



AGA FINANCIAL FORUM

MAY- 2017 ORLANDO, FL

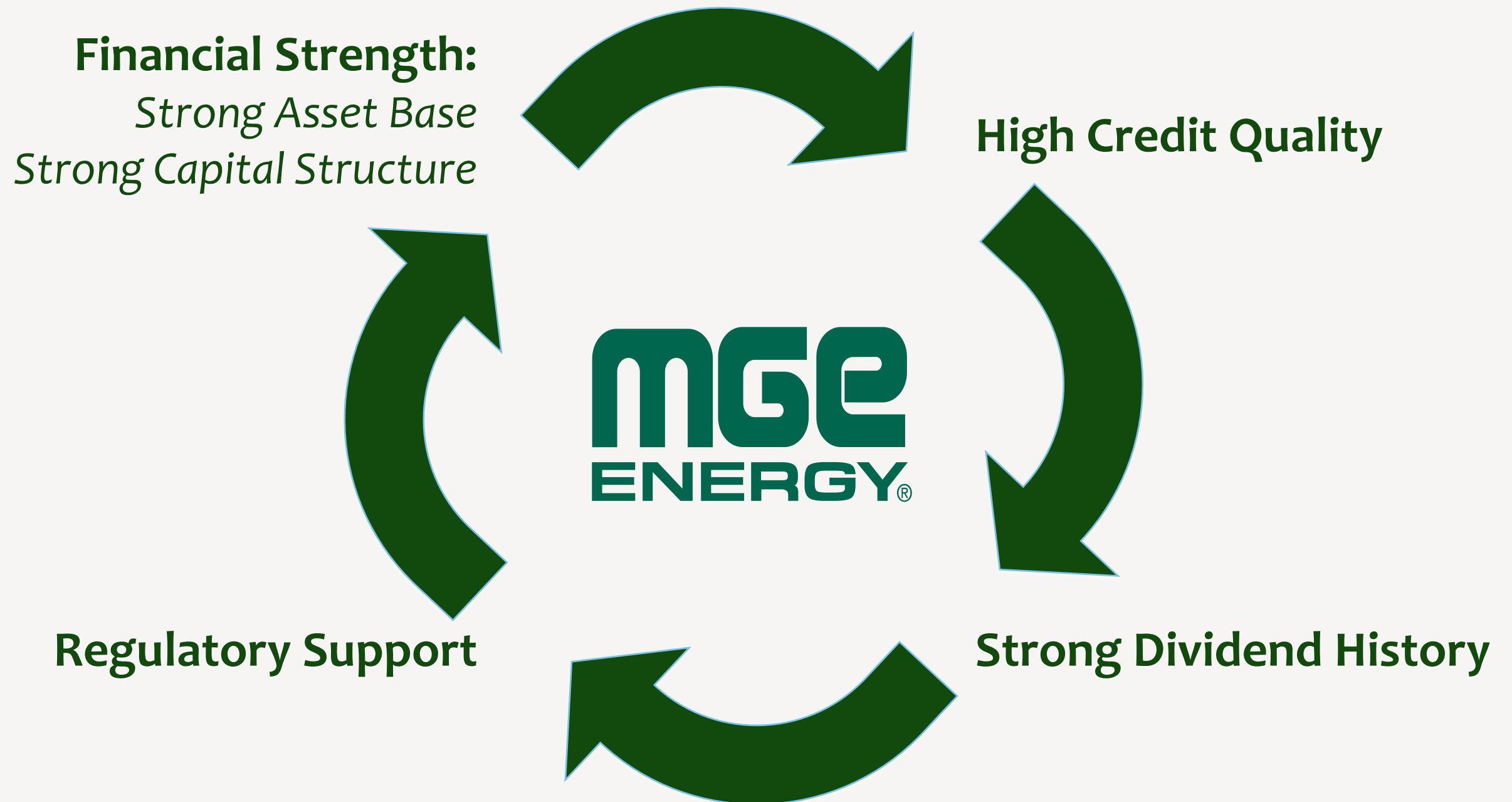
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All statements in this presentation other than historical facts are forward-looking statements that involve risks and uncertainties which are subject to change at any time.

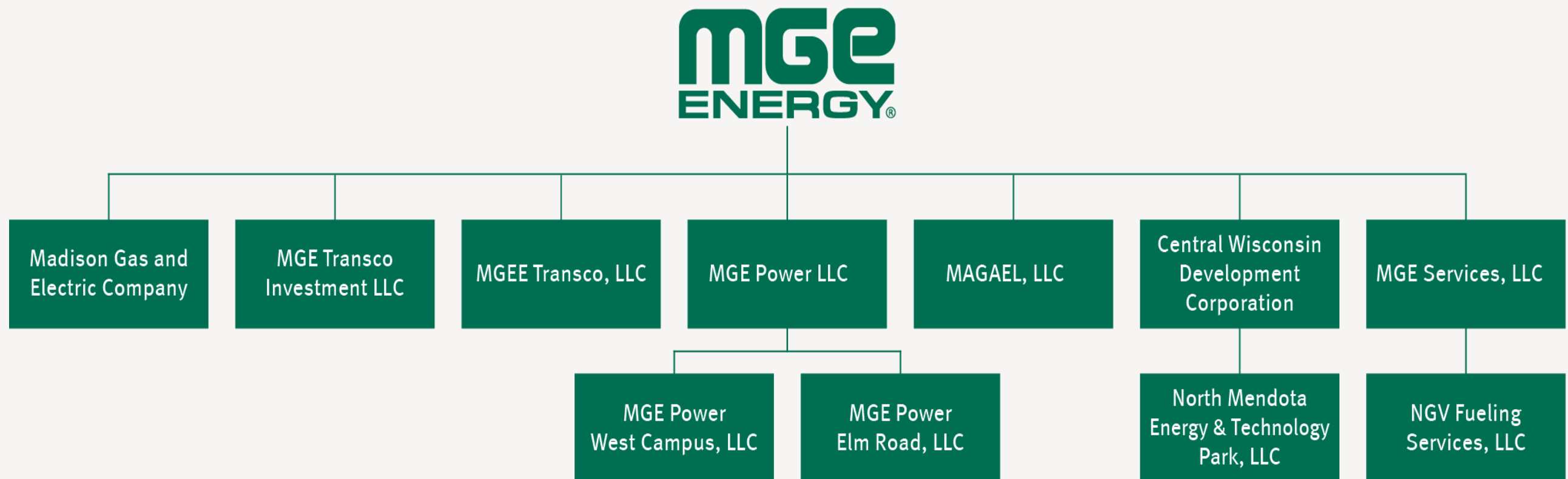
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HIGHLIGHTS



CORPORATE STRUCTURE



SERVICE TERRITORY



Economic Outlook:

Madison

- 3rd best place to live
Livability, 2016
- Top 20 for economic strength for last 10 years
Policom, 2016
- Low unemployment: 3.3%
Bureau of Labor statistics, February 2017

Dane County

- Population growth through 2035 expected to be the highest of any county in Wisconsin
- Low Unemployment (March 2017)
2.5% (WI 3.7%; US 4.6%)

ENERGY 2030 FRAMEWORK

GOALS

- 25% Renewable by 2025
- 30% Renewable by 2030
- 40% Reduction in Carbon Dioxide Emissions by 2030



INVESTMENT OPPORTUNITIES – MGE'S SHARED SOLAR PROGRAM

- The Public Service Commission of Wisconsin (PSCW) approved MGE's application for a community solar pilot project in March 2016
- MGE's Shared Solar project is now generating electricity
 - **500-kilowatt (kW) solar array** in Middleton expected to generate 650,000 kilowatt-hours of electricity each year
 - The project is fully subscribed, interested customers invited to join the waiting list
- MGE has also partnered with the City on a **100-kW solar array** on the roof of the Middleton Police department
 - Operation is underway
 - It will provide about 25% of electricity used by that building annually



SARATOGA WIND FARM

- MGE filed its formal application with the PSCW in April 2017 to seek approval to construct, own and operate a wind farm
- Located in Saratoga, Iowa
- 66MW consisting of 33 turbines
- If approved, the project will become operational in early 2019, with an estimated capital cost of \$107 million



RIVERSIDE ENERGY & COLUMBIA COLLABORATION AGREEMENTS

Riverside Energy Agreement

- MGE reached an agreement with WPL for an option to acquire ownership interest in the Riverside Energy Center
 - MGE may acquire up to 50 megawatts of the 700 MW Riverside Energy Center modernization
 - Start of construction began in April 2017
 - Project completion expected by early 2020

Columbia Collaboration Agreement

- MGE and WPL have negotiated a second agreement under which MGE will reduce its obligation to pay certain expenditures (other than SCR-related expenditures) at Columbia in exchange for a proportional reduction in ownership
 - In January 2017, MGE reduced its ownership from 22% to 20.4% through the partial sale of plant assets to WPL
 - By June 2020, MGE's ownership in Columbia is forecasted to be approximately 19%

ELECTRIC VEHICLE INITIATIVES

- **Public Charging Network**
 - One of Midwest's largest networks, powered on 100% renewable energy produced by wind farms in Wisconsin and Iowa
- **Workplace Charging**
 - MGE works with local employers to help them implement workplace charging programs as they install charging stations for their employees
- **Home Charging**
 - Charge@Home pilot program enrolls participants in a study to learn more about charging sessions and how technology can best work for our customers
- **EV discounts**
 - Drive Electric, a partnership between MGE, Wisconsin Clean Cities and Nissan has helped sell electric vehicles in the greater Madison area by promoting deep discounts and tax incentives on the all-electric Nissan LEAF®



IT INFRASTRUCTURE

MGE's Energy 2030 plan will create a more dynamic, integrated electric grid that supports and integrates new technology.

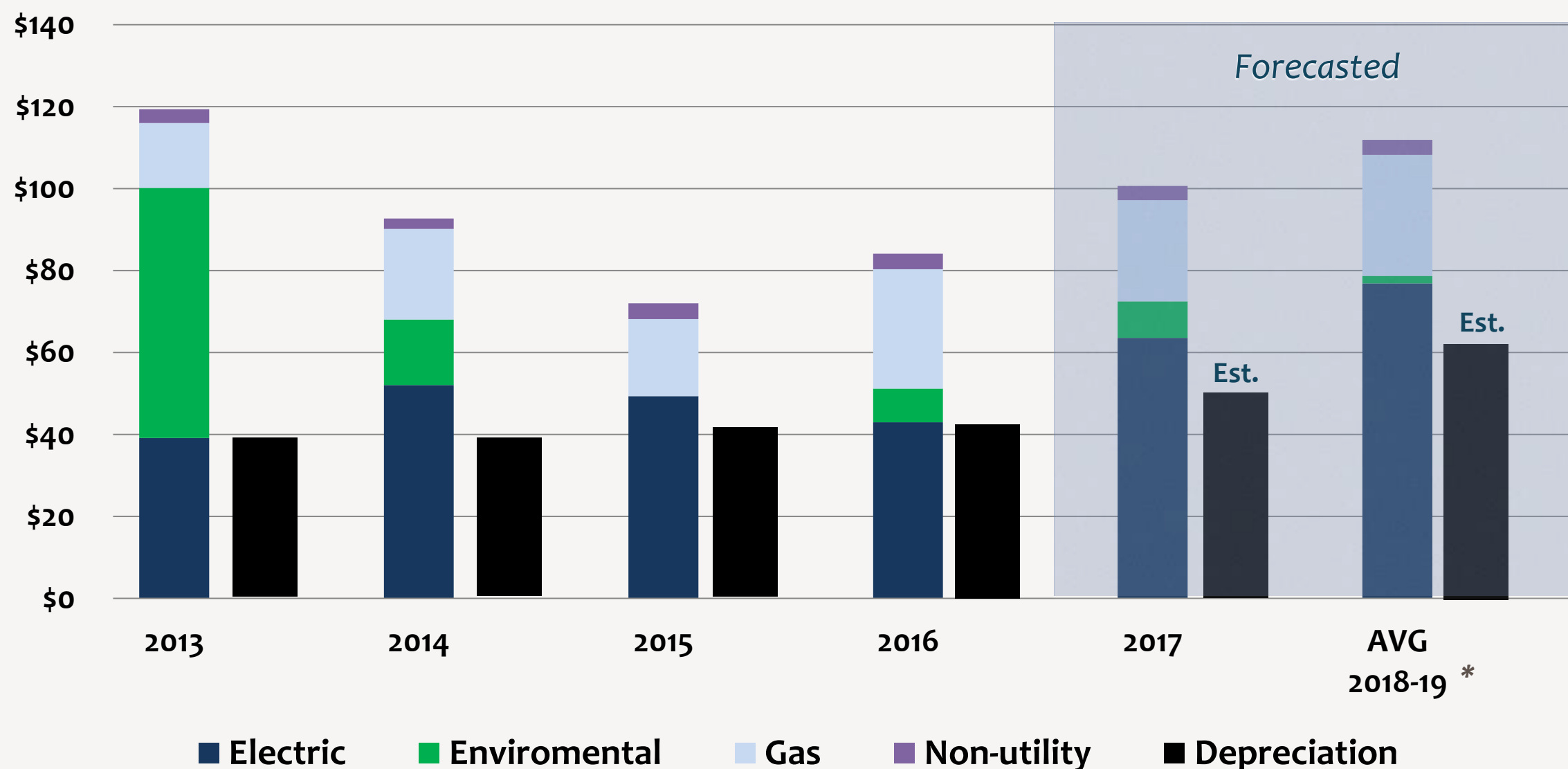
MGE will invest a significant amount of capital over the next 5 years in IT Infrastructure, to enhance the electric grid and provide customers with more information on their energy usage. Some of the larger IT Projects are:

- Customer information billing system (CIS)
- Installation of smart meters
- Geographic Information system (GIS)
- Advanced Meter Interface (AMI)
- System Security Improvements

INVESTMENT FUNDAMENTALS

— GROWTH THROUGH UTILITY INVESTMENTS

Segment Capital Expenditure versus Depreciation



Electric and Gas capex includes common, which has the IT infrastructure expenditures included

* Excludes the Saratoga Wind project from the forecasted capex, until it is approved by the PSCW

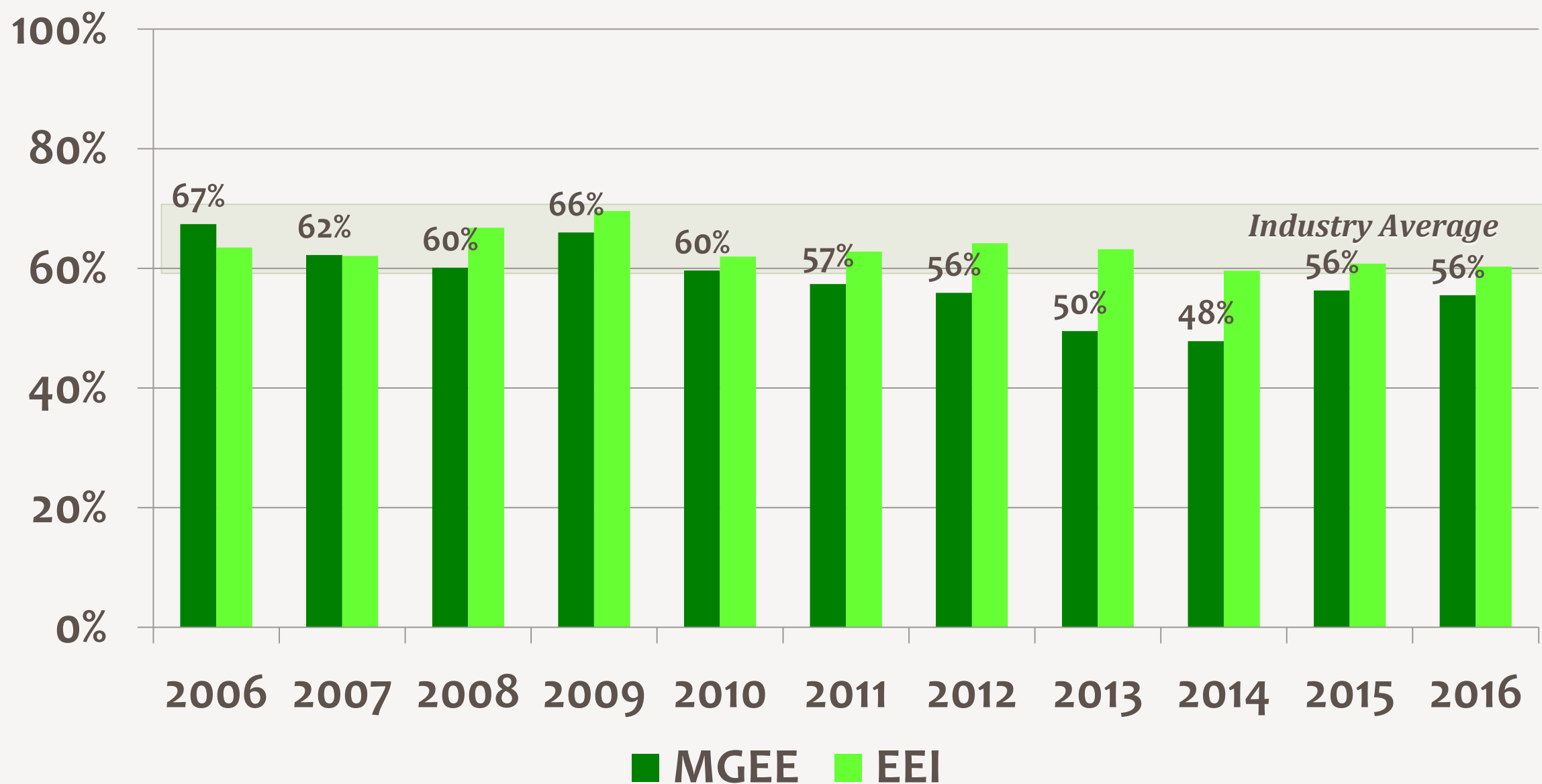
TRANSMISSION INVESTMENTS



- Approximately **8.0%** of MGE Energy's earnings come from its **\$77 million** transmission investment in ATC
- ATC forecasted CapEx of **\$3.6 to \$4.4 billion** over the next 10 years, this excludes potential transmission investments outside its traditional footprint
- ATC average rate base at year end 2016: **\$3.3 billion**
- Alaskan municipal transmission opportunity

DIVIDEND PAYOUTS

M G E E V E R S U S I N D U S T R Y R A N G E (E E I) D I V I D E N D P A Y O U T R A T I O S



INVESTMENT FUNDAMENTALS

– DIVIDEND GOVERNANCE

- **Dividend Growth has been approximately 4%**
 - Recent dividend payout ratio has been around 50-60%
 - No dividend payout range targeted
 - Flexibility with dividend
- **Dividend Considerations**
 - Capital investment growth opportunities
 - Balance sheet and credit ratings
 - Projected cash generation and requirements
 - Dividend payout ratio / yield consistent with industry and peers
- **Dividend decisions made by Board of Directors**

FINANCIAL IMPACTS OF POTENTIAL FEDERAL INCOME TAX REFORM

- White House released its tax reform plan in late April. The effects on MGEE and its subsidiaries are as follows:

	REGULATED UTILITY	WCCF/ERGS	HOLDING COMPANY
FEDERAL CORPORATE TAX REDUCTION (35% TO 15%) EARNINGS IMPACT	MINIMAL IMPACT	ONE-TIME INCREASE IN EARNINGS FROM REDUCTION IN DEFERRED TAX LIABILITY	MINOR DECREASE IN EARNINGS
FEDERAL CORPORATE TAX REDUCTION (35% TO 15%) RATES IMPACT	SMALL REFUND TO CUSTOMERS FOR REDUCTION IN DEFERRED TAX LIABILITY	REDUCES RATES TO UTILITY	NO IMPACT

BEST FINANCIAL QUALITY 2016

MGE Energy was included in the top 10 companies for 5 of the 8 quality metrics used by S&P Global Market Intelligence

- **2nd** Pretax Interest Coverage 6.94x
- **2nd** Return on Total Capital 6.8%
- **2nd** Common Equity Ratio 65.2%
- **3rd** Market Value to EBITDA 12.40x
- **4th** Fixed Charge Coverage 4.80x

Source: S&P Global Market Intelligence
Financial Focus April 5, 2017

Top	Bottom
Chesapeake Utilities (7 of 8)	NiSource Inc. (6)
MGE Energy (5)	AES Corp. (5)
ONE Gas Inc. (5)	CenterPoint (5)
	FirstEnergy Corp. (5)
	PNM Resources (5)

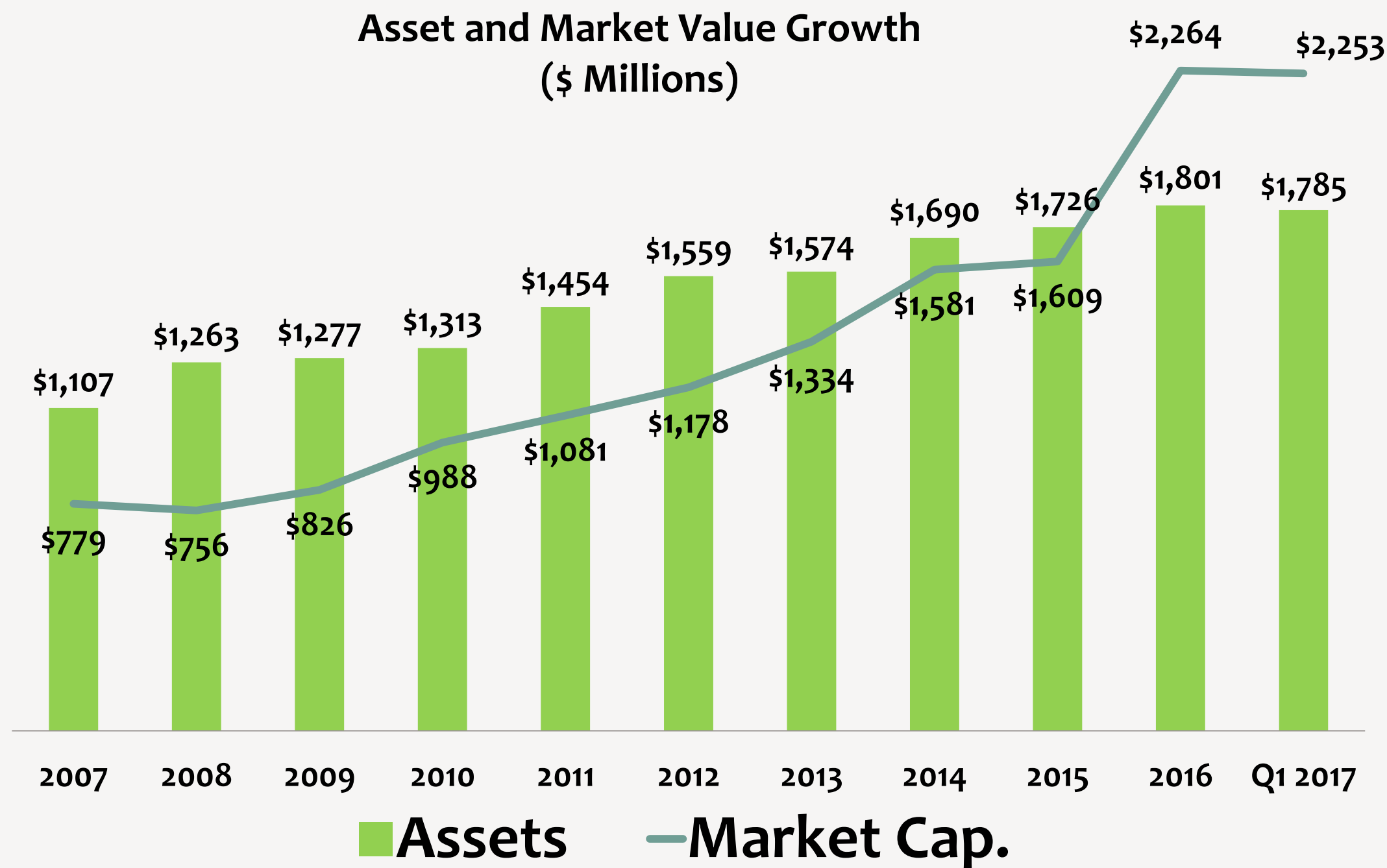
TOP TIER

Chesapeake Utilities—Operating EPS have trended meaningfully higher over the past several years, with growth averaging 9% annually between 2013 and 2016.

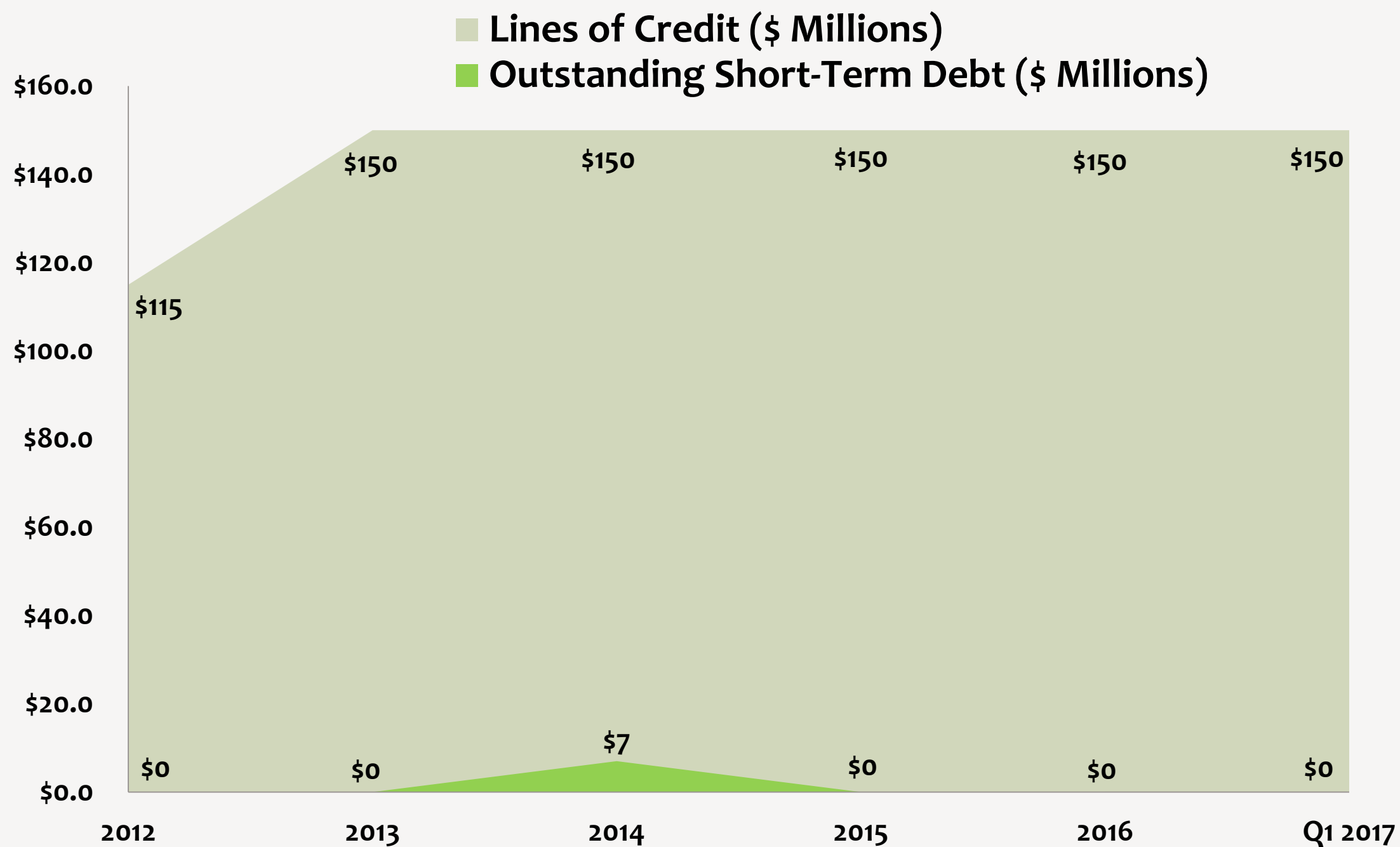
MGE Energy—With a capital structure comprised of 65% common equity, MGEE had strong pre-tax and overall fixed charge coverage, as well as return on total capital.

ONE Gas—An investor favorite since it began trading in February 2014, ONE Gas is a fully regulated gas distributor that has remained insulated from commodity price instability. More than 70% of One Gas' net margin is derived from stable fixed customer charges, and the company's high percentage of residential customers (90%+) results in nominal exposure to economic shifts.

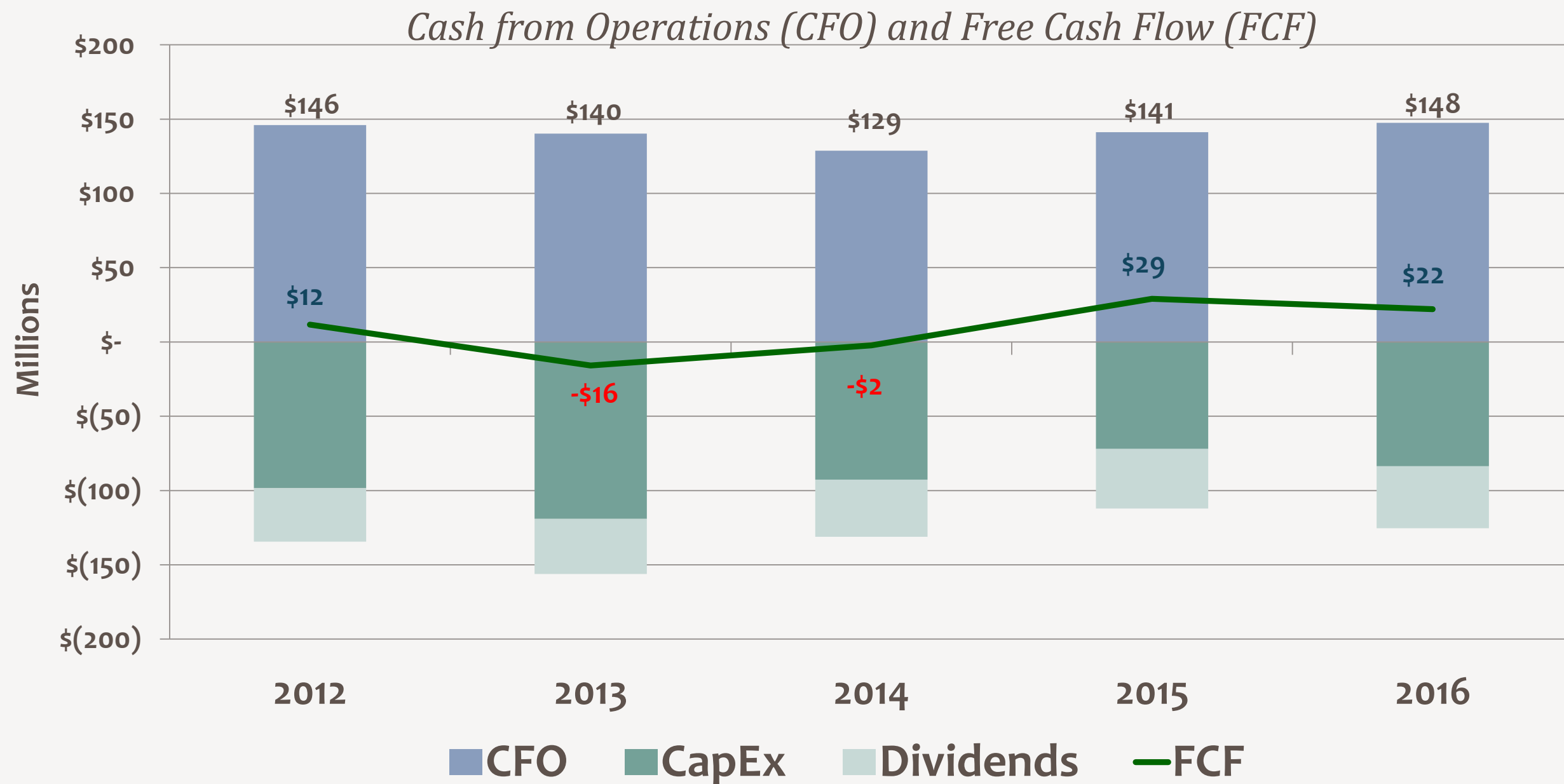
STRONG ASSET BASE



STRONG LIQUIDITY



STRONG CASH FLOWS



STRONG CREDIT RATING

Highest Rated Investor-Owned Electric and Gas Utility

S&P (Utility Ratings)

- Corporate credit AA-
- Business risk Excellent
- Commercial paper A-1+
- Outlook Stable
- Effective management of regulatory risk
- Strong regulatory environment
- Focus on regulated vertically integrated electric and natural gas distribution operations
- Conservative financial policies that ensure strong credit quality

Source: S&P, October 2016

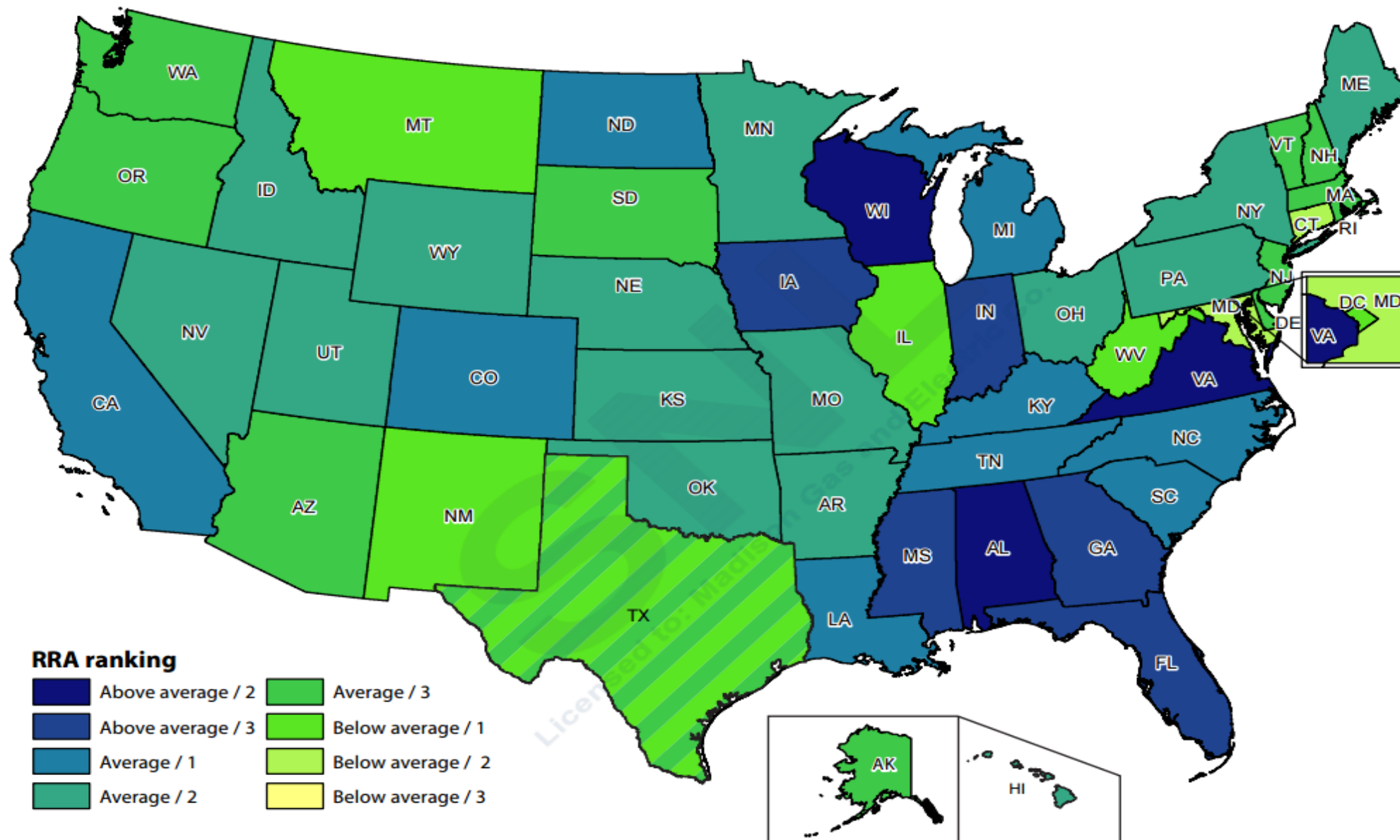
Moody's (Utility Ratings)

- Secured Aa2
- Unsecured A1
- Commercial paper P-1
- Outlook Stable
- Rating reflects supportive regulatory environment that provides revenue and cash flow
- Stable and healthy credit metrics
- Stable rating outlook assumes future prudently incurred investments will be recovered
- Funding will replicate authorized capital structure

Source: Moody's, February 2017

SUPPORTIVE REGULATION

RRA state regulatory rankings--energy



Wisconsin's regulatory ranking is Regulatory Research Association's (RRA's) highest

RATE PROCEEDINGS

- In December 2016, the PSCW authorized MGE, effective January 1, 2017, to decrease 2017 rates for retail electric customers by 0.8% or \$3.3 million and to increase rates for retail gas customers by 1.9% or \$3.1 million
 - The decrease in retail electric rates is attributable to declining fuel and purchased power costs
 - The increase in retail gas rates covers costs associated with MGE's natural gas system infrastructure improvements
- In July 2016, the PSCW issued a final order stating that MGE shall refund \$15.7 million of additional fuel savings realized during 2015 and 2016 to its retail electric customers over a one-month period
 - The fuel credit established a mechanism to return fuel savings to electric customers as a bill credit
 - In September 2016, MGE returned \$15.5 million to customers through bill credits
- The PSCW extended MGE's current transmission cost accounting through 2018, and allowed cost differentials in the next rate case

CONTACT

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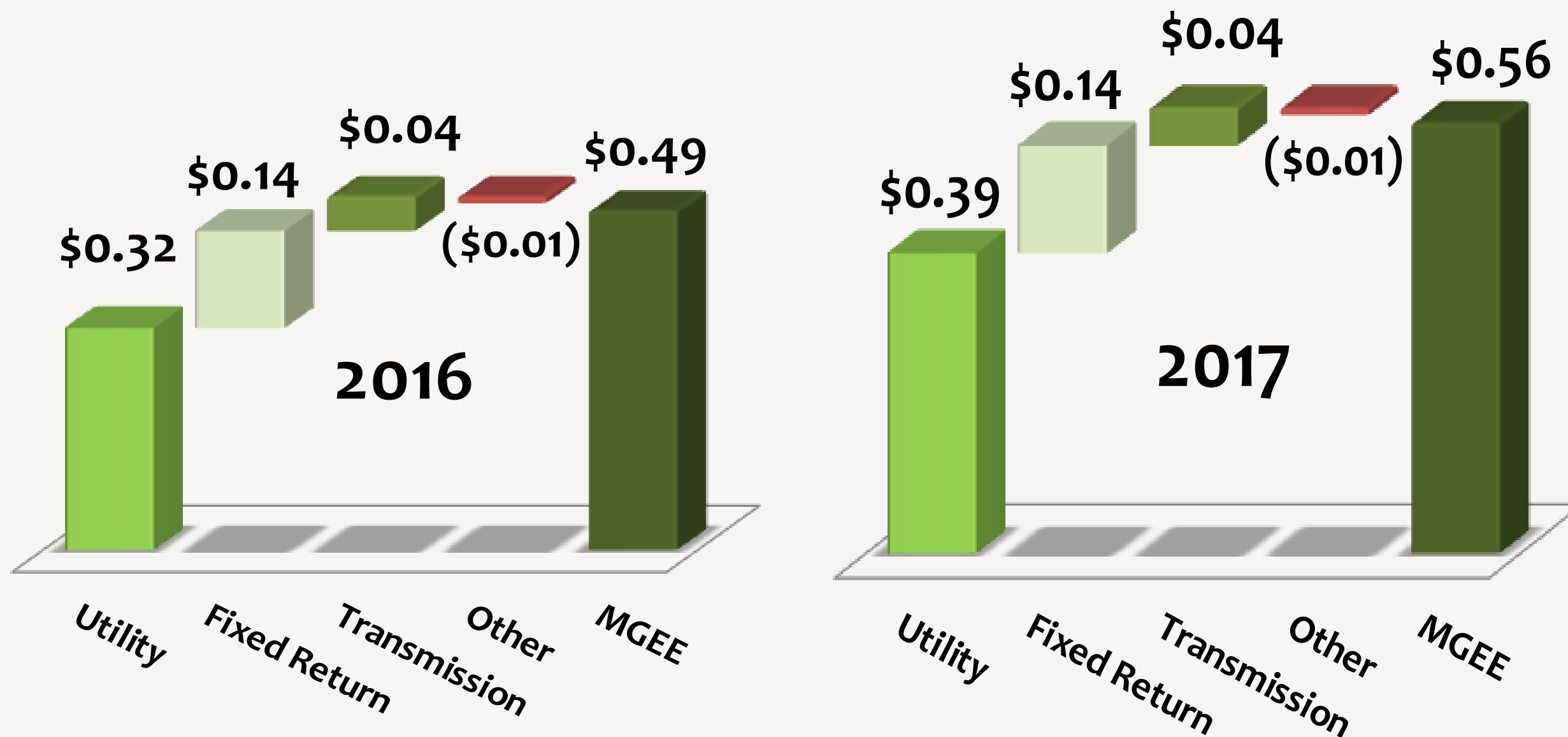
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APPENDIX

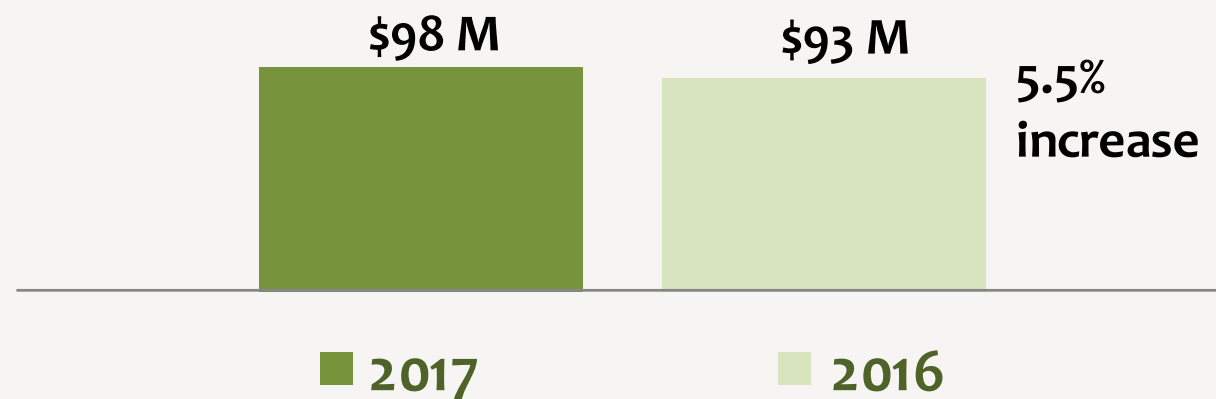
EARNINGS PER SHARE SEGMENTS

THREE MONTHS ENDED MARCH 31ST



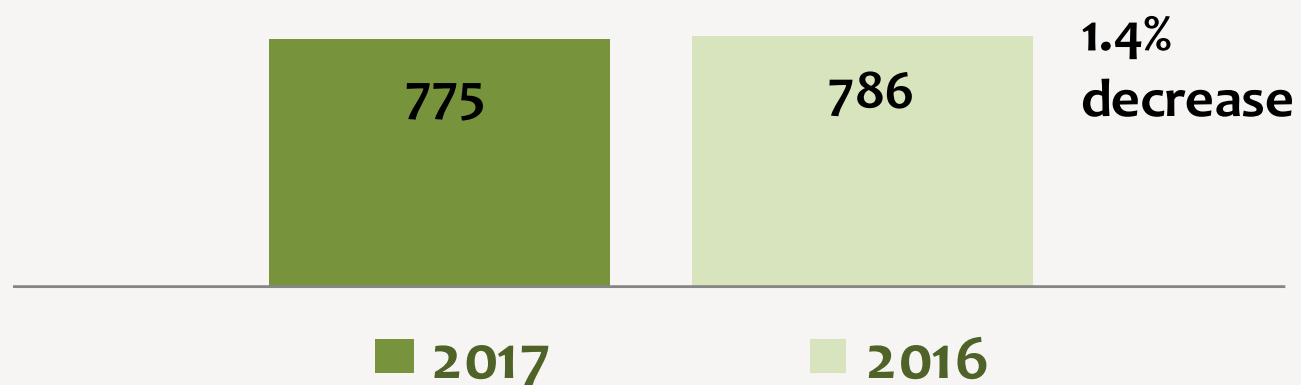
FINANCIAL STRENGTH

Electric Utility Revenue Quarter Ended March 31



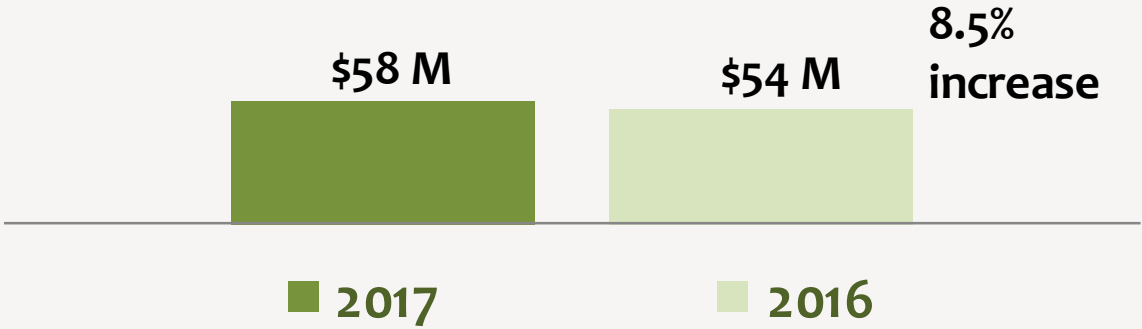
Electric retail sales volumes decreased due to lower customer demand

Electric Retail Sales (MWh) Quarter Ended March 31



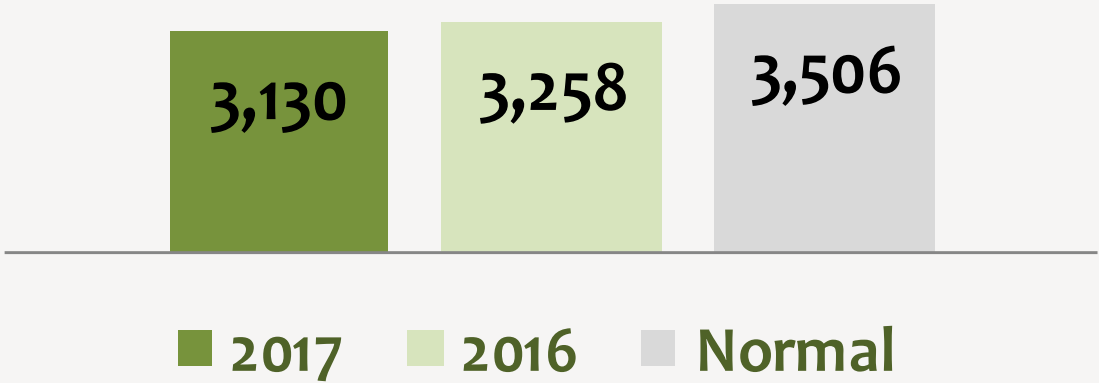
FINANCIAL STRENGTH

Gas Utility Revenue
Quarter Ended March 31

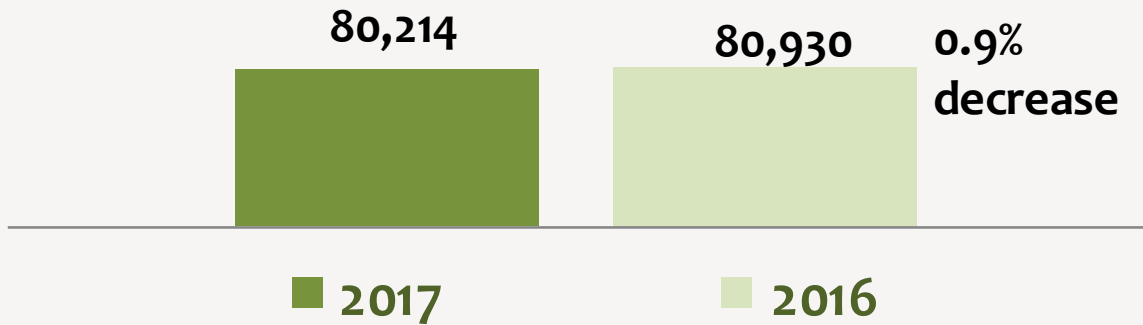


Actual Heating Degree Days
Quarter Ended March 31

(10.7% below normal and
decreased 3.9% from 2016)



Gas Retail Deliveries
Quarter Ended March 31



ENVIRONMENTAL STEWARD



A DNR Program for Superior Environmental Performance

- 1st utility in Wisconsin to participate in the State of Wisconsin Department of Natural Resources' (DNR) highest level (Tier 2), Green Tier environmental leadership program
- 5th company in Wisconsin to achieve Tier 2 status
- Voluntarily committed to continuously improve environmental performance by developing management strategies and adopting new technologies and practices