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HAWAIIAN ELECTRIC INDUSTRIES INC
Form 8-K
January 24, 2002

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

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: January 23, 2002

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| Exact Name of Registrant as Specified in Its Charter ----- | Commission File Number ----- | I.R.S. Employer Identification No. ----- |
|--|------------------------------------|--|
| Hawaiian Electric Industries, Inc. | 1-8503 | 99-0208097 |
| Hawaiian Electric Company, Inc. | 1-4955 | 99-0040500 |

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State of Hawaii

(State or other jurisdiction of incorporation)

900 Richards Street, Honolulu, Hawaii 96813

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:

(808) 543-5662 - Hawaiian Electric Industries, Inc. (HEI)
(808) 543-7771 - Hawaiian Electric Company, Inc. (HECO)

None

(Former name or former address, if changed since last report.)

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Item 5. Other Events

News release

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On January 23, 2002, HEI issued the following news release:

HAWAIIAN ELECTRIC INDUSTRIES, INC. ANNOUNCES 2001 YEAREND EARNINGS

HONOLULU -- Hawaiian Electric Industries, Inc. (HEI) (NYSE - HE) announced 2001 net income from continuing operations of \$107.7 million, or \$3.19 per share compared with \$109.3 million, or \$3.36 per share for 2000. The Company's net income from continuing operations reflect strong results from the electric utilities and bank, offset by investment losses at the holding company.

"The downturn in Hawaii tourism post-September 11 continues to present challenges to maintaining earnings. We managed to meet these challenges in 2001 through cost containment efforts at the utility and active asset and liability management at the bank," said Robert F. Clarke, HEI chairman, president and chief executive officer.

Utility net income was up 1.2% to \$88.3 million for 2001 from \$87.3 million for 2000. "An increase in kilowatthour sales pre-September 11, a concerted effort to contain costs and continued productivity improvements helped the utility increase earnings in 2001," said Clarke.

Kilowatthour sales were up 1.1% in 2001 compared with 2000 largely due to warmer weather and a growing state economy pre-September 11. "Looking forward, we anticipate kilowatthour sales will increase by 1.1% in 2002, slightly greater than the growth in the state economy, which local economists expect will be about 0.6%. Supporting our outlook is the recent rebound in visitor counts, which have increased to approximately 90% of prior year levels as of December 31, 2001," said Clarke.

Purchased power costs were up in 2001 due to greater availability of purchased power in the supply mix as a result of shorter overhaul schedules and maintenance downtime by independent power producers. However, maintenance expenses were lower in 2001 due to ongoing cost management and completion of reliability improvements in 2000.

American Savings Bank posted solid results this year with net income growing 19.4% to \$48.5 million versus \$40.6 million in 2000. "American Savings Bank was able to execute several key investment sales in 2001 that generated \$5.2 million in net income for the bank," said Clarke. "With the unprecedented 11 Federal Funds Rate cuts, there was some downward pressure on our interest rate spread. However, the sales and increased fee income helped propel the bank to record earnings."

Interest rate spread--the difference between yield on interest-earning assets and the rate paid on interest-bearing liabilities--was slightly lower for 2001 at 3.17%, compared with 3.20% for 2000. Average interest-earning assets increased slightly in 2001 to \$5.6 billion.

Net income for 2001 was \$83.7 million, or \$2.48 per share, compared with \$45.7 million, or \$1.41 per share for 2000. Losses from discontinued operations for 2001 were \$24.0 million or \$0.71 per share, compared with \$63.6 million or \$1.95 per share for 2000 and primarily reflect charges related to the discontinuance of HEI's international power subsidiary in the third quarter of 2001.

HEI is the largest Hawaii-based company, providing electric utility services to 95% of Hawaii's residents and a full array of banking services to consumers and businesses through the state's third largest bank.

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Forward-looking Statements

This release may contain "forward-looking statements," that are subject to risks and uncertainties. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as expects, anticipates, intends, plans, believes, predicts, estimates or similar expressions. Forward-looking statements in this release should be read in conjunction with "Forward-looking statements" set forth on page v of HEI's Form 10-Q for the quarter ended September 30, 2001 (incorporated by reference herein) and in HEI's future periodic reports that discuss important factors that could cause HEI's results to differ materially from those anticipated in such statements. Forward-looking statements speak only as of the date of this release.

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Hawaiian Electric Industries, Inc. and subsidiaries
 CONSOLIDATED STATEMENTS OF INCOME
 (unaudited)

| (in thousands, except per share amounts) | 2001 | Quarters ended December 31, 2000 |
|---|------------|--|
| ----- | | |
| Revenues | | |
| Electric utility | \$ 315,844 | \$ 342,596 |
| Bank | 108,564 | 117,616 |
| Other | (5,099) | 2,381 |
| | ----- | ----- |
| | 419,309 | 462,593 |
| | ----- | ----- |
| Expenses | | |
| Electric utility | 274,259 | 306,043 |
| Bank | 83,674 | 100,059 |
| Other | 3,888 | 3,148 |
| | ----- | ----- |
| | 361,821 | 409,250 |
| | ----- | ----- |
| Operating income (loss) | | |
| Electric utility | 41,585 | 36,553 |
| Bank | 24,890 | 17,557 |
| Other | (8,987) | (767) |
| | ----- | ----- |
| | 57,488 | 53,343 |
| | ----- | ----- |
| Interest expense- | | |
| other than bank | (19,265) | (19,711) |
| Allowance for borrowed funds | | |
| used during construction | 547 | 702 |
| Preferred stock dividends of | | |
| subsidiaries | (502) | (502) |
| Preferred securities distributions of | | |
| trust subsidiaries | (4,009) | (4,009) |

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| | | | |
|--|-----------|-------------|----|
| Allowance for equity funds used during construction | 1,021 | 1,278 | |
| | ----- | ----- | |
| Income from continuing operations before income taxes | 35,280 | 31,101 | |
| Income taxes | 10,076 | 9,687 | |
| | ----- | ----- | |
| Income from continuing operations | 25,204 | 21,414 | |
| Discontinued operations, net of income taxes | | | |
| Loss from operations | - | (45,791) | |
| Net loss on disposals | (1,966) | - | |
| | ----- | ----- | |
| Loss from discontinued operations | (1,966) | (45,791) | |
| | ----- | ----- | |
| Net income (loss) | \$ 23,238 | \$ (24,377) | \$ |
| | ===== | ===== | |
| Per common share | | | |
| Basic earnings (loss) | | | |
| Continuing operations | \$ 0.73 | \$ 0.65 | \$ |
| Discontinued operations | (0.06) | (1.39) | |
| | ----- | ----- | |
| | \$ 0.67 | \$ (0.74) | \$ |
| | ===== | ===== | |
| Diluted earnings (loss) | | | |
| Continuing operations | \$ 0.73 | \$ 0.65 | \$ |
| Discontinued operations | (0.06) | (1.39) | |
| | ----- | ----- | |
| | \$ 0.67 | \$ (0.74) | \$ |
| | ===== | ===== | |
| Dividends | \$ 0.62 | \$ 0.62 | \$ |
| | ===== | ===== | |
| Weighted-average number of common shares outstanding | 34,644 | 32,864 | |
| | ===== | ===== | |
| Adjusted weighted-average shares | 34,851 | 33,013 | |
| | ===== | ===== | |
| Income (loss) from continuing operations by segment | | | |
| Electric utility | \$ 18,464 | \$ 14,527 | \$ |
| Bank | 15,377 | 10,198 | |
| Other | (8,637) | (3,311) | |
| | ----- | ----- | |
| Income from continuing operations | \$ 25,204 | \$ 21,414 | \$ |
| | ===== | ===== | |

This information should be read in conjunction with the consolidated financial statements and the notes thereto incorporated by reference in HEI's Annual Report on SEC Form 10-K for the year ended December 31, 2000 and 2001 (when filed) and the consolidated financial statements and the notes thereto in HEI's Quarterly Reports on SEC Form 10-Q for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001.

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Hawaiian Electric Company, Inc. (HECO) and subsidiaries
Consolidated Statements of Income

Years ended
December 31,

(in thousands)

| | 2001 | 2000 |
|--|--------------|--------------|
| Operating revenues | \$ 1,284,312 | \$ 1,270,635 |
| Operating expenses | | |
| Fuel oil | 346,728 | 362,905 |
| Purchased power | 337,844 | 311,207 |
| Other operation | 125,565 | 123,779 |
| Maintenance | 61,801 | 66,069 |
| Depreciation | 100,714 | 98,517 |
| Taxes, other than income taxes | 120,894 | 119,784 |
| Income taxes | 55,434 | 55,213 |
| | 1,148,980 | 1,137,474 |
| Operating income | 135,332 | 133,161 |
| Other income | | |
| Allowance for equity funds used during construction | 4,239 | 5,380 |
| Other, net | 3,197 | 4,555 |
| | 7,436 | 9,935 |
| Income before interest and other charges | 142,768 | 143,096 |
| Interest and other charges | | |
| Interest on long-term debt | 40,296 | 40,134 |
| Amortization of net bond premium and expense | 2,063 | 1,938 |
| Other interest charges | 4,697 | 6,990 |
| Allowance for borrowed funds used during construction | (2,258) | (2,922) |
| Preferred stock dividends of subsidiaries | 915 | 915 |
| Preferred securities distributions of trust subsidiaries | 7,675 | 7,675 |
| | 53,388 | 54,730 |
| Income before preferred stock dividends of HECO | 89,380 | 88,366 |
| Preferred stock dividends of HECO | 1,080 | 1,080 |
| Net income for common stock | \$ 88,300 | \$ 87,286 |

Other electric utility information

| | | |
|-------------------------------|----------|----------|
| Kilowatthour sales (millions) | 9,370 | 9,272 |
| Cooling degree days (Oahu) | 4,911 | 4,707 |
| Fuel cost per barrel | \$ 33.49 | \$ 33.44 |

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Hawaiian Electric Industries, Inc.
 Supplemental Data to 4th Quarter Earnings Release
 Page 2

| American Savings Bank, F.S.B. and subsidiaries | Years ended December 31, | |
|--|-----------------------------|------------|
| Consolidated Income statement data | 2001 | 2000 |
| ----- (in thousands) | ----- | ----- |
| Interest income | \$ 399,651 | \$ 423,575 |
| Interest expense | 213,585 | 238,875 |
| | ----- | ----- |
| Net interest income | 186,066 | 184,700 |
| Provision for loan losses | (12,500) | (13,050) |
| Other income | 44,951 | 27,307 |
| Operating, administrative and general expenses | (136,418) | (128,916) |
| | ----- | ----- |
| Operating income | 82,099 | 70,041 |
| Minority interest | 213 | 225 |
| Income taxes | 27,944 | 23,774 |
| | ----- | ----- |
| Income before preferred stock dividends | 53,942 | 46,042 |
| Preferred stock dividends | 5,411 | 5,412 |
| | ----- | ----- |
| Net income | \$ 48,531 | \$ 40,630 |
| | ===== | ===== |
| | | |
| Interest rate spread (%) | 3.17 | 3.20 |

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SIGNATURES

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

HAWAIIAN ELECTRIC INDUSTRIES, INC.
 (Registrant)

HAWAIIAN ELECTRIC COMPANY, INC.
 (Registrant)

/s/ Robert F. Mougeot

/s/ Richard A. von Gnechten

 Robert F. Mougeot
 Financial Vice President, Treasurer
 and Chief Financial Officer
 (Principal Financial Officer of HEI)

 Richard A. von Gnechten
 Financial Vice President
 (Principal Financial Officer of HECO)

Date: January 23, 2002

Date: January 23, 2002

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