

HAWAIIAN ELECTRIC INDUSTRIES INC  
Form DEF 14A  
March 31, 2005

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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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Hawaiian Electric Industries, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

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Robert F. Clarke  
*Chairman, President and  
Chief Executive Officer*

March 31, 2005

Dear Fellow Shareholder:

On behalf of the Board of Directors, it is once again 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 26, 2005, at 9:30 a.m. A map showing the location of the meeting site appears on page 35 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 2004 and their impact on you and your Company. Corporate officers will be available before and after the meeting to talk with you and answer any questions you may have.

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.

I join the management team of HEI in expressing our appreciation for your confidence and support. I look forward to seeing you at the Annual Meeting in Honolulu.

Sincerely,

Recycled

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Hawaiian Electric Industries  
900 Richards Street  
Honolulu, Hawaii 96813

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**NOTICE OF ANNUAL MEETING**

**Date and time** Tuesday, April 26, 2005, at 9:30 a.m.

**Place** American Savings Bank Tower, 1001 Bishop Street, 8th floor, Room 805, Honolulu, Hawaii 96813.

**Items of Business**

1. Elect four Class III directors and a Class II director.
2. Elect KPMG LLP as the Company's independent auditor.
3. Transact any other business properly brought before the meeting.

**Record Date** February 16, 2005

**Annual Report** The 2004 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 31, 2005

Peter C. Lewis  
Vice President-Administration and Secretary

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### Proxy Statement

Hawaiian Electric Industries, Inc. is soliciting proxies for the Annual Meeting of Shareholders scheduled for April 26, 2005. 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, 2004, is March 31, 2005. The annual report and summary report are not considered proxy soliciting materials.

#### About the Meeting

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##### Who can attend the meeting?

Attendance will be limited to:

shareholders of record;

beneficial owners of HEI Common Stock ("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 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 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 III directors for a three-year term expiring at the 2008 Annual Meeting of Shareholders and one Class II director for a two-year term expiring at the 2007 Annual Meeting of Shareholders.

Election of KPMG LLP as the Company's independent auditor.

#### Voting Procedures

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##### Who is eligible to vote?

Only shareholders of record at the close of business on February 16, 2005 (the record date) are entitled to vote.

##### How many shares are outstanding and entitled to vote?

On February 16, 2005, 80,708,297 shares of 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 authenticate shareholders by use of a control number and permit confirmation that the vote has been properly recorded. 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 "FOR" the election of all nominees for director and "FOR" the election of the Company's independent auditor.

**BY TELEPHONE:** Please call the toll-free telephone number on the proxy (1-800-542-1160). Once connected, you will be prompted to record and confirm your vote. Telephone voting is available 24 hours a day, through Monday, April 25, 2005, 11:59 p.m. (EDT).

**BY INTERNET:** You may vote on-line by using the following Internet address: <http://www.votefast.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 25, 2005, 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 the independent auditor) 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 HEIRS (including shares previously received under the Tax Reduction Act Stock Ownership Plan (TRASOP)), the respective plan trustees will vote the shares of stock held in these Plans according to your directions. For both DRIP and HEIRS (excluding TRASOP), the respective trustees will vote all the shares of Common Stock for which they receive no



voting instructions in the same proportion as they vote shares for which they receive instruction. The trustee will not vote the shares in TRASOP for which it receives no voting instructions.

**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 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", 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

the Company's independent auditor shall be elected if more votes are cast in favor of election than against election.

Abstentions and broker nonvotes will count in establishing a quorum, but will not otherwise affect the outcome of the election of directors or the Company's independent auditor.

**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**

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**1. Election of Class III Directors and a Class II Director**

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 III nominees being proposed for election at this Annual Meeting are:

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Don E. Carroll

Victor H. Li

Bill D. Mills

Barry K. Taniguchi

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The Class II nominee being proposed for election at this Annual Meeting is Thomas B. Fargo.

Mr. Taniguchi, who joined the Board in December 2004, and Admiral Fargo, who joined the Board in March 2005, are being proposed for election to the Board of Directors by the shareholders for the first time. Both nominees were recommended by nonmanagement directors.

Each nominee is currently a member of the Board of Directors and has consented to serve for the new terms expiring at the 2008 Annual Meeting for Mr. Carroll, Dr. Li, Mr. Mills and Mr. Taniguchi and the 2007 Annual Meeting for Admiral Fargo. 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 III AND CLASS II DIRECTORS.**

Detailed information on each nominee and Class I and II directors is provided on pages 5 to 7.

### **2. Election of Independent Auditor**

The firm of 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 2005. The Board of Directors, upon the recommendation of its Audit Committee, recommends the election of KPMG LLP as the independent registered public accounting firm of the Company for fiscal year 2005 and thereafter until its successor is elected. 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 RECOMMENDS THAT YOU VOTE FOR KPMG LLP AS INDEPENDENT AUDITOR OF THE COMPANY.**

**Nominees for Class III directors whose terms expire at the 2008 Annual Meeting and a Class II director whose term expires at the 2007 Annual Meeting**

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**Don E. Carroll**  
(Class III director)  
Age 63  
Director Since 1996

Chairman of Oceanic Cablevision since February 2001. Vice president of Time Warner Cable. From 1977 to January 2001, president, chief executive officer, and director of Oceanic Cablevision.  
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, The 200 Club Advisory Board, The Nature Conservancy of Hawaii, and Hawaii Nature Center.  
Chairman, Oceanic Cable Foundation and Broadband Interactive Television Board. Member, Finance Committee, Aloha United Way.

**Victor Hao Li, S.J.D.**  
(Class III director)  
Age 63  
Director Since 1988

Co-chairman, Asia Pacific Consulting Group. President, Li Xing Foundation.  
Chairman, Shanghai Li Xing School.  
Director of American Saving Bank, F.S.B. Trustee, Japan-America Institute of Management Science.

**Bill D. Mills**  
(Class III director)  
Age 53  
Director Since 1988

Chairman of The Mills Group. 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 and Hawaii Community Foundation.

**Barry K. Taniguchi**  
(Class III director)  
Age 57  
Director Since 2004

President and chief executive officer of KTA Super Stores.  
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, Queen's Health Systems and Lyman House Memorial Museum. Member, board of governors of Hawaii Employers Council.

**Thomas B. Fargo**  
(Class II director)  
Age 56  
Director Since 2005

Chairman, LOEA Corporation and SAGO Systems since April 2005 (high technology companies). Consulting Professor, Asia-Pacific Research Center at Stanford University. 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.

Continuing Class I directors whose terms expire at the 2006 Annual Meeting

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**Robert F. Clarke**  
**Age 62**  
**Director Since 1989**

Chairman, president and chief executive officer of the Company.

Chairman of the board of Hawaiian Electric Company, Inc. and American Savings Bank, F.S.B. President and director of Hawaiian Electric Industries Charitable Foundation and Hycap Management, Inc. (in dissolution). Chairman, Advisory Board for the College of Business Administration at the University of Hawaii-Manoa. Member, Oceanic Cablevision Advisory Board, Hawaii Business Roundtable, and Air Force Civilian Advisory Council. Trustee, Straub Foundation, Hawaii Pacific University, and the Oceanic Institute. Member, Finance Committee, Aloha United Way.

**Shirley J. Daniel, Ph.D., C.P.A.**  
**Age 51**  
**Director Since 2002**

Professor of Accountancy, College of Business Administration, 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. Distinguished Professor of Business Enterprise, College of Business Administration, University of Hawaii-Manoa. Managing director of Pacific Asian Center for Entrepreneurship and E-Business.

**A. Maurice Myers**  
**Age 64**  
**Director Since 1991**

Retired chairman, president and chief executive officer of Waste Management, Inc. (environmental services), Houston, Texas, since November 2004.

Director of Hawaiian Electric Co., Inc., Tesoro Petroleum and Keep America Beautiful.

**James K. Scott, Ed.D.**  
**Age 53**  
**Director Since 1995**

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

Continuing Class II directors whose terms expire at the 2007 Annual Meeting

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**Diane J. Plotts**  
Age 69  
Director Since 1987

Business advisor since 2000.  
Director of Hawaiian  
Electric Company, Inc. and  
American Savings Bank,  
F.S.B. Trustee, Kamehameha  
Schools.

**Kelvin H. Taketa**  
Age 50  
Director Since 1993

President and chief executive  
officer of the Hawaii  
Community Foundation.  
Director of Hawaiian  
Electric Company, Inc., Grove  
Farm Company, Inc., Hawaii  
Superferry, Inc., Hookupu  
Fund and Civic Ventures.

**Jeffrey N. Watanabe**  
Age 62  
Director Since 1987

Partner in the law firm of  
Watanabe Ing Kawashima &  
Komeiji LLP.  
Director of Hawaiian  
Electric Company, Inc.,  
American Savings Bank,  
F.S.B., Alexander and  
Baldwin, Inc., First Insurance  
Company of Hawaii, Grace  
Pacific Corporation, LOEA  
Corporation, Matson  
Navigation Company, Inc., and  
Oahu Publications, Inc.  
Member, Advisory Board,  
Oceanic Cablevision. Trustee,  
Sesame Workshop, The Nature  
Conservancy of Hawaii and  
Hawaii Community  
Foundation. Chair, The  
Consuelo Zobel Alger  
Foundation.

## Corporate Governance

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### **What are the Company's governance policies and guidelines?**

In 2004, the Board of Directors and management continued to review and monitor corporate governance trends and best practices in light of changes to the New York Stock Exchange ("NYSE") Listed Company Manual relating to corporate governance and further guidance from the Securities and Exchange Commission. 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), charters for the Audit, Compensation, Executive, and Nominating and Corporate Governance Committees were reviewed and revised as appropriate by the HEI Board of Directors. These documents, as well as HEI's Insider Trading Policy, may be found on the Company's website at [www.hei.com](http://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 management and shareholders. The Committee may retain a third-party search firm to help identify candidates from time to time. In 2004, the Company engaged Korn/Ferry International in a consulting capacity to assist in the process of identifying and evaluating candidates.

Among the qualifications considered in the 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 Committee believes that the Board should reflect a diversity of experience, gender, ethnicity, and age. The 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 potential candidates are identified, the Committee may review publicly available information to assess whether the candidate should be considered further. If the Committee determines that the candidate warrants further consideration, the Chairman or another member of the 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 Committee members may contact one or more references provided by the candidate or other members of the business community who may have greater 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 Lead Director and 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. The mail will be forwarded,

unopened, to the named individual director or, in the case of a group, to the Lead Director, currently Mr. Mills.

**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 (content, conduct, 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 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.

In 2004, 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 (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.

**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. 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 listed 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



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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 of the Company are independent with the exception of Robert F. Clarke, an employee director, and James K. Scott. It has been determined that Dr. Scott, who had previously been determined to be independent by the Board, can no longer be considered independent. Dr. Scott's employer, Punahou School (the "School"), purchases electricity from Hawaiian Electric Company, Inc. ("HECO"), a subsidiary of HEI, under State of Hawaii public utility commission-approved tariffs. Such purchases slightly exceeded 2% of the School's consolidated gross revenues and, therefore, under NYSE standards of independence, Dr. Scott may no longer be considered independent. HECO is the only source of electricity available to the School and HECO must provide electricity to the School under law.

In addition, the Board also determined that the Company did not make contributions to any tax exempt organization in which an independent director serves as an executive officer that exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues.

### **What other Board practices does the Company have?**

The nonemployee directors meet regularly in executive sessions without management. These sessions are chaired by the Lead Director, currently Bill D. Mills.

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 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**

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**How often did the Board of Directors meet in 2004?**

In 2004, there were nine regular and two 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), except Don E. Carroll, who attended 72% of his combined total meetings.

**Did all directors attend last year's Annual Meeting?**

All the members of the Board of Directors attended the 2004 Annual Meeting of Shareholders. The Company has a policy of encouraging the directors to attend each year's Annual Meeting of Shareholders.

**How are directors compensated?**

Only nonemployee directors are compensated for their service as directors. Director compensation beginning on April 1, 2005 is as follows:

**Stock Grant**

A one-time grant of 2,000 shares of Common Stock to new directors.

1,400 shares of Common Stock are granted annually to directors for the purpose of further aligning directors' and shareholders' interests in improving stockholder value.

Fiscal Year Board Retainer commencing April 1 each year (no meeting fees are paid)

\$32,500 paid in quarterly installments.

Additional annual fees are paid in quarterly installments to directors as follows:

Lead Director	\$ 10,000
Audit Committee Chair	15,000
Compensation Committee Chair	5,000
Nominating and Corporate Governance Chair	5,000
Audit Committee Member	5,000

**Subsidiary Board Fees**

Nonemployee directors of HEI who serve on the Board of Directors of Hawaiian Electric Company, Inc. ("HECO") or American Savings Bank, F.S.B. ("ASB") receive a fiscal year retainer of \$20,000 for each such Board position.

Diane J. Plotts, who serves as chair of the ASB Audit Committee, and Barry K. Taniguchi, who serves as chair of the HECO Audit Committee, receive an additional \$10,000 annual fee for chairing each Audit Committee. An additional annual fee of \$4,000 is paid to Don E. Carroll and Jeffrey N. Watanabe for serving on the ASB Audit Committee and to Thomas B. Fargo and Diane J. Plotts for serving on the HECO Audit Committee.

Additional Compensation

HEI directors who are also members of the HECO board are eligible to receive one-third off their monthly electric bill up to 825 kilowatthours per monthly billing cycle, while HEI directors who also sit on the ASB board are eligible for the preferential loan rates available to all employees at ASB.

**Do nonemployee directors receive a retirement benefit?**

At the meeting of the Board of Directors on December 17, 1996, the Board voted to terminate the Nonemployee Director Retirement Plan, which had been approved by the shareholders on April 17, 1990. Pursuant to the terms of the termination, the right of previously retired directors to receive benefits continues in accordance with the terms of the Plan as in effect at termination, and the present value of the accrued benefit of directors age 55 or younger or with 5 years of service or less as of April 22, 1997 has been paid out. The retirement benefit for all other directors who had been participating in the Plan (Mr. Myers and Ms. Plotts) was frozen as of December 31, 1996, and will be paid according to the terms of the Plan as in effect at termination. Accordingly, upon their retirement from service as a director, Mr. Myers and Ms. Plotts will each receive an annual payment of \$15,000 (their annual retainer in effect at December 31, 1996) for a period equal to the number of years of their active service through December 31, 1996 (7 years for Mr. Myers and 10 years for Ms. Plotts).

**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. The names of the current committee members are shown on the table below. In addition, the table below also shows the number of meetings held in 2004.

Name	Audit	Compensation	Executive	Nominating and Corporate Governance
Don E. Carroll		X		
Robert F. Clarke*			X	
Shirley J. Daniel	X			
Thomas B. Fargo	X			
Victor Hao Li		X		
Bill D. Mills		X**	X**	X
A. Maurice Myers		X		
Diane J. Plotts	X**	X	X	
James K. Scott				
Kelvin H. Taketa				X**
Barry K. Taniguchi	X			
Jeffrey N. Watanabe				X
Number of Meetings in 2004	9	4	0	5

\* Employee director

\*\* Committee chair

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

Audit Committee

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The Audit Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors. The 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 external auditor, (3) internal controls, and (4) risk assessment and risk management policies set by management. The Committee also reviews and approves related party transactions and reviews and resolves complaints from any employee regarding accounting, internal controls or auditing matters. All members of the 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 31 and 32 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 of Directors. The Committee oversees the Company's compensation and employee benefit plans and its incentive compensation and equity based plans. All members of the Committee are independent directors as defined in the listing standards of the NYSE. The Compensation Committee meets in executive session to set the compensation level of the Chief Executive Officer ("CEO") after receiving input on the CEO's performance from all the nonemployee directors meeting in executive session. The Committee then sets the compensation level of the CEO. See pages 24 to 29 for the Compensation Committee Report on Executive Compensation.

#### Executive Committee

The Executive Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors, and 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 Committee is comprised of the Lead Director, the CEO and one other independent director.

#### 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. All members of the 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 compensation 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.

**Stock Ownership Information****How much stock do the Company's directors and executive officers own?**

The following table shows how many shares of Common Stock were owned as of March 1, 2005 by each director, Named Executive Officer (as listed in the Summary Compensation Table on page 16) and by all directors and executive officers as a group.

**Amount of Common Stock and Nature of Beneficial Ownership(1)**

<b>Name of Individual or Group</b>	<b>Sole Voting or Investment Power</b>	<b>Shared Voting or Investment Power(2)</b>	<b>Other Beneficial Ownership(3)</b>	<b>Stock Options(4)</b>	<b>Total</b>
<b>Nonemployee directors</b>					
Don E. Carroll	9,660				9,660
Shirley J. Daniel	4,976				4,976
Thomas B. Fargo	2,000				2,000
Victor Hao Li	3,126	11,204	882		15,212
Bill D. Mills	19,459		10		19,469
A. Maurice Myers	24,616	3,525			28,141
Diane J. Plotts	9,980				9,980
James K. Scott	10,341				10,341
Kelvin H. Taketa	8,621				8,621
Barry K. Taniguchi		8,072			8,072
Jeffrey N. Watanabe	11,031		4		11,035
<b>Employee director and Named Executive Officer</b>					
Robert F. Clarke	51,316	24,259	3,964	180,018	259,557
<b>Other Named Executive Officers</b>					
Constance H. Lau	25,268		7,311	209,911	242,490
Peter C. Lewis	16,463		919		17,382
T. Michael May	33,319			80,641	113,960
Eric K. Yeaman	12,769			5,540	18,309
<b>All directors and executive officers as a group (20 persons)</b>					
	277,178	47,060	13,090	549,849	887,177(5)

- (1) Adjusted for 2-for-1 stock split on June 10, 2004.
- (2) Shares registered in name of the individual and spouse.
- (3) Shares owned by spouse, children or other relatives sharing the home of the director or officer in which the director or officer disclaims personal interest.
- (4) Stock options, including accompanying dividend equivalent shares, exercisable within 60 days after February 16, 2005 (record date), under the 1987 Stock Option and Incentive Plan.
- (5) As of March 1, 2005, the directors and executive officers of HEI as a group beneficially owned 1.1% of outstanding Common Stock and no director or officer owned more than 0.3% of such stock.

**Does the Company have stock ownership guidelines for directors and officers?**

In 2003, the Board adopted stock ownership guidelines for HEI officers and directors. Each officer and director named in the guidelines, which went into effect on January 1, 2004, has five years to achieve the level of stock ownership set forth in the guidelines. The targets are as follows: 1) President and CEO of the Company 2.5 times base salary, 2) executive officers of the Company and subsidiary



operating company presidents 1.5 times base salary, and 3) members of the Board of Directors of the Company 5 times annual cash payouts. Stock ownership will be measured on January 1 of each year based on the average price of stock for the previous calendar year. The directors and officers have until January 1, 2009 to meet the current guidelines, except for Mr. Taniguchi and Admiral Fargo, who have until January 1, 2010 to meet the guidelines.

#### Does anyone own more than 5% of the Company's stock?

No person is known to the Company to be the beneficial owner of more than 5% of outstanding Common Stock.

#### Were Section 16(a) beneficial ownership reporting forms filed with the SEC?

Based on a review of forms filed by its reporting persons during the last fiscal year, the Company believes that they complied with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, except Curtis Y. Harada, Controller, who did not file one transaction in a timely fashion. There were no known failures to file a required form for Mr. Harada.

#### Executive Compensation

##### Summary Compensation Table

The following summary compensation table shows the annual and long-term compensation of the chief executive officer and the four other most highly compensated executive officers of the Company and its subsidiaries serving during 2004 (collectively referred to as the "Named Executive Officers").

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus(2) (\$)	Other Annual Compensation(3) (\$)	Awards(4)		Payouts	
					Restricted Stock Award(5) (\$)	Securities Underlying Options/SARs(6) (#)	LTIP Payouts(7) (\$)	All Other Compensation(8) (\$)
<b>Robert F. Clarke</b>	2004	713,000	1,022,000	7,349	0	135,000	420,000	17,463
Chairman, President & CEO	2003	681,000	610,107	0	0	100,000	548,463	14,898
	2002	653,000	785,533	0	0	100,000	266,000	14,076
<b>Constance H. Lau</b>	2004	538,000	751,400	0	0	50,000	388,260	N/A
President & CEO, American Savings Bank, F.S.B.	2003	517,000	579,177	0	0	50,000	228,260	N/A
	2002	458,000	456,378	0	0	50,000	65,705	N/A
<b>T. Michael May</b>	2004	533,000	345,678	0				
President & CEO, Hawaiian Electric Company, Inc.	2003	513,000	294,012	0				
	2002	472,000	286,960	&#15				