

Technology in Action

Bringing the benefits of sustainability to all.



SECOND QUARTER
FINANCIAL UPDATE
AUGUST 2022



Disclaimer

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This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities of MGE Energy, Inc., or Madison Gas and Electric Company. A registration statement relating to the common stock of MGE Energy, Inc., has been declared effective by the Securities and Exchange Commission. Any offering of such common stock is being made solely by means of a prospectus supplement and an accompanying prospectus, copies of which may be obtained from MGE Energy, Inc., at 133 South Blair Street, Madison, Wisconsin 53703, attention: Shareholder Services, telephone no. (800) 356-6423.

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 2021 Form 10-K, June 30, 2022 Form 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 Mission and Values

MGE Energy is the parent company of Madison Gas and Electric Company (MGE). MGE is **your community energy company**, committed to engaging with our customers in different ways to meet their needs and providing safe, reliable, affordable and sustainable energy to power our communities. Your community energy company is investing in a more sustainable future for the benefit of all of our customers, investors and employees.

Safety

The safety of our employees, customers and communities is our top priority.

Equity and Engagement

We are committed to equity and inclusion in our service to our customers, in our workplace and in our communities and we value diverse perspectives, ideas and cultures.

We are dedicated to engagement, partnership and collaboration to best serve our customers and communities.



Reliability

We invest in our people and in our systems to help ensure top-ranked reliability that helps maintain the economic health and vitality of the communities we serve.

Sustainability

With a commitment to transparency, accountability and continuous improvement, we take a holistic and proactive approach to sustainability practices companywide.

Company Highlights

Diversified Customer Base and Revenue Profile

Resilient Revenue Stream and Customer Base

- Electric service to ~159,000 customers located in the city of Madison and adjacent areas
 - 87% residential; 13% commercial or industrial
 - Accounts for ~69% of regulated revenue
- Natural gas to ~169,000 customers
- 90% residential; 10% commercial or industrial
 - Accounts for ~31% of regulated 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

Historical 5-Year Regulated PPE⁽¹⁾ CAGR of 8.0%

- Forecasted capital investment of ~\$660M from 2022 through 2024⁽³⁾
- Premium service territory with constructive regulation
- Forward-looking test years
- Renewable Energy Rider
 - Ability to work cooperatively with large customers to tailor a local renewable energy solution

Substantial Sustainability Investment

Seeking Net-Zero Carbon by 2050⁽³⁾

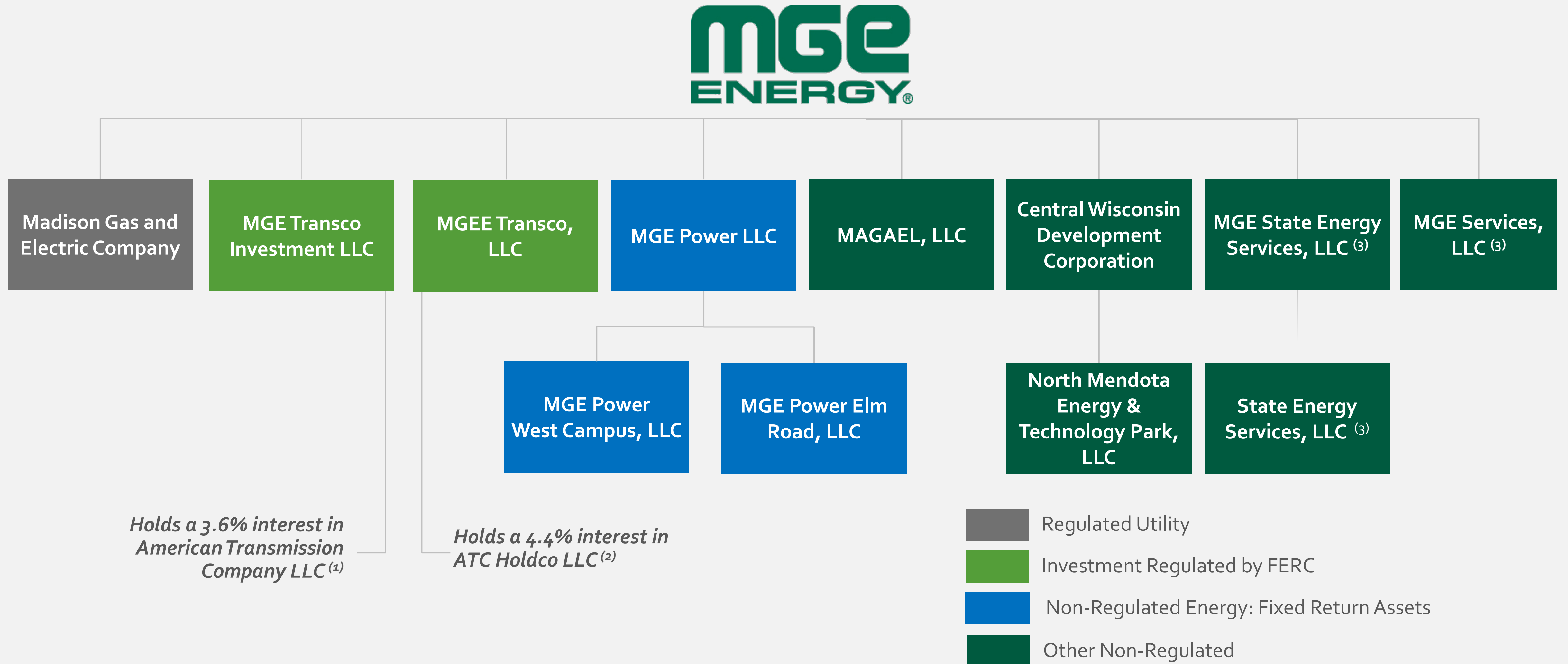
- Targeting carbon reduction of ≥80% by 2030
- Plan to eliminate coal as energy source by 2035
- Decarbonizing generation fleet by transitioning to clean energy, such as wind and solar
 - Announced projects designed to grow renewables capacity by over 9x from 2015⁽³⁾
- Electrifying transportation

(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



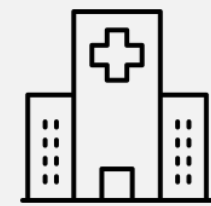
(1.) Owns and operates electric transmission lines in Wisconsin
(2.) Transmission development company. Separate from American Transmission Company, LLC
(3.) Presently inactive

Attractive Service Territory

The Madison area and Dane County lead the state in population growth. Our service territory is a growing and diverse community of urban, suburban and rural communities.



Home to the flagship University of Wisconsin at Madison

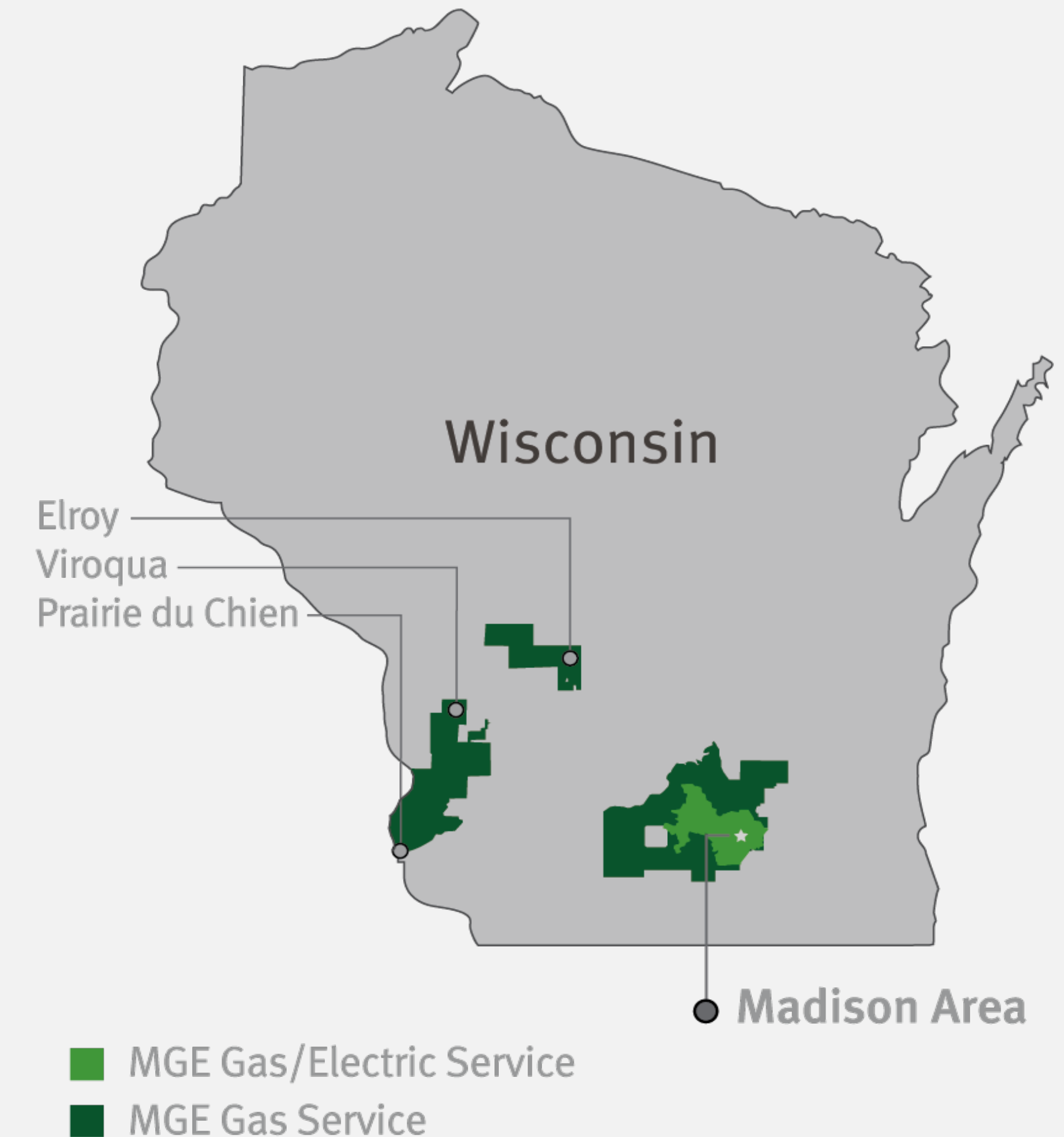


Robust biotech industry and entrepreneurial community



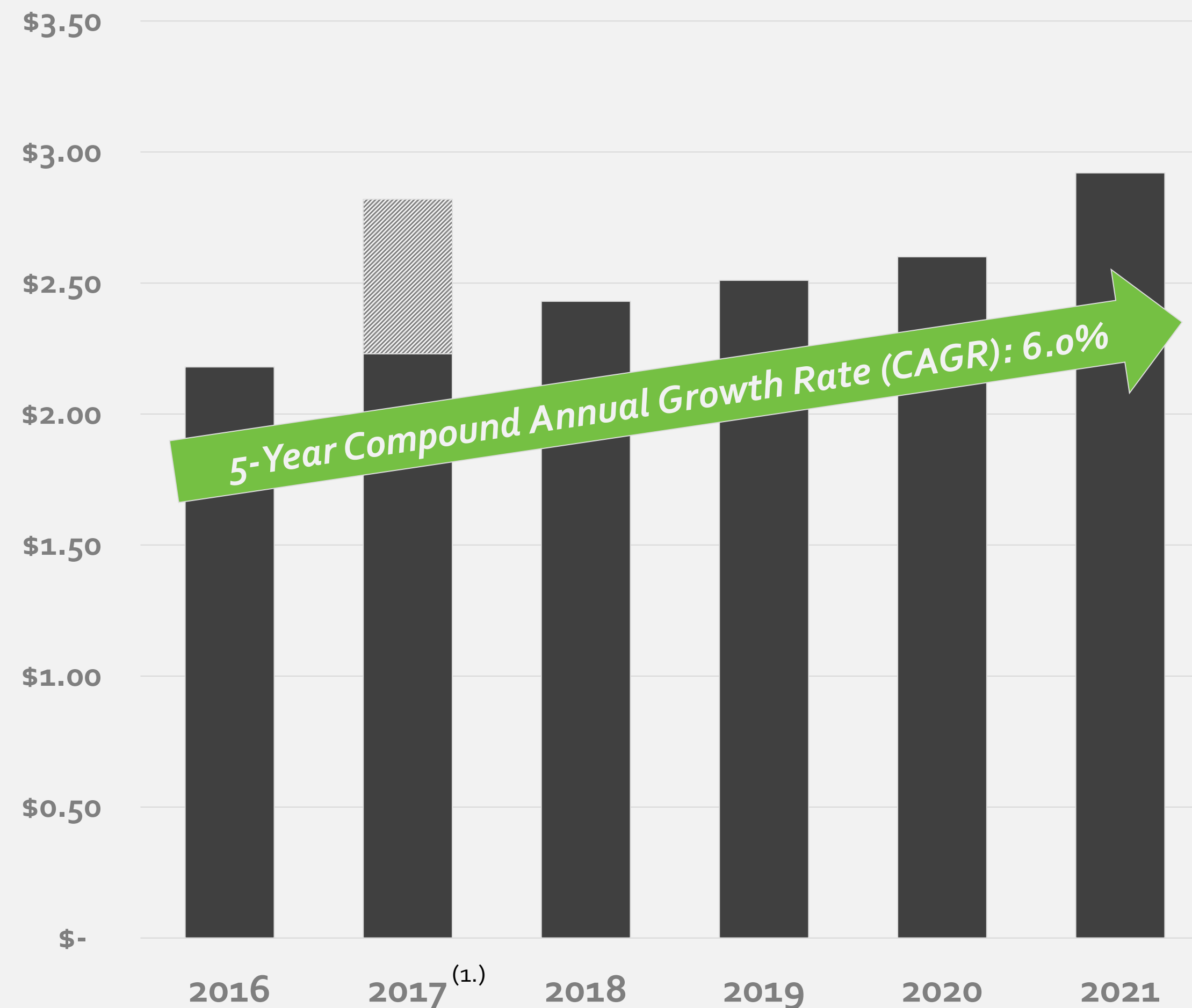
Seat of state government

All contribute to the economic resiliency of our service territory.

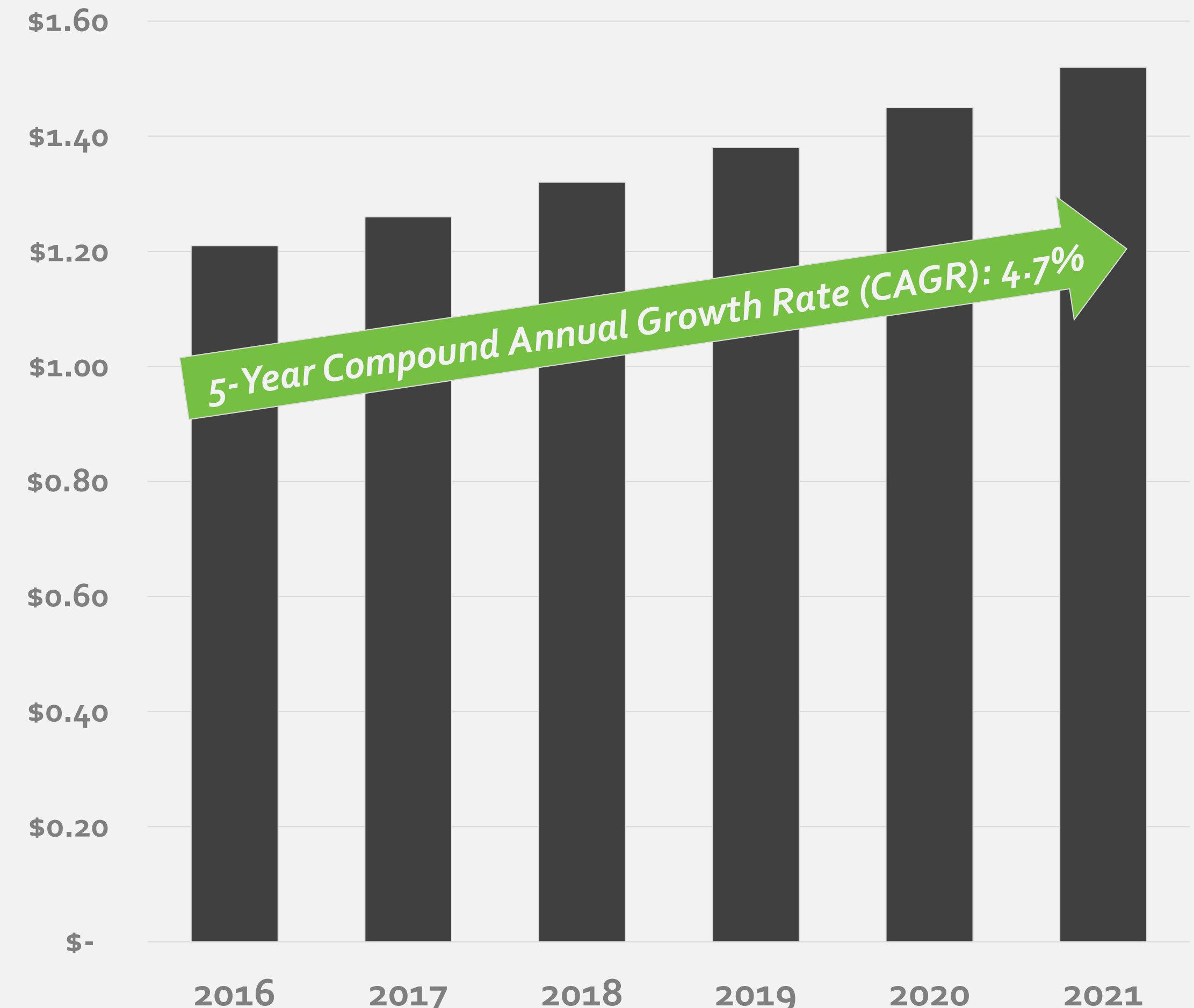


Earnings and Dividends per Share Growth

Earnings Per Share



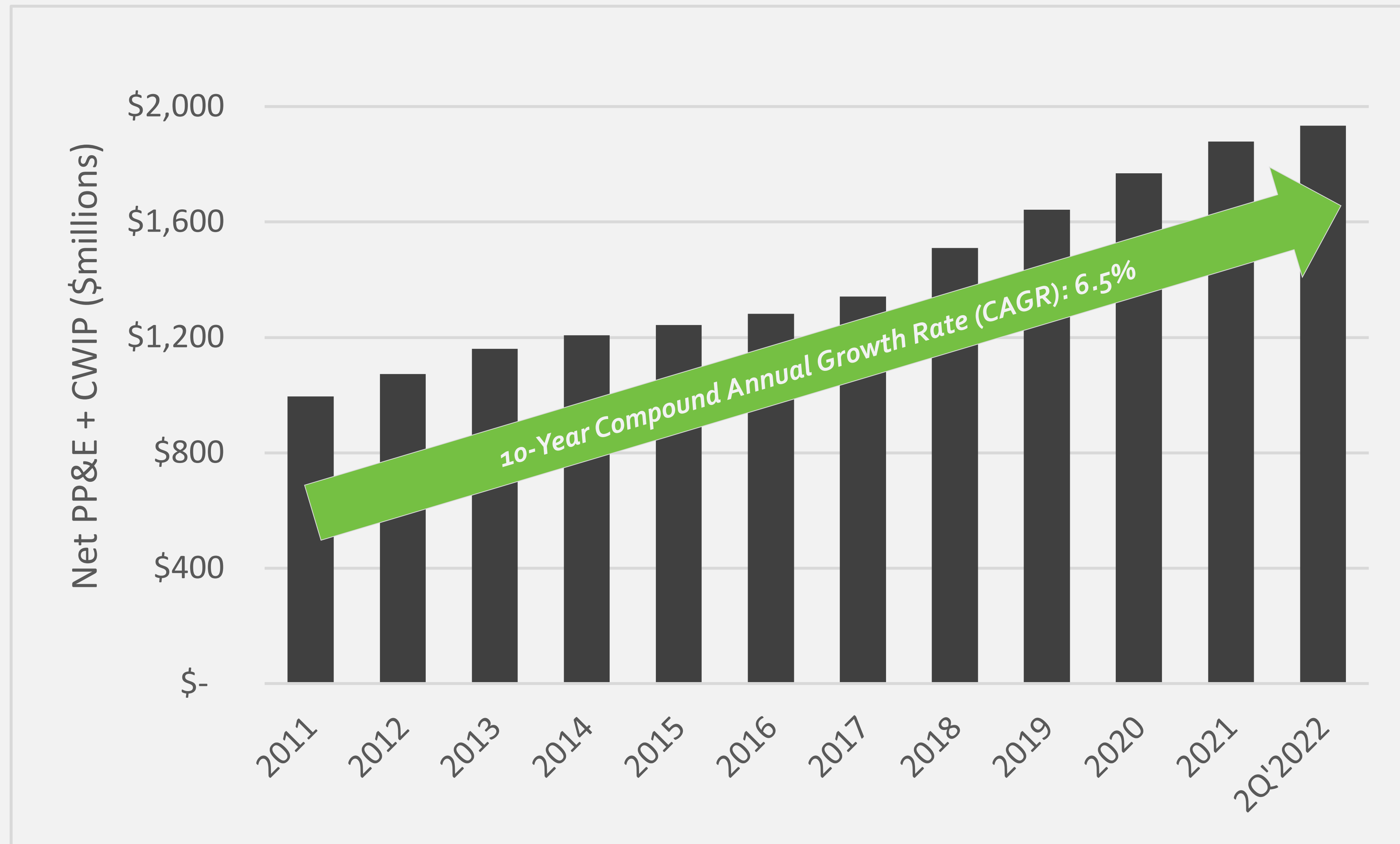
Dividends Paid Per Share



(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

Note: In August 2021 MGE's board of directors authorized an increase in quarterly dividend per share to \$0.388 per common share. See slide 21 for additional details

Strong Track Record of Regulated Asset Growth



Accelerating Transition Toward Cleaner Energy

Track Record of Increasing Pace of Decarbonization

- MGE's clean energy transition has reduced emissions while maintaining top-ranked electric reliability, strengthening key infrastructure, and providing affordable power to customers
- **2015:** Energy 2030 framework introduced, targeting 40% carbon reduction by 2030
- **2019:** Net-zero carbon by 2050 target announced
- **2020:** Expected carbon reductions updated to at least 65% by 2030
- **2022:** Energy 2030 goal updated to at least 80% by 2030

Foundational Objectives

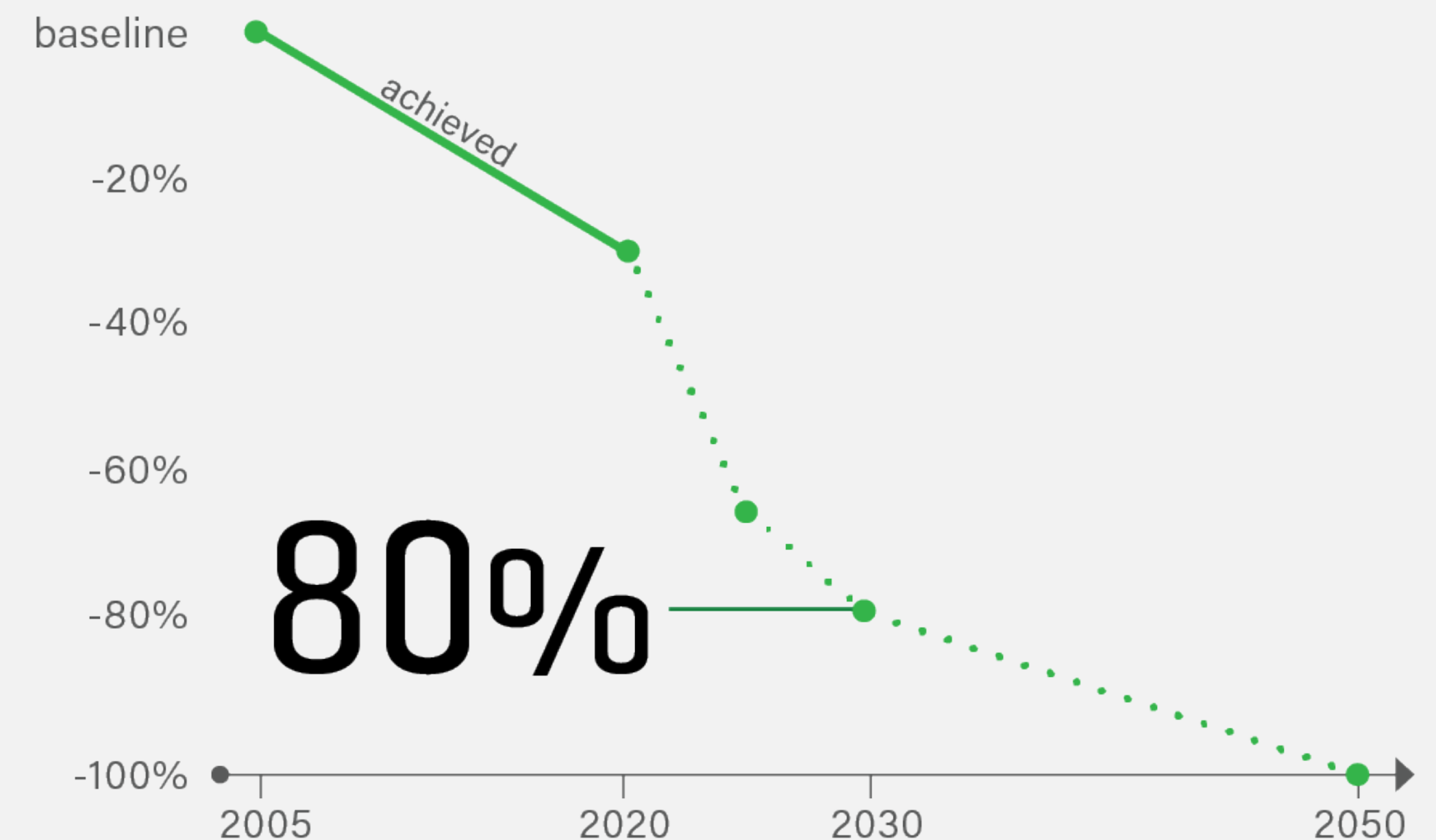
- Transition MGE to a more environmentally sustainable energy supply
- Provide customers with options they want today and in the future
- Help customers use energy efficiently and manage future costs for all customers
- Provide dynamic electric grid enabling and integrating new energy technologies
- Ensure all customers benefit from new technologies
- Deepen our engagement with the community

Strategies for Deep Decarbonization

- Grow MGE's use of renewable energy and eliminate coal as an energy source
- Further engage customers in energy efficiency
- Electrify transportation and other end uses

Net-Zero
CARBON ELECTRICITY BY 2050

Carbon emissions reduction



Actual results may differ from projections.

Plan to Eliminate Coal-Fired Generation from Portfolio by 2035

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.

The co-owners initially intended to retire Unit 1 by the end of 2023 and Unit 2 by the end of 2024. In June 2022, the target retirement date for both Units was updated to June 2026 after consideration by the owners of supply chain disruptions impacting the completion dates of current and planned renewable generation projects and the impact of those delays upon energy supply availability, reliability and cost.

- The postponement is not expected to affect MGE's goal to achieve 80% carbon reduction by 2030.
- MGE currently owns 19% of the facility (216 MW)
- Final timing and retirement dates maybe subject to change
- MGE will have eliminated approximately two-thirds of the company's current coal-fired generation capacity.
- Development of replacement energy and capacity resources subject to PSCW approval.

MGE, along with co-owner WEC Energy Group, has announced its plan to enhance fuel flexibility at the Oak Creek (Elm Road) Power the Future units (1,230 MW), pending approvals.

- MGE owns 8.33% of the facility (106 MW), which accounts for ~13% of MGE's net summer-rated capacity
- MGE's remaining use of coal is expected to be further reduced as the Elm Road Units transition to natural gas. This transition will help MGE meet its 2030 carbon reduction goal.
- Elm Road Units are expected to be fully transitioned away from coal by 2035, which will eliminate coal as an owned generation source for MGE.

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.

Rapidly Expanding Clean Energy Portfolio

Planned wind, solar and battery storage resources comprise nearly 50% of planned capital investment (2022-2024). Current and proposed clean energy projects will grow MGE's renewables capacity by over 9x since 2015.

In Progress - Regulatory Approval Granted			
Project	Investment (\$M)	Nameplate (MW)	Est. In-Service Date
Paris Solar-Battery	51 ^{(a)(b)}	20 / 11	2023 ^(c)
Badger Hollow II Solar	76 ^{(a)(b)}	50	First-half 2023
Red Barn Wind Farm	18	9.2	Dec. 2022

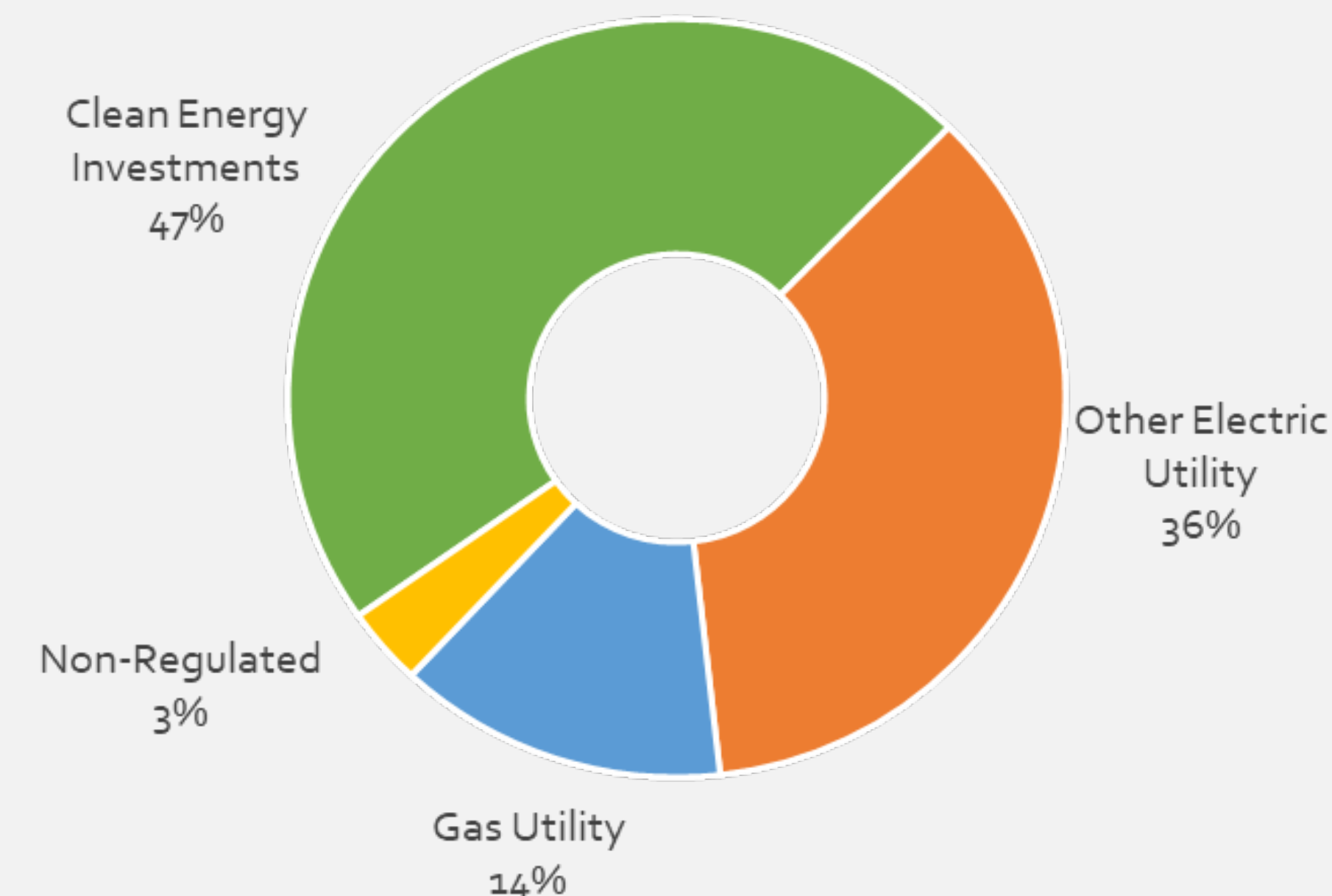
Proposed - Regulatory Approval Pending			
Project	Investment (\$M)	Nameplate (MW)	Est. In-Service Date
Darien Solar-Battery	45 ^(a)	25 / 7.5	2024 ^(c)
Koshkonong Solar-Battery	65 ^(a)	30 / 16.5	2025 ^(c)

(a) Project cost estimates exclude AFUDC

(b) In 2022, MGE notified the PSCW of increases in projected costs at Badger Hollow II and Paris. The main drivers were increases in the costs of key commodities, labor, and solar modules resulting from supply chain and market disruptions. MGE expects to recover the incremental costs through future rates.

(c) Battery storage timing to be determined

Capital Expenditures by Function
2022-2024



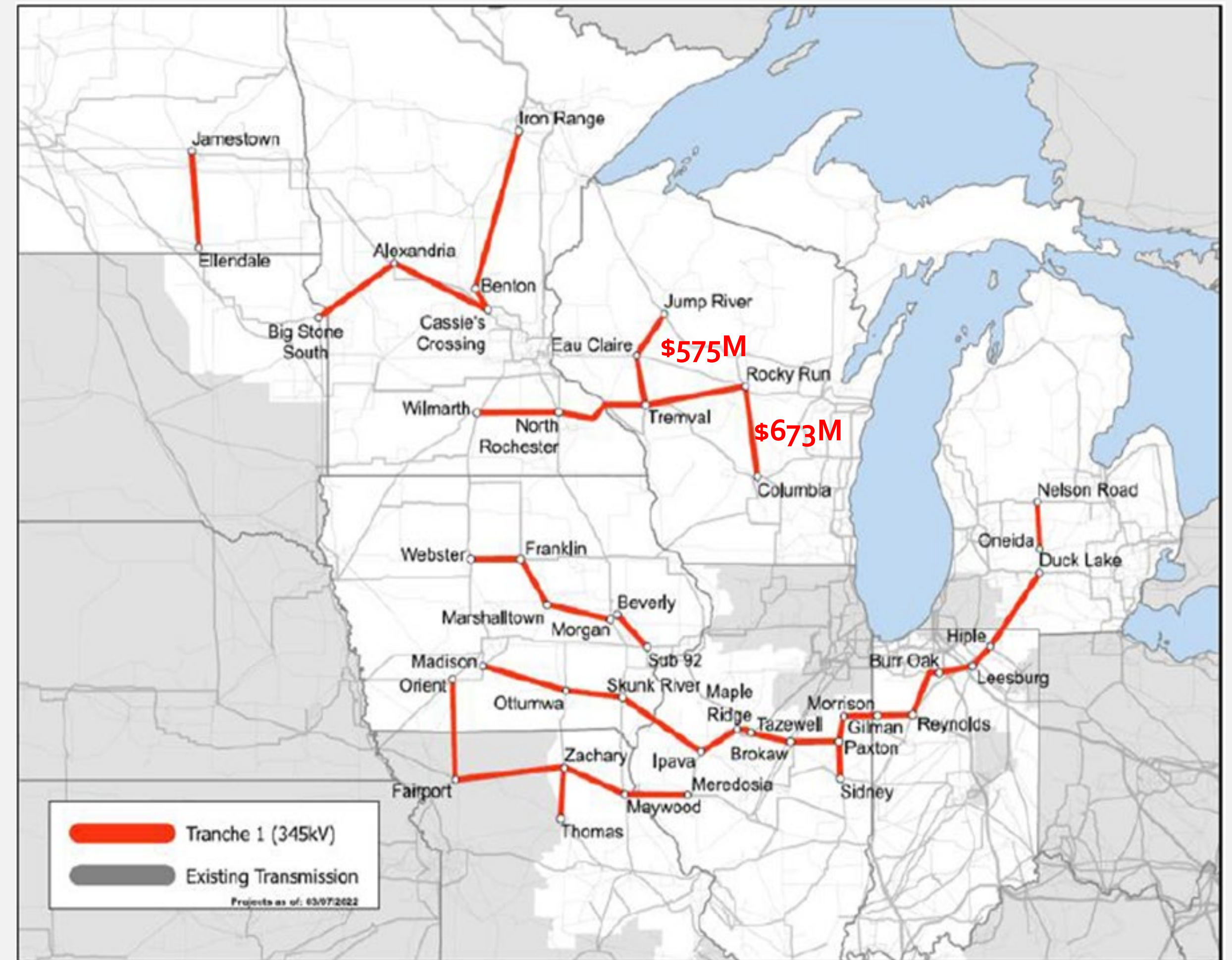
Focus on Clean Energy & Progress Toward Net-Zero Carbon



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(2.) Forecasted and actual capital expenditures do not include AFUDC. Forecasted capital expenditures include future projects which will require MGE to request and obtain approval from the PSCW.

Transmission Investment Outlook

- MGE Energy anticipates material transmission investment opportunities later this decade through ATC
 - MGEE holds 3.6% equity ownership interest in ATC
- MISO Tranche 1 Portfolio proposal addresses needs across the entirety of the MISO Midwest region
 - Tranche 1 projects would be incremental to ATC's base case maintenance and interconnection capex
 - Needed to support ongoing fleet transition
 - Designed to reliably enable goals and plans of states, utilities, and industries



Renewables Transition Driving Strong Growth

MG&E Rate Base as Authorized/Proposed by PSCW

(\$ millions)	2015	2017	2019	2020	2021	2022	2023p
Electric Utility	575.9	570.8	842.6	860.5	1,019.1	1,044.4	1,159.2
Gas Utility	158.1	175.8	233.4	250.7	282.4	299.3	312.3
Total Utility Rate Base	\$733.9	\$746.6	\$1,076.0	\$1,111.3	\$1,301.4	\$1,343.7	\$1,471.4
Electric Utility CWIP Earning 100% AFUDC	8.9	21.6	16.1	15.4	46.5	49.4	Limited Reopener
Electric Utility CWIP Earning Current Return	2.4	1.7	6.9	9.0	9.3	10.0	Limited Reopener
Electric Utility CWIP: Total	\$13.6	\$25.0	\$29.9	\$33.3	\$65.1	\$69.4	Limited Reopener
Gas Utility CWIP Earning 100% AFUDC	0.0	1.2	5.1	10.3	5.1	0.0	0.0
Gas Utility CWIP Earning Current Return	1.0	0.3	1.9	2.6	1.9	5.7	4.1
Gas Utility CWIP: Total	\$1.9	\$1.8	\$8.8	\$15.4	\$8.8	\$11.4	\$8.2

(1.) MGE's rate base as authorized by the PSCW is calculated as a 13-month average for forward-looking test year.

(2.) Electric rate base excludes projects developed under MGE's Renewable Energy Rider (RER) program.

(3.) MGE's electric rate case reopener for 2023 is limited in scope to adjust electric rates for changes related to its portfolio of generation assets. 2023 electric rate base remains subject to PSCW approval.

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 community solar programs**
 - Utility-Scale: Saratoga Wind, Forward Energy Center Wind, Two Creeks Solar, Badger Hollow I Solar
 - Red Barn Wind, Badger Hollow II Solar , Paris Solar-Battery Park (construction in progress)
 - Community: 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 (1% bandwidth) and Gas Cost Recovery Mechanism
 - Current return on 50% of CWIP or 100% AFUDC on major construction projects

PSCW Approved 2022-2023 Rate Case / Filed 2023 Reopener

Approved Settlement Terms (\$000's where applicable)	Test Year 2022	Test Year 2023
Average Electric Rate Base	\$1,044,362	\$1,159,155 ⁽¹⁾
Average Gas Rate Base	\$299,319	\$312,270
Regulatory Equity Layer	55.63%	55.63%
Authorized ROE	9.80%	9.80%

Electric Rates – 8.81% increase in 2022, 4.38% increase proposed in 2023 limited reopener

- ✓ Driven by increased rate base, including clean energy investments and new customer information system
- ✓ 2023 test year limited reopener filed on April 1, 2022, to include Badger Hollow II, Paris, Red Barn, West Riverside, and accelerated depreciation of Columbia Unit 2
- ✓ Reflects changes in fuel and purchased power costs. Reopener fuel forecast updated prior to PSCW decision.

Gas Rates – 2.15% increase in 2022, 0.96% increase in 2023

- ✓ Driven by increased rate base, including full-year of new customer information system and distribution infrastructure improvements

MGE's average electric and gas rate increases have been below the average annual rate of inflation for the past >15 years.

(1) Average electric rate base filed in MGE's 2023 limited reopener rate case with the PSCW. Awaiting PSCW approval.

ESG Summary

Leadership

- Environmental and Sustainability Policy
- Sustainability Executive Team
- Operations-wide Environmental Management System
- Clean energy investments of ~\$645M (2015-2024)
- 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

Corporate Governance

- Board Tenure – 9-year average
- Board Engagement - 10 regular scheduled board meetings in addition to committee meetings
- Periodic Board Refreshment - 3 new directors within the last 4 years

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

Electric Vehicles and Deep Decarbonization:

MGE has been advancing alternative fuel vehicles since the launch of its public charging network more than a decade ago.

Electrification of fleet vehicles

- 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.



Transportation accounts for almost 30% 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.

Electric Vehicles and Deep Decarbonization

New fast-charging hub

- MGE continues to advance sustainable transportation with construction of a new electric vehicle fast-charging Hub in downtown Madison's Capitol East District.

MGE's Charge@Home Program

- Under MGE's Charge@Home tariff, MGE installs Level 2 chargers for customers in exchange for a flat monthly fee plus the cost of electricity.

MGE Programs Driving Growth

- Our customer programs are helping to accelerate the transition to EVs.
- MGE anticipates the electrification of transportation by customers within its service territory could be a driver of electric sales growth over the long term.
- Electric vehicle market penetration in Dane County was estimated at 5.5% as of September 2021.



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Commitment to Dividends & Shareholder Value

- **Recent dividend increase was approximately 5%**
 - Increased dividend in August 2021 for the 46th consecutive year
 - Paid dividends for more than 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.**

Company Highlights

Diversified Customer Base and Revenue Profile

Resilient Revenue Stream and Customer Base

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Stable Earnings Growth with Strong Balance Sheet

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 - S&P: AA- (Stable)
 - Moody's: Aa2 Secured (Stable)
A1 Unsecured (Stable)



Regulated, Highly Visible Growth

Historical 5-Year Regulated PPE⁽¹⁾ CAGR of 8.0%

- Forecasted capital investment of ~\$660M from 2022 through 2024⁽³⁾
- Premium service territory with constructive regulation
- Forward-looking test years
- Renewable Energy Rider
 - Ability to work cooperatively with large customers to tailor a local renewable energy solution

Substantial Sustainability Investment

Seeking Net-Zero Carbon by 2050⁽³⁾

- Targeting carbon reduction of ≥80% by 2030
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 - Announced projects designed to grow renewables capacity by over 9x from 2015⁽³⁾
- Electrifying transportation

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

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Appendix

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 2021

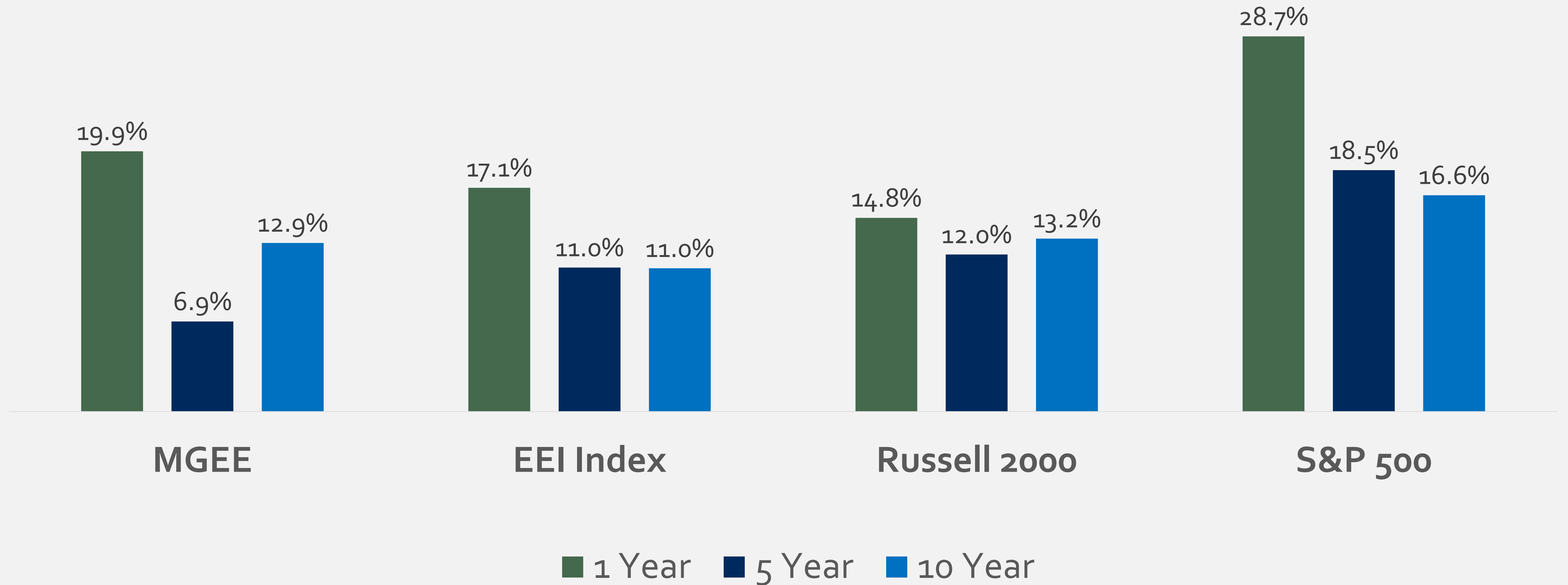
MOODY'S (UTILITY RATINGS)	
Secured	Aa2
Unsecured	A1
Commercial paper	P-1
Outlook	Stable
<ul style="list-style-type: none">• Rating reflects a credit supportive regulatory environment• Healthy financial metrics (CFO pre-WC / Debt)• Stable rating outlook assumes future prudently incurred investments will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

Source: Moody's, October 2021

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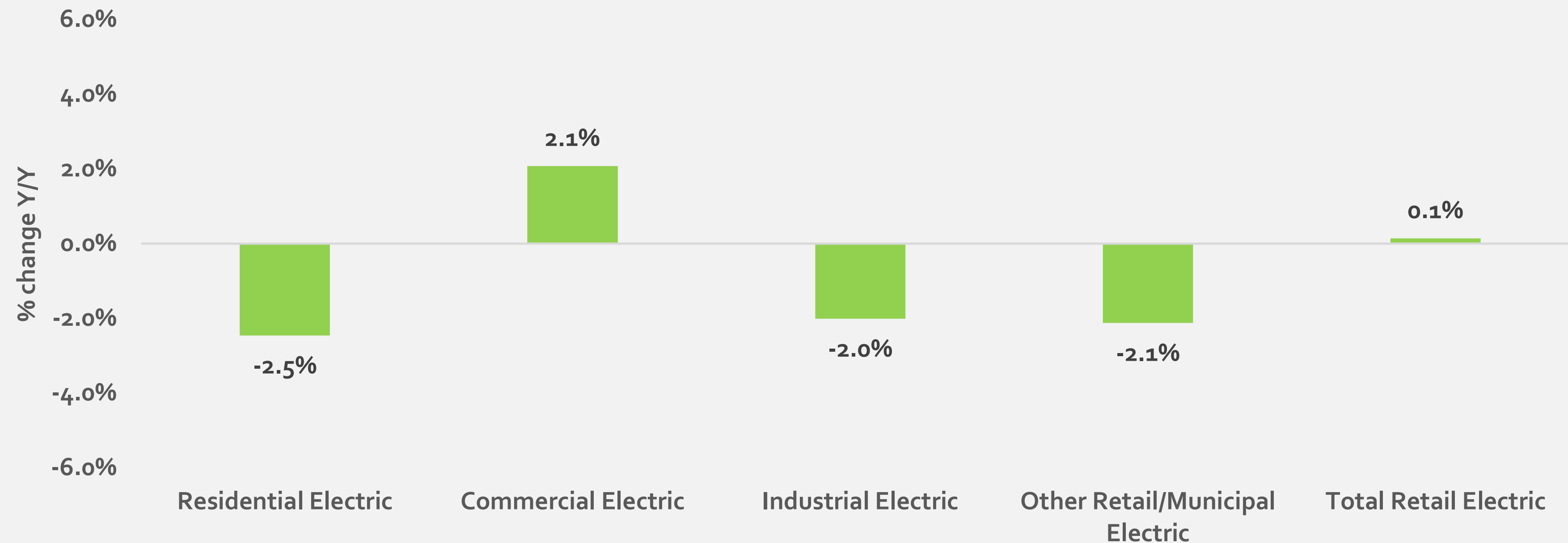
Total Shareholder Return

Period Ending December 31, 2021



MGE – Quarterly Electric Sales Comparison

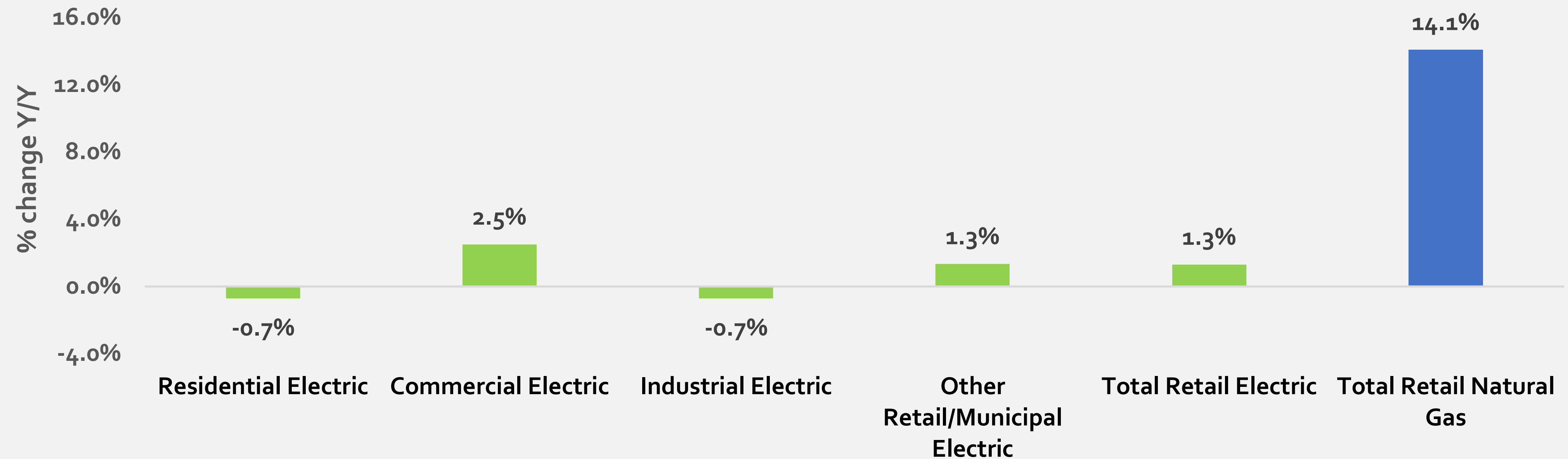
Three Months Ended June 30



	2022	2021	%
Cooling Degree Days (Normal 190)	277	309	-10.4%

MGE – YTD Electric & Gas Sales Comparison

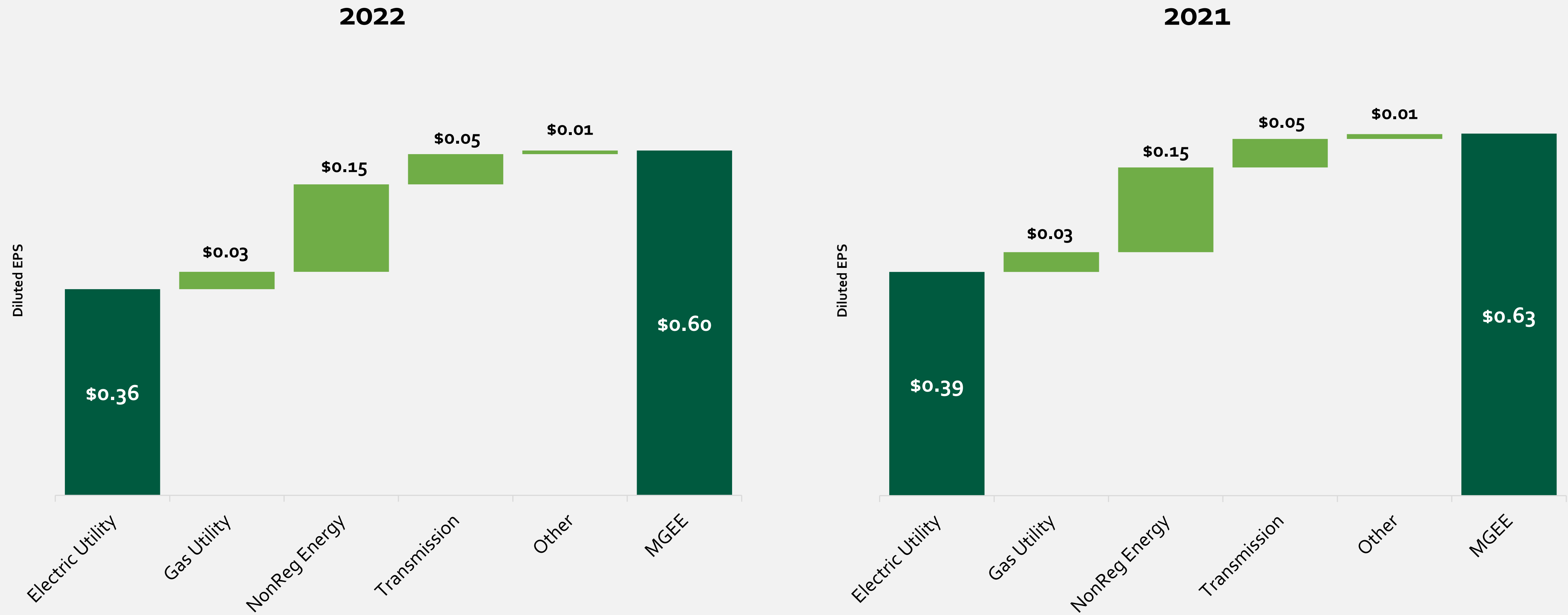
Six Months Ended June 30



	2022	2021	%
Cooling Degree Days (Normal 190)	277	309	-10.4%
Heating Degree Days (Normal 4,345)	4,588	4,354	5.4%

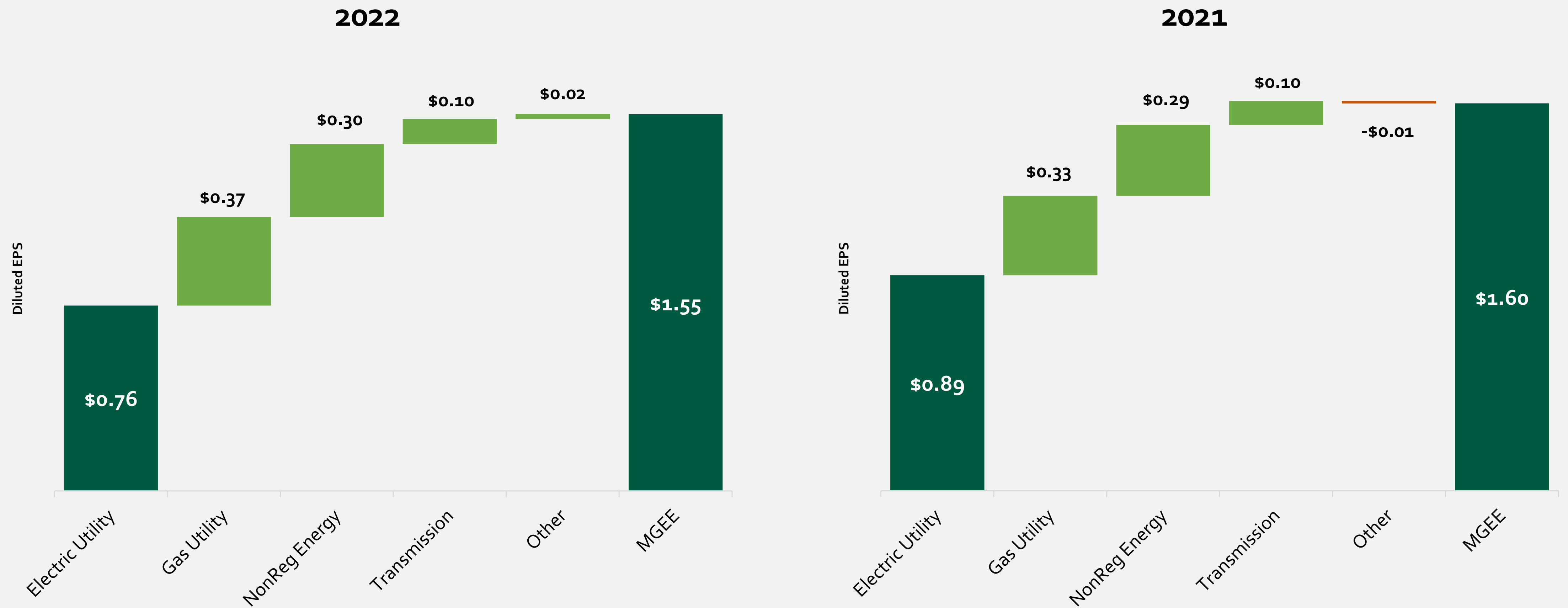
Diluted EPS by Segment

Three Months Ended June 30



Diluted EPS by Segment

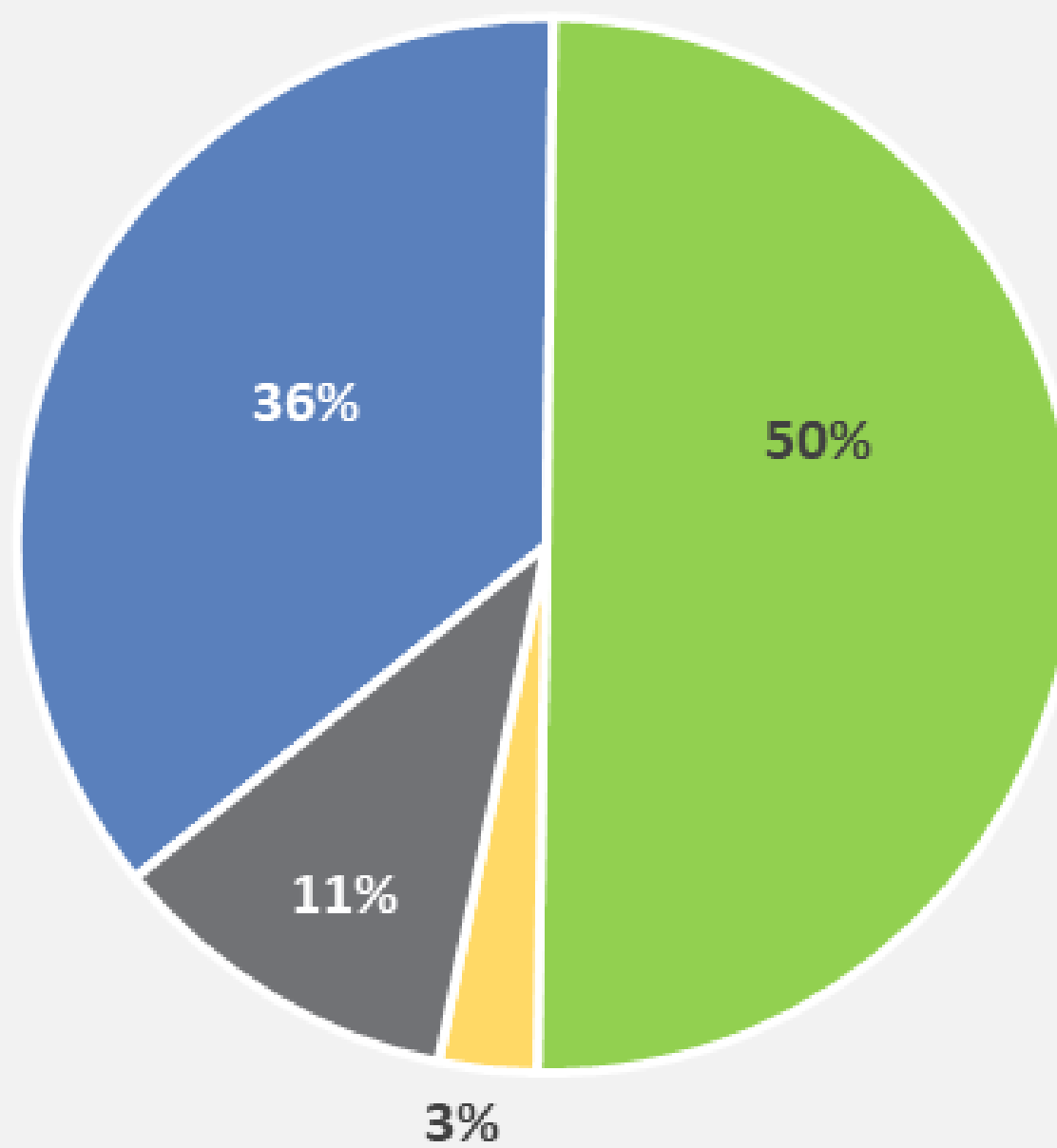
Six Months Ended June 30



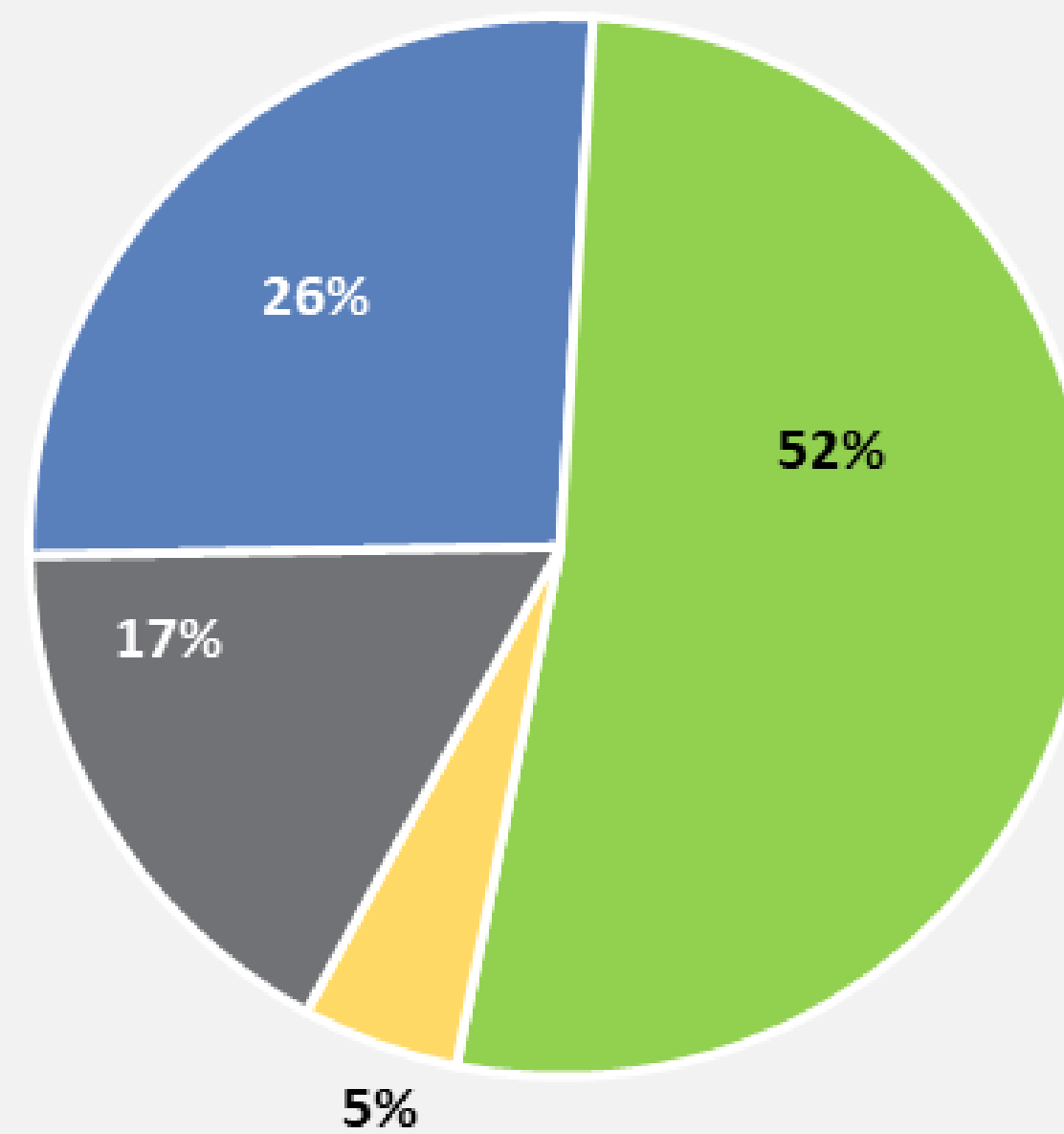
Electric Utility Mix

Twelve Months Ended December 31, 2021

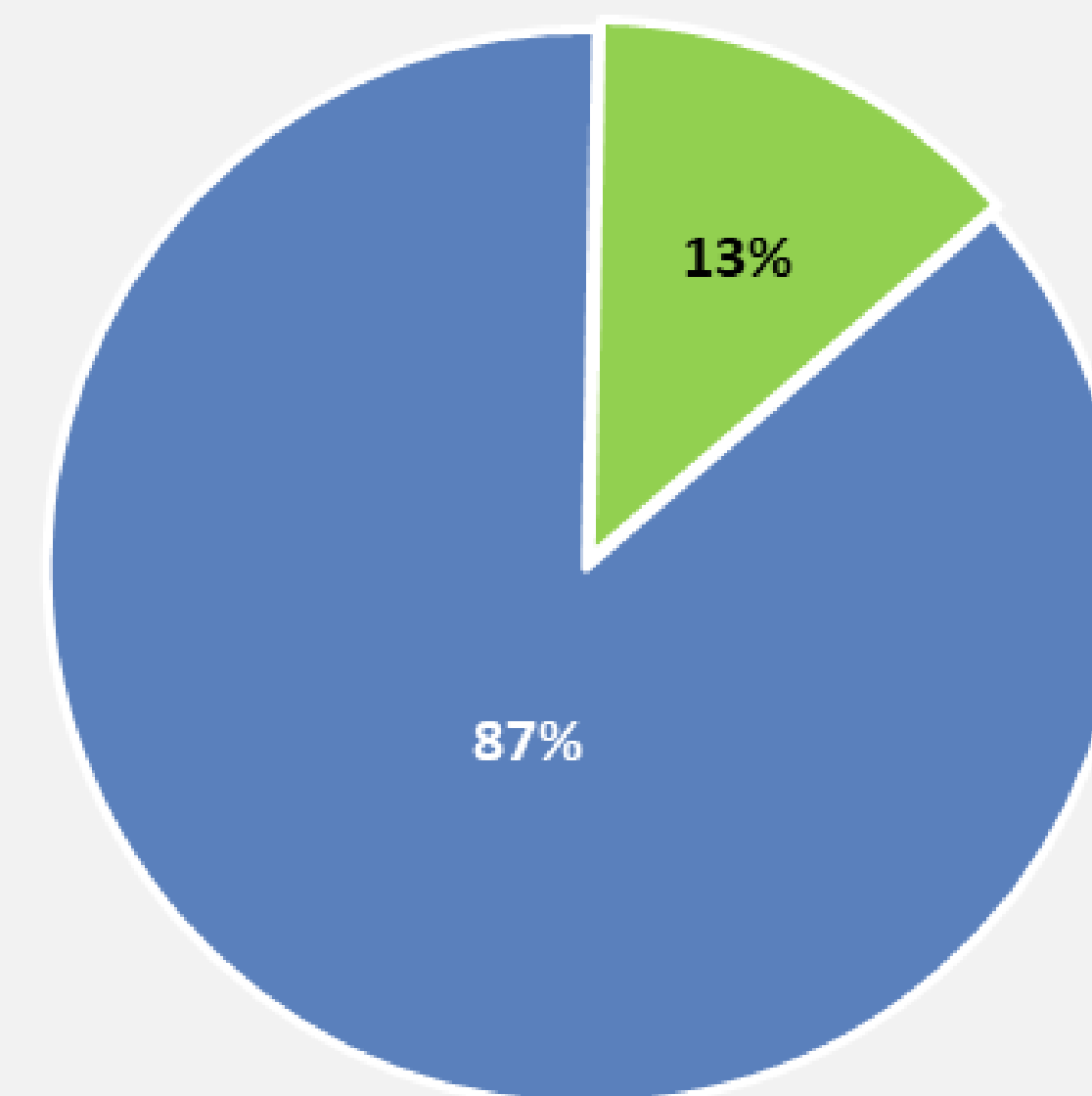
Electric Revenues



Electric Volumes



Electric Customers

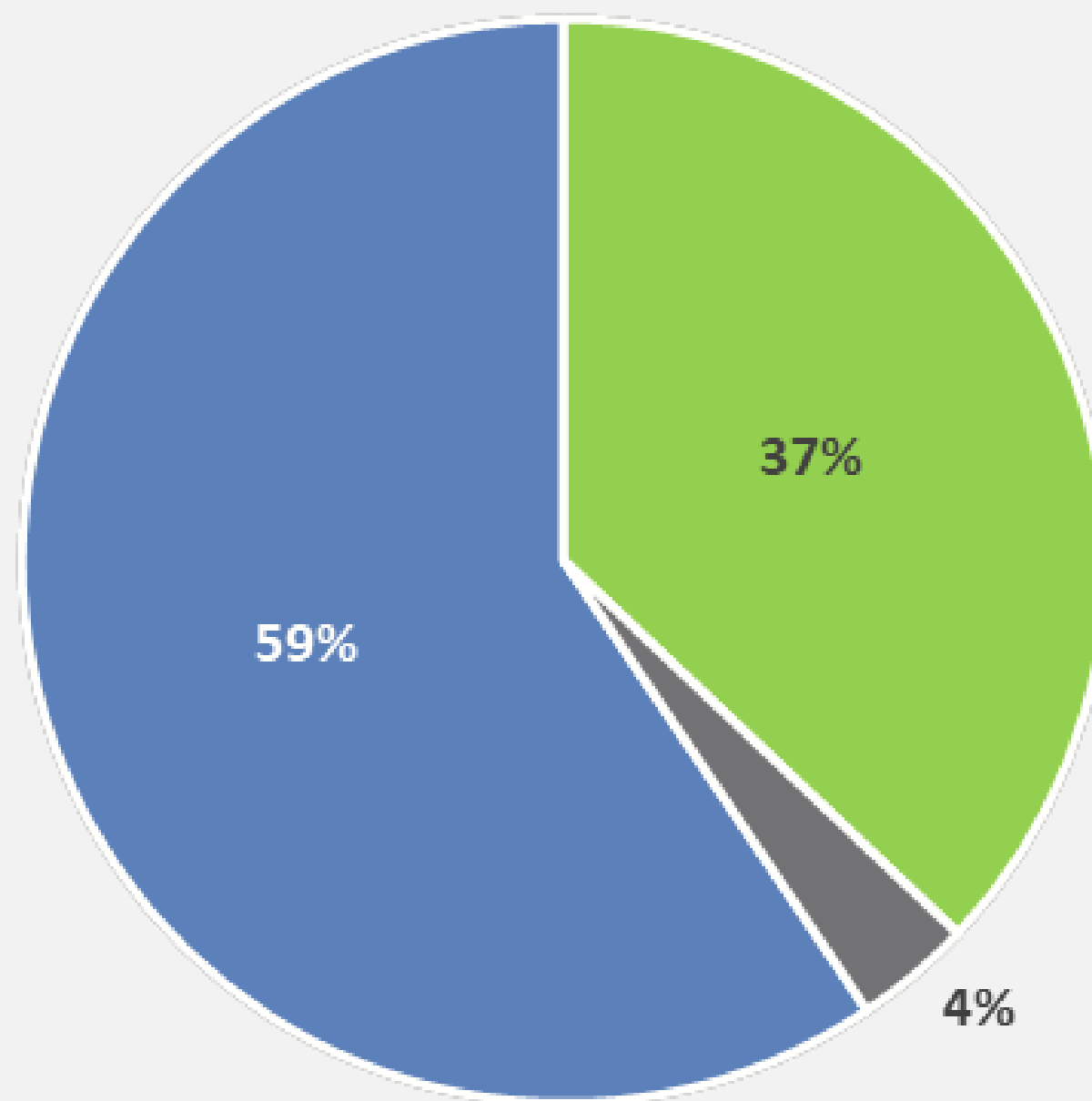


- Residential
- Commercial
- Industrial
- Other

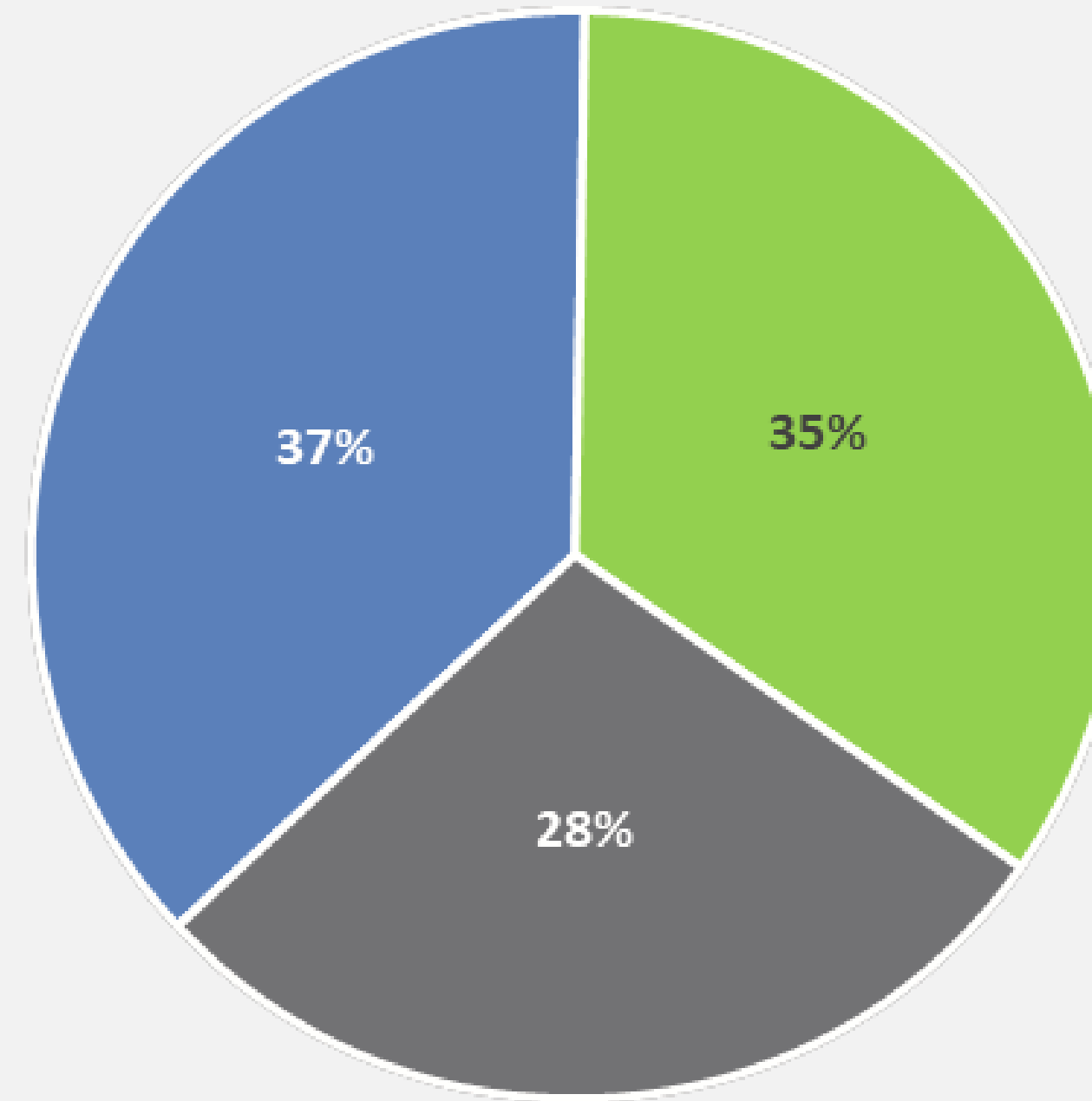
Gas Utility Mix

Twelve Months Ended December 31, 2021

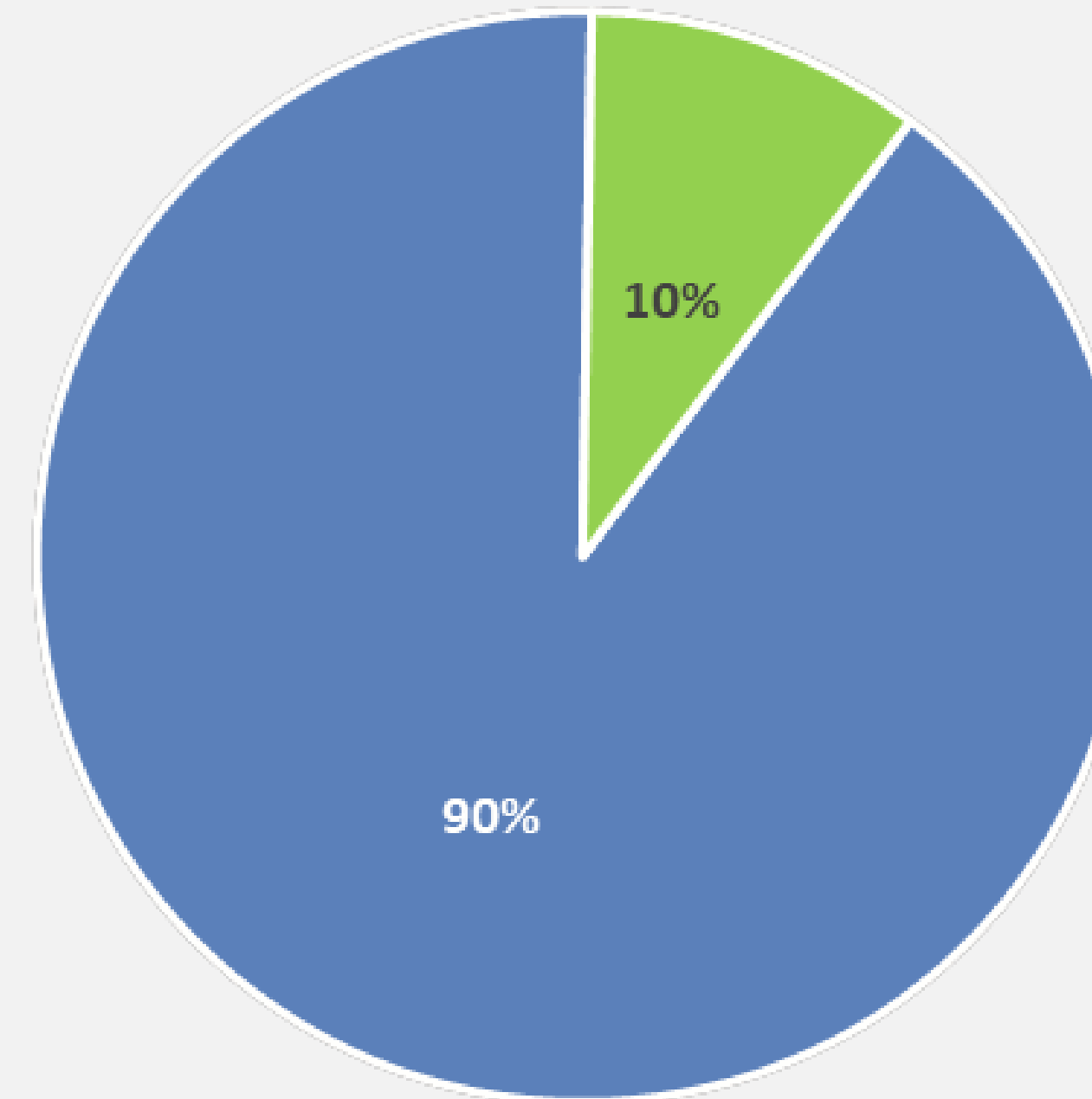
Gas Revenues



Gas Volumes



Gas Customers



- Residential
- Commercial/Industrial
- Other

Financial Update 2Q 2022

For more information visit:
mgeenergy.com

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