



FINANCIAL REPORT

2020 THIRD QUARTER

Disclaimer

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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, September 30, 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 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 4.6%

- Paid dividends for more than 110 years
 - Increased dividends for 45 consecutive years
- Annual dividend growth rate of approximately 5% over 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

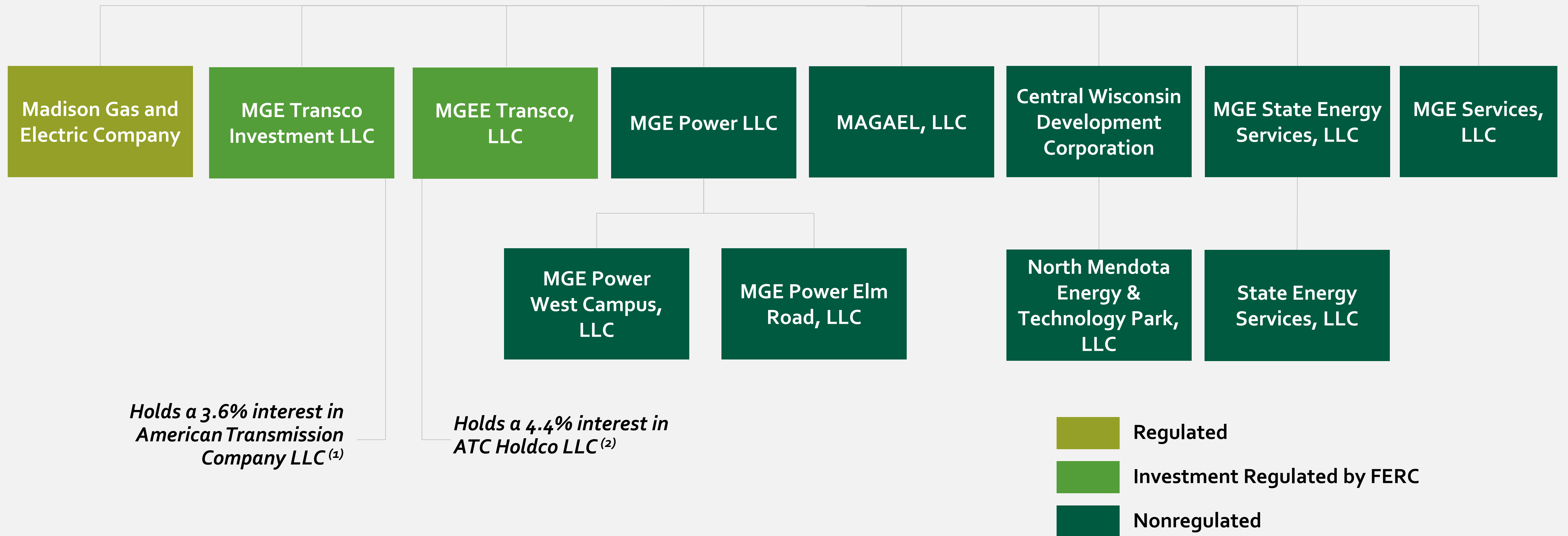
- Plan for decarbonizing generation by transitioning to clean energy, such as wind and solar
 - Announced projects designed to grow renewables capacity by approximately 650% from 2015 ⁽³⁾
- Helping customers use energy efficiently
- Electrifying transportation

(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

COVID-19 Impacts

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 ▶ No material 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 ▶ This order, as it pertained to the prohibitions on service disconnections for residential customers, was in effect until November 1, 2020, at which time the annual winter disconnection moratorium began and continues until April 15, 2021. ▶ Recovery of these costs and late payment charges are expected to be addressed in future rate proceedings ▶ MGE notified the PSCW of its election to continue to waive late fees. The end date for this waiver is December 31, 2020.
Liquidity and Capital Projects	<ul style="list-style-type: none"> ▶ Remain focused on maintaining strong credit quality ▶ Liquidity on hand as of 9/30/20 was \$53M in cash and cash equivalents and \$150M in available borrowing capacity under revolving credit facilities ▶ Two Creeks Solar project in commercial operation as of November 2, 2020 ▶ Badger Hollow I solar project was expected to be completed in 2020 and is now expected to be completed in April 2021 ▶ Badger Hollow II solar project was expected to be completed in 2021 and is now expected to be completed in December 2022 ▶ O'Brien Solar Project was expected to be completed by January 1, 2021, and is now expected to be completed in mid-2021
Impact to Demand	<ul style="list-style-type: none"> ▶ COVID-19 began to impact customer demand in late March and resulted in a 2.5% decrease in electric retail sales for Q3 2020: <ul style="list-style-type: none"> ◦ Commercial sales decreased by approximately 8% ◦ Residential sales increased approximately 9% ▶ 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 will continue to be higher than normal due to Dane County's Forward Dane order ▶ As the duration of general economic disruption increases, so does the potential of a material adverse impact on our business

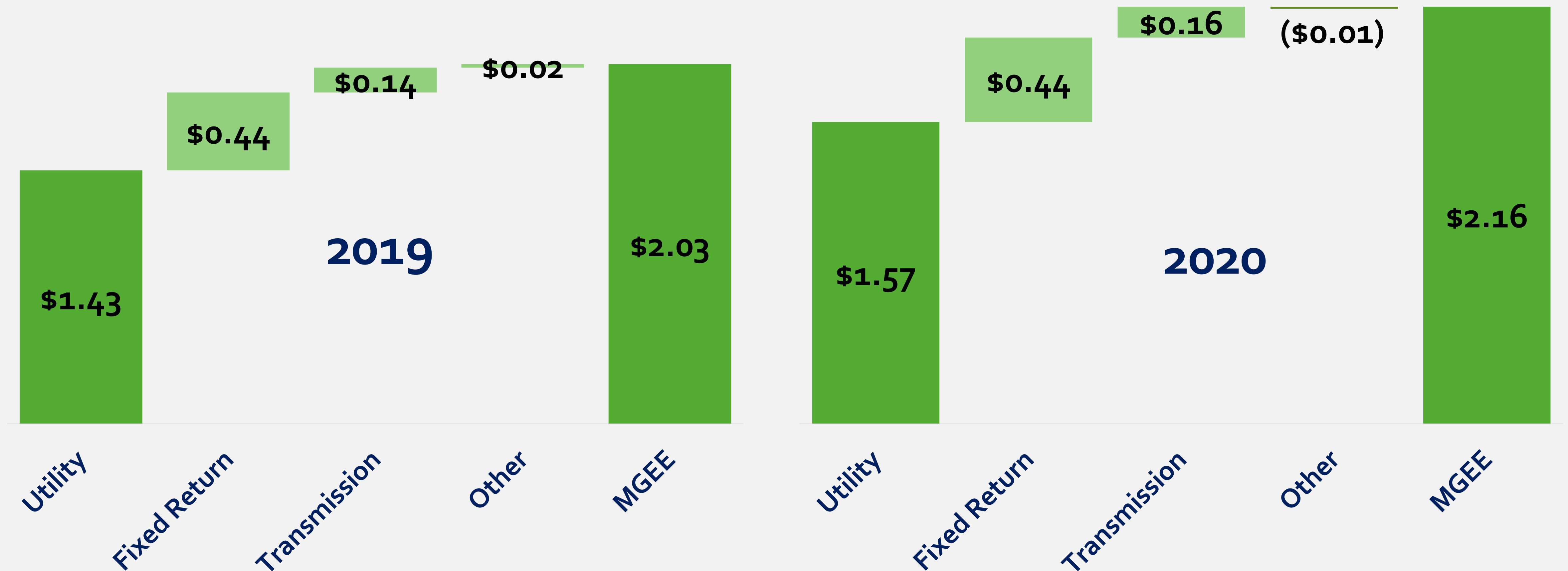
Earnings per Share Segments

Three Months Ended September 30th



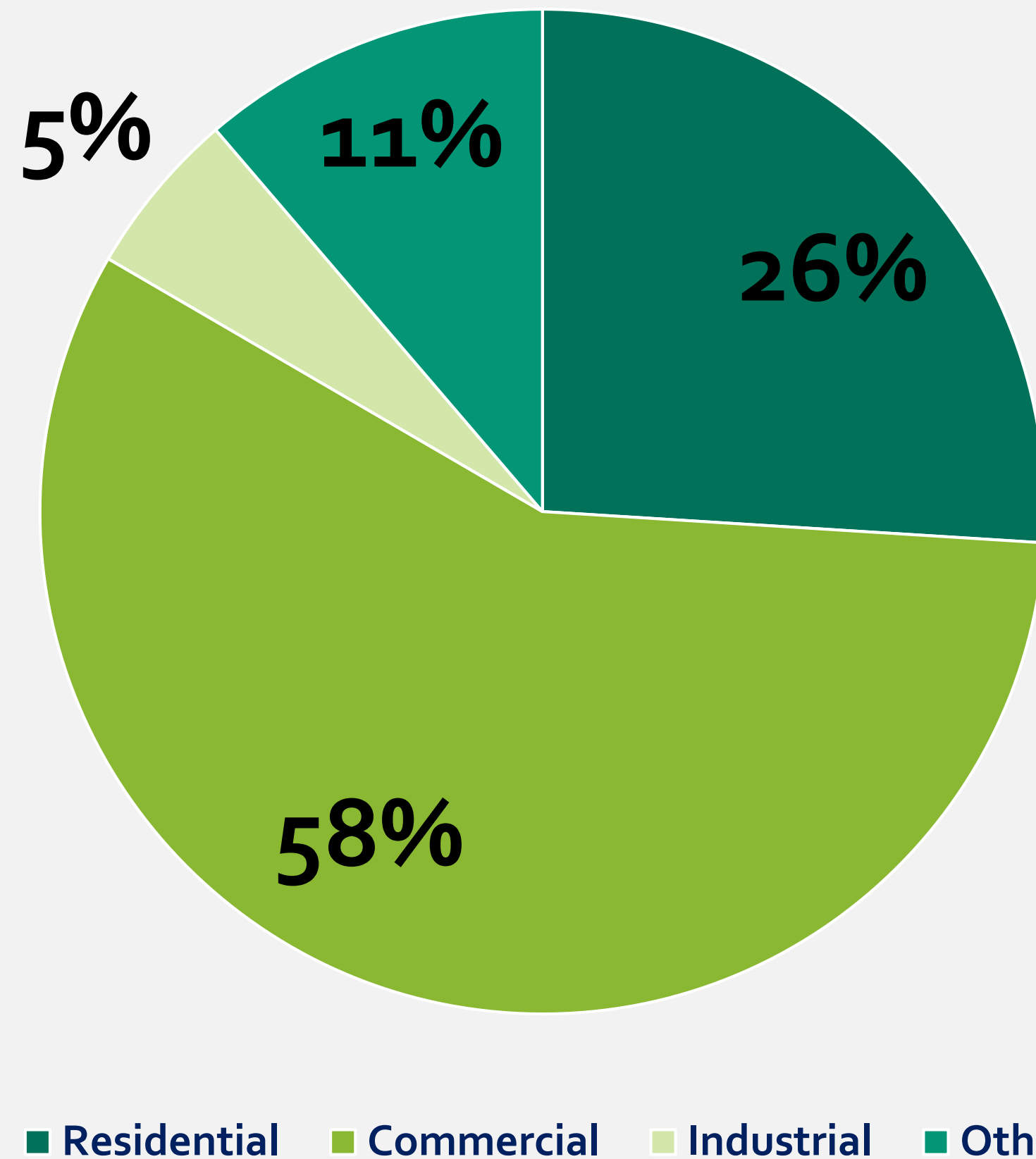
Earnings per Share Segments

YTD Ended September 30th

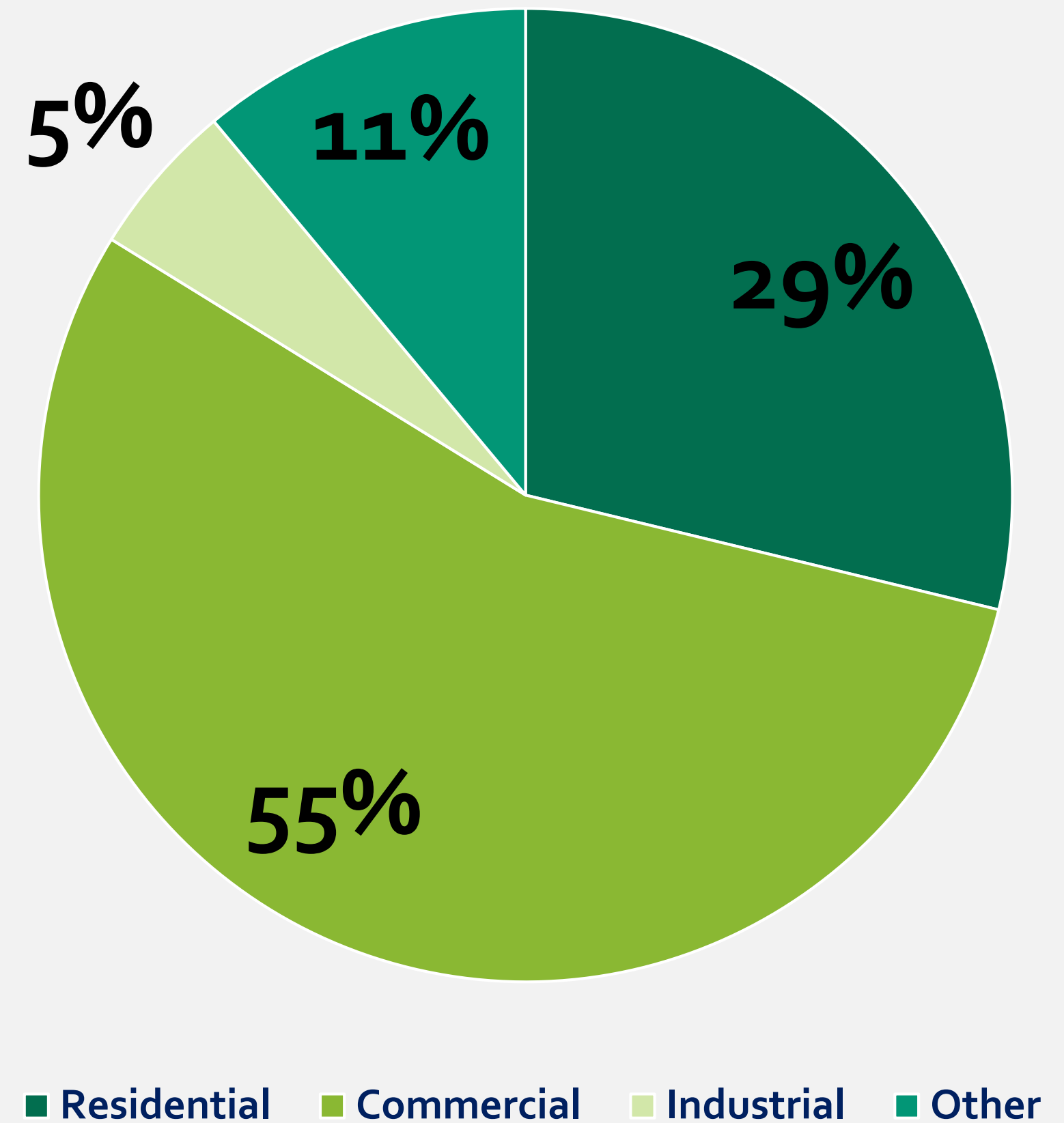


Electric Retail Sales Mix – YTD Comparison

2019 YTD

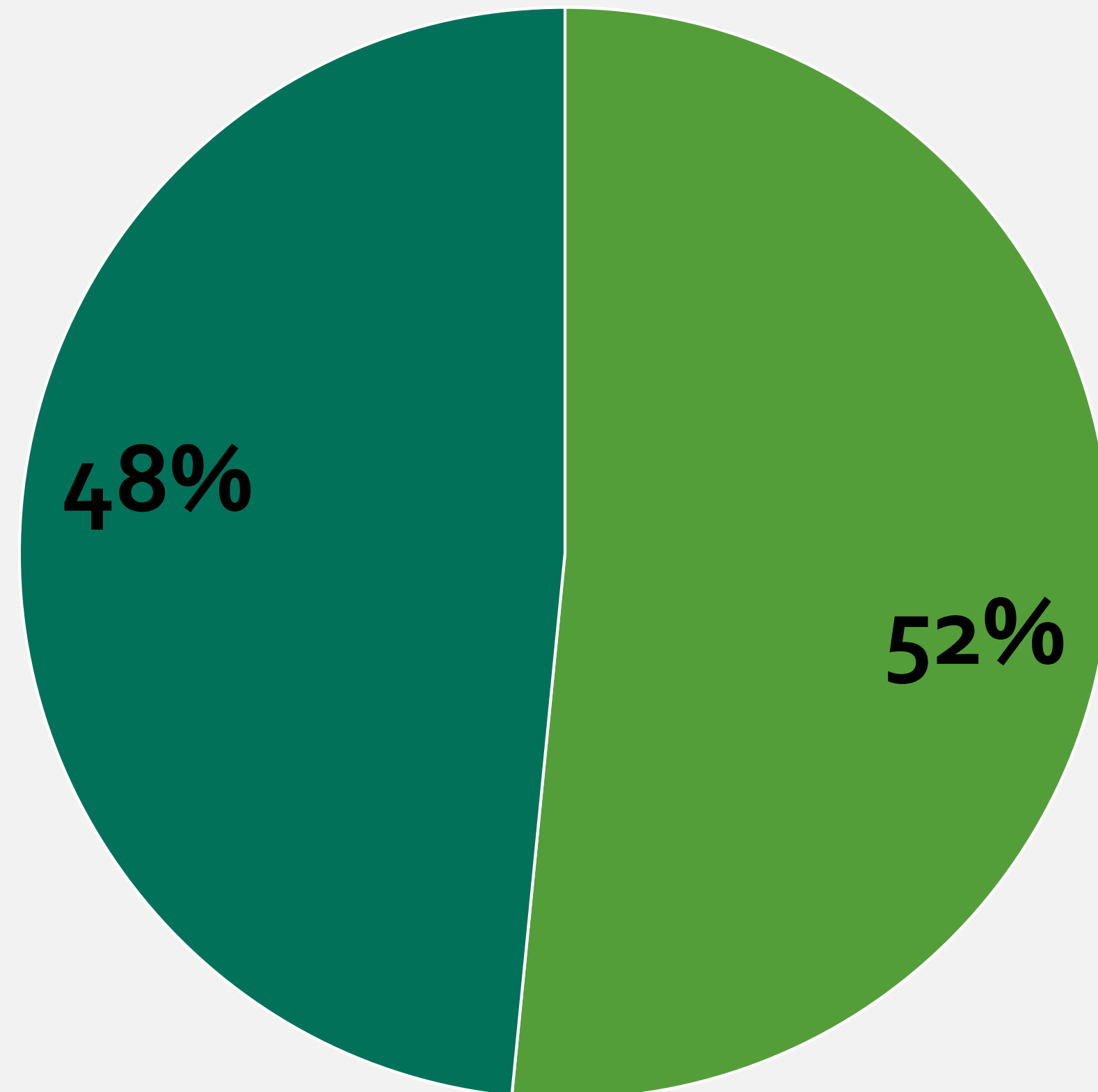


2020 YTD



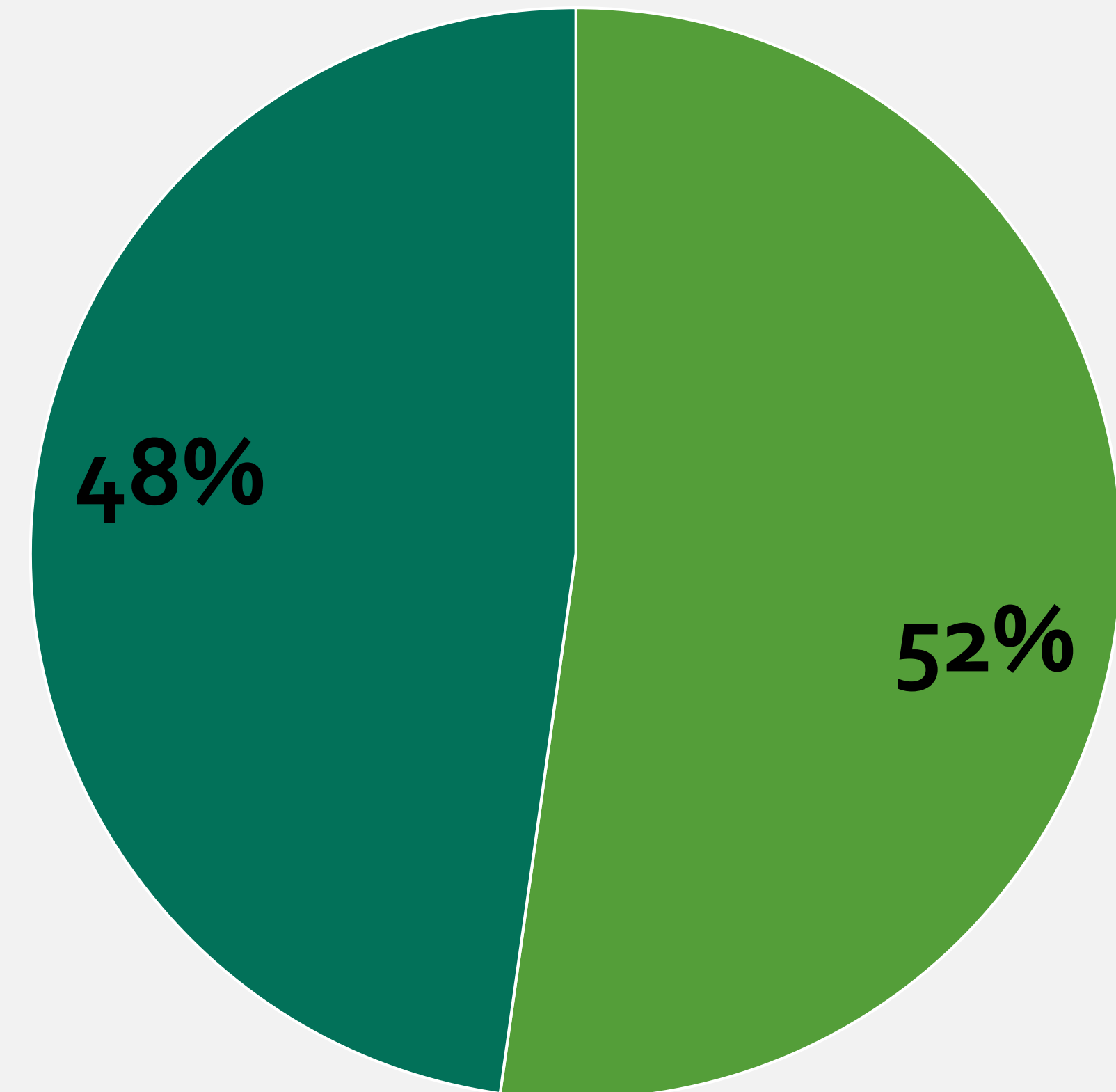
Gas Retail Sales Mix – YTD Comparison

2019 YTD



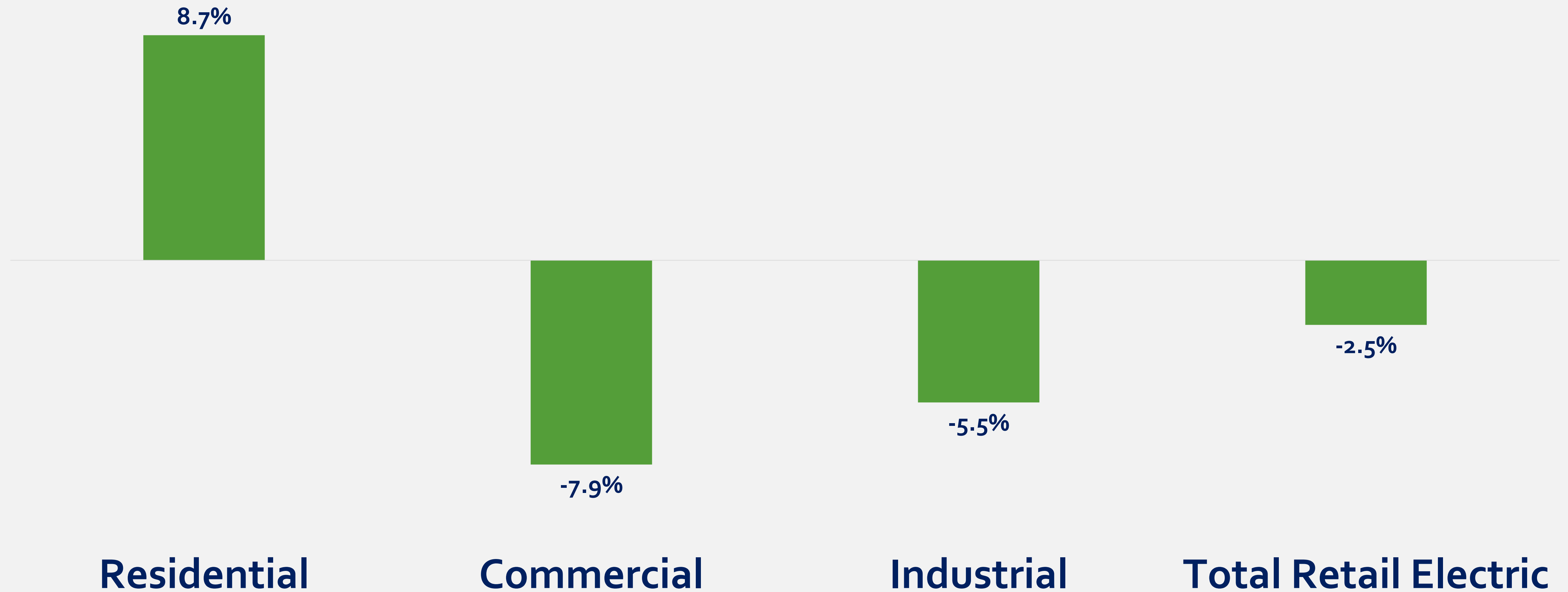
■ Residential ■ Commercial / Industrial

2020 YTD



■ Residential ■ Commercial / Industrial

MGE – Electric Retail Sales Q3 2020



	2020	2019	%
Cooling Degree Days (Normal 493)	519	535	(3.0)%

MGE – Electric and Gas Sales YTD 2020



	2020	2019	%
Heating Degree Days (Normal 4,530)	4,315	4,777	(9.7)%
Cooling Degree Days (Normal 674)	732	653	12.1%

Constructive Regulatory Environment

- *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 and 100% CWIP or AFUDC on major construction projects
- *2021 Proposed Rate Settlement*
 - Pending approval by the PSCW
 - Proposal would include a zero percent increase for electric rates and a 4% increase in gas rates
 - Fuel rules bandwidth will be set at plus or minus 1%
 - Proposal for escrow of pension costs, bad debt expense and customer credit card fees
 - Expect to maintain 2020 authorized ROE and financial capital structure
- *Regulatory approvals of utility-scale renewable investments and other innovative solar programs*
 - Saratoga Wind and Forward Wind
 - Badger Hollow I Solar, Two Creeks Solar, Badger Hollow II Solar (construction in progress)
 - Approval of Renewable Energy Rider Project O'Brien Solar

Both Moody's and Standard & Poor's 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.

Focused ESG Strategy

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
 - Goal aligns with IPCC Special Report regarding 1.5°C scenario
 - Company is working with the UW-Madison to ensure Company's goal is consistent with IPCC assessment and latest climate science, with the report expected soon

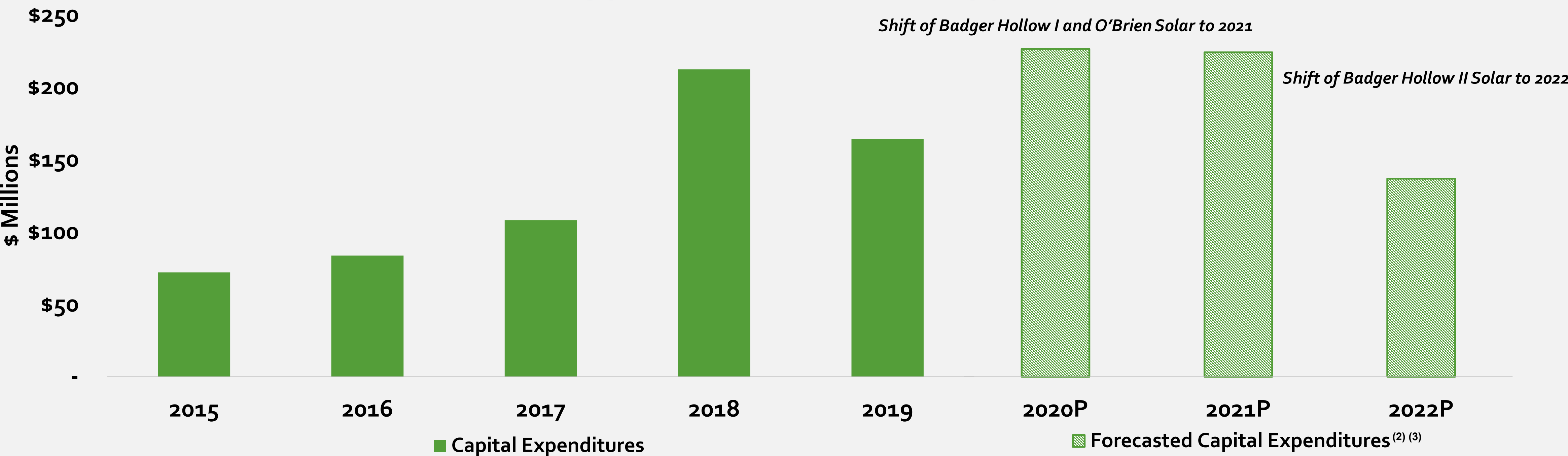


Other Environmental Initiatives

- Recognized as a Green Master for **fifth** 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 Wisconsin Department of Natural Resources
- Regulated air emissions decreased between 60 and 97 percent since 2005
- Since introducing its Energy 2030 framework in November 2015, MGE has announced more than **250 MW** in clean energy projects, which will increase the company's owned renewable energy capacity by about **650%** by the end of 2022.

Significant Growth in Capital Expenditures

Focused on Clean Energy and Technology



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

Facility	MW	In-Service Date	Actual Capex (\$M) <i>(as of year-end 2019)</i>
Saratoga Wind	66	Feb. 2019	\$103.8
Forward Wind	18	Apr. 2018	\$23.0

Facility	MW	In-Service Date ⁽²⁾	Forecasted Capex ^{(2) (3)} (\$M)	PSCW Approval Status
Badger Hollow I Solar	50	Apr. 2021 (est.)	\$65.0	Approved
Two Creeks Solar	50	Nov. 2020	\$65.0	Approved
Badger Hollow II Solar	50	Dec. 2022 (est.)	\$65.0	Approved
O'Brien Solar ⁽⁴⁾	20	Mid-2021 (est.)	\$32.0	Approved
Additional Local Solar	<i>Note 1</i>	Various	\$32.0	<i>Note 1</i>

(1.) Additional local solar projects include Renewable Energy Rider and Shared Solar projects.
 (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 as of December 31, 2019, does not include AFUDC.
 (4.) In October 2020, MGE received approval from the PSCW to construct a solar array as part of the Renewable Energy Rider program. O'Brien solar project was expected to be completed by January 1, 2021 and is now expected to be completed in mid-2021.

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
 - 20 MW – O'Brien Solar Fields, Fitchburg
 - 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

Workplace Charging

- MGE works with local employers to facilitate onsite charging stations

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
- Partnership advances shared goals to reduce emissions



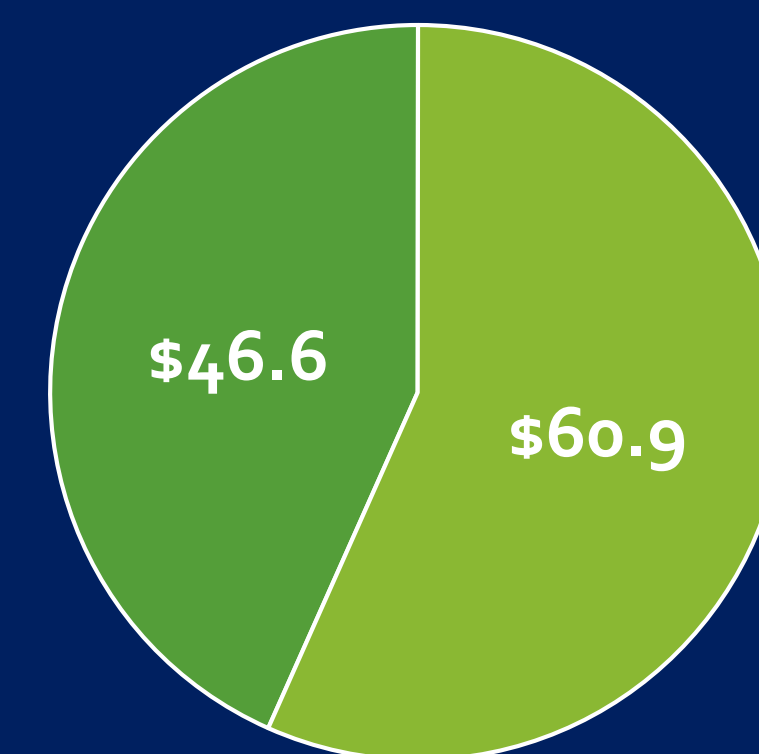
Technology Investments

- 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.

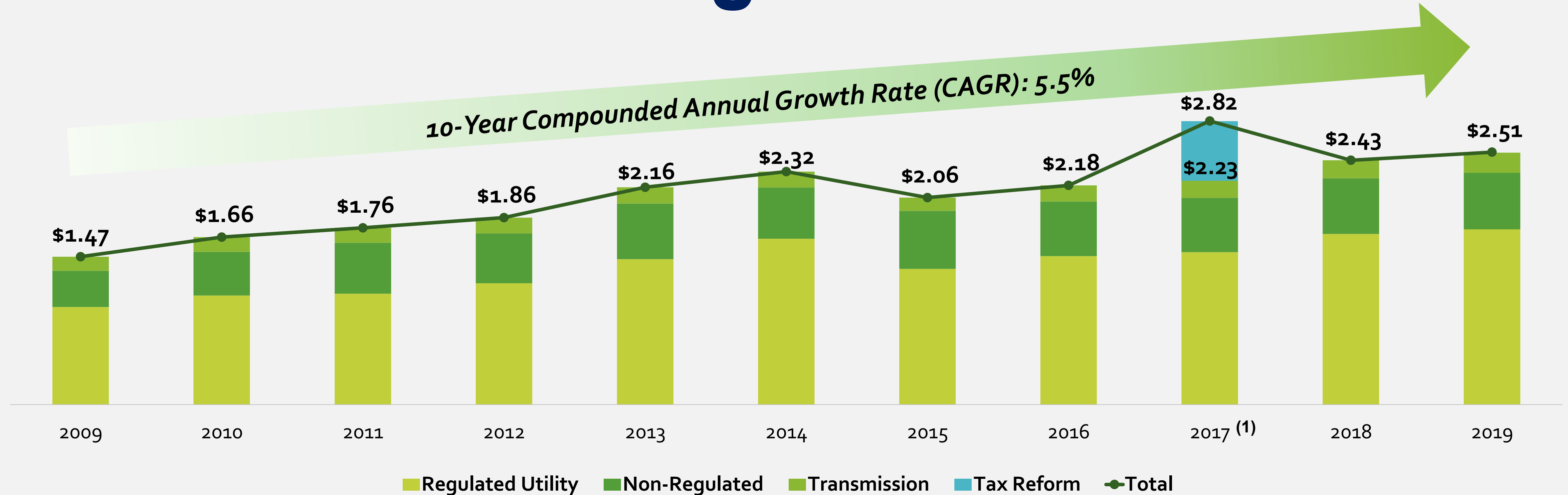


CAPITAL SPENDING (\$M)¹
(as of December 31, 2019)



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

Consistent Earnings Per Share Growth



- **Regulated Utility** – segment related to PSCW-regulated electric and gas utilities (Madison Gas and Electric Company)
- **Non-Regulated** – segment related to **leased generation assets supported by Wisconsin state regulatory** guidelines, providing a fixed return on equity investments for leased electric generating capacity (MGE Power Elm Road and MGE Power West Campus)
- **Transmission** – segment related to transmission investments in **American Transmission Company (ATC)**, providing equity returns and regulated by FERC for all rate terms and conditions of service (MGE Transco).

Commitment to Dividends & Shareholder Value

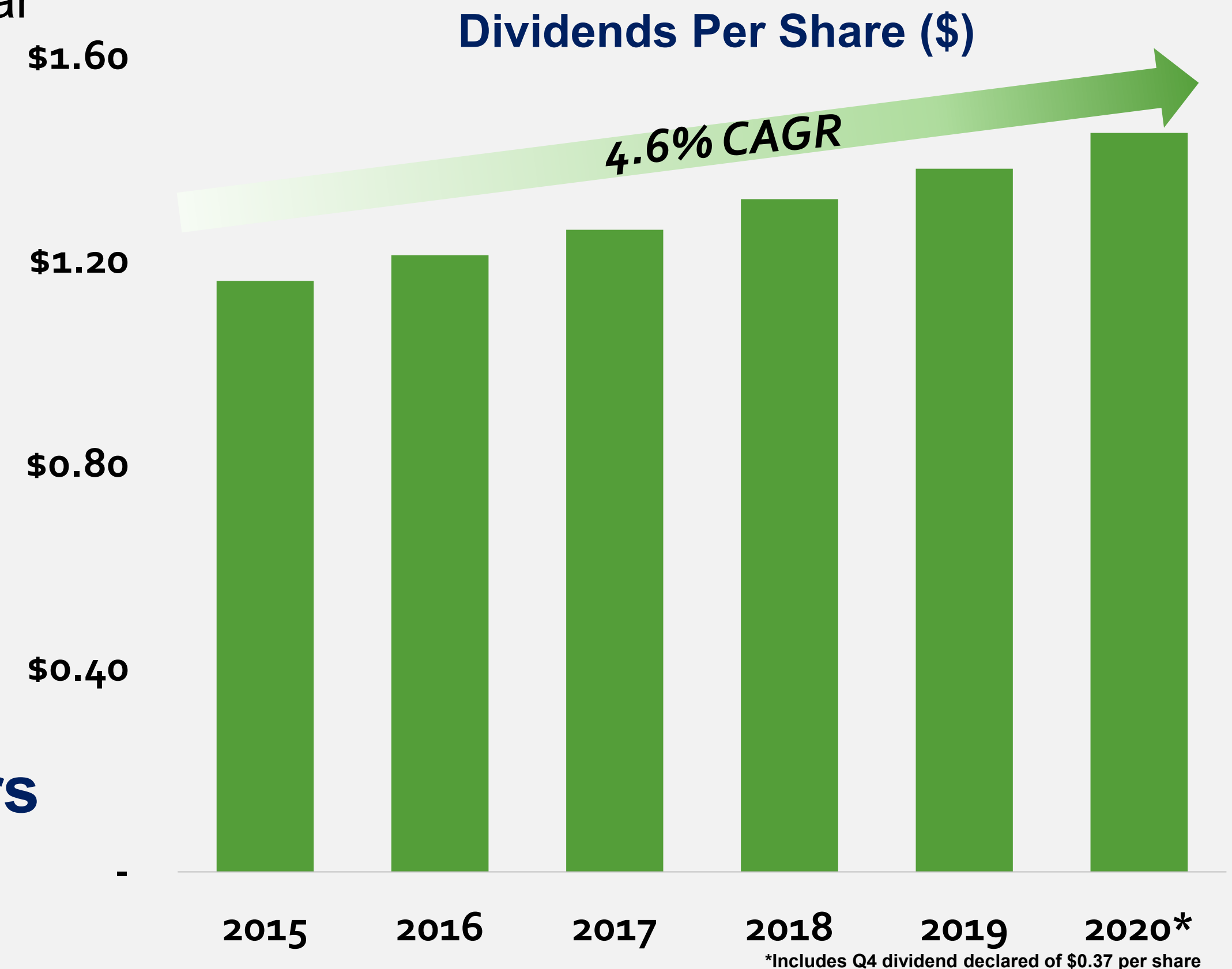
Recent Dividend increase was approximately 5%

- Increased dividend in July 2020 for the 45th consecutive year
- Paid dividends for over 110 years
- Dividend payout ratio in the 50-60% range in recent years

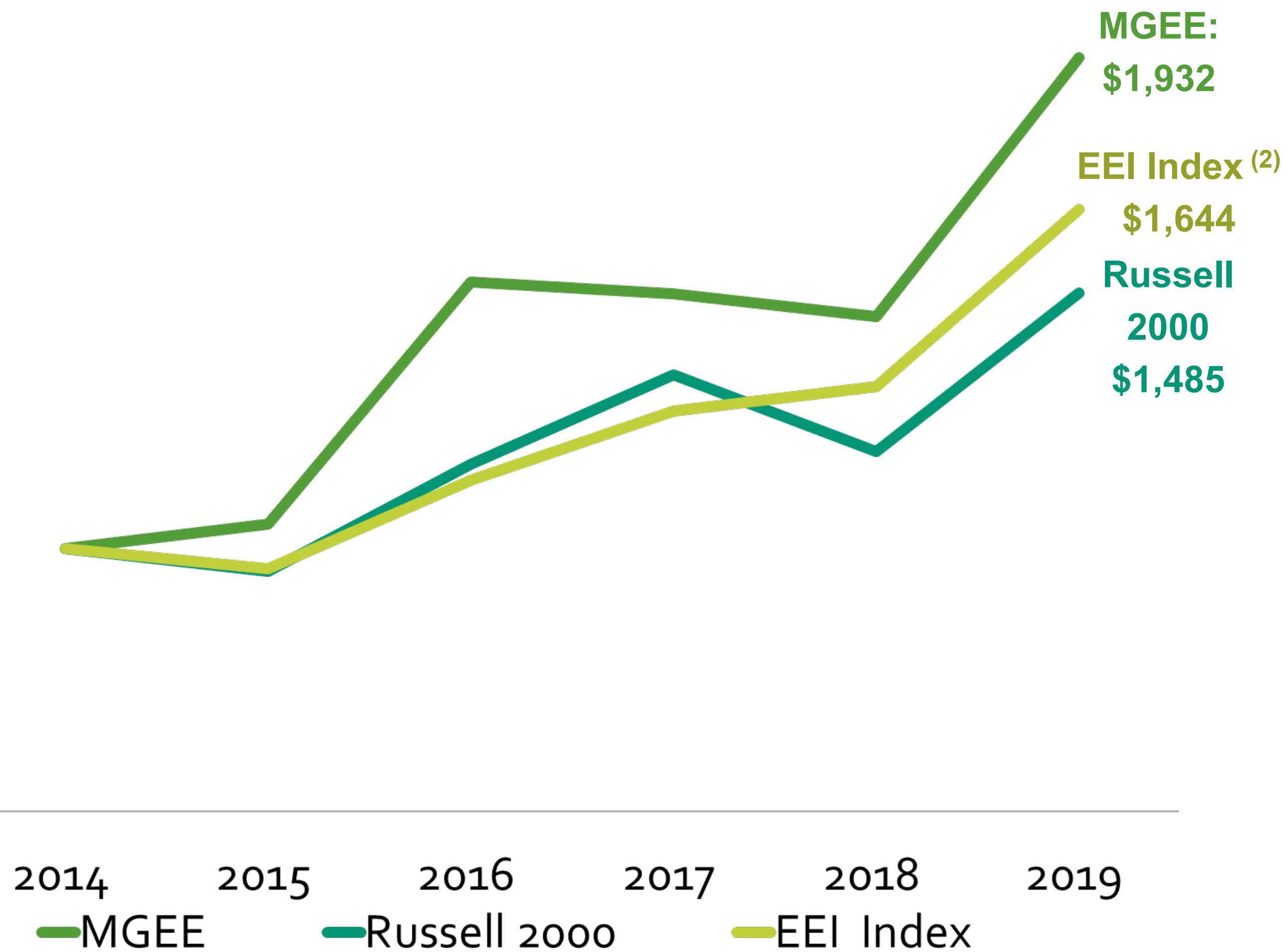
Dividend Considerations

- Capital investment growth opportunities
- Balance sheet and credit ratings
- Projected cash generation and requirements

Dividend decisions made by Board of Directors



Total Shareholder Return ⁽¹⁾

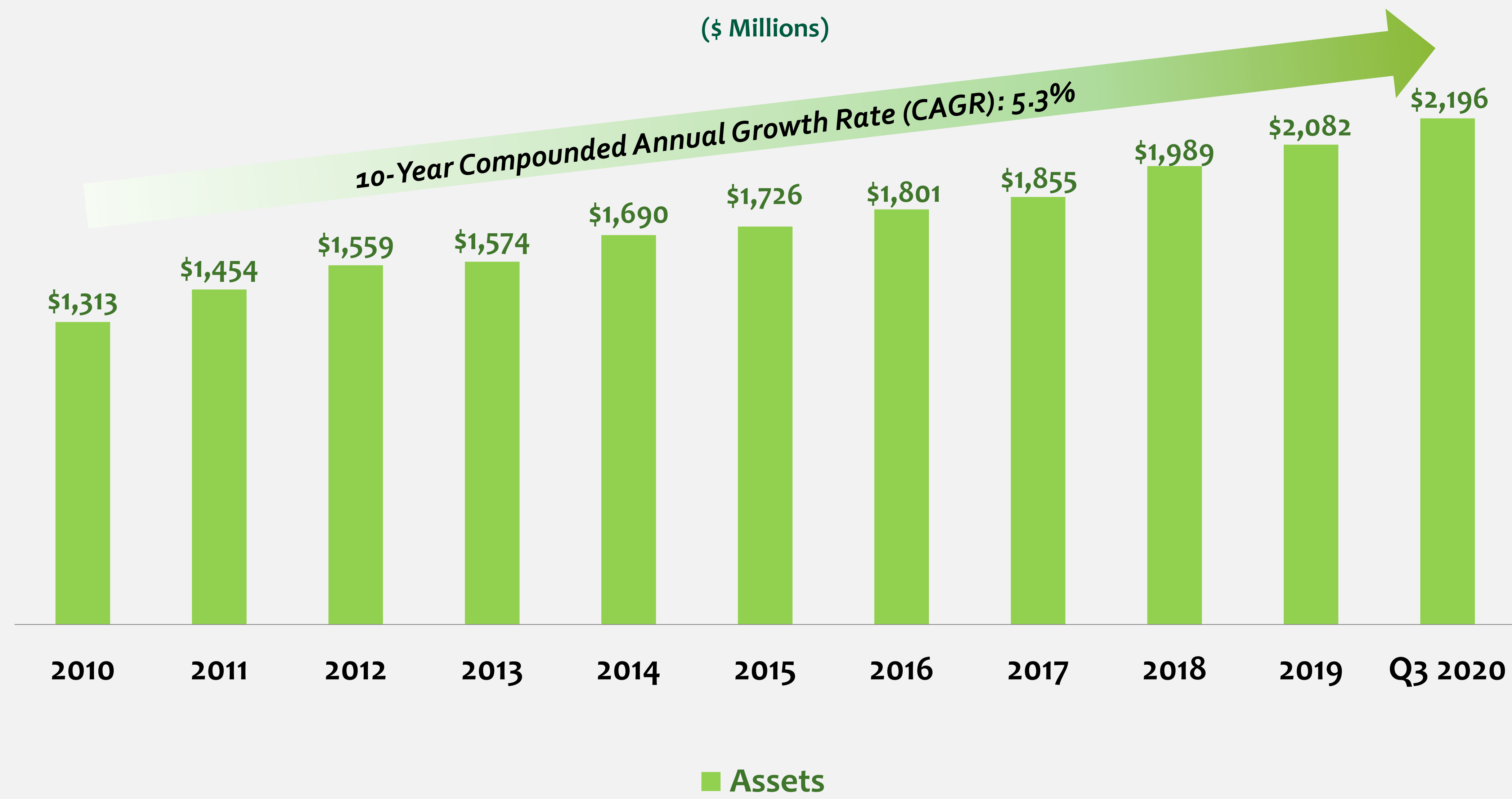


(1.) Based on \$1,000 investment in 2014

(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

Stable Asset Growth





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