CE GENERATION LLC

Consolidated Financial Statements (Unaudited)

For the Quarterly Period Ended September 30, 2016

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PART I

PART II

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

	As of	
	September 30, 2016	**December 31, 2015**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,570	$ 35,308
Trade receivables	37,626	19,518
Income taxes receivable	108	10,592
Inventories	33,582	32,669
Other current assets	3,328	2,043
Total current assets	113,214	100,130
Property, plant and equipment, net	502,356	509,040
Goodwill	139,539	139,539
Intangible assets, net	17,123	21,392
Deferred income taxes	—	405
Other assets	4,985	4,517
Total assets	$ 777,217	$ 775,023
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 4,838	$ 7,987
Major maintenance accruals	1,589	—
Accrued interest	2,754	609
Due to affiliates	1,561	1,608
Current portion of long-term debt	49,878	49,650
Other current liabilities	13,467	7,851
Total current liabilities	74,087	67,705
Parent senior secured bonds	51,480	66,600
Subsidiary debt	19,859	29,756
Deferred income taxes	128,623	137,413
Other long-term liabilities	15,809	15,155
Total liabilities	289,858	316,629
Commitments and contingencies (Note 4)		
Equity:		
CE Generation members' equity	478,763	449,316
Noncontrolling interests	8,596	9,078
Total equity	487,359	458,394
Total liabilities and equity	$ 777,217	$ 775,023

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 September 30,		Nine-Month Periods Ended September 30,	
	2016	**2015**	**2016**	**2015**
Operating revenue	$ 70,245	$ 72,380	$ 138,320	$ 153,376
Operating costs and expenses:				
Fuel	84	330	334	1,197
Operations and maintenance	28,601	30,251	95,368	110,191
Depreciation and amortization	17,325	17,058	51,108	51,799
Property and other taxes	1,594	1,835	5,099	4,973
Total operating costs and expenses	47,604	49,474	151,909	168,160
Operating income (loss)	22,641	22,906	(13,589)	(14,784)
Other income (expense):				
Interest expense	(2,413)	(3,309)	(8,052)	(10,676)
Interest and other	27	58	16	48
Total other income (expense)	(2,386)	(3,251)	(8,036)	(10,628)
Income (loss) before income tax expense (benefit)	20,255	19,655	(21,625)	(25,412)
Income tax expense (benefit)	11,672	10,572	(12,397)	(14,337)
Net income (loss)	8,583	9,083	(9,228)	(11,075)
Net income attributable to noncontrolling interests	434	270	275	651
Net income (loss) attributable to CE Generation members	$ 8,149	$ 8,813	$ (9,503)	$ (11,726)

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

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

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	$ 8,583	$ 9,083	$ (9,228)	$ (11,075)
Other comprehensive loss, net of tax:				
Unrecognized amounts on retirement benefits, net of tax of $(11), $(9), $(32) and $(26)	(17)	(14)	(50)	(39)
Comprehensive income (loss)	8,566	9,069	(9,278)	(11,114)
Comprehensive income attributable to noncontrolling interests	434	270	275	651
Comprehensive income (loss) attributable to CE Generation members	$ 8,132	$ 8,799	$ (9,553)	$ (11,765)

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 Income, Net	Noncontrolling Interests	Total Equity
Balance, December 31, 2014	$ 415,041	$ 1,005	$ 10,166	$ 426,212
Net (loss) income	(11,726)	—	651	(11,075)
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(39)	—	(39)
Contributions	42,500	—	—	42,500
Distributions	—	—	(1,251)	(1,251)
Balance, September 30, 2015	$ 445,815	$ 966	$ 9,566	$ 456,347
Balance, December 31, 2015	$ 448,215	$ 1,101	$ 9,078	$ 458,394
Net (loss) income	(9,503)	—	275	(9,228)
Other comprehensive loss - unrecognized amounts on retirement benefits	—	(50)	—	(50)
Contributions	39,000	—	—	39,000
Distributions	—	—	(757)	(757)
Balance, September 30, 2016	$ 477,712	$ 1,051	$ 8,596	$ 487,359

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)

	Nine-Month Periods Ended September 30,	
	2016	**2015**
Cash flows from operating activities:		
Net loss	$ (9,228)	$ (11,075)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	51,108	51,799
Deferred income taxes	(8,353)	(11,796)
Other, net	31	(614)
Changes in other operating assets and liabilities:		
Trade receivables	(18,109)	(17,768)
Inventories	(913)	(1,957)
Due to affiliates	(2,245)	1,099
Other assets	2,437	666
Accounts payable and other liabilities	17,139	11,783
Net cash flows from operating activities	31,867	22,137
Cash flows from investing activities:		
Capital expenditures	(39,815)	(29,460)
Proceeds from sale of assets	5	668
Increase in restricted cash	(2,213)	(1,891)
Net cash flows from investing activities	(42,023)	(30,683)
Cash flows from financing activities:		
Repayment of subsidiary debt	(10,185)	(9,463)
Repayment of parent senior secured bonds	(14,640)	(13,520)
Contributions from members	39,000	42,500
Distributions to noncontrolling interests	(757)	(1,251)
Net cash flows from financing activities	13,418	18,266
Net change in cash and cash equivalents	3,262	9,720
Cash and cash equivalents at beginning of period	35,308	31,989
Cash and cash equivalents at end of period	$ 38,570	$ 41,709

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 wholly-owned by BHE Geothermal, LLC ("BHE Geothermal"), an indirect wholly-owned subsidiary of Berkshire Hathaway Energy Company ("BHE"). BHE 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 unaudited Consolidated Financial Statements as of September 30, 2016 and for the three- and nine-month periods ended September 30, 2016 and 2015. The results of operations for the three- and nine-month periods ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through November 14, 2016, which is the date the unaudited 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 September 30, 2016, 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, 2015 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 nine-month period ended September 30, 2016.

2. Property, Plant and Equipment, Net

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

	Depreciable Life	As of September 30, 2016	As of December 31, 2015
Power plants	5 to 37 years	$ 1,391,687	$ 1,364,507
Wells and resource development	2 to 30 years	347,425	334,803
Equipment	3 to 30 years	6,675	6,658
Total operating assets		1,745,787	1,705,968
Accumulated depreciation		(1,243,431)	(1,196,928)
Property, plant and equipment, net		$ 502,356	$ 509,040

3. Goodwill and Intangible Assets, Net

Goodwill consists of the following (in thousands):

	As of September 30, 2016		As of December 31, 2015	
	Gross Carrying Amount	Accumulated Impairment Losses	Gross Carrying Amount	Accumulated Impairment Losses
Goodwill	$ 265,897	$ 126,358	$ 265,897	$ 126,358

The Company did not record any goodwill impairment for the three- and nine-month periods ended September 30, 2016 and 2015.

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

		As of September 30, 2016		As of December 31, 2015	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	$ 315,434	$ 302,514	$ 315,434	$ 299,692
Patented technology	24 years	46,290	42,087	46,290	40,640
Intangible assets, net		$ 361,724	$ 344,601	$ 361,724	$ 340,332

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

4. Commitments and Contingencies

The California Power Exchange

In January 2001, the California Power Exchange declared bankruptcy. As a result, Salton Sea Power 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 BHE and TransAlta (CE GEN) Investment USA, Inc. ("TransAlta"), a former member of CE Generation. As a result of the transaction, Salton Sea Power and CE Turbo wrote-off the PX Receivable and the related allowance for doubtful accounts and recorded a $3.8 million current liability to reflect the collection risk retained under the Transfer of Claims Agreements. Pursuant to the Transfer of Claims Agreements, to the extent that the PX Receivable becomes uncollectible, Salton Sea Power and CE Turbo can be required to pay the PX Receivable, plus interest, to BHE and TransAlta. EPME informed Salton Sea Power and CE Turbo that, on July 6, 2007, it received a distribution in connection with a settlement involving its claims in the California Power Exchange bankruptcy proceeding. In August 2007, EPME paid $2.4 million, or $1.2 million each to BHE and TransAlta, in connection with the bankruptcy proceeding distribution that EPME received on their behalf. Accordingly, Salton Sea Power and CE Turbo reduced their collective liability by $2.4 million to $1.4 million.

Environmental Laws and Regulations

The Company is subject to federal, state and local laws and regulations regarding 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.

5. Related Party Transactions

Pursuant to an administrative services agreement between CalEnergy Generation Operating Company ("CGOC"), a subsidiary of BHE Geothermal, 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 $1.0 million and $0.9 million for the three-month periods ended September 30, 2016 and 2015, respectively, and $3.0 million and $2.9 million for the nine-month periods ended September 30, 2016 and 2015, respectively. Such amounts are included in operations and maintenance 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 BHE. The Company's contributions to the various plans were $0.4 million and $0.3 million for the three-month periods ended September 30, 2016 and 2015, respectively, and $1.4 million for each of the nine-month periods ended September 30, 2016 and 2015. The portion of accumulated other comprehensive income attributable to the Company has been allocated from MEC in accordance with the intercompany administrative service agreement.

6. New Accounting Pronouncements

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

In February 2016, the FASB issued ASU No. 2016-02, which creates FASB ASC Topic 842, "Leases" and supersedes Topic 840 "Leases." This guidance increases transparency and comparability among entities by recording lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous guidance. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted, and is required to be adopted using a modified retrospective approach. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, which creates FASB ASC Topic 606, "Revenue from Contracts with Customers" and supersedes ASC Topic 605, "Revenue Recognition." The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year to interim and annual reporting periods beginning after December 15, 2017. During 2016, the FASB issued several ASUs that clarify the implementation guidance for ASU No. 2014-09 but do not change the core principle of the guidance. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and 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 publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors should not be construed as exclusive.

Results of Operations

Operating Revenue

The capacity factor for a particular project is determined by dividing the total quantity of electricity sold by the product of the project's capacity and the total hours in the period. Refer to Note 1 of Notes to Consolidated Financial Statements included in the Company's audited Consolidated Financial Statements for the year ended December 31, 2015 for the net capacity of each facility. Each plant possesses an operating margin, which allows for production in excess of a facility's net capacity. Utilization of this operating margin is based upon a variety of factors and can be expected to vary throughout the year under normal operating conditions. The amount of revenues received by the projects is affected by the extent to which they are able to operate and generate electricity. Accordingly, the capacity and capacity factor figures provide information on operating performance that has affected the revenues received by the projects.

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

	Third Quarter		First Nine Months	
	2016	**2015**	**2016**	**2015**
Geothermal facilities	$ 58.4	$ 63.8	$ 117.3	$ 132.0
Natural gas-fueled facilities	11.8	8.6	21.0	21.4
Total operating revenue	$ 70.2	$ 72.4	$ 138.3	$ 153.4

Geothermal Facilities

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

	Third Quarter		First Nine Months	
	2016	**2015**	**2016**	**2015**
Overall capacity factor	85.5%	95.0%	76.3%	85.0%
Megawatt hours ("MWh") produced	638,300	708,700	1,696,300	1,882,800
Facility net capacity megawatts ("MW") (weighted average)	338.0	338.0	338.0	338.0

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

- $8.0 million decrease due primarily to a decrease in production at certain of the Company's geothermal facilities in the Imperial Valley of California (the "Imperial Valley Projects").

- $2.6 million increase due to higher energy rates at certain Imperial Valley Projects.

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

- $16.5 million decrease due to a decrease in production at certain Imperial Valley Projects.

- $1.8 million increase due to higher energy rates at certain Imperial Valley Projects.

Natural Gas-Fueled Facilities

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

	Third Quarter		First Nine Months	
	2016	**2015**	**2016**	**2015**
Overall capacity factor	13.9%	14.2%	7.7%	10.4%
MWh produced	155,800	158,600	257,200	344,000
Facility net capacity MW (weighted average)	507.0	507.0	507.0	507.0

Operating revenue increased $3.2 million, or 37.2%, for the third quarter of 2016 compared to 2015 due to the following:

- $3.7 million increase at the Company's natural gas-fueled facility in Yuma, Arizona (the "Yuma Project") due to $3.9 million from the timing of capacity revenues, partially offset by $0.2 million primarily from lower prices compared to 2015.

- $0.8 million increase at the Company's natural gas-fueled facility in Plattsburgh, New York (the "Saranac Project") due to $1.7 million from a 73.6% increase in production compared to 2015, partially offset by $0.9 million decrease from lower prices compared to 2015.

- $1.3 million decrease at the Company's natural gas-fueled facility in Big Spring, Texas (the "Power Resources Project") due to $0.8 million decrease in production compared to 2015 and $0.5 million decrease from lower prices compared to 2015.

Operating revenue decreased $0.4 million, or 1.9%, for the first nine months of 2016 compared to 2015 due to the following:

- $1.8 million decrease at the Saranac Project due to $6.4 million from a 48.0% decrease in production compared to 2015, partially offset by a $4.6 million increase from higher prices compared to 2015.

- $1.1 million decrease at the Power Resources Project due primarily from lower prices compared to 2015.

- $2.5 million increase at the Yuma Project due to $3.2 million from the timing of capacity revenues, partially offset by $0.7 million primarily from lower prices compared to 2015.

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 Power Resources Project, TransAlta Energy Marketing (U.S.) Inc. and EDF Energy Services, LLC, respectively, are required to purchase the natural gas supply.

Fuel expense decreased $0.2 million, or 66.7%, to $0.1 million for the third quarter of 2016 from $0.3 million for the comparable period in 2015 due primarily to lower production at the Yuma Project.

Fuel expense decreased $0.9 million, or 75.0%, to $0.3 million for the first nine months of 2016 from $1.2 million for the comparable period in 2015 due primarily to lower production at the Yuma Project.

Operations and Maintenance

Operations and maintenance decreased $1.7 million, or 5.6%, to $28.6 million for the third quarter of 2016 from $30.3 million for the comparable period in 2015 due primarily to lower maintenance costs at certain Imperial Valley Projects.

Operations and maintenance decreased $14.8 million, or 13.4%, to $95.4 million for the first nine months of 2016 from $110.2 million for the comparable period in 2015 due primarily to lower maintenance costs at certain Imperial Valley Projects.

Depreciation and Amortization

Depreciation and amortization expense increased $0.2 million to $17.3 million and decreased $0.7 million to $51.1 million for the third quarter and for the first nine months of 2016, respectively, from $17.1 million and $51.8 million, respectively, for the comparable periods in 2015 due primarily to the timing of Imperial Valley Projects placed in-service.

Property and Other Taxes

Property and other taxes decreased $0.2 million to $1.6 million and increased $0.1 million to $5.1 million for the third quarter and for the first nine months of 2016, respectively, from $1.8 million and $5.0 million, respectively, for the comparable periods in 2015. The increase in the first nine months of 2016 is due primarily to a prior year property tax refund related to certain Imperial Valley Projects received in 2015.

Interest Expense

Interest expense decreased $0.9 million to $2.4 million and decreased $2.6 million to $8.1 million for the third quarter and for the first nine months of 2016, respectively, from $3.3 million and $10.7 million, respectively, for the comparable periods in 2015 due to lower outstanding debt balances.

Income Tax Expense (Benefit)

Income tax expense increased $1.1 million to $11.7 million and income tax benefit decreased $1.9 million to $(12.4) million for the third quarter and for the first nine months of 2016, respectively, from $10.6 million and $(14.3) million, respectively, for the comparable periods in 2015. The effective tax rate was 57.6% and 53.8% for the third quarters of 2016 and 2015, respectively, and 57.3% and 56.4% for the first nine months of 2016 and 2015, respectively. The changes in income tax expense (benefit) and the effective tax rate were primarily due to the change in pre-tax loss and tax benefits associated with depletion and tax credits.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests increased \$0.1 million to \$0.4 million for the third quarter of 2016 from \$0.3 million for the comparable period in 2015 due primarily to the higher production at the Saranac Project.

Net income attributable to noncontrolling interests decreased \$0.4 million to \$0.3 million for the first nine months of 2016 from \$0.7 million for the comparable period in 2015 due primarily to the lower 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 \$38.6 million as of September 30, 2016, compared to \$35.3 million as of December 31, 2015.

Net cash flows from operating activities for the nine-month periods ended September 30, 2016 and 2015 were \$31.9 million and \$22.1 million, respectively. The change was primarily due to lower maintenance costs at certain Imperial Valley Projects.

Net cash flows from investing activities for the nine-month periods ended September 30, 2016 and 2015 were \$(42.0) million and \$(30.7) million, respectively. The change was primarily due to higher capital expenditures in 2016.

Forecasted capital expenditures for 2016 are approximately \$59 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 member capital contributions.

Net cash flows from financing activities for the nine-month periods ended September 30, 2016 and 2015 were \$13.4 million and \$18.3 million, respectively. The change was primarily due to lower member contributions in 2016. The Company received member contributions in 2016 and 2015 for the purpose of assisting with CE Generation's and Funding Corporation's scheduled debt service payments and a portion of the Company's capital expenditure needs.

Environmental Laws and Regulations

The Company is subject to federal, state and local laws and regulations regarding air and water quality, emissions performance standards, climate change, hazardous and solid waste disposal and other environmental matters that have the potential to impact its current and future operations. In addition to imposing continuing compliance obligations, these laws and regulations provide regulators with the authority to levy substantial penalties for noncompliance including fines, injunctive relief and other sanctions. These laws and regulations are administered by the United States Environmental Protection Agency ("EPA") and various 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. There have been no 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, 2015.

Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting the Company, see the "Quantitative and Qualitative Disclosures About Market Risk" section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report for the year ended December 31, 2015. The Company's exposure to market risk and its management of such risk has not changed materially since December 31, 2015.

CERTIFICATION

I, William J. Fehrman, certify that:

1. I have reviewed this Quarterly Report of 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: November 14, 2016

/s/ William J. Fehrman
William J. Fehrman
President
(principal executive officer)

CERTIFICATION

I, Stephen D. Dickas, certify that:

1. I have reviewed this Quarterly Report of 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: November 14, 2016

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