CE GENERATION LLC

Consolidated Financial Statements

For the Quarterly Period Ended March 31, 2011

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CE GENERATION, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands)

	As of	
	March 31, 2011	**December 31, 2010**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 74,623	$ 44,580
Trade receivables	28,934	34,035
Income tax receivable	1,319	1,738
Inventories	32,610	33,240
Other current assets	3,689	3,730
Total current assets	141,175	117,323
Property, plant and equipment, net	657,800	672,461
Goodwill	265,897	265,897
Intangible assets, net	48,686	50,122
Other assets	2,722	2,807
Total assets	$ 1,116,280	$ 1,108,610
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,477	$ 2,724
Accrued interest	7,893	1,499
Due to affiliates	1,277	1,193
Current portion of long-term debt	35,190	35,190
Deferred income taxes	1,287	1,287
Other current liabilities	8,689	6,734
Total current liabilities	55,813	48,627
Parent senior secured bonds	189,600	189,600
Subsidiary debt	117,744	117,744
Due to affiliates	2,847	2,828
Deferred income taxes	207,144	207,752
Other long-term liabilities	17,992	17,801
Total liabilities	591,140	584,352
Commitments and contingencies (Note 4)		
Equity:		
CE Generation members' equity	508,529	507,201
Noncontrolling interests	16,611	17,057
Total equity	525,140	524,258
Total liabilities and equity	$ 1,116,280	$ 1,108,610

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

CE GENERATION, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands)

	Three-Month Periods Ended March 31,	
	2011	**2010**
Operating revenue	$ 55,932	$ 51,307
Operating costs and expenses:		
Fuel	1,918	2,739
Plant operations	29,299	36,851
General and administrative	1,095	1,263
Depreciation and amortization	20,195	19,221
Total operating costs and expenses	52,507	60,074
Operating income (loss)	3,425	(8,767)
Other income (expense):		
Interest expense	(6,641)	(7,565)
Gain on sale of land	4,667	-
Interest and other income	15	165
Total other income (expense)	(1,959)	(7,400)
Income (loss) before income tax (benefit) expense	1,466	(16,167)
Income tax (benefit) expense	(35)	2,214
Net income (loss)	1,501	(18,381)
Net income (loss) attributable to noncontrolling interests	161	(244)
Net income (loss) attributable to CE Generation	$ 1,340	$ (18,137)

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

CE GENERATION, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Three-Month Periods Ended March 31, 2011	Three-Month Periods Ended March 31, 2010
Cash flows from operating activities:		
Net income (loss)	$ 1,501	$ (18,381)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	20,195	19,221
Gain on sale of land	(4,667)	-
Deferred income taxes	(601)	(435)
Amortization of deferred financing costs	85	111
Changes in operating assets and liabilities:		
Trade receivables	5,101	4,814
Inventories	630	176
Due to affiliates, net	84	181
Other current assets	(623)	16
Accounts payable and other current liabilities	7,246	14,764
Net cash flows from operating activities	28,951	20,467
Cash flows from investing activities:		
Capital expenditures	(4,051)	(20,837)
Proceeds from sale of land	5,750	-
Decrease in restricted cash	-	4
Net cash flows from investing activities	1,699	(20,833)
Cash flows from financing activities:		
Distributions to noncontrolling interests	(607)	(373)
Net cash flows from financing activities	(607)	(373)
Net change in cash and cash equivalents	30,043	(739)
Cash and cash equivalents at beginning of period	44,580	54,705
Cash and cash equivalents at end of period	$ 74,623	$ 53,966

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

CE GENERATION, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(In thousands)

	CE Generation Members' Equity			
	Members' Equity	Accumulated Other Comprehensive Loss, Net	Noncontrolling Interests	Total Equity
Balance, January 1, 2010	$ 502,230	$ (1,407)	$ 18,725	$ 519,548
Net loss	(18,137)	-	(244)	(18,381)
Other comprehensive loss	-	(9)	-	(9)
Distributions	-	-	(373)	(373)
Balance, March 31, 2010	$ 484,093	$ (1,416)	$ 18,108	$ 500,785
Balance, January 1, 2011	$ 507,486	$ (285)	$ 17,057	$ 524,258
Net income	1,340	-	161	1,501
Other comprehensive loss	-	(12)	-	(12)
Distributions	-	-	(607)	(607)
Balance, March 31, 2011	$ 508,826	$ (297)	$ 16,611	$ 525,140

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

CE GENERATION, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(In thousands)

	Three-Month Periods Ended March 31,	
	2011	2010
Net income (loss)	$ 1,501	$ (18,381)
Other comprehensive loss, net of tax-		
Unrecognized amounts on retirement benefits, net of tax of $(7) and $(7)	(12)	(9)
Comprehensive income	1,489	(18,390)
Comprehensive income (loss) attributable to noncontrolling interests	161	(244)
Comprehensive income (loss) attributable to CE Generation	$ 1,328	$ (18,146)

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

1. General

CE Generation, LLC ("CE Generation") is engaged in the independent power business and through its subsidiaries (together with CE Generation, the "Company") owns and operates ten geothermal facilities in the Imperial Valley of California (the "Imperial Valley Projects") and three natural gas-fired combined cycle cogeneration facilities located in New York, Texas and Arizona. The Company is equally owned by MidAmerican Energy Holdings Company ("MEHC"), a consolidated subsidiary of Berkshire Hathaway Inc., and TransAlta (CE GEN) USA, Inc. ("TransAlta"), a wholly-owned subsidiary of TransAlta Corporation.

The unaudited Consolidated 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 Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the Consolidated Financial Statements as of March 31, 2011 and for the three-month periods ended March 31, 2011 and 2010. The results of operations for the three-month period ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through May 13, 2011, which is the date the unaudited Consolidated Financial Statements were available to be issued.

The unaudited Consolidated Financial Statements include the accounts of CE Generation, its wholly-owned subsidiaries and a majority-owned limited partnership, Saranac Power Partners L.P. (the "Saranac Partnership" or the "Saranac Project"), in which the Company indirectly holds a 1% general partnership and 74% limited partnership ownership interest. The remaining interests in the Saranac Partnership are owned by three limited partners. Net income and distributions from the Saranac Partnership are allocated to the partners based on allocation percentages that vary through the life of the partnership, as specified in the partnership agreement. As of March 31, 2011, the Company's economic interest in the partnership was 75%, while the noncontrolling interest holders had a combined economic interest in the partnership of 25%. The equity interest of the other partners is recorded as a noncontrolling interest on the unaudited Consolidated Financial Statements. Intercompany accounts and transactions have been eliminated.

The preparation of the unaudited Consolidated 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 Consolidated 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 Consolidated Financial Statements. Note 2 of Notes to Consolidated Financial Statements included in the Company's audited Consolidated Financial Statements for the year ended December 31, 2010 describes the most significant accounting policies used in the preparation of the Consolidated Financial Statements. There have been no significant changes in the Company's assumptions regarding significant accounting estimates and policies during the three-month period ended March 31, 2011.

2. Property, Plant and Equipment, Net

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

	Depreciable Life	As of March 31, 2011	As of December 31, 2010
Power plants	5 to 30 years	$ 1,280,839	$ 1,293,702
Wells and resource development	2 to 30 years	261,221	260,318
Equipment	3 to 30 years	6,352	6,345
Total operating assets		1,548,412	1,560,365
Accumulated depreciation		(890,612)	(887,904)
Property, plant and equipment, net		$ 657,800	$ 672,461

The Company replaced certain pipe and equipment with a remaining net book value of $2.1 million and $1.3 million during the three-month periods ended March 31, 2011 and 2010, respectively, which was charged to depreciation expense on the Consolidated Statements of Operations.

3. Intangible Assets, Net

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

		As of March 31, 2011		As of December 31, 2010	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 315,434	$ 281,561	$ 315,434	$ 280,607
Patented technology	24 years	46,290	31,477	46,290	30,995
Intangible assets, net		$ 361,724	$ 313,038	$ 361,724	$ 311,602

Amortization expense on acquired intangible assets was $1.4 million for each of the three-month periods ended March 31, 2011 and 2010. CE Generation expects amortization expense on acquired intangible assets to be $4.3 million for the remaining nine months in 2011, and $5.7 million in 2012 through 2015.

4. Commitments and Contingencies

The California Power Exchange

In January 2001, the California Power Exchange declared bankruptcy. As a result, Salton Sea Power LLC ("Salton Sea Power") and CE Turbo, LLC ("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 MEHC. 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 MEHC 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 MEHC 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 air and water quality, emissions 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. 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 March 31, 2011 and December 31, 2010 was $0.9 million and $0.6 million, respectively, and is included in other current liabilities on the Consolidated 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 an administrative services agreement between CalEnergy Generation Operating Company ("CGOC"), a subsidiary of MEHC, and CE Generation (the "Administrative Services Agreement"), CGOC provides certain administrative and management services to CE Generation. The Administrative Services Agreement between CGOC and CE Generation provides for a fixed fee through December 31, 2013. The expense pursuant to the Administrative Services Agreement was $0.9 million and $0.8 million for the three-month periods ended March 31, 2011 and 2010, respectively. Such amounts are included in general and administrative on the Consolidated Statements of Operations.

The Company participates in multi-employer pension plans sponsored by MidAmerican Energy Company ("MEC"), an indirect wholly-owned subsidiary of MEHC. The Company's contributions to the various plans were $0.7 million for each of the three-month periods ended March 31, 2011 and 2010. The portion of accumulated other comprehensive loss attributable to the Company has been allocated from MEC in accordance with intercompany service agreements.

On November 7, 2008, the Yuma Project entered into a Master Power Purchase and Sale Agreement ("Master Agreement") with TransAlta Marketing. The Master Agreement allows the Yuma Project to utilize TransAlta Marketing to market electricity sales during curtailment periods initiated by SDG&E. No transactions were entered into under the Master Agreement for the three-month periods ended March 31, 2011 and 2010.

6. Components of Accumulated Other Comprehensive Loss, Net

Accumulated other comprehensive loss, net consists of unrecognized amounts on retirement benefits of $0.3 million, net of tax of $0.4 million, as of March 31, 2011 and December 31, 2010.

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 consolidated financial condition and results of operations of CE Generation, LLC ("CE Generation") and its subsidiaries (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 Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this report. The Company's actual results in the future could differ significantly from the historical results.

Forward-Looking Statements

From time to time, CE Generation 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 CE Generation'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. CE Generation has identified important factors that could cause actual results to differ materially from those expectations, including weather effects on revenues and other operating uncertainties, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy and competition. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of 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 Consolidated Financial Statements included in the Company's audited Consolidated Financial Statements for the year ended December 31, 2010 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.

CE Generation's operating revenue is summarized as follows (in millions):

	First Quarter	
	2011	**2010**
Natural gas-fired facilities	$ 12.0	$ 9.5
Geothermal facilities	43.9	41.8
Total operating revenue	$ 55.9	$ 51.3

Natural Gas-Fired Facilities

The following operating data represents the aggregate capacity and electricity production at the natural gas-fired facilities:

	First Quarter	
	2011	**2010**
Overall capacity factor	28.7%	20.5%
Megawatt hours (“MWh”) produced	311,600	222,600
Facility net capacity megawatts (“MW”) (weighted average)	502.0	502.0

Operating revenue at the natural gas-fired facilities increased $2.5 million, or 26.3%, for the first quarter of 2011 compared to 2010 primarily due to the following:

- $1.7 million increase at the Company’s natural gas-fired facility in Big Spring, Texas (“the Power Resources Project”) of which $2.4 million was due to an increase in production from 5,000 MW in 2010 to 27,000 MW in 2011. The increase was primarily due to cold weather. This increase was partially offset by a $0.7 million decrease due to lower pricing.

- $1.4 million increase at the Company’s natural gas-fired facility in Plattsburgh, New York (“the Saranac Project”) of which $0.9 million was due to a 38.8% increase in production over 2010 and $0.5 million was due to higher prices.

- $0.6 million decrease at the Company’s natural gas-fired facility in Yuma, Arizona (the “Yuma Project”) of which $0.5 million was due to lower prices and $0.1 million was due to a 7.1% decrease in production over 2010. The Yuma Project sells energy at a regulatory determined avoided cost of energy, which decreased to 4.5 cents per kilowatt hour (“kWh”) in the first quarter of 2011 from 5.7 cents per kWh in the first quarter of 2010.

Geothermal Facilities

The following operating data represents the aggregate capacity and electricity production at the geothermal facilities:

	First Quarter	
	2011	**2010**
Overall capacity factor	85.9%	80.9%
MWh produced	605,300	570,300
Facility net capacity (MW) (weighted average)	326.4	326.4

Operating revenue at the geothermal facilities increased $2.1 million, or 5.0%, for the first quarter of 2011 compared to 2010 primarily due to a 6.1% in energy production. The energy production increase resulted from the timing of planned outages at certain Imperial Valley Projects and equipment repairs in 2010 at the CE Turbo Project.

Fuel

The Yuma Project purchases the natural gas used by its facility to produce energy under its existing power purchase agreement. At the Saranac and Power Resources Project, the counterparties are required to purchase the natural gas supply.

Fuel expense decreased $0.8 million, or 29.6%, to $1.9 million for the first quarter of 2011 from $2.7 million for the comparable period in 2010. During 2011, the Company incurred $0.7 million in lower fuel expense due to lower unit costs paid for natural gas at the Yuma Project and $0.1 million due to lower production.

Plant Operations

Plant operations decreased $7.6 million, or 20.6%, to $29.3 million for the first quarter of 2011 from $36.9 million for the comparable period in 2010 due primarily to the timing of planned outages at certain Imperial Valley Projects.

Depreciation and Amortization

Depreciation and amortization increased $1.0 million, or 5.2%, to $20.2 million for the first quarter of 2011 from $19.2 million for the comparable period in 2010. The increase was primarily due to equipment disposals at certain Imperial Valley Projects in 2011.

Interest Expense

Interest expense decreased $1.0 million, or 13.2% to $6.6 million for the first quarter of 2011 from $7.6 million for the comparable period in 2010 due to lower outstanding debt balances.

Gain on sale of land

A $4.7 million gain on the sale of land was recognized in the first quarter of 2011. The land was previously held for investment purposes and was not used in the Company's operations.

Income Tax Expense

Income tax expense decreased $2.2 million to $- million for the first quarter of 2011 from $2.2 million for the comparable period in 2010 primarily due to the timing of recognition of tax benefits associated with depletion and energy tax credits.

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests increased $0.4 million to $0.2 million for the first quarter of 2011 from $(0.2) million for the comparable period in 2010 primarily due to increased production at the Saranac Project.

Liquidity and Capital Resources

CE Generation's direct and indirect subsidiaries are organized as legal entities separate and apart from CE Generation and its other subsidiaries. Pursuant to separate financing agreements applicable to the Imperial Valley Projects, the assets of each subsidiary with a direct or indirect ownership interest in the Imperial Valley Projects other than Magma Power Company and Salton Sea Power Company are pledged or encumbered to support or otherwise provide the security for their own subsidiary debt. It should not be assumed that the assets of any subsidiary will be available to satisfy CE Generation's obligations or the obligations of its other subsidiaries. However, unrestricted cash or other assets which are available for distribution may, subject to applicable law and the terms of financing and ring-fencing arrangements for such parties, be advanced, loaned, paid as dividends or otherwise distributed or contributed to CE Generation or affiliates thereof.

The Company's cash and cash equivalents were $74.6 million as of March 31, 2011 compared to $44.6 million as of December 31, 2010.

Net cash flows from operating activities were $29.0 million for the first quarter of 2011 compared with $20.5 million for the comparable period in 2010. The increase was primarily due to the timing of planned outages at certain Imperial Valley Projects and increased revenues from the Power Resources and Saranac Projects.

Cash flows from investing activities were $1.7 million for the first quarter of 2011 compared with $(20.8) million for the comparable period in 2010. The increase was due to lower capital expenditures in 2011 at the Imperial Valley Projects related primarily to timing of drilling projects and proceeds from the sale of land in 2011.

Forecasted capital expenditures for 2011 are approximately $40 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.

Cash flows from financing activities were $(0.6) million for the first quarter of 2011 compared with $(0.4) million for the comparable period in 2010. The increase was due to higher distributions to noncontrolling interests at the Saranac Project.

Environmental Laws and Regulations

The Company is subject to federal, state and local laws and regulations regarding air and 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 authority to levy substantial penalties for noncompliance including fines, injunctive relief and other sanctions. These laws and regulations are administered by the 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 consolidated financial results. The Company believes it is in material compliance with all applicable laws and regulations. Refer to Note 4 of Notes to Consolidated Financial Statements included elsewhere in this report for additional information regarding certain environmental laws and regulations affecting the Company. The discussion below contains material developments since those disclosed in the "Environmental Laws and Regulations" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report for the year ended December 31, 2010.

Climate Change

GHG Tailoring Rule

Effective January 2, 2011, power plants, among other facilities, are required to comply with the GHG Tailoring Rule, which provides that any source that already has a Title V operating permit is required to have GHG provisions added to its permits upon renewal. In addition, the GHG Tailoring Rule provides that if projects at existing major sources result in an increase in emissions of GHG of at least 75,000 tons per year, such projects could trigger permitting requirements and the application of best available control technology to address GHG emissions. New major sources are also required to undergo permitting and install the best available control technology if their GHG emissions exceed the applicable threshold. Several legal challenges have been filed to the EPA's final GHG tailoring rule in the United States Court of Appeals for the District of Columbia Circuit ("D.C. Circuit"). The EPA issued GHG best available control technology guidance documents in an effort to provide permitting authorities guidance on how to conduct a best available control technology review for GHG. Permitting authorities are beginning to implement the GHG Tailoring Rule and determine what constitutes best available control technology for GHG. The GHG Tailoring Rule will result in the imposition of a permit limit for GHG emissions at certain facilities, which management believes will not have a material impact on the Company.

GHG New Source Performance Standards

Under the Clean Air Act, the EPA may establish emissions standards that reflect the degree of emission reductions achievable through the best technology that has been demonstrated, taking into consideration the cost of achieving those reductions and any non-air quality health and environmental impact and energy requirements. The EPA entered into a settlement agreement with a number of parties, including certain state governments and environmental groups, in December 2010 to promulgate emissions standards covering GHG by July 26, 2011, and issue final regulations by May 26, 2012. It is unclear what standards the EPA will establish for new and modified sources or what the guidelines will be for existing sources. Until the standards are proposed and finalized, the impact on the Company cannot be determined.

Regional and State Activities

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by ten Northeast and Mid-Atlantic States to limit carbon dioxide ("CO_2") emissions. RGGI is the first mandatory, market-based CO_2 emissions reduction program in the United States. The states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont are all signatory states to the RGGI agreement. These ten states have capped CO_2 emissions from the power sector at 188 million tons. The cap on emissions of CO_2 from power plants in the RGGI region will be 10 percent lower by 2018 than at the start of the RGGI program in 2009. The RGGI is composed of individual CO_2 Budget Trading Programs in each of the ten participating states. These ten individual programs will be implemented through state regulations, based on a RGGI Model Rule, and are linked through CO_2 allowance reciprocity. States will sell emission allowances through auctions and invest proceeds in consumer benefits such as energy efficiency, renewable energy, and other clean energy technologies. Regulated power plants will be able to use a CO_2 allowance issued by any of the ten participating states to demonstrate compliance with the state program governing their facility. Taken together, the ten individual state programs will function as a single regional compliance market for carbon emissions. A number of states participating in the RGGI, including New Hampshire, New Jersey, Maine and Delaware have introduced legislation to withdraw from participation in the RGGI.

The Saranac Project is required to purchase CO_2 allowances at prevailing market prices. Following the expiration of the NYSE&G agreement, the ultimate cost of any required CO_2 allowances will be recovered through prices paid by the power purchaser.

GHG Litigation

In September 2009, the United States Court of Appeals for the Second Circuit ("Second Circuit") issued its opinion in the case of *Connecticut v. American Electric Power, et al*, which remanded to the lower court a nuisance action by eight states and the City of New York against five large utility emitters of CO_2. The United States District Court for the Southern District of New York ("Southern District of New York") dismissed the case in 2005, holding that the claims that GHG emissions from the defendants' coal-fueled generating facilities were causing harmful climate change and should be enjoined as a public nuisance under federal common law presented a "political question" that the court lacked jurisdiction to decide. The Second Circuit rejected this conclusion and stated the Southern District of New York was not precluded from determining the case on its merits. In December 2010, the United States Supreme Court agreed to hear the case on appeal from the Second Circuit. Oral arguments were heard by the United States Supreme Court in April 2011, and the court is expected to issue its opinion in the case in June 2011.

Reporting

In September 2009, the EPA issued its final rule regarding mandatory reporting of GHG ("GHG Reporting") beginning January 1, 2010. Under GHG Reporting, suppliers of fossil fuels, manufacturers of vehicles and engines, and facilities that emit 25,000 metric tons or more per year of GHG are required to submit annual reports to the EPA. The Company is subject to this requirement and will submit its first report by September 30, 2011.

Federal Legislation

Legislation introduced in the 112th Congress has been focused on repeal or delay of the EPA's ability to regulate GHG. There is currently no federal legislation pending to regulate GHG emissions.

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, 2010. The Company's exposure to market risk and its management of such risk has not changed materially since December 31, 2010.

CERTIFICATION

I, Stephen A. Larsen, certify that:

1. I have reviewed this Quarterly Report of CE Generation, LLC;

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 CE Generation, LLC 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 consolidated 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: May 13, 2011

/s/ Stephen A. Larsen
Stephen A. Larsen
President
(principal executive officer)

CERTIFICATION

I, Stephen D. Dickas, certify that:

1. I have reviewed this Quarterly Report of CE Generation, LLC;

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 CE Generation, LLC 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 consolidated 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: May 13, 2011

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