



INTERIM REPORT
SEPTEMBER 15, 2019



We are powering
a smart energy future.

From transitioning to greater use of cleaner energy to advancing new technologies to elevating the customer experience, your community energy company is embracing the opportunities in an evolving energy world.

Comments from the Chairman and CEO

MGE breaks ground on massive solar project

Madison Gas and Electric (MGE) Chairman, President and CEO Jeff Keebler and Tom Metcalfe, President of Wisconsin Public Service (WPS), were joined by Wisconsin Governor Tony Evers in late August for a ceremonial groundbreaking of the Two Creeks Solar project in northeastern Wisconsin. MGE and WEC Energy Group (WEC), through its WPS subsidiary, announced in 2018 plans to partner on the large solar project.

“The energy produced here will help us manage energy costs to our customers over time and help us as we continue our transition to a more environmentally sustainable energy supply,” Keebler said at the groundbreaking event.

The Two Creeks Solar project is in the town of Two Creeks and the city of Two Rivers near the Point Beach Nuclear Power Plant. MGE will own 50 megawatts (MW) of Two Creeks Solar. Commercial operation is expected by the end of next year.



Wisconsin Gov. Tony Evers (center) joined MGE Chairman Jeff Keebler (second from right) and leadership from WEC Energy Group, WPS and NextEra Energy Resources to break ground at the 150-megawatt solar project.

MGE seeking to expand investment in Badger Hollow Solar Farm

In August, MGE and WEC, through its We Energies subsidiary, announced a new, expanded partnership to acquire the remaining portion of the Badger Hollow Solar Farm. MGE and We Energies filed for regulatory approval to add 50 MW and 100 MW, respectively. If regulators approve this acquisition, this phase of the Iowa County solar project would begin generating electricity in 2021.

In April, MGE and WPS received regulatory approval to own a combined total of 150 MW at Badger Hollow. MGE will own 50 MW and WPS will own 100 MW of this first phase of the project. Commercial operation of this phase is expected by the end of 2020.

MGE to build large solar array in Middleton

Another major renewable energy project is advancing the company’s goal of net-zero carbon electricity by 2050. In June, MGE received approval from state regulators to expand its popular Shared Solar program with a second, large-scale solar installation in the city of Middleton.

The 5-MW array will be built at Middleton’s Morey Field airport. Seventy percent of the array will serve the Shared Solar program. The City of Middleton and the Middleton-Cross Plains Area School District will use the remaining 30 percent under a separate renewable energy program for large energy users.

Shared Solar participants pay an up-front fee and a per-kilowatt-hour rate to purchase up to half of their annual electricity use through the voluntary program. MGE’s first Shared Solar project, a 500-kilowatt array on the roof of Middleton’s Municipal Operations Center, sold out quickly before it began serving customers in January 2017.



MGE’s new Shared Solar project will be next to Morey Field in Middleton, Wis.

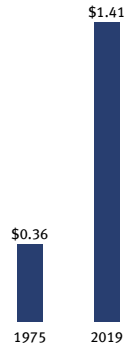
MGE Energy marks 44 years of consecutive dividend increases

In August, the MGE Energy board of directors increased the regular quarterly dividend rate over 4% to \$0.3525 per share on the outstanding shares of the company's common stock. This raises the annualized dividend rate by 6 cents from \$1.35 per share to \$1.41 per share. The dividend is payable Sept. 15, 2019, to shareholders of record Sept. 1, 2019.

Also in August, MGE Energy reported second-quarter earnings of \$15.5 million, or 45 cents per share, compared to \$18.3 million, or 53 cents per share, for the same period last year.

Electric net income decreased compared to the same period last year because of lower residential sales resulting from cooler weather in June 2019. Gas net income also decreased during the quarter, largely attributable to lower gas retail sales from warmer weather in April 2019.

MGEE Annual Dividend Rate (rounded)



Climate science partnership moves forward

This spring, MGE began working with scientists from the University of Wisconsin-Madison's Nelson Institute for Environmental Studies and the Department of Atmospheric and Oceanic Sciences to evaluate the company's strategies for meeting its goal of net-zero carbon electricity by 2050.

In May, the company announced the climate science partnership will provide expert input and perspective to ensure MGE's goal is consistent with the assessment of the Intergovernmental Panel on Climate Change (IPCC), the international body responsible for assessing the potential impacts and risks of global temperature increases.

MGE has been advancing three key strategies for deep decarbonization. Those strategies include reducing the carbon intensity in electricity generation, working to help customers with energy efficiency and electrifying transportation.

Chairman, President and CEO Jeff Keebler said MGE's net-zero by 2050 goal is based on the latest climate science and the company's strategies are consistent with those identified by the IPCC. He added that achieving net-zero carbon electricity will require the use of emerging technologies not yet commercially available or cost-effective, such as utility-scale battery storage, but the goal reflects the company's vision for the future.

Partnering to advance biotech innovation

MGE and its philanthropic arm, the MGE Foundation, continue to help advance the next generation of innovation by supporting Forward BIOLABS located at University Research Park. The life sciences incubator provides fully equipped and supported lab space, eliminating the need for emerging companies to lease, equip and operate their own labs.



The MGE Foundation supports Forward BIOLABS located at University Research Park.

University Research Park in Madison has been a hotspot for innovation in engineering as well as computational and life sciences for more than 30 years. MGE partnered in 1989 with the UW-Madison affiliate to establish the MGE Innovation Center to help early-stage companies grow. The center is a hub for Wisconsin's thriving biohealth industry, which is responsible for an estimated \$48 billion in economic output and for creating more than 100,000 jobs statewide.

Jeffrey M. Keebler,
Chairman, President and CEO

Balance Sheet

(Unaudited) (in thousands)	Jun 30 2019	Dec 31 2018
Assets		
Plant:		
Property, Plant and Equipment, net. . .	\$1,519,175	\$1,369,766
Construction work in progress	47,576	139,671
Total Plant.	1,566,751	1,509,437
Investments.	82,677	78,000
Current Assets:		
Cash and cash equivalents	69,913	83,102
Accounts receivable, net	35,606	43,593
Other current assets	106,081	113,865
Total Current Assets	211,600	240,560
Other Long-Term Assets	165,058	160,621
Total Assets	\$2,026,086	\$1,988,618

(in thousands)	Jun 30 2019	Dec 31 2018
Capitalization and Liabilities		
Capitalization:		
Common shareholders' equity.	\$832,797	\$816,644
Long-term debt	491,217	493,343
Total Capitalization.	1,324,014	1,309,987
Current Liabilities:		
Short-term debt.	23,500	13,000
Accounts payable	40,957	46,158
Other	63,768	61,470
Total Current Liabilities	128,225	120,628
Other Credits:		
Deferred income taxes	235,984	231,952
Other	337,863	326,051
Total Other Credits	537,847	558,003
Total Capitalization and Liabilities	\$2,026,086	\$1,988,618

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2019	2018	2019	2018
Operating Revenues:				
Electric revenues	\$97,077	\$99,282	\$194,546	\$194,149
Gas revenues	25,070	24,980	95,170	87,745
Total Operating Revenues.	122,147	124,262	289,716	281,894
Operating Expenses:				
Fuel used for electric generation and purchased power.	21,439	28,230	46,207	57,163
Cost of gas sold	8,875	9,562	52,128	49,188
Other operations and maintenance	48,974	43,453	95,910	87,846
Depreciation and amortization.	18,091	13,872	35,230	27,495
Other general taxes	4,985	4,914	9,948	9,783
Total Operating Expenses.	102,364	100,031	239,423	231,475
Operating Income	19,783	24,231	50,293	50,419
Other income, net	5,019	4,731	9,870	9,650
Interest expense, net	(5,749)	(4,783)	(11,396)	(9,522)
Income before income taxes	19,053	24,179	48,767	50,547
Income tax provision.	(3,505)	(5,828)	(9,213)	(12,195)
Net Income	\$15,548	\$18,351	\$39,554	\$38,352
Earnings Per Share of Common Stock (basic and diluted)	\$0.45	\$0.53	\$1.14	\$1.11
Average Shares of Common Stock Outstanding (basic and diluted) . . .	34,668	34,668	34,668	34,668

For detailed financial information, see the June 30, 2019, 10-Q.

Statistics

Electric		Six Months Ended: Jun 30		
Sales (thousands of kilowatt-hours)		2019	2018	% Change
Residential.	385,804	407,375	(5.3%)	
Commercial	890,540	911,395	(2.3%)	
Industrial	85,423	89,104	(4.1%)	
Other-retail/municipal	177,740	187,392	(5.2%)	
Sales to the market.	73,138	118,496	(38.3%)	
Total Sales.	1,612,645	1,713,762	(5.9%)	
Gas		Six Months Ended: Jun 30		
Deliveries (thousands of therms)		2019	2018	% Change
Residential.	69,062	65,056	6.2%	
Commercial/Industrial	61,060	57,956	5.4%	
Gas Transportation	38,614	38,475	0.4%	
Total Gas Deliveries	168,736	161,487	4.5%	



MGEE Shareholder Services

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