



INTERIM REPORT  
SEPTEMBER 15, 2017



## **Partnering with our customers and communities**

is key to how we move forward.

New opportunities, technologies  
and investments are opening the doors  
to a more sustainable future.

It's the power of working together.

### MGE Energy dividend increase is largest in 30 years

In August, the MGE Energy Board of Directors increased the regular quarterly dividend rate by nearly 5% to \$0.3225 per share on the company's common stock. This increase, which is the largest in the last 30 years, raises the annual dividend rate by 6 cents from \$1.23 per share to \$1.29 per share. The dividend is payable Sept. 15, 2017, to shareholders of record Sept. 1, 2017.

The board of directors recognizes the important role dividends play in our investors' portfolios. MGE Energy is one of only four combination utility holding companies nationwide to increase its dividend for 42 or more consecutive years. No other Wisconsin utility or utility holding company can match our history of dividend increases. The financial publisher Mergent consistently ranks MGE Energy as a "Dividend Achiever" for our annual dividend.

Also in August, MGE Energy reported second-quarter earnings of \$15.5 million, or 45 cents per share, compared to \$16.2 million, or 47 cents per share, for the same period last year. Net income decreased slightly due to increased operating and maintenance costs for the quarter and unfavorable weather conditions in April.

#### MGEE Annual Dividend Rate (rounded)



### Future investments move forward Energy 2030

Madison Gas and Electric (MGE), our regulated utility, is expected to make nearly \$400 million in investments throughout the next three years. These investments bring value to customers and our shareholders—and further our vision under Energy 2030. Our framework advances cleaner energy, new products and services for customers, and a more advanced electric grid.

Some of those projects include:

- **MGE's proposed 66-megawatt wind farm in Saratoga, Iowa.** The \$107 million investment in renewable energy would be one of MGE Energy's five largest investments in history, if approved by regulators.
- **Corporate information technology advancements.** Projected investments in enterprise IT systems and a customer information system that will provide greater flexibility for customers and how we serve them—especially with new Energy 2030 products and services.
- **Infrastructure improvements.** Upgrades of \$120 million to our electric infrastructure will help to maintain MGE's top-ranked reliability.

## MGE Energy supports innovation

Giving customers more control of their energy use is an objective under our Energy 2030 framework for the future. MGE is partnering with Sense Labs, the maker of the Sense home energy monitor, to explore this technology with customers.

The Sense home energy monitor attaches to a home's electric panel to "listen" to devices in the home as they consume electricity. The Sense then develops profiles of those devices' energy consumption, giving customers the power to take action in real time to manage their use. Such smart home technologies also could play a role in helping utilities reduce peak demand.

Exploring this new technology will help us understand how we might be able to use home energy monitoring to better manage our grid and energy load.



## Customer interest drives expansion of EV home charging program

MGE's new Charge@Home program is already expanding. Introduced in late 2016, Charge@Home gives residential electric customers the opportunity to charge at home faster using ChargePoint Home Level 2 chargers. MGE installs, owns and maintains the units. This pilot program recently received regulatory approval to more than triple customer enrollment.

Participants pay a monthly fee plus the cost of their electricity usage. The charger can be controlled remotely via Wi-Fi from a smartphone. This pilot program is part of MGE's efforts to expand the use of electric vehicles and to offer new technology options for customers under our Energy 2030 framework for a more sustainable future. For more information, visit [mge.com/chargeathome](http://mge.com/chargeathome).



## Renewable energy for business customers

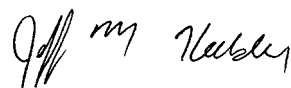
MGE recently received approval of a program to serve business customers with renewable energy resources. For businesses seeking flexibility to meet their energy needs, this program gives MGE the ability to work cooperatively with a commercial customer to tailor a renewable energy solution.

Under the Renewable Energy Rider, MGE will work with a customer to develop a contract to serve all or a significant portion of the business's electric needs with renewable generation. The participating customer would be responsible for costs associated with the renewable generation facility and any distribution costs to deliver the energy to its business.

This new model offers MGE the opportunity to work with businesses seeking to reduce their environmental impact, including those looking to relocate or expand in our service territory, bringing new jobs to our community.



Gary J. Wolter, Chairman



Jeffrey M. Keebler, President and CEO

## Balance Sheet

(Unaudited) (in thousands)	Jun 30 2017	Dec 31 2016	(in thousands)	Jun 30 2017	Dec 31 2016
<b>Assets</b>					
<b>Plant:</b>					
Property, Plant and Equipment, net . . . . .	\$1,262,674	\$1,245,269	Common shareholders' equity . . . . .	\$737,739	\$724,088
Construction work in progress . . . . .	36,511	36,790	Long-term debt . . . . .	390,438	382,791
<b>Total Plant . . . . .</b>	<b>1,299,185</b>	<b>1,282,059</b>	<b>Total Capitalization . . . . .</b>	<b>1,128,177</b>	<b>1,106,879</b>
<b>Investments . . . . .</b>	<b>84,946</b>	<b>76,290</b>	<b>Current Liabilities:</b>		
<b>Current Assets:</b>					
Cash and cash equivalents . . . . .	102,916	95,959	Accounts payable . . . . .	34,047	47,799
Accounts receivable, net . . . . .	35,252	39,887	Other . . . . .	49,593	55,706
Other current assets . . . . .	111,127	139,669	<b>Total Current Liabilities . . . . .</b>	<b>83,640</b>	<b>103,505</b>
<b>Total Current Assets . . . . .</b>	<b>249,295</b>	<b>275,515</b>	<b>Other Credits:</b>		
Other Long-Term Assets . . . . .	159,078	167,196	Deferred income taxes . . . . .	385,210	383,813
<b>Total Assets . . . . .</b>	<b>\$1,792,504</b>	<b>\$1,801,060</b>	Other . . . . .	195,477	206,863
			<b>Total Other Credits . . . . .</b>	<b>580,687</b>	<b>590,676</b>
			<b>Total Capitalization and Liabilities . . . . .</b>	<b>\$1,792,504</b>	<b>\$1,801,060</b>

## Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2017	2016	2017	2016
<b>Operating Revenues:</b>				
Electric revenues . . . . .	\$102,382	\$100,615	\$200,779	\$194,305
Gas revenues . . . . .	24,081	20,961	82,507	74,798
<b>Total Operating Revenues . . . . .</b>	<b>126,463</b>	<b>121,576</b>	<b>283,286</b>	<b>269,103</b>
<b>Operating Expenses:</b>				
Fuel used for electric generation and purchased power . . . . .	28,630	29,910	56,183	56,593
Cost of gas sold . . . . .	9,231	6,410	45,015	38,933
Other operations and maintenance . . . . .	43,924	40,963	86,614	83,693
Depreciation and amortization . . . . .	13,275	11,114	26,234	22,146
Other general taxes . . . . .	4,852	4,967	9,779	9,995
<b>Total Operating Expenses . . . . .</b>	<b>99,912</b>	<b>93,364</b>	<b>223,825</b>	<b>211,360</b>
<b>Operating Income . . . . .</b>	<b>26,551</b>	<b>28,212</b>	<b>59,461</b>	<b>57,743</b>
Other income, net . . . . .	2,614	2,179	5,065	4,621
Interest expense, net . . . . .	(4,886)	(4,957)	(9,780)	(9,957)
Income before income taxes . . . . .	24,279	25,434	54,746	52,407
Income tax provision . . . . .	(8,736)	(9,284)	(19,903)	(19,229)
<b>Net Income . . . . .</b>	<b>\$15,543</b>	<b>\$16,150</b>	<b>\$34,843</b>	<b>\$33,178</b>
Earnings Per Share of Common Stock (basic and diluted) . . . . .	\$0.45	\$0.47	\$1.01	\$0.96
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, 2017, 10-Q.

## Statistics

Electric	Six Months Ended: Jun 30		
Sales (thousands of kilowatt-hours)	2017	2016	% Change
Residential . . . . .	375,318	382,022	(1.8%)
Commercial . . . . .	883,265	903,485	(2.2%)
Industrial . . . . .	104,863	117,173	(10.5%)
Other-retail/municipal . . . . .	195,713	181,996	7.5%
Sales to the market . . . . .	52,692	108,939	(51.6%)
<b>Total Sales . . . . .</b>	<b>1,611,851</b>	<b>1,693,615</b>	<b>(4.8%)</b>
Gas	Six Months Ended: Jun 30		
Deliveries (thousands of therms)	2017	2016	% Change
Residential . . . . .	54,953	56,720	(3.1%)
Commercial/Industrial . . . . .	50,018	50,325	(0.6%)
Gas Transportation . . . . .	36,222	37,974	(4.6%)
<b>Total Gas Deliveries . . . . .</b>	<b>141,193</b>	<b>145,019</b>	<b>(2.6%)</b>



### MGEE Shareholder Services

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