



FINANCIAL REPORT

2020 FOURTH QUARTER



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, 2020 (the “2020 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 2020 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 and receipt 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 2020 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

Attractive and Growing Dividend

- Paid dividends for more than 110 years
 - Increased dividends for 45 consecutive years
- Annual dividend growth rate of 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
- 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 7.3%

- Total forecasted regulated capex of approx. \$590 M from 2021 through 2023⁽³⁾
- Premium service territory with constructive regulation
- Forward-looking test years
- Renewable Energy Rider
 - Ability to work cooperatively with businesses to tailor a renewable energy solution

Substantial Sustainability Investment

Seeking Net-Zero Carbon by 2050⁽³⁾

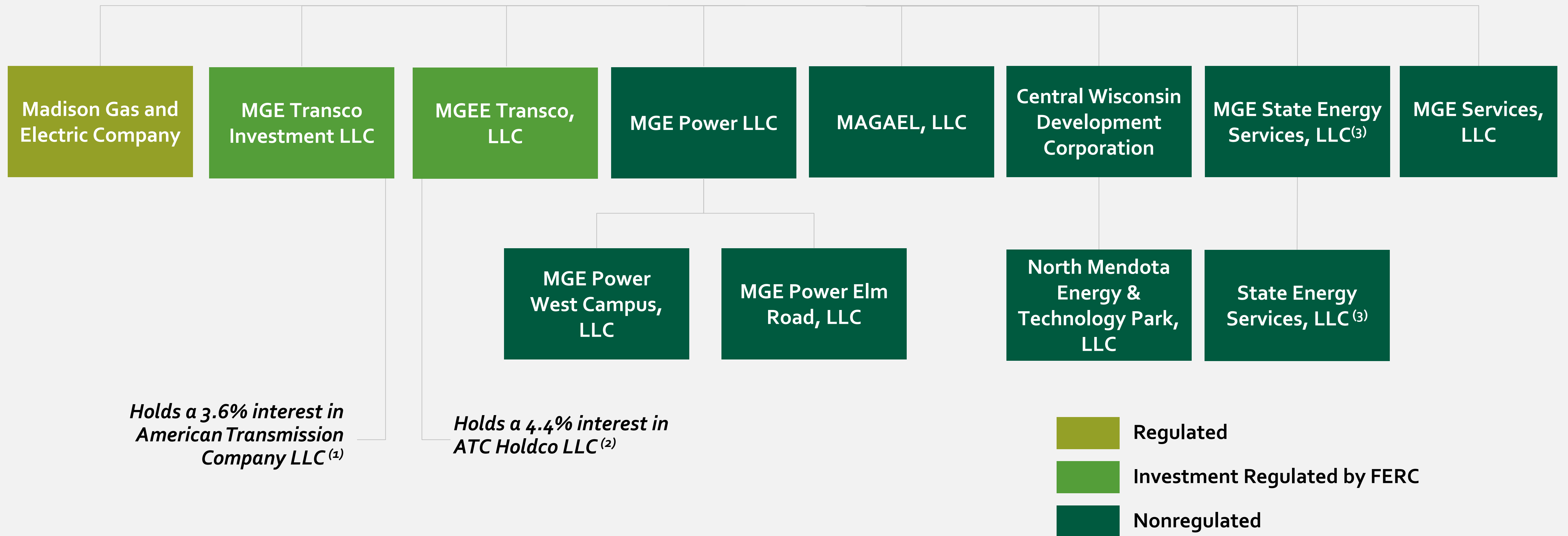
- Plan for decarbonizing generation by transitioning to clean energy, such as wind and solar
 - Announced projects designed to grow renewables capacity by approx. 675% from 2015 ⁽³⁾
- Helping customers use energy efficiently
- Electrifying transportation

(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

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Corporate Structure

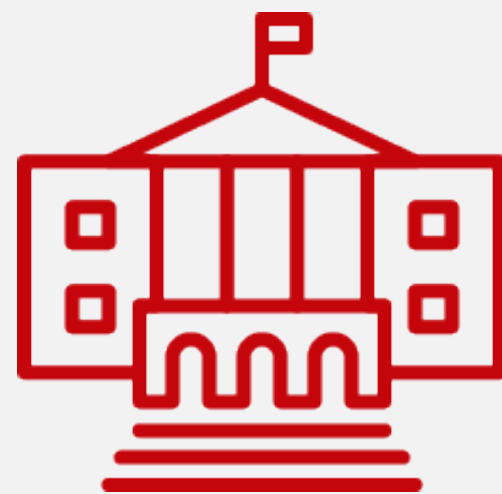


(1.) Owns and operates electric transmission lines in Wisconsin
(2.) Transmission development company. Separate from American Transmission Company, LLC
(3.) Presently inactive

Attractive Service Territory

Major customers include:

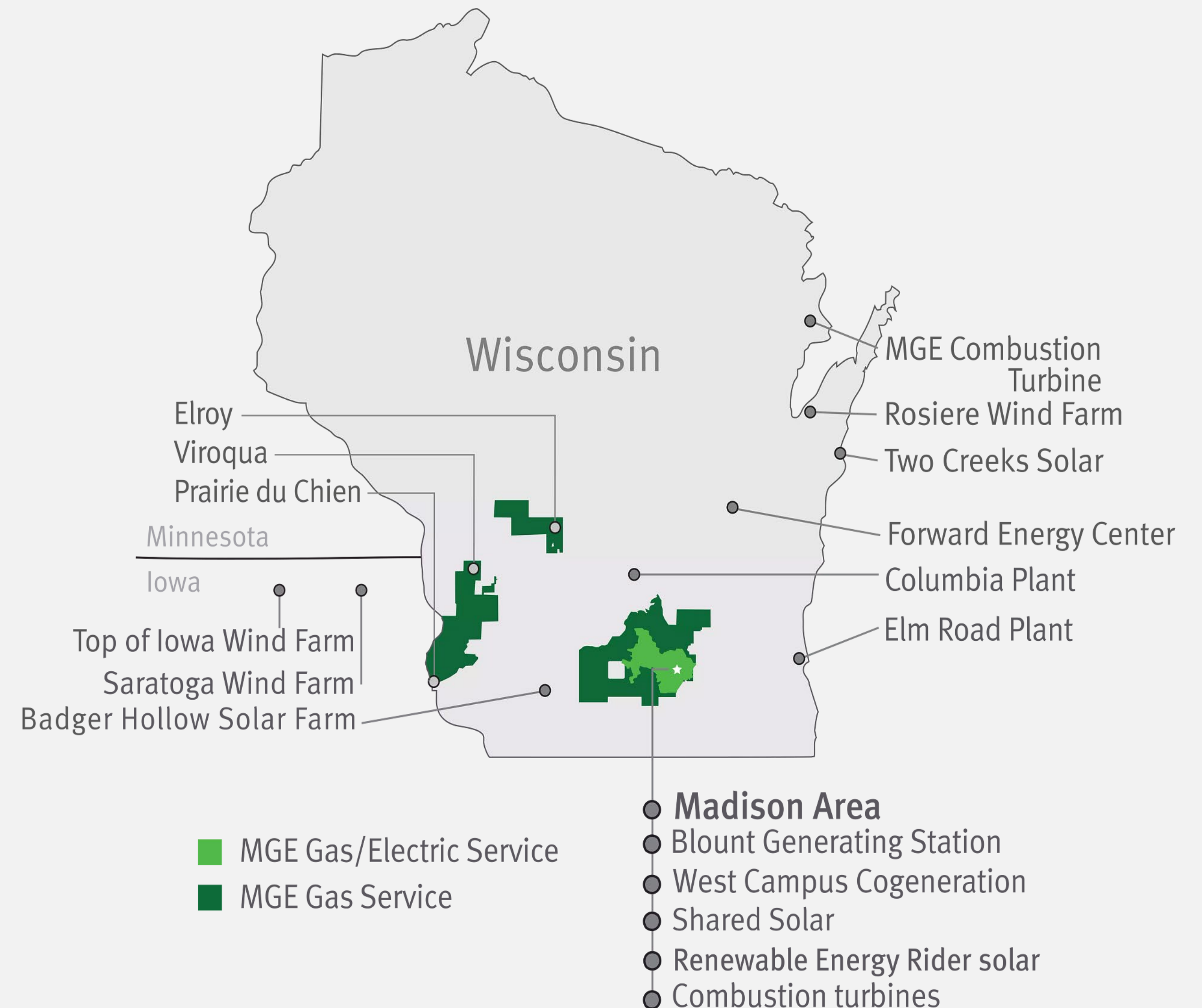
- University of Wisconsin–Madison



- Hospitals and medical facilities

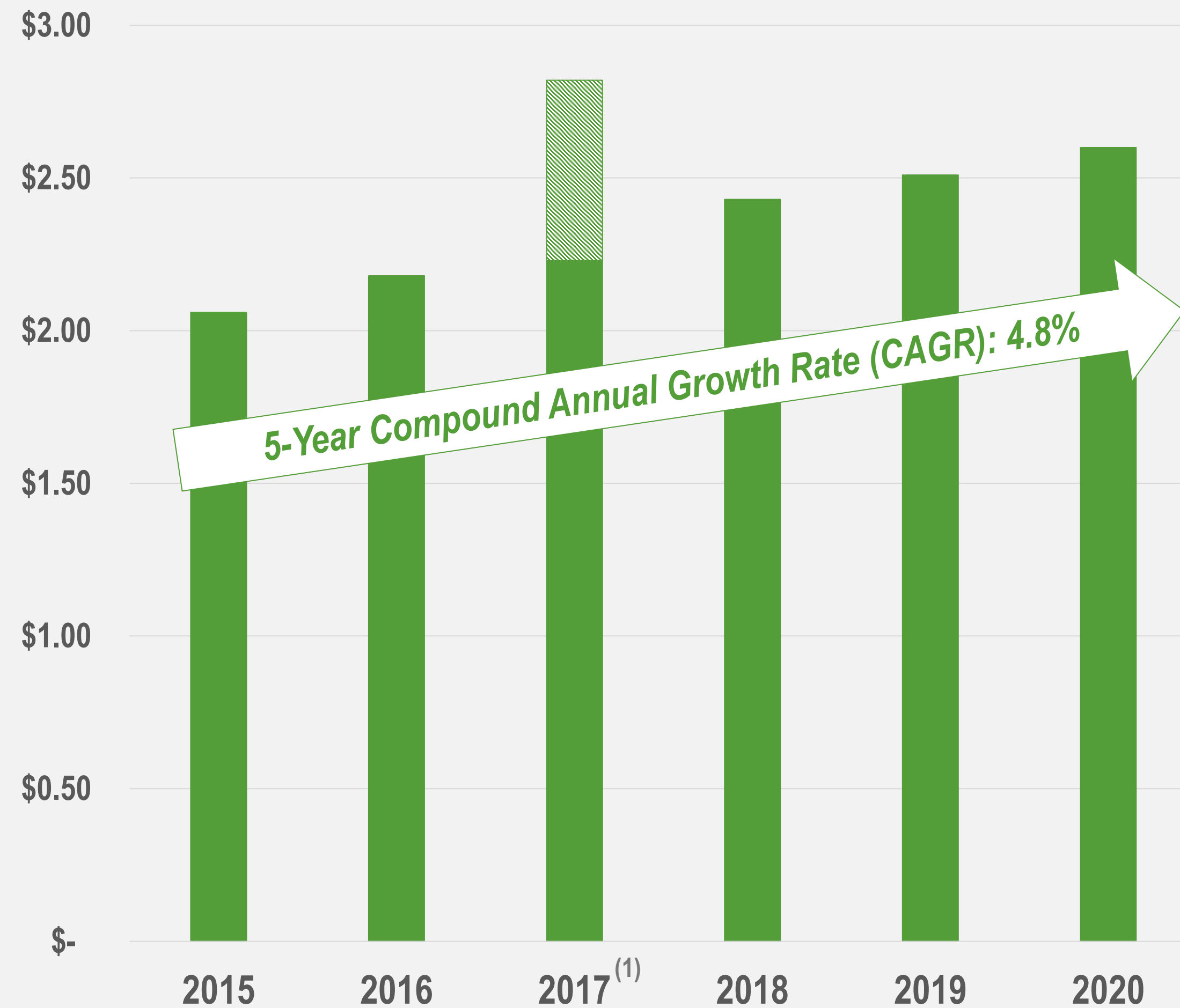


- State of Wisconsin Government

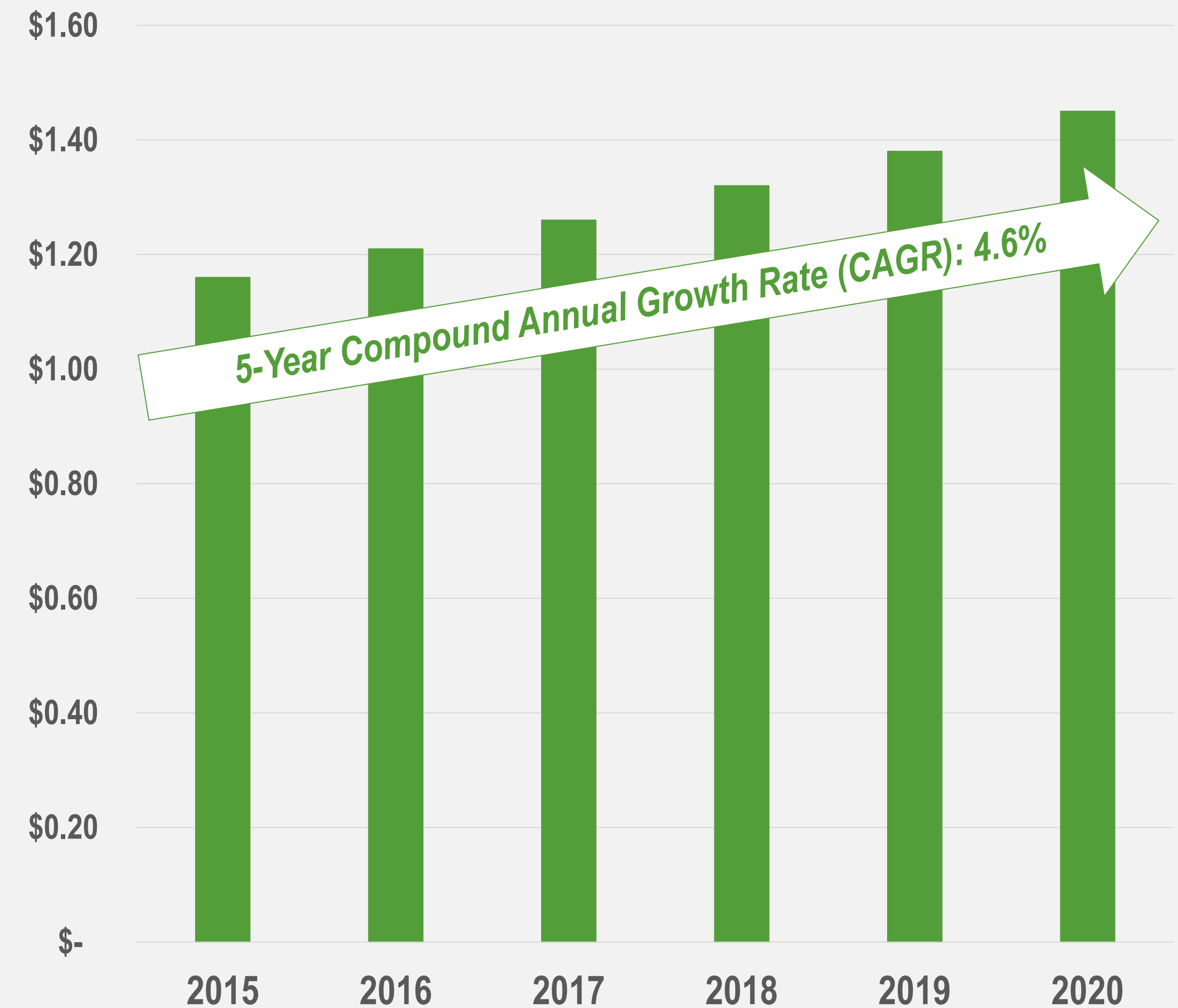


Earnings and Dividends Per Share Growth

Earnings Per Share



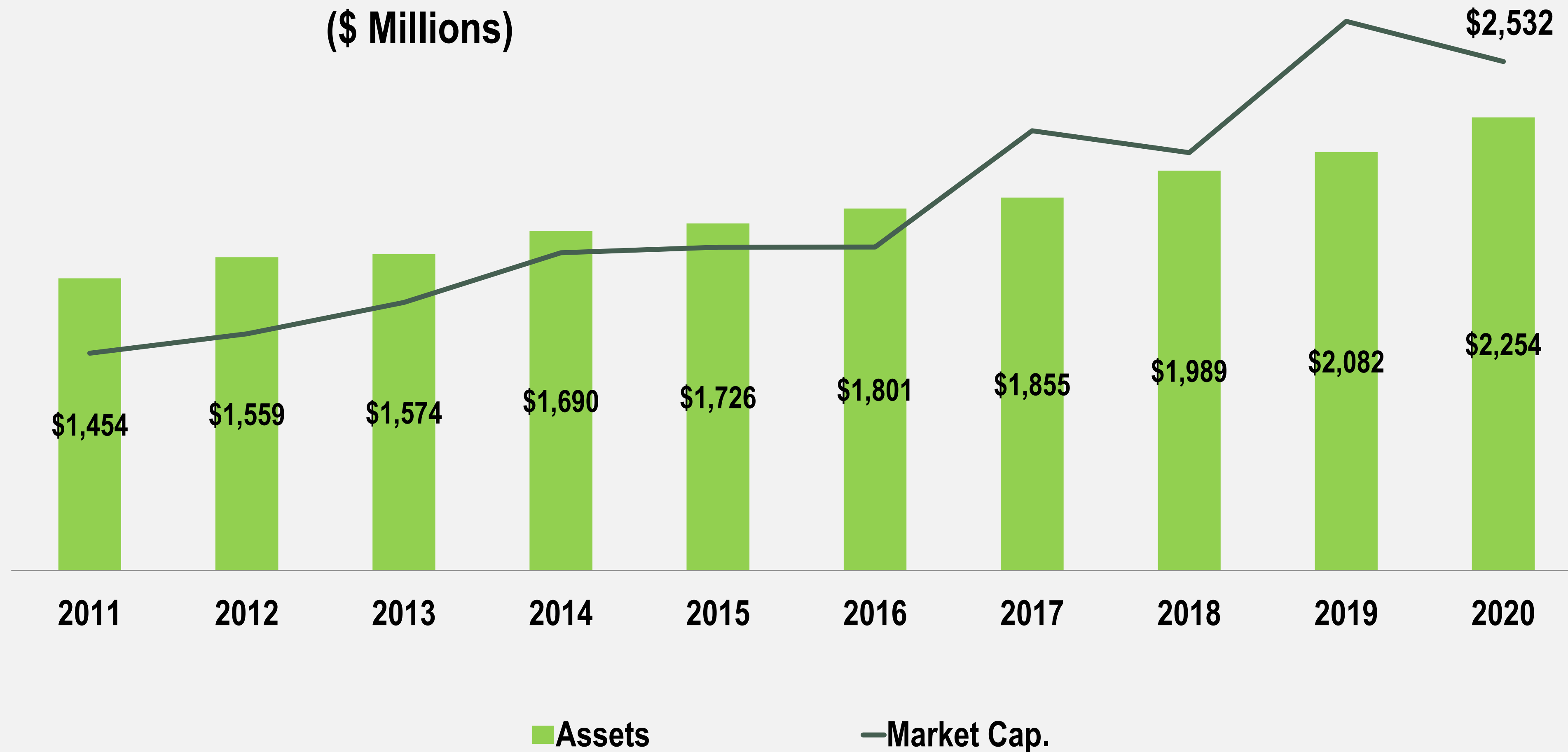
Dividends Paid Per Share



(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. Refer to 2020 Form 10-K for further details

Stable Asset Growth

Asset and Market Value Growth
(\$ Millions)



Focused ESG Strategy

Foundational objectives under Energy 2030 Framework



- 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 that new and changing technology serves all customers equitably;
- Deepen our engagement with the community.
- Goals:
 - ✓ Reduction in CO2 emissions – 40% from 2005 levels by 2030, **projected to be greater than 65% by 2030**
 - ✓ 25% renewable energy by 2025 and 30% by 2030

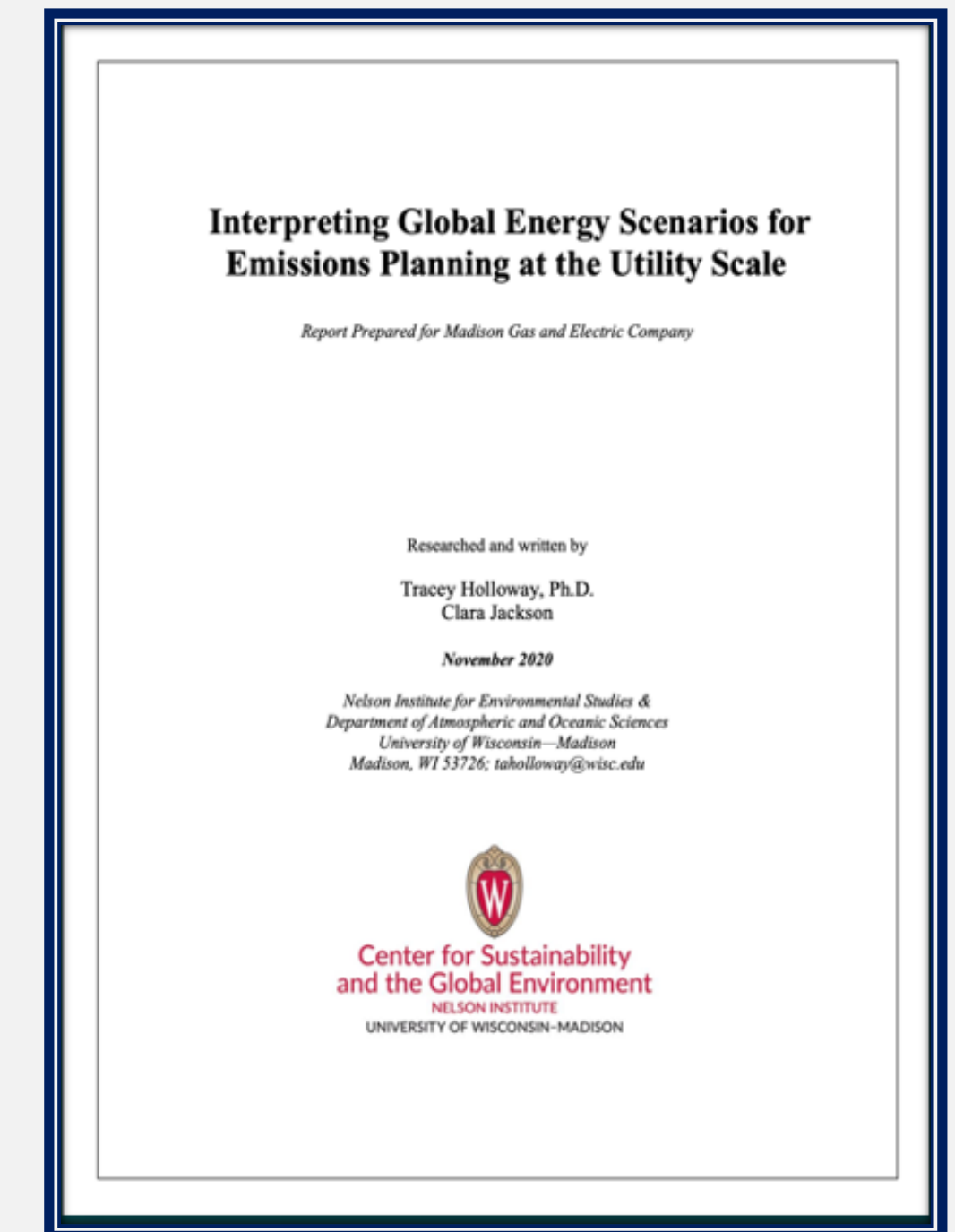
Net-Zero Carbon Electricity by 2050



- Strategy for deep decarbonization
 - ✓ Grow our use of renewable energy;
 - ✓ Further engage customers in energy efficiency, and;
 - ✓ Electrify transportation and other end uses.

UW Analysis of MGE's Net Zero Carbon Goal

- Worked with Dr. Tracey Holloway with the *University of Wisconsin's Nelson Institute for Environmental Studies, Center for Sustainability and the Global Environment*, to evaluate MGE's goals of net-zero carbon electricity by 2050.
- The study compared the modeled pathways for the electricity sector in industrialized nations to limit global warming to 1.5 degrees Celsius.
- The report determined that MGE's goal is in line with or more aggressive than these model benchmarks for climate solutions.
- Our clean energy investments are a major step toward deep decarbonization in pursuit of our net-zero carbon goal.



Retirement of Legacy Fossil Fuel Plants

- 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) or nearly 30% 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 subject to PSCW and regional regulatory reviews, including approval of replacement energy and capacity resources
- ***MGE continues to evaluate additional investments in cost-effective, clean energy projects, such as wind, solar and energy storage, to maintain its top-ranked electric reliability and to achieve its carbon reduction goals.***

Recent Generation Filings

Madison Gas and Electric (MGE), in partnership with We Energies and Wisconsin Public Service (WPS), subsidiaries of WEC Energy Group, is seeking approval from the Public Service Commission of Wisconsin (PSCW) to purchase solar energy and battery storage from the Paris Solar-Battery Park.

If approved, MGE will own 20 megawatts (MW) of solar energy and 11 MW of battery storage from the 200-MW solar park to be built in the Town of Paris in Kenosha County.

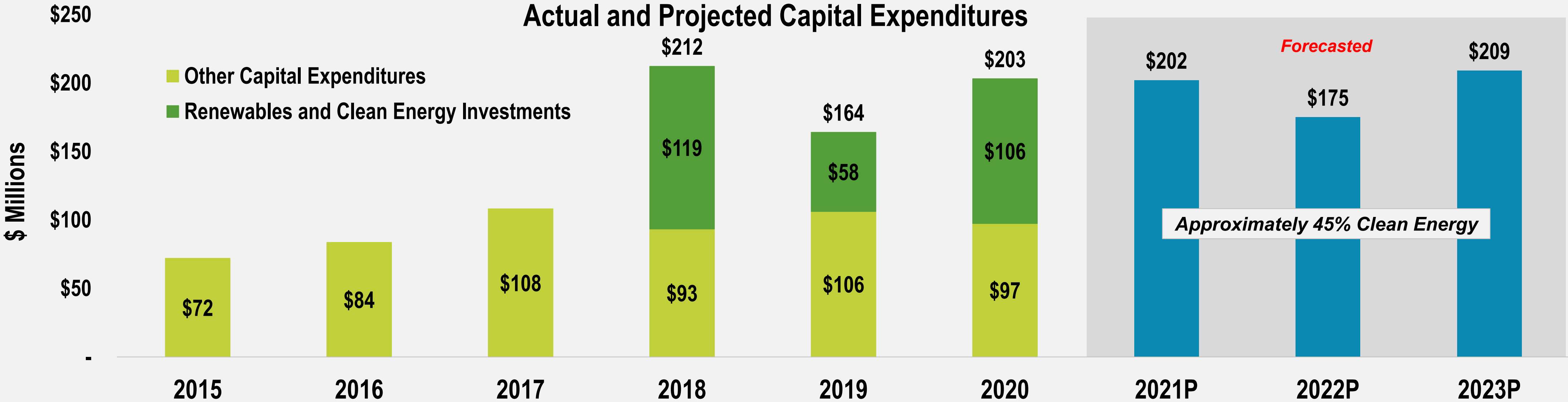
The Paris Solar-Battery Park will help MGE to meet future energy and capacity needs cost-effectively as the company continues its ongoing transition away from coal-fired electricity with the planned retirement of the Columbia Energy Center in Portage by the end of 2024.

If approved, construction is expected to begin in 2022, and the solar park is expected to begin serving customers in 2023.



Consistent Capital Expenditure Growth

Focused on Clean Energy and Progress Toward Net-Zero Carbon



Maintaining a strong investment trend in solar, wind, and storage technologies that support MGE’s commitment to renewables and carbon reduction goals, including:

Facility	Ownership Interest	Share of Generation	Date of Commercial Operation ⁽¹⁾	Shared of Estimated Costs ^{(1) (2)} (\$M)	Costs Incurred as of December 31, 2020
Two Creeks Solar	33%	50 MW	Nov. 2020	\$65.0	\$62.9
Badger Hollow I Solar	33%	50 MW	Apr. 2021 (est.)	\$65.0	\$54.7
Badger Hollow II Solar	33%	50 MW	Dec. 2022 (est.)	\$65.0	\$5.2
Paris Solar-Battery Park ⁽³⁾	10%	20 MW Solar 11 MW Storage	May 2023 (est.)	\$43.0	\$0.0
O'Brien Solar ⁽⁴⁾	100%	20 MW	Mid-2021 (est.)	\$32.0	\$7.6
Other Clean Energy Investments ⁽⁵⁾		Various		Approx. \$107.0	\$0.0

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.

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(2.) Forecasted and Actual Capital Expenditures as of December 31, 2020, does not include AFUDC.
(3.) In February 2021, MGE, We Energies, and WPSC, filed a joint application with the PSCW for approval to acquire and construct the Paris Solar-Battery Park in the Town of Paris in Kenosha County, Wisconsin.
(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 originally expected to be completed by January 1, 2021 and is now expected to be completed in mid-2021.
(5.) Additional utility-scale clean energy investment capital expenditures are expected to continue beyond 2023.

Transition to Clean Energy Generation



- Madison Gas and Electric has made the following investments in renewable generation since 2018 as we continue to decarbonize our generation fleet.

Investment	Capital Expenditures	Nameplate Capacity	In Service Year
Forward Wind	\$22M	18MW	2018
Saratoga Wind	\$108M	66MW	2019
Two Creeks Solar	\$65M	50MW	2020
Morey Airport Solar	\$8M	5MW	2020
Dane County Airport Solar	\$15M	9MW	2020
Badger Hollow I Solar	\$65M	50MW	2021 (est.)
O'Brien Solar	\$32M	20MW	2021 (est.)
Hermsdorf Solar*	\$15M	8MW	2021 (est.)
Badger Hollow II Solar	\$65M	50MW	2022 (est.)
Paris Solar-Battery Park*	\$43M	31MW	2023 (est.)
Total:	\$438M	307MW	

*Pending PSCW Approval

Note: Investments listed above include projects that are either completed and in service, have approved Certificates of Authority (CA), or a CA has been filed and is pending before the Public Service Commission of Wisconsin.



ESG & Sustainability Summary

Leadership

- Environmental and Sustainability Policy
- Sustainability Executive Team
- Operations-wide Environmental Management System
- Investing approx. **\$440M** in clean energy
- 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
- Promotes an inclusive, respectful work environment where individuals can achieve their full potential

Community Giving

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

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



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

Constructive Regulatory Environment

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 Public Service Commission as constructive.

- *Regulatory approvals of utility-scale renewable investments and other innovative solar programs*
 - Saratoga Wind and Forward Wind, Two Creeks Solar
 - Badger Hollow I Solar, Badger Hollow II Solar (construction in progress)
 - Approval of Renewable Energy Rider and Shared Solar programs
- *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 Rate Settlement*
 - 0% increase for electric customers and 4% increase for gas customers
 - Approved \$1.0B electric rate base and \$282M gas rate base
 - Escrow of pension costs, bad debt expense and customer credit card fees
 - Approximately 56% average common equity and 9.80% ROE

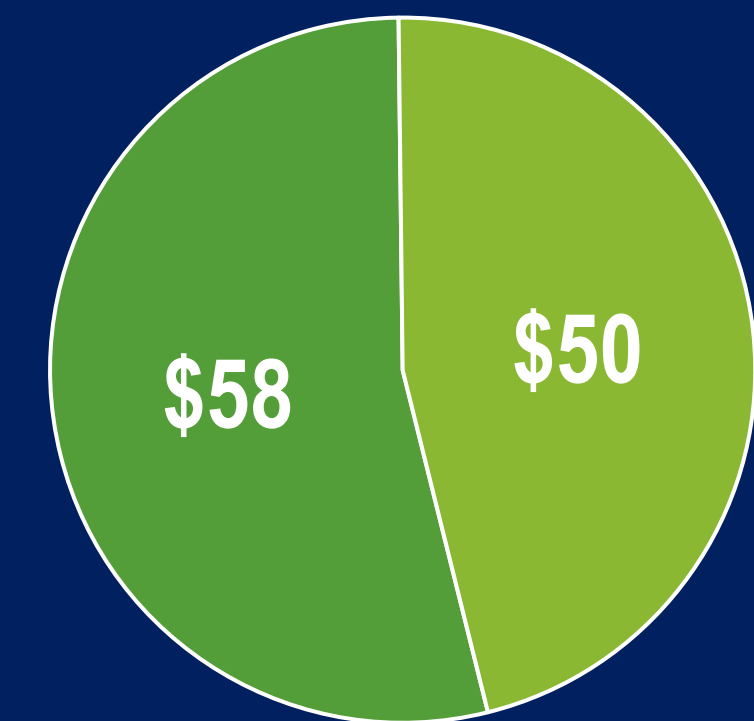
(1.) Examples of various expenses deferrals include, but are not limited to, deferrals related to pension, transmission, and Elm Road Generating Station costs.

Technology Investments

- In 2017, MGE committed to undertake a multi-year project aimed at transforming our foundational customer engagement capabilities to enable flexibility and capability in delivering new products and services as outlined in our Energy 2030 Framework.
 - **MGE has forecasted \$50M of capital investment over the next three years (2021- 2023).**
- These objectives are expected to be accomplished through the implementation of a new **customer information and billing system, engagement and marketing tools, along with other solutions** that meet the goals of the initiative, which include:
 - Gaining efficiencies
 - Improving customer-facing technologies, and
 - Offering new products & services
- This five-year project is designed to transform MGE into a **digitally integrated utility.**



CAPITAL SPENDING (\$M)
(as of December 31, 2020)



- Actual Spending (2020 and prior)
- Forecasted Spending (2021 through 2023)

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
- 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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5-Year Regulated PPE⁽¹⁾ CAGR of 7.3%

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APPENDIX

COVID-19 - Risks

Reduced economic activity impacting use of electricity and gas service

- ✓ MGE began to see the impacts of COVID-19 and the associated governmental regulations in late March and through 2020.
- Commercial electric sales decreased by approximately 7% when compared to 2019.
- Residential electric sales increased by approximately 6% due to the safer at home orders.
- Retail electric sales were down 3.5% for the year.

Delays in and possible loss of utility service payments

- ✓ Economic hardship caused by the quarantine and stay-at-home orders could result in losses as those payments are received late or not at all.

Regulatory Delays

- ✓ Delays in regulatory proceedings due to limited operations, hours or ability to convene meetings could delay required approvals or permits, which could affect the timing of certain activities.
- ✓ COVID-19 and the associated governmental regulations did not significantly delay or disrupt the timing of MGE's major solar projects.

Regulatory Recovery of Deferred Costs

- ✓ Certain incurred costs are being deferred as regulatory assets for future recovery in accordance with the PSCW Order dated March 24, 2020.
- As of Dec. 31, 2020, approximately \$3.9 million has been deferred in COVID-related expense.
- MGE received escrow accounting treatment for bad debt expense in 2021.

Operations – To date we have experienced no material disruptions in utility operations.

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
- Focus on regulated vertically integrated electric and natural gas distribution operations
- Conservative financial policies that ensure strong credit quality

Source: S&P, November 2020

MOODY'S (UTILITY RATINGS)

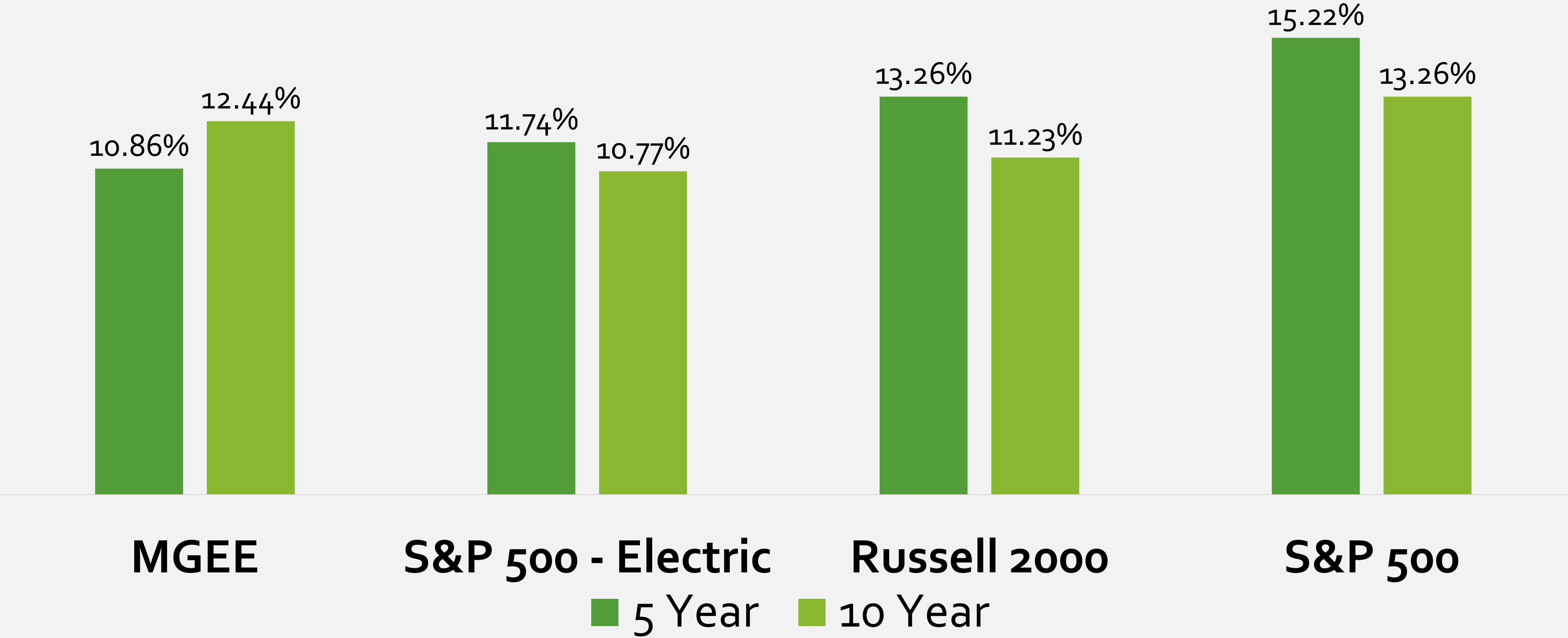
Secured	Aa2
Unsecured	A1
Commercial paper	P-1
Outlook	Stable

- 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

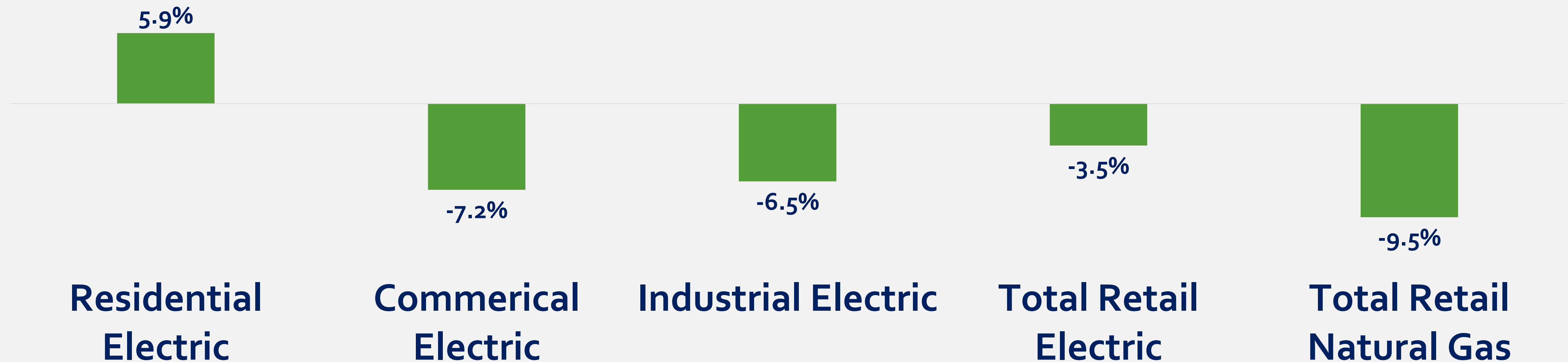
Source: Moody's, October 2020

Total Shareholder Return

As of December 31, 2020



MGE – Electric and Gas Sales 2020

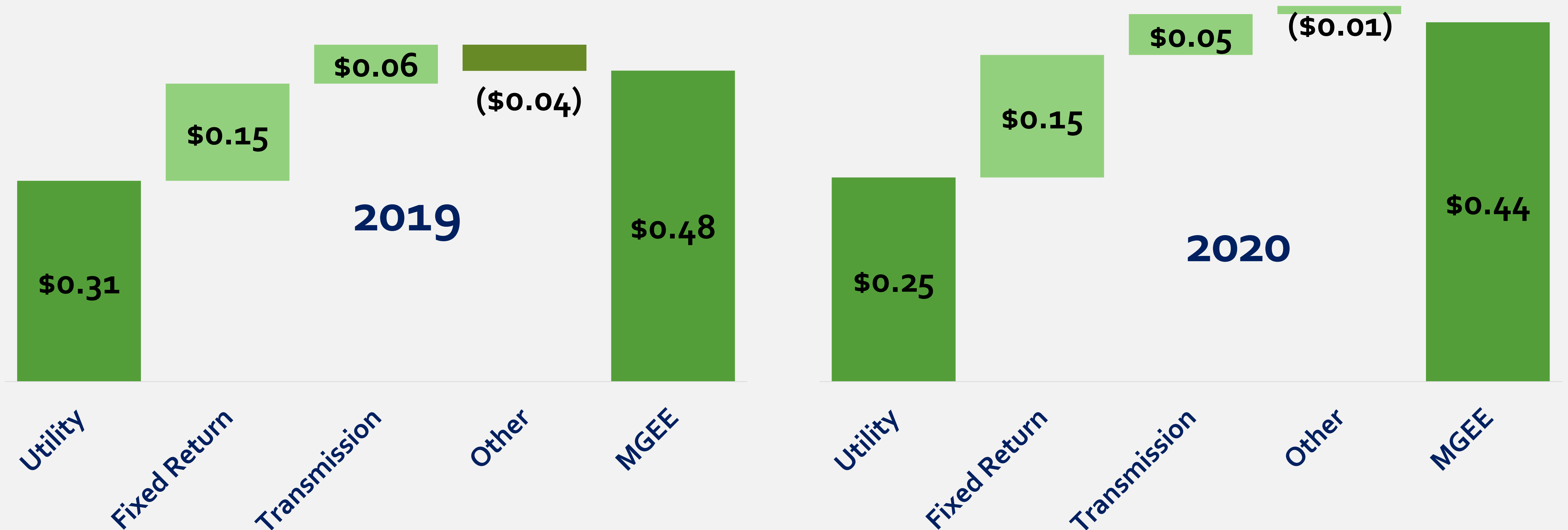


	2020	2019	%
Heating Degree Days (Normal 7,050)	6,799	7,406	(8.2)%
Cooling Degree Days (Normal 681)	733	657	11.6%

- Electric sales down due to COVID, offset somewhat by increase in residential sales
- Gas sales down due to warmer than normal weather

Earnings per Share Segments

Three Months Ended December 31st



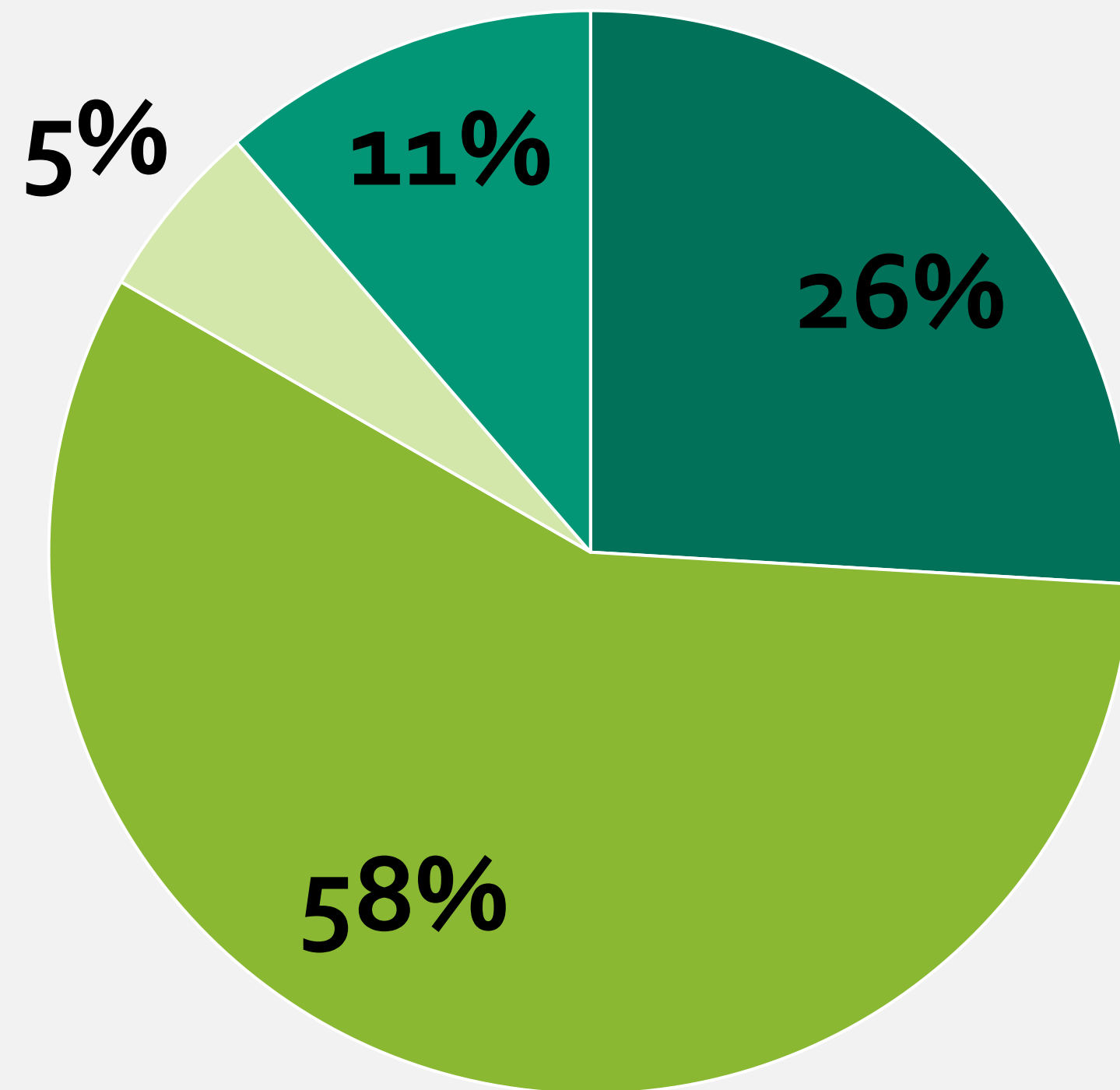
Earnings per Share Segments

Twelve Months Ended December 31st



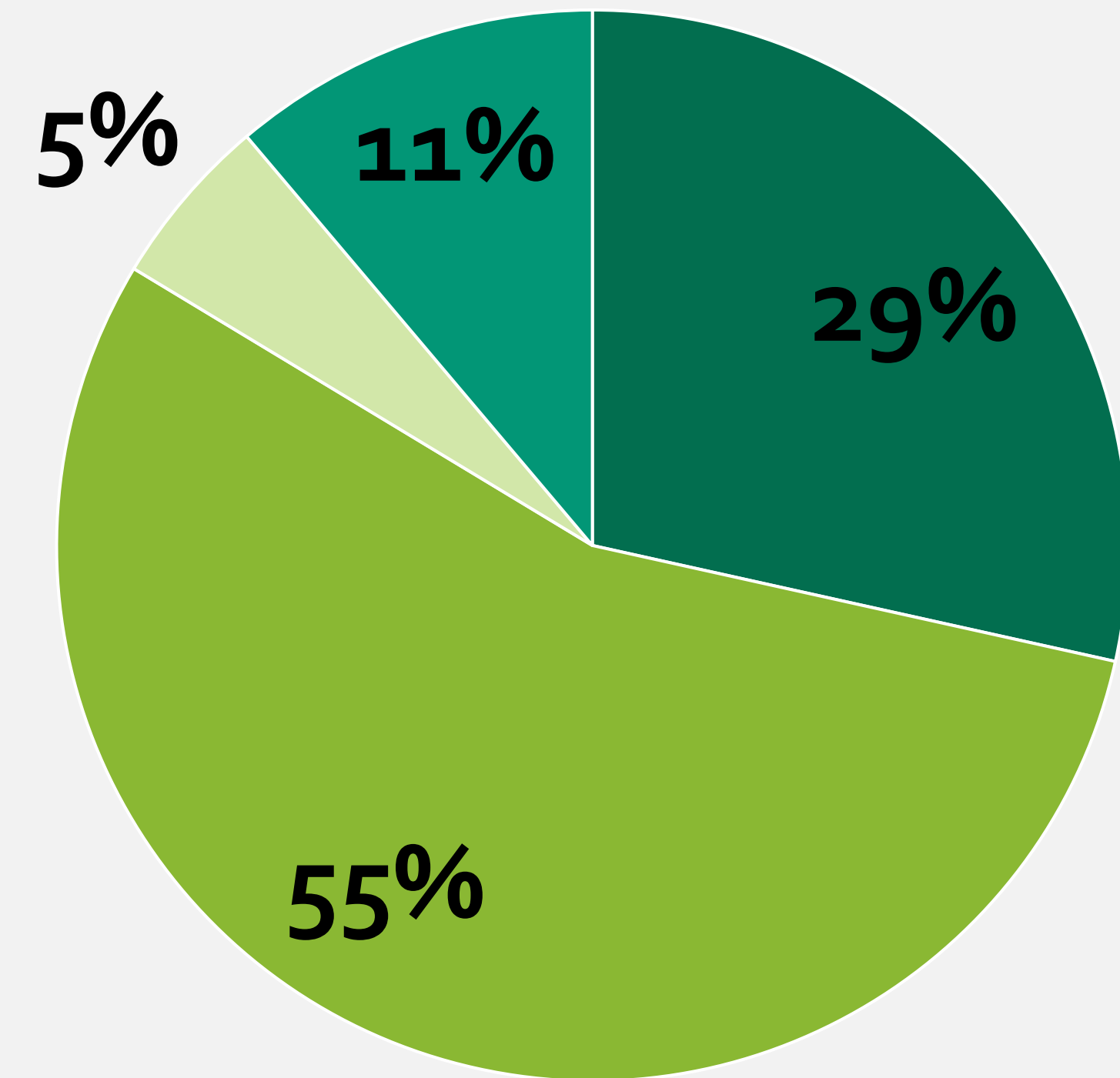
Electric Retail Sales Mix

2019



■ Residential ■ Commercial ■ Industrial ■ Other

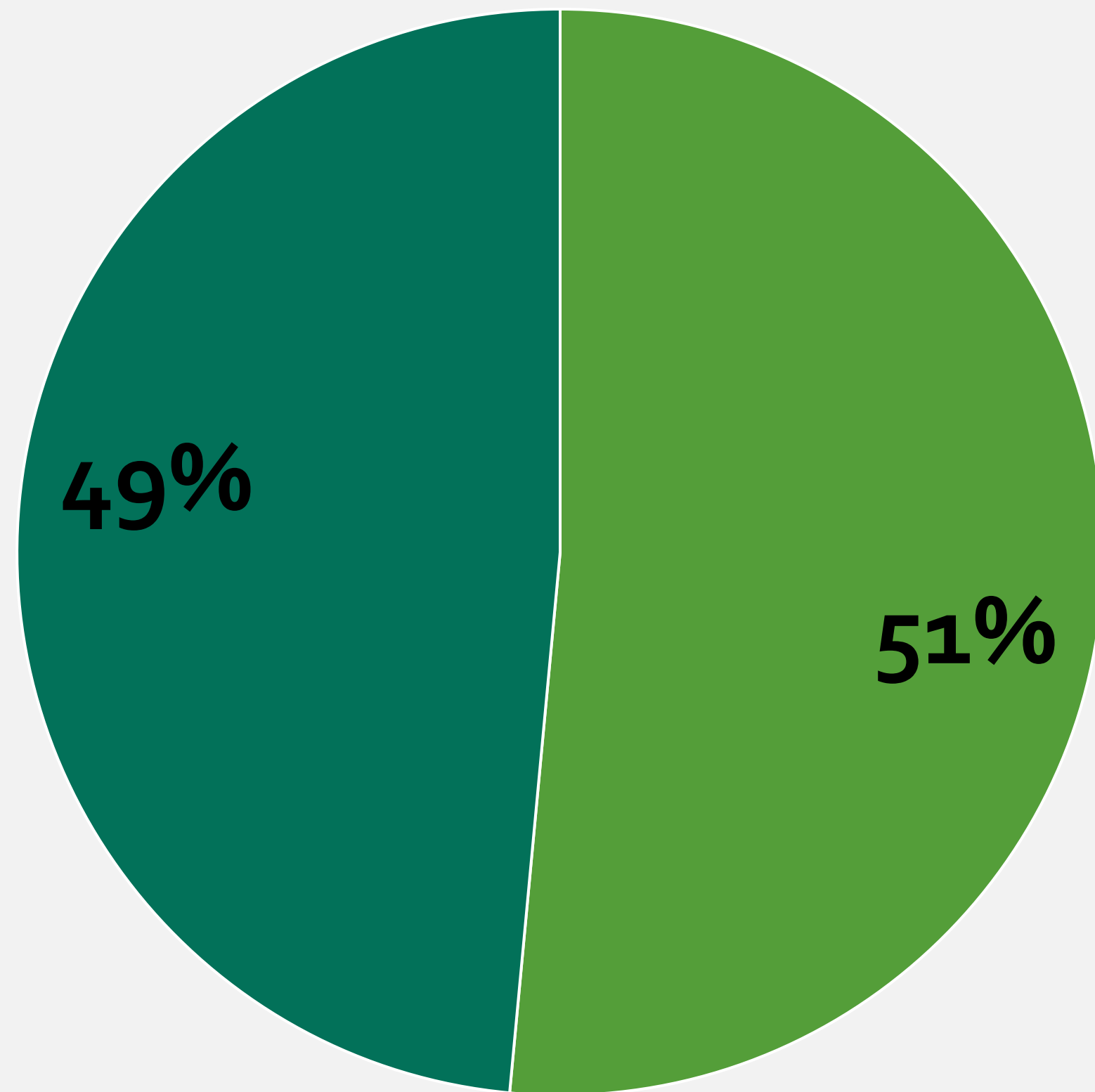
2020



■ Residential ■ Commercial ■ Industrial ■ Other

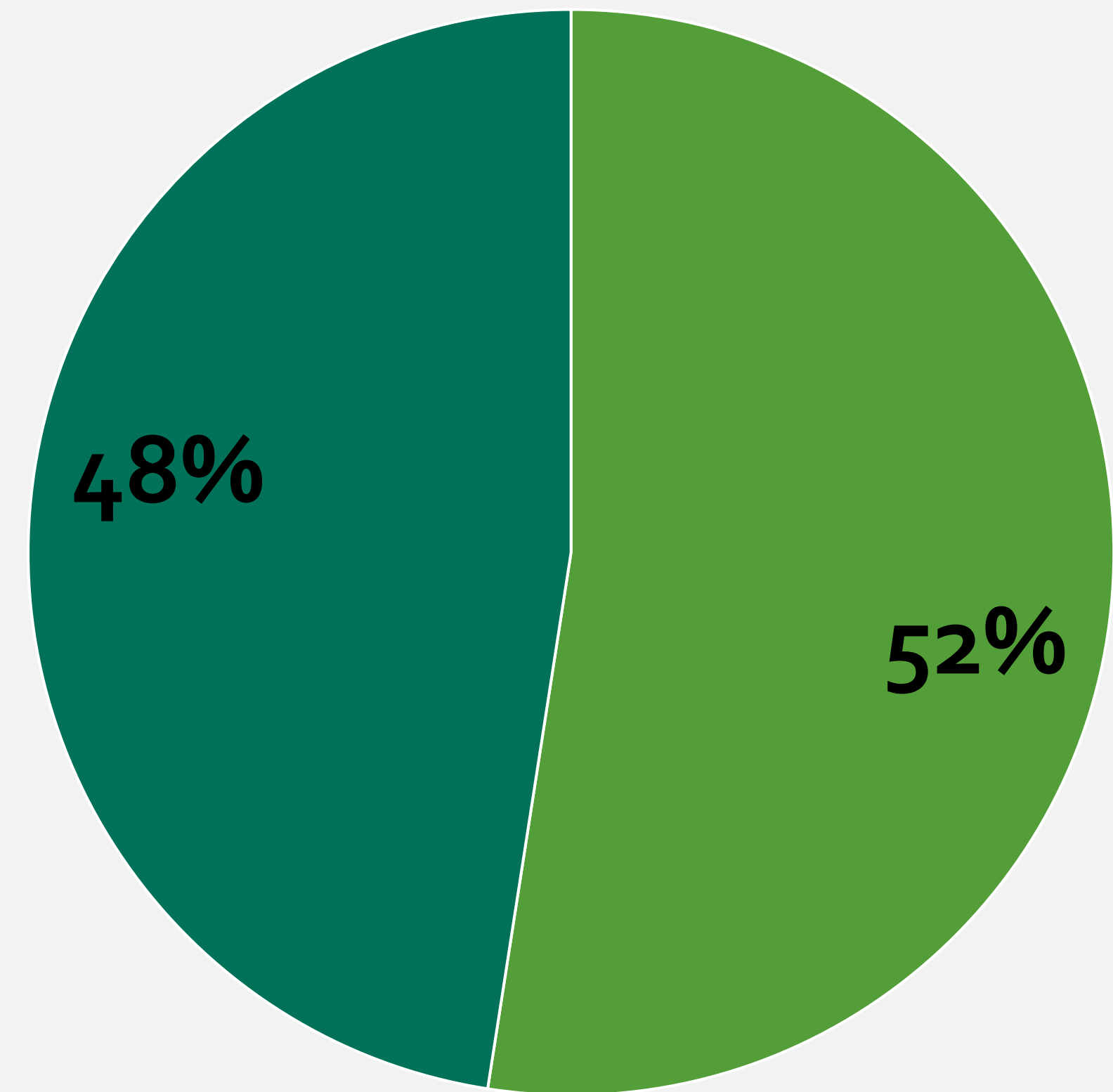
Gas Retail Sales Mix

2019



■ Residential ■ Commercial / Industrial

2020



■ Residential ■ Commercial / Industrial



Financial Update Q4 2020

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