



CE GENERATION_{LLC}

**Consolidated Financial Statements
For the Quarterly Period Ended March 31, 2008**

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

(In thousands)

	As of	
	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,544	\$ 35,239
Restricted cash	80	7,187
Trade accounts receivable	56,343	57,173
Trade accounts receivable from affiliate	843	1,272
Income tax receivable	-	1,479
Inventories	29,438	29,433
Deferred income taxes	1,120	1,120
Prepaid expenses and other current assets	<u>6,935</u>	<u>5,343</u>
Total current assets	158,303	138,246
Property, plant and equipment, net	763,359	775,576
Goodwill	265,897	265,897
Intangible assets, net	79,698	83,702
Other	<u>5,730</u>	<u>6,351</u>
Total assets	<u><u>\$ 1,272,987</u></u>	<u><u>\$ 1,269,772</u></u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,009	\$ 12,881
Accrued interest	11,481	2,241
Accrued natural gas liability	10,993	9,743
Due to affiliates	7,275	6,122
Income tax payable	4,318	-
Other accrued liabilities	13,259	10,570
Current portion of long-term debt	<u>56,266</u>	<u>65,065</u>
Total current liabilities	110,601	106,622
Other long-term liabilities	14,159	14,486
Parent senior secured bonds	243,600	243,600
Subsidiary and project debt	190,685	190,685
Deferred income taxes	<u>236,347</u>	<u>240,619</u>
Total liabilities	<u>795,392</u>	<u>796,012</u>
Minority interest	38,747	41,746
Commitments and contingencies (Note 4)		
Total members' equity	<u>438,848</u>	<u>432,014</u>
Total liabilities and members' equity	<u><u>\$ 1,272,987</u></u>	<u><u>\$ 1,269,772</u></u>

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

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

	Three-Month Periods	
	Ended March 31,	
	2008	2007
Operating revenue	\$ 122,094	\$ 112,758
Costs and expenses:		
Fuel	31,798	27,564
Plant operations	30,600	31,726
General and administrative	982	924
Depreciation and amortization	31,262	28,855
Total costs and expenses	94,642	89,069
Operating income	27,452	23,689
Other income (expense):		
Interest expense	(9,875)	(11,455)
Interest and other income	417	1,229
Total other income (expense)	(9,458)	(10,226)
Income before provision for income taxes and minority interest	17,994	13,463
Provision for income taxes	1,619	1,265
Minority interest	9,579	7,892
Net income	6,796	4,306
Other comprehensive income:		
Unrecognized amounts on retirement benefits, net of tax of \$7 and \$-	11	-
Fair value adjustment on cash flow hedges, net of tax of \$15 and \$34	27	61
Total other comprehensive income	38	61
Comprehensive income	\$ 6,834	\$ 4,367

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

CE GENERATION, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (Unaudited)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2008 AND 2007
(In thousands)

	Members' Equity	Accumulated Other Comprehensive Loss, Net	Total
Balance, January 1, 2007	\$ 429,405	\$ (1,922)	\$ 427,483
Adoption of FASB Interpretation No. 48	(21)	-	(21)
Net income	4,306	-	4,306
Other comprehensive income	-	61	61
Balance, March 31, 2007	<u>\$ 433,690</u>	<u>\$ (1,861)</u>	<u>\$ 431,829</u>
Balance, January 1, 2008	\$ 434,202	\$ (2,188)	\$ 432,014
Net income	6,796	-	6,796
Other comprehensive income	-	38	38
Balance, March 31, 2008	<u>\$ 440,998</u>	<u>\$ (2,150)</u>	<u>\$ 438,848</u>

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

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

	Three-Month Periods	
	Ended March 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 6,796	\$ 4,306
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	31,262	28,855
Provision for deferred income taxes	(4,294)	(3,184)
Distributions to minority interest (in excess of) less than income	(3,008)	40
Amortization of deferred financing costs	179	218
Changes in other items:		
Trade accounts receivable	1,259	4,801
Inventories	(5)	(1,191)
Due to affiliates, net	1,170	(118)
Prepaid expenses and other current assets	(113)	1,338
Accounts payable and other accrued liabilities	20,212	13,120
Net cash flows from operating activities	53,458	48,185
Cash flows from investing activities:		
Capital expenditures	(23,903)	(7,489)
Purchases of available-for-sale securities	-	(78,000)
Proceeds from sales of available-for-sale securities	-	57,500
Decrease (increase) in restricted cash	7,549	(208)
Net cash flows from investing activities	(16,354)	(28,197)
Cash flows from financing activities:		
Repayment of subsidiary and project debt	(8,799)	(8,594)
Net cash flows from financing activities	(8,799)	(8,594)
Net change in cash and cash equivalents	28,305	11,394
Cash and cash equivalents at beginning of period	35,239	44,447
Cash and cash equivalents at end of period	\$ 63,544	\$ 55,841

The accompanying notes are an integral part of these 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-fired combined cycle cogeneration facilities located in New York, Texas and Arizona. The Company is equally owned by MidAmerican Energy Holdings Company (“MEHC”), a majority-owned subsidiary of Berkshire Hathaway Inc., and TransAlta USA, Inc. (“TransAlta”), a wholly-owned subsidiary of TransAlta Corporation.

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 financial statements as of March 31, 2008, and for the three-month periods ended March 31, 2008 and 2007. The results of operations for the three-month period ended March 31, 2008 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 Project”), in which the Company indirectly holds a 1% general partnership and 74% limited partnership ownership interest. The remaining interests in the Saranac Project are owned by three limited partners. Net income and distributions from the Saranac Project 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, 2008, the Company’s economic interest in the partnership was approximately 72%, while the minority interest holders had a combined economic interest in the partnership of approximately 28%. The equity interest of the other partners is recorded as a minority interest in 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 financial statements and the reported amounts of revenues 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, 2007, describes the most significant accounting estimates and policies used in the preparation of the Consolidated Financial Statements. There have been no significant changes in the Company’s assumptions regarding significant accounting policies during the first three months of 2008.

2. Property, Plant and Equipment, Net

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

	Estimated Useful Lives	As of	
		March 31, 2008	December 31, 2007
Power plants	5 to 30 years	\$1,235,023	\$1,220,315
Wells and resource development	2 to 30 years	222,062	228,833
Equipment	3 to 30 years	<u>6,150</u>	<u>6,150</u>
Total operating assets		1,463,235	1,455,298
Accumulated depreciation		<u>(699,876)</u>	<u>(679,722)</u>
Property, plant and equipment, net		<u>\$ 763,359</u>	<u>\$ 775,576</u>

The Company replaced certain pipe and equipment with a remaining net book value of \$3.4 million and \$0.8 million during the three-month periods ended March 31, 2008 and 2007, respectively, which was charged to depreciation expense in the Consolidated Statements of Operations.

3. Intangible Assets, Net

Intangible assets, net comprise the following (in thousands):

	Estimated Useful Lives	As of March 31, 2008		As of December 31, 2007	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power Purchase and Royalty					
Contracts	4 to 30 years	\$ 315,434	\$ 256,337	\$ 315,434	\$ 252,815
Patented Technology	24 years	<u>46,290</u>	<u>25,689</u>	<u>46,290</u>	<u>25,207</u>
Total		<u>\$ 361,724</u>	<u>\$ 282,026</u>	<u>\$ 361,724</u>	<u>\$ 278,022</u>

Amortization expense on acquired intangible assets was \$4.0 million for each of the three-month periods ended March 31, 2008 and 2007. CE Generation expects amortization expense on acquired intangible assets to be \$12.0 million for the remaining nine months in 2008, \$11.9 million in 2009 and \$5.7 million in 2010 through 2012.

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

Environmental Matters

The Company is subject to federal, state, and local laws and regulations regarding air and water quality, 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 current environmental requirements.

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, 2008 and December 31, 2007, was \$1.1 million and is included in other accrued liabilities on the Consolidated Balance Sheets. Environmental remediation liabilities that separately result from the normal operation of long-lived assets and that are associated with the retirement of those assets are separately accounted for as asset retirement obligations and are included in other long-term liabilities on the Consolidated Balance Sheets.

5. Related Party Transactions

Pursuant to an administrative services agreement between CalEnergy Generation Operating Company ("CGOC"), a subsidiary of MEHC, 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, 2010. The expense pursuant to the Administrative Services Agreement for each of the three-month periods ended March 31, 2008 and 2007 was \$0.8 million and is included in general and administrative costs and expenses in the Consolidated Statements of Operations. In November 2007, the Administrative Services Agreement between CGOC and CE Generation was extended from January 1, 2008 through December 31, 2010 at an annual rate of \$3.2 million, \$3.3 million and \$3.4 million for the calendar years ended 2008, 2009, and 2010, respectively.

The Company participates in multi-employer pension plans sponsored by MidAmerican Energy Company ("MEC"), an indirect wholly-owned subsidiary of MEHC. The Company's contribution to the various plans was \$0.7 million for each of the three-month periods ended March 31, 2008 and 2007. The portion of accumulated other comprehensive loss attributable to the Company has been allocated from MEC in accordance with intercompany service agreements.

Pursuant to a transaction agreement dated January 29, 2003 (the "TransAlta Transaction Agreement"), Salton Sea Power and CE Turbo began selling available power from their geothermal facilities in the Imperial Valley of California (the "Salton Sea V Project" and the "CE Turbo Project", respectively) to TransAlta on February 12, 2003, based on percentages of the Dow Jones SP-15 Index. 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 \$3.2 million for the three-month periods ended March 31, 2008 and 2007, respectively. As of March 31, 2008 and December 31, 2007, accounts receivable balances from TransAlta were \$0.6 million and \$1.1 million, respectively. Effective August 7, 2006 through May 31, 2009, up to 26 MW of available power from the Salton Sea V Project will be sold to TransAlta under the TransAlta Transaction Agreement at a fixed price. Salton Sea Power, CE Turbo, and TransAlta each have agreed not to exercise their respective 30 day termination right described above with respect to such amount of available power through such period.

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 totaled \$0.5 million for each of the three-month periods ended March 31, 2008 and 2007. As of March 31, 2008 and December 31, 2007, accounts receivable balances from TransAlta Marketing were \$0.2 million.

6. Components of Accumulated Other Comprehensive Loss, Net

Accumulated other comprehensive loss, net is included in total members' equity in the Consolidated Balance Sheets and consists of the following components, net of tax, as follows (in thousands):

	As of	
	March 31, 2008	December 31, 2007
Unrecognized amounts on retirement benefits, net of tax of \$(1,604) and \$(1,611)	\$ (2,150)	\$ (2,161)
Fair value adjustment on cash flow hedges, net of tax of \$- and \$(15)	-	(27)
Total accumulated other comprehensive loss, net	<u>\$ (2,150)</u>	<u>\$ (2,188)</u>

7. New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 requires entities to report noncontrolling interests as a separate component of shareholders' equity in the consolidated financial statements. The amount of earnings attributable to the parent and to the noncontrolling interests should be clearly identified and presented on the face of the consolidated statements of operations. Additionally, SFAS No. 160 requires any changes in a parent's ownership interest of its subsidiary, while retaining its control, to be accounted for as equity transactions. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting SFAS No. 160 on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS No. 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option may only be made at initial recognition of the asset or liability or upon a remeasurement event that gives rise to new-basis accounting. The decision about whether to elect the fair value option is applied on an instrument-by-instrument basis, is irrevocable and is applied only to an entire instrument and not only to specified risks, cash flows or portions of that instrument. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. The Company adopted SFAS No. 159 effective January 1, 2008, and did not elect the fair value option for any existing eligible items.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not impose fair value measurements on items not already accounted for at fair value; rather it applies, with certain exceptions, to other accounting pronouncements that either require or permit fair value measurements. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In February 2008, the FASB issued Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"), which delays the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. These non-financial items include assets and liabilities such as non-financial assets and liabilities assumed in a business combination, reporting units measured at fair value in a goodwill impairment test and asset retirement obligations initially measured at fair value. The Company adopted the provisions of SFAS No. 157 for assets and liabilities recognized at fair value on a recurring basis effective January 1, 2008. The partial adoption of SFAS No. 157 did not have a material impact on the Company's Consolidated Financial Statements.

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

The following is management's discussion and analysis of certain significant factors that have affected the financial condition and results of operations of CE Generation, LLC ("CE Generation") and its subsidiaries (collectively, the "Company") during the periods included herein. This discussion should be read in conjunction with the Company's historical unaudited Consolidated Financial Statements and the 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 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.

Results of Operations

Operating Revenue

The capacity factor for a particular project is determined by dividing the total quantity of electricity sold by the product of the project's capacity and the total hours in the year. Refer to Note 1 of Notes to Consolidated Financial Statements included in the Company's audited Consolidated Financial Statements for the year ended December 31, 2007 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):

	Three-Month Periods	
	Ended March 31,	
	2008	2007
Natural gas-fired facilities	\$ 76.6	\$ 69.5
Geothermal facilities	<u>45.5</u>	<u>43.3</u>
Total operating revenue	<u>\$ 122.1</u>	<u>\$ 112.8</u>

Natural Gas-Fired Facilities

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

	Three-Month Periods Ended March 31,	
	2008	2007
Overall capacity factor	60.0%	61.9%
Megawatt hour produced	658,800	671,000
Capacity (net MW) (weighted average)	502.0	502.0

Operating revenue at the natural gas-fired facilities for the first quarter of 2008 increased \$7.1 million, or 10.2%, from the comparable period in 2007 primarily due to the following:

- \$2.4 million increase at the Company's natural gas-fired facility in Yuma, Arizona (the "Yuma Project") due to a 34.1% increase in production over 2007. The Yuma Project's first quarter 2007 production was lower due to an increase in flexible curtailments initiated by San Diego Gas & Electric Company, the purchaser of power generated by the Yuma Project. The Yuma Project sells energy at its avoided cost of energy, which increased to 9.2 cents per kilowatt hour ("kWh") during the first quarter of 2008 from 8.1 cents per kWh in the first quarter of 2007. This price increase resulted in a \$0.8 million increase in operating revenue.
- \$2.1 million increase due to rate escalations under the 15-year power purchase agreement between New York State Electric & Gas Corporation ("NYSEG") and the Saranac Project.
- \$1.7 million increase at the Saranac Project due to a 2.8% increase in production over 2007.

Total MWh produced during the first quarter of 2008 were 1.8% lower than total MWh produced in the first quarter of 2007. Production increases at the Yuma and Saranac Projects were offset by lower production at the Company's natural gas-fired facility in Big Spring, Texas ("the Power Resources Project"). Lower 2008 production at the Power Resources Project had no impact on operating revenue due to the nature of its tolling agreement with Constellation Energy Commodities Group, Inc. ("Constellation").

Geothermal Facilities

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

	Three-Month Periods Ended March 31,	
	2008	2007
Overall capacity factor	88.2%	91.5%
Megawatt hour produced	628,600	644,800
Capacity (net MW) (weighted average)	326.4	326.4

Operating revenue at the geothermal facilities for the first quarter of 2008 increased \$2.2 million, or 5.1%, from the comparable period in 2007 primarily due to the following:

- \$3.6 million increase in operating revenue due to higher energy rates at certain Imperial Valley Projects. The Imperial Valley Projects that receive the avoided cost of energy from Southern California Edison ("Edison") increased their fixed energy price from 5.37 cents per kWh to 6.15 cents per kWh beginning May 1, 2007.
- \$1.4 million decrease due to a 2.5% decrease in energy production. The energy production decrease primarily results from equipment and brine production limitations and timing of scheduled maintenance.

Fuel

Both the Saranac and Yuma Projects purchase the natural gas used by their facilities to produce energy under their existing power purchase agreements. At the Power Resources Project, Constellation is required to purchase the natural gas supply.

Fuel expense increased \$4.2 million, or 15.2%, to \$31.8 million for the first quarter of 2008 from \$27.6 million for the comparable period in 2007. During 2008, the Company incurred higher fuel expense of \$2.1 million due to increased production and \$2.1 million due to higher prices at the Saranac and Yuma Projects.

Plant Operations

Plant operations decreased \$1.1 million, or 3.5%, to \$30.6 million for the first quarter of 2008 from \$31.7 million for the comparable period in 2007. The decrease was primarily due to lower maintenance costs at the Imperial Valley Projects due primarily to less extensive brine system work and associated drilling.

Depreciation and Amortization

Depreciation and amortization increased \$2.4 million, or 8.3%, to \$31.3 million for the first quarter of 2008 from \$28.9 million for the comparable period in 2007. The increase was due primarily to the plug and abandonment of a production well that delivered brine to certain Imperial Valley Projects.

Interest Expense

Interest expense decreased \$1.6 million to \$9.9 million for the first quarter of 2008 from \$11.5 million for the comparable period in 2007 due to lower outstanding debt balances.

Interest and Other Income

Interest and other income decreased \$0.8 million to \$0.4 million for the first quarter of 2008 from \$1.2 million for the comparable period in 2007 due to lower average cash and short term investment balances and lower interest rates.

Provision for Income Taxes

The provision for income taxes increased \$0.3 million to \$1.6 million for the first quarter of 2008 from \$1.3 million for the comparable period in 2007 due to an increase in pre-tax income. The effective tax rates were 9.0% and 9.4% for the first quarter of 2008 and 2007, respectively.

Minority interest

Minority interest for the first quarter of 2008 increased \$1.7 million to \$9.6 million from the comparable period in 2007 due primarily to improved performance at the Saranac Project.

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.

Cash flows from operations were \$53.5 million for the first quarter of 2008 compared with \$48.2 million for the same period in 2007. The increase was due primarily to higher operating revenue, partially offset by higher fuel costs.

Cash flows used in investing activities were \$16.4 million for the first quarter of 2008 compared with \$28.2 million for the same period in 2007. The decrease was due to the timing of purchases and sales of available-for-sale securities used in the Company's cash management program and the release of restricted cash associated with the maturity of the Saranac Project debt, partially offset by an increase in capital expenditures related primarily to the Company's pipeline replacement program.

Forecasted capital expenditures for 2008 are approximately \$58 million. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of such reviews. The Company is purchasing pipeline replacement materials which are expected to have a longer useful life than the material currently used. The new material will result in higher capital expenditures than historical expenditures in 2008 and 2009. The Company expects to meet these capital expenditures with cash flows from operations.

Cash flows used in financing activities were \$8.8 million for the first quarter of 2008 compared with \$8.6 million for the same period in 2007 due to scheduled debt payments.

Environmental Matters

For discussion regarding environmental matters affecting the Company's operations, refer to Note 5 of Notes to Consolidated Financial Statements included herein and the Company's Annual Report for the year ended December 31, 2007.

Commodity and Credit Risks

The Imperial Valley Projects' primary source of electricity revenue is derived from payments received pursuant to long-term power sales agreements with 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. Approximately 85% of the Imperial Valley Projects' electricity sales were to Edison for the three-month period ended March 31, 2008.

In June and November 2001, the Salton Sea II, Salton Sea III, Vulcan, Elmore, Leathers and Del Ranch 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 5.37 cents per kWh commencing May 1, 2002 through April 30, 2007. On May 30, 2006, the Imperial Valley Projects that receive Edison's avoided cost of energy entered into amendments with Edison to their respective power purchase agreements which provide for a fixed energy price commencing May 1, 2007, and ending April 30, 2012. The amendments were approved by the California Public Utilities Commission and such approval became final on October 19, 2006. The energy price under the respective amended power purchase agreements during the fixed price period will be 6.15 cents per kWh, escalated 1% annually beginning May 1, 2008. Beginning May 1, 2012, the projects subject to these amendments will revert back to Edison's avoided cost of energy. There can be no assurances that Edison's avoided cost of energy after May 1, 2012 will result in revenues equivalent to the current fixed energy payments being received. For the years ended December 31, 2007, 2006 and 2005, Edison's average avoided cost of energy was 6.9 cents per kWh, 6.9 cents per kWh and 7.7 cents per kWh, respectively. Estimates of Edison's future avoided cost of energy vary substantially from year to year primarily based on the future cost of natural gas and may be impacted by regulatory proceedings which may change the definition of the avoided cost of energy and other commodity factors.

Approximately 84% of the natural gas-fired facilities electricity sales were to NYSEG for the three month period ended March 31, 2008. The Saranac Project's revenues and operating income as a percentage of CE Generation's total revenue and operating income were 52% and 95%, respectively, for the three month period ended March 31, 2008. The Saranac Project's contract with NYSEG expires in June 2009. Saranac is currently reviewing its commercial alternatives, including opportunities to enter into contracts after June 2009 or to sell its services on a merchant basis. After Saranac's existing contract expires, its revenues, fuel costs and operating income may decrease materially.

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 Company's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 14, 2008

/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 Company's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 14, 2008

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