



EEI FINANCIAL FORUM

November 2019

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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Investment Strategy

COMMITMENT TO DIVIDENDS

- Increased 44 consecutive years
- Paid for over 100 consecutive years

SUSTAINABILITY & RELIABILITY

- Energy 2030 / Net-Zero Carbon by 2050
- Investments in renewables such as wind and solar
- Electrification of transportation
- Legacy fossil generation accelerated depreciation

REGULATORY SUPPORT

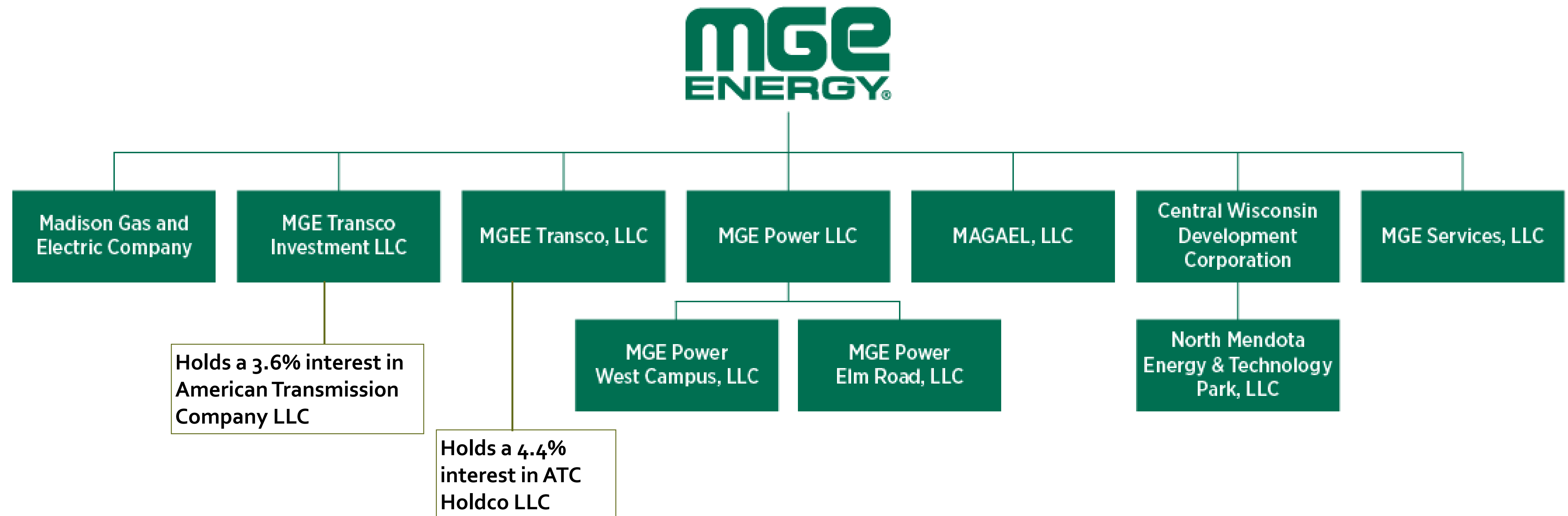
- Forward - looking test years
- Renewable Energy Rider

STRONG FINANCIAL RESULTS

- Balance Sheet – growth in assets
- Strong liquidity and cash position
- Stable earnings growth



Subsidiaries



Service Territory

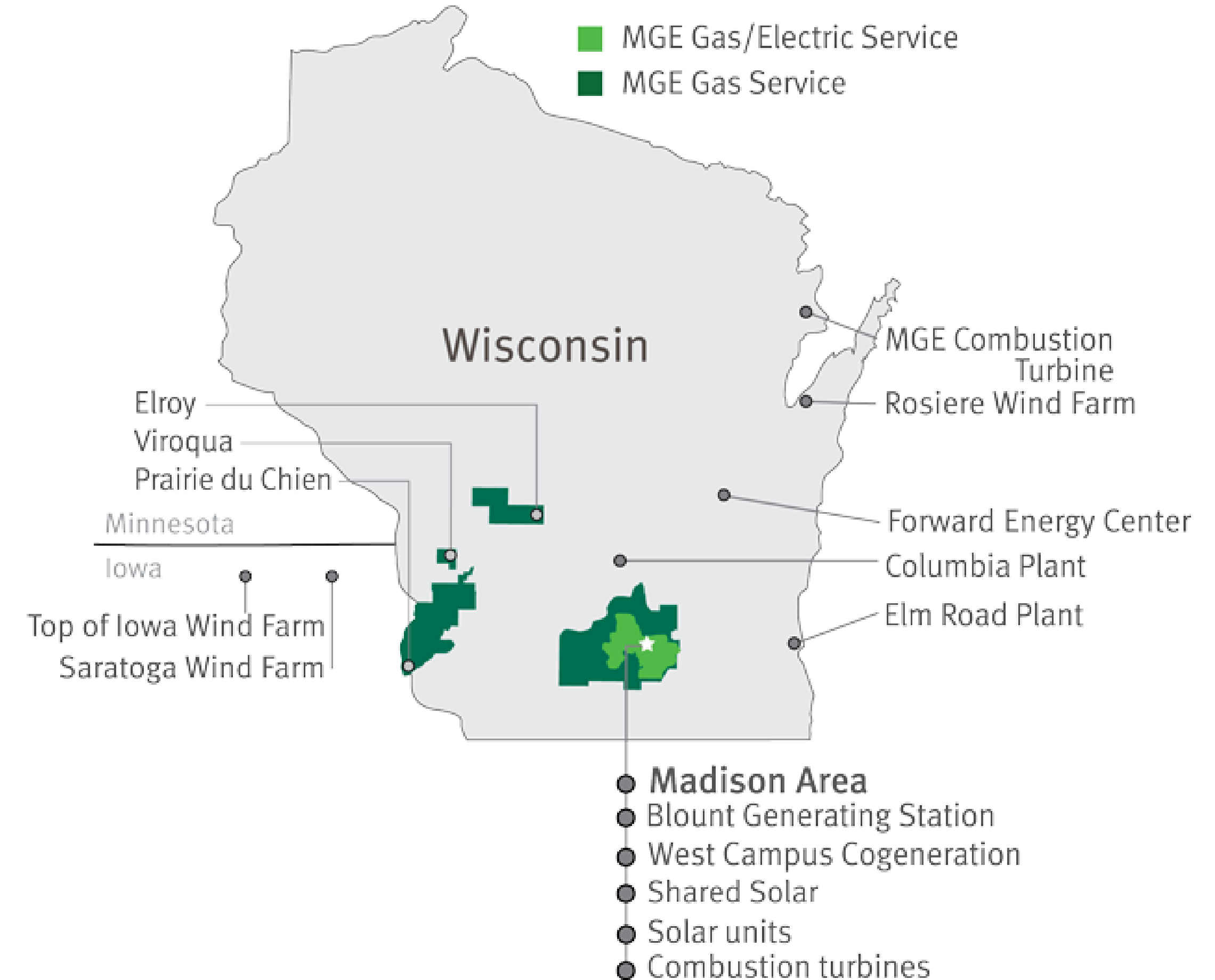
Economic Outlook:

Madison

- Named one of America's top 20 tech towns – *Computing Technology Industry Association, 2018*
- 12th nationally for economic strength – *Policom, 2019*
- Low unemployment: 2.3% – *Bureau of Labor Statistics, September 2019*

Dane County

- Population growth through 2035 expected to be the highest of any county in Wisconsin
- Low Unemployment 2.3% (WI 2.9%; US 3.3%) – *WI Dept. of Workforce Development, September 2019*



Building Long-Term Value in an Evolving Energy Landscape

“Technology is opening new opportunities to **invest in cleaner energy**. We are tapping **new technology** to create products for our customers. We are using technology to inspire new community partnerships to advance sustainability in the world around us. Our regulated subsidiary, Madison Gas and Electric, is building upon our record of industry leadership by transitioning our generation fleet, deepening our engagement with those we serve and harnessing the power of new technologies for the benefit of all. **Our commitment to long-term sustainability drives us to build shareholder and customer value** in new and exciting ways while still fulfilling our fundamental responsibility to provide **safe, reliable energy** every hour of every day to everyone.”

- Jeffrey M. Keebler, Chairman, President and Chief Executive Officer



Investing in Cleaner Energy Generation

Energy 2030 and Net-Zero Carbon Electricity by 2050

- Reduction in CO₂ emissions
 - From **40%** from 2005 levels by **2030** and **80%** by **2050**
 - Based on Paris Agreement and U.S. Mid-Century Strategy
 - To **Net-Zero Carbon Electricity by 2050**
 - Strategy for deep decarbonization
 - Based on IPCC Special Report regarding 1.5 degree scenario

Other Environmental Initiatives

- Recognized as a Green Master for fourth consecutive year by Wisconsin Sustainable Business Council
- Only utility in the state awarded the highest participating level in Green Tier, an environmental program through the WI DNR
- Decreased regulated air emission rates between 60 and 97 percent since 2005
- Within the last 5 years, MGE has announced cost-effective projects that will grow renewable generation by roughly 600%



Investment in Wind Generation

Saratoga Wind Farm

- Project became operational in February 2019
- Cost \$112 million
- Received 100% AFUDC during construction
- Located near Saratoga, Iowa
- 66 MW consisting of 33 turbines

Other Wind Generation

- Forward Wind Energy Center
- Top of Iowa Wind Farm
- Rosiere Wind Farm



Investment in Solar Generation

Two Creeks

- PSCW approved including 100% AFUDC
- Located in Manitowoc & Kewaunee Counties, Wisconsin
- MGE would own 50 MW (WPS 100 MW)
- Project being developed by NextEra Energy Resources
- Commercial operation targeted for late 2020
- MGE cost is approximately \$65 million

Badger Hollow

- PSCW approved including 100% AFUDC
- Located in Iowa County, Wisconsin
- MGE would own 50 MW (WPS 100 MW)
- Project being developed by Invenergy
- Commercial operation targeted for late 2020
- MGE cost is approximately \$65 million

Badger Hollow II

- On Aug 1, MGE and WEPCO file joint application with the PSCW for the remaining 150 MW of the solar farm
- MGE would own 50 MW (WEPCO 100 MW)
- Commercial operation targeted for late 2021
- MGE total cost is approximately \$65 million



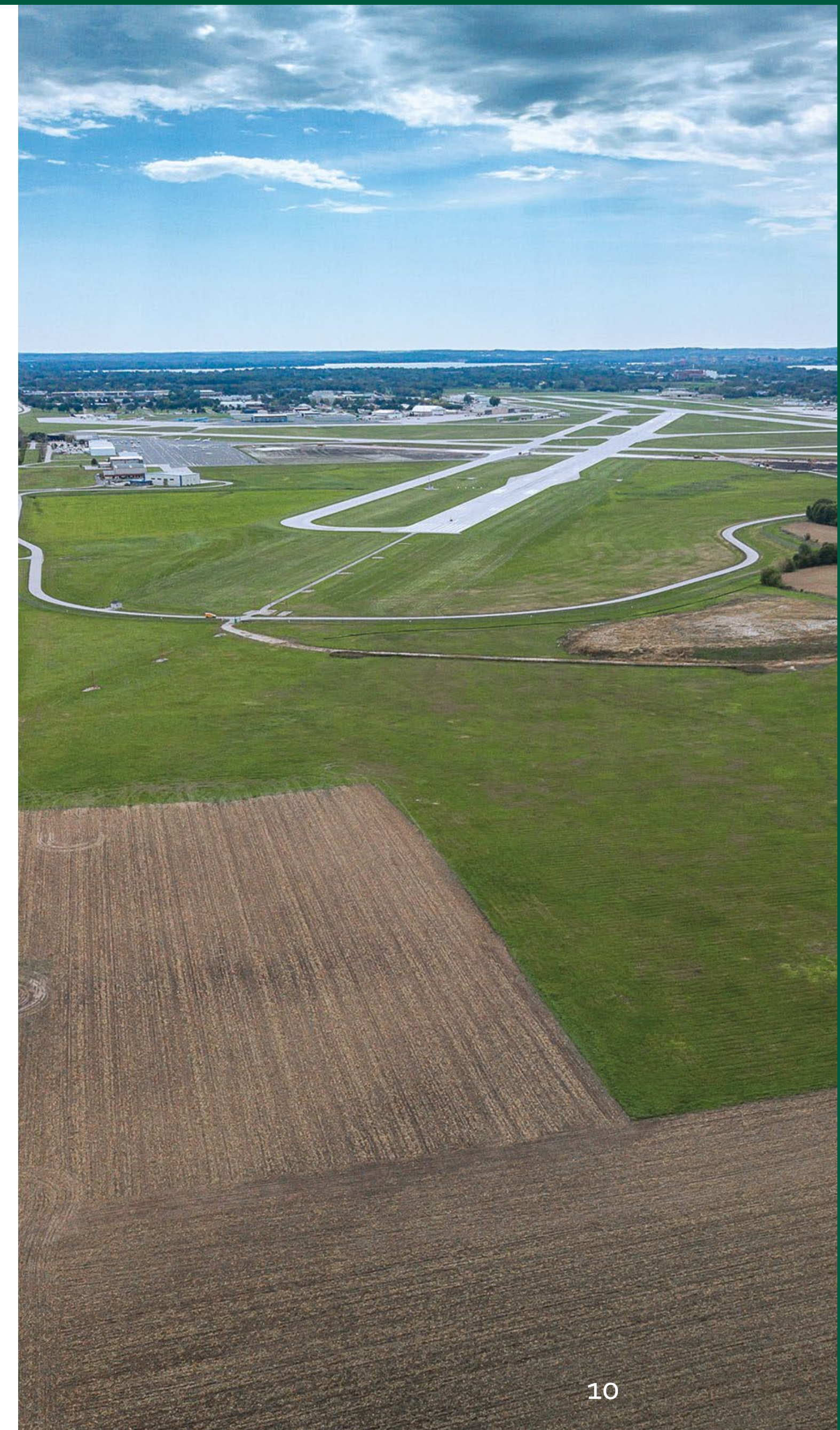
Future Solar Generation

Dane County and MGE Partner on Solar Project

- Located at the Dane County Regional Airport
- MGE will own the 9 MW solar array and sell the energy to Dane County
- First project under the “**Renewable Energy Rider**”
- FAA & PSCW approvals expected soon
- If approved, construction is expected to begin in 2019

Morey Field Airport

- 5 MW solar project built on the partnership with the City of Middleton at Middleton Municipal Airport
- Expansion of existing Shared Solar Program
- Portion of the array to serve Renewable Energy Riders with Middleton-Cross Plains School District and City of Middleton
- PSCW approved in July



Investment and Research – EV's



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

- Collaborating with City of Madison's Metro Transit department to electrify 50% of its bus fleet in MGE's service territory by 2035
- MGE pledged assistance with technical expertise for charging infrastructure and local matching funds in City's successful grant application for electric buses
- Buses are expected to be delivered by Proterra to Madison Metro in 2019
- Partnership advances shared goals to reduce emissions

Transition from Coal Generation

- In January 2019, MGE reduced its ownership interest in Columbia from **19.4%** to **19.1%** as a result of the partial sale of plant assets to WPL.
- MGE will reduce further its obligation to pay certain capital expenditures (other than SCR-related expenditures) at Columbia in exchange for a proportional reduction in MGE's ownership in Columbia. By June 2020, MGE's ownership in Columbia is forecasted to be approximately **19%**, a decrease of **3%** from the **22%** ownership interest held by MGE on January 1, 2016.
- In MGE's last rate settlement with the PSCW for the 2019 and 2020 test years, MGE accelerated the depreciation for Unit 1 of the Columbia plant to **2029** from **2036**.
- MGE continues to review ways to reduce its exposure to fossil generation.

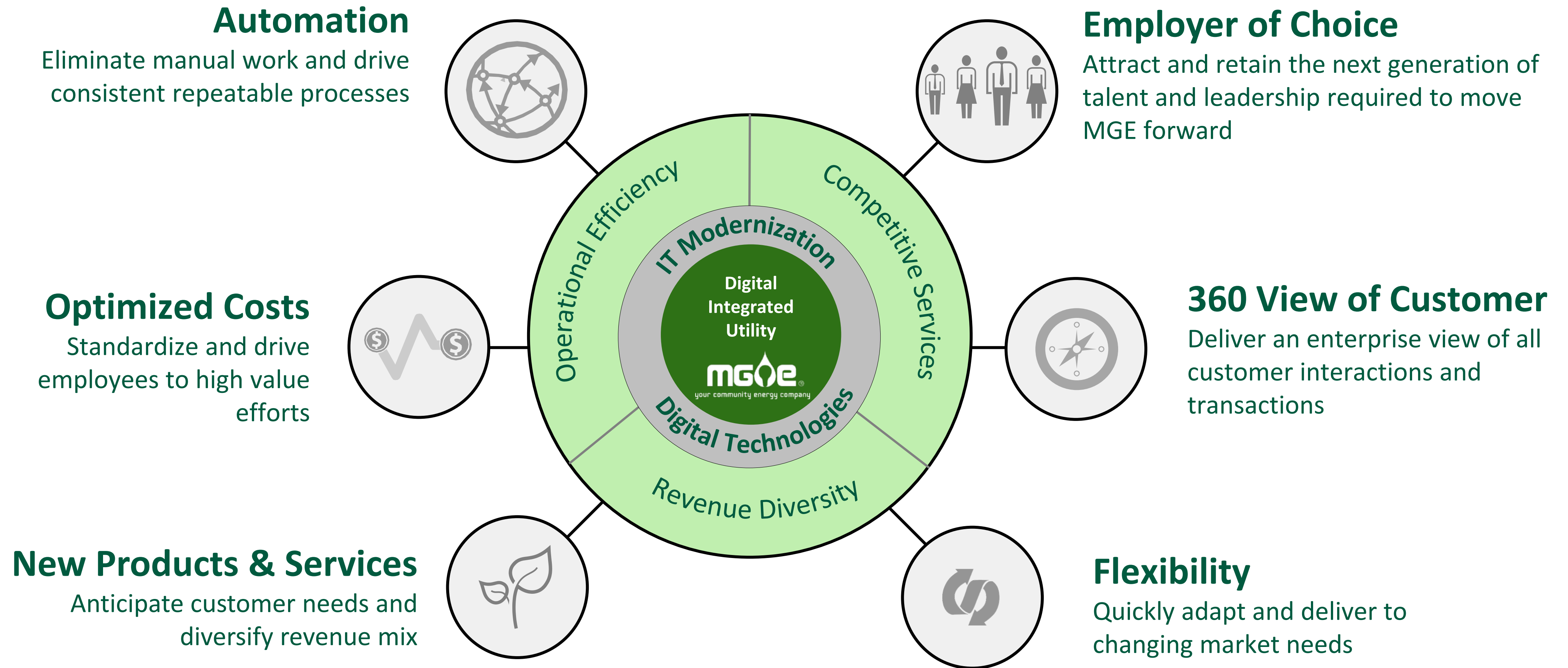
Technology Investments

Enterprise Forward



- In 2017, MGE committed to undertake a multi-year project aimed at transforming our foundational customer engagement capabilities and enabling it to be flexible in delivering new products and services as outlined in our energy 2030 framework.
- These objectives are expected to be accomplished through the implementation of a new **customer information system, along with other solutions** that meet the goals of the initiative:
 - Gain efficiencies,
 - Improve customer facing technologies,
 - Support new products & services.
- This 5 year project will transform MGE into a **Digital Integrated Utility**.
- On January 1st 2019, the Enterprise Forward program successfully went live with the first part of the Wave 1 implementation, which included the following solutions:
 - Oracle Cloud Enterprise Resource Planning
 - Financial and Human Capital Management
 - Work and Asset Management – Inventory

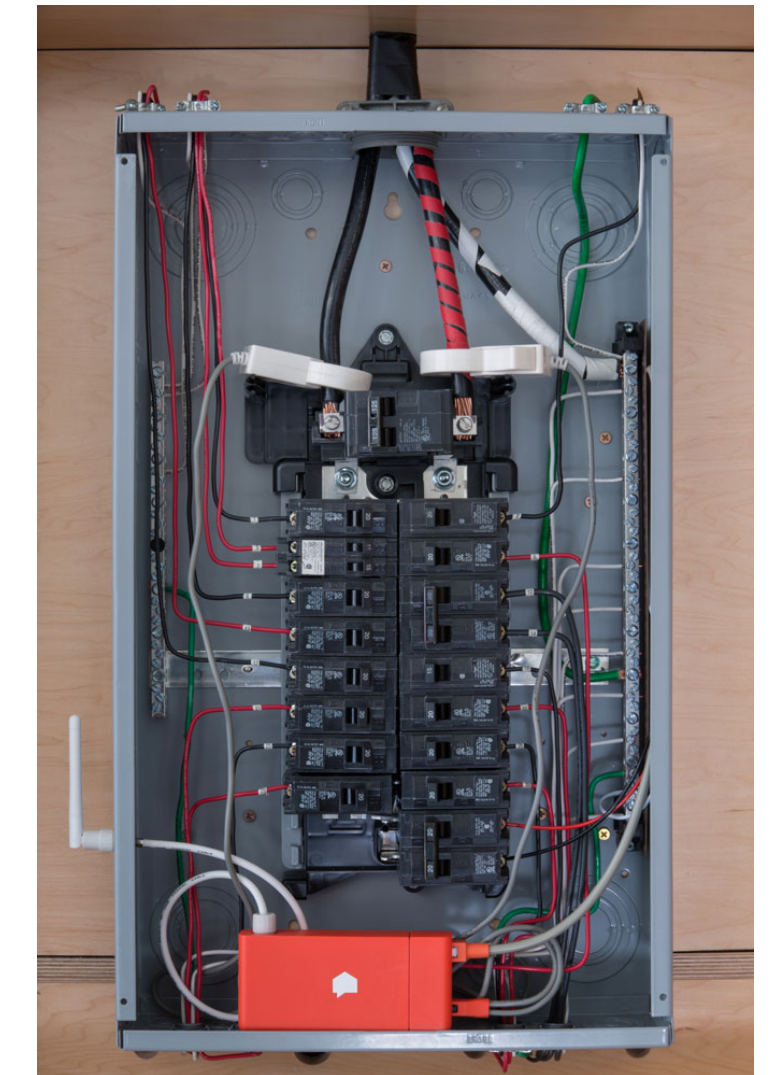
Digital Integrated Utility



Advancing Smart Energy Technologies to Empower Customers

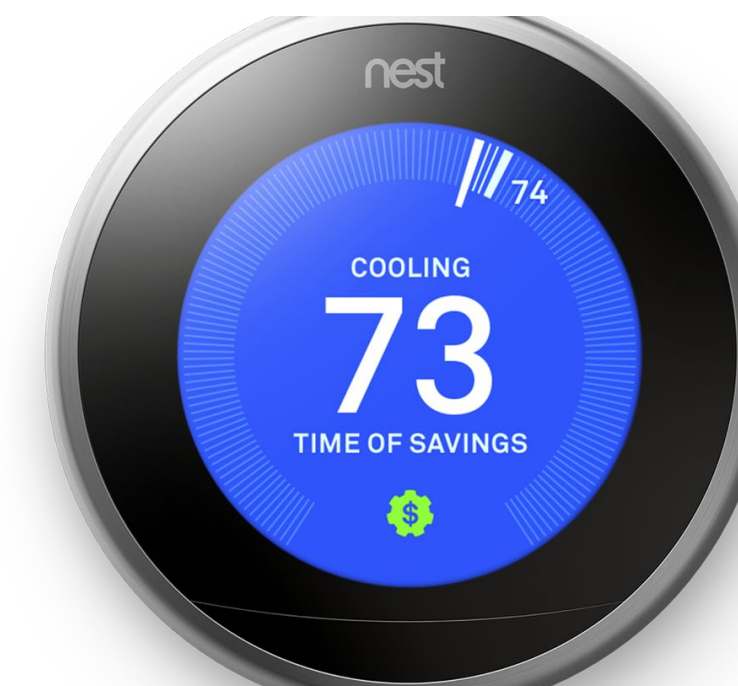
Smart Thermostat Program

- Partnership with **Nest** and residential electric customers to test a new method of controlling high energy usage during summer months
- MGE set to launch “**Bring Your Own Devices**” pilot
 - Numerous smart thermostats including Ecobee
 - Pilot will allow utility to communicate with customers to optimize energy usage and provide customer savings



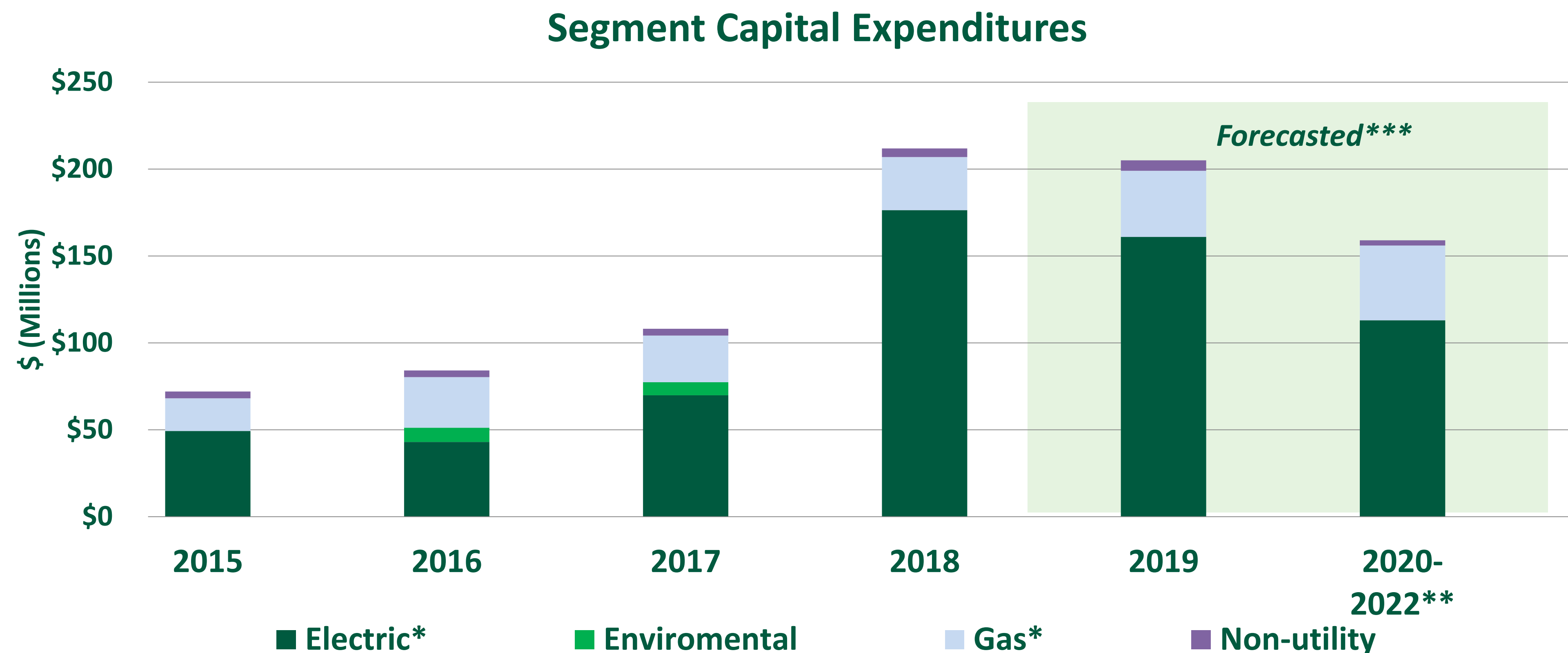
Partnership with Sense Labs

- The **Sense** attaches to your home's electric panel to “listen” to devices in your home as they consume electricity
- Customer control over energy use is a key objective under Energy 2030
- MGE will be recruiting customers for the program



Substantial Investments in Cleaner Energy

Growth in Utility Rate Base



* Electric and Gas segments includes common expenditures, such as IT infrastructure

** 2020-2022 represents forecasted annual average

*** Forecasted amounts include \$130m for Badger Hollow and Two Creeks solar projects, to be expended over 2019 and 2020. Excludes Badger Hollow II project.

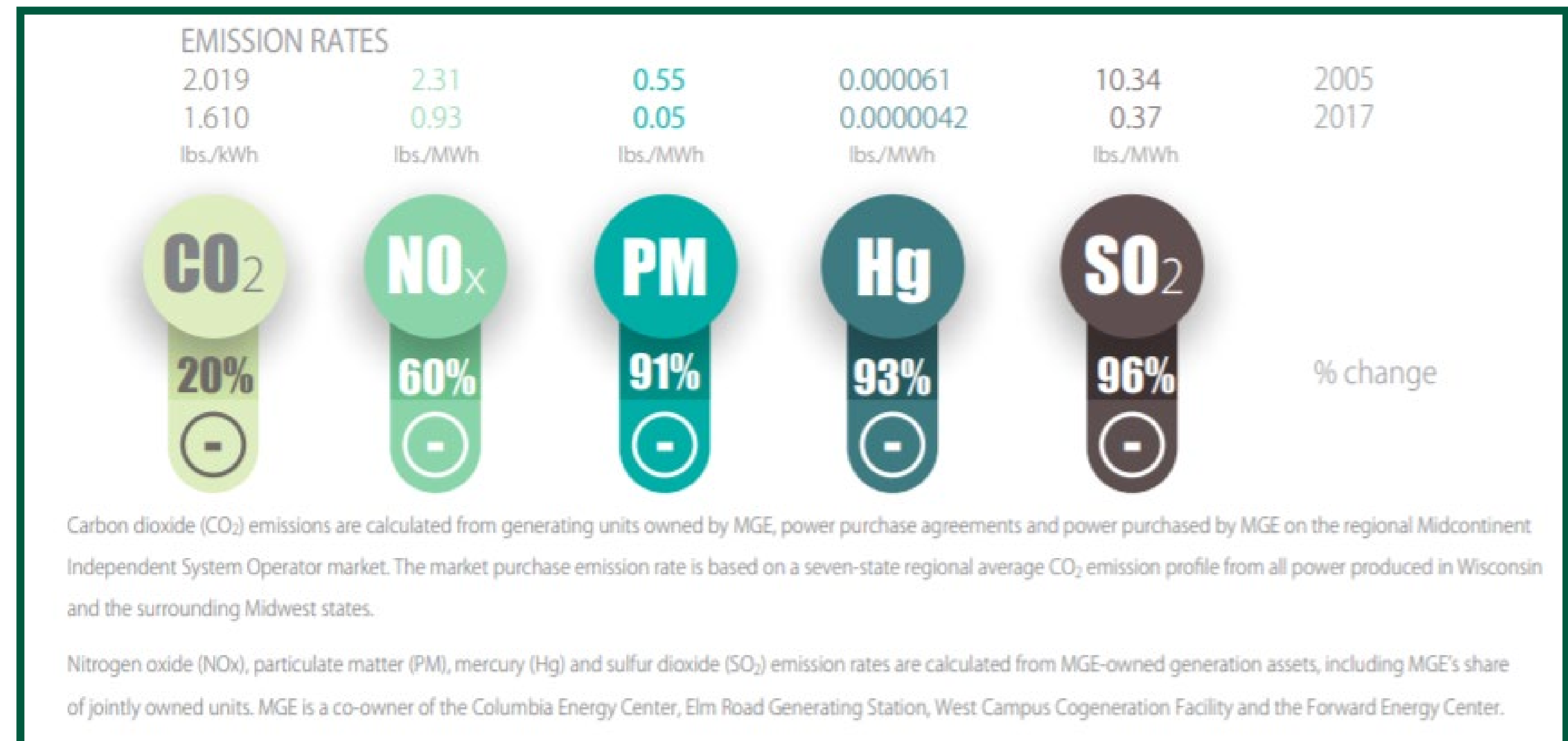
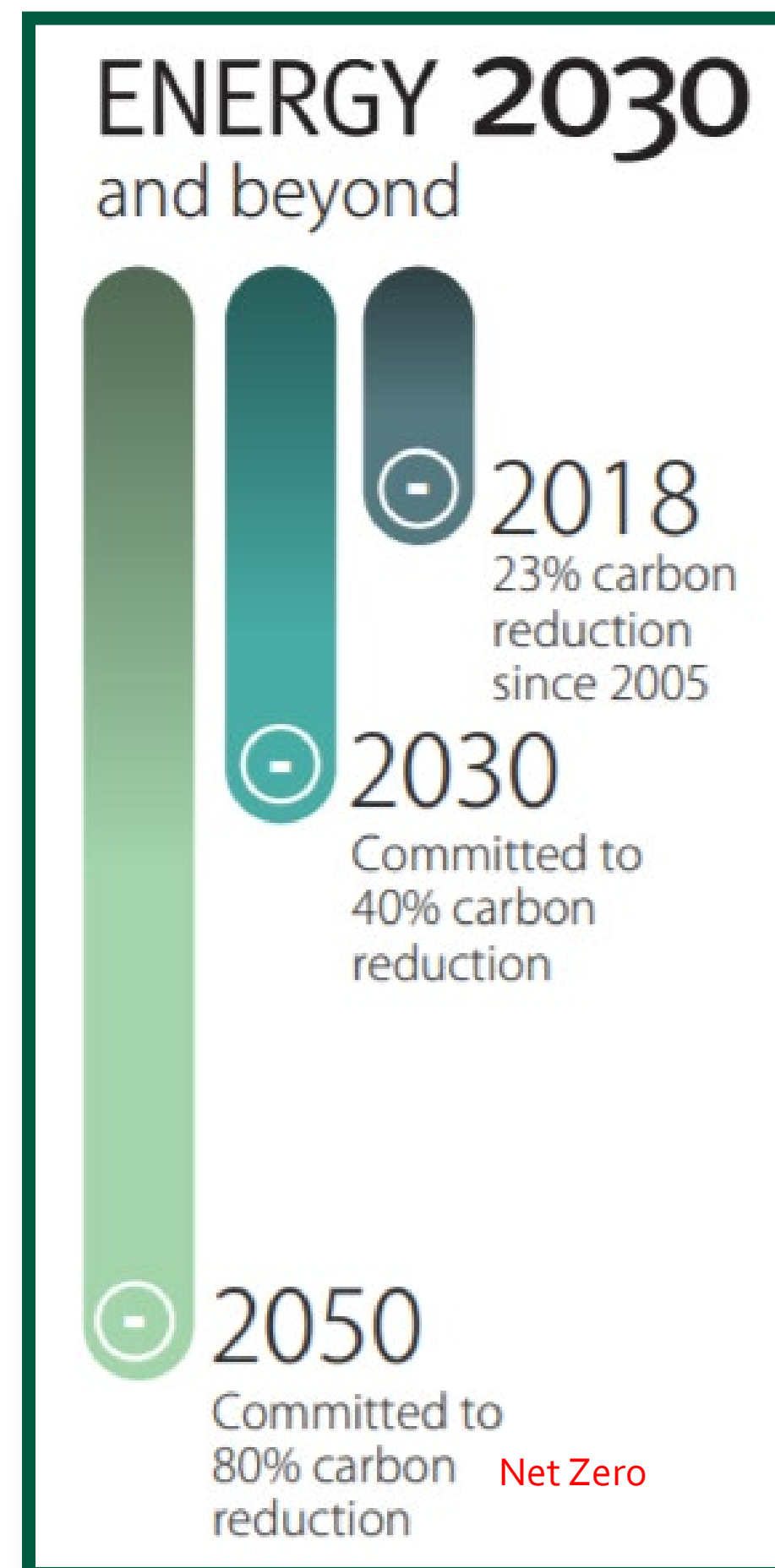
Continued Growth in Transmission Assets

ATC

- Approximately **6.8%** of MGE Energy's net income for the nine months ended September 30, 2019, comes from its **\$67 million** transmission investment in ATC
- ATC forecasted CapEx of **\$2.9 to \$3.6 billion** over the next 10 years, this excludes potential transmission investments outside its traditional footprint
- ATC average rate base at year end 2018: **\$3.7 billion**

Environmental Stewardship

MGE Commitment to Sustainability



Supportive Regulation

- **The PSCW approved a Settlement Agreement to adjust electric and gas rates for 2019 and 2020. The Settlement Agreement:**
 - Provides a decrease in electric rates by 2.24% in 2019, and maintains this rate level for 2020
 - Increases gas rates by 1.06% in 2019 and 1.46% in 2020
 - Enables significant investment in renewables and technology
 - Provides company tax savings and benefits from Tax Reform to customers
 - Mitigates rate increases driven by robust capital expenditures
 - ROE of 9.8% based on capital structure of 56.6% common equity in 2019 and 56.1% in 2020
- **Recent approval of renewable energy projects that provide customer rate benefits will have limited impacts to retail rates due to tax credits**
 - Badger Hollow & Two Creeks – Utility Scale Solar (approx. \$130 million, MGE share)
- **Potential Legislative Changes**
 - Trackers and Escrows

Strong Credit Ratings

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, February 2019

Moody's (Utility Ratings)

Secured	Aa2
Unsecured	A1
Commercial paper	P-1
Outlook	Stable

- Rating reflects a credit supportive regulatory environment
- Healthy financial metrics
- Stable rating outlook assumes future prudently incurred investments will be recovered
- Funding will replicate authorized capital structure

Source: Moody's, October 2019

Commitment to Dividends & Shareholder Value

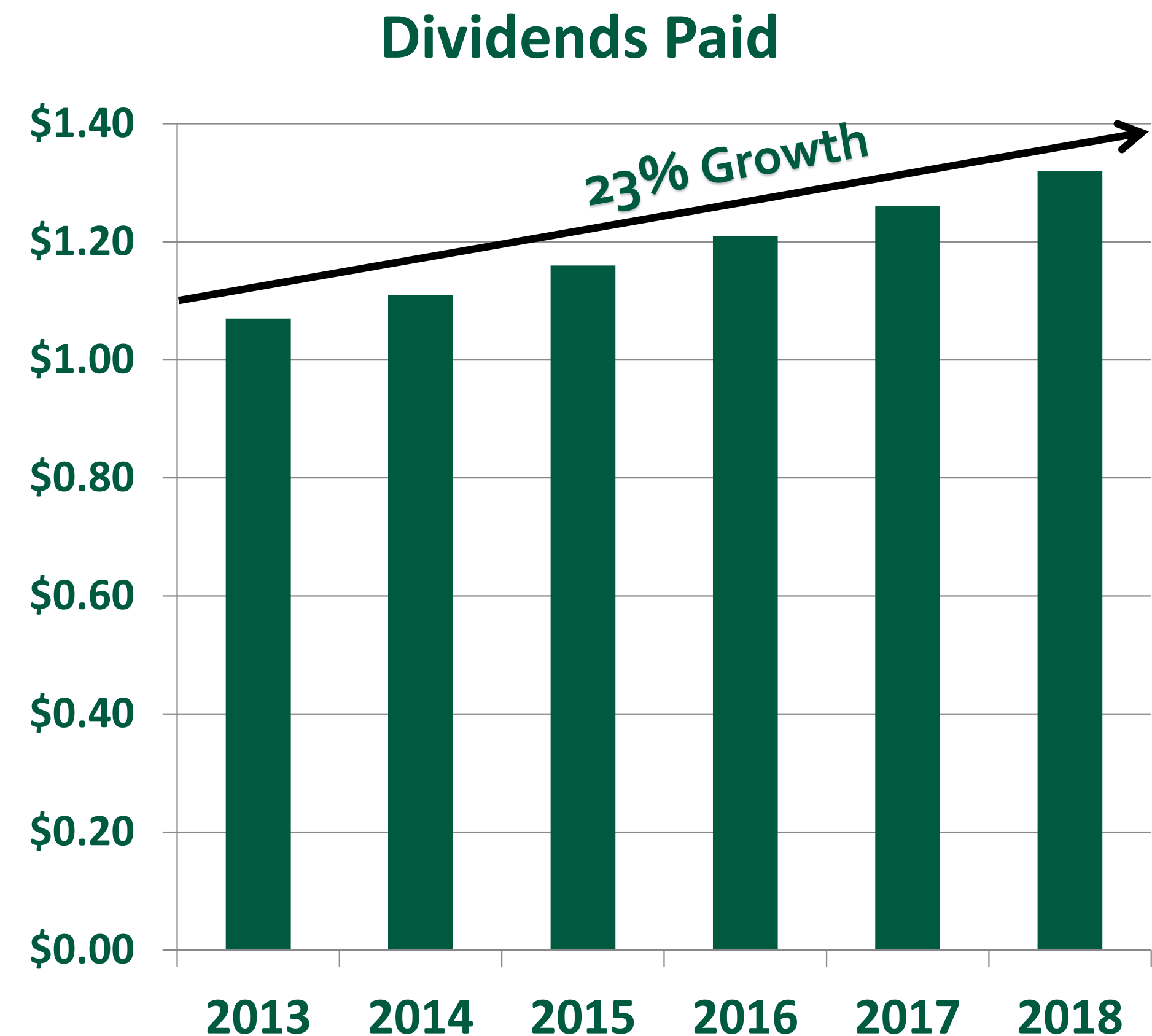
Recent Dividend increase has been approximately 4%

- Increased dividend 44 consecutive years
- Paid dividends for over 100 consecutive years
- Dividend payout ratio in the 50-60% range in recent years
- No dividend payout range targeted
- Dividend flexibility exists

Dividend Considerations

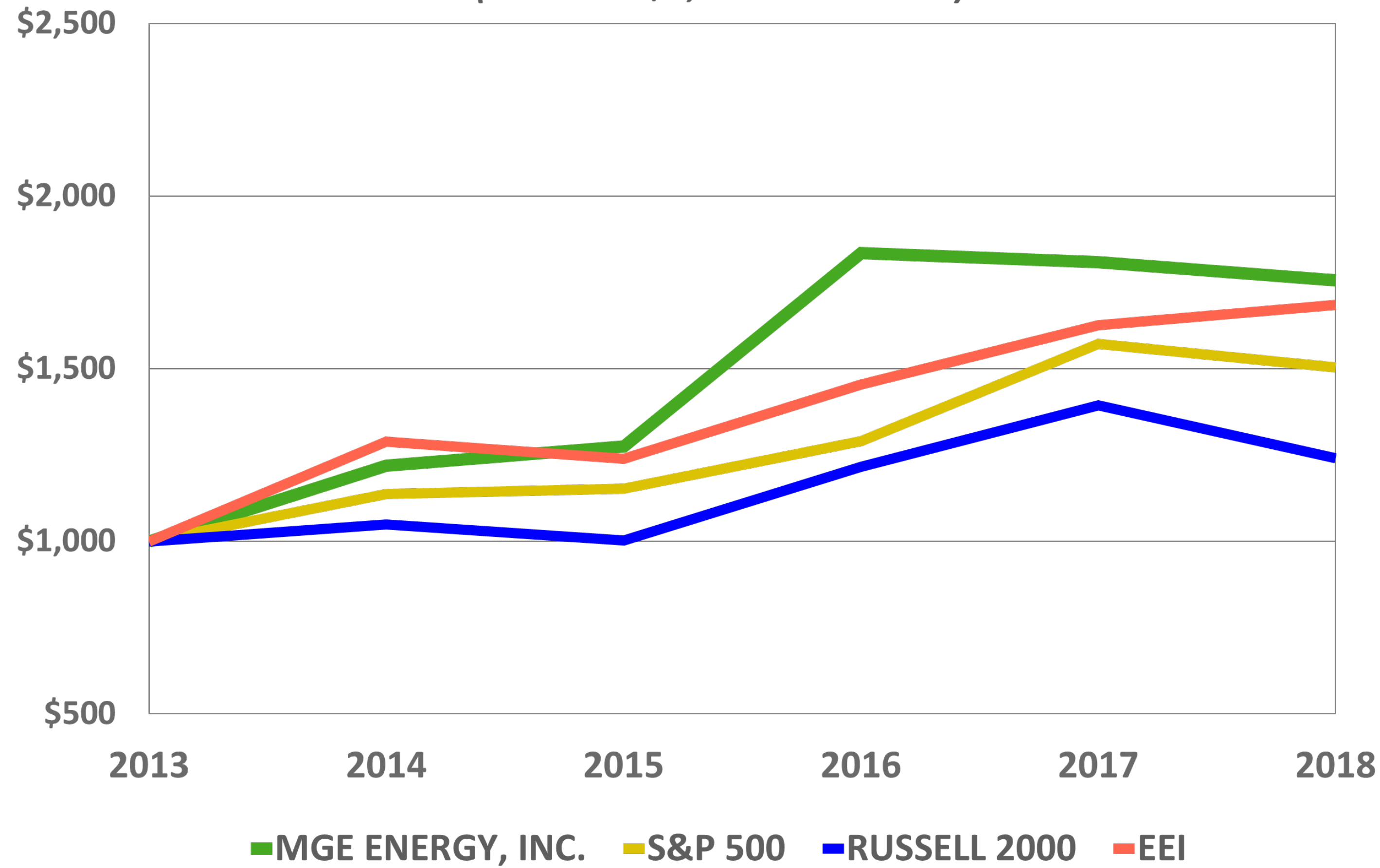
- Capital investment growth opportunities
- Balance sheet and credit ratings
- Projected cash generation and requirements
- Dividend payout ratio / yield consistent with industry and peers

Dividend decisions made by Board of Directors

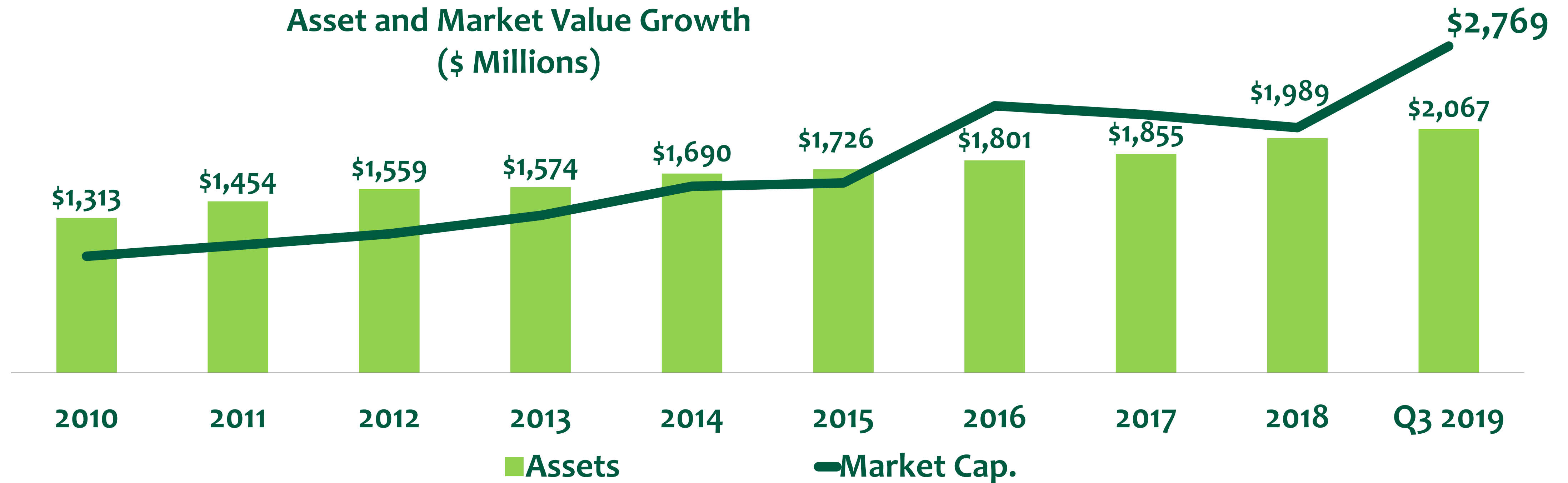


APPENDIX

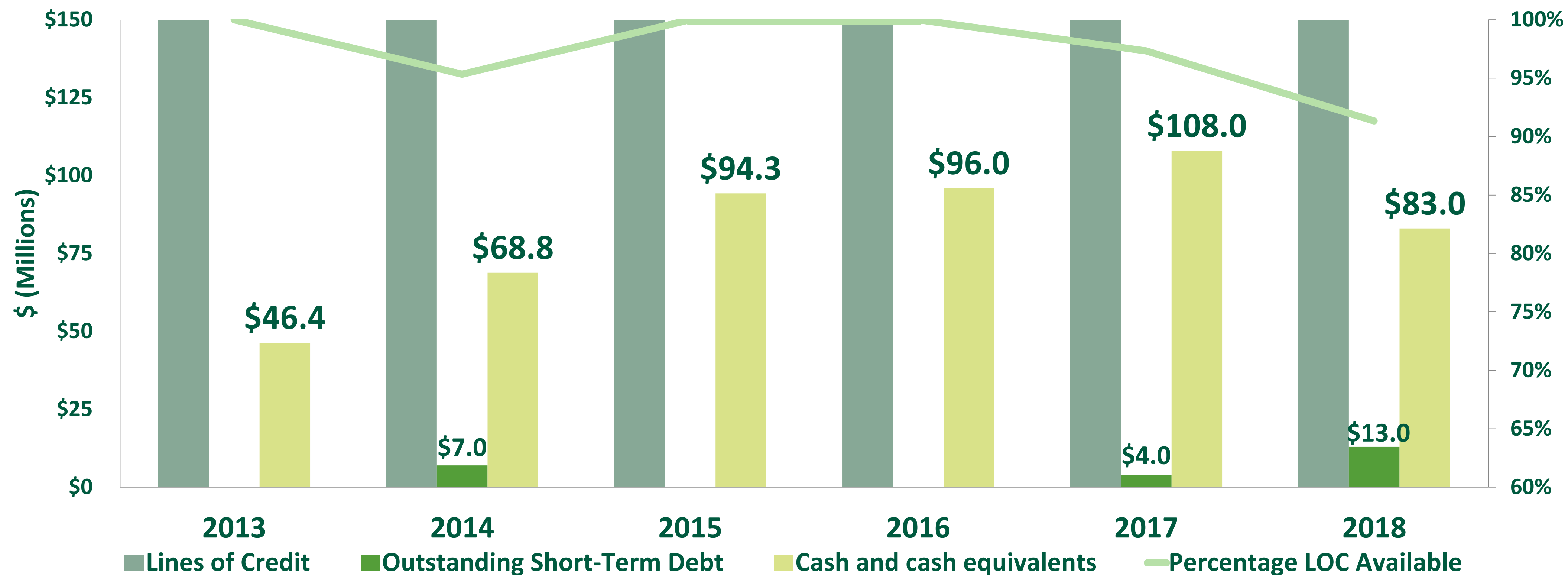
Market Performance
(Based on \$1,000 Investment)



**TOTAL
STOCK
RETURN**



STABLE ASSET GROWTH



LIQUIDITY

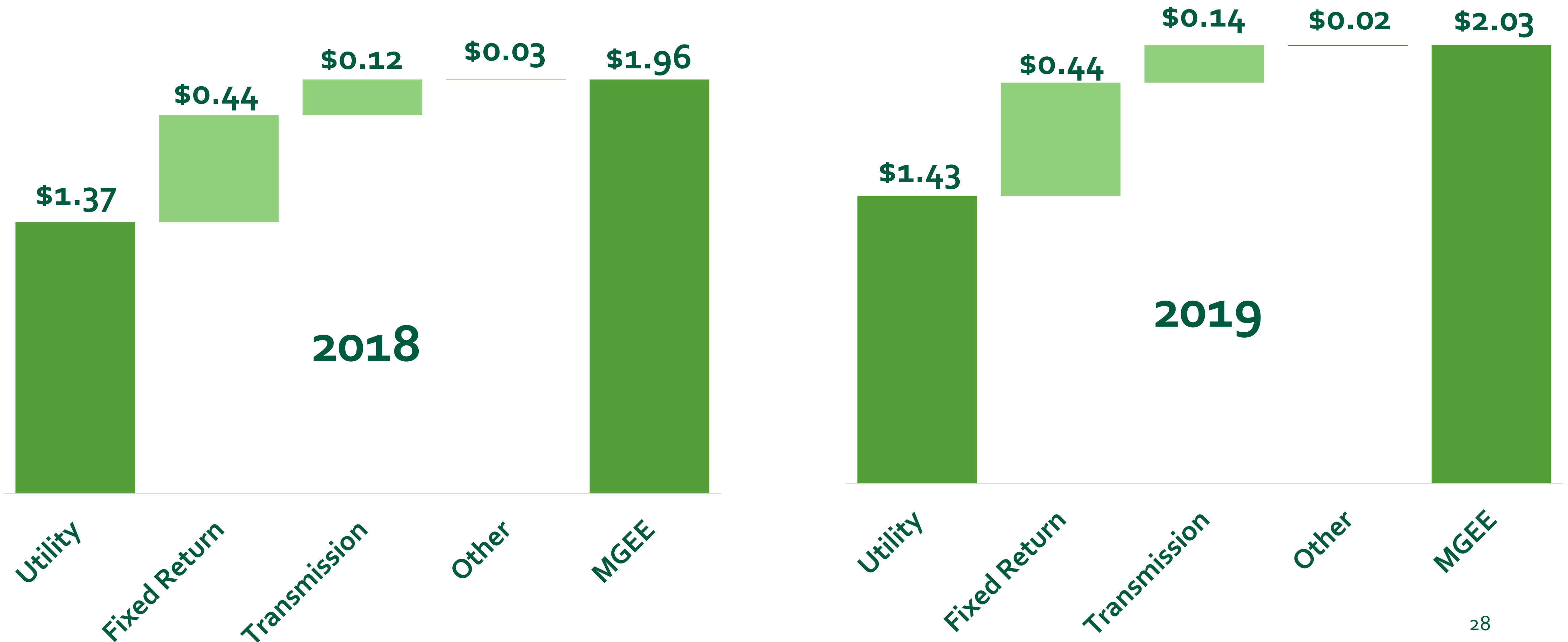
Earnings per Share Segments

Three Months Ended September 30th



Earnings per Share Segments

Nine Months Ended September 30th





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