



INTERIM REPORT
JUNE 15, 2020

Bold goals

Community
focus



Together we build a
strong energy future.

Comments from the Chairman and CEO

Morey Field Solar project taking shape

Crews continue to build Madison Gas and Electric's (MGE) 5-megawatt (MW) solar project at the Middleton Municipal Airport, performing site work and installing support posts for the nearly 17,000 solar panels. The Morey Field Solar project will serve MGE's Shared Solar program and two major customers under Renewable Energy Rider agreements.

MGE's Shared Solar program provides eligible customers the option of adding locally generated solar to their energy mix without having to install solar panels at their home or business. Participants pay a one-time, up-front fee to reserve a portion of the electricity produced by the array. It's easy and affordable solar energy with minimal up-front cost to participating customers.

The array will use solar panels capable of tracking the sun throughout the day, resulting in about 25% more energy harvested compared to fixed panels. The program's share of the array, expected online this year, will serve the equivalent of about 1,100 households.



Construction of the 5-MW solar project at Morey Field in Middleton, Wis., is underway.

First-quarter earnings report

MGE Energy's earnings for the first quarter of 2020 were \$26.0 million, or 75 cents per share, compared to \$24.0 million, or 69 cents per share, for the same period in the prior year. During the first quarter of 2020, electric and gas net income increased as a result of lower fuel costs, savings in operating and maintenance costs, and customer growth. Increased investments in rate base also contributed to higher earnings. Colder-than-normal weather in the first quarter of 2019 and milder weather in the first quarter of 2020 partially offset this increase. Gas retail sales decreased by 14% and electric retail sales decreased by 3%.

MGE Energy began to see the impacts of COVID-19 on customer demand in late March and continues to see lower retail sales. First-quarter results are not expected to be indicative of second-quarter results, which are expected to reflect COVID-19-related developments more fully, or of future periods, which will be affected by the timing of the resumption of normal economic activity and consumer behavior.

Virtual annual meeting held

For the first time in MGE Energy history, shareholders gathered in a virtual format, due to the COVID-19 pandemic, to hear from company leadership at the annual meeting, which was held online May 19, 2020.

Chairman, President and CEO Jeff Keebler shared how MGE has adjusted to COVID-19, including the adoption of an operations framework to guide deferred and essential work and to keep employees and customers safe. Keebler's remarks also highlighted the company's nearly \$400 million in recent and projected clean energy investments, record-setting safety achievements and the essential role of utilities as grid operators in providing for safety and security.

Chief Financial Officer Jeff Newman updated shareholders on the potential financial impact of COVID-19, saying he expects lower sales in the second quarter. Newman reported the company's recent and projected renewable energy investments through 2022 represent a nearly 22% increase to its \$1.8 billion asset base in 2018, when the clean energy buildup began. To learn more about the company's strategies to achieve net-zero carbon electricity by 2050, watch the annual meeting webcast, visit mgeenergy.com/virtualmeeting.

DC Fast Charger installed at Dane County Regional Airport

MGE continues to invest in the future of sustainable transportation, installing a DC Fast Charger for electric vehicles (EVs) at the Dane County Regional Airport in April. Fast chargers typically provide from 60 to more than 80 miles of range with about 20 minutes of charging. MGE's fast charger at the airport will enable rideshare and Interstate drivers as well as airport travelers the ability to charge quickly at a convenient location.

Within the last year, MGE has added nine public charging stations to its green-powered public charging network, which now includes more than 40 stations.

"We've strategically installed stations throughout our service territory to make it more convenient for drivers," said Debbie Branson, Manager of Electrification. "Supporting the growing EV market is part of MGE's commitment to new technology and innovative products and services for our customers."

Partnership with Dane County

The new fast charger builds on MGE's partnership with Dane County.

Also in April, state regulators approved MGE's request to build a 9-megawatt solar project at the airport to serve County operations. The project will consist of about 31,000 solar panels and will cover 58 acres of County-owned land north of the airport. Dane County will lease the land to MGE. MGE will construct and own the array and sell the energy to Dane County under a Renewable Energy Rider (RER) agreement. It is expected to become operational by the end of this year. The innovative RER program grows clean energy in our community.

MGE is a longtime partner of the County's on sustainable energy. MGE also serves as a member of the Dane County Council on Climate Change, which brings together local leaders from a variety of sectors to advance carbon-reduction strategies.

"MGE committed in 2018 to aggressive carbon reductions by 2050, and we are pleased to partner with the County toward these efforts," said Jeff Keebler, MGE Chairman, President and CEO, upon release of the County's Climate Action Plan. "With several solar projects in development, MGE continues to grow our use of cost-effective clean energy to benefit all MGE customers and to help customers, like Dane County, achieve their own sustainability goals through partnerships like ours to build solar at Dane County Regional Airport."



A large crane installed the fast charging station at the airport.

Investing in our local economy

MGE serves one of the most stable economies in the nation. The Madison area is ranked 10th, up from 12th in 2019, among 384 metro areas nationwide by the independent research firm Policom Corp. According to Policom, the areas ranked highest for economic strength have experienced consistent economic growth in both size and quality for an extended period of time.

At MGE Energy, we work with business and community leaders and invest locally to help grow our area's economic health and vitality. For example, MGE Energy recently made a commitment to the Winnow Fund, a Madison-based venture capital fund dedicated to helping launch new products out of Wisconsin colleges, universities and early-stage companies. The Winnow Fund is the first and only Wisconsin-based, woman-led venture fund that is actively investing in Wisconsin. It is specific to Wisconsin companies, student inventors and entrepreneurs, further reinforcing MGE Energy's and MGE's commitment to serving its service territory as your community energy company.

Balance Sheet

(Unaudited) (in thousands)	Mar 31 2020	Dec 31 2019	(in thousands)	Mar 31 2020	Dec 31 2019
Assets					
Plant:					
Property, Plant and Equipment, net	\$1,524,782	\$1,530,199	Common shareholders' equity	\$869,492	\$855,676
Construction work in progress	128,321	112,484	Long-term debt	522,614	523,741
Total Plant	1,653,103	1,642,683	Total Capitalization	1,392,106	1,379,417
Investments	89,330	88,492	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	17,451	23,481	Short-term debt	3,000	—
Accounts receivable, net	39,352	40,482	Accounts payable	39,188	55,161
Other current assets	105,390	117,678	Other	68,818	73,659
Total Current Assets	162,193	181,641	Total Current Liabilities	111,006	128,820
Other Long-Term Assets	168,071	168,848	Other Credits:		
Total Assets	\$2,072,697	\$2,081,664	Deferred income taxes	246,028	243,302
			Other	323,557	330,125
			Total Other Credits	569,585	573,427
			Total Capitalization and Liabilities	\$2,072,697	\$2,081,664

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Mar 31	
	2020	2019
Operating Revenues:		
Electric revenues	\$93,028	\$97,469
Gas revenues	56,845	70,100
Total Operating Revenues	149,873	167,569
Operating Expenses:		
Fuel used for electric generation and purchased power	20,192	24,768
Cost of gas sold	30,798	43,253
Other operations and maintenance	44,369	46,934
Depreciation and amortization	18,167	17,139
Other general taxes	4,907	4,963
Total Operating Expenses	118,433	137,057
Operating Income	31,440	30,512
Other income, net	5,671	4,851
Interest expense, net	(6,061)	(5,647)
Income before income taxes	31,050	29,716
Income tax provision	(5,013)	(5,709)
Net Income	\$26,037	\$24,007
Earnings Per Share of Common Stock (basic and diluted)	\$0.75	\$0.69
Average Shares of Common Stock Outstanding (basic and diluted)	34,668	34,668

For detailed financial information, see the March 31, 2020, 10-Q.

Statistics

Electric	Three Months Ended: Mar 31		
Sales (thousands of kilowatt-hours)	2020	2019	% Change
Residential	202,581	212,679	(4.7%)
Commercial	430,118	445,103	(3.4%)
Industrial	40,418	41,109	(1.7%)
Other-retail/municipal	81,045	80,736	0.4%
Sales to the market	23,946	51,524	(53.5%)
Total Sales	778,108	831,151	(6.4%)
Gas	Three Months Ended: Mar 31		
Deliveries (thousands of therms)	2020	2019	% Change
Residential	46,802	54,259	(13.7%)
Commercial/Industrial	39,700	46,337	(14.3%)
Gas Transportation	22,519	22,471	0.2%
Total Gas Deliveries	109,021	123,067	(11.4%)



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