



FINANCIAL UPDATE

2021 SECOND QUARTER



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, 2020 (the "2020 Form 10-K"), as updated by its Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "June 30, 2021 Form 10-Q") 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, the June 30, 2021 10-Q 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 2020 Form 10-K, June 30, 2021 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

Diversified Customer Base and Revenue Profile

Resilient Revenue Stream and Customer Base

- Electric service to ~157,000 customers with locations in the cities of Fitchburg, Madison, Middleton, Monona, and adjacent areas
 - 87% residential; 13% commercial or industrial
 - Accounts for 73.2% of revenue
- Natural gas to ~166,000 customers across 48 townships
 - 90% residential; 10% commercial or industrial
 - Accounts for 26.8% of 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

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 over 9X from 2015⁽³⁾
- Helping customers use energy efficiently
- Electrifying transportation

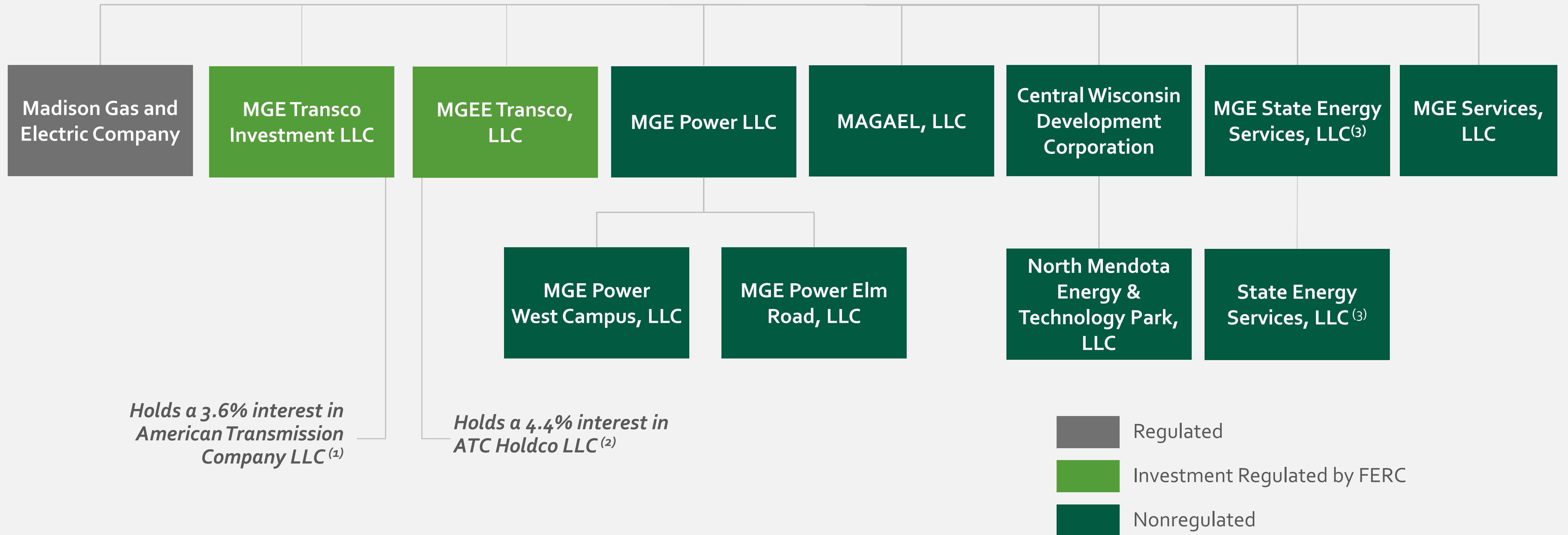


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Corporate Structure



(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:

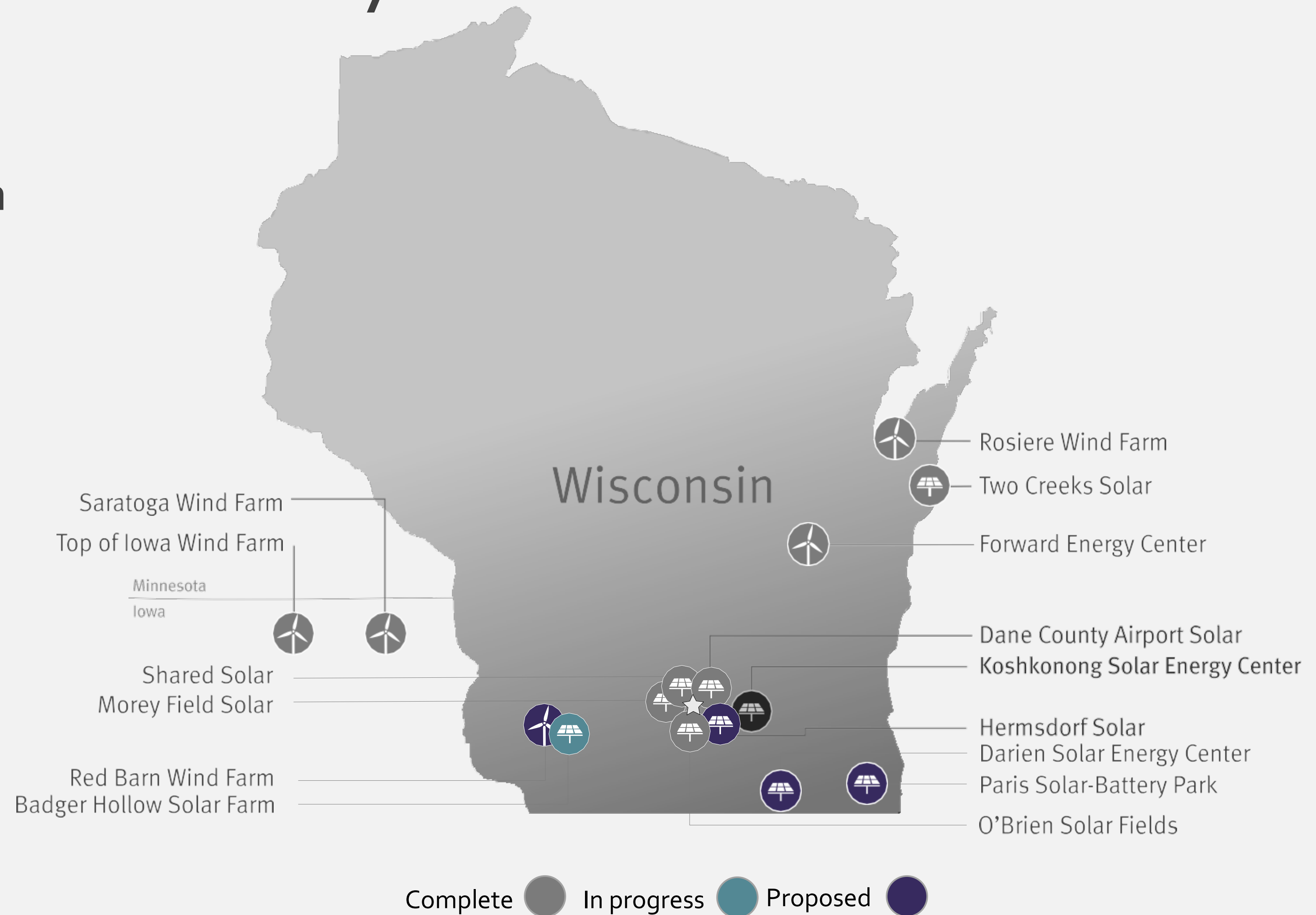
- University of Wisconsin-Madison



- Hospitals and medical facilities

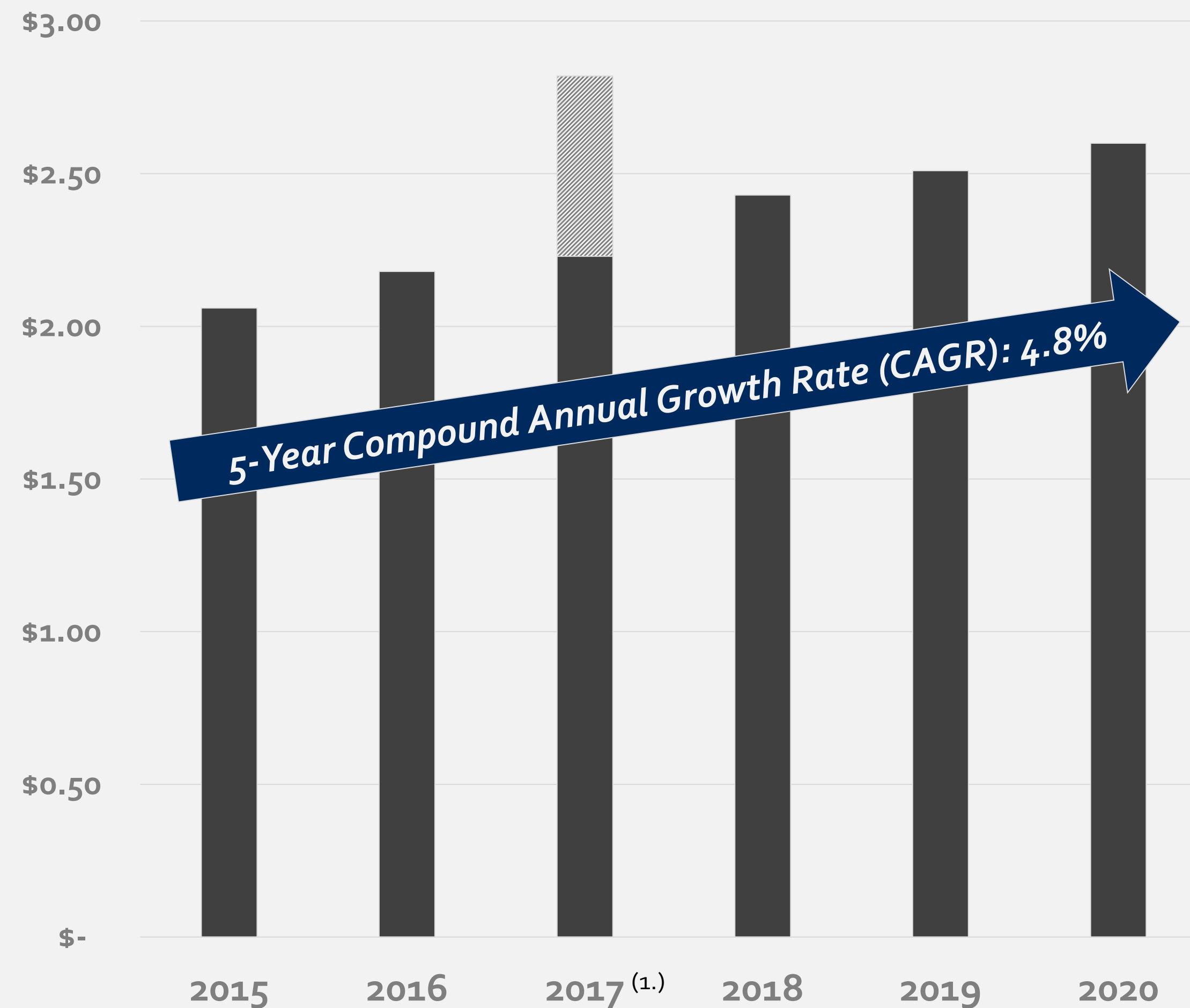


- State of Wisconsin government

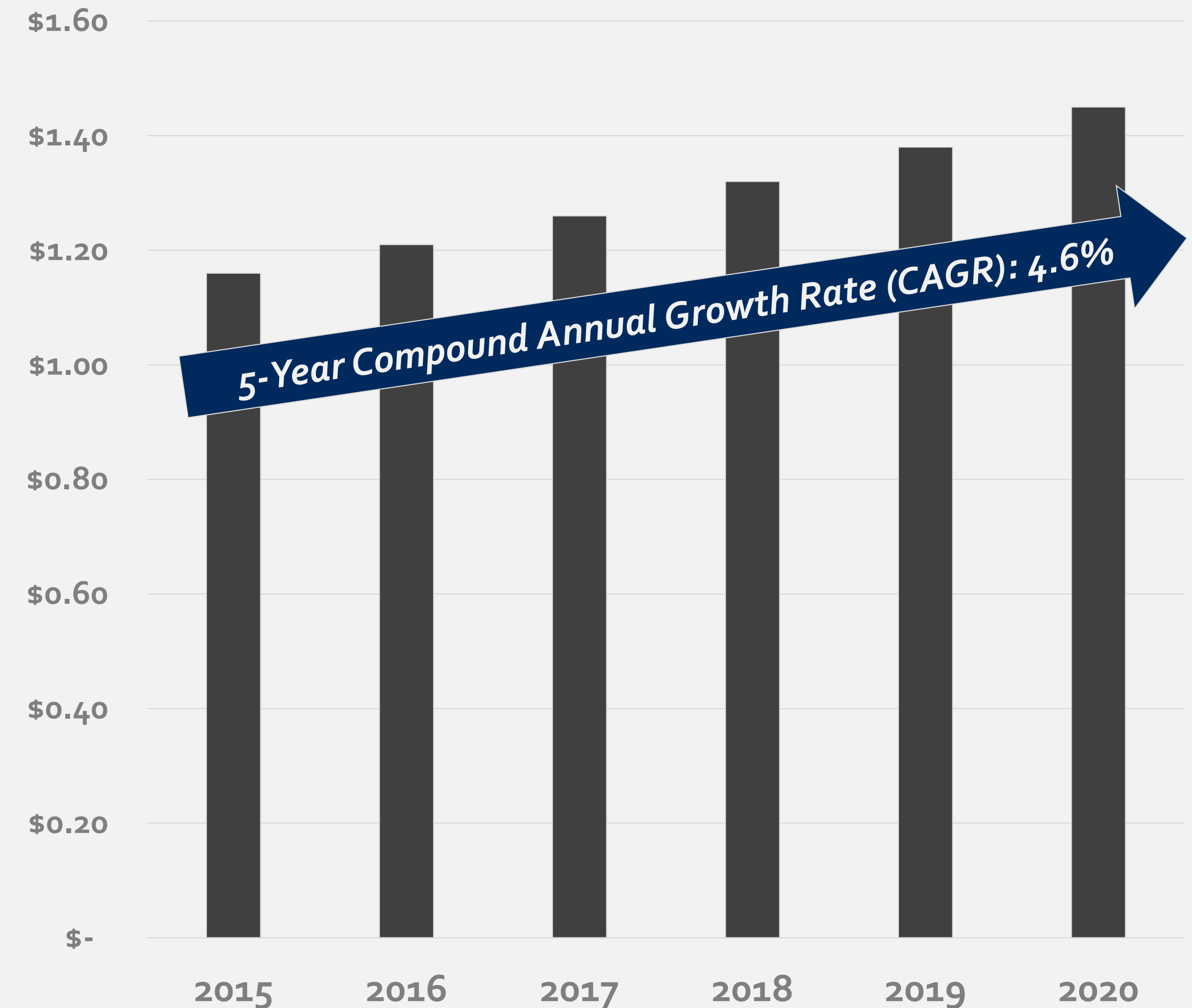


Earnings and Dividends per Share Growth

Earnings Per Share



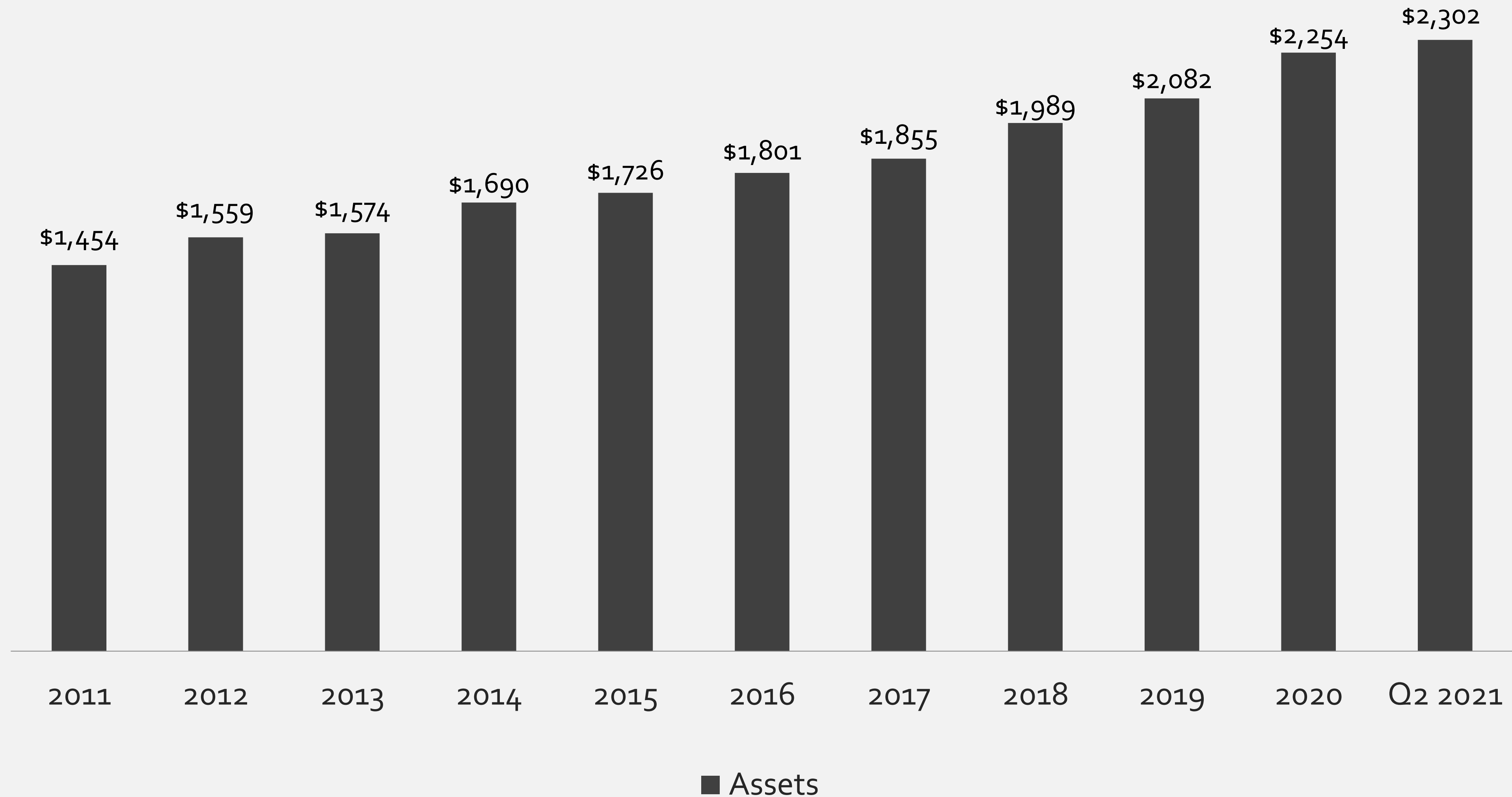
Dividends Paid Per Share



(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

Stable Asset Growth

Asset Growth (\$ Millions)



Focused ESG strategy

Foundational objectives under Energy 2030 Framework

ENERGY 2030

- 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 at least 65% by 2030**
- 25% renewable energy by 2025 and 30% by 2030

Focused ESG Strategy

Net-Zero Carbon Electricity by 2050

Strategies for deep decarbonization

- Grow our use of renewable energy
- Further engage customers in energy efficiency
- Electrify transportation and other end uses

Net-Zero
CARBON ELECTRICITY BY 2050

Retirement of Legacy Fossil Fuel Power Plant

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 nearly 30% of MGE's net summer rated capacity.

Unit 1 intended to be retired by the end of 2023

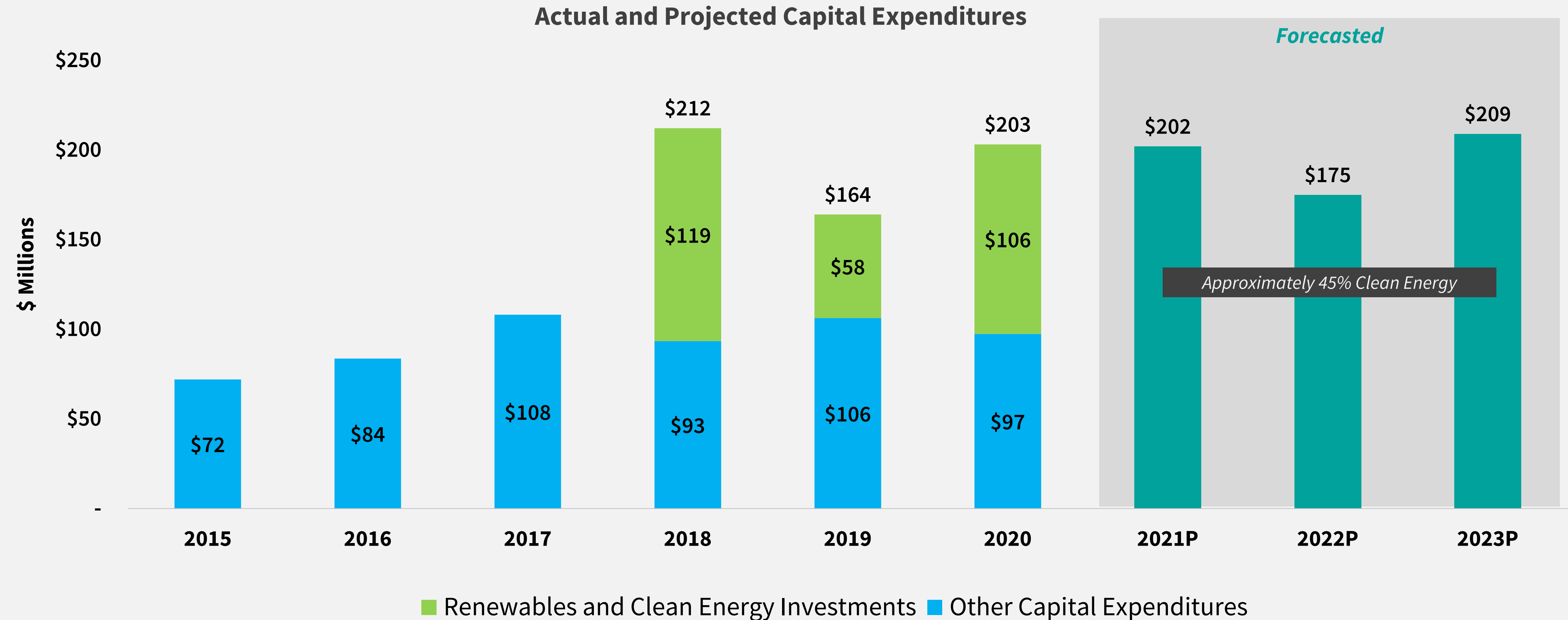
Unit 2 intended to be retired by the end of 2024

- 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** to maintain its top-ranked electric reliability and to achieve its carbon reduction goals.*

Consistent Capital Expenditure Growth

Focused on clean energy and progress toward net-zero carbon



➤ **27% of MGE's net generation capacity is clean energy investments; these include all announced investments to-date.**

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(2.) Forecasted and Actual Capital Expenditures as of December 31, 2020, does not include AFUDC.

Transition to Clean Energy Generation

Since 2015 when MGE announced its *Energy 2030 Framework*, MGE's clean energy projects will grow our renewables capacity by more than **9x**, by investing an estimated \$565 million in wind, solar and battery storage.

Investment	Project Costs	100% AFUDC-Return	Nameplate Capacity	In-Service Date
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
O'Brien Solar	\$32M		20MW	2021
Badger Hollow I Solar	\$65M	✓	50MW	Q4 2021 (est.)
Hermisdorf Solar	\$15M		8MW	2021 (est.)
Badger Hollow II Solar	\$65M	✓	50MW	Q4 2022 (est.)
Red Barn Wind Farm*	\$17M		9.2MW	December 2022 (est.)
Paris Solar-Battery*	\$43M	✓	31MW	May 2023 (est.)
Darien Solar-Battery*	\$45M	✓	32.5MW	December 2023 (est.)
Koshkonong Solar-Battery*	\$65M	✓	46.5 MW	2024 (est.)
Total:	\$565M		395.2MW	



*Pending PSCW Approval

** Earned 100% AFUDC during construction, now completed and in-service

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 to be a substantial driver of electric sales growth over the long term

ESG & Sustainability Summary

Leadership

- Environmental and Sustainability Policy
- Sustainability Executive Team
- Operations-wide Environmental Management System
- Investing approx. \$565M 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

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

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



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 other innovative programs**
 - Saratoga Wind, Forward Energy Center wind farm, 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
 - Escrow treatment received for transmission, ERGS, pension & OPEB and bad debt expense
 - Historical approval of various expense deferrals
 - Fuel Rules and Gas Cost Recovery Mechanism
 - Current return on 50% of CWIP and 100% CWIP or AFUDC on major construction projects

2021 PSCW Approved Rate Settlement

Approved PSCW Rate Settlement (\$ooo's, where applicable)	Test Year 2020	Test Year 2021
Authorized Electric Rate Base	\$860,538	\$1,019,177
Authorized Gas Rate Base	\$250,743	\$282,360
CSE Authorized	56.06%	55.84%
Authorized ROE	9.8%	9.8%

Electric – 0% increase

- Increased rate base in 2021 Rate Settlement due to capital investments in renewable generation (Two Creeks Solar and Badger Hollow 1 Solar) and the customer information system
- Settlement included lower forecasted sales for 2021, to reflect changes to customer usage due to COVID-19
- Electric rate base increases were offset by the following:
 - ✓ lower fuel / purchased power cost;
 - ✓ one-time \$18.2 million return to customers of the portion of excess def taxes related to the 2017 Tax Act not governed by normalization rules;

Gas – 4% increase

- Increased rate base in 2021 Rate Settlement due to continued distribution infrastructure improvements and technology investments, including the customer information system

2022 and 2023 Rate Filing Update

Filed application with PSCW requesting:

2022 Test Year

- 5.9% increase in electric base rates
 - ✓ Driven by increased rate base investments, including full-year of BH I and new customer information system;
 - ✓ Also driving the electric rate increase is the completion of the one-time return to customers of the electric excess deferred taxes related to the 2017 Tax Act, given back in 2021
- 3.0% increase in gas rates
 - ✓ Driven by increased rate base investments, including full-year of new customer information system and continued distribution infrastructure improvements designed to enhance reliability and safety

Proposal Details:		Test Year 2022
		(\$000's, where applicable)
Average Electric Rate Base		\$1,048,440
Average Electric CWIP		\$19,308
Average Gas Rate Base		\$300,797
Average Gas CWIP		\$9,928
Proposed CSE		55.63%
Proposed ROE		9.80%

2023 Test Year

- Electric limited reopener requested for potential changes to MGE's fleet of generation assets and resources and any potential changes in the federal tax code
- Gas step increase of 1.65%, including an increase in average rate base for natural gas to \$317.6 million
- Proposal to maintain 2022 capital structure and ROE for electric limited reopener and gas step increase for 2023

Technology Investments

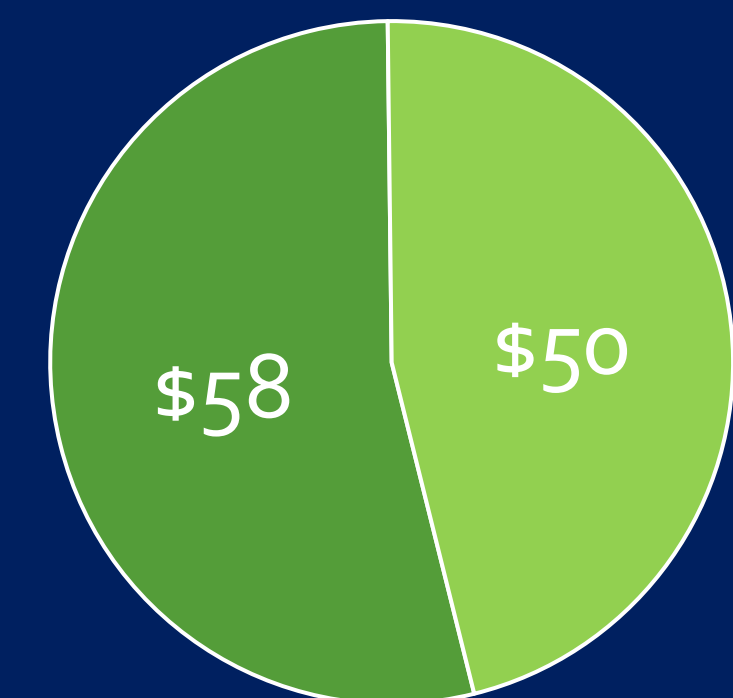
- In 2017, MGE committed to undertake a multiyear project aimed at transforming our foundational customer engagement capabilities to enable flexibility and capability in delivering new products and services as outlined in our Energy 2030 Framework.

MGE has forecasted \$50M of capital investment over the next three years (2021-23).

- 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 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%

- Total forecasted regulated capex of approx. \$590 M from 2021 through 2023⁽³⁾
- Premium service territory with constructive regulation
- Forward-looking test years
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Appendix

MGE's 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 2020

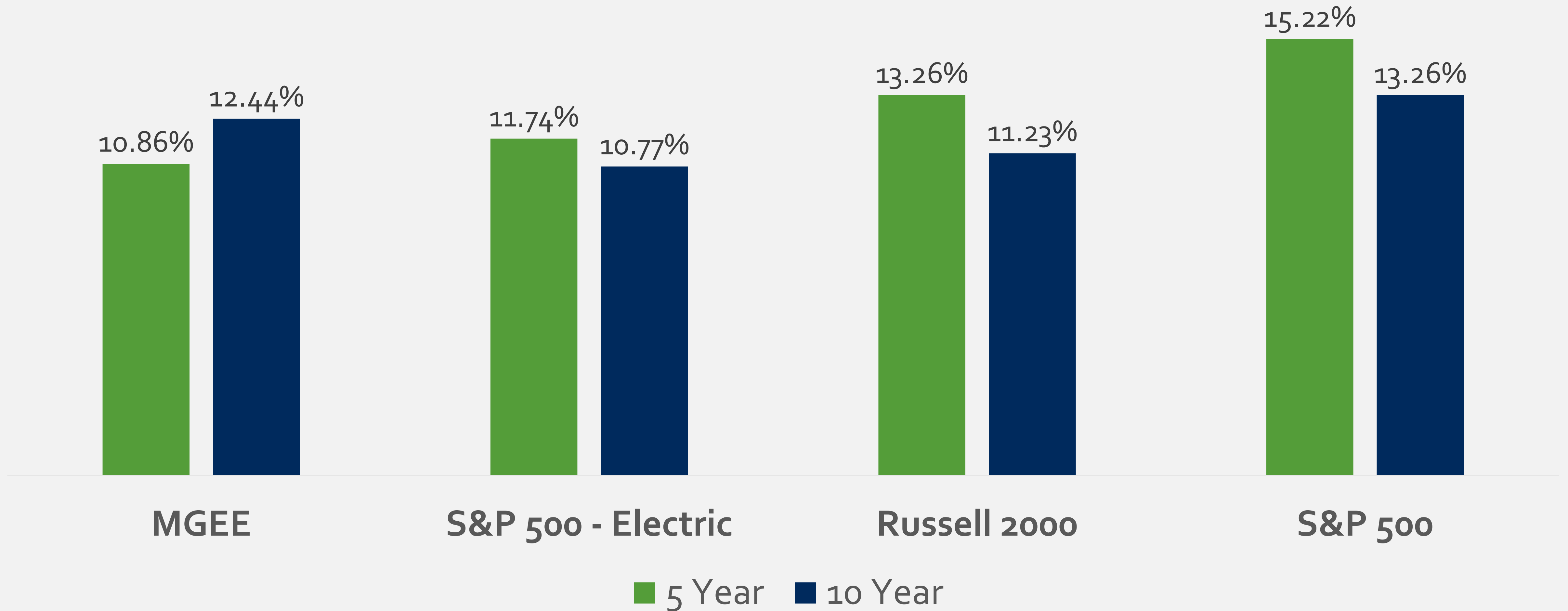
MOODY'S (UTILITY RATINGS)	
Secured	Aa2
Unsecured	A1
Commercial paper	P-1
Outlook	Stable
<ul style="list-style-type: none"> • Rating reflects a credit supportive regulatory environment • Healthy financial metrics (CFO pre-WC / Debt) • Stable rating outlook assumes future prudently incurred investments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

Source: Moody's, October 2020

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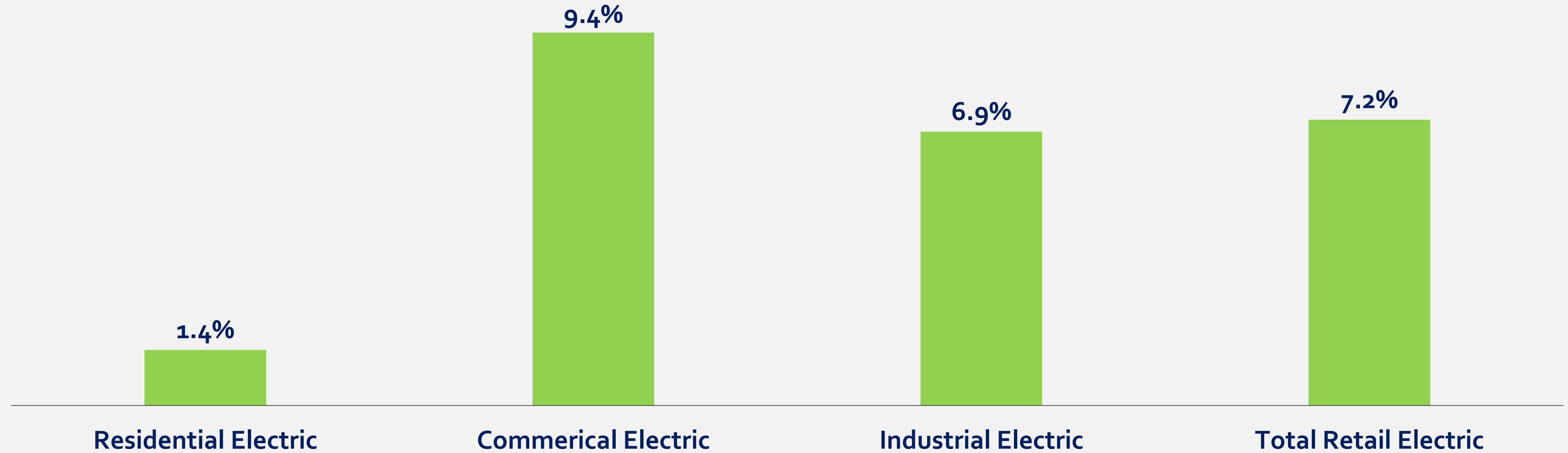
Total Shareholder Return

As of December 31, 2020



MGE – Electric Sales

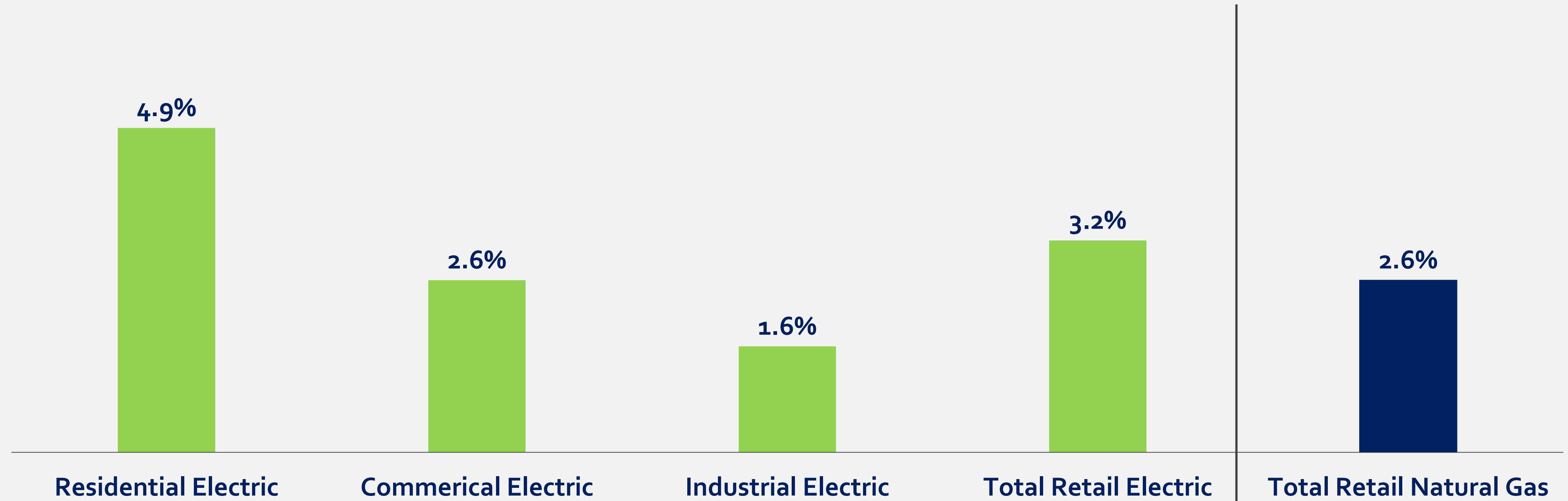
Three Months Ended June 30th



	2021	2020	%
Cooling Degree Days (Normal 184)	309	213	45.1%

MGE – Electric and Gas Sales

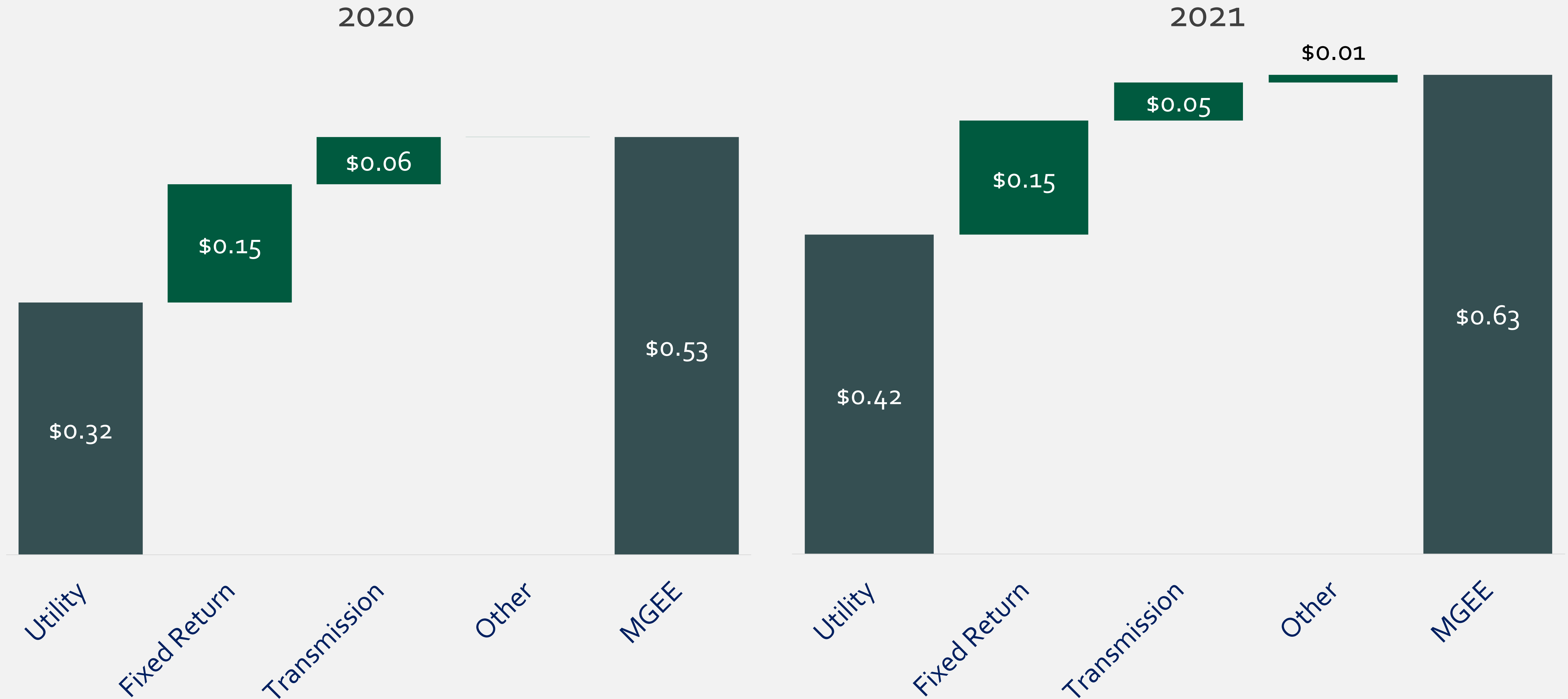
YTD Ended June 30th



	2021	2020	%
Cooling Degree Days (Normal 184)	309	213	45.1%
Heating Degree Days (Normal 4,349)	4,354	4,140	5.2%

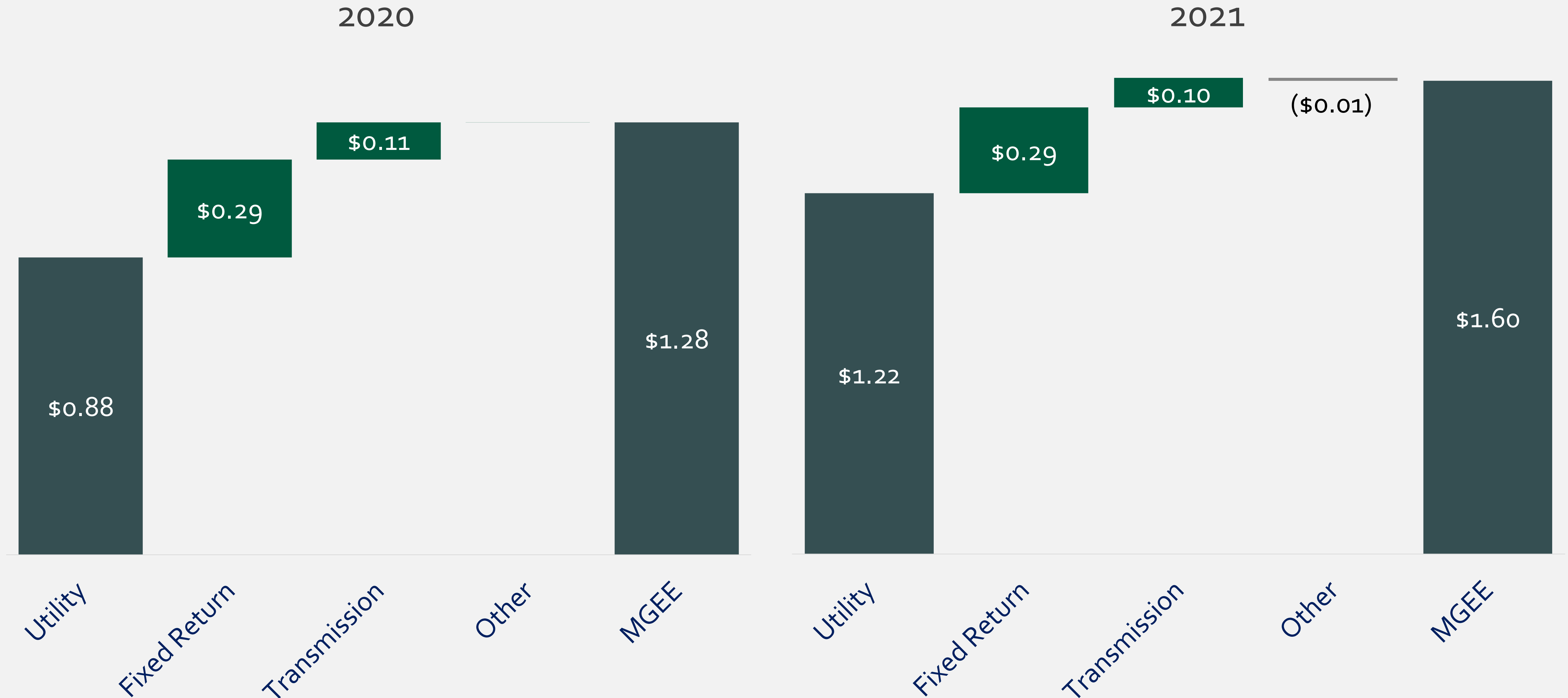
Earnings per Share Segments

Three Months Ended June 30th



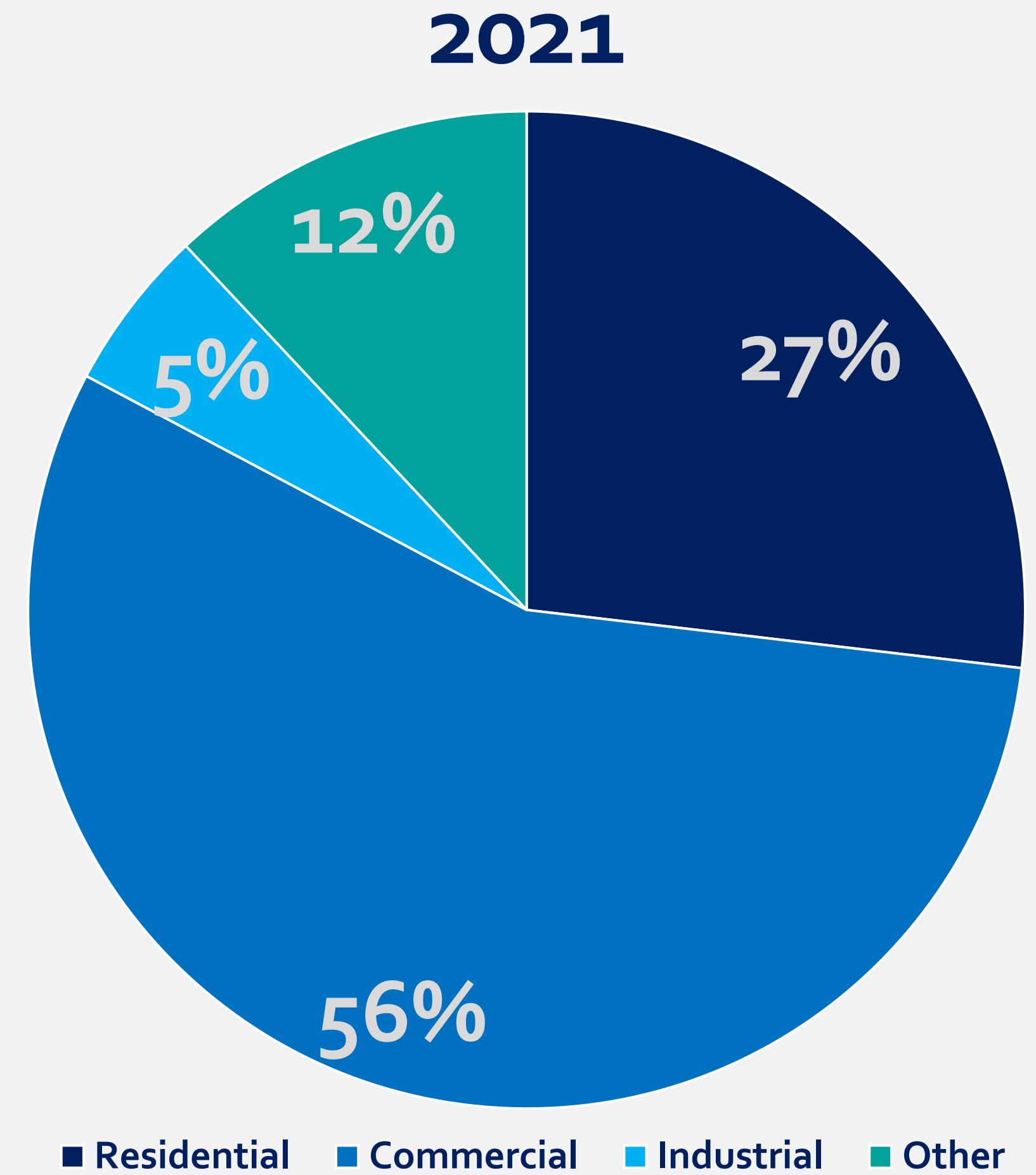
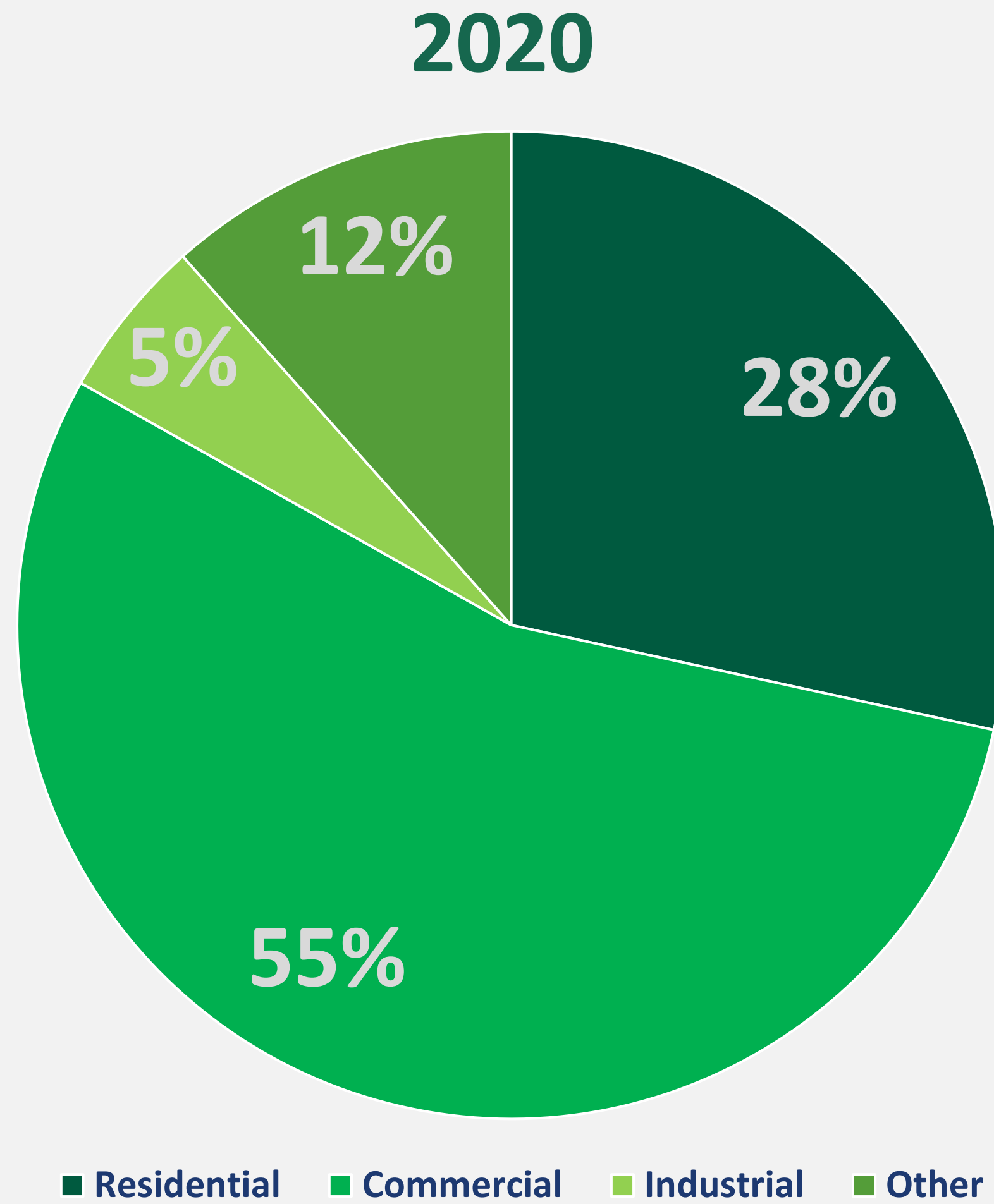
Earnings per Share Segments

YTD Ended June 30th



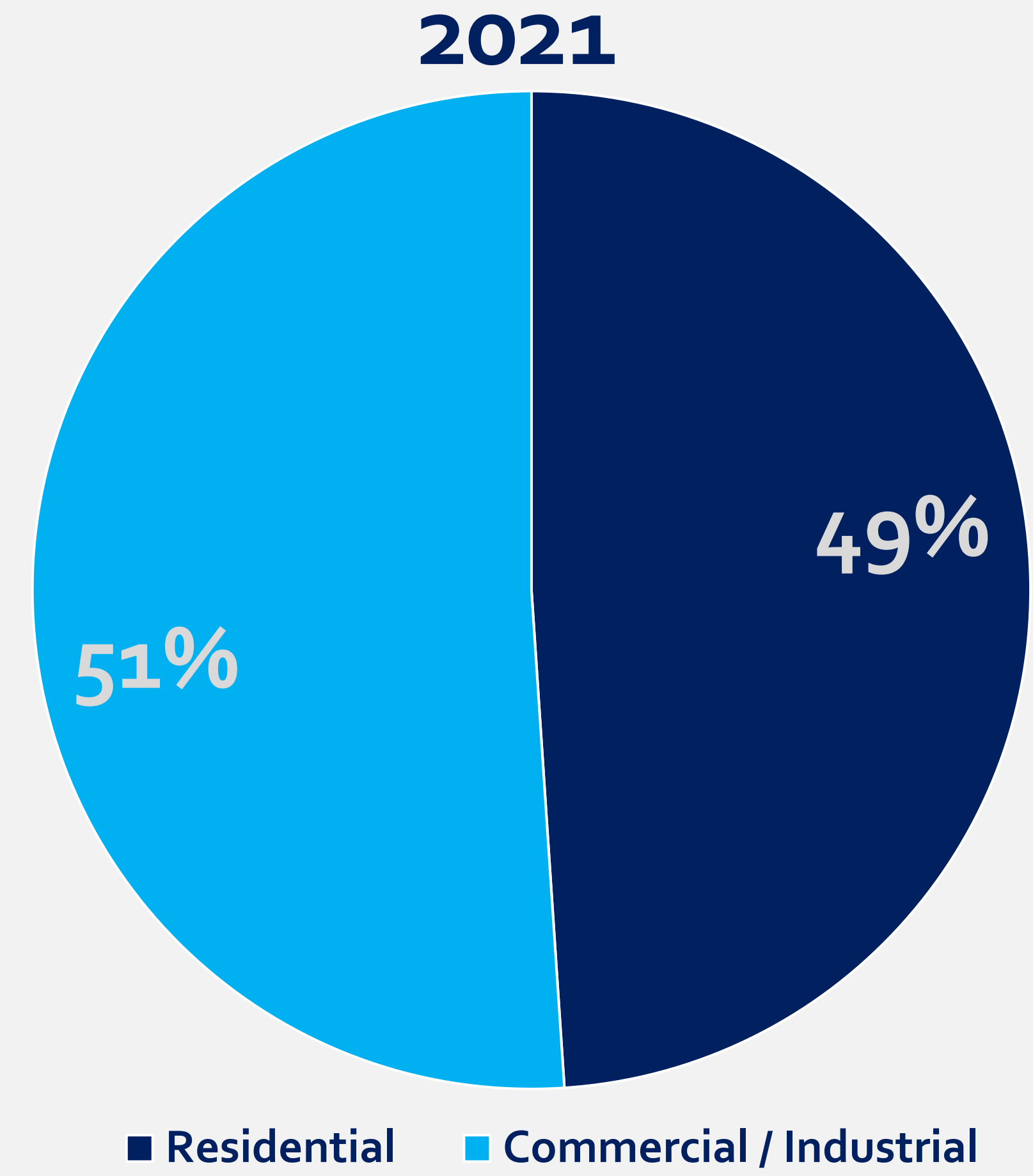
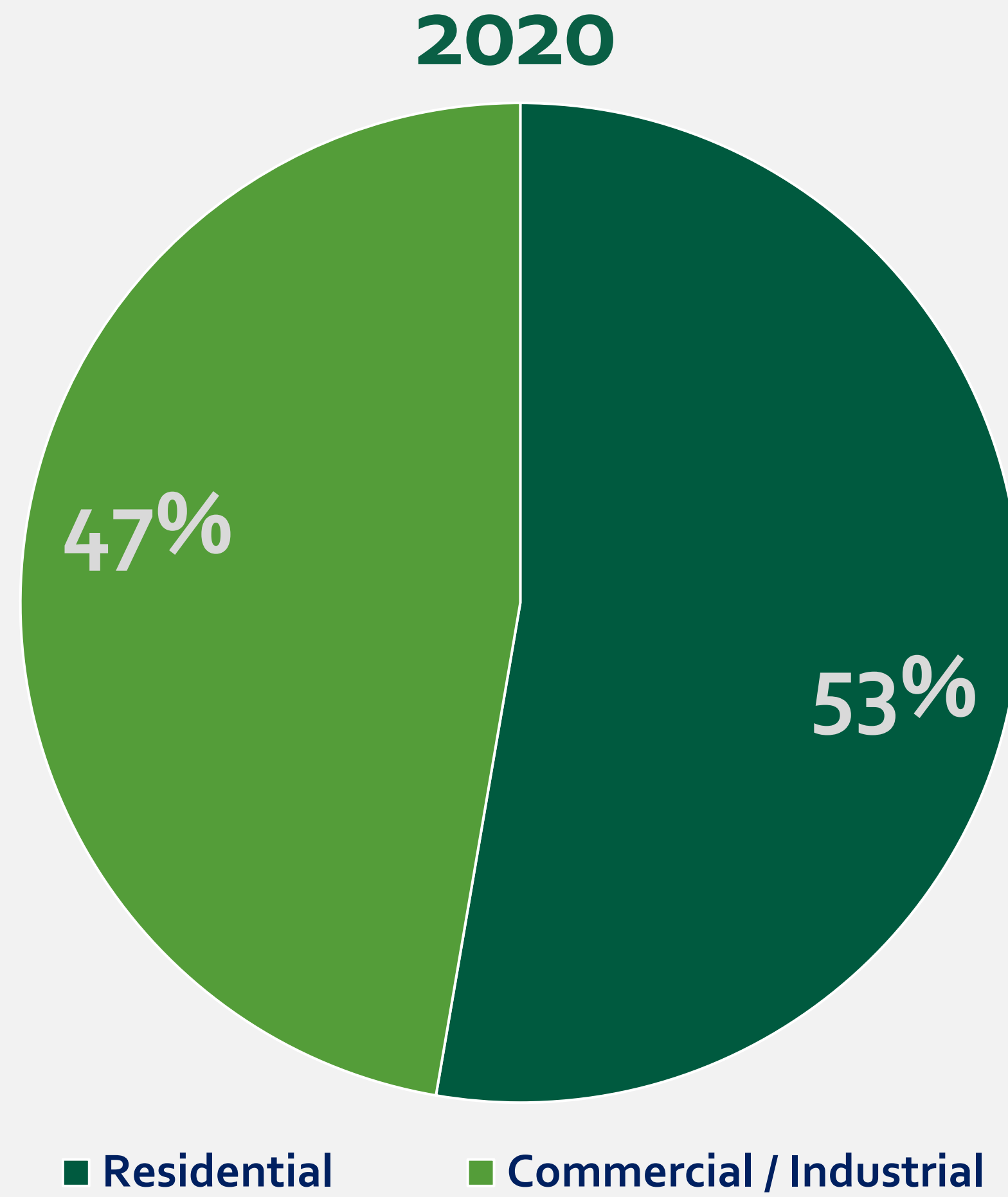
Electric Retail Sales Mix

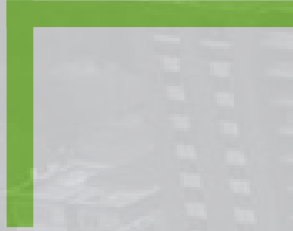
Three Months Ended June 30th



Gas Retail Sales Mix

Three Months Ended June 30th





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

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Financial Update Q2 2021