CE GENERATION LLC

Consolidated Financial Statements

For the Quarterly Period Ended March 31, 2013

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

	As of	
	March 31, 2013	**December 31, 2012**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,733	$ 22,960
Restricted cash	4,265	3,186
Trade receivables	18,763	21,105
Income taxes receivable	19,151	8,667
Inventories	31,404	32,479
Other current assets	1,459	2,188
Total current assets	98,775	90,585
Property, plant and equipment, net	584,410	595,423
Goodwill	265,897	265,897
Intangible assets, net	37,183	38,619
Other assets	3,686	3,786
Total assets	$ 989,951	$ 994,310
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 10,630	$ 11,173
Major maintenance accruals	5,496	2,652
Accrued interest	6,178	1,153
Due to affiliates	2,170	1,241
Current portion of long-term debt	35,064	35,064
Deferred income taxes	633	633
Derivative contracts	4,980	-
Other current liabilities	8,050	6,479
Total current liabilities	73,201	58,395
Parent senior secured bonds	148,720	148,720
Subsidiary debt	86,466	86,466
Due to affiliates	2,306	2,280
Deferred income taxes	179,191	189,119
Other long-term liabilities	14,828	13,901
Total liabilities	504,712	498,881
Commitments and contingencies (Note 5)		
Equity:		
CE Generation members' equity	471,596	481,663
Noncontrolling interests	13,643	13,766
Total equity	485,239	495,429
Total liabilities and equity	$ 989,951	$ 994,310

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

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

	Three-Month Periods Ended March 31, 2013	2012
Operating revenue	$ 37,518	$ 49,856
Operating costs and expenses:		
Fuel	2,044	315
Plant operations	34,014	40,732
General and administrative	1,118	1,090
Depreciation and amortization	19,577	18,350
Total operating costs and expenses	56,753	60,487
Operating loss	(19,235)	(10,631)
Other income (expense):		
Interest expense	(5,210)	(5,947)
Interest and other income	25	72
Total other income (expense)	(5,185)	(5,875)
Loss before income tax benefit	(24,420)	(16,506)
Income tax benefit	(18,210)	(13,508)
Net loss	(6,210)	(2,998)
Net income (loss) attributable to noncontrolling interests	215	(40)
Net loss attributable to CE Generation members	$ (6,425)	$ (2,958)

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

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

	Three-Month Periods Ended March 31, 2013	2012
Net loss	$ (6,210)	$ (2,998)
Other comprehensive loss, net of tax:		
Unrecognized losses on cash flow hedges, net of tax of $(2,452) and $-	(3,627)	-
Unrecognized amounts on retirement benefits, net of tax of $(10) and $(10)	(15)	(15)
Total other comprehensive loss, net of tax	(3,642)	(15)
Comprehensive loss	(9,852)	(3,013)
Comprehensive income (loss) attributable to noncontrolling interests	215	(40)
Comprehensive loss attributable to CE Generation members	$ (10,067)	$ (2,973)

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

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

	CE Generation Members' Equity			
	Members' Equity	Accumulated Other Comprehensive Loss, Net	Noncontrolling Interests	Total Equity
Balance, December 31, 2011	$ 510,341	$ (1,109)	$ 15,330	$ 524,562
Net loss	(2,958)	-	(40)	(2,998)
Other comprehensive loss	-	(15)	-	(15)
Distributions	-	-	(498)	(498)
Balance, March 31, 2012	$ 507,383	$ (1,124)	$ 14,792	$ 521,051
Balance, December 31, 2012	$ 481,880	$ (217)	$ 13,766	$ 495,429
Net (loss) income	(6,425)	-	215	(6,210)
Other comprehensive loss	-	(3,642)	-	(3,642)
Distributions	-	-	(338)	(338)
Balance, March 31, 2013	$ 475,455	$ (3,859)	$ 13,643	$ 485,239

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

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

	Three-Month Periods Ended March 31,	
	2013	**2012**
Cash flows from operating activities:		
Net loss	$ (6,210)	$ (2,998)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	19,577	18,350
Deferred income taxes	(7,466)	(4,963)
Amortization of deferred financing costs	66	66
Changes in other operating assets and liabilities:		
Trade receivables	2,342	3,595
Inventories	1,075	(107)
Due to affiliates, net	930	(125)
Other assets	(10,090)	(8,198)
Accounts payable and other liabilities	6,770	17,989
Net cash flows from operating activities	6,994	23,609
Cash flows from investing activities:		
Capital expenditures	(4,804)	(6,376)
Increase in restricted cash	(1,079)	-
Net cash flows from investing activities	(5,883)	(6,376)
Cash flows from financing activities:		
Distributions to noncontrolling interests	(338)	(498)
Net cash flows from financing activities	(338)	(498)
Net change in cash and cash equivalents	773	16,735
Cash and cash equivalents at beginning of period	22,960	43,581
Cash and cash equivalents at end of period	$ 23,733	$ 60,316

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

CE GENERATION, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

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

The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the Consolidated Financial Statements as of March 31, 2013 and for the three-month periods ended March 31, 2013 and 2012. The results of operations for the three-month period ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through May 14, 2013, which is the date the unaudited Consolidated Financial Statements were available to be issued.

The unaudited Consolidated Financial Statements include the accounts of CE Generation, its wholly-owned subsidiaries and a majority-owned limited partnership, Saranac Power Partners L.P., in which the Company indirectly holds a 1% general partnership and 74% limited partnership ownership interest. The remaining interests in the Saranac Partnership are owned by three limited partners. Net income and distributions from the Saranac Partnership are allocated to the partners based on allocation percentages that vary through the life of the partnership, as specified in the partnership agreement. As of March 31, 2013, the Company's economic interest in the partnership was 75%, while the noncontrolling interest holders had a combined economic interest in the partnership of 25%. The equity interest of the other partners is recorded as a noncontrolling interest on the unaudited Consolidated Financial Statements. Intercompany accounts and transactions have been eliminated.

The preparation of the unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Consolidated Financial Statements. Note 2 of Notes to Consolidated Financial Statements included in the Company's audited Consolidated Financial Statements for the year ended December 31, 2012 describes the most significant accounting policies used in the preparation of the Consolidated Financial Statements. There have been no significant changes in the Company's assumptions regarding significant accounting estimates and policies during the three-month period ended March 31, 2013.

2. Property, Plant and Equipment, Net

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

		As of	
	Depreciable Life	March 31, 2013	December 31, 2012
Power plants	5 to 30 years	$ 1,307,907	$ 1,302,262
Wells and resource development	2 to 30 years	291,847	290,491
Equipment	3 to 30 years	6,615	6,658
Total operating assets		1,606,369	1,599,411
Accumulated depreciation		(1,021,959)	(1,003,988)
Property, plant and equipment, net		$ 584,410	$ 595,423

3. Intangible Assets, Net

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

		As of March 31, 2013		As of December 31, 2012	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 315,434	$ 289,206	$ 315,434	$ 288,252
Patented technology	24 years	46,290	35,335	46,290	34,853
Intangible assets, net		$ 361,724	$ 324,541	$ 361,724	$ 323,105

Amortization expense on acquired intangible assets was \$1.4 million for each of the three-month periods ended March 31, 2013 and 2012. CE Generation expects amortization expense on acquired intangible assets to be \$4.3 million for the remaining nine months in 2013, and \$5.7 million in 2014 through 2017.

4. Risk Management and Hedging Activities

Certain of the Company's Imperial Valley Projects have long-term power sales agreements with Southern California Edison Company ("Edison"). Beginning May 1, 2012, these long-term power sales agreements reverted back to Edison's avoided cost of energy, which is currently highly correlated to the cost of natural gas and was 4.0 cents per kilowatt-hour ("kWh") and 3.0 cents per kWh for the three-month periods ended March 31, 2013 and 2012, respectively. In May 2012, the Company executed a natural gas swap with a creditworthy counterparty from June 1, 2012 through December 31, 2014. The natural gas swap is expected to hedge the price risk related to 65% and 40% of the estimated 2013 and 2014 energy deliveries, respectively, associated with Edison's avoided cost of energy. The natural gas swap is designated as a hedging contract and is accounted for as a cash flow hedge. There have been no significant changes in the Company's accounting policies related to derivatives.

The following table summarizes the fair value of the Company's derivative contracts, on a gross basis, and reconciles those amounts to the amounts presented on a net basis on the Consolidated Balance Sheets (in thousands):

	Derivative Contracts-Current Liabilities	Other Long-term Liabilities	Total
As of March 31, 2013			
Assets	$ -	$ -	$ -
Liabilities	(4,980)	(1,516)	(6,496)
Total derivatives – net basis(1)	$ (4,980)	$ (1,516)	$ (6,496)

	Other Current Assets	Other Long-term Liabilities	Total
As of December 31, 2012			
Assets	$ 356	$ 5	$ 361
Liabilities	(20)	(757)	(777)
Total derivatives – net basis(1)	$ 336	$ (752)	$ (416)

(1) The net notional amounts of outstanding derivative contracts with fixed price terms that comprise the mark-to-market values included above is 15.7 million and 18.1 million British thermal units of natural gas purchases as of March 31, 2013 and December 31, 2012, respectively.

The following table reconciles the beginning and ending balances of the Company's accumulated other comprehensive loss (pre-tax) and summarizes pre-tax gains and losses on derivative contracts designated and qualifying as cash flow hedges recognized in other comprehensive income ("OCI"), as well as amounts reclassified to earnings for the three-month period ended March 31, 2013 (in thousands):

Beginning balance	$ 416
Changes in fair value recognized in OCI	5,737
Net gains reclassified to operating revenue	343
Ending balance	$ 6,496

Realized gains and losses on hedges and hedge ineffectiveness are recognized in income as operating revenue. For the three-month period ended March 31, 2013, there was no hedge ineffectiveness. As of March 31, 2013, the Company had cash flow hedges with expiration dates extending through December 2014 and $5.0 million of pre-tax net unrealized losses are forecasted to be reclassified from accumulated other comprehensive income ("AOCI") into earnings over the next twelve months as contracts settle.

As of March 31, 2013, the Company has derivative contract liabilities totaling $6.5 million. As of December 31, 2012, the Company has derivative contract assets totaling $0.4 million and derivative contract liabilities totaling $0.8 million. The Company's derivative contracts are stated at estimated fair value and are valued using forward price curves, which represent the Company's estimates of the prices at which a buyer or seller could contract today for delivery or settlement at future dates. The Company bases its forward price curves upon market price quotations obtained from independent energy brokers, exchanges, direct communication with market participants and actual transactions executed by the Company. As such, the Company considers its derivative contracts to be valued using Level 2 inputs.

5. Commitments and Contingencies

The California Power Exchange

In January 2001, the California Power Exchange declared bankruptcy. As a result, Salton Sea Power LLC ("Salton Sea Power") and CE Turbo, LLC ("CE Turbo") did not receive payment for power sold to El Paso Merchant Energy Company ("EPME") under certain transaction agreements during December 2000 and January 2001 of $3.8 million (the "PX Receivable"). Salton Sea Power and CE Turbo established an allowance for doubtful accounts for this balance as of December 31, 2003. On September 29, 2004, Salton Sea Power and CE Turbo entered into separate Transfer of Claims Agreements (the "Transfer of Claims Agreements"), pursuant to which Salton Sea Power and CE Turbo received an aggregate of $3.7 million in exchange for transferring the rights to receive payment on the PX Receivable to TransAlta and MEHC. As a result of the transaction, Salton Sea Power and CE Turbo wrote-off the PX Receivable and the related allowance for doubtful accounts and recorded a $3.8 million current liability to reflect the collection risk retained under the Transfer of Claims Agreements. Pursuant to the Transfer of Claims Agreements, to the extent that the PX Receivable becomes uncollectible, Salton Sea Power and CE Turbo can be required to pay the PX Receivable, plus interest, to MEHC and TransAlta. EPME informed Salton Sea Power and CE Turbo that, on July 6, 2007, it received a distribution in connection with a settlement involving its claims in the California Power Exchange bankruptcy proceeding. In August 2007, EPME paid $2.4 million, or $1.2 million each to MEHC and TransAlta, in connection with the bankruptcy proceeding distribution that EPME received on their behalf. Accordingly, Salton Sea Power and CE Turbo reduced their collective liability by $2.4 million to $1.4 million.

Environmental Laws and Regulations

The Company is subject to federal, state and local laws and regulations regarding air and water quality, emissions performance standards, climate change, hazardous and solid waste disposal and other environmental matters that have the potential to impact the Company's current and future operations. The Company believes it is in material compliance with all applicable laws and regulations.

Accrued Environmental Costs

The Company is fully or partly responsible for environmental remediation at various contaminated sites, including sites that are or were part of the Company's operations and sites owned by third parties. The Company accrues environmental remediation expenses when the expenses are believed to be probable and can be reasonably estimated. The quantification of environmental exposures is based on many factors, including changing laws and regulations, advancements in environmental technologies, the quality of available site-specific information, site investigation results, expected remediation or settlement timelines, the Company's proportionate responsibility, contractual indemnities and coverage provided by insurance policies. The liability recorded as of March 31, 2013 and December 31, 2012 was $0.2 million and $0.3 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.

6. 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 $0.9 million for each of the three-month periods ended March 31, 2013 and 2012. 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 $0.6 million and $0.7 million for the three-month periods ended March 31, 2013 and 2012, respectively. The portion of accumulated other comprehensive loss attributable to the Company has been allocated from MEC in accordance with the intercompany administrative service agreement.

In April 2013, the Company's natural gas-fueled facility in Plattsburgh, New York (the "Saranac Project") entered into a two-year energy management agreement with TransAlta Energy Marketing (U.S.) Inc. ("TEMUS"), which is effective June 1, 2013. TEMUS will receive a monthly fee and a share of electricity sales.

7. Components of Accumulated Other Comprehensive Loss, Net

The following table shows the change in accumulated other comprehensive loss attributable to CE Generation members by each component of other comprehensive loss, net of applicable income taxes, for the three-month period ended March 31, 2013 (in thousands):

	Unrealized Losses on Cash Flow Hedges	Unrecognized Amounts on Retirement Benefits	Accumulated Other Comprehensive Loss Attributable to CE Generation Members, Net
Balance, December 31, 2012	$ (248)	$ 31	$ (217)
Other comprehensive loss	(3,627)	(15)	(3,642)
Balance, March 31, 2013	$ (3,875)	$ 16	$ (3,859)

8. New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB) issued Accounting Standards Update ("ASU") No. 2013-02, which amends FASB Accounting Standards Codification ("ASC") Topic 220, "Comprehensive Income." The amendments in this guidance require an entity to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required by GAAP that provide additional detail about those amounts. This guidance is effective prospectively for annual reporting periods beginning after December 15, 2013. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11, which amends FASB ASC Topic 210, “Balance Sheet.” The amendments in this guidance require an entity to provide quantitative disclosures about offsetting financial instruments and derivative instruments. Additionally, this guidance requires qualitative and quantitative disclosures about master netting agreements or similar agreements when the financial instruments and derivative instruments are not offset. In January 2013, the FASB issued ASU No. 2013-01, which also amends FASB ASC Topic 210 to clarify that the scope of ASU No. 2011-11 only applies to derivative instruments, repurchase agreements, reverse purchase agreements and securities borrowing and securities lending transactions that are either being offset or are subject to an enforceable master netting arrangement or similar agreement. The Company adopted the guidance on January 1, 2013. The adoption of this guidance did not have a material impact on the Company’s disclosures included within Notes to Consolidated Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors that have affected the consolidated financial condition and results of operations of CE Generation, LLC ("CE Generation") and its subsidiaries (collectively, the "Company") during the periods included herein. Explanations include management's best estimate of the impact of weather and other factors. This discussion should be read in conjunction with the Company's historical unaudited Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this report. The Company's actual results in the future could differ significantly from the historical results.

Forward-Looking Statements

From time to time, CE Generation may make forward-looking statements that involve judgments, assumptions and other uncertainties beyond the control of the Company or any of its subsidiaries individually. These forward-looking statements may include, among others, statements concerning revenue and cost trends, cost reduction strategies and anticipated outcomes, pricing strategies, changes in the utility industry, planned capital expenditures, financing needs and availability, statements of CE Generation's expectations, beliefs, future plans and strategies, anticipated events or trends and similar comments concerning matters that are not historical facts. These types of forward-looking statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results and performance of the Company to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statements. CE Generation has identified important factors that could cause actual results to differ materially from those expectations, including weather effects on revenues and other operating uncertainties, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy and competition. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors should not be construed as exclusive.

Results of Operations

Operating Revenue

The capacity factor for a particular project is determined by dividing the total quantity of electricity sold by the product of the project's capacity and the total hours in the period. Refer to Note 1 of Notes to Consolidated Financial Statements included in the Company's audited Consolidated Financial Statements for the year ended December 31, 2012 for the net capacity of each facility. Each plant possesses an operating margin, which allows for production in excess of a facility's net capacity. Utilization of this operating margin is based upon a variety of factors and can be expected to vary throughout the year under normal operating conditions. The amount of revenues received by the projects is affected by the extent to which they are able to operate and generate electricity. Accordingly, the capacity and capacity factor figures provide information on operating performance that has affected the revenues received by the projects.

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

	First Quarter	
	2013	**2012**
Geothermal facilities	$ 29.0	$ 43.5
Natural gas-fueled facilities	8.5	6.4
Total operating revenue	$ 37.5	$ 49.9

Geothermal Facilities

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

	First Quarter	
	2013	2012
Overall capacity factor	76.4%	82.5%
Megawatt hours (“MWh”) produced	538,800	588,400
Facility net capacity megawatts (“MW”) (weighted average)	326.4	326.4

Operating revenue decreased $14.5 million, or 33.3%, for the first quarter of 2013 compared to 2012 primarily due to the following:

- $11.3 million decrease due to lower energy rates at certain geothermal facilities in the Imperial Valley of California (the “Imperial Valley Projects”).

- $3.2 million decrease due to an 8.4% decrease in energy production. The energy production decrease primarily resulted from the timing of scheduled maintenance and transmission line outages at certain Imperial Valley Projects in 2013.

Natural Gas-Fueled Facilities

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

	First Quarter	
	2013	2012
Overall capacity factor	29.2%	16.9%
MWh produced	317,000	184,700
Facility net capacity MW (weighted average)	502.0	502.0

Operating revenue increased $2.1 million, or 32.8%, for the first quarter of 2013 compared to 2012 primarily due to the following:

- $1.3 million increase at the Company’s natural gas-fueled facility in Yuma, Arizona (the “Yuma Project”) due to an increase in production from 7,000 MWh in the first quarter of 2012 to 44,900 MWh in the first quarter of 2013.

- $0.9 million increase at the Company’s natural gas-fueled facility in Plattsburgh, New York (the “Saranac Project”) of which $0.7 million was due to a 53.1% increase in production from 2012 and $0.2 million was due to higher prices.

Fuel

The Yuma Project purchases the natural gas used by its facility to produce energy under its existing power purchase agreement. At the Saranac Project and the Company’s natural gas-fueled facility in Big Spring, Texas (the “Power Resources Project”), EDF Trading North America LLC is required to purchase the natural gas supply.

Fuel expense increased $1.7 million to $2.0 million for the first quarter of 2013 from $0.3 million for the comparable period in 2012 due to higher production of $1.5 million and higher unit costs paid for natural gas of $0.2 million at the Yuma Project.

Plant Operations

Plant operations decreased $6.7 million, or 16.5%, to $34.0 million for the first quarter of 2013 from $40.7 million for the comparable period in 2013 primarily due to the timing of planned outages at certain Imperial Valley Projects and the Power Resources Project.

Depreciation and Amortization

Depreciation and amortization increased $1.2 million, or 6.5%, to $19.6 million for the first quarter of 2013 from $18.4 million for the comparable period in 2012 primarily due to the timing of Imperial Valley Projects placed in service.

Interest Expense

Interest expense decreased $0.7 million, or 11.9% to $5.2 million for the first quarter of 2013 from $5.9 million for the comparable period in 2012 due to lower outstanding debt balances.

Income Tax Benefit

Income tax benefit increased $4.7 million to $18.2 million for the first quarter of 2013 from $13.5 million for the comparable period in 2012. The effective tax rates were 74.6% and 81.8% for the first quarters of 2013 and 2012, respectively. The changes in income tax benefit and the effective tax rates were primarily due to the increase in pre-tax loss and the timing of recognition of tax benefits associated with depletion and energy tax credits.

Net Income (loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests improved $0.2 million to $0.2 million for the first quarter of 2013 from $- million for the comparable period in 2012 due to decreased production at the Saranac Project.

Liquidity and Capital Resources

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

The Company's cash and cash equivalents were $23.7 million as of March 31, 2013, compared to $23.0 million as of December 31, 2012.

Net cash flows from operating activities were $7.0 million for the first quarter of 2013 compared to $23.6 million for the comparable period in 2012. The decrease was primarily due to decreased revenues, partially offset by lower operating costs, at certain Imperial Valley Projects.

Net cash flows from investing activities were $(5.9) million for the first quarter of 2013 compared to $(6.4) million for the comparable period in 2012. The change was primarily due to lower capital expenditures in 2013 at the Imperial Valley Projects.

Forecasted capital expenditures for 2013 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.

Net cash flows from financing activities were $(0.3) million for the first quarter of 2013 compared to $(0.5) million for the comparable period in 2012. The change was due to lower distributions to noncontrolling interests at the Saranac Project.

The Company has been informed by MidAmerican Geothermal, LLC and TransAlta of their intent to contribute capital for the purpose of assisting with CE Generation's and Salton Sea Funding Corporation's scheduled second quarter 2013 debt service 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 5 of Notes to Consolidated Financial Statements included elsewhere in this report for additional information regarding certain environmental laws and regulations affecting the Company. The discussion below contains material developments since those disclosed in the "Environmental Laws and Regulations" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report for the year ended December 31, 2012.

Clean Air Act Regulations

National Ambient Air Quality Standards

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. Attainment designations were due by June 2012; however, due to the lack of sufficient information to make the designations, the EPA extended the deadline for area designations to June 2013.

Climate Change

In April 2012, the EPA proposed New Source Performance Standards for greenhouse gases ("GHG") at new fossil-fueled generating facilities at an emissions rate of 1,000 pounds per MWh, which are expected to be finalized in 2013. The EPA is also under a consent decree to establish GHG emissions performance standards for existing and modified sources.

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. In April 2012, the EPA proposed new source performance standards for new fossil-fueled generating facilities that would limit emissions of carbon dioxide to 1,000 pounds per MWh. The proposal exempts simple cycle combustion turbines from meeting the GHG standards. The public comment period closed in June 2012 and a final rule is expected in 2013. Any new fossil-fueled generating facilities constructed by the Company will be required to meet the final GHG new source performance standards, which, if finalized as proposed, will preclude the construction of any coal-fueled generating facilities that do not have carbon capture and sequestration. Additionally, as proposed, it may be difficult even for combined cycle combustion turbines to meet the carbon dioxide emission standard under certain operating scenarios such as simple cycle or low-load operations on a sustained basis. The EPA indicated in the proposal that it does not have sufficient information to establish GHG new source performance standards for modified or reconstructed units and has not established a schedule for when these units, or other existing sources, will be regulated. However, the EPA is under a consent decree obligation to establish such standards. Until any standards for existing, modified or reconstructed units are proposed and finalized, the impact on the Company's existing facilities cannot be determined.

Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting the Company, see the “Quantitative and Qualitative Disclosures About Market Risk” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations included in the Company’s Annual Report for the year ended December 31, 2012. The Company’s exposure to market risk and its management of such risk has not changed materially since December 31, 2012. Refer to Note 4 of Notes to Consolidated Financial Statements included elsewhere in this report for disclosure of the Company’s derivative positions as of March 31, 2013.

CERTIFICATION

I, Stephen A. Larsen, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures for CE Generation, LLC and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 14, 2013

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

CERTIFICATION

I, Stephen D. Dickas, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures for CE Generation, LLC and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 14, 2013

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