



INTERIM REPORT
JUNE 15, 2017



**Partnering with our
customers and communities**
is key to how we move forward.
New opportunities, technologies
and investments are opening the doors
to a more sustainable future.
It's the power of working together.

Comments from the Chairman and the CEO

Annual Meeting highlights new investments, sustainability progress

Strong financial performance, investments in renewable energy and new technologies, and leadership transition were the focus of the 2017 MGE Energy Annual Meeting. About 1,800 shareholders attended the May 16 meeting at the Marriott Hotel on Madison's west side.

MGE Energy closed out 2016 with strong financial performance, its 41st consecutive year of dividend increases and a five-year total return that outpaced major indices.

Chief Financial Officer Jeff Newman detailed the company's investments planned for the future including a new major wind farm and significant technology upgrades.

Chairman Gary Wolter highlighted the new opportunities that lay ahead for MGE Energy and its subsidiary Madison Gas and Electric (MGE) under the new leadership of President and CEO Jeff Keebler.

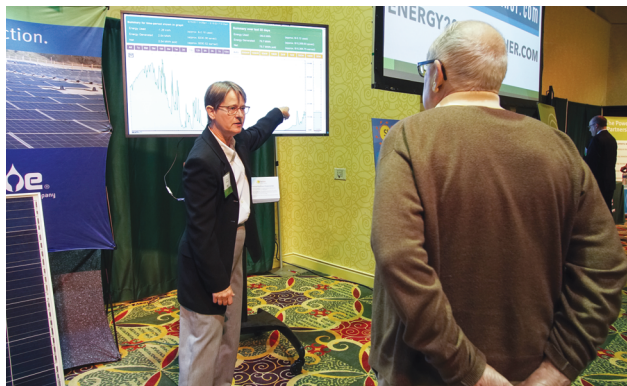
Keebler discussed the company's continued path toward cleaner energy with a focus on maintaining our high reliability.

Keebler was one of the architects of the company's Energy 2030 framework, which calls for:

- Reducing carbon dioxide emissions 40% by 2030 from 2005 levels. This target is consistent with the Clean Power Plan and U.S. emissions targets for the 2030 time frame established as part of the Paris Agreement on climate change.
 - Supplying 30% renewable energy by 2030.
- MGE is moving forward with new investments:
- MGE is seeking regulatory approval to build a new \$107 million wind farm. If approved, this project would be one of the five largest investments in MGE Energy's history.
 - We continue to expand our natural gas service to more customers. Since 2012, MGE has completed 14 gas expansion projects totaling 182 miles of gas main.
 - MGE is introducing new customer programs for electric vehicles and smart thermostats.
 - Our Shared Solar project is a successful utility-scale solar installation that we completed in partnership with the City of Middleton.

In addition, MGE is actively exploring new sites for more wind farms, utility-scale solar and community solar projects.

Directors reelected: Also at the annual meeting, Directors Londa Dewey, Regina Millner and Thomas Stolper were reelected to three-year terms expiring in 2020.



MGE's Laura Williams describes a solar energy production graph at the annual meeting.



Investing in electric reliability

Madison Gas and Electric (MGE), our utility subsidiary, is making improvements to meet electric demand—especially in areas with significant new business developments.

A \$1.8 million upgrade at MGE's Femrite Substation is wrapping up. The project will boost reliability and add capacity to meet the growing electric needs of customers on Madison's east side.

"Significant load growth was the driving factor in getting this upgrade done," said John Robson, Manager - Substations Network. A new data center and the new McAllen 120 Business Park are among the new developments served by Femrite.



In addition, MGE's electric crews are upgrading facilities near downtown Madison to serve two new high-rises that will house office and retail spaces, a music venue and a new parking structure. Overall, more than \$350 million in redevelopment is projected by 2020 in this area.

MGE also is beginning a four-year effort to rebuild the electric facilities in some of the older neighborhoods in Madison. Such efforts have kept MGE's electric service reliability among the top four investor-owned utilities in the country for both the fewest number and the shortest duration of outages in each of the last nine years.

First-quarter earnings report

MGE Energy produced earnings of 56 cents per share from January through March of 2017 compared to 49 cents per share for the same period last year.

During the first quarter of 2017, electric net income increased primarily due to lower fuel costs and savings from MGE's ongoing efforts to manage operating and maintenance costs. Gas net income remained relatively flat for the first quarter of 2017 compared to the same period in the prior year.



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In addition, MGE Energy can deliver documents directly to your email account. When you sign up for electronic notification, you receive an email alerting you that documents, such as account activity, proxy statements and annual reports, are available online.



Gary J. Wolter, Chairman



Jeffrey M. Keebler, President and CEO

Balance Sheet

(Unaudited) (in thousands)	Mar 31 2017	Dec 31 2016	(in thousands)	Mar 31 2017	Dec 31 2016
Assets			Capitalization and Liabilities		
Plant:			Capitalization:		
Property, Plant and Equipment, net. . .	\$1,249,648	\$1,245,269	Common shareholders' equity.	\$732,825	\$724,088
Construction work in progress.	37,588	36,790	Long-term debt.	391,469	382,791
Total Plant.	1,287,236	1,282,059	Total Capitalization.	1,124,294	1,106,879
Investments.	81,806	76,290	Current Liabilities:		
Current Assets:			Accounts payable.	36,865	47,799
Cash and cash equivalents.	117,702	95,959	Other.	46,649	55,706
Accounts receivable, net.	39,750	39,887	Total Current Liabilities.	83,514	103,505
Other current assets.	96,642	139,669	Other Credits:		
Total Current Assets.	254,094	275,515	Deferred income taxes.	380,276	383,813
Other Long-Term Assets.	162,183	167,196	Other.	197,235	206,863
Total Assets.	\$1,785,319	\$1,801,060	Total Other Credits.	577,511	590,676
			Total Capitalization and Liabilities. . . .	\$1,785,319	\$1,801,060

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Mar 31	
	2017	2016
Operating Revenues:		
Electric revenues.	\$98,397	\$93,690
Gas revenues.	58,426	53,837
Total Operating Revenues.	156,823	147,527
Operating Expenses:		
Fuel used for electric generation and purchased power.	27,553	26,683
Cost of gas sold.	35,784	32,523
Other operations and maintenance.	42,690	42,730
Depreciation and amortization.	12,959	11,032
Other general taxes.	4,927	5,028
Total Operating Expenses.	123,913	117,996
Operating Income.	32,910	29,531
Other income, net.	2,451	2,442
Interest expense, net.	(4,894)	(5,000)
Income before income taxes.	30,467	26,973
Income tax provision.	(11,167)	(9,945)
Net Income.	\$19,300	\$17,028
Earnings Per Share of Common Stock (basic and diluted).	\$0.56	\$0.49
Average Shares of Common Stock Outstanding (basic and diluted).	34,668	34,668

For detailed financial information, see the March 31, 2017, 10-Q.

Statistics

Electric	Three Months Ended: Mar 31		
Sales (thousands of kilowatt-hours)	2017	2016	% Change
Residential.	197,674	201,090	(1.7%)
Commercial.	433,389	442,319	(2.0%)
Industrial.	51,765	57,222	(9.5%)
Other-retail/municipal.	92,087	84,949	8.4%
Sales to the market.	35,862	10,619	N/A
Total Sales.	810,777	796,199	1.8%
Gas	Three Months Ended: Mar 31		
Deliveries (thousands of therms)	2017	2016	% Change
Residential.	43,038	43,575	(1.2%)
Commercial/Industrial.	37,176	37,355	(0.5%)
Gas Transportation.	21,035	21,453	(1.9%)
Total Gas Deliveries.	101,249	102,383	(1.1%)



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