



FINANCIAL REPORT

2020 FIRST QUARTER



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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 2019 Form 10-K, March 31, 2020 10-Q 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

Attractive and Growing Dividend

5-Year Dividend CAGR of 4.5%

- Paid dividends for more than 110 years
 - Increased dividends for 44 consecutive years
- Annual dividend growth rate of 4%+ in the past five years
- Recent payout ratio range of 50-60%

Strong Financial Profile

Stable Earnings Growth with Strong Balance Sheet

- Predominantly regulated earnings
- 10-year EPS CAGR of 5.5%
- 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

5-Year Regulated PPE⁽¹⁾ CAGR of 6.8%

- Total forecasted regulated capex of approx. \$570M from 2020 through 2022⁽³⁾
- Premium service territory with constructive regulation
- Forward-looking test years
- Renewable Energy Rider
 - Ability to work cooperatively with businesses and tailor a renewable energy solution

Substantial Sustainability Investment

Seeking Net-Zero Carbon by 2050⁽³⁾

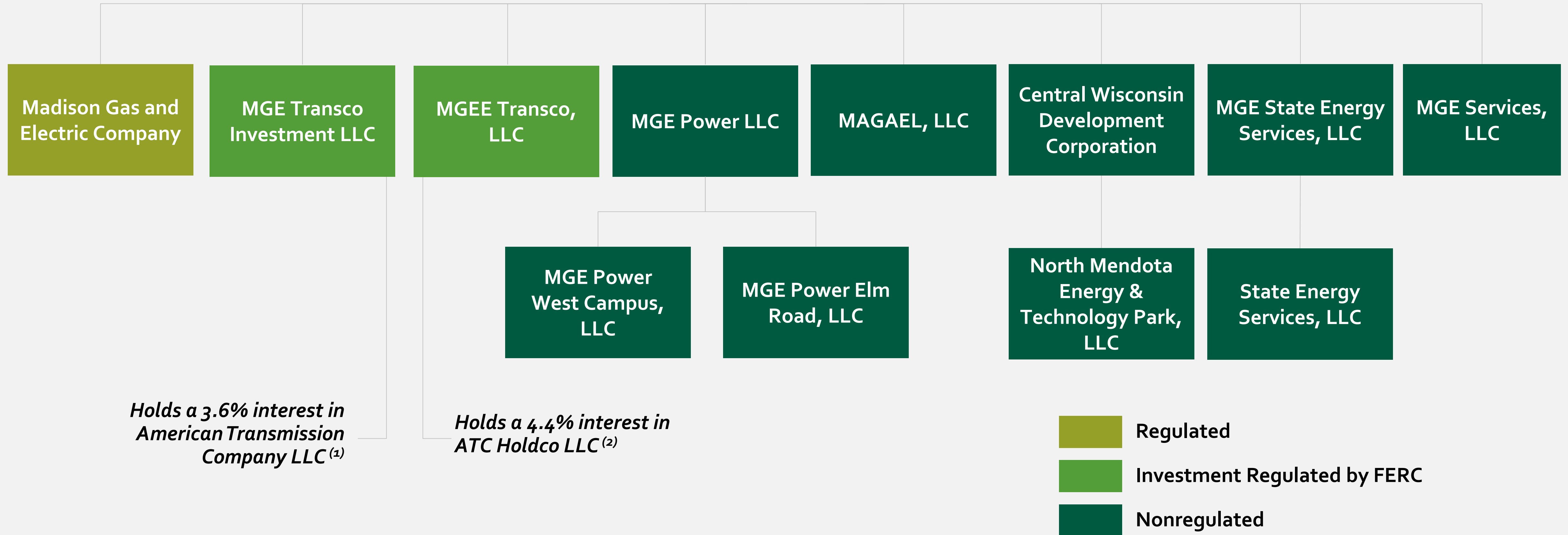
- Plan for decarbonizing generation by transitioning to clean energy, such as wind and solar
 - Announced projects designed to grow renewables capacity by 600% from 2015 ⁽³⁾
- Helping customers use energy efficiently
- Electrifying transportation

(1.) Property, plant, and equipment, net

(2.) A credit rating is not a recommendation to buy, sell or hold securities and may be lowered or withdrawn by the rating agency at any time

(3.) Information on this slide contains statements that are forward looking statements that involve risks and uncertainties that are subject to change at any time. See Cautionary Note Regarding Forward-Looking Information at the beginning of this presentation

Corporate Structure



(1.) Owns and operates electric transmission lines in Wisconsin

(2.) Transmission development company. Separate from American Transmission Company, LLC

Service Territory

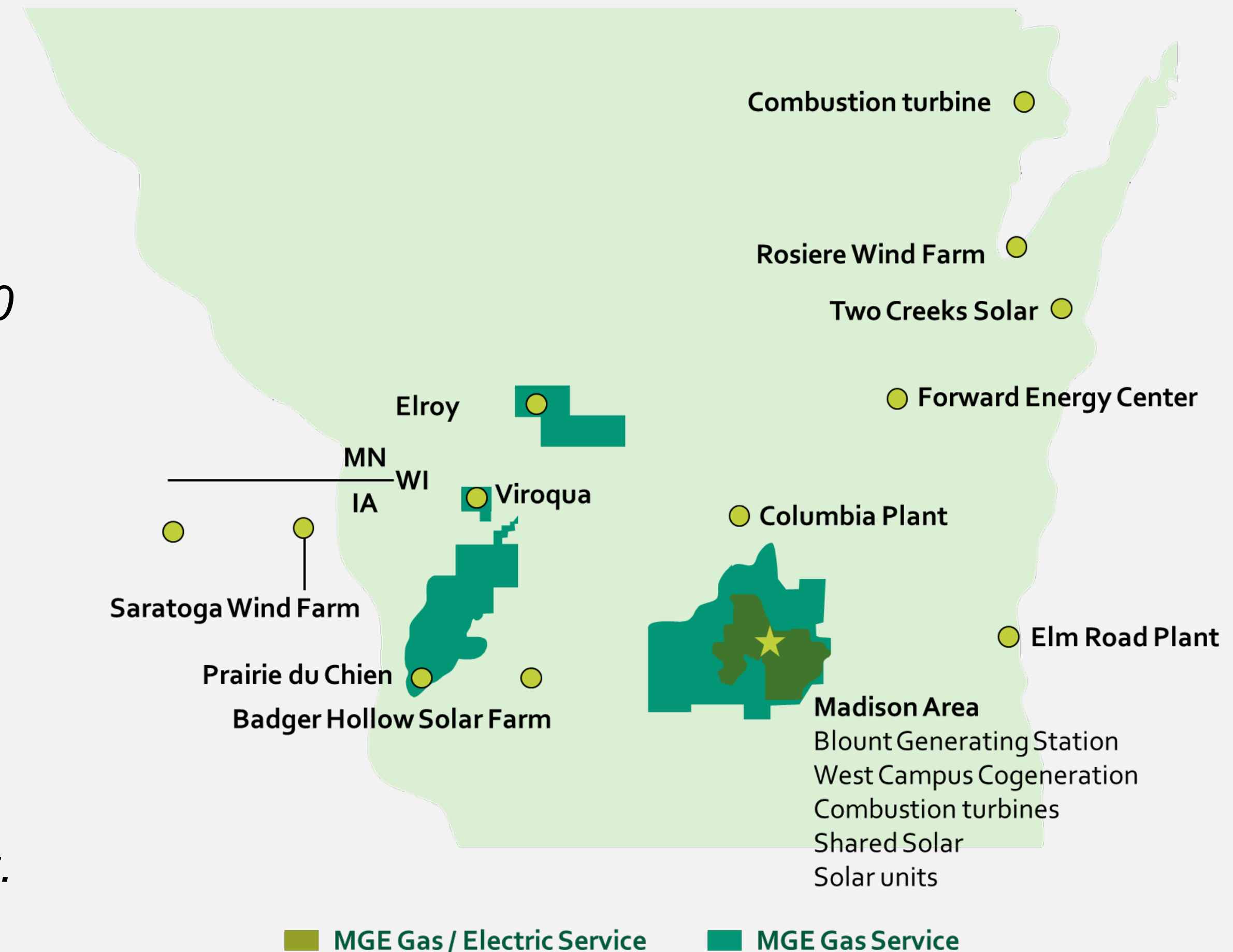
Economic Outlook:

Madison

- 8th best city for STEM jobs – *Wallet Hub, 2020*
- 10th nationally for economic strength – *Policom, 2020*
- Unemployment: 2.4% – *Bureau of Labor Statistics, March 2020*

Dane County

- Population growth through 2035 expected to be the highest of any county in Wisconsin
- Unemployment 2.2% (WI 3.5%; US 4.5%) – *WI Dept. of Workforce Development, March 2020*



Constructive Regulatory Environment

- Regulatory approvals of utility-scale renewable investments and other innovative solar programs
 - Saratoga Wind and Forward Wind
 - Badger Hollow I Solar (in progress) & Badger Hollow II Solar (to be constructed) and Two Creeks Solar (in progress)
 - Approval of Renewable Energy Rider and Shared Solar Programs
- Collaborative relationship between customer groups and PSCW regarding rate settlement proceeding
- Supportive regulatory framework including:
 - Forward-looking test years
 - Approval of various expense deferrals⁽¹⁾
 - Fuel Rules and Gas Cost Recovery Mechanism
 - Current Return on 50% of CWIP on construction projects
- ***Both credit agencies view the Wisconsin regulatory environment as highly credit supportive with timely operating and capital cost recovery, and view MGE's relationship with the PSCW as constructive.***

(1.) Examples of various expenses deferrals include, but are not limited to, deferrals related to pension, transmission, and Elm Road Generating Station costs.

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.”

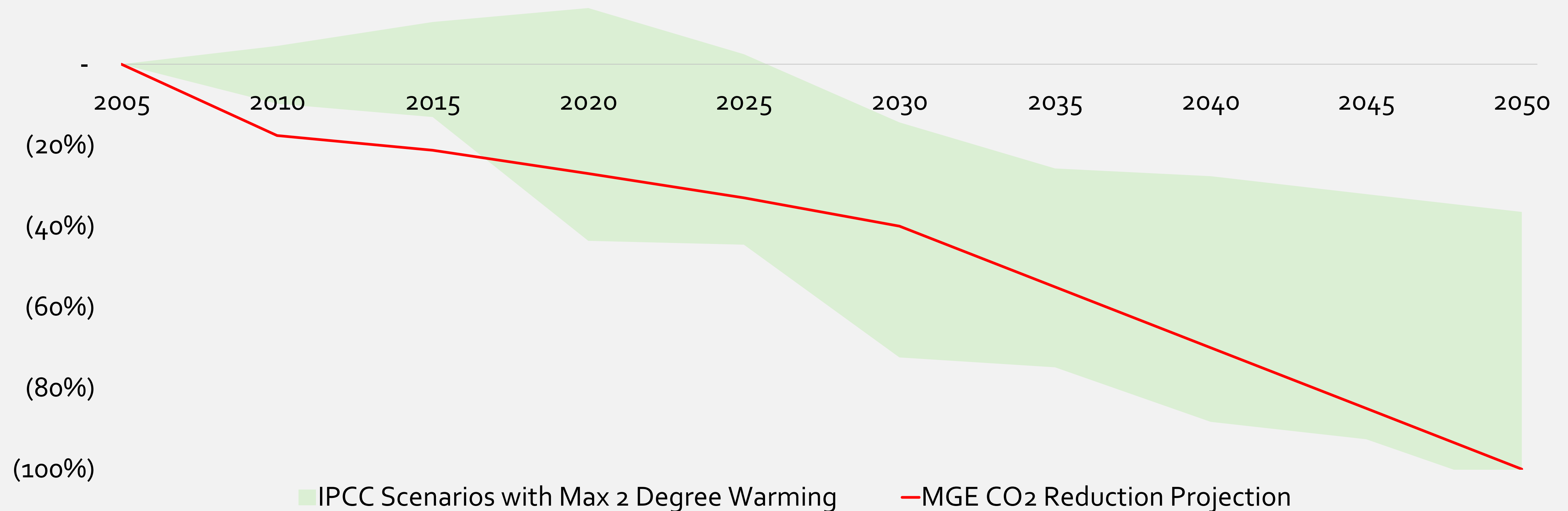
- *Jeffrey M. Keebler, Chairman, President and Chief Executive Officer*



Focused ESG Strategy⁽¹⁾

Carbon Reduction Goals Align With Range of Scenarios Likely to Achieve 2°C Limit

Percent Reduction



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Investing in Cleaner Energy Generation

Energy 2030 and Net-Zero Carbon Electricity by 2050

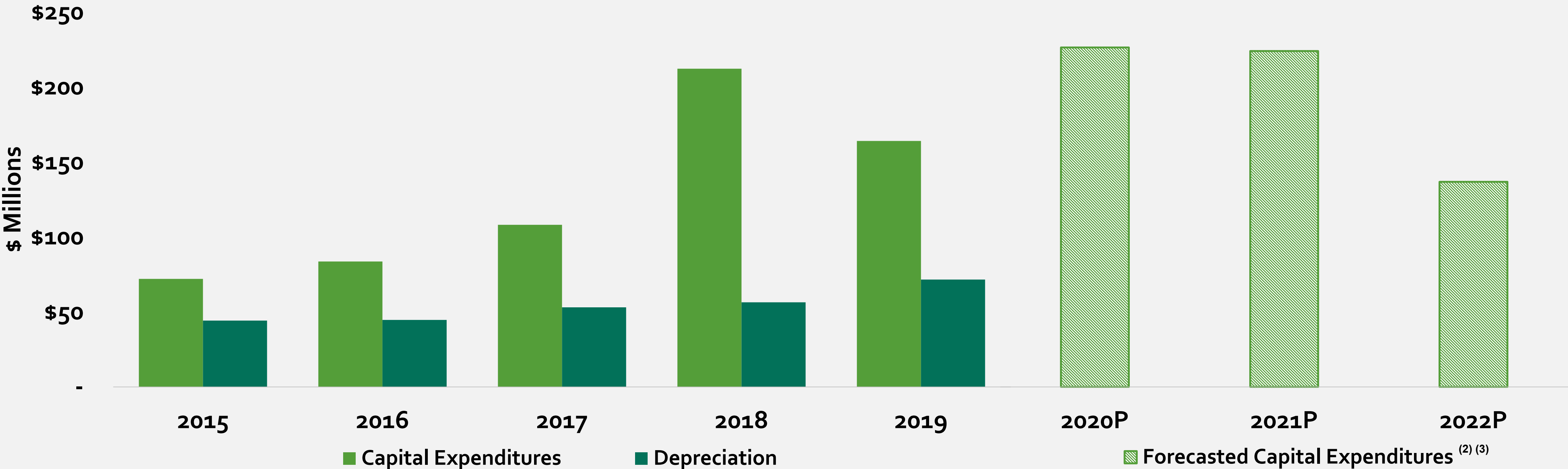
- Reduction in CO₂ emissions
 - **40%** from 2005 levels by **2030**
 - Based on Paris Agreement and U.S. Mid-Century Strategy
 - **Net-Zero Carbon Electricity by 2050**
 - Strategy for deep decarbonization
 - Based on IPCC Special Report regarding 1.5°C scenario



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
- Regulated air emissions decreased between 60 and 97 percent since 2005
- Within the last 5 years, MGE has announced cost-effective projects that are expected to increase owned renewable capacity by approximately 600%

Significant Growth in Capital Expenditures



Significant growth in capital expenditures driven by renewable investments in solar and wind generation, including:

Facility	MW	In-Service Date	Actual Capex (\$M) (as of year-end 2019)	Facility	MW	Expected In-Service Date ⁽²⁾	Forecasted Capex ^{(2) (3)} (\$M)	PSCW Approval Status
Saratoga Wind	66	Feb. 2019	\$103.8	Badger Hollow I Solar	50	April 2021	\$65.0	Approved
Forward Wind	18	Apr. 2018	\$23.0	Two Creeks Solar	50	Dec. 2020	\$65.0	Approved
				Badger Hollow II Solar ⁽⁴⁾	50	Dec. 2021	\$65.0	Approved
				Additional Local Solar	Note 1	Various	\$64.0	Note 1

(1.) Additional local solar projects include Renewable Energy Rider and Shared Solar projects. Multiple projects are not filed or approved with the PSCW.
(2.) Information on this slide contains statements that are forward looking statements that involve risks and uncertainties that are subject to change at any time. See Cautionary Note Regarding Forward-Looking Information at the beginning of this presentation.
(3.) Forecasted Capital Expenditures does not include AFUDC
(4.) Construction of the project is expected to begin after the construction of Badger Hollow I is completed. We are currently assessing the impact of the Badger Hollow I delay on the construction timeline for Badger Hollow II

Local Solar Programs

Renewable Energy Rider (RER) Program

- MGE partners with large energy users on customized renewable energy solutions to meet their specific energy needs
 - MGE-owned solar facility
 - Tariffed rate with customer for capital and operations cost recovery
- MGE has received PSCW approval
 - 1.5 MW – Middleton Municipal Airport
 - 9.0 MW – Dane County Airport

Shared Solar Program

- Provides an opportunity for eligible customers to add locally-generated solar to their energy mix without having to install solar panels
 - MGE-owned solar array with tariffed rate for solar output
- Original array (500 KW) was fully subscribed with waiting list
- Ongoing expansion to a second facility with continued interest
 - Additional 3.5 MW of capacity with second solar array



Investment and Research – EVs

Public Charging Network

- Wide network of electric vehicle charging stations
- Powered on 100% renewable energy produced by wind farms in Wisconsin and Iowa

Workplace Charging

- MGE works with local employers to facilitate onsite charging stations and to implement workplace charging programs

Home Charging

- Charge@Home Program
 - Pay a monthly fee for a charging station owned and maintained by MGE

EV Discounts

- A partnership between MGE and local Nissan dealerships 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 providing technical expertise for charging infrastructure and local matching funds in City's successful grant application for electric buses
- Partnership advances shared goals to reduce emissions



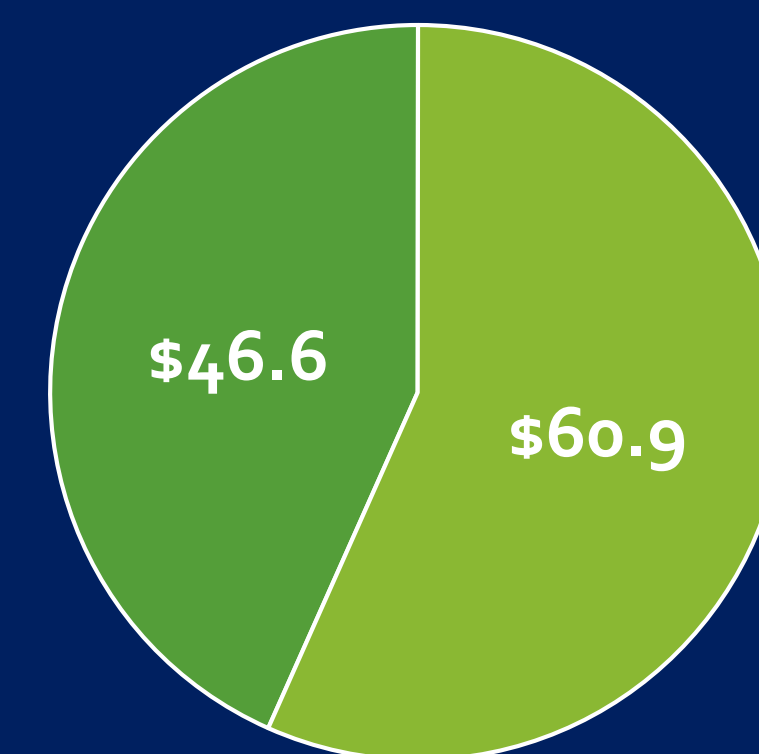
Technology Investments

- In 2017, MGE committed to undertake a multiyear project to transform our foundational customer engagement capabilities and to enable increased flexibility and capability in delivering new products and services that advance our Energy 2030 framework and help MGE become a utility of the future
- This ongoing, enterprise-wide transformation includes the implementation of a new **customer information and billing system, engagement and marketing tools, along with other solutions** designed to:
 - Gain efficiencies
 - Enable new customer-facing technologies
 - Support new programs, products and services
- This five-year project is designed to transform MGE into a digital integrated utility

(1.) A portion of the Enterprise Forward expenditures are implementation costs of internal use software incurred in a hosted arrangement, totaling approximately \$21 million for the project and including \$7 million of forecasted expenditures for the years 2020 through 2022.

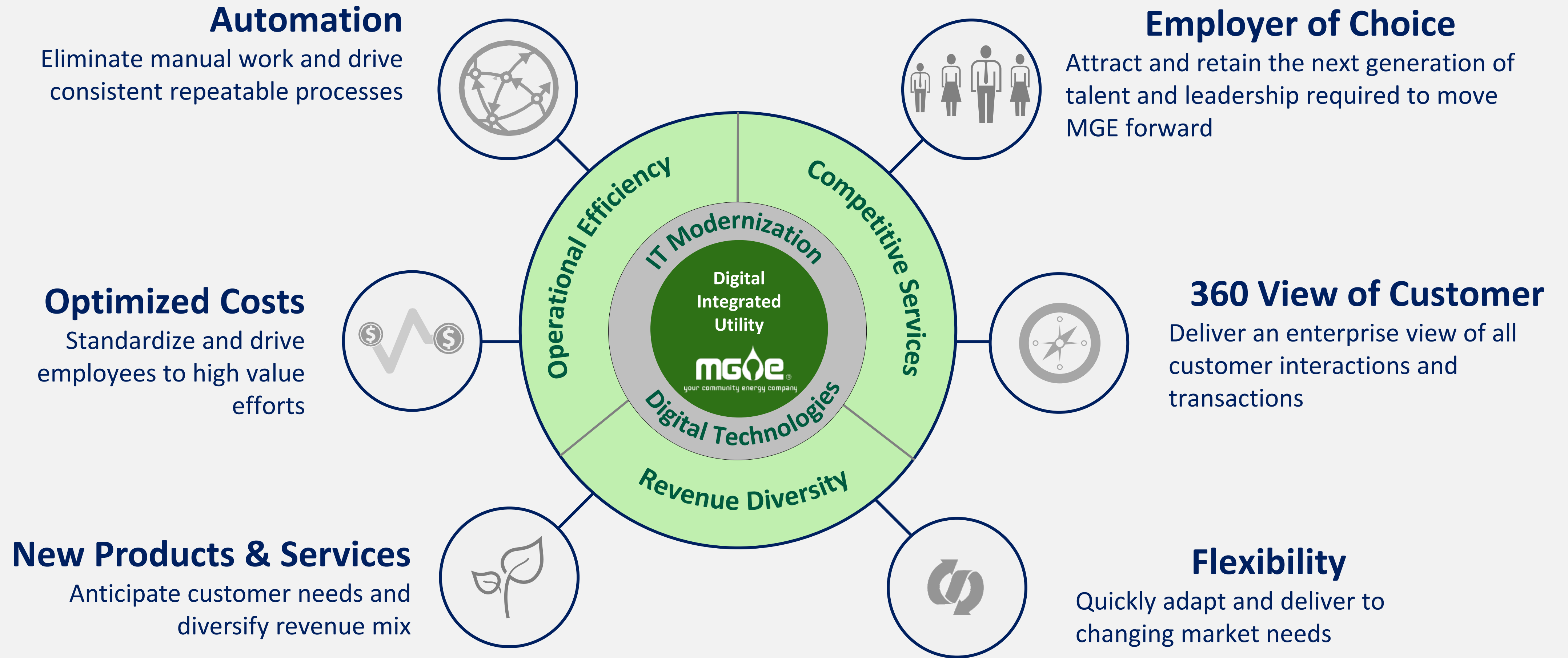


CAPITAL SPENDING (\$M)¹
(as of December 31, 2019)



- Actual Spending (2019 and prior)
- Forecasted Spending (2020 through 2022)

Digital Integrated Utility



Transmission Assets

ATC

- Approximately **6.5%** of MGE Energy's net income for the three months ended March 31, 2020, comes from its **\$71 million** transmission investment in ATC
- ATC forecasted CapEx of **\$2.9 to \$3.6 billion⁽¹⁾** over the next 10 years, this excludes potential transmission investments outside its traditional footprint
- ATC average rate base: **\$4.1 billion⁽¹⁾⁽²⁾**

Commitment to Dividends & Shareholder Value

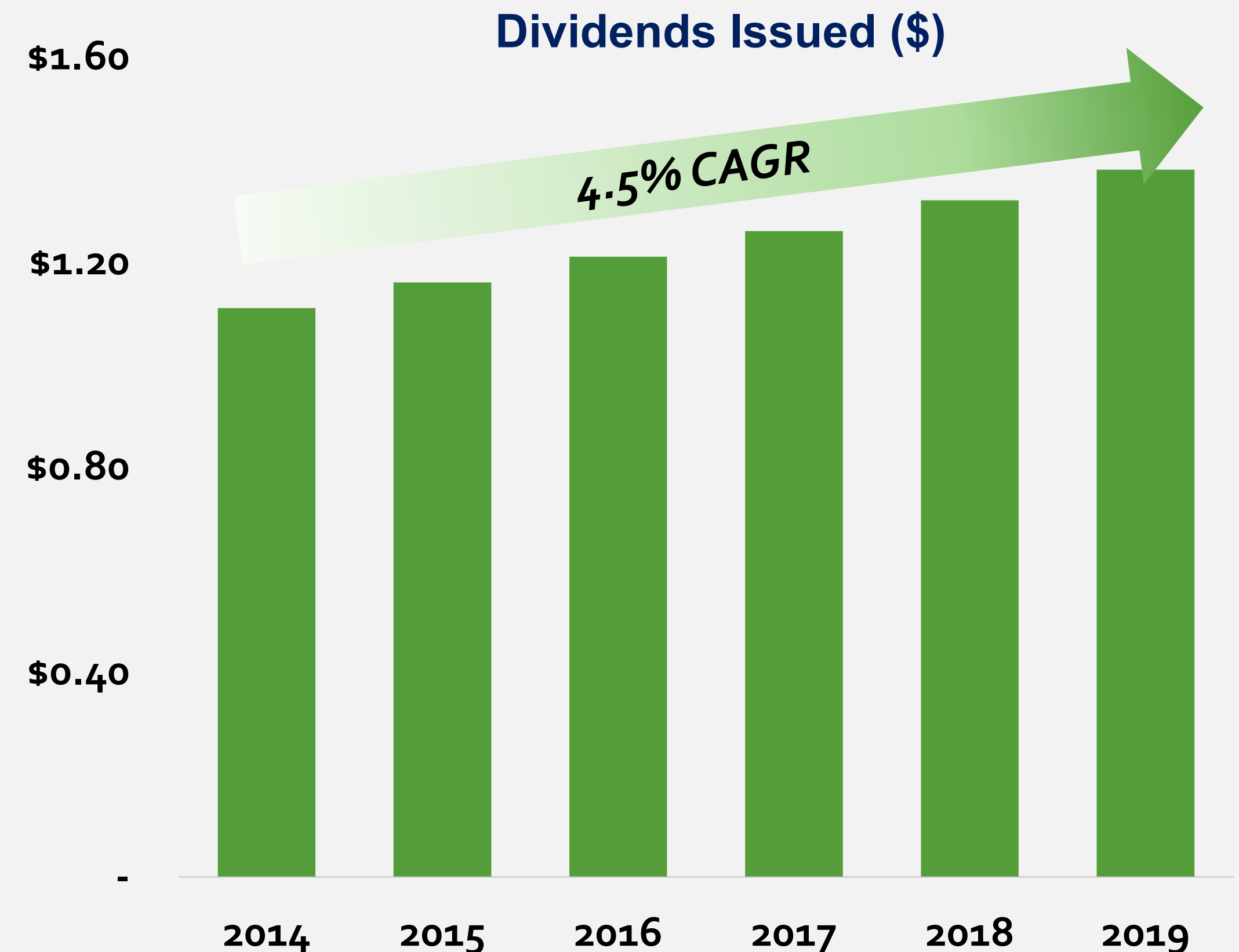
Recent Dividend increase has been approximately 4%

- Increased dividend 44 consecutive years
- 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

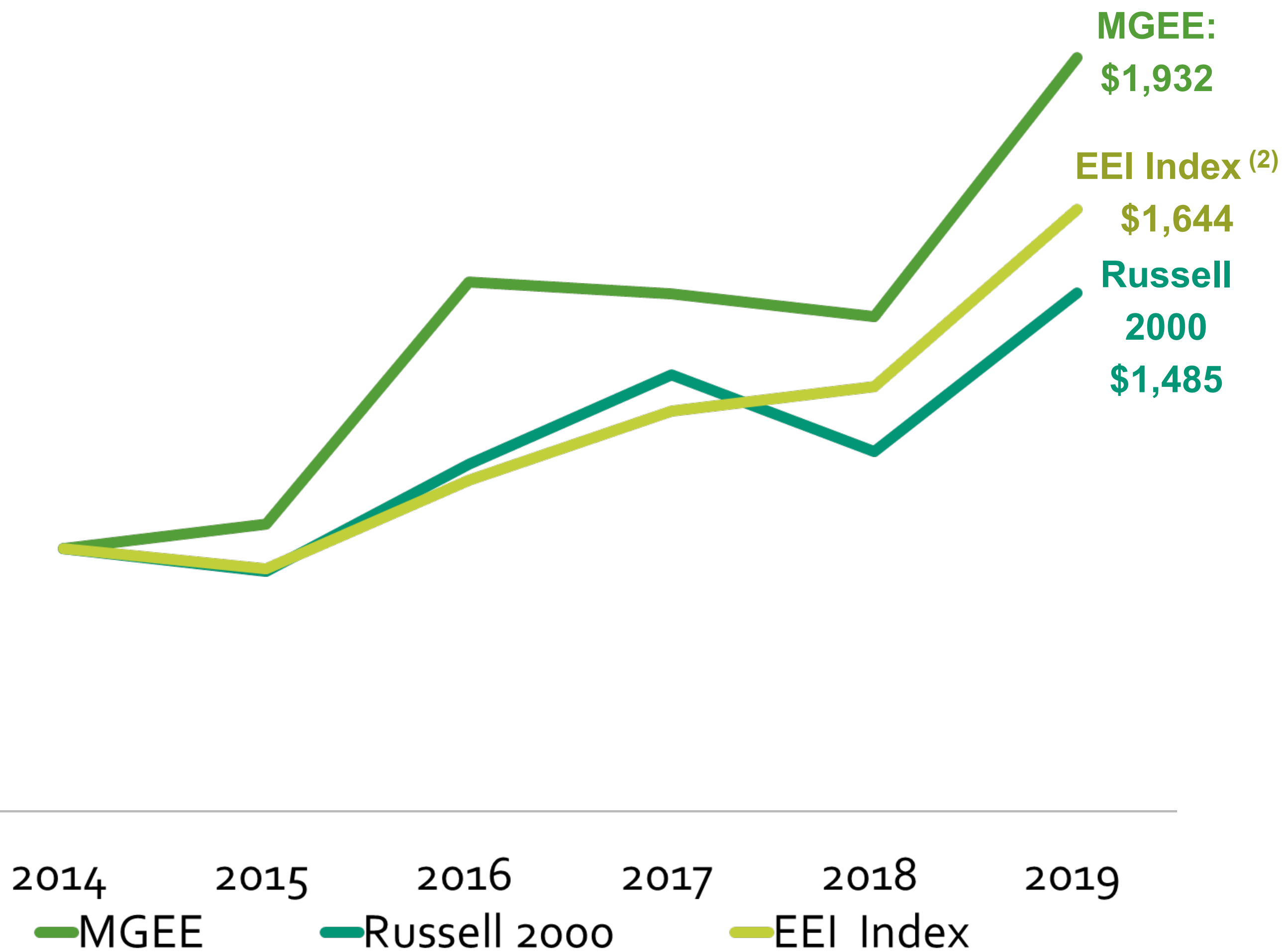
Dividend Considerations

- 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



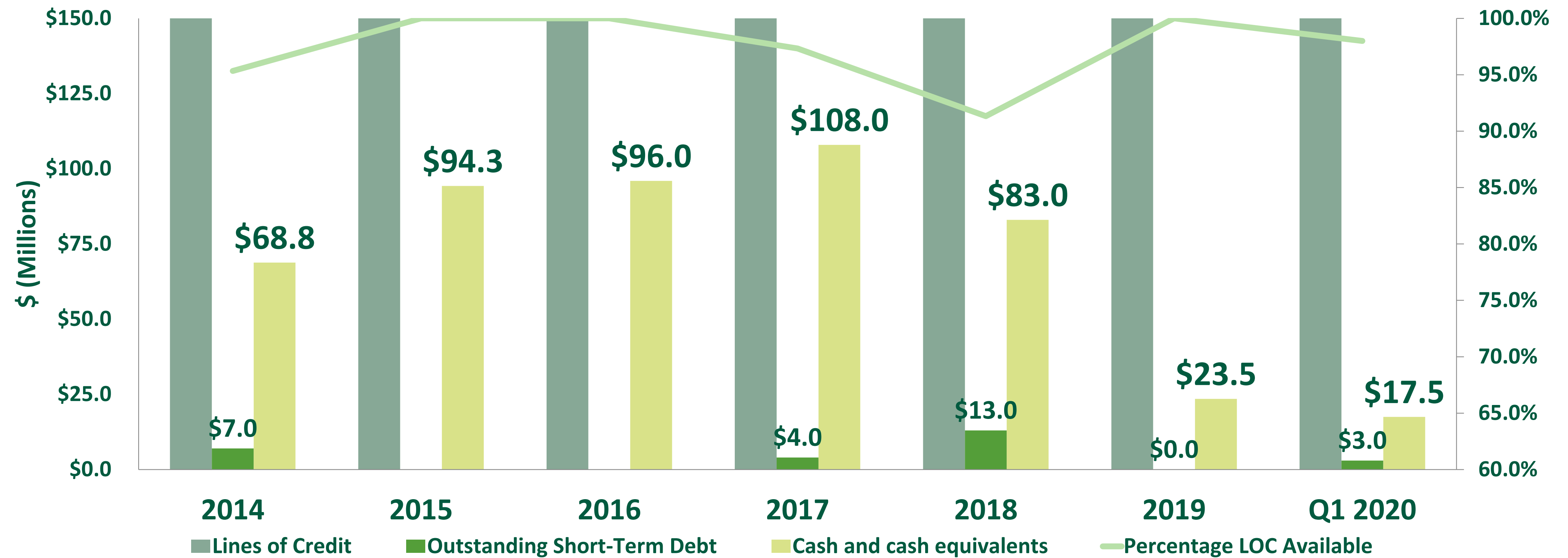
Total Shareholder Return ⁽¹⁾



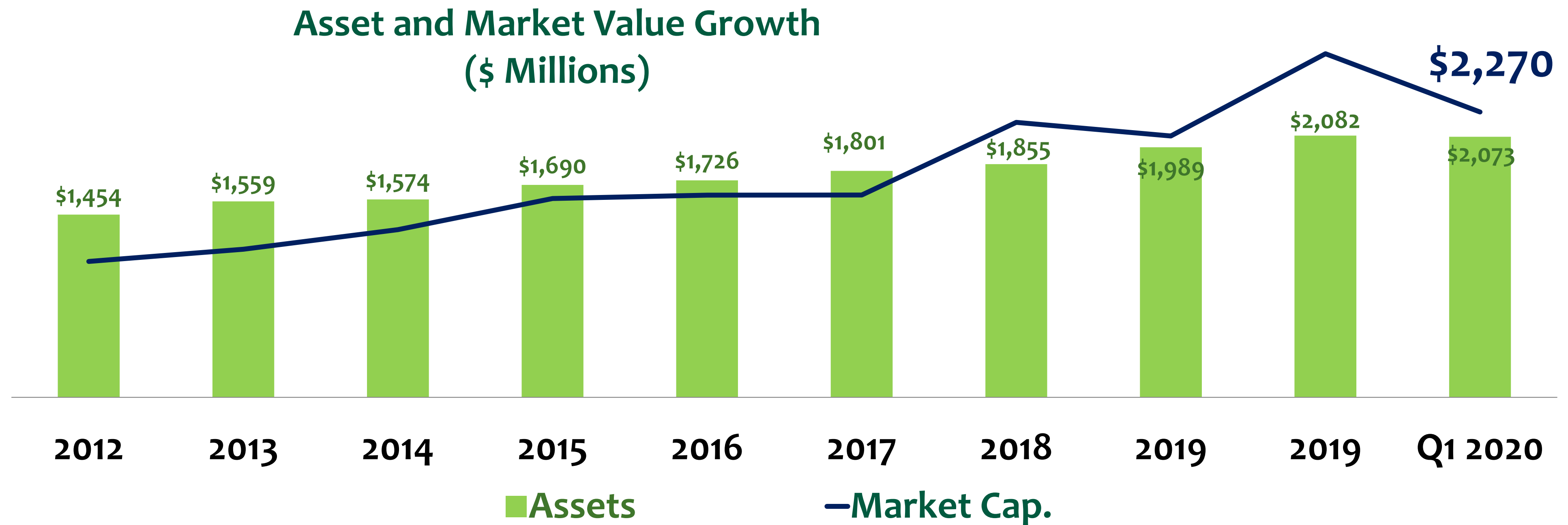
(1.) Based on \$1,000 investment in 2014

(2.) The EEI Index measures total shareholder return for the 40 publicly traded U.S. investor-owned electric utilities. The EEI Index is market cap-weighted and calculated on the final day of each quarter, covering both the year-to-date and trailing 12-month periods. The EEI Index is widely used in company proxy statements and industry benchmarking.

TOTAL STOCK RETURN



LIQUIDITY



STABLE ASSET GROWTH

MGE's Strong Credit Ratings⁽¹⁾

S&P (UTILITY RATINGS)

Corporate credit	AA-
Business risk	Excellent
Commercial paper	A-1+
Outlook	Stable

- Effective management of regulatory risk
- Supportive regulatory environment
- Strong credit metrics (FFO / Debt)
- Focus on regulated vertically integrated electric and natural gas distribution operations
- Conservative financial policies that ensure strong credit quality

Source: S&P, March 2020

MOODY'S (UTILITY RATINGS)

Secured	Aa2
Unsecured	A1
Commercial paper	P-1
Outlook	Stable

- 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 2019

Earnings per Share Segments

Three Months Ended March 31st



COVID-19 Update

On March 24, 2020, Wisconsin's governor Tony Evers issued the "Safer at Home" order. On April 20, 2020, Evers released the "Badger Bounce Back" plan to reopen the Wisconsin economy in phases.

MGE Operations	<ul style="list-style-type: none">• Following guidance of state and federal agencies• Continuing to serve new and existing customers by completing work necessary for critical and essential business operations• Activated All Hazards Response Plan to coordinate our response and to protect our employees from the virus• No disruptions in utility operations to date
Regulatory Update	<ul style="list-style-type: none">• On March 24, 2020, the PSCW issued an order under which utilities, including MGE, may not disconnect or refuse service to any customer, must offer deferred payment agreements, may not charge for late payments and may not require a cash deposit or other guarantee as a condition of any new service• PSCW authorized deferral of expenditures incurred• Recovery of these costs and late payment charges⁽¹⁾ are expected to be addressed in future rate proceedings• Amounts and timing of collections cannot be estimated and Management will continue to assess the probability of recovery of deferred costs as the pandemic progresses
Liquidity and Capital Projects	<ul style="list-style-type: none">• Remain focused on maintaining strong credit quality• Liquidity on hand of \$17.5M in cash and cash equivalents and \$147M in available borrowing capacity under revolving credit facilities• Do not currently expect COVID-19 to significantly delay or disrupt the Two Creeks solar project• Badger Hollow I solar project was expected to be completed in 2020 and is now expected to be completed in April 2021⁽²⁾
Impact to Demand	<ul style="list-style-type: none">• COVID-19 began to impact customer demand in late March and resulted in lower retail sales; second quarter results are expected to reflect the negative effects of COVID-19 more fully• Adverse effects of the pandemic may be partially mitigated for MGE due to:<ul style="list-style-type: none">– Large representation of commercial customers in essential sectors (e.g., government and healthcare)– Industrial customers comprising small proportion of customer base– Belief that residential sales may increase in the second quarter due to Wisconsin's Safer at Home order• As the duration of general economic disruption increases, so does the potential of a material adverse impact on our business

(1.) Foregone revenue from late payment charges are subject to regulatory approval

(2.) Construction of Badger Hollow II is expected to begin after the construction of Badger Hollow I is completed. We are currently assessing the impact of the Badger Hollow I delay on the construction timeline for Badger Hollow II



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