



**SALTON SEA FUNDING** CORPORATION AND GUARANTORS

**Combined Financial Statements**

**For the Quarterly Period Ended June 30, 2014**

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**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED BALANCE SHEETS (Unaudited)**  
(In thousands)

	As of	
	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 60	\$ 23,426
Trade receivables	32,635	13,796
Inventories	23,015	22,210
Deferred income taxes	6,809	6,809
Other current assets	409	923
Total current assets	62,928	67,164
Property, plant and equipment, net	451,709	451,771
Intangible assets, net	31,415	34,181
Other assets	194	241
<b>Total assets</b>	<b>\$ 546,246</b>	<b>\$ 553,357</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 12,286	\$ 13,330
Major maintenance accruals	853	2,059
Accrued interest	484	538
Current portion of senior secured bonds	18,131	17,337
Deferred income taxes	713	713
Other current liabilities	3,796	3,715
Total current liabilities	36,263	37,692
Senior secured bonds	59,666	69,129
Due to affiliates	41	1,222
Deferred income taxes	106,136	117,681
Total liabilities	202,106	225,724
Commitments and contingencies (Note 4)		
Owners' equity	344,140	327,633
<b>Total liabilities and owners' equity</b>	<b>\$ 546,246</b>	<b>\$ 553,357</b>

The accompanying notes are an integral part of these combined financial statements.

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED STATEMENTS OF OPERATIONS (Unaudited)**  
(In thousands)

	<b>Three-Month Periods</b>		<b>Six-Month Periods</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Operating revenue</b>	\$ 42,813	\$ 43,417	\$ 73,905	\$ 72,083
<b>Operating costs and expenses:</b>				
Royalty, operating, general and administrative expense	28,523	27,996	64,718	55,970
Depreciation and amortization	15,349	14,391	30,471	30,919
Total operating costs and expenses	43,872	42,387	95,189	86,889
<b>Operating (loss) income</b>	(1,059)	1,030	(21,284)	(14,806)
<b>Other income (expense):</b>				
Interest expense	(1,585)	(1,872)	(3,224)	(3,789)
Interest and other income	1	281	45	317
Total other income (expense)	(1,584)	(1,591)	(3,179)	(3,472)
<b>Loss before income tax (benefit) expense</b>	(2,643)	(561)	(24,463)	(18,278)
Income tax (benefit) expense	(27,907)	7,540	(16,999)	11,643
<b>Net income (loss)</b>	\$ 25,264	\$ (8,101)	\$ (7,464)	\$ (29,921)

The accompanying notes are an integral part of these combined financial statements.

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)**  
(In thousands)

	<b>Three-Month Periods</b>		<b>Six-Month Periods</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income (loss)	\$ 25,264	\$ (8,101)	\$ (7,464)	\$ (29,921)
Other comprehensive income (loss), net of tax:				
Unrecognized amounts on retirement benefits, net of tax of \$(10), \$(4), \$(20) and \$(13)	(14)	(7)	(29)	(20)
Comprehensive income (loss)	\$ 25,250	\$ (8,108)	\$ (7,493)	\$ (29,941)

The accompanying notes are an integral part of these combined financial statements.

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED STATEMENTS OF CHANGES IN OWNERS' EQUITY (Unaudited)**  
(In thousands)

	<b>Owners' Equity</b>	<b>Accumulated Other Comprehensive Income, Net</b>	<b>Total</b>
<b>Balance, December 31, 2012</b>	\$ 430,681	\$ 24	\$ 430,705
Net loss	(29,921)	—	(29,921)
Contributions	8,000	—	8,000
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(20)	(20)
<b>Balance, June 30, 2013</b>	<u>\$ 408,760</u>	<u>\$ 4</u>	<u>\$ 408,764</u>
<b>Balance, December 31, 2013</b>	\$ 326,627	\$ 1,006	\$ 327,633
Net loss	(7,464)	—	(7,464)
Contributions	24,000	—	24,000
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(29)	(29)
<b>Balance, June 30, 2014</b>	<u>\$ 343,163</u>	<u>\$ 977</u>	<u>\$ 344,140</u>

The accompanying notes are an integral part of these combined financial statements.

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED STATEMENTS OF CASH FLOWS (Unaudited)**  
(In thousands)

	<b>Six-Month Periods</b>	
	<b>Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,464)	\$ (29,921)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	30,471	30,919
Deferred income taxes	(11,525)	(5,133)
Amortization of deferred financing costs	47	53
Changes in other operating assets and liabilities:		
Trade receivables	(18,839)	(11,412)
Inventories	(805)	1,953
Due to affiliates, net	(1,396)	14,687
Other assets	514	521
Accounts payable and other liabilities	(3,163)	(693)
Net cash flows from operating activities	<u>(12,160)</u>	<u>974</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	<u>(26,537)</u>	<u>(8,831)</u>
Net cash flows from investing activities	<u>(26,537)</u>	<u>(8,831)</u>
<b>Cash flows from financing activities:</b>		
Repayment of senior secured notes and bonds	(8,669)	(7,333)
Contributions	24,000	8,000
Net cash flows from financing activities	<u>15,331</u>	<u>667</u>
<b>Net change in cash and cash equivalents</b>	<b>(23,366)</b>	<b>(7,190)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>23,426</b>	<b>7,233</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>\$ 60</u></b>	<b><u>\$ 43</u></b>

The accompanying notes are an integral part of these combined financial statements.

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. General**

Salton Sea Funding Corporation ("Funding Corporation"), which was formed on June 20, 1995, is a special purpose Delaware corporation and was organized for the sole purpose of acting as issuer of senior secured notes and bonds. On July 21, 1995, June 20, 1996, and October 31, 1998, Funding Corporation issued \$475.0 million, \$135.0 million and \$285.0 million, respectively, of separate series of Senior Secured Notes and Bonds (collectively, the "Securities"). Funding Corporation is a wholly owned subsidiary of Magma Power Company ("Magma"), which in turn is a wholly owned subsidiary of CE Generation, LLC ("CE Generation"). CE Generation is owned by MidAmerican Geothermal, LLC, an indirect wholly-owned subsidiary of Berkshire Hathaway Energy Company ("BHE"). BHE is a consolidated subsidiary of Berkshire Hathaway Inc. In June 2014, MidAmerican Geothermal, LLC acquired the remaining 50% interest in CE Generation from TransAlta (CE GEN) Investment USA, Inc. ("TransAlta").

The Salton Sea Guarantors (not a legal entity) consist of: (1) Salton Sea Power Generation Company, Salton Sea Power L.L.C. ("Salton Sea Power"), and Fish Lake Power LLC, together owning a 100% interest in five operating geothermal electric power generating plants located in the Imperial Valley of California commonly known as the Salton Sea I Project, the Salton Sea II Project, the Salton Sea III Project, the Salton Sea IV Project and the Salton Sea V Project (collectively, the "Salton Sea Projects"), (2) Salton Sea Brine Processing Company, and (3) CE Salton Sea Inc. (collectively, the "Salton Sea Guarantors").

The Partnership Guarantors (not a legal entity) consist of: (1) Vulcan/BN Geothermal Power Company ("Vulcan"), Elmore Company ("Elmore"), CE Leathers Company ("Leathers"), Del Ranch Company ("Del Ranch") and CE Turbo LLC ("CE Turbo"), each of which owns an operating geothermal power plant located in the Imperial Valley of California commonly known as the Vulcan Project, the Elmore Project, the Leathers Project, the Del Ranch Project and the CE Turbo Project, respectively (collectively, the "Partnership Projects"), (2) CalEnergy Operating Corporation ("CEOC") and Vulcan Power Company ("VPC"), both 99% owned by Magma and 1% owned by Funding Corporation, (3) San Felipe Energy Company ("San Felipe"), Conejo Energy Company ("Conejo"), and Niguel Energy Company ("Niguel"), each 100% owned by CEOC, (4) VPC Geothermal LLC ("VPCG"), which is 100% owned by VPC, (5) Salton Sea Minerals Corp., (6) CalEnergy Minerals LLC ("CalEnergy Minerals"), and (7) CE Salton Sea Inc. (collectively, the "Partnership Guarantors"). VPC and VPCG collectively own 100% of the interests in Vulcan. CEOC, Niguel, San Felipe and Conejo collectively own 90% of the interests in each of Elmore, Leathers and Del Ranch, respectively. CE Salton Sea Inc. owns CE Turbo.

Magma owns all of the remaining 10% interests in each of the Elmore, Leathers and Del Ranch Projects. CEOC is entitled to receive from Magma, as payment for certain data and services provided by CEOC, all of the distributions Magma receives with respect to its 10% ownership interests in each of the Elmore, Leathers and Del Ranch Projects and Magma's special distributions equal to 4.5% of total energy revenue from the Leathers Project. Given the assignment of these rights by Magma to CEOC, the 10% ownership interest in each of the Elmore, Leathers and Del Ranch Projects is reflected on the Combined Financial Statements of the Partnership Guarantors, the Salton Sea Guarantors and Funding Corporation.

Salton Sea Royalty Company (the "Royalty Guarantor") is the beneficiary of an assignment of certain fees and royalties paid by the Elmore, Leathers and Del Ranch Projects (the "Royalty Projects").

The Securities are payable from the proceeds of payments made of principal and interest on the secured project notes from the Salton Sea Guarantors, the Partnership Guarantors and the Royalty Guarantor (collectively, the "Guarantors") to Funding Corporation. The Securities are also guaranteed on a joint and several basis by the Guarantors, each of which is an affiliate of Magma and Funding Corporation. Although the guarantees of the Partnership Guarantors and the Royalty Guarantor are limited to available cash flow (the guarantee of the Salton Sea Guarantors is not so limited), the obligations of each Guarantor under their respective secured project notes is not limited to available cash flow. Funding Corporation does not conduct any operations apart from those related to the issuance of the Securities.



The unaudited Combined Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Combined Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the unaudited Combined Financial Statements as of June 30, 2014 and for the three- and six-month periods ended June 30, 2014 and 2013. The results of operations for the three- and six-month periods ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through August 13, 2014, which is the date the unaudited Combined Financial Statements were available to be issued.

The unaudited Combined Financial Statements include the accounts of Funding Corporation and the Guarantors (collectively, the "Company") as Funding Corporation and the Guarantors are entities under common control and management. All transactions and accounts between and among Funding Corporation and the Guarantors have been eliminated.

The preparation of the unaudited Combined Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited Combined Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Combined Financial Statements. Note 2 of Notes to Combined Financial Statements included in the Company's audited Combined Financial Statements for the year ended December 31, 2013 describes the most significant accounting policies used in the preparation of the unaudited Combined Financial Statements. There have been no significant changes in the Company's assumptions regarding significant accounting estimates and policies during the six-month period ended June 30, 2014.

## 2. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following (in thousands):

	Depreciable Life	As of	
		June 30, 2014	December 31, 2013
Power plants	5 to 30 years	\$ 981,886	\$ 967,605
Wells and resource development	2 to 30 years	312,081	298,808
Total operating assets		1,293,967	1,266,413
Accumulated depreciation		(842,258)	(814,642)
Property, plant and equipment, net		<u>\$ 451,709</u>	<u>\$ 451,771</u>

## 3. Goodwill and Intangible Assets, Net

Goodwill consists of the following (in thousands):

	As of June 30, 2014		As of December 31, 2013	
	Gross Carrying Amount	Accumulated Impairment Losses	Gross Carrying Amount	Accumulated Impairment Losses
Goodwill	\$ 151,330	\$ 151,330	\$ 151,330	\$ 151,330

The Company did not record any goodwill impairment for the three- and six-month periods ended June 30, 2014 and 2013.

Intangible assets, net consists of the following (in thousands):

	Amortization Life	As of June 30, 2014		As of December 31, 2013	
		Gross	Accumulated	Gross	Accumulated
		Carrying Amount	Amortization	Carrying Amount	Amortization
Power purchase and royalty contracts	4 to 30 years	\$ 216,935	\$ 194,065	\$ 216,935	\$ 192,262
Patented technology	24 years	46,290	37,745	46,290	36,782
Intangible assets, net		\$ 263,225	\$ 231,810	\$ 263,225	\$ 229,044

Amortization expense on acquired intangible assets was \$1.4 million for each of the three-month periods ended June 30, 2014 and 2013, and \$2.8 million for each of the six-month periods ended June 30, 2014 and 2013. The Company expects amortization expense on acquired intangible assets to be \$2.7 million for the remaining six months in 2014, \$5.5 million in 2015, \$5.7 million in 2016 and 2017 and \$5.0 million in 2018.

#### 4. Commitments and Contingencies

##### *The California Power Exchange*

In January 2001, the California Power Exchange declared bankruptcy. As a result, Salton Sea Power and CE Turbo did not receive payment for power sold to El Paso Merchant Energy Company ("EPME") under certain transaction agreements during December 2000 and January 2001 of \$3.8 million (the "PX Receivable"). Salton Sea Power and CE Turbo established an allowance for doubtful accounts for this balance as of December 31, 2003. On September 29, 2004, Salton Sea Power and CE Turbo entered into separate Transfer of Claims Agreements (the "Transfer of Claims Agreements"), pursuant to which Salton Sea Power and CE Turbo received an aggregate of \$3.7 million in exchange for transferring the rights to receive payment on the PX Receivable to TransAlta and BHE. As a result of the transaction, Salton Sea Power and CE Turbo wrote-off the PX Receivable and the related allowance for doubtful accounts and recorded a \$3.8 million current liability to reflect the collection risk retained under the Transfer of Claims Agreements. Pursuant to the Transfer of Claims Agreements, to the extent that the PX Receivable becomes uncollectible, Salton Sea Power and CE Turbo can be required to pay the PX Receivable, plus interest, to BHE and TransAlta. EPME informed Salton Sea Power and CE Turbo that, on July 6, 2007, it received a distribution in connection with a settlement involving its claims in the California Power Exchange bankruptcy proceeding. In August 2007, EPME paid \$2.4 million, or \$1.2 million each to BHE and TransAlta, in connection with the bankruptcy proceeding distribution that EPME received on their behalf. Accordingly, Salton Sea Power and CE Turbo reduced their collective liability by \$2.4 million to \$1.4 million.

##### *Environmental Laws and Regulations*

The Company is subject to federal, state and local laws and regulations regarding water quality, climate change, hazardous and solid waste disposal and other environmental matters that have the potential to impact the Company's current and future operations. The Company believes it is in material compliance with all applicable laws and regulations.

##### *Accrued Environmental Costs*

The Company is fully or partly responsible for environmental remediation at various contaminated sites, including sites that are or were part of the Company's operations and sites owned by third parties. The Company accrues environmental remediation expenses when the expenses are believed to be probable and can be reasonably estimated. The quantification of environmental exposures is based on many factors, including changing laws and regulations, advancements in environmental technologies, the quality of available site-specific information, site investigation results, expected remediation or settlement timelines, the Company's proportionate responsibility, contractual indemnities and coverage provided by insurance policies. The liability recorded as of June 30, 2014 and December 31, 2013 was \$- million and \$0.4 million, respectively, and is included in other current liabilities on the Combined Balance Sheets. Environmental remediation liabilities that separately result from the normal operation of long-lived assets and that are legal obligations associated with the retirement of those assets are separately accounted for as asset retirement obligations.

## **5. Related Party Transactions**

Pursuant to the Amended and Restated Easement Grant Deed and Agreement Regarding Rights for Geothermal Development dated February 23, 1994, as amended, the Salton Sea Guarantors acquired from Magma Land I, a wholly owned subsidiary of Magma, rights to extract geothermal brine from the geothermal lease rights property which is necessary to operate the Salton Sea Guarantors' power generation facilities in return for 5% of all electricity revenue received by the Salton Sea Guarantors. The amounts expensed were \$1.0 million and \$1.1 million for the three-month periods ended June 30, 2014 and 2013, respectively, and \$1.7 million and \$1.8 million for the six-month periods ended June 30, 2014 and 2013, respectively.

Pursuant to the Easement Grant Deeds and Agreements Regarding Rights for Geothermal Development dated March 14, 1988 and August 15, 1988, the Partnership Guarantors acquired from Magma rights to extract geothermal brine from the geothermal lease rights property which is necessary to operate the Leathers, Del Ranch and Elmore Projects in return for 17.333%, on a pro rata basis, of all energy revenue received by each project. The amounts expensed were \$1.9 million and \$1.7 million for the three-month periods ended June 30, 2014 and 2013, respectively, and \$3.9 million and \$3.2 million for the six-month periods ended June 30, 2014 and 2013, respectively.

The Company participates in the MidAmerican Energy Company Retirement Plan and the MidAmerican Energy Company Welfare Benefit Plan, each of which is sponsored by MidAmerican Energy Company ("MEC"), an indirect wholly-owned subsidiary of BHE. The Company's contributions to the various plans were \$0.3 million for each of the three-month periods ended June 30, 2014 and 2013, and \$0.8 million for each of the six-month periods ended June 30, 2014 and 2013. The portion of accumulated other comprehensive income attributable to the Company has been allocated from MEC in accordance with the intercompany administrative service agreement.

Pursuant to the Administrative Services Agreement dated April 1, 1993 with Magma (the "Magma Services Agreement"), Magma will provide administrative and management services to the Salton Sea Guarantors, excluding the Salton Sea IV Project and the Salton Sea V Project. Fees payable to Magma amount to 3% of all electricity revenue. The amounts expensed were \$0.2 million for each of the three-month periods ended June 30, 2014 and 2013, and \$0.4 million for each of the six-month periods ended June 30, 2014 and 2013.

Pursuant to the Magma Services Agreement, Magma has agreed to pay CEOC all equity cash flows and certain royalties payable by the Partnership Guarantors in exchange for providing data and services to Magma. As security for the obligations of Magma under the Magma Services Agreement, Magma has collaterally assigned to CEOC its rights to such equity cash flows and certain royalties. The assignment of such rights has been reflected on the Combined Financial Statements of the Company.

## **6. New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, which creates FASB Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" and supersedes ASC Topic 605, "Revenue Recognition." The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. Early application is not permitted. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Company is currently evaluating the impact of adopting this guidance on its Combined Financial Statements and disclosures included within Notes to Combined Financial Statements.

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, which amends Accounting Standards Codification ("ASC") Topic 220, "Comprehensive Income." The amendments in this guidance require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income ("AOCI") by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required by GAAP that

provide additional detail about those amounts. The Company adopted this guidance on January 1, 2014. The adoption of this guidance did not have a material impact on the Company's disclosures included within Notes to Combined Financial Statements.

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## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors that have affected the combined financial condition and results of operations of Salton Sea Funding Corporation ("Funding Corporation") and the Guarantors (collectively, the "Company") during the periods included herein. Explanations include management's best estimate of the impact of weather and other factors. This discussion should be read in conjunction with the Company's historical unaudited Combined Financial Statements and Notes to Combined Financial Statements included elsewhere in this report. The Company's actual results in the future could differ significantly from the historical results.

The Guarantors consist of the following legal entities:

- *Salton Sea Guarantors* - Salton Sea Brine Processing Company, Salton Sea Power Generation Company, Salton Sea Power L.L.C., and Fish Lake Power LLC, each of which have an ownership interest in one or more of five operating geothermal power plants in the Imperial Valley of California commonly known as the Salton Sea I Project, Salton Sea II Project, Salton Sea III Project, Salton Sea IV Project and Salton Sea V Project (collectively, the "Salton Sea Projects"), and CE Salton Sea Inc.
- *Partnership Guarantors* - Vulcan/BN Geothermal Power Company ("Vulcan"), Elmore Company ("Elmore"), CE Leathers Company ("Leathers"), Del Ranch Company ("Del Ranch"), and CE Turbo LLC ("CE Turbo"), each of which owns an operating geothermal power plant located in the Imperial Valley of California commonly known as the Vulcan Project, the Elmore Project, the Leathers Project, the Del Ranch Project and the CE Turbo Project (collectively, the "Partnership Projects"), CalEnergy Minerals LLC, Salton Sea Minerals Corp., CE Salton Sea Inc., CalEnergy Operating Corporation, Vulcan Power Company, San Felipe Energy Company, Conejo Energy Company, Niguel Energy Company, and VPC Geothermal LLC.
- *Royalty Guarantor* - Salton Sea Royalty Company.

The Salton Sea Projects and the Partnership Projects are collectively known as the Imperial Valley Projects. Refer to Exhibit B, included herein, for additional information regarding the legal organization and ownership structure of the Company.

### Forward-Looking Statements

From time to time, the Company may make forward-looking statements that involve judgments, assumptions and other uncertainties beyond the control of the Company or any of its subsidiaries individually. These forward-looking statements may include, among others, statements concerning revenue and cost trends, cost reduction strategies and anticipated outcomes, pricing strategies, changes in the utility industry, planned capital expenditures, financing needs and availability, statements of the Company's expectations, beliefs, future plans and strategies, anticipated events or trends and similar comments concerning matters that are not historical facts. These types of forward-looking statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results and performance of the Company to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statements. The Company has identified important factors that could cause actual results to differ materially from those expectations, including weather effects on revenues and other operating uncertainties, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy and competition. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors should not be construed as exclusive.

### Results of Operations

#### *Operating Revenue*

The capacity factor for a particular project is determined by dividing the total quantity of electricity sold by the product of the project's capacity and the total hours in the period. Refer to Note 1 of Notes to Combined Financial Statements included in the Company's audited Combined Financial Statements for the year ended December 31, 2013 for the net capacity of each facility. Each plant possesses an operating margin, which allows for production in excess of a facility's net capacity. Utilization of this operating margin is based upon a variety of factors and can be expected to vary throughout the year under normal operating conditions. The amount of revenues received by the projects is affected by the extent to which they are able to operate and generate electricity. Accordingly, the capacity and capacity factor figures provide information on operating performance that has affected the revenues received by the projects.

The following represents operating revenue (in millions), aggregate capacity and electricity production of the Imperial Valley Projects:

	Second Quarter		First Six Months	
	2014	2013	2014	2013
Operating revenue	\$ 42.8	\$ 43.4	\$ 73.9	\$ 72.1
Overall capacity factor	76.9 %	84.9 %	73.6 %	80.7 %
Megawatt hours produced	548,500	605,000	1,043,000	1,143,800
Facility net capacity (megawatts) (weighted average)	326.4	326.4	326.4	326.4

Operating revenue decreased \$0.6 million, or 1.4%, for the second quarter of 2014 compared to 2013 due to the following:

- \$3.3 million decrease due to a 9.3% decrease in energy production. The energy production decreased primarily due to transmission line outages and equipment repairs at certain Imperial Valley Projects.
- \$2.7 million increase due to higher energy rates at certain Imperial Valley Projects.

Operating revenue increased \$1.8 million, or 2.5%, for the first six months of 2014 compared to 2013 due to the following:

- \$8.4 million increase due to higher energy rates at certain Imperial Valley Projects.
- \$6.6 million decrease due to an 8.8% decrease in energy production. The energy production decreased due to transmission line outages and equipment repairs at certain Imperial Valley Projects.

#### *Royalty, Operating, General and Administrative Expense*

Royalty, operating, general and administrative expense increased \$0.5 million, or 1.8%, to \$28.5 million for the second quarter of 2014 from \$28.0 million for the comparable period in 2013 primarily due to higher maintenance costs at certain Imperial Valley Projects.

Royalty, operating, general and administrative expense increased \$8.7 million, or 15.5%, to \$64.7 million for the first six months of 2014 from \$56.0 million for the comparable period in 2013 primarily due to higher maintenance costs at certain Imperial Valley Projects.

#### *Depreciation and Amortization*

Depreciation and amortization increased \$0.9 million, or 6.3%, to \$15.3 million for the second quarter of 2014 from \$14.4 million for the comparable period in 2013 primarily due to the timing of Imperial Valley Projects placed in-service.

Depreciation and amortization decreased \$0.4 million, or 1.3%, to \$30.5 million for the first six months of 2014 from \$30.9 million for the comparable period in 2013 primarily due to the timing of Imperial Valley Projects placed in-service.

#### *Interest Expense*

Interest expense decreased \$0.3 million to \$1.6 million and decreased \$0.6 million to \$3.2 million for the second quarter and for the first six months of 2014, respectively, from \$1.9 million and \$3.8 million, respectively, for the comparable periods in 2013 due to lower outstanding debt balances.

#### *Income Tax (Benefit) Expense*

Income tax expense decreased \$35.4 million to a benefit of \$(27.9) million for the second quarter of 2014 from an expense of \$7.5 million for the comparable period in 2013. The effective tax rates were 1,055.9% and (1,344.0)% for the second quarters of 2014 and 2013, respectively. The changes in income tax benefit and the effective tax rates were primarily due to the timing of recognition of tax benefits associated with depletion and energy tax credits.

Income tax expense decreased \$28.6 million to a benefit of \$(17.0) million for the first six months of 2014 from an expense of \$11.6 million for the comparable period in 2013. The effective tax rates were 69.5% and (63.7)% for the first six months of 2014 and 2013, respectively. The changes in income tax benefit and the effective tax rates were primarily due to the timing of recognition of tax benefits associated with depletion and energy tax credits.

### Liquidity and Capital Resources

The Company's cash and cash equivalents were \$0.1 million as of June 30, 2014, compared to \$23.4 million as of December 31, 2013.

Net cash flows from operating activities for the six-month periods ended June 30, 2014 and 2013 were \$(12.2) million and \$1.0 million, respectively. The change was primarily due to the timing of customer payments and maintenance at certain Imperial Valley Projects.

Net cash flows from investing activities for the six-month periods ended June 30, 2014 and 2013 were \$(26.5) million and \$(8.8) million, respectively. The change was due to higher capital expenditures in 2014.

Forecasted capital expenditures for 2014 are approximately \$60 million. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of such reviews. The Company expects to meet these capital expenditure requirements with cash flows from operations and owner capital contributions.

Net cash flows from financing activities for the six-month periods ended June 30, 2014 and 2013 were \$15.3 million and \$0.7 million, respectively. The change was primarily due to higher equity contributions received during the second quarter of 2014. The Company received \$24.0 million, \$12.0 million each from MidAmerican Geothermal, LLC and TransAlta, for the purpose of assisting with Funding Corporation's scheduled second quarter 2014 debt service payment and a portion of the Company's 2014 capital expenditure needs.

### Environmental Laws and Regulations

The Company is subject to federal, state and local laws and regulations regarding water quality, emission performance standards, climate change, hazardous and solid waste disposal and other environmental matters that have the potential to impact the Company's current and future operations. In addition to imposing continuing compliance obligations, these laws and regulations provide regulators with the authority to levy substantial penalties for noncompliance including fines, injunctive relief and other sanctions. These laws and regulations are administered by the United States Environmental Protection Agency ("EPA") and various other state and local agencies. All such laws and regulations are subject to a range of interpretation, which may ultimately be resolved by the courts. Environmental laws and regulations continue to evolve, and the Company is unable to predict the impact of the changing laws and regulations on its operations and combined financial results. The Company believes it is in material compliance with all applicable laws and regulations. Refer to Note 4 of Notes to Combined Financial Statements included elsewhere in this report for additional information regarding certain environmental laws and regulations affecting the Company. There have been no material developments in environmental laws and regulations since those disclosed in the "Environmental Laws and Regulations" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report for the year ended December 31, 2013.

### Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting the Company, see the "Quantitative and Qualitative Disclosures About Market Risk" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report for the year ended December 31, 2013. The Company's exposure to market risk and its management of such risk has not changed materially since December 31, 2013.

## CERTIFICATION

I, William J. Fehrman, certify that:

1. I have reviewed this Quarterly Report of Salton Sea Funding Corporation and the Guarantors (collectively, the "Company");  
Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
3. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures for Salton Sea Funding Corporation and the Guarantors and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its combined subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
4. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 13, 2014

/s/ William J. Fehrman  
William J. Fehrman  
President  
(principal executive officer)



## CERTIFICATION

I, Stephen D. Dickas, certify that:

1. I have reviewed this Quarterly Report of Salton Sea Funding Corporation and the Guarantors (collectively, the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures for Salton Sea Funding Corporation and the Guarantors and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its combined subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 13, 2014

/s/ Stephen D. Dickas  
Stephen D. Dickas  
Vice President & Controller  
(principal financial officer)

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING BALANCE SHEET (Unaudited)**  
**AS OF JUNE 30, 2014**  
(In thousands)

EXHIBIT A

	<b>Salton Sea</b>	<b>Partnership</b>	<b>Royalty</b>	<b>Funding</b>	
	<b>Guarantors</b>	<b>Guarantors</b>	<b>Guarantor</b>	<b>Corporation &amp;</b>	<b>Combined</b>
				<b>Eliminations</b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ —	\$ 2	\$ —	\$ 58	\$ 60
Trade receivables	15,567	17,068	—	—	32,635
Inventories	—	23,015	—	—	23,015
Deferred income taxes	—	6,809	—	—	6,809
Other current assets	159	239	—	11	409
Total current assets	15,726	47,133	—	69	62,928
Property, plant and equipment, net	248,895	202,814	—	—	451,709
Intangible assets, net	11,795	16,041	3,579	—	31,415
Other assets	112	82	—	—	194
Total assets	<u>\$ 276,528</u>	<u>\$ 266,070</u>	<u>\$ 3,579</u>	<u>\$ 69</u>	<u>\$ 546,246</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 5,340	\$ 6,946	\$ —	\$ —	\$ 12,286
Major maintenance accruals	—	853	—	—	853
Accrued interest	279	205	—	—	484
Current portion of secured project notes	10,450	7,681	—	(18,131)	—
Current portion of senior secured bonds	—	—	—	18,131	18,131
Deferred income taxes	713	—	—	—	713
Other current liabilities	317	3,479	—	—	3,796
Total current liabilities	17,099	19,164	—	—	36,263
Secured project notes	34,391	25,275	—	(59,666)	—
Senior secured bonds	—	—	—	59,666	59,666
Due to affiliates	1,129	107	—	(1,195)	41
Deferred income taxes	61,821	42,858	1,457	—	106,136
Total liabilities	<u>114,440</u>	<u>87,404</u>	<u>1,457</u>	<u>(1,195)</u>	<u>202,106</u>
Owners' equity:					
Owners' equity	162,088	177,689	2,122	1,264	343,163
Accumulated other comprehensive income, net	—	977	—	—	977
Total owners' equity	<u>162,088</u>	<u>178,666</u>	<u>2,122</u>	<u>1,264</u>	<u>344,140</u>
<b>Total liabilities and owners' equity</b>	<u>\$ 276,528</u>	<u>\$ 266,070</u>	<u>\$ 3,579</u>	<u>\$ 69</u>	<u>\$ 546,246</u>

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING BALANCE SHEET (Unaudited)**  
**AS OF DECEMBER 31, 2013**  
(In thousands)

EXHIBIT A (Continued)

	<b>Salton Sea</b>	<b>Partnership</b>	<b>Royalty</b>	<b>Funding</b>	
	<b>Guarantors</b>	<b>Guarantors</b>	<b>Guarantor</b>	<b>Corporation &amp;</b>	<b>Combined</b>
				<b>Eliminations</b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ —	\$ 2	\$ —	\$ 23,424	\$ 23,426
Trade receivables	7,176	6,620	—	—	13,796
Inventories	—	22,210	—	—	22,210
Deferred income taxes	—	6,809	—	—	6,809
Other current assets	474	420	—	29	923
Total current assets	7,650	36,061	—	23,453	67,164
Property, plant and equipment, net	250,182	201,589	—	—	451,771
Intangible assets, net	12,370	17,821	3,990	—	34,181
Other assets	139	102	—	—	241
Total assets	<u>\$ 270,341</u>	<u>\$ 255,573</u>	<u>\$ 3,990</u>	<u>\$ 23,453</u>	<u>\$ 553,357</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 5,924	\$ 7,406	\$ —	\$ —	\$ 13,330
Major maintenance accruals	212	1,847	—	—	2,059
Accrued interest	310	228	—	—	538
Current portion of secured project notes	9,993	7,344	—	(17,337)	—
Current portion of senior secured bonds	—	—	—	17,337	17,337
Deferred income taxes	713	—	—	—	713
Other current liabilities	947	2,768	—	—	3,715
Total current liabilities	18,099	19,593	—	—	37,692
Secured project notes	39,845	29,284	—	(69,129)	—
Senior secured bonds	—	—	—	69,129	69,129
Due to affiliates	1,128	94	—	—	1,222
Deferred income taxes	66,514	49,542	1,625	—	117,681
Total liabilities	<u>125,586</u>	<u>98,513</u>	<u>1,625</u>	<u>—</u>	<u>225,724</u>
Owners' equity:					
Owners' equity	144,755	156,054	2,365	23,453	326,627
Accumulated other comprehensive income, net	—	1,006	—	—	1,006
Total owners' equity	<u>144,755</u>	<u>157,060</u>	<u>2,365</u>	<u>23,453</u>	<u>327,633</u>
<b>Total liabilities and owners' equity</b>	<u>\$ 270,341</u>	<u>\$ 255,573</u>	<u>\$ 3,990</u>	<u>\$ 23,453</u>	<u>\$ 553,357</u>

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENT OF OPERATIONS (Unaudited)**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014**  
(In thousands)

EXHIBIT A (Continued)

	<b>Salton Sea</b>	<b>Partnership</b>	<b>Royalty</b>	<b>Funding</b>	
	<b>Guarantors</b>	<b>Guarantors</b>	<b>Guarantor</b>	<b>Corporation &amp;</b>	<b>Combined</b>
				<b>Eliminations</b>	
<b>Operating revenue</b>	\$ 34,517	\$ 39,388	\$ 5,135	\$ (5,135)	\$ 73,905
<b>Operating costs and expenses:</b>					
Royalty, operating, general and administrative expense	36,616	31,890	1,317	(5,105)	64,718
Depreciation and amortization	14,216	15,844	411	—	30,471
Total operating costs and expenses	50,832	47,734	1,728	(5,105)	95,189
<b>Operating (loss) income</b>	(16,315)	(8,346)	3,407	(30)	(21,284)
<b>Other income (expense):</b>					
Interest expense	(1,858)	(1,366)	—	—	(3,224)
Interest and other income	—	44	—	1	45
Total other income (expense)	(1,858)	(1,322)	—	1	(3,179)
<b>(Loss) income before income tax (benefit) expense</b>	(18,173)	(9,668)	3,407	(29)	(24,463)
Income tax (benefit) expense	(11,379)	(6,664)	1,056	(12)	(16,999)
<b>Net (loss) income</b>	\$ (6,794)	\$ (3,004)	\$ 2,351	\$ (17)	\$ (7,464)

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENT OF OPERATIONS (Unaudited)**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**  
(In thousands)

EXHIBIT A (Continued)

	<b>Salton Sea</b>	<b>Partnership</b>	<b>Royalty</b>	<b>Funding</b>	
	<b>Guarantors</b>	<b>Guarantors</b>	<b>Guarantor</b>	<b>Corporation &amp;</b>	<b>Combined</b>
				<b>Eliminations</b>	
<b>Operating revenue</b>	\$ 36,601	\$ 35,482	\$ 4,210	\$ (4,210)	\$ 72,083
<b>Operating costs and expenses:</b>					
Royalty, operating, general and administrative expense	31,555	27,514	1,082	(4,181)	55,970
Depreciation and amortization	14,434	16,074	411	—	30,919
Total operating costs and expenses	45,989	43,588	1,493	(4,181)	86,889
<b>Operating (loss) income</b>	(9,388)	(8,106)	2,717	(29)	(14,806)
<b>Other income (expense):</b>					
Interest expense	(2,184)	(1,605)	—	—	(3,789)
Interest and other income	—	309	—	8	317
Total other income (expense)	(2,184)	(1,296)	—	8	(3,472)
<b>(Loss) income before income tax expense (benefit)</b>	(11,572)	(9,402)	2,717	(21)	(18,278)
Income tax expense (benefit)	16,617	(5,799)	833	(8)	11,643
<b>Net (loss) income</b>	\$ (28,189)	\$ (3,603)	\$ 1,884	\$ (13)	\$ (29,921)

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014**  
(In thousands)

EXHIBIT A (Continued)

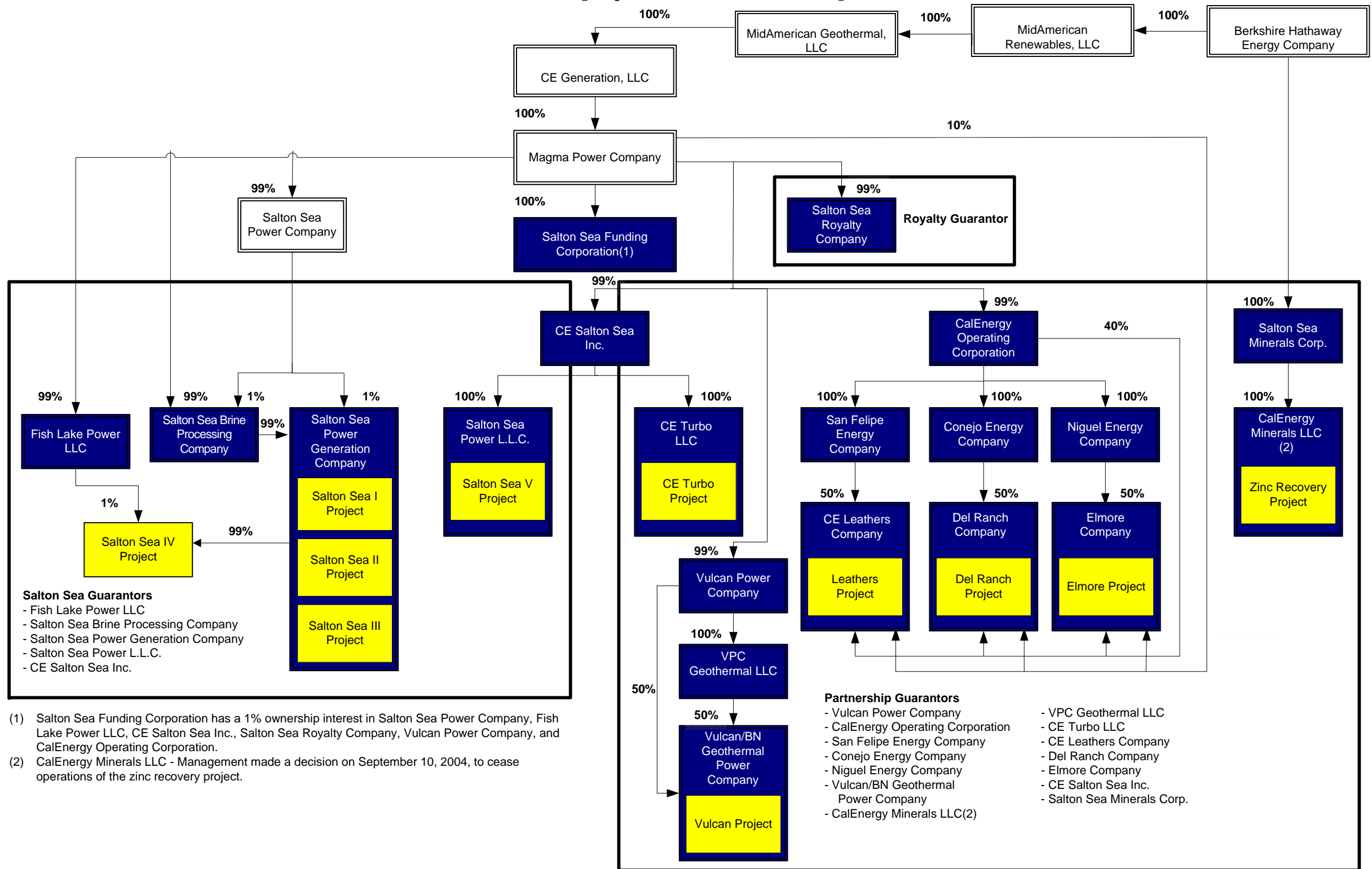
	<b>Salton Sea</b>	<b>Partnership</b>	<b>Royalty</b>	<b>Funding</b>	
	<b>Guarantors</b>	<b>Guarantors</b>	<b>Guarantor</b>	<b>Corporation &amp;</b>	<b>Combined</b>
				<b>Eliminations</b>	
<b>Cash flows from operating activities:</b>					
Net (loss) income	\$ (6,794)	\$ (3,004)	\$ 2,351	\$ (17)	\$ (7,464)
Adjustments to reconcile net (loss) income to net cash flows from operating activities:					
Depreciation and amortization	14,216	15,844	411	—	30,471
Deferred income taxes	(4,693)	(6,664)	(168)	—	(11,525)
Amortization of deferred financing costs	27	20	—	—	47
Changes in other operating assets and liabilities:					
Trade receivables	(8,391)	(10,448)	—	—	(18,839)
Inventories	—	(805)	—	—	(805)
Due to affiliates, net	24,148	24,417	(2,594)	(47,367)	(1,396)
Other assets	315	181	—	18	514
Accounts payable and other liabilities	(1,632)	(1,531)	—	—	(3,163)
Net cash flows from operating activities	<u>17,196</u>	<u>18,010</u>	<u>—</u>	<u>(47,366)</u>	<u>(12,160)</u>
<b>Cash flows from investing activities:</b>					
Capital expenditures	(12,199)	(14,338)	—	—	(26,537)
Net cash flows from investing activities	<u>(12,199)</u>	<u>(14,338)</u>	<u>—</u>	<u>—</u>	<u>(26,537)</u>
<b>Cash flows from financing activities:</b>					
Repayment of senior secured notes and bonds	(4,997)	(3,672)	—	—	(8,669)
Contributions	—	—	—	24,000	24,000
Net cash flows from financing activities	<u>(4,997)</u>	<u>(3,672)</u>	<u>—</u>	<u>24,000</u>	<u>15,331</u>
<b>Net change in cash and cash equivalents</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(23,366)</u>	<u>(23,366)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>—</u>	<u>2</u>	<u>—</u>	<u>23,424</u>	<u>23,426</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 58</u>	<u>\$ 60</u>

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**  
(In thousands)

EXHIBIT A (Continued)

	<b>Salton Sea</b>	<b>Partnership</b>	<b>Royalty</b>	<b>Funding</b>	
	<b>Guarantors</b>	<b>Guarantors</b>	<b>Guarantor</b>	<b>Corporation &amp;</b>	<b>Combined</b>
				<b>Eliminations</b>	
<b>Cash flows from operating activities:</b>					
Net (loss) income	\$ (28,189)	\$ (3,603)	\$ 1,884	\$ (13)	\$ (29,921)
Adjustments to reconcile net (loss) income to net cash flows from operating activities:					
Depreciation and amortization	14,434	16,074	411	—	30,919
Deferred income taxes	826	(5,799)	(160)	—	(5,133)
Amortization of deferred financing costs	32	21	—	—	53
Changes in other operating assets and liabilities:					
Trade receivables	(3,910)	(7,502)	—	—	(11,412)
Inventories	—	1,953	—	—	1,953
Due to affiliates, net	24,950	7,077	(2,134)	(15,206)	14,687
Other assets	228	265	—	28	521
Accounts payable and other liabilities	902	(1,594)	(1)	—	(693)
Net cash flows from operating activities	<u>9,273</u>	<u>6,892</u>	<u>—</u>	<u>(15,191)</u>	<u>974</u>
<b>Cash flows from investing activities:</b>					
Capital expenditures	(5,046)	(3,785)	—	—	(8,831)
Net cash flows from investing activities	<u>(5,046)</u>	<u>(3,785)</u>	<u>—</u>	<u>—</u>	<u>(8,831)</u>
<b>Cash flows from financing activities:</b>					
Repayment of senior secured notes and bonds	(4,227)	(3,106)	—	—	(7,333)
Contributions	—	—	—	8,000	8,000
Net cash flows from financing activities	<u>(4,227)</u>	<u>(3,106)</u>	<u>—</u>	<u>8,000</u>	<u>667</u>
<b>Net change in cash and cash equivalents</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>(7,191)</b>	<b>(7,190)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>—</b>	<b>2</b>	<b>—</b>	<b>7,231</b>	<b>7,233</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ —</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ 40</b>	<b>\$ 43</b>

**Exhibit B - Salton Sea Funding Coporation and Guarantors - Organization Chart**



(1) Salton Sea Funding Corporation has a 1% ownership interest in Salton Sea Power Company, Fish Lake Power LLC, CE Salton Sea Inc., Salton Sea Royalty Company, Vulcan Power Company, and CalEnergy Operating Corporation.

(2) CalEnergy Minerals LLC - Management made a decision on September 10, 2004, to cease operations of the zinc recovery project.

- Partnership Guarantors**
- Vulcan Power Company
  - CalEnergy Operating Corporation
  - San Felipe Energy Company
  - Conejo Energy Company
  - Niguel Energy Company
  - Vulcan/BN Geothermal Power Company
  - CalEnergy Minerals LLC(2)
  - VPC Geothermal LLC
  - CE Turbo LLC
  - CE Leathers Company
  - Del Ranch Company
  - Elmore Company
  - CE Salton Sea Inc.
  - Salton Sea Minerals Corp.