



INTERIM REPORT
DECEMBER 15, 2018



Technology is paving the way for a more sustainable energy future.

New investments are advancing our clean energy goals. We are building a utility of the future, seizing opportunities to offer new products and services that build customer and shareholder value.

Comments from the Chairman and the CEO

Solar project announced under Renewable Energy Rider

A solar partnership with Dane County is the first project to be announced under MGE's Renewable Energy Rider (RER). The service, unique to MGE, enables MGE to partner with large customers to develop a renewable energy solution to meet the specific customer's goals.

In October, Dane County announced it will work with MGE to build up to 8 megawatts (MW) of new solar generation on 41 acres next to Dane County Regional Airport. MGE will own the array, lease the land from the county and sell the energy to Dane County, which has the goal of 100% renewable energy for its operations.

Under the RER, the customer is responsible for the costs of the renewable generation and any distribution costs to deliver the energy. The innovative model is one way to grow renewable energy in MGE's service territory.

The project builds upon MGE's history of partnering with Dane County. MGE purchases electricity generated from methane at the Dane County landfill and from a manure digester.

The contract between MGE and Dane County will need to be approved by state regulators. If approved, construction is expected to begin in 2019.

The proposal is the third solar project announced this year. In late May, MGE announced plans to partner with another Wisconsin utility, Wisconsin Public Service, to build two



Site of proposed 8-megawatt solar array near Dane County Regional Airport.

large-scale solar projects in Wisconsin. Combined, the two projects will generate 300 MW of electricity. MGE's share of the solar energy produced will power about 33,000 households.

MGE will own 50 MW of the Badger Hollow Solar Farm in Iowa County and 50 MW of Two Creeks Solar in Manitowoc and Kewaunee counties. The projects deliver cost-effective, zero-emissions generation. Renewable generation has no fuel costs, which avoids potential future cost increases.

If approved by state regulators, construction is expected to begin by spring 2019. Commercial operation of both projects would begin by the end of 2020. MGE's investment for both projects is expected to be approximately \$130 million.

Third-quarter earnings

MGE Energy reported in November third-quarter earnings of \$29.5 million, or 85 cents per share, compared to \$26.6 million, or 77 cents per share, for the same period last year.

Electric net income increased in the third quarter due to a 3.5% increase in electric retail sales resulting from warmer weather, particularly in August, compared to cooler weather for the same month in 2017. The average temperature in August was 72 degrees compared to 67 degrees in 2017.

Tax updates

Investors directly registered with MGE Energy:

If you received MGE Energy dividends during 2018, the 1099-DIV tax information will be mailed with your December dividend payment notification. It will also be available to print at computershare.com.

For tax information regarding your sale of MGE Energy shares, the required tax information will be mailed on or before Feb. 15, 2019.

Investors owning shares through a brokerage firm:

Your broker will provide the necessary tax forms. Please contact your broker if you have any questions.

New wind farm nearing completion

MGE’s Saratoga wind farm in northeast Iowa, about 200 miles west of Madison, Wis., is expected online in early 2019.

Crews began in fall erecting the wind farm’s 33 Vestas turbines after roads, foundations and the substation were completed.

Saratoga will generate enough electricity to power about 47,000 households. The \$108 million project will be MGE’s largest and most efficient wind farm.



A rotor and nacelle rest next to one of Saratoga’s towers.

Lobbying updates

We monitor federal, state and local legislation and regulations. On behalf of our regulated utility, MGE, the company has lobbyists who advocate positions that are in the best interest of our customers and shareholders.

Federal lobbying efforts: We employ the lobbying firm Michael Best Strategies, LLC, which files lobbying reports for its activities on our behalf with the U.S. House of Representatives and the U.S. Senate.

State lobbying efforts: The Wisconsin Ethics Commission requires lobbying reports be filed every six months detailing an organization’s time, expenses and the legislation or proposals lobbied.

Local lobbying efforts: The City of Madison posts each person registered to lobby and an expense statement on behalf of that person or organization. MGE typically does not incur lobbying expenses with the city at a level that would trigger a detailed report. If it does, information on its efforts would be available on the city’s website.

Reports of the company’s lobbying activities can be found online. For links to access these reports, visit mgeenergy.com/lobbying.

New online resources

The electrification of transportation is one of MGE’s key strategies for deep decarbonization. Facilitating the growth of electric vehicles (EVs) also will help to enable future market growth.



MGE has launched a new resource for customers to discover why “there’s a lot to love” about EVs. LovEV highlights available models, explains charging options, and details cost and environmental savings. Plus, customers can learn about what it’s like to drive an EV. LovEV is an easy, one-stop online resource for drivers exploring EVs. Visit mge.com/LovEV to discover the great reasons to “go electric.”

Sustainability reporting

MGE is participating in the Edison Electric Institute’s (EEI) environmental, social, governance (ESG) and sustainability reporting template.

The new industry tool enhances transparency and disclosure by offering meaningful, easily accessible and relevant information for investors and other stakeholders.



EEI, which represents all U.S. investor-owned electric companies, developed the voluntary, industry-specific template to offer more uniform and consistent reporting of data and information from the electric sector. It includes data related to MGE’s energy portfolio (generation and capacity), emissions, capital expenditures, and human and natural resources. MGE’s template and its 2018 Environmental and Sustainability Report are available at mgeenergy.com/environment.

Jeffrey M. Keebler, Chairman, President and CEO

Balance Sheet

(Unaudited) (in thousands)	Sep 30 2018	Dec 31 2017	(in thousands)	Sep 30 2018	Dec 31 2017
Assets					
Plant:					
Property, Plant and Equipment, net	\$1,350,253	\$1,283,313	Common shareholders' equity	\$811,983	\$778,187
Construction work in progress	109,209	58,044	Long-term debt	494,398	398,161
Total Plant	1,459,462	1,341,357	Total Capitalization	1,306,381	1,176,348
Investments	73,445	67,772	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	133,855	107,952	Accounts payable	50,340	47,645
Accounts receivable, net	41,693	42,299	Other	48,149	78,869
Other current assets	105,164	140,380	Total Current Liabilities	98,489	126,514
Total Current Assets	280,712	290,631	Other Credits:		
Other Long-Term Assets	160,678	155,422	Deferred income taxes	229,197	225,130
Total Assets	\$1,974,297	\$1,855,182	Other	340,230	327,190
			Total Other Credits	569,427	552,320
			Total Capitalization and Liabilities	\$1,974,297	\$1,855,182

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2018	2017	2018	2017
Operating Revenues:				
Electric revenues	\$119,388	\$120,761	\$313,537	\$321,540
Gas revenues	18,407	18,778	106,152	101,285
Total Operating Revenues	137,795	139,539	419,689	422,825
Operating Expenses:				
Fuel used for electric generation and purchased power	29,817	31,813	86,980	87,996
Cost of gas sold	4,921	5,094	54,109	50,109
Other operations and maintenance	44,130	42,533	131,976	131,177
Depreciation and amortization	14,259	13,372	41,754	39,606
Other general taxes	4,870	4,730	14,653	14,509
Total Operating Expenses	97,997	97,542	329,472	323,397
Operating Income	39,798	41,997	90,217	99,428
Other income, net	4,330	4,943	13,980	12,038
Interest expense, net	(5,025)	(4,727)	(14,547)	(14,507)
Income before income taxes	39,103	42,213	89,650	96,959
Income tax provision	(9,597)	(15,584)	(21,792)	(35,487)
Net Income	\$29,506	\$26,629	\$67,858	\$61,472
Earnings Per Share of Common Stock (basic and diluted)	\$0.85	\$0.77	\$1.96	\$1.77
Average Shares of Common Stock Outstanding (basic and diluted) . . .	34,668	34,668	34,668	34,668

For detailed financial information, see the September 30, 2018, 10-Q.

Statistics

Electric	Nine Months Ended: Sep 30		
Sales (thousands of kilowatt-hours)	2018	2017	% Change
Residential	664,195	601,310	10.5%
Commercial	1,432,222	1,389,036	3.1%
Industrial	136,485	153,759	(11.2)%
Other-retail/municipal	294,345	315,692	(6.8)%
Sales to the market	151,586	80,273	88.8%
Total Sales	2,678,833	2,540,070	5.5%
Gas	Nine Months Ended: Sep 30		
Deliveries (thousands of therms)	2018	2017	% Change
Residential	70,750	60,794	16.4%
Commercial/Industrial	67,613	58,865	14.9%
Gas Transportation	54,259	50,828	6.8%
Total Gas Deliveries	192,622	170,487	13.0%



MGEE Shareholder Services

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