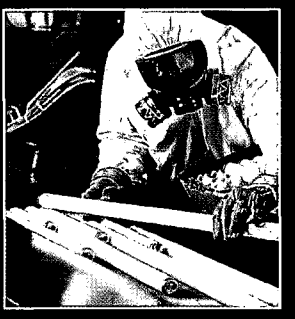
1993 Annual Report

MGE

Madison Gas and Electric Company



Thriving on Competition

Madison Gas and Electric Co. (MGE) accelerated customer growth by adding new divisions and subsidiaries in 1993. Two new divisions provide natural gas service in Elroy and Viroqua, Wis. MGE's new subsidiaries market energy services across the Great Lakes region and recycle fluorescent lamps. A third has financed local business development for several years.

MGE is an investor-owned public utility located in Madison, Wis. The company generates, transmits and distributes electricity to more than 117,000 customers in a 250-square-mile area in Dane County. MGE also transports and distributes natural gas to more than 97,000 customers in 975 square miles of service territories in Columbia, Dane, Iowa, Juneau, Monroe and Vernon counties.

MGE®

Madison Gas and Electric Company

CENTRAL WISCONSIN DEVELOPMENT CORPORATION

SUPERIOR Lamp Recycling, Inc.

A Value-Added Energy Company

GLENCO

Great Lakes Energy Corp.

Elroy Gas Company

A Division of Madison Gas and Electric

Viroqua Gas Company

A Division of Madison Gas and Electric

Contents

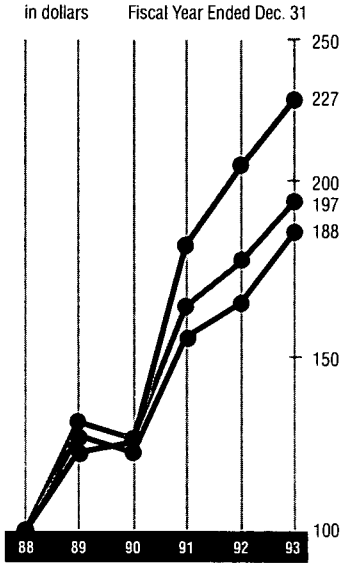
	1993	1992	Percent increase (decrease) 1993-1992
(Per share)			
Earnings	**$ 2.26**	$ 2.18	3.7%
Dividends	**$ 1.84**	$ 1.79	2.8
Stock price closing	**$ 33¾**	$ 32½	3.8
Book value – year end	**$ 17.26**	$ 16.86	2.4
Return on equity	**13.20%**	13.11%	0.7
(Thousands of dollars)			
Operating revenues	**$ 244,133**	$ 228,002	7.1
Net operating income	**$ 34,230**	$ 35,062	(2.4)
Total assets – year end	**$ 465,364**	$ 452,737	2.8
Electric sales to consumers (mwh)	**2,423,000**	2,304,000	5.2
Peak electric demand (kw)	**541,000**	483,000	12.0
Electric customers – year end	**117,043**	115,262	1.5
Gas deliveries (therms)	**194,928,000**	174,867,000	11.5
Gas customers – year end	**97,080**	92,372	5.1
Employees	**721**	723	(0.3)

Company Performance

These graphs illustrate our strong financial performance with a five year cumulative total return comparison* and a ten year investment growth summary.

*The Peer Group selected by the Company is composed of 19 Upper Midwest combination utilities. The companies included in the Peer Group are as follows:
Citcorp Inc.
Cincinnati Gas & Electric
Cipsco Inc.
CMS Energy Corp.
DPL Inc.
IES Industries Inc.
Illinois Power Co.
Interstate Power Co.
Iowa-Illinois Gas & Elec.
Midwest Resources
Minnesota Power & Light
Nipsco Industries Inc.
Northern States Power-MN
Southern Indiana Gas & Elec.
St. Joseph Light & Power
Utilicorp United Inc.
Wisconsin Energy Corp.
Wisconsin Public Service
WPL Holdings Inc.

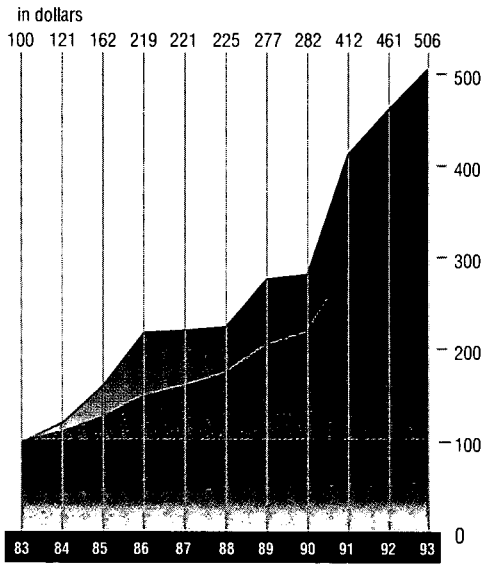
Comparison of Five Year Cumulative Total Returns*



● MGE ● S&P 500 ● Peer Group

Assumes $100 invested on January 1, 1988, in each of the Company's Common Stock, S&P 500, and the Peer Group
*Total return assumes reinvestment of dividends

10 Year Investment Growth



■ Initial Investment ■ Dividend Appreciation ■ Price Appreciation

(includes reinvestment of dividends)

To Our Shareholders

MGE is thriving on competition. 1993 earnings reached near-record levels. The last three years we produced the highest earnings in company history.

This year, we acquired two new natural gas territories, created a subsidiary to offer energy services throughout the Upper Midwest and formed a joint venture company to recycle fluorescent lamps.

We are aggressively pursuing energy-related opportunities to grow earnings.

Strong Earnings

Effective cost management at MGE has produced strong financial results. We achieved the second highest earnings in the company's history in 1993.

Earnings of $2.26 per share in 1993 were only two cents below the record of $2.28 set in 1991, and nearly 4% higher than 1992 earnings of $2.18 per share.

Electric revenues were up 3% in 1993 compared to 1992. Hot weather drove electric peak demand to a record 541 megawatts on Aug. 26. Our previous record peak demand was set in July 1991.

Natural gas revenues increased 12% over 1992 revenues. Shifting a major customer to a full-service rate and expanding our gas territory contributed to higher natural gas sales in 1993.

Your board of directors increased the quarterly dividend paid on MGE stock one cent to 46½ cents per share. This amounts to a new annual rate of $1.86 per share, compared to $1.82 previously. MGE has consistently paid cash dividends each year since 1909.

MGE's stock is trading at nearly twice book value, which is exceptional for a combination gas and electric utility. Our common stock reached a record high of $36.75 in September.

The average total return on your investment, which includes MGE dividends and stock price appreciation, ranked first among Wisconsin's major combination utilities over the past five-year period.

Further Deregulation

Dynamic changes in the utility industry are creating new opportunities for MGE.

Revolutionary changes are occurring in the natural gas industry. Federal Order 636, effective November 1993, intensified competition and created opportunities in the natural gas marketplace.

Regulatory changes also placed a tremendous burden on small gas utilities. MGE acquired the Viroqua Municipal Gas Utility and Elroy Gas Inc. when those utilities decided they didn't have the staff and expertise to cope with deregulation.

Energy Services Expand

Order 636 opens new doors for expanding services beyond our territory boundaries. Great Lakes Energy Corp. (GLENCO), a wholly owned subsidiary, markets excess gas supplies and pipeline capacity to commercial and industrial customers.

GLENCO offers a wide variety of energy supplies and services throughout the Upper Midwest. It has already signed contracts worth $5 million with several large customers.

Similar changes will occur in the electric industry over the next five years. We anticipate greater deregulation and more options for customers.

MGE's services will be dictated by customers' needs. Our customer focus will extend beyond utility issues to help our businesses and communities prosper.

Environmental Venture

MGE owns 50% of Superior Lamp Recycling Inc., the state's first facility to recycle fluorescent lamps. These lamps, which contain toxic metals, are banned from landfills.

MGE joined forces with an environmental services firm to offer a recycling option to businesses that replace fluorescent lights. Superior Lamp received a 1993 Governor's Waste Reduction and Recycling Award for this innovative solution to a serious solid waste problem.

Vondrasek Retires

Chairman and Chief Executive Officer Frank C. Vondrasek retired effective Dec. 31. He will remain a director and chairman of the board. In his 23 years of service, Mr. Vondrasek helped create the infrastructure needed to serve a growing area and helped position MGE to compete in a deregulated market.

When Mr. Vondrasek retired, your board of directors expanded my responsibilities to also serve as chief executive officer beginning in 1994.

Officer Changes

The board of directors elected three new officers in 1993: Burnett F. Adams, assistant vice president – procurement and division operations; James C. Boll, assistant vice president – law and corporate communications; and Thomas R. Krull, assistant vice president – electric transmission and distribution.

Two officers also retired last year. Kent C. Barlow, senior vice president – electric systems, retired in April after more than 31 years of service. Beverly R. Duncan, assistant secretary – corporate affairs, retired in December after serving MGE for 43 years.

Financial Outlook

Our financial outlook is strong. MGE is one of only 24 electric utilities in the nation with the highest-ranking business position, based on Standard & Poor's more stringent financial criteria.

MGE also received the second highest overall ranking in the nation on five key financial benchmarks, based on a study by New York investment bank Dillon Read. This study compared financial projections through 1997 for 116 electric utilities in the United States.

We are in an excellent financial position to control capital costs and reduce electric generating costs.

David C. Mebane

President,
Chief Executive Officer
and Chief Operating Officer

Buying competitively priced electricity will delay the need for any new generation until after the year 2000.

MGE's gas and electric rates have been stable or declining since 1990. That trend continued with a $5.8 million rate decrease in June 1993.

Our competitive position will remain strong. MGE employees have the commitment to customers, initiative, flexibility and drive that's needed to meet the challenges of this rapidly changing industry.

We will continue to pursue new opportunities to increase earnings growth for our loyal shareholders.

David C. Mebane
President, Chief Executive Officer
and Chief Operating Officer

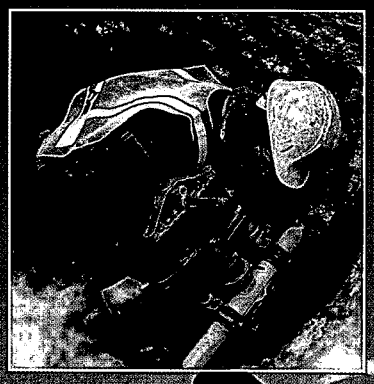
MGE acquired natural gas utilities in Viroqua and Elroy this year.

MGE's competitive bids and commitment to keep local offices open gave it the advantage over other utilities.

"Our customers are used to good service. A local office ensures customers will get prompt attention," said Gilbert Lee, former owner of Elroy Gas Inc. "It meant a lot to know MGE would keep our employees, since some have been with the company since it started in 1966."

The Viroqua City Council was impressed with MGE's professionalism throughout the bidding process, according to Wayne Gates, chair of the Utility Committee.

"MGE addressed each issue forthrightly, then went a step further and told us what would happen to rates," Gates said. "MGE showed they were always willing to go the extra mile."



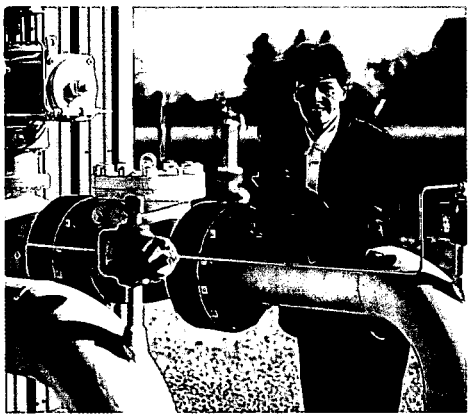
Top: Clint Schwenke, pipefitter and repairer; **Middle**: Sharon Switz *(left)*, Viroqua office coordinator, with a customer; **Bottom**: *(from left)* Wayne Gates, chair of the Viroqua Gas Utility Committee; Linda Schaack, MGE manager–financial management; Gilbert and Evelyn Lee, former owners of Elroy Gas Inc.; and Barney Adams, MGE assistant vice president–procurement and division operations.

Competing for New Business

MGE formed Great Lakes Energy Corp. (GLENCO) in response to changing forces in the natural gas industry.

GLENCO markets under-utilized firm gas supplies to customers outside of MGE's franchised territory.

"We evaluate a company's situation and provide detailed options that might work for them," said GLENCO Vice President Debbie Burgess *(below)*. "We find the best mix and right supplies to meet customers' needs in a very dynamic market.



"Our knowledge, buying power and flexibility allow us to offer customers a full-service package at a competitive price."

MGE aggressively pursues new opportunities in a more competitive environment.

MGE formed Great Lakes Energy Corp. (GLENCO), a wholly owned subsidiary, to market off-peak gas supplies and pipeline capacity to large commercial and industrial customers. MGE is one of the first utilities in the nation to offer comprehensive energy services outside its franchised territory.

GLENCO offers a wide range of fuels and energy management services to commercial and industrial customers in the Upper Midwest.

In its first few months of operation, GLENCO signed contracts with several large customers worth $5 million over the next five years. For example, GLENCO will buy, schedule and deliver natural gas to all State-owned facilities throughout Wisconsin.

Expanding gas sales through GLENCO helps reduce the cost of natural gas for all MGE customers. It improves the company's bargaining power with suppliers and spreads the cost of doing business over more customers. GLENCO profits will be split by MGE customers and shareholders.

Acquiring Gas Territory

MGE expanded its territory by acquiring two gas utilities in southwestern Wisconsin. The Viroqua Municipal Gas Utility and Elroy Gas Inc. added about 1,850 customers to MGE's service territory and $1.7 million in annual revenues.

About 400 new gas services were installed in Viroqua, Elroy and nearby Kendall, increasing the customer base in that area by 22%.

MGE has asked the Public Service Commission of Wisconsin for permission to extend natural gas service to three more communities near Viroqua.

Driving Costs Down

MGE implemented a $5.8 million decrease in natural gas and electric rates in June 1993.

A vigorous cost control program has allowed MGE to freeze or decrease rates for three years. Major accomplishments include:

- Refinancing nearly $90 million of outstanding bonds since 1992 to cut interest expense by more than $2 million each year.
- Reducing fuel costs at power plants by more than $1 million.
- Delaying the need for any new power plants until after the year 2000.
- Developing an automated system for budgeting and financial planning that will be marketed to utilities throughout the nation.

Competition is a driving force for holding the line on costs. MGE's innovative management, growing service territory and favorable market conditions will expand business opportunities and maintain solid earnings for shareholders.

Focusing on Customer Needs

MGE looks beyond utility issues to help customers succeed and grow.

MGE's customer focus attracted Liquid Carbonic to Madison. MGE worked with the company for months to find available land, develop an innovative rate, provide legal assistance and create a cost-effective transmission design to serve the new facility.

Liquid Carbonic will be MGE's second largest electric customer when its air separation plant starts operating in 1994. The facility will run 24 hours a day, every day of the year.

Supporting Growth

High Crossing, a 150-acre mixed-use development on Madison's east side, is developing at an aggressive pace with MGE's help.

MGE provided financing for the infrastructure and then worked with the developer to improve energy efficiency in the office buildings and apartments.

When the developer needed additional financing, MGE's new leasing program offered a solution. MGE bought the equipment needed in the new buildings and leased it back to High Crossing.

Leasing is a convenient option for companies that need to install new lighting, heating, air conditioning, refrigeration or appliances. In 1993, MGE leased equipment worth more than $600,000 to about 30 commercial customers.

Financing Efficiency

A new shared-savings program also addresses customers' financial needs. It helps businesses improve energy efficiency without large outlays of capital. MGE pays all costs for qualifying projects. Customers repay their loans with the money saved on monthly energy bills.

In just four months, MGE invested $250,000 in energy-efficient building controls, lighting and refrigeration for several customers.

Satisfying Customers

Learning more about customers' needs and expectations helps MGE continue to develop new products and services that provide the most value. Customer input has already helped improve tree trimming, meter reading and emergency reporting services.

MGE installed the ALERT℠ Line, a computerized phone system that answers emergency calls very quickly. This system ensures that more customers will get through in less time during a major emergency.

A 98,500-square-foot service center is being built in Madison to consolidate MGE's warehouse, gas and electric operations. This will also improve customer service.

Financially secure, satisfied customers provide a solid business base for MGE. Working closely with customers helps MGE identify profitable opportunities to help companies remain competitive in their industry.

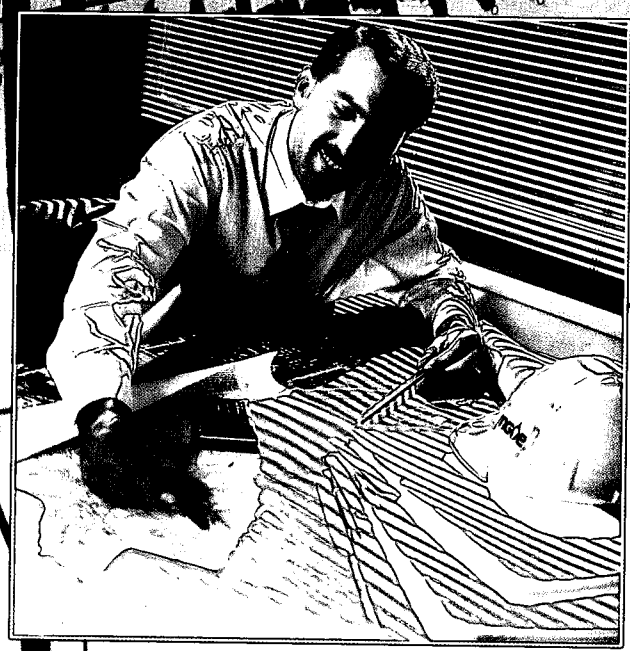
Development at High Crossing is on the fast track thanks to MGE's financial help and marketing assistance.

"We completed much more than expected in the first year with MGE's help," said Terrence Wall *(below center)*, president, High Crossing Development.

When lumber costs skyrocketed, High Crossing needed extra funds. MGE's leasing program provided an alternative form of financing.

"MGE is cooperative, easy to work with and very responsive," Wall said. "They help find creative solutions and get things done."

Terrence Wall with MGE's Mike Mathews *(left)*, director–economic development; and Greg Smith *(right)*, senior marketing rep.



Liquid Carbonic chose the Madison area over several others competing for a $28 million facility. MGE's help during the site selection process made the difference.

Liquid Carbonic Vice President Jeff Lake said MGE exceeded the traditional role that a utility usually plays.

"MGE was committed to getting the job done regardless of obstacles," Lake said. "We've worked with only one other utility in the country that has exhibited a customer focus like this. MGE has something special at work."

Liquid Carbonic's new air separation plant is a 30-year investment.

"When you 'marry' a utility company, you need to look at reliability and costs – both today and in the future," Lake said. "MGE demonstrated it will be proactive. Seeing how everyone performed throughout this process reinforces my confidence in the future of MGE."

Top: Jeff Lake *(left)*, vice president, Liquid Carbonic; and Mark Williamson, MGE vice president–energy services; **Middle**: Ronald Hellenbrand, cable splicer, lineman; **Bottom**: Mike Halcarz, MGE supervisor–rights-of-way.

Partners for Business Success

MGE seeks partnerships to improve energy efficiency, reduce costs and maintain a high quality of life in the communities it serves.

MGE's early involvement in a new $19-million biotechnology laboratory will save Promega Corp. an estimated $100,000 in energy costs each year. MGE helped Promega identify new technologies that would save energy. As a result, state-of-the-art heating, cooling and lighting equipment was installed in this new facility.

Promega received a rebate of more than $300,000, the largest amount ever awarded by MGE. This project saves nearly one million kilowatt-hours of electricity and 167,000 therms of natural gas each year.

Providing Energy Services

MGE entered into a unique partnership with the State of Wisconsin to upgrade and maintain the primary electric system at one of its major facilities in Madison. MGE completed the project on time and for about 30% less cost than a State estimate.

The State is undertaking an aggressive effort to reduce energy use at its facilities by 10 megawatts before the year 2000. MGE is working closely with the State to identify innovative ways to achieve its goals. MGE serves about one-third of the State of Wisconsin's electric load.

MGE is also studying long-term electric needs on the UW-Madison campus. The goal is to find cost-effective ways to help the State upgrade its system and potentially share equipment to save money.

Investing in the Future

MGE works with the communities it serves to help build a better future.

MGE Chairman Frank Vondrasek serves as president of Future Madison Housing Fund, a non-profit group that renovates apartments in distressed areas. In 1993, the organization spent about $2.1 million to buy and restore 64 low-income apartments in the Vera Court neighborhood.

Energy-efficient heating, lighting, water heaters and refrigerators were installed in the Vera Court apartments with MGE rebates and weatherization funds totaling nearly $100,000.

An additional $150,000 in MGE grants and rebates was presented to the Community Development Authority in Madison to help reduce energy use in more than 500 low-income apartments.

Targeting Neighborhoods

Nearly 1,500 homeowners have participated in an MGE pilot program that takes a "grass-roots" approach to energy conservation. Neighborhoods Energize Wisconsin uses workshops and follow-up visits to help homeowners save energy.

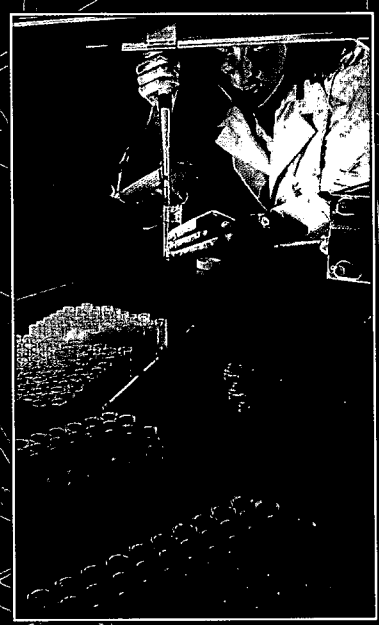
Strategic partnerships help customers use MGE's existing equipment more efficiently and delay large investments in new power plants. This helps MGE maintain competitive rates for customers and improve the bottom line for shareholders.

The State of Wisconsin and MGE have worked together for more than 40 years on issues ranging from sharing substations to conservation.

It's a unique partnership that has been very positive, according to Lester McChesney *(below right)*, electrical engineer–project manager for the State of Wisconsin.

"When we need help, I know I can pick up the phone and MGE will be there," McChesney said. "MGE's cooperation and planning have helped us find better, more cost-effective ways to complete State projects."

Tom Krull *(left)*, MGE assistant vice president–electric transmission and distribution with Lester McChesney.



Involving MGE in the planning stages of a new facility improved energy efficiency and earned Promega Corp. a rebate of more than $300,000.

Promega President and CEO Bill Linton said a wide variety of energy-saving options were considered.

"MGE was very willing to jump in, look at everything and work with the engineers," Linton said.

MGE helped install state-of-the-art energy-efficient lighting, heating and cooling equipment in a 210,000-square-foot laboratory.

MGE's willingness to pursue all ideas was very impressive, according to Dan Brethorst, Promega plant services manager.

"Anyone involved with a project should bring their architect, engineers and MGE staff together as early in the process as possible," Brethorst said. "Once plans have been prepared, there is often more reluctance to make changes."

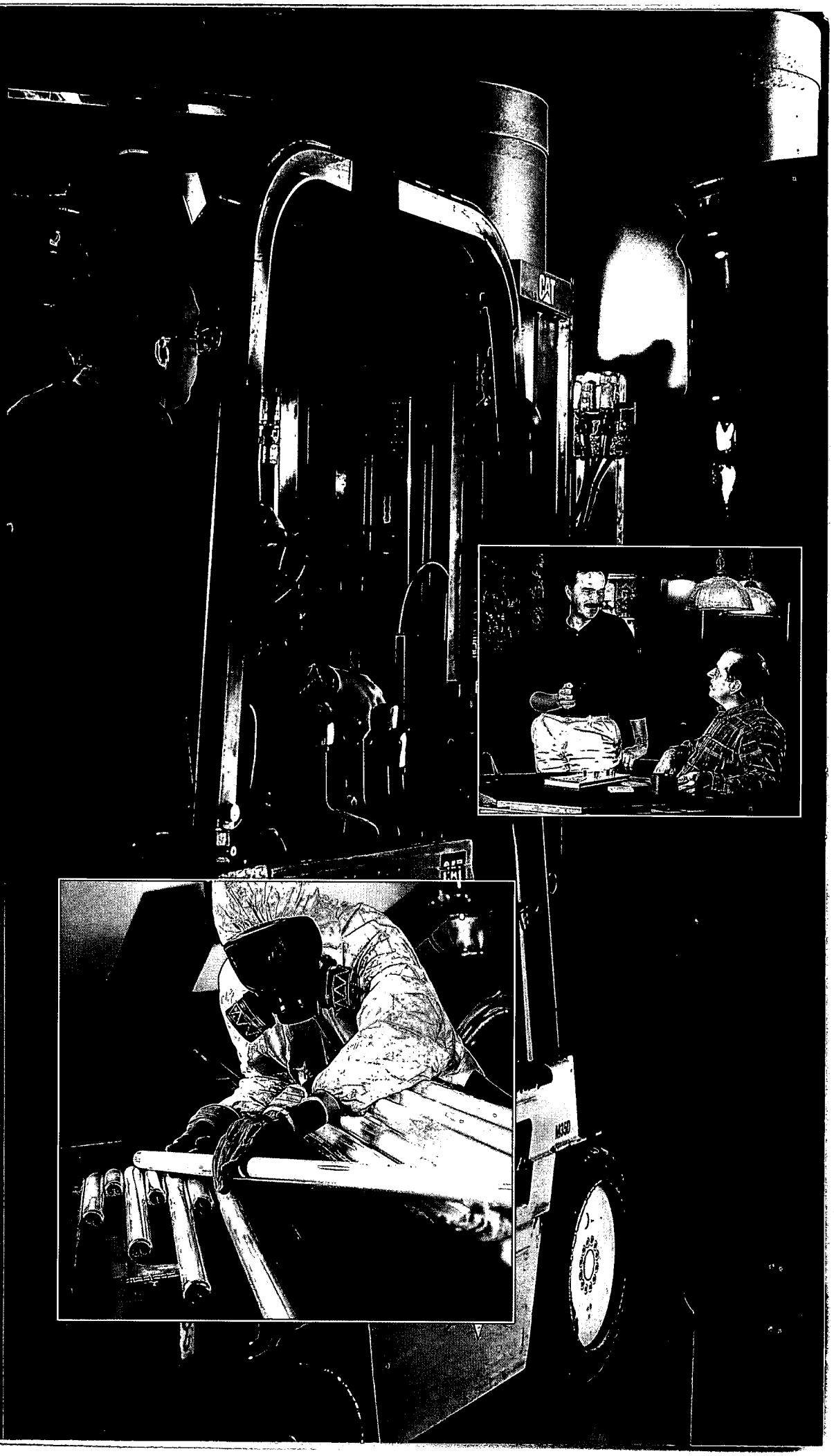
Top: Promega lab;
Bottom: Dan Brethorst *(left)*, Promega plant services manager; Bill Linton, Promega president and CEO; Edward Ornes, Strang vice president–treasurer; and John Drury, MGE marketing rep.

The idea for a joint venture to solve a serious environmental problem originated in conversation during a weekend card game.

MGE and Superior Services Inc. teamed up to create Superior Lamp Recycling Inc. It is the first facility in Wisconsin to recycle fluorescent lamps, which contain toxic materials.

MGE's expertise and customer base help open new markets much faster, according to Bob Klimoski, vice president of corporate development, Superior Services.

"When companies call MGE to discuss lighting upgrades, they can also learn about a safe and cost-effective way to dispose of the old lamps," Klimoski said. "We provide a clean, high-quality facility for recycling lamps and guarantee that all waste is recycled. Nothing is sent to a landfill."



Top: Bob Klimoski *(left)*, vice president of corporate development, Superior Services; and Paul Vanderbloemen, MGE executive director–integrated resource planning; **Bottom**: Mike Plier, recycling coordinator.

BioRenewal Technologies Inc. (BTI) is poised for rapid growth in the emerging bioremediation industry.

A loan from Central Wisconsin Development Corp., an MGE subsidiary, helped BTI buy core equipment for its lab in 1991, just in time to serve its first customer.

BTI President and CEO Allen Dines *(below)* said MGE has been instrumental in their company's success.

"MGE's support and confidence made it possible for us to grow," Dines said. "MGE provided not only a loan, but a whole network of contacts and referrals."

Today, BTI serves more than 40 companies around the nation.

Maintaining a Clean Environment

MGE tackles tough issues to create a cleaner environment.

Superior Lamp Recycling Inc., a jointly owned subsidiary of MGE and Superior Services Inc., West Allis, recycles fluorescent lamps that are banned from landfills. The lamps are crushed and separated to recycle all components.

Superior Lamp received a 1993 Governor's Waste Reduction and Recycling Award. Gov. Tommy Thompson called the company a "statewide role model." It is the first facility of its kind in Wisconsin.

Superior Lamp served more than 100 customers and recycled nearly 500,000 lamps in its first six months of operation. It plans to recycle up to three million lamps in 1994.

Cuffing Energy Use

MGE's long-range plans cut the need for new generation by more than 30%. The company will rely on more purchased power and programs to reduce electric demand. No new generating plants will be built until after the year 2000.

Future plans also meet customers' expectations for protecting the environment. MGE plans eliminate a new coal plant and include only clean, gas-fired turbines for new generation.

Reducing Emissions

MGE will not be adversely affected by Phase One of the federal Clean Air Act in 1995. The company's annual sulfur dioxide emissions are the lowest of five major Wisconsin utilities. Alternatives are already being considered to meet Phase Two of the federal requirements in 2000.

MGE plans to blend natural gas, alternate fuels and coal at Blount Generating Station in Madison to maintain competitive costs and reduce emissions. Natural gas currently fuels the plant eight months each year.

Alternate fuels are being tested at Blount, including fly ash and preconsumer waste from manufacturers. Burning these materials on a regular basis could prevent thousands of tons of waste from going to landfills.

Improving Efficiency

MGE joined the national Green Lights program to upgrade lighting in its facilities. This five-year project will reduce MGE's energy use by one million kilowatt-hours and save $75,000 in energy costs each year.

Every employee is part of the MGE Green Team, a company-wide effort to increase environmental awareness. Employees are responsible for finding new ways to eliminate waste and protect the environment in daily operations.

Employees are already recycling about 65 tons of paper, aluminum, newspaper and cardboard each year.

MGE's competitive position is enhanced by encouraging the wise use of energy, delaying construction of new power plants and expanding into new ventures that protect natural resources.

Responsibility for Financial Statements

The management of Madison Gas and Electric Company is responsible for the preparation and presentation of the financial information in this Annual Report. The following financial statements have been prepared in accordance with generally accepted accounting principles consistently applied and reflect management's best estimates and informed judgments as required.

To fulfill these responsibilities, management has developed and maintains a comprehensive system of internal operating, accounting, and financial controls. These controls provide reasonable assurance that the Company's assets are safeguarded, transactions are properly recorded, and the resulting financial statements are reliable. An internal audit function assists management in monitoring the effectiveness of the controls.

The Report of Independent Accountants on the financial statements by Coopers & Lybrand appears on page 13. The responsibility of the independent accountants is limited to the audit of the financial statements presented and the expression of an opinion as to their fairness.

The Board of Directors maintains oversight of the Company's financial situation through its monthly review of operations and financial condition and its selection of the independent accountants. The Audit Committee, comprised of all Board members who are not employees or officers of the Company, also meets periodically with the independent accountants and the Company's internal audit staff who have complete access to and meet with the Audit Committee, without management representatives present, to review accounting, auditing, and financial matters. Pertinent items discussed at the meetings are reviewed with the full Board of Directors.

David C. Mebane
President, Chief Executive Officer
and Chief Operating Officer

Joseph T. Krzos
Vice President - Finance

Management's Discussion and Analysis of Financial Condition and Operations

Liquidity and Capital Resources

The Company's liquidity is primarily affected by the requirements of its ongoing construction program. During 1993, all of the Company's construction and nuclear fuel expenditures were provided for by internally generated cash. These expenditures increased $7 million in 1993 as compared to 1992, while cash generated internally increased by $0.8 million. It is anticipated that 1994 construction and nuclear fuel expenditures will be $20 million, while in 1995 and 1996, expenditures are expected to be at slightly higher levels. Through these expenditures, the Company will have efficient, up-to-date facilities for providing reliable service to customers and for meeting their future energy needs.

The Company negotiated a purchased power agreement with Dairyland Power Cooperative (DPC) in July 1992. The agreement calls for the Company to purchase 40 megawatts (mw) of electric capacity from DPC during the years 1996 to 2000, with an option to purchase up to 80 mw during this period. This contract, along with existing conservation and load management programs, should allow the Company to cost-effectively delay construction of any new additional generating capacity beyond the year 2000.

Expenditures for construction and nuclear fuel estimated for 1994, actual for 1993 and the average for the three-year period 1990 to 1992 are shown on page 13.

The current financial statements report operating results in terms of historical cost. Even though the statements provide a reasonable, objective, quantifiable statement of financial results, they do not evaluate the impact of inflation. For ratemaking purposes, projected normal operating costs include impacts of inflation which are recoverable in revenues. However, electric and gas utilities, in general, are adversely impacted by inflation because depreciation of utility plant is limited to the recovery of historical costs. Thus, cash flows from the recovery of existing utility plant may, to a certain extent, not be adequate to provide replacement of plant investment.

To the Shareholders and Board of Directors,
Madison Gas and Electric Company:

We have audited the accompanying consolidated balance sheet and statement of capitalization of MADISON GAS AND ELECTRIC COMPANY and subsidiaries as of December 31, 1993, and the related consolidated statements of income and retained income and cash flows for the year ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Madison Gas and Electric Company for the years ended December 31, 1992 and 1991, were audited by other auditors, whose reports dated February 12, 1993, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Gas and Electric Company and subsidiaries as of December 31, 1993, and the consolidated results of their operations and their cash flows for the year ended December 31, 1993, in conformity with generally accepted accounting principles.

Coopers & Lybrand

COOPERS & LYBRAND

Milwaukee, Wisconsin
February 11, 1994

Expenditures for Construction and Nuclear Fuel

For the years ended December 31: *(Thousands of dollars)*	1994 Estimated		**1993**		Annual Average 1990-1992	
Electric						
Production	$ 2,211	11.0%	**$ 3,427**	**14.5%**	$ 2,369	12.0%
Transmission	1,160	5.8	**718**	**3.0**	2,462	12.5
Distribution and General	7,627	37.8	**9,038**	**38.2**	7,693	39.0
Nuclear fuel	2,826	14.0	**2,909**	**12.3**	2,346	11.9
Total Electric	13,824	68.6	**16,092**	**68.0**	14,870	75.4
Gas	4,719	23.4	**4,338**	**18.4**	3,981	20.2
Common	1,627	8.0	**3,218**	**13.6**	868	4.4
Total	$20,170	100.0%	**$23,648**	**100.0%**	$19,719	100.0%

Environmental and Legislative Issues

The Federal Clean Air Act as amended in 1990 will have a major impact on many electric utilities. However, the Company does not anticipate that Phase I of the Act, effective in 1995, will have any major impact on operations. The Company is also confident that if capital investments are required at some future date, the Company will receive timely recovery of such costs. The Company believes that fuel switching will be the effective strategy to follow to meet Phase II of the Act.

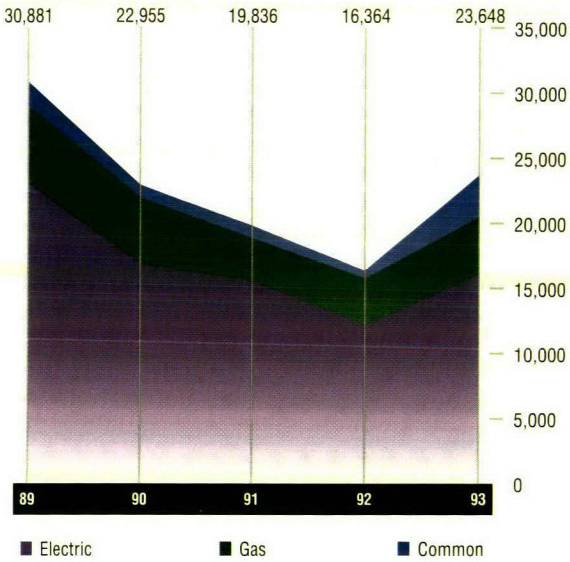
In 1992, the National Energy Policy Act (Act) was enacted. Generally, the Act promotes energy efficiency, a clean environment, and increased competition in the electric generation and bulk transmission areas. The Company is actively engaged in each of these areas. Wisconsin is a world leader in promoting energy efficiency, adherence to strict environmental principles, and competition for both generation and transmission. The utilities industry has seen significant changes in 1993 through increasing competition. New regulations have encouraged competition and are leading the way toward a deregulated market. This competition could have a significant impact on the Company. The Company is positioning itself to succeed in such an environment.

On April 8, 1992, the Federal Energy Regulatory Commission (FERC) issued Order 636. Order 636 requires all companies with natural gas pipelines to separate natural gas sales service from transmission service. It also requires these pipelines to offer flexibility to parties contracting for service.

Following the issuance of Order 636, ANR Pipeline (ANR) and Northern Natural Gas Company (NNG), the Company's pipeline suppliers, made filings at FERC to comply with Order 636. The Company played an active role negotiating with both pipelines the greatest benefit for the Company's customers. Effective November 1, 1993, ANR and NNG's services that comply with Order 636 went into effect. The services that the Company has contracted for have met the needs of its customers reliably and economically.

Five Year Construction and Nuclear Fuel Expenditures

in thousands of dollars



Capitalization Matters

At December 31, 1993, bank lines of credit available to the Company were $25 million. The bank lines are generally used to support commercial paper issued, which represents a primary source of short-term financing. The Company's dealer-issued commercial paper carries the highest ratings assigned by Moody's Investors Service and Standard & Poor's Corporation.

On February 24, 1993, the Company issued $25 million of 7.70 percent First Mortgage Bonds, 2028 Series. The proceeds were used to redeem the outstanding $25 million of 9¼ percent First Mortgage Bonds, 2016 Series, effective March 24, 1993. On September 22, 1993, the Company redeemed the outstanding $8.8 million, 8 percent First Mortgage Bonds, 1999 Series, and replaced these bonds with short-term debt.

The Company's existing bonds are rated AA by Fitch Investors Service, AA by Standard & Poor's, and Aa2 by Moody's Investors Service.

Capitalization ratios are shown in the Summary of Selected Financial and Operating Data on page 29. In December 1990, the Company sold $15 million of its accounts receivables to decrease short-term debt. This program remains in effect as of December 31, 1993. Under the Company's Automatic Dividend Reinvestment and Stock Purchase Plan, the Company has purchased all of its shares of common stock on the open market. The Company anticipates it will be able to meet its construction requirements, reduce short-term debt, and meet sinking fund debt requirements with internally generated funds and construction fund draw-downs over the next three years.

Results of Operations

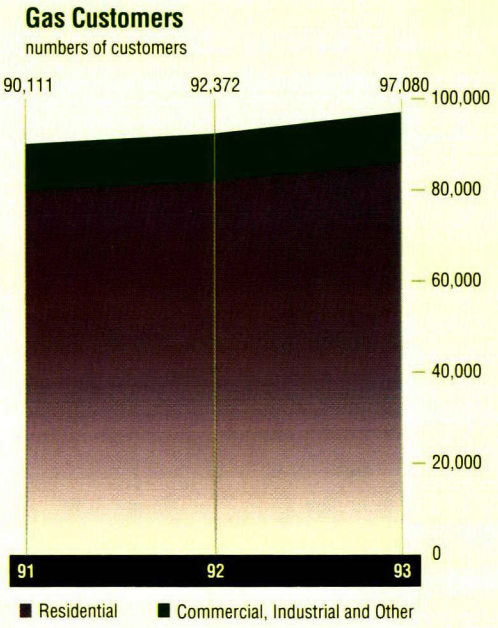
Electric Results

Electric retail sales for 1993 increased 5.0 percent from 1992. The increase in 1993 sales is due to a warmer summer compared to 1992. The average temperature for the third quarter of 1993 was approximately 67 degrees Fahrenheit as compared to 64 degrees Fahrenheit for the same time period in 1992. Cooling degree days for the calendar year 1993 (as measured by the number of degrees the mean daily temperature is above 65 degrees Fahrenheit) were 84 percent higher than in 1992. As a result, revenues increased 3.2 percent in 1993 as compared to 1992. The continuing growth of the customer base has also contributed to the increase in sales and revenues. Electric customer base has grown 1.5 percent during 1993.

In 1992, electric retail sales decreased 2.2 percent from 1991 while total electric revenues decreased 2.5 percent for the same time period. The decrease in 1992 sales and revenues, when compared to 1991, is due to a cooler summer.

Gas Results

Gas delivered to the customers for 1993 increased 12 percent from 1992 as shown on the table on the following page. A cooler first quarter experienced in 1993 than in 1992 contributed to increased gas deliveries. The average temperature for the first quarter of 1993 was 25 degrees Fahrenheit (which is close to normal) as compared to 30 degrees Fahrenheit for the same period in 1992. Heating degree days (as measured by the number of degrees the mean daily temperature is below 65 degrees Fahrenheit) were 7,351 for the year 1993 as compared to 7,050 for 1992 and normal of 7,455.



Gas sales and revenues increased in 1993 versus 1992 due to cooler weather conditions, a shift in a major customer from transportation rates (which is not counted as a system sale) to system rates, and an increase in customers aided by the acquisitions of two gas utilities.

Changes in gas sold, transported, and delivered, as compared to the previous years, were:

	Retail Gas Sales	Gas Transported	Total Gas Delivered
	Increase (Decrease)		
1993			
Million therms	**28.5**	**(8.4)**	**20.1**
Percentage	**17%**	**(83)%**	**12%**
1992			
Million therms	0.3	0.9	1.2
Percentage	—	9%	1%
1991			
Million therms	15.0	2.8	17.8
Percentage	10%	44%	11%

Fuel and Gas Costs

Fuel used for electric generation decreased about 11 percent for the twelve months ended December 31, 1993, as compared to the same time period in 1992. Purchased power cost increased about 75 percent for the same time periods. The Company has actively pursued obtaining more purchased power contracts in an effort to delay construction of new generating facilities. Although total purchased power costs increased, the cost per megawatt-hour decreased when compared to 1992. This was accomplished despite increased purchased power demands in 1993 during peak times. In August, the Company set a record for peak demand of 541 megawatts for one hour. The Company had adequate reserve margins to handle this demand.

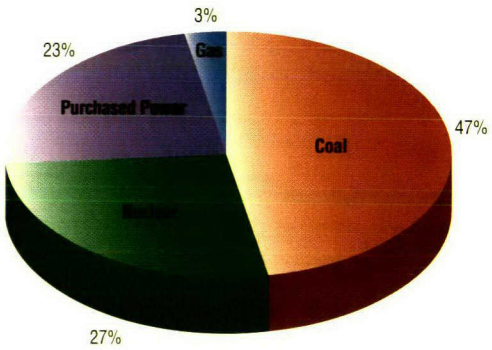
Natural gas costs increased 18 percent over 1992, which is mostly due to the increased gas deliveries. Also, a large customer shifted from transportation rates onto the Company's system rates. Transportation rates are only recorded on a margin basis, while system rates are recorded on a total cost basis. Despite increased purchased gas costs in 1993, the cost per therm in 1993 remained relatively the same as in 1992.

Other Items

Interest on long-term debt decreased approximately 16 percent for the twelve months ended December 31, 1993, as compared to the same period for 1992. This is attributable to the Company's refinancing of several of its First Mortgage Bond issues at lower interest rates.

A higher level of commercial paper outstanding throughout 1993 has contributed to an increase in other interest expense from the same 1992 period (see Notes 1h and 2d).

Sources of Energy Generated and Purchased Power
in percent



For the years ended December 31	1993	1992	1991
(Thousands of dollars, except per-share amounts)			
Operating Revenues (Notes 1b and 4)			
Electric	**$147,201**	$142,646	$146,378
Gas	**96,932**	85,356	85,822
Total Operating Revenues	**244,133**	228,002	232,200
Operating Expenses			
Fuel used for electric generation (Note 1d)	**23,125**	26,062	27,684
Purchased power	**11,190**	6,378	7,119
Natural gas purchased	**62,479**	53,169	51,961
Other operations (Note 1h)	**56,103**	52,469	52,460
Maintenance	**13,029**	12,544	13,170
Depreciation and amortization (Note 1f)	**21,791**	21,427	21,025
Income tax items (Note 1g)			
Deferred taxes	**3,255**	2,563	3,197
Current federal income	**9,134**	8,690	9,813
Amortization of investment tax credits	**(803)**	(759)	(893)
Current state income	**2,378**	2,290	2,418
Other general taxes	**8,222**	8,107	7,872
Total Operating Expenses	**209,903**	192,940	195,826
Net Operating Income	**34,230**	35,062	36,374
Allowance for funds used during construction - equity funds (Note 1c)	**81**	42	76
Other income, net	**1,988**	2,139	1,114
Income Before Interest Expense	**36,299**	37,243	37,564
Interest Expense			
Interest on long-term debt	**11,195**	13,249	12,460
Other interest (Note 1h)	**478**	216	276
Allowance for funds used during construction - borrowed funds (Note 1c)	**(49)**	(29)	(52)
Net Interest Expense	**11,624**	13,436	12,684
Net Income	**24,675**	23,807	24,880
Preferred stock dividend requirements	**489**	506	524
Earnings on Common Stock	**$ 24,186**	$ 23,301	$ 24,356
Earnings Per Share of Common Stock (Note 2a) (Average shares outstanding – 10,703,558, 10,697,218, and 10,695,773 respectively)	**$2.26**	$2.18	$2.28

The accompanying notes are an integral part of the above statements.

At December 31	1993	1992
(Thousands of dollars)		
Assets		
Utility Plant, at original cost (Note 1c)		
In service–Electric (Note 1e)	**$466,984**	$458,754
–Gas	**158,458**	154,940
Gross Plant in Service	**625,442**	613,694
Less–Accumulated provision for depreciation (Note 1f)	**(302,904)**	(284,248)
Net Plant in Service	**322,538**	329,446
Construction work in progress	**12,251**	6,724
Nuclear decommissioning fund (Note 1f)	**25,499**	23,100
Nuclear fuel, net (Note 1d)	**8,305**	7,879
Total Utility Plant	**368,593**	367,149
Other Property and Investments	**9,822**	8,910
Current Assets		
Cash	**1,391**	2,030
Deposits for jointly owned electric power production facilities	**2,787**	2,466
Temporary cash investments	**—**	97
Accounts receivable, less reserves of $973 and $791, respectively (Note 1h)	**10,593**	9,523
Unbilled revenue (Note 1b)	**11,458**	11,824
Materials and supplies, at average cost	**7,254**	7,889
Fossil fuel, at average cost	**3,333**	3,833
Stored natural gas, at average cost	**10,562**	5,627
Prepaid taxes	**5,693**	5,464
Other prepayments	**1,126**	1,212
Total Current Assets	**54,197**	49,965
Deferred Charges	**32,752**	26,713
Total Assets	**$465,364**	$452,737
Capitalization and Liabilities		
Capitalization (see statement on next page) (Note 2)	**$310,791**	$308,330
Current Liabilities		
Preferred stock sinking fund requirements (Note 2b)	**100**	100
Interim loans – commercial paper outstanding (Note 2d)	**23,500**	17,000
Accounts payable	**17,890**	14,113
Accrued taxes	**2,056**	3,952
Accrued interest	**2,810**	2,890
Other	**5,998**	8,619
Total Current Liabilities	**52,354**	46,674
Other Credits		
Accumulated deferred income taxes (Note 1g)	**54,167**	74,555
Regulatory liability (Note 1g)	**25,264**	—
Investment tax credit deferred (Note 1g)	**13,781**	14,854
Other	**9,007**	8,324
Total Other Credits	**102,219**	97,733
Commitments and Contingencies (Note 5)	**—**	—
Total Capitalization and Liabilities	**$465,364**	$452,737

The accompanying notes are an integral part of the above balance sheets.

At December 31	1993	1992
(Thousands of dollars)		
Common Shareholders' Equity (Note 2a)		
Common stock — Par value $8 per share		
Authorized 28,000,000 shares		
Outstanding 10,719,812 and 10,697,218 shares, respectively	**$ 85,758**	$ 85,578
Amount received in excess of par value	**26,372**	26,409
Retained income	**72,865**	68,380
Total Common Shareholders' Equity	**184,995**	180,367
Redeemable Preferred Stock, cumulative, $25 par value, authorized 1,199,000 and 1,207,000 shares, respectively (Note 2b)		
Series E, 8.70%, 220,000 and 228,000 shares outstanding, respectively, less current sinking fund requirements of $100	**5,400**	5,600
First Mortgage Bonds (Note 2c)		
5.45%, 1996 Series	**8,000**	8,000
8%, 1999 Series	**—**	8,788
7¾%, 2001 Series	**11,482**	11,482
6½%, 2006 Series, Pollution Control Revenue Bonds, principal amount $8,780, less construction fund of $1,556 and $1,510, respectively	**7,224**	7,270
9¼%, 2016 Series	**—**	25,000
8.50%, 2022 Series	**40,000**	40,000
6.75%, 2027A Series, Industrial Development Revenue Bonds principal amount $28,000, less construction fund of $17,426 and $24,415, respectively	**10,574**	3,585
6.70%, 2027B Series, Industrial Development Revenue Bonds	**19,300**	19,300
7.70%, 2028 Series	**25,000**	—
First Mortgage Bonds Outstanding	**121,580**	123,425
Unamortized discount and premium on bonds, net	**(1,184)**	(1,062)
Total First Mortgage Bonds	**120,396**	122,363
Total Capitalization	**$310,791**	$308,330

Consolidated Statements of Retained Income

For the years ended December 31	1993	1992	1991
(Thousands of dollars)			
Balance—Beginning of Year	**$68,380**	$64,226	$58,594
Add—Net income	**24,675**	23,807	24,880
Deduct—Cash dividends on common stock	**(19,701)**	(19,147)	(18,724)
Preferred stock dividend	**(489)**	(506)	(524)
Balance—End of Year	**$72,865**	$68,380	$64,226

The accompanying notes are an integral part of the above statements.

For the years ended December 31	1993	1992	1991
(Thousands of dollars)			
Operating Activities			
Net income	**$24,675**	$23,807	$24,880
Income items not affecting working capital			
Depreciation and amortization	**21,791**	21,427	21,025
Deferred taxes	**3,255**	2,563	3,197
Amortization of nuclear fuel	**2,486**	2,997	3,228
Amortization of investment tax credits	**(803)**	(759)	(893)
Allowance for funds used during construction - equity funds	**(81)**	(42)	(76)
Other	**(462)**	303	179
Net Funds Provided from Operations	**50,861**	50,296	51,540
Changes in working capital, excluding cash, sinking funds, maturities, and interim loans -			
(Increase)/decrease in current assets	**(4,871)**	3,698	(5,677)
Increase/(decrease) in current liabilities	**(2,941)**	(2,738)	377
Other noncurrent items, net	**(1,878)**	(11,358)	(3,380)
Cash Provided by Operating Activities	**41,171**	39,898	42,860
Financing Activities			
Common stock issued	**143**	—	413
Cash dividends on common and preferred stock	**(20,190)**	(19,653)	(19,248)
Sale of First Mortgage Bonds	**25,000**	59,300	—
Maturities/redemptions of First Mortgage Bonds	**(33,788)**	(74,464)	(4,012)
Other decreases in First Mortgage Bonds	**(122)**	(858)	(871)
Decrease in preferred stock	**(200)**	(200)	(200)
Decrease/(increase) in bond construction funds	**6,943**	3,526	(83)
Increase in interim loans	**6,500**	11,400	3,500
Cash Used for Financing Activities	**(15,714)**	(20,949)	(20,501)
Investing Activities			
Additions to utility plant and nuclear fuel	**(23,648)**	(16,364)	(19,836)
Allowance for funds used during construction - borrowed funds	**(49)**	(29)	(52)
Increase in decommissioning fund	**(2,399)**	(2,273)	(2,286)
Cash Used for Investing Activities	**(26,096)**	(18,666)	(22,174)
Change in Cash (Note 6)	**(639)**	283	185
Cash at Beginning of Period	**2,030**	1,747	1,562
Cash at End of Period	**$ 1,391**	$ 2,030	$ 1,747

The accompanying notes are an integral part of the above statements.

December 31, 1993, 1992, and 1991

1. Summary of Significant Accounting Policies

The consolidated financial statements reflect the application of certain accounting policies described in this note. Certain reclassifications, not affecting income, have been made to amounts reported in prior years to conform with presentations used in 1993.

a. Basis of consolidation

The financial statements include the accounts of Madison Gas and Electric Company and its subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

b. Revenue recognifiun

The Company records unbilled revenue on the basis of service rendered. Gas revenues are subject to adjustment clauses related to periodic changes in the cost of gas.

c. Utility plant

Utility plant is stated at the original cost of construction, which includes indirect costs consisting of payroll taxes, pensions and other fringe benefits, administrative and general costs, and an allowance for funds used during construction (AFUDC).

AFUDC represents the approximate cost of debt and equity capital devoted to plant under construction. The Company presently capitalizes AFUDC at a rate of 10.70 percent on 50 percent of construction work in progress. The portion of the allowance applicable to borrowed funds is presented in the Consolidated Statements of Income as a reduction of interest expense, while the portion of the allowance applicable to equity funds is presented as other income. Although the allowance does not represent current cash income, it is recovered under the ratemaking process over the service lives of the related properties.

Substantially, all of the Company's utility plant is subject to a first mortgage lien.

d. Nuclear fuel

The cost of nuclear fuel used for electric generation is being amortized to fuel expense and recovered in rates based on the quantity of heat produced for the generation of electric energy by the Kewaunee Nuclear Plant (Kewaunee). Such cost includes a provision for estimated future disposal costs of spent nuclear fuel. The Company currently pays disposal fees to the Department of Energy based on net nuclear generation. The Company has recovered through rates and satisfied its known fuel disposal liability for past nuclear generation.

The National Energy Policy Act enacted in 1992 contains a provision for all utilities that have used federal enrichment facilities to pay a special assessment for decontamination and decommissioning for these facilities. This special assessment will be based on past enrichment, and the Company has accrued and deferred an estimate of $2.6 million for the Company's portion of the special assessment. The Company believes all costs will be recovered in future rates.

e. Joint plant ownership

The Company and two other Wisconsin investor-owned utilities jointly own two electric generating facilities, which account for 54 percent (325 mw) of the Company's net generating capability. Power from the facilities is shared in proportion to the companies' ownership interests. The Company's interests are 22 percent (232 mw) of the Columbia Energy Center (Columbia) and 17.8 percent (93 mw) of Kewaunee. Each owner provides its own financing and reflects its respective portion of facilities and operating costs in its financial statements. The Company's portions of these facilities, included in its gross utility plant in service, and the related accumulated depreciation reserves at December 31, were as follows (*thousands of dollars*):

	Columbia		Kewaunee	
	1993	1992	**1993**	1992
Utility plant.....	**$84,620**	$84,550	**$56,872**	$56,017
Accumulated depreciation	**(41,550)**	(39,149)	**(31,405)**	(29,535)
Net Plant.....	**$43,070**	$45,401	**$25,467**	$26,482

f. Depreciation

Provisions at composite straight-line depreciation rates, excluding decommissioning costs as discussed below, approximate the following percentages of the cost of depreciable property: electric, 3.5 percent in 1993, 3.3 percent in 1992, and 3.4 percent in 1991; gas, 3.5 percent in 1993, 3.5 percent in 1992, and 3.7 percent in 1991. Depreciation rates are approved by the Public Service Commission of Wisconsin (PSCW) and are generally based on the estimated economic lives of property.

External trust funds have been established for costs associated with the future decommissioning of Kewaunee. It is estimated that the Company's share of decommissioning, which includes the cost of decontamination, dismantling, and site restoration, will be $61 million (1992 dollars) based on a site-specific study completed in 1992. Decommissioning costs (net of trust fund income), recovered through rates, are $1.3 million annually. The Company's costs accrued to date, which are recorded in accumulated depreciation, are $25 million.

g. Income taxes

(1) Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standard No. 109 (SFAS 109), "Accounting for Income Taxes," which replaced the deferred method of income tax accounting with the liability method. The liability method requires the recognition of deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Prior years' financial statements have not been restated to apply the provisions of SFAS 109. The principal effects on the Company's 1993 financial statements of adoption were a decrease in accumulated deferred income taxes and the establishment of a corresponding regulatory liability in the amount of $25,264,000. The cumulative effect of implementation on 1993 net earnings was insignificant.

Accumulated deferred income taxes were increased by approximately $2,600,000 as a result of the increase in the federal statutory income tax rate from 34 percent to 35 percent for 1993.

Investment tax credits from regulated operations are amortized over the service lives of the property to which they relate.

(2) The Company's effective income tax rates are computed by dividing the total of current and deferred federal and state income tax expense, and income taxes included in other income, less the amortization of investment tax credits, by the sum of such expenses and net income. The differences between the federal statutory income tax rate and the Company's effective rate are as follows:

	1993	1992	1991
Statutory federal income tax rate	**35.0%**	34.0%	34.0%
Restoration of investment tax credit	**(2.1)**	(2.0)	(2.3)
State income taxes, net of federal benefit	**6.3**	6.3	5.4
Benefit of tax rate differential	**(1.3)**	(1.2)	(1.1)
Other, individually insignificant	**(1.0)**	(1.1)	1.0
Effective income tax rate as computed	**36.9%**	36.0%	37.0%

(3) Deferred income tax expense for 1992 and 1991 results principally from property-related timing differences due to different depreciation methods and lives used for income tax and financial reporting purposes. The significant components of deferred tax liabilities (assets) that appear on the Consolidated Balance Sheet as of December 31, 1993, are as follows (*thousands of dollars*):

	1993
Property-related	**$ 58,914**
Energy conservation expenses	**5,262**
Automated mapping and facilities management system	**1,262**
Bond call premiums	**1,027**
Nuclear fuel	**958**
Other, individually insignificant	**305**
Gross deferred income tax liabilities	**$ 67,728**
Allowance for bad debts	**$ (393)**
Deferred compensation	**(1,030)**
Vacation pay	**(718)**
Stored natural gas	**(1,280)**
Deferred tax regulatory account	**(10,140)**
Gross deferred income tax assets	**$(13,561)**
Accumulated deferred income taxes	**$ 54,167**

h. Accounts receivable

On December 17, 1990, the Company entered into an agreement to sell $15 million of accounts receivable, without recourse, to a wholly owned subsidiary of The First National Bank of Chicago. The proceeds from the sale were used to reduce short-term debt. All billing and collection functions remain the responsibility of the Company. Costs and fees of approximately $0.6 million for 1993 and $0.9 million for 1992 are recorded as other operating expenses.

i. Pension plans

The Company maintains two defined benefit plans for its employees. The pension benefit formula used in the determination of pension costs is based upon the average compensation earned during the last five years of employment for the salaried plan and career earnings for the nonsalaried plan subject to a monthly maximum.

The Company's funding policy is to make such contributions as are necessary to finance the benefits provided under the plans. The Company's contributions meet the funding standards set forth in the Employee Retirement Income Security Act of 1974. Ratemaking practice has historically allowed the accrued pension funding amount in rates. The Company has recorded 1993 pension costs equal to the funding amount. The funding amounts were $1,075,000 in 1993, $988,000 in 1992, and $566,000 in 1991. Of these amounts, $861,000, $805,000, and $485,000 were charged to operating expenses for the years 1993 through 1991, respectively. The plans' assets consist primarily of pooled funds invested with the Prudential Asset Management Group.

The funded status of the plans is as follows (*thousands of dollars*):

At December 31:	**1993**	1992
Fair value of plan assets	**$41,905**	$38,906
Actuarial present value of benefits rendered to date – Accumulated benefits based on compensation to date, including vested benefits of $36,332 and $34,155, respectively	**37,376**	34,740
Additional benefits based on estimated future salary levels	**7,693**	7,708
Projected benefit obligation	**45,069**	42,448
Plan assets less than projected benefit obligation	**(3,164)**	(3,542)
Unrecognized net asset at date of initial application	**(79)**	(117)
Unrecognized net loss	**295**	1,465
Unrecognized prior service cost	**1,340**	1,421
Net liability	**$ (1,608)**	$ (773)

Components of net pension costs for the years ended December 31 (*thousands of dollars*):

	1993	1992	1991
Service costs (benefits earned during the period)	**$1,596**	$1,381	$1,267
Interest costs on projected benefit obligation	**3,196**	2,867	2,587
Actual return on plan assets	**(3,663)**	(2,933)	(5,884)
Net amortization and deferral	**347**	(168)	3,265
Regulatory effect based on funding	**(401)**	(159)	(669)
Net pension costs	**$1,075**	$ 988	$ 566

The net pension costs at December 31, 1993, 1992, and 1991 were based on an assumed long-term rate of return on plan assets of 9.0 percent, a weighted average discount rate of 7.5 percent, and an assumed rate of increase in future compensation levels of 5.0 percent.

In addition to the noted plans, the Company also maintains two defined contribution 401(k) benefit plans for its employees. The Company's costs of the 401(k) plan for the years 1993, 1992, and 1991 were $186,000, $180,000, and $173,000, respectively.

j. Postretirement benefits other than pensions

Effective January 1, 1993, the Company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires that postretirement benefits be accrued over the period in which employees provide services to the Company. The Company provides health care and life insurance benefits for its retired employees and substantially all of the Company's employees may become eligible for these benefits upon retirement. Prior to adoption of SFAS 106, the Company recognized the costs of these benefits by expensing the benefits as paid.

The Company has elected to recognize the cost of its transition obligation (the accumulated postretirement benefit obligation as of January 1, 1993) by amortizing it on a straight-line basis over 20 years. The Company's SFAS 106 obligation and cost are based on a discount rate of 7.5 percent at December 31, 1993. The assumed rate of increase in health care costs (health care cost trend rate) is 13 percent in 1993 and decreasing gradually to 5 percent in 2003, and remains constant thereafter. Increasing the health care cost trend rates of future years by one percentage point would increase the accumulated postretirement benefit obligation by $1.8 million and would increase annual aggregate service and interest costs by $233,000.

The PSCW ruled that Wisconsin utilities are required to implement SFAS 106 for ratemaking purposes. The Company is phasing-in, over a four-year period, the effect of implementing SFAS 106, which resulted in a regulatory asset of $382,000 at December 31, 1993.

The Company's policy is to fund the SFAS 106 obligation through tax-advantaged vehicles. The plan's assets consist primarily of funds on reserve with an insurance company.

The following table shows the funded status of the plan and the amounts recognized in the Company's balance sheets as of December 31, 1993.

(thousands of dollars)	1993
Accumulated postretirement benefit obligation (APBO):	
Retirees	$ (3,208)
Fully eligible active plan participants	(1,287)
Other active plan participants	(6,047)
Total	(10,542)
Estimated plan assets at fair value	1,338
APBO in excess of plan assets	(9,204)
Unrecognized transition obligation	8,248
Unrecognized prior service cost	0
Unrecognized gain	(86)
Accrued postretirement benefit liability	$ (1,042)

Net periodic benefit cost for 1993 includes the following components:

(thousands of dollars)	1993
Service cost	$ 413
Interest cost on APBO	747
Estimated return on plan assets	(131)
Amortization of transition obligation over 20 years	434
Net amortization and deferral	56
Regulatory effect based on phase-in	(382)
Net periodic benefit cost	$1,137

k. Postemployment benefits other than pensions and health care

In November 1992, the Financial Accounting Standards Board issued SFAS 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). The Company adopted SFAS 112 on January 1, 1994. This standard requires accrual of benefits other than pensions or health care provided to former or inactive employees. The impact of SFAS 112 on the Company's financial position and results of operations is not expected to be significant.

l. Fair value of financial instruments

At December 31, 1993, the carrying amount of cash and temporary cash investments approximates fair value. The estimated fair value of the Nuclear Decommissioning Fund is $27 million, and the estimated fair value of the Company's First Mortgage Bonds is $134 million, based on quoted market prices at December 31, 1993.

2. Capitalization Matters

a. Cemmon stock

In 1993, the Company issued 22,594 shares of its common stock. No shares of common stock were issued in 1992.

b. Redeemahle preferred stock

The Company had an obligation to retire 4,000 Series E shares for $100,000 during each 12-month period ending August 1, 1993. For the 12-month periods ending August 1, 1994 through 1998, the Company has an obligation to retire 8,000 shares for $200,000. Additional Series E shares equal to the annual retirement obligations may be retired during any 12-month period ending August 1.

c. First mortgage bonds

The annual sinking fund requirements of the outstanding first mortgage bonds are $230,000 in 1993 and 1994, $430,000 in 1995, and $350,000 in 1996, 1997, and 1998. In addition, $8 million will be required in 1996, to retire at maturity, the 1996 Series, First Mortgage Bonds.

On February 24, 1993, the Company issued $25 million of 7.70 percent First Mortgage Bonds, 2028 Series. The proceeds were used to redeem the outstanding $25 million of 9¼ percent First Mortgage Bonds, 2016 Series, effective March 24, 1993.

On September 22, 1993, the Company redeemed the outstanding $8.8 million, 8 percent First Mortgage Bonds, 1999 Series, and replaced these bonds with short-term debt.

d. Notes payable to banks, commercial paper, and lines of credit

For short-term borrowings, the Company generally issues commercial paper (issued at the prevailing discount rate at the time of issuance) which is supported by unused bank lines of credit. Through negotiations with several banks, the Company has $25 million in bank lines of credit. Information concerning short-term borrowings is set forth on the right.

At December 31: (*thousands of dollars*):	**1993**	1992	1991
Available lines of credit	**$25,000**	$20,000	$20,000
Commercial paper outstanding	**$23,500**	$17,000	$ 5,600
Bank loans outstanding	**$ —**	$ —	$ —
Weighted average interest rate	**3.45%**	3.94%	5.8%
During the year:			
Maximum short-term borrowings (includes bank loans)	**$26,000**	$17,500	$ 9,000
Average short-term borrowings	**$14,056**	$ 3,448	$ 2,669
Weighted average interest rate	**3.31%**	3.70%	5.96%

3. Segments of Business

The table below presents information pertaining to the Company's segments of business.

Information regarding the distribution of net assets between electric and gas is set forth on page 29.

For the years ended December 31 (*thousands of dollars*)	**1993**	1992	1991
Electric Operations			
Total revenues	**$147,201**	$142,646	$146,378
Operation and maintenance expenses	**86,060**	82,439	85,263
Depreciation and amortization	**16,948**	16,573	15,889
Other general taxes	**6,651**	6,614	6,406
Pre-tax Operating Income	**37,542**	37,020	38,820
Income tax items	**11,104**	9,988	11,166
Net Operating Income	**$ 26,438**	$ 27,032	$ 27,654
Construction and Nuclear Fnel Expenditures (Electric)	**$ 18,064**	$ 12,548	$ 16,165
Gas Operations			
Operating revenues	**$ 96,932**	$ 85,356	$ 85,822
Revenues from sales to electric utility	**2,861**	860	1,213
Total Revenues	**99,793**	86,216	87,035
Operation and maintenance expenses	**82,727**	69,043	68,344
Depreciation and amortization	**4,843**	4,854	5,136
Other general taxes	**1,571**	1,493	1,466
Pre-tax Operating Income	**10,652**	10,826	12,089
Income tax items	**2,860**	2,796	3,369
Net Operating Income	**$ 7,792**	$ 8,030	$ 8,720
Construction Expenditures (Gas)	**$ 5,584**	$ 3,816	$ 3,671

4. Rate Matters

In June 1993, the PSCW issued its rate order to reduce electric rates by $4.4 million and gas rates by $1.4 million for the test year ending May 31, 1994. These rates will remain in place until the next test year scheduled to begin January I, 1995. The current rates are based on a return on common equity of 12.0 percent. These rate changes became effective on June 26, 1993. The Company has recently switched to a calendar test year, and a biennial rate process.

5. Commitments and Contingencies

Utility plant construction expenditures for 1994, including the Company's proportional share of jointly owned electric power production facilities and purchases of fuel for Kewaunee, are estimated to be $20 million, and substantial commitments have been incurred in connection with such expenditures. Significant commitments have also been made for fuel for Columbia.

ANR Pipeline Company (ANR) and Northern Natural Gas Company (NNG) have both entered into settlements with their gas suppliers concerning take-or-pay provisions of gas supply contracts that are being canceled and other transition costs associated with implementation of Order 636. Known charges currently applicable to the Company for take-or-pay or transition costs on ANR are $0.3 million including interest. This is being paid to ANR as a fixed charge through December 1994. Also, a volumetric surcharge is being paid to both ANR and NNG. ANR's surcharge is applied through April 1998; NNG's is effective through May 1996; these amounts will change over time. The PSCW has approved procedures whereby the Company is allowed to recover both the fixed and volumetric take-or-pay charges in rates.

6. Supplemental Cash Flow Information

For purposes of the Consolidated Statements of Cash Flows, the Company considers cash equivalents to be those investments that are highly liquid with maturity dates of less than three months.

Cash payments for interest and income taxes were as follows.

For the years ended December 31	**1993**	1992	1991
(thousands of dollars)			
Interest paid, net of amounts capitalized .	**$11,704**	$13,103	$12,880
Income taxes paid	**$10,954**	$12,968	$13,905

(Thousands of dollars, except per share amounts)	Quarters Ended (Unaudited) (1) March 31	June 30	Sept. 30	Dec. 31
1993				
Operating Revenues:				
Electric	**$34,771**	**$35,106**	**$43,066**	**$34,258**
Gas	**38,180**	**15,199**	**10,446**	**33,107**
Total	**72,951**	**50,305**	**53,512**	**67,365**
Operating Expenses	**62,230**	**43,967**	**44,866**	**58,840**
Net Operating Income	**10,721**	**6,338**	**8,646**	**8,525**
Interest, Preferred Dividends, and Other	**2,677**	**2,479**	**2,451**	**2,437**
Earnings on Common Stock	**$ 8,044**	**$ 3,859**	**$ 6,195**	**$ 6,088**
Earnings per Common Share (2)	**75¢**	**36¢**	**58¢**	**57¢**
Dividends Paid per Common Share (3)	**45.5¢**	**45.5¢**	**46.5¢**	**46.5¢**
Price per Common Share (4)—High	**$35½**	**$35¼**	**$36¾**	**$36½**
—Low	**30¼**	**32¾**	**32¾**	**32¾**
1992				
Operating Revenues:				
Electric	$33,626	$34,432	$40,754	$33,834
Gas	32,296	12,486	7,783	32,791
Total	65,922	46,918	48,537	66,625
Operating Expenses	56,633	40,452	39,537	56,318
Net Operating Income	9,289	6,466	9,000	10,307
Interest, Preferred Dividends, and Other	2,829	3,106	2,923	2,903
Earnings on Common Stock	$ 6,460	$ 3,360	$ 6,077	$ 7,404
Earnings per Common Share (2)	60¢	31¢	57¢	69¢
Dividends Paid per Common Share (3)	44¢	44¢	45.5¢	45.5¢
Price per Common Share (4)—High	$31¼	$31¾	$33¼	$34½
—Low	29	28½	28¾	30

Notes:

(1) The quarterly results of operations within a year are not comparable because of seasonal and other factors.

(2) The sum of earnings per share of common stock for any four quarterly periods may vary slightly from the earnings per share of common stock for the equivalent 12-month period due to the effect of rounding each quarterly period separately.

(3) There were 16,170 shareholders as of February I, 1994. There currently are no restrictions on the Company's ability to pay dividends and none are expected in the foreseeable future. The Company has regularly paid dividends to its shareholders and expects that it will continue to do so in the future.

(4) The Company's common stock trades on The Nasdaq Stock Market under the symbol MDSN.

	1993	1992	1991	1990	1989	1983
Electric						
Operating Revenues ($000s)						
Residential	**$ 51,718**	$ 49,479	$ 53,216	$ 49,338	$ 46,152	**$ 38,454**
Commercial power and lighting	**78,085**	76,042	75,946	72,984	68,076	**57,401**
Industrial power and lighting	**7,999**	7,930	7,583	7,464	6,937	**5,513**
Street and highway lighting and public authorities	**8,076**	7,692	8,478	8,848	8,853	**9,217**
Other utilities	**367**	602	620	1,238	1,825	**9,900**
Miscellaneous	**956**	901	535	621	118	**165**
Total Operating Revenues	**$147,201**	$142,646	$146,378	$140,493	$131,961	**$120,650**
Kilowatt-hour Sales (000s)						
Residential	**666,991**	625,231	675,563	628,129	620,003	**560,289**
Commercial power and lighting	**1,405,856**	1,345,730	1,345,954	1,289,042	1,233,262	**958,652**
Industrial power and lighting	**173,266**	166,807	160,589	157,691	149,524	**102,126**
Street and highway lighting and public authorities	**176,389**	166,419	185,337	192,528	198,969	**185,904**
Other utilities	**19,352**	30,765	18,566	11,585	14,191	**242,211**
Total Sales	**2,441,854**	2,334,952	2,386,009	2,278,975	2,215,949	**2,049,182**
Average Number of Customers						
Residential	**100,721**	99,244	98,089	97,063	95,761	**87,711**
Commercial power and lighting	**15,037**	14,840	14,637	14,402	14,168	**12,679**
Industrial power and lighting	**77**	80	80	79	82	**94**
Street and highway lighting and public authorities	**53**	51	51	50	50	**50**
Other utilities	**3**	3	2	2	3	**3**
Total Average Customers	**115,891**	114,218	112,859	111,596	110,064	**100,537**
Gas						
Operating Revenues ($000s)						
Residential	**$ 52,598**	$ 48,263	$ 48,856	$ 44,913	$ 47,666	**$ 45,409**
Commercial	**35,757**	29,730	29,614	28,487	30,630	**38,310**
Industrial	**2,088**	1,900	1,781	1,599	1,833	**4,567**
Best efforts (includes Interruptible boiler fuel)	**5,723**	4,949	4,723	4,621	5,017	**4,920**
Gas transport, net	**151**	488	624	397	445	**—**
Miscellaneous	**615**	26	224	58	36	**247**
Total Operating Revenues	**$ 96,932**	$ 85,356	$ 85,822	$ 80,075	$ 85,627	**$ 93,453**
Therms Sold and Transported (000s)						
Residential	**84,713**	79,031	79,790	72,080	80,303	**67,480**
Commercial	**83,807**	65,285	64,588	59,337	65,374	**66,039**
Industrial	**6,651**	4,587	4,313	3,461	4,184	**8,554**
Best efforts (includes Interruptible boiler fuel)	**18,079**	15,860	15,703	14,492	15,913	**11,434**
Gas transport, net	**1,678**	10,104	9,232	6,424	5,942	**—**
Total Sold and Transported	**194,928**	174,867	173,626	155,794	171,716	**153,507**
Average Number of Customers						
Residential	**83,129**	80,508	78,481	76,103	73,795	**61,474**
Commercial	**10,477**	10,184	9,950	9,547	9,164	**7,535**
Industrial	**71**	71	70	70	71	**72**
Best efforts (includes Interruptible boiler fuel)	**53**	49	46	45	45	**3**
Total Average Customers	**93,730**	90,812	88,547	85,765	83,075	**69,084**

(Thousands of dollars, except per-share amounts)	1993	1992	1991	1990	1989	1983
Income, Earniugs, and Dividends						
Net income	**$ 24,675**	$ 23,807	$ 24,880	$ 22,029	$ 20,596	**$ 18,805**
Earnings on common stock	**$ 24,186**	$ 23,301	$ 24,356	$ 21,488	$ 20,038	**$ 16,163**
Earnings per average common share	**$2.26**	$2.18	$2.28	$2.04	$1.95	**$1.77**
Cash dividends paid per common share	**$1.84**	$1.79	$1.75	$1.72	$1.68	**$1.33**
Assets (year end)						
Electric	**$328,048**	$325,510	$330,136	$331,609	$316,014	**$204,584**
Gas	**114,626**	106,837	104,381	104,270	119,402	**77,415**
Assets not allocated	**22,690**	20,390	20,548	14,455	32,592	**27,527**
Total	**$465,364**	$452,737	$455,065	$450,334	$468,008	**$309,526**
Internal Generation of Cash						
Total cash used for construction expenditures and nuclear fuel	**$ 23,648**	$ 16,364	$ 19,836	$ 22,955	$ 30,881	**$ 21,356**
Percent generated internally	**128.3%**	180.6%	157.1%	127.7%	84.3%	**123.0%**
Long-term Debt and Redeemable Preferred Stock, Net (year end)	**$125,796**	$127,963	$130,659	$141,813	$147,042	**$125,048**
Capitalization Ratios (year end)						
Common shareholders' equity	**55.3%**	55.4%	54.6%	53.5%	47.9%	**47.5%**
Redeemable preferred stock	**1.7**	1.8	1.8	1.9	1.9	**11.2**
Long-term debt	**36.0**	37.6	41.8	43.9	41.9	**40.6**
Short-term debt (interim loans)	**7.0**	5.2	1.8	0.7	8.3	**0.7**
Commou Stock Data (year end)						
Per share – Close	**$ 33¾**	$ 32½	$ 30⅝	$ 22⅜	$ 23⅝	**$ 13⅝**
– Book value	**$ 17.26**	$ 16.86	$ 16.47	$ 15.93	$ 15.45	**$ 12.51**
Shares (000s) – Outstanding	**10,720**	10,697	10,697	10,680	10,414	**9,275**
– Authorized	**28,000**	28,000	14,000	14,000	14,000	**7,000***
Price/earnings ratio	**14.9**	15.0	13.5	10.9	12.2	**7.7**
Yield on common stock	**5.5%**	5.6%	5.7%	7.8%	7.2%	**10.1%**
Dividend payout ratio	**81.5%**	82.2%	76.7%	84.3%	86.2%	**75.1%**
Interest Coverages (excludes AFUDC)						
Pre-tax	**4.30**	3.72	4.08	3.38	2.85	**4.42**
After-tax	**3.10**	2.77	2.94	2.53	2.29	**2.70**
Sources of Energy Generated and Purcbased Power (%)						
Coal	**47.1%**	56.1	57.1%	59.6%	56.4%	**62.1%**
Nuclear	**26.6**	27.4	26.2	29.0	28.5	**30.3**
Purchased Power	**23.1**	12.5	14.8	10.0	13.4	**4.9**
Gas	**3.2**	3.6	1.5	0.9	0.9	**2.3**
Other	**—**	0.4	0.4	0.5	0.8	**0.4**
Cooling Degree Days (Normal – 597)	**630**	342	858	629	524	**760**
Heating Degree Days (Normal – 7,455)	**7,351**	7,050	7,055	6,688	7,784	**7,782**

**Due to the adjustment to shares outstanding for the three-for-two stock split in January 1992, outstanding shares appear higher than authorized shares because authorized shares cannot be restated.*

Joan Manchester Biddick

Retired Chief Executive Officer,
Neesvig's Inc.
Age 67
Director Since 1982

Richard E. Blaney

President,
Richard Blaney Seeds Inc.
Age 57
Director Since 1974

Robert M. Bolz

Retired Vice Chairman,
Oscar Mayer Foods Corp.
Age 71
Director Since 1972

Donald J. Helfrecht

Chairman Emeritus
Age 71
Director Since 1972

David C. Mebane

President, Chief Executive Dfficer
and Chief Operating Officer
Age 60
Director Since 1984

Frederic E. Mohs

Partner,
Mohs, MacDonald & Widder,
Attorneys at Law
Age 56
Director Since 1975

Robert B. Rennebohm

President Emeritus and Consultant,
University of Wisconsin Foundation
Age 70
Director Since 1983

Phillip C. Stark

Chairman of the Board,
The Stark Company
Age 68
Director Since 1985

H. Lee Swanson

Chief Executive Officer,
President and Director,
State Bank of Cross Plains
Age 55
Director Since 1988

Frank C. Vondrasek

Chairman
Age 65
Director Since 1982

Audit Committee
Directors Biddick, Blaney, Bolz, Helfrecht, Mohs, Rennebohm, Stark, Swanson and Vondrasek

Compensation Committee
Directors Blaney, Bolz and Mohs

Executive Committee
Directors Biddick, Blaney, Helfrecht, Mebane, Mohs and Vondrasek

Personnel Committee
Directors Biddick, Mebane, Mohs, Swanson and Vondrasek

David C. Mebane

President, Chief Executive Officer
and Chief Dperating Officer
Age 60
Years of Service, 16

Rebert E. Domek

Senior Vice President -
Human Resources
Age 63
Years of Service, 24

Joseph T. Krzos

Vice President - Finance
Age 49
Years of Service, 11

Richard H. Thies

Vice President -
Gas Systems Operation
Age 52
Years of Service, 30

Mark C. Williamson

Vice President -
Energy Services
Age 40
Years of Service, 7

Gary J. Wolter

Vice President -
Administration and Secretary
Age 39
Years of Service, 9

Burnett F. Adams

Assistant Vice President -
Procurement and
Division Operations
Age 41
Years of Service, 12

James C. Boll

Assistant Vice President - Law
and Corporate Communications
Age 58
Years of Service, 3

Tbomas R. Krull

Assistant Vice President -
Electric Transmission
and Distribution
Age 44
Years of Service, 21

Carol A. Wiskowski

Assistant Vice President -
Administration and
Assistant Secretary
Age 54
Years of Service, 27

Terry A. Hanson

Treasurer
Age 42
Years of Service, 12

Note: Ages and years of service
as of Dec. 31, 1993.

Shareholder Services

We welcome calls from shareholders. Please use the toll-free telephone numbers below for questions about your account, dividend payments, dividend reinvestment, lost certificates and stock transfers:

Madison calling area.....(608) 252-4744
Other Wisconsin areas..1-800-362-6423
Outside Wisconsin 1-800-356-6423
(Continental U.S.)

Be sure to notify us in writing when a stock certificate is lost or stolen. Also notify us if you do not receive a dividend check within 10 days of the scheduled payment date. Please report name and address changes to us promptly.

If you prefer to write to us, address correspondence to:

MGE Shareholder Services
Post Office Box 1231
Madison, WI 53701-1231

Transfer Agent & Registrar

Harris Trust and Savings Bank
Post Office Box 755
Chicago, IL 60690

Dividend Payment Dates

Dividends on the company's common stock in 1994 are expected to be paid quarterly on the 15th of March, June, September and December.

The record date for dividend payments is the first day of the payment month.

Dividend Reinvestment and Stock Purchase Plan

MGE has offered an Automatic Dividend Reinvestment and Stock Purchase Plan since 1977.

Quarterly dividends are automatically reinvested in shares of MGE common stock. Participants may make optional cash payments of $10 to $4,000 each quarter to purchase shares of MGE common stock.

For more information, contact MGE Shareholder Services to receive the plan prospectus. An offer to sell common stock can only be made through the prospectus.

Stock Listing

The company's common stock trades on The Nasdaq Stock Market under the symbol MDSN. It is listed in most newspaper stock tables as MadsnGas or MadGE.

1994 Annual Meeting

The annual meeting of shareholders will be held Monday, May 9, 1994, at 11 a.m. at the Holiday Inn-Madison West, 1313 John Q. Hammons Drive, Greenway Center, Middleton, Wis.

Reports Available

Upon request, we will provide you with a copy of Form 10-K, our 1993 Annual Report to the Securities and Exchange Commission. A Statistical Supplement to this Annual Report to shareholders also is available. It contains additional financial and operating data.

Please address requests for these reports to Joseph T. Krzos, Madison Gas and Electric Co., Post Office Box 1231, Madison, WI 53701-1231.

MGE General Offices

133 S. Blair St.

Post Office
Box 1231

Madison, WI
53701-1231

Telephone:
(608) 252-7000

Business hours:
8 a.m. to 4:30 p.m.,
Central Time,
Monday
through Friday

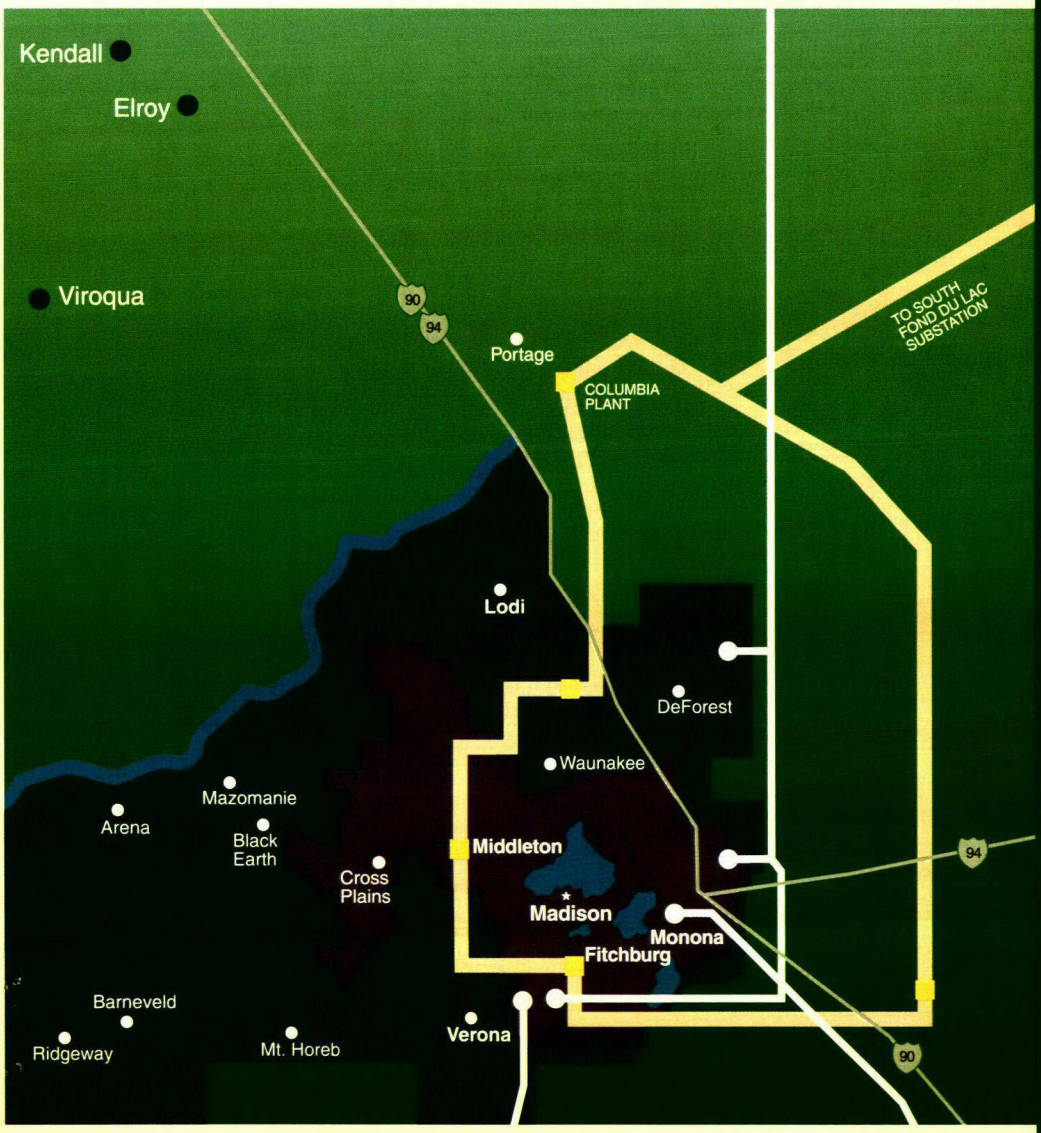
Frank C. Vondrasek retired Dec. 31, 1993, as Chief Executive Officer. He remains chairman of the board. After joining MGE in 1970, he led gas and electric operations through major rebuilding and expansion to meet growing demand. His many contributions to the company, utility industry and community are greatly appreciated.

Electric Service

MGE provides electricity service in Madison, Monona, Fitchburg, Middleton, Cross Plains and other Dane County communities. The population totals about 253,000. Generating facilities are the Kewaunee Nuclear Power Plant, on Lake Michigan; the Columbia Energy Center, near Portage, Wis.; the Blount Generating Station and several combustion turbines located in the Madison area.

Natural Gas Service

MGE provides natural gas service in Columbia, Dane, Iowa, Juneau, Monroe and Vernon counties. The population in the gas service area is about 325,000. MGE purchases gas from various suppliers and transports it via ANR Pipeline Co., Northern Natural Gas Co. and other sources for distribution to customers. The company also arranges for the purchase and transportation of gas for commercial and industrial customers.



Gas/Electric Service
Gas Service
Substation
Gas Line
Electric Line

Interconnections with:
Wisconsin Electric and Wisconsin Power & Light Systems

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mGE
P.O. Box 1231
Madison, Wisconsin 53701-1231

50-305 4/6/94

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