CE GENERATION LLC

Consolidated Financial Statements and Independent Auditors' Report

As of December 31, 2011 and 2010 and for each of the

Three Years in the Period Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
CE Generation, LLC
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of CE Generation, LLC and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, cash flows, changes in equity, and comprehensive income for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CE Generation, LLC and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
March 23, 2012

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

	As of December 31,	
	2011	**2010**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,581	$ 44,580
Trade receivables	33,375	34,035
Income tax receivable	2,340	1,738
Inventories	35,514	33,240
Other current assets	2,023	3,730
Total current assets	116,833	117,323
Property, plant and equipment, net	639,366	672,461
Goodwill	265,897	265,897
Intangible assets, net	44,361	50,122
Other assets	2,505	2,807
Total assets	$ 1,068,962	$ 1,108,610
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,157	$ 2,724
Accrued interest	1,322	1,499
Due to affiliates	1,688	1,193
Current portion of long-term debt	37,094	35,190
Deferred income taxes	1,490	1,287
Other current liabilities	8,388	6,734
Total current liabilities	51,139	48,627
Parent senior secured bonds	169,120	189,600
Subsidiary debt	101,130	117,744
Due to affiliates	3,948	2,828
Deferred income taxes	206,620	207,752
Other long-term liabilities	12,443	17,801
Total liabilities	544,400	584,352
Commitments and contingencies (Note 10)		
Equity:		
CE Generation members' equity	509,232	507,201
Noncontrolling interests	15,330	17,057
Total equity	524,562	524,258
Total liabilities and equity	$ 1,068,962	$ 1,108,610

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

CE GENERATION, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

	Years Ended December 31,		
	2011	2010	2009
Operating revenue	$ 265,103	$ 260,531	$ 394,517
Operating costs and expenses:			
Fuel	4,931	10,252	56,066
Plant operations	131,432	123,934	136,615
General and administrative	4,068	4,178	3,935
Depreciation and amortization	75,159	73,576	90,302
Total operating costs and expenses	215,590	211,940	286,918
Operating income	49,513	48,591	107,599
Other income (expense):			
Interest expense	(25,447)	(28,733)	(32,601)
Gain on sale of land	4,667	-	-
Interest and other income	425	928	801
Total other income (expense)	(20,355)	(27,805)	(31,800)
Income before income tax (benefit) expense	29,158	20,786	75,799
Income tax (benefit) expense	(2,990)	(499)	8,134
Net income	32,148	21,285	67,665
Net (loss) income attributable to noncontrolling interests	(707)	(971)	22,636
Net income attributable to CE Generation	$ 32,855	$ 22,256	$ 45,029

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

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

	Years Ended December 31, 2011	2010	2009
Cash flows from operating activities:			
Net income	$ 32,148	$ 21,285	$ 67,665
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	75,159	73,576	90,302
Gain on sale of land	(4,667)	-	-
Deferred income taxes	(379)	(4,274)	(14,950)
Amortization of deferred financing costs	301	396	544
Changes in other operating assets and liabilities:			
Trade receivables	660	(1,281)	25,041
Inventories	(2,274)	(568)	(4,046)
Due to affiliates, net	241	(84)	(729)
Other assets	22	(59)	2,875
Accounts payable and other liabilities	(6,437)	(2,030)	(8,811)
Net cash flows from operating activities	94,774	86,961	157,891
Cash flows from investing activities:			
Capital expenditures	(35,314)	(38,454)	(57,748)
Proceeds from sale of land	5,750	-	-
Decrease in restricted cash	1	6	16
Net cash flows from investing activities	(29,563)	(38,448)	(57,732)
Cash flows from financing activities:			
Repayment of subsidiary debt	(19,990)	(26,741)	(26,210)
Repayment of parent senior secured bonds	(15,200)	(14,200)	(24,600)
Distributions	(31,020)	(17,697)	(39,008)
Net cash flows from financing activities	(66,210)	(58,638)	(89,818)
Net change in cash and cash equivalents	(999)	(10,125)	10,341
Cash and cash equivalents at beginning of year	44,580	54,705	44,364
Cash and cash equivalents at end of year	$ 43,581	$ 44,580	$ 54,705
Supplemental disclosure:			
Interest paid	$ 25,323	$ 28,560	$ 32,392
Income taxes paid	$ 3,895	$ 3,494	$ 19,482
Non-cash investing transactions -			
Accounts payable related to property, plant and equipment additions	$ 186	$ -	$ 54

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

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

	CE Generation Members' Equity			
	Members' Equity	Accumulated Other Comprehensive Loss, Net	Noncontrolling Interests	Total Equity
Balance, December 31, 2008	$ 466,201	$ (3,597)	$ 26,097	$ 488,701
Net income	45,029	-	22,636	67,665
Other comprehensive income	-	2,190	-	2,190
Distributions	(9,000)	-	(30,008)	(39,008)
Balance, December 31, 2009	502,230	(1,407)	18,725	519,548
Net income (loss)	22,256	-	(971)	21,285
Other comprehensive income	-	1,122	-	1,122
Distributions	(17,000)	-	(697)	(17,697)
Balance, December 31, 2010	507,486	(285)	17,057	524,258
Net income (loss)	32,855	-	(707)	32,148
Other comprehensive loss	-	(824)	-	(824)
Distributions	(30,000)	-	(1,020)	(31,020)
Balance, December 31, 2011	$ 510,341	$ (1,109)	$ 15,330	$ 524,562

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

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

	Years Ended December 31,		
	2011	**2010**	**2009**
Net income	$ 32,148	$ 21,285	$ 67,665
Other comprehensive (loss) income, net of tax-			
Unrecognized amounts on retirement benefits, net of tax of $(550), $610 and $1,440	(824)	1,122	2,190
Comprehensive income	31,324	22,407	69,855
Comprehensive (loss) income attributable to noncontrolling interests	(707)	(971)	22,636
Comprehensive income attributable to CE Generation	$ 32,031	$ 23,378	$ 47,219

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

1. Organization and Operations

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-fueled combined cycle cogeneration facilities located in New York, Texas and Arizona. The Company is equally owned by MidAmerican Geothermal, LLC, a wholly owned subsidiary of MidAmerican Energy Holdings Company ("MEHC"), and TransAlta (CE GEN) USA, Inc. ("TransAlta"), a wholly owned subsidiary of TransAlta Corporation. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc.

The following table sets out information concerning CE Generation's projects:

Operating Project	Facility Net Capacity (MW)[1]	Net Owned Capacity (MW)[1]	Location	Power Purchase Agreement Expiration	Power Purchaser[2]
Geothermal Facilities:					
Salton Sea Projects -					
Salton Sea I Project	10	10	California	2017	Edison
Salton Sea II Project	20	20	California	2020	Edison
Salton Sea III Project	50	50	California	2019	Edison
Salton Sea IV Project	40	40	California	2026	Edison
Salton Sea V Project	49	49	California	2020	Riverside
Total Salton Sea Projects	169	169			
Partnership Projects -					
Vulcan Project	34	34	California	2016	Edison
Elmore Project	38	38	California	2018	Edison
Leathers Project	38	38	California	2019	Edison
Del Ranch Project	38	38	California	2019	Edison
CE Turbo Project	10	10	California	2029	APS
Total Partnership Projects	158	158			
Total geothermal facilities	327	327			
Natural Gas-Fueled Facilities:					
Saranac Project	240	180	New York	2013	EDF
Power Resources Project	212	212	Texas	2012	EDF
Yuma Project	50	50	Arizona	2024	SDG&E
Total natural gas-fueled facilites	502	442			
Total operating projects	829	769			

[1] Facility Net Capacity represents the nominal net megawatt ("MW") capacity for each facility. Actual MW may vary depending on operating and reservoir conditions and plant design. Net Owned Capacity indicates CE Generation's ownership of Facility Net Capacity.

[2] Southern California Edison Company ("Edison"); Riverside Public Utilities ("Riverside"); Arizona Public Service ("APS"); EDF Trading North America LLC ("EDF"); and San Diego Gas & Electric Company ("SDG&E").

2. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The 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 December 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 Consolidated Financial Statements. Intercompany accounts and transactions have been eliminated. The Company has evaluated subsequent events through March 23, 2012, which is the date the Consolidated Financial Statements were available to be issued.

Use of Estimates in Preparation of Financial Statements

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. These estimates include, but are not limited to, long-lived asset recovery; goodwill and intangible asset impairment; accounting for contingencies; income taxes; and asset retirement obligations (“ARO”). Actual results may differ from the estimates used in preparing the Consolidated Financial Statements.

Cash Equivalents and Restricted Cash

Cash equivalents consist of funds invested in money market accounts and other investments with a maturity of three months or less when purchased. Cash and cash equivalents exclude amounts where availability is restricted by legal requirements, loan agreements or other contractual provisions. Restricted amounts are included in other current assets and other assets on the Consolidated Balance Sheets.

Inventories

Inventories consist of spare parts and supplies and are stated at cost. The cost of large replacement parts is determined using the specific identification method. The cost of the remaining spare parts and supplies is determined using the average cost method.

Property, Plant and Equipment, Net

General

The cost of additions and betterments are capitalized, while costs for replacements, maintenance, overhaul and well rework and repairs that do not improve or extend the useful lives of the related assets are expensed as incurred. Depreciation is computed by applying the straight-line method based on estimated useful lives.

Asset Retirement Obligations

The Company recognizes AROs when it has a legal obligation to perform removal activities upon retirement of an asset. The Company’s AROs are primarily related to the retirement of a landfill containing non hazardous geothermal waste and natural gas-fueled facility assets which reside on leased land. The fair value of an ARO liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made, and is added to the carrying amount of the associated asset, which is then depreciated over the remaining useful life of the asset. Subsequent to the initial recognition, the ARO liability is adjusted for any revisions to the original estimate of undiscounted cash flows (with corresponding adjustments to property, plant, and equipment) and for accretion of the ARO liability due to the passage of time.

Intangible Assets, Net

The Company's intangible assets consist of acquired power purchase and royalty contracts and patented technology. Amortization is computed by applying the straight-line method based on the remaining contract periods.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets for impairment, including property, plant and equipment and intangible assets, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable or the assets are being held for sale. Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset plus the residual value from the ultimate disposal exceeds the carrying value of the asset. If the carrying value exceeds the estimated recoverable amounts, the asset is written down to the estimated fair value. Any resulting impairment loss is reflected on the Consolidated Statements of Operations.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business acquisitions. The Company evaluates goodwill for impairment at least annually and completed its annual review as of October 31. Evaluating goodwill for impairment involves a two-step process. The first step is to estimate the fair value of the reporting unit. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, a second step is performed. Under the second step, the identifiable assets, including identifiable intangible assets and liabilities of the reporting unit are estimated at fair value as of the current testing date. The excess of the estimated fair value of the reporting unit over the current estimated fair value of net assets establishes the implied value of goodwill. The excess of the recorded goodwill over the implied goodwill value is charged to earnings as an impairment loss. A significant amount of judgment is required in estimating the fair value of the reporting unit and performing goodwill impairment tests. The Company uses a variety of methods to estimate a reporting unit's fair value, principally discounted projected future net cash flows. Key assumptions used include, but are not limited to, the use of estimated future cash flows; multiples of earnings; and an appropriate discount rate. In estimating future cash flows, the Company incorporates current market information, as well as historical factors. As such, the determination of fair value incorporates significant unobservable inputs. During 2011, 2010 and 2009, the Company did not record any goodwill impairment.

Revenue Recognition and Significant Customers

Operating revenue is derived primarily from the sale of electricity and is recorded based upon energy delivered and capacity provided at rates specified under long-term power purchase contracts or at prevailing market rates for deliveries not under contract. The majority of the contracts contain both fixed, or scheduled, and variable price periods. During the scheduled period, energy revenue is recognized at the lower of (i) amounts billable under the contract or (ii) an amount equal to the kilowatt-hours ("kWh") made available during the period multiplied by the estimated average revenue per kWh over the term of the contract. Energy revenue during the variable period and capacity revenue in all periods are recognized as earned.

CE Generation's sales of electricity from the Imperial Valley Projects comprised 85%, 86%, and 58%, of 2011, 2010 and 2009 operating revenue, respectively. Of these sales, 89%, 90% and 88% were to Edison in 2011, 2010 and 2009, respectively. As of December 31, 2011 and 2010, trade receivables from Edison were $28.9 million and $29.1 million, respectively. Sales of electricity from the Saranac Project comprised 32% of 2009 operating revenue. Of these sales, 93% were to New York State Electric and Gas Corporation ("NYSE&G").

Trade receivables are primarily uncollateralized receivables from long-term power purchase contracts and are stated at the outstanding principal amount, net of estimated allowances for doubtful accounts. The allowance for doubtful accounts is based on the Company's assessment of the collectibility of amounts owed to the Company by its customers. This assessment requires judgment regarding the ability of customers to pay or the outcome of any pending disputes. As of December 31, 2011 and 2010, there was no allowance for doubtful accounts.

Unamortized Financing Costs

Financing costs incurred for the issuance of long-term debt are amortized over the term of the related financing using the effective interest method.

Income Taxes

CE Generation and its subsidiaries file a consolidated United States federal income tax return and other state and federal jurisdictional returns as required. Deferred income tax assets and liabilities are based on differences between the financial statement and tax basis of assets and liabilities using estimated income tax rates expected to be in effect for the year in which the differences are expected to reverse. Changes in deferred income tax assets and liabilities that are associated with components of other comprehensive income are charged or credited directly to other comprehensive income. Other changes in deferred income tax assets and liabilities are included as a component of income tax expense. Valuation allowances are established for certain deferred income tax assets where realization is not likely.

In determining the Company's income taxes, management is required to interpret complex income tax laws and regulations. The Company's income tax returns are subject to continuous examinations by federal, state and local income tax authorities that may give rise to different interpretations of these complex laws and regulations. Due to the nature of the examination process, it generally takes years before these examinations are completed and these matters are resolved. The Company recognizes the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Consolidated Financial Statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Although the ultimate resolution of the Company's federal, state and local income tax examinations is uncertain, the Company believes it has made adequate provisions for these income tax positions. The aggregate amount of any additional income tax liabilities that may result from these examinations, if any, is not expected to have a material adverse impact on the Company's consolidated financial results. The Company's unrecognized tax benefits are primarily included in other long-term liabilities on the Consolidated Balance Sheets. Estimated interest and penalties, if any, related to uncertain tax positions are included as a component of income tax expense on the Consolidated Statements of Operations.

New Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, which amends FASB Accounting Standards Codification ("ASC") Topic 350, "Intangibles-Goodwill and Other." The amendments in this guidance provide an entity the option to assess qualitatively whether it is necessary to perform the current two-step goodwill impairment test. An entity would be required to perform step one if it determines qualitatively that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. Otherwise, no further testing would be required. This guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and is not expected to have an impact on the Company's Consolidated Financial Statements.

In June 2011, the FASB issued ASU No. 2011-05, which amends FASB ASC Topic 220, "Comprehensive Income." ASU No. 2011-05 provides an entity with the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of the option chosen, this guidance also requires presentation of items on the face of the financial statements that are reclassified from other comprehensive income to net income. This guidance does not change the items that must be reported in other comprehensive income, when an item of other comprehensive income must be reclassified to net income or how tax effects of each item of other comprehensive income are presented. This guidance is effective for reporting periods ending after December 15, 2012. The Company is currently evaluating which presentation option will be implemented. In December 2011, the FASB issued ASU No. 2011-12, which also amends FASB ASC Topic 220 to defer indefinitely the ASU No. 2011-05 requirement to present items on the face of the financial statements that are reclassified from other comprehensive income to net income. ASU No. 2011-12 is also effective for reporting periods ending after December 15, 2012.

In May 2011, the FASB issued ASU No. 2011-04, which amends FASB ASC Topic 820, "Fair Value Measurements and Disclosures." The amendments in this guidance are not intended to result in a change in current accounting. ASU No. 2011-04 requires additional disclosures relating to fair value measurements categorized within Level 3 of the fair value hierarchy, including quantitative information about unobservable inputs, the valuation process used by the entity and the sensitivity of unobservable input measurements. Additionally, entities are required to disclose the level of the fair value hierarchy for assets and liabilities that are not measured at fair value in the balance sheet, but for which disclosure of the fair value is required. This guidance is effective for reporting periods beginning after December 15, 2011. The Company is currently evaluating the impact of adopting this guidance on its disclosures included within Notes to Consolidated Financial Statements.

3. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following as of December 31 (in thousands):

	Depreciable Life	2011	2010
Power plants	5 to 30 years	$ 1,292,362	$ 1,293,702
Wells and resource development	2 to 30 years	278,219	260,318
Equipment	3 to 30 years	6,372	6,345
Total operating assets		1,576,953	1,560,365
Accumulated depreciation		(937,587)	(887,904)
Property, plant and equipment, net		$ 639,366	$ 672,461

The Company replaced certain pipe and equipment with a remaining net book value of $2.9 million, $2.3 million and $2.2 million for the years ended December 31, 2011, 2010 and 2009, respectively, which was charged to depreciation expense on the Consolidated Statements of Operations.

4. Intangible Assets, Net

Intangible assets, net consists of the following as of December 31 (in thousands):

		2011		2010	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 315,434	$ 284,439	$ 315,434	$ 280,607
Patented technology	24 years	46,290	32,924	46,290	30,995
Intangible assets, net		$ 361,724	$ 317,363	$ 361,724	$ 311,602

Amortization expense on acquired intangible assets was $5.8 million, $5.7 million and $11.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. CE Generation expects amortization expense on acquired intangible assets to be $5.7 million for each of the five succeeding fiscal years.

5. Parent Senior Secured Bonds

On March 2, 1999, CE Generation issued $400.0 million of 7.416% senior secured bonds due 2018 (the "Senior Secured Bonds"). These securities are senior secured debt which rank equally in right of payment and share equally in the collateral with CE Generation's other senior secured debt permitted under the indenture for the securities, and rank senior to any of CE Generation's subordinated debt permitted under the indenture for the securities. The Company is required to maintain certain covenants associated with the Senior Secured Bonds and was in compliance with these requirements at December 31, 2011. These securities are effectively subordinated to the existing project financing debt and all other debt of CE Generation's consolidated subsidiaries. The outstanding balance as of December 31, 2011 and 2010 was $189.6 million and $204.8 million, respectively.

The Senior Secured Bonds are primarily secured by the following collateral:

- all available cash flow, as defined in the indenture;
- a pledge of 99% of the equity interests in Salton Sea Power Company and all of CE Generation's equity interests in its other consolidated subsidiaries;

- a pledge of all of the capital stock of SECI Holdings Inc., an indirect wholly-owned subsidiary of the Company;

- a grant of a lien on and security interest in the depository accounts; and

- to the extent possible, a grant of a lien on and security interest in all of CE Generation's other tangible and intangible property, to the extent assignable.

In support of CE Generation's debt service requirements, a financial institution has issued a letter of credit for the account of TransAlta and a separate financial institution has issued a letter of credit for the account of MEHC. Each letter of credit was issued in the amount of $9.8 million at December 31, 2011.

The annual repayments of CE Generation's debt for the years beginning January 1, 2012 and thereafter are as follows (in thousands):

2012	$ 20,480
2013	20,400
2014	25,800
2015	27,040
2016	29,280
Thereafter	66,600
Total	$ 189,600

6. Subsidiary Debt

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 long-term debt of subsidiaries may include provisions that allow CE Generation's subsidiaries to redeem it in whole or in part at any time. These provisions generally include make-whole premiums.

Salton Sea Funding Corporation's ("Funding Corporation") long-term debt consists of the following as of December 31 (in thousands):

	2011	2010
8.30% Series E Bonds, due 2011	$ -	$ 11,322
7.48% Series F Bonds, due 2018	117,744	126,412
	$ 117,744	$ 137,734

The net revenues, equity distributions and royalties from the Imperial Valley Projects are used to pay principal and interest payments on outstanding senior secured bonds issued by Funding Corporation, the final series of which is scheduled to mature in November 2018. Funding Corporation debt is guaranteed by certain subsidiaries of Magma Power Company, a wholly-owned subsidiary of the Company, and secured by the capital stock of certain subsidiaries of CE Generation. The proceeds of Funding Corporation debt were loaned by Funding Corporation pursuant to loan agreements and notes (the "Imperial Valley Project Loans") to certain subsidiaries of Magma Power Company and used for the construction of certain Imperial Valley Projects, refinancing of certain indebtedness and other purposes. Debt service on the Imperial Valley Project Loans is used to repay debt service on Funding Corporation debt. The Imperial Valley Project Loans and the guarantees of Funding Corporation debt are secured by substantially all of the assets of the Guarantors, including the Imperial Valley Projects, and by the equity interests in the Guarantors. The Imperial Valley Project Loans also require Funding Corporation to maintain certain covenants. Funding Corporation was in compliance with these requirements at December 31, 2011.

In support of Funding Corporation's debt service requirements, a financial institution has issued a letter of credit for the account of TransAlta and a separate financial institution has issued a letter of credit for the account of MEHC. Each letter of credit was issued in the amount of $14.9 million at December 31, 2011.

The annual repayments of Funding Corporation's debt for the years beginning January 1, 2012 and thereafter are as follows (in thousands):

2012	$ 16,614
2013	14,664
2014	17,337
2015	18,925
2016	20,370
Thereafter	29,834
Total	$ 117,744

Funding Corporation debt is non-recourse to CE Generation. CE Generation's ability to obtain distributions from its investment in the Imperial Valley Projects is subject to the following conditions:

- the depository accounts for Funding Corporation debt must be fully funded;
- there cannot have occurred and be continuing any default or event of default under Funding Corporation debt;
- the historical debt service coverage ratio of Funding Corporation for the prior four fiscal quarters must be at least 1.5 to 1.0; and
- there must be sufficient geothermal resources to operate the Imperial Valley Projects at their required levels.

7. Asset Retirement Obligations

The Company estimates its ARO liabilities based upon detailed engineering calculations of the amount and timing of the future cash spending for a third party to perform the required work. Spending estimates are escalated for inflation and then discounted at a credit-adjusted, risk-free rate. Changes in estimates could occur for a number of reasons, including plan revisions, inflation and changes in the amount and timing of the expected work.

The Company does not recognize liabilities for AROs for which the fair value cannot be reasonably estimated. Given the renewable nature of the geothermal resource, the geothermal power plants and wells could be maintained and remain in production indefinitely. Due to the indeterminate removal date, the fair value of the associated liabilities on geothermal assets cannot currently be estimated and no amounts are recognized on the Consolidated Financial Statements.

The following table reconciles the beginning and ending balances of the Company's ARO liabilities, which are included in other long-term liabilities on the Consolidated Balance Sheets, for the years ended December 31, (in thousands):

	2011	2010
Beginning balance	$ 9,981	$ 9,480
Retirements	(39)	(87)
Accretion	628	588
Ending balance	$10,570	$ 9,981

8. Income Taxes

Income tax (benefit) expense consists of the following for the years ended December 31 (in thousands):

	2011	2010	2009
Current:			
Federal	$ (2,628)	$ 1,905	$ 20,377
State	17	1,870	2,707
	(2,611)	3,775	23,084
Deferred:			
Federal	(3,601)	2,898	(18,364)
State	3,222	(7,172)	3,414
	(379)	(4,274)	(14,950)
Total	$ (2,990)	$ (499)	$ 8,134

A reconciliation of the federal statutory income tax rate to the effective income tax rate applicable to income before income tax (benefit) expense is as follows for the years ended December 31:

	2011	2010	2009
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefit	11.4	(1.5)	0.7
Energy tax credits	(17.0)	5.3	(9.0)
Percentage depletion	(26.8)	(42.9)	(10.4)
Production activities deduction	(11.0)	(0.9)	0.3
Deferred tax adjustment due to tax rate change	-	(7.1)	5.8
Deferred income tax true up	-	8.0	-
Noncontrolling interests	(0.1)	2.0	(10.3)
Other, net	(1.8)	(0.3)	(1.4)
Effective income tax rate	(10.3)%	(2.4)%	10.7%

Income tax expense is only provided for the taxable earnings of the Company, including its partnership interests. No income tax expense is provided on the Consolidated Financial Statements for the noncontrolling interests' share of the partnership earnings.

The Company recognized deferred income tax (benefit) expense due to adjusted apportionment factors for state income tax rates totaling $-million, ($1.5) million and $4.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The net deferred income tax liability consists of the following as of December 31 (in thousands):

	2011	2010
Deferred income tax assets:		
Federal and state carryforwards	$ 8,638	$ 8,412
Accruals not currently deductible for tax purposes	1,648	1,589
Employee benefits	799	249
Other	7	232
Total deferred income tax assets	11,092	10,482
Deferred income tax liabilities:		
Property, plant and equipment, net	(199,616)	(197,899)
Intangible assets, net	(17,673)	(19,969)
Other	(1,913)	(1,653)
Total deferred income tax liabilities	(219,202)	(219,521)
Net deferred income tax liability	$ (208,110)	$ (209,039)
Reflected as:		
Current liability	$ (1,490)	$ (1,287)
Non-current liability	(206,620)	(207,752)
	$ (208,110)	$ (209,039)

As of December 31, 2011, the Company's federal and state carryforwards consist primarily of $7.6 million of federal and state alternative minimum tax credit carryforwards and $0.9 million of state income tax credit carryforwards, all of which do not expire and will carryforward indefinitely until utilized.

The United States Internal Revenue Service has closed examination of the Company's income tax returns through 2009. In addition, state jurisdictions have closed examination of the Company's income tax returns through at least 2004.

As of December 31, 2011 and 2010, net unrecognized tax benefits totaled $- million and $5.8 million, respectively, which included $- million and $4.8 million, respectively, of tax positions that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits, other than applicable interest and penalties, would not affect the Company's effective tax rate.

9. Fair Value Measurements

The carrying value of the Company's cash and cash equivalents, receivables, payables and accrued liabilities approximates fair value because of the short-term maturity of these instruments. The Company's long-term debt is carried at cost on the Consolidated Financial Statements. The fair value of the Company's long-term debt has been estimated based upon quoted market prices. The following table presents the carrying value and estimated fair value of the Company's long-term debt as of December 31 (in thousands):

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 307,344	$ 345,314	$ 342,534	$ 362,581

10. 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 December 31, 2011 and 2010 was $1.4 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.

11. Related Party Transactions

Pursuant to an administrative services agreement between CalEnergy Generation Operating Company ("CGOC"), a subsidiary of MidAmerican Geothermal, LLC, 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 $3.5 million, $3.4 million and $3.3 million for the years ended December 31, 2011, 2010 and 2009, respectively. Such amounts are included in general and administrative on the Consolidated Statements of Operations.

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 MEHC. The Company's contributions to the various plans were $1.9 million, $2.0 million and $2.0 million for the years ended December 31, 2011, 2010 and 2009, respectively. The portion of accumulated other comprehensive loss attributable to the Company has been allocated from MEC to the Company in accordance with the intercompany administrative service agreement.

Pursuant to a transaction agreement dated January 29, 2003 (the "TransAlta Transaction Agreement"), Salton Sea Power and CE Turbo began selling available power from their geothermal facilities in the Imperial Valley of California (the "Salton Sea V Project" and the "CE Turbo Project", respectively) to TransAlta on February 12, 2003, based on percentages of the Dow Jones SP-15 Index. Effective August 7, 2006 through May 31, 2009, up to 26 MWs of available power from the Salton Sea V Project was sold to TransAlta under the TransAlta Transaction Agreement at a fixed price. The TransAlta Transaction Agreement expired on May 31, 2009. Pursuant to this agreement, sales to TransAlta totaled $5.0 million for the year ended December 31, 2009.

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 years ended December 31, 2011, 2010 and 2009, respectively.

12. Components of Accumulated Other Comprehensive Loss, Net

Accumulated other comprehensive loss, net consists of unrecognized amounts on retirement benefits of $1.1 million, net of tax of $0.9 million, and $0.3 million, net of tax of $0.4 million, as of December 31, 2011 and 2010, respectively.

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 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 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 year. Refer to Note 1 of Notes to Consolidated Financial Statements 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 Salton Sea II, Salton Sea III, Vulcan, Elmore, Leathers and Del Ranch Projects and 16/36 of the Salton Sea IV Project, which constitute 236 megawatts ("MW"), or 72%, of the Imperial Valley Project's total net owned capacity of 327 MW, sold energy produced to Edison pursuant to the respective amended power purchase agreements at a fixed average price of 6.4 cents per kilowatt-hour ("kWh"), 6.3 cents per kWh and 6.2 cents per kWh for the years ended December 31, 2011, 2010 and 2009, respectively. Under the terms of the respective amended power purchase agreements, beginning May 1, 2012, the energy produced by these projects will be sold to Edison at its avoided cost of energy. Edison's avoided cost of energy is currently highly correlated to the cost of natural gas and was 4.0 cents per kWh, 4.3 cents per kWh and 4.1 cents per kWh for the years ended December 31, 2011, 2010 and 2009, respectively. Refer to the "Price and Credit Risks" section included elsewhere in this report for further discussion.

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

	Years Ended December 31		
	2011	**2010**	**2009**
Geothermal facilities	$ 226.1	$ 224.6	$229.6
Natural gas-fueled facilities	39.0	35.9	164.9
Total operating revenue	$ 265.1	$ 260.5	$ 394.5

Geothermal Facilities

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

	Years Ended December 31,		
	2011	**2010**	**2009**
Overall capacity factor	91.2%	90.7%	94.8%
Megawatt hours (“MWh”) produced	2,606,800	2,593,200	2,710,800
Facility net capacity (MW) (weighted average)	326.4	326.4	326.4

Operating revenue at the geothermal facilities for 2011 increased $1.5 million, or 0.7%, from 2010 primarily due to the following:

- $1.2 million increase due to higher energy rates at certain Imperial Valley Projects.
- $0.3 million increase due to a 0.5% increase in energy production. The energy production increase primarily resulted from less downtime for equipment repairs at the CE Turbo Project.

Operating revenue at the geothermal facilities for 2010 decreased $5.0 million, or 2.2%, from 2009 primarily due to the following:

- $6.9 million decrease due to a 4.3% decrease in energy production. The energy production decrease primarily resulted from equipment repairs at the Salton Sea Projects and the CE Turbo Project.
- $1.9 million increase due to higher energy rates at certain Imperial Valley Projects.

Natural Gas-Fueled Facilities

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

	Years Ended December 31		
	2011	**2010**	**2009**
Overall capacity factor	13.9%	16.7%	42.0%
MWh produced	613,000	736,800	1,846,300
Facility net capacity (MW) (weighted average)	502.0	502.0	502.0

Operating revenue at the natural gas-fueled facilities for 2011 increased $3.1 million, or 8.6%, from 2010 primarily due to the following:

- $8.6 million increase at the Company’s natural gas fueled facility in Big Spring, Texas (“the Power Resources Project”) of which $9.7 million was due to higher prices. This increase was partially offset by a $1.1 million decrease due to a 5.8% decrease in production from 2010.
- $4.7 million decrease at the Company’s natural gas-fueled facility in Yuma, Arizona (the “Yuma Project”) due to a 55.9% decrease in production from 2010.
- $0.8 million decrease at the Company’s natural gas-fueled facility in Plattsburgh, New York (“the Saranac Project”) of which $0.6 million increase due to lower prices and $0.2 million was due to a 2.4% decrease in production from 2010.

Operating revenue at the natural gas-fueled facilities for 2010 decreased $129.0 million, or 78.2%, from 2009 primarily due to the following:

- $117.8 million decrease at the Saranac Project due to differences between the terms of its two-year energy management agreement with Shell (the "Shell Agreement") and the 15-year power purchase agreement with New York State Electric & Gas Corporation (the "NYSE&G Agreement"), which expired on June 21, 2009. Under the Shell Agreement, effective July 1, 2009, the Saranac Project received a fixed price per month for plant capacity as well as a percentage of net margins associated with the sale of energy and ancillary services. As a result, the Saranac Project's revenues, fuel costs, operating income and cash flows from operating activities decreased materially compared to the NYSE&G Agreement.

- $6.4 million decrease at the Company's natural gas-fueled facility in Big Spring, Texas (the "Power Resources Project") primarily due to the nature of its two-year energy management agreement with EDF Trading North America LLC (the "EDF Agreement"). Under the EDF Agreement, effective January 1, 2010, the Power Resources Project receives a percentage of net margins associated with the sale of energy and ancillary services.

- $4.8 million decrease at the Company's natural gas-fueled facility in Yuma, Arizona (the "Yuma Project") primarily due to a 38.2% decrease in production over 2009.

Fuel Expense

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 Projects, EDF is required to purchase the natural gas supply. Prior to the June 2009 expiration of the NYSE&G Agreement, the Saranac Project purchased the natural gas used by its facility to produce energy.

Fuel expense decreased $5.4 million, or 52.4%, to $4.9 million for 2011 from $10.3 million for 2010 due primarily to decreased production at the Yuma Project.

Fuel expense decreased $45.8 million, or 81.6%, to $10.3 million for 2010 from $56.1 million for 2009. During 2010, the Company incurred lower fuel expense of $43.5 million due to the expiration of the NYSE&G Agreement. In addition, lower fuel expense of $4.5 million due to decreased production at the Yuma Project was partially offset by a $2.2 million increase due to higher unit costs paid for natural gas at the Yuma Project.

Plant Operations

Plant operations increased $7.5 million, or 6.1%, to $131.4 million for 2011 from $123.9 million for 2010 due primarily to the scope and timing of scheduled maintenance at the Imperial Valley Projects.

Plant operations decreased $12.7 million, or 9.3%, to $123.9 million for 2010 from $136.6 million for 2009. The decrease was primarily due to the scope and timing of scheduled maintenance at the Saranac and Yuma Projects, lower carbon dioxide ("CO_2") allowance costs at the Saranac Project and lower acid and scale disposal costs at the Imperial Valley Projects. These decreases were partially offset by higher costs due to the scope and timing of scheduled maintenance at the Imperial Valley Projects.

Depreciation and Amortization

Depreciation and amortization increased $1.6 million, or 2.2%, to $75.2 million for 2011 from $73.6 million for 2010 due primarily to the timing of capital replacement projects and related asset abandonments at the Imperial Valley Projects.

Depreciation and amortization decreased $16.7 million, or 18.5%, to $73.6 million for 2010 from $90.3 million for 2009. The decrease was primarily due to the Saranac Project's change to the straight line method in calculating depreciation expense from the units of production method. This prospective accounting change, effective January 1, 2010, was treated as a change in estimate and was made to be more reflective of the economic use of the Saranac Project's assets.

Interest Expense

Interest expense decreased $3.3 million to $25.4 million for 2011 compared to 2010 and $3.9 million to $28.7 million for 2010 compared to 2009. The decreases were due to lower outstanding debt balances.

Interest and Other Income

Interest and other income decreased $0.5 million to $0.4 million for 2011 compared to 2010 due primarily to lower rates. Interest and other income increased $0.1 million to $0.9 million for 2010 compared to 2009 due primarily to higher scrap metal sales.

Income Tax (Benefit) Expense

Income tax (benefit) increased $(2.5) million to $(3.0) million for 2011 from $(0.5) million for 2010. The effective tax rates were (10.3)% and (2.4)% in 2011 and 2010, respectively. The changes in income tax expense and the effective tax rate were primarily resulting from the settlement of the 2005-2009 Federal income tax audit and the resolution of various state tax matters.

Income tax (benefit) expense decreased $8.6 million to a benefit of $(0.5) million for 2010 from an expense of $8.1 million for 2009. The effective tax rates were (2.4)% and 10.7% in 2010 and 2009, respectively. The decreases in income tax expense and the effective tax rate were primarily due to lower taxable income following the expiration of the NYSE&G Agreement.

Net (Loss) Income Attributable to Noncontrolling Interests

Net (loss) income attributable to noncontrolling interests decreased $0.3 million to $(0.7) million for 2011 compared to 2010 due to lower operating and maintenance fees. Net (loss) income attributable to noncontrolling interests decreased $23.6 million to a loss of $(1.0) million for 2010 compared to 2009. The decrease was primarily due to the expiration of the NYSE&G Agreement on June 21, 2009.

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 $43.6 million as of December 31, 2011, compared to $44.6 million as of December 31, 2010.

Net cash flows from operating activities for 2011 and 2010 were $94.8 million and $87.0 million, respectively. The increase was due primarily to the scope and timing of scheduled maintenance activities at certain Imperial Valley Projects.

Net cash flows from operating activities for 2010 and 2009 were $87.0 million and $157.9 million, respectively. The decrease was due primarily to lower margins following the expiration of the NYSE&G Agreement on June 21, 2009, partially offset by lower income taxes paid.

Net cash flows from investing activities for 2011 and 2010 were $(29.6) million and $(38.4) million, respectively. The decrease was due primarily 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.

Net cash flows from investing activities for 2010 and 2009 were $(38.4) million and $(57.7) million, respectively. The decrease was due to a decrease in capital expenditures.

Forecasted capital expenditures for 2012 are approximately $31 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 for 2011 and 2010 were $(66.2) million and $(58.6) million, respectively. The increase was due primarily to higher distributions to members, partially offset by lower scheduled debt payments.

Cash flows from financing activities for 2010 and 2009 were $(58.6) million and $(89.8) million, respectively. The decrease was due to lower distributions to owners and noncontrolling interests following the expiration of the NYSE&G Agreement and lower scheduled debt payments.

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 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 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 10 of Notes to Consolidated Financial Statements included elsewhere in this report for information regarding environmental contingencies.

Clean Air Standards

The Clean Air Act is a federal law administered by the EPA that provides a framework for protecting and improving the nation's air quality and controlling sources of air emissions. The implementation of new standards is generally outlined in State Implementation Plan's ("SIPs"), which are a collection of regulations, programs and policies to be followed. SIPs vary by state and are subject to public hearings and EPA approval. Some states may adopt additional or more stringent requirements than those implemented by the EPA. The major Clean Air Act programs most directly affecting the Company's operations are described below.

National Ambient Air Quality Standards

Under the authority of the Clean Air Act, the EPA sets minimum national ambient air quality standards for six principal pollutants, consisting of carbon monoxide, lead, nitrogen oxides, particulate matter, ozone and sulfur dioxide, considered harmful to public health and the environment. Areas that achieve the standards, as determined by ambient air quality monitoring, are characterized as being in attainment, while those that fail to meet the standards are designated as being nonattainment areas. Generally, sources of emissions in a nonattainment area that are determined to contribute to the nonattainment are required to reduce emissions. Most air quality standards require measurement over a defined period of time to determine the average concentration of the pollutant present. Currently, air quality monitoring data indicates that all counties where the Company's major emission sources are located are in attainment of the current national ambient air quality standards.

In January 2010, the EPA proposed a rule to strengthen the national ambient air quality standard for ground level ozone. The proposed rule arose out of legal challenges claiming that a March 2008 rule that reduced the standard from 80 parts per billion to 75 parts per billion was not strict enough. The new rule proposed a standard between 60 and 70 parts per billion. In September 2011, the President requested that the EPA withdraw the proposed ozone standard and allow the review of the standards to proceed through the regularly scheduled review in 2013. The EPA is, therefore, proceeding with implementation of the March 2008 ozone standards and, in December 2011, issued its response to states' recommendations on area attainment designations.

In January 2010, the EPA finalized a one-hour air quality standard for nitrogen dioxide at 0.10 part per million. The EPA published final designations that are effective February 29, 2012, indicating that based on air quality monitoring data, all areas of the country are designated as "unclassifiable/attainment" for the 2010 nitrogen dioxide national ambient air quality standard. The EPA also published a proposed consent decree in the Federal Register in December 2011, requiring it to sign final designations for the March 2008 ozone standard by May 31, 2012.

In June 2010, the EPA finalized a new national ambient air quality standard for sulfur dioxide. Under the new rule, the existing 24-hour and annual standards for sulfur dioxide, which were 140 parts per billion measured over 24 hours and 30 parts per billion measured over an entire year, were replaced with a new one-hour standard of 75 parts per billion. The new rule will utilize a three-year average to determine attainment. The rule will utilize source modeling, in addition to the installation of ambient monitors where sulfur dioxide emissions impact populated areas, with new monitors required to be placed in service no later than January 2013. Attainment designations are due by June 2012, with SIPs due by 2014 and final attainment demonstrations by August 2017.

As new, more stringent standards are adopted, the number of counties designated as nonattainment areas is likely to increase. Businesses operating in newly designated nonattainment counties could face increased regulation and costs to monitor or reduce emissions. For instance, existing major emissions sources may have to install reasonably available control technologies to achieve certain reductions in emissions and undertake additional monitoring, recordkeeping and reporting. The construction or modification of facilities that are sources of emissions could become more difficult in nonattainment areas. Until additional monitoring and modeling is conducted, the impacts on the Company cannot be determined.

Clean Air Interstate Rule, Clean Air Transport Rule and Cross-State Air Pollution Rule

The EPA promulgated the CAIR in March 2005 to reduce emissions of nitrogen oxides and sulfur dioxide, precursors of ozone and particulate matter, from down-wind sources. The CAIR required states in the eastern United States to reduce emissions by implementing a plan based on a market-based cap-and-trade system, emissions reductions, or both. The CAIR created separate trading programs for nitrogen oxides and sulfur dioxide emissions credits. The nitrogen oxides and sulfur dioxide emissions reductions were planned to be accomplished in two phases, in 2009-2010 and 2015.

In July 2008, a three-judge panel of the D.C. Circuit issued a unanimous decision vacating the CAIR. In December 2008, the D.C. Circuit issued an opinion remanding, without vacating, the CAIR back to the EPA to conduct proceedings to fix the flaws in CAIR consistent with the D.C. Circuit's July 2008 ruling.

In July 2010, the EPA proposed the Clean Air Transport Rule ("Transport Rule"), a replacement of the CAIR, which required electric generating units in 31 states and the District of Columbia to reduce emissions of nitrogen oxides and sulfur dioxide on a state-by-state basis in accordance with each state's modeled contribution to nonattainment of the ozone and fine particulate standards in downwind states. The emissions reductions required under the Transport Rule were intended only to resolve transported emissions and not to resolve air quality issues in the states where the generation is located. The Transport Rule's emissions reduction requirements were proposed to take place in two phases, with the first phase beginning in 2012 and the second phase beginning in 2014. By 2014, the Transport Rule and other state and EPA actions would reduce power plant nitrogen oxides emissions by 52% and sulfur dioxide emissions by 71% from 2005 levels in covered states. The EPA proposed to administer separate trading programs for nitrogen oxides and sulfur dioxide credits under the Transport Rule. Facilities were required to comply with the CAIR until the Transport Rule became effective.

In July 2011, the EPA issued the final Transport Rule, renamed the Cross-State Air Pollution Rule ("CSAPR"), to address interstate transport of sulfur dioxide and nitrogen oxides emissions in 27 eastern and Midwestern states. Upon full implementation in 2014, the CSAPR will reduce total sulfur dioxide emissions by 73% and nitrogen oxides emissions by 54% at electric generating facilities in the 27-state region as compared to 2005 levels. In addition to issuing the final rule, the EPA issued a supplemental notice of proposed rulemaking to include states in the ozone season nitrogen oxides emissions reduction requirements. The ozone season supplemental proposal was finalized in December 2011, and includes Texas and New York in the CSAPR ozone season nitrogen oxide emission reduction requirements. While the Company operates natural gas-fueled generating facilities within the states of Texas and New York, which are in the CSAPR region, no significant impact is expected on those generating facilities.

In December 2011, the D.C. Circuit issued a stay on the implementation of the CSAPR pending consideration of several petitions for review before the court. The court held that the CAIR should be administered pending the resolution of the pending petitions for review.

The Company's natural gas-fueled facilities in Texas and New York are subject to the CAIR until the CSAPR is adopted. However, the provisions are not anticipated to have a material impact on the Company.

Climate Change

In April 2011, the United States House of Representatives voted 255-177 on a bill (H.R. 910) that would prevent the EPA from regulating greenhouse gas (“GHG”) emissions. No action has been taken by the Senate on the bill. While significant measures to regulate GHG emissions at the federal level were considered by the United States Congress in 2010, comprehensive climate change legislation has not been adopted. International discussions regarding climate change continue to be held periodically, but agreement has not been reached on how nations will address future climate change commitments upon the expiration of the Kyoto Protocol in December 2012.

In December 2009, the EPA published its findings that GHG threaten the public health and welfare and is pursuing regulation of GHG emissions under the Clean Air Act. Additionally, in May 2010, the EPA issued the GHG "Tailoring Rule" to address permitting requirements for GHG after determining that GHG are subject to regulation and would trigger Clean Air Act permitting requirements for stationary sources beginning in January 2011. Numerous lawsuits have been filed on both the EPA's endangerment finding and the tailoring rule and are pending in the D.C. Circuit with arguments having been heard by the court in February 2012.

While the debate continues at the federal and international level over the direction of climate change policy, several states have developed or are developing state-specific laws or regional initiatives to report or mitigate GHG emissions. In addition, governmental, non-governmental and environmental organizations have become more active in pursuing climate change related litigation under existing laws.

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 submitted its first report prior to September 30, 2011. The EPA released the 2010 GHG emissions reports in January 2012.

The impact of pending federal, regional, state and international accords, legislation, regulation, or judicial proceedings related to climate change cannot be quantified in any meaningful range at this time. New requirements limiting GHG emissions could have a material adverse impact on the Company, the United States and the global economy. Companies and industries with higher GHG emissions, such as utilities with significant coal-fired generating facilities, will be subject to more direct impacts and greater financial and regulatory risks. The impact is dependent on numerous factors, none of which can be meaningfully quantified at this time. These factors include, but are not limited to, the magnitude and timing of GHG emissions reduction requirements; the design of the requirements; the cost, availability and effectiveness of emissions control technology; the price, distribution method and availability of offsets and allowances used for compliance; government-imposed compliance costs; and the existence and nature of incremental cost recovery mechanisms.

The impact of events or conditions caused by climate change, whether from natural processes or human activities, could vary widely, from highly localized to worldwide, and the extent to which the Company’s operations may be affected is uncertain. Climate change may cause physical and financial risk through, among other things, sea level rise, changes in precipitation and extreme weather events. Consumer demand for energy may increase or decrease, based on overall changes in weather and as customers promote lower energy consumption through the continued use of energy efficiency programs or other means.

Federal Legislation

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

GHG Tailoring Rule

The EPA finalized the GHG "Tailoring Rule" in May 2010 requiring new or modified sources of GHG emissions with increases of 75,000 or more tons per year of total GHG to determine the best available control technology for their GHG emissions beginning in January 2011. New or existing major sources will also be subject to Title V operating permit requirements for GHG. Beginning July 1, 2011 through June 30, 2013, new construction projects that emit GHG emissions of at least 100,000 tons per year and modifications of existing facilities that increase GHG emissions by at least 75,000 tons per year will be subject to permitting requirements and facilities that were previously not subject to Title V permitting requirements will be required to obtain Title V permits if they emit at least 100,000 tons per year of carbon dioxide equivalents. Several legal challenges to the GHG Tailoring Rule have been filed in the D.C. Circuit. The EPA issued a GHG best available control technology guidance document in November 2010 in an effort to provide permitting authorities guidance on how to conduct a best available control technology review for GHG.

GHG New Source Performance Standards

Under the Clean Air Act, the EPA may establish emissions standards that reflect the degree of emissions 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 September 30, 2011, as amended, and issue final regulations by May 26, 2012. However, in mid-September, the EPA indicated it would not meet the September 30, 2011 deadline to promulgate the standards and it has not yet established a new schedule for issuing the proposed rules. 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. In May 2011, New Jersey withdrew from participation in the RGGI and in June 2011 a lawsuit filed in New York alleged that the state of New York unlawfully joined the RGGI without legislative approval.

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

The Company closely monitors ongoing environmental litigation. Many of the pending cases described below relate to lawsuits against industry that attempt to link GHG emissions to public or private harm. The Company believes the cases are without merit, despite decisions where United States Courts of Appeals reversed district court rulings dismissing the cases in 2009. The lower courts initially refrained from adjudicating the cases under the "political question" doctrine, because of their inherently political nature. Nevertheless, an adverse ruling in any of these cases would likely result in increased regulation of GHG emitters, including the Company's generating facilities, and financial uncertainty.

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 carbon dioxide. 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 and issued its decision in June 2011 dismissing the federal common law claim of nuisance and holding that the Clean Air Act provides a means to seek limits on emissions of carbon dioxide on power plants.

Contractual Obligations

The Company has contractual cash obligations that may affect its consolidated financial condition. The following table summarizes the Company's material contractual cash obligations as of December 31, 2011 (in thousands):

	Payments Due by Period				
	2012	2013-2014	2015-2016	2017 and After	Total
Long-term debt	$ 37,094	$ 78,201	$ 95,615	$ 96,434	$ 307,344
Interest payments on long-term debt [1]	22,172	36,139	23,368	8,818	90,497
Total contractual cash obligations	$ 59,266	$ 114,340	$ 118,983	$ 105,252	$ 397,841

(1) Not reflected on the Consolidated Balance Sheets.

The Company has other types of commitments that arise primarily from letters of credit or relate to asset retirement obligations (Note 7) and uncertain tax positions (Note 8) which have not been included in the above table because the amount and timing of the cash payments are not certain. Refer to the respective referenced note in Notes to Consolidated Financial Statements included elsewhere in this report for additional information.

In support of CE Generation's debt service requirements, a financial institution has issued a letter of credit for the account of TransAlta and a separate financial institution has issued a letter of credit for the account of MEHC. Each letter of credit was issued in the amount of $9.8 million at December 31, 2011.

In support of Funding Corporation's debt service requirements, a financial institution has issued a letter of credit for the account of TransAlta and a separate financial institution has issued a letter of credit for the account of MEHC. Each letter of credit was issued in the amount of $14.9 million at December 31, 2011.

Inflation

Inflation has not had a significant impact on CE Generation's costs.

Off-Balance Sheet Arrangements

The Company does not have any obligations which meet the definition of an off-balance sheet arrangement and which have or are reasonably likely to have a material effect on the Consolidated Financial Statements.

New Accounting Pronouncements

For a discussion of new accounting pronouncements affecting the Company, refer to Note 2 of Notes to Consolidated Financial Statements included elsewhere in this report.

Critical Accounting Estimates

Certain accounting measurements require management to make estimates and judgments concerning transactions that will be settled several years in the future. Amounts recognized on the Consolidated Financial Statements based on such estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty and will likely change in the future as additional information becomes available. The following critical accounting estimates are impacted significantly by the Company's methods, judgments and assumptions used in the preparation of the Consolidated Financial Statements and should be read in conjunction with the Company's Summary of Significant Accounting Policies included in Note 2 of Notes to Consolidated Financial Statements included elsewhere in this report.

Impairment of Long-Lived Assets and Goodwill

The Company evaluates long-lived assets for impairment, including property, plant and equipment and intangible assets, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable or the assets are being held for sale. Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset plus the residual value from the ultimate disposal exceeds the carrying value of the asset. If the carrying value exceeds the estimated recoverable amounts, the asset is written down to the estimated fair value. Any resulting impairment loss is reflected on the Consolidated Statements of Operations.

The estimate of cash flows arising from the future use of the asset that are used in the impairment analysis requires judgment regarding what the Company would expect to recover from the future use of the asset. Changes in judgment that could significantly alter the calculation of the fair value or the recoverable amount of the asset may result from significant changes in the business climate, management's plans, legal factors, market price of the asset, the use of the asset or the physical condition of the asset, future market prices, load growth, competition and many other factors over the life of the asset. Any resulting impairment loss is highly dependent on the underlying assumptions and could significantly affect the Company's results of operations.

The Company's Consolidated Balance Sheet as of December 31, 2011 includes goodwill of acquired businesses of $265.9 million. The Company evaluates goodwill for impairment at least annually and completed its annual review as of October 31. Additionally, no indicators of impairment were identified as of December 31, 2011. A significant amount of judgment is required in estimating the fair value of the reporting unit and performing goodwill impairment tests. The Company uses a variety of methods to estimate a reporting unit's fair value, principally discounted projected future net cash flows. Key assumptions used include, but are not limited to, the use of estimated future cash flows; multiples of earnings; and an appropriate discount rate. Estimated future cash flows are impacted by, among other factors, growth rates, changes in regulations and rates, ability to renew contracts and estimates of future commodity prices. In estimating cash flows, the Company incorporates current market information, as well as historical factors.

Income Taxes

In determining the Company's income taxes, management is required to interpret complex income tax laws and regulations. The Company's income tax returns are subject to continuous examinations by federal, state and local income tax authorities that may give rise to different interpretations of these complex laws and regulations. Due to the nature of the examination process, it generally takes years before these examinations are completed and these matters are resolved. The Company recognizes the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Consolidated Financial Statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Although the ultimate resolution of the Company's federal, state and local income tax examinations is uncertain, the Company believes it has made adequate provisions for these income tax positions. The aggregate amount of any additional income tax liabilities that may result from these examinations, if any, is not expected to have a material adverse impact on the Company's consolidated financial results

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The Company is exposed to interest rate risk on future debt issuances. The Company manages its interest rate risk by limiting its exposure to variable interest rates primarily through the issuance of fixed-rate long-term debt. As a result of the fixed interest rates, the Company's fixed-rate long-term debt does not expose the Company to the risk of loss due to changes in market interest rates. Additionally, because fixed-rate long-term debt is not carried at fair value on the Consolidated Balance Sheets, changes in fair value would impact earnings and cash flows only if the Company were to reacquire all or a portion of these instruments prior to their maturity.

Price and Credit Risks

The Company's and the Imperial Valley Project's primary source of electricity revenue is derived from payments received pursuant to long-term power sales agreements with Edison. Because of the Company's and the Imperial Valley Project's dependence on Edison, if Edison fails to fulfill its obligations to the Imperial Valley Projects, it could significantly impair the ability of the Company and the Imperial Valley Projects to fund operating and maintenance expenses, payments of interest and principal on the debt securities, projected capital expenditures and debt service reserve fund requirements. Approximately 89% of the Imperial Valley Projects' electricity sales were to Edison in 2011.

In June and November 2001, the Salton Sea II, Salton Sea III, Vulcan, Elmore, Leathers and Del Ranch Projects and 16/36 of the Salton Sea IV Project, which were then receiving Edison's avoided cost of energy, entered into agreements that provided for amended energy payments. The amendments provided for fixed energy payments per kWh in lieu of Edison's avoided cost of energy. The fixed energy price was 3.25 cents per kWh from December 1, 2001 to April 30, 2002 and increased to 5.37 cents per kWh commencing May 1, 2002 through April 30, 2007. On May 30, 2006, the Imperial Valley Projects that receive Edison's avoided cost of energy entered into amendments with Edison to their respective power purchase agreements which provide for a fixed energy price commencing May 1, 2007 and ending April 30, 2012. The amendments were approved by the California Public Utilities Commission and such approval became final on October 19, 2006. The energy price under the respective amended power purchase agreements during the fixed price period will be 6.15 cents per kWh, escalated 1% annually beginning May 1, 2008. Beginning May 1, 2012, the projects subject to these amendments will revert back to Edison's avoided cost of energy. For the years ended December 31, 2011, 2010 and 2009, Edison's average avoided cost of energy was 4.0 cents per kWh, 4.3 cents per kWh and 4.1 cents per kWh, respectively. There can be no assurances that Edison's avoided cost of energy after May 1, 2012 will result in revenues equivalent to the current fixed energy payments being received. Due to continued falling natural gas prices, the Company believes that Edison's avoided cost of energy for 2012 will likely be below 2011 levels. Estimates of Edison's future avoided cost of energy could vary substantially from year to year primarily based on the future cost of natural gas and may be impacted by regulatory proceedings which may change the definition of the avoided cost of energy and other commodity factors.

CERTIFICATION

I, Stephen A. Larsen, certify that:

1. I have reviewed this Annual 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 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: March 23, 2012

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

CERTIFICATION

I, Stephen D. Dickas, certify that:

1. I have reviewed this Annual 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 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: March 23, 2012

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