SALTON SEA FUNDING CORPORATION AND GUARANTORS

Combined Financial Statements (Unaudited)

For the Quarterly Period Ended September 30, 2015

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PART II

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

	As of	
	September 30, 2015	**December 31, 2014**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,042	$ 11,154
Trade receivables	39,264	21,908
Inventories	23,680	22,024
Deferred income taxes	7,553	7,553
Other current assets	148	656
Total current assets	83,687	63,295
Property, plant and equipment, net	440,033	451,210
Intangible assets, net	24,502	28,650
Other assets	235	288
Total assets	$ 548,457	$ 543,443
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,971	$ 10,127
Major maintenance accruals	670	821
Accrued interest	1,487	430
Current portion of senior secured bonds	19,648	18,925
Deferred income taxes	349	349
Other current liabilities	6,317	5,910
Total current liabilities	36,442	36,562
Senior secured bonds	40,018	50,204
Due to affiliates	9,864	601
Deferred income taxes	95,289	105,804
Total liabilities	181,613	193,171
Commitments and contingencies (Note 4)		
Owners' equity	366,844	350,272
Total liabilities and owners' equity	$ 548,457	$ 543,443

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,	
	2015	**2014**	**2015**	**2014**
Operating revenue	$ 63,720	$ 67,029	$ 131,948	$ 140,934
Operating costs and expenses:				
Royalty, operating, general and administrative expense	27,231	30,504	101,733	95,222
Depreciation and amortization	15,193	15,440	45,527	45,911
Total operating costs and expenses	42,424	45,944	147,260	141,133
Operating income (loss)	21,296	21,085	(15,312)	(199)
Other income (expense):				
Interest expense	(1,132)	(1,477)	(3,693)	(4,701)
Interest and other income	75	80	233	125
Total other income (expense)	(1,057)	(1,397)	(3,460)	(4,576)
Income (loss) before income tax expense (benefit)	20,239	19,688	(18,772)	(4,775)
Income tax expense (benefit)	2,461	12,192	(8,874)	(4,807)
Net income (loss)	$ 17,778	$ 7,496	$ (9,898)	$ 32

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,	
	2015	**2014**	**2015**	**2014**
Net income (loss)	$ 17,778	$ 7,496	$ (9,898)	$ 32
Other comprehensive loss, net of tax:				
Unrecognized amounts on retirement benefits, net of tax of $(7), $(10), $(21) and $(30)	(10)	(15)	(30)	(44)
Comprehensive income (loss)	$ 17,768	$ 7,481	$ (9,928)	$ (12)

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 Income, Net	Total
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
Balance, December 31, 2014	$ 349,481	$ 791	$ 350,272
Net loss	(9,898)	—	(9,898)
Contributions	26,500	—	26,500
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(30)	(30)
Balance, September 30, 2015	$ 366,083	$ 761	$ 366,844

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, 2015	Nine-Month Periods Ended September 30, 2014
Cash flows from operating activities:		
Net (loss) income	$ (9,898)	$ 32
Adjustments to reconcile net (loss) income to net cash flows from operating activities:		
Depreciation and amortization	45,527	45,911
Deferred income taxes	(10,494)	(5,645)
Amortization of deferred financing costs	53	69
Changes in other operating assets and liabilities:		
Trade receivables	(17,356)	(28,105)
Inventories	(1,656)	530
Due to affiliates	8,849	532
Other assets	508	651
Accounts payable and other liabilities	(1,592)	(646)
Net cash flows from operating activities	13,941	13,329
Cash flows from investing activities:		
Capital expenditures	(29,090)	(41,292)
Net cash flows from investing activities	(29,090)	(41,292)
Cash flows from financing activities:		
Repayment of senior secured bonds	(9,463)	(8,669)
Contributions	26,500	24,000
Net cash flows from financing activities	17,037	15,331
Net change in cash and cash equivalents	1,888	(12,632)
Cash and cash equivalents at beginning of period	11,154	23,426
Cash and cash equivalents at end of period	$ 13,042	$ 10,794

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 BHE Geothermal, LLC, an indirect wholly-owned subsidiary of Berkshire Hathaway Energy Company ("BHE"). BHE is a consolidated subsidiary of Berkshire Hathaway Inc.

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, 2015 and for the three- and nine-month periods ended September 30, 2015 and 2014. The results of operations for the three- and nine-month periods ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through November 13, 2015, 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, 2014 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, 2015.

2. Property, Plant and Equipment, Net

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

		As of	
	Depreciable Life	September 30, 2015	December 31, 2014
Power plants	5 to 30 years	$ 1,017,138	$ 990,570
Wells and resource development	2 to 30 years	332,812	330,979
Total operating assets		1,349,950	1,321,549
Accumulated depreciation		(909,917)	(870,339)
Property, plant and equipment, net		$ 440,033	$ 451,210

3. Goodwill and Intangible Assets, Net

Goodwill consists of the following (in thousands):

	As of September 30, 2015		As of December 31, 2014	
	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, 2015 and 2014.

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

		As of September 30, 2015		As of December 31, 2014	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 216,935	$ 198,567	$ 216,935	$ 195,864
Patented technology	24 years	46,290	40,156	46,290	38,711
Intangible assets, net		$ 263,225	$ 238,723	$ 263,225	$ 234,575

Amortization expense on acquired intangible assets was $1.6 million and $1.4 million for the three-month periods ended September 30, 2015 and 2014, respectively, and $4.2 million each of the nine-month periods ended September 30, 2015 and 2014. The Company expects amortization expense on acquired intangible assets to be $1.5 million for the remaining three months in 2015, $5.7 million in 2016 and 2017, $5.0 million in 2018 and $1.0 million in 2019.

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, 2015 and December 31, 2014 was $0.2 million, 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 $1.6 million for each of the three-month periods ended September 30, 2015 and 2014, and $3.5 million and $3.4 million for the nine-month periods ended September 30, 2015 and 2014, 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 $1.5 million and $1.9 million for the three-month periods ended September 30, 2015 and 2014, respectively, and $4.0 million and $5.8 million for the nine-month periods ended September 30, 2015 and 2014, 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 and $0.4 million for the three-month periods ended September 30, 2015 and 2014, respectively, and $1.2 million for each of the nine-month periods ended September 30, 2015 and 2014. 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, 2015 and 2014, and $0.9 million for each of the nine-month periods ended September 30, 2015 and 2014.

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 April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, which amends FASB Accounting Standards Codification ("ASC") Subtopic 835-30, "Interest - Imputation of Interest." The amendments in this guidance require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability instead of as an asset. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. This guidance must be adopted retrospectively, wherein the balance sheet of each period presented should be adjusted to reflect the new guidance. 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 May 2014, the FASB issued ASU No. 2014-09, which creates FASB 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. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year to interim and annual reporting periods beginning after December 15, 2017. 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.

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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 publicly update or revise any 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, 2014 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	
	2015	**2014**	**2015**	**2014**
Operating revenue	$ 63.8	$ 67.0	$ 132.0	$ 140.9
Overall capacity factor	95.0%	92.7%	85.0%	80.0%
Megawatt hours produced	708,700	668,400	1,882,800	1,711,400
Facility net capacity (megawatts) (weighted average)	338.0	326.4	338.0	326.4

Operating revenue decreased $3.2 million, or 4.8%, for the third quarter of 2015 compared to 2014 due to the following:

- $5.6 million decrease due to lower energy rates at certain Imperial Valley Projects.
- $2.4 million increase due primarily to an increase in production at certain Imperial Valley Projects.

Operating revenue decreased $8.9 million, or 6.3%, for the first nine months of 2015 compared to 2014 due to the following:

- $19.3 million decrease due to lower energy rates at certain Imperial Valley Projects.
- $10.4 million increase due to an increase in production at certain Imperial Valley Projects.

Royalty, Operating, General and Administrative Expense

Royalty, operating, general and administrative expense decreased $3.3 million, or 10.8%, to $27.2 million for the third quarter of 2015 from $30.5 million for the comparable period in 2014 due primarily to lower maintenance costs at certain Imperial Valley Projects.

Royalty, operating, general and administrative expense increased $6.5 million, or 6.8%, to $101.7 million for the first nine months of 2015 from $95.2 million for the comparable period in 2014 due primarily to higher maintenance costs at certain Imperial Valley Projects.

Depreciation and Amortization

Depreciation and amortization decreased $0.2 million to $15.2 million and decreased $0.4 million to $45.5 million for the third quarter and for the first nine months of 2015, respectively, from $15.4 million and $45.9 million, respectively, for the comparable periods in 2014 due primarily to lower capital expenditures.

Interest Expense

Interest expense decreased $0.4 million to $1.1 million and decreased $1.0 million to $3.7 million for the third quarter and for the first nine months of 2015, respectively, from $1.4 million and $4.7 million, respectively, for the comparable periods in 2014 due to lower outstanding debt balances.

Income Tax Expense (Benefit)

Income tax expense decreased $9.7 million to $2.5 million and income tax benefit increased $4.1million to $(8.9) million for the third quarter and for the first nine months of 2015, respectively, from $12.2 million and $(4.8) million, respectively, for the comparable periods in 2014. The effective tax rate was 12.2% and 61.9% for the third quarters of 2015 and 2014, respectively, and 47.3% and 100.7% for the first nine months of 2015 and 2014, respectively. The changes in income tax expense (benefit) and the effective tax rates were due primarily to the changes in pre-tax income (loss) and the timing of recognition of tax benefits associated with depletion and energy tax credits as well as changes in valuation allowances on net operating loss carryforwards.

Liquidity and Capital Resources

The Company's cash and cash equivalents were $13.0 million as of September 30, 2015, compared to $11.2 million as of December 31, 2014.

Net cash flows from operating activities for the nine-month periods ended September 30, 2015 and 2014 were $13.9 million and $13.3 million, respectively. The change was due primarily to higher customer payments, partially offset by higher maintenance costs at certain Imperial Valley Projects.

Net cash flows from investing activities for the nine-month periods ended September 30, 2015 and 2014 were $(29.1) million and $(41.3) million, respectively. The change was due to lower capital expenditures in 2015.

Forecasted capital expenditures for 2015 are approximately $41 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, 2015 and 2014 were $17.0 million and $15.3 million, respectively. The change was due primarily to higher owner contributions, partially offset by higher scheduled debt service payments. Funding Corporation received owner capital contributions in 2015 for the purpose of assisting with Funding Corporation's scheduled 2015 debt service payments and a portion of the Company's 2015 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, 2014.

Renewable Portfolio Standards

The California renewable portfolio standard ("RPS") required all California retail sellers to procure an average of 20% of retail load from renewable resources by December 31, 2013, 25% by December 31, 2016 and 33% by December 31, 2020. In October 2015, California Senate Bill No. 350 was signed into law, which increased the current RPS requirement to 40% by December 31, 2024, 45% by December 31, 2017 and 50% by December 31, 2030. The Company is not considered a retail seller in California and is not subject to the California RPS requirements. However, the Company's Imperial Valley Projects may find more favorable market conditions for their output as a result of the California RPS.

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, 2014. The Company's exposure to market risk and its management of such risk has not changed materially since December 31, 2014.

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 13, 2015

<u>/s/ William J. Fehrman</u>
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 13, 2015

/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, 2015
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 2	$ —	$ 13,040	$ 13,042
Trade receivables	19,727	19,537	—	—	39,264
Inventories	—	23,680	—	—	23,680
Deferred income taxes	—	7,553	—	—	7,553
Other current assets	38	79	—	31	148
Total current assets	19,765	50,851	—	13,071	83,687
Property, plant and equipment, net	235,159	204,874	—	—	440,033
Intangible assets, net	10,357	11,594	2,551	—	24,502
Other assets	55	180	—	—	235
Total assets	$ 265,336	$ 267,499	$ 2,551	$ 13,071	$ 548,457
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 3,260	$ 4,728	$ —	$ (17)	$ 7,971
Major maintenance accruals	118	552	—	—	670
Accrued interest	857	630	—	—	1,487
Current portion of secured project notes	11,325	8,323	—	(19,648)	—
Current portion of senior secured bonds	—	—	—	19,648	19,648
Deferred income taxes	349	—	—	—	349
Other current liabilities	553	5,764	—	—	6,317
Total current liabilities	16,462	19,997	—	(17)	36,442
Secured project notes	23,066	16,952	—	(40,018)	—
Senior secured bonds	—	—	—	40,018	40,018
Due to affiliates	1,129	216	—	8,519	9,864
Deferred income taxes	54,248	40,001	1,040	—	95,289
Total liabilities	94,905	77,166	1,040	8,502	181,613
Owners' equity:					
Owners' equity	170,431	189,572	1,511	4,569	366,083
Accumulated other comprehensive income, net	—	761	—	—	761
Total owners' equity	170,431	190,333	1,511	4,569	366,844
Total liabilities and owners' equity	$ 265,336	$ 267,499	$ 2,551	$ 13,071	$ 548,457

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)
COMBINING BALANCE SHEET (Unaudited)
AS OF DECEMBER 31, 2014
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 3	$ —	$ 11,151	$ 11,154
Trade receivables	11,542	10,366	—	—	21,908
Inventories	—	22,024	—	—	22,024
Deferred income taxes	—	7,553	—	—	7,553
Other current assets	270	353	—	33	656
Total current assets	11,812	40,299	—	11,184	63,295
Property, plant and equipment, net	239,793	211,417	—	—	451,210
Intangible assets, net	11,220	14,263	3,167	—	28,650
Other assets	85	203	—	—	288
Total assets	$ 262,910	$ 266,182	$ 3,167	$ 11,184	$ 543,443
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 1,713	$ 8,414	$ —	$ —	$ 10,127
Major maintenance accruals	373	448	—	—	821
Accrued interest	248	182	—	—	430
Current portion of secured project notes	10,908	8,017	—	(18,925)	—
Current portion of senior secured bonds	—	—	—	18,925	18,925
Deferred income taxes	349	—	—	—	349
Other current liabilities	1,045	4,865	—	—	5,910
Total current liabilities	14,636	21,926	—	—	36,562
Secured project notes	28,937	21,267	—	(50,204)	—
Senior secured bonds	—	—	—	50,204	50,204
Due to affiliates	570	31	—	—	601
Deferred income taxes	59,763	44,750	1,291	—	105,804
Total liabilities	103,906	87,974	1,291	—	193,171
Owners' equity:					
Owners' equity	159,004	177,417	1,876	11,184	349,481
Accumulated other comprehensive income, net	—	791	—	—	791
Total owners' equity	159,004	178,208	1,876	11,184	350,272
Total liabilities and owners' equity	$ 262,910	$ 266,182	$ 3,167	$ 11,184	$ 543,443

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)
COMBINING STATEMENT OF OPERATIONS (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Operating revenue	$ 70,619	$ 61,329	$ 5,353	$ (5,353)	$ 131,948
Operating costs and expenses:					
Royalty, operating, general and administrative expense	53,145	52,438	1,452	(5,302)	101,733
Depreciation and amortization	22,370	22,540	617	—	45,527
Total operating costs and expenses	75,515	74,978	2,069	(5,302)	147,260
Operating (loss) income	(4,896)	(13,649)	3,284	(51)	(15,312)
Other income (expense):					
Interest expense	(2,129)	(1,564)	—	—	(3,693)
Interest and other income	15	217	—	1	233
Total other income (expense)	(2,114)	(1,347)	—	1	(3,460)
(Loss) income before income tax (benefit) expense	(7,010)	(14,996)	3,284	(50)	(18,772)
Income tax (benefit) expense	(5,202)	(4,726)	1,074	(20)	(8,874)
Net (loss) income	$ (1,808)	$ (10,270)	$ 2,210	$ (30)	$ (9,898)

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

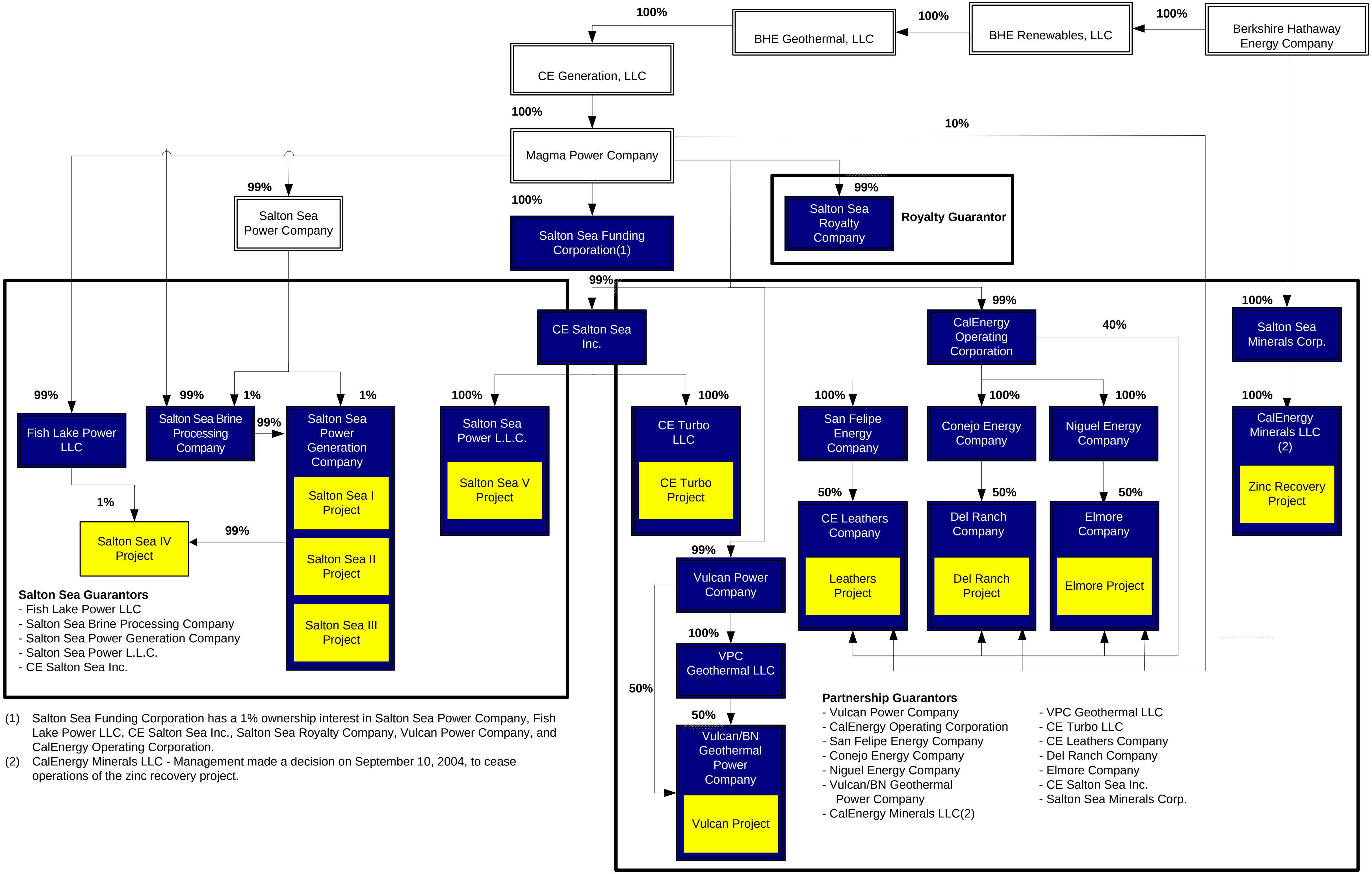
SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)
COMBINING STATEMENT OF CASH FLOWS (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Cash flows from operating activities:					
Net (loss) income	$ (1,808)	$ (10,270)	$ 2,210	$ (30)	$ (9,898)
Adjustments to reconcile net (loss) income to net cash flows from operating activities:					
Depreciation and amortization	22,370	22,540	617	—	45,527
Deferred income taxes	(5,515)	(4,728)	(251)	—	(10,494)
Amortization of deferred financing costs	30	23	—	—	53
Changes in other operating assets and liabilities:					
Trade receivables	(8,185)	(9,171)	—	—	(17,356)
Inventories	—	(1,656)	—	—	(1,656)
Due to affiliates	13,975	22,016	(2,576)	(24,566)	8,849
Other assets	232	273	—	3	508
Accounts payable and other liabilities	(395)	(1,179)	—	(18)	(1,592)
Net cash flows from operating activities	20,704	17,848	—	(24,611)	13,941
Cash flows from investing activities:					
Capital expenditures	(15,250)	(13,840)	—	—	(29,090)
Net cash flows from investing activities	(15,250)	(13,840)	—	—	(29,090)
Cash flows from financing activities:					
Repayment of senior secured notes and bonds	(5,454)	(4,009)	—	—	(9,463)
Contributions	—	—	—	26,500	26,500
Net cash flows from financing activities	(5,454)	(4,009)	—	26,500	17,037
Net change in cash and cash equivalents	—	(1)	—	1,889	1,888
Cash and cash equivalents at beginning of period	—	3	—	11,151	11,154
Cash and cash equivalents at end of period	$ —	$ 2	$ —	$ 13,040	$ 13,042

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	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

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.