



EEI FINANCIAL FORUM

NOVEMBER 2017

ORLANDO, FL

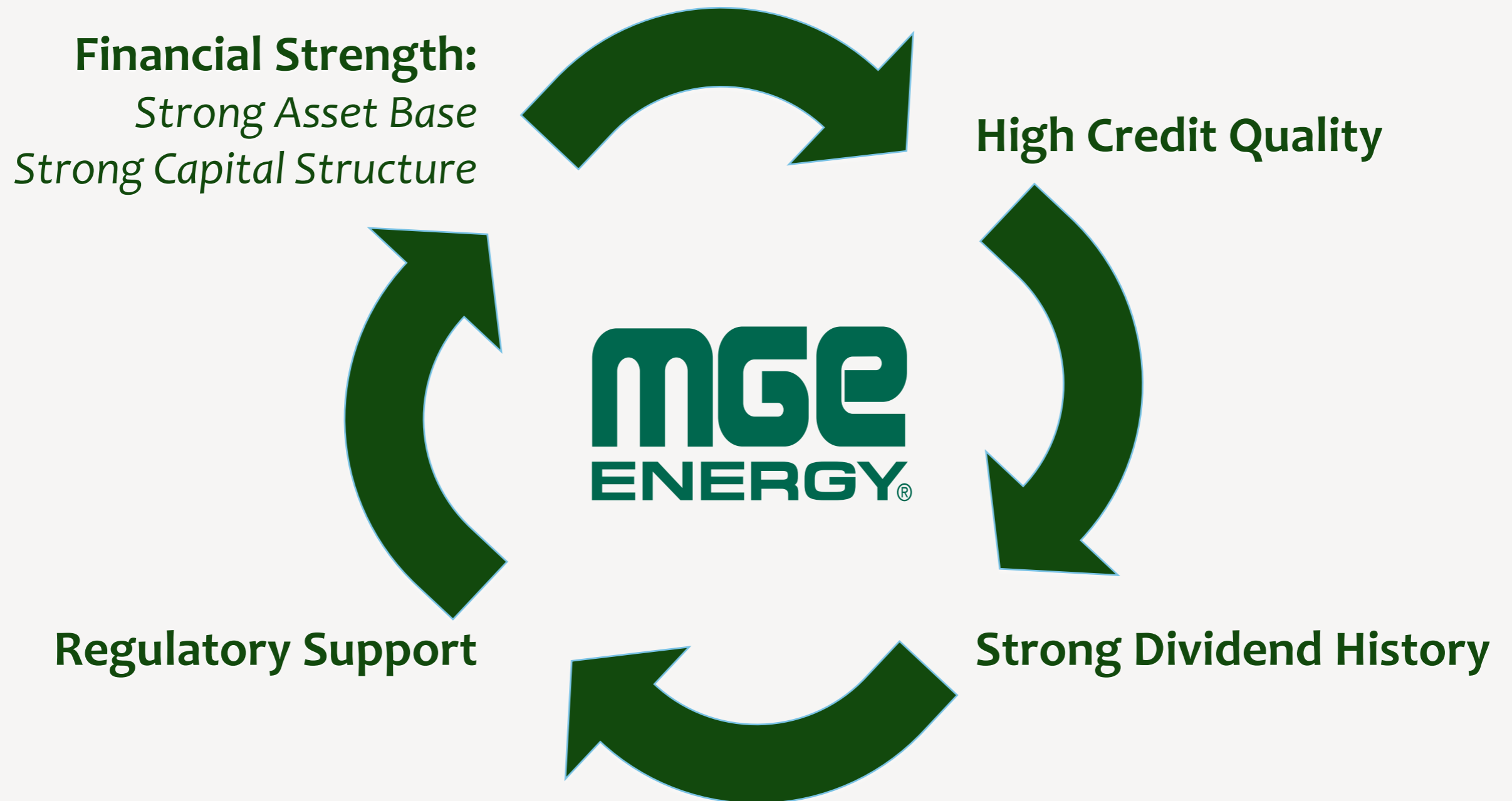
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All statements in this presentation other than historical facts are forward-looking statements that involve risks and uncertainties which are subject to change at any time.

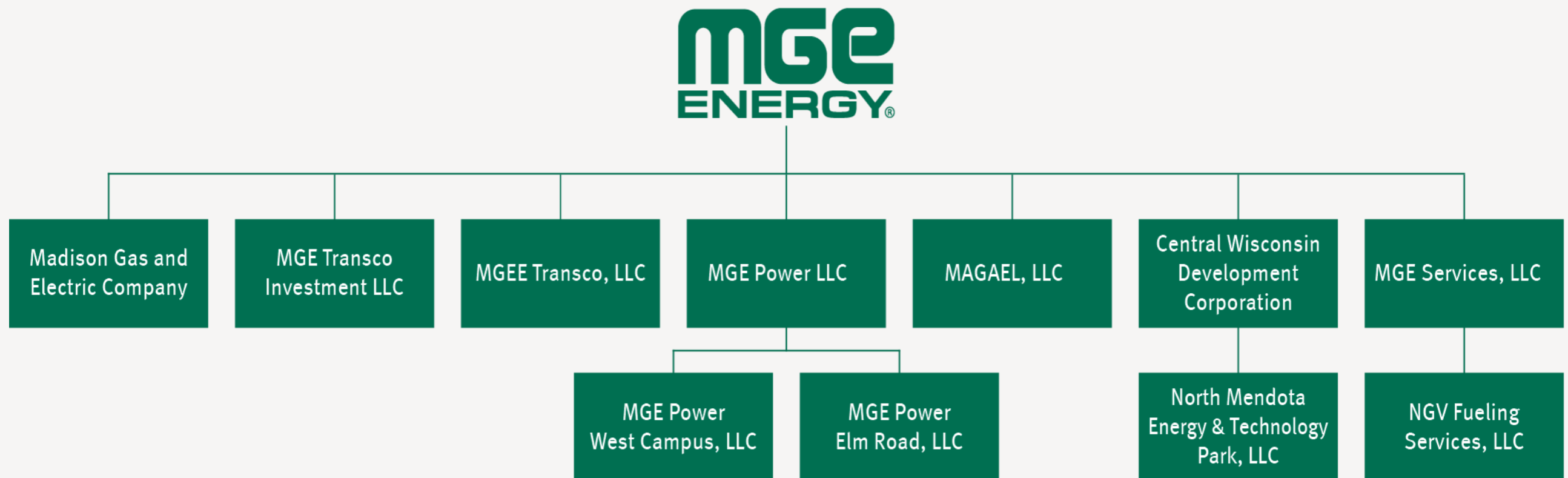
Such statements are based upon management's expectations at the time they are made. Various factors could cause actual results to be significantly different than those contemplated, estimated or projected in forward-looking statements. Those factors include the assumptions and factors referred to in the statements themselves as well as risk factors described in the company's latest annual report on Form 10-K, subsequently filed quarterly reports on Form 10-Q and other reports filed with the Securities and Exchange Commission. The company assumes no responsibility to update any forward-looking statements for events occurring after the date hereof.

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HIGHLIGHTS



CORPORATE STRUCTURE



SERVICE TERRITORY



Economic Outlook:

Madison

- One of four U.S. “tech hubs”
Atlantic Council, 2017
- 12th nationally for economic strength
Policom, 2017
- Low unemployment: 2.4%
Bureau of Labor statistics, August 2017

Dane County

- Population growth through 2035 expected to be the highest of any county in Wisconsin
- Low Unemployment (September 2017)
2.3% (WI 3.0%; US 4.1%)

TOP FINANCIAL PERFORMER 2017

MGE Energy was ranked among the top five companies within the eight financial quality metrics used by S&P Global Market Intelligence

- **1st** Return on Total Capital 6.83%
- **2nd** Capital Structure 65.1% Common Equity
- **2nd** Pre-Tax Interest Coverage 7.12x
- **2nd** Market Value to EBITDA 11.81x
- **2nd** Overall Fixed Charge Coverage 4.93x

➤ No other electric utility equaled MGE's rank

Source: S&P Global Market Intelligence
RRA Financial Focus September 21, 2017

S&P Global
Market Intelligence

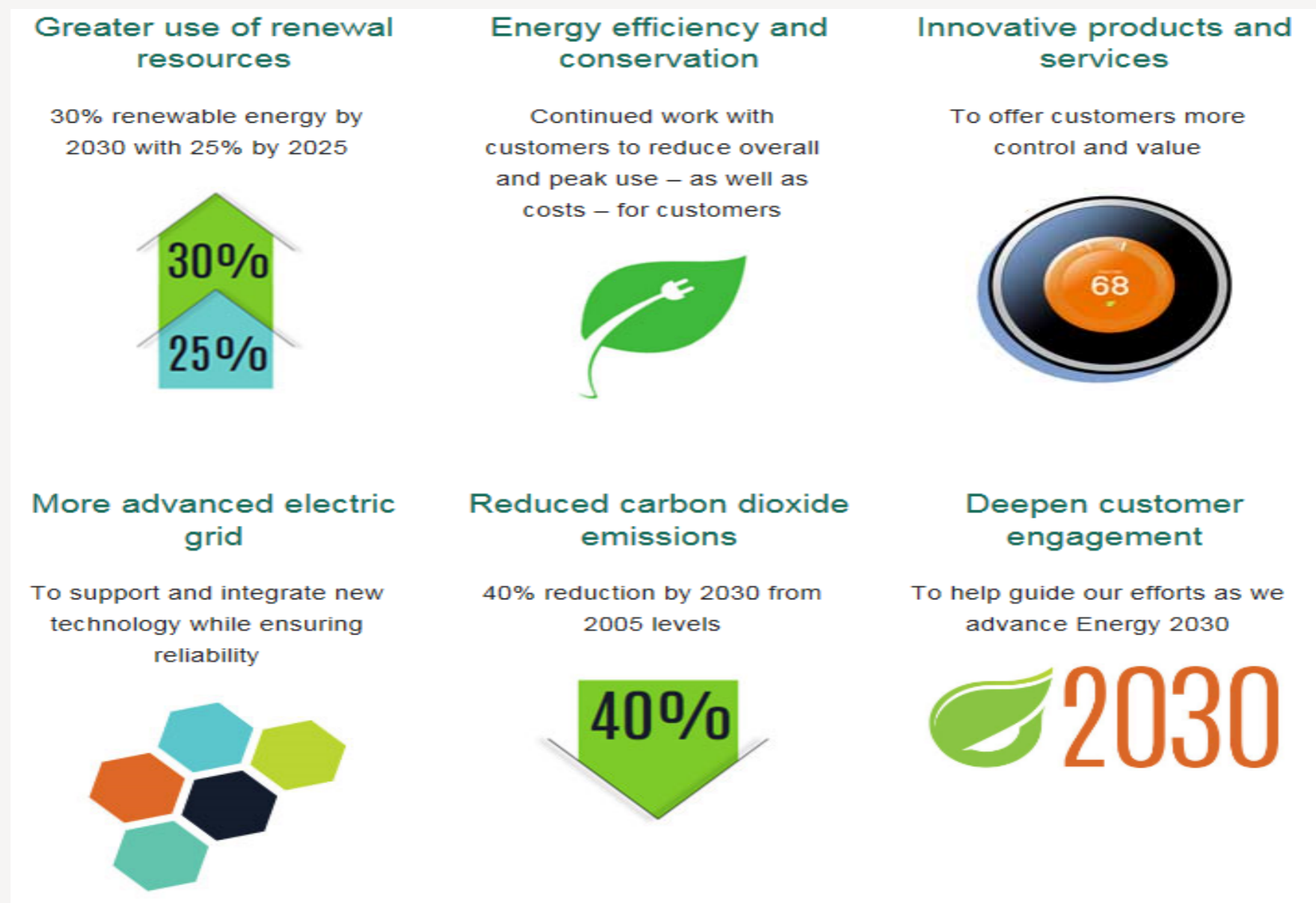
Utility financial spotlight

	Top	Bottom
Electric	MGE Energy (5 of 8)	AES Corp. (5)
		FirstEnergy (5)
Gas	Chesapeake Utilities (6)	CenterPoint Energy (5)
	ONE Gas (6)	
	New Jersey Resources (5)	
Water	American States Water (6)	American Water (6)
	SJW Group (5)	California Water Service (5)

Electric and gas include companies ranked within the top five for each measure. Water includes companies ranked within the top three.
Source: S&P Global Market Intelligence

ENERGY 2030 FRAMEWORK

- Long-term strategy includes cleaner energy, further-reduced emissions, new technologies
- Our carbon reduction target is consistent with U.S. target established in Paris Agreement on Climate Change



INVESTMENT OPPORTUNITIES – MGE'S SHARED SOLAR PROGRAM

Our Community Solar Project is a 500-kilowatt (kW) solar array on the City of Middleton's Operations Center:

- Low cost and highly visible location
- Began generating January 2017
- Waiting list of customers developed for possible future projects
- MGE partnered with the City of Middleton:
 - Additional 100-kw solar array at the police department
- Shared Solar expansion planned:
 - Expansion of existing Shared Solar Program in the city of Middleton



SOLAR OPPORTUNITIES

- **Renewable Energy Rider (RER)**
 - Obtained PSCW approval to work with commercial customers to develop dedicated off-premises renewables for their benefit
 - Provides MGE a framework to create customized tariffs whose economics are based on the dedicated renewable solution
 - Demonstrates that Wisconsin commissioners recognize our customers are demanding renewable generating options
 - RER provides Wisconsin utilities another tool to meet the needs of our customers



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 2019, with an estimated capital cost of \$107 million



ACQUISITION OF FORWARD WIND SITE

- MGE, WPS, and WPL utilities plan to file a Certificate of Authority with the PSCW to acquire Forward Energy Center from Invenergy
 - MGE will place assets into rate base
 - Acquisition provides access to renewable energy for additional fifteen years
 - MGE prefers ownership in most cases vs. PPA
 - Total purchase price \$174 million, MGE Share \$23 million
 - 16.5 MW MGE Share of 86 turbine 129 MW wind farm
 - Utilities expect to file with PSCW in November

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®



ELECTRIC BUSES - MADISON

- Collaborating with City of Madison's transit department to bring all-electric buses to MGE's service territory
 - MGE pledged support, matching funds in City's federal application for buses
 - Buses expected to be operational in 2019
 - City has goal to be 50% electric by 2035
 - Partnership advances shared goals to reduce emissions



IT INFRASTRUCTURE

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

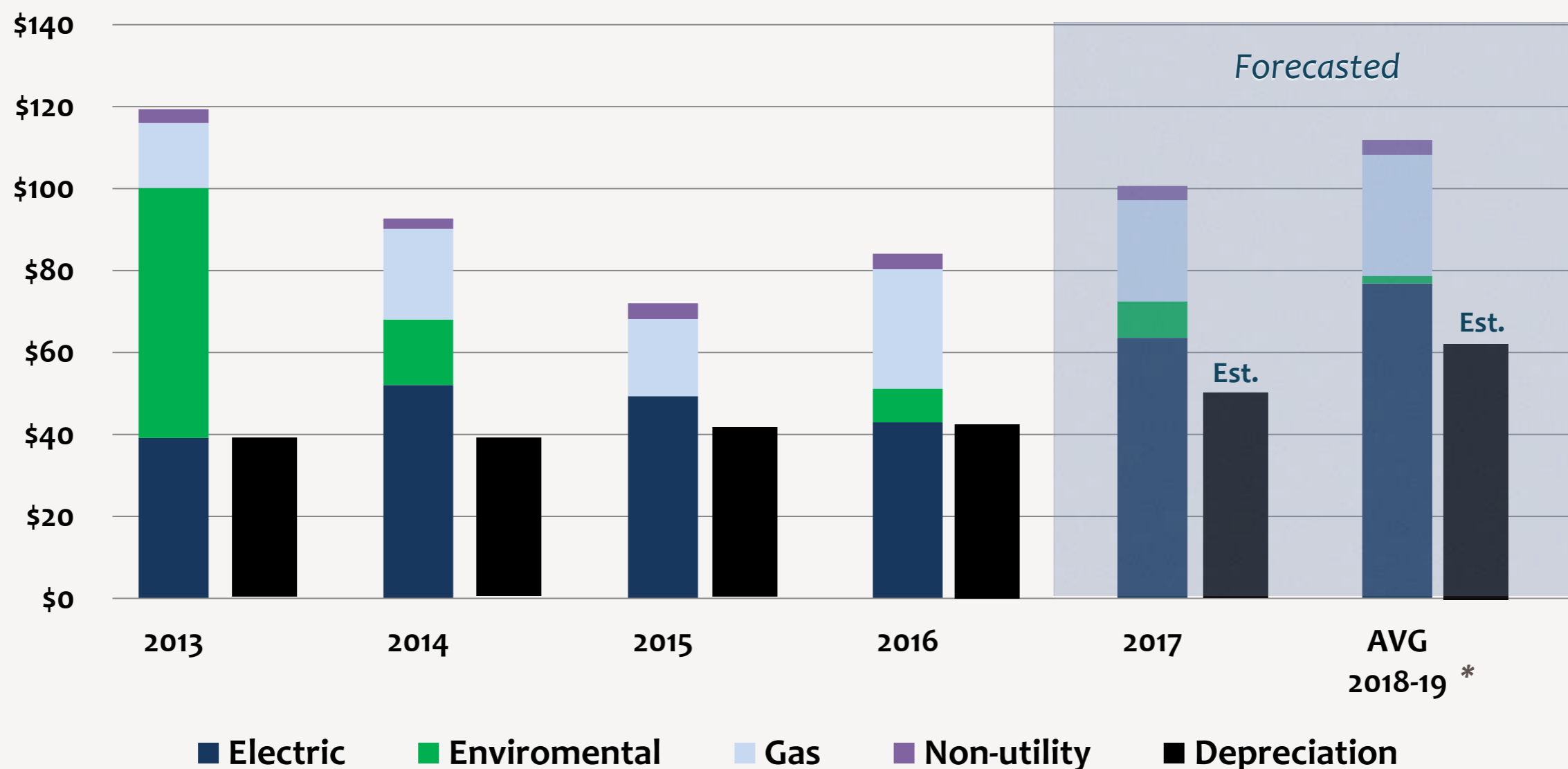
MGE continues to invest a significant amount of capital in IT Infrastructure, to enhance the electric grid and provide customers with more information on their energy usage. Some of the larger IT Projects are:

- 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



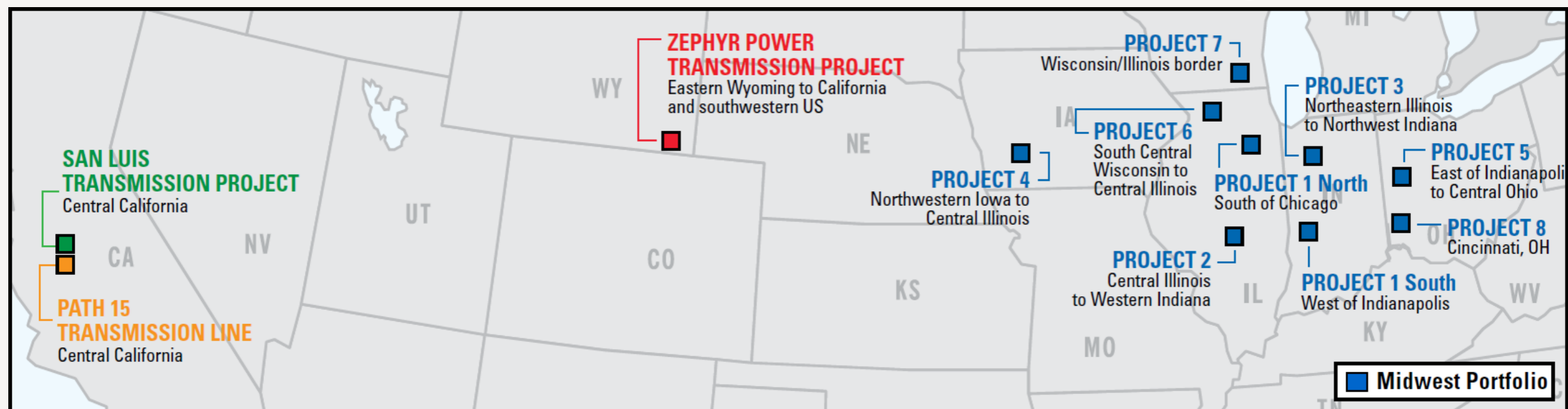
- Approximately 7.2% of MGE Energy's earnings come from its **\$79 million** transmission investment in ATC
- ATC forecasted CapEx of **\$3.6 to \$4.4 billion** over the next 10 years, this excludes potential transmission investments outside its traditional footprint
- ATC average rate base at year end 2016: **\$3.3 billion**
- Alaskan municipal transmission opportunity

TRANSMISSION INVESTMENTS

DATC – Joint Venture between Duke and ATC

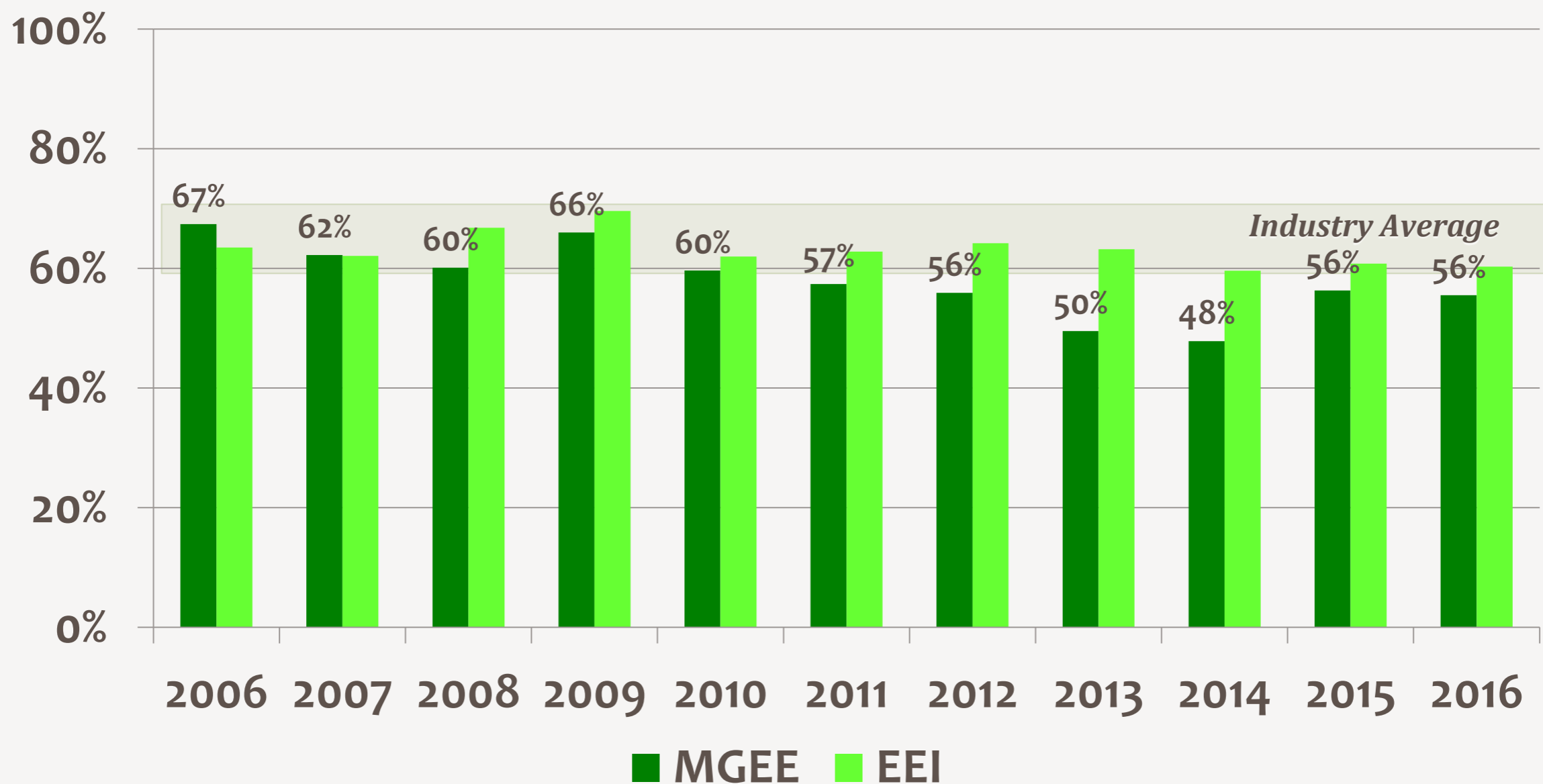


- Zephyr Power Transmission Project
 - \$2.6B - \$3.5B proposed 500kV transmission line
- San Luis Transmission Project
- Path 15 Project
 - DATC owns 72%
 - FERC approved \$25.9 million revenue requirement 2014-2016
- Other transmission projects throughout the US



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

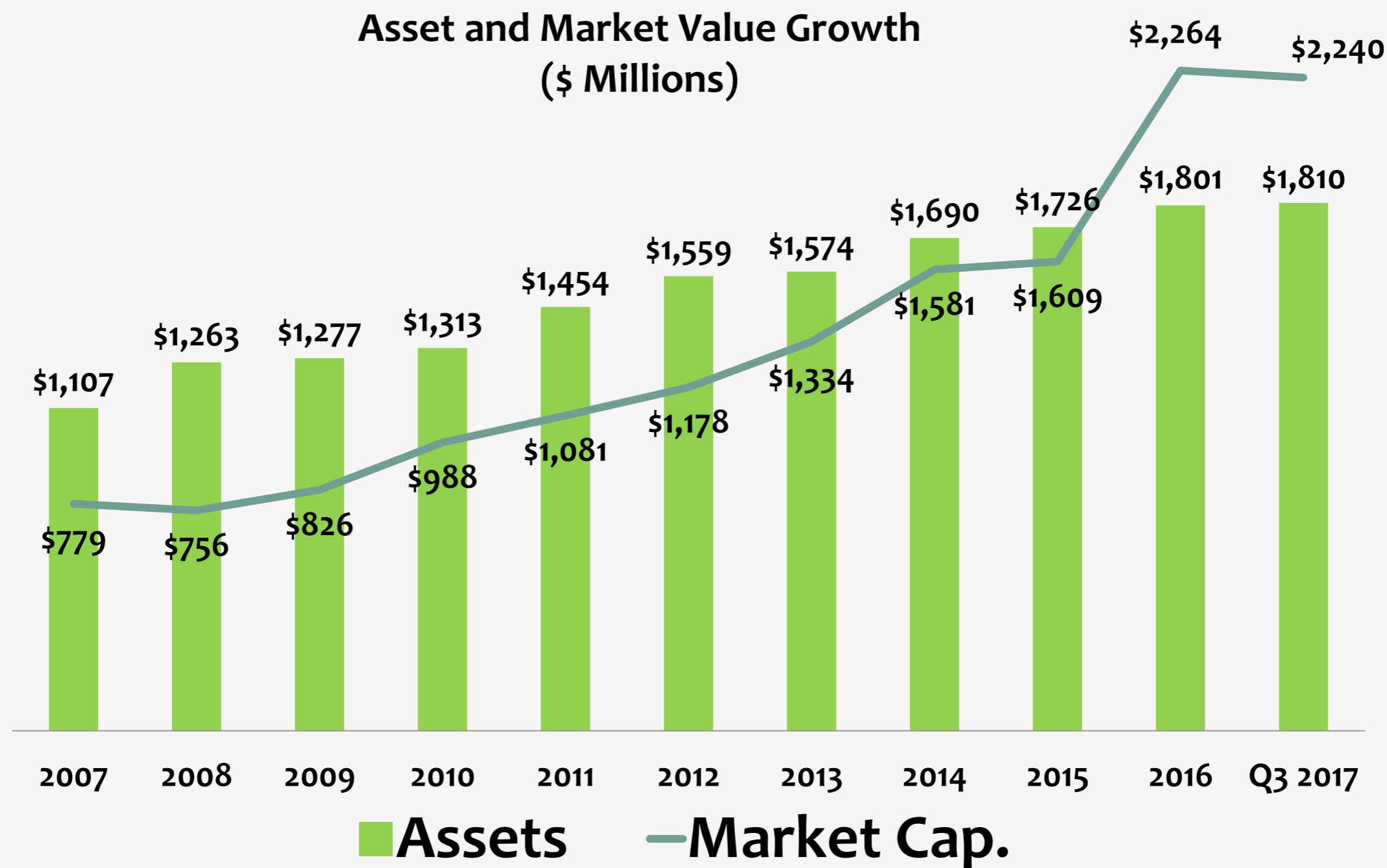


INVESTMENT FUNDAMENTALS

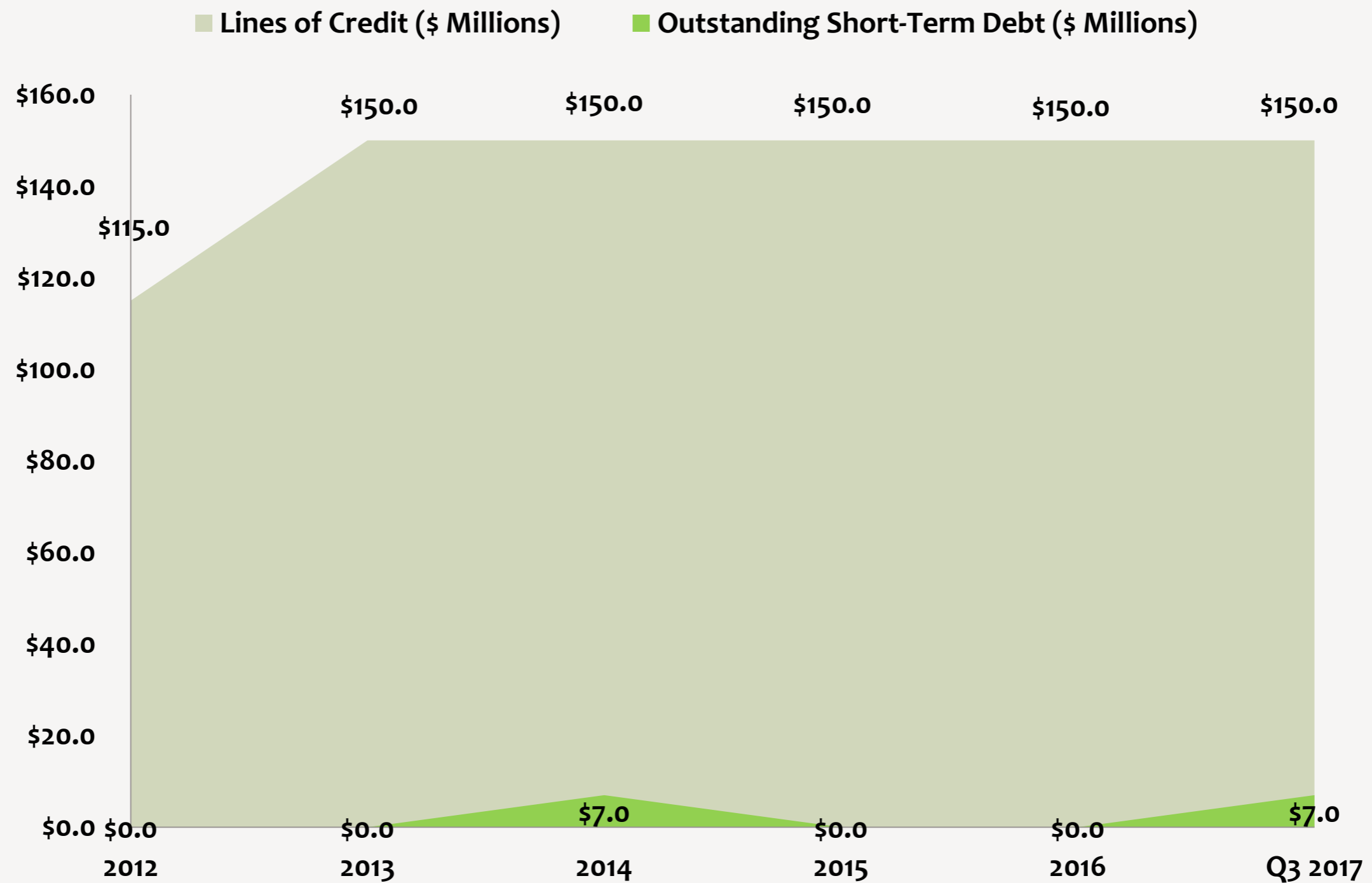
– DIVIDEND GOVERNANCE

- **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**

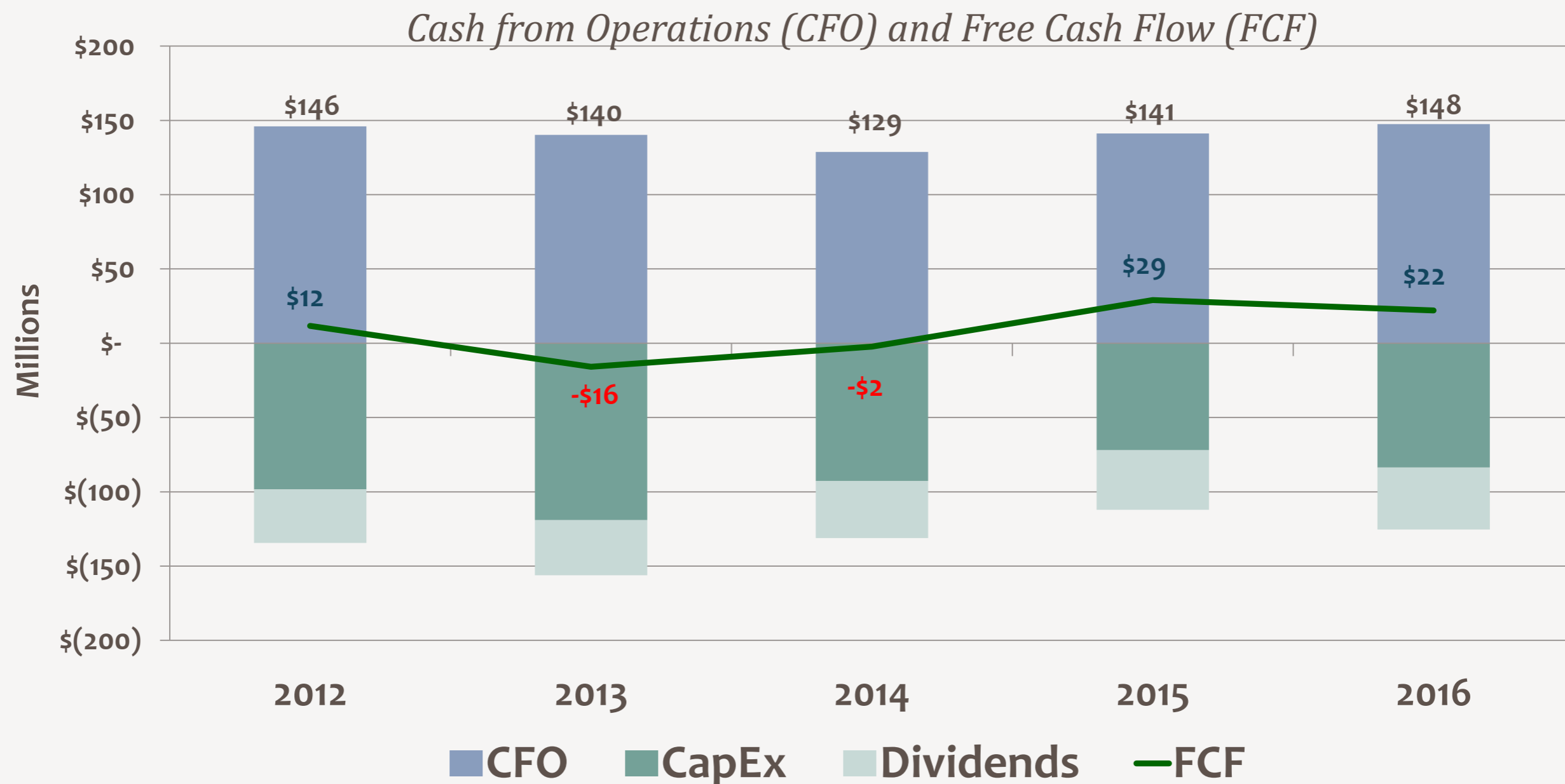
STRONG ASSET BASE



STRONG LIQUIDITY

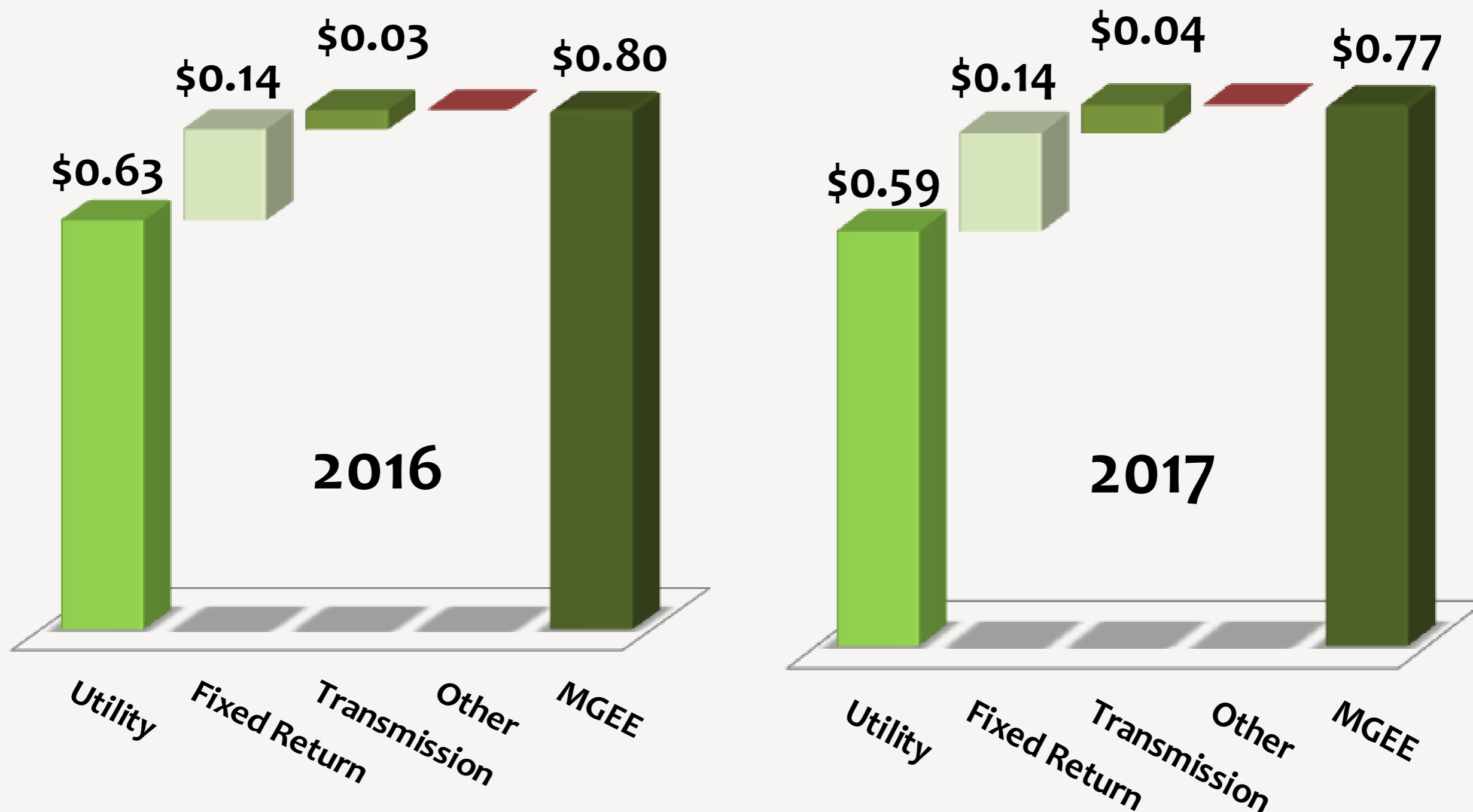


STRONG CASH FLOWS



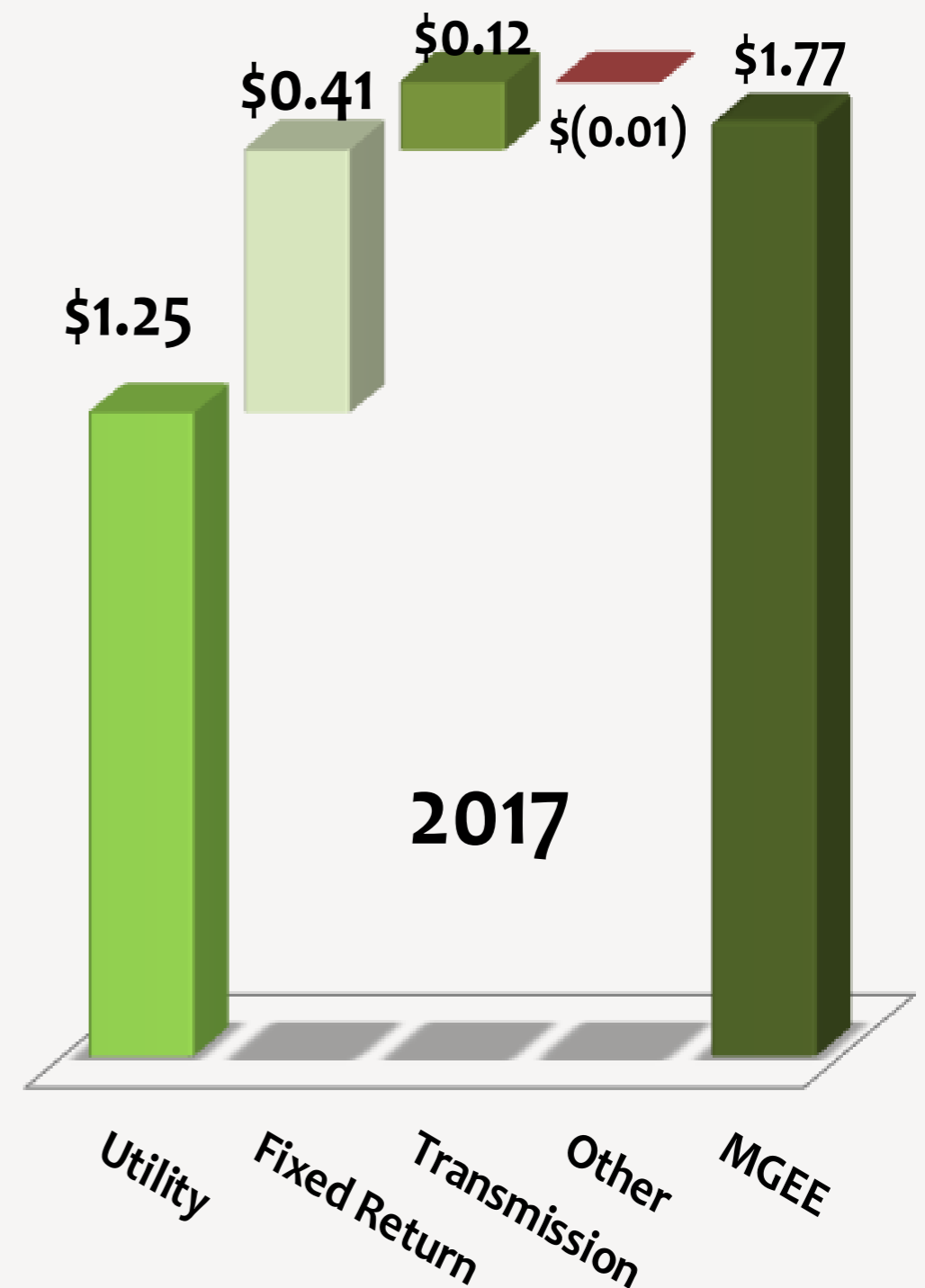
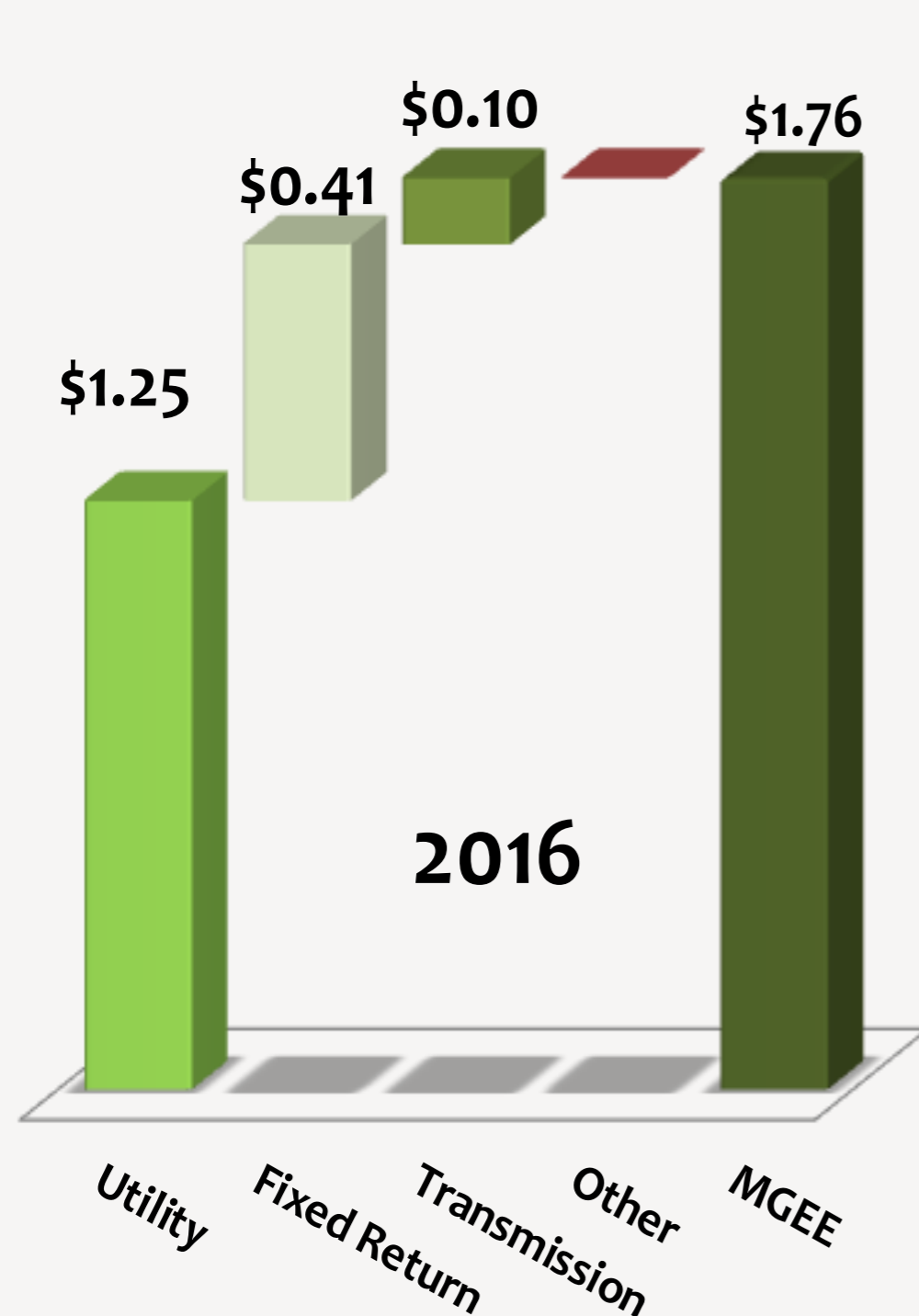
EARNINGS PER SHARE SEGMENTS

THREE MONTHS ENDED SEPTEMBER 30TH



EARNINGS PER SHARE SEGMENTS

YTD ENDED SEPTEMBER 30TH



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, December 2016

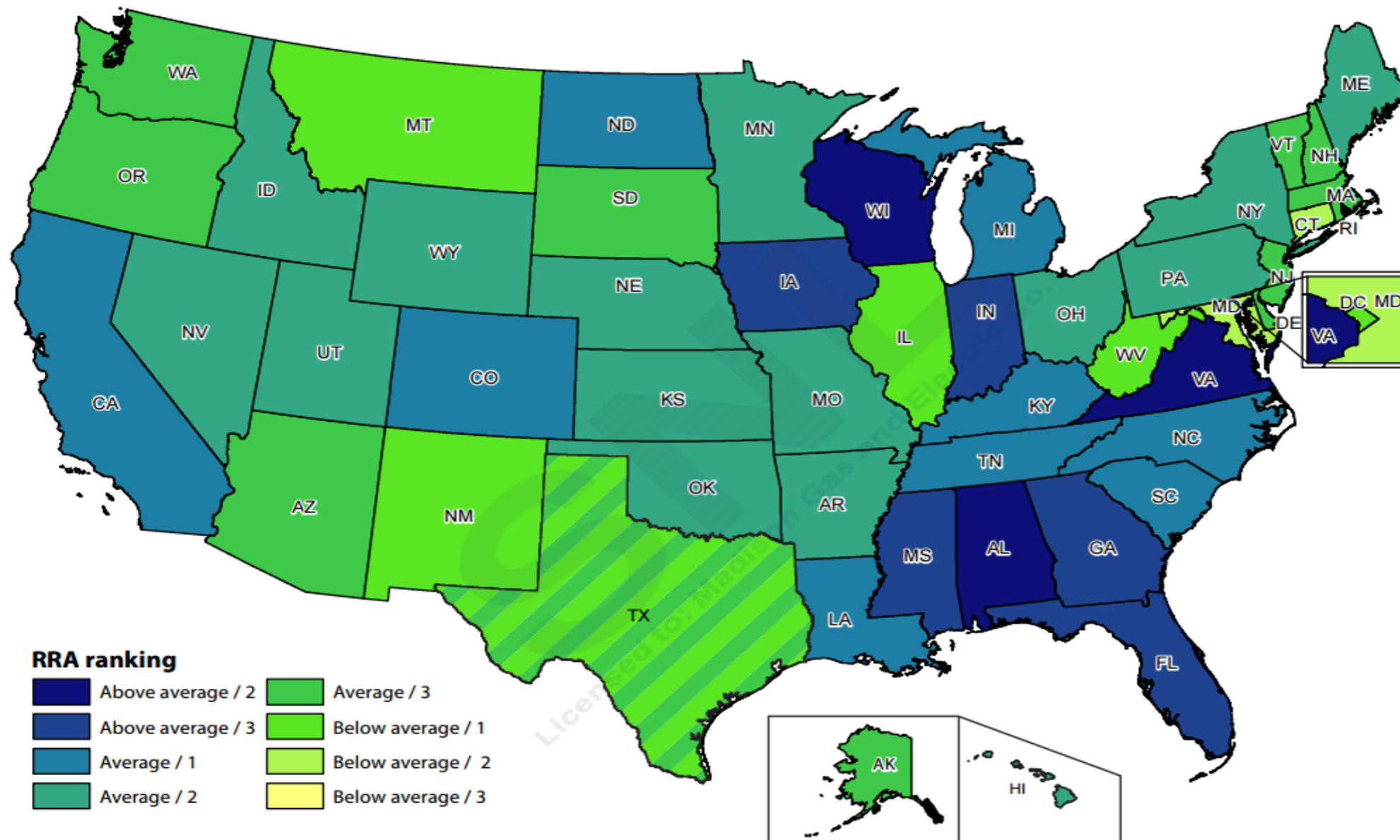
Moody's (Utility Ratings)

- 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

FINANCIAL UPDATE INCOME TAX REFORM

- White House released its tax reform plan, the effects on MGEE and its subsidiaries are as follows:

	Regulated Utility	WCCF/ERGS	Holding Company
Federal Corporate Tax Reduction (35% to 20%) 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 20%) Rates Impact	Small refund to customers for reduction in deferred tax liability	Reduces rates to utility	No Impact

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
- The PSCW extended MGE's current transmission cost accounting through 2018, and allowed cost differentials in the next rate case
- In July 2017, the PSCW issued a final order stating that MGE shall refund \$6.0 million of additional fuel savings realized during 2015 and 2016 to its retail electric customers over a one-month period in October 2017
- As of September 30, 2017, MGE has deferred \$3.3 million of 2017 fuel savings
 - The 2017 fuel savings will be subject to the PSCW's annual review of 2017 fuel costs, expected to be completed in 2018

CONTACT

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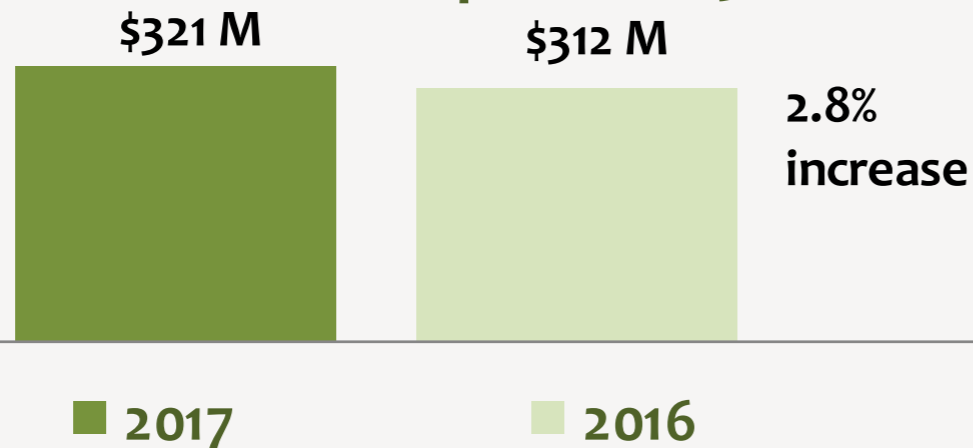
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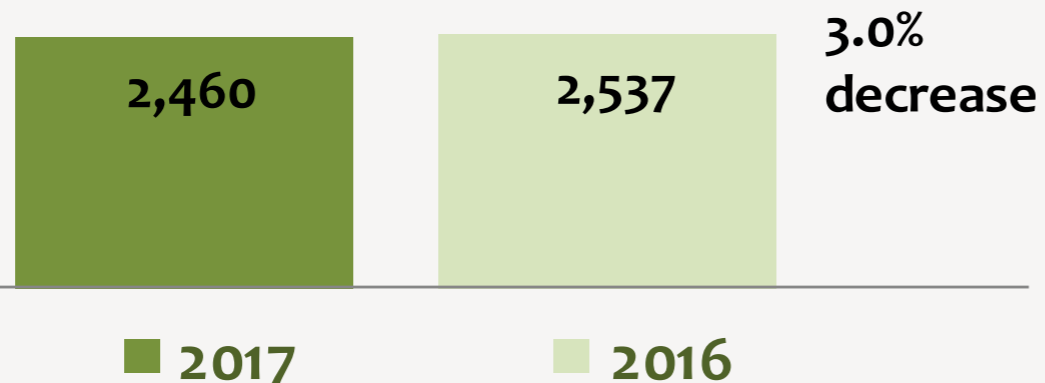
APPENDIX

FINANCIAL STRENGTH

Electric Utility Revenue
YTD Ended September 30

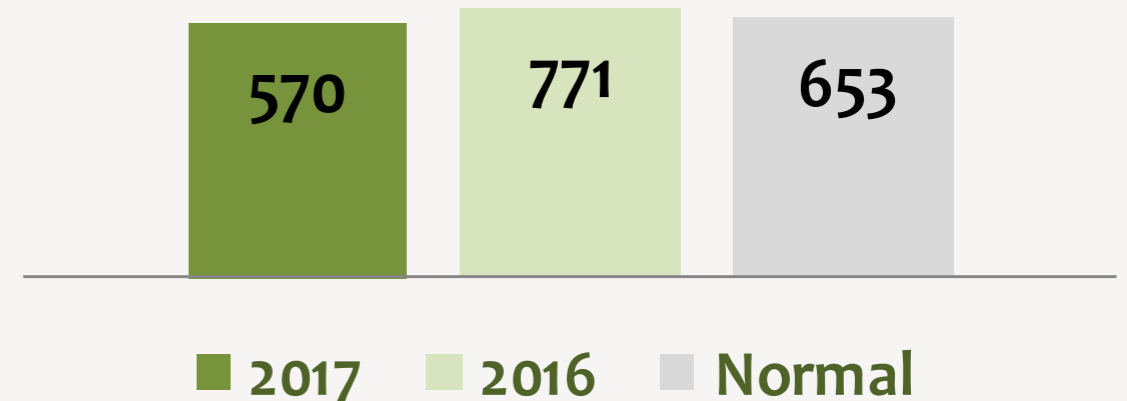


Electric Retail Sales (MWh)
YTD Ended September 30



Actual Cooling Degree Days
YTD Ended September 30

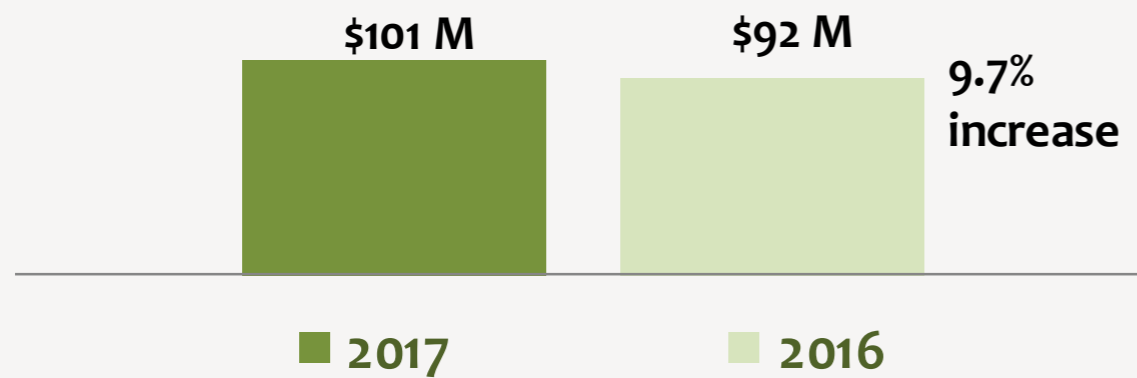
(12.7% below normal and decreased 26.1% from 2016)



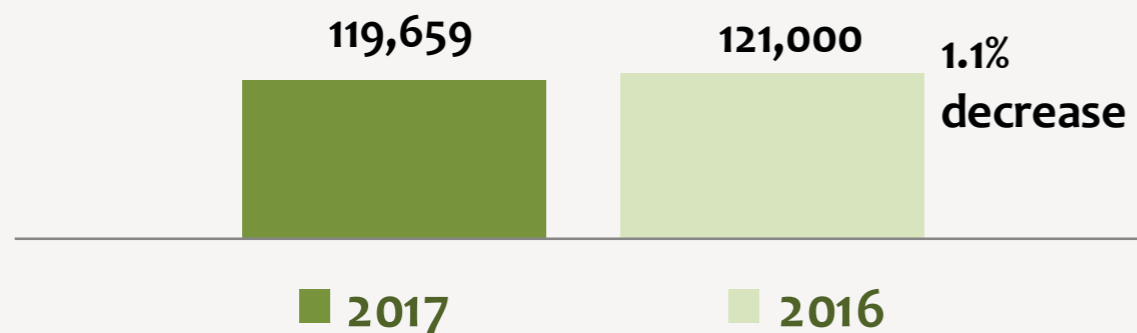
Electric retail sales decreased due to unfavorable weather conditions

FINANCIAL STRENGTH

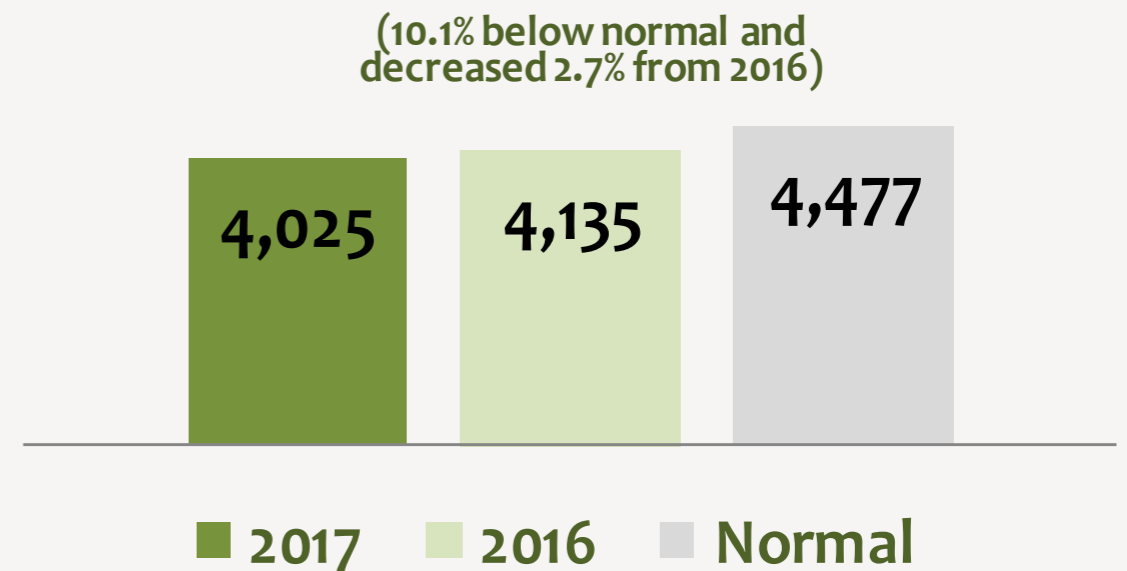
Gas Utility Revenue
YTD Ended September 30



Gas Retail Deliveries
YTD Ended September 30



Actual Heating Degree Days
YTD Ended September 30



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