



BANK OF AMERICA UTILITIES CONFERENCE

MARCH 2022



Responsibility

Reliability

Resiliency

Disclaimer

This presentation contains summarized information concerning MGE Energy, Inc. ("MGE Energy") and its subsidiaries (principally Madison Gas and Electric Company ("MGE")) and MGE Energy's consolidated business, operations, financial performance and trends. No representation is made that the information in this presentation is complete. For additional information on MGE Energy and its subsidiaries, see MGE Energy's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K"), filed with the Securities and Exchange Commission (the "SEC"), as well as MGE Energy's other filings with the SEC from time to time. The 2021 Form 10-K, and other SEC filings are or will be available at the SEC's web site at <http://www.sec.gov> and on MGE Energy's web site at <http://www.mgeenergy.com>. Information contained on MGE Energy's web site (including any such information referred to herein) shall not be deemed incorporated into, or to be a part of, this presentation.

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Cautionary Note Regarding Forward-looking Information

All statements in this presentation, other than historical facts, are forward-looking statements (including but not limited to forecasted capital expenditures, expected in-service dates and carbon dioxide projections) that involve risks and uncertainties that are subject to change at any time. Such statements are based upon management's assumptions, expectations and estimates at the time they are made. Specifically, the forecasted capital expenditures are based upon management's assumptions with respect to future events, including the timing and amount of expenditures associated with compliance with environmental compliance initiatives, legislative and regulatory initiatives, customer demand and support for electrification and renewable energy resources, energy conservation initiatives, load growth, the timing of any required regulatory approvals and the adequacy of rate recovery. Additionally, the expected in-service dates are forward looking and therefore subject to significant business, economic, operational and regulatory uncertainties and contingencies, many of which are beyond the control of the company and are based upon assumptions with respect to future decisions, which are subject to change. Various factors could cause actual results, capital expenditures, in-service dates or carbon reduction to be significantly different than those contemplated, estimated or projected in forward-looking statements - especially as they relate to economic conditions, future load growth, revenues, expenses, capital expenditures, financial resources, regulatory matters, and the scope and expense associated with future environmental regulation. Those factors include the assumptions and factors referred to in the statements themselves as well as risk factors described in our 2021 Form 10-K, and other reports filed with the SEC. We caution investors that these forward-looking statements are subject to known and unknown risks and uncertainties that may cause actual results to differ materially from those projected, expressed, or implied. MGE Energy undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date the date as of which any forward-looking statement is made, except as required by law.

Company Highlights

Diversified Customer Base and Revenue Profile

Resilient Revenue Stream and Customer Base

- Electric service to ~159,000 customers located in the city of Madison and adjacent areas
 - 87% residential; 13% commercial or industrial
 - Accounts for ~69% of regulated revenue
- Natural gas to ~169,000 customers
- 90% residential; 10% commercial or industrial
 - Accounts for ~31% of regulated revenue

Strong Financial Profile

Stable Earnings Growth with Strong Balance Sheet

- Predominantly regulated earnings
- Strong liquidity and cash position
- Conservative financial policies that are designed to achieve strong credit quality
- MGE's Credit Ratings ⁽²⁾
 - S&P: AA- (Stable)
 - Moody's: Aa2 Secured (Stable)
A1 Unsecured (Stable)

Regulated, Highly Visible Growth

Historical 5-Year Regulated PPE⁽¹⁾ CAGR of 8.0%

- Forecasted capital investment of ~\$660M from 2022 through 2024⁽³⁾
- Premium service territory with constructive regulation
- Forward-looking test years
- Renewable Energy Rider
 - Ability to work cooperatively with businesses to tailor a local renewable energy solution

Substantial Sustainability Investment

Seeking Net-Zero Carbon by 2050⁽³⁾

- Plan for decarbonizing generation by transitioning to clean energy, such as wind and solar
 - Announced projects designed to grow renewables capacity by over 9x from 2015⁽³⁾
- Helping customers use energy efficiently
- Electrifying transportation
- Plan to eliminate coal owned generation by 2035 (natural gas conversion)

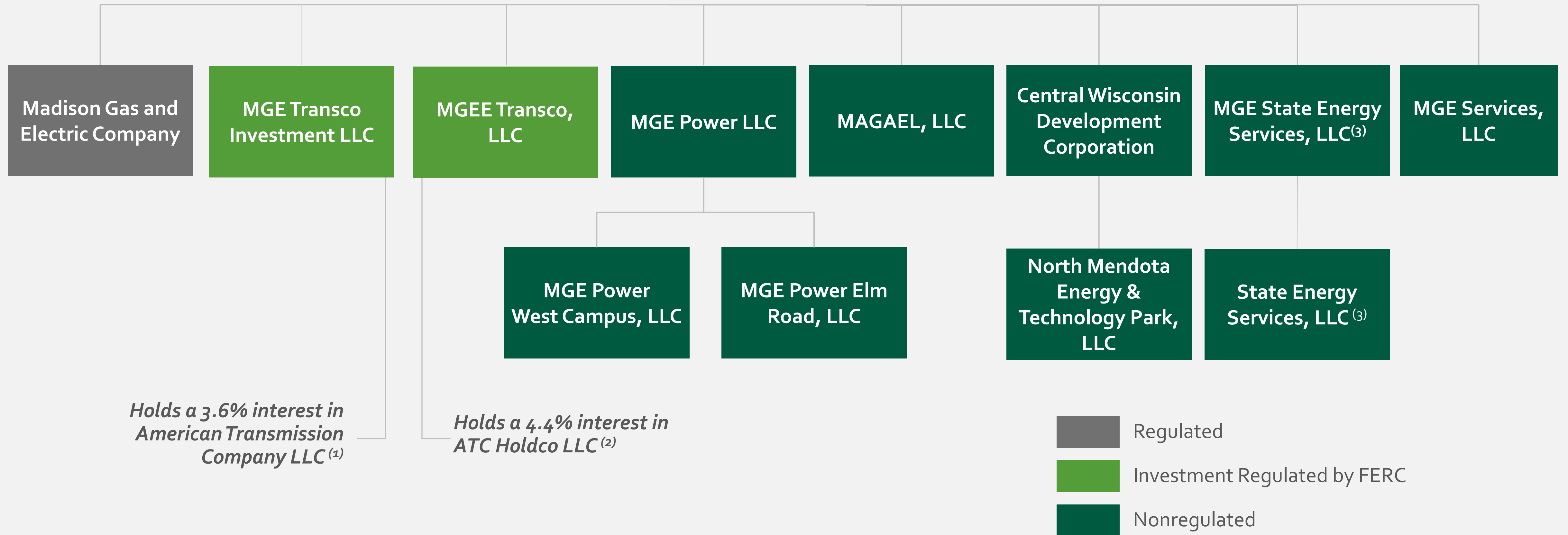


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Corporate Structure

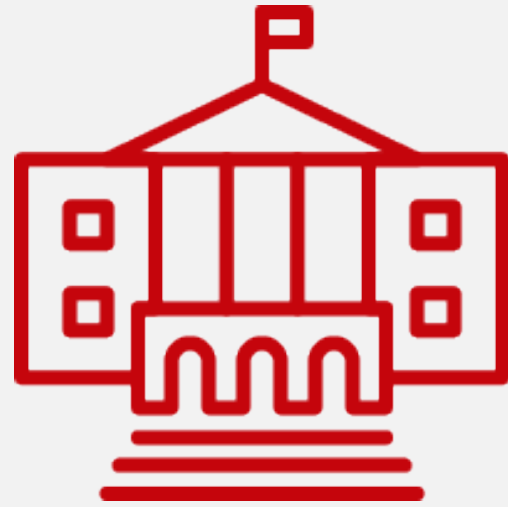


(1.) Owns and operates electric transmission lines in Wisconsin
 (2.) Transmission development company. Separate from American Transmission Company, LLC
 (3.) Presently inactive

Attractive Service Territory

Major customers include:

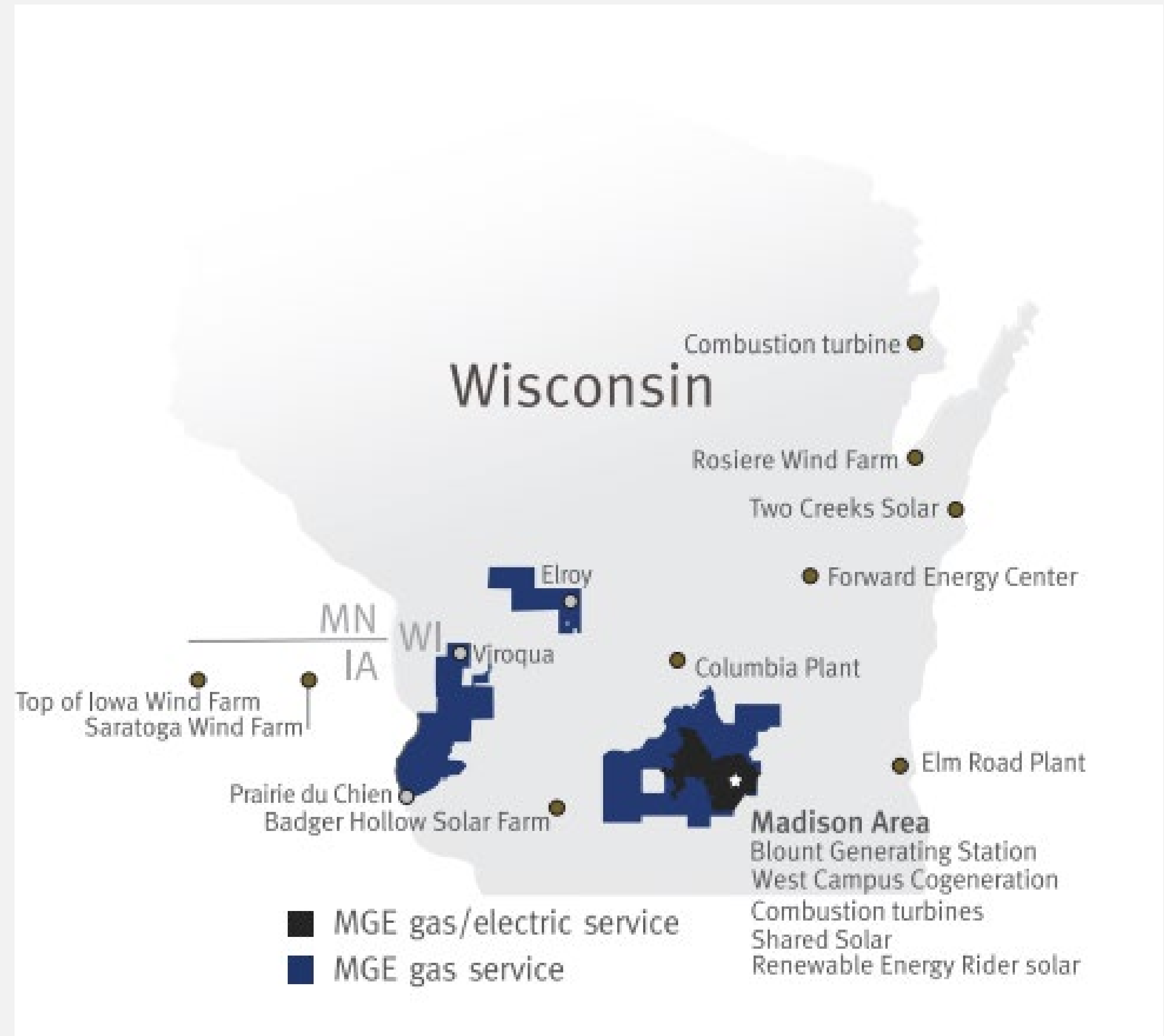
- University of Wisconsin-Madison



- Hospitals and medical facilities

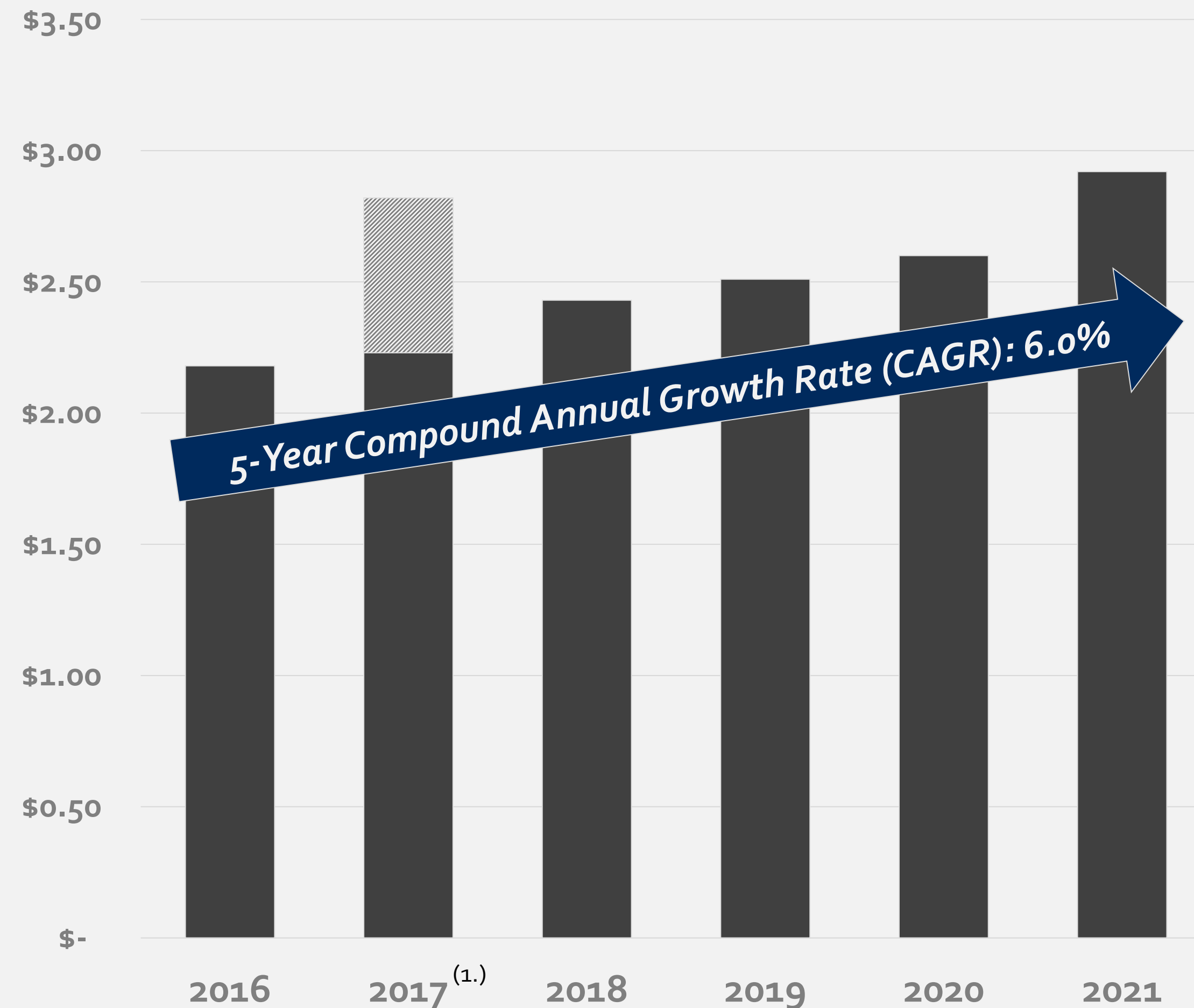


- State of Wisconsin government

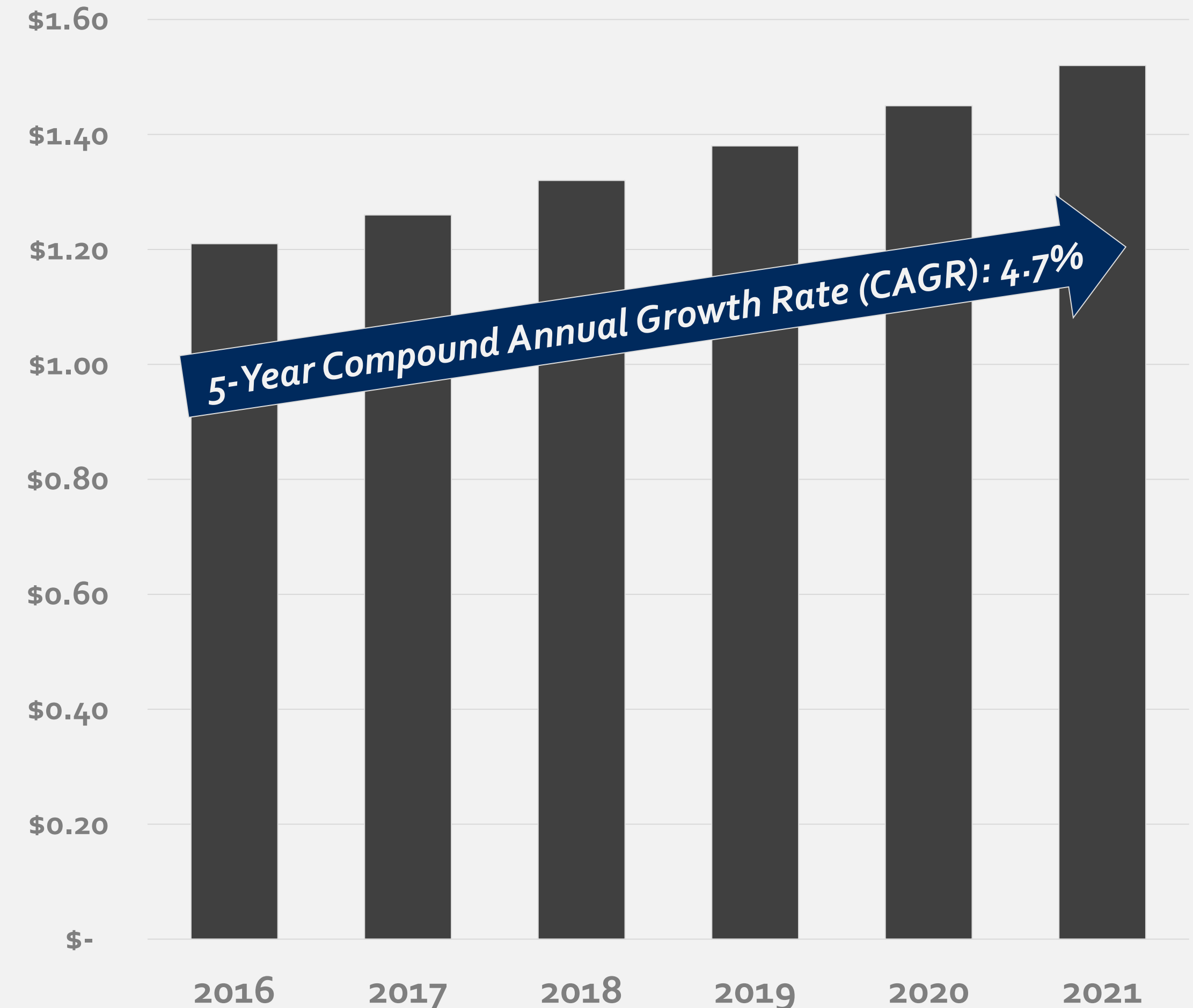


Earnings and Dividends per Share Growth

Earnings Per Share



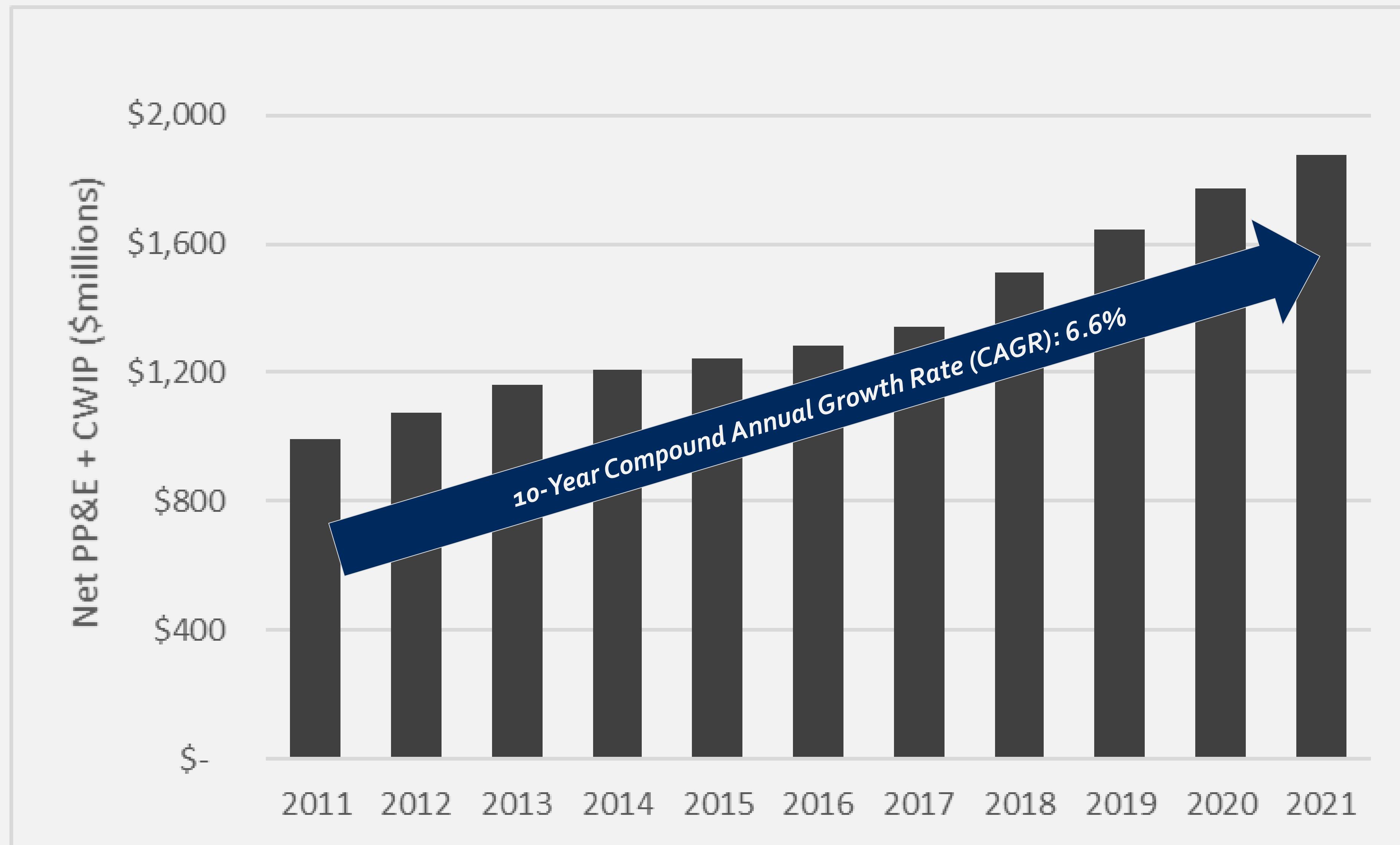
Dividends Paid Per Share



(1.) 2017 Non-Regulated earnings per share includes one-time tax benefit of \$20.4 million, or \$0.59 per share, related to tax reform

Note: In August 2021 MG&E's board of directors authorized an increase in quarterly dividend per share to \$0.388 per common share. See slide 19 for additional details.

Strong Track Record of Regulated Asset Growth



ESG Summary

Leadership

- Environmental and Sustainability Policy
- Sustainability Executive Team
- Operations-wide Environmental Management System
- Clean energy investments of ~\$645M (2015-2024)
- Smart Grid Infrastructure
- Electrification of Transportation

Safety

- Safety Steering Team – examines safety topics and prioritizes continuous improvement opportunities
- Corporate Safety Commitment – safety vision statement, "We Power Safety"
- Board oversight of safety program

Workforce

- Career development and training programs to increase job proficiency and to improve decision-making skills
- Tuition reimbursement and college internship program
- Corporate Wellness Program
- Inclusive, respectful work environment where individuals can achieve their full potential

Corporate Giving

MGE is committed to helping improve the quality of life for all those we serve, through:

- MGE Foundation, philanthropic arm that supports local organizations in preserving the health and vitality of our community
- MGE corporate giving
- Employee volunteerism and service

Corporate Governance

- Board Tenure - 9 year average
- Board Engagement - 10 regular scheduled board meetings in addition to committee meetings
- Periodic Board Refreshment - 3 new directors within the last 4 years



Read More: [MGE's Corporate Responsibility and Sustainability Report](#) and EEI [Quantitative & Qualitative](#) Templates

Focused Sustainability Strategy

Foundational objectives:

- Transition MGE to a more environmentally sustainable energy supply
- Provide customers with options they want today and in the future
- Help customers use energy efficiently and control future costs for all customers
- Provide a dynamic electric grid that can integrate all energy technologies to serve customers
- Ensure new and changing technology serves all customers equitably
- Deepen our engagement with the community

Goals:

- Reduction in CO₂ emissions – 80% from 2005 levels by 2030
- 25% renewable energy by 2025 and 30% by 2030

Accelerating Transition Toward Cleaner Energy

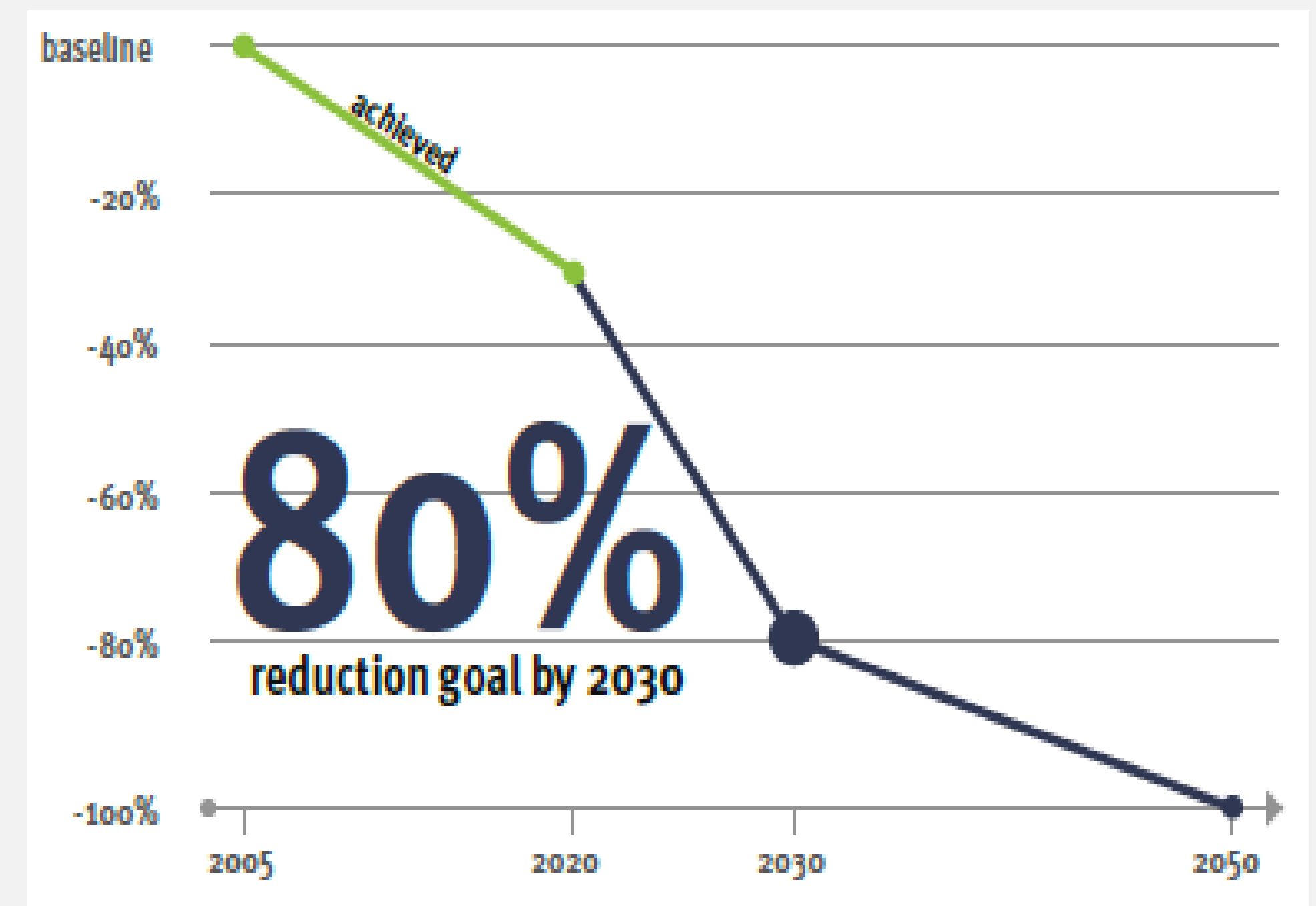
Net-Zero Strategies for Deep Decarbonization

- Grow MGE's use of renewable energy and eliminate coal generation
- Further engage customers in energy efficiency
- Electrify transportation and other end uses

Advancing deep decarbonization strategies as quickly and as cost-effectively as possible while maintaining top-ranked electric reliability and responsibility to those we serve

- **2015:** Energy 2030 framework introduced, targeting 40% carbon reduction by 2030
- **2019:** Net-zero carbon by 2050 target announced
- **2020:** Energy 2030 target updated to at least 65% by 2030
- **2022:** Energy 2030 target updated to 80% by 2030

Net-Zero
CARBON ELECTRICITY BY 2050



Actual projections may differ than shown

Electric Vehicles and Deep Decarbonization:

Transportation accounts for more than 25% of U.S. greenhouse gas emissions

MGE is pursuing a multi-pronged strategy to electrify transportation to reduce carbon dioxide emissions and to enable future market growth

Electrification of MGE fleet

- MGE has been advancing alternative fuel vehicles since the launch of its public charging network more than a decade ago.
- The company has set a fleet goal of 100% all-electric or plug-in hybrid light-duty vehicles by 2030.



MGE has an ongoing partnership with City of Madison to advance sustainable transportation

- MGE partnership secured funding for charging infrastructure, back-up power, rooftop PV system, and federal grant to purchase Madison's first three electric buses.
- Partnered with Madison Fire Department to enable charging for the department's first electric fire truck.
- MGE continues to advance sustainable transportation with construction of a new Electric Vehicle Fast Charging Hub in Madison's Capitol East District.

MGE Charge@Home Program

- The PSCW has approved MGE's Charge@Home tariff, in which MGE installs Level 2 chargers for customers in exchange for a flat monthly fee plus the cost of electricity

Driver of Sales Growth

- MGE anticipates the electrification of transportation by customers within its service territory could be a driver of electric sales growth over the long term. Electric vehicle market penetration in Dane County was estimated at 5.5% as of September 2021.

Plan to Eliminate Coal-Fired Generation from Portfolio by 2035

MGE, along with its co-owners, WP&L (operator and majority owner) and WPSC, announced plans to retire the approximately 1,100-MW coal-fired Columbia Energy Center

- MGE currently owns 19% of the facility (216 MW), which accounts for ~26% of MGE's net summer rated capacity.
 - Unit 1 intended to be retired by the end of 2023
 - Unit 2 intended to be retired by the end of 2024
- Final timing and retirement dates are subject to change depending on operational, regulatory, and other factors
- MGE will have eliminated approximately two-thirds of the company's current coal-fired generation capacity
- Development of replacement energy and capacity resources subject to PSCW approval

MGE has requested regulatory approval to purchase a share of the existing West Riverside natural gas combined cycle plant

- Purchase price of ~\$25 million for 25 MW ownership share. MGE retains the option to purchase an additional 25 MW until May 2025 and expects to exercise this option in future period

MGE, along with co-owner WEC Energy Group, has announced its plan to enhance fuel flexibility at the Oak Creek (Elm Road) Power the Future units (1,230 MW), pending approvals

- MGE owns 8.33% of the facility (106 MW), which accounts for ~13% of MGE's net summer rated capacity
- MGE's remaining use of coal is expected to be further reduced as the Elm Road Units transition to natural gas. This transition will help MGE meet its 2030 carbon reduction goal
- Elm Road Units are expected to be fully transitioned away from coal by 2035, which will eliminate coal as an owned generation source for MGE

MGE continues to evaluate additional investments in cost-effective, clean energy projects to maintain its top-ranked electric reliability and to achieve its carbon reduction goals

Rapidly Expanding Clean Energy Portfolio

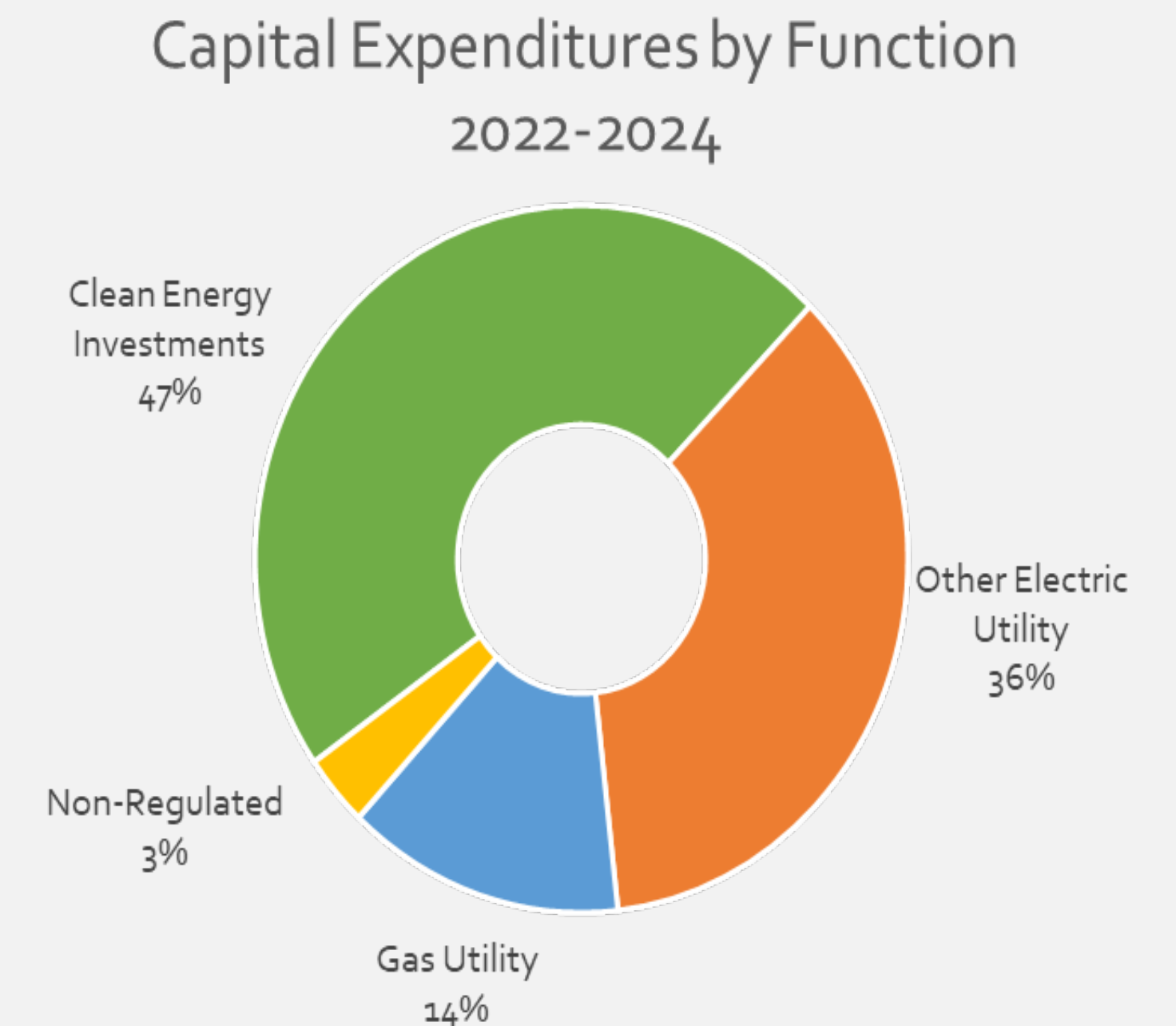
Planned wind, solar and battery storage resources comprise nearly 50% of planned capital investment (2022-2024)

Current and proposed clean energy projects will grow MGE's renewables capacity by over 9x since 2015



In Progress - Regulatory Approval Granted		
Project	Investment (\$M)	Nameplate (MW)
Hermsdorf Solar	15	8
Badger Hollow II Solar	65	50
Red Barn Wind Farm	17	9.2

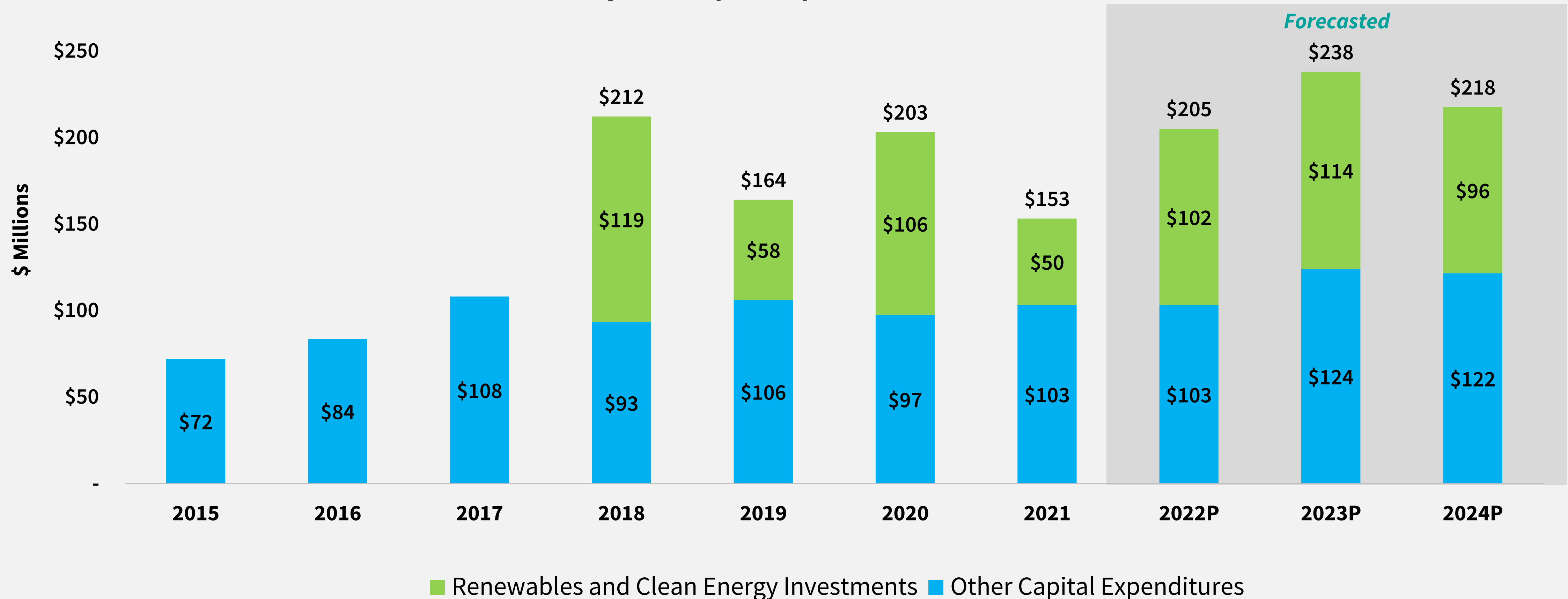
Proposed - Regulatory Approval Pending		
Project	Investment (\$M)	Nameplate (MW)
Paris Solar-Battery	43	31
Darien Solar-Battery	45	32.5
Koshkonong Solar-Battery	65	46.5



Consistent Capital Expenditure Growth

Focused on clean energy and progress toward net-zero carbon

Actual and Projected Capital Expenditures



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(2.) Forecasted and actual capital expenditures do not include AFUDC. Forecasted capital expenditures include future projects which will require MGE to request and obtain approval from the PSCW.

Renewables Transition Driving Strong Growth

MG&E Rate Base as Authorized/Proposed by PSCW*							
(\$ millions)	2015	2017	2019	2020	2021	2022p	2023p
Electric Utility	575.9	570.8	842.6	860.5	1,019.1	1,044.4	Limited Reopener
Gas Utility	158.1	175.8	233.4	250.7	282.4	299.3	312.3
Total Utility Rate Base	\$733.9	\$746.6	\$1,076.0	\$1,111.3	\$1,301.4	\$1,343.7	Limited Reopener
Electric Utility CWIP Earning 100% AFUDC	8.9	21.6	16.1	15.4	46.5	49.4	Limited Reopener
Electric Utility CWIP Earning Current Return	2.4	1.7	6.9	9.0	9.3	10.0	Limited Reopener
Electric Utility CWIP: Total	\$13.6	\$25.0	\$29.9	\$33.3	\$65.1	\$69.4	Limited Reopener
Gas Utility CWIP Earning 100% AFUDC	0.0	1.2	5.1	10.3	5.1	0.0	0.0
Gas Utility CWIP Earning Current Return	1.0	0.3	1.9	2.6	1.9	5.7	4.1
Gas Utility CWIP: Total	\$1.9	\$1.8	\$8.8	\$15.4	\$8.8	\$11.4	\$8.2

*MG&E's rate base as authorized by the PSCW is calculated as a 13-month average for forward-looking test year. Electric rate base excludes projects developed under MG&E's Renewable Energy Rider (RER) program.

Note: MG&E's rate case reopener for 2023 will be limited in scope to adjust electric rates for changes related to its portfolio of generation assets.

Constructive Regulatory Environment

Both S&P and Moody's view the Wisconsin regulatory environment as highly credit supportive with timely operating and capital cost recovery, and view MGE's relationship with the Public Service Commission as constructive.

- **Regulatory approvals of utility-scale renewable investments and community-based local solar programs**
 - Utility Scale: Saratoga Wind, Forward Energy Center Wind, Two Creeks Solar, Badger Hollow I Solar
 - Red Barn Wind, Badger Hollow II Solar (construction in progress)
 - Community: Renewable Energy Rider and Shared Solar programs
- **Supportive regulatory framework including:**
 - Forward-looking test years
 - Escrow treatment received for transmission, ERGS, pension & OPEB and bad debt expense
 - Historical approval of various expense deferrals
 - Fuel Rules (1% bandwidth) and Gas Cost Recovery Mechanism
 - Current return on 50% of CWIP and 100% CWIP or AFUDC on major construction projects

PSCW Approved 2022-2023 Rate Case

Approved Settlement Terms (\$ooo's where applicable)	Test Year 2022	Test Year 2023
Average Electric Rate Base	\$1,044,362	Limited Reopener
Average Gas Rate Base	\$299,319	\$312,270
Regulatory Equity Layer	55.63%	55.63%
Authorized ROE	9.80%	9.80%

In December 2021, the PSCW approved the comprehensive rate case settlement agreement submitted by MG&E and intervening parties. 2022 rates were implemented on January 1, 2022. Key terms include:

Electric Rates – 8.81% increase in 2022, limited reopener for 2023 rate adjustment

- ✓ Driven by increased rate base, including clean energy investments and new customer information system
- ✓ Higher fuel and purchased power costs
- ✓ Completion in 2021 of return to customers of electric excess deferred tax credits related to the 2017 Tax Act
- ✓ 2023 test year limited reopener to be filed in spring 2022 to reflect changes to generation fleet

Gas Rates – 2.15% increase in 2022, 0.96% increase in 2023

- ✓ Driven by increased rate base, including full-year of new customer information system and distribution infrastructure improvements

MGE's average electric and gas rate increases have been below the average annual rate of inflation for the past >15 years

Commitment to Dividends & Shareholder Value

- **Recent dividend increase was approximately 5%**
 - Increased dividend in August 2021 for the 46th consecutive year
 - Paid dividends for over 110 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**

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Appendix

Strong Credit Ratings ⁽¹⁾

S&P (UTILITY RATINGS)	
Corporate credit	AA-
Business risk	Excellent
Commercial paper	A-1+
Outlook	Stable
<ul style="list-style-type: none"> • Effective management of regulatory risk • Supportive regulatory environment • Focus on regulated vertically integrated electric and natural gas distribution operations • Conservative financial policies that ensure strong credit quality 	

Source: S&P, November 2021

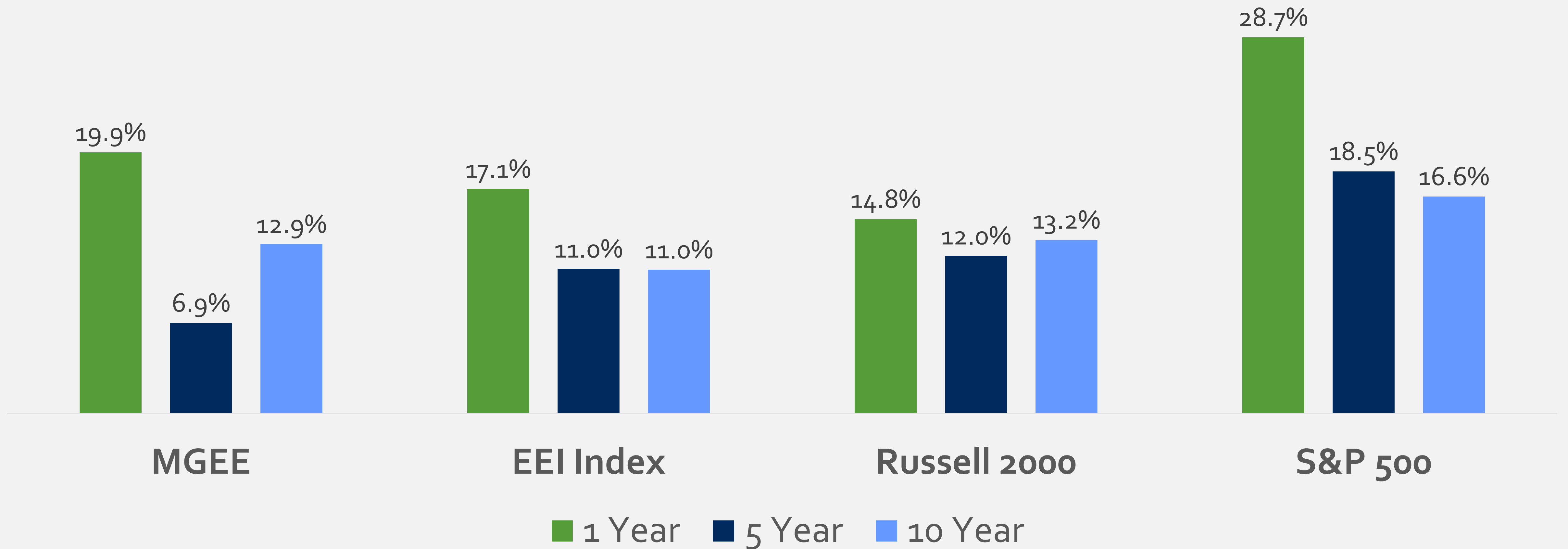
MOODY'S (UTILITY RATINGS)	
Secured	Aa2
Unsecured	A1
Commercial paper	P-1
Outlook	Stable
<ul style="list-style-type: none"> • Rating reflects a credit supportive regulatory environment • Healthy financial metrics (CFO pre-WC / Debt) • Stable rating outlook assumes future prudently incurred investments will be recovered • Funding will replicate authorized capital structure 	

Source: Moody's, October 2021

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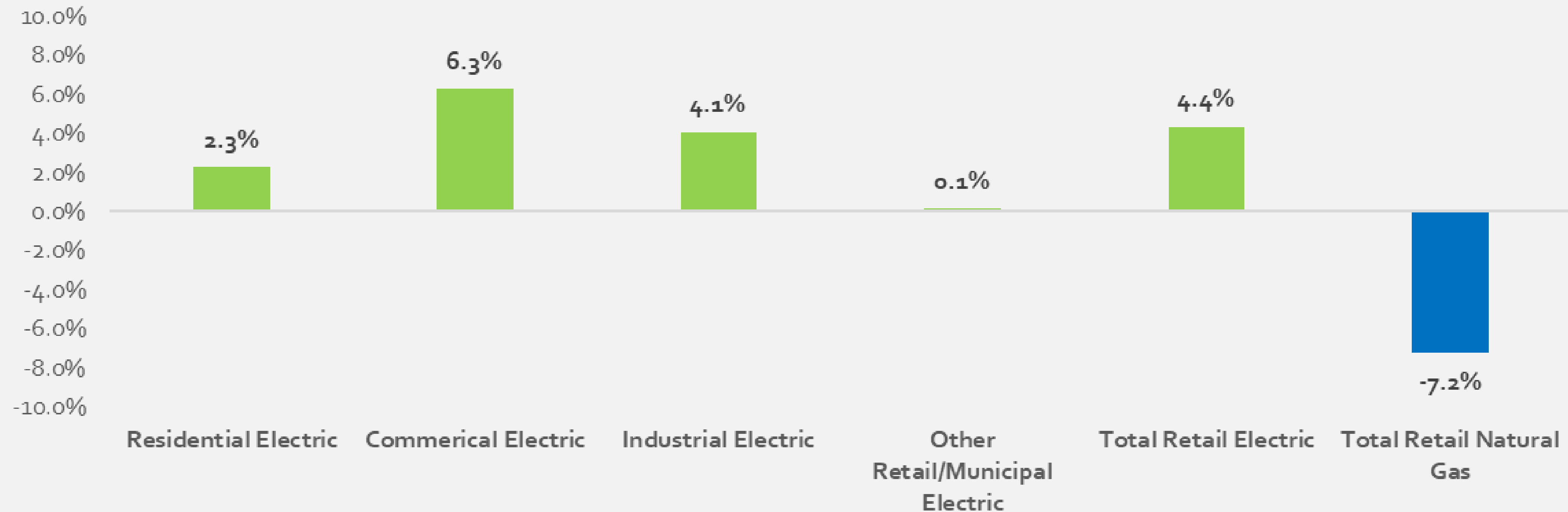
Total Shareholder Return

Period Ending December 31, 2021



MGE – Quarterly Sales Growth

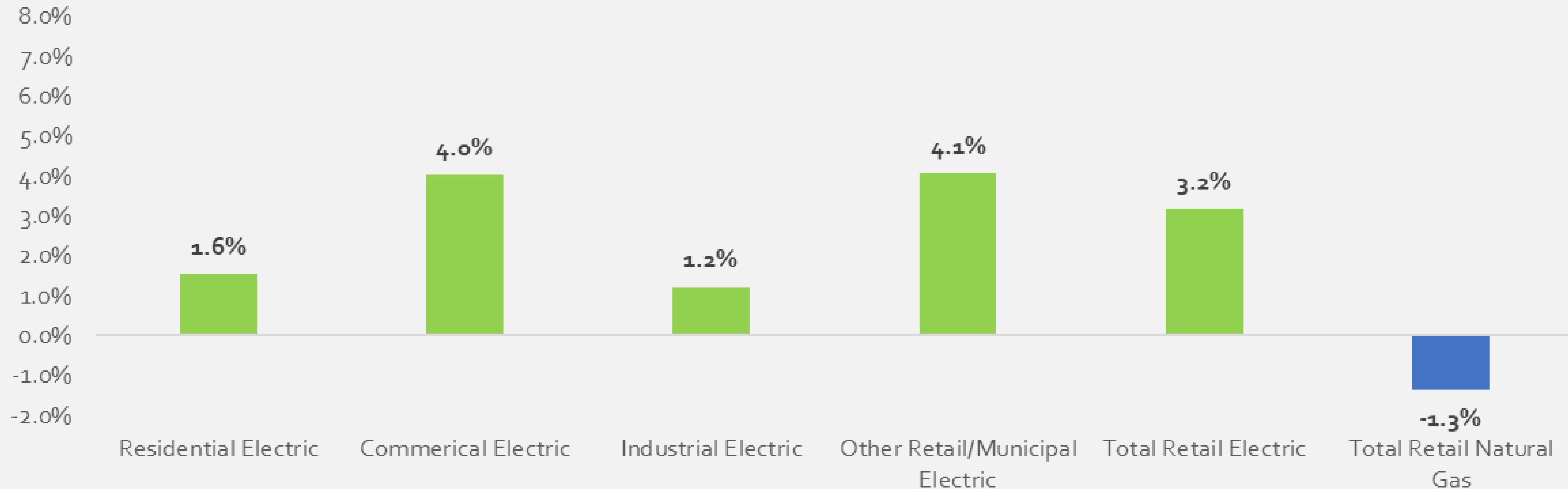
Three Months Ended December 31



	2021	2020	%
Heating Degree Days (Normal 2,491)	2,215	2,484	(10.8)%

MGE – Annual Sales Growth

Twelve Months Ended December 31

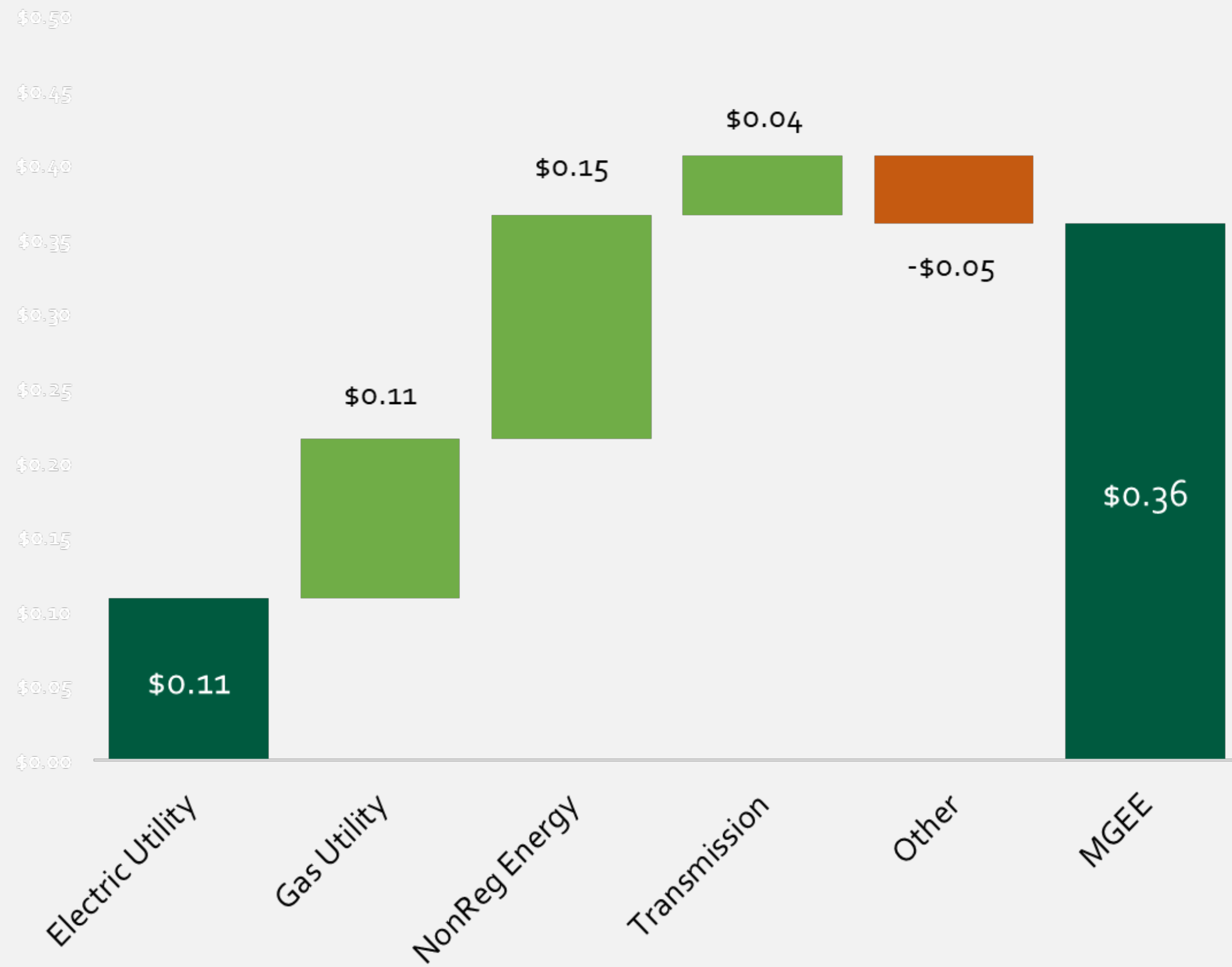


	2021	2020	%
Cooling Degree Days (Normal 685)	846	733	+15.4%
Heating Degree Days (Normal 6,988)	6,619	6,799	-2.6%

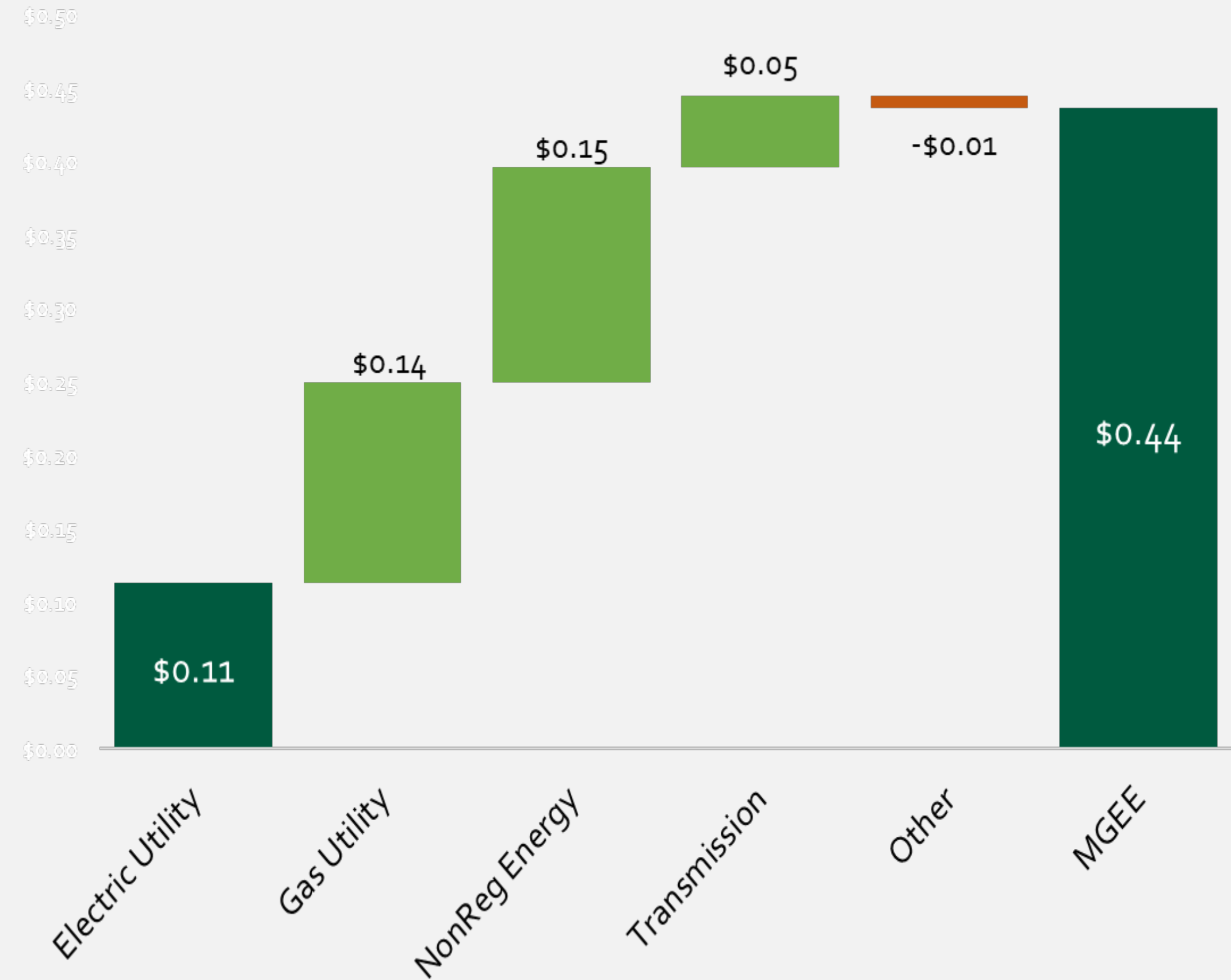
Diluted EPS by Segment

Three Months Ended December 31

2021

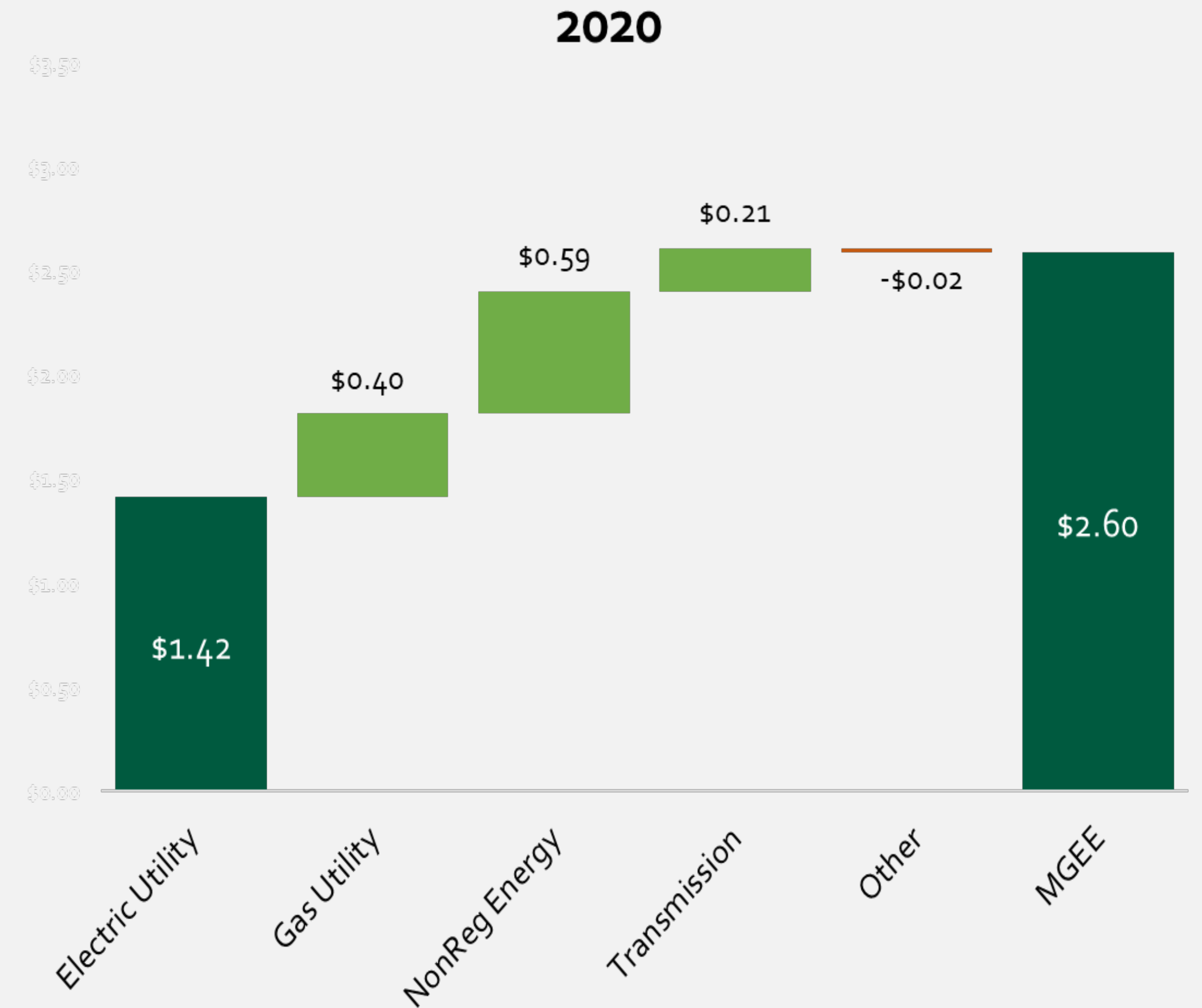
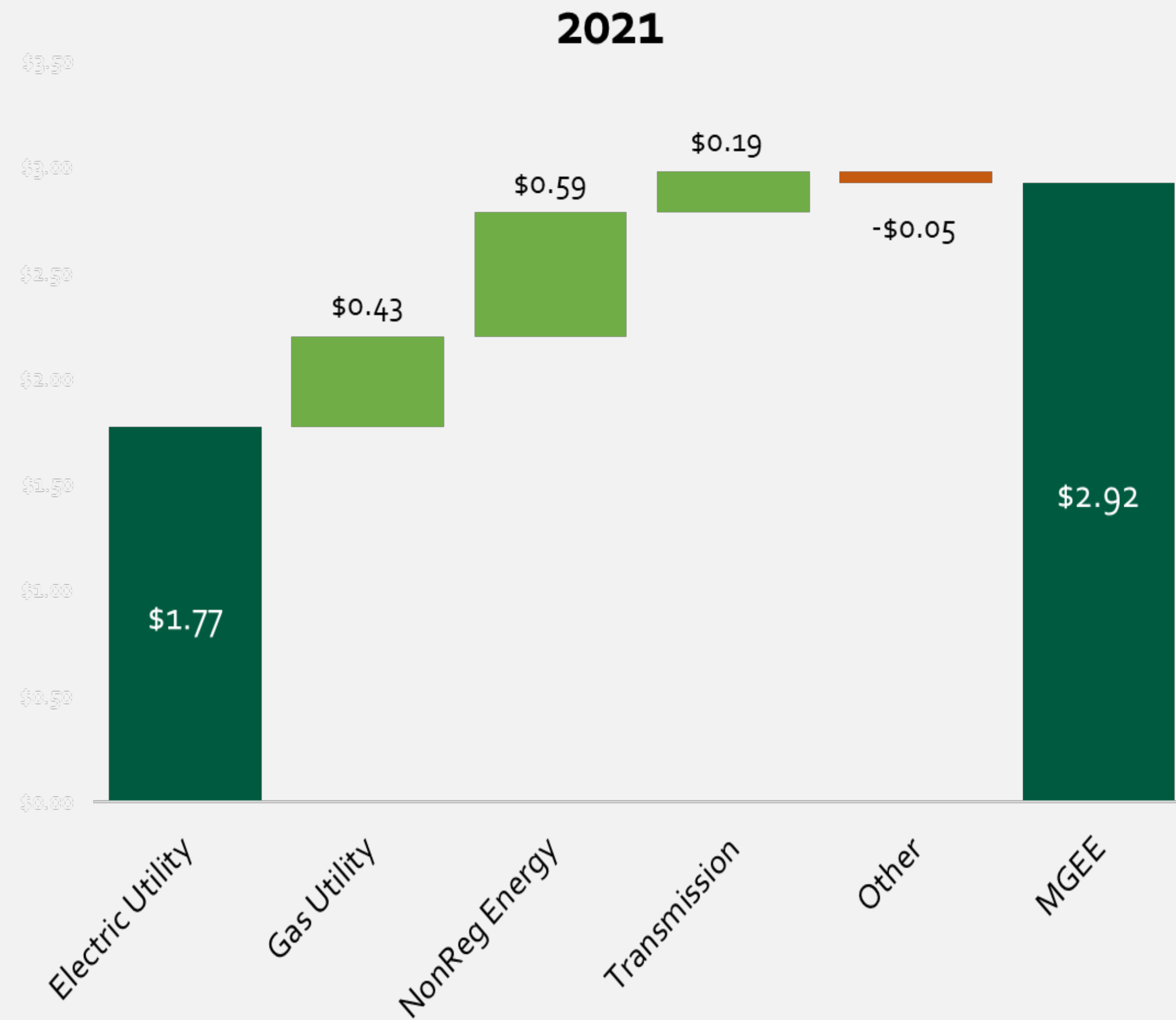


2020



Diluted EPS by Segment

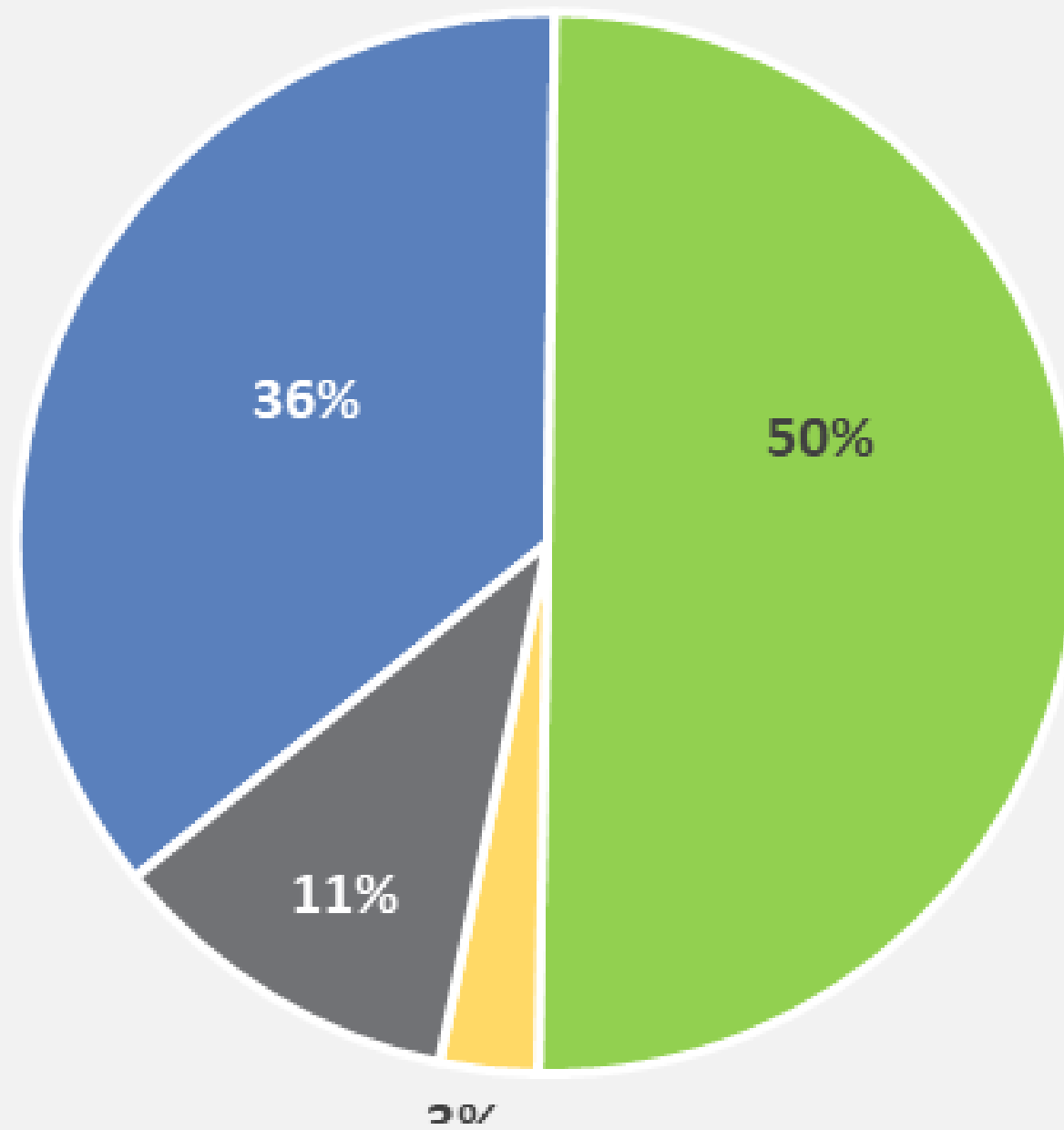
Twelve Months Ended December 31



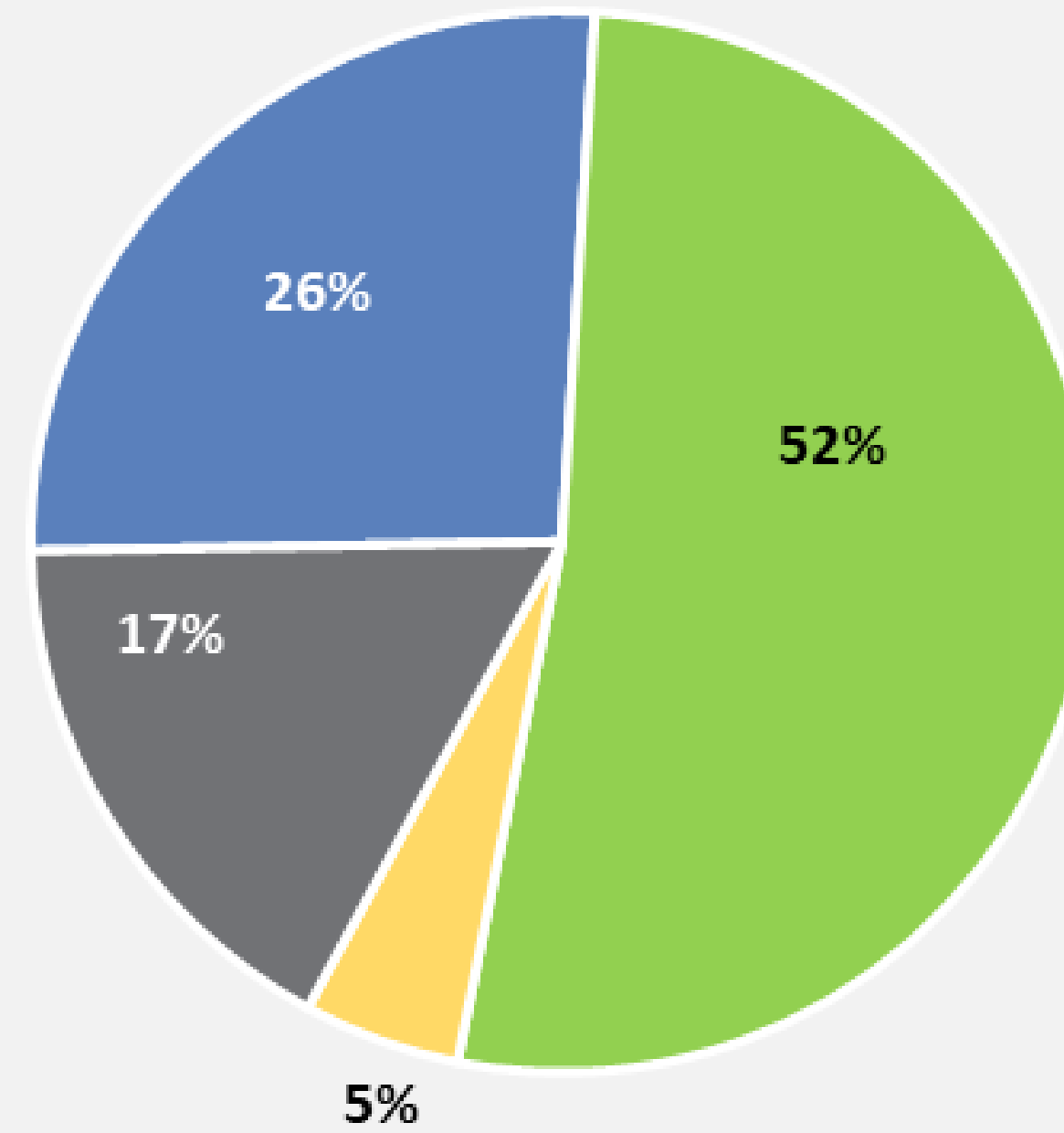
Electric Utility Mix

Twelve Months Ended December 31

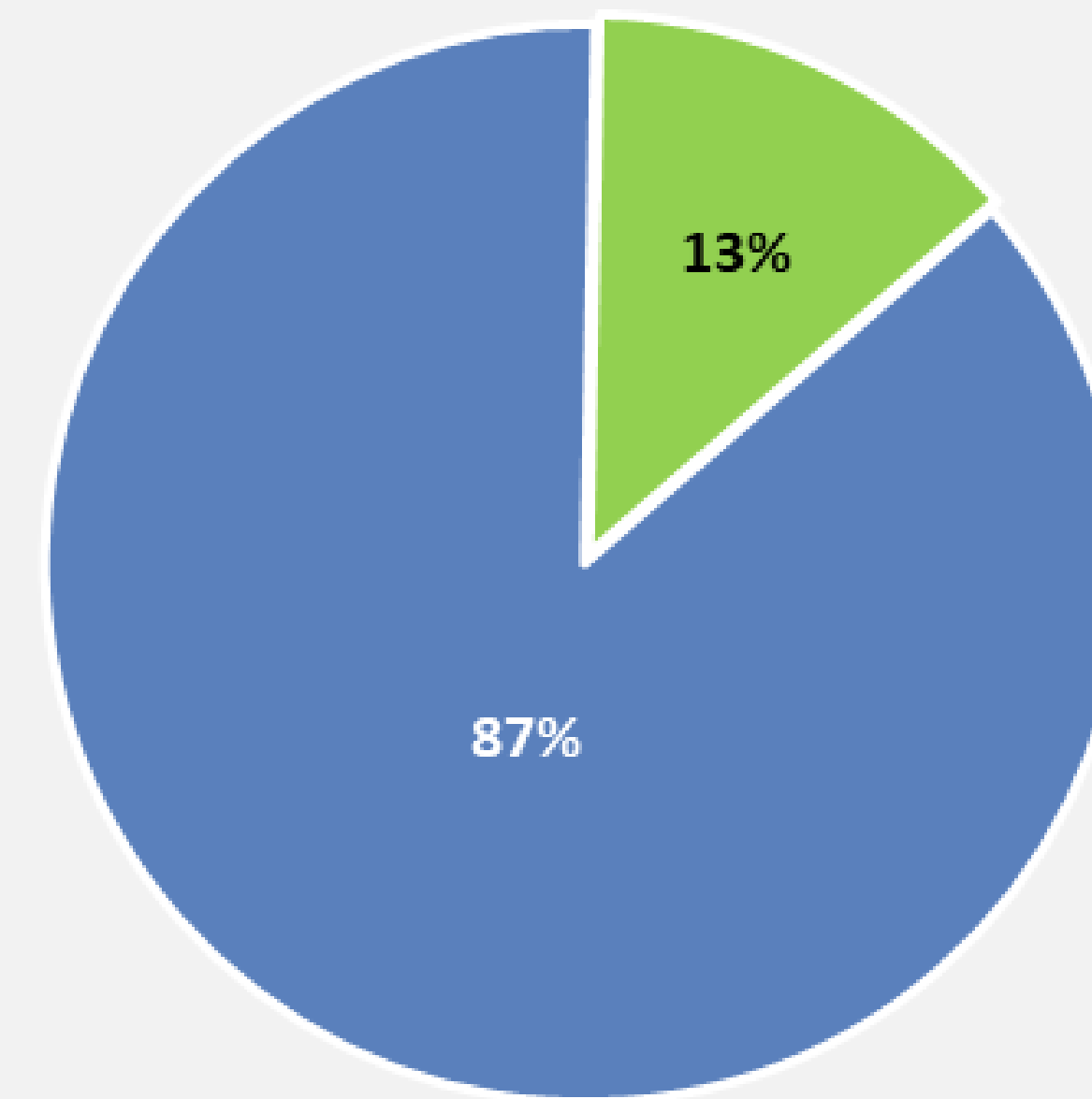
Electric Revenues



Electric Volumes



Electric Customers

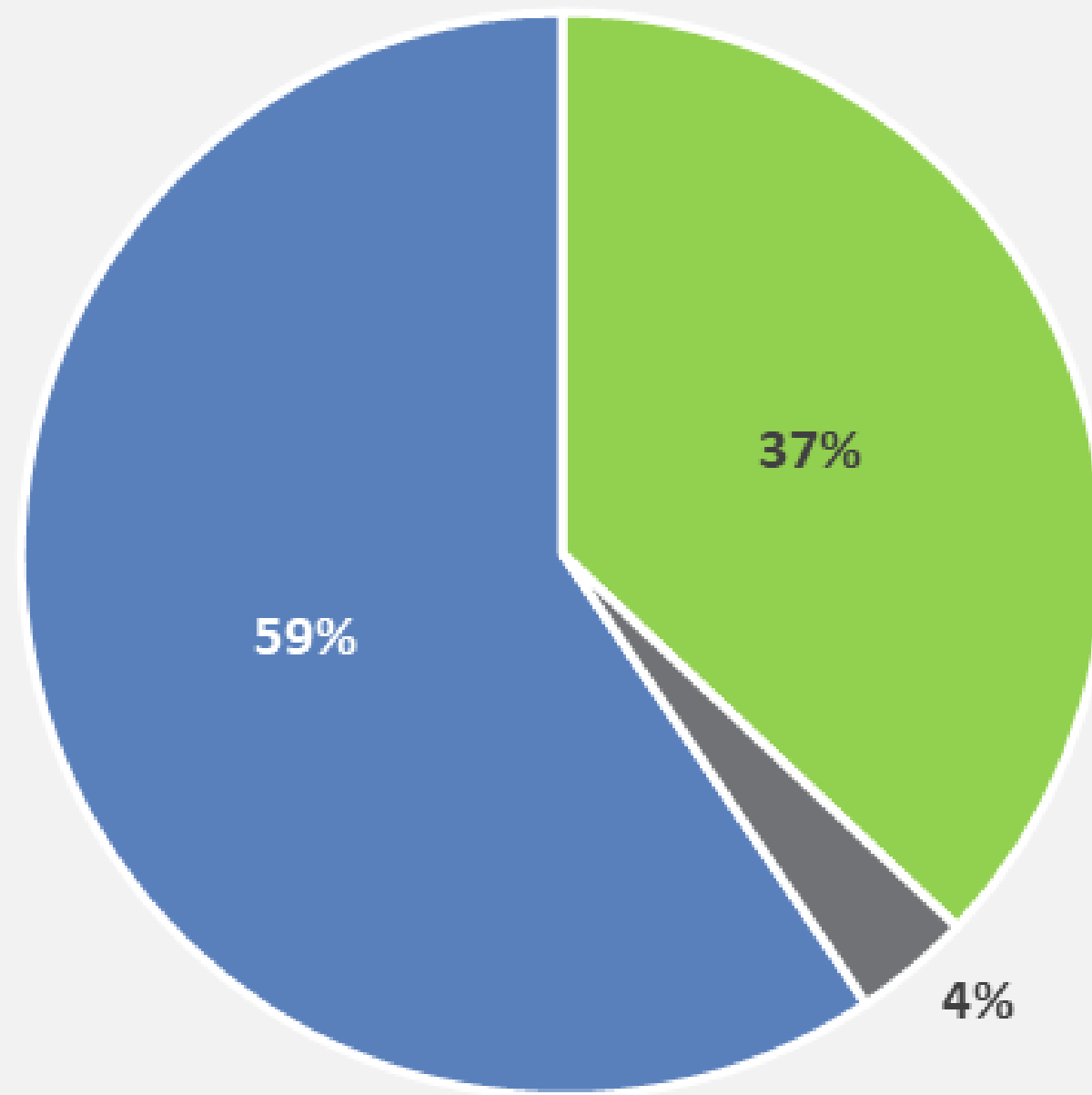


- Residential
- Commercial
- Industrial
- Other

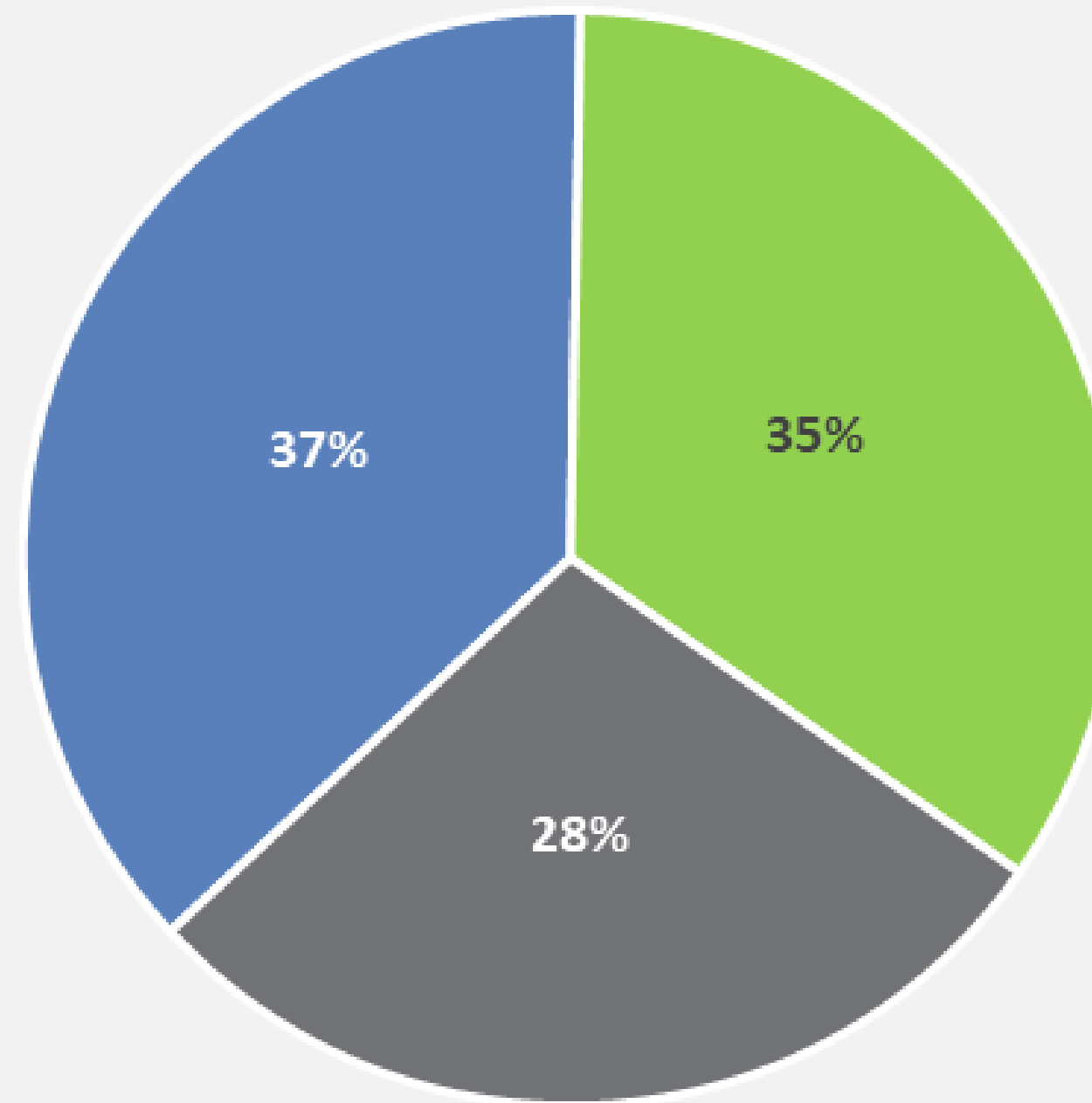
Gas Utility Mix

Twelve Months Ended December 31

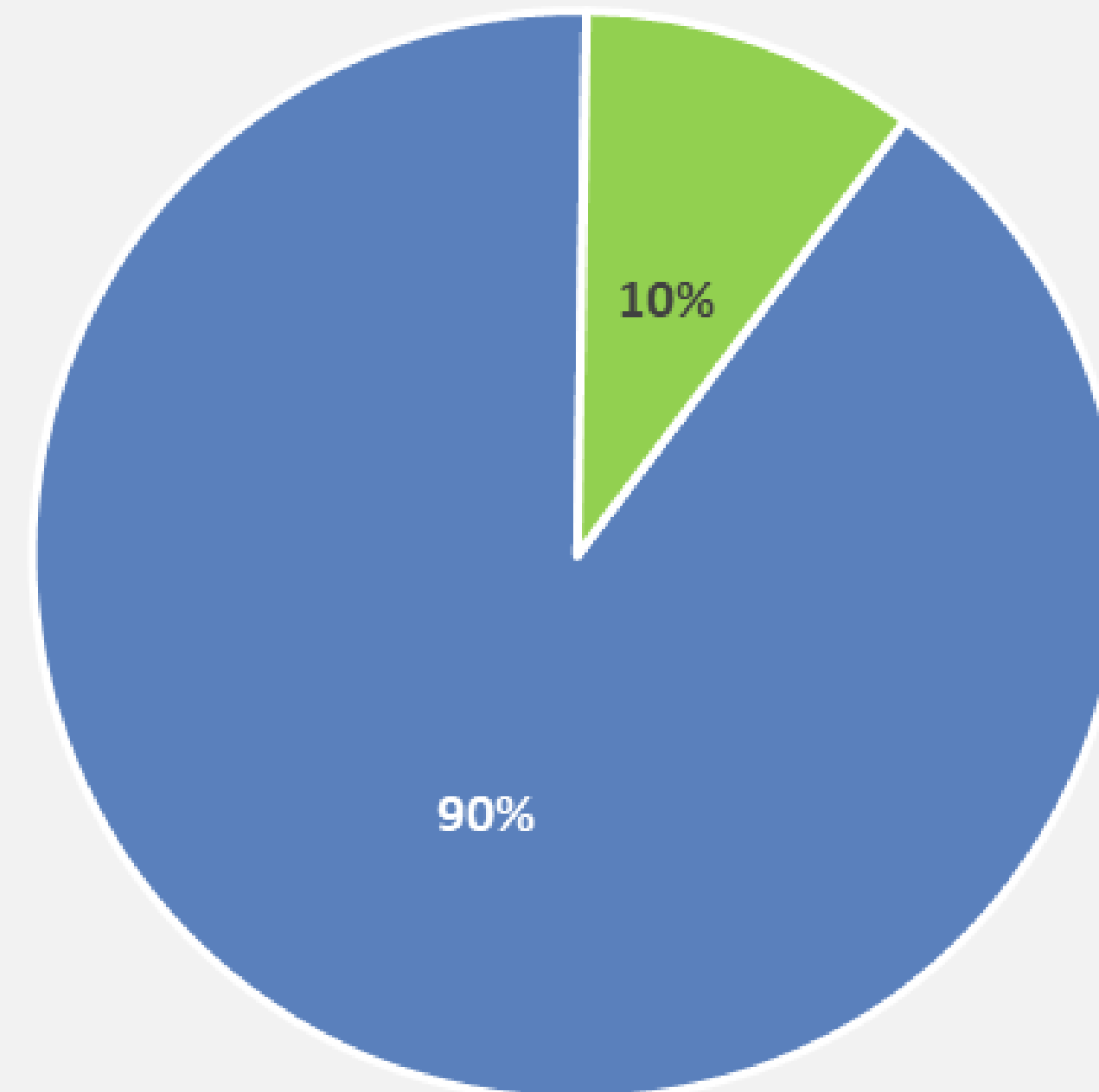
Gas Revenues



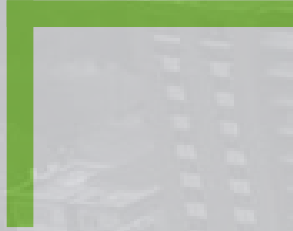
Gas Volumes



Gas Customers



- Residential
- Commercial/Industrial
- Other



**For more information:
Visit mgeenergy.com**

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