CE GENERATION LLC

Consolidated Financial Statements

For the Quarterly Period Ended March 31, 2006

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

	As of	
	March 31, 2006	**December 31, 2005**
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,625	$ 38,836
Short-term investments	11,000	6,000
Restricted cash	7,295	7,203
Trade accounts receivable	47,609	59,338
Trade accounts receivable from affiliate	2,985	4,244
Inventories	29,348	28,515
Prepaid expenses and other current assets	12,596	7,227
Due from affiliates	259	-
Total current assets	174,717	151,363
Restricted cash	2,361	2,212
Properties, plants and equipment, net	864,788	877,012
Goodwill	265,897	265,897
Intangible assets, net	111,742	115,690
Deferred financing charges and other assets	5,668	5,925
Total assets	$ 1,425,173	$ 1,418,099
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,842	$ 7,162
Accrued interest	13,715	2,736
Interest rate swap liability	1,203	2,252
Accrued natural gas liability	7,374	10,720
Other accrued liabilities	26,887	18,373
Income tax payable	1,898	2,699
Due to affiliates	-	726
Current portion of long-term debt	77,039	76,220
Total current liabilities	138,958	120,888
Parent senior secured bonds	289,800	289,800
Subsidiary and project debt	278,423	287,017
Deferred income taxes	248,833	249,885
Other long-term liabilities	10,184	10,002
Total liabilities	966,198	957,592
Minority interest	45,729	44,969
Commitments and contingencies (Note 4)		
Members' equity:		
Members' equity	413,801	416,566
Accumulated other comprehensive loss	(555)	(1,028)
Total members' equity	413,246	415,538
Total liabilities and members' equity	$ 1,425,173	$ 1,418,099

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

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

	Three-Month Periods Ended March 31,	
	2006	**2005**
	(Unaudited)	
Operating revenue	$ 105,928	$ 106,521
Costs and expenses:		
Fuel	25,196	24,125
Plant operations	41,918	29,148
General and administrative	950	1,015
Depreciation and amortization	22,124	23,726
Total costs and expenses	90,188	78,014
Operating income	15,740	28,507
Other income (expense):		
Interest expense	(13,194)	(14,489)
Interest and other income	1,399	851
Total other income (expense)	(11,795)	(13,638)
Income before provision (benefit) for income taxes and minority interest	3,945	14,869
Provision (benefit) for income taxes	(930)	2,273
Minority interest	7,640	6,986
Net income (loss)	$ (2,765)	$ 5,610
Other comprehensive income:		
Unrealized gain on cash flow hedges, net of tax of $262 and $490	473	880
Comprehensive income	$ (2,292)	$ 6,490

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

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

	Three-Month Periods Ended March 31, 2006	2005
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (2,765)	$ 5,610
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	22,124	23,726
Provision for deferred income taxes	(1,314)	618
Distributions to minority interest less than income	446	151
Amortization of deferred financing costs	257	299
Changes in other items:		
Trade accounts receivable	12,988	1,710
Inventories	907	(3,855)
Due from affiliates, net	(985)	3,375
Prepaid expenses and other current assets	(5,369)	(2,087)
Accounts payable and other accrued liabilities	17,279	15,650
Net cash flows from operating activities	43,568	45,197
Cash flows from investing activities:		
Capital expenditures	(5,763)	(10,353)
Purchases of available-for-sale securities	(43,000)	(40,000)
Proceeds from sales of available-for-sale securities	38,000	33,750
(Increase) decrease in restricted cash	(241)	115
Net cash flows from investing activities	(11,004)	(16,488)
Cash flows from financing activities:		
Repayment of project loans	(7,775)	(6,548)
Net cash flows from financing activities	(7,775)	(6,548)
Net increase in cash and cash equivalents	24,789	22,161
Cash and cash equivalents at beginning of period	38,836	27,540
Cash and cash equivalents at end of period	$ 63,625	$ 49,701

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

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

1. General

In the opinion of the management of CE Generation, LLC ("CE Generation" or the "Company"), the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position as of March 31, 2006 and the results of operations and the cash flows for the three-month periods ended March 31, 2006 and 2005. The results of operations for the three-month period ended March 31, 2006 are not necessarily indicative of the results to be expected for the full year.

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"), 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. These allocation percentages will differ from the stated ownership percentages until certain limited partners achieve fixed rates of returns. As of March 31, 2006, the Company's economic interest in the partnership was approximately 65%, while the minority interest holders had a combined economic interest in the partnership of approximately 35%. The equity interest of the other partners is recorded as a minority interest in the accompanying consolidated financial statements. All inter-enterprise transactions and accounts have been eliminated.

The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's audited financial statements for the year ended December 31, 2005. In particular, the Company's significant accounting policies are presented in Note 2 to the consolidated financial statements included therein.

2. Properties, Plants and Equipment, Net

Properties, plants and equipment comprise the following (in thousands):

		As of	
	Estimated Useful Lives	**March 31, 2006**	**December 31, 2005**
Power plants	25 to 30 years	$ 1,191,606	$ 1,205,860
Wells and resource development	2 to 30 years	219,780	204,255
Equipment	3 to 30 years	6,065	6,055
Total operating assets		1,417,451	1,416,170
Accumulated depreciation and amortization		(552,663)	(539,158)
Properties, plants and equipment, net		$ 864,788	$ 877,012

During the three-month periods ended March 31, 2006 and 2005, the Company replaced certain pipe with a remaining net book value of $1.6 million and $3.5 million, respectively, which was charged to depreciation expense in the accompanying consolidated statements of operations.

3. Intangible Assets, Net

Intangible assets comprise the following (in thousands):

		As of March 31, 2006		As of December 31, 2005	
	Estimated Useful Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power Purchase Contracts	4 to 30 years	$ 315,434	$ 228,226	$ 315,434	$ 224,861
Patented Technology	24 years	46,290	21,756	46,290	21,173
Total		$ 361,724	$ 249,982	$ 361,724	$ 246,034

Amortization expense on acquired intangible assets was $4.0 million for each of the three-month periods ended March 31, 2006 and 2005. CE Generation expects amortization expense on acquired intangible assets to be $11.8 million for the remaining nine months in 2006 and $15.8 million for each of the two succeeding fiscal years, $11.1 million in 2009, and $5.7 million in 2010.

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 with TransAlta and MEHC (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 USA Inc. ("TransAlta"), a wholly-owned subsidiary of TransAlta Corporation and MidAmerican Energy Holdings Company ("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. As of March 31, 2006, EPME had not made any payments in connection with the PX Receivable.

Environmental

The Company is subject to numerous legislative and regulatory environmental protection requirements involving air and water pollution, waste management, hazardous chemical use, noise abatement, and land use aesthetics. State and federal environmental laws and regulations currently have, and future modifications may have, the effect of (i) increasing the lead time for the construction of new facilities, (ii) significantly increasing the total cost of new facilities, (iii) requiring modification of the Company's existing facilities, (iv) increasing the risk of delay on construction projects, (v) increasing the Company's cost of waste disposal and (vi) reducing the reliability of service provided by the Company and the amount of energy available from the Company's facilities. Any of such items could have a substantial impact on amounts required to be expended by the Company in the future. Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated. Estimates of the liability are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other social and economic factors, and include estimates of associated legal costs. These amounts also consider prior experience in remediation of sites, other companies' clean-up experience and data released by the Environmental Protection Agency ("EPA") or other organizations. These estimated liabilities are subject to revision in future periods based on actual costs or new circumstances, and are included in the consolidated balance sheets at their undiscounted amounts. As of March 31, 2006 and December 31, 2005, the environmental liabilities recorded in the accompanying consolidated balance sheets as current liabilities were $2.3 million and $2.8 million, respectively.

On March 10, 2005, the EPA released the final Clean Air Interstate Rule ("CAIR"), calling for reductions of sulfur dioxide and nitrogen oxides ("NO_x") emissions in the eastern United States through, at each state's option, a market-based cap and trade system, emission reductions, or both. The state of New York, where the Saranac Project is located, has been determined by the EPA to significantly contribute to nonattainment of the fine particulate standard in Pennsylvania, New Jersey, Connecticut and Delaware and to nonattainment of the ozone standard in Connecticut, New Jersey and Rhode Island. Similarly, the state of Texas, where the Power Resources Project is located, has been determined by the EPA to significantly contribute to nonattainment of the fine particulate standard in Illinois. Under the final CAIR, the first phase reductions of NO_x emissions are effective on January 1, 2009, and the second phase reductions are effective January 1, 2015. Depending on the outcome of CAIR litigation and implementation of the CAIR by New York and Texas, the CAIR emission reduction requirements could impact the Saranac and Power Resources Projects.

The CAIR could, in whole or in part, be superseded or made more stringent by one of a number of multi-pollutant emission reduction proposals currently under consideration at the federal level, including pending legislative proposals that contemplate 70% to 90% reductions of NO_X, as well as possible new federal regulation of carbon dioxide and other gases that may affect global climate change. In addition to any federal legislation that could be enacted by Congress to supersede the CAIR, the rules could be changed or overturned as a result of litigation. The sufficiency of the standards established by the CAIR has been legally challenged in the United States District Court for the District of Columbia. Until the court makes a determination regarding the merits of the challenges to the CAIR, the full impact of the rules on the Company cannot be determined.

On February 16, 2005, the Kyoto Protocol became effective, requiring 35 developed countries to reduce greenhouse gas emissions by approximately 5% between 2008 and 2012. While the United States did not ratify the protocol, the ratification and implementation of its requirements in other countries has resulted in increased attention to the climate change issue in the United States. In 2005, the Senate adopted a "sense of the Senate" resolution that puts the Senate on record that Congress should enact a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases that slow, stop, and reverse the growth of such emissions at a rate and in a manner that will not significantly harm the United States economy; and will encourage comparable action by other nations that are major trading partners and key contributors to global emissions. It is anticipated that the resolution may be further addressed by Congress in 2006. While debate continues at the national level over the direction of domestic climate policy, several states are developing state-specific or regional legislative initiatives to reduce greenhouse gas emissions. In December 2005, the states of Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York and Vermont signed a mandatory regional pact to reduce greenhouse gas emissions. Litigation was filed in the federal district court for the southern district of New York seeking to require reductions of carbon dioxide emissions from generating facilities of five large electric utilities. The court dismissed the public nuisance suit, holding that such critical issues affecting the United States such as greenhouse gas emissions reductions are not the domain of the court and should be resolved by the Executive Branch and the U.S. Congress. This ruling has been appealed to the Second Circuit Court of Appeals. The outcome of climate change litigation and federal and state initiatives cannot be determined at this time; however, adoption of stringent limits on greenhouse gas emissions could significantly impact the Company's fossil-fueled facilities and, therefore, its results of operations.

5. Related Party Transactions

Pursuant to an administrative services agreement between a subsidiary of MEHC and CE Generation (the "Administrative Services Agreement"), MEHC provides certain administrative and management services to CE Generation. The Administrative Services Agreement between MEHC and CE Generation provides for a fixed fee of $3.0 million annually from January 1, 2005 through December 31, 2007. The expense pursuant to the Administrative Services Agreement for each of the three-month periods ended March 31, 2006 and 2005 was $0.8 million and is included in plant operations and general and administrative costs and expenses in the accompanying consolidated statements of operations.

The Company participates in multi-employer pension plans sponsored by MidAmerican Energy Company, an indirect wholly-owned subsidiary of MEHC. The Company's contribution to the various plans was $0.6 million and $0.7 million for the three-month periods ended March 31, 2006 and 2005, respectively.

Pursuant to a transaction agreement dated January 29, 2003 (the "TransAlta Transaction Agreement"), Salton Sea Power and CE Turbo began selling available power from the Salton Sea V Project and CE Turbo Project to TransAlta on February 12, 2003, based on percentages of the Dow Jones SP-15 Index. The TransAlta Transaction Agreement shall continue until the earlier of (a) 30 days following a written notice of termination, or (b) any other termination date mutually agreed to by the parties. No such notice of termination has been given by either party. Pursuant to this agreement, sales to TransAlta totaled $2.8 million and $3.0 million for the three-month periods ended March 31, 2006 and 2005, respectively. As of March 31, 2006 and December 31, 2005, accounts receivable balances from TransAlta were $2.8 million and $4.1 million, respectively.

Salton Sea Power currently provides up to 20 MW of available energy to the City of Riverside ("Riverside"). Salton Sea Power will provide an additional 26 MW of available energy to Riverside beginning June 1, 2009. Effective January 27, 2006, CE Turbo commenced providing up to 10 MW of available energy to Arizona Public Service under a power sales agreement that expires on December 31, 2029.

On January 21, 2004, Salton Sea Power and CE Turbo entered into a Green Energy Tag Purchase and Sale Agreement to sell the non-power attributes (the non-power attributes made available by one megawatt hour ("MWh") of generation, a "Green Tag") associated with up to 931,800 MWh of available generation of the Salton Sea V Project and the CE Turbo Project through December 31, 2008 to TransAlta Energy Marketing (US) Inc. ("TransAlta Marketing") at a market price per Green Tag. Pursuant to this agreement, sales to TransAlta Marketing commenced totaled $0.5 million for each of the three-month periods ended March 31, 2006 and 2005, respectively. Accounts receivable balances from TransAlta were $0.2 million as of March 31, 2006 and December 31, 2005, respectively.

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

The following is management's discussion and analysis of certain significant factors which have affected the financial condition and results of operations of CE Generation, LLC and its subsidiaries ("CE Generation" or the "Company") during the periods included in the accompanying consolidated financial statements. This discussion should be read in conjunction with the Company's historical consolidated financial statements and the related notes thereto 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 recovery, 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 does not assume any responsibility to update forward-looking information contained herein.

Executive Summary

The following significant events occurred during the three month periods ended March 31, 2006, and 2005, respectively, as discussed in more detail herein, that highlight some of the factors which affected, or may affect in the future, the Company's financial condition, results of operations and liquidity:

- The Company's Yuma and Power Resources Projects underwent scheduled major maintenance beginning in March 2006. These extensive maintenance events are scheduled approximately every six years.

- The Company's ten geothermal facilities in the Imperial Valley of California (the "Imperial Valley Projects") had more extensive brine system and turbine overhauls in the first quarter of 2006 compared to the first quarter of 2005. The current quarter overhauls are longer in duration and have higher associated repair and maintenance costs. The overhaul schedules vary from year to year and are scheduled at intervals based on plant operating hours.

Results of Operations

Operating Revenue

The capacity factor for a particular project is determined by dividing the total quantity of electricity sold by the product of the project's capacity and the total hours in the year. Refer to Note 1 to the consolidated financial statements included in the Company's audited financial statements for the year ended December 31, 2005 for the net capacity of each facility. Each plant possesses an operating margin, which allows for production in excess of a facilities 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 thousands):

	Three Months Ended March 31, 2006	2005
Natural gas-fired facilities	$ 64.3	$ 62.9
Geothermal facilities	41.6	43.6
Total operating revenue	$ 105.9	$ 106.5

Natural Gas-Fired Facilities

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

	Three Months Ended March 31, 2006	2005
Overall capacity factor	53.3%	56.3%
Megawatt hour ("MWh") produced	578,500	610,100
Capacity (net MW) (weighted average)	502.0	502.0

Operating revenue at the natural gas-fired facilities increased $1.4 million, or 2.2%, in 2006 versus 2005 primarily due to the following:

- $1.5 million increase at the Saranac Project due to a 2.7% increase in production over 2005.
- $1.7 million increase due to rate escalations under the Saranac Project's 15-year power purchase agreement.
- The Yuma Project sells energy to San Diego Gas & Electric Company at its avoided cost of energy, which increased to 9.2 cents per kilowatt hour ("kWh") in 2006 from 7.3 cents per kWh in 2005, resulting in a $1.3 million increase in operating revenue. The Yuma Project also incurred increased fuel costs.
- $1.8 million decrease in operating revenue at the Yuma Project due to lower production associated with the aforementioned scheduled major maintenance activity in 2006.
- $1.3 million decrease associated with the expiration of fixed capacity fees and lower dispatch from the Power Resources Project, associated with the ONEOK tolling agreement, which expired on December 31, 2005.

The decrease in MWh produced in 2006 versus 2005 was due primarily to the scheduled 2006 major maintenance events at the Yuma and Power Resources Projects, along with a decrease in dispatch at the Power Resources Project, associated with the tolling agreement expiration mentioned above. These decreases were offset somewhat by the 2.7% increase in production at the Saranac Project.

Geothermal Facilities

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

	Three Months Ended March 31, 2006	2005
Overall capacity factor	89.7%	90.7%
Megawatt hour ("MWh") produced	632,500	639,700
Capacity (net MW) (weighted average)	326.4	326.4

The $2.0 million, or 4.6%, decrease in operating revenue at the geothermal facilities in 2006 primarily reflects $0.2 million of lower revenue from a 1.1% decrease in energy production and a $1.8 million decrease due to lower energy rates, mainly at the Salton Sea IV and V Projects.

Fuel Expense

Both the Saranac and Yuma Projects supply the natural gas used by their facilities to produce energy under their existing power purchase agreements. At the Power Resources Project, under both its contract with ONEOK and, now, it's one-year Energy Management Services Agreement with Mpower, which was effective January 1, 2006, the marketer is required to procure the natural gas supply.

Fuel expense increased $1.1 million, or 4.6%, to $25.2 million for the three months ended March 31, 2006 from $24.1 million for the same period in 2005. During 2006, the Company incurred $1.8 million more in fuel expense due to higher unit costs paid for natural gas, partially offset by a $0.7 million decrease that primarily resulted from lower production at the Yuma Project due to the aforementioned major maintenance event in 2006.

Plant Operations

Plant operations increased $12.8 million, or 44.0%, to $41.9 million for the three months ended March 31, 2006 from $29.1 million for the same period in 2005. The increase was primarily due to a $12.0 million increase in maintenance expense due to the timing and scope of scheduled outages at the Yuma and Power Resources Projects as well as more extensive brine system and turbine overhauls and associated maintenance repairs at the Imperial Valley Projects in 2006 and smaller increases relating to higher chemical costs.

Depreciation and Amortization

Depreciation and amortization decreased $1.6 million to $22.1 million for the three months ended March 31, 2006 from $23.7 million for the same period in 2005. The decrease was primarily due to a $1.9 million decrease in disposals of certain replaced pipe at the Imperial Valley Projects in 2006. During the three-month periods ended March 31, 2006 and 2005, the Company replaced certain pipe with a remaining net book value of $1.6 million and $3.5 million, respectively, which was charged to depreciation expense in the accompanying consolidated statements of operations.

Interest Expense

Interest expense decreased $1.3 million to $13.2 million for the three months ended March 31, 2006 from $14.5 million for the same period in 2005. The decrease is due to lower outstanding debt balances.

Provision (Benefit) for Income Taxes

The benefit for income taxes increased $3.2 million to $(0.9) million for the three months ended March 31, 2006, from a provision of $2.3 million for the same period in 2005. Income tax expense decreased due to the decrease in pre-tax income.

Liquidity and Capital Resources

Each of CE Generation's direct or indirect subsidiaries is organized as a legal entity separate and apart from CE Generation and its other subsidiaries. Pursuant to separate project financing agreements applicable to the Imperial Valley Projects and the Saranac Project, 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 and each subsidiary with a direct ownership interest in the subsidiary that owns interests in the Saranac Project are pledged or encumbered to support or otherwise provide the security for their own project or subsidiary debt, therefore it should not be assumed that any of these assets will be available to satisfy the obligations of CE Generation or any of its other subsidiaries; provided, however, that unrestricted cash or other assets which are available for distribution may, subject to applicable law and the terms of financing arrangements for such parties, be advanced, loaned, paid as dividends or otherwise distributed or contributed to CE Generation or affiliates thereof.

The Company generated cash flows from operations of $43.6 million for the three month period ended March 31, 2006 compared with $45.2 million for the same period in 2005. The decrease was due primarily to the unfavorable operating results previously discussed and was offset somewhat by the timing of working capital items.

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

In June and November 2001, the Imperial Valley Projects which were then receiving Edison's avoided cost of energy entered into agreements that provided for amended energy payments. The amendments provided for fixed energy payments per kWh in lieu of Edison's avoided cost of energy. The fixed energy price was 3.25 cents per kWh from December 1, 2001 to April 30, 2002 and increased to 5.27 cents per kWh commencing May 1, 2002 through April 30, 2007. After April 30, 2007, the Imperial Valley Projects subject to these amendments will revert to Edison's avoided cost of energy. Proceedings are currently pending before the California Public Utilities Commission to review, and potentially modify or change, the current methodology use to determine Edison's avoided cost of energy that will be applicable to sales of energy after April 30, 2007. There can be no assurances that such new Edison avoided cost of energy will result in revenues equivalent to the current fixed energy payments being received.

Cash flows used in investing activities were $11.0 million for the three month period ended March 31, 2006 compared with $16.5 million for the same period in 2005. Capital expenditures decreased to $5.8 million for the three month period ended March 31, 2006 from $10.4 million for the same period in 2005. In 2005, the Company completed an expansion of the Desert Valley Landfill and had higher capital pipe replacement. Forecasted capital expenditures for 2006 are $34.2 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 expenditures with cash flows from operations.

Cash flows used in financing activities were $7.8 million for the three month period ended March 31, 2006 compared with $6.6 million for the same period in 2005. The increase is due to timing of scheduled debt payments.

Environmental Liabilities

The Company is subject to numerous legislative and regulatory environmental protection requirements involving air and water pollution, waste management, hazardous chemical use, noise abatement, and land use aesthetics. State and federal environmental laws and regulations currently have, and future modifications may have, the effect of (i) increasing the lead time for the construction of new facilities, (ii) significantly increasing the total cost of new facilities, (iii) requiring modification of the Company's existing facilities, (iv) increasing the risk of delay on construction projects, (v) increasing the Company's cost of waste disposal and (vi) reducing the reliability of service provided by the Company and the amount of energy available from the Company's facilities. Any of such items could have a substantial impact on amounts required to be expended by the Company in the future. Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated. Estimates of the liability are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other social and economic factors, and include estimates of associated legal costs. These amounts also consider prior experience in remediation of sites, other companies' clean-up experience and data released by the Environmental Protection Agency ("EPA") or other organizations. These estimated liabilities are subject to revision in future periods based on actual costs or new circumstances, and are included in the consolidated balance sheets at their undiscounted amounts. As of March 31, 2006 and December 31, 2005, the environmental liabilities recorded in the accompanying consolidated balance sheets as current liabilities were $2.3 million and $2.8 million, respectively. Refer to Note 4, "Commitments and Contingencies", to the unaudited financial statements for additional information regarding certain environmental matters affecting the Company's operations.

CERTIFICATION

I, Stefan A. Bird, 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 officers 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 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of Company’s board of directors (or persons performing the equivalent function):

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

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

Date: May 11, 2006

/s/ Stefan A. Bird
Stefan A. Bird
President
(chief 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 officers 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 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of Company’s board of directors (or persons performing the equivalent function):

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

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

Date: May 11, 2006

/s/ Stephen D. Dickas
Stephen D. Dickas
Controller
(chief financial officer)