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Volgnr.

Min ECEM/106/15



Onderwerp: Hedging Activities of Water- en Energiebedrijf Aruba N.V.

Oranjestad, 10 maart 2015

Geachte mevrouw Williams,

Namens de minister van Economische Zaken, Communicatie, Energie en Milieu biedt ik u het rapport "*Hedging Activities of Water- en Energiebedrijf Aruba N.V.*" inzake het feitenonderzoek naar de *hedging* activiteiten van WEB Aruba N.V. aan ter doorgeleiding aan de Staten van Aruba.

Het feitenonderzoek is verricht door PricewaterhouseCoopers in opdracht van Utilities Aruba N.V.

Hoogachtend,


mr. drs. Richard A. Arends, stafchef van de
minister van Economische Zaken, Communicatie
Energie en Milieu



STATEN VAN ARUBA

Ingek. 1 n MAR 2015

Volgnr.: *IS/551/14-15*

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Hedging activities of Water- en Energiebedrijf Aruba N.V.

Report of factual findings regarding the
hedging activities of WEB Aruba N.V. since
2012 commissioned by Utilities Aruba N.V.

*Strictly private
and confidential*

February 13, 2015

pwc



Utilities Aruba N.V.
Schelpstraat 12
Oranjestad, Aruba

February 13, 2015

Reference: 133143 / 28617

Dear Sir,

We present to you the report of our fact finding engagement performed at Water- en Energiebedrijf Aruba (W.E.B.) N.V. (WEB) during January 2015 on your request. The findings in this report are our factual observations based on the information provided to us at the time of our engagement. The findings presented in this report have been discussed with the relevant individuals at WEB. There commentary is attached as appendix to this report and, to the extent deemed necessary, adjusted. We did not perform due diligence investigatory work on Macquarie, Citibank, and Kase & Company. Furthermore, the accounting and/or tax related consequences of WEB's hedging activities were not a part of our scope.

PricewaterhouseCoopers Aruba (PwC Aruba) can not be held responsible, as agreed in our engagement letter, for any claims arising out of this engagement.

We would like to express gratitude to all parties involved for their cooperation during this process.

Yours sincerely,

PricewaterhouseCoopers Aruba

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1. Background and introduction

For more than 80 years, Water- en Energiebedrijf Aruba (W.E.B.) N.V. (WEB) has been responsible for the generation of electricity and the production and distribution of water in Aruba. As the only company on the island with such capabilities, WEB enjoys a monopolistic position on the market. Given the challenges that the market for (crude) oil have always posed, WEB has always looked for ways to mitigate the risk of spikes in oil prices and in particular of Heavy Fuel Oil prices worldwide. The latter is not a recent problem but has already kept WEB busy in the past looking for risk mitigating options.

The history of hedging activities at WEB can be split into two (2) periods. The first period which ended in 2009 and the second period that started in 2012. During the period prior to 2009, WEB, assisted by KPMG, developed a hedging strategy which was focused on mitigating the risk of fluctuations in fuel expenses. The strategy developed at that time was characterized as rather conservative as it only targeted at hedging the price of a maximum of 30% of the required HFO volume. Furthermore, this strategy focused on using swaps as the only instrument to be used during this period. Each time hedges were executed for a period of less than 3 months. WEB decided to halt all hedging activities per 2009 due to the fact that WEB had incurred opportunity costs of Awg. 14 million on its hedging activities from inception to date so the decision was made during 2009 to halt all hedging activities in moving forward.

On the 12th of June 2012, WEB's Management informed the Supervisory Board, given the low prices for HFO at that moment, of the opportunity to reinstate hedging and safeguarding instruments against excessive price volatility. The Supervisory Board was reminded of the strategy and procedures followed prior to 2009 and was requested by Management to consider amending these to reflect more modern conditions, such as the use of financial instruments that were not used by WEB during the period prior to 2009. In a second attempt to provide WEB with more price stability and the ability to forecast fuel expenses in the future, WEB once again reinstated their effort to start hedging again in 2012.

During 2012 a social dialogue was held between the relevant stakeholders of WEB. This discussion was founded on concerns in the Aruban society regarding current and future fluctuations in the tariffs for electricity. As we understood from interviews held with the Hedge Team, Management and the Supervisory Board the desire to stabilize tariffs was already existent and discussed with various stakeholders prior to the 'sociaal dialoog' and ratified during the 'sociaal dialoog' by the Government with the social and commercial partners.

According to the Management of WEB this is also apparent due to the fact that WEB already hedged in July of 2012, which was one month prior to the 'sociaal dialoog'. During the 'sociaal dialoog' WEB presented the hedges it already had in place and its hedging strategy in moving forward. During that presentation, WEB explained how hedging can be used to offset market risk but also indicated that hedging in itself is a risk.

1. Background and introduction (continued)

The advisor in this case (Kase & Company) was approached in order to develop a strategy in line with the (1) risk appetite of WEB and (2) the goals preset by WEB. In June of 2012, the Management of WEB discussed with the Supervisory Board and gained approval to proceed with the plans. The strategy developed by WEB and Kase & Co was drafted in September of 2012 and made final in December of that year. This proposed strategy by Management of WEB was not formally approved as presented, but was adjusted by the intercession of the Supervisory Board (we refer to chapter 5). Several elements of the draft hedging strategy such as only hedge when opportunities arise and when triggered by the hedge model (in the scales or the bands) and legging into the hedge were used by Management and Hedge Team during the execution of the hedges.

During this second period of hedging a hedged volume of 90-95% was chosen compared to the lower percentage during the previous hedging period. This percentage was based on the wishes of WEB to take the most advantage out of the hedging possibilities which were available at the time and further to minimize the risks related to a HFO price rise as much as possible over an extended period of time.

2. Work performed

As agreed in our engagement letter, the scope of our work performed is as follows:

This report includes factual findings regarding the hedging activities with respect to HFO performed by WEB. We agreed with you to examine the current hedging activities with respect to HFO as performed by WEB. Further, based on the outcome of our examination we agreed to provide you with recommendations for future activities with respect to the Management of WEB's exposure to HFO price risks. More specifically we agreed to perform procedures that will cover the following items:

1. Examination of the current hedging activities with respect to HFO at WEB. This examination involves, amongst others, the decisions taken by Management of WEB in relation to hedging such as the hedge strategy, the characteristics of the derivatives used (types, terms), the day-to-day monitoring of the hedging, the decisions related to trading these derivatives and the involvement and capabilities of external advisor(s) in this process.
2. Examination of the financial effects of the hedging activities at WEB from 2012 (when WEB started the current hedging activities with respect to HFO) until December 2016. This involves the examination by us of calculations prepared by WEB in relation to hedging, including the valuation of the contracts and the determination of realized and unrealized results.

As discussed between you and Edsel Lopez on the 14th of January 2015 during a meeting held at the offices of Utilities Aruba N.V. (Utilities), we would only perform an examination of facts and provide you with a report of factual findings. This examination is based on an analysis of relevant documentation present and provided by WEB and interviews held with relevant member of WEB's personnel, Management and Supervisory Board members.

The procedures performed by PwC Aruba under this engagement did not constitute an audit or a review of any financial data. As a consequence, we will not be providing any assurance about whether financial data is fairly stated.

Based upon the procedures performed, we prepared a draft-report which we discussed with the members of the Hedge Team, Management and Supervisory Board of WEB ('hoor en wederhoor'). The findings, including the response by Hedge Team, Management and Supervisory Board WEB, have been included in this final version of our report.

2. Work performed (continued)

The work performed during our engagement was agreed with Utilities during a meeting where the areas of interest were discussed and determined (refer to Appendix B for more information).

The work performed during our engagement consisted of the following main components:

(1) A desk review of the documents made available by WEB related to the hedging activities at WEB, which consisted of contracts, electronic correspondence, memoranda and other forms of communications. For an overview of every document reviewed we refer to appendix D.

(2) Interviews held with the relevant parties that included the following individuals:

- The WEB Hedge Team consisting of M.J.M. Janssen (team leader), V.M. Werleman, L.J. Reyes, M.R. Croes;
- The General Director of WEB, O.J. Boekhoudt and the manager of the Finance division L.M. Beukenboom;
- The Supervisory Board of WEB consisting of J.R. Every, C. Timmer, A.F. Lacle and G.B. Ras (D.E. Cijntje was excused);
- WEB's independent advisor Kase & Company (Kase & Co);
- The counterparty Macquarie Group Limited (Macquarie).

** The counterparty Citi was not interviewed, as we were able to gather the necessary information through documentation review. Moreover, the majority of hedge instruments was executed with Macquarie as counterparty.*

We furthermore assessed the completeness of the documents received and reperformed the calculations received from WEB using the core data available. The scope of the investigation performed was discussed and agreed in cooperation with Utilities.

3. Timeline of developments of hedging activities at WEB

Based on the information gathered and the interviews held with the relevant individuals we have compiled a timeline which to our understanding depicts the timeframe of the developments regarding the hedging activities of WEB since 2012. This timeline covers relevant events during the period of June 2012 until the moment of signage of our engagement letter (16th of January 2015).

June 2012	In June of 2012, the first presentation held to the Supervisory Board of WEB using general hedging information provided by Citi. Information was brought forward regarding different instruments available. Hedge Nr. 1 was approved by the Supervisory Board of WEB. A collar (costless collar or a low cost collar with a premium up to \$ 1.00 per barrel) was requested on the 21st of June 2012. This was approved by the Supervisory Board on 25th of June 2012.
August 2012	A 'sociaal dialoog' took place with common stakeholders. During the 'sociaal dialoog' the stakeholders agreed on stabilizing the electricity tariffs. WEB presented the hedges already executed at that time, mainly those executed in June and July of 2012
August 2012	Second presentation held to the Management of WEB. The need for a Hedge team was brought forward by Management, which needed to be trained to protect WEB against the volatility of HFO prices. The need for additional hedge partners was also raised by the Management of WEB.
September 2012	The draft strategy developed in cooperation with Kase & Co in September of 2012. The strategy was based on WEB's risk appetite and goals. This strategy was presented to WEB's Management for review and discussion.
November 2012	The draft strategy developed in cooperation with Kase & Co was presented to WEB's Supervisory Board for review, discussion and approval.

3. Timeline of developments of hedging activities at WEB (continued)

December 2012	Final strategy developed with Kase & Co. The initially hedged volume was determined at 90% of the forecasted HFO volume for each corresponding year (In 2012 this was equivalent to approximately 3,000 barrels per day). We understood from management and Supervisory Board that the Supervisory Board preferred to give approval each time a before hedge took place ('close control') rather than relying on only triggers (we refer to chapter 5).
April 2013	In April of 2013 Management of WEB requested approval to hedge the volume for 2014. This occurred on the 16 th of April 2013. The hedges were approved on 16 th of April by the Supervisory Board. As we understood from Management of WEB they then applied its strategy by legging into the hedges, in order to get the lowest average price, which resulted in hedges 8-13 for the total volume for 2014.
August 2014	In August of 2014 Management of WEB requested approval to hedge the first part of the volume for 2015. The hedges were requested on the 14 th of August and on the 28 th August 2014. Management obtained approval of the Supervisory Board on the 29 th of August 2014. As we understood from Management of WEB they then applied its strategy by legging into the hedges, in order to get the lowest average price, which resulted in hedges 14-15 for the first part of the total volume for 2015.
September 2014	Management of WEB requested approval to hedge the remaining part of the volume for 2015 on the 2 nd of September 2014. The request was approved by the Supervisory Board on the 2 nd of September 2014. As we understood from Management of WEB they then applied its strategy by legging into the hedges, in order to get the lowest average price, which resulted in hedges 16-18 for the remaining part of the total volume for 2015.
September 2014	The Management of WEB requested approval to hedge the volume for 2016 on the 30 th of September 2014. The request was approved by the Supervisory Board on the 30 th of September 2014. As we understood from Management of WEB they then applied its strategy by legging into the hedges, in order to get the lowest average price, which resulted in hedges 19-20 for the volume for 2016.

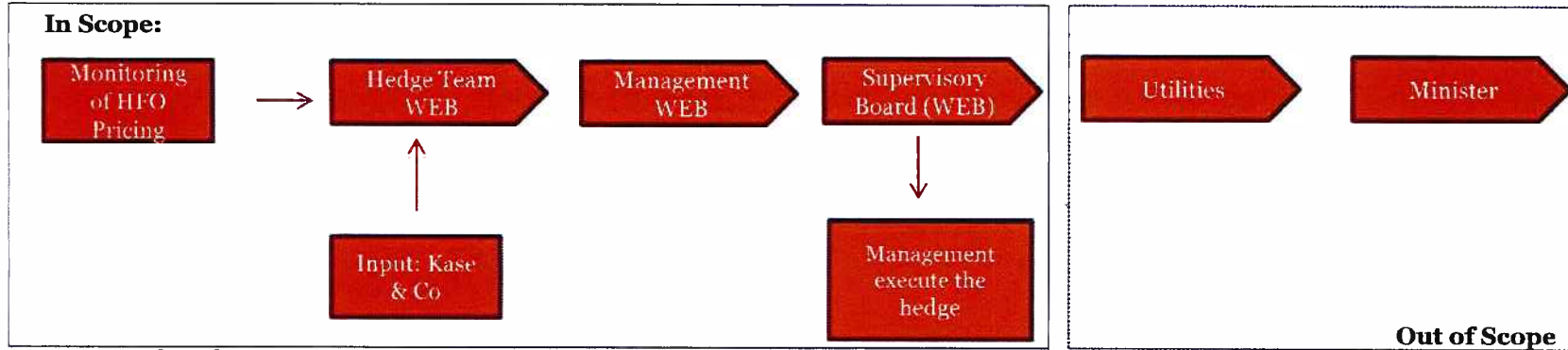
3. Timeline of developments of hedging activities at WEB (continued)

October 2014

In October of 2014 the tariffs charged to customers were increased. We understood from our interviews with members of the Hedge Team, Management and the Supervisory Board that WEB increased the tariffs as a result of a number of factors mainly reduced sales, the effect of the delivered price, higher than forecasted HFO consumption and funding of investments to accommodate in the electrical grid additional green efficiency projects. This occurrence coincides with the execution of hedges 19 and 20 against a price of \$ 82.10 per barrel for 2016. We refer to chapter 8 for more details.

4. Relations between parties and agreements involved

The relations between the different parties involved in the hedging process at WEB can be categorized in the following diagram:



Source: PwC based on interviews with parties involved

On a regular basis, the Hedge Team monitors the HFO prices and reviews the Kase & Co hedge model to determine if a hedge window (a moment in time when it is advisable to hedge against a favorable price) has presented itself. The consultants at the Kase & Co call center are then contacted by the Hedge Team to validate whether it is advisable to hedge at that particular time or whether to hold off and get even better prices. If a hedge window presents itself, the communication increases between the Hedge Team, Kase & Co and Management.

Once the Hedge Team has agreed with Kase & Co on a proposition (for hedging execution) to bring to Management, this is done on a short term basis. The approved proposition by management is then presented to the Supervisory Board for approval. However no formal signed documentation of Managements approval is available, Management sending the proposition to the Supervisory Board was seen as formal approval as we understood from Management of WEB. Also Management is included in all observed e-mail correspondence to the Supervisory Board. In all cases the Supervisory Board provides final approval to execute a hedge contract.

According to our assignment we analyzed only the lines of communications as depicted above with the exception of communication with and information provided to Utilities as shareholder and the Minister in question.

We mapped the knowledge and experience levels of all parties involved in the hedging process at WEB. On the following pages we display the knowledge and experience level of each of the parties involved.

4. Relations between parties and agreements involved (continued)

The Hedge Team (M.J.M. Janssen, V. Werleman, L. Reyes and M. Croes):

The Hedge Team is a cross-functional team of WEB employees. The purpose of the hedging team is to continuously monitor fuel oil price developments on the global market, manage WEB's internal hedging program and advise the Management (and the Supervisory Board) on the execution of hedges. The Hedge Team consists of four (4) individuals did not possess any experience with hedging prior to being part of the team. The Hedge team received a training provided by Kase & Co and held from the 27th of August till the 30th of August 2012. Kase & Co. through its call center further supported and advised the Hedge Team after the training in the execution of hedges. As of now the Hedge Team has 2.5 years of experience in managing the hedge program and in executing hedges activities.

We received this information by means of interviews with the members of the Hedge Team.

Management (O.J. Boekhoudt and L.M. Beukenboom):

Mrs. L.M. Beukenboom was employed by WEB at the time of the hedging phase at WEB prior to 2009 and was involved in this process alongside the former General Director. She did not have any specific education and/or experience in hedging. She has followed a course which included hedging during her employment at WEB, all in the period prior to 2009.

Mr. O.J. Boekhoudt is the current General Director of WEB at the moment of this engagement. He did not have any specific education and/or experience in hedging and he has followed no courses on hedging during his employment at WEB.

Kase & Co. through its call center further supported and advised Management after the training in the execution of hedges.

We received this information by means of interviews with the members of Management.

The Supervisory Board of WEB (J.R. Every, C. Timmer, A.F. Lacle, D.E. Cijntje and G.B. Ras):

The Supervisory Board of WEB is led by the chairman Mr. J.R. Every, who is accompanied by four (4) other members (Mr. C. Timmer, Mr. A.F. Lacle, Mr. D.E. Cijntje and Mr. G.B. Ras). An overview of their hedging experience is included in appendix F (received by email on the 31st of January 2015 from Mr. J.R. Every).

4. Relations between parties and agreements involved (continued)

Kase & Co (D. Rogers):

Kase & Co is a hedging and trading solutions firm which has been active since 1992 and is based in Wyoming, USA. With more than twenty (20) years experience on the crude trading markets Kase & Co has made a name for itself globally. Kase & Co utilizes Monte Carlo simulations to provide hedging analytics and has been the independent advisor to WEB in hedging activities since 2002.
(Source: <http://www.kaseco.com>)

Macquarie:

Macquarie is a global investment bank (originating from Australia) and part of a diversified financial services group that operates across 28 countries and has been active since December of 1969. Macquarie specializes itself in areas such as resources, agriculture and commodities, energy and infrastructure, with a particular knowledge of the Asia-Pacific region. Macquarie had been involved as the counterparty for the hedges prior to 2009 as well (also NIB was involved as counterparty in the period prior to 2009).
(Source: <http://www.macquarie.com>).

Citibank:

Citibank (formerly known as the City Bank of New York) is the consumer division of the financial services multinational Citigroup. Citibank has long been regarded as a powerhouse in the financial services world with over a hundred years of experience. Citibank is experienced in the execution of hedge strategies and plans for all types of clients and has expanded over the years to having an extensive hedge fund servicing team worldwide.
(Source: <http://www.citibank.com>)

5. Risk Management policies and objectives

In November 2012, the Management of WEB presented their draft hedging strategy to the Supervisory Board. The hedging objective was 'to protect WEB against unacceptably high fuel prices and to stabilize tariffs for a target duration of approximately a year, while maintaining the ability to reduce tariffs upon steep declines in fuel prices'. A hedging strategy was proposed to orient towards finding a balance between protecting against high prices while not unreasonably limiting the opportunity to benefit from low prices.

In December of 2012, WEB finalized in cooperation with Kase & Co. its risk management strategy regarding hedging. In order to formulate a basic hedging philosophy, the goals of the hedges were clearly identified. These goals formed the foundation for this strategy and tactics. The main goal of the hedging strategy was documented as "to hedge in such a way as to protect against unacceptably high fuel prices and stabilize tariffs for a target duration of approximately a year, while maintaining the ability to reduce tariffs upon steep declines in fuel prices" (source: Kase & Co. WEB Aruba N.V. Risk Management Strategy, December 2012).

Management of WEB concluded, based on assessments by several members of the Hedge Team, Management and Supervisory Board, that the best balance for the Company was to be moderately aggressive when hedging ('protective hedging'), so that opportunities to lock in favorable prices or to protect against rising prices were not missed. WEB concluded that no 'speculative hedging' will take place within the hedge strategy, mainly due to the cost and unsecure benefits of speculation.

In the proposed hedge strategy the maximum volume to be hedged was set at 90% of the forecasted HFO volume for each corresponding year (in 2012 this was equivalent to approximately 3,000 barrels per day). As we understood from Management of WEB this % was set at 90% in order to leave 10% space for internal efficiency improvement resulting from several efficiency improvement projects that were in progress at that time. As we understood from Management of WEB this amount was later increased to 95% once most efficiency improvement projects had been completed.

While there is a formalized strategy documented, this strategy was not completely implemented as described in the Risk Management Strategy document. The Supervisory Board limited the different types of hedging, chose not to implement the three zone strategy section, requested a limit per hedge and wanted a 'close control' by approving each hedge (source: Supervisory Board Minutes November 29, 2012 with reference 00-01-5083/LMB).

5. Risk Management policies and objectives (continued)

The three zone strategy consisted of an upper zone, neutral zone and lower zone approach. The upper zone involved protecting prices against unfavorably high levels through the use of option related tactics. For high prices, WEB's approach would be moderately aggressive. The neutral zone would be found when prices are in a "normal" range, neither high enough to warrant protecting prices, nor low enough to call for capturing attractive prices. Whenever prices would be deemed to be in a non-extreme price range, fuel oil would be purchased at market. The lower zone involved capturing favorable forward prices as they move into a range where the probability of remaining at or below these levels is statistically decreasing. For low prices, WEB's approach would be aggressive.

As for the three zone approach, we understood from Management of WEB that the Supervisory Board did not feel comfortable by giving WEB 'carte blanche' to execute the hedges in line with the strategy. The Supervisory Board instead requested that it approves each hedge prior to execution. As we understood from Management of WEB that given this request, it was not possible to hedge in small percentages on a daily basis, as the strategy prescribed. It was then decided by Management of WEB to continue hedging in larger amounts, ranging from 500 to 1,500 barrels per day, as Management of WEB had done prior to the development of the strategy.

These adjustment made by the Supervisory Board requires an approval at each hedging moment. This has not been formalized and documented as such, however it is in accordance with the provisions on management and supervision as stated in the Articles of Incorporation (August 12, 1993). These articles state that for legal acts of Awg. 200,000 or above Supervisory Board approval is required.

As we understood from Hedge team, Management and Supervisory Board the executed strategy was not equal to the draft version of the strategy, however Hedge Team, Management and Supervisory Board of WEB acted according to the adjustments of the Supervisory Board.

Based upon the information received in the interviews held by us, we understood that the objective of WEB's hedging strategy has continuously been the protection against increases in HFO prices and to guarantee tariff stabilization. The cost price of electricity (and water) is based on a fuel price of at \$90.00 a barrel for 2015 and \$95.00 for the earlier years (2012-2014). The costs of purchasing HFO should always be lower than this cost price (if available on market), including additional costs of other hedging instruments (swaps and costless collars do not incur any (premium) costs).

Given the rapid decrease in the HFO price between October and December of 2014, WEB incurred significant opportunity costs. The opportunity costs are the inherent consequences of the applied hedge strategy by WEB in which stabilization of tariffs is the main goal.

5. Risk Management policies and objectives (continued)

We furthermore spoke with the Hedge Team, Management and the Supervisory Board regarding two specific choices that were made during the hedging period of June 2012 until October 2014 which were (1) the hedged volume and (2) the length of the hedging agreements.

(1) The hedged volume

From the information received in the interviews with the Hedge Team, Management and the Supervisory Board, we understood that the choice for an initially hedged volume of 90% of the required HFO was based on the risk appetite level determined by Kase & Co through analysis and questionnaires filled out by some of the individuals responsible (M. Janssen, L. Reyes, V. Werleman, R.A. Frank (as part of the Management Team of WEB), L.M. Beukenboom and C. Timmer). The results of the questionnaires were analyzed by Kase & Co and the Hedge Team and a risk strategy was developed based on this risk appetite. Furthermore we understood from Management of WEB that the 90% was determined as a result of the aggressiveness of the strategy developed (to stabilize the tariffs on long term) and the statistical model of Kase & Co (including 20 years of statistical data). Statistical data supported the idea that the prices would not drastically decrease. Therefore the risk associated to such a hedged volume was considered to be low as understood from interviews with the Hedge Team, Management and the Supervisory Board.

(2) The length of the hedging agreements

When implementing its hedging strategy in 2012, WEB decided to take positions in contracts with a longer term compared to the terms of the contracts used in the previous hedging period. This decision was based on its objective of realizing stabilization of tariffs for a longer period of time as was documented in the hedging strategy. As outlined in the hedging strategy, Management of WEB had the possibility to hedge for a longer period of time (up to 36 months) in the case of “extreme low prices”. Most hedging contracts had a length of at least 12 months, the first two hedge contracts were the longest at 18 months. In conformity with the hedging strategy and based on the advice provided by Kase & Co between September 23 and October 2, 2014 (which included the confirmation by Kase & Co that the market for HFO was then characterized as a low price environment), the proposition was made by the Hedge Team and presented to Management and the Supervisory Board to hedge until 2016. On September 30, the Supervisory Board approved these hedges and they were executed on October 2 and October 3. The contracts for 2015 and 2016 are also for a period of 12 months.

5. Risk Management policies and objectives (continued)

Hedging approval method and documentation

On a regular basis, the Hedge Team monitors the HFO prices and reviews the Kase & Co hedge model to determine if a hedge window (a moment in time when it is advisable to hedge against a favorable price) has presented itself. The consultants at the Kase & Co call center are then contacted by the Hedge Team to validate whether it is advisable to hedge at that particular moment or whether to hold off and get even better prices. If a hedge window presents, the communication increases between the Hedge Team, Kase & Co and Management. Once the Hedge Team has agreed with Kase & Co on a proposition (for hedging execution), the proposition is directly proposed to Management by the Hedge Team. The by Management approved proposition is then presented to the Supervisory Board for approval. Each e-mail or letter requesting approval from the Supervisory Board included the conditions based on which the hedge would be executed along with any limitations in doing so.

However no formal signed documentation of Managements approval is available, as we understood from Management of WEB Management sending the proposition to the Supervisory Board was seen as a formal approval. As we understood from Management of WEB, proposals for hedging are not sent to the Supervisory Board without prior approval from Management of WEB, meaning that once the Supervisory Board is approached, Management of WEB has already approved the proposed hedge. Also Management is included in all observed e-mail correspondence to the Supervisory Board.

Following consideration by the Supervisory Board, the proposition brought forward would either be approved (by a majority of the Supervisory Board) or rejected. We noted that each hedge contract observed was approved by a majority of the Supervisory Board.

Each e-mail or letter requesting approval was accompanied by documentation referencing the section of the strategy which was being followed and a recap of current market developments. In some cases also an advisory e-mail from Kase & Co was attached. In the cases where there was no documented advice from Kase & Co to WEB, the Hedge Team recapped the advise given by Kase & Co by phone as we understood from the Hedge Team, in the e-mail to Management and Supervisory Board. The Supervisory Board would be provided with the information to make a decision whether to approve or reject the hedge proposal. In circumstances where additional information was needed by Supervisory Board members, this information was provided by the Hedge Team. However, we have not seen any formal documentation of Management's approval of the proposition. Management is involved during the decision making process and is included in all observed correspondences to the Supervisory Board.

Following the decision by the Supervisory Board, Management would execute the hedge with Macquarie or Citibank. For a more detailed description of the timing of each hedge executed we refer to chapter 6 of this report.

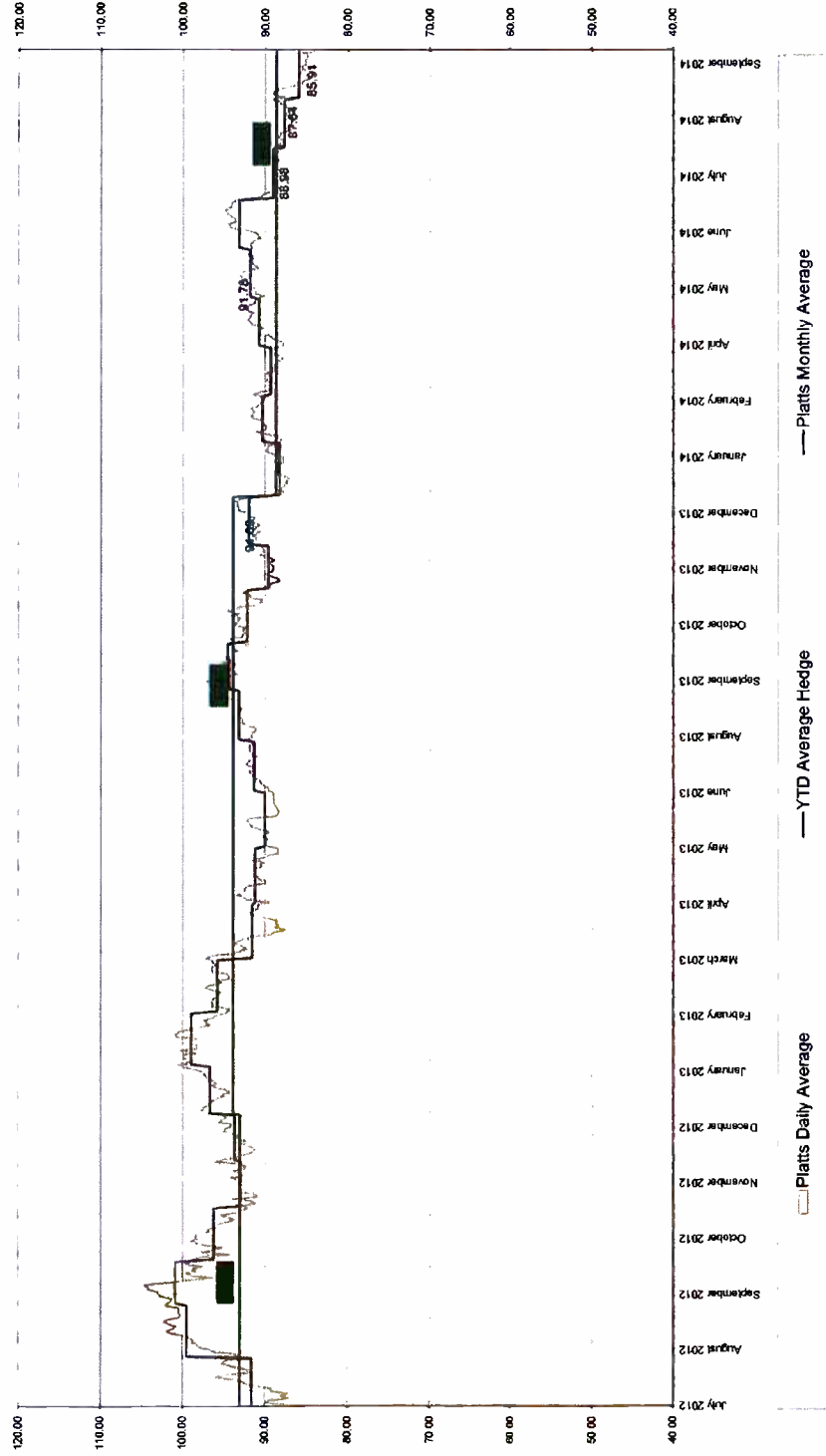
6. Overview of hedges at WEB

On this page we provide you with an overview of all hedges that were contracted during the period of 2012-2014. Hedges # 1 and # 2 were collars and hedges # 3 through # 20 were SWAPS. We established the completeness of the hedges by means of contracts review and the review of other documents received. As can be observed from the table below approval by the Supervisory Board was provided in each case. For hedges 1, 2-7 (first approval) and 8-13 the President of the Supervisory Board signed for approval by the Supervisory Board. We noted that each hedge contact observed was approved by a majority of the Supervisory Board.

	Kase & Co.	Trade date	Request by Management	Approval by (a majority of) the Supervisory Board
HEDGE #1	25-Jun-12	5-Jul-12	21-Jun-12	21-Jun-12
HEDGE #2 - #7 (approval 1)	22-Jun-12	5-Jul-12	21-Jun-12	25-Jun-12
HEDGE #2 - #7 (approval 2)		5-Jul-12		
HEDGE #3		18-Jul-12		
HEDGE #4		4-Feb-13	5-Jul-12	5-Jul-12
HEDGE #5	22-Jun-12	4-Feb-13		
HEDGE #6		8-Mar-13		
HEDGE #7		8-Mar-13		
HEDGE #8 - #13		17-Apr-13		
HEDGE #9		30-Apr-13		
HEDGE #10	29-Mar-13 and	21-Jun-13	16-Apr-13	16-Apr-13
HEDGE #11	5-Apr-13	9-Oct-13		
HEDGE #12		23-Oct-13		
HEDGE #13		23-Oct-13		
HEDGE #14 - #15 (approval 1)	20, 21 and	2-Sep-14	14-Aug-14	14-Aug-14
HEDGE #14 - #15 (approval 2)	22 Aug-14	2-Sep-14	28-Aug-14	29-Aug-14
HEDGE #16 - #18	2-Sep-14, 9 to 17	17-Sep-14	2-Sep-14	2-Sep-14
HEDGE #17	Sep-14	18-Sep-14		
HEDGE #18		22-Sep-14		
HEDGE #19	23 Sep - 2	2-Oct-14	30-Sep-14	30-Sep-14
HEDGE #20	Oct-14	3-Oct-14		

7. The market development of HFO

The cost-price of electricity at WEB is mainly based on the price of Heavy fuel oil (HFO). Since WEB has re-instated hedging activities in 2012, the actual prices of HFO have been fluctuating between approximately \$85.00 and \$ 105.00 (based on average Platt's prices) between July 2012 and September 2014:



(source: WEB, based on daily Platt's averages)

PwC

7. The market development of HFO (continued)

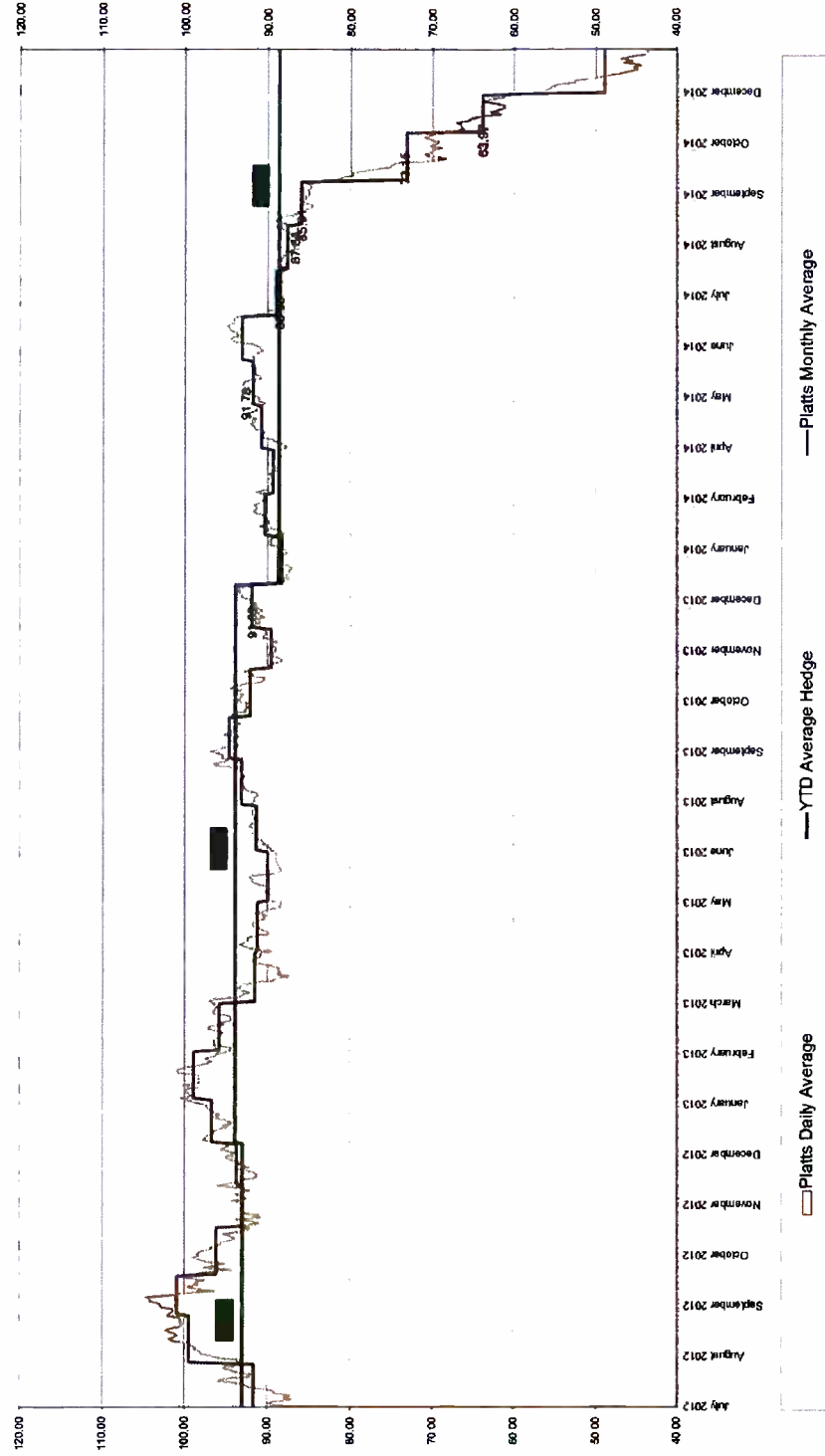
June 2014	In June 2014 the Organization of the Petroleum Exporting Countries (OPEC) agrees to keep its production target at 30 million barrels a day for the rest of 2014. This decision was meant to calm global concerns about supply and price of oil.
October 2014	Oil prices sink, spurring a near free fall in gasoline prices in the United States. Decline reflects rift in strategy among OPEC nations, and increases likelihood of emergent price war.
November 26, 2014	OPEC, meeting in Vienna, is being pressured to make modest cuts in oil prices in attempt to bolster global energy markets; cartel is losing influence as prices have fallen more than 25 percent between September and November 2014.
November 28, 2014	OPEC decides not to cut petroleum production despite a plunge in oil prices that has highlighted group's diminishing clout; price of (Brent crude) oil falls to four-year low; OPEC has been shaken over past months as prices have declined by more than 30 percent.
November 29, 2014	Saudi Arabia and its 11 oil cartel partners in OPEC fail to agree to production cut that would put brake on plummeting crude prices; inability or unwillingness of OPEC to act shows that cartel is no longer the dominating producer whose decisions determine global supplies and prices.
December 22, 2014	Saudi Arabia, world's biggest petroleum exporter, says it will not cut production to strengthen oil markets, even if countries outside OPEC do so.
January 16, 2015	OPEC downgrades demand outlook for its crude oil in 2015; reports demand will be 28.8 million barrels a day, down 100,000 a day from previous estimate; shows no intention to cut production, implying oversupply of more than 2 million barrels a day in first half of 2015.

(source: based on New York Times timeline regarding oil price developments)

PwC

7. The market development of HFO (continued)

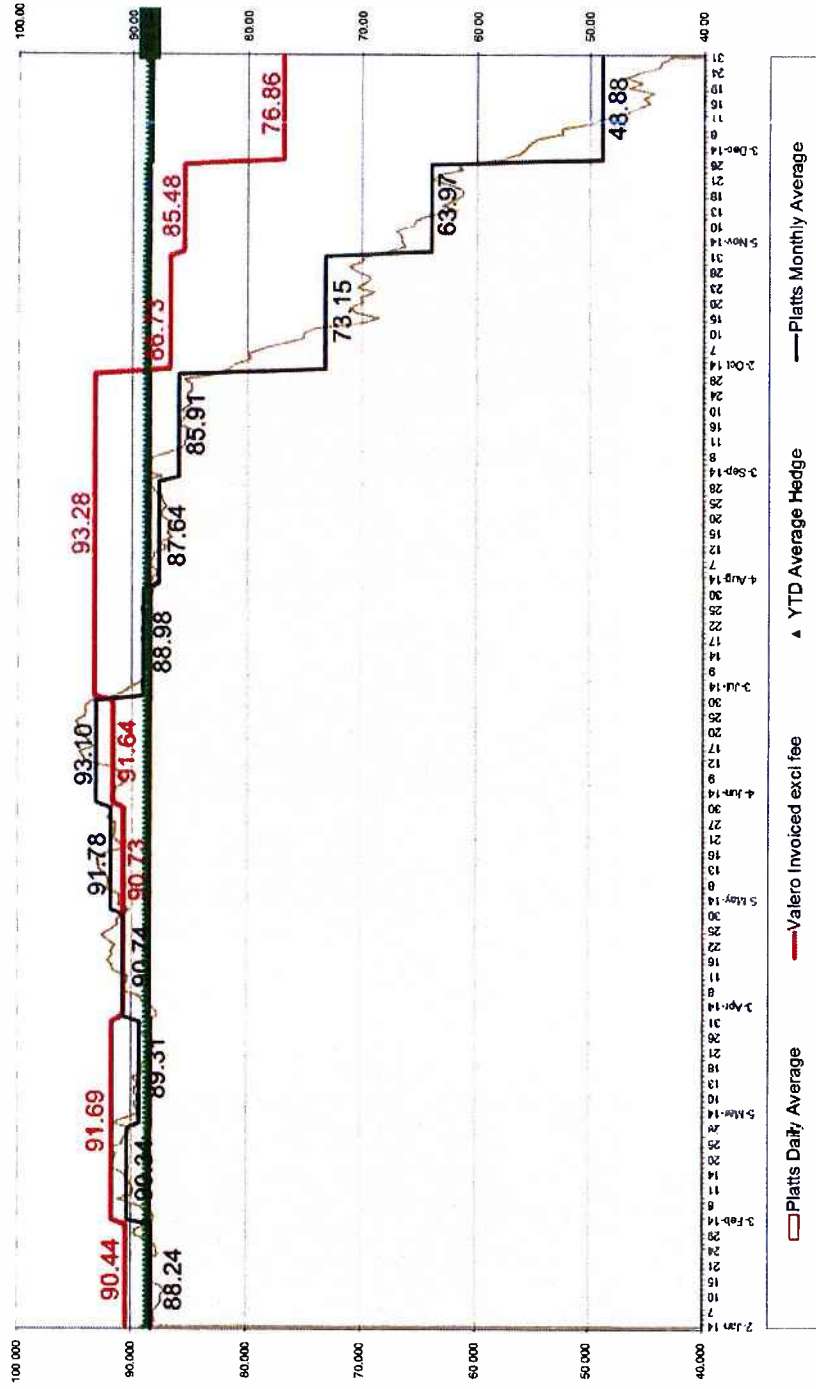
After relative stable prices between July 2012 and September 2014, prices began to decrease since then. Based on the circumstances as described on the previous page, and other circumstances such as instability in the middle east and sanctions against Russia the price has been dropping since that moment.



(source: WEB, based on daily Platt's average)

7. The market development of HFO (continued)

In the scope of about two months the prices of HFO (Platt's average) decreased from \$ 85.91 to \$ 48.88



(source: WEB, based on daily Platt's average)

8. Tariff developments at WEB

2012	<p>During 2012 the tariffs of electricity (and water) were decreased and kept at the same level for 2 years.</p> <p>In 2012 the social dialog was held between the Government (represented by Ministers Mike Eman and Mike de Meza), the social and commercial partners (as per the social dialog protocol). The parties involved in producing and distributing electricity were not part of the social dialog, but were invited to present the existing and proposed tariff systems.</p> <p>As we understood from Management of WEB the desire to stabilize tariff was not formulated during the social dialog, but before that, but was ratified during the dialog by the Government and the social and commercial partners. WEB did not present its approach to stabilizing tariff but merely its new tariff system. In answering the desire to stabilize tariff, WEB indicated that hedging was the most used method to offset price risk but also indicated that hedging in itself is a risk. The hedges closed in July 2012 were presented at that time.</p>
December 2012	<p>The contract between WEB and Valero for deliverance of HFO has formally expired at December 31, 2009. After the contract between WEB and Valero expired, Valero continued to do business based on the terms of that contract on a month to month basis. As we understood from Management of WEB as Valero was not intending to stay in Aruba when the contract expired they did not want to extend the contract for a longer period at that time.</p>
July 2013	<p>Between 2012 and 2013 WEB and Valero have been negotiating about terms for a renewed contract, however no new agreement was achieved between WEB and Valero. As we understood from Management of WEB Valero has informed WEB on 20th of November of 2013 that per the 1st of December 2013 it would start invoicing WEB based on Delivered Price instead of Platt's Average.</p>
2014	<p>A higher than budgeted and forecasted use of HFO took place during 2014.</p>
May 2014	<p>WEB informed the Minister that WEB will need to increase the electricity tariffs as a result of a number of factors mainly reduced sales, the effect of the delivered price, higher than forecasted HFO consumption and funding of investments to accommodate in the electrical grid additional green efficiency projects.</p>
October 2014	<p>WEB increased the electricity tariffs.</p>

8. Tariff developments at WEB (continued)

As shown in the table below, the Platt's average price has significantly decreased in the last months of 2014.

Month	Platts Average per bbl	Delivered Price per bbl	Variance	Cost in AWG
JAN	\$88.24	\$90.44	(\$2.20)	(419,894.66)
FEB	\$90.34	\$91.69	(\$1.35)	(250,987.30)
MAR	\$89.31	\$91.69	(\$2.38)	(467,526.58)
APR	\$90.74	\$90.98	(\$0.24)	(47,761.47)
MAY	\$91.78	\$90.74	\$1.04	217,364.10
JUN	\$93.10	\$90.73	\$2.37	473,217.78
JUL	\$88.98	\$91.64	(\$2.67)	(573,568.03)
AUG	\$87.64	\$94.28	(\$6.64)	(1,558,009.00)
SEP	\$85.91	\$94.28	(\$8.38)	(1,943,195.60)
OCT	\$73.15	\$86.79	(\$13.64)	(3,264,549.34)
NOV	\$63.97	\$85.48	(\$21.51)	(5,060,411.66)
DEC	\$48.88	\$76.86	(\$27.98)	(6,148,067.05)
Total impact in AWG				(19,043,388.82)

(Source: WEB impact of Deliver Price compared to Platt's average for 2014)

PwC

8. Tariff developments at WEB (continued)

The combined effects of Deliver price versus Platt's average and hedge results due to the significant decrease of HFO prices, both for 2014, are as follows:

Month	Hedging	Delivered Price	Total
JAN	(95,641.20)	(419,894.66)	(515,535.86)
FEB	(53,969.76)	(250,987.30)	(304,957.06)
MAR	283,197.60	(467,526.58)	(184,328.98)
APR	132,156.72	(47,761.47)	84,395.25
MAY	380,916.00	217,364.10	598,280.10
JUN	591,870.60	473,217.78	1,065,088.38
JUL	815,497.20	(573,568.03)	241,929.17
AUG	64,309.50	(1,558,009.00)	(1,493,699.50)
SEP	(205,427.70)	(1,943,195.60)	(2,148,623.30)
OCT	(526,716.00)	(3,264,549.34)	(3,791,265.34)
NOV	(3,221,953.38)	(5,060,411.66)	(8,282,365.04)
DEC	(4,672,242.00)	(6,148,067.05)	(10,820,309.05)
Total impact in AWG	(6,508,002.42)	(19,043,388.82)	(25,551,391.24)

(Source: WEB impact of Deliver Price compared to Platt's average for 2014)

PwC

9. Hedge developments and calculations

This chapter follows the development of the hedges and the corresponding results for the period of 2012-2014

Hedge	Forecasted consumption in bbls/day	Hedged consumption in bbls/day	Coverage % based on Forecast	Max. Price for hedged consumption	Hedge result
2012	4,033	3,000	75%	\$93.01	3,037,867.20
2013	3,614	3,118	87%	\$93.87	177,471.00
2014	3,584	3,350	94%	\$88.64	(6,508,002.42)
Net hedge result in Awg.					(3,292,664.22)

Source: WEB

As can be observed from the table above, the coverage based on the forecasted consumption was at the time of the initiation in 2012 at 75%. At this time collars were used and the hedge results were 3.038M positive at the end of 2012. The first two hedges that started in July of 2012 were collars. Hedge #1 had a put of \$75.00 per barrel and a call of \$90.00 per barrel. This hedge yielded a positive hedge result of Awg. 1,711M. Hedge #2 was also a collar and had a put of \$85.00 per barrel and a call of \$95.00 per barrel. This hedge yielded a positive hedge result of Awg. 637K. The third and final hedge for 2012 was a swap with a strike price of \$94.25, which yielded a positive hedge result of Awg. 690K at the end of 2012. Note that WEB had paid a premium for the first two hedges (Awg. 890k for hedge #1 and Awg. 740k for hedge #2), which needs to be taken into account when calculating the overall hedge result.

At the end of 2013 the hedge result was Awg. 177K positive, which included the realized results during 2013 (Awg. 2,55M positive) from the contracts closed in 2012. The other hedges realized in 2013 were four (4) swaps with prices ranging from \$100.15 to \$95.25. These swaps resulted in a collective negative result of Awg. 2,37M, recognized in 2013. As the costless collars were not attractive and collars with premium were too expensive the choice was made to solely implement swaps (given swaps are free of premium) in 2013. This was understood from the interviews held with the Hedge Team, Management and the Supervisory Board. The hedges closed during 2013 for 2014 were swaps that ranged in prices from \$99.70 to \$89.80. At the end of 2014, a total negative hedge result of Awg. 6,5M was realized. Until October 2014 the hedge contracts in total had a positive result of approximately Awg. 1.4M, but this positive hedge result was quickly consumed by the negative results incurred after the rapid decline in fuel pricing as of mid-October 2014.

Source: WEB, note that no audit or review has been performed on the figures as shown in the text above

PwC

9. Hedge developments and calculations (continued)

This chapter follows the development of the hedges and the corresponding results for the period of January 2015.

Hedge	Forecasted consumption in bbls/day	Hedged consumption in bbls/day	Coverage % based on Forecast	Max. Price for hedged consumption	Hedge result
2015	3,564	3,342	94%	\$85.79	(6,862,981.50)
2016	3,373	2,908	87%	\$82.10	n/a

Source: WEB

The forecasted hedge result for 2015 and 2016, based on different price levels, are shown in the calculations on the next pages. The negative realized hedge result for January 2015 is Awg. 6,9M. The hedge results are recognized in the next fiscal month and not in the month the hedge was realized.

As can be observed, the coverage percentage is expected to be at 94% for 2015 and 87% for 2016.

9. Hedge developments and calculations (continued)

calculations for 2015

WEB calculated the total opportunity cost in Awg which we verified and assessed based on reasonableness. The calculations involving different assumptions for average HFO prices per barrel for the period from January 2015 until December 2016. The figures above are based on unchanged factors with the exception of the HFO market price per barrel. These market prices range from \$40 to \$120 per barrel. Given the hedged price, the lower the price per barrel the higher the opportunity cost will be for WEB. It is also visible from the table below that the total opportunity cost would be positive in the case of an HFO price of \$100 per barrel. In these calculations the swaps would serve their purpose of protecting against a higher HFO price.

Hedge #	Hedge price	Barrels hedged per day	\$40 per bbl. (average)	\$60 per bbl. (average)	\$80 per bbl. (average)	\$100 per bbl. (average)	\$120 per bbl. (average)
17717622	\$87.20	1,000	(31,010)	(17,870)	(4,730)	8,410	21,550
17719068	\$86.50	500	(15,275)	(8,705)	(2,135)	4,435	11,005
21531442	\$85.75	500	(15,029)	(8,459)	(1,889)	4,681	11,251
17755679	\$84.75	500	(14,700)	(8,130)	(1,560)	5,010	11,580
17759638	\$84.35	842	(24,534)	(13,470)	(2,406)	8,657	19,721
Total opportunity cost in Awg. x 1,000			(100,549)	(56,635)	(12,721)	31,193	75,106

Source: WEB

In the case that the market price of HFO would be \$40.00 average per yearend 2015, WEB would be faced with a maximum total negative opportunity cost of Awg. 100.5M. In the adverse situation if the HFO market price were to climb towards an average of \$120.00 per barrel, WEB would have a positive opportunity cost of Awg. 75.1M. It is not possible to predict what the average price of HFO will be in the coming 6 months or year from now. Therefore the objective of these calculations is not to make assumption but rather to provide perspective.

9. Hedge developments and calculations (continued)

calculations for 2016

Hedge #	Hedge price	Barrels hedged per day	\$40 per bbl. (average)	\$60 per bbl. (average)	\$80 per bbl. (average)	\$100 per bbl. (average)	\$120 per bbl. (average)
17781529	\$82.10	1,500	(41,603)	(21,839)	(2,075)	17,689	37,453
17783388	\$82.10	1,408	(39,052)	(20,500)	(1,948)	16,604	35,156
Total opportunity cost in Awg. x1,000			(80,655)	(42,339)	(4,023)	34,293	72,608

Source: WEB

The same reasoning behind the calculations for 2015 applies for 2016. If the average HFO market price were \$40,00 per barrel WEB would have a total (negative) opportunity cost of approximately Awg. 80.7 M. If the average HFO market price were to climb to \$120,00 per barrel, WEB would have a positive opportunity cost of Awg. 72.6M.

10. Indication of realized and unrealized hedge results per average household during 2012-2016

Based upon the realized hedge results of 2012 to 2014 (refer to chapter 8) and the sold kWh per year (as received by e-mail from M. Janssen, January 30, 2015) a calculation can be presented of the hedge results per average household (average annual usage kWh received from N.V. Electriciteit-Maatschappij Aruba (Elmar) by email (Financial Manager of Elmar, February 2, 2015).

Realized hedge results

	Realized hedge results	Sold kWh	Realized hedge result per kWh	Annual kWh usage average family	Average annual hedge result (Avg.)	Average monthly hedge result (Avg.)
Jul-Dec 2012	3.037.867	424.824.567	0,00715	3.852	27,55	4,59
2013	177.471	831.997.595	0,00021	7.728	1,65	0,14
2014	(6.508.002)	813.498.797	(0,00800)	7.452	(59,62)	(4,97)
2012-2014	(3.292.664)		(0,00064)		(30,42)	(0,24)

Based on this calculation the hedge results for 2012 and 2013 had a monthly positive effect per average household of respectively Avg. 4.59 for 2012 and Avg. 0.14 for 2013. For 2014 a monthly negative effect occurred of Avg. 4.97 per average household. Note that these effects mentioned, would be the effects on the average household in case the realized hedge results were to be translated into tariff adjustment and this is excluding any effects of cross-subsidy.

During the period from July 2012 (starting point of current hedging activities at WEB) until December 2014, the average monthly hedge result per average household has been Avg. 0.24.

10. Indication of realized and unrealized hedge results per average households during 2012-2016

Based upon the calculations (as shown in chapter 9) and the sold kWh per year (as received by e-mail from M. Janssen, January 30, 2015) a indication can be presented of the hedge results of an average household (average annual usage kWh received from Elmar by email (Financial Manager of Elmar, February 2, 2015) of the unrealized hedge results per average household in 2015 and 2016.

We note that for 2015 and 2016 these are unrealized gains or losses, based on the calculations shown. The realized gains or losses for 2015 and 2016 can only be determined at the end of the hedging contracts.

Unrealized hedge results (based on calculations)

Year / Scenario	\$ 40,00 / bbls (average)	\$ 60,00 / bbls (average)	\$ 80,00 / bbls (average)	\$ 100,00 / bbls (average)	\$ 120,00 / bbls (average)
2015 hedge result (Avg.)	(100.549.000)	(56.635.000)	(12.721.000)	31.193.000	75.106.000
Budgeted kWh sales	807.062.477	807.062.477	807.062.477	807.062.477	807.062.477
<u>2015 result per kWh</u>	<u>(0,12459)</u>	<u>(0,07017)</u>	<u>(0,01576)</u>	<u>0,03865</u>	<u>0,09306</u>
Budgeted kWh usage average family for 2015	7.344	7.344	7.344	7.344	7.344
<u>Unrealized hedge result 2015 per average household (Avg.)</u>	<u>(914,96)</u>	<u>(515,36)</u>	<u>(115,76)</u>	<u>283,85</u>	<u>683,44</u>
2016 hedge result (Avg.)	(80.655.000)	(42.399.000)	(4.023.000)	34.293.000	72.608.000
Budgeted kWh sales	801.358.132	801.358.132	801.358.132	801.358.132	801.358.132
<u>2016 result per kWh</u>	<u>(0,10065)</u>	<u>(0,05291)</u>	<u>(0,00502)</u>	<u>0,04279</u>	<u>0,09061</u>
Budgeted kWh usage average family for 2015	7.344	7.344	7.344	7.344	7.344
<u>Unrealized hedge result 2016 per average household (Avg.)</u>	<u>(739,16)</u>	<u>(388,56)</u>	<u>(36,87)</u>	<u>314,28</u>	<u>665,41</u>
<u>Unrealized hedge result 2015-2016 per average household (year) (Avg.)</u>	<u>(1.654,12)</u>	<u>(903,92)</u>	<u>(152,63)</u>	<u>598,12</u>	<u>1.348,85</u>
<u>Unrealized hedge result 2015-2016 per average household (month) (Avg.)</u>	<u>(68,92)</u>	<u>(37,66)</u>	<u>(6,36)</u>	<u>24,92</u>	<u>56,20</u>

* as the budget for 2016 is not yet available, the budgeted usage of 2015 has also been used for calculations of 2016

Note that no audit has been performed on the figures received from WEB and Elmar.

PwC

11. Recommendations

Based on the facts observed we have compiled a number of recommendations that might be of interest to you:

- We recommend Utilities and WEB to finalize on short term the action plan currently being evaluated by WEB that should aid in the mitigation of the adverse effects of the hedge contracts still active for 2015 and 2016
- We recommend WEB to improve and standardize the decision making process regarding hedging
- We recommend WEB to amend the formalized and agreed hedging strategy to coincide with the activities as being performed in practice at the moment including the formal documentation of role and responsibilities of the Hedge Team, Management and Supervisory Board regarding hedging activities
- We advise WEB to consider the set-up of a review of approval processes regarding hedging in comparison to the formalized procedures
- We advise WEB to implement periodic moments of transparent information delivery and/or discussion to inform the stakeholders of WEB's (hedging) activities and it's consequences rather than doing so when questions arise
- We advise WEB to consider the employment of a hedging specialist or alternatively look for a second opinion to validate the advices of Kase & Co

Appendices

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A. Meetings held during the engagement

During the fact finding several meetings have taken place. What is discussed during these meetings, as far as facts are concerned, is included in our report of factual findings.

Meeting #1 – Hedge Team of WEB Aruba

Date: January 21, 2015
Time: 8:00 – 10:00
Attendance: M.J.M.Janssen (WEB), V.M. Werleman (WEB), L.J. Reyes (WEB), M.R. Croes (WEB)
PwC

Meeting #2 – Macquarie

Date: January 21, 2015
Time: 11:00 – 11:30
Attendance: B.S.Higgins (Macquarie Group Ltd.), M.J.M.Janssen (WEB)
PwC

Meeting #3 – Kase & Co.

Date: January 21, 2015
Time: 11:30 – 12:30
Attendance: D. Rogers (Kase & Co.), M.J.M. Janssen (WEB)
PwC

PwC

A. Meetings held during the engagement (continued)

Meeting #4 – Management of WEB Aruba

Date: January-21, 2015

Time: 14:00 – 15:00

Attendance: O.J. Boekhouth (WEB), L.M. Beukenboom (WEB)
PwC

Meeting #5 – Supervisory Board of WEB Aruba

Date: January 26, 2015

Time: 11:00 – 12:00

Attendance: J.R. Every (Supervisory Board WEB), C. Timmer (Supervisory Board WEB), A.F. Lacle (Supervisory Board WEB), G.B. Ras (Supervisory Board WEB)
PwC

D.E. Cijnije (Supervisory Board WEB) was excused.

B. Documentation received during fact finding

During the fact finding we received several documents underlying the facts. The documents used are shown below.

Hedge Training & Strategy Development

- WEB Aruba Risk Management Education and Strategy Proposal.pdf
- Energy Risk Management Training Outline.pdf
- WEB Aruba Attachment A.pdf
- WEB Aruba Tentative Schedule.pdf
- 5050-Hedging.pdf
- Presentation Hedging June 2012.pdf
- Kase Basis and Regression Analysis - 20120609.pdf
- Hedging Presentation Directie AUG 2012.pdf
- Presentation Hedging RvC 29 November 2012 v2.pdf
- WEB Aruba Strategy_FINAL.pdf
- Hedge Training Preparation Surveys.pdf
- WEB Hedging Questions.doc
- WEB Additional Questions.doc
- Questionnaire Answers.xls

Executed Hedges

- Hedge #1 - HH_11498204
 - Advise Dean Rogers June 25, 2012.pdf
 - Hedge #1-7 - Approval request.pdf
 - Hedge #1-7 - Approval by RvC.pdf
 - Hedge #1 - HH_11507406 - Hedge Contract.pdf
- Hedge #2 - HH_11507406
 - Oil_062912.pdf
 - Hedge #1-7 - Approval request 1.pdf
 - Hedge #1-7 - Approval 1 by RvC.pdf
 - Hedge #1-7 - Approval request 2.pdf
 - Hedge #1-7 - Approval 2 by RvC - A. Lacle.pdf
 - Hedge #1-7 - Approval 2 by RvC - D. Cijntje.pdf
 - Hedge #1-7 - Approval 2 by RvC - G. Ras.pdf
 - Hedge #1-7 - Approval 2 by RvC - J. Every.pdf
 - Hedge #1-7 - Approval 2 by RvC - R. Timmer.pdf
 - Hedge #2 - HH-11507406 - Hedge Contract.PDF

B. Documentation received during fact finding (continued)

Executed Hedges (continued)

Hedge #3 - HH 11524462

- Oil_070612.pdf
- Advise Dean Rogers July 13, 2012.pdf
- Brent Options 13 Jul 2012.xls
- Hedge #1-7 - Approval request 1.pdf
- Hedge #1-7 - Approval 1 by RvC.pdf
- Hedge #1-7 - Approval request 2.pdf
- Hedge #1-7 - Approval 2 by RvC - A. Lacle.pdf
- Hedge #1-7 - Approval 2 by RvC - D. Cijntje.pdf
- Hedge #1-7 - Approval 2 by RvC - G. Ras.pdf
- Hedge #1-7 - Approval 2 by RvC - J. Every.pdf
- Hedge #1-7 - Approval 2 by RvC - R. Timmer.pdf
- Hedge #3 - HH-11524462 - Hedge Contract.pdf

Hedge #4 - HH 11796968

- Oil_012513.pdf
- Oil_020113.pdf
- Hedge #1-7 - Approval request 1.pdf
- Hedge #1-7 - Approval 1 by RvC.pdf
- Hedge #1-7 - Approval request 2.pdf

- Hedge #1-7 - Approval 2 by RvC - A. Lacle.pdf
- Hedge #1-7 - Approval 2 by RvC - D. Cijntje.pdf
- Hedge #1-7 - Approval 2 by RvC - G. Ras.pdf
- Hedge #1-7 - Approval 2 by RvC - J. Every.pdf
- Hedge #1-7 - Approval 2 by RvC - R. Timmer.pdf
- Hedge #4 - HH-11796968 - Hedge Contract.pdf

Hedge #5 - 14352146

- Oil_012513.pdf
- Oil_020113.pdf
- Hedge #1-7 - Approval request 1.pdf
- Hedge #1-7 - Approval 1 by RvC.pdf
- Hedge #1-7 - Approval request 2.pdf
- Hedge #1-7 - Approval 2 by RvC - A. Lacle.pdf
- Hedge #1-7 - Approval 2 by RvC - D. Cijntje.pdf
- Hedge #1-7 - Approval 2 by RvC - G. Ras.pdf
- Hedge #1-7 - Approval 2 by RvC - J. Every.pdf
- Hedge #1-7 - Approval 2 by RvC - R. Timmer.pdf
- Hedge #5 - 14352146001 - Hedge Contract.pdf

B. Documentation received during fact finding (continued)

Executed Hedges (continued)

Hedge #6 - HH_11848284

- Oil_030813.pdf
- Hedge #1-7 - Approval request 1.pdf
- Hedge #1-7 - Approval 1 by RvC.pdf
- Hedge #1-7 - Approval request 2.pdf
- Hedge #1-7 - Approval 2 by RvC - A. Lacle.pdf
- Hedge #1-7 - Approval 2 by RvC - D. Cijntje.pdf
- Hedge #1-7 - Approval 2 by RvC - G. Ras.pdf
- Hedge #1-7 - Approval 2 by RvC - J. Every.pdf
- Hedge #1-7 - Approval 2 by RvC - R. Timmer.pdf
- Hedge #6 - HH_11848284 - Hedge Contract.pdf

Hedge #7 - 14696570

- Hedge #1-7 - Approval request 1.pdf
- Hedge #1-7 - Approval 1 by RvC.pdf
- Hedge #1-7 - Approval request 2.pdf
- Hedge #1-7 - Approval 2 by RvC - A. Lacle.pdf
- Hedge #1-7 - Approval 2 by RvC - D. Cijntje.pdf
- Hedge #1-7 - Approval 2 by RvC - G. Ras.pdf
- Hedge #1-7 - Approval 2 by RvC - J. Every.pdf

- Hedge #1-7 - Approval 2 by RvC - R. Timmer.pdf

Hedge #7 - 14696570 - Hedge Contract.pdf

- Hedge #8 - HH_11905231
- Oil_040513.pdf
- Oil_041213.pdf
- Hedge #8-13 - Approval by RvC.pdf
- Hedge #8 - HH_11905231 - Hedge Contract.pdf

Hedge #9 - HH_11920125

- Oil_041213.pdf
- Oil_042613.pdf
- Hedge #8-13 - Approval by RvC.pdf
- Hedge #9 - HH_11920125 - Hedge Contract.pdf

Hedge #10 - HH_17013932

- Oil_060713.pdf
- Oil_062113.pdf
- Hedge #8-13 - Approval by RvC.pdf
- Hedge #10 - HH_17013932 - Hedge Contract.pdf

B. Documentation received during fact finding (continued)

Executed Hedges (continued)

Hedge #11 - 17146429

- Market Commentary 10.01.13.pdf
- Market Commentary 10.02.13.pdf
- Market Commentary 10.03.13.pdf
- Market Commentary 10.04.13.pdf
- Market Commentary 10.07.13.pdf
- Market Commentary 10.08.13.pdf
- Market Commentary 10.09.13.pdf
- Oil_092713.pdf
- Oil_100413.pdf
- Hedge #8-13 - Approval by RvC.pdf
- Hedge #11 - 17146429 - Hedge Contract.pdf

Hedge #12 - 17300108

- Market Commentary 10.15.13.pdf
- Market Commentary 10.16.13.pdf
- Market Commentary 10.17.13.pdf
- Market Commentary 10.18.13.pdf
- Market Commentary 10.21.13.pdf
- Market Commentary 10.22.13.pdf

- Market Commentary 10.23.13.pdf
 - Oil_101113.pdf
 - Oil_101813.pdf
 - Hedge #8-13 - Approval by RvC.pdf
 - Hedge #12 - 17300108 - Hedge Contract.pdf
- #### Hedge #13 - HH 17166392
- Market Commentary 10.15.13.pdf
 - Market Commentary 10.16.13.pdf
 - Market Commentary 10.17.13.pdf
 - Market Commentary 10.18.13.pdf
 - Market Commentary 10.21.13.pdf
 - Market Commentary 10.22.13.pdf
 - Oil_101113.pdf
 - Oil_101813.pdf
 - Hedge #8-13 - Approval by RvC.pdf
 - Hedge #13 - HH-17166392 - Hedge Contract.pdf

B. Documentation received during fact finding (continued)

Executed Hedges (continued)

Hedge #14 - HH_17717622

- Market Commentary 08.20.14.pdf
- Market Commentary 08.21.14.pdf
- Market Commentary 08.22.14.pdf
- Oil_082214.pdf
- Oil_082914.pdf
- Hedge #14-15 - Approval request 1.pdf
- Hedge #14-15 - Reply to D. Cijntje Aug 14, 2014.pdf
- Hedge #14-15 - Reply to G. Ras Aug 14, 2014.pdf
- Hedge #14-15 - Approval 1 by RvC - D. Cijntje.pdf
- Hedge #14-15 - Approval 1 by RvC - D. Cijntje Confirmation.pdf
- Hedge #14-15 - Approval 1 by RvC - G. Ras.pdf
- Hedge #14-15 - Approval 1 by RvC - J. Every.pdf
- Hedge #14-15 - Approval 1 by RvC - R. Timmer.pdf
- Hedge #14-15 - Approval request 2.pdf
- Hedge #14-15 - Approval 2 by RvC - D. Cijntje.pdf
- Hedge #14-15 - Approval 2 by RvC - G. Ras.pdf
- Hedge #14-15 - Approval 2 by RvC - J. Every.pdf
- Hedge #14-15 - Approval 2 by RvC - R. Timmer.pdf

- Hedge #14 - HH_17717622 - Hedge Contract.pdf
- Hedge #14-15 - Email to RvC regarding executed trades Sep 2, 2014.pdf
- Hedge #14-15 - Email to RvC regarding executed trades Sep 2, 2014 2.pdf

Hedge #15 - HH_17719068

- Market Commentary 08.20.14.pdf
- Market Commentary 08.21.14.pdf
- Market Commentary 08.22.14.pdf
- Oil_082214.pdf
- Oil_082914.pdf
- Hedge #14-15 - Approval request 1.pdf
- Hedge #14-15 - Reply to D. Cijntje Aug 14, 2014.pdf
- Hedge #14-15 - Reply to G. Ras Aug 14, 2014.pdf
- Hedge #14-15 - Approval 1 by RvC - D. Cijntje.pdf
- Hedge #14-15 - Approval 1 by RvC - D. Cijntje Confirmation.pdf
- Hedge #14-15 - Approval 1 by RvC - G. Ras.pdf
- Hedge #14-15 - Approval 1 by RvC - J. Every.pdf
- Hedge #14-15 - Approval 1 by RvC - R. Timmer.pdf
- Hedge #14-15 - Approval request 2.pdf
- Hedge #14-15 - Approval 2 by RvC - D. Cijntje.pdf

B. Documentation received during fact finding (continued)

Executed Hedges (continued)

- Hedge #14-15 - Approval 2 by RvC - G. Ras.pdf
- Hedge #14-15 - Approval 2 by RvC - J. Every.pdf
- Hedge #14-15 - Approval 2 by RvC - R. Timmer.pdf
- Hedge #15 - HH_17719068 - Hedge Contract.pdf

Hedge #16 - 21531442

- Market Commentary 09.09.14.pdf
- Market Commentary 09.10.14.pdf
- Market Commentary 09.11.14.pdf
- Market Commentary 09.12.14.pdf
- Market Commentary 09.15.14.pdf
- Market Commentary 09.16.14.pdf
- Market Commentary 09.17.14.pdf
- Oil_090514.pdf
- Oil_091214.pdf
- Advise Dean Rogers Sep 15, 2014.pdf
- Hedge #16-18 - Advise request Kase & Co.pdf
- Hedge #16-18 - Approval request.pdf
- Hedge #16-18 - Approval follow-up.pdf
- Hedge #16-18 - Approval by RvC - A. Lacle.pdf

- Hedge #16-18 - Approval by RvC - D. Cijntje.pdf
- Hedge #16-18 - Approval by RvC - G. Ras.pdf
- Hedge #16-18 - Approval by RvC - J. Every.pdf
- Hedge #16-18 - Approval by RvC - R. Timmer.pdf
- Hedge #16 - 21531442 - Hedge Contract.pdf
- Hedge #16-18 - Email to RvC regarding executed trades Sep 24, 2014. pdf

Hedge #17 - HH_17755679

- Market Commentary 09.10.14.pdf
- Market Commentary 09.11.14.pdf
- Market Commentary 09.12.14.pdf
- Market Commentary 09.15.14.pdf
- Market Commentary 09.16.14.pdf
- Market Commentary 09.17.14.pdf
- Market Commentary 09.18.14.pdf
- Oil_090514.pdf
- Oil_091214.pdf
- Hedge #16-18 - Advise request Kase & Co.pdf
- Hedge #16-18 - Approval request.pdf
- Hedge #16-18 - Approval follow-up.pdf

B. Documentation received during fact finding (continued)

Executed Hedges (continued)

- Hedge #16-18 - Approval by RvC - A. Lacle.pdf
 - Hedge #16-18 - Approval by RvC - D. Cijntje.pdf
 - Hedge #16-18 - Approval by RvC - G. Ras.pdf
 - Hedge #16-18 - Approval by RvC - J. Every.pdf
 - Hedge #16-18 - Approval by RvC - R. Timmer.pdf
 - Hedge #17 - HH_17755679 - Hedge Contract.pdf
- Hedge #18 - HH 17759638
- Market Commentary 09.12.14.pdf
 - Market Commentary 09.15.14.pdf
 - Market Commentary 09.16.14.pdf
 - Market Commentary 09.17.14.pdf
 - Market Commentary 09.18.14.pdf
 - Market Commentary 09.19.14.pdf
 - Market Commentary 09.22.14.pdf
 - Oil_091214.pdf
 - Oil_091914.pdf
 - Hedge #16-18 - Advise request Kase & Co.pdf
 - Hedge #16-18 - Approval request.pdf
 - Hedge #16-18 - Approval follow-up.pdf

- Hedge #16-18 - Approval by RvC - A. Lacle.pdf
 - Hedge #16-18 - Approval by RvC - D. Cijntje.pdf
 - Hedge #16-18 - Approval by RvC - G. Ras.pdf
 - Hedge #16-18 - Approval by RvC - J. Every.pdf
 - Hedge #16-18 - Approval by RvC - R. Timmer.pdf
 - Hedge #18 - HH_17759638 - Hedge Contract.pdf
- Hedge #19 - HH 17781529
- Market Commentary 09.23.14.pdf
 - Market Commentary 09.24.14.pdf
 - Market Commentary 09.25.14.pdf
 - Market Commentary 09.29.14.pdf
 - Market Commentary 09.30.14.pdf
 - Market Commentary 10.01.14.pdf
 - Market Commentary 10.02.14.pdf
 - Oil_091914.pdf
 - Oil_092614.pdf
 - Hedge #19-20 - Approval request.pdf
 - Hedge #19-20 - Inquiry D. Cijntje.pdf
 - Hedge #19-20 - Price update.pdf
 - Hedge #19-20 - Response D. Cijntje.pdf

B. Documentation received during fact finding (continued)

Executed Hedges (continued)

- Hedge #19-20 - Approval by RvC - D. Cijntje.pdf
- Hedge #19-20 - Approval by RvC - G. Ras.pdf
- Hedge #19-20 - Approval by RvC - J. Every.pdf
- Hedge #19-20 - Approval by RvC - R. Timmer.pdf
- Hedge #19 - HH_17781529 - Hedge Contract.pdf
- Hedge #19-20 - Email to RvC regarding executed trades Oct 3, 2014.pdf

Hedge #20 - HH 17783388

- Market Commentary 09.24.14.pdf
- Market Commentary 09.25.14.pdf
- Market Commentary 09.29.14.pdf
- Market Commentary 09.30.14.pdf
- Market Commentary 10.01.14.pdf
- Market Commentary 10.02.14.pdf
- Market Commentary 10.03.14.pdf
- Oil_091914.pdf
- Oil_092614.pdf
- Hedge #19-20 - Approval request.pdf
- Hedge #19-20 - Approval by RvC - D. Cijntje.pdf

- Hedge #19-20 - Approval by RvC - G. Ras.pdf
- Hedge #19-20 - Approval by RvC - J. Every.pdf
- Hedge #19-20 - Approval by RvC - R. Timmer.pdf
- Hedge #20 - HH_17783388 - Hedge Contract.pdf
- Hedge #19-20 - Email to RvC regarding executed trades Oct 3, 2014. pdf

Other information

- 2012-Q4 CL Producer and Consumer Report.pdf
- 2013-Q1 CL Producer and Consumer Report.pdf
- 2013-Q2 CL Producer and Consumer Report.pdf
- 2013-Q3 CL Producer and Consumer Report.pdf
- 2013-Q4 CL Producer and Consumer Report.pdf
- 2014-Q1 CL Producer and Consumer Report.pdf
- 2014-Q2 CL Producer and Consumer Report.pdf
- 2014-Q3 CL Producer and Consumer Report.pdf
- 2014-Q4 CL Producer and Consumer Report.pdf
- 2015-Q1 CL Producer and Consumer Report.pdf
- 5037-Memo Samenvatting Hedge Activiteiten 2015.pdf
- Hedge Calculations 2015.xlsx
- Hedge Calculations 2015-2016.xlsx

B. Documentation received during fact finding (continued)

Hedge Accounting

2012

- 20120831 Macquarie.pdf
- 20120928 Macquarie.pdf
- 20121031 Macquarie.pdf
- 20121130 Macquarie.pdf
- 20121231 Macquarie.pdf
- 2012 - Market Re-valuations Macquarie.xlsx

2013

- 20130131 Macquarie.pdf
- 20130228 Citi.pdf
- 20130228 Macquarie.pdf
- 20130329 Citi.pdf
- 20130329 Macquarie.pdf
- 20130430 Citi.pcf
- 20130430 Macquarie.pdf
- 20130531 Citi.pcf
- 20130531 Macquarie.pdf
- 20130628 Citi.pdf
- 20130628 Macquarie.pdf
- 20130731 Citi.pdf
- 20130731 Macquarie.pdf
- 20130831 Citi.pdf
- 20130831 Macquarie.pdf
- 20130930 Citi.pdf
- 20130930 Macquarie.pdf
- 20131030 Citi.pdf
- 20131030 Macquarie.pdf
- 20131130 Citi.pdf
- 20131130 Macquarie.pdf
- 20131231 Citi.pdf
- 20131231 Macquarie.pdf
- 2013 - Market Re-valuations Citi.xls
- 2013 - Market Re-valuations Macquarie.xlsx
- Hedge Accounting Reconciliation 2013.xlsx

2014

- 20140131 Citi.pdf
- 20140131 Macquarie.pdf
- 20140228 Citi.pdf
- 20140228 Macquarie.pdf

B. Documentation received during fact finding (continued)

Hedge Accounting (continued)

- 20140331 Citi.pdf
- 20140331 Macquarie.pdf
- 20140430 Citi.pdf
- 20140430 Macquarie.pdf
- 20140531 Citi.pdf
- 20140531 Macquarie.pdf
- 20140630 Citi.pdf
- 20140630 Macquarie.pdf
- 20140731 Citi.pdf
- 20140731 Macquarie.pdf
- 20140831 Citi.pdf
- 20140831 Macquarie.pdf
- 20140930 Citi.pdf
- 20140930 Macquarie.pdf
- 20141031 Citi.pdf
- 20141031 Macquarie.pdf
- 20141130 Citi.pdf
- 20141130 Macquarie.pdf
- 20141231 Citi.pdf

- 20141231 Macquarie.pdf

- 2014 - Market Re-valuations Citi.xls
- 2014 - Market Re-valuations Macquarie.xlsx

2014

- Hedge Accounting.xlsx

Other

- Landsbesluit 30.09.1994 vergunning energieopwekking.pdf
- Landsbesluit 08.02.2013 vergunning energieopwekking.pdf
- W.E.B. Aruba N.V. - 1st Quarter Report 2014.pdf
- W.E.B. Aruba N.V. - 2nd Quarter Report 2014.PDF
- W.E.B. Aruba N.V. - 3rd Quarter Report 2014.pdf

B. Documentation received during fact finding (continued)

Received during fact finding

- HFO 2015-2017.xlsx
- Hedge Calculations 2015 with restructure.xlsx
- Hedge re-structure Macquarie OLD.pdf
- Hedge re-structure Macquarie NEW.pdf
- FO Pricing Slides.pptx
- FO Pricing Slides v2.pptx
- WEB Hedging Questions.doc
- WEB Additional Questions.doc
- Questionnaire Answers.xls
- Dialogo Social protocol energie 10 aug 2012 bw.pdf
- Presentatie Dialogo Social Socializing AUG 2012.pdf
- Statuut WEB Aruba N.V..pdf
- 2015-01-29 Analyse impact average household 2012-2016.xlsx
- 128-15, verzoek van PWC.pdf
- Instructie Bestuur WEB Aruba N.V..pdf

C. Minutes of Supervisory Board meetings WEB Aruba read during fact finding

Minutes of meetings – Supervisory Board WEB

Minutes of meetings are made available for inspection at the offices of WEB, copies of the minutes have not been obtained)

2015

- Januari 14, 2015 (00-01-5002/LMB)

2014

- October 30, 2014 (00-01-5075/LMB)
- September 25, 2014 (00-01-5067/LMB)
- September 5, 2014 (00-01-5057/LMB)
- July 31, 2014 (00-01-5042/OJB)
- June 18, 2014 (00-01-5032/LMB)
- May 27, 2014 (00-01-5026/LMB)
- May 8, 2014 (00-01-5021/LMB)
- March 27, 2014 (00-01-5010/ LMB)
- February 27, 2014 (00-01-5009/LMB)
- January 30, 2014 (00-01-5002/LMB)
- January 9, 2014 (00-01-5001/ LMB)

2013

- December 5, 2013 (00-01-5063/LMB)
 - October 31, 2013 (00-01-5062/LMB)
 - September 26, 2013 (00-01-5056/LMB)
 - August 19, 2013 (00-01-5046/LMB)
 - July 30, 2013 (00-01-5040/LMB)
 - April 3, 2013 (00-01-5025/LMB)
 - February 28, 2013 (00-01-5017/LMB)
 - January 31, 2013 (00-01-5008/LMB)
- #### 2012
- December 28, 2012 (00-01-5113/LMB)
 - November 29, 2012 (00-01-5083/LMB)
 - October 25, 2012 (00-01-5078/LMB)
 - October 9, 2012 (00-01-5076/LMB)
 - August 30, 2012 (00-01-5072/OJB)
 - July 23, 2012 (00-01-5063/OJB)
 - June 28, 2012 (00-01-5051/OJB)

D. Overview of hedge results per year – 2012 until 2014

Hedge	Forecasted consumption in bbls/day	Hedged consumption in bbls/day	Coverage % based on Forecast	Max. Price for hedged consumption	Hedge result
2012	4,033	3,000	75%	\$93.01	3,037,867.20
2013	3,614	3,118	87%	\$93.87	177,471.00
2014	3,584	3,350	94%	\$88.64	(6,508,002.42)
Net hedge result in AWG					(3,292,664.22)

(Source: WEB overview of hedge results per year)

D. Overview of hedge results per year - 2012

Hedge #	Start	End	Type	Qty/day	Call	Put	Hedge result
11498204	Jul2012	Dec2013	Collar	1,000	\$75.00	\$90.00	1,711,310.40
11507406	Jul2012	Dec2013	Collar	1,000	\$85.00	\$95.00	636,710.40
11524462	Aug2012	Jan2013	Swap	1,000	\$94.25		689,846.40
Total hedge result in AWG							3,037,867.20

(Source: WEB overview of hedge results per year)

D. Overview of hedge results per year – 2013

Hedge #	Start	End	Type	Qty/day	Call	Put	Hedge result
11498204	Jul2012	Dec2013	Collar	1,000	\$75.00	\$90.00	2,106,498.60
11507406	Jul2012	Dec2013	Collar	1,000	\$85.00	\$95.00	337,737.60
11524462	Aug2012	Jan2013	Swap	1,000	\$94.25		103,341.60
11796968	Feb2013	Apr2013	Swap	500	\$100.15		(384,762.60)
14352146	Feb2013	Apr2013	Swap	500	\$99.70		(349,932.60)
11848284	May2013	Dec2013	Swap	1,000	\$95.50		(1,469,950.20)
14696570	Aug2013	Oct2013	Swap	500	\$95.25		(165,461.40)
Total hedge result in AWG							177,471.00

(Source: WEB overview of hedge results per year)

D. Overview of hedge results per year – 2014

Hedge #	Start	End	Type	Qty/day	Call	Put	Hedge result
11498204	Jul2012	Dec2013	Collar	1,000	\$75.00	\$90.00	105,629.40
11848284	May2013	Dec2013	Swap	1,000	\$99.70		(201,270.60)
11905231	Jan2014	Dec2014	Swap	750	\$87.20		(663,855.75)
11920125	Jan2014	Dec2014	Swap	750	\$88.80		(1,385,295.75)
17013932	Jan2014	Dec2014	Swap	500	\$87.35		(487,660.50)
17146429	Jan2014	Dec2014	Swap	500	\$89.80		(1,254,190.50)
17300108	Jan2014	Dec2014	Swap	500	\$89.90		(1,224,130.50)
17166392	Jan2014	Dec2014	Swap	350	\$89.80		(1,397,228.22)
Total hedge result in AWG							(6,508,002.42)

(Source: WEB overview of hedge results per year)

E. Glossary of common used abbreviations

Bbl(s)	Barrel(s)
Brent	A benchmark used to price European, African and Middle Eastern crude oil that is exported to the West.
Collar	A financial instrument where producers protect the bottom and want to keep the top open to maximize profit, therefore buy a put and sell a call. WEB, as a consumer, wants to protect the top and keep the bottom open to minimize cost. WEB therefore purchases a call and sells a put.
Deliver price	Pricing policy based on terms of shipment (lasting approximately 3 months)
Future	A futures contract is a type of derivative instrument, or financial contract, in which two parties agree to transact a set of financial instruments for future delivery at a particular price (source: http://www.investopedia.com)
Hedge	A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities (Source: http://www.businessdictionary.com/definition/hedging)
Hedge Team	A team established and trained to monitor the market and identify hedge opportunities and to provide advice to the Management and the Supervisory Board as opportunities arise.
Hedge window	Period in time when it is advisable to hedge against favorable prices
Hedging	Execution of hedge activities
HFO	Heavy Fuel Oil
Legging in	Legging in is a common practice used to lower risk when buying and selling (commodities) futures contracts (Source: http://www.investopedia.com/terms/l/legging-in.asp)
Management	Management in the case of hedging at WEB is Mr. O.J. Boekhoudt as Managing Director and Mrs. L.M. Beukenboom as Division Manager Finance
Minister	Minister of General Affairs and/or Minister of Economic Affairs, Communication, Energy and Environment
Platt's Average	Pricing policy based on monthly terms and rates
Supervisory Board	Body charged with governance
Swap	A swap in which exchanged cash flows are dependent on the price of an underlying commodity. A commodity swap is usually used to hedge against the price of a commodity (Source: http://www.investopedia.com/terms/c/commodityswap.asp)
WEB	Water- en Energiebedrijf Aruba (W.E.B.) N.V.

PwC

F. Hedging background and experience with hedging of the Supervisory Board

Hedging Background

Since the fierce price increases in 2010-2011 and considering the subsequent long process to adapt the prices for electricity, WEB has chosen to keep prices as stable as possible given the social unrest that can be caused by fluctuations in the price of electricity (the infamous 'fuel clause' discussion).

The long and arduous process required for the increase of rates is a threat to the financial health of the company given the large share of the fuel costs in the total cost of energy.

The financing eligibility of the company is dependent on this as financing institutions require the assurance that prices can be adapted in a timely manner and that the risk of increasing production costs are mitigated.

In addition to the efforts of WEB to be less dependent on fossil fuels, the policy has been to fix the costs of fuel purchase for a longer period of time, and hereby to limit the fluctuations of rates.

WEB tries to achieve this by making use of favorable purchasing moments on the fuel market (based on statistical analysis of experts in this field).

As the supplier of WEB is not prepared to assist in aiming for the lowest costs when purchasing fuel, WEB has chosen to make use of hedges to accomplish this as much as possible.

In doing so WEB chose methods that satisfy a number of conditions as already stated, but the most important being that only the volume of fuel to be consumed is hedged and that the hedging methods used to achieve the intended purpose are not complex derivative structures.

F. Hedging background and experience with hedging of the Supervisory Board

Hedging experience of member of the Supervisory Board

J.R. Every

Education

Hedging experience

Engineer (Ing) in Chemical Technology (Chemische Technologie) HTS Eindhoven, the Netherlands
Passive experience at Exxon/Lago Oil & Transport Co.-Aruba for 5 years and Esso BeNeLux.- Breda, the Netherlands 2 year s and over 47 year long career in the Petro-Chemical Industry

G.B. Ras

-

A.F. Lacle

-

D.E. Cijntje

Education

Hedging experience

Registered Accountant (Register Accountant)

Passive experience over career (35 years experience as tax-advising partner of a Big-Four partnership, banker and financial advisor to wealthy clients)

C. Timmer

Education

Hedging experience

MSc Business Economics (Drs bedrijfseconomie) Erasmus University

About 15 years of experience with ISDA contracts, initially in the context of hedging interest rate risks

Received by email on the 31st of January 2015 from Mr. J.R. Every

G. 'hoor en wederhoor' Supervisory Board of WEB

Based upon the procedures performed, we have prepared a draft report which we have discussed with the Supervisory Board of WEB. The response of the Supervisory Board of WEB has been included, and if necessary been adjusted, in this report.

Meeting – Supervisory Board of WEB Aruba

Date: February 9, 2015

Time: 12:00 – 13:00

Attendance: J.R. Every (Supervisory Board WEB), C. Timmer (Supervisory Board WEB), A.F. Lacle (Supervisory Board WEB), G.B. Ras (Supervisory Board WEB), D.E. Cijntje (Supervisory Board WEB)

PwC

All recommendations from out of the Supervisory Board have been adjusted to the draft report. The overall conclusion, as shown below, has not been included in the report.

Conclusion of the Supervisory Board

Based upon the draft report the Supervisory Board concludes:

1. Nothing irregular has happened; Management and Supervisory Board acted with due care and diligence ('als een goed huisvader') observing principles of good corporate governance
2. Management and Supervisory Board have relied on the advice of experienced hedging experts in arriving at the decisions to hedge for 2016
3. The main reason for hedging is the wish of the Government of Aruba to maintain long-term stable prices for electricity and water in Aruba
4. The sharp decline in oil prices after September 2014 was not to be anticipated by the experts in this field.

H. 'hoor en wederhoor' Management and the head of Hedge Team of WEB

Based upon the procedures performed, we have prepared a draft report which we have discussed with the Management and Hedge Team of WEB. The response of the Management and the Hedge Team of WEB has been included, and if necessary been adjusted, in this report.

Meeting – Management and head of the Hedge Team of WEB Aruba

Date: February 10, 2015

Time: 9:00 – 11:00

Attendance: O.J. Boekhoudt (Management of WEB), L.M. Beukenboom (Management of WEB), M.J.M.Janssen (Head of Hedge Team of WEB)

PwC

All recommendations from out of the Management and the Hedge Team have been adjusted to the draft report. The overall conclusion, as shown below, has not been included in the report.

Conclusion of the Management and the Hedge Team

The conclusions of WEB, based on the facts in this matter, are as follows:

1. WEB re-introduced hedging, as a structured approach to better manage its fuel related costs, in order to meet the desire of its stakeholders, including the Government of Aruba, to stabilize tariffs for a longer period of time. The stakeholders were duly informed, during the Social Dialog in 2012, that WEB started hedging and what the risks involved were.
2. WEB developed a new hedge strategy and program that would meet this primary goal, to stabilize tariffs. This hedge strategy and program was in principle approved by the Supervisory Board with some conditions.
3. A Hedge Team was established and trained to monitor the market and identify hedge opportunities and to provide advice to the Management and the Supervisory Board as opportunities arose.

H. 'hoor en wederhoor' Management and the head of Hedge Team of WEB

Conclusion of the Management and the Hedge Team (continued)

4. The Hedge Team formulated its advice to Management, and subsequently the Supervisory Board, based on the information available, the market conditions and the professional advice from its advisor Kase and Company Inc., a leader in energy hedging solutions, energy price forecasting, and stock, commodity, and FOREX trading indicators. The Hedge Team acted according to the hedge strategy and program and only when hedge opportunities arose (as triggered by the Kase Hedge Model), were these proposed to Management of WEB.
5. Management of WEB acted based on the advices provided by the Hedge Team and its own careful evaluation of the hedging proposals. At all times, Management of WEB acted with explicit prior approval of the Supervisory Board, as agreed upon with the Supervisory Board.
6. The recent rapid decline in fuel oil prices and current market conditions, due to which WEB incurs significant opportunity costs, was not and could not have been forecasted by industry experts, prior to the execution of the hedges for 2015 and 2016.
7. The assumptions made for 2015 and 2016, as it relates to possible additional opportunity costs, are merely indicative, as nobody, including industry experts, can accurately estimate what fuel oil prices will be in the future.
8. Considering the current situation at hand, WEB will review its hedge strategy and program and make amendments, if necessary.