plan by January 15, 2016, after which the PUC will provide further guidance regarding the substance and course of the proceeding.

Distributed Energy Resources (DER) Investigative Proceeding. In March 2015, the PUC issued an order to address DER issues.

On June 29, 2015, the Utilities submitted their final Statement of Position in the DER proceeding, which included:

(1) new pricing provisions for future rooftop photovoltaic (PV) systems,
(2) technical standards for advanced inverters,
(3) new options for customers including battery-equipped rooftop PV systems,
(4) a pilot time-of-use rate,
(5) an improved method of calculating the amount of rooftop PV that can be safely installed, and
(6) a streamlined and standardized PV application process.

On October 12, 2005, the PUC issued a D&O establishing DER reforms that: (1) promote rapid adoption of the next generation of solar PV and other distributed energy technologies; (2) encourage more competitive pricing of distributed energy resource systems; (3) lower overall energy supply costs for all customers; and (4) help to manage DER in terms of each island's limited grid capacity.

The D&O approved a customer self-supply tariff and a customer grid supply tariff to govern customer generators connected to the Utilities' systems. These tariffs replace the Net Energy Metering (NEM) program.

The D&O ordered the Utilities, among other things, (a) to collaborate with inverter manufacturers to develop a test plan by December 15, 2015 for the highest priority advanced inverter functions that are not UL certified and (b) to complete the circuit-level hosting capacity analysis for all islands in the Utilities' service territories by December 10, 2015. The DER Phase 2 of this docket will begin in November 2015 and will focus on further developing competitive markets for distributed energy resources, including storage.

On October 21, 2015, The Alliance for Solar Choice, LLC filed a complaint in Hawaii state court seeking an order enjoining the PUC from implementing the D&O and declaring that the D&O be reversed, modified, and/or remanded to the PUC for further proceedings.

Consolidating financial information. Hawaiian Electric is not required to provide separate financial statements or other disclosures concerning Hawaii Electric Light and Maui Electric to holders of the 2004 Debentures issued by Hawaii Electric Light and Maui Electric to Trust III since all of their voting capital stock is owned, and their obligations with respect to these securities have been fully and unconditionally guaranteed, on a subordinated basis, by Hawaiian Electric. Consolidating information is provided below for Hawaiian Electric and each of its subsidiaries for the periods ended and as of the dates indicated.

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

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income
Three months ended September 30, 2015

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	$463,394	89,817	94,941	—	(25)	$ 648,127
Expenses						
Fuel oil	142,194	17,208	36,231	—	—	195,633
Purchased power	119,302	26,713	14,503	—	—	160,518
Other operation and maintenance	69,621	18,936	15,096	—	—	103,653
Depreciation	29,389	9,313	5,654	—	—	44,356
Taxes, other than income taxes	43,923	8,455	8,932	—	—	61,310
Total expenses	404,429	80,625	80,416	—	—	565,470
Operating income	58,965	9,192	14,525	—	(25)	82,657
Allowance for equity funds used during construction	1,714	148	195	—	—	2,057
Equity in earnings of subsidiaries	11,858	—	—	—	(11,858)	—
Interest expense and other charges, net	(11,468)	(2,674)	(2,440)	—	25	(16,557)
Allowance for borrowed funds used during construction	605	53	79	—	—	737
Income before income taxes	61,674	6,719	12,359	—	(11,858)	68,894
Income taxes	18,398	2,397	4,595	—	—	25,390
Net income	43,276	4,322	7,764	—	(11,858)	43,504
Preferred stock dividends of subsidiaries	—	133	95	—	—	228
Net income attributable to Hawaiian Electric	43,276	4,189	7,669	—	(11,858)	43,276
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	$43,006	4,189	7,669	—	(11,858)	$ 43,006

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income
Three months ended September 30, 2015

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	$43,006	4,189	7,669	—	(11,858)	$ 43,006
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	5,095	682	626	—	(1,308)	5,095
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(5,091)	(683)	(627)	—	1,310	(5,091)
	4	(1)	(1)	—	2	4

Other comprehensive income (loss), net of taxes						
Comprehensive income attributable to common shareholder	$43,010	4,188	7,668	—	(11,856)	$ 43,010

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income
Three months ended September 30, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	$579,777	111,154	112,656	—	(22)	$ 803,565
Expenses						
Fuel oil	229,068	29,555	50,809	—	—	309,432
Purchased power	142,121	34,166	16,595	—	—	192,882
Other operation and maintenance	71,584	19,837	16,892	—	—	108,313
Depreciation	27,302	8,975	5,317	—	—	41,594
Taxes, other than income taxes	54,412	10,607	10,169	—	—	75,188
Total expenses	524,487	103,140	99,782	—	—	727,409
Operating income	55,290	8,014	12,874	—	(22)	76,156
Allowance for equity funds used during construction	1,668	142	127	—	—	1,937
Equity in earnings of subsidiaries	9,800	—	—	—	(9,800)	—
Interest expense and other charges, net	(11,196)	(2,811)	(2,429)	—	22	(16,414)
Allowance for borrowed funds used during construction	634	54	52	—	—	740
Income before income taxes	56,196	5,399	10,624	—	(9,800)	62,419
Income taxes	17,047	1,965	4,030	—	—	23,042
Net income	39,149	3,434	6,594	—	(9,800)	39,377
Preferred stock dividends of subsidiaries	—	133	95	—	—	228
Net income attributable to Hawaiian Electric	39,149	3,301	6,499	—	(9,800)	39,149
Preferred stock dividends of Hawaiian Electric	270	—	—	—	—	270
Net income for common stock	$38,879	3,301	6,499	—	(9,800)	$ 38,879

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income
Three months ended September 30, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	$38,879	3,301	6,499	—	(9,800)	$ 38,879
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of transition obligation, prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	2,552	317	272	—	(589)	2,552
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(2,542)	(319)	(272)	—	591	(2,542)

Other comprehensive income (loss), net of taxes	10	(2)	—	—	2	10
Comprehensive income attributable to common shareholder	$38,889	3,299	6,499	—	(9,798)	$ 38,889

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income
Nine months ended September 30, 2015

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	$1,254,142	261,604	264,057	—	(71)	$1,779,732
Expenses						
Fuel oil	364,875	56,834	96,961	—	—	518,670
Purchased power	329,922	73,161	42,726	—	—	445,809
Other operation and maintenance	206,133	51,493	48,893	—	—	306,519
Depreciation	88,167	27,938	16,735	—	—	132,840
Taxes, other than income taxes	119,603	24,783	25,054	—	—	169,440
Total expenses	1,108,700	234,209	230,369	—	—	1,573,278
Operating income	145,442	27,395	33,688	—	(71)	206,454
Allowance for equity funds used during construction	4,418	458	490	—	—	5,366
Equity in earnings of subsidiaries	29,174	—	—	—	(29,174)	—
Interest expense and other charges, net	(33,996)	(7,946)	(7,299)	—	71	(49,170)
Allowance for borrowed funds used during construction	1,557	164	197	—	—	1,918
Income before income taxes	146,595	20,071	27,076	—	(29,174)	164,568
Income taxes	43,064	7,210	10,077	—	—	60,351
Net income	103,531	12,861	16,999	—	(29,174)	104,217
Preferred stock dividends of subsidiaries	—	400	286	—	—	686
Net income attributable to Hawaiian Electric	103,531	12,461	16,713	—	(29,174)	103,531
Preferred stock dividends of Hawaiian Electric	810	—	—	—	—	810
Net income for common stock	$102,721	12,461	16,713	—	(29,174)	$102,721

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income
Nine months ended September 30, 2015

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	$102,721	12,461	16,713	—	(29,174)	$ 102,721
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	15,285	2,046	1,878	—	(3,924)	15,285
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(15,274)	(2,050)	(1,882)	—	3,932	(15,274)
	11	(4)	(4)	—	8	11

Other comprehensive income (loss), net of taxes						
Comprehensive income attributable to common shareholder	$102,732	12,457	16,709	—	(29,166)	$ 102,732

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Income
Nine months ended September 30, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Revenues	$1,623,223	319,629	319,265	—	(61)	$2,262,056
Expenses						
Fuel oil	628,164	92,234	145,591	—	—	865,989
Purchased power	406,895	91,827	47,399	—	—	546,121
Other operation and maintenance	199,091	48,701	47,691	—	—	295,483
Depreciation	81,903	26,926	15,961	—	—	124,790
Taxes, other than income taxes	152,545	30,127	30,111	—	—	212,783
Total expenses	1,468,598	289,815	286,753	—	—	2,045,166
Operating income	154,625	29,814	32,512	—	(61)	216,890
Allowance for equity funds used during construction	4,557	328	48	—	—	4,933
Equity in earnings of subsidiaries	28,576	—	—	—	(28,576)	—
Interest expense and other charges, net	(33,236)	(8,411)	(7,403)	—	61	(48,989)
Allowance for borrowed funds used during construction	1,728	126	23	—	—	1,877
Income before income taxes	156,250	21,857	25,180	—	(28,576)	174,711
Income taxes	46,911	8,149	9,626	—	—	64,686
Net income	109,339	13,708	15,554	—	(28,576)	110,025
Preferred stock dividends of subsidiaries	—	400	286	—	—	686
Net income attributable to Hawaiian Electric	109,339	13,308	15,268	—	(28,576)	109,339
Preferred stock dividends of Hawaiian Electric	810	—	—	—	—	810
Net income for common stock	$108,529	13,308	15,268	—	(28,576)	$108,529

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income
Nine months ended September 30, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Net income for common stock	$108,529	13,308	15,268	—	(28,576)	$ 108,529
Other comprehensive income (loss), net of taxes:						
Retirement benefit plans:						
Less: amortization of transition obligation, prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits	7,659	953	817	—	(1,770)	7,659
Less: reclassification adjustment for impact of D&Os of the PUC included in regulatory assets, net of taxes	(7,627)	(955)	(817)	—	1,772	(7,627)

Other comprehensive income (loss), net of taxes	32	(2)	—	—	2	32
Comprehensive income attributable to common shareholder	$108,561	13,306	15,268	—	(28,574)	$ 108,561

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet
September 30, 2015

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consoli-dating adjustments	Hawaiian Electric Consolidated
Assets						
Property, plant and equipment						
Utility property, plant and equipment						
Land	$43,536	5,731	3,016	—	—	$52,283
Plant and equipment	3,941,406	1,202,463	1,072,245	—	—	6,216,114
Less accumulated depreciation	(1,293,046)	(491,606)	(461,962)	—	—	(2,246,614)
Construction in progress	166,027	14,111	16,543	—	—	196,681
Utility property, plant and equipment, net	2,857,923	730,699	629,842	—	—	4,218,464
Nonutility property, plant and equipment, less accumulated depreciation	4,948	82	1,532	—	—	6,562
Total property, plant and equipment, net	2,862,871	730,781	631,374	—	—	4,225,026
Investment in wholly owned subsidiaries, at equity	548,907	—	—	—	(548,907)	—
Current assets						
Cash and cash equivalents	7,665	2,399	539	101	—	10,704
Advances to affiliates	12,000	—	2,500	—	(14,500)	—
Customer accounts receivable, net	113,130	26,105	23,233	—	—	162,468
Accrued unbilled revenues, net	96,789	12,230	14,559	—	—	123,578
Other accounts receivable, net	12,538	1,168	1,770	—	(10,713)	4,763
Fuel oil stock, at average cost	49,496	8,442	12,166	—	—	70,104
Materials and supplies, at average cost	33,913	8,279	16,781	—	—	58,973
Prepayments and other	34,555	3,957	8,630	—	(251)	46,891
Regulatory assets	67,673	6,719	5,558	—	—	79,950
Total current assets	427,759	69,299	85,736	101	(25,464)	557,431
Other long-term assets						
Regulatory assets	612,347	106,581	99,070	—	—	817,998
Unamortized debt expense	5,171	1,312	1,103	—	—	7,586
Other	48,268	13,885	13,798	—	—	75,951
Total other long-term assets	665,786	121,778	113,971	—	—	901,535
Total assets	$4,505,323	921,858	831,081	101	(574,371)	$5,683,992
Capitalization and liabilities						
Capitalization						
Common stock equity	$1,717,064	286,788	262,018	101	(548,907)	$1,717,064
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	830,546	190,000	186,000	—	—	1,206,546
Total capitalization	2,569,903	483,788	453,018	101	(548,907)	2,957,903
Current liabilities						
Short-term borrowings from non-affiliates	94,995	—	—	—	—	94,995
Short-term borrowings from affiliate	2,500	12,000	—	—	(14,500)	—

Accounts payable	93,654	16,128	14,997	—	—	124,779
Interest and preferred dividends payable	17,370	3,553	4,161	—	(6)	25,078
Taxes accrued	134,076	30,252	29,498	—	(251)	193,575
Regulatory liabilities	—	—	347	—	—	347
Other	58,392	11,063	16,702	—	(10,707)	75,450
Total current liabilities	400,987	72,996	65,705	—	(25,464)	514,224
Deferred credits and other liabilities						
Deferred income taxes	444,261	91,571	89,276	—	314	625,422
Regulatory liabilities	248,068	83,194	30,642	—	—	361,904
Unamortized tax credits	53,491	15,258	14,899	—	—	83,648
Defined benefit pension and other postretirement benefit plans liability	430,838	66,632	72,872	—	(314)	570,028
Other	47,720	13,647	13,829	—	—	75,196
Total deferred credits and other liabilities	1,224,378	270,302	221,518	—	—	1,716,198
Contributions in aid of construction	310,055	94,772	90,840	—	—	495,667
Total capitalization and liabilities	$4,505,323	921,858	831,081	101	(574,371)	$5,683,992

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consoli-dating adjustments	Hawaiian Electric Consolidated
Assets						
Property, plant and equipment						
Utility property, plant and equipment						
Land	$43,819	5,464	3,016	—	—	$ 52,299
Plant and equipment	3,782,438	1,179,032	1,048,012	—	—	6,009,482
Less accumulated depreciation	(1,253,866)	(473,933)	(447,711)	—	—	(2,175,510)
Construction in progress	134,376	12,421	11,819	—	—	158,616
Utility property, plant and equipment, net	2,706,767	722,984	615,136	—	—	4,044,887
Nonutility property, plant and equipment, less accumulated depreciation	4,950	82	1,531	—	—	6,563
Total property, plant and equipment, net	2,711,717	723,066	616,667	—	—	4,051,450
Investment in wholly owned subsidiaries, at equity	538,639	—	—	—	(538,639)	—
Current assets						
Cash and cash equivalents	12,416	612	633	101	—	13,762
Advances to affiliates	16,100	—	—	—	(16,100)	—
Customer accounts receivable, net	111,462	24,222	22,800	—	—	158,484
Accrued unbilled revenues, net	103,072	15,926	18,376	—	—	137,374
Other accounts receivable, net	9,980	981	2,246	—	(8,924)	4,283
Fuel oil stock, at average cost	74,515	13,800	17,731	—	—	106,046
Materials and supplies, at average cost	33,154	6,664	17,432	—	—	57,250
Prepayments and other	44,680	8,611	13,567	—	(475)	66,383
Regulatory assets	58,550	6,745	6,126	—	—	71,421
Total current assets	463,929	77,561	98,911	101	(25,499)	615,003
Other long-term assets						
Regulatory assets	623,784	107,454	102,788	—	(183)	833,843
Unamortized debt expense	5,640	1,438	1,245	—	—	8,323
Other	53,106	15,366	13,366	—	—	81,838
Total other long-term assets	682,530	124,258	117,399	—	(183)	924,004
Total assets	$4,396,815	924,885	832,977	101	(564,321)	$ 5,590,457
Capitalization and liabilities						
Capitalization						
Common stock equity	$ 1,682,144	281,846	256,692	101	(538,639)	$ 1,682,144
Cumulative preferred stock—not subject to mandatory redemption	22,293	7,000	5,000	—	—	34,293
Long-term debt, net	830,546	190,000	186,000	—	—	1,206,546
Total capitalization	2,534,983	478,846	447,692	101	(538,639)	2,922,983
Current liabilities						
Short-term borrowings from affiliate	—	10,500	5,600	—	(16,100)	—
Accounts payable	122,433	23,728	17,773	—	—	163,934
Interest and preferred dividends payable	15,407	3,989	2,931	—	(11)	22,316

Taxes accrued	176,339	37,548	36,807	—	(292)	250,402
Regulatory liabilities	191	—	441	—	—	632
Other	48,282	9,866	16,094	—	(9,096)	65,146
Total current liabilities	362,652	85,631	79,646	—	(25,499)	502,430
Deferred credits and other liabilities						
Deferred income taxes	429,515	90,119	83,238	—	—	602,872
Regulatory liabilities	236,727	77,707	29,966	—	(183)	344,217
Unamortized tax credits	49,865	14,902	14,725	—	—	79,492
Defined benefit pension and other postretirement benefit plans liability	446,888	72,547	75,960	—	—	595,395
Other	52,446	10,658	13,532	—	—	76,636
Total deferred credits and other liabilities	1,215,441	265,933	217,421	—	(183)	1,698,612
Contributions in aid of construction	283,739	94,475	88,218	—	—	466,432
Total capitalization and liabilities	$4,396,815	924,885	832,977	101	(564,321)	$5,590,457

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity
Nine months ended September 30, 2015

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2014	$1,682,144	281,846	256,692	101	(538,639)	$1,682,144
Net income for common stock	102,721	12,461	16,713	—	(29,174)	102,721
Other comprehensive income (loss), net of taxes	11	(4)	(4)	—	8	11
Common stock dividends	(67,804)	(7,515)	(11,382)	—	18,897	(67,804)
Common stock issuance expenses	(8)	—	(1)	—	1	(8)
Balance, September 30, 2015	$1,717,064	286,788	262,018	101	(548,907)	$1,717,064

Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Changes in Common Stock Equity
Nine months ended September 30, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Balance, December 31, 2013	$1,593,564	274,802	248,771	101	(523,674)	$1,593,564
Net income for common stock	108,529	13,308	15,268	—	(28,576)	108,529
Other comprehensive income (loss), net of taxes	32	(2)	—	—	2	32
Common stock dividends	(66,369)	(8,720)	(10,762)	—	19,482	(66,369)
Common stock issuance expenses	(5)	—	—	—	—	(5)
Balance, September 30, 2014	$1,635,751	279,388	253,277	101	(532,766)	$1,635,751

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Nine months ended September 30, 2015

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	$103,531	12,861	16,999	—	(29,174)	$104,217
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity in earnings of subsidiaries	(29,249)	—	—	—	29,174	(75)
Common stock dividends received from subsidiaries	18,972	—	—	—	(18,897)	75
Depreciation of property, plant and equipment	88,167	27,938	16,735	—	—	132,840
Other amortization	5,409	2,055	2,363	—	—	9,827
Increase in deferred income taxes	46,493	907	10,497	—	314	58,211
Change in tax credits, net	3,680	372	195	—	—	4,247
Allowance for equity funds used during construction	(4,418)	(458)	(490)	—	—	(5,366)
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	(4,226)	(2,071)	43	—	1,790	(4,464)
Decrease in accrued unbilled revenues	6,283	3,696	3,817	—	—	13,796
Decrease in fuel oil stock	25,019	5,358	5,565	—	—	35,942
Decrease (increase) in materials and supplies	(759)	(1,615)	651	—	—	(1,723)
Increase in regulatory assets	(19,138)	(3,944)	(376)	—	—	(23,458)
Decrease in accounts payable	(34,476)	(4,070)	(1,829)	—	—	(40,375)
Change in prepaid and accrued income and utility revenue taxes	(52,505)	(2,276)	(6,540)	—	(314)	(61,635)
Increase in defined benefit pension and other postretirement benefit plans liability	—	—	331	—	—	331
Change in other assets and liabilities	(16,626)	436	(2,824)	—	(1,790)	(20,804)
Net cash provided by operating activities	136,157	39,189	45,137	—	(18,897)	201,586
Cash flows from investing activities						
Capital expenditures	(204,406)	(34,048)	(27,067)	—	—	(265,521)
Contributions in aid of construction	30,153	2,940	1,534	—	—	34,627
Other	583	124	71	—	—	778
Advances from affiliates	4,100	—	(2,500)	—	(1,600)	—
Net cash used in investing activities	(169,570)	(30,984)	(27,962)	—	(1,600)	(230,116)
Cash flows from financing activities						
Common stock dividends	(67,804)	(7,515)	(11,382)	—	18,897	(67,804)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(810)	(400)	(286)	—	—	(1,496)
	97,495	1,500	(5,600)	—	1,600	94,995

Net increase (decrease) in short-term borrowings from non-affiliates and affiliate with original maturities of three months or less						
Other	(219)	(3)	(1)	—	—	(223)
Net cash provided by (used in) financing activities	28,662	(6,418)	(17,269)	—	20,497	25,472
Net increase (decrease) in cash and cash equivalents	(4,751)	1,787	(94)	—	—	(3,058)
Cash and cash equivalents, beginning of period	12,416	612	633	101	—	13,762
Cash and cash equivalents, end of period	$7,665	2,399	539	101	—	$10,704

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Hawaiian Electric Company, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Nine months ended September 30, 2014

(in thousands)	Hawaiian Electric	Hawaii Electric Light	Maui Electric	Other subsidiaries	Consolidating adjustments	Hawaiian Electric Consolidated
Cash flows from operating activities						
Net income	$109,339	13,708	15,554	—	(28,576)	$110,025
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity in earnings of subsidiaries	(28,651)	—	—	—	28,576	(75)
Common stock dividends received from subsidiaries	19,557	—	—	—	(19,482)	75
Depreciation of property, plant and equipment	81,903	26,926	15,961	—	—	124,790
Other amortization (1)	765	1,950	1,574	—	—	4,289
Increase in deferred income taxes	52,274	5,146	9,972	—	—	67,392
Change in tax credits, net	4,725	687	404	—	—	5,816
Allowance for equity funds used during construction	(4,557)	(328)	(48)	—	—	(4,933)
Change in cash overdraft	—	—	(1,038)	—	—	(1,038)
Changes in assets and liabilities:						
Increase in accounts receivable	(17,540)	(4,714)	(442)	—	2,965	(19,731)
Decrease (increase) in accrued unbilled revenues	(554)	626	899	—	—	971
Decrease in fuel oil stock	11,328	219	4,237	—	—	15,784
Decrease (increase) in materials and supplies	875	(987)	(1,483)	—	—	(1,595)
Decrease (increase) in regulatory assets	(15,159)	(2,594)	222	—	—	(17,531)
Decrease in accounts payable (2)	(52,684)	(454)	(142)	—	—	(53,280)
Change in prepaid and accrued income and utility revenue taxes	(18,131)	(1,310)	1,366	—	—	(18,075)
Decrease in defined benefit pension and other postretirement benefit plans liability	(422)	—	(326)	—	—	(748)
Change in other assets and liabilities (3)	(32,291)	(4,040)	(2,673)	—	(2,965)	(41,969)
Net cash provided by operating activities	110,777	34,835	44,037	—	(19,482)	170,167
Cash flows from investing activities						
Capital expenditures (4)	(181,565)	(34,565)	(37,588)	—	—	(253,718)
Contributions in aid of construction	12,352	6,229	3,159	—	—	21,740
Other (5)	537	154	22	—	—	713
Advances from (to) affiliates	(4,961)	1,000	—	—	3,961	—
Net cash used in investing activities	(173,637)	(27,182)	(34,407)	—	3,961	(231,265)
Cash flows from financing activities						
Common stock dividends	(66,369)	(8,720)	(10,762)	—	19,482	(66,369)
Preferred stock dividends of Hawaiian Electric and subsidiaries	(810)	(400)	(286)	—	—	(1,496)
Net increase in short-term borrowings from non-affiliates and affiliate with	83,987	1,000	3,961	—	(3,961)	84,987

original maturities of three months or less						
Other	(337)	(50)	(75)	—	—	(462)
Net cash provided by (used in) financing activities	16,471	(8,170)	(7,162)	—	15,521	16,660
Net increase (decrease) in cash and cash equivalents	(46,389)	(517)	2,468	—	—	(44,438)
Cash and cash equivalents, beginning of period	61,245	1,326	153	101	—	62,825
Cash and cash equivalents, end of period	$14,856	809	2,621	101	—	$18,387

(1) Prior to revision, other amortization for Maui Electric and Hawaiian Electric Consolidated were $1,947 and $4,662, respectively.
(2) Prior to revision, decrease in accounts payable for Hawaiian Electric, Hawaii Electric Light, Maui Electric and Hawaiian Electric Consolidated, were $(70,916), $(1,807), $(5,170) and $(77,893), respectively.
(3) Prior to revision, changes in other assets and liabilities for Hawaiian Electric, Hawaii Electric Light, Maui Electric, Consolidating adjustments and Hawaiian Electric Consolidated were $(31,754), $(3,886), $(3,024), $(2,965) and $(41,629), respectively.
(4) Prior to revision, capital expenditures for Hawaiian Electric, Hawaii Electric Light, Maui Electric and Hawaiian Electric Consolidated, were $(163,333), $(33,212), $(32,560) and $(229,105), respectively.
(5) Prior to revision, cash flows from investing activities-other for Hawaiian Electric, Hawaii Electric Light, Maui Electric and Hawaiian Electric Consolidated, were nil.

5 · Bank segment

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

(in thousands)	Three months ended September 30 2015	2014	Nine months ended September 30 2015	2014
Interest and dividend income				
Interest and fees on loans	$46,413	$45,532	$137,646	$133,065
Interest and dividends on investment securities	4,213	2,773	10,570	8,758
Total interest and dividend income	50,626	48,305	148,216	141,823
Interest expense				
Interest on deposit liabilities	1,355	1,312	3,881	3,774
Interest on other borrowings	1,515	1,438	4,468	4,263
Total interest expense	2,870	2,750	8,349	8,037
Net interest income	47,756	45,555	139,867	133,786
Provision for loan losses	2,997	1,550	5,436	3,566
Net interest income after provision for loan losses	44,759	44,005	134,431	130,220
Noninterest income				
Fees from other financial services	5,639	5,642	16,544	15,987
Fee income on deposit liabilities	5,883	5,109	16,622	14,175
Fee income on other financial products	2,096	1,971	6,088	6,325
Bank-owned life insurance	1,021	1,000	3,062	2,945
Mortgage banking income	1,437	875	5,327	1,749
Gains on sale of investment securities	—	—	—	2,847
Other income, net	2,389	634	3,363	1,920
Total noninterest income	18,465	15,231	51,006	45,948
Noninterest expense				
Compensation and employee benefits	22,728	19,892	66,813	60,050
Occupancy	4,128	4,517	12,250	12,959
Data processing	3,032	2,684	9,101	8,715
Services	2,556	2,580	7,730	7,708
Equipment	1,608	1,672	4,999	4,926
Office supplies, printing and postage	1,511	1,415	4,297	4,487
Marketing	934	948	2,619	2,690
FDIC insurance	809	840	2,393	2,441
Other expense	5,116	4,182	14,076	11,198
Total noninterest expense	42,422	38,730	124,278	115,174
Income before income taxes	20,802	20,506	61,159	60,994
Income taxes	7,351	7,253	21,382	21,806
Net income	$13,451	$13,253	$39,777	$39,188

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

	Three months ended September 30		Nine months ended September 30	
(in thousands)	2015	2014	2015	2014
Net income	$13,451	$13,253	$39,777	$39,188
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 $(2,543), $1,094, $(2,382) and $(2,249) for the respective periods	3,851	(1,657)	3,608	3,406
Less: reclassification adjustment for net realized gains included in net income, net of taxes of nil, nil, nil and $1,132 for the respective periods	—	—	—	(1,715)
Retirement benefit plans:				
Less: amortization of prior service credit and net losses recognized during the period in net periodic benefit cost, net of tax benefits of $249, $138, $763 and $424 for the respective periods	376	208	1,155	642
Other comprehensive income (loss), net of taxes	4,227	(1,449)	4,763	2,333
Comprehensive income	$17,678	$11,804	$44,540	$41,521

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

(in thousands)	September 30, 2015		December 31, 2014	
Assets				
Cash and due from banks		$103,934		$107,233
Interest-bearing deposits		73,041		54,230
Available-for-sale investment securities, at fair value		785,837		550,394
Stock in Federal Home Loan Bank, at cost		10,678		69,302
Loans receivable held for investment		4,535,404		4,434,651
Allowance for loan losses		(48,274)		(45,618)
Net loans		4,487,130		4,389,033
Loans held for sale, at lower of cost or fair value		5,598		8,424
Other		307,089		305,416
Goodwill		82,190		82,190
Total assets		$5,855,497		$5,566,222
Liabilities and shareholder's equity				
Deposit liabilities—noninterest-bearing		$1,422,843		$1,342,794
Deposit liabilities—interest-bearing		3,403,111		3,280,621
Other borrowings		368,593		290,656
Other		103,553		118,363
Total liabilities		5,298,100		5,032,434
Commitments and contingencies				
Common stock		1		1
Additional paid in capital		339,980		338,411
Retained earnings		229,211		211,934
Accumulated other comprehensive loss, net of tax benefits				
Net unrealized gains on securities	$4,070		$462	
Retirement benefit plans	(15,865)	(11,795)	(17,020)	(16,558)
Total shareholder's equity		557,397		533,788
Total liabilities and shareholder's equity		$5,855,497		$5,566,222
Other assets				
Bank-owned life insurance		$136,969		$134,115
Premises and equipment, net		87,432		92,407
Prepaid expenses		3,879		3,196
Accrued interest receivable		14,577		13,632
Mortgage-servicing rights		12,258		11,540
Low-income housing equity investments		34,323		33,438
Real estate acquired in settlement of loans, net		247		891
Other		17,404		16,197
		$307,089		$305,416
Other liabilities				
Accrued expenses		$28,952		$37,880
Federal and state income taxes payable		21,565		28,642
Cashier's checks		25,852		20,509
Advance payments by borrowers		5,389		9,652
Other		21,795		21,680
		$103,553		$118,363

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 $269 million and $100 million, respectively, as of September 30, 2015 and $191 million and $100 million, respectively, as of December 31, 2014.

Available-for-sale investment securities. The major components of investment securities were as follows:

					Gross unrealized losses					
					Less than 12 months			12 months or longer		
(dollar in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Number of issues	Fair value	Amount	Number of issues	Fair value	Amount
September 30, 2015										
Available-for-sale										
U.S. Treasury and federal agency obligations	$209,025	$2,435	$(342)	$211,118	4	$24,676	$(46)	3	$18,218	$(296)
Mortgage-related securities- FNMA, FHLMC and GNMA	570,055	6,884	(2,220)	574,719	8	57,263	(278)	25	132,874	(1,942)
	$779,080	$9,319	$(2,562)	$785,837	12	$81,939	$(324)	28	$151,092	$(2,238)
December 31, 2014										
Available-for-sale										
U.S. Treasury and federal agency obligations	$119,507	$1,092	$(1,039)	$119,560	6	$41,970	$(361)	5	$29,168	$(678)
Mortgage-related securities- FNMA, FHLMC and GNMA	430,120	5,653	(4,939)	430,834	6	47,029	(164)	29	172,623	(4,775)
	$549,627	$6,745	$(5,978)	$550,394	12	$88,999	$(525)	34	$201,791	$(5,453)

The unrealized losses on ASB’s investments in mortgage-related securities and obligations issued by federal agencies were caused by interest rate movements. Because ASB does not intend to sell the securities and has determined it is more likely than not that it will not be required to sell the investments before recovery of their amortized cost basis, which may be at maturity, ASB did not consider these investments to be other-than-temporarily impaired at September 30, 2015.

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

U.S. Treasury and federal agency obligations have contractual terms to maturity. Mortgage-related 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 available-for-sale investment securities were as follows:

September 30, 2015	Amortized cost	Fair value
(in thousands)		
Due in one year or less	$—	$—
Due after one year through five years	75,332	76,786
Due after five years through ten years	71,667	72,198
Due after ten years	62,026	62,134
	209,025	211,118
Mortgage-related securities-FNMA,FHLMC and GNMA	570,055	574,719

Total available-for-sale securities	$779,080	$785,837

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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	Unallocated	Total
Three months ended September 30, 2015										
Allowance for loan losses:										
Beginning balance	$4,291	$10,420	$6,613	$2,103	$2,575	$18	$17,469	$2,876	$—	$46,365
Charge-offs	(138)	—	(185)	—	—	—	(126)	(1,271)	—	(1,720
Recoveries	45	—	33	34	—	—	279	241	—	632
Provision	285	987	446	(73)	944	(5)	(920)	1,333	—	2,997
Ending balance	$4,483	$11,407	$6,907	$2,064	$3,519	$13	$16,702	$3,179	$—	$48,274
Three months ended September 30, 2014										
Allowance for loan losses:										
Beginning balance	$5,667	$7,230	$7,081	$1,837	$3,390	$26	$15,144	$1,997	$—	$42,372
Charge-offs	(632)	—	(46)	(28)	—	—	(886)	(592)	—	(2,184
Recoveries	160	—	299	90	—	—	952	222	—	1,723
Provision	670	3	(119)	(92)	1,724	3	(1,130)	491	—	1,550
Ending balance	$5,865	$7,233	$7,215	$1,807	$5,114	$29	$14,080	$2,118	$—	$43,461
Nine months ended September 30, 2015										
Allowance for loan losses:										
Beginning balance	$4,662	$8,954	$6,982	$1,875	$5,471	$28	$14,017	$3,629	$—	$45,618
Charge-offs	(352)	—	(205)	—	—	—	(928)	(3,196)	—	(4,681
Recoveries	112	—	72	219	—	—	726	772	—	1,901
Provision	61	2,453	58	(30)	(1,952)	(15)	2,887	1,974	—	5,436
Ending balance	$4,483	$11,407	$6,907	$2,064	$3,519	$13	$16,702	$3,179	$—	$48,274
Ending balance: individually evaluated for impairment	$1,388	$—	$469	$919	$—	$—	$3,084	$7		$5,867

Ending balance: collectively evaluated for impairment	$3,095	$11,407	$6,438	$1,145	$3,519	$13	$13,618	$3,172	$—	$42,407
Financing Receivables:										
Ending balance	$2,062,458	$618,113	$832,267	$17,369	$80,230	$14,318	$798,428	$118,450		$4,541,633
Ending balance: individually evaluated for impairment	$22,560	$—	$2,909	$5,710	$—	$—	$22,853	$14		$54,046
Ending balance: collectively evaluated for impairment	$2,039,898	$618,113	$829,358	$11,659	$80,230	$14,318	$775,575	$118,436		$4,487,587
Nine months ended September 30, 2014										
Allowance for loan losses:										
Beginning balance	$5,534	$5,059	$5,229	$1,817	$2,397	$19	$15,803	$2,367	$1,891	$40,116
Charge-offs	(992)	—	(182)	(81)	—	—	(1,256)	(1,614)	—	(4,125
Recoveries	1,056	—	624	253	—	—	1,277	694	—	3,904
Provision	267	2,174	1,544	(182)	2,717	10	(1,744)	671	(1,891)	3,566
Ending balance	$5,865	$7,233	$7,215	$1,807	$5,114	$29	$14,080	$2,118	$—	$43,461
Ending balance: individually evaluated for impairment	$917	$4	$8	$1,171	$—	$—	$810	$5		$2,915
Ending balance: collectively evaluated for impairment	$4,948	$7,229	$7,207	$636	$5,114	$29	$13,270	$2,113	$—	$40,546
Financing Receivables:										
Ending balance	$2,030,337	$502,356	$808,991	$16,935	$87,461	$18,699	$770,079	$107,531		$4,342,389
Ending balance: individually evaluated for impairment	$20,015	$754	$392	$8,872	$—	$—	$15,058	$16		$45,107

Ending balance: collectively evaluated for impairment	$2,010,322	$501,602	$808,599	$8,063	$87,461	$18,699	$755,021	$107,515	$4,297,282

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

	September 30, 2015			December 31, 2014		
(in thousands)	Commercial real estate	Commercial construction	Commercial	Commercial real estate	Commercial construction	Commercial
Grade:						
Pass	$563,734	$70,950	$745,624	$493,105	$79,312	$743,334
Special mention	9,460	9,280	10,316	5,209	—	16,095
Substandard	44,919	—	40,662	33,603	17,126	31,665
Doubtful	—	—	1,826	—	—	663
Loss	—	—	—	—	—	—
Total	$618,113	$80,230	$798,428	$531,917	$96,438	$791,757

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

(in thousands)	30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Current	Total financing receivables	Recorded investment> 90 days and accruing
September 30, 2015							
Real estate:							
Residential 1-4 family	$6,354	$1,722	$11,852	$19,928	$2,042,530	$2,062,458	$—
Commercial real estate	—	—	—	—	618,113	618,113	—
Home equity line of credit	1,192	81	436	1,709	830,558	832,267	—
Residential land	120	—	415	535	16,834	17,369	—
Commercial construction	—	—	—	—	80,230	80,230	—
Residential construction	—	—	—	—	14,318	14,318	—
Commercial	546	312	1,005	1,863	796,565	798,428	—
Consumer	1,357	491	377	2,225	116,225	118,450	—
Total loans	$9,569	$2,606	$14,085	$26,260	$4,515,373	$4,541,633	$—
December 31, 2014							
Real estate:							
Residential 1-4 family	$6,124	$1,732	$12,632	$20,488	$2,023,717	$2,044,205	$—
Commercial real estate	—	—	—	—	531,917	531,917	—
Home equity line of credit	1,341	501	194	2,036	816,779	818,815	—
Residential land	—	—	—	—	16,240	16,240	—
Commercial construction	—	—	—	—	96,438	96,438	—
Residential construction	—	—	—	—	18,961	18,961	—
Commercial	699	145	569	1,413	790,344	791,757	—
Consumer	829	333	403	1,565	121,091	122,656	—

Total loans	$8,993	$2,711	$13,798	$25,502	$4,415,487	$4,440,989	$—

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

(in thousands)	September 30, 2015	December 31, 2014
Real estate:		
Residential 1-4 family	$19,987	$19,253
Commercial real estate	—	5,112
Home equity line of credit	1,982	1,087
Residential land	975	720
Commercial construction	—	—
Residential construction	—	—
Commercial	21,767	10,053
Consumer	645	661
Total nonaccrual loans	$45,356	$36,886
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	$14,182	$13,525
Commercial real estate	—	—
Home equity line of credit	2,297	480
Residential land	4,735	7,130
Commercial construction	—	—
Residential construction	—	—
Commercial	1,212	2,972
Consumer	—	—
Total troubled debt restructured loans not included above	$22,426	$24,107

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

	September 30, 2015			Three months ended September 30, 2015		Nine months ended September 30, 2015	
(in thousands)	Recorded investment	Unpaid principal balance	Related Allowance	Average recorded investment	Interest income recognized*	Average recorded investment	Interest income recognized*
With no related allowance recorded							
Real estate:							
Residential 1-4 family	$11,125	$12,476	$—	$11,159	$119	$11,301	$274
Commercial real estate	—	—	—	—	74	362	74
Home equity line of credit	507	744	—	498	1	444	3
Residential land	1,652	2,421	—	2,280	29	2,647	125
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	3,152	4,765	—	4,250	3	5,659	144
Consumer	—	—	—	—	—	—	—
	$16,436	$20,406	$—	$18,187	$226	$20,413	$620
With an allowance recorded							
Real estate:							
Residential 1-4 family	$11,435	$11,488	$1,388	$11,451	$174	$11,585	$430
Commercial real estate	—	—	—	—	—	1,985	—
Home equity line of credit	2,402	2,464	469	2,048	13	1,295	27
Residential land	4,058	4,136	919	3,971	74	4,435	241
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	19,701	21,976	3,084	18,487	106	10,942	192
Consumer	14	14	7	14	—	15	—
	$37,610	$40,078	$5,867	$35,971	$367	$30,257	$890
Total							
Real estate:							
Residential 1-4 family	$22,560	$23,964	$1,388	$22,610	$293	$22,886	$704
Commercial real estate	—	—	—	—	74	2,347	74
Home equity line of credit	2,909	3,208	469	2,546	14	1,739	30
Residential land	5,710	6,557	919	6,251	103	7,082	366
Commercial construction	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—
Commercial	22,853	26,741	3,084	22,737	109	16,601	336
Consumer	14	14	7				