



INTERIM REPORT
SEPTEMBER 15, 2018



Technology is paving the way for a more sustainable energy future.

New investments are advancing our clean energy goals. We are building a utility of the future, seizing opportunities to offer new products and services that build customer and shareholder value.

Comments from the Chairman and the CEO

MGE Energy marks 43 years of consecutive dividend increases

In August, the MGE Energy Board of Directors increased the regular quarterly dividend rate by nearly 5% to \$0.3375 per share on the outstanding shares of the company's common stock. This raises the annual dividend rate by 6 cents from \$1.29 per share to \$1.35 per share.

The dividend is payable Sept. 15, 2018, to shareholders of record Sept. 1, 2018. MGE Energy has paid cash dividends for more than 100 years.

Also in August, MGE Energy reported second quarter earnings of \$18.4 million, or 53 cents per share, compared to \$15.5 million, or 45 cents per share, for the same period last year.

Gas net income increased over the same period in the prior year, largely attributable to increased sales because of colder temperatures in April 2018.

In addition, there was an increase in gas retail customers. MGE Energy also experienced higher retail electric sales due to weather conditions.

MGEE Annual Dividend Rate
(rounded)



Shared Solar program expansion

Madison Gas and Electric (MGE) is seeking to expand its highly successful Shared Solar program. The unique community solar program gives customers the opportunity to support locally generated solar energy.

Customers pay an upfront fee and a fixed rate per kilowatt-hour to participate in the program, which began with a 500-kilowatt array on the roof of the City of Middleton's Municipal Operations Center. The array delivers solar energy to our community grid.

Interested customers may join the waiting list now to be notified of how to enroll in the program's planned expansion. Visit mge.com/sharesolar to learn more.

MGE proposes electric rate decrease and natural gas rate increase

MGE filed with state regulators in mid-July a rate case settlement agreement that seeks to lower electric rates. The proposal would decrease overall electric rates by 1.94% in 2019. No change is proposed for 2020. The proposal reflects ongoing tax savings from the 2017 Tax Cuts and Jobs Act as well as the addition of cost-effective renewable generation capacity, such as MGE's Saratoga, Iowa, wind farm.

The proposal would increase overall natural gas rates by 1.06% in 2019 and 1.46% in 2020. The proposed increase covers natural gas system infrastructure improvements to ensure the continued reliability and safety of MGE's natural gas system. It also reflects tax savings. If approved, the proposed changes would take effect Jan. 1, 2019.

As part of the agreement, MGE is able to accelerate depreciation of certain assets, including generating units in the Madison area and in Marinette, Wis.; Blount Generating Station in Madison, Wis.; and Unit 1 at Columbia Energy Center near Portage, Wis.

By essentially recovering the costs of these older assets sooner, the company has more flexibility to make new investments in efficient renewable energy and move MGE toward its Energy 2030 goals while mitigating impacts on rates.

Wind farm construction on schedule

Construction of MGE's 66-megawatt Saratoga wind farm continues in northeast Iowa with delivery of the Vestas wind turbines expected by the end of the summer. Saratoga will host 33 turbines.

Throughout the summer, crews have worked to install roads, pour turbine foundations and build the substation. The wind farm is scheduled to come online by early 2019.

When operational, Saratoga will deliver enough cost-effective clean energy to serve about 47,000 households. The more than \$100 million project increases the diversity of MGE's generation mix, advancing our renewable energy and carbon reduction goals.

MGE brings electric bus to Madison

MGE continues to partner to advance the electrification of transportation throughout the areas we serve.

In June, MGE facilitated a series of events to preview an all-electric bus. Manufactured by Proterra, the bus has zero tailpipe emissions and a range of up to 250 miles.

Proterra will be providing the City of Madison Metro Transit its first three all-electric buses. As part of an ongoing collaboration, MGE and the City of Madison partnered to secure \$1.3 million in federal funding for the buses. The City of Madison has a goal to electrify 50% of its bus fleet by 2035.

Transportation accounts for more than 25% of greenhouse gas emissions in the United States. MGE is working with residential, commercial and fleet customers, both public and private, to grow the use of electric vehicles to advance shared energy goals, such as reduced carbon emissions, and to enable future market growth.



This all-electric bus has a battery range of up to 250 miles.

New charger added to public charging network

MGE's public charging network for electric vehicles continues to expand. In July, a new DC Fast Charger came online, bringing the total number of MGE public charging stations to 30. More charging stations are planned. All of MGE's public charging stations are powered by wind energy. DC Fast Chargers offer 60 to 80 miles of battery range in about 20 minutes.

New resource for entrepreneurs opens in Madison

The entrepreneurial hub known as StartingBlock Madison opened in the city's Capitol East District in late June. The much-anticipated space within the new Spark Building is designed to serve the city's growing entrepreneur and startup communities. It offers affordable and flexible workspace, business resources and a collaborative atmosphere to foster emerging companies into successful businesses that drive innovation and stimulate the local economy.



StartingBlock Madison

MGE is a neighbor of StartingBlock and a partner in efforts to grow and accelerate the region's tech and manufacturing industries. MGE brings resources and expertise to support the area's economic development.

The company's philanthropic arm, the MGE Foundation, contributed to help make StartingBlock a reality.

Gary J. Wolter, Chairman

Jeffrey M. Keebler, President and CEO

Balance Sheet

(Unaudited) (in thousands)	Jun 30 2018	Dec 31 2017	(in thousands)	Jun 30 2018	Dec 31 2017
Assets					
Plant:					
Property, Plant and Equipment, net . . .	\$1,345,255	\$1,283,313	Common shareholders' equity	\$794,178	\$778,187
Construction work in progress	75,007	58,044	Long-term debt	416,098	398,161
Total Plant	1,420,262	1,341,357	Total Capitalization	1,210,276	1,176,348
Investments	72,083	67,772	Current Liabilities:		
Current Assets:					
Cash and cash equivalents	95,579	107,952	Accounts payable	37,498	47,645
Accounts receivable, net	35,473	42,299	Other	80,928	78,869
Other current assets	111,258	140,380	Total Current Liabilities	118,426	126,514
Total Current Assets	242,310	290,631	Other Credits:		
Other Long-Term Assets	158,790	155,422	Deferred income taxes	226,300	225,130
Total Assets	\$1,893,445	\$1,855,182	Other	338,443	327,190
			Total Other Credits	564,743	552,320
			Total Capitalization and Liabilities	\$1,893,445	\$1,855,182

Income Statement

(Unaudited) (in thousands, except per-share amounts)	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2018	2017	2018	2017
Operating Revenues:				
Electric revenues	\$99,282	\$102,382	\$194,149	\$200,779
Gas revenues	24,980	24,081	87,745	82,507
Total Operating Revenues	124,262	126,463	281,894	283,286
Operating Expenses:				
Fuel used for electric generation and purchased power	28,230	28,630	57,163	56,183
Cost of gas sold	9,562	9,231	49,188	45,015
Other operations and maintenance	43,453	44,880	87,846	88,644
Depreciation and amortization	13,872	13,275	27,495	26,234
Other general taxes	4,914	4,852	9,783	9,779
Total Operating Expenses	100,031	100,868	231,475	225,855
Operating Income	24,231	25,595	50,419	57,431
Other income, net	4,731	3,570	9,650	7,095
Interest expense, net	(4,783)	(4,886)	(9,522)	(9,780)
Income before income taxes	24,179	24,279	50,547	54,746
Income tax provision	(5,828)	(8,736)	(12,195)	(19,903)
Net Income	\$18,351	\$15,543	\$38,352	\$34,843
Earnings Per Share of Common Stock (basic and diluted)	\$0.53	\$0.45	\$1.11	\$1.01
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, 2018, 10-Q.

Statistics

Electric	Six Months Ended: Jun 30		
Sales (thousands of kilowatt-hours)	2018	2017	% Change
Residential	407,375	375,318	8.5%
Commercial	911,395	883,265	3.2%
Industrial	89,104	104,863	(15.0%)
Other-retail/municipal	187,392	195,713	(4.3%)
Sales to the market	118,496	52,692	N/A
Total Sales	1,713,762	1,611,851	6.3%
Gas	Six Months Ended: Jun 30		
Deliveries (thousands of therms)	2018	2017	% Change
Residential	65,056	54,953	18.4%
Commercial/Industrial	57,956	50,018	15.9%
Gas Transportation	38,475	36,222	6.2%
Total Gas Deliveries	161,487	141,193	14.4%



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