



embracing our
obligation to serve
today and tomorrow



INTERIM REPORT
DECEMBER 15, 2015

Chairman's Comments

Energy 2030

MGE announces its framework for building tomorrow's energy company

Our main subsidiary, Madison Gas and Electric (MGE), has introduced a framework for our community's energy future. Energy 2030 advances our long-standing commitment to cleaner energy, innovative products and customer engagement.

Energy 2030 was informed by input from customer meetings, an extensive customer survey, stakeholder discussions and industry research.

Our Energy 2030 framework sets these long-term goals:

- Transition toward supplying 30% of retail energy sales with renewable resources by 2030. As a milestone goal, supply 25% of retail energy sales with renewable resources by 2025.
- Work with customers to reduce our community's carbon dioxide emissions by 40% from 2005 levels by 2030.
- Increase engagement around energy efficiency and conservation to reduce our community's overall energy and peak electric use to reduce long-term costs for everyone.
- Create a more dynamic, integrated electric grid that supports and integrates new technology.
- Develop and test new products and services to offer customers more control over their energy use.
- Deepen our engagement with customers to chart our next steps and determine over time, as technologies evolve, how best to meet customer needs and accomplish our long-term goals.

MGE has a long tradition of listening to and working with our customers. Energy 2030 builds on the foundation of our Energy 2015 Plan, which began with a series of "Community Energy Conversations" with our customers. These conversations, held more than 10 years ago, shaped the now complete Energy 2015 Plan, which resulted in MGE:

- Eliminating coal at its downtown Madison power plant.



MGE has installed solar units throughout its service area, including this installation on the Aldo Leopold Nature Center.

- Increasing energy from renewable resources by almost 12 times.
- Reducing carbon emissions by almost 20% since 2005 despite a growing population in our service area.

Now, with Energy 2030, MGE is setting another ambitious framework. To be successful, we will need customer collaboration and support. Working together, we can harness the power of new technologies to double our reductions in carbon emissions and significantly increase our renewable energy.

The Energy 2030 framework is consistent with the energy goals set by many of the communities we serve including the cities of Madison, Middleton, Monona and Fitchburg and of Dane County, which all set goals of 25% renewable energy by 2025. We look forward to partnering with our customers to reach these goals.

In the coming months, MGE will further engage customers and discuss with stakeholders how to advance its Energy 2030 objectives. This engagement will be an ongoing effort as technology improves and we learn together with our customers about the new products and services that will meet their future needs.

Learn more at mge.com/energy2030.

Third-quarter earnings reported

MGE Energy produced earnings of \$0.82 per share from July through September 2015, compared to \$0.67 per share for the same period in the prior year.

During the third quarter of 2015, electric net income increased due to a 3.7% increase in electric retail sales reflecting higher customer demand, particularly in September, when the weather was warmer compared to September 2014. The average temperature in September 2015 was 67.3 degrees compared to 60.9 degrees in the prior year.

Also contributing to MGE Energy's overall third-quarter earnings was an increase in gas net income. Gas net income is expected to be more evenly distributed during the year and less sensitive to weather. As a consequence, revenues in the first and fourth quarters, when usage is higher, are expected to be lower than in past years; and revenues in the second and third quarters, when usage is lower, are expected to be higher than in past years.

A Dividend Achiever

MGE Energy is recognized as a Dividend Achiever by Mergent, a financial publisher. MGE Energy is one of only four holding companies of combination utilities in the nation to increase its dividend for 40 or more years. Earlier this year, the MGE Energy Board of Directors increased the regular quarterly dividend by 4.4%.

Tax information

- **Investors directly registered with MGE Energy:** If you received MGE Energy dividends during 2015, our IRS Form 1099-Div can be found at the bottom of the Year-end Activity Statement. This statement is available annually in mid-January. If you sold MGE Energy shares in 2015, you will receive required tax information by Feb. 16, 2016.
- **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

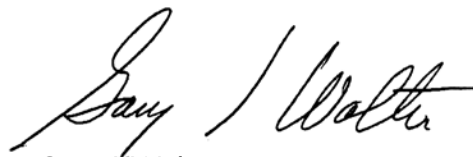
State lobbying efforts: The Wisconsin Government Accountability Board requires lobbying reports be filed every six months detailing an organization's time, expenses and the legislation or proposals lobbied.

<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.



Gary J. Wolter
Chairman, President and CEO

Balance Sheet

| (Unaudited) (in thousands) | Sep 30 2015 | Dec 31 2014 | (in thousands) | Sep 30 2015 | Dec 31 2014 |
|-------------------------------------|--------------------|--------------------|---|--------------------|--------------------|
| Assets | | | | | |
| Plant: | | | | | |
| Property, Plant and Equipment, net. | \$1,207,520 | \$1,189,077 | Common shareholders' equity | \$689,374 | \$659,401 |
| Construction work in progress..... | 25,015 | 19,029 | Long-term debt | 392,083 | 395,256 |
| Total Plant | 1,232,535 | 1,208,106 | Total Capitalization | 1,081,457 | 1,054,657 |
| Investments | 74,016 | 71,760 | Current Liabilities: | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | 94,267 | 65,755 | Accounts payable | 35,854 | 41,655 |
| Accounts receivable, net..... | 35,507 | 41,614 | Other..... | 38,404 | 48,341 |
| Other current assets | 112,006 | 146,590 | Total Current Liabilities..... | 74,258 | 89,996 |
| Total Current Assets | 241,780 | 253,959 | Other Credits: | | |
| Other Long-Term Assets | 165,497 | 163,841 | Deferred income taxes..... | 345,127 | 342,045 |
| Total Assets | \$1,713,828 | \$1,697,666 | Other..... | 212,986 | 210,968 |
| | | | Total Other Credits | 558,113 | 553,013 |
| | | | Total Capitalization and Liabilities.... | \$1,713,828 | \$1,697,666 |

Statistics

| Electric | Nine Months Ended: Sep 30 | | |
|---|---------------------------|------------------|---------------|
| | 2015 | 2014 | % Change |
| Sales (thousands of kilowatt-hours) | | | |
| Residential | 608,204 | 616,775 | (1.4%) |
| Commercial | 1,400,358 | 1,394,272 | 0.4% |
| Industrial..... | 187,493 | 186,085 | 0.8% |
| Other-retail/municipal..... | 322,881 | 314,338 | 2.7% |
| Sales to the market | 44,260 | 62,538 | (29.2%) |
| Total Sales | 2,563,196 | 2,574,008 | (0.4%) |
| Gas Nine Months Ended: Sep 30 | | | |
| Deliveries (thousands of therms) | | | |
| Residential | 67,690 | 76,626 | (11.7%) |
| Commercial/Industrial..... | 64,389 | 103,313 | (37.7%) |
| Gas Transportation | 56,946 | 27,651 | 105.9% |
| Total Gas Deliveries | 189,025 | 207,590 | (8.9%) |

Income Statement

| (Unaudited) (in thousands, except per-share amounts) | Three Months Ended Sep 30 | | Nine Months Ended Sep 30 | |
|--|------------------------------|-----------------|-----------------------------|-----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Operating Revenues: | | | | |
| Regulated electric revenues..... | \$121,453 | \$112,869 | \$319,174 | \$308,418 |
| Regulated gas revenues | 17,431 | 21,404 | 108,028 | 163,335 |
| Nonregulated revenues | 1,911 | 862 | 5,853 | 2,392 |
| Total Operating Revenues..... | 140,795 | 135,135 | 433,055 | 474,145 |
| Operating Expenses: | | | | |
| Fuel used for electric generation and purchased power | 35,539 | 31,141 | 104,238 | 94,615 |
| Cost of gas sold | 4,299 | 11,039 | 57,868 | 107,679 |
| Other operations and maintenance..... | 38,721 | 37,587 | 120,895 | 118,267 |
| Depreciation and amortization..... | 11,182 | 10,376 | 33,026 | 30,191 |
| Other general taxes | 4,877 | 4,872 | 14,951 | 14,861 |
| Total Operating Expenses | 94,618 | 95,015 | 330,978 | 365,613 |
| Operating Income..... | 46,177 | 40,120 | 102,077 | 108,532 |
| Other income, net..... | 2,564 | 2,636 | 7,115 | 10,736 |
| Interest expense, net | (5,036) | (5,141) | (15,135) | (14,550) |
| Income before income taxes..... | 43,705 | 37,615 | 94,057 | 104,718 |
| Income tax provision..... | (15,351) | (14,286) | (33,946) | (39,585) |
| Net Income..... | \$28,354 | \$23,329 | \$60,111 | \$65,133 |
| Earnings Per Share of Common Stock (basic and diluted) | \$0.82 | \$0.67 | \$1.73 | \$1.88 |
| 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, 2015 10-Q.



MGEE Shareholder Services

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