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Bringing the benefits of sustainability to all.



Interim Report

June 2022

mge
ENERGY®

Annual meeting highlights industry-leading goals, renewable energy investments and innovative customer partnerships

Shareholders joined MGE Energy leadership virtually in mid-May for the annual meeting, during which Chairman, President and CEO Jeff Keebler updated investors on the company’s cost-effective renewable energy investments and path toward greater sustainability, enabled by Madison Gas and Electric’s (MGE) best-in-class credit ratings.

“When we announced our Energy 2030 framework in 2015, we said that if we can go further faster toward our carbon reduction goals through partnerships with our customers and the evolution of new technologies, we will—and we are,” Keebler said from the company’s headquarters in downtown Madison, Wis.

MGE’s Energy 2030 framework set foundational objectives to guide the company’s work with customers and set clean energy goals, which included to reduce carbon 40% by 2030.

Targeting carbon reductions of 80% by 2030

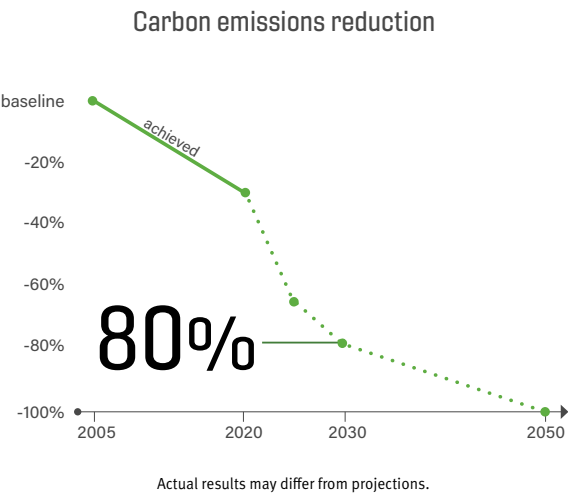
In early 2022, the company committed to reducing carbon emissions at least 80% by 2030 as it works toward net-zero carbon electricity by 2050, a goal announced at the annual meeting of shareholders in May 2019. MGE expects to achieve carbon reductions of at least 65% by 2025.

Keebler said MGE is growing its use of renewable energy as it transitions away from coal with the planned retirement of the Columbia Energy Center by 2025 and as the Elm Road Generating Station transitions from coal to natural gas within the next couple of years. With Columbia’s expected retirement and Elm Road’s transition, MGE expects to reduce its current use of coal about 75% by 2025.

Jared Bushek, Vice President - Finance, Chief Information Officer and Treasurer, said nearly \$650 million in estimated investment in renewable energy and battery storage between 2015 and 2024 will help to replace the capacity lost with the retirement of Columbia. He said these investments represent about 40% of the company’s estimated capital expenditures between 2015 and 2024.

“By year-end 2024, we expect to have grown our owned renewable generation capacity by more than nine times since 2015,” said Bushek. “We also anticipate further investment in renewables beyond what is currently planned.”

One of the foundational objectives under Energy 2030 has been to ensure all customers reap the economic and environmental benefits of MGE’s clean energy transition while maintaining safe, reliable and affordable energy. Keebler added that MGE’s innovative partnerships with customers around clean energy, energy efficiency and electrification of transportation help advance company growth and its sustainability goals. To watch the annual meeting webcast, visit mgeenergy.com/annualmeeting2022.



MGE Energy reports first-quarter earnings

In early May, MGE Energy reported GAAP (Generally Accepted Accounting Principles) earnings for the first quarter of 2022 of \$34.4 million, or \$0.95 cents per share, compared to \$34.9 million, or \$0.97 cents per share, for the same period in 2021.

During the first quarter of 2022, colder weather led to an increase in gas retail sales of approximately 4% compared to the same period in 2021. Timing of 2021 depreciation and other operations and maintenance costs contributed to higher electric earnings in the first quarter of 2021. Depreciation and operations and maintenance costs increased during the remainder of 2021 after significant capital projects were completed, including a new customer information system and the first phase of the Badger Hollow Solar Farm.

MGE seeks to expand managed EV charging with customers

MGE continues to explore new ways to work with customers to accelerate the transition to electric vehicles (EV). Transportation is a top contributor of greenhouse gas emissions, and the electrification of transportation is a key strategy for achieving deep decarbonization.

With EV models growing and more customers opting to drive electric, MGE is seeking regulatory approval to expand opportunities to manage EV charging on the grid. The proposed managed charging pilots allow MGE to evaluate new technologies and load management strategies, such as shifting charging to lower-cost periods and staggering when charging starts to avoid new demand peaks on the grid. With managed charging, MGE is able to shift customer vehicle charging remotely to better correspond to the needs of the electric grid, which helps MGE to control customers' long-term costs by reducing the need for electric system upgrades and new generation facilities to meet peak demand as EV charging increases.

Charge Ahead

MGE launched the Charge Ahead demonstration project in March 2021 with a number of Tesla drivers. A software platform was used to manage charging through the vehicles' on-board modems.

Charge Ahead customers provided a need-by time for their vehicle and enabled smart charging. The software then optimized charging. Participating customers were assigned to one of three groups that allowed MGE to shift 80% of charging to off-peak times or curtail charging during peak times. MGE is seeking to expand the pilot to involve more customers and vehicle models.

Charge@Home

Data show most EV charging happens at home. MGE's Charge@Home pilot offers customers a Level 2 charging station at their home. Customers pay a nominal monthly fee plus the cost of electricity. MGE handles the installation, maintenance and any necessary repairs to the charging station. MGE is seeking regulatory approval to transition Charge@Home from a pilot to a program. The program also allows for remote management of customers' EV charging by MGE.

Apartment, workplace and fleet charging

In the city of Madison, renters make up more than 50% of the population. Eighty percent or more of charging happens at home with the workplace being the second most common place to charge. MGE is proposing apartment, workplace and fleet vehicle charging pilots to offer Level 2 network charging stations and remote management of charging by MGE. Customers would pay a monthly fee to cover costs.

Regulatory review is expected to be complete by the end of the year.



Balance Sheet

Unaudited <i>(in thousands)</i>	Mar 31, 2022	Dec 31, 2021	<i>(in thousands)</i>	Mar 31, 2022	Dec 31, 2021
Assets			Capitalization and liabilities		
Plant			Capitalization:		
Property, plant and equipment, net	\$1,843,122	\$1,828,171	Common shareholders' equity	\$1,048,153	\$1,027,468
Construction work in progress	40,156	50,603	Long-term debt	613,105	614,211
<i>Total plant</i>	<i>1,883,278</i>	<i>1,878,774</i>	<i>Total capitalization</i>	<i>1,661,258</i>	<i>1,641,679</i>
Investments	101,365	98,754	Current liabilities:		
Current assets			Short-term debt	—	5,500
Cash and cash equivalents	26,374	17,438	Accounts payable	44,690	64,149
Accounts receivable, net	50,167	46,205	Other current liabilities	53,414	48,198
Other current assets	117,892	135,728	<i>Total current liabilities</i>	<i>98,104</i>	<i>117,847</i>
<i>Total current assets</i>	<i>194,433</i>	<i>199,371</i>	Other credits:		
Other long-term assets	198,465	195,007	Deferred income taxes	233,146	231,149
Total assets	\$2,377,541	\$2,371,906	Other	385,033	381,231
			<i>Total other credits</i>	<i>618,179</i>	<i>612,380</i>
			Total capitalization and liabilities	\$2,377,541	\$2,371,906

Income Statement

Unaudited <i>(in thousands, except per-share amounts)</i>	Three months ended: Mar 31	
Operating revenues:	2022	2021
Electric revenues	\$110,127	\$100,645
Gas revenues	98,811	67,270
<i>Total operating revenues</i>	<i>208,938</i>	<i>167,915</i>
Operating expenses:		
Fuel used for electric generation and purchased power	26,028	22,526
Cost of gas sold	64,802	37,444
Other operations and maintenance	49,994	45,682
Depreciation and amortization	21,046	18,382
Other general taxes	5,205	4,827
<i>Total operating expenses</i>	<i>167,075</i>	<i>128,861</i>
Operating income:	41,863	39,054
Other income, net	6,972	2,078
Interest expense, net	(6,571)	(5,740)
Income before income taxes	42,264	35,392
Income tax provision	(7,844)	(459)
Net income:	\$34,420	\$34,933
Earnings per share of common stock		
Basic	\$0.95	\$0.97
Diluted	\$0.95	\$0.97
Average shares of common stock outstanding		
Basic	36,163	36,163
Diluted	36,171	36,165

For detailed financial information, see the March 31, 2022, 10-Q.

Statistics

Electric	Three months ended: Mar 31		
Sales			
<i>(thousands of kilowatt-hours)</i>	2022	2021	% Change
Residential	221,884	219,770	1.0%
Commercial	426,529	414,337	2.9%
Industrial	39,261	39,005	0.7%
Other-retail/municipal	80,610	76,356	5.6%
Sales to the market	51,152	95,872	(46.6%)
<i>Total electric sales</i>	<i>819,436</i>	<i>845,340</i>	<i>(3.1%)</i>
Gas	Three months ended: Mar 31		
Deliveries			
<i>(thousands of therms)</i>	2022	2021	% Change
Residential	55,661	50,305	10.6%
Commercial/industrial	47,892	42,254	13.3%
Gas transportation	26,067	23,308	11.8%
<i>Total gas deliveries</i>	<i>129,620</i>	<i>115,867</i>	<i>11.9%</i>



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