

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

CALENERGY CO INC

CIK: **720556** | IRS No.: **942213782** | State of Incorp.: **DE** | Fiscal Year End: **1231**
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SIC: **4991** Cogeneration services & small power producers

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Securities and Exchange Commission

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 10, 1998

CALENERGY COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-9874	94-2213782
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

302 South 36th Street, Suite 400, Omaha, Nebraska 68131

(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, including area code: (402) 341-4500

N/A

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS.

On November 10, 1998, the Registrant priced its offering of \$100 million

aggregate principal amount of its 7.52% Senior Notes due 2008, Series B, at a price equal to 100.74264147% of the principal amount. Pursuant to such offering, the Registrant entered into an Underwriting Agreement, dated November 10, 1998, a copy of which is attached hereto as Exhibit 1.1. On November 13, 1998, the Registrant expects to enter into a Third Supplemental Indenture (as referred to below), the form of which is attached hereto as Exhibit 4.1.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits:

The following exhibits are filed as part of this report:

- 1.1 Underwriting Agreement, dated November 10, 1998, between the Company and Credit Suisse First Boston Corporation, as underwriter.
- 4.1 Form of Third Supplemental Indenture, to be dated November 13, 1998, between the Company and IBJ Schroder Bank & Trust Company, as Trustee.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CALENERGY COMPANY, INC.

By: /s/ Steven A. McArthur

Steven A. McArthur
Executive Vice President, General
Counsel and Secretary

Dated: November 11, 1998

Exhibit Index

Exhibit No.	Description
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1.1	Underwriting Agreement, dated November 10, 1998, between the Company and Credit Suisse First Boston Corporation, as underwriter.
4.1	Form of Third Supplemental Indenture, to be dated November 13, 1998, between the Company and IBJ Schroder Bank & Trust Company, as Trustee.

\$100,000,000

CALENERGY COMPANY, INC.

7.52% Senior Notes due 2008, Series B

UNDERWRITING AGREEMENT

November 10, 1998

CREDIT SUISSE FIRST BOSTON CORPORATION
Eleven Madison Avenue
New York, New York 10010

Dear Sirs:

CalEnergy Company, Inc., a Delaware corporation (the "Company"), proposes to sell \$100,000,000 aggregate principal amount of its 7.52% Senior Notes due 2008, Series B (the "Securities"). The Securities are to be issued pursuant to the Indenture dated as of October 15, 1997 (the "Base Indenture"), as supplemented by the First Supplemental Indenture dated as of October 28, 1997 (the "First Supplemental Indenture"), the Second Supplemental Indenture dated as of September 22, 1998 (the "Second Supplemental Indenture") and the Third Supplemental Indenture to be dated as of November 13, 1998 relating to the Securities (the "Third Supplemental Indenture" and, together with the Base Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), between the Company and IBJ Schroder Bank & Trust Company, as trustee (the "Trustee"). This is to confirm the agreement concerning the purchase of the Securities from the Company by Credit Suisse First Boston Corporation (the "Underwriter").

1. Representations, Warranties and Agreements of the Company.
The Company represents, warrants and agrees that:

(a) A registration statement on Form S-3 (No. 333-62697), including a form of prospectus relating to certain debt and equity securities (the "Registered Securities") to be issued from time to time by the Company, has been filed with the Securities and Exchange Commission (the "Commission") and has been declared effective under the Securities Act of 1933, as amended (the "Act"), and the Indenture has been qualified under the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The Company proposes to file with the Commission pursuant to Rule 424 under the Act, a form of prospectus supplement specifically relating to the Securities. The registration

incorporated by reference therein, is hereinafter referred to as the "Registration Statement," and the form of prospectus included in such Registration Statement, as supplemented by the prospectus supplement specifically relating to the Securities, as first filed with the Commission pursuant to and in accordance with Rule 424(b) ("Rule 424(b)") under the Act, including all material incorporated by reference therein, is hereinafter referred to as the "Prospectus". No document has been or will be prepared or distributed in reliance on Rule 434 under the Act.

(b) On the effective date of the registration statement relating to the Registered Securities, such registration statement conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission ("Rules and Regulations") thereunder and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and on the date of this Agreement, the Registration Statement conforms, and at the time of filing of the Prospectus pursuant to Rule 424(b), the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the Rules and Regulations, and none of such documents includes, or will include, any untrue statement of a material fact or omits, or will omit, to state any material fact required to be stated therein or necessary to make the statements therein (with respect to the Prospectus, in the light of the circumstances under which they were made) not misleading, except that the foregoing does not apply to statements in or omissions from the Registration Statement or the Prospectus based upon written information furnished to the Company by or on behalf of the Underwriter specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 8(e); and the Indenture conforms in all material respects to the requirements of the Trust Indenture Act and the Rules and Regulations of the Commission thereunder.

(c) The documents incorporated by reference in the Registration Statement and the Prospectus, when they became effective or were last amended or filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, and the Rules and Regulations, and none of such docu-

ments contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made, and any further documents so filed and incorporated by reference in the Registration Statement and the Prospectus, when such documents become effective or are filed with the Commission, as the case may be, shall conform in all material respects to the requirements of the Act and the Exchange Act as applicable, and the Rules and Regulations and shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made.

(d) The Company, each Subsidiary (as defined below) and each Joint Venture (as defined below) have been duly organized and are validly existing and, if applicable, in good standing under the laws of their respective jurisdictions of organization as a corporation, limited liability company or partnership, as the case may be, and have the power and authority to own, lease and operate their property and conduct their businesses as described in the Prospectus; the Company, the Subsidiaries and the Joint Ventures are duly qualified to do business and are in good standing as foreign corporations or foreign partnerships, as the case may be, in each jurisdiction, domestic or foreign, in which such registration or qualification or good standing is required (whether by reason of the ownership or leasing of property, the conduct of business or otherwise), except where the failure to so register or qualify or be in good standing is not reasonably likely to have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole. For purposes of this Agreement, (A) the term "Subsidiary" shall mean the entities listed in Schedule A hereto ("Schedule A") and (B) the term "Joint Venture" shall mean the entities listed in Schedule B hereto ("Schedule B"), it being understood that such term means the general or limited partnership or other joint venture entity and not the individual general or limited partners or other joint venturers thereof. The Subsidiaries listed in Schedule A are all the material direct and indirect "subsidiaries" of the Company, as such term is defined in Rule 405 of the Rules and Regulations, and are all of the "Significant Subsidiaries" of the Company, as such term is defined in Rule 1-02 of Regulation S-X.

(e) All the outstanding shares of capital stock of

each Subsidiary have been duly and validly authorized and issued and are fully-paid and nonassessable; and except as otherwise set forth in Schedule A or disclosed in or contemplated by the Prospectus, all outstanding shares of capital stock of each Subsidiary are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests. All of the partnership interests in the Joint Ventures beneficially owned by the Company (as reflected in Schedule B) have been duly and validly authorized and issued and, except as otherwise set forth in Schedule B or disclosed in or contemplated by the Prospectus, are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests.

(f) All the outstanding shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and nonassessable.

(g) The Securities have been duly authorized by the Company, and, when duly executed, authenticated, issued and delivered against payment therefor as contemplated hereby and by the Indenture, shall be validly issued and outstanding, and shall constitute valid and binding obligations on the part of the Company, entitled to the benefits of the Indenture, and enforceable against the Company in accordance with their terms, except as enforcement may be limited by applicable bankruptcy, fraudulent

conveyance, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles generally; and the Securities, when issued and delivered, shall conform in all material respects to the descriptions thereof contained in the Prospectus.

(h) Each of the Base Indenture and the Third Supplemental Indenture has been duly authorized, and when duly executed and delivered by the Company, shall constitute a valid and binding agreement on the part of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles generally; and the Base Indenture and the Third Supplemental Indenture, when executed and delivered, shall conform in all material respects to the descriptions thereof contained in the Prospectus.

(i) The use of the proceeds of the offering of the Securities as described in the Prospectus has been duly authorized by all necessary action on the part of the Company.

(j) Except as disclosed in the Prospectus, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or the Underwriter for a brokerage commission, finder's fee or other like payment in connection with the offering of the Securities.

(k) Except as disclosed in the Prospectus, there are no contracts, agreements or understandings which have not been satisfied or waived between the Company and any person requiring the Company to include securities of the Company owned or to be owned by such person in the securities registered pursuant to the Registration Statement.

(l) The execution, delivery and performance of this Agreement, the Base Indenture and the Third Supplemental Indenture, and the issuance and sale of the Securities and the use of the proceeds of the offering of the Securities as described in the Prospectus will not (A) conflict with the corporate charter or by-laws or partnership agreement of the Company, any Subsidiary or any Joint Venture, (B) conflict with, result in the creation or imposition of any lien, charge or other encumbrance (other than as contemplated by the Indenture) upon any asset of the Company, any Subsidiary or any Joint Venture pursuant to the terms of, or constitute a breach of, or default under, any agreement, indenture or other instrument to which the Company, any Subsidiary or any Joint Venture is a party or by which the Company, any Subsidiary or any Joint Venture is bound or to which any of the properties of the Company, any Subsidiary or any Joint Venture is subject, or (C) result in a violation of any statute,

rule, regulation, order, judgment or decree of any court or governmental agency, body or authority having jurisdiction over the Company, any Subsidiary or any Joint Venture or any of their properties where any such conflicts, encumbrances, breaches, defaults or violations under clauses (B) or (C), individually or in the aggregate, is reasonably likely to (i) have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole or (ii) impair the validity or enforceability of the Securities under the Act.

(m) Except (A) as to state or foreign securities laws , (B) consents of third parties which have been obtained and (C) consents of third parties that are required to be obtained to the MidAmerican Merger (as defined herein) that have been disclosed in the Prospectus or that are ministerial in nature and are expected to be obtained in the ordinary course, no consent, approval, authorization or order of, or filing or registration by the Company, any Subsidiary or, to the best of the Company's knowledge, any Joint Venture with, any court, governmental agency or third party is required for the consummation of the transactions contemplated by this Agreement and the Indenture in connection with the issuance and sale of the Securities by the Company and the use of the proceeds of the offering of the Securities as described in the Prospectus.

(n) The Company has full power and authority to authorize, issue and sell the Securities as contemplated by this Agreement and to execute, deliver and perform this Agreement, the Base Indenture and the Third Supplemental Indenture and the Securities.

(o) This Agreement has been duly authorized, executed and delivered by the Company.

(p) Except as disclosed in or contemplated by the Prospectus, the Company, each Subsidiary and each Joint Venture holds, as applicable, good and valid title to, or valid and enforceable leasehold or contractual interests in, all real properties and all other properties and assets owned or leased by or held under contract by each of them that are material to the business of the Company, the Subsidiaries and the Joint Ventures taken as a whole, and free from liens, encumbrances and defects that would materially interfere with the use made or to be made thereof by them.

(q) Except as disclosed in or contemplated by the Prospectus, the Company, the Subsidiaries and the Joint Ventures carry, or are covered by, insurance in such amounts and covering such risks as is customary for similarly situated companies in the Company's, such Subsidiaries' and such Joint Ventures' industries, respectively. Each of the foregoing insurance policies is valid and in full force and effect, and no event has occurred and is continuing that permits, or after notice or lapse of time or both would permit, modifications or terminations of the foregoing that,

individually or in the aggregate, is reasonably likely to have a material adverse effect on the financial condition, business or

results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole.

(r) Except as disclosed in or contemplated by the Prospectus, the Company, each Subsidiary and each Joint Venture (i) has obtained each license, permit, certificate, franchise or other governmental authorization which is material to the ownership of their properties or to the conduct of their businesses as described in or contemplated by the Prospectus and (ii) is in compliance with all terms and conditions of such license, permit, certificate, franchise or other governmental authorization, except (A) in either case where the failure to do so is not reasonably likely to have, individually or in the aggregate, a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, (B) permits, consents and approvals that may be required for future drilling or operating activities which are ordinarily deemed to be ministerial in nature and which are anticipated to be obtained in the ordinary course and (C) permits, consents and approvals for developmental or construction activities which have not yet been obtained but which have been or will be applied for in the course of development or construction and which are anticipated to be obtained in the ordinary course.

(s) Except as disclosed in the Prospectus, there are no legal or governmental actions, suits or proceedings before any court, governmental agency, body or authority, domestic or foreign, now pending or, to the knowledge of the Company, threatened against, or, to the knowledge of the Company, involving, the Company, any Subsidiary or any Joint Venture (i) of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Registration Statement or (ii) that, if determined adversely to the Company, any Subsidiary or any Joint Venture would be reasonably likely to have, individually or in the aggregate, a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, or on the ability of the Company to perform its obligations under this Agreement or the Indenture, or which are otherwise material in the context of the sale of the Securities.

(t) The conditions for use of Form S-3, as set forth in the General Instructions thereto, have been satisfied.

(u) The Company, the Subsidiaries and the Joint Ventures are currently conducting their respective businesses as described in the Prospectus.

(v) There are no contracts or documents of a character required to be described in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement which are not described or filed as required under the Act.

(w) There is no relationship, direct or indirect, that exists between or among the Company on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company on the other hand, of a character required to be described in the Registration Statement or Prospectus which is not described as required under the Act.

(x) There is no labor problem or disturbance with the persons employed by the Company, any Subsidiary or any Joint Venture that exists or, to the knowledge of the Company, that is threatened and that might reasonably be expected to have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole.

(y) Neither the Company nor any person who is a member of a group which is under common control with the Company and the Subsidiaries and the Joint Ventures, who together with the Company, the Subsidiaries and the Joint Ventures is treated as a single employer ("ERISA Affiliate") within the meaning of Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), or Section 4001(b) of the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), has established, sponsored, maintained or had any obligation to contribute to any employee benefit plans within the meaning of Section 3(3) of ERISA which are subject to Title IV of ERISA or Section 412 of the Code. Except where it could not reasonably be expected to result in a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, (i) all employee benefit plans within the meaning of Section 3(3) of ERISA established, sponsored or maintained for or on behalf of the employees, officers or directors of the Company, the Subsidiaries, the Joint Ventures or any ERISA Affiliate ("Employee Benefit Plans") are in compliance with all applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder and each such Employee Benefit Plan that is intended to be qualified under Code Section 401(a) has been determined by the Internal Revenue Service to be so qualified and (ii) no material liability or obligation has been incurred or is reasonably expected to be incurred by the Company, the Subsidiaries or the Joint Ventures or any ERISA Affiliate with respect to any Employee Benefit Plan.

(z) None of the Company, any Subsidiary or any Joint Venture (i) is in violation of its respective charter, by-laws or partnership agreement, (ii) is in default, and no event exists and is continuing that, with notice or lapse of time or both, would constitute such a default, in the due performance and observance of any material term contained in any lease, license, indenture, mortgage, deed of trust, note, bank loan or other evidence of indebtedness or any other agreement, understanding or instrument to which the Company, any Subsidiary or any Joint Venture is a party or by which the Company, any Subsidiary or any Joint Venture or any property of the Company, any

Subsidiary or any Joint Venture may be bound or affected, which default, individually or in the aggregate, is reasonably likely to have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, or (iii) is in violation of any law, ordinance, governmental rule or regulation or court decree to which it may be subject, which violation, individually or in the aggregate, is reasonably likely to have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole or would materially interfere with the execution, delivery and performance of this Agreement, the Indenture, the consummation of the transactions contemplated herein or therein, the issuance and sale of the Securities or the use of the proceeds of the offering of the Securities as described in the Prospectus.

(aa) There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, hazardous wastes or hazardous substances, pollutants or contaminants by the Company, any Subsidiary or any Joint Venture (or, to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company, any Subsidiary or any Joint Venture in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which does not have, or would not be reasonably likely to have, individually or in the aggregate with all such violations and remedial actions, a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole; there has been

no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, solid wastes, hazardous wastes or hazardous substances, pollutants or contaminants due to or caused by the Company, any Subsidiary or any Joint Venture or with respect to which the Company, any Subsidiary or any Joint Venture has knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which does not have, or would not be reasonably likely to have, individually or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole; and the terms "hazardous wastes", "toxic wastes" and "hazardous substances" shall have the meanings specified in any applicable local, state, federal and foreign laws or regulations with respect to environmental protection.

(ab) None of the Company or any Subsidiary or any Joint Venture is an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the United States In-

vestment Company Act of 1940, as amended (the "1940 Act"), nor is it a closed-end investment company required to be registered, but not registered, thereunder; and each of the Company, each Subsidiary and each Joint Venture is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company", or, to the best knowledge of the Company after due inquiry, a company controlled by an "investment company" within the meaning of the 1940 Act.

(ac) The Company, each Subsidiary and each Joint Venture has filed all federal, state and local income and franchise tax returns required to be filed through the date hereof, or has filed extensions in accordance with applicable law, and has paid all taxes required to be paid through the date hereof thereon, except for such failures to file or pay that would not, individually or in the aggregate, be reasonably likely to have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, and no tax deficiency has been determined adversely to the Company, any Subsidiary or any Joint Venture that has had (nor does the Company have any knowledge of any tax deficiency which, if determined adversely to the Company, any Subsidiary or any Joint Venture would be reasonably likely to have) a material adverse effect on the financial

condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole.

(ad) The financial statements and the related notes and schedules of each of the Company and, to the best of the Company's knowledge, MidAmerican Energy Holdings Company ("MidAmerican") included or incorporated by reference in the Registration Statement and Prospectus fairly present the financial position, the results of operations and the cash flows of each of the Company and its consolidated subsidiaries and MidAmerican and its consolidated subsidiaries, respectively, at the respective dates and for the respective periods to which they apply; and such financial statements and the related notes and schedules have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis throughout the periods therein specified. The historical information under the caption "Capitalization" in the Prospectus is accurately described as of the date presented therein.

(ae) Since the date of the latest financial statements included or incorporated by reference in the Prospectus (i) there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, (ii) to the best of the Company's knowledge, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the financial condition, business or results of operations of MidAmerican and its subsidiaries and joint ventures taken as a

whole and (iii) except as disclosed in or contemplated by the Prospectus, there have not been any transactions entered into by the Company, the Subsidiaries or any Joint Venture, other than those in the ordinary course of business, which are material to the Company, the Subsidiaries and the Joint Ventures taken as a whole; and, except as disclosed in the Prospectus, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(af) The pro forma financial information included in the Registration Statement and the Prospectus presents fairly the information shown therein, has been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial information, has been properly compiled on the pro forma bases

described therein, and, in the opinion of the Company, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein.

(ag) The accountants who have certified certain financial statements of the Company or of businesses acquired or to be acquired by the Company, as applicable, and whose reports appear in the Registration Statement and the Prospectus or are incorporated by reference therein, are and were independent public accountants as required by the Act and the Rules and Regulations during the periods covered by the financial statements on which they reported which are contained or incorporated by reference in the Registration Statement or the Prospectus.

(ah) (i) Each of the operational electric generation facilities ("Plants") owned in whole or in part, directly or indirectly by (A) the Company, (B) the Subsidiaries or (C) the Joint Ventures which is located in the United States is a "qualifying cogeneration facility" or a "qualifying small power production facility" (either or both of which are hereinafter referred to as a "QF"), as such terms are defined under the Federal Power Act, as amended ("FPA"), and the regulations thereunder, and has continuously been in compliance with the requirements for being a QF since it commenced sales of electricity; (ii) with respect to each Plant under development and located in the United States, either (x) to the extent that the Company, the Subsidiaries or the Joint Ventures plan to act as the owner and/or operator of any one of the Plants under development by the Company, the Subsidiaries or the Joint Ventures and located in the United States (as currently configured or as currently anticipated to be configured), that owner and/or operator satisfies or is currently expected to satisfy current regulatory requirements for being an "exempt wholesale generator" ("EWG"), as such term is defined under the FPA, the Public Utility Holding Company Act of 1935, as amended ("PUHCA") and the regulations thereunder or (y) each of the Plants under development by the Company, the Subsidiaries or the Joint Ventures and located in the United States (as currently configured or as currently anticipated to be configured) will be a QF and will be in continuous compliance with the requirements for being a QF; (iii) the owner or operator of each of

the Plants under development by the Company, the Subsidiaries or the Joint Ventures and located outside the United States (as currently configured or as currently anticipated to be configured) satisfies or

is currently expected to satisfy current regulatory requirements for being either (A) an EWG or (B) a "foreign utility company," as such term is defined under PUHCA and the regulations thereunder; (iv) none of the entities identified in clause (A) or (B) of subparagraph (i) above owns or operates or will own or operate any electric distribution facilities or any electric transmission facilities in or outside of the United States other than electric transmission facilities that have been or will be approved by the Federal Energy Regulatory Commission as being part of a QF, or the owner and/or operator of which will have qualified as EWG's or as "foreign utility companies" as such terms are defined under the FPA, PUHCA and the regulations thereunder; and (v) none of the entities identified in clause (A), (B) or (C) of subparagraph (i) above is, or is subject to regulation as, a "public utility holding company" or a "subsidiary company" of a "public utility holding company," as those terms are defined under PUHCA, or is subject to regulation under the FPA, other than as contemplated by 18 C.F.R Section 292.601(c), or, except as described in or contemplated by the Prospectus, subject to regulation by any state law or foreign governmental law with respect to rates or the financial or organizational regulation of electric utilities.

(ai) The Agreement and Plan of Merger dated as of August 11, 1998 among the Company, Maverick Reincorporation Sub, Inc., MidAmerican and MAVH Inc. (including all exhibits and schedules thereto, the "MidAmerican Merger Agreement") has been duly and validly authorized, executed and delivered by the Company and, assuming the due execution and delivery by the other parties thereto, constitutes a valid and binding agreement on the part of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles generally. No facts have come to the Company's attention that have led the Company to believe that the MidAmerican Merger or the reincorporation of the Company contemplated by the MidAmerican Merger Agreement will not be consummated on terms (subject to satisfaction of applicable conditions) that are materially consistent with those described in the Prospectus.

(aj) The Company's pending acquisition of MidAmerican Energy Holdings Company (the "MidAmerican Merger") and the consummation of the transactions contemplated thereby, shall not (A) conflict with the corporate charter of the Company, (B) constitute a breach of, or default under, any agreement, indenture or other instrument to which the Company, any Subsidiary or any Joint Venture is a party or by which the Company, any Subsidiary or any Joint Venture is bound or to which any of the properties of the Company, any Subsidiary or Joint Venture is subject, or (C) result in a violation of any statute, rule, regulation, order, judgment or decree of

any court or governmental agency, body or authority, having jurisdiction over the Company or, to the best of the Company's knowledge, MidAmerican; except in the case of clauses (B) and (C) such breaches, defaults or violations which, individually or in the aggregate, would not have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and Joint Ventures taken as a whole.

(ak) To the best of the Company's knowledge, the representations and warranties of MidAmerican contained in the MidAmerican Merger Agreement are true and correct in all material respects as if made on the date hereof.

2. Purchase of the Securities by the Underwriter.

On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell \$100,000,000 aggregate principal amount of the Securities to the Underwriter and the Underwriter agrees to purchase \$100,000,000 aggregate principal amount of the Securities. The price to be paid to the Company for the Securities shall be 100.74264147% of the aggregate principal amount. The Company shall not be obligated to deliver any of the Securities to be delivered on the Delivery Date, except upon payment for all the Securities to be purchased on the Delivery Date (as hereinafter defined) as provided herein.

3. Offering of the Securities by the Underwriter.

The Underwriter proposes to offer the Securities for sale upon the terms and conditions set forth in the Prospectus.

4. Delivery of and Payment for the Securities. Delivery of and payment for the Securities shall be made at the office of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York 10022, at 10:00 A.M., New York City time, on the third full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Underwriter and the Company. This date and time are sometimes referred to as the "Delivery Date." On the Delivery Date, the Company shall deliver or cause to be delivered to the Underwriter the Securities, in the form of one or more permanent global notes in definitive form (the "Global Securities") deposited with the Trustee as custodian for the Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC, against payment to or upon the order of the Company of the purchase price by certified or official bank check or checks payable in or wire transfer of Federal (same-day) funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of

the obligation of the Underwriter hereunder. Upon delivery, the Securities shall be registered in such names and in such denominations as the Underwriter shall request in writing not less than two full business days prior to the Delivery Date. For the purpose of expediting the checking and packaging of the

Global Securities, the Company shall make the Global Securities available for inspection by the Underwriter in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to the Delivery Date.

5. Further Agreements of the Company. The Company agrees:

(a) The Company will file the Prospectus with the Commission pursuant to and in accordance with subparagraph (2) (or, if applicable and if consented to by the Underwriter, subparagraph (5)) of Rule 424(b) not later than the second business day following the execution and delivery of this Agreement. The Company will advise the Underwriter promptly of any such filing pursuant to Rule 424(b).

(b) The Company will advise the Underwriter promptly of any proposal to amend or supplement the Registration Statement or the Prospectus and will not effect such amendment or supplementation without the Underwriter's prior consent, which consent shall not be unreasonably withheld; and the Company will also advise the Underwriter promptly of the effectiveness of any amendment or supplementation of the Registration Statement or the Prospectus and of the institution by the Commission of any stop order proceedings in respect of the Registration Statement and will use its reasonable best efforts to prevent the issuance of any such stop order and to obtain as soon as possible its lifting, if issued.

(c) If, at any time when a prospectus relating to the Securities is required, in the opinion of counsel for the Underwriter, to be delivered under the Act in connection with sales by the Underwriter or any dealer, any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any such time to amend the Prospectus to comply with the Act, the Company will promptly notify the Underwriter of such event and will promptly prepare and file with the Commission, at its own expense, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither the Underwriter's consent to, nor the Underwriter's delivery of, any

such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 7.

(d) As soon as practicable, but not later than 16 months after the date of this Agreement, the Company will make generally available to its securityholders an earnings statement (which need not be audited) covering a period of at least 12 months beginning after the later of (i) the effective date of the most recent post-effective amendment to the Registration Statement to become effective prior to the date of this Agreement and (ii) the date of the Company's most recent Annual Report on Form 10-

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K filed with the Commission prior to the date of this Agreement, which will satisfy the provisions of Section 11(a) of the Act.

(e) The Company will furnish to the Underwriter copies of the Registration Statement (two of which will be signed and will include all exhibits), each preliminary prospectus and preliminary prospectus supplement relating to the Securities, and, so long as delivery of a prospectus relating to the Securities is required to be delivered under the Act in connection with sales by the Underwriter or any dealer, the Prospectus and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Underwriter requests. The Company will pay the expenses of printing and distributing to the Underwriter all such documents.

(f) The Company will arrange for the qualifications of the Securities for sale under the laws of such jurisdictions in the United States as the Underwriter designates and will continue such qualifications in effect so long as required for the distribution, provided that, in connection therewith the Company shall not, with respect to any such jurisdiction, be required to qualify as a foreign corporation, to file a general consent to service of process or to take any other action that would subject it to service of process in suits other than those arising out of the offering of the Securities or to taxation in respect of doing business in any jurisdiction in which it is not otherwise subject.

(g) During the period of three years hereafter, the Company will furnish to the Underwriter as soon as practicable, after the end of each fiscal year, a copy of its annual report to stockholders for such year; and the Company will furnish to the Underwriter as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to stockholders.

(h) The Company will indemnify and hold harmless the Underwriter against any documentary, stamp or similar issuance tax, including any interest and penalties, on the issuance and sale of the Securities and on the execution and delivery of this Agreement. All payments to be made by the Company hereunder shall be made without withholding or deduction for or on account of any present or future taxes, duties or governmental charges whatsoever unless the Company is compelled by law to deduct or withhold such taxes, duties or charges. In that event, the Company shall pay such additional amounts as may be necessary in order that the net amounts received after such withholding or deduction shall equal the amounts that would have been received if no withholding or deduction had been made.

(i) The Company shall apply the net proceeds from the sale of the Securities as set forth in the Prospectus.

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(j) No action has been or, prior to the completion of the distribution of the Securities, will be taken by the Company in any jurisdiction outside the United States that would permit a public offering of the Securities, or possession or distribution of the Prospectus, or any amendment or supplement thereto, or any related preliminary prospectus or preliminary prospectus supplement issued in connection with the offering of the Securities, or any other offering material, in any country or jurisdiction where action for that purpose is required.

6. Expenses. The Company agrees to pay (a) the costs incident to the authorization, issuance, sale and delivery of the Securities and will reimburse the Underwriter (if and to the extent necessary) for any travel expenses of the Company's officers and employees and other expenses of the Company in connection with attending or hosting meetings with prospective purchasers of the Securities; (b) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement and any amendments and exhibits thereto; (c) the costs of distributing any preliminary prospectus, preliminary prospectus supplement, the Prospectus and any amendment or supplement thereto or any document incorporated by reference therein, all as provided in this Agreement; (d) the costs of producing and distributing this Agreement, the Base Indenture and the Third Supplemental Indenture and any other related documents in connection with the offering, purchase, sale and delivery of the Securities; (e) any rating agency fees; and (f) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement; provided that, except as provided in this Section 6 and in Section 10, the Underwriter shall pay its own costs and expenses, including the costs and expenses of its counsel, any transfer taxes

on the Securities which they may sell and the expenses of advertising any offering of the Securities made by the Underwriter.

7. Conditions of Underwriter's Obligations. The obligations of the Underwriter hereunder are subject to the accuracy, when made and on the Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Underwriter shall have received a letter, dated the date of this Agreement, of Deloitte & Touche LLP (and the independent accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are included or incorporated by reference in the Prospectus) in agreed form with respect to the Company's financial statements and financial data.

(b) The Underwriter shall have received a letter, dated the date of this Agreement, of PricewaterhouseCoopers LLP (and the independent accountants of any subsidiary of MidAmerican or of any business acquired by MidAmerican for which financial statements and financial data are included or incorporated by reference in the

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Prospectus) in agreed form with respect to MidAmerican's financial statements and financial data.

All financial statements and schedules included in material incorporated by reference into the Registration Statement and the Prospectus shall be deemed included in the Registration Statement and the Prospectuses for purposes of this subsection and subsection (a) above.

(c) The Prospectus shall have been filed with the Commission in accordance with the Rules and Regulations and Section 5(a) of this Agreement. Prior to the Delivery Date, no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the Underwriter, shall be contemplated by the Commission.

(d) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change in the financial condition, business or results of operations of the Company, the

Subsidiaries and the Joint Ventures, taken as a whole, which, in the judgment of the Underwriter, is material and adverse and makes it impractical or inadvisable to proceed with completion of the public offering or the sale of and payment for the Securities; (ii) any downgrading in the rating of any debt securities or preferred stock of the Company by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities or preferred stock of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (iii) any suspension or limitation of trading in securities generally on the New York Stock Exchange or any setting of minimum prices for trading on such exchange, or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (iv) any banking moratorium declared by Federal or New York authorities; or (v) any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency if, in the judgment of the Underwriter, the effect of any such outbreak, escalation, declaration, calamity or emergency on the financial markets makes it impracticable or inadvisable to proceed with completion of the public offering or the sale of and payment for the Securities.

(e) The Underwriter shall have received an opinion, dated the Delivery Date, of Steven A. McArthur, Executive Vice President and General Counsel of the Company, to the effect that:

(i) Each of the Company, the Subsidiaries and the Joint Ventures has been duly organized and is validly existing and, if applicable, in good standing under the laws of its respective jurisdiction of organization and each of the Company, the Subsidiaries and the Joint Ventures has the power and authority to own, lease and operate its respective properties and to conduct its businesses as described in the Prospectus;

(ii) Each of the Company, the Subsidiaries and the Joint Ventures is duly registered or qualified to do business and (to the extent applicable) is in good standing as a foreign corporation, a foreign partnership or a foreign

limited liability company, as the case may be, in each jurisdiction, domestic or foreign, in which such registration, qualification or good standing is required (whether by reason of the ownership or leasing of property, the conduct of its business or otherwise), except where the failure to so register or qualify or be in good standing is not reasonably likely to have a material adverse effect on the financial condition, business or results of operation of the Company, the Subsidiaries and the Joint Ventures taken as a whole;

(iii) The Company has the authorized and outstanding capitalization as set forth under the caption "Capitalization" in the Prospectus; to the best knowledge of such counsel, all the outstanding shares of capital stock of each Subsidiary have been duly and validly authorized and issued and are fully paid and nonassessable; and to the best knowledge of such counsel, except as otherwise set forth in Schedule A attached hereto or disclosed in or contemplated by the Prospectus, all outstanding shares of capital stock of each Subsidiary are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests; and to the best knowledge of such counsel, all of the partnership interests in the Joint Ventures owned by the Company (as reflected in Schedule B attached hereto) have been duly and validly authorized and issued, and, except as otherwise disclosed in or contemplated by the Prospectus, are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests;

(iv) Each of the Base Indenture and the Third Supplemental Indenture and the MidAmerican Merger Agreement has been duly and validly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency (involving, without limitation, all laws relating to fraudulent transfers), reorganization or other laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(v) The Securities have been validly authorized by the Company, and, assuming due authentication by the Trustee, when issued and delivered as contemplated by the Indenture upon payment therefor as provided in this Agreement, will be validly issued and outstanding, and will constitute valid and binding obligations of the Company, entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency (involving, without limitation, all laws relating to fraudulent transfers), reorganization or other laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(vi) The statements in the Prospectus under the captions "Description of the Securities" and "Description of Debt Securities," insofar as they purport to summarize the provisions of the Indenture and the Securities, fairly summarized such provisions in all material respects.

(vii) To such counsel's knowledge, except as otherwise disclosed in the Prospectus, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or the Underwriter for a brokerage commission, finder's fee or other like payment;

(viii) To such counsel's knowledge, there are no contracts, agreements or understandings which have not been satisfied or waived between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include any such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act;

(ix) Except as disclosed in or contemplated by the Prospectus, each of the Company, the Subsidiaries and the Joint Ventures has good and valid title to, or valid and enforceable leasehold or contractual interests in, all real properties and all other properties and assets owned or leased by each of them that are material to the business of each such entity, in each case free from all liens, encumbrances, and defects that would materially interfere with the use made or to be made thereof by them;

(x) To such counsel's knowledge, there is no legal or governmental action, suit or proceeding before any court, governmental agency, body or authority, domestic or foreign, now pending, threatened against, or involving,

the Company, any Subsidiary or any Joint Venture (i) of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Registration Statement or (ii) that, if determined adversely to the Company, any Subsidiary or any Joint Venture, is reasonably likely to have, individually or in the aggregate, a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole or on the ability of the Company to perform its obligations under this Agreement, the Indenture or the Securities;

(xi) To such counsel's knowledge, the Company, each Subsidiary and each Joint Venture (i) has obtained each license, permit, certificate, franchise or other governmental authorization which is material to the ownership of their properties or to the conduct of their businesses as described in the Prospectuses and (ii) is in compliance with all terms and conditions of such license, permit, certificate, franchise or other governmental authorization, except (x) in either case where the failure to do so is not reasonably likely to have, individually or in the aggregate, a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, (y) permits, consents and approvals that may be required for future drilling or operating activities which are ordinarily deemed to be ministerial in nature and which are anticipated to be obtained in the ordinary course and (z) permits, consents and approvals for developmental or construction activities which have not yet been obtained but which have been or will be applied for in the course of development or construction and which are anticipated to be obtained in the ordinary course;

(xii) The Company has all requisite corporate power and authority to enter into this Agreement, the MidAmerican Merger Agreement, the Base Indenture and the Third Supplemental Indenture, to issue the Securities and to

consummate the transactions contemplated by this Agreement, the Indenture, the Securities and the MidAmerican Merger Agreement;

(xiii) There are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations which have not been described or filed as exhibits to the Registration Statement or incorporated by reference therein as permitted by the Rules and Regulations;

(xiv) This Agreement has been duly authorized, executed and delivered by the Company;

(xv) (A) The execution, delivery and performance of this Agreement, the MidAmerican Merger Agreement, the Indenture, the issuance and sale of the

Securities and the use of proceeds of the Securities as designated in the Prospectus do not and will not (i) conflict with the corporate charter or by-laws or partnership agreement of the Company, any Subsidiary or any Joint Venture, (ii) to the best knowledge of such counsel (except as contemplated by the Indenture), conflict with, result in the creation or imposition of any lien, charge or other encumbrance upon any asset of the Company, any Subsidiary or any Joint Venture pursuant to the terms of, or constitute a breach of, or default under, any agreement, indenture or other instrument to which the Company, any Subsidiary or any Joint Venture is a party or by which the Company, any Subsidiary or any Joint Venture is bound or to which any of the properties of the Company, any Subsidiary or any Joint Venture is subject, or (iii) to the best knowledge of such counsel, result in a violation of any statute, rule, regulation, order, judgment or decree of any court or governmental agency, body or authority having jurisdiction over the Company, any Subsidiary or any Joint Venture or any of their properties where any such conflict, encumbrance, breach, default or violation under clauses (ii) or (iii), individually or in the aggregate, is reasonably likely to have a material adverse effect on the financial condition, business or results of operations of the Company, its Subsidiaries and the Joint Ventures taken as a whole; (B) to

the knowledge of such counsel, except for (i) the registration of the Securities under the Act and the qualification of the Indenture under the Trust Indenture Act and (ii) such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Securities, no consent, authorization or order of, or filing or registration by the Company, any Subsidiary or any Joint Venture with, any court, governmental agency or third party is required in connection with the execution, delivery and performance by the Company of this Agreement, the Indenture, the consummation of the transactions contemplated herein and therein, and the issuance, distribution and sale of the Securities as contemplated herein and therein, the failure to obtain which, individually or in the aggregate, is reasonably likely to have a material adverse effect on the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole, or on the Securities or the ability of the Company to perform its obligations under this Agreement, the Indenture and the Securities and (C) the Company has full corporate power and authority to authorize, issue and sell the Securities as contemplated by this Agreement and the Indenture;

(xvi) The Company is not required to be registered under the Investment Company Act of 1940, as amended;

(xvii) The documents incorporated by reference in the Prospectus and any further amendments or supplements to any such incorporated document

made by the Company prior to the Delivery Date (other than the financial statements, related schedules and other financial and statistical information contained therein or omitted therefrom as to which such counsel need express no opinion), when they became effective or were filed with the Commission, as the case may be, appear on their face to have been appropriately responsive in all material respects to the applicable requirements of the Act or the Exchange Act, as the case may be, and the Rules and Regulations of the Commission thereunder; and

(f) The Company shall have furnished to the

Underwriter the opinion of Willkie Farr & Gallagher, special counsel to the Company, addressed to the Underwriter and dated the Delivery Date, in form and substance satisfactory to the Underwriter, to the effect that:

- (i) The Company has been duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization and the Company has the corporate power and authority to own, lease and operate its properties and to conduct its businesses as described in the Prospectus;
- (ii) Such counsel has been advised by the Commission that the Registration Statement has been declared effective under the Act; the Prospectus has been filed with the Commission pursuant to the appropriate subparagraph of Rule 424(b) of the Rules and Regulations; to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission;
- (iii) The Registration Statement, as of its effective date, the Registration Statement and the Prospectus, as of the date of this Agreement, and any further amendments or supplements thereto made by the Company prior to the Delivery Date (in each case, other than the financial statements, related schedules, other financial and statistical information contained therein or omitted therefrom as to which such counsel need express no opinion) as of their effective dates, appear on their face to have been appropriately responsive in all material respects to the applicable requirements of the Act, the Exchange Act and the Rules and Regulations;
- (iv) Each of the Base Indenture and the Third Supplemental Indenture has been duly and validly authorized, executed and delivered by the Company and constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization or other similar laws affecting

creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(v) The Securities have been validly authorized by the Company, and, upon payment therefor as provided in this Agreement, will be validly issued and outstanding, and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization or other similar laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(vi) To such counsel's knowledge, there are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations which have not been described or filed as exhibits to the Registration Statement or incorporated by reference therein as permitted by the Rules and Regulations;

(vii) This Agreement has been duly authorized, executed and delivered by the Company; and

(viii) No consent, authorization, order of, or filing or registration by the Company with, any United States governmental authority or body having jurisdiction over the Company is necessary or required for the performance by the Company of its obligations under this Agreement, the Indenture or the Securities or in connection with the issuance and sale of the Securities hereunder or thereunder, except as may be required under applicable federal, state or foreign securities laws or blue sky laws in connection with the purchase and distribution of the Securities.

(g) In the rendering of the opinions described in Section 7(e) and Section 7(f) above, such counsel may (i) state that their opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York and the General Corporation Law of the State of Delaware and (ii) rely, to the extent they deem proper, in respect of matters of fact, upon certificates and representations of officers of the Company, the Subsidiaries or the Joint Ventures and public officials. Such counsel shall also have furnished to the Underwriter a written statement, dated the Delivery Date, in form and substance reasonably satisfactory

Gallagher, such counsel may state that they have acted as special counsel to the Company for purposes of the offering of the Securities) have participated in conferences with representatives of the Company, some of which have been attended by the Underwriter and its counsel, at which conferences the contents of the Registration Statement, the Prospectus, each amendment thereof and supplement thereto and related matters were discussed, although such counsel has not independently checked or verified and is not passing upon and assumes no responsibility for the factual accuracy, completeness or fairness of the statements (except to the extent set forth in the opinion of such counsel) contained in the Registration Statement, the Prospectus, any amendment thereof or supplement thereto, and did not participate in the preparation of the documents incorporated by reference in the Registration Statement and (ii) based on the foregoing, no facts have come to the attention of such counsel which cause them to believe that (except for the financial statements, related schedules and other financial and statistical information contained therein or omitted therefrom as to all of which such counsel need not express any belief) (I) the Registration Statement, as of its effective date and as of the date of this Agreement, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Prospectus, as amended and supplemented as of the date of this Agreement or the Delivery Date, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (II), in the case of the General Counsel of the Company, any document incorporated by reference in the Prospectus or any further amendment or supplement to such incorporated document made by the Company prior to the Delivery Date when they became effective or were filed with the Commission, as the case may be, contained, in the case of a registration statement that became effective under the Act, any untrue statement of a material fact or omitted to state a material fact required to be stated therein, in the light of the circumstances under which they were made, or necessary in order to make the statements therein not misleading, or, in the case of other documents which were filed under the Exchange Act with the Commission, an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(h) The Underwriter shall have received from Skadden, Arps, Slate Meagher & Flom LLP, counsel for the Underwriter, such opinion or opinions, dated the Delivery Date, with respect to the issuance and sale of the Securities, the Registration Statement, the Prospectus and other related matters as the Underwriter may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(i) The Underwriter shall have received a certificate, dated the Delivery Date, of the President or any Vice-President and a principal financial or

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accounting officer of the Company in which such officers shall state that, to the best of their knowledge after reasonable investigation, the representations and warranties of the Company in this Agreement are true and correct in all material respects, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Delivery Date, that no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are contemplated by the Commission and that, subsequent to the date of the most recent financial statements included or incorporated by reference in the Prospectus, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole except as set forth in or contemplated by the Prospectuses or as described in such certificate.

(j) The Underwriter shall have received letters, dated the Delivery Date, of Deloitte & Touche LLP and such other independent accountants for subsidiaries and acquired businesses which meet the requirements of subsection (a) of this Section, except that the specified date referred to in such subsection will be a date not more than three days prior to the Delivery Date for the purposes of this subsection.

(k) The Underwriter shall have received letters, dated the Delivery Date, of PricewaterhouseCoopers LLP and such other independent accountants for subsidiaries and acquired businesses which meet the requirements of subsection (b) of this Section, except that

the specified date referred to in such subsection will be a date not more than three days prior to the Delivery Date for the purposes of this subsection.

(1) Since the date of the latest audited financial statements included or incorporated by reference in the Prospectus (i) except as disclosed in the Prospectus, there shall have been no material adverse change, or a development which is reasonably likely to lead to a material adverse change, in the financial condition, business or results of operations of the Company, the Subsidiaries and the Joint Ventures taken as a whole and (ii) except as disclosed in the Prospectus, there shall not have been any transactions entered into by the Company, the Subsidiaries or any Joint Venture, other than those in the ordinary course of business, which are material and adverse to the Company, the Subsidiaries and the Joint Ventures taken as a whole, and which, in the judgment of the Underwriter, make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed in compliance with the provisions hereof only if they are in the form and substance reasonably satisfactorily to counsel for the Underwriter.

8. Indemnification and Contribution.

(a) The Company shall indemnify and hold harmless the Underwriter, its officers and employees and each person, if any, who controls the Underwriter within the meaning of the Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of the Securities), to which the Underwriter, officer, employee or controlling person may become subject, under the Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Prospectus, or in any amendment or supplement thereto, or in any related preliminary prospectus or preliminary prospectus supplement, (ii) the omission or alleged omission to state in the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or any related preliminary prospectus or preliminary

prospectus supplement, any material fact required to be stated therein or necessary to make the statements therein (with respect to any prospectus or prospectus supplement, in light of the circumstances under which they were made) not misleading, and shall reimburse the Underwriter and each officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by the Underwriter in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus or preliminary prospectus supplement, the Registration Statement or the Prospectus, or in any such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by the Underwriter specifically for inclusion therein.

(b) The Underwriter shall indemnify and hold harmless the Company, its officers and employees, each of its directors, and each person, if any, who controls the Company within the meaning of the Act, from and against any loss claim, damage or liability, joint or several, or any action in respect thereof, to which the Company may become subject, under the Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in the Registration Statement or the Prospectus or in any amendment or supplement thereto, or any related preliminary prospectus or preliminary prospectus supplement or (ii) the omission or alleged omission to state in the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or in any related preliminary prospectus or preliminary prospectus supplement, any material fact required to be stated therein or necessary to make the statements therein (with respect to any prospectus or prospectus supplement,

in the light of the circumstances under which they were made) not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Underwriter specifically for inclusion therein, and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company in connection with investigating or

defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which the Underwriter may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the Underwriter shall have the right to employ counsel to represent jointly the Underwriter and its respective officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Underwriter against the Company under this Section 8 if the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action or, if in the written opinion of counsel to either the Company or the Underwriter, representation of both parties by the same counsel would be inappropriate due to actual or likely conflicts of interest between the Underwriter and its officers, employees, directors and controlling persons and in that event the fees and expenses of such separate counsel shall be paid by the Company. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or

proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriter on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriter on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriter on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Securities purchased under this Agreement (before deducting expenses) received by the Company, bear to the total underwriting discounts and commissions received by the Underwriter with respect to the Securities purchased under this Agreement. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriter, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriter agree that it would not be just and equitable if contribution pursuant to this Section were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or

payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding

the provision of this Section 8(d), the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the amount of Securities underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which the Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The Underwriter confirms and the Company acknowledges that (i) the statements with respect to the public offering of the Securities by the Underwriter set forth on the cover page of the Prospectus and in paragraph 2 in the section "Underwriting" in the Prospectus concerning the terms of the offering and resales by the Underwriter, (ii) the statement relating to market-making by the Underwriter in paragraph 5 in the section "Underwriting" in the Prospectus and (iii) the information relating to over-allotments and stabilizing in paragraph 7 in the section "Underwriting" in the Prospectus constitute the only information concerning the Underwriter furnished in writing to the Company by the Underwriter specifically for inclusion in the Registration Statement and the Prospectus.

9. Termination. The obligations of the Underwriter hereunder may be terminated by the Underwriter by notice given to and received by the Company prior to delivery of and payment for the Securities if, prior to that time, any of the events described in Sections 7(d) or 7(l), shall have occurred or if the Underwriter shall decline to purchase the Securities for any reason permitted under this Agreement.

10. Reimbursement of Underwriter's Expenses. If the Company shall fail to tender the Securities for delivery to the Underwriter by reason of any failure, refusal or inability on the part of the Company to perform any material agreement on its part to be performed, or because any other material

condition of the Underwriter's obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the Underwriter for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by the Underwriter in connection with this Agreement and the proposed purchase of the Securities in excess of \$250,000, and upon demand the Company shall pay the full amount thereof to the Underwriter; provided, however, that in no event shall such amount exceed \$100,000.

11. Notices, etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriter, shall be delivered or sent by mail, telex or facsimile transmission to Credit Suisse First Boston Corporation, Eleven Madison

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Avenue, New York, New York 10010, Attention: Investment Banking Department/Transactions Advisory Group (Fax: (212) 325-8278); and

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: General Counsel (Fax: (402) 231-1658).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Underwriter, the Company and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control the Underwriter within the meaning of Section 15 of the Act and (B) the indemnity agreement of the Underwriter contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of directors of the Company, officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 12, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

13. Survival. The respective indemnities, representations, warranties and agreements of the Company and the Underwriter contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Securities and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

14. Definition of the Term "Business Day". For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange, Inc. is open for trading.

15. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF NEW YORK.

Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "Specified Courts"), and

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irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The parties further agree that service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

16. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

17. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement between the Company and the Underwriter, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

CALENERGY COMPANY, INC.

By /s/ Steven A. McArthur

Name: Steven A. McArthur
Title: Executive Vice President

Accepted:

CREDIT SUISSE FIRST BOSTON CORPORATION

By /s/ Adebayo Ogunlesi

Authorized Representative

SCHEDULE A

Subsidiaries

Coso Funding Corp.+
Incorporated in Delaware

Coso Hotsprings Intermountain Power, Inc. +
Incorporated in Delaware

China Lake Operating Company +
Incorporated in Delaware

Coso Technology Corporation +
Incorporated in Delaware

China Lake Geothermal Management Company +
Incorporated in Delaware

China Lake Plant Services, Inc. +
Incorporated in California

Coso Hotsprings Overland Power, Inc.+
Incorporated in Delaware

CE Geothermal, Inc.
Incorporated in Delaware

Western States Geothermal Company
Incorporated in Delaware

Intermountain Geothermal Company
Incorporated in Delaware

CalEnergy Development Corporation
Incorporated in Delaware

California Energy Yuma Corporation
Incorporated in Utah

California Energy General Corporation
Incorporated in Delaware

Rose Valley Properties, Inc.
Incorporated in Delaware

CalEnergy Minerals, LLC
Incorporated in Delaware

CBE Engineering Co.
Incorporated in California

CE Exploration Company
Incorporated in Delaware

CE Newberry, Inc.

Incorporated in Delaware

CE International Investments Inc.

Incorporated in Delaware

CE Philippines Ltd.

Incorporated in Bermuda

CE Mahanagdong Ltd.

Incorporated in Bermuda

Ormoc Cebu Ltd.

Incorporated in Bermuda

CE Cebu Geothermal Power Company, Inc.+

Incorporated in the Philippines

CE Indonesia Ltd.+

Incorporated in Bermuda

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

CE Casecnan Ltd.

Incorporated in Bermuda

CE Singapore Ltd.

Incorporated in Bermuda

CalEnergy International Ltd.

Incorporated in Bermuda

CE Bali, Ltd.

Incorporated in Bermuda

CE Casecnan Water and Energy Company, Inc.+

Incorporated in the Philippines

Capital Stock: Owned 35% by CE Casecnan Ltd.,

35% by Kiewit Energy International (Bermuda) Ltd.,

15% by La Prairie Group Contractors (International) Ltd and

15% by San Lorenzo Ruiz Builders & Developers Group, Inc.

Magma Power Company+
Incorporated in Nevada

CalEnergy Operating Corporation+
Incorporated in Delaware

Salton Sea Power Company+
Incorporated in Nevada

Vulcan Power Company+
Incorporated in Nevada

Imperial Magma+
Incorporated in Nevada

Magma Land Company I+
Incorporated in Nevada

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Desert Valley Company+
Incorporated in California

Fish Lake Power Company+
Incorporated in Delaware

Magma Netherlands B.V.+
Formed in the Netherlands

Tonganan Power Investment, Inc.+
Incorporated in the Philippines

Salton Sea Funding Corporation +
Incorporated in Delaware

Salton Sea Royalty Company+
Incorporated in Delaware

CE Asia Ltd.+
Incorporated In Bermuda

American Pacific Finance Company
Incorporated in Delaware

CalEnergy International Services, Inc.
Incorporated in Delaware

CalEnergy Imperial Valley Company, Inc.
Incorporated in Delaware

California Energy Retail Company, Inc.
Incorporated in Delaware

CE Humboldt, Inc.
Incorporated in Delaware

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

CE Ijen Ltd.
Incorporated in Bermuda

Magma Generating Company I
Incorporated in Nevada

Magma Generating Company II
Incorporated in Nevada

Peak Power Corporation
Incorporated in California

CE Luzon Geothermal Power Company, Inc.+
Incorporated in the Philippines

Capital Stock: Owned 50% by CE Mahanagdong Ltd.; 50% by Kiewit Energy International (Bermuda) Ltd.; an industrial company has the right to acquire 10% of the equity - 5% from CE Mahanagdong Ltd. and 5% from Kiewit Energy International (Bermuda) Ltd.

Himpurna California Energy Ltd.+

Incorporated in Bermuda

Capital Stock: Owned 47% by CE Indonesia Ltd.; 47% by Kiewit Energy International (Bermuda) Ltd., and 6% by P.T. Himpurna Enersindo Abadi; ("Himpurna"). Himpurna has assigned the right to certain preferred dividends representing a 4% interest in Himpurna California Energy Ltd., under the Joint Operating Contract, Pertamina has certain rights to acquire up to a 25% interest in the Joint Operating Contract, but not under the Energy Sales Contract

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Patuha Power, Ltd.+

Incorporated in Bermuda

Capital Stock: Owned 44% by CE Singapore Ltd., and 44% by Kiewit Energy International (Bermuda) Ltd.; and 12% by Mahaka Energy; under the Joint Operating Contract, Pertamina has certain rights to acquire up to a 25% interest in the Joint Operating Contract, but not under the Energy Sales Agreement

Bali Energy Ltd.+

Incorporated in Bermuda

Capital Stock: Owned 50% by CE Bali Ltd. and 50% by Kiewit Energy International (Bermuda) Ltd. P.T. Pandanwangi Sekartji has the right to acquire up to 40% of the equity in Bali Energy Ltd.

Norming Investments BV+

Incorporated in the Netherlands

BN Geothermal Inc.+

Incorporated in Delaware

Conejo Energy Company+

Incorporated in California

Niguel Energy Company+

Incorporated in California

San Felipe Energy Company+
Incorporated in California

CE/FS Holding Company, Inc.
Incorporated in Delaware

Falcon Seaboard Power Corporation
Incorporated in Texas

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Falcon Seaboard Resources, Inc.
Incorporated in Texas

Falcon Seaboard Energy Corporation
Incorporated in Texas

Falcon Seaboard Gas Company
Incorporated in Texas

Falcon Seaboard Oil Company
Incorporated in Texas

Falcon Seaboard Pipeline Corporation
Incorporated in Texas

Big Spring Pipeline Company
Incorporated in Texas

Falcon Power Operating Company
Incorporated in Texas

Power Resources, Inc.+
Incorporated in Texas

North Country Gas Pipeline Corporation +
Incorporated in New York
Owned by Saranac Power Partners, L.P.

Saranac Energy Company, Inc.+
Incorporated in Delaware

SECI Holdings, Inc.+
Incorporated in Delaware

Northern Consolidated Power, Inc. +
Incorporated in Delaware

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

NorCon Holdings, Inc.
Incorporated in Delaware

CE Electric, Inc.
Incorporated in Delaware

CE Power, Inc.
Incorporated in Delaware

CE Electric UK plc +
Incorporated in England
Capital Stock: Owned by CE Electric UK Holdings

American Pacific Finance Company II +
Incorporated in Delaware
Capital Stock: Owned 50% by CalEnergy Company, Inc. and 50% by Kiewit Energy Company

CE Indonesia Geothermal, Inc.
Incorporated in Delaware

Slupo I B.V.+
Incorporated in Netherlands
Owned 50% by CE Asia Ltd. and 50% by Kiewit Energy International (Bermuda) Limited

CE Indonesia Funding Corp. +
Incorporated in Delaware

Owned 50% by Himpurna California Energy Ltd.
and 50% by Patuha Power, Ltd.

Gilbert/CBE Indonesia L.L.C.
Organized in Nebraska
Owned 60% Gilbert Industrial Corporation and 40% CBE Engineering Co.

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Northern Electric plc+ Incorporated in England and Wales Owned by CE Electric UK plc.

Northern Electric Generation (NPL) Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Supply Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Share Scheme Trustee Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Transport Finance Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Retail Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Properties Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Distribution Limited
Incorporated in England and Wales
Owned by Northern Electric plc.

Gas UK Limited+ Incorporated in England and Wales Owned by Northern Electric plc.

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Northern Electric (Overseas Holdings) Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Generation (CPS) Limited + Incorporated in England and Wales Owned indirectly by Northern Electric plc.

Kings Road Developments Limited+
Incorporated in England and Wales
Owned 48% by Northern Electric plc., 26% by Cussins Homes and 26% by Bellway Homes.

Ryhope Road Developments Ltd. +
Incorporated in England and Wales
Owned 49% by Northern Electric Properties Ltd. and
51% by Bowey Group Limited

Stamfordham Road Developments Ltd.+
Incorporated in England and Wales
Owned 49% by Northern Electric Properties Ltd. and
51% by Cussins Commercial Development Ltd.

Northern Electric Generation (TPL) Limited + Incorporated in England and Wales Owned indirectly by Northern Electric plc.

Northern Electric Generation Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Insurance Services Limited + Incorporated in England and Wales Owned indirectly by Northern Electric plc.

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Northern Metering Services Limited + Incorporated in Isle of Man Owned indirectly by Northern Electric plc.

CalEnergy Gas (UK) Limited + Incorporated in England and Wales Owned indirectly by Northern Electric plc.

Northern Electric Generation (Peaking) Limited + Incorporated in England and Wales Owned indirectly by Northern Electric plc.

Northern Electric Training Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Transport Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Infocom Limited (formerly known as Northern Information Systems Limited) +
Incorporated in England and Wales
Owned by Northern Electric plc.

Northern Utility Services Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Viking Power Ltd.+
Incorporated in England and Wales
Capital Stock: Owned 50% by Northern Electric Generation Limited and 50% by Rolls-Royce Power Ventures Limited

Northern Electric Finance plc. +
Incorporated in England and Wales
Owned indirectly by Northern Electric plc.

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Northgas Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Tracing & Collection Services Limited + Incorporated in England and Wales Owned by Northern Electric plc.

Northern Electric Telecom Limited + Incorporated in England and Wales Owned by Northern Electric plc.

CE Electric UK Holdings +
Incorporated in England and Wales
Capital Stock: Owned 35% by CE Power, Inc., 35% by CE Electric Inc.
and 30% by Kiewit Energy UK, Inc.

CalEnergy Gas (Polska) *Polish limited liability company Owned
indirectly by Northern Electric plc.

CalEnergy Capital Trust I
Formed under the laws of Delaware

CalEnergy Capital Trust II
Formed under the laws of Delaware

CalEnergy Capital Trust III
Formed under the laws of Delaware

CalEnergy Capital Trust IV
Formed under the laws of Delaware

CalEnergy Capital Trust V
Formed under the laws of Delaware

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

CalEnergy Capital Trust VI
Formed under the laws of Delaware

Aurora 2000, LLC+
Incorporated in Delaware

CalEnergy Development Company
Incorporated in Delaware

CalEnergy International, Inc.
Incorporated in Delaware

CE Aurora I, Inc.+
Incorporated in Delaware

CE Salton Sea Inc.+
Incorporated in Delaware

CE Turbo LLC+
Incorporated in Delaware

Kiewit Energy Company+
Incorporated in Delaware

Kiewit Energy Pacific Holdings Corp.+
Incorporated in Delaware

Kiewit Energy U.K. Inc.+
Incorporated in Delaware

Maverick Reincorporation Sub, Inc.+
Incorporated in Iowa

MAVH Inc.+
Incorporated in Iowa

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Northern Aurora, Inc.+
Incorporated in Delaware

Salton Sea Minerals Corp.+
Incorporated in Delaware

Salton Sea Power L.L.C.+
Incorporated in Delaware

Kiewit Energy International (Bermuda) Ltd.+
Incorporated in Bermuda

Polska Power Sp.z.o.o.+
Incorporated in Poland

CalEnergy Europe Limited+
Incorporated in the United Kingdom

CalEnergy Gas (Pipelines) Limited+
Incorporated in the United Kingdom

CE Electric UK Funding Company+
Incorporated in the United Kingdom

Neptune Power Ltd.+
Incorporated in the United Kingdom

Northern Aurora Limited (f/k/a/ Aurora 2000+Limited)
Incorporated in the United Kingdom

Northern Electric & Gas Limited+
Incorporated in the United Kingdom

Northern Electric Investments Limited+
Incorporated in the United Kingdom

Seal Sands Network Limited+

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Incorporated in the United Kingdom

Teesside Power Limited+
Incorporated in the United Kingdom

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

SCHEDULE B

Joint Ventures

Coso Energy Developers (CED)+
Formed in California
General Partnership: 48% CHIP; 52% Caithness Coso Holdings, L.P.

Coso Finance Partners+
Formed in California
General Partnership: 46.4% owned by CLOC; 53.6% owned by ESCA I, L.P.

Coso Power Developers (CPD)+
Formed in California
General Partnership: 50% owned by CTC; 50% by Caithness Navy II

Coso Transmission Line Partners+
Formed in California
General Partnership: Owned 50% by CED; 50% by CPD

Vulcan/BN Geothermal Power Company+
Formed in Nevada
Partnership Interests: Vulcan Power Company 50% General Partner; BN Geothermal, Inc. 50% General Partner

Del Ranch, L.P.+
Formed in California
Partnership Interests: Magma Power Company 10% Limited Partner; CalEnergy Operating Company 40% General Partner;

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Elmore, L.P.+

Formed in California

Partnership Interests: Magma Power Company 10%

Limited Partner; CalEnergy Operating Company 40% General Partner; Niguel Energy Company 10% Limited Partner and 40% General Partner

Leathers, L.P.+

Formed in California

Partnership Interests: Magma Power Company 10%

Limited Partner; CalEnergy Operating Company 40% General Partner; San Felipe Energy Company 10% Limited Partner and 40% General Partner

Salton Sea Brine Processing L.P.+

Limited Partnership Formed in California

Salton Sea Power Generation L.P.+

Limited Partnership Formed in California

Visayas Geothermal Power Company+

Partnership Formed in the Philippines

Yuma Cogeneration Associates+

Formed in Utah

Alto Peak Power Company

Formed in the Philippines

China Lake Joint Venture

Formed in California

Owned 50% by CalEnergy Company and 50% by Caithness Geothermal 1980 Ltd.

Coso Finance Partners II

Formed in California

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

Owned 50% by China Lake Geothermal Management Co., an affiliate of CalEnergy Company, Inc. and 50% by ESCA II, L.P.

Coso Land Company
Formed in California

Owned 50% by CalEnergy Company and 50% by Caithness Geothermal 1980 Ltd.

Gilbert/CBE L.P.
Limited partnership formed in Nebraska
Partnership Interests: 20% CBE Engineering Co. and 80% Gilbert Industrial Corporation

Saranac Power Partners, L.P.+
Limited partnership formed in Delaware
Partnership Interests: 80% Saranac Energy Company, Inc. and 20% affiliates of Tomen Power Corporation

NorCon Power Partners, L.P.+
Limited partnership formed in Delaware
Partnership Interests: 80% Northern Consolidated Power, Inc. and 20% affiliates of Tomen Power Corporation

+ Indicates stock or partnership interests that are and at the Delivery Date will continue to be pledged, subject to a purchase agreement, or otherwise encumbered and subject to foreclosure or other exercise of remedies.

CALENERGY COMPANY, INC.,
as Issuer

to

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

Third Supplemental Indenture

Dated as of November 13, 1998

\$100,000,000

of

7.52% Senior Notes due 2008, Series B

THE THIRD SUPPLEMENTAL INDENTURE, dated as of November 13, 1998 (the "Supplemental Indenture"), between CalEnergy Company, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 302 South Thirty-Sixth Street, Suite 400, Omaha, Nebraska 68131, and IBJ Schroder Bank & Trust Company, a New York banking corporation, as trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company entered into an Indenture dated as of October 15, 1997 with the Trustee, as supplemented by the First Supplemental Indenture dated as of October 28, 1997 and the Second Supplemental Indenture dated as of September 22, 1998 (the "Indenture"), to provide for the issuance from time to time of its unsecured senior debt securities (hereinafter called the "Debt Securities"), to be issued in one or more series as provided in the Indenture.

The Company proposes to issue one new series of Debt Securities designated its 7.52% Senior Notes due 2008, Series B (the "Securities").

Sections 201 and 301 of the Indenture provide for the form of and various other matters with respect to any series of Debt Securities issued under the Indenture to be established in an indenture supplemental to the Indenture.

Section 901(8) of the Indenture provides that, without the consent of any Holders, the Company, when authorized by or pursuant to a Board Resolution, may, and subject to Section 903 of the Indenture, the Trustee, at any time and from time to time, shall, enter into one or more indentures supplemental to the Indenture, in form satisfactory to the Trustee, to establish the form or terms of Debt Securities of any Series as permitted by Sections 201 and 301 thereof.

All the conditions and requirements necessary to make this Supplemental Indenture, when duly executed and delivered, a valid and binding agreement of the Company in accordance with its terms and for the purposes herein expressed, have been performed and fulfilled.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities provided for herein by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

RELATION TO INDENTURE; DEFINITIONS

SECTION 1.1. Relation to Indenture.

This Supplemental Indenture constitutes an integral part of the Indenture.

SECTION 1.2. Definitions.

For all purposes of this Supplemental Indenture, except as otherwise expressly provided for or unless the context otherwise requires:

(1) Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Indenture; and

(2) All references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture.

"Consolidated Net Tangible Assets" means, as of the date of any determination thereof, the total amount of all assets of the Company determined on a consolidated basis in accordance with GAAP as of such date less the sum of (a) the consolidated current liabilities of the Company determined in accordance with GAAP and (b) assets properly classified as Intangible Assets.

"Indebtedness" means any indebtedness for money borrowed which is incurred, issued, assumed or guaranteed by the Company.

"Intangible Assets" means, as of the date of determination thereof, all assets of the Company properly classified as intangible assets determined on a consolidated basis in accordance with GAAP.

"Rating Event Date" means the first date upon which the Securities are rated Baa3 or better by Moody's Investors Service, Inc., BBB- or better by Standard & Poor's Corporation and BBB- or better by Duff & Phelps Credit Rating Co. (or, in any case, if such person ceases to rate the Securities for reasons outside the control of the Company, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" (within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Company as a

replacement rating agency).

ARTICLE TWO

THE SERIES OF SECURITIES

SECTION 2.1. Title of the Debt Securities.

There shall be one new separate series of Debt Securities designated its 7.52% Senior Notes due 2008, Series B.

SECTION 2.2. Limitation on Aggregate Principal Amount.

(a) The aggregate principal amount of the new series of the Debt Securities authorized by this Supplemental Indenture shall be limited to \$100,000,000 and, except as provided in this Section 2.2, the Company shall not execute and the Trustee shall not authenticate or deliver Securities in excess of such aggregate principal amount.

(b) Nothing contained in this Section 2.2 or elsewhere in this Supplemental Indenture, or in the Securities, is intended to or shall limit execution by the Company or authentication or delivery by the Trustee of Securities under the circumstances contemplated by Sections 307, 308, 309, 906, 1013, 1015 or 1108 of the Indenture.

SECTION 2.3. Interest and Interest Rate; Interest on Overdue Amounts.

The Securities will bear interest at the rate of 7.52% per annum from November 13, 1998 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable semi-annually in arrears on March 15 and September 15 in each year, commencing March 15, 1999 (each, an "Interest Payment Date"), to the Persons in whose name the Securities are registered at the close of business on the Regular Record Date for such interest, which shall be March 1 or September 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date, until the principal thereof is paid or duly provided for. Interest on the Securities will be computed on the basis of a 360-day year of twelve 30-day months. The interest so payable on any Security which is not punctually paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Holder on the relevant Regular Record Date and such Defaulted Interest, together with any interest payable on overdue principal, premium or interest,

may either be paid to the Person in whose name such Security is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid on such other specified date determined in accordance with the Indenture.

SECTION 2.4 Maturity Date of Securities.

The Securities will mature on September 15, 2008.

SECTION 2.5. Elimination of Certain Covenants Upon Rating Event Date.

Following the Rating Event Date (and provided no Event of Default or Default shall exist on the Rating Event Date), Section 801 and Sections 1008, 1009, 1010, 1011, 1012, 1014, 1015, 1016, 1018 and 1021 of the Indenture (collectively, the "Eliminated Covenants") shall be of no further force and effect and shall cease to apply to the Securities and, in place thereof, the provisions of Sections 2.6 and 2.7 hereof shall apply to the Securities. In the event that, subsequent to the Rating Event Date an Event of Default or a Default shall exist with respect to the Securities or the Securities shall thereafter be rated less than Baa3 by Moody's Investors Service, Inc., less than BBB- by Standard & Poor's Corporation and less than BBB- by Duff & Philips Credit Rating Co. (or such other "nationally recognized statistical rating organization" (within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act) selected by the Company as a replacement rating agency), in each case the Eliminated Covenants shall not be reinstated.

SECTION 2.6. Restrictions on Liens

Following the Rating Event Date:

(a) So long as any of the Securities are outstanding, the Company shall not pledge, mortgage, hypothecate or permit to exist any mortgage, pledge or other lien upon any property or assets at any time directly owned by the Company to secure any Indebtedness, without making effective provisions whereby the Securities shall be equally and ratably secured with any and all such Indebtedness and with any other Indebtedness similarly entitled to be equally and ratably secured; provided however, that this Section 2.6(a) shall not apply to or prevent the creation or existence of: (i) liens existing on the Rating Event Date; (ii) purchase money liens which do not exceed the

cost or value of the purchased property or assets; (iii) liens not to exceed 10% of Consolidated Net Tangible Assets; and (iv) liens on property or assets granted in connection with extending, renewing, replacing or refinancing in whole or in part the Indebtedness (including, without limitation, increasing the principal amount of such Indebtedness) secured by liens described in the foregoing clauses (i) through (iii), provided that the liens in connection with any such extension, renewal, replacement or refinancing will be limited to the specific property or assets that was subject to the original lien.

(b) In the event that the Company shall propose to pledge, mortgage or hypothecate or permit to exist any pledge, mortgage or other lien upon any property or assets at any time directly owned by it to secure any Indebtedness, other than as permitted by clauses (i) through (iv) of subsection (a) above, the Company shall give prior written notice thereof to the Trustee and the Company will, prior to or simultaneously with such pledge, mortgage or hypothecation, effectively secure all the Securities equally and ratably with such Indebtedness.

(c) The provisions of this Section 2.6 shall not restrict the ability of the Company's Subsidiaries and Affiliates to pledge, mortgage, hypothecate or permit to exist any mortgage, pledge or lien upon their property or assets, in connection with project financings or otherwise.

SECTION 2.7. Consolidation, Merger, Sale of Assets

Following the Rating Event Date:

(a) So long as any of the Securities are outstanding, the Company shall not consolidate with or merge with or into any other Person, or convey, transfer or lease its consolidated properties and assets substantially as an entirety to any Person, or permit any Person to merge into or consolidate with the Company, unless: (i) the Company is the surviving or continuing corporation or the surviving or continuing corporation or purchaser or lessee is a corporation incorporated under the laws of the United States of America, one of the States thereof or the District of Columbia or Canada and assumes the Company's obligations under the Securities and under the Indenture and (ii) immediately before and after such transaction, no Event of Default shall have occurred and be continuing.

(b) Except for a sale of the consolidated properties and assets of the Company substantially as an entirety pursuant to subsection (a) above, and other than properties or assets required to be sold to conform with laws or governmental regulations, the Company shall not, directly or

indirectly, sell or otherwise dispose of any of its consolidated properties or assets (other than short-term, readily marketable investments purchased for cash management purposes with funds not representing the proceeds of other asset sales) if on a pro forma basis, the aggregate net book value of all such sales during the most recent 12-month period would exceed 10% of Consolidated Net Tangible Assets computed as of the end of the most recent quarter preceding such sale; provided, however, that any such sales shall be disregarded for purposes of this 10% limitation if the net proceeds are invested in properties or assets in similar or related lines of business of the Company and its Subsidiaries and, provided further, that the Company may sell or otherwise dispose of consolidated properties and assets in excess of such 10% limitation if the net proceeds from such sales or dispositions, which are not reinvested as provided above, are retained by the

Company as cash or Cash Equivalents or used to retire Indebtedness of the Company (other than Indebtedness which is subordinated to the Securities) and its Subsidiaries.

SECTION 2.8. Redemption.

The Securities are not subject to any mandatory sinking fund.

The Securities are subject to optional redemption by the Company in whole at any time, or in part from time to time, upon notice as provided in the Section 1105 of the Indenture, at a redemption price equal to 100% of the principal amount of the Securities to be redeemed, plus interest accrued on such principal amount to the Redemption Date plus a yield maintenance premium (the "Premium") calculated by the Company with respect to a particular series of Securities as of the Redemption Date as follows:

(1) the average life of the remaining scheduled payments of principal in respect of outstanding Securities of such series (the "Remaining Average Life") shall be calculated as of the Redemption Date;

(2) the yield to maturity shall be calculated as of the Business Day immediately preceding the Redemption Date for the United States Treasury security having an average life equal to the Remaining Average Life and trading in the secondary market at the price closest to par (the "Primary Issue"); provided, however, that if no United States Treasury security has an average life equal to the Remaining Average Life, the yields (the "Other Yields") for the two maturities of United States Treasury securities having average lives most closely corresponding to such Remaining Average Life and trading in the

secondary market at the price closest to par shall be calculated, and the yield to maturity for the Primary Issue shall be the yield interpolated or extrapolated from such Other Yields on a straight-line basis, rounding in each of such relevant periods to the nearest month;

(3) the discounted present value of the then remaining scheduled payments of principal and interest (but excluding that portion of any scheduled payment of interest that is actually due and paid on the Redemption Date) in respect of outstanding Securities of such series shall be calculated as of the Redemption Date using a discount factor equal to the sum of (a) the yield to maturity for the Primary Issue, plus (b) 37.5 basis points; and

(4) the amount of Premium in respect of Securities to be redeemed shall be an amount equal to (a) the discounted present value of such Securities to be redeemed determined in accordance with clause (3) above minus (b) the unpaid principal amount of such Securities; provided, however, that the Premium shall not be less than zero.

The Trustee may conclusively rely on an Officers' Certificate setting forth the calculation of the Premium, which Officers' Certificate shall be delivered to the Trustee on or before the Redemption Date.

SECTION 2.9. Global Form.

The Securities shall initially be issued in the form of one or more Global Securities as provided in Section 201(a) of the Indenture. The Depository for the Securities shall be The Depository Trust Company. Except as otherwise provided in Sections 201, 307 or 309 of the Indenture, owners of beneficial interests in the Global Security or Securities will not be entitled to receive physical delivery of Certificated Securities.

SECTION 2.10. Form of Securities.

The Securities shall be substantially in the form attached as Exhibit A hereto.

SECTION 2.11. Security Registrar and Paying Agent.

The Trustee shall initially serve as Security Registrar and Paying Agent for the Securities.

SECTION 2.12. Place and Method of Payment.

Payment of the principal of (and premium, if any) and any

interest on the Securities shall be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York (which initially shall be the Corporate Trust Office of the Trustee), or at such additional offices or agencies as the Company from time to time may designate for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, provided that payment of the principal of (and premium, if any, on) the Securities shall be made only upon presentation and surrender thereof at any such office or agency and, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

SECTION 2.13. Defeasance.

The provisions of Sections 1202 and 1203 of the Indenture relating to defeasance and covenant defeasance shall be applicable to the Securities. The provisions of Section 1203 of the Indenture shall apply to the covenants set forth in Sections 2.6 and 2.7 of this Supplemental Indenture and to those covenants specified in Section 1203 of the Indenture.

ARTICLE THREE

MISCELLANEOUS PROVISIONS

SECTION 3.1. Ratification of Indenture.

Except as expressly modified or amended hereby, the Indenture continues in full force and effect and is in all respects confirmed and preserved.

SECTION 3.1. Governing Law.

THIS SUPPLEMENTAL INDENTURE AND EACH SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SUPPLEMENTAL INDENTURE AND THE SECURITIES, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, JURISDICTION OF THE AFORESAID COURTS. THE COMPANY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THAT

IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, TRIAL BY JURY AND ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE TRUSTEE OR ANY HOLDER OF THE SECURITIES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

SECTION 3.2. Trust Indenture Act.

This Supplemental Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, and shall, to the extent applicable, be governed by such provisions.

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SECTION 3.3. Counterparts.

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the day and year first written above.

CALENERGY COMPANY, INC.

By:

Name: Steven A. McArthur
Title: Executive Vice President

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By:

Name:
Title:

EXHIBIT A

FORM OF SECURITY

THIS SECURITY IS ISSUED IN GLOBAL FORM AND REGISTERED IN THE NAME OF THE DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM IN ACCORDANCE WITH THE TERMS HEREOF AND OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY, OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE DEPOSITORY OR ITS NOMINEE AND ANY PAYMENT IS MADE TO THE DEPOSITORY OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

(FACE OF SECURITY)

CALENERGY COMPANY, INC.

7.52% Senior Notes due 2008, Series B

CalEnergy Company, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor or Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of _____ Dollars on September 15, 2008, and to pay interest thereon from their date of issue and thereafter from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on March 15 and September 15 in each year, commencing March 15, 1999, at the rate of 7.52% per annum, until the principal hereof is paid or duly provided for, provided that any principal and premium, if any, and any such installment of interest, that is overdue

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shall bear interest at the rate of 7.52% per annum (to the extent that the payment of such interest shall be legally enforceable), from the dates such amounts are due until they are paid or duly provided for, and such interest shall be payable on demand. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be March 1 or September 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and, together with any interest payable or overdue principal, premium or interest, may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any interest on this Security shall be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, or at such additional offices or agencies as the Company from time to time may designate for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and

private debts, provided that payment of the principal of (and premium, if any, on) this Security shall be made only upon presentation and surrender hereof at any such office or agency and, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

CALENERGY COMPANY, INC.

By:

Title:

Attest:

Title:

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FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By:

Authorized Signatory

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(REVERSE OF SECURITY)

This Security is one of a duly authorized issue of Debt Securities of the Company designated as its 7.52% Senior Notes due 2008, Series B (herein called the "Securities"), limited in aggregate principal amount of \$100,000,000 issued and to be issued under an Indenture, dated as of October 15, 1997, as supplemented by the First Supplemental Indenture dated as of October 28, 1997, by the Second Supplemental Indenture dated as of September 22, 1998 and by the Third Supplemental Indenture dated as of November 13, 1998 (as so supplemented, herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and IBJ Schroder Bank & Trust Company, as Trustee (herein called the "Trustee" which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Securities do not have the benefit of any sinking fund obligations.

The Securities are subject to optional redemption by the Company in whole at any time, or in part from time to time, at a redemption price equal to 100% of the principal amount of the Securities to be redeemed, plus interest accrued on such principal amount to the Redemption Date plus a Premium calculated as of the Redemption Date, as provided in the Third Supplemental Indenture dated as of November 13, 1998.

Upon the occurrence of a Change of Control, the Company shall be required to make an Offer to Purchase all or a specified portion of the Securities at a purchase price in cash equal to 101% of the principal amount thereof on any Purchase Date plus accrued and unpaid interest, if any, to such Purchase Date. If the Company, any Restricted Subsidiary or any Eligible Joint

Venture consummated an Asset Disposition, under certain circumstances, the Company shall be required to make an Offer to Purchase up to all or a specified portion of the Securities at a purchase price in cash equal to 100% of the principal amount thereof on any Purchase Date, plus accrued and unpaid interest, if any, to such Purchase Date, in an amount equal to any Net Cash Proceeds from such an Asset Disposition that are not used to reinvest in the business of the Company and/or repay in a permanent reduction of Debt of the Company or Debt of its Restricted Subsidiaries or Eligible Joint Ventures. Holders of Securities shall receive notice of any such Offer to Purchase from the Company prior to the related Purchase Date and may elect to have such Securities purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing on the reverse side of this Security.

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In the event of purchase, pursuant to an Offer to Purchase, of this Security in part only, a new Security or Securities for the portion hereof not purchased shall be issued in the name of the Holder hereof upon surrender of this Security to the Trustee for cancellation thereof.

Following the Rating Event Date (and provided no Event of Default or Default shall exist on the Rating Event Date), substantially all the covenants contained in the Indenture (excluding the covenant relating to the Company's obligation to make an Offer to Purchase Securities upon the occurrence of a Change of Control) will cease to apply to the Securities. In their place, certain other covenants regarding restrictions on liens and the ability of the Company to merge or consolidate with or into any other Person, or to transfer or lease assets will apply to the Securities.

The Indenture contains provisions for defeasance at any time of the entire Debt of the Company with respect to this Security or certain restrictive covenants and Events of Default with respect to this Security, including, without limitation, covenants relating to Offers to Purchase, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default shall occur and be continuing, there may be declared due and payable the Default Amount of the Securities, in the manner and with the effect provided in the Indenture. The Default Amount in respect of this Security as of any particular date shall equal 100% of the principal amount of this Security plus accrued and unpaid interest, if any, to such date.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities

under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities of any series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences in each case with respect to the Securities of such series. In addition, without the consent of any Holder of a Security, the Indenture and the Securities may be amended and supplemented to cure any ambiguity or inconsistency, make other changes that shall not adversely affect the rights of the Holders or certain other matters specified in the Indenture. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

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As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver, or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to certain suits described in the Indenture, including any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein (or, in the case of any purchase of this Security required to be made pursuant to an Offer to Purchase, on or after the Purchase Date).

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place, manner and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York (which initially shall be the Corporate Trust Office of the Trustee), duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, shall be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

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A director, officer, employee, stockholder or incorporator of the Company shall not have any liability for any obligations of the Company under this Security or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting this Security waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of this Security.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Interest on this Security shall be computed on the basis of a 360-day year of twelve 30-day months.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND

ASSIGNMENT FORM

To assign this Security, fill in the form below: (I) or (we) assign and transfer this Security to

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated:

Your Signature:

(sign exactly as name appears on
the other side of this Security)

Signature Guarantee:

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to elect to have all or any portion of the Securities purchased by the Company pursuant to Section 1013 ("Change of Control Offer") or Section 1015 ("Excess Proceeds Offer") of the Indenture, check the applicable boxes:

[] Change of Control Offer: [] Excess Proceeds Offer:
 in whole [] in whole []
 in part [] in part []

Amount to be
purchased: \$

Amount to be
purchased: \$

Dated:

Signature:

(Sign exactly as your name appears on the other side of this Security)

Signature
Guarantee:

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

Social Security Number or
Taxpayer Identification Number:
