

2014  
Interim Report  
June 15

**MGE**  
ENERGY®



## Chairman's Comments

### Annual Meeting highlights financial strength

MGE Energy's 2014 Annual Meeting highlighted the long-term value we have provided to shareholders. For example, a \$1,000 investment, with dividends reinvested, would have grown to \$2,709 from the close of 2003 through 2013.

Our recent three-for-two stock split also reflects our value for shareholders. After years of stock price appreciation, we split the stock on Feb. 7 to keep it affordable for our investors.



*MGE's Greg Smith (left) and Mark Staven explain a gas meter and equipment to an investor.*

At the meeting, shareholders saw a video message from Bob Greifeld, CEO of the NASDAQ Stock Market. Greifeld congratulated MGE Energy for its 30th anniversary on NASDAQ and for its market value growth of nine times over that period.

We also took the opportunity to thank our shareholders, customers and employees. We are a successful community energy company because:

- **Shareholders'** investments provide the resources needed for our continuing efforts for a cleaner, more efficient energy future.
- **Customers** provide the feedback and partnerships that help our subsidiary, Madison Gas and Electric (MGE), continually improve our service to them.
- **Employees'** dedication helps us meet our community's energy needs. MGE earns high ratings in reliability and customer service because of its employees.

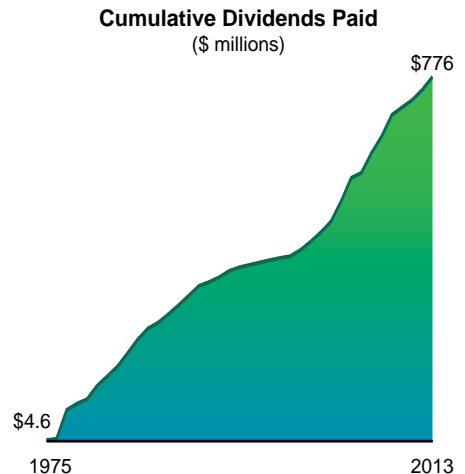
Shareholders also learned how MGE is preparing for the future with technology demonstration projects such as micro-cogeneration and solar installations. We see a role for utilities to integrate new technologies into the grid and harness their benefits for all customers.

### MGE Energy's dividend commitment

Our strong dividend record has earned MGE Energy the distinction as a "Dividend Achiever" by Mergent, a financial information publisher. Our company receives this commendation because we have increased our dividend for 38 consecutive years.

In 1975, we returned \$4.6 million in cash dividends to investors. That figure has grown. In 2013, we distributed \$37 million. From 1975 through 2013, we have paid a cumulative total of \$776 million in cash dividends.

A U.S. News & World Report article recently stated: "Over time, dividend-paying stocks have been shown to provide returns that are comparable to the market as a whole, and they have produced those results with significantly less volatility. In other words, dividend stocks are safer."



## First-quarter earnings increase

MGE Energy produced earnings of 80 cents per share from January through March 2014, compared to 65 cents per share for the same period last year. The per-share amount is adjusted for the three-for-two stock split completed on Feb. 7, 2014.

For the first quarter, the company recorded 23% higher gas retail sales volumes driven by colder winter weather. January and February 2014 were two of the coldest months on record for the Madison area. Also contributing to earnings were cost-containment efforts and a 2.8% increase in electric retail sales.

## Directors reelected at Annual Meeting

At the 2014 MGE Energy Annual Meeting, Directors Londa Dewey, Regina Millner and Thomas Stolper were reelected to three-year terms expiring in 2017.

## Madison's economy attracts attention



*The biotech industry is one of the sectors with strong job growth in Madison.*

A thriving economy, good job prospects and the Madison area's high quality of life have garnered national attention:

- Forbes ranked Madison third in its "Best Cities for Young Adults" survey. Forbes cited our strong economy and high number of job prospects. The Forbes study considered factors such as median salaries and job growth rates.
- Madison ranked No. 5 in the "Top 100 Best Places to Live" survey by Livability.com. This annual rating cited our education, health care and social amenities.
- And, Madison ranked third among the "Ten Best U.S. Job Markets" by ZipRecruiter Inc. It cited our high quality of life and low unemployment rate.

## MGE to construct new training facility

Ground was officially broken in May for a new MGE Training Facility. This facility will be used to train employees so they can do their jobs safely, which in turn helps keep our customers and communities safe.

Located in Fitchburg, the new facility will occupy an undeveloped section of property next to one of MGE's reporting sites for operations crews.

MGE's current training facilities are spread out in various locations. This new facility allows MGE to locate its electric and gas operations training in one location.

A 10,000-square-foot environmentally friendly building will include two hands-on training areas and classroom space. Outdoor training features will include areas for underground and overhead electric lines and areas designed to teach gas leak detection.



*Chairman Gary Wolter and Fitchburg Mayor Shawn Pfaff kick off the groundbreaking event for the new MGE Training Facility.*

Gary J. Wolter  
Chairman, President and CEO

## Balance Sheet

(Unaudited) (in thousands)	Mar 31 2014	Dec 31 2013	(in thousands)	Mar 31 2014	Dec 31 2013
<b>Assets</b>					
<b>Plant:</b>					
Property, Plant & Equipment, net . . .	\$1,026,807	\$1,018,809	Common shareholders' equity . . . . .	\$635,734	\$617,510
Construction work in progress . . . . .	147,449	141,415	Long-term debt . . . . .	398,383	399,414
<b>Total Plant . . . . .</b>	<b>1,174,256</b>	<b>1,160,224</b>	<b>Total Capitalization . . . . .</b>	<b>1,034,117</b>	<b>1,016,924</b>
<b>Investments . . . . .</b>	<b>69,203</b>	<b>67,952</b>	<b>Current Liabilities:</b>		
<b>Current Assets:</b>					
Cash and cash equivalents . . . . .	93,489	68,813	Accounts payable . . . . .	56,171	43,684
Accounts receivable, net . . . . .	62,760	44,890	Other . . . . .	53,344	52,982
Other current assets . . . . .	82,691	106,898	<b>Total Current Liabilities . . . . .</b>	<b>109,515</b>	<b>96,666</b>
<b>Total Current Assets . . . . .</b>	<b>238,940</b>	<b>220,601</b>	<b>Other Credits:</b>		
Other Long-Term Assets . . . . .	128,024	130,283	Deferred income taxes . . . . .	287,224	284,791
<b>Total Assets . . . . .</b>	<b>\$1,610,423</b>	<b>\$1,579,060</b>	Other . . . . .	179,567	180,679
			<b>Total Other Credits . . . . .</b>	<b>466,791</b>	<b>465,470</b>
			<b>Total Capitalization and Liabilities . .</b>	<b>\$1,610,423</b>	<b>\$1,579,060</b>

## Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Mar 31	
	2014	2013
<b>Operating Revenues:</b>		
Regulated electric revenues . . . . .	\$98,852	\$93,494
Regulated gas revenues . . . . .	110,713	72,467
Nonregulated revenues . . . . .	680	1,276
<b>Total Operating Revenues . . . . .</b>	<b>210,245</b>	<b>167,237</b>
<b>Operating Expenses:</b>		
Fuel used for electric generation and purchased power . . . . .	32,687	28,965
Cost of gas sold . . . . .	78,508	44,692
Other operations and maintenance . . . . .	40,472	41,649
Depreciation and amortization . . . . .	9,746	9,624
Other general taxes . . . . .	4,861	4,679
<b>Total Operating Expenses . . . . .</b>	<b>166,274</b>	<b>129,609</b>
<b>Operating Income . . . . .</b>	<b>43,971</b>	<b>37,628</b>
Other income, net . . . . .	4,552	3,309
Interest expense, net . . . . .	(4,541)	(4,675)
Income before income taxes . . . . .	43,982	36,262
Income tax provision . . . . .	(16,265)	(13,678)
<b>Net Income . . . . .</b>	<b>\$27,717</b>	<b>\$22,584</b>
Earnings Per Share of Common Stock (basic and diluted) . . . . .	\$0.80	\$0.65
Average Shares of Common Stock Outstanding (basic and diluted) . . . . .	34,668	34,668

For detailed financial information, see the March 31, 2014, 10-Q.

## Statistics

Electric	Three Months Ended: Mar 31		
	2014	2013	% Change
<b>Sales</b> (thousands of kilowatt-hours)			
Residential . . . . .	221,696	209,782	5.7%
Commercial . . . . .	448,480	429,359	4.5%
Industrial . . . . .	58,305	59,187	(1.5%)
Other-retail/municipal . . . . .	89,435	97,538	(8.3%)
Sales to the market . . . . .	44,167	10,146	NA
<b>Total Sales . . . . .</b>	<b>862,083</b>	<b>806,012</b>	<b>7.0%</b>
<b>Gas</b> Three Months Ended: Mar 31			
<b>Deliveries</b> (thousands of therms)			
Residential . . . . .	57,368	47,454	20.9%
Commercial/Industrial . . . . .	62,024	49,211	26.0%
Gas Transportation . . . . .	12,494	12,327	1.4%
<b>Total Gas Deliveries . . . . .</b>	<b>131,886</b>	<b>108,992</b>	<b>21.0%</b>



### MGEE Shareholder Services

- Madison Calling Area: (608) 252-4744  
Continental U.S.: 1-800-356-6423
- Email: [investor@mgeenergy.com](mailto:investor@mgeenergy.com)
- [www.mgeenergy.com](http://www.mgeenergy.com)
- MGE Energy, Inc.  
P.O. Box 1231  
Madison, WI 53701-1231



NASDAQ: MGEE / NEWSPAPER LISTING: MGE