

PROPOSAL 5 — ADVISORY VOTE ON SHAREHOLDER PROPOSAL
ELECTRIFICATION OF THE TRANSPORTATION SECTOR STUDY

A group of three shareholders have submitted the following resolution and supporting statement for consideration at the annual shareholders meeting. Information regarding their names, addresses, and numbers of shares held will be provided upon written or oral request directed to the Corporate Secretary, MGE Energy, Inc., 133 South Blair Street, Madison, Wisconsin 53788, telephone (608) 252-7000.

RESOLVED: Shareholders request that MGE Energy lead a multiparty study of the electrification of the transportation sector in the MGEE service area. The study implementation plan, omitting proprietary information and prepared at a reasonable cost, should be completed and reported to shareholders by December 2017. The study implementation plan should include the Company's strategy to supply renewable energy to the electrified transportation sector, including analysis of long- and short-term impacts on carbon reduction, utilization of new company-owned renewable energy, financial and operational opportunities, and risks to the Company.

SUPPORTING STATEMENT: The utility industry is changing rapidly, and MGE should be in a leadership position to aggressively seek new business targets that take advantage of emerging opportunities in the electrical sector. Conventional industrial, commercial, and residential electrical load is remaining flat or decreasing due to new technologies, codes and standards, and consumer price signals to use less. However, electrification of the transportation sector represents an opportunity to supply new renewable energy in the MGE territory in the years ahead. At the present time, there is no road map or coordinated strategy by the Company to assess and move forward on this potential market opportunity.

Currently, there is constant pressure to reduce carbon from the transportation sector to address climate change. This need will only intensify as the world continues to warm. According to EPRI's "Environmental Assessment of a Full Electric Transportation Portfolio" report, electricity will eventually replace approximately half of projected light- and medium-duty transportation-fuel use and a significant portion of non-road-fuel use. Electrifying vehicles and non-road equipment will lead to better air quality. The study found that greenhouse gas (GHG) reduction ranged from 45 percent to 77 percent when the load was supplied with renewable energy.

The "Deep Decarbonization Policy Program - US 2050 Vol. 2" report also supports electrification of the transportation sector where possible.

Investors require additional information on how the Company is preparing for potential scenarios in which the electrification of the transportation sector is greatly increased due to climate impacts and other market drivers. The information provided in the proposed study implementation plan will allow shareholders to determine whether the Company is adequately managing or seizing related opportunities.

An electrification of the transportation sector initiative should be launched and led by MGE, which evaluates the potential for this new electrical load with renewable energy, and which produces an adequate analysis prepared for investors to assess the Company's strategy. The initiative could include recruiting local organizations and experts in this field to determine the local technical, economic, environmental, and market impacts of electrifying the transportation sector, including replacing buses and trucks, vehicles (both fleets and passenger), light rail, and additional charging stations.

The proposed study implementation plan will lead to a better understanding of the potential and timing of increasing electrical load in the transportation sector as well as the impact of providing this increased load from renewable energy sources.

Board of Directors' Response

THE BOARD OF DIRECTORS' STATEMENT IN OPPOSITION: The Board of Directors recommends voting "AGAINST" the advisory proposal entitled "Electrification of the Transportation Sector Study Resolution." Through studies and active collaborations with various partners, the Company is aggressively pursuing and implementing electrification of transportation as a means to reduce our carbon dioxide emissions and pursue market growth. However, the Company has neither purview nor decision-making authority over the transportation sector. Instead, we encourage and promote electrification by working in partnership with the many stakeholders who do exercise control in the transportation sector to encourage and promote electrification. The appropriate approach is for MGE to work collaboratively with the stakeholders who actually do exercise decision-making in this sector rather than assume we are in a position to lead their efforts through studies of their operations. Because the Company is already actively working in partnership with customers and stakeholders, a study by the Company is not needed in order to encourage our action, or actions by others, in this area.

MGE has a demonstrated record of leadership in promoting the electrification of the transportation sector by studying customers' needs, working with customers and other stakeholders to expand the use of electric vehicles, and by providing charging infrastructure to facilitate growth in the local electric vehicle market:

- Enabling new technologies, such as electric vehicles, is already a priority under MGE's Energy 2030 framework to grow emerging markets while reducing carbon emissions.
- MGE has been studying drivers' charging habits and preferences since 2009. In 2012, MGE completed a network of electric vehicle charging stations; the largest public system of its kind in Wisconsin. In 2013, MGE installed the state's first public electric vehicle quick charger.
- In 2016, MGE launched an electric vehicle home charging pilot program for customers to study further drivers' charging habits and enable convenient charging at home.
- MGE is actively working with employers and multifamily property owners to install charging stations at workplaces and residential properties throughout our service territory.

MGE already partners with public and private stakeholders to expand the use of electric vehicles for transportation.

- MGE is working with key stakeholders, such as the City of Madison and its Metro Transit, to achieve reduced greenhouse gas emissions from the use of electric vehicles.
- Areas under study/discussion with the City of Madison include how to expand the use of electric vehicles in city public transit fleets (buses, trucks, fleet vehicles, and related infrastructure) and expand public charging opportunities.
- MGE has partnered with Wisconsin Clean Cities and local Nissan dealerships to promote a substantial discount on the Nissan LEAF® electric vehicle. MGE expects to pursue similar partnership opportunities in the future to promote and expand the market for electric vehicles.

MGE already powers its network of public charging stations with renewable energy and has capacity to handle future growth.

- MGE's network of public charging stations operates on 100 percent wind energy.
- MGE has clean energy available to support and power the growth of the local electric vehicle market using clean energy resources.

We recognize and appreciate that transportation is a significant contributor of carbon dioxide emissions. To inform our efforts to grow the use of electric vehicles, MGE draws upon studies by industry experts and engages in ongoing dialogue with electric vehicle drivers, manufacturers, dealers, and others.

We thank shareholders for your confidence in management over the years. Accelerating electrification of the transportation sector is an important priority for the Company. Although we exercise no decision-making authority over our customers or public sector stakeholders, we partner with them in many different ways to advance electrification of transportation and will continue to do so. Because we have been moving forward with many activities and partnerships already in this area, the Board of Directors believes the action proposed by the resolution is unnecessary and recommends a vote "AGAINST" this proposal.