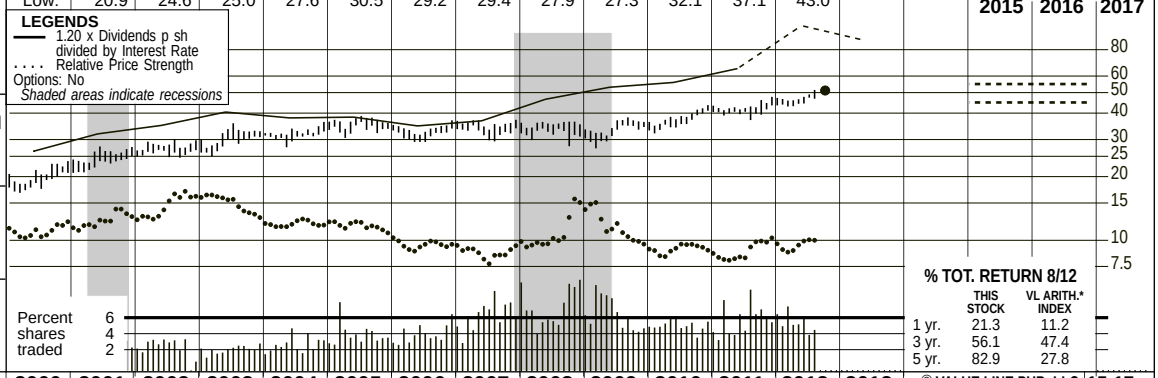
MGE ENERGY INC. NDQ-MGEE

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
51.23	18.2	(Trailing: 19.5 Median: 16.0)	1.20	3.1%	VALUE LINE

TIMELINESS 2 Raised 9/7/12
SAFETY 1 New 1/3/03
TECHNICAL 3 Raised 7/27/12
BETA .60 (1.00 = Market)

High:	27.8	30.1	35.8	36.4	38.8	37.0	37.2	36.5	38.2	43.6	47.8	51.7
Low:	20.9	24.6	25.0	27.6	30.5	29.2	29.4	27.9	27.3	32.1	37.1	43.0

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+5%)	5%
Low	45	(-10%)	1%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	3	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	35	38	44
to Sell	51	46	38
Hld's(000)	7491	7553	7542

% TOT. RETURN 8/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	21.3	11.2
3 yr.	56.1	47.4
5 yr.	82.9	27.8

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
15.75	16.46	15.53	16.96	19.50	19.55	19.75	21.89	20.84	25.10	24.20	24.49	26.02	23.10	23.04	23.64	23.05	23.80	Revenues per sh	27.65
2.41	3.26	3.59	3.81	3.89	3.78	3.33	2.94	2.88	3.00	3.52	3.69	4.02	3.98	4.14	4.41	4.55	4.85	"Cash Flow" per sh	5.85
.82	1.40	1.38	1.48	1.67	1.62	1.69	1.71	1.77	1.57	2.06	2.27	2.38	2.21	2.50	2.64	2.75	2.90	Earnings per sh A	3.30
1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.36	1.37	1.39	1.41	1.43	1.46	1.49	1.52	1.56	1.62	Div'd Decl'd per sh B ■	1.84
1.36	1.35	1.92	3.16	4.44	2.47	4.45	4.52	4.70	4.19	4.41	6.21	4.62	3.53	2.63	2.82	3.45	3.65	Cap'l Spending per sh	4.25
11.14	11.25	11.34	11.49	12.05	12.67	12.94	14.34	16.59	16.81	17.89	19.49	20.88	21.71	22.72	23.84	25.00	26.20	Book Value per sh	30.65
16.08	16.08	16.08	16.16	16.62	17.07	17.57	18.34	20.39	20.45	20.98	21.95	22.90	23.11	23.11	23.11	23.20	23.30	Common Shs Outst'g C	23.50
28.1	14.5	16.2	14.0	11.7	14.8	16.0	17.5	18.0	22.4	15.9	15.0	14.2	15.1	15.0	15.8	Bold figures are		Avg Ann'l P/E Ratio	15.0
1.76	.84	.84	.80	.76	.76	.87	1.00	.95	1.19	.86	.80	.85	1.01	.95	.99	Value Line		Relative P/E Ratio	1.00
5.5%	6.3%	5.8%	6.3%	6.7%	5.5%	5.0%	4.5%	4.3%	3.9%	4.3%	4.1%	4.2%	4.4%	4.0%	3.6%	estimates		Avg Ann'l Div'd Yield	3.7%

CAPITAL STRUCTURE as of 6/30/12
Total Debt $362.8 mill. **Due in 5 Yrs** $18.2 mill.
LT Debt $360.2 mill. **LT Interest** $20.0 mill.
(LT interest earned: 5.8x)

Leases, Uncapitalized Annual rentals $2.4 mill.
Pension Assets-12/11 $173.3 mill.
Obligation $283.7 mill.
Pfd Stock None

Common Stock 23,113,638 shs.
as of 7/31/12
MARKET CAP: $1.2 billion (Mid-Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
347.1	401.5	424.9	513.4	507.5	537.6	596.0	533.8	532.6	546.4	535	555	Revenues ($mill)	650
29.2	30.6	33.8	32.1	42.4	48.8	52.8	51.0	57.7	60.9	65.0	67.5	Net Profit ($mill)	77.5
39.1%	39.4%	37.9%	38.2%	37.9%	36.3%	35.5%	35.6%	36.9%	37.1%	38.0%	35.0%	Income Tax Rate	35.0%
- -	- -	- -	- -	- -	- -	- -	- -	2.2%	2.0%	2.0%	2.0%	AFUDC % to Net Profit	2.0%
45.8%	43.5%	37.4%	39.3%	38.7%	35.2%	36.3%	39.0%	38.9%	39.6%	38.5%	36.5%	Long-Term Debt Ratio	34.0%
54.2%	56.5%	62.6%	60.7%	61.3%	64.8%	63.7%	61.0%	61.1%	60.4%	61.5%	63.5%	Common Equity Ratio	66.0%
419.5	465.3	540.5	566.2	612.6	660.1	750.6	822.7	859.4	911.9	940	960	Total Capital ($mill)	1095
451.5	537.5	607.4	667.7	728.4	844.0	901.2	939.8	968.0	995.6	1050	1100	Net Plant ($mill)	1200
8.1%	7.8%	7.1%	6.6%	7.8%	8.1%	7.7%	6.9%	7.6%	7.8%	8.0%	8.0%	Return on Total Cap'l	8.0%
12.8%	11.6%	10.0%	9.3%	11.3%	11.4%	11.0%	10.2%	11.0%	11.1%	8.5%	8.5%	Return on Shr. Equity	8.5%
12.8%	11.6%	10.0%	9.3%	11.3%	11.4%	11.0%	10.2%	11.0%	11.1%	11.0%	11.0%	Return on Com Equity D	11.0%
2.6%	2.5%	2.3%	1.2%	3.7%	4.3%	4.4%	3.4%	4.4%	4.7%	2.5%	2.5%	Retained to Com Eq	3.0%
79%	79%	77%	87%	67%	62%	60%	66%	60%	57%	77%	77%	All Div'ds to Net Prof	74%

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-6.0	+4.1	+0.8
Avg. Indust. Use (MWH)	2536	2679	2632
Avg. Indust. Revs. per KWH (¢)	6.67	7.51	7.38
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	802	770
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA
Fixed Charge Cov. (%)	NA	NA	NA

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	2.0%	- -	2.5%
"Cash Flow"	1.0%	6.0%	6.0%
Earnings	4.5%	6.5%	5.0%
Dividends	1.0%	1.5%	3.5%
Book Value	6.5%	6.0%	5.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	181.1	107.6	109.3	135.8	533.8
2010	159.7	109.1	127.9	135.9	532.6
2011	164.6	117.3	133.6	130.9	546.4
2012	149.3	117.2	132	136.5	535
2013	160	120	135	140	555

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.65	.43	.55	.58	2.21
2010	.62	.50	.86	.52	2.50
2011	.77	.55	.91	.41	2.64
2012	.69	.62	.86	.58	2.75
2013	.75	.62	.90	.63	2.90

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.355	.355	.3617	.3617	1.43
2009	.3617	.3617	.3684	.3684	1.46
2010	.3684	.3684	.3751	.3751	1.49
2011	.3751	.3751	.3826	.3826	1.52
2012	.3826	.3826	.3951		

BUSINESS: MGE Energy Inc. is a holding company for Madison Gas and Electric, which provides electric service to approximately 139,000 customers in a 316-square-mile area of Dane County and gas service to 144,000 customers in 1,631 square miles in seven counties in Wisconsin. Electric revenue breakdown, '11: residential, 33%; commercial, 52%; industrial, 5%; public authorities and other, 10%. Generating sources, '11: coal, 55%; purchased power, 38%; natural gas and other, 7%. Fuel costs: 23% of revenues. '11 reported depreciation rate: electric, 3.2%; gas, 1.6%. Has 712 employees. Chairman, President & CEO: Gary J. Wolter. Inc.: Wisconsin. Address: 133 South Blair St., Madison, WI 53703. Telephone: 608-252-7000. Internet: www.mge.com.

Shares of MGE Energy have advanced nicely in value over the past three months. The company reported solid results for the second quarter. The top line roughly matched the prior-year results, supported by a modest increase in electric sales volume, as warmer-than-normal weather drove customer demand higher. Growth in the electric and nonregulated lines was roughly offset by a decrease in gas revenue. Regardless, operating expenses declined, and share earnings increased roughly 13%.

Healthy performance will probably continue going forward. The utility should continue to benefit from favorable demographics within its service territory. A relatively strong economy ought to drive population growth and demand for power in and around Madison, Wisconsin. We expect favorable results from the electric business going forward, though the company's gas operations should continue to experience weakness. Overall, we look for solid bottom-line growth for the current year. This trend will probably continue from 2013 onward.

The company has been active on the regulatory front. MGE has requested a 5.8% hike in electric rates and a 2.6% increase in gas rates. The company cited costs associated with infrastructure and environmental improvements as reasons for the request. It has asked that these rates become effective on January 1st of 2013.

The board of directors has increased the dividend by about 3%. Beginning with the September payout, the quarterly dividend is now $0.3951. Moderate dividend growth will probably continue in the coming years.

This stock is ranked to outperform the broader equity markets for the coming six to 12 months. Looking further out, we anticipate higher revenues and share earnings for the company by 2015-2017. Moreover, MGE earns good marks for Safety, Financial Strength, Price Stability, and Earnings Predictability. The stock also has below-average volatility (Beta: 0.60). However, despite the solid profits and steady dividends we expect 3 to 5 years out, total return potential is below the *Value Line* median.

Michael Napoli, CFA *September 21, 2012*

(A) Excl. nonrecurring loss: '96, 42¢. Next earnings report due in November.
(B) Dividends historically paid in mid-March, June, September, and December. ■ Dvd. reinvestment plan available. **(C)** In millions. **(D)** Rate allowed on common equity in '11: 10.4%; earned on average common equity, '11: 10.3%. Regulatory Climate: Above Average.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	90

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