



Powering forward sustainably

**RESPONSIBILITY
RELIABILITY
RESILIENCY**

mge
ENERGY®

Comments from the Chairman and CEO

MGE announces plans for state's largest solar battery project

MGE Energy's regulated utility subsidiary, Madison Gas and Electric (MGE), filed in late April for regulatory approval to purchase a 10% share of the Koshkonong Solar Energy Center. MGE will own 30 megawatts (MW) of solar energy and 16.5 MW of battery storage from the facility located in the Towns of Christiana and Deerfield in Dane County, if the purchase receives state regulatory approval.

"The Koshkonong Solar Energy Center and other recently announced renewable projects will help us manage long-term costs to customers," explained Jeff Keebler, MGE Chairman, President and CEO. "There is no fuel cost with solar and wind energy, and battery storage will help us manage costs and maintain our top-ranked electric reliability as we transition to greater use of renewables."

Construction of the combined 465-MW solar battery project is expected to begin in 2022. It is expected to begin serving customers by the end of 2024. MGE's filing was made in partnership with We Energies and Wisconsin Public Service, both subsidiaries of WEC Energy Group, which would own the remainder of the project.

The Koshkonong Solar Energy Center and other recently announced clean energy investments will help MGE to meet future energy and capacity needs cost-effectively as the company continues its ongoing transition away from coal-fired electricity with the planned retirement of the Columbia Energy Center. The Koshkonong Solar Energy Center is part of more than 350 MW of new renewable generation capacity announced since MGE introduced its Energy 2030 framework in November 2015. MGE expects to achieve carbon reductions of at least 65% by 2030 and net-zero carbon emissions by 2050.



Virtual annual meeting of shareholders held

In mid-May, shareholders joined MGE Energy leadership for the annual meeting, which was held virtually for the second consecutive year. From the company's downtown Madison, Wis., headquarters, Chairman, President and CEO Jeff Keebler updated shareholders via webcast on the company's ongoing transition toward greater sustainability.

Keebler discussed MGE's partnerships with customers to grow locally generated clean energy and to advance new technologies, such as smart thermostats and electric vehicle charging stations. As conductor of our community grid, Keebler said, MGE is working to bring the benefits of clean energy and the value of new technologies to all customers. Ensuring all customers benefit from this energy transformation is a key objective for MGE, he said. Keebler also discussed MGE's community response and commitment to working with customers impacted by the pandemic.

Industry-leading credit ratings enable major capital investments

Vice President - Finance, Chief Information Officer and Treasurer Jared Bushek said the company's recent and planned clean energy projects total an estimated \$565 million in capital investment, which is expected to result in more than 960% growth in owned renewable capacity by year-end 2024. Bushek added the clean energy buildup is enabled by the company's strong credit ratings, which are the highest for any combination utility nationwide, according to S&P. The company's renewable energy projects will account for almost 50% of its total capital budget from 2018 through 2023.

To watch the annual meeting webcast, visit mgeenergy.com/virtualmeeting2021.

MGE proposes rate changes

MGE is seeking to adjust rates in 2022 and 2023 to enable new cost-effective, renewable generation as well as technology and infrastructure improvements. In early May, MGE filed an application with state regulators to increase natural gas rates by about 3% for 2022 and 1.65% for 2023. The increase covers infrastructure improvements to maintain safe, reliable natural gas service.

MGE also is proposing a 5.9% electric rate increase in 2022 but seeking to credit 2020 fuel costs in 2022, reducing the overall increase to 5.1%. With new generation coming online, which could impact future costs, MGE is seeking the opportunity to reopen the case on electric rates for 2023.

All MGE customers depend on a safe, reliable and secure grid. The company continues to invest in the grid as a shared resource to ensure all customers benefit from new technologies and from cost-effective, carbon-free energy sources, which include phase one of the Badger Hollow Solar Farm expected online this summer. There are no fuel costs associated with wind and solar generation, which will help manage customer costs and reduce rate volatility long-term. MGE has been able to contain and to manage costs as it continues to transform how safe, reliable, affordable and increasingly sustainable energy is delivered to customers.

Technology improvements, including a new customer information system, also are contributing to the proposed rate increases. The Public Service Commission of Wisconsin will review the proposal, solicit public comments and set rates by the end of this year.

MGE Energy reports first-quarter earnings

MGE Energy reported GAAP (Generally Accepted Accounting Principles) first-quarter earnings of \$34.9 million, or \$0.97 per share, compared to \$26.0 million, or \$0.75 per share, for the same period in 2020.

An increase in electric investments included in rate base contributed to increased electric earnings for the first quarter of 2021. Two Creeks Solar was completed in November 2020.

The timing of 2021 depreciation and other operations and maintenance costs also contributed to higher electric earnings. Depreciation and operations and maintenance costs are expected to increase during the remainder of 2021 after significant capital projects are completed, including the first phase of the Badger Hollow Solar Farm and a new customer information system.

Ongoing remote work arrangements and colder temperatures contributed to higher electric residential sales, which increased by approximately 9% in the first quarter. Electric commercial retail sales dropped approximately 4%.

An increase in gas investments included in rate base and higher gas retail sales due to colder weather contributed to increased gas earnings for 2021. During the first quarter, gas retail sales increased 7% compared to the same period in the prior year.

MGE recognized with safety awards in April

MGE's recent safety awards recognize the company's safety record and commitment to excellence.

The Wisconsin Safety Council's 2020 Wisconsin Corporate Safety Award honors leaders in Wisconsin's business community. The selection committee considers statistical data relating to incidence rates and answers to a series of questions. In earning this award, MGE included in its submission, among other highlights, that MGE employees achieved historic safety results in 2020, recording the company's lowest recordable incident rate ever despite the pandemic and topping the previous record established in 2019.

Safety is a core value at MGE. The company's journey to safety excellence is guided by its employee-led Safety Steering Team, which meets regularly to examine safety topics and to identify and prioritize continuous improvement opportunities.

MGE also received the 2020 Industry Leader in Accident Prevention Award from the American Gas Association, a national organization representing more than 200 local energy companies. The award recognizes companies for being an industry leader in employee safety as measured by the DART incident rate. DART stands for days away from work, restricted or transferred.

Balance Sheet

(Unaudited) (in thousands)	Mar 31 2021	Dec 31 2020	(in thousands)	Mar 31 2021	Dec 31 2020
Assets					
Plant:					
Property, plant and equipment, net	\$1,633,908	\$1,630,286	Common shareholders' equity	\$997,711	\$976,000
Construction work in progress	157,970	139,099	Long-term debt	518,211	519,303
Total Plant	1,791,878	1,769,385	Total Capitalization	1,515,922	1,495,303
Investments	95,283	94,676	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	40,239	44,738	Short-term debt	54,000	52,500
Accounts receivable, net	43,172	41,384	Accounts payable	53,840	54,642
Other current assets	118,100	123,397	Other	75,958	83,784
Total Current Assets	201,511	209,519	Total Current Liabilities	183,798	190,926
Other long-term assets	181,565	180,071	Other Credits:		
Total Assets	\$2,270,237	\$2,253,651	Deferred income taxes	236,903	231,471
			Other	333,614	335,951
			Total Other Credits	570,517	567,422
			Total Capitalization and Liabilities	\$2,270,237	\$2,253,651

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Mar 31	
	2021	2020
Operating Revenues:		
Electric revenues	\$100,645	\$93,028
Gas revenues	67,270	56,845
Total Operating Revenues	167,915	149,873
Operating Expenses:		
Fuel used for electric generation and purchased power	22,526	20,192
Cost of gas sold	37,444	30,798
Other operations and maintenance	45,682	44,369
Depreciation and amortization	18,382	18,167
Other general taxes	4,827	4,907
Total Operating Expenses	128,861	118,433
Operating Income	39,054	31,440
Other income, net	2,078	5,671
Interest expense, net	(5,740)	(6,061)
Income before income taxes	35,392	31,050
Income tax provision	(459)	(5,013)
Net Income	\$34,933	\$26,037
Earnings per share of common stock (basic and diluted)	\$0.97	\$0.75
Average shares of common stock outstanding		
Basic	36,163	34,668
Diluted	36,165	34,668

For detailed financial information, see the March 31, 2021, 10-Q.

Statistics

Electric	Three Months Ended: Mar 31		
	2021	2020	% Change
Sales (thousands of kilowatt-hours)			
Residential	219,770	202,581	8.5%
Commercial	414,337	430,118	(3.7%)
Industrial	39,005	40,418	(3.5%)
Other-retail/municipal	76,356	81,045	(5.8%)
Sales to the market	95,872	23,946	n.m.
Total Sales	845,340	778,108	8.6%
Gas Three Months Ended: Mar 31			
Deliveries (thousands of therms)			
Residential	50,305	46,802	7.5%
Commercial/industrial	42,254	39,700	6.4%
Gas transportation	23,308	22,519	3.5%
Total Gas Deliveries	115,867	109,021	6.3%

n.m. - not meaningful



MGEE Shareholder Services

Madison calling area: (608) 252-4744
Continental U.S.: 1-800-356-6423

Email: web.queries@computershare.com
mgeenergy.com

MGE Energy, Inc.
P.O. Box 1231
Madison, WI 53701-1231

NASDAQ: MGEE / NEWSPAPER LISTING: MGE

XXXXXXXXXXXX