



2006 Summary Annual Report

POWERING TOMORROW



powering tomorrow



About the Cover

MGE Energy is ready to power tomorrow with the Energy 2015 Plan, which renews our commitment to wind power, energy conservation and cleaner, more efficient power plants.

It is critical that we add new electric generation and expand our natural gas system to reliably meet growing energy needs in our vibrant local economy. It is equally important to focus on energy efficiency and clean, renewable energy.

We are dedicated to serving our customers and producing strong results for shareholders.

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MGE Energy, Inc.

MGE Energy is an investor-owned public utility holding company headquartered in the state capital of Madison, Wis. MGE Energy is the parent company of Madison Gas and Electric Co. The utility provides highly reliable natural gas and electric service and promotes economic development in south-central and western Wisconsin. Assets total \$982 million. In 2006, revenue was nearly \$508 million. See the Corporate Profile on page 21.

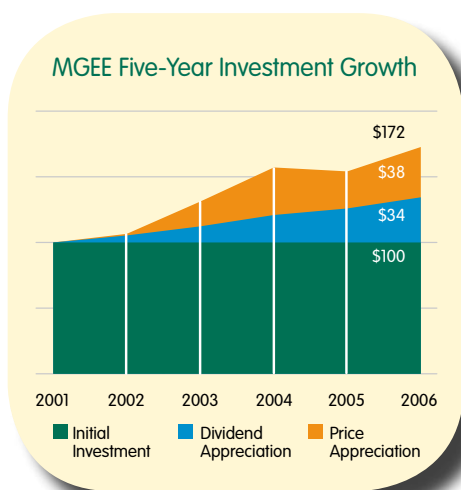
2006 Highlights

MGE ENERGY (MGEE)

Year at a Glance

(Thousands, except per-share amounts)

	2006	2005	Increase/ (Decrease)	% Change
Operating Revenues	\$ 507,546	\$ 513,370	\$ (5,824)	(1.1)
Net Income	\$ 42,423	\$ 32,091	\$ 10,332	32.2
Basic and Diluted Earnings Per Share	\$ 2.06	\$ 1.57	\$ 0.49	31.2
Dividends Declared Per Share	\$ 1.39	\$ 1.37	\$ 0.02	1.5
Dividend Payout Ratio	67.5%	87.3%	(19.8)	(22.7)
Average Shares Outstanding	20,564	20,436	128	0.6
Shares Outstanding at Year End	20,975	20,454	521	2.5
Return on Average Common Equity	12.0%	9.4%	2.6	27.7
Book Value Per Share	\$ 17.90	\$ 16.81	\$ 1.09	6.5
Market Price Per Share (Dec. 31)	\$ 36.58	\$ 33.91	\$ 2.67	7.9
Total Market Value (Dec. 31)	\$ 767,266	\$ 693,595	\$ 73,671	10.6
Total Assets	\$ 982,232	\$ 916,907	\$ 65,325	7.1
Total Electric Sales (KWh)	3,347,701	3,463,967	(116,266)	(3.4)
Total Gas Deliveries (therms)	202,994	219,983	(16,989)	(7.7)



For detailed financial information, see the 2006 MGE Energy Form 10-K.

to our
shareholders

powering
tomorrow

Gary J. Wolter, MGE Energy Chairman, President and Chief Executive Officer, at the MGE Innovation Center – a business incubator that has helped launch more than 70 high-tech firms since 1989.

One of our most important responsibilities is providing a reliable energy supply for the future. In 2006, we rolled out Energy 2015 – our 10-year plan for meeting customers' needs. I am pleased to report that with our comprehensive and balanced Energy 2015 Plan, MGE Energy is prepared to power tomorrow.

We recognize our obligation to deliver reliable energy. Where others see just an obligation, we see an opportunity to engage our customers. Several years ago, we held "Community Energy Conversations" with customers. We listened to their concerns and ideas.

Energy 2015 reflects our customers' values by balancing reliability, affordability and environmental stewardship. For our shareholders, Energy 2015 demonstrates our commitment to the key business fundamentals that have kept our company strong.

I am proud of our accomplishments. The Energy 2015 Plan is well underway. It combines more renewable energy, new cleaner coal generation and a renewed conservation commitment. As part of our ongoing efforts, our natural gas system will also be strengthened. This mix of resources will reliably serve one of the most vibrant local economies in the country.

Powering tomorrow with Energy 2015 is our commitment to a responsible energy future with a balanced and reliable energy supply. We will not stray from the sound business principles that produce outstanding service to our customers and solid financial results for our investors.

A return to record earnings

MGE Energy produced record earnings of \$2.06 per share in 2006 – a return to our historic performance levels. Your company has produced record earnings for four of the last five years. The exception was 2005 when the company earned \$1.57 per share. These results were adversely impacted by extremely high natural gas prices and purchased power costs.

MGE Energy's 2006 earnings growth is due, in part, to asset investments that meet the growing energy needs of our main subsidiary – the regulated utility Madison Gas and Electric Co. (MGE). With our Energy 2015 Plan, MGE Energy's investments now include cleaner coal generation, more wind power and new natural gas infrastructure.

MGE Energy's assets reached \$982 million in 2006. In the last five years, assets have grown \$332 million.

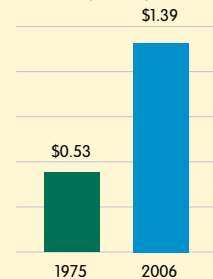
MGE Energy stock closed the year at \$36.58, up \$2.67 from Dec. 30, 2005. Since 2001, our year-end stock price rose 38%.

In 2006, we marked our 31st consecutive year of increasing dividends. MGE Energy is one of only six investor-owned electric utilities to raise dividends annually for 30 or more years.

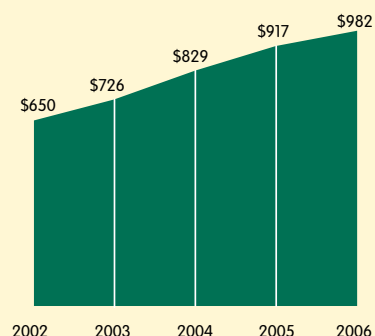
Consistent dividend growth and gains in stock value produced a solid five-year return. A \$100 investment in 2001 increased to \$172 in 2006, with dividends reinvested.

Our company is highly regarded by independent rating organizations. MGE maintained the highest bond rating (AA-) of all investor-owned, combination utilities in the nation from Standard & Poor's. MGE Energy earned Value Line's highest grade for investment safety and top marks for financial strength.

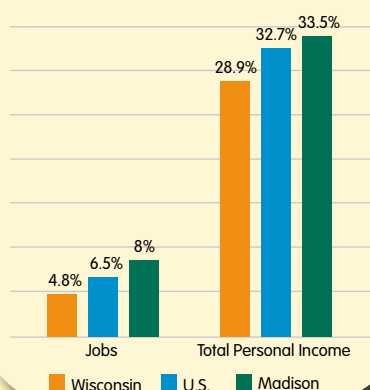
Dividends Declared Per Share (rounded)



MGEE Assets (\$ millions)



Projected Economic Growth 2005 – 2010



Thriving local economy

We developed Energy 2015 to reliably power our exceptional local economy, which has strong potential for continued growth. Madison is a thriving economic center with good jobs and a great quality of life.

Two strong indicators of this economic health are employment and total personal income. The Wisconsin Department of Revenue projects 8% job growth and a 33.5% increase in personal income from 2005 to 2010 in Madison.

Our metro area is home to more than 500 high-tech and biotech companies that contribute more than \$5.5 billion to the local economy and provide about 28,000 jobs annually. Wisconsin ranks in the world's top five regions best positioned to become a hotbed of biotech innovation, according to the industry publication FierceBiotech.

Meeting energy needs

We set Energy 2015 in motion to meet tomorrow's energy needs, while still providing excellent customer service today.

In one week last summer, our employees were put to the test. First, MGE reliably met power needs as our customers set a new peak for electric use during hot weather.

Then, three days later, a major storm knocked out electricity for 27,000 customers across our service area. The storm packed a powerful punch with wind gusts clocked as high as 82 mph. MGE crews faced the largest electric power outage in 15 years. We had service restored for all customers in less than 48 hours. Our skilled and dedicated employees met the challenge.



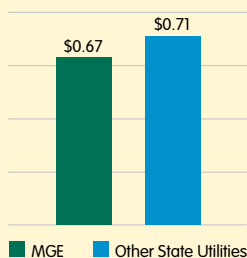
Following a severe summer storm in 2006, MGE crews quickly responded to widespread power outages (represented by the red dots) across our service area.



Competitive in markets

MGE successfully competes in national energy markets-ensuring affordable prices for customers and competitive returns for shareholders.

2000-2006
Average Winter Gas Costs
(cents per therm)



After riding a roller coaster of prices, the natural gas market leveled off last year. In 2006, MGE used its market experience to purchase natural gas below the benchmark set by state regulators. We saved customers over \$4.1 million and achieved a performance-based return of \$1.5 million (after tax) for shareholders. MGE provided customers with the lowest cost natural gas on average over the last six winters compared to other Wisconsin utilities.

MGE is a member of a regional electric market called the Midwest ISO. It is one of the world's largest energy markets, overseeing 93,600 miles of interconnected, high-voltage power lines. The Midwest ISO has improved reliability, leveled the playing field for transmission access and made it easier for us to buy and sell electricity to meet customer needs.

Environmental responsibility

Environmental stewardship is a central piece of our plans. It is critical that we focus on efficiency and clean, renewable energy as we add electric generation.

We are expanding our wind power portfolio by nearly four times with an agreement to build and own 30 megawatts (MW) of wind energy. Construction is expected to begin this year on our new \$59 million project in north-central Iowa. This latest renewable energy project builds on our commitment to wind power. In 1999, we developed the first large-scale wind farm in Wisconsin.

Though carbon dioxide (CO₂) emissions are not currently regulated, we recognize that CO₂ may face future limits. Energy 2015's focus on cleaner coal generation, renewable energy and increased conservation can help reduce CO₂ rates. From 2005 to 2015, our total system energy demand is estimated to increase, yet our CO₂ rates are projected to decrease. Our Energy 2015 Plan helps mitigate CO₂ impacts and manages potential risks.



MGE serves the Madison metro area—the seat of state government and home to the University of Wisconsin-Madison. Our residents have exceptional education credentials with 45% completing bachelor's degrees. Dane County ranks 16th for college graduates out of 3,141 counties nationwide.

We have a deep commitment to ensure a cleaner tomorrow for us all.

Facing the future

Powering tomorrow with Energy 2015 allows us to achieve our mutual goals of reliable, economic and responsible energy for customers and solid results for our loyal investors.

Thank you for your trust in MGE Energy.

Gary J. Wolter,
Chairman, President and Chief Executive Officer

powering a RESPONSIBLE tomorrow



Solar photovoltaic panels capture the sun's energy at numerous installations throughout our service area.

Renewable energy resources

By the end of 2007, we estimate that MGE will supply about 5% of its annual energy demand using renewable resources. A new 30-megawatt wind farm and other wind resources will add to our existing mix of wind, solar and alternate fuel sources. MGE also plans to triple the amount of wind power in its green pricing program to match growing customer demand. Customers who pay a small premium can offset all carbon dioxide emissions from electricity used in their homes.



MGE provides customers with simple but powerful suggestions to save energy, such as using set-back thermostats.



Construction of the Oak Creek power plant expansion on Lake Michigan's shore is moving forward. MGE Energy will own 8.33% of the new plant.

(Photo courtesy of We Energies)

Cleaner coal generation

Investing in new, cleaner coal generation is a smart step toward affordable and more efficient power. We are partners in We Energies' Oak Creek power plant expansion that is scheduled to deliver 100 megawatts to MGE by 2010. This plant will use advanced environmental control technologies to dramatically reduce air emissions compared to older coal-fired plants.

Energy 2015

MGE Energy will power tomorrow with Energy 2015. We are putting this balanced energy supply plan into action with cleaner coal generation, renewable resources and a strong commitment to energy efficiency. Our innovative plan allows us to both meet growing energy needs and be responsible environmental stewards.

Increased energy efficiency

We are engaging every customer in energy efficiency efforts with our unique Power Tomorrow program. Through this innovative program, we help customers save energy and money while reducing their environmental footprints.

Electric improvements

Significant growth in electric use is projected for our service area. In 2006, MGE invested about \$39 million in new electric infrastructure – such as substations – to meet our communities' vibrant growth.



George Reed (left) and Paul Roltgen, both in MGE's Electric Division, work at a new substation south of Madison.

Natural gas system upgrades

MGE strategically improves its natural gas system to match customer growth. Three new significant business developments, begun in 2006, are projected to increase our system's total gas load by 4%. We upgrade our gas system by adding more pipelines and increasing pressure to reliably and safely serve our customers.



Tony Masino (left) and Dave Stafford, both in MGE's Gas Operations, install a pipe to serve the growing campus of Epic Systems Corp., a medical software company and major MGE customer.

Major steps in agriculture

Wisconsin's rich agricultural tradition is becoming increasingly high-tech. To encourage this trend, MGE supports the new Wisconsin Bio-Ag Gateway in Madison.

City and business leaders are working to develop this center of bio-ag technology firms. The campus is designed to bring together cutting-edge technologies in agriculture, biotechnology and manufacturing to produce and commercialize products and services.



Sara Sherwin, a research scientist at Danisco USA, monitors dairy cultures. Danisco, a worldwide leader in food ingredients, is constructing a new research facility at the Bio-Ag Gateway campus. The new building will increase Danisco's research facilities in Madison by two and a half times.



Wisconsin Institutes for Discovery

A new public-private bioscience research facility will be constructed in Madison. The \$150 million Wisconsin Institutes for Discovery (WID) will bring together scientists to attack the problems of disease and expand scientific knowledge.

With researchers from the University of Wisconsin-Madison, the country's fourth largest research institution, WID will help spur additional economic development with pioneering collaborative research.

(Rendering courtesy of Flad & Associates/Anderson Illustration Associates)

powering a VIBRANT tomorrow

Moving forward as a region

Economic development does not end at the city limits. A new regional effort will better position our strong local economy in the global marketplace. A group of forward-looking civic and business leaders formed the Collaboration Council to spotlight our region for a brighter future.

Now, a new regional economic development organization is accelerating entrepreneurship and growth in our area, while retaining the key industry sectors that drive our economy. The new organization will also work to protect and tout our region's high quality of life and shared values.



Community and county leaders support the vision of growing our region's economy while preserving our quality of life.

Smart growth

We are committed to smart growth to make the best use of the land and developments we already have. That's why we worked with the City of Madison and developers on an exciting renovation of the Hilldale Mall area in Madison.

This renewal is adding 70,000 square feet of retail space, new housing, restaurants and the first Sundance Cinema in the country dedicated to independent films. The project more than doubled our gas and electric load in this area while giving a new spark to our city's west side.



MGE's gas and electric employees worked closely with developers during the Hilldale Mall's renovation.

powering a CLEAN tomorrow

New wind energy

MGE Energy's new 30-megawatt wind project will adjoin the existing Top of Iowa Wind Farm in north-central Iowa. Our new \$59 million project will provide enough electricity to power about 12,000 homes annually. We expect operation to begin later this year. This is our second major wind project. In 1999, MGE built Wisconsin's first large-scale wind farm.



Reducing greenhouse gases

Energy 2015 is a balanced plan to meet our customers' growing electricity needs. The plan – which further develops cleaner coal generation, wind power and energy efficiency efforts – also can help reduce carbon dioxide (CO₂) emissions. From 2005 to 2015, MGE's CO₂ rates are projected to decrease while total system electric demand is estimated to increase. We also continue many voluntary environmental efforts to help reduce greenhouse gases, such as landfill gas generation.

MGE is helping to test a new engine designed to economically produce electricity from methane gas at small- to medium-sized landfills. This Stirling engine gets an overhaul at a local landfill.



MGE is committed to environmental stewardship. This annual report is printed on recycled paper produced with renewable energy.



Cogeneration commitments

The West Campus Cogeneration Facility completed its first full year of operation in 2006. Though the natural gas-fired plant is one of the cleanest in the Midwest, we worked closely with the community to take steps beyond current environmental regulations. As pledged, we offset emissions from the cogeneration facility by making modifications at other energy-producing facilities. We surpassed our commitments in offsetting particulate matter, nitrous oxides and sulfur dioxide.

Zach Kastern, Operations and Maintenance, is one of the employees who helped the West Campus Cogeneration Facility meet the summer power demands. MGE set a new electric peak of 732 megawatts in July 2006.

Building on research

MGE has long supported pilot projects that demonstrate renewable energy sources. Our customers value new technologies that can improve our environment. Since 2000, we have backed carbon sequestration research, solar installations and landfill gas generation. A recent collaboration supports the world's first demonstration project that converts plant byproducts into hydrogen to power electric generators.



Dave Toso, an MGE engineer, explains solar power to Madison East High School students. MGE installed different types of photovoltaic technology at high schools to study their performance and economics.



MGE energy experts and community partners answer customers' questions at one of our Power Tomorrow energy efficiency workshops we are holding across our electric service area.

Teaching others to save

Based on the high value our customers place on conservation, MGE is holding a series of Power Tomorrow workshops. This multiyear energy efficiency program was built into our Energy 2015 Plan. Residential customers appreciate the one-on-one opportunities to ask energy-related questions and get customized information to help shape their energy and environmental footprints.



With future generations in mind, we joined with water resource experts to protect our area's lakes – beautiful gems surrounding our capital city.

powering TOMORROW together



Partnerships help customers

We understand the challenges facing our customers on fixed or low incomes. That's why we partner with more than twenty community organizations to hold a series of Community Energy Resource Fairs. These fairs offer a convenient way for individuals to get information about budgeting and saving energy. Saving energy and managing budgets offers our customers a more secure future.

Huong Coleman, an MGE customer advisor, works with representatives from community groups.



Watershed protection

MGE made an unprecedented effort to mitigate potential impacts to our area's watershed when planning the 150-megawatt West Campus Cogeneration Facility in 2002. For the first time in Dane County, water resource experts came together to draw up a comprehensive water plan to accommodate a new project. Though the plant's water withdrawal is negligible on area lakes, we worked together to ensure our community's watershed was protected for today and tomorrow.

Creating better programs

We are working with consumer groups to research how to reduce electric load when demand is high. Reducing this peak demand can help offset the need for future power plants.

MGE surveyed customers who participate in its Power Control program, which allows us to turn

off home air conditioners. On some of the hottest summer days, we turned off their air-conditioning for several hours. We looked at their comfort and willingness to participate in future programs. By understanding customers' needs, MGE can design future programs to better serve our customers while saving energy and managing costs.



Jonathan Beers (right), an MGE residential services manager, meets with Diana Bott who participates in MGE's Power Control program.

Consolidated Statements of Income

For the years ended December 31
(in thousands, except per-share amounts)

	2006	2005	2004
Operating Revenues			
Regulated revenues	\$ 504,138	\$ 511,517	\$ 422,149
Nonregulated revenues	3,408	1,853	2,732
Total Operating Revenues	507,546	513,370	424,881
Operating Expenses			
Fuel for electric generation	49,227	65,016	43,033
Purchased power	77,164	81,676	51,984
Natural gas purchased	129,331	146,110	114,646
Other operations and maintenance	126,086	117,552	115,633
Depreciation and amortization	31,342	29,275	24,917
Other general taxes	15,402	13,269	12,715
Total Operating Expenses	428,552	452,898	362,928
Operating Income	78,994	60,472	61,953
Other income, net	4,329	4,938	3,927
Interest expense	(15,001)	(13,448)	(11,384)
Income before income taxes	68,322	51,962	54,496
Income tax provision	(25,899)	(19,871)	(20,656)
Net Income	\$ 42,423	\$ 32,091	\$ 33,840
Earnings Per Share of Common Stock (basic and diluted)	\$ 2.06	\$ 1.57	\$ 1.77
Dividends Paid Per Share of Common Stock	\$ 1.39	\$ 1.37	\$ 1.36
Average Shares Outstanding (basic and diluted)	20,564	20,436	19,119

Consolidated Statements of Cash Flows



For the years ended December 31

(in thousands)

Operating Activities

	2006	2005	2004
Net income	\$ 42,423	\$ 32,091	\$ 33,840
Items not affecting cash:			
Depreciation and amortization	31,342	29,275	24,917
Deferred income taxes	5,241	10,900	8,832
Amortization of investment tax credits	(432)	(460)	(502)
Equity earnings in ATC*	(5,317)	(4,871)	(4,236)
Employee benefit plan expenses	10,178	9,665	9,068
Provision for doubtful accounts receivable	3,230	2,080	2,080
Amortization of debt issuance costs and discount	595	493	516
Other items	99	695	639
Reserve for fuel refund	2,312	—	—
Gain on the sale of property	—	—	(938)
Changes in working capital items:			
Decrease (increase) in current assets	13,042	(32,323)	(17,856)
(Decrease) increase in current liabilities	(4,299)	8,515	7,942
Dividend income from ATC*	4,003	3,550	3,055
Cash contributions to pension and other post-retirement plans	(5,779)	(5,536)	(2,328)
Other noncurrent items, net	4,401	(697)	(2,410)
Cash Provided by Operating Activities	101,039	53,377	62,619

Investing Activities

Capital expenditures	(92,575)	(85,771)	(95,747)
Capital contributions in ATC* and other investments	(1,974)	(1,686)	(3,650)
Repayment (advance) from/to ATC* related to WCCF**	—	12,964	(2,308)
Proceeds from sale of property	—	—	1,592
Advance to Wisconsin Electric Power Co. for ATC* work	(808)	(1,599)	—
Other	916	359	(469)
Cash Used for Investing Activities	(94,441)	(75,733)	(100,582)

Financing Activities

Issuance of common stock, net	17,050	2,259	63,154
Issuance (purchase) of treasury stock	119	(119)	—
Cash dividends paid on common stock	(28,513)	(28,054)	(25,943)
Repayment of long-term debt	—	—	(20,000)
Issuance of long-term debt	30,000	20,000	—
(Decrease) increase in short-term debt	(25,500)	29,225	21,595
Other	(82)	(1,128)	698
Cash (Used for) Provided by Financing Activities	(6,926)	22,183	39,504

Change in Cash and Cash Equivalents	(328)	(173)	1,541
Cash and cash equivalents at beginning of period	3,331	3,504	1,963
Cash and cash equivalents at end of period	\$ 3,003	\$ 3,331	\$ 3,504

* American Transmission Co.

** West Campus Cogeneration Facility

At December 31

(in thousands)

Assets

Current Assets

	2006	2005
Cash and cash equivalents.....	\$ 3,003	\$ 3,331
Restricted cash.....	4,243	2,556
Accounts receivable, less reserves of \$3,489 and \$2,734, respectively.....	33,397	49,272
Other accounts receivable, less reserves of \$107 and \$93, respectively.....	4,508	9,079
Unbilled revenues.....	26,038	30,432
Materials and supplies, at lower of average cost or market.....	15,052	15,326
Fossil fuel.....	6,010	5,501
Stored natural gas, at lower of average cost or market.....	31,465	27,983
Prepaid taxes.....	13,748	12,436
Regulatory assets – current.....	4,270	—
Other current assets.....	7,679	4,989
Total Current Assets.....	149,413	160,905
Other long-term receivables.....	4,631	3,969
Special billing projects.....	1,861	1,786
Regulatory assets.....	50,841	34,024
Other deferred charges.....	5,874	11,120
Property, Plant and Equipment, Net.....	632,474	611,419
Construction work in progress.....	95,949	56,238
Total Property, Plant, and Equipment.....	728,423	667,657
Other Property and Investments.....	41,189	37,446
Total Assets.....	\$ 982,232	\$ 916,907

Liabilities and Capitalization

Current Liabilities

Long-term debt due within one year.....	15,000	—
Short-term debt.....	57,000	82,500
Accounts payable.....	45,063	49,502
Accrued interest and taxes.....	3,430	3,328
Deferred income taxes.....	3,917	4,061
Regulatory liabilities – current.....	2,943	—
Pension liabilities – current.....	614	—
Other current liabilities.....	15,894	13,589
Total Current Liabilities.....	143,861	152,980

Other Credits

Deferred income taxes.....	101,700	99,329
Investment tax credit – deferred.....	3,497	3,929
Regulatory liabilities.....	24,207	21,748
Accrued pension and other postretirement benefits.....	76,050	55,504
Other deferred liabilities.....	20,285	17,222
Total Other Credits.....	225,739	197,732

Capitalization

Common shareholders' equity.....	375,348	343,883
Long-term debt.....	237,284	222,312
Total Capitalization.....	612,632	566,195
Commitments and Contingencies.....	—	—
Total Liabilities and Capitalization.....	\$ 982,232	\$ 916,907

Consolidated Statements of Capitalization



At December 31

(in thousands)

Common Shareholders' Equity

Common stock – par value \$1 per share:

Authorized 50,000,000 shares

Issued 20,975,392 and 20,454,496 shares, respectively.....

Common stock held in treasury, at cost (3,384 shares in 2005).....

Additional paid-in capital

Retained earnings

Accumulated other comprehensive income, net of tax

Total Common Shareholders' Equity.....

	2006	2005
	\$ 20,975	\$ 20,454
	—	(119)
	248,406	231,877
	105,386	91,476
	581	195
	<u>375,348</u>	<u>343,883</u>

Redeemable Preferred Stock

Cumulative, \$25 par value, 1,175,000 authorized but unissued

	—	—
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First Mortgage Bonds

7.70%, 2028 Series

	1,200	1,200
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Other Long-Term Debt

7.49%, due 2007.....

6.02%, due 2008

4.875% 2012 Series, Industrial Development Revenue Bonds

5.875% 2034 Series, Industrial Development Revenue Bonds.....

6.58%, due 2012.....

5.26%, due 2017

5.25%, due 2017

7.12%, due 2032

6.12%, due 2028.....

5.68%, due 2033

5.19%, due 2033

Total Other Long-Term Debt

	15,000	15,000
	30,000	30,000
	19,300	19,300
	28,000	28,000
	15,000	15,000
	20,000	20,000
	30,000	—
	25,000	25,000
	20,000	20,000
	30,000	30,000
	20,000	20,000
	<u>252,300</u>	<u>222,300</u>

Long-term debt due within one year.....

Unamortized discount.....

Total Long-Term Debt

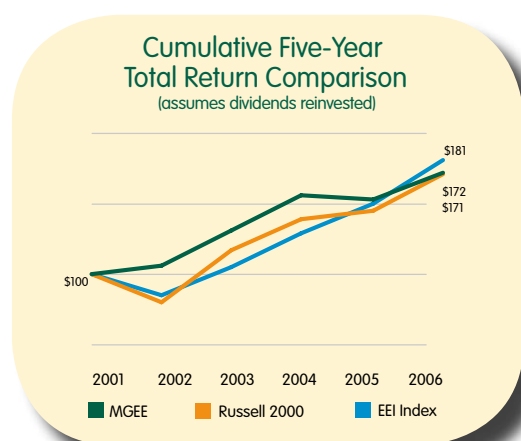
	(15,000)	—
	(1,216)	(1,188)
	<u>237,284</u>	<u>222,312</u>

Total Capitalization

	\$ 612,632	\$ 566,195
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Cumulative Five-Year Total Return Comparison

Assumes \$100 invested on Dec. 31, 2001, in each of the Company's Common Stock, Russell 2000 and the EEI Index.



	MGE	Russell 2000	EEI Index
2001	\$100	\$100	\$100
2002	\$106	\$ 80	\$ 85
2003	\$131	\$117	\$105
2004	\$156	\$139	\$129
2005	\$153	\$145	\$150
2006	\$172	\$171	\$181

Directors of MGE Energy and MGE



Richard E. Blaney
Retired President
Richard Blaney Seeds Inc.
Age 70
Director since 1974



John R. Nevin
Executive Director, Center for Brand and Product Management; Executive Director, Grainger Center for Supply Chain Management; and Professor, School of Business, University of Wisconsin-Madison
Age 63
Director since 1998



F. Curtis Hastings
Chairman
J. H. Findorff & Son, Inc.
Commercial and industrial general contractors
Age 61
Director since 1999



Donna K. Sollenberger
President and Chief Executive Officer
University of Wisconsin Hospital and Clinics
Age 57
Director since 2000



Regina M. Millner
President
RMM Enterprises Inc.
Attorney, analyst and broker
Age 62
Director since 1996



H. Lee Swanson
Chairman of the Board and President, SBCP Bancorp, Inc., and Chairman of the Board, State Bank of Cross Plains
Age 68
Director since 1988



Frederic E. Mohs
Partner
Mohs, MacDonald, Widder & Paradise, Attorneys at Law
Age 69
Director since 1975



Gary J. Wolter
Chairman, President and Chief Executive Officer
MGE Energy, Inc., and Madison Gas and Electric Co.
Age 52
Director since 2000

Audit Committee

Directors Blaney, Hastings, Millner, Mohs, Nevin, Sollenberger and Swanson.*

Executive Committee

Directors Blaney, Mohs, Swanson and Wolter.

Compensation Committee

Directors Blaney, Mohs* and Swanson.

Governance Committee

Directors Blaney, Hastings, Millner, Mohs,* Nevin, Sollenberger and Swanson.

* *Committee Chair*

Note: Ages as of Dec. 31, 2006.

Officers of MGE Energy and MGE



Gary J. Wolter*
Chairman, President and
Chief Executive Officer
Age 52
Years of Service, 22



Terry A. Hanson*
Vice President, Chief
Financial Officer and
Secretary
Age 55
Years of Service, 25



Jeffrey C. Newman*
Vice President and Treasurer
Age 44
Years of Service, 22



Lynn K. Hobbie
Senior Vice President
Age 48
Years of Service, 21



James G. Bidlingmaier
Vice President –
Administration and Chief
Information Officer
Age 60
Years of Service, 34



Kristine A. Euclide
Vice President and
General Counsel
Age 54
Years of Service, 5



Scott A. Neitzel
Vice President –
Energy Supply
Age 46
Years of Service, 9



Peter J. Waldron
Vice President and
Operations Officer
Age 49
Years of Service, 26



Gregory A. Bollom
Assistant Vice President –
Energy Planning
Age 46
Years of Service, 24



Craig A. Fenrick
Assistant Vice President –
Electric Transmission
and Distribution
Age 47
Years of Service, 24



Joseph P. Pellitteri
Assistant Vice President –
Human Resources
Age 58
Years of Service, 7



John M. Yogerst
Assistant Vice President –
Gas Operations
Age 49
Years of Service, 26

* Officers of MGE Energy and MGE. All others are MGE officers.
Note: Ages and years of service as of Dec. 31, 2006.

2007 Annual Shareholder Meeting

Tuesday, May 22, 2007
 Marriott Madison West
 1313 John Q. Hammons Drive
 Greenway Center
 Middleton, Wis.

Stock Listing

- MGE Energy common stock trades on The Nasdaq Stock Market®
- Stock symbol: MGEE
- Listed in newspaper stock tables as MGE or MGE Engy

Shareholder Services



Shareholder Services:
 (from left)
 Katherine Grunke,
 Ken Frassetto,
 Jerilyn Geishirt,
 Kari Foster,
 Lynne Harper.

We welcome calls from shareholders. Please notify us promptly if:

- A stock certificate is lost or stolen.
- A dividend check or statement is not received within 10 days of the scheduled payment date.
- Your name or address changes.

Materials Available

More financial information is available upon request or on the company's Web site, including:

- Form 10-K (filed with the Securities and Exchange Commission).
- Dividend Reinvestment and Direct Stock Purchase Plan.

National Association of Investors Corp.

NAIC® MGE Energy is a corporate sponsor of the NAIC and participates in a number of programs including the Low Cost Investment Plan, Investor's Information Report (Green Sheet), Own Your Own Shares of America and regional investor fairs.
 Web Address: www.betterinvesting.org

Dividend Reinvestment and Direct Stock Purchase Plan

MGE Energy's Dividend Reinvestment and Direct Stock Purchase Plan allows investors to:

- Buy common stock directly through the company.
- Reinvest dividends or receive cash payments.
- Deposit certificates for safekeeping.

2007 Expected Record and Dividend Payment Dates

MGEE Common Stock	
Record Dates	Payment Dates
March 1	March 15
June 1	June 15
Sept. 1	Sept. 15
Dec. 1	Dec. 15

For Assistance and Transfer Agent Inquiries

Contact MGE Energy Shareholder Services by phone, mail or e-mail.

E-mail: investor@mgeenergy.com

Web Address: www.mgeenergy.com

Madison Area: (608) 252-4744

Continental U.S.: 1-800-356-6423

Business Hours: 8:00 a.m. to 4:30 p.m.
 (Central Time)

Monday through Friday

Mailing Address: MGE Energy Shareholder Services
 Post Office Box 1231
 Madison, WI 53701-1231

Location: 133 S. Blair St.
 Madison, WI 53703

Online Account Access

Registered shareholders can now access their account information online. Visit MGE Energy's Web site to log on through the secure My Shareholder Account link.

A letter mailed to shareholders includes detailed information and a security code to help you set up private access to your account.

Go to the home page at mgeenergy.com and click the My Shareholder Account button.

Co-Transfer Agent & Registrar

Continental Stock Transfer & Trust Co.
 17 Battery Place, 8th Floor
 New York, NY 10004

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
 One N. Wacker Drive
 Chicago, IL 60606

MGE Energy is the parent company of Madison Gas and Electric Co. (MGE) and its divisions, which serve natural gas and electric customers in south-central and western Wisconsin.

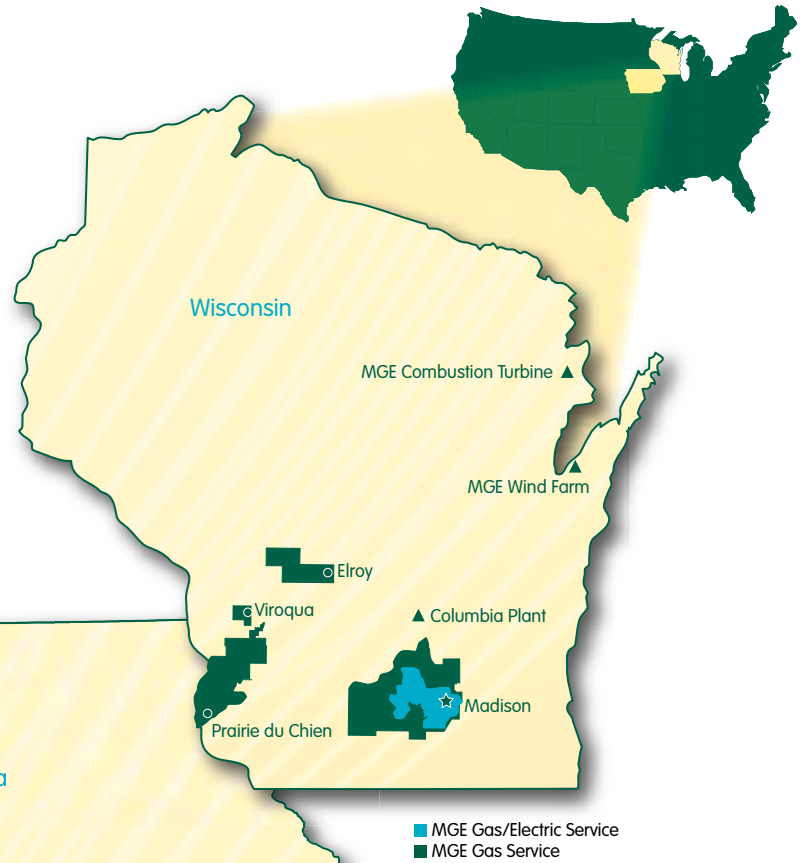
MGE Power owns assets in the West Campus Cogeneration Facility in Madison, Wis., and the Elm Road coal plant under construction at Oak Creek, Wis.

MGE Transco Investment owns interest in the American Transmission Co. through its members, MGE and MGE Energy.

MGE Construct provides construction services for building new generation facilities.

Central Wisconsin Development Corp. promotes business growth in MGE's service area.

MAGAEL holds title to properties acquired for future utility plant expansion.



MGE Electric Services

Generation and Distribution

Customers: 135,000

Population: 288,000

Area: 315 square miles

Communities served: Cross Plains, Fitchburg, Madison, Maple Bluff, Middleton, Monona and Shorewood Hills.

Generating facilities:

Blount Station, West Campus Cogeneration Facility, combustion turbines and solar units at Madison, the Columbia Energy Center at Portage, a natural gas combustion turbine at Marinette, MGE Wind Farm in Kewaunee County and the Top of Iowa Wind Farm in north-central Iowa, scheduled for completion in 2007.

MGE Natural Gas Services

Purchase and Distribution

Customers: 138,000

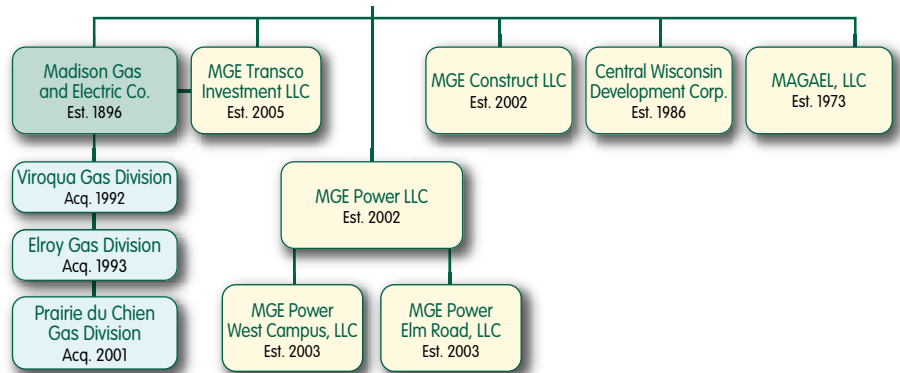
Population: 401,000

Area: 1,625 square miles

Counties served: Columbia, Crawford, Dane, Iowa, Juneau, Monroe and Vernon.

Learn more at

www.mgeenergy.com





P.O. Box 1231
Madison, WI 53701-1231

www.mgeenergy.com



MGE is committed to environmental stewardship. This annual report is printed on recycled paper produced with renewable energy.