HAWAIIAN ELECTRIC INDUSTRIES INC
Form DEF 14A
March 27, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Hawaiian Electric Industries, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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HAWAIIAN ELECTRIC INDUSTRIES, INC. PO BOX 730 HONOLULU, HI 96808-0730

Constance H. Lau
President and
Chief Executive Officer

March 27, 2007

Dear Fellow Shareholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual Meeting of Shareholders of Hawaiian Electric Industries, Inc. (HEI). The meeting will be held on the Company's premises in Room 805 on the eighth floor of the American Savings Bank Tower in Honolulu, Hawaii on April 24, 2007, at 9:30 a.m., local time. A map showing the location of the meeting site appears on page 50 of the Proxy Statement.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the items of business to be conducted during the meeting. In addition, we will review significant events of 2006 and their impact on you and our Company. Corporate officers and Board members will be available before and after the meeting to talk with you and answer questions.

As a shareholder of HEI, it is important that your views be represented. Please help us obtain the quorum needed to conduct business at the meeting by promptly voting your shares.

The Board and management team of HEI would like to express their appreciation to you for your confidence and support. I look forward to seeing you at the Annual Meeting in Honolulu.

Sincerely,

Recycled

Hawaiian Electric Industries, Inc.
900 Richards Street
Honolulu, Hawaii 96813

NOTICE OF ANNUAL MEETING

Date and Time	Tuesday, April 24, 2007, at 9:30 a.m., local time.
Place	American Savings Bank Tower, 1001 Bishop Street, 8th floor, Room 805, Honolulu, Hawaii 96813.
Items of Business	1. Elect four Class II directors. 2. Ratify appointment of KPMG LLP as the Company's independent registered public accounting firm. 3. Transact any other business properly brought before the meeting.
Record Date	February 26, 2007.
Annual Report	The 2006 Annual Report to Shareholders (Appendix A) and Summary Report to Shareholders, which are not a part of the proxy solicitation materials, have been mailed along with this Notice and accompanying Proxy Statement.
Proxy Voting	Shareholders of record may appoint proxies and vote their shares in one of three ways: Via Internet pursuant to the instructions on the proxy card; Calling the toll-free number on the proxy card; or Signing, dating, and mailing the proxy card in the prepaid envelope provided. Shareholders whose shares are held by a bank, broker, or other financial intermediary (street name) should follow the voting instruction card included by the intermediary. Any proxy may be revoked in the manner described in the accompanying Proxy Statement.
Attendance at Meeting	If your shares are registered in street name, please bring a letter from your bank or broker or provide other evidence of your beneficial ownership if you plan to attend the Annual Meeting.

By Order of the Board of Directors.

March 27, 2007

Patricia U. Wong
Vice President-Administration and Corporate Secretary

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Proxy Statement

Hawaiian Electric Industries, Inc. (the Company or HEI) is soliciting proxies for the Annual Meeting of Shareholders scheduled for April 24, 2007 at 9:30 a.m., local time, at the American Savings Bank Tower, 1001 Bishop Street, 8th floor, Room 805, Honolulu, Hawaii. The mailing address of the principal executive offices of the Company is P. O. Box 730, Honolulu, Hawaii 96808-0730.

The approximate mailing date for this Proxy Statement, form of proxy, and annual and summary reports to shareholders for the fiscal year ended December 31, 2006, is March 27, 2007. The annual report and summary report are not considered proxy soliciting materials.

About the Meeting

Who can attend the meeting?

Attendance will be limited to:

- shareholders of record;
- beneficial owners of HEI Common Stock having evidence of ownership and entitled to vote at the meeting;
- authorized representatives of absent shareholders; and
- invited guests of management.

If you own shares of HEI Common Stock in the name of a bank, brokerage firm or other holder of record, you must show proof of ownership. This may be in the form of a letter from the holder of record or a recent statement from the bank or broker showing ownership of HEI Common Stock.

Any person claiming to be an authorized representative of a shareholder must produce written evidence of the authorization.

What are shareholders being asked to vote on?

- Election of four Class II directors for a three-year term expiring at the 2010 Annual Meeting of Shareholders.
- Ratification of appointment of KPMG LLP as the Company's independent registered public accounting firm.

Voting Procedures

Who is eligible to vote?

Only shareholders of record at the close of business on February 26, 2007 (the record date) are entitled to vote.

How many shares are outstanding and entitled to vote?

On February 26, 2007, 81,473,510 shares of HEI Common Stock were outstanding. Each shareholder is entitled to one vote for each share held. Under the By-Laws of the Company, shareholders do not have cumulative voting rights in the election of directors.

What constitutes a quorum?

A quorum is needed to conduct business at the Annual Meeting. A majority of the shares entitled to vote at the meeting constitutes a quorum. Abstentions and broker nonvotes will be counted in the number of shares present, in person or by proxy, for purposes of determining a quorum. A broker nonvote occurs when a broker does not have discretionary voting power to vote on a specific matter (such as nonroutine proposals) and has not received voting instructions from the beneficial owner.

How do shareholders vote?

Whether or not you plan to attend the Annual Meeting, please take the time to vote. You may vote by mail, telephone, or on-line via the Internet. The telephone and Internet procedures are designed to authenticate and confirm that your voting instructions are followed. You do not need to return your proxy if you vote by telephone or via the Internet.

BY MAIL: Please mark your vote and sign, date, and promptly return the proxy in the enclosed postage-paid envelope. If you return the signed proxy but do not mark the boxes showing how you wish to vote, your votes will be cast following the recommendations of management on all proposals.

BY TELEPHONE: Please call the toll-free telephone number on the proxy (1-888-693-8683). Once connected, you will be prompted to record and confirm your vote. Telephone voting is available 24 hours a day, through Monday, April 23, 2007, 11:59 p.m. (EDT).

BY INTERNET: You may vote on-line by using the following Internet address: http://www.cesvote.com. Specific instructions will be available allowing you to record and confirm your vote. Internet voting is available 24 hours a day, through Monday, April 23, 2007, 11:59 p.m. (EDT).

IN PERSON: You may vote your shares by attending the Annual Meeting and voting in person. If you wish to give your proxy to someone other than the individuals listed on the enclosed proxy, cross out all three names and insert the name of another person to vote your shares at the meeting.

How do shareholders vote if their shares are held in street name?

If your shares are held in "street name" (that is, through a broker, trustee or other holder of record), you will receive a proxy card from your broker seeking instruction as to how your shares should be voted. If no instructions are given, your broker or nominee may vote your shares at its discretion on your behalf on routine matters (such as the election of directors and ratification of the independent registered public accounting firm) under New York Stock Exchange rules.

You may not vote shares held in "street name" at the Annual Meeting unless you obtain a legal proxy from your broker or holder of record.

How do shareholders vote if their shares are held in the Dividend Reinvestment and Stock Purchase Plan (DRIP) and/or the 401(k) Hawaiian Electric Industries Retirement Savings Plan (HEIRS)?

If you own shares held in DRIP and/or HEIRS (including shares previously received under the Tax Reduction Act Stock Ownership Plan), the respective plan trustees will vote the shares of stock held in these Plans according to your directions. For both DRIP and HEIRS, the respective trustees will vote all the shares of HEI Common Stock for which they receive no voting instructions in the same proportion as they vote shares for which they receive instruction.

Can shareholders change their vote?

If you execute and return a proxy, you may revoke it at any time before the Annual Meeting in one of three ways:

- submit a properly signed proxy with a later date or vote again at a later time by telephone or Internet;
- notify the Corporate Secretary of the Company in writing; or
- vote in person at the Annual Meeting (if your shares are registered directly on the Company's books or, if your shares are held in "street name" and you have a legal proxy from your broker or holder of record).

How many votes are required?

If a quorum is present at the Annual Meeting, then:

- directors shall be elected by a plurality of the votes cast in the election and
- appointment of the Company's independent registered public accounting firm shall be ratified if more votes are cast in favor than against.

Abstentions and broker nonvotes will count in establishing a quorum, but will not otherwise affect the outcome of the election of directors or the ratification of the appointment of the Company's independent registered public accounting firm.

Who will count the votes and are the votes confidential?

Corporate Election Services will act as tabulator for broker and bank proxies as well as the proxies of the other shareholders of record. Your identity and vote will not be disclosed to persons other than those acting as tabulators except as follows:

- as required by law;
- to verify the validity of proxies and the results of the voting in the case of a contested proxy solicitation; or
- when you write a comment on the proxy form.

Proposals You May Vote On

1. Election of Class II Directors

The Board of Directors currently consists of 12 directors divided into three classes with staggered terms so that one class of directors must be elected at each Annual Meeting.

This year, the four Class II nominees being proposed for election at this Annual Meeting are:

- Thomas B. Fargo

Diane J. Plotts

Kelvin H. Taketa

Jeffrey N. Watanabe

Each nominee is currently a member of the Board of Directors and has consented to serve for the new term expiring at the 2010 Annual Meeting. If a nominee is unable to stand for election, the proxy holders listed in the proxy may vote in their discretion for a suitable substitute.

YOUR BOARD RECOMMENDS THAT YOU VOTE FOR EACH OF THE NOMINEES FOR CLASS II DIRECTORS.

Detailed information on each nominee and Class III and I directors is provided on pages 5 and 6.

2. Ratification of appointment of Independent Registered Public Accounting Firm

KPMG LLP, an independent registered public accounting firm, has been the auditor of the Company since 1981. The Audit Committee selected KPMG LLP as its independent registered public accounting firm for 2007. The Board of Directors, upon the recommendation of its Audit Committee, recommends the ratification of KPMG LLP as the independent registered public accounting firm of the Company for fiscal year 2007 and thereafter until its successor is appointed. Representatives of KPMG LLP will be present at the Annual Meeting and will be given the opportunity to make a statement and to respond to appropriate questions.

YOUR BOARD AND THE AUDIT COMMITTEE RECOMMEND THAT YOU VOTE FOR THE RATIFICATION OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY.

Nominees for Class II directors whose terms expire at the 2010 Annual Meeting

Thomas B. Fargo
Age 58
Director Since 2005

President, Trex Enterprises Corporation (research and development for defense and homeland security) since April 2005. Chairman, LOEA Corporation and SAGO Systems (high technology companies) since April 2005. Commander, U.S. Pacific Command from May 2002 to February 2005. Commander-in-Chief of the Pacific Fleet from October 1999 to May 2002.

Director of Hawaiian Electric Company, Inc., Hawaiian Holdings, Inc. and Japan-America Society of Hawaii. Member, board of governors of Iolani School. Trustee, Hawaii Pacific University.

Kelvin H. Taketa
Age 52
Director Since 1993

President and chief executive officer of the Hawaii Community Foundation since 1998.

Director of Hawaiian Electric Company, Inc., Grove Farm Company, Inc., Civic Ventures and Sunrise Capital, Inc., a private equity aquaculture company.

Jeffrey N. Watanabe
Age 64
Director Since 1987

Senior partner in the law firm of Watanabe Ing & Komeiji LLP since 1972.

Director of Hawaiian Electric Company, Inc., American Savings Bank, F.S.B., Alexander and Baldwin, Inc., Cellular Bioengineering, Inc., First Insurance Company of Hawaii, Grace Pacific Corporation, LOEA Corporation, Matson Navigation Company, Inc., Oahu Publications, Inc., Tissue Genesis, Inc., and Trex Enterprises Corporation. Trustee, Punahou School, Sesame Workshop, and The Nature Conservancy of Hawaii. Chair, The Consuelo Zobel Alger Foundation.

Diane J. Plotts
Age 71
Director Since 1987

Business advisor since 2000.

Director of Hawaiian Electric Company, Inc. and American Savings Bank, F.S.B. Trustee, Kamehameha Schools.

Continuing Class III directors whose terms expire at the 2008 Annual Meeting

Don E. Carroll
Age 65
Director Since 1996

Chairman of Oceanic Cablevision from February 2001 to April 2005; now retired. Vice president of Time Warner Cable from 1985 to April 2005.

Director of American Savings Bank, F.S.B., Pacific Guardian Life, Island Insurance, American Red Cross-Hawaii Chapter, Executive Board of the Boy Scouts of America-Aloha Council, and The 200 Club Advisory Board. Member, Oceanic CableVision Advisory Board and Finance Committee, Aloha United Way.

Victor Hao Li, S.J.D.
Age 65
Director Since 1988

Co-chairman, Asia Pacific Consulting Group since 1992. President, Li Xing Foundation since 1989. Chairman, Shanghai Li Xing School since 1989.

Director of American Saving Bank, F.S.B. Trustee, Japan-America Institute of Management Science.

Bill D. Mills
Age 55
Director Since 1988

Chairman of The Mills Group since 1989.

Director, Grace Pacific Corporation and Hawaii Public Television. Trustee, Hawaii Pacific University, St. Andrew's Priory, and The Nature Conservancy of Hawaii. Member, board of governors, Iolani School.

Barry K. Taniguchi
Age 59
Director Since 2004

President and chief executive officer of KTA Super Stores since 1989.

Director of Hawaiian Electric Company, Inc., American Savings Bank, F.S.B. and Hawaii Island Economic Development Board. Trustee, Hawaii Community Foundation, Public Schools of Hawaii Foundation, Tax Foundation of Hawaii, Hawaii Food Industry Association, and Lyman House Memorial Museum. Chairman, board of directors of Hawaii Island Foodbank.

Continuing Class I directors whose terms expire at the 2009 Annual Meeting

Shirley J. Daniel, Ph.D., C.P.A.
Age 53
Director Since 2002

Professor of Accountancy, Shidler College of Business, University of Hawaii-Manoa since 1986.

Director of American Savings Bank, F.S.B., Pacific Asian Management Institute, and University of Hawaii Center for International Business Education and Research. Henry A. Walker, Jr. Endowed Chair of Business Enterprise, Shidler College of Business, University of Hawaii-Manoa. Managing director of Pacific Asian Center for Entrepreneurship and E-Business.

Constance H. Lau
Age 54
Director 2001 to 2004 and since May 2006

President and chief executive officer of the Company since May 2006. Chairman, president and chief executive officer of American Savings Bank, F.S.B., a subsidiary of the Company, since May 2006. President, chief executive officer and director of American Savings Bank, F.S.B. since June 2001.

Chairman of Hawaiian Electric Company, Inc. Director of Hawaiian Electric Industries Charitable Foundation, Maunalani Foundation, Consuelo Zobel Alger Foundation, and Alexander & Baldwin, Inc. Trustee, Punahou School. President, Hawaii Bankers Association.

A. Maurice Myers
Age 66
Director Since 1991

Chairman, president and chief executive officer of Waste Management, Inc. (environmental services), Houston, Texas from November 1999 to November 2004; now retired.

Director of Tesoro Petroleum and BIS Cleanaway. Member, Advisory Board of Time Warner Oceanic CableVision and SubZero/Wolf.

James K. Scott, Ed.D.
Age 55
Director Since 1995

President of Punahou School since 1994.

Director of Hawaiian Electric Company, Inc., Pacific and Asian Affairs Council, Hawaii Public Television, and Hawaii Association of Independent Schools. Chairman, Secondary School Admission Test Board. Member, Hawaiian Educational Council and Young Presidents Organization. Trustee, Barstow Foundation and Blood Bank of Hawaii.

Corporate Governance

What are the Company's governance policies and guidelines?

In 2006, the Board of Directors and management continued to review and monitor corporate governance trends and best practices to comply with the corporate governance requirements of the New York Stock Exchange (NYSE) Listed Company Manual and Securities and Exchange Commission regulations. As part of an annual review, the HEI Corporate Governance Guidelines, Revised Code of Conduct (which includes the code of ethics for the HEI chief executive officer, financial vice president and controller), and charters for the Audit, Compensation, Executive, and Nominating and Corporate Governance Committees were reviewed and revised as appropriate by the HEI Board of Directors. Current copies of these documents, as well as HEI's Insider Trading Policy, may be found on the Company's website at www.hei.com and are available in print to any shareholder who requests them.

How does the Board select nominees for the Board?

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as by management and shareholders. The Nominating and Corporate Governance Committee may retain a third-party search firm to help identify candidates from time to time.

Among the qualifications considered in the Nominating and Corporate Governance Committee's assessment of a proposed candidate are knowledge, experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, and absence of conflicts of interest. The Nominating and Corporate Governance Committee believes that the Board should reflect a diversity of experience, gender, ethnicity, and age. The Nominating and Corporate Governance Committee also considers other relevant factors as it deems appropriate including, but not limited to, current composition of the Board, balance of independent and nonindependent directors, and need for financial expertise.

Once candidates are identified, the Nominating and Corporate Governance Committee may review publicly available information to assess whether the candidate should be considered further. If the Nominating and Corporate Governance Committee determines that the candidate warrants further consideration, the Chairman of the Nominating and Corporate Governance Committee or another member of the Nominating and Corporate Governance Committee will contact the person, and if the person indicates a willingness to be considered for service on the Board, the candidate will be asked to provide information such as accomplishments and qualifications and one or more interviews may be conducted. The Nominating and Corporate Governance Committee members may contact one or more references provided by the candidate or other members of the business community who may have first hand knowledge of the candidate's qualifications and accomplishments. The evaluation process does not vary based on whether or not a candidate is recommended by a shareholder.

How can shareholders communicate with the directors?

Shareholders and all interested parties may contact (1) any member of the Board, including the nonemployee Chairman of the Board and any employee director or (2) just the nonemployee directors as a group, by mail. To communicate with the Board of Directors, any individual director or any group of directors, correspondence should be addressed to the Board of Directors or any such individual or group by either name or title. All such correspondence should be sent in care of the Corporate Secretary, Hawaiian Electric Industries, Inc., P. O. Box 730, Honolulu, HI 96808-0730. The mail will be forwarded, unopened, to the named individual director or, in the case of a group, to the Chairman of the Board.

How does the Board evaluate itself?

Since 1996, the Board of Directors has followed an annual process of evaluating the operations and effectiveness of the Board as a whole as well as self-evaluations by individual directors up for election. In reviewing the Board as a whole, directors evaluate and comment on board structure, Board meetings (e.g., content, conduct, and mechanics), Board responsibilities, performance of directors and relationship between the Board and management. Directors who are nominees for reelection evaluate their own individual meeting preparation, participation in Board meetings, contributions to the group, knowledge of the issues and concerns of the Company and understanding of the role of the Board in the governance of the Company. The Board and self-evaluation forms are submitted to the Nominating and Corporate Governance Committee for its review, after which the Nominating and Corporate Governance Committee recommends to the Board any procedures and practices to be adopted to improve the operations of the Board. The Chairman of the Nominating and Corporate Governance Committee may meet with individual directors to discuss their performance, as appropriate.

As required by the NYSE corporate governance listing standards, the Audit, Compensation and Nominating and Corporate Governance Committees developed a process for self-evaluation whereby committee members reviewed and evaluated their respective committee charters and committee meetings (e.g. content, conduct, and mechanics). The Audit Committee also reviewed and evaluated its duties and responsibilities, relationship with management and internal and external auditors, and the qualifications of its members, including financial expertise.

Who are the independent directors of the Board?

For a director to be considered independent, the board must affirmatively determine that the director does not have any direct or indirect material relationship with the Company, in compliance with the NYSE corporate governance listing standards. The Board has established categorical standards to assist it in determining director independence. In addition to applying the standards, which are listed below, the Board considers all relevant facts and circumstances in making a determination of independence.

A director who is an employee, or whose immediate family member is an executive officer, of the Company is not "independent" until three years after the end of such employment relationship.

A director who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $100,000 per year in such compensation.

A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company is not "independent" until three years after the end of the affiliation or the employment or auditing relationship.

A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company's present executives serve on that other company's compensation committee is not "independent" until three years after the end of such service or the employment relationship.

A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of such other company's consolidated gross revenues, is not "independent" until three years after falling below such threshold.

A director or any member of the director's immediate family who serves as an officer, director or trustee of a charitable organization that receives from the Company or its charitable foundation contributions which, in any fiscal year, exceed the greater of $1 million or 2% of such charitable organization's total annual charitable receipts is not "independent" until three years after falling below such threshold.

In its annual review of director independence, the Board affirmatively determined that all directors and nominees for director of the Company are independent with the exception of Constance H. Lau, an employee director. With respect to each of the nonemployee directors, the Board considered relationships to ensure that they were not inconsistent with the best interests of the Company, its subsidiaries or shareholders and also were not in violation with the Company's Code of Conduct. The Board reviewed such relationships and transactions as immediate family members and employment relationships, related person transactions, compensation and other remuneration received from the Company, affiliations with the Company's internal or external auditor, service on compensation (or similar) committees, payments to or from the Company for services, service on charitable organizations and Company contributions to charitable organizations, third-party payments, stock ownership, indebtedness, and business relationships. In particular, the Nominating and Corporate Governance Committee, which is charged with reviewing and approving relationships that may impact director independence, considered the relationships listed below:

Kelvin H. Taketa, nonemployee director, serves as the President and CEO of Hawaii Community Foundation (HCF). The Nominating and Corporate Governance Committee considered the amount of charitable contributions made by the Company and its subsidiaries to HCF and the relationship between Eric K. Yeaman, the Company's Financial Vice President, Treasurer and Chief Financial Officer, and HCF. Mr. Yeaman, who sits on the executive committee of HCF, which determines Mr. Taketa's compensation, has reported his recusal in matters relating to Mr. Taketa's compensation. Mr. Taketa, who is chairman of the Nominating and Corporate Governance Committee, recused himself from any decisions relating to HCF, or matters concerning his independence.

James K. Scott, nonemployee director, serves as the President of Punahou School. The Nominating and Corporate Governance Committee considered the amount of charitable contributions made by the Company and its subsidiaries to Punahou School and the relationship between Constance H. Lau, the Company's President and CEO, and Punahou School. Ms. Lau is a member of the Punahou School board of trustees and has reported her recusal in matters relating to Dr. Scott's compensation. Dr. Scott, who is a member of the Nominating and Corporate Governance Committee, recused himself from any decisions relating to Punahou School, or matters concerning his independence.

Jeffrey N. Watanabe, nonemployee Chairman of the Board, is a senior partner of Watanabe Ing & Komeiji LLP, a law firm which performed legal services for the Company and its subsidiaries in 2006. The Nominating and Corporate Governance Committee considered the amount of legal fees paid to Watanabe Ing and Komeiji LLP by the Company and its subsidiaries. Mr. Watanabe, who was a member of the Nominating and Corporate Governance Committee, recused himself from any decisions relating to Watanabe Ing and Komeiji LLP, or matters concerning his independence. See "Other Relationships and Related Person Transactions" on pages 45 and 46.

The Nominating and Corporate Governance Committee also considered (1) the amount of charitable contributions the Company and its subsidiaries made to charitable organizations for which the nonemployee director or any member of the director's immediate family serves as an officer, director or trustee, none of which exceeded the greater of $1 million, or 2% of such tax exempt organization's consolidated gross revenues, (2) the amount of electricity purchased from the Company's electric utility subsidiaries by the nonemployee directors or their respective places of employment and (3) financial transactions involving the Company's bank subsidiary and the nonemployee directors and their respective places of employment.

The Board determined that the above relationships do not interfere with the directors' independent judgment on matters concerning the Company. The directors have agreed to recuse themselves from any discussions or decision-making on any matter involving the organizations with which they are affiliated or other significant relationships.

What other Board practices does the Company have?

The nonemployee directors meet regularly in executive sessions without management present. In 2006, these sessions were chaired by Jeffrey N. Watanabe, who is the Chairman of the Board. Mr. Watanabe may request that Diane Plotts or Bill Mills chair the executive sessions. Ms. Plotts and Mr. Mills, both of whom are nonemployee director members of the Executive Committee, are chairs of the Audit Committee and Compensation Committee, respectively.

Information, material related to issues to be considered at a Board or Committee meeting, and other material important to the directors' understanding of the business of the Company and its subsidiaries are distributed, to the extent practical, to the directors in advance of the meeting to allow for careful review prior to the meeting.

Board of Directors

How often did the Board of Directors meet in 2006?

In 2006, there were eight regular and five special meetings of the Board of Directors. All directors attended at least 75% of the combined total meetings of the Board and Board committees on which they served (during the periods they served).

Did all directors attend last year's Annual Meeting?

All the members of the Board of Directors attended the 2006 Annual Meeting of Shareholders except A. Maurice Myers. The Company has a policy of encouraging the directors to attend each year's Annual Meeting of Shareholders.

Committees of the Board

What committees has the Board established and how often did they meet?

The Board of Directors has four standing committees: Audit, Compensation, Executive, and Nominating and Corporate Governance. Members of these committees are generally appointed annually by the Board of Directors taking into consideration the recommendation of the Nominating and Corporate Governance Committee. The names of the current committee members are shown on the table below. In addition, the table below also shows the number of meetings of each committee held in 2006.

Name	Audit	Compensation	Executive	Nominating and Corporate Governance
Don E. Carroll		X		
Shirley J. Daniel	X			
Thomas B. Fargo	X			
Constance H. Lau*			X	
Victor Hao Li		X		
Bill D. Mills		X**	X	X
A. Maurice Myers		X		
Diane J. Plotts	X**	X	X	
James K. Scott	X			X
Kelvin H. Taketa				X**
Barry K. Taniguchi	X			
Jeffrey N. Watanabe			X**	
Number of Meetings in 2006	14	8	0	7

* Employee director

** Committee chair

What are the primary functions of each of the four committees?

Audit Committee

The Audit Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors and may be found on the Company's website at www.hei.com and is available in print to any shareholder who requests it. The Audit Committee provides independent and objective oversight of the Company's (1) financial reporting processes, (2) audits of the financial statements, including appointment, compensation and oversight of the independent registered public accounting firm, (3) internal controls, (4) risk assessment and risk management policies set by management and (5) related person transactions of officers. The Audit Committee also reviews and approves or disapproves related person transactions for officers and reviews and resolves complaints from any employee regarding accounting, internal controls or auditing matters. All members of the Audit Committee are independent directors as independence for audit committee members is defined in the listing standards of the NYSE and none of them are members of audit committees of other publicly traded companies. See pages 47 and 48 for the Audit Committee Report.

Compensation Committee

The Compensation Committee operates and acts under a written charter, which was adopted and approved by the HEI Board and may be found on the Company's website at www.hei.com and is available in print to any shareholder who requests it. The Compensation Committee oversees the Company's employee and director compensation and employee benefit plans and practices, including its executive compensation plans and its incentive-compensation and equity-based plans.

The Committee consists of three or more directors as determined from time to time by the Board. Each member of the Compensation Committee is qualified to serve on the Compensation Committee pursuant to the requirements of the NYSE, and any additional requirements that the Board deems appropriate. A majority of the members of the Compensation Committee qualify as "nonemployee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The chairperson of the Compensation Committee is designated by the Board. The Compensation Committee may form subcommittees of its members and delegate its authority to the subcommittee.

The Committee has the following goals and responsibilities with respect to the Company's executive compensation plans:

(a) To review at least annually the overall compensation philosophy, goals, policies, and objectives of the Company's executive compensation plans, and amend, or recommend that the Board amend, the philosophy, goals, objectives, and policies if the Committee deems it appropriate.

(b) To review at least annually the Company's executive compensation plans in light of the Company's goals and objectives with respect to such plans, and, if the Compensation Committee deems it appropriate, adopt or recommend to the Board the adoption of new, or the amendment of existing, executive compensation plans.

(c) To evaluate annually, together with the other independent directors of the Board, the performance of the HEI President and CEO and to recommend to the Board the HEI President and CEO's compensation level based on this evaluation. In determining the HEI President and CEO's compensation, the Compensation Committee considers all relevant factors, including the Company's performance and relative shareholder return, the value of similar awards to CEOs of comparable companies, and the awards given to the HEI President and CEO in past years. The Compensation Committee may discuss the HEI President and CEO's compensation with the independent directors of the Board in executive session if it chooses to do so.

(d) To oversee the evaluation of the performance of the other executive officers of the Company and to make any appropriate recommendations to the Board with respect to the compensation of such other executive officers that it deems appropriate. The Compensation Committee shall consider all relevant factors in determining the appropriate level of such compensation, including the factors applicable with respect to the HEI President and CEO.

(e) To evaluate annually the appropriate level of compensation for Board and Committee service by nonemployee directors.

(f) To perform such duties and responsibilities as may be assigned to the Compensation Committee under the terms of any executive or director compensation plan.

(g) To review perquisites or other personal benefits to the Company's executive officers and directors and recommend any changes to the Board.

(h) To review and discuss with management the Company's Compensation Discussion and Analysis (CD&A), and based on that review and discussion, to recommend to the Board that the CD&A be included in the Company's annual proxy statement or annual report on Form 10-K.

(i) To prepare the Compensation Committee Report in accordance with the rules and regulations of the SEC for inclusion in the Company's annual proxy statement or annual report on Form 10-K.

(j) To review the description of the Compensation Committee's processes and procedures for the consideration and determination of executive and director compensation to be included in the Company's annual proxy statement.

The Compensation Committee has the following responsibilities with respect to the Company's compensation and benefit plans, including incentive compensation and equity-based plans:

(a) To review at least annually the goals and objectives of the Company's compensation and benefit plans, and amend, or recommend that the Board amend these goals and objectives if the Compensation Committee deems it appropriate.

(b) To review at least annually the Company's compensation plans and benefit plans in light of the goals and objectives of these plans, and recommend that the Board amend these plans if the Compensation Committee deems it appropriate.

(c) To review all equity compensation plans that are not subject to shareholder approval under the listing standards of the NYSE and to review and, in the Compensation Committee's sole discretion, approve all equity compensation plans that are exempt from such shareholder approval requirement.

(d) To perform such duties and responsibilities as may be assigned to the Compensation Committee under the terms of any compensation or benefit plan.

With respect to the nonemployee director compensation, the Compensation Committee evaluates annually the appropriate level and form of compensation for Board and Committee service by nonemployee members of the Board, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. The Compensation Committee recommends any proposed changes to director compensation for consideration by the full Board.

The HEI President and CEO may make recommendations to the Compensation Committee regarding the Company's compensation and employee benefit plans and practices with respect to executive officers other than the HEI President and CEO. With the authority and oversight of the Compensation Committee, the policy implementation for non-executive management and employees is delegated to and shall be implemented by the HEI President and CEO.

The Compensation Committee engages Towers Perrin, an independent compensation consultant, to provide the Compensation Committee with objective, independent advice and a full complement of technical, financial, industry and business data with respect to benchmarking, peers and best practices. Towers Perrin may also work collaboratively with management to support the Compensation Committee's objective in serving the best interest of the Company and its shareholders.

See "Other Relationships and Related Person Transactions" for Compensation Committee interlocks and insider participation on page 46.

Executive Committee

The Executive Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors and may be found on the Company's website at www.hei.com and is available in print to any shareholder who requests it. The Executive Committee is authorized to act on matters brought before it when a meeting of the full Board is impractical. It may also consider any other matter concerning the Company that may arise from time to time. The Executive Committee is currently comprised of the Chairman of the Board, the HEI President and CEO and two other independent directors.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors and may be found on the Company's website at www.hei.com and is available in print to any shareholder who requests it. All members of the Nominating and Corporate Governance Committee are independent directors as defined in the listing standards of the NYSE. Its functions include (1) reviewing the background and qualifications of potential nominees for the board of directors of HEI and its subsidiary companies presented by shareholders, directors and management, (2) recommending to the Board the slate of nominees to be submitted to the shareholders for election at the next Annual Meeting, (3) advising the Board with respect to matters of Board composition and procedures, (4) overseeing the annual evaluation of the Board, (5) reviewing nonemployee director related person transactions and (6) overseeing corporate governance matters generally.

See the section on Corporate Governance for a discussion concerning the involvement of this Committee on matters relating to corporate governance.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with Management the Compensation Discussion and Analysis that follows. Based on that review and discussion, the Compensation Committee recommended, and the HEI Board concurred, that the Compensation Discussion and Analysis be included in this proxy statement.

SUBMITTED BY THE COMPENSATION COMMITTEE OF
THE HEI BOARD OF DIRECTORS
Bill D. Mills, Chair
Don E. Carroll
Victor H. Li
A Maurice Myers
Diane J. Plotts

Compensation Discussion and Analysis

Who is responsible for determining appropriate executive compensation?

The Compensation Committee has the responsibility for recommending the total compensation program for the Company and its subsidiaries, subject to the approval of the Board. This includes determining the compensation for the HEI Named Executive Officers (NEOs) (the individuals named in the Summary Compensation Table on page 25): (1) Constance H. Lau, President and CEO, HEI; Chairman, President and CEO, American Savings Bank, F.S.B. (ASB); Chairman, Hawaiian Electric Company, Inc. (HECO) effective May 2, 2006; (2) Robert F. Clarke, former HEI Chairman, President and CEO, retired as of May 31, 2006; (3) T. Michael May, President and CEO, Hawaiian Electric Company, Inc. (HECO); (4) Eric K. Yeaman, HEI Financial Vice President, Treasurer and Chief Financial Officer; (5) Patricia U. Wong, HEI Vice President-Administration and Corporate Secretary; and (6) Curtis Y. Harada, HEI Controller.

Does the Compensation Committee have the authority and discretion to modify or terminate executive compensation programs?

The Compensation Committee reserves the right to amend, suspend or terminate incentive programs or any other executive compensation program.

What are the objectives of the Company's compensation programs?

The Compensation Committee believes that the primary objectives of the Company's compensation programs should be to:

- provide compensation opportunities that relate pay with annual and long-term performance goals that support shareholder value;
- maintain compensation that is fair in a competitive marketplace and will attract, motivate, and retain the highly talented and skilled executives needed to enhance shareholder value; and
- promote a culture of integrity where there is no undue pressure to meet or exceed financial targets for personal gain.

What are the compensation programs designed to reward?

The Company's compensation programs are designed to recognize and reward Company annual and long-term performance and individual performance that enhance shareholder value. To that end:

- *Company Performance.* The Compensation Committee establishes annual and long-term Company goals that enhance shareholder value and rewards NEOs based on achievement of those goals.
- *Individual Performance.* The Compensation Committee establishes annual and long-term individual goals that enhance shareholder value and rewards individual performance that meet those goals. The Board evaluates the performance of the Company President and CEO, taking into account the achievement of his or her individual goals and objectives, his or her overall contribution to the Company's performance, his or her interactions with the Board, and all aspects of his or her responsibilities. For the other NEOs, the Compensation Committee receives a performance assessment and base salary recommendation from the NEO's supervisor. The performance evaluations of these executives are based on the achievement of his or her goals and objectives and all aspects of his or her responsibilities.

What is the compensation methodology?

The Compensation Committee determines the weighting of the competitive market reference points and the associated compensation strategy for each element of the executive compensation program. The Compensation Committee generally targets the overall compensation of the executives at the fiftieth percentile or midpoint of pay practices found in companies which are similar in size and market place orientation. The Compensation Committee has used the following processes to evaluate, further develop and/or improve the Company's executive compensation programs:

- *Methodology for Competitive Benchmarking.* The Compensation Committee, in consultation with a third-party consulting firm, Towers Perrin, periodically reviews total compensation for NEOs. Towers Perrin examines the positions and responsibilities of NEOs against similar positions in similar organizations. In November 2005, Towers Perrin provided the Compensation Committee with an executive compensation program update (2005 Executive Custom Analysis). The objective of this review was to address the competitiveness and design of total compensation at the Company and to provide recommendations based on competitive market results. The competitive benchmarking data for the Company reflects the relevant industry experience and scope of authority of each NEO.

The Company is a publicly-traded company operating in Hawaii with a unique blend of industries, primarily electric public utilities and a financial institution. The competitive peer groups in Towers Perrin's analysis for the HEI executives were based on a weighting of 25 percent each on energy services/utility peers and financial services/banking peers and 50 percent on general industry companies (across multiple industry sectors). The competitive peer group for Mr. May was based on a 100 percent weighting on energy services/utility peers. These utility and financial services companies (Benchmark Peer Group) are considered comparable companies for competitors for labor, are comparable in size, and are industry specific. The utility peer group included Allegheny Energy, Inc., Ameren Corp., Aquilla Inc., Avista Corp., Constellation Energy Group Inc., Northeast Utilities, NSTAR, OGE Energy Corporation, Peoples Energy Corp., Pinnacle West Capital Corp., PPL Corp., Progress Energy Inc., Puget Energy Inc., Questar Corporation, Sempra Energy (parent of San Diego Gas & Electric), TECO Energy Inc., UIL Holdings Corp., Unisource Energy Corp., and Vectren Corp. The financial services industry peer group included Associated Banc-Corp., Bank of Hawaii Corp., BankUnited Financial Corp., Central Pacific Financial Corp., Citizens Banking Corp., City National Bank Corp., CoBank, Commercial Federal Corp., Compass Bancshares, Inc., Downey Financial Corp., Federal Home Loan Bank of San Francisco, Firstfed Financial Corp., Freemont General Corp., Greater Bay Bancorp, Hibernia Corp., Irwin Financial Corp., People's Bank, Providian Financial Corp., SVB Financial Group, Union Bank of California, Washington Mutual, Inc., Golden West Financial Corp., and Zions Bancorporation. Benchmark data were size-adjusted where applicable to reflect the kind of organization (corporate or subsidiary) and the financial size of the organization.

Tally Sheets. The Compensation Committee reviews tally sheets prepared internally and by Towers Perrin to determine total executive compensation and to benchmark against the Benchmark Peer Group. In addition, in December 2006, Towers Perrin conducted a Total Rewards Assessment on the NEOs, using peer company data from the Towers Perrin DataBank, which has significant representation from the energy services/utility and financial services industries (2006 Executive Custom Analysis). Overall, the Company's target and actual total direct compensation levels were below the median when compared with the Benchmark Peer Group, while competitive positioning for each element of pay varied by executive position.

What are the elements of executive compensation?

The elements of the Company's executive total compensation include:

Base salary,

Annual performance-based cash incentive compensation,

Long-term performance-based equity and non-equity incentive compensation,

Perquisites and other personal benefits, and

Retirement and other post-retirement benefits.

How is base salary determined?

Base salary is the key determinant of the Company's overall competitive positioning and is the foundation of a total compensation program. Base salary for services rendered during the year recognizes the market rate for the individual's position and responsibilities, individual experience and performance, and internal relative equity with other executive officers. Annual and long-term incentive awards for the NEOs are multiples of the NEOs' respective salary midpoints. The Compensation Committee generally targets the base salary of the NEOs at the fiftieth percentile or midpoint of pay practices found in companies which are similar in size and market place orientation. The 2005 and 2006 Executive Custom Analyses found that NEO base salaries were, on average, slightly below the

Benchmark Peer Group median, although salary positioning relative to the market varied by individual. Periodically, at the request of the Compensation Committee, Towers Perrin recommends adjustments to the Company salary structure based upon competitive salary structure trend rates and evaluates individual NEO positions for possible re-grading based upon competitive market pay levels. Base salary levels are also reviewed when there are significant changes in job responsibility.

What were the base salary increases in 2006?

The Board announced on February 10, 2006 that Mr. Clarke would be retiring on May 31, 2006, after 19 years of service with the Company and that Mr. Clarke would relinquish his title as HEI Chairman, President and CEO, effective at the Company's Annual Meeting of Shareholders on May 2, 2006. The Board named Ms. Lau, President and CEO of the Company's bank subsidiary, ASB, to succeed Mr. Clarke on May 2, 2006, as HEI President and CEO, as well as Chairman of HECO, the Company's electric utility subsidiary. Ms. Lau retained her position as President and CEO of ASB and added the title of Chairman of the ASB Board. She was elected by the shareholders as a director of HEI at the May 2, 2006 Annual Meeting of Shareholders.

In its meeting on April 13, 2006, the Compensation Committee approved Ms. Lau's annual base salary of $736,000, effective May 2, 2006. This base salary is the midpoint of the grade level for this position. In making this determination, the Compensation Committee took into consideration a custom analysis done by Towers Perrin in March 2006 specifically for Ms. Lau as the newly named HEI President and CEO.

In early 2006, Mr. Clarke evaluated the performance of Messrs. May and Yeaman and Ms. Wong. The Compensation Committee took into consideration Mr. Clarke's recommendations and the recommendations made by Towers Perrin in its 2005 Executive Custom Analysis with respect to grade level adjustments. In its meeting on April 13, 2006, the Compensation Committee approved Mr. May's base salary of $577,000, an increase of $17,000, or 3%; Mr. Yeaman's base salary of $388,500, an increase of $18,500, or 5%; and Ms. Wong's base salary of $256,000, an increase of $10,000, or 4.1%.

In early 2006, Mr. Yeaman evaluated the performance of Mr. Harada with respect to his base salary increase. The Compensation Committee took into consideration Mr. Yeaman's recommendation and the recommendations made by Towers Perrin in its 2005 Executive Custom Analysis with respect to a grade level adjustment. In its meeting on April 13, 2006, the Compensation Committee approved Mr. Harada's base salary of $192,300, representing an increase of $6,000, or 3.2%.

What are the Company's executive incentive programs?

The Company's incentive programs, paid on an annual basis and/or over the long-term, are designed to be motivating factors to align management and shareholder interests, provide a sense of ownership, and encourage greater commitment to the Company's success. The Company's incentive goals, which are determined based upon the Company's annual and long-range strategic and business plans are recommended by management and are approved by the Compensation Committee. The Compensation Committee, however, reserves the right to amend, suspend or terminate the Company's incentive programs or any portion of the programs at any time.

Executive Incentive Compensation Plan

The Executive Incentive Compensation Plan (EICP) provides an opportunity for executives (including all the NEOs) to earn annual incentive awards. Under the EICP, annual incentive awards are based upon the achievement of financial and operational goals established by the Compensation Committee.

The Compensation Committee established the 2006 EICP financial and other operational goals for the NEOs. Messrs. Yeaman and Harada and Ms. Wong each had an Earnings Per Share (EPS) goal from continuing operations (weighted 50%), a Total Return to Shareholders (TRS) goal measured against the Edison Electric Institute (EEI) Index of Investor-Owned Electric Companies (EEI Index) (weighted 25%), and a subjective performance goal depending on the qualitative evaluation by the HEI President and CEO for EICP purposes only (weighted 25%). Mr. May had a consolidated utility net income goal (weighted 45%), a consolidated utility capital expenditures goal (weighted 10%) and utility operational goals, related to employee safety, increasing HECO's generation reserve margin, continuous improvement, and moving forward on HECO's energy future roadmap (weighted a total of 45%). The Compensation Committee determined that the 2006 EICP financial and operational measures for Ms. Lau would be those previously set for the HEI President and CEO position: an EPS goal (weighted 50%), a TRS goal (weighted 35%) and two operational goals (weighted 7.5% each). Mr. Clarke did not have the requisite service for the year to participate in the 2006 EICP.