SALTON SEA FUNDING CORPORATION AND GUARANTORS

Combined Financial Statements (Unaudited)

For the Quarterly Period Ended September 30, 2016

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PART II

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

	As of	
	September 30, 2016	**December 31, 2015**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,829	$ 23,798
Trade receivables	34,476	18,684
Inventories	24,252	23,312
Other current assets	227	940
Total current assets	78,784	66,734
Property, plant and equipment, net	427,176	429,027
Intangible assets, net	19,281	23,120
Other assets	489	140
Total assets	$ 525,730	$ 519,021
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,668	$ 7,752
Major maintenance accruals	1,488	—
Accrued interest	997	312
Current portion of senior secured bonds	20,118	20,370
Other current liabilities	7,144	4,385
Total current liabilities	33,415	32,819
Senior secured bonds	19,859	29,757
Due to affiliates	4,476	1,183
Deferred income taxes	71,803	81,559
Total liabilities	129,553	145,318
Commitments and contingencies (Note 4)		
Owners' equity	396,177	373,703
Total liabilities and owners' equity	$ 525,730	$ 519,021

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,	
	2016	**2015**	**2016**	**2015**
Operating revenue	$ 58,429	$ 63,720	$ 117,291	$ 131,948
Operating costs and expenses:				
Royalty, operating, general and administrative expense	25,605	27,231	84,838	101,733
Depreciation and amortization	15,510	15,193	45,619	45,527
Total operating costs and expenses	41,115	42,424	130,457	147,260
Operating income (loss)	17,314	21,296	(13,166)	(15,312)
Other income (expense):				
Interest expense	(760)	(1,132)	(2,597)	(3,693)
Interest and other income	76	75	177	233
Total other income (expense)	(684)	(1,057)	(2,420)	(3,460)
Income (loss) before income tax expense (benefit)	16,630	20,239	(15,586)	(18,772)
Income tax expense (benefit)	9,541	2,461	(8,597)	(8,874)
Net income (loss)	$ 7,089	$ 17,778	$ (6,989)	$ (9,898)

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,	
	2016	**2015**	**2016**	**2015**
Net income (loss)	$ 7,089	$ 17,778	$ (6,989)	$ (9,898)
Other comprehensive loss, net of tax:				
Unrecognized amounts on retirement benefits, net of tax of $(8), $(7), $(25) and $(21)	(12)	(10)	(37)	(30)
Comprehensive income (loss)	$ 7,077	$ 17,768	$ (7,026)	$ (9,928)

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, 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
Balance, December 31, 2015	$ 372,811	$ 892	$ 373,703
Net loss	(6,989)	—	(6,989)
Contributions	29,500	—	29,500
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(37)	(37)
Balance, September 30, 2016	$ 395,322	$ 855	$ 396,177

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,	
	2016	**2015**
Cash flows from operating activities:		
Net loss	$ (6,989)	$ (9,898)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	45,619	45,527
Deferred income taxes	(9,731)	(10,494)
Amortization of debt issuance costs	24	53
Changes in other operating assets and liabilities:		
Trade receivables	(15,792)	(17,356)
Inventories	(940)	(1,656)
Due to affiliates, net	2,975	8,849
Other assets	365	508
Accounts payable and other liabilities	847	(1,592)
Net cash flows from operating activities	16,378	13,941
Cash flows from investing activities:		
Capital expenditures	(39,674)	(29,090)
Net cash flows from investing activities	(39,674)	(29,090)
Cash flows from financing activities:		
Repayment of senior secured bonds	(10,173)	(9,463)
Contributions	29,500	26,500
Net cash flows from financing activities	19,327	17,037
Net change in cash and cash equivalents	(3,969)	1,888
Cash and cash equivalents at beginning of period	23,798	11,154
Cash and cash equivalents at end of period	$ 19,829	$ 13,042

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, 2016 and for the three- and nine-month periods ended September 30, 2016 and 2015. The results of operations for the three- and nine-month periods ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through November 14, 2016, 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, 2015 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, 2016.

2. Property, Plant and Equipment, Net

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

		As of	
	Depreciable Life	September 30, 2016	December 31, 2015
Power plants	5 to 30 years	$ 1,048,624	$ 1,017,462
Wells and resource development	2 to 30 years	344,589	335,844
Total operating assets		1,393,213	1,353,306
Accumulated depreciation		(966,037)	(924,279)
Property, plant and equipment, net		$ 427,176	$ 429,027

3. Goodwill and Intangible Assets, Net

Goodwill consists of the following (in thousands):

	As of September 30, 2016		As of December 31, 2015	
	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, 2016 and 2015.

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

		As of September 30, 2016		As of December 31, 2015	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 216,935	$ 201,859	$ 216,935	$ 199,465
Patented technology	24 years	46,290	42,085	46,290	40,640
Intangible assets, net		$ 263,225	$ 243,944	$ 263,225	$ 240,105

Amortization expense on acquired intangible assets was $1.4 million and $1.6 million for the three-month periods ended September 30, 2016 and 2015, respectively and $4.3 million and $4.2 million for the nine-month periods ended September 30, 2016 and 2015, respectively. The Company expects amortization expense on acquired intangible assets to be $1.4 million for the remaining three months in 2016, $5.7 million in 2017, $5.0 million in 2018, $1.0 million in 2019 and $0.9 million in 2020.

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 BHE and TransAlta (CE GEN) Investment USA, Inc. ("TransAlta"), a former member of CE Generation. 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.

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 $1.5 million and $1.6 million for the three-month periods ended September 30, 2016 and 2015, respectively, and $3.0 million and $3.5 million for the nine-month periods ended September 30, 2016 and 2015, 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 $1.4 million and $1.5 million for the three-month periods ended September 30, 2016 and 2015, respectively, and $3.3 million and $4.0 million for the nine-month periods ended September 30, 2016 and 2015, respectively.

The Company participates in the MidAmerican Energy Company Retirement Plan and the MidAmerican Energy Company Welfare Benefit Plan, each of which is sponsored by MidAmerican Energy Company ("MEC"), an indirect wholly-owned subsidiary of BHE. The Company's contributions to the various plans were $0.3 million for each of the three-month periods ended September 30, 2016 and 2015 and $1.1 million and $1.2 million for the nine-month periods ended September 30, 2016 and 2015, 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 provides 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 $0.4 million and $0.5 million for the three-month periods ended September 30, 2016 and 2015, respectively, and $0.7 million and $0.9 million for each of the nine-month periods ended September 30, 2016 and 2015, respectively.

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 August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, which amends FASB Accounting Standards Codification ("ASC") Topic 230, "Statement of Cash Flows." The amendments in this guidance address the classification of eight specific cash flow issues within the statement of cash flows with the objective of reducing the existing diversity in practice. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted and is required to be adopted retrospectively. The Company is currently evaluating the impact of adopting this guidance on its Combined Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, which creates FASB ASC Topic 842, "Leases" and supersedes Topic 840 "Leases." This guidance increases transparency and comparability among entities by recording lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous guidance. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted, and is required to be adopted using a modified retrospective approach. 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 No. 2014-09 one year to interim and annual reporting periods beginning after December 15, 2017. During 2016, the FASB issued several ASUs that clarify the implementation guidance for ASU No. 2014-09 but do not change the core principle of the guidance. 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, 2015 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**	
	2016	**2015**	**2016**	**2015**
Operating revenue	$ 58.4	$ 63.8	$ 117.3	$ 132.0
Overall capacity factor	85.5%	95.0%	76.3%	85.0%
Megawatt hours produced	638,300	708,700	1,696,300	1,882,800
Facility net capacity (megawatts) (weighted average)	338.0	338.0	338.0	338.0

Operating revenue decreased $5.4 million, or 8.5%, for the third quarter of 2016 compared to 2015 due to the following:

- $8.0 million decrease due primarily to a decrease in production at certain Imperial Valley Projects.
- $2.6 million increase due to higher energy rates at certain Imperial Valley Projects.

Operating revenue decreased $14.7 million, or 11.1%, for the first nine months of 2016 compared to 2015 due to the following:

- $16.5 million decrease due to a decrease in production at certain Imperial Valley Projects.
- $1.8 million increase due to higher energy rates at certain Imperial Valley Projects.

Royalty, Operating, General and Administrative Expense

Royalty, operating, general and administrative expense decreased $1.6 million, or 5.9%, to $25.6 million for the third quarter of 2016 from $27.2 million for the comparable period in 2015 due primarily to lower maintenance costs at certain Imperial Valley Projects.

Royalty, operating, general and administrative expense decreased $16.9 million, or 16.6%, to $84.8 million for the first nine months of 2016 from $101.7 million for the comparable period in 2015 primarily due to lower maintenance costs at certain Imperial Valley Projects.

Depreciation and Amortization

Depreciation and amortization increased $0.3 million, or 2.0%, to $15.5 million for the third quarter of 2016 from $15.2 million for the comparable period in 2015 due primarily to the timing of Imperial Valley Projects placed in-service.

Depreciation and amortization increased $0.1 million, or 0.2%, to $45.6 million for the first nine months of 2016 from $45.5 million for the comparable period in 2015 due primarily to the timing of Imperial Valley Projects placed in-service.

Interest Expense

Interest expense decreased $0.3 million, or 27.3%, to $0.8 million and decreased $1.1 million, or 29.7%, to $2.6 million for the third quarter and for the first nine months of 2016, respectively, from $1.1 million and $3.7 million, respectively, for the comparable periods in 2015 due to lower outstanding debt balances.

Income Tax Benefit

Income tax expense increased $7.0 million to $9.5 million for the third quarter of 2016 compared to 2015 and the effective tax rate was 57.4% for 2016 and 12.2% for 2015. The changes in income tax expense and the effective tax rate were primarily due to a change in valuation allowance recorded in the third quarter of 2015.

Income tax benefit decreased $0.3 million to $8.6 million for the first nine months of 2016 compared to 2015. The effective tax rate was 55.2% and 47.3% in 2016 and 2015, respectively. The changes in income tax expense and the effective tax rate increased primarily due to changes in tax benefits associated with depletion and energy tax credits.

Liquidity and Capital Resources

The Company's cash and cash equivalents were $19.8 million as of September 30, 2016, compared to $23.8 million as of December 31, 2015.

Net cash flows from operating activities for the nine-month periods ended September 30, 2016 and 2015 were $16.4 million and $13.9 million, respectively. The change was primarily due to lower maintenance costs at certain Imperial Valley Projects.

Net cash flows from investing activities for the nine-month periods ended September 30, 2016 and 2015 were $(39.7) million and $(29.1) million, respectively. The change was due to higher capital expenditures in 2016.

Forecasted capital expenditures for 2016 are approximately $58 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, 2016 and 2015 were $19.3 million and $17.0 million, respectively. The change was primarily due to higher owner capital contributions in 2016. Funding Corporation received owner capital contributions in 2016 and 2015 for the purpose of assisting with Funding Corporation's scheduled debt service payments and a portion of the Company's 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 its 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, 2015.

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, 2015. The Company's exposure to market risk and its management of such risk has not changed materially since December 31, 2015.

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, 2016

/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, 2016

/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, 2016
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 2	$ —	$ 19,827	19,829
Trade receivables	17,931	16,545	—	—	34,476
Inventories	—	24,252	—	—	24,252
Other current assets	33	164	—	30	227
Total current assets	17,964	40,963	—	19,857	78,784
Property, plant and equipment, net	237,401	189,775	—	—	427,176
Intangible assets, net	9,207	8,315	1,759	—	19,281
Other assets	135	354	—	—	489
Total assets	264,707	239,407	1,759	19,857	525,730
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 455	$ 3,213	$ —	$ —	$ 3,668
Major maintenance accruals	13	1,475	—	—	1,488
Accrued interest	575	422	—	—	997
Current portion of secured project notes	11,596	8,522	—	(20,118)	—
Current portion of senior secured bonds	—	—	—	20,118	20,118
Other current liabilities	1,232	5,912	—	—	7,144
Total current liabilities	13,871	19,544	—	—	33,415
Secured project notes	11,446	8,413	—	(19,859)	—
Senior secured bonds	—	—	—	19,859	19,859
Due to affiliates	1,129	(66)	—	3,413	4,476
Deferred income taxes	49,365	21,721	717	—	71,803
Total liabilities	75,811	49,612	717	3,413	129,553
Owners' equity:					
Owners' equity	188,896	188,940	1,042	16,444	395,322
Accumulated other comprehensive income, net	—	855	—	—	855
Total owners' equity	188,896	189,795	1,042	16,444	396,177
Total liabilities and owners' equity	$ 264,707	$ 239,407	$ 1,759	$ 19,857	$ 525,730

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)
COMBINING BALANCE SHEET (Unaudited)
AS OF DECEMBER 31, 2015
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 2	$ —	$ 23,796	$ 23,798
Trade receivables	10,314	8,370	—	—	18,684
Inventories	—	23,312	—	—	23,312
Other current assets	387	513	—	40	940
Total current assets	10,701	32,197	—	23,836	66,734
Property, plant and equipment, net	230,235	198,792	—	—	429,027
Intangible assets, net	10,070	10,705	2,345	—	23,120
Other assets	—	140	—	—	140
Total assets	$ 251,006	$ 241,834	$ 2,345	$ 23,836	$ 519,021
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 2,700	$ 5,052	$ —	$ —	$ 7,752
Accrued interest	180	132	—	—	312
Current portion of secured project notes	11,741	8,629	—	(20,370)	—
Current portion of senior secured bonds	—	—	—	20,370	20,370
Other current liabilities	950	3,435	—	—	4,385
Total current liabilities	15,571	17,248	—	—	32,819
Secured project notes	17,152	12,605	—	(29,757)	—
Senior secured bonds	—	—	—	29,757	29,757
Due to affiliates	1,129	54	—	—	1,183
Deferred income taxes	54,277	26,326	956	—	81,559
Total liabilities	88,129	56,233	956	—	145,318
Owners' equity:					
Owners' equity	162,877	184,709	1,389	23,836	372,811
Accumulated other comprehensive income, net	—	892	—	—	892
Total owners' equity	162,877	185,601	1,389	23,836	373,703
Total liabilities and owners' equity	$ 251,006	$ 241,834	$ 2,345	$ 23,836	$ 519,021

SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)
COMBINING STATEMENT OF OPERATIONS (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Operating revenue	$ 60,297	$ 56,994	$ 4,351	$ (4,351)	$ 117,291
Operating costs and expenses:					
Royalty, operating, general and administrative expense	43,121	44,829	1,181	(4,293)	84,838
Depreciation and amortization	23,139	21,894	586	—	45,619
Total operating costs and expenses	66,260	66,723	1,767	(4,293)	130,457
Operating (loss) income	(5,963)	(9,729)	2,584	(58)	(13,166)
Other income (expense):					
Interest expense	(1,497)	(1,100)	—	—	(2,597)
Interest and other income	—	164	—	13	177
Total other income (expense)	(1,497)	(936)	—	13	(2,420)
(Loss) income before income tax (benefit) expense	(7,460)	(10,665)	2,584	(45)	(15,586)
Income tax (benefit) expense	(4,786)	(4,580)	788	(19)	(8,597)
Net (loss) income	$ (2,674)	$ (6,085)	$ 1,796	$ (26)	$ (6,989)

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)

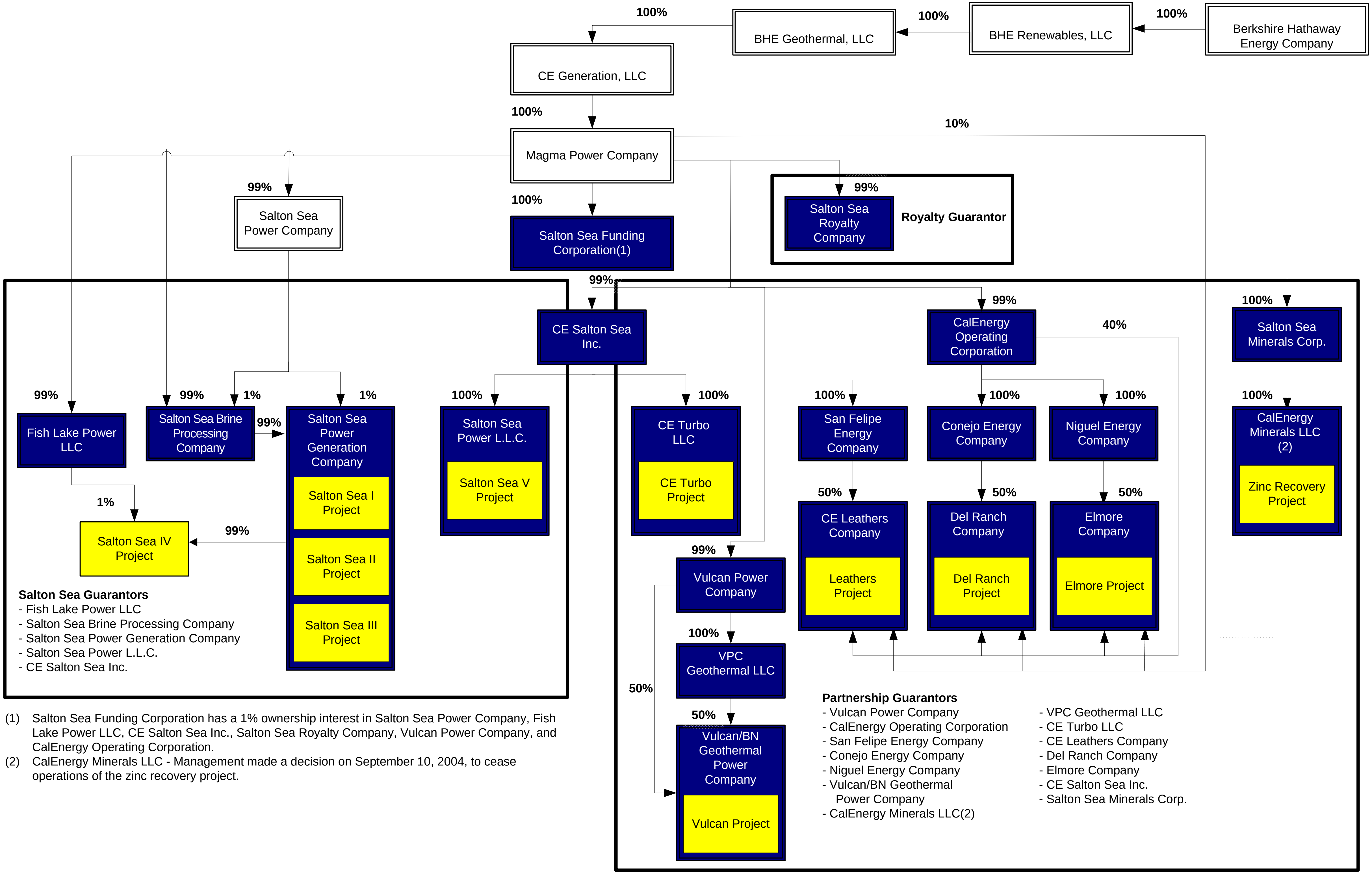
SALTON SEA FUNDING CORPORATION AND GUARANTORS EXHIBIT A (Continued)
COMBINING STATEMENT OF CASH FLOWS (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
(In thousands)

	Salton Sea Guarantors	Partnership Guarantors	Royalty Guarantor	Funding Corporation & Eliminations	Combined
Cash flows from operating activities:					
Net (loss) income	$ (2,674)	$ (6,085)	$ 1,796	$ (26)	$ (6,989)
Adjustments to reconcile net (loss) income to net cash flows from operating activities:					
Depreciation and amortization	23,139	21,894	586	—	45,619
Deferred income taxes	(4,912)	(4,580)	(239)	—	(9,731)
Amortization of debt issuance costs	14	10	—	—	24
Changes in other operating assets and liabilities:					
Trade receivables	(7,617)	(8,175)	—	—	(15,792)
Inventories	—	(940)	—	—	(940)
Due to affiliates, net	25,191	13,380	(2,143)	(33,453)	2,975
Other assets	219	136	—	10	365
Accounts payable and other liabilities	(1,556)	2,403	—	—	847
Net cash flows from operating activities	31,804	18,043	—	(33,469)	16,378
Cash flows from investing activities:					
Capital expenditures	(25,940)	(13,734)	—	—	(39,674)
Net cash flows from investing activities	(25,940)	(13,734)	—	—	(39,674)
Cash flows from financing activities:					
Repayment of senior secured notes and bonds	(5,864)	(4,309)	—	—	(10,173)
Contributions	—	—	—	29,500	29,500
Net cash flows from financing activities	(5,864)	(4,309)	—	29,500	19,327
Net change in cash and cash equivalents	—	—	—	(3,969)	(3,969)
Cash and cash equivalents at beginning of period	—	2	—	23,796	23,798
Cash and cash equivalents at end of period	$ —	$ 2	$ —	$ 19,827	$ 19,829

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 debt issuance 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, net	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

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.