

Technology in Action

Bringing the benefits of sustainability to all.



Interim Report

September 2022

mge
ENERGY®

Comments from the Chairman and CEO

Wind farm site being prepped for turbine construction

Construction activities are underway at the future site of the Red Barn Wind Farm in Grant County. Our utility subsidiary, Madison Gas and Electric (MGE), will purchase a 10% share of the 92-megawatt (MW) project when it's complete.

Minnesota-based ALLETE Clean Energy is constructing the wind farm, which will consist of 28 turbines over about 12,000 acres. The land hosting the turbines will be leased from local landowners, who may continue to use it for farming or grazing. MGE's share of the project is expected to generate enough energy to power about 4,000 households.

The company's investment in the Red Barn Wind Farm is one of several renewable energy projects in various stages of development.

- The second phase of the Badger Hollow Solar Farm in Iowa County is expected to begin serving MGE customers in the first half of next year. MGE will own 50 MW of the second phase. MGE's first 50 MW of the project came online late last year.
- MGE received approval to purchase a share of the Paris Solar-Battery Park, which also is under construction. MGE will own 20 MW of solar and 11 MW of battery storage from the 200-MW solar and 110-MW battery storage facility being built in Kenosha County.
- MGE is seeking approval to purchase 10% shares of two other solar and battery storage projects, the 325-MW Darien Solar Energy Center to be built in Walworth County and the 465-MW Koshkonong Solar Energy Center to be built in Dane County.

These projects will help to grow the company's use of cost-effective and efficient clean energy to serve all customers as MGE works toward its industry-leading goals to reduce carbon at least 80% by 2030 (from 2005 levels) and achieve net-zero carbon electricity by 2050. MGE expects to invest in additional renewable generation beyond what is currently planned.

One year of O'Brien Solar Fields

This spring marked one year in operation for MGE's O'Brien Solar Fields, currently the largest solar project in Dane County. The 20-MW project has generated more than 36,000 megawatt-hours of energy in its first year of operation—that's enough carbon-free electricity to power more than 10,000 electric vehicles for a year.

The 160-acre solar project just outside of Madison features pollinator plantings to grow habitat for dwindling monarch and honeybee populations. MGE owns the solar array and leases the land from the O'Brien family.

Built under MGE's Renewable Energy Rider (RER) program, the project serves several large customers with carbon-free energy. The RER program was designed to meet the needs of large customers who want a renewable energy solution. RER customers pay costs associated with the generation facility and any distribution service costs. The innovative model developed by MGE grows locally generated clean energy. The O'Brien project is one of four local solar projects serving RER customers.



The O'Brien Solar Fields project features pollinator-friendly plants to provide habitat for bees and butterflies.

MGE Energy reports second-quarter earnings

In August, MGE Energy reported GAAP (Generally Accepted Accounting Principles) earnings for the second quarter of 2022 were \$21.8 million, or \$0.60 cents per share, compared to \$22.9 million, or \$0.63 cents per share, for the same period last year.

During the second quarter of 2022, electric net income decreased \$1.1 million compared to the second quarter of 2021. Timing of 2021 depreciation and other operations and maintenance costs contributed to higher electric earnings in the second 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.

Gas net income in the second quarter of 2022 remained relatively flat compared to the second quarter of 2021.

Board of Directors adopts statement on human rights

As your community energy company, MGE recognizes its impact on human rights and embraces the protection of human rights as a fundamental value. In June, MGE Energy's Board of Directors adopted a statement on human rights, which outlines the company's commitment to diversity, equity and inclusion; safe and healthy working conditions; and fair labor and worker rights. The statement also outlines expectations for vendors, suppliers and partners as well as guidance for MGE employees.

"MGE is committed to respecting and advancing human rights for our employees, our customers and the broader community," said MGE Chairman, President and CEO Jeff Keebler. "We are committed to conducting our business in accordance with this statement as we meet our core obligation to serve our communities with safe, reliable, affordable and sustainable energy."

The statement was developed through a collaborative effort of employees from across the company. It is consistent with guidelines and standards set forth in United States human rights laws and applicable international human rights principles. A link to the full statement is available at mgeenergy.com/social.

Support sustainable practices, get faster delivery by going paperless

MGE Energy and MGE seek environment-friendly options and waste minimization when serving our shareholders, customers and community. In support of this commitment, you can help us advance cost-effective sustainable practices by opting to go paperless for your materials.

Shareholders may reduce paper mailings by signing up for e-delivery. Receive your newsletters, Annual Meeting notification, Proxy Statement and Annual Report by email when they are published by MGE Energy.

Choosing e-delivery also helps the company manage costs by eliminating paper and postal mailings. Visit mgeenergy.com/paperless for more information. Thank you for investing and helping to advance sustainability throughout your community energy company.

Balancing Sheet

(Unaudited) (in thousands)	Jun 30 2022	Dec 31 2021	(in thousands)	Jun 30 2022	Dec 31 2021
Assets			Capitalization and Liabilities		
Plant:			Capitalization:		
Property, plant and equipment, net. . .	\$1,844,658	\$1,828,171	Common shareholders' equity.	\$1,056,057	\$1,027,468
Construction work in progress.	89,659	50,603	Long-term debt.	592,689	614,211
Total Plant.	1,934,317	1,878,774	Total Capitalization.	1,648,746	1,641,679
Investments.	103,885	98,754	Current Liabilities:		
Current Assets:			Short-term debt.	-	5,500
Cash and cash equivalents.	22,807	17,438	Accounts payable.	88,833	64,149
Accounts receivable, net.	41,190	46,205	Other current liabilities.	71,874	48,198
Other current assets.	130,643	135,728	Total Current Liabilities.	160,707	117,847
Total Current Assets.	194,640	199,371	Other Credits:		
Other long-term assets.	204,389	195,007	Deferred income taxes.	240,423	231,149
Total Assets.	\$2,437,231	\$2,371,906	Other.	387,355	381,231
			Total Other Credits.	627,778	612,380
			Total Capitalization and Liabilities. . . .	\$2,437,231	\$2,371,906

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2022	2021	2022	2021
Operating Revenues:				
Electric revenues.	\$112,164	\$102,076	\$222,291	\$202,721
Gas revenues.	40,184	28,654	138,995	95,924
Total Operating Revenues.	152,348	130,730	361,286	298,645
Operating Expenses:				
Fuel used for electric generation and purchased power.	27,501	21,826	53,529	44,352
Cost of gas sold.	21,313	11,504	86,115	48,948
Other operations and maintenance.	51,526	50,387	101,520	96,069
Depreciation and amortization.	21,287	18,595	42,333	36,977
Other general taxes.	5,263	5,025	10,468	9,852
Total Operating Expenses.	126,890	107,337	293,965	236,198
Operating Income.	25,458	23,393	67,321	62,447
Other income, net.	7,696	6,110	14,668	8,188
Interest expense, net.	(6,463)	(5,771)	(13,034)	(11,511)
Income before income taxes.	26,691	23,732	68,955	59,124
Income tax provision.	(4,930)	(881)	(12,774)	(1,340)
Net Income.	\$21,761	\$22,851	\$56,181	\$57,784
Earnings per share of common stock (basic and diluted).	\$0.60	\$0.63	\$1.55	\$1.60
Average shares of common stock outstanding				
Basic.	36,163	36,163	36,163	36,163
Diluted.	36,174	36,168	36,170	36,170

For detailed financial information, see the June 30, 2022, 10-Q.

Statistics

Electric	Six Months Ended: Jun 30		
Sales (thousands of kilowatt-hours)	2022	2021	% Change
Residential.	426,851	429,906	(0.7%)
Commercial.	872,916	851,657	2.5%
Industrial.	79,523	80,093	(0.7%)
Other-retail/municipal.	172,295	170,031	1.3%
Sales to the market.	73,216	134,366	(45.5%)
Total Electric Sales.	1,624,801	1,666,053	(2.5%)
Gas	Six Months Ended: Jun 30		
Deliveries (thousands of therms)	2022	2021	% Change
Residential.	70,925	62,804	12.9%
Commercial/industrial.	63,794	55,290	15.4%
Gas transportation.	42,876	39,938	7.4%
Total Gas Deliveries.	177,595	158,032	12.4%



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