



December 13, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 37

We sincerely appreciate the opportunity to comment on the Public Company Accounting Oversight Board ("PCAOB") ***Concept Release on Auditor Independence and Audit Firm Rotation***.

HEI is a diversified holding company whose businesses operate primarily in the State of Hawaii. Our two principal business segments include American Savings Bank F.S.B., the third largest bank in Hawaii, and Hawaiian Electric Company, Inc., a rate regulated electric utility that provides electricity to approximately 95% of the population of Hawaii. Our common stock is listed on the NYSE.

Although we have many concerns regarding the PCAOB's proposal on auditor rotation, we wish to highlight two of them in this letter. Fundamentally, we believe that a requirement to periodically rotate audit firms would significantly reduce audit quality while also raising costs for SEC registered companies.

First, we respectfully disagree with the PCAOB's presumption in the concept release that mandatory rotation would somehow lead to more effective audits. The concept release acknowledges that the GAO study failed to provide any empirical evidence to support this idea. Instead, the concept release poses various theoretical arguments that long-term relationships between auditors and registrants affect auditor independence, objectivity and professional skepticism and states that *"...even well-intentioned auditors, as with other people, sometimes fail to recognize and guard against their own unconscious biases."* We question how mandatory rotation would solve the human issue of *"unconscious biases"*.

We believe that there are already multiple systems in place to ensure quality audits and accurate financial reporting including:

- Oversight of the auditing profession by various rule making bodies, including the SEC, the NYSE, the AICPA and now the PCAOB. The PCAOB's inspection regime annually reviews thousands of audit engagements to ensure compliance. Although findings from these reviews still persist, only a tiny fraction of these audits are deemed to be insufficient and an even smaller number have uncovered materially inaccurate financial statements.

- Monitoring by audit committees at individual companies which includes the responsibilities to hire and fire audit firms, annually review their independence and performance, approve all fees and preapprove all non-audit services and to annually seek shareholder ratification to reappoint the audit firm.
- Mandatory audit partner rotation every five years and an independent second partner review annually.
- Significant quality control systems in place at individual audit firms including training, internal reviews, etc.

Rather than ensure higher quality audits, we believe that mandatory rotation would decrease audit quality. Our company operates in two highly specialized industries: regulated utilities and financial services. Both of these industries have a unique set of accounting rules and regulations whose application is complex and requires in-depth industry knowledge. When we considered switching audit firms in 2010, we were surprised to find that only two of the “Big Four” accounting firms possessed stellar industry practices in both the utility and financial services industries. If we were forced to regularly rotate auditors, we may end with a technically inferior firm, which would clearly affect audit quality. In addition, we believe that it often takes a particular audit firm a number of years to fully understand the accounting and business issues that are unique to our company. Therefore, as a particular audit firm’s tenure increases, it is in a much better position to identify potential accounting errors, while at the same time providing value added business insights for management and the Board of Directors.

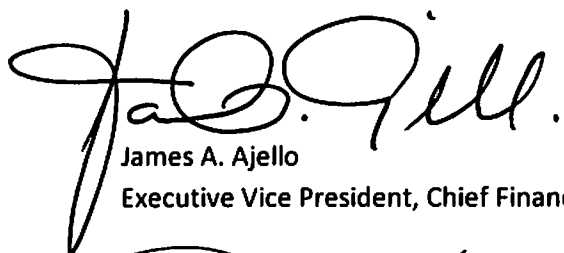
Second, it is clear to us that mandatory rotation would lead to higher costs. After our change of auditors in 2010, the new firm had to spend a considerable amount of up-front time transitioning onto the engagement (as required by professional standards) which included client acceptance procedures, discussions with prior auditors and documenting their understanding of internal controls. In addition, the firm was especially conservative in the first year, often testing more samples than required in an attempt to fully develop their understanding of our company. They were able to do this without increasing audit fees over the agreed upon amount because they viewed it as an investment in a long term relationship with a new client. In our opinion, given all of the safeguards mentioned above, we fail to see how this would affect their objectivity and professional skepticism. Conversely, if we were forced to regularly rotate auditors, the possibility of a long term relationship would not exist and those upfront transitional costs would become a recurring expense for us.

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In conclusion, we firmly believe in the PCAOB's mission to improve audit quality in order to protect investors and the Public interest, and we applaud the PCAOB's efforts to accomplish this mission. Our goals as financial executives perfectly align with this mission. However, we believe that a requirement to regularly rotate auditors would have the opposite effects than those intended and lead to lower quality and higher cost audits for publicly traded companies.

Thank you once again for the opportunity to comment on this important topic.

Sincerely,

A handwritten signature in black ink that reads "James A. Ajello". The signature is fluid and cursive, with the first name being particularly prominent.

James A. Ajello
Executive Vice President, Chief Financial Officer and Treasurer

A handwritten signature in black ink that reads "David M. Kostecki". The signature is cursive and somewhat stylized, with a long horizontal stroke at the end.

David M. Kostecki
Vice President- Finance, Controller and Chief Accounting Officer