

## MGE Energy, Inc. 2 Degrees Scenario Analysis

### Resolved:

Shareholders request that MGE Energy, Inc. prepare and publish a report within 12 months of the annual meeting disclosing its business operations strategy for aligning with the 2015 Paris Agreement's goal of limiting global warming to a maximum of 2 degrees Celsius by reducing the use of fossil fuels, while maintaining the provision of safe, affordable, reliable energy.

### Supporting Statement:

The intention of the preparation and dissemination of this report is to support and ensure the long-term viability of MGE Energy, Inc. in a changing world energy economy. The report will be used to assist MGE Energy, Inc. in formulating a strategy for remaining financially viable in a world where public pressure and regulations make carbon emission reduction mandatory to meet the 2 degrees Celsius maximum temperature increase.

On a worldwide scale there is strong momentum towards reducing carbon emissions. In December 2015 the 21<sup>st</sup> Conference of the Parties to the UN Framework Convention on Climate Change reached what is known as The Paris Agreement to limit global average temperature rise to well below 2 degrees Celsius. To meet this goal the International Energy Agency estimates that the global average carbon intensity of electricity production will need to drop by 90 percent. The U.S. Environmental Protection Agency's Clean Power Plan provides a first step in reducing carbon emissions from the power sector; however, additional emissions reductions will be required for the U.S. to meet its obligations under the Paris Agreement.

The need for energy production companies to provide disclosure on the resilience of their energy production portfolios in the transition to a low carbon economy is real. In June 2016, the credit rating agency Moody's indicated that they would begin to analyze carbon transition risk based on scenarios consistent with the Paris Agreement, and specifically noted the high carbon risk exposure of the power sector. Major asset managers (e.g. BlackRock, State Street Global Advisors) have also called for improved climate risk disclosures.

Coal continues to account for nearly 70 percent of MGE Energy Inc.'s subsidiary's (MG&E), energy production. MG&E's Energy 2030 framework aims to achieve a 40% reduction in carbon dioxide emissions by 2030, based on 2005 levels; however, much more stringent carbon emission reductions will be needed to meet the 2 degree maximum.

MGE Energy, Inc. has yet to outline to shareholders how it plans to manage changes to its previous capital investment decisions in coal fired electricity generation to meet the 2 degrees maximum scenario. MGE needs to supply information that would allow investors to better assess the risks that climate change regulations may pose to the company and shareholder value.