



# SALTON SEA FUNDING CORPORATION AND GUARANTORS

**Combined Financial Statements**  
**For the Quarterly Period Ended March 31, 2006**

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**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED BALANCE SHEETS**

(In thousands)

	As of	
	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 23,068	\$ 14,932
Short-term investments	8,000	6,000
Trade accounts receivable	25,824	28,035
Trade accounts receivable from affiliate	2,986	4,244
Inventories	21,141	20,743
Prepaid expenses and other current assets	<u>5,514</u>	<u>2,265</u>
Total current assets	<u>86,533</u>	<u>76,219</u>
Properties, plants and equipment, net	593,768	599,336
Intangible assets, net	77,302	78,738
Deferred financing charges and other assets	3,331	3,556
Due from affiliates	2,765	1,387
Goodwill	<u>86,992</u>	<u>86,992</u>
<b>Total assets</b>	<u><u>\$ 850,691</u></u>	<u><u>\$ 846,228</u></u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 10,253	\$ 7,078
Accrued interest	6,940	1,734
Accrued environmental liabilities	2,303	2,830
Other accrued liabilities	16,315	10,951
Current portion of long-term debt	<u>25,916</u>	<u>25,916</u>
Total current liabilities	<u>61,727</u>	<u>48,509</u>
Senior secured notes and bonds	243,841	243,841
Deferred income taxes	<u>94,701</u>	<u>94,040</u>
Total liabilities	<u>400,269</u>	<u>386,390</u>
Commitments and contingencies (Note 4)		
Owners' equity	<u>450,422</u>	<u>459,838</u>
<b>Total liabilities and members' equity</b>	<u><u>\$ 850,691</u></u>	<u><u>\$ 846,228</u></u>

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

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED STATEMENTS OF OPERATIONS**

(In thousands)

	<b>Three-Month Periods</b>	
	<b>Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Unaudited)</b>	
<b>Operating revenue</b>	\$ 41,562	\$ 43,558
<b>Costs and expenses:</b>		
Royalty, operating, general and administrative expense	32,164	24,198
Depreciation and amortization	14,179	16,299
Total costs and expenses	46,343	40,497
<b>Operating income (loss)</b>	(4,781)	3,061
<b>Other income (expense):</b>		
Interest expense	(5,430)	(6,011)
Interest and other income	488	312
Total other income (expense)	(4,942)	(5,699)
<b>Loss from continuing operations before income taxes</b>	(9,723)	(2,638)
Provision (benefit) for income taxes	735	(60)
<b>Loss from continuing operations</b>	(10,458)	(2,578)
Income from discontinued operations	1,042	2,835
<b>Net income (loss)</b>	\$ (9,416)	\$ 257

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

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINED STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>Three-Month Periods</b>	
	<b>Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Loss from continuing operations	\$ (10,458)	\$ (2,578)
Adjustments to reconcile loss from continuing operations to net cash flows from continuing operations:		
Depreciation and amortization	14,179	16,299
Deferred income taxes	661	(545)
Amortization of deferred financing costs	225	266
Changes in other items:		
Trade accounts receivable	3,426	2,466
Inventories, prepaid expenses and other current assets	(3,201)	(4,723)
Accounts payable and other accrued liabilities	<u>13,062</u>	<u>5,152</u>
Net cash flows from continuing operations	17,894	16,337
Net cash flows from discontinued operations	<u>163</u>	<u>(189)</u>
Net cash flows from operating activities	<u>18,057</u>	<u>16,148</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(5,601)	(9,644)
Purchases of available-for-sale securities	(28,000)	(30,000)
Proceeds from sales of available-for-sale securities	<u>26,000</u>	<u>25,000</u>
Net cash flows from continuing operations	(7,601)	(14,644)
Net cash flows from discontinued operations	<u>20</u>	<u>2,810</u>
Net cash flows from investing activities	<u>(7,581)</u>	<u>(11,834)</u>
<b>Cash flows from financing activities:</b>		
(Increase) decrease in due from affiliates	<u>(3,202)</u>	<u>7,153</u>
Net cash flows from continuing operations	(3,202)	7,153
Net cash flows from discontinued operations	<u>862</u>	<u>(871)</u>
Net cash flows from financing activities	<u>(2,340)</u>	<u>6,282</u>
<b>Net increase in cash and cash equivalents</b>	8,136	10,596
<b>Cash and cash equivalents at beginning of period</b>	<u>14,932</u>	<u>15,489</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 23,068</u>	<u>\$ 26,085</u>

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

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. General**

In the opinion of the management of Salton Sea Funding Corporation ("Funding Corporation"), the accompanying unaudited combined 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, the changes in owners' equity 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 combined financial statements include the accounts of Funding Corporation and the Salton Sea Guarantors, the Partnership Guarantors and the Royalty Guarantor (each as defined below, together, the "Guarantors") as Funding Corporation and the Guarantors (collectively, the "Company") are entities under common control and management. All transactions and accounts between and among Funding Corporation and the Guarantors have been eliminated.

The unaudited combined financial statements should be read in conjunction with the audited combined 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 combined financial statements included therein.

Funding Corporation, which was formed on June 20, 1995, is a special purpose Delaware corporation and was organized for the sole purpose of acting as issuer of senior secured notes and bonds. On July 21, 1995, June 20, 1996, and October 31, 1998, Funding Corporation issued \$475.0 million, \$135.0 million and \$285.0 million, respectively, of separate series of Senior Secured Notes and Bonds (collectively, the "Securities"). Funding Corporation is a wholly-owned subsidiary of Magma Power Company ("Magma"), which in turn is wholly-owned by CE Generation, LLC ("CE Generation").

On March 3, 1999, MidAmerican Energy Holdings Company ("MEHC") sold 50% of its ownership interests in CE Generation to El Paso CE Generation Holding Company ("El Paso"). On January 29, 2003, TransAlta USA Inc. ("TransAlta"), a wholly-owned subsidiary of TransAlta Corporation, purchased El Paso's 50% interest in CE Generation. As of May 31, 2005, TransAlta transferred all its rights and interests in CE Generation to TransAlta (CE GEN) Investments USA, Inc., which is also a wholly-owned subsidiary of TransAlta Corporation.

The Salton Sea Guarantors (not a legal entity) consist of: (1) Salton Sea Power Generation L.P. ("SSPG"), Salton Sea Power L.L.C. ("Salton Sea Power"), and Fish Lake Power LLC ("Fish Lake"), together owning a 100% interest in five operating geothermal electric power generating plants located in the Imperial Valley of California commonly known as the Salton Sea I Project, the Salton Sea II Project, the Salton Sea III Project, the Salton Sea IV Project and the Salton Sea V Project (collectively, the "Salton Sea Projects"), (2) Salton Sea Brine Processing L.P., and (3) CE Salton Sea Inc. (collectively, the "Salton Sea Guarantors").

The Partnership Guarantors (not a legal entity) consist of: (1) Vulcan/BN Geothermal Power Company ("Vulcan"), Elmore, L.P. ("Elmore"), Leathers, L.P. ("Leathers"), Del Ranch, L.P. ("Del Ranch") and CE Turbo LLC ("CE Turbo"), each of which owns an operating geothermal power plant located in the Imperial Valley of California commonly known as the Vulcan Project, the Elmore Project, the Leathers Project, the Del Ranch Project and the CE Turbo Project, respectively (collectively, the "Partnership Projects"), (2) CalEnergy Operating Corporation ("CEOC") and Vulcan Power Company ("VPC"), both 99% owned by Magma and 1% owned by Funding Corporation, (3) San Felipe Energy Company ("San Felipe"), Conejo Energy Company ("Conejo"), and Niguel Energy Company ("Niguel"), each 100% owned by CEOC, (4) VPC Geothermal LLC ("VPCG"), which is 100% owned by VPC, (5) Salton Sea Minerals Corp., (6) CalEnergy Minerals LLC ("CalEnergy Minerals"), and (7) CE Salton Sea Inc. (collectively, the "Partnership Guarantors"). VPC and VPCG collectively own 100% of the partnership interests in Vulcan. CEOC, Niguel, San Felipe and Conejo collectively own 90% of the partnership interests in each of Elmore, Leathers and Del Ranch, respectively. CE Salton Sea Inc. owns CE Turbo.

Magma owns all of the remaining 10% interests in each of the Elmore, Leathers and Del Ranch Projects. CEOC is entitled to receive from Magma, as payment for certain data and services provided by CEOC, all of the partnership distributions Magma receives with respect to its 10% ownership interests in each of the Elmore, Leathers and Del Ranch Projects and Magma's special distributions equal to 4.5% of total energy revenue from the Leathers Project. Given the assignment of these rights by

Magma to CEOC, the 10% ownership interest in each of the Elmore, Leathers and Del Ranch Projects is reflected in the accompanying combined financial statements of the Company.

CalEnergy Minerals installed facilities near the Partnership Projects that were intended to recover zinc from the geothermal brine through an ion exchange, solvent extraction, electrowinning and casting process (the "Zinc Recovery Project"). Salton Sea Minerals Corp. owns 100% of the interests in CalEnergy Minerals and is an indirect wholly-owned subsidiary of MEHC. The Zinc Recovery Project ceased operations on September 10, 2004.

Salton Sea Royalty LLC (the "Royalty Guarantor") is the beneficiary of an assignment of certain fees and royalties paid by the Elmore, Leathers and Del Ranch Projects (the "Royalty Projects").

The Securities are payable from the proceeds of payments made of principal and interest on the secured project notes from the Guarantors to Funding Corporation. The Securities are also guaranteed on a joint and several basis by the Guarantors, each of which is an affiliate of Magma and Funding Corporation. Although the guarantees of the Partnership Guarantors and the Royalty Guarantor are limited to available cash flow (the guarantee of the Salton Sea Guarantors is not so limited), the obligations of each Guarantor under their respective secured project notes is not limited to available cash flow. Funding Corporation does not conduct any operations apart from those related to the issuance of the Securities.

## 2. Properties, Plants and Equipment, Net

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

	Estimated Useful Lives	As of	
		March 31, 2006	December 31, 2005
Power plants	5 to 30 years	\$ 827,253	\$ 819,677
Wells and resource development	2 to 30 years	<u>223,798</u>	<u>226,357</u>
Total operating assets		1,051,051	1,046,034
Accumulated depreciation and amortization		<u>(457,283)</u>	<u>(446,698)</u>
Properties, plants and equipment, net		<u>\$ 593,768</u>	<u>\$ 599,336</u>

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 combined statements of operations.

## 3. Intangible Assets, Net

Intangible assets comprise the following (in thousands):

	Estimated Useful Lives	As of March 31, 2006		As of December 31, 2005	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Power Purchase Contracts	4 to 30 years	\$ 216,935	\$ 164,092	\$ 216,935	\$ 163,314
Patented Technology	24 years	<u>46,290</u>	<u>21,831</u>	<u>46,290</u>	<u>21,173</u>
Total		<u>\$ 263,225</u>	<u>\$ 185,923</u>	<u>\$ 263,225</u>	<u>\$ 184,487</u>

Amortization expense on acquired intangible assets was \$1.4 million for each of the three-month periods ended March 31, 2006 and 2005. The Company expects amortization expense on acquired intangible assets to be \$4.3 million for the remaining nine months in 2006 and \$5.7 million for each of the four succeeding fiscal years.

#### **4. Commitments and Contingencies**

##### The California Power Exchange

In January 2001, the California Power Exchange declared bankruptcy. As a result, Salton Sea Power and 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 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. 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 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.

#### **5. Related Party Transactions**

Pursuant to the Amended and Restated Easement Grant Deed and Agreement Regarding Rights for Geothermal Development dated February 23, 1994, as amended, the Salton Sea Guarantors acquired from Magma Land I, a wholly owned subsidiary of Magma, rights to extract geothermal brine from the geothermal lease rights property which is necessary to operate the Salton Sea Guarantors’ power generation facilities in return for 5% of all electricity revenue received by the Salton Sea Guarantors. The amounts expensed for the three-month periods ended March 31, 2006, and 2005 were \$1.2 million and \$1.1 million, respectively.

Pursuant to the Easement Grant Deeds and Agreements Regarding Rights for Geothermal Development dated March 14, 1988 and August 15, 1988, the Partnership Guarantors acquired from Magma rights to extract geothermal brine from the geothermal lease rights property which is necessary to operate the Leathers, Del Ranch and Elmore Projects in return for 17.333%, on a pro rata basis, of all energy revenue received by each project. The amounts expensed for the three-month periods ended March 31, 2006 and 2005, were \$1.9 million and \$2.4 million, respectively.

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 the Administrative Services Agreement dated April 1, 1993 with Magma (the “Magma Services Agreement”), Magma will provide administrative and management services to the Salton Sea Guarantors, excluding the Salton Sea IV and Salton Sea V Projects. Fees payable to Magma amount to 3% of all electricity revenue. The amounts expensed for each of the three-month periods ended March 31, 2006 and 2005 were \$0.3 million.

Pursuant to the Magma Services Agreement, Magma has agreed to pay CEOC all equity cash flows and certain royalties payable by the Partnership Guarantors in exchange for providing data and services to Magma. As security for the obligations of Magma under the Magma Services Agreement, Magma has collaterally assigned to CEOC its rights to such equity cash flows and certain royalties. The assignment of such rights has been reflected in the combined statements of Funding Corporation and the Guarantors.

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 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 Salton Sea Funding Corporation ("Funding Corporation") and the Guarantors (collectively, the "Company") during the periods included in the accompanying combined statements of operations. This discussion should be read in conjunction with the Company's historical combined 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.

The Guarantors consist of the following legal entities:

- *Salton Sea Guarantors* - Salton Sea Brine Processing, L.P., Salton Sea Power Generation L.P., Salton Sea Power L.L.C., and Fish Lake Power LLC, each of which have an ownership interest in one or more of five operating geothermal power plants in the Imperial Valley of California commonly known as the Salton Sea I Project, Salton Sea II Project, Salton Sea III Project, Salton Sea IV Project and Salton Sea V Project (collectively, the "Salton Sea Projects"), and CE Salton Sea Inc.
- *Partnership Guarantors* - Vulcan/BN Geothermal Power Company, Elmore, L.P., Leathers, L.P., Del Ranch, L.P., CE Turbo LLC ("CE Turbo"), each of which owns an operating geothermal power plant located in the Imperial Valley of California commonly known as the Vulcan Project, the Elmore Project, the Leathers Project, the Del Ranch Project and the CE Turbo Project, respectively, (collectively, the "Partnership Projects"), CalEnergy Minerals LLC, Salton Sea Minerals Corp., CE Salton Sea Inc., CalEnergy Operating Corporation, Vulcan Power Company, San Felipe Energy Company, Conejo Energy Company, Niguel Energy Company, and VPC Geothermal LLC.
- *Royalty Guarantor* - Salton Sea Royalty LLC.

The Salton Sea Projects and the Partnership Projects are collectively known as the Imperial Valley Projects. Refer to Exhibit B, included herein, for additional information regarding the legal organization and ownership structure of the Company.

### Forward-Looking Statements

From time to time, the Company 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 the Company'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. The Company 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 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 combined 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.

The following operating data represents the aggregate capacity and electricity production of the Imperial Valley Projects:

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
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.

### *Royalty, Operating, General and Administrative Expense*

Royalty, operating, general, and administrative expense increased \$8.0 million, or 33.1%, to \$32.2 million for the three months ended March 31, 2006 from \$24.2 million for the same period in 2005. The increase was primarily due to a \$7.0 million increase in maintenance expense due to 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 \$2.1 million to \$14.2 million for the three months ended March 31, 2006 from \$16.3 million for the same period in 2005. The decrease was due primarily 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 combined statements of operations.

### *Interest Expense*

Interest expense decreased \$0.6 million to \$5.4 million for the three months ended March 31, 2006 from \$6.0 million for the same period in 2005. The decrease is due to lower outstanding debt balances.

### *Provision (Benefit) for Income Taxes*

The provision for income taxes increased \$0.8 million to \$0.7 million for the three months ended March 31, 2006, from a benefit of \$0.1 million for the same period in 2005. Income tax expense increased due to increased pre-tax income from the Salton Sea Guarantors.

### *Discontinued Operations*

The income from discontinued operations of \$1.0 million for the three months ended March 31, 2006, reflects the proceeds received from property tax refunds related to the Zinc Recovery Project. The income from discontinued operations of \$2.8 million for the three months ended March 31, 2005, reflects the proceeds received from the sale of assets, partially offset by the disposal costs incurred, in connection with the September 2004 decision to cease the operations of the Zinc Recovery Project.

### Liquidity and Capital Resources

The Company generated cash flows from operations of \$18.1 million for the three months ended March 31, 2006 compared with \$16.1 million for the same period in 2005. The increase was due primarily to the timing of working capital uses.

The Guarantors' 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 \$7.6 million for the three months ended March 31, 2006 compared with \$11.8 million for the same period in 2005. The change is primarily due to decreased capital expenditures, as described below.

Capital expenditures decreased to \$5.6 million for the three months ended March 31, 2006 from \$9.6 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 \$33.7 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 \$2.3 million for the three months ended March 31, 2006 compared with cash flows generated from financing activities of \$6.3 million for the same period in 2005. The decrease is primarily due to timing of affiliate transactions.

### 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 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.

## CERTIFICATION

I, Stefan A. Bird, certify that:

1. I have reviewed this quarterly report of Salton Sea Funding Corporation and the Guarantors (collectively, the “Company”);
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 Salton Sea Funding Corporation and the Guarantors 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 Salton Sea Funding Corporation and the Guarantors (collectively, the "Company");
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 Salton Sea Funding Corporation and the Guarantors 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)

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING BALANCE SHEET (Unaudited)**

EXHIBIT A

**March 31, 2006**

(amounts in thousands)

	<u>Salton Sea Guarantors</u>	<u>Partnership Guarantors</u>	<u>Royalty Guarantor</u>	<u>Funding Corporation &amp; Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 920	\$ -	\$ 22,148	\$ 23,068
Short-term investments	-	-	-	8,000	8,000
Trade accounts receivable	13,548	12,276	-	-	25,824
Trade accounts receivable from affiliate	2,768	218	-	-	2,986
Inventories	-	21,141	-	-	21,141
Prepaid expenses and other current assets	2,558	2,901	-	55	5,514
Total current assets	<u>18,874</u>	<u>37,456</u>	<u>-</u>	<u>30,203</u>	<u>86,533</u>
Properties, plants and equipment, net	354,640	239,128	-	-	593,768
Intangible assets, net	21,282	45,433	10,587	-	77,302
Deferred financing charges and other assets	2,070	1,208	53	-	3,331
Due from affiliates	6,514	(1,729)	-	(2,020)	2,765
Goodwill	-	56,528	30,464	-	86,992
<b>Total assets</b>	<u>\$ 403,380</u>	<u>\$ 378,024</u>	<u>\$ 41,104</u>	<u>\$ 28,183</u>	<u>850,691</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 3,499	\$ 6,754	\$ -	\$ -	\$ 10,253
Accrued interest	4,486	2,454	-	-	6,940
Accrued environmental liabilities	-	2,303	-	-	2,303
Other accrued liabilities	4,779	11,536	-	-	16,315
Current portion of secured project notes	22,621	3,295	-	(25,916)	-
Current portion of long-term debt	-	-	-	25,916	25,916
Total current liabilities	<u>35,385</u>	<u>26,342</u>	<u>-</u>	<u>-</u>	<u>61,727</u>
Secured project notes	152,700	91,141	-	(243,841)	-
Senior secured notes and bonds	-	-	-	243,841	243,841
Deferred income taxes	5,600	89,101	-	-	94,701
Total liabilities	<u>193,685</u>	<u>206,584</u>	<u>-</u>	<u>-</u>	<u>400,269</u>
Owners' equity	<u>209,695</u>	<u>171,440</u>	<u>41,104</u>	<u>28,183</u>	<u>450,422</u>
<b>Total liabilities and owners' equity</b>	<u>\$ 403,380</u>	<u>\$ 378,024</u>	<u>\$ 41,104</u>	<u>\$ 28,183</u>	<u>850,691</u>

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING BALANCE SHEET**  
**December 31, 2005**

EXHIBIT A (Continued)

(amounts in thousands)

	<u>Salton Sea</u> <u>Guarantors</u>	<u>Partnership</u> <u>Guarantors</u>	<u>Royalty</u> <u>Guarantor</u>	<u>Funding</u> <u>Corporation &amp;</u> <u>Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 300	\$ -	\$ 14,632	\$ 14,932
Short-term investments	-	-	-	6,000	6,000
Trade accounts receivable	13,841	14,194	-	-	28,035
Trade accounts receivable from affiliate	3,096	1,148	-	-	4,244
Inventories	-	20,743	-	-	20,743
Prepaid expenses and other current assets	1,064	1,105	-	96	2,265
Total current assets	<u>18,001</u>	<u>37,490</u>	<u>-</u>	<u>20,728</u>	<u>76,219</u>
Properties, plants and equipment, net	357,647	241,689	-	-	599,336
Intangible assets, net	21,571	46,343	10,824	-	78,738
Deferred financing charges and other assets	2,232	1,265	59	-	3,556
Due from affiliates	(3,044)	(790)	-	5,221	1,387
Goodwill	-	56,528	30,464	-	86,992
<b>Total assets</b>	<u>\$ 396,407</u>	<u>\$ 382,525</u>	<u>\$ 41,347</u>	<u>\$ 25,949</u>	<u>846,228</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 1,384	\$ 5,694	\$ -	\$ -	\$ 7,078
Accrued interest	1,121	613	-	-	1,734
Accrued environmental liabilities	-	2,830	-	-	2,830
Other accrued liabilities	2,514	8,437	-	-	10,951
Current portion of secured project notes	22,621	3,295	-	(25,916)	-
Current portion of long-term debt	-	-	-	25,916	25,916
Total current liabilities	<u>27,640</u>	<u>20,869</u>	<u>-</u>	<u>-</u>	<u>48,509</u>
Secured project notes	152,700	91,141	-	(243,841)	-
Senior secured notes and bonds	-	-	-	243,841	243,841
Deferred income taxes	5,086	88,954	-	-	94,040
Total liabilities	<u>185,426</u>	<u>200,964</u>	<u>-</u>	<u>-</u>	<u>386,390</u>
Owners' equity	<u>210,981</u>	<u>181,561</u>	<u>41,347</u>	<u>25,949</u>	<u>459,838</u>
<b>Total liabilities and owners' equity</b>	<u>\$ 396,407</u>	<u>\$ 382,525</u>	<u>\$ 41,347</u>	<u>\$ 25,949</u>	<u>846,228</u>

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENTS OF OPERATIONS (Unaudited)**  
**For the Three-Month Period Ended March 31, 2006**  
(amounts in thousands)

EXHIBIT A (Continued)

	<u>Salton Sea Guarantors</u>	<u>Partnership Guarantors</u>	<u>Royalty Guarantor</u>	<u>Funding Corporation &amp; Eliminations</u>	<u>Combined</u>
<b>Operating revenue</b>	\$ 23,727	\$ 17,835	\$ 2,496	\$ (2,496)	\$ 41,562
<b>Costs and expenses:</b>					
Royalty, operating, general and administrative expense	12,293	21,461	875	(2,465)	32,164
Depreciation and amortization	7,258	6,684	237	-	14,179
Total costs and expenses	<u>19,551</u>	<u>28,145</u>	<u>1,112</u>	<u>(2,465)</u>	<u>46,343</u>
<b>Operating income (loss)</b>	<u>4,176</u>	<u>(10,310)</u>	<u>1,384</u>	<u>(31)</u>	<u>(4,781)</u>
<b>Other income (expense):</b>					
Interest expense	(3,527)	(1,897)	(6)	-	(5,430)
Interest and other income	-	245	-	243	488
Total other income (expense)	<u>(3,527)</u>	<u>(1,652)</u>	<u>(6)</u>	<u>243</u>	<u>(4,942)</u>
<b>Income (loss) from continuing operations before income taxes</b>	649	(11,962)	1,378	212	(9,723)
Provision (benefit) for income taxes	1,270	(622)	-	87	735
<b>Income (loss) from continuing operations</b>	<u>(621)</u>	<u>(11,340)</u>	<u>1,378</u>	<u>125</u>	<u>(10,458)</u>
Income from discontinued operations	-	1,042	-	-	1,042
<b>Net income (loss)</b>	<u>\$ (621)</u>	<u>\$ (10,298)</u>	<u>\$ 1,378</u>	<u>\$ 125</u>	<u>\$ (9,416)</u>

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENTS OF OPERATIONS (Unaudited)**  
**For the Three-Month Period Ended March 31, 2005**  
(amounts in thousands)

EXHIBIT A (Continued)

	<u>Salton Sea Guarantors</u>	<u>Partnership Guarantors</u>	<u>Royalty Guarantor</u>	<u>Funding Corporation &amp; Eliminations</u>	<u>Combined</u>
<b>Operating revenue</b>	\$ 21,838	\$ 21,720	\$ 3,205	\$ (3,205)	\$ 43,558
<b>Costs and expenses:</b>					
Royalty, operating, general and administrative expense	13,918	12,662	749	(3,131)	24,198
Depreciation and amortization	8,089	7,938	272	-	16,299
Total costs and expenses	<u>22,007</u>	<u>20,600</u>	<u>1,021</u>	<u>(3,131)</u>	<u>40,497</u>
<b>Operating income (loss)</b>	<u>(169)</u>	<u>1,120</u>	<u>2,184</u>	<u>(74)</u>	<u>3,061</u>
<b>Other income (expense):</b>					
Interest expense	(3,986)	(1,989)	(36)	-	(6,011)
Interest and other income	2	148	-	162	312
Total other income (expense)	<u>(3,984)</u>	<u>(1,841)</u>	<u>(36)</u>	<u>162</u>	<u>(5,699)</u>
<b>Income (loss) from continuing operations before income taxes</b>	(4,153)	(721)	2,148	88	(2,638)
Provision (benefit) for income taxes	(58)	(38)	-	36	(60)
<b>Income (loss) from continuing operations before income taxes</b>	<u>(4,095)</u>	<u>(683)</u>	<u>2,148</u>	<u>52</u>	<u>(2,578)</u>
Income from discontinued operations	-	2,835	-	-	2,835
<b>Net income (loss)</b>	<u>\$ (4,095)</u>	<u>\$ 2,152</u>	<u>\$ 2,148</u>	<u>\$ 52</u>	<u>\$ 257</u>

**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENT OF CASH FLOWS (Unaudited)**  
**For the Three-Month Period Ended March 31, 2006**

EXHIBIT A (Continued)

(amounts in thousands)

	<u>Salton Sea Guarantors</u>	<u>Partnership Guarantors</u>	<u>Royalty Guarantor</u>	<u>Funding Corporation &amp; Eliminations</u>	<u>Combined</u>
<b>Cash flows from operating activities:</b>					
Income (loss) from continuing operations	\$ (621)	\$ (11,340)	\$ 1,378	\$ 125	\$ (10,458)
Adjustments to reconcile income (loss) from continuing operations to net cash flows from continuing operations:					
Depreciation and amortization	7,258	6,684	237	-	14,179
Deferred income taxes	514	147	-	-	661
Amortization of deferred financing costs	162	57	6	-	225
Changes in other items:					
Trade accounts receivable	621	2,805	-	-	3,426
Inventories, prepaid expenses and other current assets	(1,494)	(1,748)	-	41	(3,201)
Accounts payable and accrued liabilities	7,662	5,400	-	-	13,062
Net cash flows from continuing operations	<u>14,102</u>	<u>2,005</u>	<u>1,621</u>	<u>166</u>	<u>17,894</u>
Net cash flows from discontinued operations	-	163	-	-	163
Net cash from operating activities	<u>14,102</u>	<u>2,168</u>	<u>1,621</u>	<u>166</u>	<u>18,057</u>
<b>Cash flows from investing activities:</b>					
Capital expenditures	(2,553)	(3,048)	-	-	(5,601)
Purchases of available-for-sale securities	-	-	-	(28,000)	(28,000)
Proceeds from sales of available-for-sale securities	-	-	-	26,000	26,000
Net cash flows from continuing operations	<u>(2,553)</u>	<u>(3,048)</u>	<u>-</u>	<u>(2,000)</u>	<u>(7,601)</u>
Net cash flows from discontinued operations	-	20	-	-	20
Net cash from investing activities	<u>(2,553)</u>	<u>(3,028)</u>	<u>-</u>	<u>(2,000)</u>	<u>(7,581)</u>
<b>Cash flows from financing activities:</b>					
(Increase) decrease in due from affiliates	(11,549)	618	(1,621)	9,350	(3,202)
Net cash flows from continuing operations	<u>(11,549)</u>	<u>618</u>	<u>(1,621)</u>	<u>9,350</u>	<u>(3,202)</u>
Net cash flows from discontinued operations	-	862	-	-	862
Net cash from financing activities	<u>(11,549)</u>	<u>1,480</u>	<u>(1,621)</u>	<u>9,350</u>	<u>(2,340)</u>
<b>Net change in cash and cash equivalents</b>	<u>-</u>	<u>620</u>	<u>-</u>	<u>7,516</u>	<u>8,136</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>-</u>	<u>300</u>	<u>-</u>	<u>14,632</u>	<u>14,932</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ -</u>	<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 22,148</u>	<u>\$ 23,068</u>

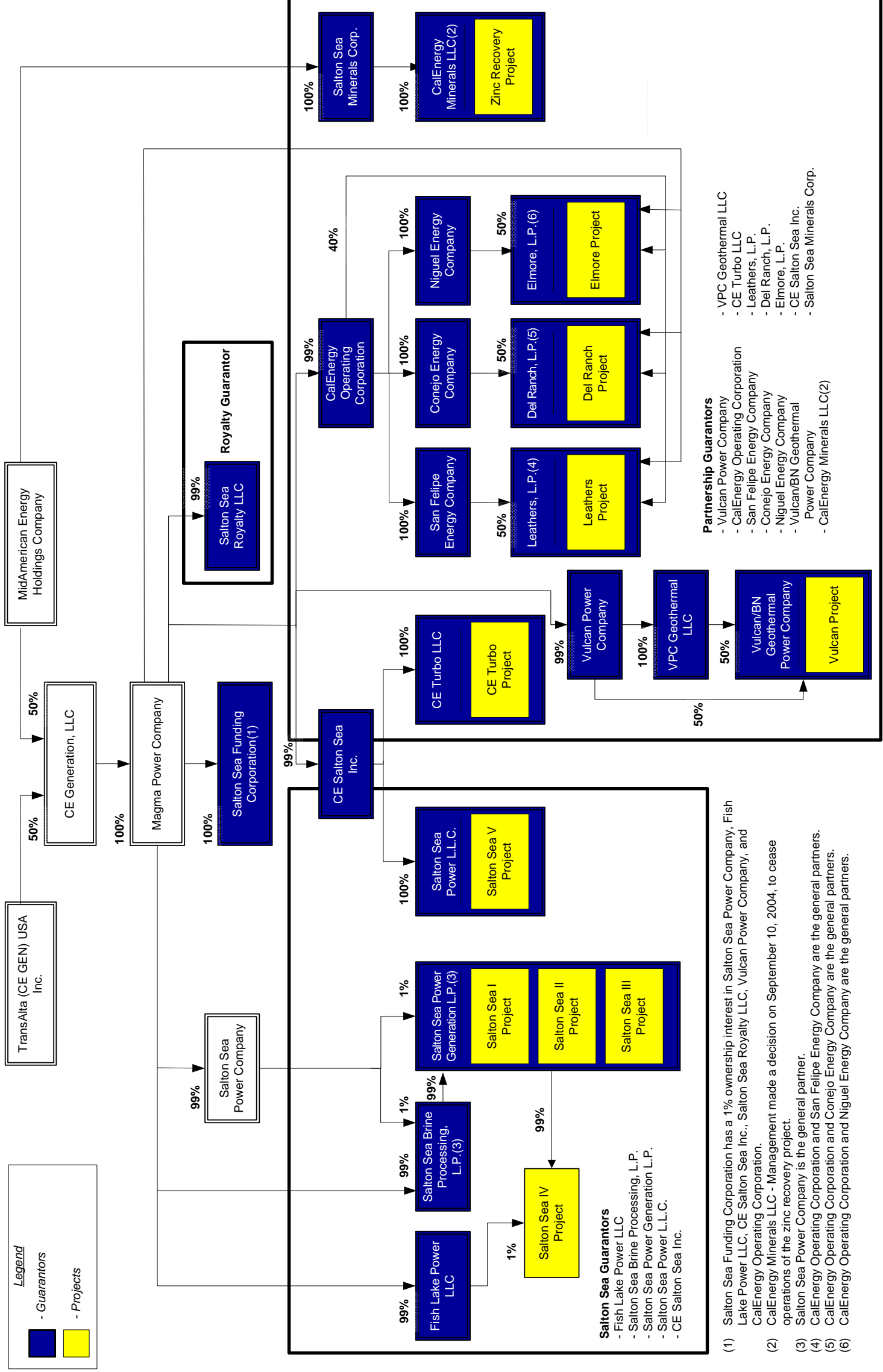
**SALTON SEA FUNDING CORPORATION AND GUARANTORS**  
**COMBINING STATEMENT OF CASH FLOWS (Unaudited)**  
**For the Three-Month Period Ended March 31, 2005**

EXHIBIT A (Continued)

(amounts in thousands)

	<u>Salton Sea</u> <u>Guarantors</u>	<u>Partnership</u> <u>Guarantors</u>	<u>Royalty</u> <u>Guarantor</u>	<u>Funding</u> <u>Corporation &amp;</u> <u>Eliminations</u>	<u>Combined</u>
<b>Cash flows from operating activities:</b>					
Income (loss) from continuing operations	\$ (4,095)	\$ (683)	\$ 2,148	\$ 52	\$ (2,578)
Adjustments to reconcile income (loss) from continuing operations to net cash flows from continuing operations:					
Depreciation and amortization	8,089	7,938	272	-	16,299
Deferred income taxes	(58)	(487)	-	-	(545)
Amortization of deferred financing costs	199	60	7	-	266
Changes in other items:					
Trade accounts receivable	3,245	(779)	-	-	2,466
Inventories, prepaid expenses and other current assets	(324)	(4,372)	-	(27)	(4,723)
Accounts payable and accrued liabilities	5,022	101	29	-	5,152
Net cash flows from continuing operations	<u>12,078</u>	<u>1,778</u>	<u>2,456</u>	<u>25</u>	<u>16,337</u>
Net cash flows from discontinued operations	-	(189)	-	-	(189)
Net cash from operating activities	<u>12,078</u>	<u>1,589</u>	<u>2,456</u>	<u>25</u>	<u>16,148</u>
<b>Cash flows from investing activities:</b>					
Capital expenditures	(4,749)	(4,895)	-	-	(9,644)
Purchases of available-for-sale securities	-	-	-	(30,000)	(30,000)
Proceeds from sales of available-for-sale securities	-	-	-	25,000	25,000
Net cash flows from continuing operations	<u>(4,749)</u>	<u>(4,895)</u>	<u>-</u>	<u>(5,000)</u>	<u>(14,644)</u>
Net cash flows from discontinued operations	-	2,810	-	-	2,810
Net cash from investing activities	<u>(4,749)</u>	<u>(2,085)</u>	<u>-</u>	<u>(5,000)</u>	<u>(11,834)</u>
<b>Cash flows from financing activities:</b>					
(Increase) decrease in due from affiliates	(7,329)	1,955	(2,456)	14,983	7,153
Net cash flows from continuing operations	<u>(7,329)</u>	<u>1,955</u>	<u>(2,456)</u>	<u>14,983</u>	<u>7,153</u>
Net cash flows from discontinued operations	-	(871)	-	-	(871)
Net cash from financing activities	<u>(7,329)</u>	<u>1,084</u>	<u>(2,456)</u>	<u>14,983</u>	<u>6,282</u>
<b>Net change in cash and cash equivalents</b>	<u>-</u>	<u>588</u>	<u>-</u>	<u>10,008</u>	<u>10,596</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>-</u>	<u>966</u>	<u>-</u>	<u>14,523</u>	<u>15,489</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ -</u>	<u>\$ 1,554</u>	<u>\$ -</u>	<u>\$ 24,531</u>	<u>\$ 26,085</u>

# Exhibit B - Salton Sea Funding Corporation and Guarantors - Organization Chart



(1) Salton Sea Funding Corporation has a 1% ownership interest in Salton Sea Power Company, Fish Lake Power LLC, CE Salton Sea Inc., Salton Sea Royalty LLC, Vulcan Power Company, and CalEnergy Operating Corporation.  
 (2) CalEnergy Minerals LLC - Management made a decision on September 10, 2004, to cease operations of the zinc recovery project.  
 (3) Salton Sea Power Company is the general partner.  
 (4) CalEnergy Operating Corporation and San Felipe Energy Company are the general partners.  
 (5) CalEnergy Operating Corporation and Conejo Energy Company are the general partners.  
 (6) CalEnergy Operating Corporation and Niguel Energy Company are the general partners.