

## Balance Sheet

(Unaudited) (in thousands)	Sep 30 2014	Dec 31 2013	(in thousands)	Sep 30 2014	Dec 31 2013
<b>Assets</b>					
<b>Plant:</b>					
Property, Plant & Equipment, net . . .	\$1,176,592	\$1,018,809	Common shareholders' equity . . . . .	\$653,985	\$617,510
Construction work in progress . . . . .	21,331	141,415	Long-term debt . . . . .	396,304	399,414
<b>Total Plant . . . . .</b>	<b>1,197,923</b>	<b>1,160,224</b>	<b>Total Capitalization . . . . .</b>	<b>1,050,289</b>	<b>1,016,924</b>
<b>Investments . . . . .</b>	<b>71,370</b>	<b>67,952</b>	<b>Current Liabilities:</b>		
<b>Current Assets:</b>					
Cash and cash equivalents . . . . .	88,719	68,813	Accounts payable . . . . .	41,871	43,684
Accounts receivable, net . . . . .	35,251	44,890	Other . . . . .	40,285	52,982
Other current assets . . . . .	101,435	106,898	<b>Total Current Liabilities . . . . .</b>	<b>82,156</b>	<b>96,666</b>
<b>Total Current Assets . . . . .</b>	<b>225,405</b>	<b>220,601</b>	<b>Other Credits:</b>		
Other Long-Term Assets . . . . .	125,198	130,283	Deferred income taxes . . . . .	313,101	284,791
<b>Total Assets . . . . .</b>	<b>\$1,619,896</b>	<b>\$1,579,060</b>	Other . . . . .	174,350	180,679
			<b>Total Other Credits . . . . .</b>	<b>487,451</b>	<b>465,470</b>
			<b>Total Capitalization and Liabilities . .</b>	<b>\$1,619,896</b>	<b>\$1,579,060</b>

## Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2014	2013	2014	2013
<b>Operating Revenues:</b>				
Regulated electric revenues . . . . .	\$112,869	\$119,836	\$308,418	\$310,176
Regulated gas revenues . . . . .	21,404	18,864	163,335	121,373
Nonregulated revenues . . . . .	862	1,399	2,392	4,075
<b>Total Operating Revenues . . . . .</b>	<b>135,135</b>	<b>140,099</b>	<b>474,145</b>	<b>435,624</b>
<b>Operating Expenses:</b>				
Fuel used for electric generation and purchased power . . . . .	31,141	35,931	94,615	95,757
Cost of gas sold . . . . .	11,039	8,819	107,679	70,259
Other operations and maintenance . . . . .	37,587	41,134	118,267	124,670
Depreciation and amortization . . . . .	10,376	9,710	30,191	28,864
Other general taxes . . . . .	4,872	4,605	14,861	14,049
<b>Total Operating Expenses . . . . .</b>	<b>95,015</b>	<b>100,199</b>	<b>365,613</b>	<b>333,599</b>
<b>Operating Income . . . . .</b>	<b>40,120</b>	<b>39,900</b>	<b>108,532</b>	<b>102,025</b>
Other income, net . . . . .	2,636	3,750	10,736	9,770
Interest expense, net . . . . .	(5,141)	(4,605)	(14,550)	(13,937)
Income before income taxes . . . . .	37,615	39,045	104,718	97,858
Income tax provision . . . . .	(14,286)	(14,692)	(39,585)	(37,030)
<b>Net Income . . . . .</b>	<b>\$23,329</b>	<b>\$24,353</b>	<b>\$65,133</b>	<b>\$60,828</b>
Earnings Per Share of Common Stock (basic and diluted) . . . . .	\$0.67	\$0.70	\$1.88	\$1.75
Average Shares of Common Stock Outstanding (basic and diluted) . .	34,668	34,668	34,668	34,668

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

## Statistics

Electric	Nine Months Ended: Sep 30		
	2014	2013	% Change
<b>Sales</b> (thousands of kilowatt-hours)			
Residential . . . . .	616,775	624,877	(1.3%)
Commercial . . . . .	1,394,272	1,382,151	0.9%
Industrial . . . . .	186,085	189,882	(2.0%)
Other-retail/municipal . . . . .	314,338	326,717	(3.8%)
Sales to the market . . . . .	62,538	22,052	183.6%
<b>Total Sales . . . . .</b>	<b>2,574,008</b>	<b>2,545,679</b>	<b>1.1%</b>
<b>Gas</b> (thousands of therms)			
Nine Months Ended: Sep 30			
<b>Deliveries</b>			
Residential . . . . .	76,626	67,181	14.1%
Commercial/Industrial . . . . .	103,313	89,836	15.0%
Gas Transportation . . . . .	27,651	27,048	2.2%
<b>Total Gas Deliveries . . . . .</b>	<b>207,590</b>	<b>184,065</b>	<b>12.8%</b>



### MGEE Shareholder Services

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NASDAQ: MGEE / NEWSPAPER LISTING: MGE

2014  
Interim Report  
Dec. 15



### Rate changes to help ensure fairness and a strong grid

Madison Gas and Electric (MGE), our regulated subsidiary, is moving forward with changes to its rates and rate structure in 2015.

The Public Service Commission of Wisconsin recently issued its MGE rate case decision. Overall natural gas rates will decrease by about 2%, and overall electric rates will increase by about 4%.

The commission approved a fixed customer charge of \$19 per month compared to the current charge of \$10.50 for residential electric customers. This increase is offset by a reduction in the energy use charge per kilowatt-hour. As a result, a typical residential customer will see a small increase to their electric bill.

With our rate restructuring, our main objectives are to:

- Maintain electric system reliability and provide equitable access.
- Harness the benefits of renewable technology for a cleaner energy future.
- Continue developing a strong electric grid. Our community energy grid plays an even more important role as energy flows not just from central power plants but two ways from local renewable sources such as solar and biogas.



*MGE electric line technicians make upgrades to our distribution grid as we work to keep our system strong.*

### Third-quarter earnings reported

MGE Energy produced earnings of \$0.67 per share from July through September 2014 compared to \$0.70 per share in the same period last year. Per share earning amounts reflect the three-for-two stock split that took effect Feb. 7, 2014.

During the third quarter, electric retail sales decreased 4.4% due to cooler-than-normal weather. Temperatures for the third quarter of 2014 averaged 67 degrees while the average temperature for the third quarter of 2013 was 69 degrees. MGE's ongoing effort to manage costs helped to partially offset the decrease in electric retail sales.

### Tax information (IRS Form 1099-Div)

- For investors with stock directly registered with MGE Energy: If you received MGE Energy dividends during 2014, our IRS form 1099-Div is included with this communication. If you sold MGE Energy shares in 2014, you will receive required tax information by Feb. 16, 2015.
- For investors who own shares through a brokerage firm: Your broker will provide necessary tax forms. Please contact your broker if you have any questions.

### Lobbying reports available online

We monitor federal, state and local legislation and regulations. On behalf of our regulated utility MGE, the company has lobbyists that advocate positions that are in the best interest of our customers and shareholders.

Reports of the company's lobbying activities can be found using the links below.

#### Federal lobbying efforts

We employ the lobbying firm Morgan Meguire, LLC, which files lobbying reports for its activities on our behalf with the U.S. House of Representatives and the U.S. Senate.

<http://lobbyingdisclosure.house.gov>

[http://www.senate.gov/legislative/Public\\_Disclosure/LDA\\_reports.htm](http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm)

#### State lobbying efforts

The Wisconsin Government Accountability Board requires lobbying reports be filed every six months detailing an organization's time, expenses and the legislation or proposals lobbied.

<https://lobbying.wi.gov/Home/Welcome>

#### Local lobbying efforts

The City of Madison posts each person registered to lobby and an expense statement on behalf of that person or organization. MGE typically does not incur lobbying expenses with the city at a level that would trigger a detailed report. If it does, information on its efforts would be available at:

<http://www.cityofmadison.com/clerk/lobbyist/lobbyistRegistered.cfm>

Links to these lobbying disclosure pages are posted on our website at [mgeenergy.com/lobbying](http://mgeenergy.com/lobbying).

### Natural gas extensions

Expanding natural gas service into the more rural areas bordering Madison offers homeowners, farmers and businesses another fuel choice. With the recent high cost of propane and fuel oil, many residents are making the switch to more affordable natural gas.

Our gas extension pilot program has met with success since it began in 2012. We have completed nine projects—installing 70 miles of gas main and adding 850,000 therms of gas load annually.

MGE targets an area for gas extension. Then customers in that area need to reach a certain level of participation for the economics of the program to work. With enough customers in a targeted area, MGE can proceed with the expansion.



*MGE crews install a natural gas meter next to a large grain dryer, which uses a significant amount of energy to dry crops for storage.*

Gary J. Wolter  
Chairman, President and CEO