



Powering forward sustainably

**RESPONSIBILITY
RELIABILITY
RESILIENCY**

Comments from the Chairman and CEO

MGE announces plans to end coal use

In early November, our regulated utility subsidiary, Madison Gas and Electric (MGE), announced plans to eliminate coal-fired generation from its portfolio by 2035. This anticipated step will end the company's investment in coal-fired power generation and advance its goal of net-zero carbon electricity by 2050.

MGE is a minority owner of the Elm Road Generating Station in Oak Creek, Wis., owning 8.33%. The coal-fired plant is owned by WEC Energy Group, whose subsidiary serves as operator, and by WPPI Energy, Inc.

As majority owner, WEC Energy Group has announced plans to transition the Elm Road units to natural gas as their primary fuel source. This transition is expected to reduce the use of coal at Elm Road substantially by 2030 and to eliminate coal as an energy source at Elm Road by 2035.

“We have said since introducing our clean energy and carbon reduction goals—if we can go further faster, we will. By working with our partners to transition to natural gas as the primary fuel source, MGE expects to substantially reduce the use of coal at Elm Road by 2030 and to have no coal-fired power plants by 2035,” MGE Chairman, President and CEO Jeff Keebler said. “Our continued transition away from coal and our significant investments in renewable energy represent our ongoing commitment to a cost-effective clean energy transition that benefits all MGE customers and maintains MGE's top-ranked electric reliability.”

In February, MGE and its utility partners announced plans to retire the coal-fired Columbia Energy Center 15 years ahead of schedule. By 2025, with the planned retirement of both units at Columbia, MGE will have eliminated approximately two-thirds of the company's current coal-fired generation capacity. By 2030, the company's remaining use of coal is expected to be reduced substantially, and by 2035, MGE is expected to eliminate coal as an energy source.

Consistent with global climate science, MGE expects to achieve carbon reductions of at least 65% by 2030. The company continues to transition its energy supply, with the anticipated addition of nearly 400 megawatts of wind, solar and battery storage between 2015 and 2024.

MGE's electric vehicle (EV) fast charger hub coming soon

Construction of a new EV fast charging hub in the heart of Madison's Capitol East District is nearly complete. Located at the intersection of East Washington Avenue and South Livingston Street, the hub will feature some of the fastest charging stations in the Midwest.

“Our new fast charging hub will provide convenient EV charging—powered by renewable energy—for nearby apartment and condo dwellers and single-family households, commuters, taxi and ridesharing services as well as EV fleet vehicles,” said Debbie Branson, MGE Manager of Electrification.

“Electrification is a key strategy for reducing carbon emissions and achieving net-zero carbon electricity by mid-century. Quick and easy EV charging will help to enable the growth of cleaner, more sustainable transportation options,” Branson added.



MGE's EV fast charging hub will feature some of the fastest charging stations in the region.

The hub will feature eight fast charger stalls with power levels up to 350 kilowatts, which will allow for charging of EVs with larger batteries and longer range. Through a partnership with Tesla, the hub also has eight Superchargers. The hub is expected to be fully operational in December 2021.

MGE number one for electric reliability

MGE remains a national leader in electric reliability.

For 2020, MGE's electric service reliability is ranked number one in the country for both the fewest number of outages and shortest duration of outages per customer, according to an annual industry survey of nearly 80 electric utilities nationwide.

SAIFI, which measures the frequency of customer outages, was 0.24 in 2020, the best performance ever in MGE history. On average, MGE customers experience about one outage every four years. SAIDI, which measures total customer outage times, was 27.3 minutes in 2020. MGE's 2020 result is 95% lower than the nationwide average for electric utilities, which is an outage time of 509 minutes. The 2020 nationwide average of 509 minutes reflects outages due to a number of significant weather-related events.

Record of top-ranked reliability

MGE has ranked in the top three utilities in the country for the fewest number of outages in each of the last 14 years, ranking No. 1 nationwide for the fewest outages in 2007, 2013, 2015, 2017 and 2020.

MGE also has ranked in the top four utilities in the country for shortest duration of outages in 13 of the last 14 years. MGE ranked No. 1 nationwide for shortest duration of outages per customer in 2007, 2011, 2013, 2017 and 2020.

Commitment to continuous improvement

MGE's reliability improvement process begins with the Distribution Reliability Working Group, which includes employees from Engineering, Operations, Substations, Forestry, Distribution Asset Management and the Distribution Operations Center. The group meets regularly to review and analyze outages and their root causes to propose reliability improvement projects.

In addition, MGE's Electric Standards Committee is a cross-functional group with representation from Engineering, Operations, Distribution Asset Management and Supply Chain that determines the equipment and design standards for MGE's electric system. Through informed and collaborative decision-making, the committee works to improve long-term electric service reliability.

MGE Energy reports third-quarter earnings

In early November, MGE Energy reported third-quarter Generally Accepted Accounting Principles earnings were \$34.9 million, or \$0.97 per share, compared to \$31.8 million, or \$0.88 per share, for the same period in 2020. Third-quarter results were driven by an increase in investments included in rate base and economic recovery in our service territory.

An increase in electric investments included in rate base continues to contribute to the increase in electric earnings for 2021. The Two Creeks solar project was completed in November 2020 contributing to increased electric earnings in the third quarter of 2021.

Electric retail kilowatt-hour sales increased 2.2% compared to the third quarter of 2020. Electricity use by commercial customers was 4.5% higher during the third quarter of 2021. Electric residential consumption declined by 3.9%.

Depreciation and operations and maintenance costs are expected to increase during the remainder of 2021 after significant capital projects are completed. The new customer information system became operational in September 2021. This multiyear capital investment to upgrade internal legacy systems is part of the Enterprise Forward initiative to transform MGE into a digitally integrated utility. Additionally, the first phase of Badger Hollow is expected to be completed in the fourth quarter of 2021.

Tax information

Investors directly registered with MGE Energy: If you received MGE Energy dividends during 2021, 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, 2022.

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 efforts

We monitor federal, state, and local legislation and regulations. Learn more at mgeenergy.com/lobbying.

Balance Sheet

(Unaudited) (in thousands)	Sep 30 2021	Dec 31 2020	(in thousands)	Sep 30 2021	Dec 31 2020
Assets					
Plant:					
Property, plant and equipment, net	\$1,743,447	\$1,630,286	Common shareholders' equity	\$1,028,285	\$976,000
Construction work in progress	103,919	139,099	Long-term debt	615,311	519,303
Total Plant	1,847,366	1,769,385	Total Capitalization	1,643,596	1,495,303
Investments	99,236	94,676	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	70,454	44,738	Short-term debt	-	52,500
Accounts receivable, net	43,162	41,384	Accounts payable	57,431	54,642
Other current assets	120,469	123,397	Other current liabilities	66,112	83,784
Total Current Assets	234,085	209,519	Total Current Liabilities	123,543	190,926
Other long-term assets	190,047	180,071	Other Credits:		
Total Assets	\$2,370,734	\$2,253,651	Deferred income taxes	241,731	231,471
			Other	361,864	335,951
			Total Other Credits	603,595	567,422
			Total Capitalization and Liabilities	\$2,370,734	\$2,253,651

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2021	2020	2021	2020
Operating Revenues:				
Electric revenues	\$121,853	\$116,568	\$324,574	\$303,556
Gas revenues	24,020	18,643	119,944	98,568
Total Operating Revenues	145,873	135,211	444,518	402,124
Operating Expenses:				
Fuel used for electric generation and purchased power	27,132	23,653	71,484	63,393
Cost of gas sold	8,780	3,812	57,728	40,950
Other operations and maintenance	48,494	45,819	144,563	136,412
Depreciation and amortization	18,991	18,592	55,968	55,193
Other general taxes	4,878	5,010	14,730	14,892
Total Operating Expenses	108,275	96,886	344,473	310,840
Operating Income	37,598	38,325	100,045	91,284
Other income, net	6,164	6,534	14,353	19,131
Interest expense, net	(6,079)	(5,765)	(17,591)	(17,740)
Income before income taxes	37,683	39,094	96,807	92,675
Income tax provision	(2,766)	(7,300)	(4,106)	(16,053)
Net Income	\$34,917	\$31,794	\$92,701	\$76,622
Earnings per share of common stock (basic and diluted)	\$0.97	\$0.88	\$2.56	\$2.16
Average shares of common stock outstanding				
Basic	36,163	36,163	36,163	35,427
Diluted	36,170	36,163	36,176	35,427

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

Statistics

Electric	Nine Months Ended: Sep 30		
Sales (thousands of kilowatt-hours)	2021	2020	% Change
Residential	693,739	684,585	1.3%
Commercial	1,352,091	1,308,511	3.3%
Industrial	122,493	122,106	0.3%
Other-retail/municipal	276,950	263,029	5.3%
Sales to the market	201,902	92,539	n.m.
Total Sales	2,647,175	2,470,770	7.1%
Gas	Nine Months Ended: Sep 30		
Deliveries (thousands of therms)	2021	2020	% Change
Residential	68,791	68,394	0.6%
Commercial/industrial	64,179	62,582	2.6%
Gas transportation	55,150	55,002	0.3%
Total Gas Deliveries	188,120	185,978	1.2%

n.m. - not meaningful



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