



INTERIM REPORT DECEMBER 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 Shared Solar expansion

Madison Gas and Electric (MGE) representatives were joined by leaders from the City of Middleton and the Middleton-Cross Plains Area School District in late October to celebrate the groundbreaking for the company's 5-megawatt (MW) solar array at the Middleton Municipal Airport. The Morey Field Solar project will be the second array in MGE's popular Shared Solar program. The expansion of the program gives residential and business customers throughout MGE's electric service territory the option of powering their home or business with locally generated solar energy.

"Our first Shared Solar project in Middleton set the foundation for this expansion and for MGE's ongoing collaboration with the City and the school district," said MGE Chairman, President and CEO Jeff Keebler. "What started a few years ago has helped to grow locally generated clean energy in Dane County and serves as a great example of what can be accomplished when we work together around shared goals. Working together with our customers will help MGE reach our goal of net-zero carbon electricity by 2050."

MGE's first Shared Solar project is a 500-kilowatt array on the roof of Middleton's Municipal Operations Center. It began serving customers in January 2017. The more than \$8 million Morey Field Solar project is expected to be operational in 2020.

Solar array powers city, school district facilities

Seventy percent of the solar array at Morey Field will serve Shared Solar participants. A 1-MW share of the array will serve the Middleton-Cross Plains Area School District under a Renewable Energy Rider (RER) agreement. A 0.5-MW share will serve the City of Middleton under a separate RER agreement.

Under an RER, MGE partners with a large energy user to tailor a renewable energy solution to meet that customer's energy needs. RER customers are responsible for costs associated with the renewable generation facility and distribution costs to deliver the energy to the customer. The model advances shared sustainability goals and grows clean energy in our community.



*Middleton Municipal Airport
groundbreaking on Oct. 29, 2019*



*MGE Chairman,
President and
CEO Jeff Keebler
addresses crowd at
groundbreaking.*

MGE number one for electric reliability

MGE remains a national leader in electric reliability, ranking number one nationwide for the fewest number of electric outages, according to a utility industry survey based on 2018 statistics. The company ranks second for the shortest duration of outages per customer. The survey includes more than 80 electric utilities across the country.

MGE has ranked in the top three utilities nationwide for the fewest number of outages in each of the last 12 years. MGE invests in its people, infrastructure and operations to provide continued top-ranked reliability. Our culture of continuous improvement helps us to identify and analyze opportunities to improve our service.

MGE, City of Madison pursuing solar partnership

In mid-October, the City of Madison Common Council approved an agreement between the city and MGE to pursue 5 megawatts (MW) of solar energy to power city facilities under a Renewable Energy Rider agreement. Under the agreement, MGE will sell to the city the energy from a planned 7-MW solar array southeast of Madison.

The agreement between MGE and the city needs approval by the Public Service Commission of Wisconsin. If approved, construction is expected in spring 2021 with the array expected to be operational by the end of 2021. The 50-acre project is being developed by NextEra Energy Resources Development LLC at an estimated cost of \$13.6 million.

Environmental and sustainability reporting

Environmental accountability is a core focus throughout our company. MGE is committed to reducing environmental impacts across all areas of the organization and to advancing transparency and disclosure around our sustainability efforts. The company publishes an annual Environmental and Sustainability Report, which was recently released online.

MGE also participates in the Edison Electric Institute's (EEI) environmental, social, governance (ESG) and sustainability reporting templates. The industry tool enhances transparency and disclosure by offering meaningful, easily accessible and relevant information for investors and other stakeholders.



EEI, which represents U.S. investor-owned electric companies, developed the voluntary, industry-specific templates to offer more uniform and consistent reporting of data and information from the electric sector. The quantitative template includes data related to MGE's energy portfolio (generation and capacity), emissions, capital expenditures, and human and natural resources. The qualitative template includes information related to our company's management and oversight of and strategies for transitioning toward deep decarbonization and greater sustainability.

Visit mgeenergy.com/environment to access our EEI reporting templates and 2019 Environmental and Sustainability Report.

Third-quarter earnings

MGE Energy reported in November third-quarter earnings of \$30.7 million, or 88 cents per share, compared to \$29.5 million, or 85 cents per share, for the same period last year.

An increase in owned renewable generation assets contributed to electric earnings growth compared to 2018. Electric retail sales remained relatively even quarter over quarter. The average daily temperature for the three months ended Sept. 30, 2019 and 2018 was normal.

Tax updates

Investors directly registered with MGE Energy: If you received MGE Energy dividends during 2019, the 1099-DIV tax information will be mailed with your December dividend payment notification. It also will 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, 2020.

Investors owning shares through a brokerage firm: Your broker will provide the necessary tax forms. Please contact your broker if you have any questions. Thank you for your investment in MGE Energy.

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.

For links to access reports of the company's lobbying efforts, visit mgeenergy.com/lobbying.

Balancing Sheet

(Unaudited) (in thousands)	Sep 30 2019	Dec 31 2018
Assets		
Plant:		
Property, Plant and Equipment, net. . .	\$1,524,925	\$1,369,766
Construction work in progress	88,050	139,671
Total Plant.	1,612,975	1,509,437
Investments.	85,681	78,000
Current Assets:		
Cash and cash equivalents	61,112	83,102
Accounts receivable, net	35,805	43,593
Other current assets	107,479	113,865
Total Current Assets	204,396	240,560
Other Long-Term Assets	163,921	160,621
Total Assets.	\$2,066,973	\$1,988,618

(in thousands)	Sep 30 2019	Dec 31 2018
Capitalization and Liabilities		
Capitalization:		
Common shareholders' equity.	\$851,234	\$816,644
Long-term debt	490,159	493,343
Total Capitalization.	1,341,393	1,309,987
Current Liabilities:		
Short-term debt.	54,500	13,000
Accounts payable	39,139	46,158
Other	58,412	61,470
Total Current Liabilities	152,051	120,628
Other Credits:		
Deferred income taxes	239,433	231,952
Other	334,096	326,051
Total Other Credits	573,529	558,003
Total Capitalization and Liabilities	\$2,066,973	\$1,988,618

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2019	2018	2019	2018
Operating Revenues:				
Electric revenues	\$120,821	\$119,388	\$315,367	\$313,537
Gas revenues	17,377	18,407	112,547	106,152
Total Operating Revenues.	138,198	137,795	427,914	419,689
Operating Expenses:				
Fuel used for electric generation and purchased power.	25,027	29,817	71,234	86,980
Cost of gas sold	3,092	4,921	55,220	54,109
Other operations and maintenance	48,070	44,130	143,979	131,976
Depreciation and amortization.	18,193	14,259	53,423	41,754
Other general taxes	5,078	4,870	15,026	14,653
Total Operating Expenses.	99,460	97,997	338,882	329,472
Operating Income	38,738	39,798	89,032	90,217
Other income, net	5,204	4,330	15,074	13,980
Interest expense, net	(5,831)	(5,025)	(17,227)	(14,547)
Income before income taxes	38,111	39,103	86,879	89,650
Income tax provision.	(7,454)	(9,597)	(16,667)	(21,792)
Net Income	\$30,657	\$29,506	\$70,212	\$67,858
Earnings Per Share of Common Stock (basic and diluted)	\$0.88	\$0.85	\$2.03	\$1.96
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, 2019, 10-Q.

Statistics

Electric	Nine Months Ended: Sep 30		
Sales (thousands of kilowatt-hours)	2019	2018	% Change
Residential.	638,590	664,195	(3.9%)
Commercial	1,410,360	1,432,222	(1.5%)
Industrial	131,195	136,485	(3.9%)
Other-retail/municipal	276,795	294,345	(6.0%)
Sales to the market.	110,246	151,586	(27.3%)
Total Sales.	2,567,186	2,678,833	(4.2%)
Gas	Nine Months Ended: Sep 30		
Deliveries (thousands of therms)	2019	2018	% Change
Residential.	74,769	70,750	5.7%
Commercial/Industrial	70,255	67,613	3.9%
Gas Transportation	54,129	54,259	(0.2%)
Total Gas Deliveries	199,153	192,622	3.4%



MGEE Shareholder Services

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