



Powering forward sustainably

RESPONSIBILITY
RELIABILITY
RESILIENCY



Comments from the Chairman and CEO

MGE hosts groundbreaking ceremony for large solar project

In late July, MGE Energy's regulated utility, Madison Gas and Electric (MGE), hosted a groundbreaking ceremony in Madison for the company's 8-megawatt (MW) solar project to serve the City of Madison and Madison Metropolitan School District (MMSD). MGE representatives were joined by the mayor of the City of Madison, representatives of NextEra Energy Resources and members of the Hermsdorf family, the project site's landowners.

"Partnering with the City of Madison and the Madison Metropolitan School District on this project serves as a great example of what can be accomplished when we work together around shared goals," said Jeff Keebler, MGE Chairman, President and CEO. "MGE is working every day toward net-zero carbon electricity by 2050 for all of our customers, and if we can go further faster by working together with our customers, we will."

The project, known as the Hermsdorf Solar Fields, will provide locally generated, cost-effective, carbon-free energy to serve City and school district operations under MGE's innovative Renewable Energy Rider (RER) for large customers. The City will take 5 MWs of the output and MMSD will take 3 MWs under separate RER agreements with MGE. RER customers are responsible for costs associated with the renewable generation facility and any distribution costs to deliver energy to the customer. The RER model grows clean energy in our community. Other RER projects include the Dane County Airport Solar project, Morey Field Solar and the O'Brien Solar Fields.

A subsidiary of NextEra Energy Resources is the developer and builder of the Hermsdorf project. The solar array is expected to begin generating electricity by the end of the year.



Pictured left to right: Don Peterson, MGE Vice President of Energy Technology; Jeff Keebler, MGE Chairman, President and CEO; Madison Mayor Satya Rhodes-Conway; and members of the Hermsdorf family, Dean, Joshua and Emma Hermsdorf.

MGE Energy reports second-quarter earnings

MGE Energy reported in early August financial results for the second quarter of 2021. The company's GAAP (Generally Accepted Accounting Principles) earnings for the second quarter of 2021 were \$22.9 million, or \$0.63 per share, compared to \$18.8 million, or \$0.53 per share, for the same period in the prior year. Second-quarter results were driven by warmer weather, economic recovery in our service territory and an increase in investments included in customer rates.

MGE is investing in new, cost-effective renewable generation, which is helping to fuel the company's asset growth. The Two Creeks Solar project was completed in November 2020, contributing to increased electric earnings in the second quarter of 2021.

The timing of 2021 depreciation and other operations and maintenance costs also contributed to higher electric earnings in the second quarter of 2021. 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 project and a new customer information system.

For the quarter, electric commercial and electric residential kilowatt-hour sales increased 9.4% and 1.4%, respectively, compared to the second quarter of 2020.

O'Brien Solar Fields welcomes customers

MGE welcomed in late July participating customers, local stakeholders and students from the University of Wisconsin-Madison to the O'Brien Solar Fields, Dane County's largest solar array, for an open house to celebrate the project coming online in spring. Guests heard from MGE's renewable and distributed energy engineers about the project and from customers who are served by the 20-megawatt array, which provides solar energy to local businesses, municipalities and public institutions under MGE's Renewable Energy Rider. Participating customers include the City of Fitchburg, Placon, Promega Corporation, Tribe 9 Foods, University of Wisconsin-Madison, Willy Street Co-op and the Wisconsin Department of Administration.

MGE owns the solar array in Fitchburg and leases the land from the O'Brien family. Pollinator plantings are being added under the solar panels in certain areas to boost habitat for dwindling monarch and honeybee populations. EDF Renewables Distributed Solutions designed, developed and built the project at the corner of Lacy Road and South Seminole Highway.

The O'Brien and Hermsdorf solar fields help MGE advance its goal of net-zero carbon electricity by 2050. MGE's net-zero carbon goal is consistent with the latest climate science from the Intergovernmental Panel on Climate Change (IPCC). To achieve deep decarbonization, MGE is growing its use of renewable energy, engaging customers around energy efficiency and working to electrify transportation, all of which are key strategies identified by the IPCC.



Chairman, President and CEO Jeff Keebler shared with guests MGE's commitment to growing the company's use of renewable energy.



MGE engineers Dan Clausen (left) and Todd Montevideo shared with students and others details of the 20-megawatt array.

Former Madison police chief appointed to Boards of Directors

In mid-July, the Boards of Directors elected former City of Madison police chief Noble Wray an independent member of the MGE Energy and Madison Gas and Electric (MGE) boards of directors, effective Sept. 1, 2021. Wray also was elected to serve on the Audit Committee and the Corporate Governance Committee.

Appointed chief of police in 2004, Wray is retired from the Madison Police Department after 30 years of service. He is a nationally recognized leader who speaks on implicit bias, community and trust-based policing, and procedural justice. Wray was asked by the U.S. Department of Justice to help lead the national initiative to implement President Barack Obama's "21st Century Policing" recommendations, and he co-chaired former Gov. James Doyle's State Commission on Reducing Racial Disparity in the Criminal Justice System, which received national recognition. He currently serves on the Governor's Pardon Advisory Board under Gov. Tony Evers.

In addition to serving on many community boards, in 2014, Wray served as Interim President and CEO of the Urban League of Greater Madison. He holds a Bachelor of Science degree in criminal justice from the University of Wisconsin-Milwaukee and is a graduate of the Wisconsin Department of Justice Executive Leadership Course.

Wray will be a Class III director whose term will expire at the annual meeting of shareholders in 2022.

Balance Sheet

(Unaudited) (in thousands)	Jun 30 2021	Dec 31 2020	(in thousands)	Jun 30 2021	Dec 31 2020
Assets					
Plant:					
Property, plant and equipment, net	\$1,669,843	\$1,630,286	Common shareholders' equity	\$1,007,301	\$976,000
Construction work in progress	157,477	139,099	Long-term debt	556,431	519,303
Total Plant	1,827,320	1,769,385	Total Capitalization	1,563,732	1,495,303
Investments	97,182	94,676	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	34,025	44,738	Short-term debt	31,000	52,500
Accounts receivable, net	37,483	41,384	Accounts payable	46,625	54,642
Other current assets	119,885	123,397	Other current liabilities	68,064	83,784
Total Current Assets	191,393	209,519	Total Current Liabilities	145,689	190,926
Other long-term assets	186,190	180,071	Other Credits:		
Total Assets	\$2,302,085	\$2,253,651	Deferred income taxes	235,645	231,471
			Other	357,019	335,951
			Total Other Credits	592,664	567,422
			Total Capitalization and Liabilities	\$2,302,085	\$2,253,651

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2021	2020	2021	2020
Operating Revenues:				
Electric revenues	\$102,076	\$93,961	\$202,721	\$186,989
Gas revenues	28,654	23,079	95,924	79,924
Total Operating Revenues	130,730	117,040	298,645	266,913
Operating Expenses:				
Fuel used for electric generation and purchased power	21,826	19,548	44,352	39,740
Cost of gas sold	11,504	6,339	48,948	37,137
Other operations and maintenance	50,387	46,224	96,069	90,593
Depreciation and amortization	18,595	18,434	36,977	36,601
Other general taxes	5,025	4,975	9,852	9,882
Total Operating Expenses	107,337	95,520	236,198	213,953
Operating Income	23,393	21,520	62,447	52,960
Other income, net	6,110	6,925	8,188	12,596
Interest expense, net	(5,771)	(5,914)	(11,511)	(11,975)
Income before income taxes	23,732	22,531	59,124	53,581
Income tax provision	(881)	(3,740)	(1,340)	(8,753)
Net Income	\$22,851	\$18,791	\$57,784	\$44,828
Earnings per share of common stock (basic and diluted)	\$0.63	\$0.53	\$1.60	\$1.28
Average shares of common stock outstanding				
Basic	36,163	35,441	36,163	35,054
Diluted	36,168	35,441	36,170	35,054

For detailed financial information, see the June 30, 2021, 10-Q.

Statistics

Electric	Six Months Ended: Jun 30		
	2021	2020	% Change
Sales (thousands of kilowatt-hours)			
Residential	429,906	409,909	4.9%
Commercial	851,657	829,695	2.6%
Industrial	80,093	78,849	1.6%
Other-retail/municipal	170,031	165,536	2.7%
Sales to the market	134,366	43,500	n.m.
Total Sales	1,666,053	1,527,489	9.1%
Gas (thousands of therms)			
Six Months Ended: Jun 30			
Deliveries			
Residential	62,804	61,857	1.5%
Commercial/industrial	55,290	53,213	3.9%
Gas transportation	39,938	38,910	2.6%
Total Gas Deliveries	158,032	153,980	2.6%

n.m. - not meaningful



MGEE Shareholder Services

- Madison Calling Area: (608) 252-4744
Continental U.S.: 1-800-356-6423
- Email: investor@mgeenergy.com
- www.mgeenergy.com
- MGE Energy, Inc.
P.O. Box 1231
Madison, WI 53701-1231

NASDAQ: MGEE / NEWSPAPER LISTING: MGE