SALTON SEA FUNDING CORPORATION AND GUARANTORS

Combined Financial Statements

For the Quarterly Period Ended September 30, 2014

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PART II

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

	As of	
	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,794	$ 23,426
Trade receivables	41,901	13,796
Inventories	21,680	22,210
Deferred income taxes	6,809	6,809
Other current assets	132	923
Total current assets	81,316	67,164
Property, plant and equipment, net	451,089	451,771
Intangible assets, net	30,032	34,181
Other assets	312	241
Total assets	$ 562,749	$ 553,357
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,212	$ 13,330
Major maintenance accruals	645	2,059
Accrued interest	1,938	538
Current portion of senior secured bonds	18,131	17,337
Deferred income taxes	713	713
Other current liabilities	6,745	3,715
Total current liabilities	37,384	37,692
Senior secured bonds	59,666	69,129
Due to affiliates	1,999	1,222
Deferred income taxes	112,006	117,681
Other long-term liabilities	73	—
Total liabilities	211,128	225,724
Commitments and contingencies (Note 4)		
Owners' equity	351,621	327,633
Total liabilities and owners' equity	$ 562,749	$ 553,357

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)

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2014	**2013**	**2014**	**2013**
Operating revenue	$ 67,029	$ 58,436	$ 140,934	$ 130,519
Operating costs and expenses:				
Royalty, operating, general and administrative expense	30,504	28,127	95,222	84,097
Depreciation and amortization	15,440	14,353	45,911	45,272
Total operating costs and expenses	45,944	42,480	141,133	129,369
Operating income (loss)	21,085	15,956	(199)	1,150
Other income (expense):				
Interest expense	(1,477)	(1,782)	(4,701)	(5,571)
Interest and other income	80	105	125	422
Total other income (expense)	(1,397)	(1,677)	(4,576)	(5,149)
Income (loss) before income tax expense (benefit)	19,688	14,279	(4,775)	(3,999)
Income tax expense (benefit)	12,192	(16,173)	(4,807)	(4,530)
Net income	$ 7,496	$ 30,452	$ 32	$ 531

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)

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2014	2013	2014	2013
Net income	$ 7,496	$ 30,452	$ 32	$ 531
Other comprehensive loss, net of tax:				
Unrecognized amounts on retirement benefits, net of tax of $(10), $(7), $(30) and $(20)	(15)	(10)	(44)	(30)
Comprehensive income (loss)	$ 7,481	$ 30,442	$ (12)	$ 501

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)

	Owners' Equity	Accumulated Other Comprehensive (Loss) Income, Net	Total
Balance, December 31, 2012	$ 430,681	$ 24	$ 430,705
Net income	531	—	531
Contributions	8,000	—	8,000
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(30)	(30)
Balance, September 30, 2013	$ 439,212	$ (6)	$ 439,206
Balance, December 31, 2013	$ 326,627	$ 1,006	$ 327,633
Net income	32	—	32
Contributions	24,000	—	24,000
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(44)	(44)
Balance, September 30, 2014	$ 350,659	$ 962	$ 351,621

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)

	Nine-Month Periods Ended September 30,	
	2014	**2013**
Cash flows from operating activities:		
Net income	$ 32	$ 531
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	45,911	45,272
Deferred income taxes	(5,645)	(6,624)
Amortization of deferred financing costs	69	83
Changes in other operating assets and liabilities:		
Trade receivables	(28,105)	(19,718)
Inventories	530	2,064
Due to affiliates, net	532	3,538
Other assets	651	786
Accounts payable and other liabilities	(646)	9,176
Net cash flows from operating activities	13,329	35,108
Cash flows from investing activities:		
Capital expenditures	(41,292)	(9,786)
Net cash flows from investing activities	(41,292)	(9,786)
Cash flows from financing activities:		
Repayment of senior secured bonds	(8,669)	(7,333)
Contributions	24,000	8,000
Net cash flows from financing activities	15,331	667
Net change in cash and cash equivalents	(12,632)	25,989
Cash and cash equivalents at beginning of period	23,426	7,233
Cash and cash equivalents at end of period	$ 10,794	$ 33,222

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 September 30, 2014 and for the three- and nine-month periods ended September 30, 2014 and 2013. The results of operations for the three- and nine-month periods ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through November 14, 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 nine-month period ended September 30, 2014.

2. Property, Plant and Equipment, Net

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

		As of	
	Depreciable Life	**September 30, 2014**	**December 31, 2013**
Power plants	5 to 30 years	$ 997,755	$ 967,605
Wells and resource development	2 to 30 years	309,648	298,808
Total operating assets		1,307,403	1,266,413
Accumulated depreciation		(856,314)	(814,642)
Property, plant and equipment, net		$ 451,089	$ 451,771

3. Goodwill and Intangible Assets, Net

Goodwill consists of the following (in thousands):

	As of September 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 nine-month periods ended September 30, 2014 and 2013.

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

		As of September 30, 2014		As of December 31, 2013	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 216,935	$ 194,966	$ 216,935	$ 192,262
Patented technology	24 years	46,290	38,227	46,290	36,782
Intangible assets, net		$ 263,225	$ 233,193	$ 263,225	$ 229,044

Amortization expense on acquired intangible assets was $1.4 million for each of the three-month periods ended September 30, 2014 and 2013, and $4.2 million for each of the nine-month periods ended September 30, 2014 and 2013. The Company expects amortization expense on acquired intangible assets to be $1.3 million for the remaining three 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 September 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 $1.7 million and $1.4 million for the three-month periods ended September 30, 2014 and 2013, respectively, and $3.4 million and $3.2 million for the nine-month periods ended September 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 September 30, 2014 and 2013, respectively, and $5.8 million and $4.9 million for the nine-month periods ended September 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 $0.4 million and $0.2 million for the three-month periods ended September 30, 2014 and 2013, respectively, and $1.2 million and $1.0 million for the nine-month periods ended September 30, 2014 and 2013, respectively. 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 $0.5 million for each of the three-month periods ended September 30, 2014 and 2013, and $0.9 million for each of the nine-month periods ended September 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:

	Third Quarter		**First Nine Months**	
	2014	**2013**	**2014**	**2013**
Operating revenue	$ 67.0	$ 58.4	$ 140.9	$ 130.5
Overall capacity factor	92.7 %	81.6 %	80.0 %	81.0 %
Megawatt hours produced	668,400	588,000	1,711,400	1,731,800
Facility net capacity (megawatts) (weighted average)	326.4	326.4	326.4	326.4

Operating revenue increased $8.6 million, or 14.7%, for the third quarter of 2014 compared to 2013 due to the following:

- $5.6 million increase due to a 13.7% increase in energy production. The energy production increased primarily due to 2013 equipment repairs at certain Imperial Valley Projects.

- $3.0 million increase due to higher energy rates at certain Imperial Valley Projects.

Operating revenue increased $10.4 million, or 8.0%, for the first nine months of 2014 compared to 2013 due to the following:

- $11.4 million increase due to higher energy rates at certain Imperial Valley Projects.

- $1.0 million decrease due to a 1.2% 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 $2.4 million, or 8.5%, to $30.5 million for the third quarter of 2014 from $28.1 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 $11.1 million, or 13.2%, to $95.2 million for the first nine months of 2014 from $84.1 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 $1.0 million, or 6.9%, to $15.4 million for the third quarter of 2014 from $14.4 million for the comparable period in 2013 primarily due to higher capital expenditures at certain Imperial Valley Projects.

Depreciation and amortization increased $0.6 million, or 1.3%, to $45.9 million for the first nine months of 2014 from $45.3 million for the comparable period in 2013 primarily due to higher capital expenditures at certain Imperial Valley Projects.

Interest Expense

Interest expense decreased $0.3 million to $1.5 million and decreased $0.9 million to $4.7 million for the third quarter and for the first nine months of 2014, respectively, from $1.8 million and $5.6 million, respectively, for the comparable periods in 2013 due to lower outstanding debt balances.

Income Tax Expense (Benefit)

Income tax expense increased $28.4 million to $12.2 million for the third quarter of 2014 from a benefit of $(16.2) million for the comparable period in 2013. The effective tax rates were 61.9% and (113.3)% for the third quarters of 2014 and 2013, respectively. The changes in income tax expense 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 benefit increased $0.3 million to $(4.8) million for the first nine months of 2014 from $(4.5) million for the comparable period in 2013. The effective tax rates were 100.7% and 113.3% for the first nine 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, offset by additional valuation allowances on net operating loss carryforwards.

Liquidity and Capital Resources

The Company's cash and cash equivalents were $10.8 million as of September 30, 2014, compared to $23.4 million as of December 31, 2013.

Net cash flows from operating activities for the nine-month periods ended September 30, 2014 and 2013 were $13.3 million and $35.1 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 nine-month periods ended September 30, 2014 and 2013 were $(41.3) million and $(9.8) million, respectively. The change was due to higher capital expenditures in 2014.

Forecasted capital expenditures for 2014 are approximately $57 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 nine-month periods ended September 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");

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 the 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: November 14, 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: November 14, 2014

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

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A
COMBINING BALANCE SHEET (Unaudited)
AS OF SEPTEMBER 30, 2014
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 1	$ —	$ 10,793	$ 10,794
Trade receivables	21,250	20,651	—	—	41,901
Inventories	—	21,680	—	—	21,680
Deferred income taxes	—	6,809	—	—	6,809
Other current assets	31	70	—	31	132
Total current assets	21,281	49,211	—	10,824	81,316
Property, plant and equipment, net	245,450	205,639	—	—	451,089
Intangible assets, net	11,507	15,152	3,373	—	30,032
Other assets	99	213	—	—	312
Total assets	$ 278,337	$ 270,215	$ 3,373	$ 10,824	$ 562,749
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 1,676	$ 7,536	$ —	$ —	$ 9,212
Major maintenance accruals	—	645	—	—	645
Accrued interest	1,117	821	—	—	1,938
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	1,518	5,227	—	—	6,745
Total current liabilities	15,474	21,910	—	—	37,384
Secured project notes	34,391	25,275	—	(59,666)	—
Senior secured bonds	—	—	—	59,666	59,666
Due to affiliates	571	(36)	—	1,464	1,999
Deferred income taxes	62,444	48,190	1,372	—	112,006
Other long-term liabilities	—	73			73
Total liabilities	112,880	95,412	1,372	1,464	211,128
Owners' equity:					
Owners' equity	165,457	173,841	2,001	9,360	350,659
Accumulated other comprehensive income, net	—	962	—	—	962
Total owners' equity	165,457	174,803	2,001	9,360	351,621
Total liabilities and owners' equity	$ 278,337	$ 270,215	$ 3,373	$ 10,824	$ 562,749

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)

COMBINING BALANCE SHEET (Unaudited)

AS OF DECEMBER 31, 2013

(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
ASSETS					
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	$ 270,341	$ 255,573	$ 3,990	$ 23,453	$ 553,357
LIABILITIES AND OWNERS' EQUITY					
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	125,586	98,513	1,625	—	225,724
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	144,755	157,060	2,365	23,453	327,633
Total liabilities and owners' equity	$ 270,341	$ 255,573	$ 3,990	$ 23,453	$ 553,357

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)

COMBINING STATEMENT OF OPERATIONS (Unaudited)

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Operating revenue	$ 68,886	$ 72,048	$ 7,762	$ (7,762)	$ 140,934
Operating costs and expenses:					
Royalty, operating, general and administrative expense	53,105	47,803	2,030	(7,716)	95,222
Depreciation and amortization	21,467	23,827	617	—	45,911
Total operating costs and expenses	74,572	71,630	2,647	(7,716)	141,133
Operating (loss) income	(5,686)	418	5,115	(46)	(199)
Other income (expense):					
Interest expense	(2,710)	(1,991)	—	—	(4,701)
Interest and other income	—	124	—	1	125
Total other income (expense)	(2,710)	(1,867)	—	1	(4,576)
(Loss) income before income tax (benefit) expense	(8,396)	(1,449)	5,115	(45)	(4,775)
Income tax (benefit) expense	(5,273)	(1,092)	1,577	(19)	(4,807)
Net (loss) income	$ (3,123)	$ (357)	$ 3,538	$ (26)	$ 32

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)

COMBINING STATEMENT OF OPERATIONS (Unaudited)

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Operating revenue	$ 64,994	$ 65,525	$ 6,514	$ (6,514)	$ 130,519
Operating costs and expenses:					
Royalty, operating, general and administrative expense	47,594	41,259	1,713	(6,469)	84,097
Depreciation and amortization	20,483	24,172	617	—	45,272
Total operating costs and expenses	68,077	65,431	2,330	(6,469)	129,369
Operating (loss) income	(3,083)	94	4,184	(45)	1,150
Other income (expense):					
Interest expense	(3,211)	(2,360)	—	—	(5,571)
Interest and other income	—	414	—	8	422
Total other income (expense)	(3,211)	(1,946)	—	8	(5,149)
(Loss) income before income tax (benefit) expense	(6,294)	(1,852)	4,184	(37)	(3,999)
Income tax (benefit) expense	(4,807)	(972)	1,264	(15)	(4,530)
Net (loss) income	$ (1,487)	$ (880)	$ 2,920	$ (22)	$ 531

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)
COMBINING STATEMENT OF CASH FLOWS (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Cash flows from operating activities:					
Net (loss) income	$ (3,123)	$ (357)	$ 3,538	$ (26)	$ 32
Adjustments to reconcile net (loss) income to net cash flows from operating activities:					
Depreciation and amortization	21,467	23,827	617	—	45,911
Deferred income taxes	(4,070)	(1,322)	(253)	—	(5,645)
Amortization of deferred financing costs	40	29	—	—	69
Changes in other operating assets and liabilities:					
Trade receivables	(14,074)	(14,031)	—	—	(28,105)
Inventories	—	530	—	—	530
Due to affiliates, net	23,253	17,784	(3,902)	(36,603)	532
Other assets	443	210	—	(2)	651
Accounts payable and other liabilities	(1,376)	730	—	—	(646)
Net cash flows from operating activities	22,560	27,400	—	(36,631)	13,329
Cash flows from investing activities:					
Capital expenditures	(17,563)	(23,729)	—	—	(41,292)
Net cash flows from investing activities	(17,563)	(23,729)	—	—	(41,292)
Cash flows from financing activities:					
Repayment of senior secured notes and bonds	(4,997)	(3,672)	—	—	(8,669)
Contributions	—	—	—	24,000	24,000
Net cash flows from financing activities	(4,997)	(3,672)	—	24,000	15,331
Net change in cash and cash equivalents	—	(1)	—	(12,631)	(12,632)
Cash and cash equivalents at beginning of period	—	2	—	23,424	23,426
Cash and cash equivalents at end of period	$ —	$ 1	$ —	$ 10,793	$ 10,794

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)

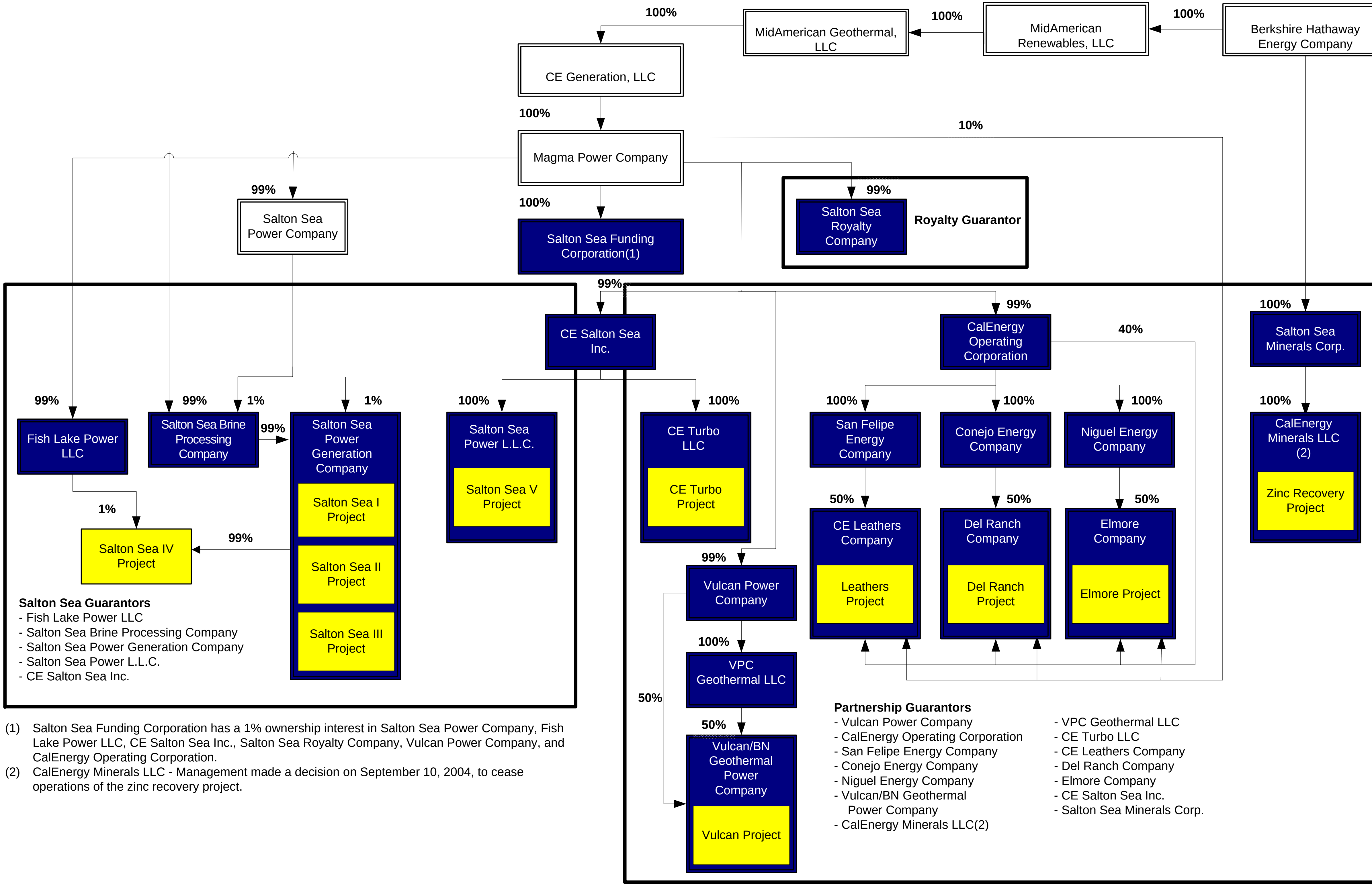
COMBINING STATEMENT OF CASH FLOWS (Unaudited)

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Cash flows from operating activities:					
Net (loss) income	$ (1,487)	$ (880)	$ 2,920	$ (22)	$ 531
Adjustments to reconcile net (loss) income to net cash flows from operating activities:					
Depreciation and amortization	20,483	24,172	617	—	45,272
Deferred income taxes	(4,847)	(1,534)	(243)	—	(6,624)
Amortization of deferred financing costs	48	35	—	—	83
Changes in other operating assets and liabilities:					
Trade receivables	(6,698)	(13,020)	—	—	(19,718)
Inventories	—	2,064	—	—	2,064
Due to affiliates, net	(3,920)	(7,251)	(3,293)	18,002	3,538
Other assets	380	397	—	9	786
Accounts payable and other liabilities	6,073	3,104	(1)	—	9,176
Net cash flows from operating activities	10,032	7,087	—	17,989	35,108
Cash flows from investing activities:					
Capital expenditures	(5,805)	(3,981)	—	—	(9,786)
Net cash flows from investing activities	(5,805)	(3,981)	—	—	(9,786)
Cash flows from financing activities:					
Repayment of senior secured notes and bonds	(4,227)	(3,106)	—	—	(7,333)
Contributions	—	—	—	8,000	8,000
Net cash flows from financing activities	(4,227)	(3,106)	—	8,000	667
Net change in cash and cash equivalents	—	—	—	25,989	25,989
Cash and cash equivalents at beginning of period	—	2	—	7,231	7,233
Cash and cash equivalents at end of period	$ —	$ 2	$ —	$ 33,220	$ 33,222

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.