



Powering a smart energy future.

## Asset growth continues to build long-term shareholder value



**Jeff Keebler, Chairman,  
President and Chief  
Executive Officer**

MGE Energy continues to build shareholder value by investing in cost-effective, clean energy to serve our customers and to meet our long-term sustainability goals.

Within the last 10 years, we have grown our asset base from \$1.3 billion in 2008 to almost \$2 billion in 2018. We project an estimated \$130 million investment in our two utility-scale solar projects, Badger Hollow and

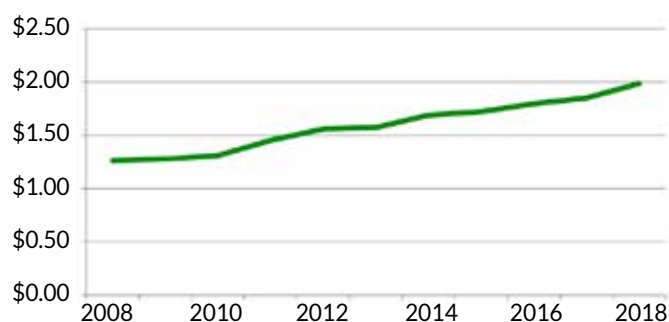
Two Creeks Solar in 2019 and 2020. See article on page 3.

This investment in renewable energy is in addition to \$145 million in capital expenditures this year, covering new information technology infrastructure under our Enterprise Forward Initiative as well as upgrades and maintenance for our gas and electric distribution infrastructure.

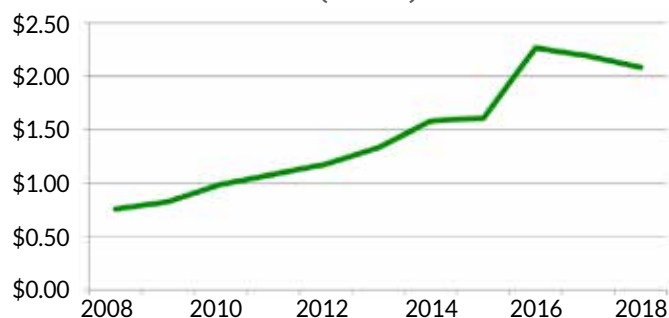
In 2018, MGE Energy's market value reached \$2.1 billion, nearly triple its value 10 years ago. Market value is determined by multiplying the number of shares outstanding by the closing stock price per share.

MGE Energy remains committed to long-term shareholder value. We continue to work toward increased sustainability, an enhanced customer experience and ongoing cost-containment as we build a community energy company for the future.

**Asset Growth**  
(billions)



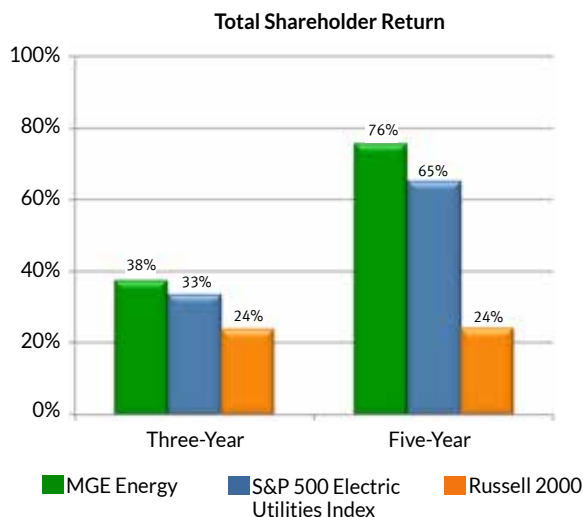
**Market Value**  
(billions)



## Total return outperforms

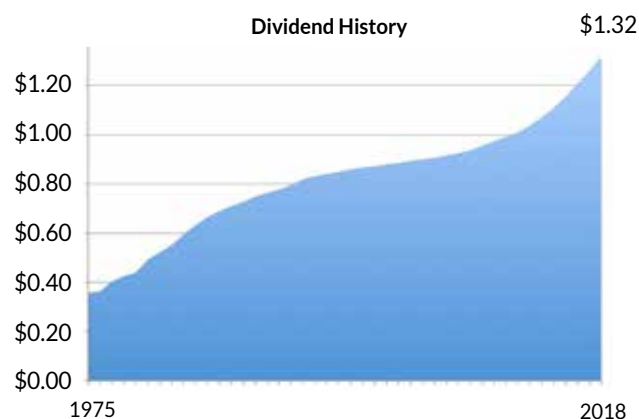
Total return is a measure of your investment's performance. It is the combination of stock price and reinvested dividends.

Taking a look at the last three to five years, MGE Energy's total shareholder return outpaced comparable market indices, including the Russell 2000 and the S&P 500 Electric Utilities Index. A \$1,000 investment in MGE Energy in 2013, with dividends reinvested, would have grown to \$1,756 at the close of 2018.



Last year, MGE Energy's Board of Directors approved a nearly 5% increase in the quarterly dividend rate. Our annual dividend paid per share reached \$1.32. MGE Energy has increased its dividend for 43 consecutive years and has paid dividends since 1909.

We also have produced solid earnings. In 2018, MGE Energy reported earnings of \$2.43 per share compared to \$2.82 in 2017. Earnings for 2017 included a 62-cent per share one-time, non-cash tax benefit.



## MGE Energy top-ranked for financial performance

MGE Energy's disciplined financial management continues to distinguish the company.

**Dividend Achiever:** MGE Energy is consistently recognized as a Dividend Achiever by Mergent, a financial publisher. We are one of only four combination utility holding companies nationwide to increase the dividend for 43 or more consecutive years.

**Highest Credit Rating:** Our regulated utility, Madison Gas and Electric (MGE), continues to receive from Standard & Poor's and Moody's the highest credit ratings in the nation for investor-owned, combination utilities.

**Strength and Safety:** Value Line, Inc., gives MGE Energy top ratings for both financial strength and investment safety. MGE Energy has maintained these high marks for more than a decade.

### MGE Top Credit Quality

**S&P**  
Corporate Credit: **AA-**  
Outlook: **Stable**

**Moody's**  
Secured: **Aa2**  
Unsecured: **A1**  
Outlook: **Stable**

### MGEE Value Line Ratings

Safe Investment  
**No. 1**

Financial Strength  
**A**

## Company sets goal for net-zero carbon electricity

Our regulated utility, Madison Gas and Electric (MGE), has announced an ambitious target of net-zero carbon electricity by 2050. Chairman, President and CEO Jeff Keebler says the announcement reflects the company's vision for the future and efforts to align with current climate science to limit global temperature increases to 1.5 degrees by 2050.

"We believe it is important to articulate a long-term goal that is both visionary and based on the best climate science available. Our net-zero carbon goal is aggressive, and it will require technologies not yet commercially available or cost-effective, but it is where we need to be," Keebler said.

MGE already has been on a trajectory to reduce carbon emissions at least 80% by 2050. MGE's key strategies for deep decarbonization include reducing the carbon intensity in electricity generation, engaging customers around energy efficiency and electrifying transportation.

### Shared Solar to expand

MGE is seeking to expand its highly successful community solar program, Shared Solar, with plans for a 5-megawatt (MW) solar array. MGE filed in March for regulatory approval to build the \$8.6 million project.



*Future Shared Solar site next to Middleton Municipal Airport (Morey Field)*

The expansion will open the optional program to more customers, including small- to medium-size business customers. The existing program, which is fully subscribed, is open only to residential customers. Customers who enroll can purchase up to half of their annual electricity use through Shared Solar.

This proposed expansion builds on the success of MGE's first Shared Solar project, a 500-kilowatt array located on the roof of the City of Middleton's Municipal Operations Center. The second Shared Solar array would be built in partnership with the City of Middleton at the Middleton Municipal Airport (Morey Field). Construction would begin in summer with energy production expected this fall.

### Partnerships with large customers

A 1-MW share of the 5-MW solar array will serve the Middleton-Cross Plains Area School District under MGE's Renewable Energy Rider. A 0.5-MW share will serve the City of Middleton under a separate Renewable Energy Rider agreement.

Under a Renewable Energy Rider, MGE partners with a large energy user to tailor a renewable energy solution to meet that customer's energy needs. The model advances shared sustainability goals and grows clean energy in MGE's service territory.

### Badger Hollow, Two Creeks solar projects approved

In April, state regulators approved MGE's purchase of 100 MW of solar capacity from two Wisconsin-based solar projects, the Badger Hollow Solar Farm in Iowa County and the Two Creeks Solar project in Manitowoc and Kewaunee counties. MGE is partnering with another Wisconsin utility to purchase the installations with a combined total output of 300 MW.

MGE's share of the total cost is about \$130 million. Construction is expected to begin this year with the arrays expected to be operational by the end of 2020. Solar, like wind, has no fuel costs, which can fluctuate over time. These projects represent cost-effective, clean energy that will help to manage long-term costs for customers.

MGE continues to work actively with developers to pursue other potential solar generation sites.

## MGE program helps businesses grow

Madison-based RP's Pasta Company produces 2,000 tons of fresh pasta each year for distribution nationwide. Two years ago, the company partnered with Tribe 9 Foods, a family of brands.

With the partnership came a new 55,000-square-foot facility—and the need for new equipment—to accommodate the anticipated growth in production. RP's Pasta founder and Chief Creative Officer of Tribe 9 Foods, Peter Robertson, turned to MGE's Shared Saving program to help finance some of the necessary equipment upgrades.

Shared Savings is a loan program to fund energy- and money-saving improvements to business facilities. MGE pays the up-front costs. Businesses use the cost savings generated by reduced energy consumption to help repay the loan.

Robertson worked with MGE to purchase a high-efficiency boiler, which was necessary to add an additional product line.

"And because we needed the boiler first to increase capacity before we could obtain additional sales, it made financing more difficult," Robertson said.

The boiler project totaled \$112,000. Robertson took advantage of a \$3,000 custom incentive from Wisconsin's Focus on Energy program and worked with his account representatives in MGE's commercial and industrial marketing to finance the remainder of the project through Shared Savings. The program has loaned about \$15 million for 150 projects throughout the last 10 years.



*Peter Robertson, Founder of RP's Pasta Company and Chief Creative Officer of Tribe 9 Foods, purchased a new high-efficiency boiler through MGE's Shared Savings program.*

## Madison recognized for economic strength

The Madison area is a nationwide leader for its economic strength. POLICOM, an independent economics research firm, ranks the Madison area 12th nationwide in its annual ranking of nearly 400 metro areas.

In its analysis, the consulting firm measures how an area's economy has behaved, defining economic strength as "the long-term tendency for an area to consistently grow in size and quality." The metro areas surrounding Nashville, Tennessee; Seattle, Washington; and Austin, Texas, top the list respectively.

To help grow local entrepreneurial businesses, earlier this year MGE helped launch "Kiva Greater Madison," a local branch of the global crowdfunding microloan program. The program offers entrepreneurs, who may not have access to conventional sources of capital, microloans from \$500 to \$10,000 at zero percent interest and with no fees.

The MGE Foundation is a proud partner and financial supporter of Kiva Greater Madison. MGE works with its communities, customers and other stakeholders to promote economic development and healthy growth throughout our service territory.

### For information on MGE Energy's Direct Stock Purchase and Dividend Reinvestment Plan, contact

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- Stock price
- Online account access
- Stock purchase plan
- Company news
- Dividends and earnings

### Inside View

The *Inside View* is published periodically to provide investors with information about MGE Energy. MGE Energy's primary asset, Madison Gas and Electric, provides highly reliable gas and electric service and promotes economic development in south-central and western Wisconsin.