



FINANCIAL REPORT

2017 FOURTH QUARTER

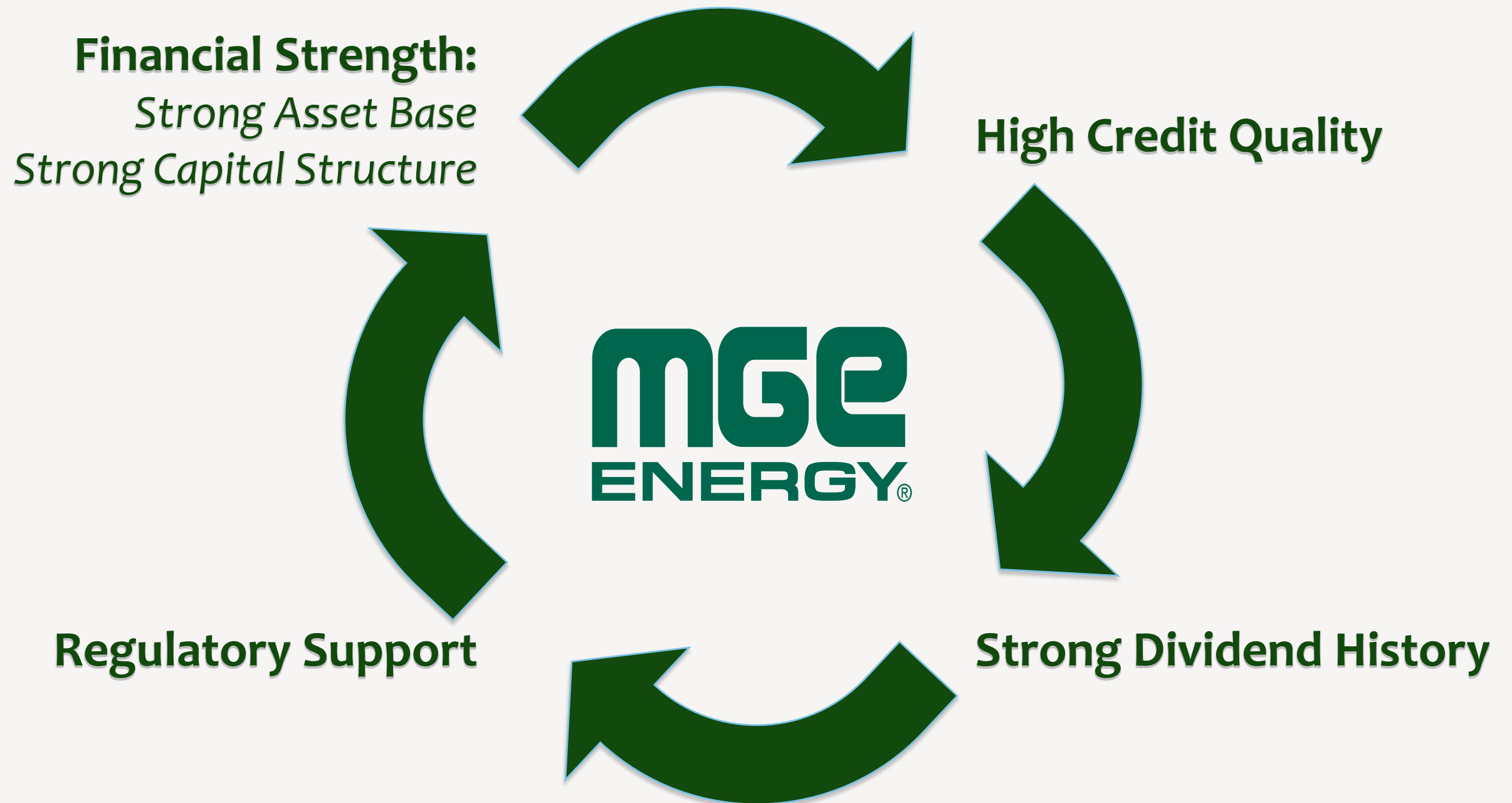
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All statements in this presentation other than historical facts are forward-looking statements that involve risks and uncertainties which are subject to change at any time.

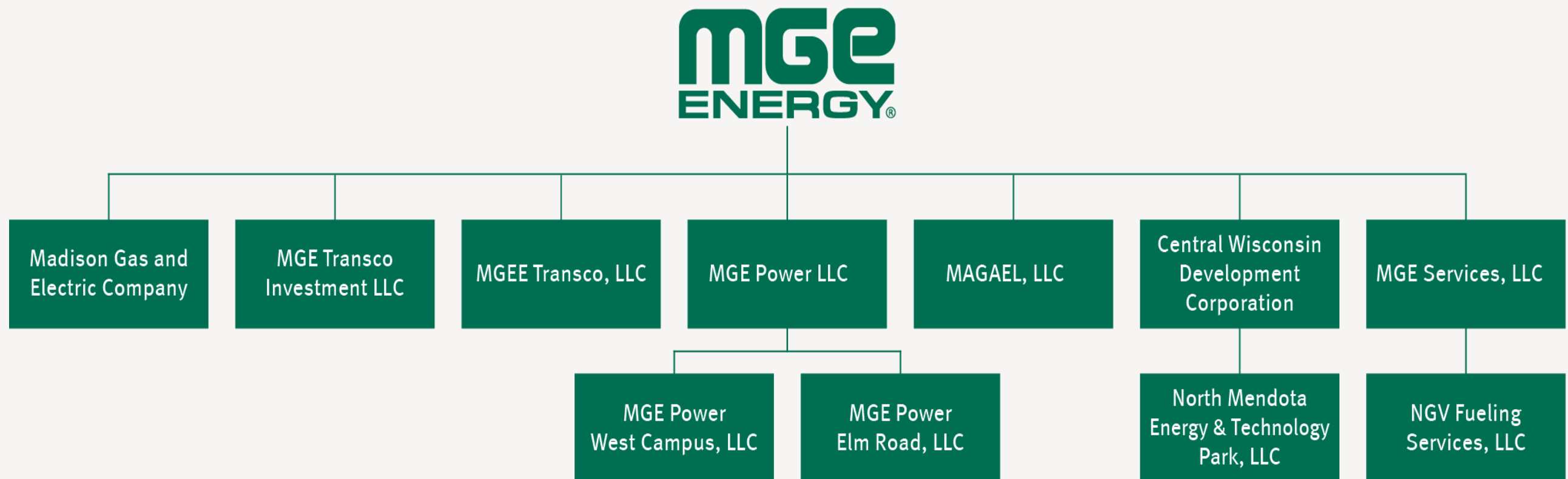
Such statements are based upon management's expectations at the time they are made. Various factors could cause actual results to be significantly different than those contemplated, estimated or projected in forward-looking statements. Those factors include the assumptions and factors referred to in 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: 1.9%
Bureau of Labor statistics, December 2017

Dane County

- Population growth through 2035 expected to be the highest of any county in Wisconsin
- Low Unemployment (December 2017)
1.9% (WI 2.7%; US 3.9%)

ENERGY 2030 FRAMEWORK

GOAL

- 25% Renewable by 2025
- 30% Renewable by 2030
- Reduction in Carbon Dioxide Emissions from 2005 levels
 - 40% by 2030
 - 80% by 2050



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 received PSCW approval to construct, own and operate a wind farm
- Located near Saratoga, Iowa
- 66MW consisting of 33 turbines
- The project construction is expected to be completed by the end of 2018, with an estimated capital cost of \$108 million



ACQUISITION OF FORWARD WIND SITE

- MGE, WPS, and WPL utilities filed 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
 - Total purchase price \$174 million, MGE Share \$23 million
 - 16.5 MW MGE Share of 86 turbine 129 MW wind farm
- Utilities received FERC approval in January 2018 and are awaiting PSCW approval

COLUMBIA COLLABORATION & RIVERSIDE ENERGY AGREEMENTS

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 2018, MGE reduced its ownership from 20.4% to 19.4% through the partial sale of plant assets to WPL
 - By June 2020, MGE's ownership in Columbia is forecasted to be approximately 19%

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

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



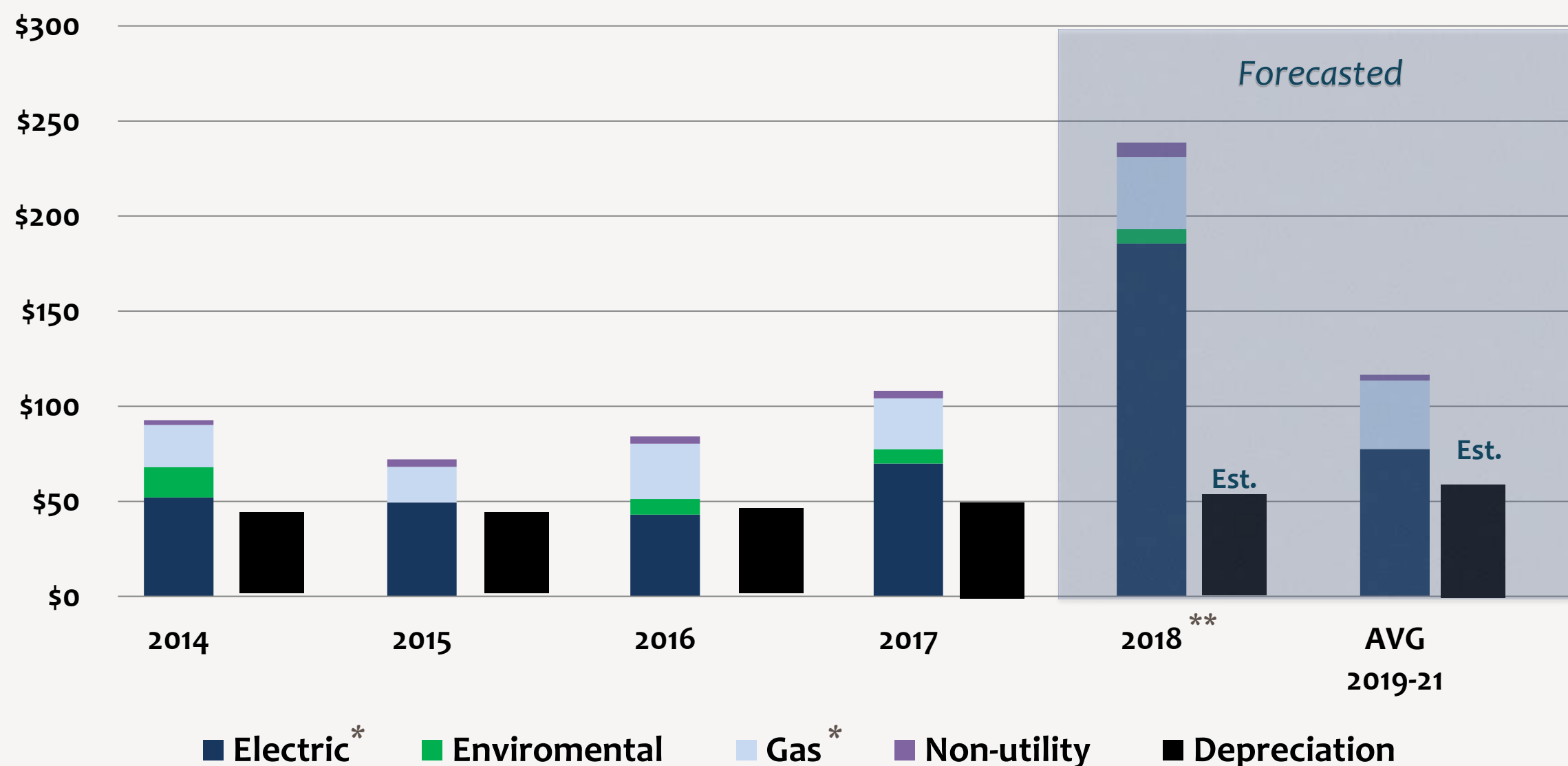
ENTERPRISE FORWARD

- 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, enterprise resource planning platform, along with other solutions that meet the goals of the initiative.
 - Gain efficiencies
 - Improve customer facing technologies
 - New products & services

INVESTMENT FUNDAMENTALS

— GROWTH THROUGH UTILITY INVESTMENTS

Segment Capital Expenditure versus Depreciation



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

**2018 includes Saratoga Wind project \$108m.

TRANSMISSION INVESTMENTS



- Approximately **6.2%** of MGE Energy's earnings come from its **\$58 million** transmission investment in ATC
- ATC forecasted CapEx of **\$2.8 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 2017: **\$3.5 billion**
- Transmission projects throughout the U.S.
 - Alaska

TRANSMISSION INVESTMENTS

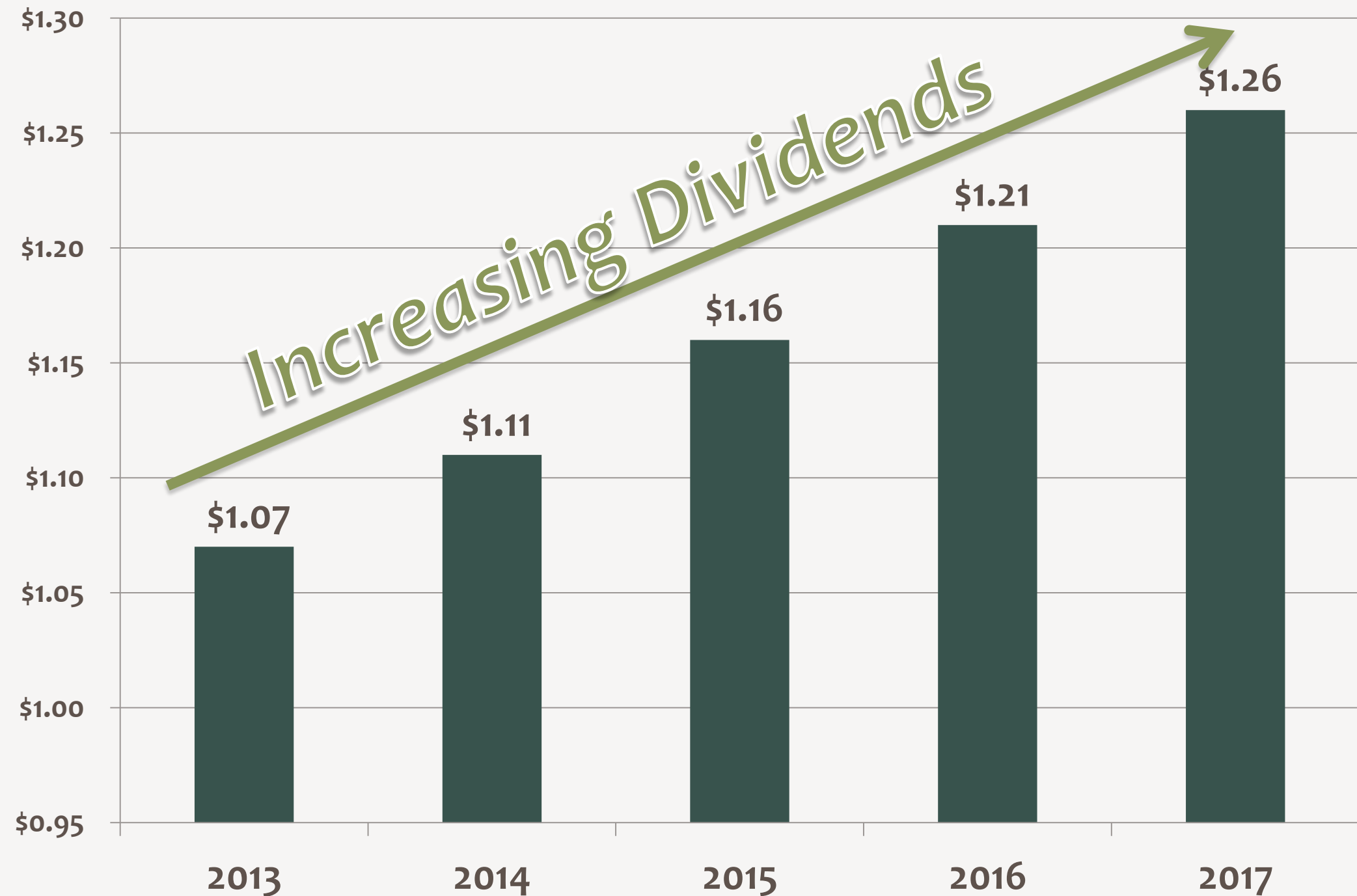
DATC – Joint Venture between Duke and ATC



- Ownership split 50/50 between Duke and ATC
- Owns transmission rights to California's Path 15
- Zephyr Power Transmission Project
- Proposed San Luis Transmission Project



DIVIDENDS PAID PER SHARE

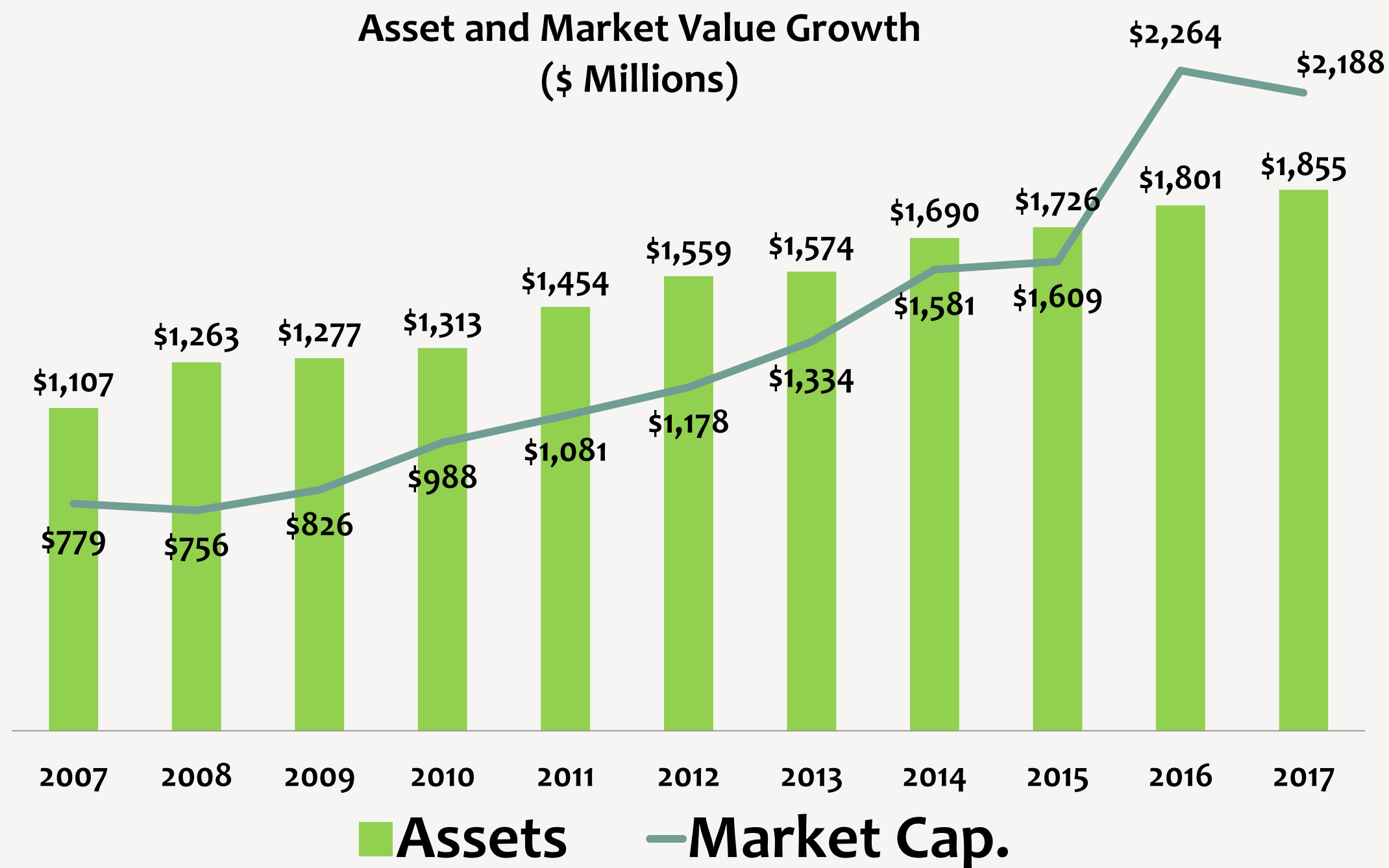


INVESTMENT FUNDAMENTALS

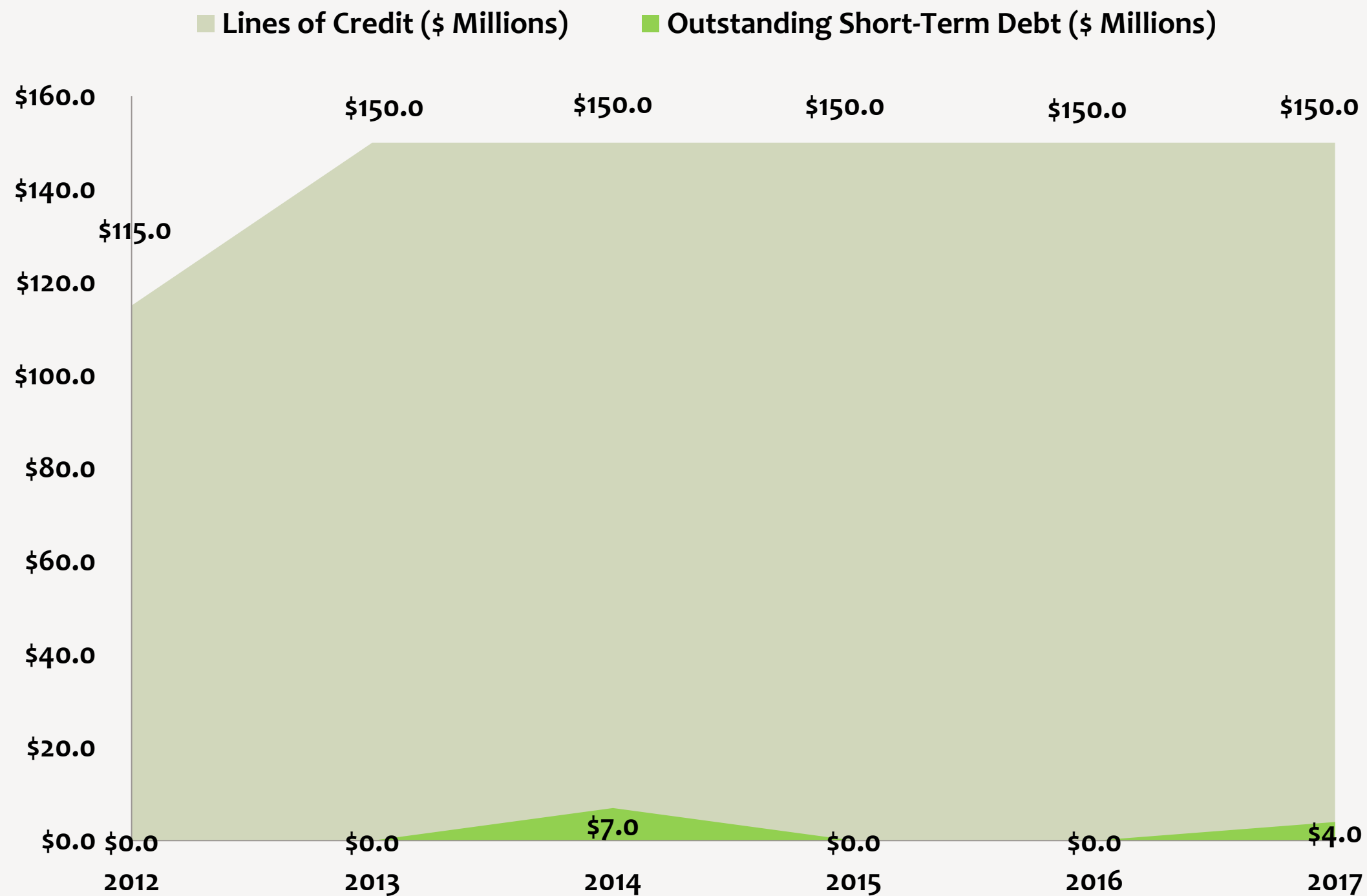
– *DIVIDEND GOVERNANCE*

- **Recent Dividend increase has been approximately 5%**
 - 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



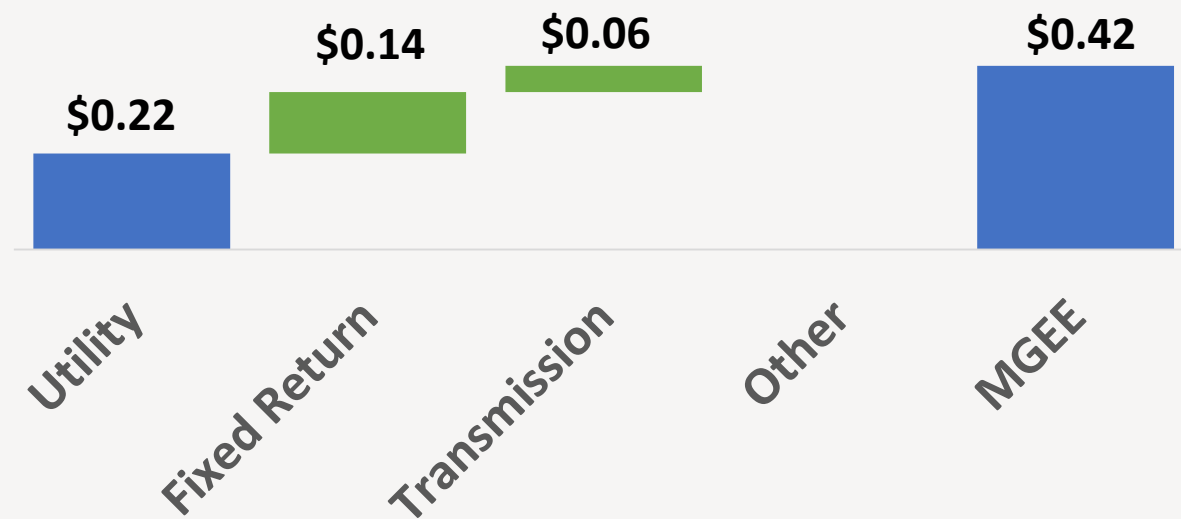
TAX REFORM RESULTS

- Reduces the Corporate Tax Rate
- Maintains Interest Deductibility for Corporate Debt
- Maintains Deductibility for State and Local Taxes
- Maintains Tax Normalization and Addresses Excess Deferred Taxes
- Keeps Dividend Tax Rates Low and on Par with Capital Gains Tax Rates

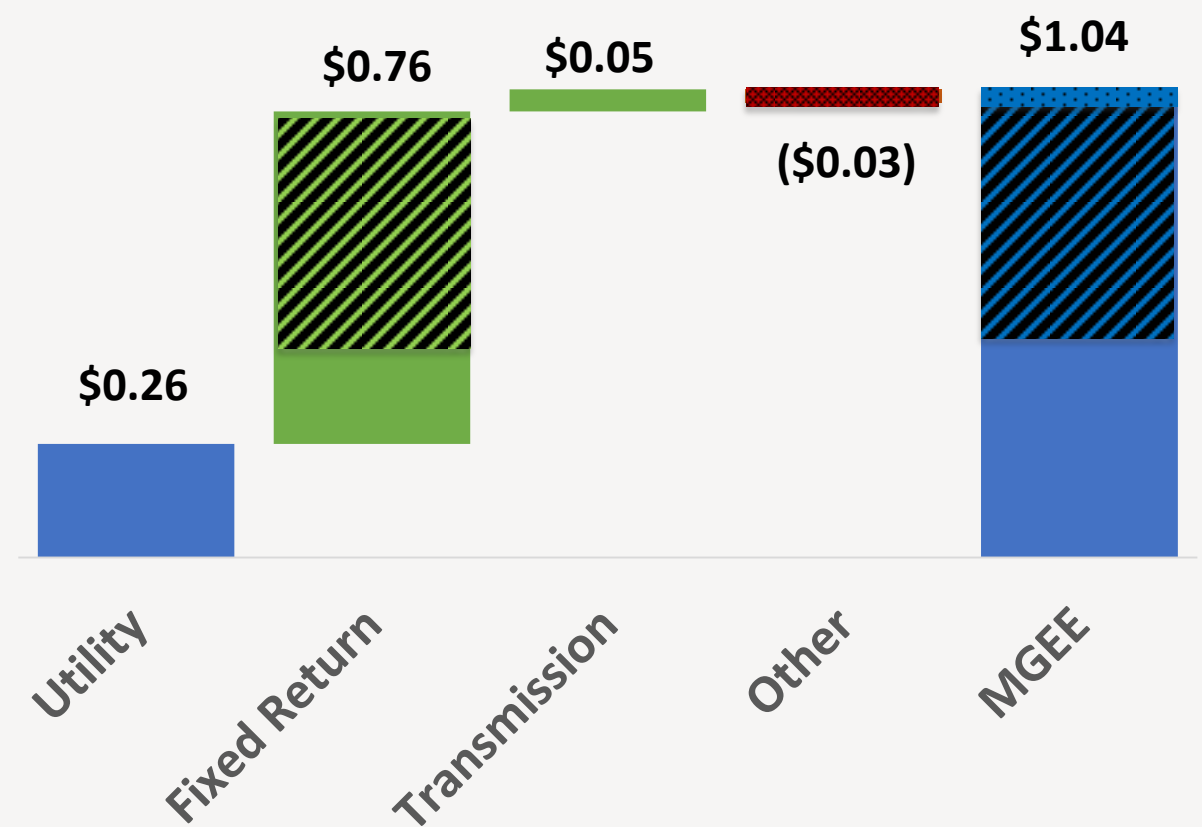
EARNINGS PER SHARE SEGMENTS

THREE MONTHS ENDED DECEMBER 31ST

2016



2017



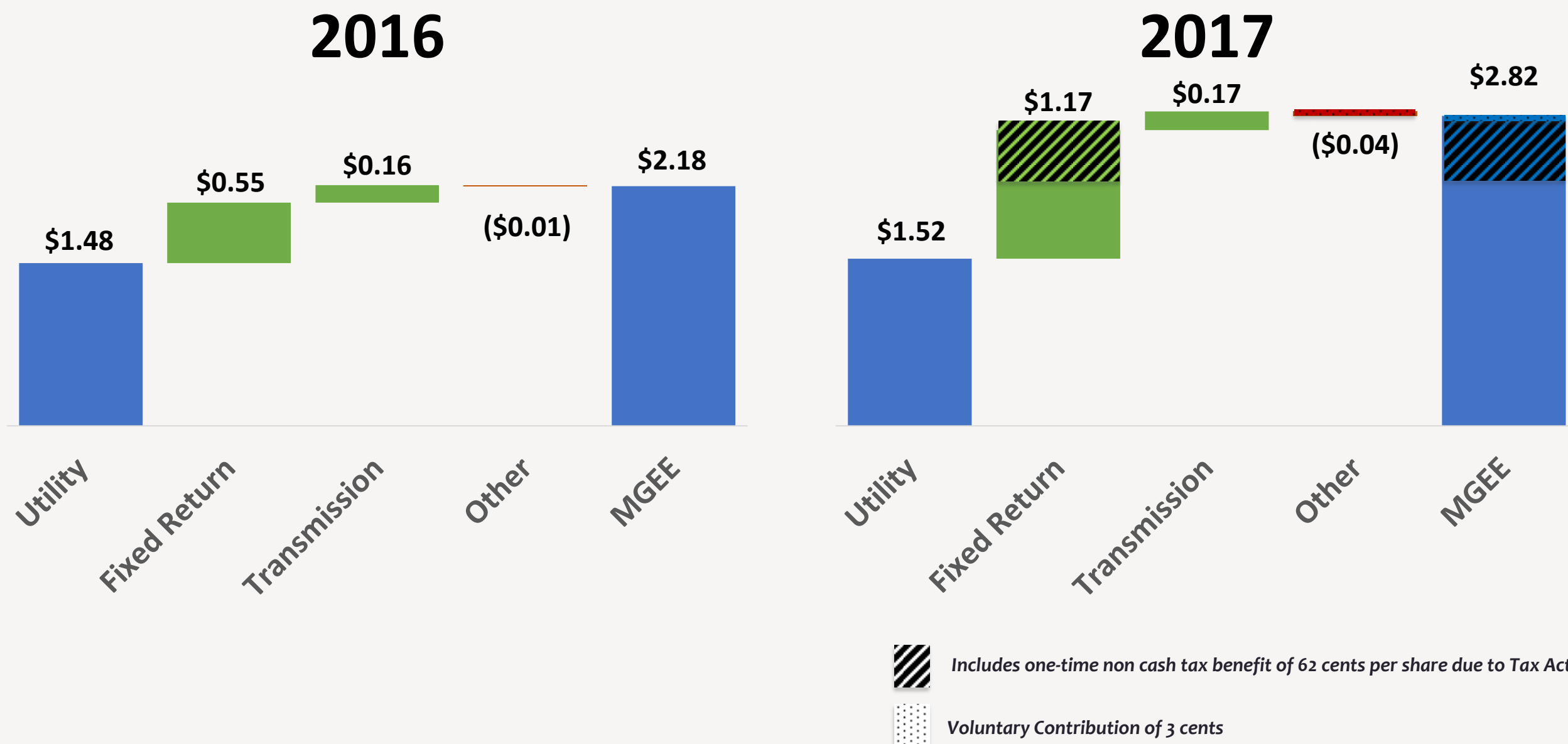
Includes one-time non cash tax benefit of 62 cents per share due to Tax Act



Voluntary Contribution of 3 cents

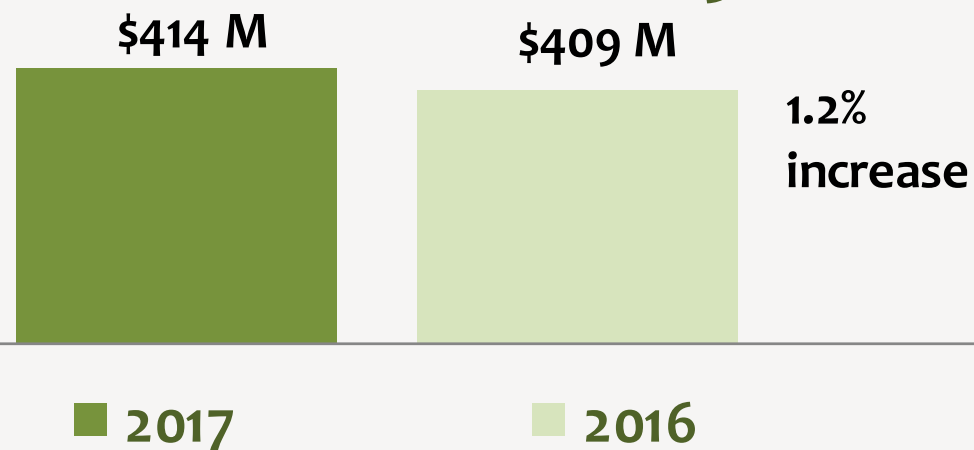
EARNINGS PER SHARE SEGMENTS

YEAR ENDED DECEMBER 31ST

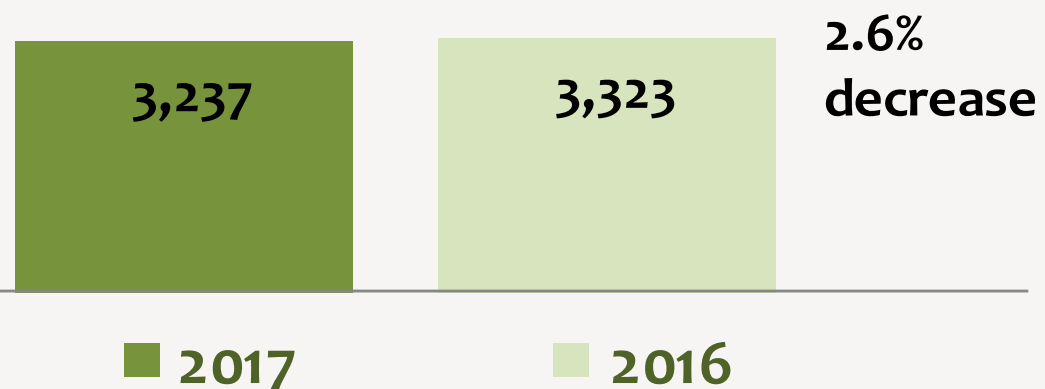


FINANCIAL STRENGTH

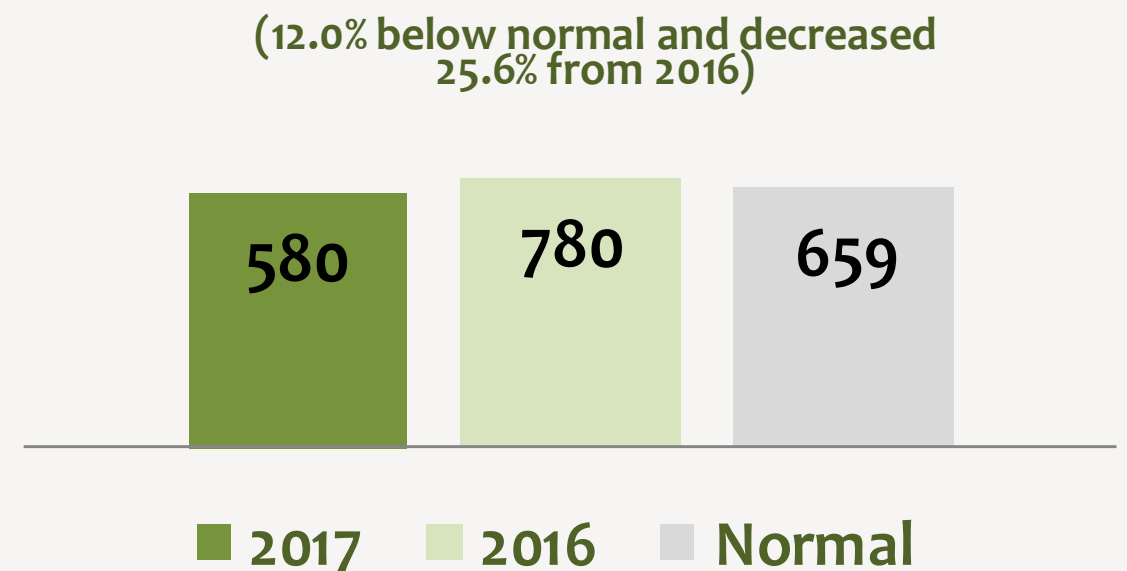
Electric Utility Revenue
Year Ended December 31



Electric Retail Sales (MWh)
Year Ended December 31



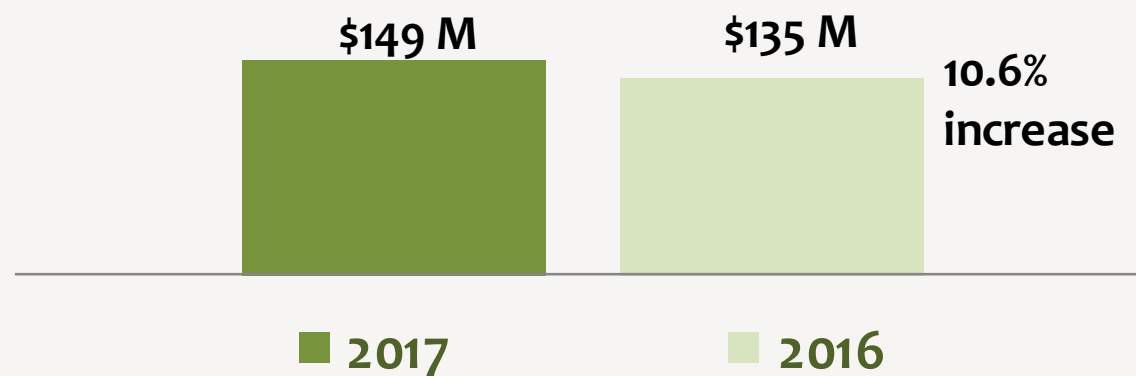
Actual Cooling Degree Days
YTD Ended December 31



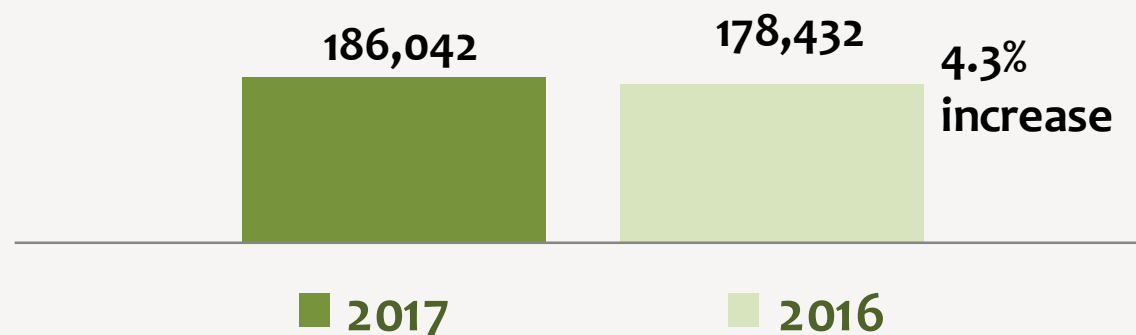
Electric retail sales decreased due to unfavorable weather conditions

FINANCIAL STRENGTH

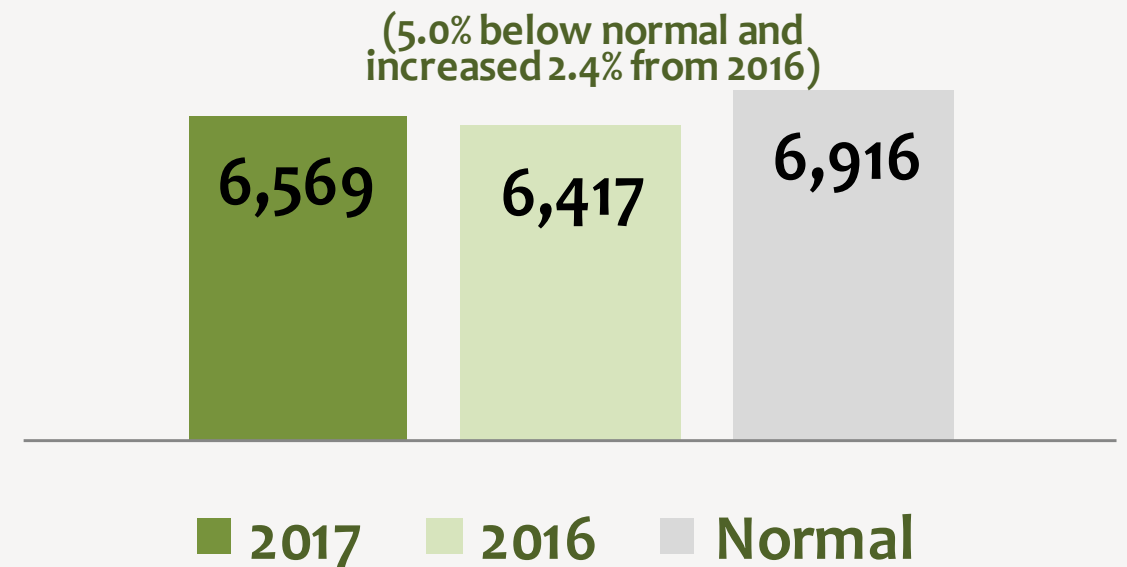
Gas Utility Revenue
Year Ended December 31



Gas Retail Deliveries
YTD Ended September 30



Actual Heating Degree Days
YTD Ended December 31



Gas retail deliveries increased due to customer growth and colder weather in the fourth quarter of 2017

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

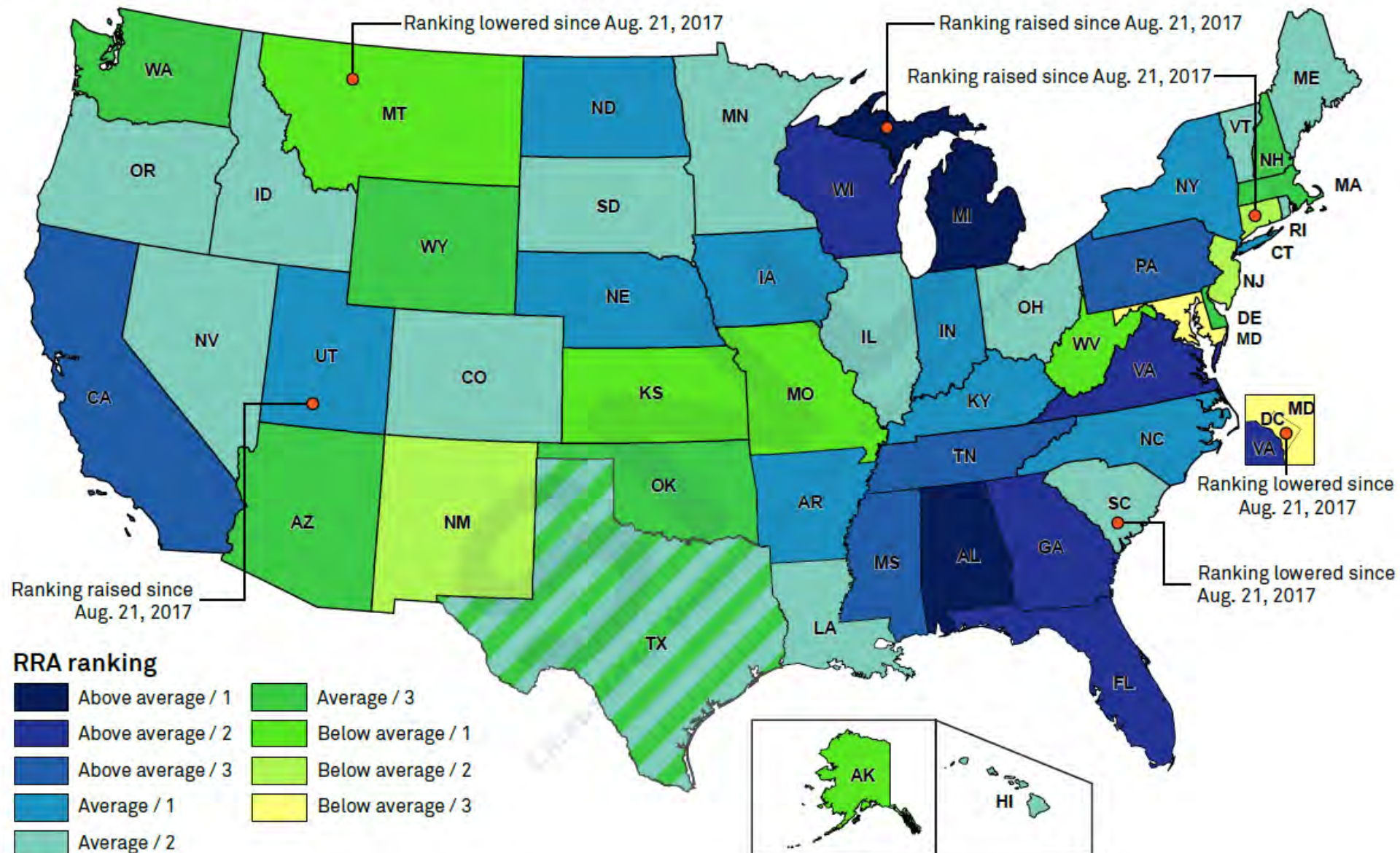
Moody's (Utility Ratings)

- 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, January 2018

SUPPORTIVE REGULATION

RRA state regulatory rankings — energy



Wisconsin's regulatory ranking is above average according to Regulatory Research Association (RRA)

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 in the fuel rules proceedings requiring MGE to refund additional fuel savings realized during 2015 and 2016 to its retail electric customers over a one-month period. In October 2017, MGE returned \$6.2 million to customers through bill credits.
- In December 2017, the PSCW approved a surcharge for 2018 electric fuel-related costs. The surcharge will increase electric retail revenue in 2018 by \$0.5 million or 0.13%.
- As of December 31, 2017, MGE has deferred \$4.2 million of 2017 fuel-related savings. These costs will be subject to the PSCW's annual review of 2017 fuel costs, expected to be completed in 2018.

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

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