

Interim Report - March 15, 2010



Celebrating 100 years of
delivering dividends to you



Chairman's Comments

March 15, 2010

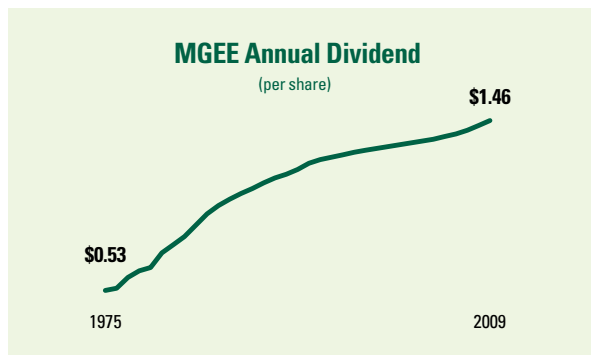
To Our Shareholders:

MGEE dividends surpass century mark

MGE Energy (MGEE) is paying a dividend in 2010, as the company has done every year since 1909. MGEE's quarterly dividend of \$0.3684 per share is being paid March 15, 2010, to shareholders of record on March 1, 2010.

MGEE has raised dividends for 34 straight years. During that time, MGEE's annual dividend increased from \$0.53 per share in 1975 to \$1.46 per share in 2009.

MGEE's dividend track record continued despite the harsh economy in 2009. The company paid out a total of \$33.7 million in dividends last year, up from \$31.8 million in 2008. In contrast, more than 800 companies cut their dividend payments by \$58 billion, according to Standard and Poor's.



MGEE ranked among best energy companies

MGEE's financial performance placed the company in the top 40 U.S. power and gas companies for "long-term shareholder value," according to Public Utilities Fortnightly. The September 2009 issue compared the financial results of 85 utilities from 2005 through 2008 for an overall picture of each company's "value and long-term prospects."

Over the four-year period, MGEE's average dividend yield of 4.23% eclipsed the average of 3.29% for the 40 best utilities. MGEE ranked 13th for return on assets among the 85 energy companies in the Fortnightly survey.

The industry publication reported that MGEE and the other top utilities made "an impressive showing in a distressed economy."

MGEE Value Line Ratings December 2009	
Financial Strength:	A
Safety:	1

Value Line gives MGEE high ratings

MGEE received high ratings for financial strength and investment safety in the latest report by Value Line.

Value Line noted that the population of Dane County, Wis., home of the company's utility service area, has grown nearly 50% faster than the national average over the past several years.

Fourth-quarter, annual earnings

MGEE reported fourth-quarter earnings of \$0.58 per share in 2009 compared to \$0.49 in 2008. Earnings totaled \$2.21 per share in 2009, versus \$2.38 in 2008. A colder than usual summer contributed to the lower annual results.



Vote your shares

In late March or early April, you will receive a proxy packet with important information from MGEE. Look inside the packet for voting information and your vote card.

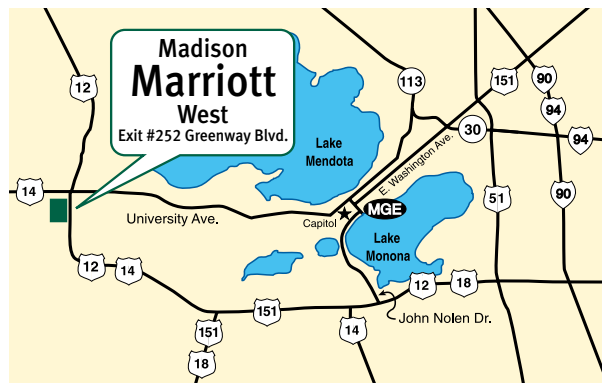
Voting your shares this year will be more important than ever. A new rule approved by the Securities and Exchange Commission allows only shareholders to vote their shares for directors. Brokers can no longer vote in place of shareholders who do not provide voting instructions.

A high investor response now depends on more shareholders voting their shares. MGEE welcomes increased investor participation. Whether you are directly registered with MGEE or own shares through a brokerage firm, we encourage your vote.

We make voting easy. You can return your vote form through the mail, or you can vote by phone or the Internet. Please exercise your important shareholder right and responsibility. Vote your shares.

New independent director elected

James L. Possin was elected to the MGEE Board of Directors in November 2009. He is a certified public accountant. He was a partner at Grant Thornton LLP from 1990 to 2007 and currently is a tax consultant with James L. Possin CPA, LLC. Possin holds degrees in accounting and law from the University of Wisconsin-Madison.



Annual Meeting set for May 18

Shareholders are invited to attend the 2010 MGEE Annual Meeting on Tuesday, May 18, 2010, beginning at 11 a.m. Lunch will follow. The meeting will be held at the Marriott Madison West, 1313 John Q. Hammons Drive, Middleton, Wis.

MGEE buys wind power development rights

MGEE took the first steps in 2009 required to develop more wind power. The company entered into agreements to purchase land development rights in northern Iowa for two wind generation sites with a total capacity of up to 175 megawatts (MW). The agreements give us options in addressing future renewable energy needs. Our present wind capacity is 137 MW.



New Oak Creek plant begins operation

The first unit of the new Oak Creek Power Plant expansion on Lake Michigan began generating power in February 2010. MGE invested \$180 million and owns 8.33% of the coal-fired facility. Air emissions will be dramatically reduced by state-of-the-art environmental controls. When the second unit comes on line later this year, the plant will generate 100 MW for MGE.

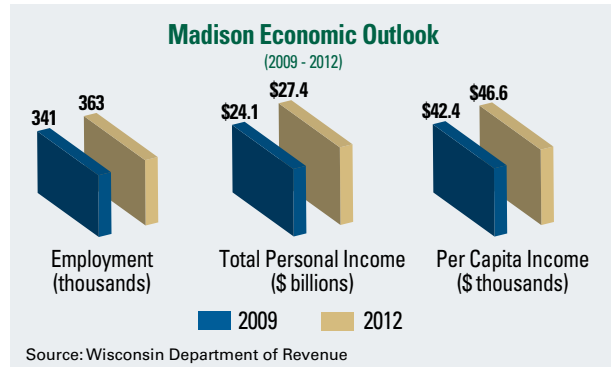
MGE puts solar panels on state Capitol

Solar panels are generating clean, renewable energy from the roof of the Wisconsin Capitol. The 10-kilowatt system also will eliminate 12 tons of carbon dioxide emissions each year. MGE has installed more than 20 solar demonstration projects to inform customers about renewable energy.



Madison ranked among strongest economies

MGE serves one of the 20 strongest-performing metropolitan economies in the U.S., according to MetroMonitor, published by the Brookings Institution. The December 2009 report lists the Madison area with the third lowest unemployment rate in the country. Madison is one of 13 metro areas with growth in economic output and jobs in the third quarter of last year.



Madison economic outlook positive

The Madison-area economy is expected to grow out of the recession through 2012, according to the Wisconsin Department of Revenue. In a November 2009 report, the department forecast growth in employment, total personal income and per capita personal income in Madison over the next three years (above). The Madison area has the fastest-growing population in the state.

Gary J. Wolter
Chairman, President and CEO



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Nasdaq Stock Symbol: MGEE

Newspaper Listings: MGE or MGE Engy

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