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Annual meeting highlights company’s leadership in clean energy, continued financial strength

MGE Energy shareholders joined executive leadership in mid-May for your community energy company’s virtual annual meeting, during which Chairman, President and CEO Jeff Keebler discussed the company’s ongoing investment in cost-effective, carbon-free energy sources to achieve its sustainability goals. Keebler also discussed the company’s goal of net-zero methane emissions from its natural gas distribution system by 2035.



Jeff Keebler, Chairman, President and CEO

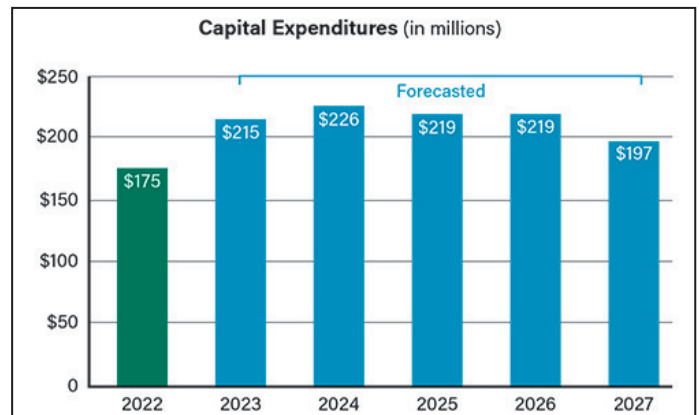
“Whether you are a customer served by MGE electricity or natural gas, or both, you will be served by increasingly cleaner—while still affordable—energy from MGE. That is our commitment. New and emerging technologies will help us deliver on that commitment,” Keebler said from the company’s headquarters in downtown Madison.

Keebler shared plans for the site of the coal-fired Columbia Energy Center, which is expected to be retired by mid-2026. MGE is a minority owner of the plant. Its anticipated retirement will eliminate approximately two-thirds of the company’s current coal-fired generation capacity, helping MGE to achieve its goal of reducing carbon at least 80% by 2030. MGE and the co-owners are seeking a grant to use the site for long-duration energy storage, which would help to facilitate MGE’s transition to greater use of renewable energy. See the article on page 3 to learn more about the project known as the Energy Dome.

Jared Bushek, Vice President – Chief Financial Officer and Treasurer, said the company consistently maintains the highest credit ratings of any investor-owned combination utility in the country, providing a foundation from which to invest and enable dividend growth. MGE Energy has increased the dividend for 47 consecutive years and has paid dividends for more than a century.

When combined, the company’s recent wind, solar and battery storage projects—which include the Red Barn Wind Farm, Badger Hollow II Solar Farm, Paris Solar-Battery Park, Tyto Solar, Darien and Koshkonong solar energy centers—represent significant capital investment and continue to be the most economic option for serving its customers long-term. The company’s investments, when online, are expected to grow its owned renewable generation capacity by more than nine times since 2015.

To watch the annual meeting webcast, visit virtualshareholdermeeting.com/mgee2023.



Renewable generation investments fueling asset growth

In spring 2023, Madison Gas and Electric's (MGE) newest wind farm became operational, delivering carbon-free electricity to all MGE electric customers. MGE has a 10% ownership interest in the 92-megawatt (MW) Red Barn Wind Farm in Grant County, Wis.

The Red Barn Wind Farm is one of several renewable energy investments to help MGE achieve its goals to reduce carbon emissions 80% by 2030 (from 2005 levels) and achieve net-zero carbon electricity by 2050.

"Red Barn is another important step in our ongoing transition to a more sustainable energy future," Jeff Keebler, Chairman, President and CEO, said in a statement. "By 2030, every MGE electric customer will have 80% fewer carbon emissions from their electricity use simply by being an MGE customer."

In addition, within the last year and a half, MGE has received approval to purchase a 10% share in each of the following large-scale solar energy and battery storage projects to serve all MGE electric customers.

- Paris Solar-Battery Park: MGE will own 20 MW of solar energy and 11 MW of battery storage from the 200-MW solar and 110-MW battery storage facility under construction in Kenosha County, Wis.* The solar is expected online in 2023.
- Darien Solar Energy Center: MGE will own 25 MW of solar energy and 7.5 MW of battery storage from the 250-MW solar and 75-MW battery storage facility under construction in Rock and Walworth counties in southern Wisconsin. The project is expected to become operational in 2024.*
- Koshkonong Solar Energy Center: MGE will own 30 MW of solar and 16.5 MW of battery storage from the facility under construction in Dane County, Wis. The 300-MW solar project with 165 MW of battery storage is expected online in 2025.*

Tyto Solar










MGE also plans to purchase the 6-MW Tyto Solar project when construction is complete, expected in 2023. Located in Fitchburg, Wis., Tyto Solar will serve MGE as a distributed energy resource, which is a generating facility connected to the company's distribution grid. MGE is

committed to investing in cost-effective, locally generated renewable energy.

Asset growth

In the last five years, MGE Energy has grown its asset base from approximately \$1.9 billion to approximately \$2.5 billion. Its recent generation investments represent efficient and cost-effective sources of energy for the future. Renewables help to reduce carbon emissions while also lessening the impact of price volatility for customers due to fluctuations in fuel prices for electric generation.

Recent clean energy projects

2017		Shared Solar — 0.5 MW
2018		Forward Energy Center Wind Farm — 17.6 MW
2019		Saratoga Wind Farm — 66 MW
2020		Morey Field Solar — 6 MW Two Creeks Solar — 50 MW Dane County Airport Solar — 10 MW
2021		Badger Hollow I Solar Farm — 50 MW O'Brien Solar Fields — 22 MW
2022		Hermsdorf Solar Fields — 8 MW
2023		Red Barn Wind Farm — 9.16 MW Badger Hollow II Solar Farm — 50 MW (<i>under construction</i>) Tyto Solar — 6 MW (<i>under construction</i>) Paris Solar-Battery Park — 20 MW solar and 11 MW battery* (<i>under construction</i>)
2024		Darien Solar Energy Center — 25 MW solar and 7.5 MW battery* (<i>under construction</i>)
2025		Koshkonong Solar Energy Center — 30 MW solar and 16.5 MW battery* (<i>under construction</i>)

*Battery storage timing to be determined.

MGE sets goal of net-zero methane emissions from natural gas distribution system

Building upon its long-standing commitment to providing affordable, sustainable energy, MGE has set a goal to achieve net-zero methane emissions from its natural gas distribution system by 2035. The goal builds on the company's existing sustainability and clean energy goals.

MGE completed an in-depth analysis and inventory of all its greenhouse gas (GHG) emissions associated with its electric generation and distribution, purchase and distribution of natural gas, and other sources. Methane, which is a primary component of natural gas, is more than 25 times as potent as carbon dioxide. It can be emitted during the production, transmission and distribution of natural gas. MGE's strategies for achieving net-zero methane emissions include:

Enhanced Leak Detection and Repair: MGE will explore strategies, practices and/or commercially available technologies that help the company to meet or exceed current federal and state regulatory requirements surrounding leak detection and repair methods. MGE continues to gather data to improve its inventory of emissions data throughout its distribution system and to inform reduction efforts and strategies.

Implementation of Cost-Effective Technologies and Processes: Improved monitoring of its system and estimated emissions will inform priorities for reduction opportunities. Consistent with those priorities, MGE will implement cost-effective technology to improve the detection, measurement, mitigation and/or reduction of emissions from the operation and maintenance of its natural gas distribution system.

Renewable Natural Gas (RNG) to Offset Residual Emissions: MGE will explore the use of RNG in its natural gas system to offset any remaining emissions that cannot be directly controlled by MGE. New technologies, such as carbon capture, green hydrogen (zero-carbon hydrogen) and potentially other alternative fuels, continue to emerge and to evolve. MGE supports the research and development of these new technologies and will explore their potential use as they become available.

If the company can accelerate its plans to achieve net-zero methane emissions from its natural gas system—through the evolution of new technologies, such as RNG—it will.

MGE is working to reduce overall emissions from its natural gas distribution system cost-effectively as quickly as possible.

Proactive steps already taken

MGE already has replaced in its natural gas distribution system all piping made of cast iron, bare or unprotected steel, and other material considered to be leak-prone. In addition, the company's leak inspection and repair schedules exceed federal requirements. Ongoing efforts to improve MGE's system and the company's partnerships to prevent damages help to advance safety and reduce emissions.

More than half of MGE's total GHG emissions come from sources already included in the company's goal of net-zero carbon electricity. Emissions from the company's fossil-fueled electric generation facilities and purchased power for resale already are included in the company's goal of net-zero carbon electricity. MGE is working aggressively to transition its electric generation cost-effectively to achieve emissions reductions.

Visit mgeenergy.com/netzeromethane to learn more.

Energy storage proposed for Columbia Energy Center site

MGE, as a minority owner, and the other co-owners of the Columbia Energy Center filed a grant application with the U.S. Department of Energy (DOE) to build energy storage at the site of the coal-fired power plant near Portage, Wis. The plant is expected to be fully retired by mid-2026.

The long-duration energy storage (LDES) project, known as the Energy Dome, would be the first of its kind in the United States. The 20-megawatt system would be capable of providing more than 10 hours of energy storage. This added reliability and dispatchability would help to further enable MGE's ongoing transition to greater use of renewables.

If awarded the grant later this year, the plant's co-owners will seek state regulatory approval to begin construction. The site allows the use of existing electrical infrastructure to advance the next generation of sustainable energy.

MGE proposes rate changes, program updates

On April 28, MGE filed a request with the Public Service Commission of Wisconsin (PSCW) to increase electric and natural gas rates. The proposed increases reflect the costs of investment in cleaner energy and electric grid modernization, and infrastructure to build and maintain a safe and dependable natural gas distribution system.

The company is requesting an electric rate increase of 3.75% in 2024 and 3.41% in 2025. The filing includes the cost of investment in the West Riverside Energy Center, solar projects and infrastructure improvements to enable a smarter grid. MGE is requesting a 2.56% increase in natural gas rates for 2024 and a 1.66% increase in 2025. These proposed gas and electric rate increases also reflect higher costs associated with transmission and pension obligations and uncollectible costs, including costs previously deferred from prior years and related to COVID-19.

MGE is committed to disciplined financial management and cost containment. The proposed increases were offset by tax benefits and the Inflation Reduction Act.

The PSCW will hold public hearings on the proposed changes later this year. A final decision by state regulators is expected by the end of the year.

Advancing sustainability goals and objectives

MGE continues to invest in building a smarter, more dynamic and resilient grid. All customers depend on and benefit from a safe, secure and reliable grid that is increasingly served by the company's cost-effective, carbon-free energy sources.

As part of its rate filing, MGE is seeking to expand opportunities to work with customers through grid-

connected technologies. Such technologies help advance the company's goal of deep decarbonization and meet the evolving needs and preferences of customers.

MGE's proposal includes a request to expand MGE Connect[®], the company's smart thermostat demand response program for residential electric customers. The program allows MGE to manage electricity demand by remotely controlling household thermostats. Controlling demand through Wi-Fi-connected thermostats helps to manage grid resources and reduce customer costs long-term. MGE's proposal expands the program to include small commercial customers and adds an option for connected water heating.

Also included in the rate filing is a voluntary Renewable Natural Gas (RNG) option for customers who support the growth of RNG, a net-zero carbon biogas. This option would function similar to MGE's Green Power Tomorrow program, which is available to MGE electric customers. This RNG option serves customers interested in decreasing their environmental footprint.

Foundational objectives in MGE's Energy 2030 framework include ensuring all customers benefit from the company's ongoing transition toward greater use of cleaner energy sources and new technologies and maintaining energy affordability. Among the requests in MGE's rate filing is a new Energy Customer Assistance Program for eligible residential customers. The program seeks to engage customers receiving energy assistance with targeted energy efficiency opportunities, which range from LED light bulbs to home weatherization and other household energy improvement programs.

Financial update available online

Interested in more information? MGE Energy publishes financial updates online at the close of every quarter. Visit mgeenergy.com/financialupdate to access these presentations.

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The Inside View is published twice a year 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.