

2014
Interim Report
Sept. 15

MGE
ENERGY®



Chairman's Comments

MGE Energy increases its dividend for 39 consecutive years

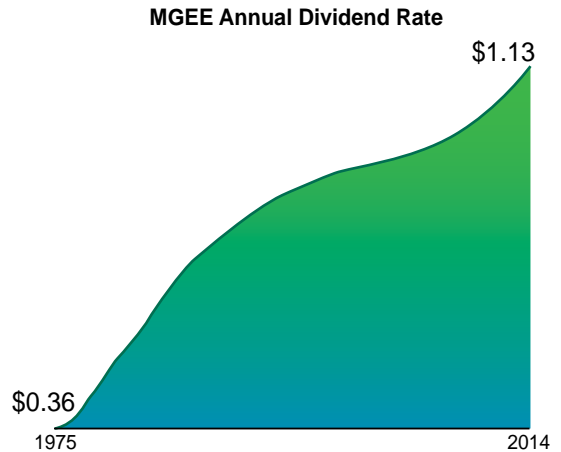
The MGE Energy Board of Directors has increased the regular quarterly dividend to \$0.2825 per share. This increase raises the annual dividend rate by 4 cents from \$1.09 per share to \$1.13 per share.

The board is committed to providing long-term value to our shareholders. They recognize the important role dividends play in our investors' portfolios.

The per-share dividend values have been adjusted for the three-for-two stock split that was effective Feb. 7, 2014. This recent split will help keep the stock price affordable for the average investor.

The company has increased its dividend annually for 39 consecutive years. The last three dividend increases approved by the board have been the largest percentage dividend increases over the past two decades. The company has paid cash dividends for more than 100 years.

The dividend was paid Sept. 15, 2014, to shareholders of record Sept. 1, 2014.



Second-quarter earnings reported

MGE Energy produced earnings of \$0.41 per share from April through June 2014 compared to \$0.40 per share in the same period last year. Per share amounts reflect the three-for-two stock split that took effect Feb. 7, 2014.

During the second quarter, weather was comparable to the same period in 2013 resulting in relatively consistent earnings from gas and electric sales. Contributing to earnings were our cost-control efforts and an allowance of funds used for the construction of environmental controls at the Columbia Energy Center. Those environmental controls are now in service. (See article at right.)



MGE a leader in green energy

Madison Gas and Electric (MGE), our main regulated subsidiary, continues to lead in green energy. MGE's Green Power Tomorrow program placed in the top 10 utility programs in the country in the last five rankings by the National Renewable Energy Laboratory (NREL).

In 2013, MGE was second among investor-owned utilities for customer participation rate and third for green power sales as a percentage of total retail electricity sales. The federal NREL ranks utility green power programs, which allow customers to choose to support renewable energy.

New environmental controls now online at Columbia Energy Center

The Columbia Energy Center successfully activated new environmental controls after completing one of the largest environmental construction projects on record for Wisconsin power plants.

The new scrubber, baghouse and activated carbon injection systems are designed to reduce sulfur dioxide and mercury emissions by about 90%.

MGE owns 22% of Columbia and invested about \$132 million in the nearly \$600 million project. This was the second largest capital investment in MGE Energy’s history. Responsible investments, such as the emission controls, have more than doubled MGE Energy’s assets in the last decade.

Columbia is a mainstay in Wisconsin’s energy supply with two 500-megawatt generating units. Additional construction projects at Columbia are on the drawing boards.

Work will begin next year to upgrade Columbia’s turbines and other equipment, which will improve efficiency and increase the plant’s capacity by nearly 10%. MGE Energy’s share of this work is about \$29 million.

Further air quality technology also is proposed for Columbia. With regulatory approval, a new system would reduce nitrogen oxide emissions. MGE Energy would be responsible for about \$33 million of the overall \$150 million project.



The 1,000-megawatt Columbia Energy Center is located near Portage, Wis.

Find convenience on *mgeenergy.com*

As a shareholder, you can connect to a variety of services online. These allow you to view and manage your account 24 hours a day. Signing up is easy. Visit www.mgeenergy.com and click “My Shareholder Account” on the left and then click “First Time Visitor.” Just follow the directions to enroll.

In addition, MGE Energy can deliver important documents directly to your email account privately and securely. When you sign up for electronic notification, you receive an email alerting you that documents, such as account activity, proxy statements and annual reports, are available online.



Visit www.mgeenergy.com/paperless. Transacting business online is not only more efficient, it also reduces paper use and helps the environment.

Gary J. Wolter
Chairman, President and CEO

Balance Sheet

(Unaudited) (in thousands)	Jun 30 2014	Dec 31 2013	(in thousands)	Jun 30 2014	Dec 31 2013
Assets					
Plant:					
Property, Plant & Equipment, net . . .	\$1,112,755	\$1,018,809	Common shareholders' equity	\$640,355	\$617,510
Construction work in progress	73,710	141,415	Long-term debt	397,346	399,414
Total Plant	1,186,465	1,160,224	Total Capitalization	1,037,701	1,016,924
Investments	70,126	67,952	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	87,911	68,813	Accounts payable	43,078	43,684
Accounts receivable, net	37,685	44,890	Other	43,560	52,982
Other current assets	93,186	106,898	Total Current Liabilities	86,638	96,666
Total Current Assets	218,782	220,601	Other Credits:		
Other Long-Term Assets	121,590	130,283	Deferred income taxes	302,337	284,791
Total Assets	\$1,596,963	\$1,579,060	Other	170,287	180,679
			Total Other Credits	472,624	465,470
			Total Capitalization and Liabilities . .	\$1,596,963	\$1,579,060

Statistics

Electric	Six Months Ended: Jun 30		
	2014	2013	% Change
Sales (thousands of kilowatt-hours)			
Residential	399,098	386,831	3.2%
Commercial	905,962	879,227	3.0%
Industrial	120,940	123,517	(2.1%)
Other-retail/municipal	196,027	203,496	(3.7%)
Sales to the market	62,030	14,014	342.6%
Total Sales	1,684,057	1,607,085	4.8%
Gas Six Months Ended: Jun 30			
Deliveries (thousands of therms)			
Residential	70,521	61,506	14.7%
Commercial/Industrial	84,599	72,047	17.4%
Gas Transportation	20,524	20,111	2.1%
Total Gas Deliveries	175,644	153,664	14.3%

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2014	2013	2014	2013
Operating Revenues:				
Regulated electric revenues	\$96,697	\$96,846	\$195,549	\$190,340
Regulated gas revenues	31,218	30,042	141,931	102,509
Nonregulated revenues	850	1,400	1,530	2,676
Total Operating Revenues	128,765	128,288	339,010	295,525
Operating Expenses:				
Fuel used for electric generation and purchased power	30,787	30,861	63,474	59,826
Cost of gas sold	18,132	16,748	96,640	61,440
Other operations and maintenance	40,208	41,887	80,680	83,536
Depreciation and amortization	10,069	9,530	19,815	19,154
Other general taxes	5,128	4,765	9,989	9,444
Total Operating Expenses	104,324	103,791	270,598	233,400
Operating Income	24,441	24,497	68,412	62,125
Other income, net	3,548	2,711	8,100	6,020
Interest expense, net	(4,868)	(4,657)	(9,409)	(9,332)
Income before income taxes	23,121	22,551	67,103	58,813
Income tax provision	(9,034)	(8,660)	(25,299)	(22,338)
Net Income	\$14,087	\$13,891	\$41,804	\$36,475
Earnings Per Share of Common Stock (basic and diluted)	\$0.41	\$0.40	\$1.21	\$1.05
Average Shares of Common Stock Outstanding (basic and diluted) . .	34,668	34,668	34,668	34,668

For detailed financial information, see the June 30, 2014, 10-Q.



MGEE Shareholder Services

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



NASDAQ: MGEE / NEWSPAPER LISTING: MGE