CE GENERATION LLC

Consolidated Financial Statements

For the Quarterly Period Ended March 31, 2014

TABLE OF CONTENTS

PART I

PART II

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

	As of	
	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,231	$ 44,804
Restricted cash	2,296	1,565
Trade receivables	18,894	15,008
Trade receivable from affiliate	3,108	1,291
Income taxes receivable	24,351	8,463
Inventories	30,541	29,904
Deferred income taxes	6,379	6,379
Other current assets	1,323	1,877
Total current assets	114,123	109,291
Property, plant and equipment, net	544,173	547,754
Goodwill	139,539	139,539
Intangible assets, net	31,441	32,876
Other assets	5,328	5,447
Total assets	$ 834,604	$ 834,907
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 11,626	$ 13,947
Major maintenance accruals	7,575	2,059
Accrued interest	5,371	999
Due to affiliates	2,230	1,260
Current portion of long-term debt	43,137	43,137
Other current liabilities	10,324	7,802
Total current liabilities	80,263	69,204
Parent senior secured bonds	122,920	122,920
Subsidiary debt	69,129	69,129
Due to affiliates	2,246	2,246
Deferred income taxes	171,874	174,728
Other long-term liabilities	14,022	13,829
Total liabilities	460,454	452,056
Commitments and contingencies (Note 5)		
Equity:		
CE Generation members' equity	362,241	370,917
Noncontrolling interests	11,909	11,934
Total equity	374,150	382,851
Total liabilities and equity	$ 834,604	$ 834,907

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, 2014	2013
Operating revenue	$ 39,199	$ 37,518
Operating costs and expenses:		
Fuel	1,416	2,044
Plant operations	39,679	34,014
General and administrative	1,145	1,118
Depreciation and amortization	18,147	19,577
Total operating costs and expenses	60,387	56,753
Operating loss	(21,188)	(19,235)
Other income (expense):		
Interest expense	(4,560)	(5,210)
Interest and other income	(79)	25
Total other income (expense)	(4,639)	(5,185)
Loss before income tax benefit	(25,827)	(24,420)
Income tax benefit	(18,181)	(18,210)
Net loss	(7,646)	(6,210)
Net income attributable to noncontrolling interests	200	215
Net loss attributable to CE Generation members	$ (7,846)	$ (6,425)

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, 2014	2013
Net loss	$ (7,646)	$ (6,210)
Other comprehensive loss, net of tax:		
Unrealized losses on cash flow hedges, net of tax of $(551) and $(2,452)	(815)	(3,627)
Unrecognized amounts on retirement benefits, net of tax of $(12) and $(10)	(15)	(15)
Total other comprehensive loss, net of tax	(830)	(3,642)
Comprehensive loss	(8,476)	(9,852)
Comprehensive income attributable to noncontrolling interests	200	215
Comprehensive loss attributable to CE Generation members	$ (8,676)	$ (10,067)

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) Income, Net	Noncontrolling Interests	Total Equity
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, 2012	$ 475,455	$ (3,859)	$ 13,643	$ 485,239
Balance, December 31, 2013	$ 370,665	$ 252	$ 11,934	$ 382,851
Net (loss) income	(7,846)	—	200	(7,646)
Other comprehensive loss	—	(830)	—	(830)
Distributions	—	—	(225)	(225)
Balance, March 31, 2014	$ 362,819	$ (578)	$ 11,909	$ 374,150

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,	
	2014	**2013**
Cash flows from operating activities:		
Net loss	$ (7,646)	$ (6,210)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	18,147	19,577
Deferred income taxes	(2,291)	(7,466)
Other, net	(103)	66
Changes in other operating assets and liabilities:		
Trade receivables	(5,703)	2,342
Inventories	(637)	1,075
Due to affiliates, net	864	930
Other assets	(13,645)	(10,090)
Accounts payable and other liabilities	6,164	6,770
Net cash flows from operating activities	(4,850)	6,994
Cash flows from investing activities:		
Capital expenditures	(11,767)	(4,804)
Increase in restricted cash	(731)	(1,079)
Net cash flows from investing activities	(12,498)	(5,883)
Cash flows from financing activities:		
Distributions to noncontrolling interests	(225)	(338)
Net cash flows from financing activities	(225)	(338)
Net change in cash and cash equivalents	(17,573)	773
Cash and cash equivalents at beginning of period	44,804	22,960
Cash and cash equivalents at end of period	$ 27,231	$ 23,733

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 Berkshire Hathaway Energy Company ("Berkshire Hathaway Energy"), formerly known as MidAmerican Energy Holdings Company, and TransAlta (CE GEN) Investment USA, Inc. ("TransAlta"), a wholly-owned subsidiary of TransAlta Corporation. Berkshire Hathaway Energy is a consolidated subsidiary of Berkshire Hathaway Inc.

In February 2014, MidAmerican Geothermal, LLC signed a purchase and sale agreement with TransAlta and TransAlta USA Inc. to acquire, among other items, the remaining 50% interest in CE Generation owned by TransAlta, subject to customary closing conditions precedent. The transaction is expected to close in the second quarter of 2014.

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, 2014 and for the three-month periods ended March 31, 2014 and 2013. The results of operations for the three-month period ended March 31, 2014 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through May 13, 2014, which is the date the unaudited Consolidated Financial Statements were available to be issued.

The unaudited Consolidated Financial Statements include the accounts of CE Generation, its wholly-owned subsidiaries and a majority-owned limited partnership, Saranac Power Partners L.P. (the "Saranac Partnership" or the "Saranac Project"), in which the Company indirectly holds a 1% general partnership and 74% limited partnership ownership interest. The remaining interests in the Saranac Partnership are owned by three limited partners. Net income and distributions from the Saranac Partnership are allocated to the partners based on allocation percentages that vary through the life of the partnership, as specified in the partnership agreement. As of March 31, 2014, 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 unaudited 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, 2013 describes the most significant accounting policies used in the preparation of the unaudited 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, 2014.

2. Property, Plant and Equipment, Net

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

	Depreciable Life	As of March 31, 2014	As of December 31, 2013
Power plants	5 to 30 years	$ 1,324,154	$ 1,314,493
Wells and resource development	2 to 30 years	298,927	294,563
Equipment	3 to 30 years	6,548	7,508
Total operating assets		1,629,629	1,616,564
Accumulated depreciation		(1,085,456)	(1,068,810)
Property, plant and equipment, net		$ 544,173	$ 547,754

3. Goodwill and Intangible Assets, Net

Goodwill consists of the following (in thousands):

	As of March 31, 2014		As of December 31, 2013	
	Gross Carrying Amount	Accumulated Impairment Losses	Gross Carrying Amount	Accumulated Impairment Losses
Goodwill	$ 265,897	$ 126,358	$ 265,897	$ 126,358

The Company did not record any goodwill impairment for the three-month periods ended March 31, 2014 and 2013.

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

		As of March 31, 2014		As of December 31, 2013	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 315,434	$ 293,019	$ 315,434	$ 292,066
Patented technology	24 years	46,290	37,264	46,290	36,782
Intangible assets, net		$ 361,724	$ 330,283	$ 361,724	$ 328,848

Amortization expense on acquired intangible assets was $1.4 million for each of the three-month periods ended March 31, 2014 and 2013. CE Generation expects amortization expense on acquired intangible assets to be $4.3 million for the remaining nine months in 2014, and $5.7 million in 2015 through 2018.

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 5.2 cents per kilowatt-hour ("kWh") and 4.0 cents per kWh for the three-month periods ended March 31, 2014 and 2013, 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 40% of the estimated 2014 energy deliveries 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):

	Other Current Assets	Other Current Liabilities	Total
As of March 31, 2014			
Assets	$ —	$ —	$ —
Liabilities	—	3,072	3,072
Total derivatives - net basis [1]	$ —	$ 3,072	$ 3,072

	Other Current Assets	Other Current Liabilities	Total
As of December 31, 2013			
Assets	$ —	$ —	$ —
Liabilities	—	1,832	1,832
Total derivatives - net basis [1]	$ —	$ 1,832	$ 1,832

(1) The net notional amounts of outstanding derivative contracts with fixed price terms that comprise the mark-to-market values included above is 5.4 million and 6.9 million British thermal units of natural gas purchases as of March 31, 2014 and December 31, 2013, respectively.

The following table reconciles the beginning and ending balances of the Company's accumulated other comprehensive loss (income) (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 (in thousands):

	Three-Month Periods Ended March 31,	
	2014	**2013**
Beginning balance	$ 1,706	$ 416
Changes in fair value recognized in OCI	2,701	5,737
Net (losses) gains reclassified to operating revenue	(1,335)	343
Ending balance	$ 3,072	$ 6,496

Realized gains and losses on hedges and hedge ineffectiveness are recognized in income as operating revenue. For the three-month periods ended March 31, 2014 and 2013, respectively, there was no hedge ineffectiveness. As of March 31, 2014, the Company had cash flow hedges with expiration dates extending through December 2014 and $3.4 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, 2014, the Company has derivative contract liabilities totaling $3.1 million. As of December 31, 2013, the Company has derivative contract liabilities totaling $1.8 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 Berkshire Hathaway Energy. 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 Berkshire Hathaway Energy 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 Berkshire Hathaway Energy 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, 2014 and December 31, 2013 was $0.3 million and $0.4 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, 2016. The expense pursuant to the Administrative Services Agreement was $0.9 million for each of the three-month periods ended March 31, 2014 and 2013. 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 Berkshire Hathaway Energy. The Company's contributions to the various plans were $0.6 million for each of the three-month periods ended March 31, 2014 and 2013. 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"), effective June 1, 2013. TEMUS receives a monthly fee and a share of electricity sales. Pursuant to this agreement, sales to TEMUS totaled $3.8 million for the three-month period ended March 31, 2014. As of March 31, 2014 and December 31, 2013, the accounts receivable balance from TEMUS was $3.1 million and $1.3 million, respectively.

7. Components of Accumulated Other Comprehensive (Loss) Income, Net

The following table shows the change in AOCI attributable to CE Generation members by each component of OCI, net of applicable income taxes, for the three-month period ended March 31, 2014 (in thousands):

	Unrealized (Losses) Gains on Cash Flow Hedges	Unrecognized Amounts on Retirement Benefits	AOCI Attributable to CE Generation Members, Net
Balance, December 31, 2013	$ (1,018)	$ 1,270	$ 252
Other comprehensive loss	(815)	(15)	(830)
Balance, March 31, 2014	$ (1,833)	$ 1,255	$ (578)

Reclassifications from AOCI to net income for the periods ended March 31, 2014 and 2013 were insignificant. For information regarding cash flow hedge reclassifications from AOCI to net income in their entirety, refer to Note 4.

8. New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB) issued Accounting Standards Update ("ASU") No. 2013-02, which amends 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. The Company adopted this guidance on January 1, 2014. The adoption of this guidance did not have a material impact on the Company's disclosures included within Notes to Consolidated Financial Statements.

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

The following is management's discussion and analysis of certain significant factors that have affected the 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, 2013 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	
	2014	2013
Geothermal facilities	$ 29.8	$ 29.0
Natural gas-fueled facilities	9.4	8.5
Total operating revenue	$ 39.2	$ 37.5

Geothermal Facilities

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

	First Quarter	
	2014	**2013**
Overall capacity factor	70.1 %	76.4 %
Megawatt hours ("MWh") produced	494,500	538,800
Facility net capacity megawatts ("MW") (weighted average)	326.4	326.4

Operating revenue increased $0.8 million, or 2.8%, for the first quarter of 2014 compared to 2013 due to the following:

- $5.7 million increase due to higher energy rates at certain geothermal facilities in the Imperial Valley of California (the "Imperial Valley Projects").

- $3.2 million decrease due to an 8.2% decrease in energy production. The energy production decrease primarily resulted from the timing and scope of scheduled maintenance at certain Imperial Valley Projects.

- $1.7 million decrease due to an unfavorable change in the amount of natural gas swap settlement gains and losses.

Natural Gas-Fueled Facilities

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

	First Quarter	
	2014	**2013**
Overall capacity factor	23.7 %	29.2 %
MWh produced	256,800	317,000
Facility net capacity MW (weighted average)	502.0	502.0

Operating revenue increased $0.9 million, or 10.6%, for the first quarter of 2014 compared to 2013 due to the following:

- $2.0 million increase at the Company's natural gas-fueled facility in Big Spring, Texas (the "Power Resources Project") due to an increase in production from zero MWh in the first quarter of 2013 to 45,100 MWh in the first quarter of 2014.

- $0.9 million decrease at the Company's natural gas-fueled facility in Yuma, Arizona (the "Yuma Project") of which $1.8 million was due to a 74.8% decrease in production from 2013, partially offset by a $0.9 million increase due to higher prices.

- $0.2 million decrease at the Company's natural gas-fueled facility in Plattsburgh, New York (the "Saranac Project") of which $2.3 million due to a 26.4% decrease in production from 2013, partially offset by a $2.1 million increase 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 and Power Resources Projects, TransAlta Energy Marketing (U.S.) Inc. and EDF Trading North America LLC, respectively, are required to purchase the natural gas supply.

Fuel expense decreased $0.6 million, or 30.0%, to $1.4 million for the first quarter of 2014 from $2.0 million for the comparable period in 2013 due to lower production at the Yuma Project of $1.5 million, partially offset by $0.9 million of higher unit costs paid for natural gas at the Yuma Project.

Plant Operations

Plant operations increased $5.7 million, or 16.8%, to $39.7 million for the first quarter of 2014 from $34.0 million for the comparable period in 2013 due primarily to higher maintenance costs at certain Imperial Valley Projects, partially offset by lower maintenance costs at the Power Resources Project.

Depreciation and Amortization

Depreciation and amortization decreased $1.5 million, or 7.7%, to $18.1 million for the first quarter of 2014 from $19.6 million for the comparable period in 2013 primarily due to the timing of Imperial Valley Projects placed in-service.

Interest Expense

Interest expense decreased $0.6 million, or 11.5%, to $4.6 million for the first quarter of 2014 from $5.2 million for the comparable period in 2013 due to lower outstanding debt balances.

Income Tax Benefit

Income tax benefit was $18.2 million for each of the first quarters of 2014 and 2013. The effective tax rates were 70.4% and 74.6% for the first quarters of 2014 and 2013, respectively. The change in the effective tax rates was primarily due to the timing of recognition of tax benefits associated with depletion and energy tax credits.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests was $0.2 million for each of the first quarters of 2014 and 2013. The impacts of higher pricing at the Saranac Project were offset by lower production.

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 $27.2 million as of March 31, 2014, compared to $44.8 million as of December 31, 2013.

Net cash flows from operating activities for the three-month periods ended March 31, 2014 and 2013 were $(4.9) million and $7.0 million, respectively. The change was primarily due to the timing of customer payments and maintenance at certain Imperial Valley Projects.

Net cash flows from investing activities for the three-month periods ended March 31, 2014 and 2013 were $(12.5) million and $(5.9) million, respectively. The change was primarily due to higher capital expenditures in 2014 at the Imperial Valley Projects.

Forecasted capital expenditures for 2014 are approximately $63 million. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of such reviews. The Company expects to meet these capital expenditure requirements with cash flows from operations and owner capital contributions.

Net cash flows from financing activities for the three-month periods ended March 31, 2014 and 2013 were $(0.2) million and $(0.3) million, respectively, and consisted of lower distributions to noncontrolling interests at the Saranac Project.

The Company expects to receive owner capital contributions in 2014 for the purpose of assisting with CE Generation's and Funding Corporation's scheduled 2014 debt service payments and a portion of the Company's 2014 capital expenditure needs.

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, 2013.

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 response to the court's ruling on CAIR, in July 2010, the EPA proposed the Clean Air Transport Rule ("Transport Rule"), 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.

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 would have reduced 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 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 which were ultimately decided in August 2012, when the D.C. Circuit vacated the CSAPR in a 2-1 decision after it determined that the CSAPR exceeded the EPA's statutory authority. In a petition filed in October 2012, the EPA sought a full review of the CSAPR ruling by the entire D.C. Circuit. In January 2013, the D.C. Circuit denied the request. The case was appealed to the United States Supreme Court where oral arguments were heard in December 2013. The United States Supreme Court issued its decision April 29, 2014, upholding the 2011 CSAPR and reversing the D.C. Circuit's ruling, concluding that the EPA's allocation of emissions reductions in upwind states permissibly considered the cost-effectiveness of achieving downwind attainment and that the EPA has authority under the Clean Air Act to impose federal implementation plans immediately after disapproving state implementation plans. The United States Supreme Court remanded the case to the D.C. Circuit for further action. The rule is currently stayed by the D.C. Circuit. It is anticipated the D.C. Circuit will make a determination on when and how the stay is lifted and what the future compliance dates should be.

The full impact of the United States Supreme Court's decision on CSAPR cannot be determined until further action by the D.C. Circuit and implementation of CSAPR or an alternative rule by the EPA. The Company operates natural gas-fueled generating facilities in Texas and New York, which are subject to the CSAPR. However, the provisions are not anticipated to have a material impact on the Company.

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, 2013. The Company's exposure to market risk and its management of such risk has not changed materially since December 31, 2013. 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, 2014.

CERTIFICATION

I, Stephen A. Larsen, certify that:

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

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

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

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

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

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

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

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

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

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

Date: May 13, 2014

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

CERTIFICATION

I, Stephen D. Dickas, certify that:

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

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

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

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

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

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

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

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

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

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

Date: May 13, 2014

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