



CE GENERATION_{LLC}

**Consolidated Financial Statements
For the Quarterly Period Ended September 30, 2009**

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

(In thousands)

	As of	
	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 82,242	\$ 44,364
Trade receivables	51,645	56,632
Trade receivables from affiliate	-	1,163
Income tax receivable	-	3,038
Inventories	31,697	28,626
Deferred income taxes	283	283
Other current assets	<u>3,272</u>	<u>5,263</u>
Total current assets	169,139	139,369
Property, plant and equipment, net	712,918	745,090
Goodwill	265,897	265,897
Intangible assets, net	57,305	67,704
Other assets	<u>3,340</u>	<u>3,753</u>
Total assets	<u>\$ 1,208,599</u>	<u>\$ 1,221,813</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 6,812	\$ 23,542
Accrued interest	9,525	2,057
Accrued natural gas liability	950	10,317
Income tax payable	2,119	-
Due to affiliates	1,240	2,181
Current portion of long-term debt	50,691	50,810
Other current liabilities	<u>11,607</u>	<u>11,137</u>
Total current liabilities	82,944	100,044
Parent senior secured bonds	211,900	219,000
Subsidiary and project debt	146,289	164,475
Due to affiliates	8,526	8,020
Deferred income taxes	209,995	226,496
Other long-term liabilities	<u>16,973</u>	<u>15,077</u>
Total liabilities	<u>676,627</u>	<u>733,112</u>
Commitments and contingencies (Note 4)		
Equity:		
CE Generation members' equity	513,290	462,604
Noncontrolling interests	<u>18,682</u>	<u>26,097</u>
Total equity	<u>531,972</u>	<u>488,701</u>
Total liabilities and equity	<u>\$ 1,208,599</u>	<u>\$ 1,221,813</u>

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

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

	Three-Month Periods		Nine-Month Periods	
	Ended September 30,		Ended September 30,	
	2009	2008	2009	2008
Operating revenue	<u>\$ 96,633</u>	<u>\$ 160,557</u>	<u>\$ 336,667</u>	<u>\$ 405,191</u>
Operating costs and expenses:				
Fuel	3,658	32,301	53,933	93,151
Plant operations	29,069	30,080	101,511	103,860
General and administrative	921	892	3,006	2,823
Depreciation and amortization	<u>19,577</u>	<u>27,085</u>	<u>70,727</u>	<u>87,007</u>
Total operating costs and expenses	<u>53,225</u>	<u>90,358</u>	<u>229,177</u>	<u>286,841</u>
Operating income	<u>43,408</u>	<u>70,199</u>	<u>107,490</u>	<u>118,350</u>
Other income (expense):				
Interest expense	(8,015)	(9,049)	(24,794)	(28,424)
Interest and other income	<u>57</u>	<u>754</u>	<u>499</u>	<u>2,041</u>
Total other income (expense)	<u>(7,958)</u>	<u>(8,295)</u>	<u>(24,295)</u>	<u>(26,383)</u>
Income before income tax expense	35,450	61,904	83,195	91,967
Income tax expense	<u>3,880</u>	<u>9,019</u>	<u>9,958</u>	<u>11,078</u>
Net income	31,570	52,885	73,237	80,889
Net income attributable to noncontrolling interests	<u>352</u>	<u>16,826</u>	<u>22,549</u>	<u>37,019</u>
Net income attributable to CE Generation	<u>31,218</u>	<u>36,059</u>	<u>50,688</u>	<u>43,870</u>
Other comprehensive (loss) income attributable to CE Generation:				
Unrecognized amounts on retirement benefits, net of tax of \$(1), \$5, \$(1) and \$13	(1)	7	(2)	20
Fair value adjustment on cash flow hedges, net of tax of \$-, \$-, \$- and \$15	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
Total other comprehensive (loss) income attributable to CE Generation	<u>(1)</u>	<u>7</u>	<u>(2)</u>	<u>47</u>
Comprehensive income attributable to CE Generation	<u>\$ 31,217</u>	<u>\$ 36,066</u>	<u>\$ 50,686</u>	<u>\$ 43,917</u>

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,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 73,237	\$ 80,889
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	70,727	87,007
Provision for deferred income taxes	(16,500)	(15,466)
Amortization of deferred financing costs	409	512
Changes in other operating assets and liabilities:		
Trade receivables	6,150	(16,646)
Inventories	(3,071)	761
Due to affiliates, net	(435)	1,014
Other current assets	5,020	1,094
Accounts payable and other current liabilities	<u>3,206</u>	<u>24,461</u>
Net cash flows from operating activities	<u>138,743</u>	<u>163,626</u>
Cash flows from investing activities:		
Capital expenditures	(45,512)	(49,008)
Decrease in restricted cash	<u>16</u>	<u>9,081</u>
Net cash flows from investing activities	<u>(45,496)</u>	<u>(39,927)</u>
Cash flows from financing activities:		
Repayment of subsidiary and project debt	(13,105)	(22,832)
Repayment of parent senior secured bonds	(12,300)	(14,100)
Distributions	<u>(29,964)</u>	<u>(52,644)</u>
Net cash flows from financing activities	<u>(55,369)</u>	<u>(89,576)</u>
Net change in cash and cash equivalents	37,878	34,123
Cash and cash equivalents at beginning of period	<u>44,364</u>	<u>35,239</u>
Cash and cash equivalents at end of period	<u>\$ 82,242</u>	<u>\$ 69,362</u>

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)

	<u>CE Generation Member's Equity</u>			<u>Total</u>
	<u>Members' Equity</u>	<u>Accumulated Other Comprehensive Loss, Net</u>	<u>Noncontrolling Interests</u>	
Balance, January 1, 2008	\$ 434,202	\$ (2,188)	\$ 41,746	\$ 473,760
Net income	43,870	-	37,019	80,889
Other comprehensive income	-	47	-	47
Distributions	(3,000)	-	(49,644)	(52,644)
Other equity transactions	-	-	9	9
Balance, September 30, 2008	<u>\$ 475,072</u>	<u>\$ (2,141)</u>	<u>\$ 29,130</u>	<u>\$ 502,061</u>
Balance, January 1, 2009	\$ 466,201	\$ (3,597)	\$ 26,097	\$ 488,701
Net income	50,688	-	22,549	73,237
Other comprehensive loss	-	(2)	-	(2)
Distributions	-	-	(29,964)	(29,964)
Balance, September 30, 2009	<u>\$ 516,889</u>	<u>\$ (3,599)</u>	<u>\$ 18,682</u>	<u>\$ 531,972</u>

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-fired combined cycle cogeneration facilities located in New York, Texas and Arizona. The Company is equally owned by MidAmerican Energy Holdings Company (“MEHC”), a consolidated 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 Consolidated Financial Statements as of September 30, 2009, and for the three- and nine-month periods ended September 30, 2009 and 2008. Certain amounts in the prior period Consolidated Financial Statements have been reclassified to conform to the current period presentation. Such reclassifications did not impact previously reported operating income, net income attributable to CE Generation or members’ equity. The results of operations for the three- and nine-month periods ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through November 13, 2009, 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 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 September 30, 2009, the Company’s economic interest in the partnership was 77%, while the noncontrolling interest holders had a combined economic interest in the partnership of 23%. 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, 2008 describes the most significant accounting policies used in the preparation of the Consolidated Financial Statements. There have been no significant changes in the Company’s assumptions regarding significant accounting estimates and policies during the nine-month period ended September 30, 2009.

2. Property, Plant and Equipment, Net

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

	Depreciable Life	As of	
		September 30, 2009	December 31, 2008
Power plants	5 to 30 years	\$1,274,507	\$1,265,831
Wells and resource development	2 to 30 years	238,916	236,102
Equipment	3 to 30 years	<u>6,150</u>	<u>6,150</u>
Total operating assets		1,519,573	1,508,083
Accumulated depreciation and amortization		<u>(806,655)</u>	<u>(762,993)</u>
Property, plant and equipment, net		<u>\$ 712,918</u>	<u>\$ 745,090</u>

The Company replaced certain pipe and equipment with a remaining net book value 0.9 million and \$4.7 million during the nine-month periods ended September 30, 2009 and 2008, respectively, which was charged to depreciation expense in the Consolidated Statements of Operations. The Company did not replace any pipe or equipment during the three-month periods ended September 30, 2009 or 2008.

3. Intangible Assets, Net

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

	Amortization Life	As of September 30, 2009		As of December 31, 2008	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power purchase and royalty contracts	4 to 30 years	\$ 315,434	\$ 275,837	\$ 315,434	\$ 266,884
Patented technology	24 years	<u>46,290</u>	<u>28,582</u>	<u>46,290</u>	<u>27,136</u>
Intangible assets, net		<u>\$ 361,724</u>	<u>\$ 304,419</u>	<u>\$ 361,724</u>	<u>\$ 294,020</u>

Amortization expense on acquired intangible assets was \$1.4 million and \$4.0 million during the three-month periods ended September 30, 2009 and 2008, respectively, and \$10.4 million and \$12.0 million during the nine-month periods ended September 30, 2009 and 2008, respectively. CE Generation expects amortization expense on acquired intangible assets to be \$1.5 million for the remaining three months in 2009, and \$5.7 million in 2010 through 2013.

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 September 30, 2009 and December 31, 2008 was \$0.7 million and \$1.0 million, respectively, and is included in other current liabilities on the Consolidated Balance Sheets. Environmental remediation liabilities that separately result from the normal operation of long-lived assets and that are legal obligations associated with the retirement of those assets are separately accounted for as asset retirement obligations.

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 was \$0.9 million and \$0.8 million for the three-month periods ended September 30, 2009 and 2008, respectively, and \$2.5 million and \$2.4 million for the nine-month periods ended September 30, 2009 and 2008, respectively. Such amounts are included in general and administrative costs and expenses in the Consolidated Statements of Operations.

The Company participates in multi-employer pension plans sponsored by MidAmerican Energy Company ("MEC"), an indirect wholly-owned subsidiary of MEHC. The Company's contributions to the various plans were \$0.2 million and \$0.4 million for the three-month periods ended September 30, 2009 and 2008, respectively, and \$1.4 million and \$1.7 million for the nine-month periods ended September 30, 2009 and 2008, respectively. 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. Effective August 7, 2006 through May 31, 2009, up to 26 megawatts ("MW") of available power from the Salton Sea V Project was sold to TransAlta under the TransAlta Transaction Agreement at a fixed price. The TransAlta Transaction Agreement expired on May 31, 2009. Pursuant to this agreement, sales to TransAlta totaled \$- million and \$5.0 million for the three- and nine-month periods ended September 30, 2009, respectively, and \$3.1 million and \$8.6 million for the three- and nine-month periods ended September 30, 2008, respectively. As of December 31, 2008, the trade receivable balance from TransAlta was \$1.0 million.

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 and \$1.5 million for the three- and nine-month periods ended September 30, 2008, respectively. As of December 31, 2008, the trade receivable balance from TransAlta Marketing was \$0.2 million.

On November 7, 2008, the Yuma Project entered into a Master Power Purchase and Sale Agreement ("Master Agreement") with TransAlta Marketing. The Master Agreement allows the Yuma Project to utilize TransAlta Marketing to market electricity sales during curtailment periods initiated by SDG&E. No transactions were entered into under the Master Agreement during the three- and nine-month periods ended September 30, 2009.

6. Components of Accumulated Other Comprehensive Loss, Net

Accumulated other comprehensive loss, net consists of unrecognized amounts on retirement benefits of \$3.6 million, net of tax of \$2.4 million, as of September 30, 2009 and December 31, 2008.

7. New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance that requires a primarily qualitative analysis to determine if an enterprise is the primary beneficiary of a variable interest entity. This analysis is based on whether the enterprise has (i) the power to direct the activities of the variable interest entity that most significantly impact the entity’s economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. In addition, enterprises are required to more frequently reassess whether an entity is a variable interest entity and whether the enterprise is the primary beneficiary of the variable interest entity. Finally, the guidance for consolidation or deconsolidation of a variable interest entity is amended and disclosure requirements about an enterprise’s involvement with a variable interest entity are enhanced. This guidance is effective as of the beginning of the first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter, with early application prohibited. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial results and disclosures included within Notes to Consolidated Financial Statements.

In December 2007, the FASB issued authoritative guidance (included in FASB Accounting Standards Codification Topic 810, “Consolidation”) that establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The Company adopted this guidance on January 1, 2009. As a result, the Company has presented noncontrolling interests as a separate component of equity on the Consolidated Balance Sheets. Previously, these amounts were reported as minority interest within the mezzanine section on the Consolidated Balance Sheets. Also, the Company has presented net income attributable to noncontrolling interests separately on the Consolidated Statements of Operations. Previously, these amounts were reported as minority interest on the Consolidated Statements of Operations.

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. 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 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 undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of 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 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, 2008 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):

	<u>Third Quarter</u>		<u>First Nine Months</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Natural gas-fired facilities	\$ 21.3	\$ 82.3	\$ 157.2	\$ 229.9
Geothermal facilities	<u>75.4</u>	<u>78.3</u>	<u>179.5</u>	<u>175.3</u>
Total operating revenue	<u>\$ 96.7</u>	<u>\$ 160.6</u>	<u>\$ 336.7</u>	<u>\$ 405.2</u>

Natural Gas-Fired Facilities

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

	Third Quarter		First Nine Months	
	2009	2008	2009	2008
Overall capacity factor	39.0%	77.0%	51.5%	65.2%
MWh produced	432,000	853,800	1,693,300	2,152,200
Facility net capacity (MW) (weighted average)	502.0	502.0	502.0	502.0

Operating revenue at the natural gas-fired facilities for the third quarter of 2009 decreased \$61.0 million, or 74.1% from the comparable period in 2008 primarily due to the following:

- \$54.5 million decrease at the Saranac Project, due to differences between the terms of its two-year energy management agreement with Shell Energy North America (US) L.P. (the “Shell agreement”) and the 15-year power purchase agreement with New York State Electric & Gas Corporation (“NYSE&G”), which expired on June 21, 2009. Under the Shell agreement, effective July 1, 2009, the Saranac Project receives a fixed price per month for plant capacity as well as a percentage of net margins associated with the sale of energy and ancillary services. As a result, the Saranac Project’s revenues, fuel costs, operating income and cash flows from operating activities will decrease materially compared to its previous power purchase agreement with NYSE&G.
- \$6.4 million decrease at the Company’s natural gas-fired facility in Yuma, Arizona (the “Yuma Project”) of which \$6.2 million was due to lower prices. The Yuma Project sells energy at a regulatory determined avoided cost of energy, which decreased to 3.3 cents per kilowatt hour (“kWh”) during the third quarter of 2009 from 9.4 cents per kWh in the third quarter of 2008. The Yuma Project’s revenue also decreased \$0.1 million due to a 1.6% decrease in production over 2008.
- An 11.8% decrease in production at the Company’s natural gas-fired facility in Big Spring, Texas (the “Power Resources Project”) had minimal impact on operating revenue due to the nature of its tolling agreement with Constellation Energy Commodities Group, Inc. (“CECG”).

Operating revenue at the natural gas-fired facilities for the first nine months of 2009 decreased \$72.7 million, or 31.6%, from the comparable period in 2008 primarily due to the following:

- \$54.5 million decrease at the Saranac Project due to differences between the terms of the Shell agreement and the expired 15-year power purchase agreement with NYSE&G.
- \$4.2 million decrease at the Saranac Project, of which \$9.8 million was due to a 7.7% decrease in production for the first six months of 2009 compared to 2008. The production decrease is attributable primarily to the expiration of the 15-year power purchase agreement between NYSE&G and the Saranac Project on June 21, 2009 and the timing of scheduled maintenance. The Saranac Project’s revenue increased \$5.6 million due to rate escalations for the first six months of 2009 compared to 2008 under the terms of the 15-year power purchase agreement.
- \$15.6 million decrease at the Yuma Project, of which \$14.6 million was due to lower prices, which decreased to 4.3 cents per kWh during the first nine months of 2009 from 9.6 cents per kWh during the first nine months of 2008. The Yuma Project’s revenue also decreased \$0.6 million due to a 5.2% decrease in production over 2008. The Yuma Project’s production for the first nine months of 2009 was lower primarily due to timing of scheduled maintenance activities.
- \$1.2 million and \$0.3 million increases at the Saranac and Power Resources Projects, respectively, due to the sale of NO_x allowances.
- A 10.0% increase in production at the Power Resources Project had minimal impact on operating revenue due to the nature of its tolling agreement with CECG.

Geothermal Facilities

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

	Third Quarter		First Nine Months	
	2009	2008	2009	2008
Overall capacity factor	95.7%	99.2%	93.9%	89.7%
MWh produced	689,700	715,000	2,007,200	1,924,500
Facility net capacity (MW) (weighted average)	326.4	326.4	326.4	326.4

Operating revenue at the geothermal facilities for the third quarter of 2009 decreased \$2.9 million, or 3.7%, from the comparable period in 2008 primarily due to the following:

- \$1.9 million decrease due to a 3.5% decrease in energy production. The energy production decrease primarily results from the timing of scheduled maintenance.
- \$0.6 million decrease due to lower energy rates at certain Imperial Valley Projects.
- \$0.5 million decrease in Green Tag revenue due to the expiration of the Company's related party contract with TransAlta Marketing. Refer to Note 5 of Notes to Consolidated Financial Statements included elsewhere in this report.

Operating revenue at the geothermal facilities for the first nine months of 2009 increased \$4.2 million, or 2.4%, from the comparable period in 2008 primarily due to the following:

- \$5.5 million increase due to a 4.3% increase in energy production. The energy production increase primarily results from fewer scheduled maintenance activities.
- \$1.5 million decrease in Green Tag revenue due to the expiration of the Company's related party contract with TransAlta Marketing. Refer to Note 5 of Notes to Consolidated Financial Statements included elsewhere in this report.

Fuel

The Yuma Project purchases the natural gas used by its facility to produce energy under its existing power purchase agreement. At the Saranac and Power Resources Projects, Shell and CECG, respectively, are required to purchase the natural gas supply. Prior to the June 2009 expiration of its 15-year power purchase agreement with NYSE&G, the Saranac Project purchased the natural gas used by its facilities to produce energy.

Fuel expense decreased \$28.6 million, or 88.5%, to \$3.7 million for the third quarter of 2009 from \$32.3 million for the comparable period in 2008. During 2009, the Company incurred lower fuel expense of \$22.5 million due to the expiration of the 15-year power purchase agreement between NYSE&G and the Saranac Project on June 21, 2009. Additional fuel expense reductions include \$5.7 million due to lower unit costs paid for natural gas and \$0.4 million due to decreased production at the Yuma project.

Fuel expense decreased \$39.3 million, or 42.2%, to \$53.9 million for the first nine months of 2009 from \$93.2 million for the comparable period in 2008. During 2009, the Company incurred lower fuel expense of \$25.8 million due to the expiration of the 15-year power purchase agreement between NYSE&G and the Saranac Project on June 21, 2009. Additional fuel expense reductions include \$13.7 million due to lower unit costs paid for natural gas and \$1.6 million due to decreased production at the Yuma Project. These decreases were partially offset by a \$1.9 million contractual fuel price increase at the Saranac Project.

Plant Operations

Plant operations decreased \$1.0 million, or 3.3%, to \$29.1 million for the third quarter of 2009 from \$30.1 million for the comparable period in 2008. The decrease was primarily due to lower wheeling fees at the Saranac Project following the expiration of the NYSE&G power purchase agreement, partially offset by higher acid and scale disposal costs at certain Imperial Valley Projects.

Plant operations decreased \$2.4 million, or 2.3%, to \$101.5 million for the first nine months of 2009 from \$103.9 million for the comparable period in 2008. The decrease was primarily due to lower wheeling fees at the Saranac Project following the expiration of the NYSE&G power purchase agreement and the timing and scope of scheduled maintenance at the Imperial Valley Projects, partially offset by higher costs related to CO₂ allowance costs at the Saranac Project.

Depreciation and Amortization

Depreciation and amortization decreased \$7.5 million, or 27.7%, to \$19.6 million for the third quarter of 2009 from \$27.1 million for the comparable period in 2008. The decrease was due to the expiration of the NYSE&G power purchase agreement and lower dispatch at the Saranac Project, pursuant to its units of production depreciation methodology.

Depreciation and amortization decreased \$16.3 million, or 18.7%, to \$70.7 million for the first nine months of 2009 from \$87.0 million for the comparable period in 2008. The decrease was due primarily to the expiration of the NYSE&G power purchase agreement and lower dispatch at the Saranac Project, pursuant to its units of production depreciation methodology, the timing of the 2008 plug and abandonment of a production well that delivered brine to certain Imperial Valley Projects and comparably longer lives of production pipeline replacement given the higher quality of material used at certain Imperial Valley Projects.

Interest Expense

Interest expense for the third quarter and for the first nine months of 2009 decreased \$1.0 million to \$8.0 million and \$3.6 million to \$24.8 million, respectively, from the comparable periods in 2008 due to lower outstanding debt balances.

Interest and Other Income

Interest and other income for the third quarter and first nine months of 2009 decreased \$0.7 million to \$0.1 million and \$1.5 million to \$0.5 million, respectively, from the comparable periods in 2008 due primarily to lower average interest rates.

Income Tax Expense

Income tax expense for the third quarter decreased \$5.1 million to \$3.9 million due primarily to a decrease in income attributable to CE Generation before income tax expense.

Income tax expense for the first nine months of 2009 decreased \$1.1 million to \$10.0 million due primarily to an increase in tax credits.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the third quarter and for the first nine months of 2009 decreased \$16.4 million to \$0.4 million and \$14.5 million to \$22.5 million, respectively, from the comparable periods in 2008. The changes were a result of certain provisions in the Saranac Project's partnership agreement which adjust the economic interests of the partners over the term of the agreement and the expiration of the 15-year power purchase agreement between NYSE&G and the Saranac Project on June 21, 2009.

Liquidity and Capital Resources

CE Generation's direct or indirect subsidiaries are 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, 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 project or 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.

Net cash flows from operating activities for the nine-month periods ended September 30, 2009 and 2008 were \$138.7 million and \$163.6 million, respectively. The change was due primarily to lower margins following the expiration of the 15-year power purchase agreement between NYSE&G and the Saranac Project on June 21, 2009.

Net cash flows from investing activities for the nine-month periods ended September 30, 2009 and 2008 were \$(45.5) million and \$(39.9) million, respectively. The change was due to the 2008 release of restricted cash associated with the maturity of the Saranac Project's debt, partially offset by \$3.5 million of lower capital expenditures related primarily to the Company's pipeline replacement program at certain Imperial Valley Projects.

Forecasted capital expenditures for 2009 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 in 2009 than historical expenditures. The Company expects to meet these capital expenditures with cash flows from operations.

Net cash flows from financing activities for the nine-month periods ended September 30, 2009 and 2008 were \$(55.4) million and \$(89.6) million, respectively. The change is due to lower scheduled debt payments, including the maturity of the Saranac Project's debt during the first quarter of 2008, and lower distributions following the expiration of the 15-year power purchase agreement between NYSE&G and the Saranac Project on June 21, 2009.

Environmental Matters

In addition to the updates contained herein, refer to Note 4 of Notes to Consolidated Financial Statements included elsewhere in this report and the "Environmental Matters" 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, 2008 for additional information regarding certain environmental matters affecting the Company's operations.

Climate Change

As a result of increased attention to global climate change in the United States, there are significant future environmental regulations under consideration to increase the deployment of clean energy technologies and regulate emissions of greenhouse gases at the state, regional and federal levels. Congress and federal policy makers are considering climate change legislation and a variety of national climate change policies, such as the American Clean Energy and Security Act of 2009 ("Waxman-Markey bill"). In addition, governmental and nongovernmental organizations and others have become more active in initiating litigation under existing environmental and other laws.

In June 2009, the United States House of Representatives passed the Waxman-Markey bill, introduced by Representatives Henry Waxman and Edward Markey. In addition to a federal renewable portfolio standard, which would require utilities to obtain a portion of their energy from certain qualifying renewable sources, and energy efficiency measures, the bill requires a reduction in greenhouse gas emissions beginning in 2012, with emission reduction targets of 3% below 2005 levels by 2012; 17% below 2005 levels by 2020; 42% below 2005 levels by 2030; and 83% below 2005 levels by 2050 under a "cap and trade" program. In September 2009, a similar bill was introduced in the United States Senate by Senators Barbara Boxer and John Kerry, which would require a reduction in greenhouse gas emissions beginning in 2012 with emission reduction targets consistent with the Waxman-Markey bill, with the exception of the 2020 target, which requires 20% reductions below 2005 levels. If the Waxman-Markey bill or some other federal comprehensive climate change bill were to pass both Houses of Congress and be signed into law by the President, the impact on the Company's financial performance could be material and

would depend on a number of factors, including the required timing and level of greenhouse gas reductions, the price and availability of offsets and allowances used for compliance and the ability of the Company to receive revenue from customers for increased costs. The new law would likely result in increased operating costs and expenses and additional capital expenditures. To the extent the Company is not allowed to receive revenue from customers or cannot otherwise recover the costs to comply with climate change requirements, these requirements could have a material adverse impact on the Company's consolidated financial results.

In April 2009, the United States Environmental Protection Agency (the "EPA") issued a proposed finding, in response to the United States Supreme Court's 2007 decision in the case of *Massachusetts v. EPA*, that under Section 202(a) of the Clean Air Act six greenhouse gases – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – threaten the public health and welfare of current and future generations. The finding does not include any proposed regulations regarding greenhouse gas emissions; however, such regulatory or legislative action could have a significant adverse impact on the Company's generating facilities. In September 2009, in anticipation of the regulation of greenhouse gases under Section 202(a) of the Clean Air Act, the EPA released a proposed greenhouse gas "tailoring" rule which would require new or modified facilities with increased greenhouse gas emissions in excess of 25,000 tons per year of carbon dioxide equivalent emissions to undergo a best available control technology review. In addition, the proposal would require the incorporation of greenhouse gas emissions under Title V operating permits.

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, 2008. The Company's exposure to market risk and its management of such risk has not changed materially since December 31, 2008.

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: November 13, 2009

/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: November 13, 2009

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