



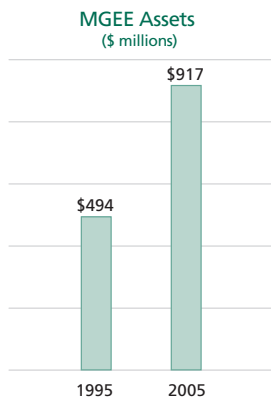
COMPETITION REPORT

November 2006

Nasdaq: MGEE • Newspaper listings: MGE or MGE Engy • Madison, WI

Ten-year snapshot of solid performance

MGE Energy produces strong financial results by concentrating on core utility operations, managing resources and making wise investments.



A ten-year snapshot of our financial profile from 1995 to 2005 shows:

- An increase in assets, growing from \$494 million to \$917 million, the equivalent of an 8.6% average annual increase. Most recently, we acquired an 8.33% ownership interest in the expansion of We Energies' Oak Creek Power Plant.



GARY J. WOLTER, CHAIRMAN, PRESIDENT AND CEO

- A \$100 investment in 1995 grew to \$246 assuming dividends were reinvested. That equals a 9.42% compounded total return on your investment.
- A steady record of raising dividends, from \$1.26 per share to \$1.374 per share. In 1995, we paid out \$20.3 million in dividends, which grew to \$28.1 million 10 years later.

MGE Energy is one of only 82 U.S. companies and one of six investor-owned electric utilities to raise dividends annually for 30 or more consecutive years.

MGE Energy plans to build second wind farm

MGE Energy took another step toward a cleaner future by signing an agreement to build and own 30 megawatts (MW) of wind power. The agreement will increase Madison Gas and Electric's (MGE) wind power portfolio by nearly four times. MGE is the main subsidiary of MGE Energy.

With this investment, the company will supply about 5% of its annual energy demand using renewable energy sources. The project will provide enough electricity to power about 12,000 homes annually.

The new \$56 million project is part of the 110-MW Top of

Iowa Wind Farm being developed by Midwest Renewable Energy Projects LLC. Located in north-central Iowa, this site has optimal wind speeds.

Regulatory approval is expected early next year, and the wind farm is projected to be in service during the last quarter of 2007. This new wind project is a component of MGE's Energy 2015—a plan to ensure a balanced energy supply.

MGE built the first large-scale wind farm in Wisconsin in 1999. Our 17 turbines in Kewaunee County produce enough energy annually for about 3,300 homes.

Madison's economy continues to grow. It was rated 20th in the United States out of 361 metro areas.

High marks for strong economy



The strong economic performance and potential of the Madison metro area and the State of Wisconsin has landed both on economic honor rolls.

- The Madison metro area's economy was rated 20th in the nation by the independent economic

research firm Policom Corp. The top 25 ranked areas had economies that showed rapid, consistent growth in both size and quality for an extended period of time.

- Wisconsin was rated as one of the top seven states for economic performance, business vitality and development capacity. The Corporation for Enterprise Development used 68 measures including earnings, competitiveness and entrepreneurial energy.

MGE supports local economic development with various business incubators, technology transfer and by cultivating programs that help generate good-paying jobs and economic health.

Energy upgrades to meet growth

MGE is adding new infrastructure to meet the vibrant growth in its service area.

Since 2000, Dane County has added 31,580 people, making it the fastest-growing county by numbers in Wisconsin.

During that period, MGE electric customers increased 8% and natural gas customers increased 20%.

and \$9.2 million in natural gas infrastructure last year.

For example, we are constructing a new substation just south of Madison to serve a mix of new housing and businesses. A second substation planned for that area is scheduled for service in 2008.

We also continue to improve the natural gas system that puts reliability and safety first.



To reliably meet that growth, MGE invested \$38.8 million in electric capital projects

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Competition Report is published periodically to provide investors with information about MGE Energy's position in a competitive industry. MGE Energy's primary asset, Madison Gas and Electric Co., provides highly reliable gas and electric service and promotes economic development in south-central and western Wisconsin.