

Interim Report - December 15, 2009



Celebrating 100 years of
delivering dividends to you



Chairman's Comments

Dec. 15, 2009

To Our Shareholders:

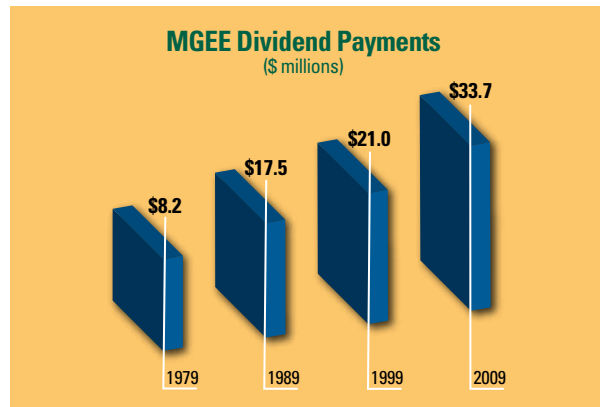
MGE Energy raises dividend

MGE Energy (MGEE) kept faith with shareholders in 2009, during one of the harshest economic periods in U.S. history. MGEE raised the dividend in September and paid dividends each quarter this year.

MGEE's quarterly dividend of \$0.3684 per share is being paid Dec. 15, 2009, to shareholders of record on Dec. 1, 2009. The 2009 annual dividend paid totals \$1.46 per share, 36 times higher than the \$.04 per share first paid to shareholders 100 years ago.

MGEE has raised annual dividends for 34 straight years, making the company one of only 93 in the U.S. to raise dividends for 30 or more years.

Over the past 30 years, MGEE paid out \$605 million in shareholder dividends. Payments in 2009 are four times higher than the dividends paid in 1979.



100 years of asset growth

MGEE assets totaled \$1.25 billion as of September 2009, nearly 1,000 times more than a century ago.

Five years ago, the company invested \$109 million in the West Campus Cogeneration Facility (WCCF), a highly efficient natural gas electric and steam plant at the University of Wisconsin-Madison.

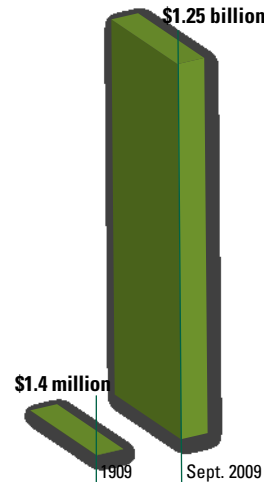
By early 2010, we expect the first of two large coal-fired generating units at We Energies' Oak Creek Power Plant expansion to be in operation. The second unit is expected to be online later in the year. Our investment in the project totals \$172 million.



Third-quarter earnings

MGEE reported third-quarter earnings of \$0.55 per share for 2009 compared to \$0.78 per share last year. Earnings from the company's electric utility decreased primarily as a result of cooler weather. The company reduced operations and maintenance expense to help offset lower electric revenues.

Asset Growth



Vote your shares

SEC changes shareholder vote rules

Starting in 2010, voting your shares will be even more important than ever. This is due to a rule change made by the Securities and Exchange Commission (SEC) that applies to all publicly held companies.

Each spring, MGE Energy sends proxy materials to shareholders. The proxy details shareholder votes on items such as board of director elections and selection of the independent registered public accounting firm.

In the past, brokers were allowed to vote on behalf of those shareholders investing through brokerage firms if shareholders did not provide them with voting instructions. As of Jan. 1, 2010, the SEC will no longer allow this type of broker proxy voting in director elections.

Under the new rules, only shareholders can vote their shares for directors. MGE Energy welcomes increased investor participation. Whether you own shares through a brokerage firm or are directly registered with MGE Energy, we encourage your vote.

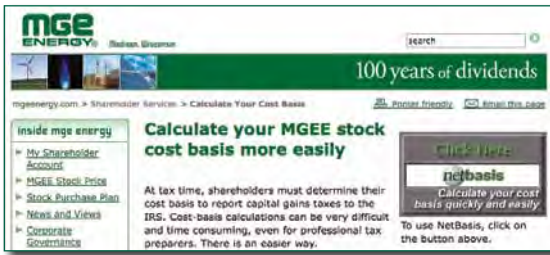
Watch for our proxy materials next spring. Then, please exercise your important shareholder right and responsibility and vote your shares.

Calculate your cost basis

At tax time, go to mgeenergy.com for help calculating the cost basis of your MGEE stock to report capital gains taxes to the IRS. Cost-basis calculations can be very difficult and time consuming, even for professional tax preparers.

There is an easier way. MGEE has partnered with NetWorth Services, Inc., to provide a Web-based cost-basis calculation service – NetBasis.

NetBasis automatically calculates the cost basis for your MGEE shares. The system adjusts for any corporate actions or dividend reinvestments.



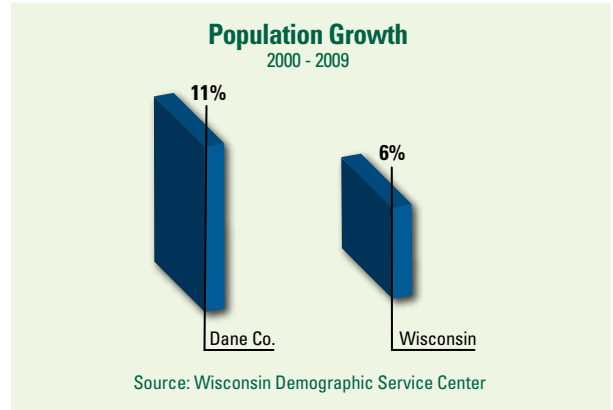
Go to mgeenergy.com and click the link to NetBasis. Then supply:

- Your original purchase/acquisition dates.
- Number of shares acquired.
- Number of shares sold.
- Sale dates.

NetBasis will do the rest. Within seconds, you will have:

- Your cost basis.
- Gain/loss and sale proceeds.
- Current status of your investment.

NetBasis charges for this service. Contact NetBasis or your tax advisor with questions about cost basis.



Dane County population growth leads state

Dane County, home to our main gas and electric service area, added more than 47,000 in population since 2000, the most of any county in Wisconsin. Over the last 10 years, the county's growth rate of 11% far outpaced the statewide average of 6%. The population in the county is now estimated at nearly 474,000.

Madison named a top 10 'startup-friendly' city

A diverse business climate puts Madison among the top ten "startup-friendly" cities in the United States according to *Entrepreneur Magazine*. The August 2009 article cites our fast-growing University Research Park, entrepreneurship by the University's business school and several business and arts incubators. The magazine also reports "Madison has the second most educated workforce in the country and one of the best quality of life ratings."

Gary J. Wolter
Chairman, President and CEO

Balance Sheet

(Unaudited)	September 30, 2009	December 31, 2008
<i>(in thousands)</i>		
Assets		
Plant:		
Property, Plant and Equipment, net	\$ 715,191	\$ 702,549
Construction work in progress	212,036	198,694
Total Plant	<u>927,227</u>	<u>901,243</u>
Other Property & Investments	51,804	47,900
Current Assets:		
Cash and cash equivalents	7,022	4,106
Accounts receivable, net	25,312	45,266
Other current assets	105,430	144,506
Total Current Assets	<u>137,764</u>	<u>193,878</u>
Other Long-Term Assets	133,984	125,254
Total Assets	<u>\$1,250,779</u>	<u>\$1,268,275</u>
Capitalization and Liabilities		
Capitalization:		
Common shareholders' equity	\$ 496,825	\$ 478,202
Long-term debt	272,455	272,408
Total Capitalization	<u>769,280</u>	<u>750,610</u>
Current Liabilities:		
Short-term debt	100,000	124,500
Accounts payable	25,251	47,229
Other	32,372	33,512
Total Current Liabilities	<u>157,623</u>	<u>205,241</u>
Other Credits:		
Deferred income taxes	122,545	117,505
Other	201,331	194,919
Total Other Credits	<u>323,876</u>	<u>312,424</u>
Total Capitalization & Liabilities	<u>\$1,250,779</u>	<u>\$1,268,275</u>

For detailed financial information, see the September 30, 2009 10-Q.

Income Statement

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
<i>(in thousands, except per-share amounts)</i>	2009	2008	2009	2008
Operating Revenues:				
Regulated revenues	\$ 106,878	\$ 124,020	\$ 391,056	\$ 434,894
Nonregulated revenues	2,419	1,787	6,941	5,646
Total Operating Revenues	<u>109,297</u>	<u>125,807</u>	<u>397,997</u>	<u>440,540</u>
Operating Expenses:				
Fuel used for electric generation and purchased power	32,653	34,684	95,732	99,936
Cost of gas sold	5,876	15,171	88,456	119,577
Other operations and maintenance	34,920	36,607	107,650	111,270
Depreciation and amortization	10,360	9,974	30,559	29,264
Other general taxes	4,379	4,120	13,481	12,692
Total Operating Expenses	<u>88,188</u>	<u>100,556</u>	<u>335,878</u>	<u>372,739</u>
Operating Income	21,109	25,251	62,119	67,801
Other income, net	2,004	5,292	6,017	7,558
Interest expense, net	(3,417)	(3,511)	(10,172)	(10,379)
Income before income taxes	19,696	27,032	57,964	64,980
Income tax provision	(6,974)	(9,722)	(20,397)	(23,276)
Net Income	<u>\$ 12,722</u>	<u>\$ 17,310</u>	<u>\$ 37,567</u>	<u>\$ 41,704</u>
Earnings Per Share of Common Stock (basic and diluted)	<u>\$ 0.55</u>	<u>\$ 0.78</u>	<u>\$ 1.63</u>	<u>\$ 1.89</u>
Average Shares of Common Stock Outstanding (basic and diluted)	<u>23,114</u>	<u>22,230</u>	<u>23,055</u>	<u>22,109</u>

For detailed financial information, see the September 30, 2009 10-Q.

Statistics

	Electric			Gas			
	Nine Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change	
<i>(thousands of kilowatt hours)</i>	2009	2008		2009	2008		
Sales:							
Residential	579,721	614,828	(5.7%)	Residential	65,772	66,742	(1.5%)
Commercial	1,343,321	1,401,546	(4.2%)	Commercial/industrial	75,352	71,326	5.6%
Industrial	192,016	207,775	(7.6%)	Gas transportation	27,410	26,523	3.3%
Sales for resale	3,618	28,832	(87.5%)	Total Gas Deliveries	<u>168,534</u>	<u>164,591</u>	2.4%
Other - retail/municipal	305,725	312,673	(2.2%)				
Total Sales	<u>2,424,401</u>	<u>2,565,654</u>	(5.5%)				

For detailed financial information, see the September 30, 2009 10-Q.



Visit www.mgeenergy.com



- Stock price
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- Annual meeting recording

Nasdaq Stock Symbol: MGEE

Newspaper Listings: MGE or MGE Engy

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