

Interim Report

March 2022



Powering forward sustainably

RESPONSIBILITY
RELIABILITY
RESILIENCY



mge
ENERGY®

MGE increases 2030 carbon reduction goal to 80%

In late January, our regulated utility, Madison Gas and Electric (MGE), committed to reducing carbon emissions from electricity supplied to customers at least 80% by 2030 as it continues to work toward net-zero carbon by mid-century.

“In 2019, MGE was one of the first utilities in the nation to commit to net-zero carbon by 2050. Since announcing our carbon reduction goals, we have said that if we can move further faster by working with our customers, we will,” said MGE Chairman, President and CEO Jeff Keebler.

Under the company’s Energy 2030 framework announced in 2015, MGE set a goal of 40% carbon reduction by 2030, one of the first such goals set by a utility and in alignment with the Paris Agreement on climate change. Since then, the company has said it fully expects to achieve carbon reductions of at least 65% by 2030.

“Our goal to reduce carbon at least 80% by 2030 reflects our commitment to working together to move further faster,” Keebler added. “We’re committed to doing everything we can do today to advance our deep decarbonization strategies as quickly and as cost-effectively as we can while maintaining our top-ranked electric reliability and our responsibility to those we serve.”

Ongoing transition away from coal-fired generation, toward greater use of cleaner energy

In early 2021, MGE announced the planned retirement of the Columbia Energy Center by 2025, about 15 years ahead of schedule. MGE is a minority owner of Columbia, which currently provides MGE with about 200 megawatts (MW) of capacity.

Investment in renewable generation will replace much of the capacity needed due to the retirement of Columbia. MGE continues to grow its use of renewable energy with the anticipated addition of nearly 400 MW of wind, solar and battery storage between 2015 and 2024.

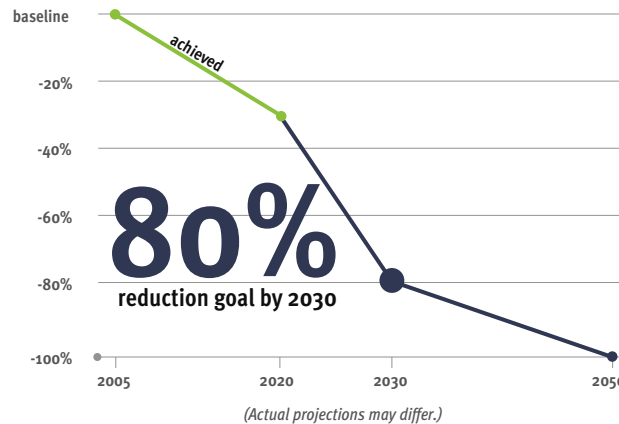
In addition, MGE plans to purchase 25 MW from the West Riverside Energy Center, with an option to purchase an additional 25 MW.

A 50-MW share of this new, state-of-the-art and highly efficient gas plant is expected to produce less than 10% of the emissions of MGE’s share of Columbia. MGE’s investment in the existing West Riverside facility will result in no new carbon emissions.

Natural gas is a bridge fuel toward a net-zero carbon future. Natural gas plants are an especially efficient backup to renewable energy because they can be dispatched quickly and during periods of lower production for wind or solar generation.

Additionally, with the anticipated transition of the Elm Road Generating Station from coal to natural gas, MGE expects to reduce its use of coal about 75% by 2025 and to eliminate coal as an energy source by 2035.

Visit mge.com/8oby2030 to learn more.



Solid earnings, dividend growth

MGE Energy’s GAAP (Generally Accepted Accounting Principles) earnings for the full year of 2021 were \$105.8 million, or \$2.92 per share, compared to \$92.4 million, or \$2.60 per share, for 2020. This increase was primarily driven by an increase in investments included in rate base and economic recovery in our service territory. The Two Creeks Solar project was completed in November 2020, and the first phase of the Badger Hollow Solar Farm was completed in November 2021.

In 2021, electric retail kilowatt-hour sales increased approximately 3% compared to the prior year, and at the end of 2021, the company was serving approximately 2,000 more electric customers and 3,000 more natural gas customers than at the end of 2020.

MGE Energy’s GAAP earnings for the fourth quarter of 2021 were \$13.1 million, or 36 cents per share, compared to \$15.8 million, or 44 cents per share, for the same period in 2020. This decrease was primarily attributable to lower gas retail sales due to weather.

Steady dividend growth

MGE Energy has a commitment to building shareholder value through its dividend record. In 2021, the Board of Directors increased the annual dividends paid per share by approximately 5% to \$1.52. In the last five years, shareholders have seen a compound annual growth rate in dividends of nearly 5%. MGE Energy has increased the dividend for 46 consecutive years and has paid cash dividends for more than 110 years.



Annual total return provides a snapshot of your investment’s performance. Total return is the combination of stock price and reinvested dividends. If you invested \$1,000 in MGE Energy five years ago and consistently reinvested your dividends, your investment would have grown to \$1,396 by the close of 2021. Over the last five years, MGE Energy’s annualized total return was almost 7%.

Annual Corporate Responsibility and Sustainability Report online

MGE has published its annual Corporate Responsibility and Sustainability Report detailing its environmental commitment and progress toward the company's goal of net-zero carbon electricity by 2050. The report features information about MGE's sustainability strategy, safety and operations, customer and employee engagement, risk management, and governance and oversight. Highlights include:



- MGE employees achieved historic safety results in 2020. Despite working through a global pandemic, MGE recorded its lowest-ever recordable incident rate.
- 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 in 2020, according to an annual industry survey.
- MGE earned the Green Master designation in 2021 for the eighth consecutive year from the Wisconsin Sustainable Business Council. Only the top 20% of applying companies receive the Green Master designation.
- MGE's philanthropic arm, the MGE Foundation, has given more than \$6.7 million to more than 400 community organizations in the last five years.
- MGE is advancing electric transportation with a robust customer education program, a home charging program and a public charging network. MGE also has an electric vehicle fleet goal of 100% all-electric or plug-in hybrid light-duty vehicles by 2030.

Commitment to transparency and disclosure

MGE also continues to participate in the Edison Electric Institute's (EEI) environmental, social, governance (ESG) and sustainability reporting templates. EEI, which represents all U.S. investor-owned electric companies, developed the voluntary, industry-specific templates to provide more uniform and consistent reporting of data and information from the electric sector. The templates and report are available at mgeenergy.com/sustainability.

Virtual annual meeting on May 17

Shareholders are invited to attend the 2022 MGE Energy Annual Meeting on Tuesday, May 17. The meeting, which will be held virtually, begins at 11 a.m. Central time. Shareholders of record on March 11, 2022, will receive information in their proxy materials.

VOTE YOUR  **SHARES**

We encourage all shareholders to exercise their right and responsibility to vote their shares. Whether shareholders own shares through a brokerage firm or are directly registered with MGE Energy, we make voting easy. Return the vote form through the mail or vote online through a designated proxy voting website included in your proxy materials this spring.

To sign up for electronic delivery of future investor materials, visit mgeenergy.com/paperless. Help MGE Energy contain costs and reduce impacts to the environment by opting to go paperless!



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