

MGE ENERGY INC
Form U-3A-2
February 27, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-3A-2

*Statement by Holding Company Claiming Exemption Under Rule U-3A-2
from the Provisions of the Public Utility Holding Company Act of 1935*

MGE Energy, Inc.
and
Madison Gas and Electric Company
(Name of Companies)

each hereby file with the Securities and Exchange Commission, pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935 and submits the following information.

1. Name, state of organization, location, and nature of business of claimant and every subsidiary thereof, other than any exempt wholesale generator (EWG) or foreign utility company in which claimant directly or indirectly holds an interest.

MGE Energy, Inc. (MGE Energy) is a public utility holding company and was incorporated in Wisconsin on October 31, 2001. Its principal offices are located at 133 South Blair Street, Madison, Wisconsin 53703. On August 12, 2002, MGE Energy became the parent holding company of Madison Gas and Electric Company (MGE) as a result of the consummation of an exchange of MGE Energy common stock for MGE common stock. Following the share exchange, MGE transferred by dividend its outstanding equity interests of Central Wisconsin Development Corporation; MAGAEL, LLC; and three inactive subsidiaries (Mid-America Technologies, Inc.; North Central Technologies, Inc.; and Wisconsin Resources Corporation) to MGE Energy. All business operations conducted by MGE and its subsidiaries immediately before the effective date of the share exchange continued to be conducted by MGE and its subsidiaries immediately after the effective date of the share exchange.

MGE Energy owns, directly or indirectly, an interest in the following entities:

Madison Gas and Electric Company

MGE Energy owns 100% of MGE. MGE is a public utility that generates and distributes electricity to nearly 132,000 customers in Dane County, Wisconsin (250 square miles) and purchases and distributes natural gas service to more than 129,000 customers in seven south-central Wisconsin counties: Columbia, Crawford, Dane, Iowa, Juneau, Monroe, and Vernon (1,375 square miles). MGE was organized as a Wisconsin corporation in 1896. Its principal offices are located at 133 South Blair Street, Madison, Wisconsin 53703.

ATC Management Inc./American Transmission Company LLC

MGE owns approximately 5% of the nonvoting stock and 20% of the voting stock of ATC Management Inc., a Wisconsin corporation, located at N19 W23993 Ridgeview Parkway West, Waukesha, Wisconsin 53188. ATC Management is the corporate manager of the American Transmission Company LLC (ATC) and, as such, has full, complete, and exclusive discretion to exercise management control over the business of ATC. ATC is a Wisconsin

corporation located at N19 W23993 Ridgeview Parkway West, Waukesha, Wisconsin 53188. MGE owns approximately a 5% interest in ATC, which operates the electric transmission system in Wisconsin.

Central Wisconsin Development Corporation

MGE Energy owns 100% of Central Wisconsin Development, a Wisconsin corporation headquartered in Madison, Wisconsin. Central Wisconsin Development assists new and expanding businesses throughout central Wisconsin by participating in planning, financing, property acquisition, joint ventures, and associated activities.

MAGAEL, LLC

MGE Energy owns 100% of MAGAEL, a Wisconsin limited liability company headquartered in Madison, Wisconsin. MAGAEL holds title to property acquired by MGE for future utility plant expansion and nonutility property.

MGE Power LLC

MGE Energy owns 100% of MGE Power, a Wisconsin limited liability company headquartered in Madison, Wisconsin. MGE Power was formed in 2002 for the purpose of owning real estate and new generating assets.

MGE Power West Campus, LLC

MGE Power owns 100% of MGE Power West Campus, a Wisconsin limited liability company headquartered in Madison, Wisconsin. MGE Power West Campus was formed in 2003 for the purpose of owning the electric generating assets related to the West Campus Cogeneration Facility.

MGE Power Elm Road, LLC

MGE Power owns 100% of MGE Power Elm Road, a Wisconsin limited liability company headquartered in Madison, Wisconsin. MGE Power Elm Road was formed in 2003 for the purpose of owning new generating assets and is presently inactive.

MGE Construct LLC

MGE Energy owns 100% of MGE Construct, a Wisconsin limited liability company headquartered in Madison, Wisconsin. MGE Construct was formed in 2002 for the purpose of providing construction services for building new generation assets.

Mid-America Technologies, Inc.

North Central Technologies, Inc.

Wisconsin Resources Corporation

MGE Energy owns 100% of each of the above inactive subsidiaries. Each entity is a Wisconsin corporation headquartered in Madison, Wisconsin.

2. Provide a brief description of the properties of claimant and each of its subsidiary public utility companies used for the generation, transmission, and distribution of electric energy for sale, or for the production, transmission, and distribution of natural or manufactured gas, indicating the location of principal generating plants, transmission lines, producing fields, gas manufacturing plants, and electric and gas distribution facilities, including all such properties which are outside the state in which claimant and its subsidiaries are organized and all transmission or pipelines which deliver or receive electric energy or gas at the borders of such state.

MGE Energy is a holding company and is not expected to directly own any facilities for generating or distributing electric energy or for producing or distributing natural or manufactured gas.

MGE's major electric distribution lines and substations in service at December 31, 2003 (all located in Wisconsin), are as follows:

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| Distribution Lines | Miles | |
|--------------------|-------------|--------------------------|
| | Overhead | Underground |
| 69 kV | 7 | 1 |
| 13.8 kV and under | 960 | 898 |
| Distribution | Substations | Installed Capacity (kVA) |
| 69-13.8 kV | 23 | 819,000 |
| 13.8-4 kV | 32 | 291,000 |

On January 1, 2001, MGE transferred its electric transmission assets to ATC. In exchange for its transmission plant and related deferred taxes and deferred investment tax credits, MGE received approximately a 5% ownership interest in ATC. MGE receives a return on its investment in ATC that is approximately equal to the return it would have earned by retaining its transmission facilities. A small portion of the 69-kilovolt (kV) lines and substations has been classified as distribution assets.

MGE's net generating capability in service at December 31, 2003, was as follows:

| Plants | Location | Fuel | Net Capability (MW) | No. of Units |
|---------------------|------------------------------|-----------------|----------------------|--------------|
| Steam plants: | | | | |
| Columbia | Portage, WI | Low-sulfur coal | 225 ^(1,2) | 2 |
| Blount (Madison) | Madison, WI | Coal/gas | 97 | 2 |
| | | Gas | 39 | 2 |
| | | Coal/gas | 22 | 1 |
| | | Gas/oil | 35 | 4 |
| Combustion turbines | Madison, WI Marinette, WI | Gas/oil | 174 | 6 |
| Portable generators | Madison, WI | Diesel | 51 | 55 |
| Wind turbines | Rosiere, WI | Wind | 2 | 17 |
| Total | | | 645 | |

⁽¹⁾ Base-load generation

⁽²⁾ MGE's 22% share of two, 512-MW units located near Portage, Wisconsin. The other owners are Alliant Energy Corp., which operates Columbia, and Wisconsin Public Service Corporation.

MGE's gas facilities include 2,234 miles of distribution mains (all located in Wisconsin).

MGE supplied natural gas service to more than 129,000 customers in the cities of Elroy, Madison, Middleton, Monona, Fitchburg, Lodi, Prairie du Chien, Verona, and Viroqua; 24 villages; and all or parts of 45 townships, all in Wisconsin.

MGE has physical interconnections with ANR Pipeline Co. (ANR) and Northern Natural Gas Co. (NNG). MGE's primary service territory, which includes Madison and the surrounding area, receives deliveries at one NNG and four ANR gate stations. Interconnections with two major pipelines provide competition in interstate pipeline service and a more reliable and economical gas supply mix, which includes gas from Canada and the United States mid-continent and Gulf/offshore regions.

3. Provide the following information for the last calendar year with respect to claimant and each of its subsidiary public utility companies:

a. Number of kilowatt-hours (kWh) of electric energy sold (at retail or wholesale) and MCF of natural or manufactured gas distributed at retail.

By MGE:

Retail kWh: 3,075,750,000
Wholesale kWh: 106,569,000
Retail therms: 230,359,000

b. Number of kWh of electric energy and MCF of natural or manufactured gas distributed at retail outside the State in which each such company is organized.

None.

c. Number of kWh of electric energy and MCF of natural or manufactured gas sold at wholesale outside the State in which each such company is organized, or at the State line.

By MGE:

kWh: 8,182,000
therms: 14,002,000

d. Number of kWh of electric energy and MCF of natural or manufactured gas purchased outside the State in which each such company is organized, or at the State line.

By MGE:

kWh: 791,571,000
therms: 207,040,000

4. Provide the following information for the reporting period with respect to claimant and each interest it holds, directly or indirectly, in an EWG or a foreign utility company, stating monetary amounts in United States dollars:

a. Name, location, business address, and description of the facilities used by the EWG or foreign utility company for the generation, transmission, and distribution of electric energy for sale or for the distribution at retail of natural or manufactured gas.

None.

b. Name of each system company that holds an interest in such EWG or foreign utility company, and description of the interest held.

None.

c. Type and amount of capital invested, directly or indirectly, by the holding company claiming exemption; any direct or indirect guarantee of the security of the EWG or foreign utility company by the holding company claiming exemption; and any debt or other financial obligation for which there is recourse, directly or indirectly, to the holding

company claiming exemption or another system company, other than the EWG or foreign utility company.

None.

d. Capitalization and earnings of the EWG or foreign utility company during the reporting period.

None.

e. Identify any service, sales, or construction contract(s) between the EWG or foreign utility company and a system company, and describe the services to be rendered or goods sold and fees or revenues under such agreement(s).

None.

**MGE Energy, Inc.
Madison Gas and Electric Company**

EXHIBIT A

The following financial statements of MGE Energy are submitted herewith:

- Consolidated Statement of Income for the year ended December 31, 2003
- Consolidated Balance Sheet for the year ended December 31, 2003

The following financial statements of MGE are submitted herewith:

- Consolidated Statement of Income for the year ended December 31, 2003
- Consolidated Balance Sheet for the year ended December 31, 2003

**MGE Energy and Subsidiaries
Consolidated Statement of Income**
(In thousands)

| For the year ended December 31, | 2003 |
|----------------------------------|-------------|
| Operating Revenues | \$401,547 |
| Operating Expenses: | |
| Fuel for electric generation | 41,557 |
| Purchased power | 49,521 |
| Natural gas purchased | 104,066 |
| Other operations and maintenance | 111,636 |
| Depreciation and amortization | 23,344 |
| Other general taxes | 11,592 |
| <i>Total Operating Expenses</i> | 341,716 |
| Operating Income | 59,831 |
| Other income | 2,486 |
| Interest expense | (11,776) |
| Income before income taxes | 50,541 |
| Income Tax Provision | (19,901) |
| Net Income | \$ 30,640 |

| | |
|---|--------|
| Earnings Per Share of Common Stock (basic and diluted) | \$1.71 |
| Dividends paid per share of common stock | \$1.35 |
| Average Shares Outstanding | 17,894 |

MGE Energy and Subsidiaries
Consolidated Balance Sheet
(In thousands)

| At December 31, | 2003 |
|---|-----------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 2,020 |
| Restricted cash | 3,364 |
| Accounts receivable, less reserves of \$2,735 and \$2,659, respectively | 37,713 |
| Unbilled revenues | 21,644 |
| Materials and supplies, at lower of average cost or market | 7,851 |
| Fossil fuel, at lower of average cost or market | 5,054 |
| Stored natural gas, at lower of average cost or market | 18,598 |
| Prepaid taxes | 14,063 |
| Other prepayments | 2,156 |
| <i>Total Current Assets</i> | 112,463 |
| Deferred charges | 44,352 |
| Property, plant, and equipment, net | 449,022 |
| Construction work in progress | 88,489 |
| <i>Total Property, Plant, and Equipment</i> | 537,511 |
| Other property and investments | 31,293 |
| Total Assets | \$725,619 |
| LIABILITIES AND CAPITALIZATION | |
| Current Liabilities: | |
| Long-term debt due within one year | \$ 20,000 |
| Short-term debt - commercial paper | 31,680 |
| Accounts payable | 36,172 |
| Accrued interest | 2,968 |
| Other current liabilities | 14,745 |
| <i>Total Current Liabilities</i> | 105,565 |
| Other Credits: | |
| Deferred income taxes | 75,525 |
| Investment tax credit - deferred | 4,891 |
| Regulatory liabilities | 34,469 |
| Other deferred liabilities | 39,895 |
| <i>Total Other Credits</i> | 154,780 |
| Capitalization: | |
| Common shareholders' equity | 263,070 |
| Long-term debt | 202,204 |
| <i>Total Capitalization</i> | 465,274 |

| | |
|---|-----------|
| Commitments and contingencies | - |
| Total Liabilities and Capitalization | \$725,619 |

Madison Gas and Electric Company
Consolidated Statement of Income
(In thousands)

| For the year ended December 31, | 2003 |
|--|-----------|
| Operating Revenues: | |
| Regulated electric revenues | \$241,745 |
| Regulated gas revenues | 159,802 |
| <i>Total Operating Revenues</i> | 401,547 |
| Operating Expenses: | |
| Fuel for electric generation | 41,557 |
| Purchased power | 49,521 |
| Natural gas purchased | 104,066 |
| Other operations and maintenance | 111,254 |
| Depreciation and amortization | 23,344 |
| Other general taxes | 11,589 |
| Income tax provision | 19,094 |
| <i>Total Operating Expenses</i> | 360,425 |
| Net Operating Income | 41,122 |
| Other Income and Deductions: | |
| AFUDC - equity funds | 514 |
| Equity in earnings in ATC | 3,687 |
| Income tax provision | (463) |
| Other deductions | (3,002) |
| <i>Total Other Income and Deductions</i> | 736 |
| Income before interest expense and cumulative effect of a change in accounting principle | 41,858 |
| Interest Expense: | |
| Interest on long-term debt | 11,558 |
| Other interest | 201 |
| AFUDC - borrowed funds | (230) |
| <i>Net Interest Expense</i> | 11,529 |
| Net income before cumulative effect of a change in accounting principle | 30,329 |
| Cumulative effect of a change in accounting principle, net of tax benefit of \$78 | - |
| Net Income | \$ 30,329 |

Madison Gas and Electric Company
Consolidated Balance Sheet

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(In thousands)

| At December 31, | 2003 |
|---|------------------|
| ASSETS | |
| Utility Plant (At Original Cost, In Service): | |
| Electric | \$573,326 |
| Gas | 232,401 |
| Gross plant in service | 805,727 |
| Less accumulated provision for depreciation | (356,705) |
| Net plant in service | 449,022 |
| Construction work in progress | 88,489 |
| <i>Total Utility Plant</i> | 537,511 |
| Other property and investments | 2,679 |
| Investment in ATC | 27,886 |
| <i>Total Other Property and Investments</i> | 30,565 |
| Current Assets: | |
| Cash and cash equivalents | 450 |
| Restricted cash | 3,364 |
| Accounts receivable, less reserves of \$2,735 and \$2,659, respectively | 34,453 |
| Unbilled revenues | 21,644 |
| Materials and supplies, at lower of average cost or market | 7,851 |
| Fossil fuel, at lower of average cost or market | 5,054 |
| Stored natural gas, at lower of average cost or market | 18,598 |
| Prepaid taxes | 14,305 |
| Other prepayments | 2,128 |
| <i>Total Current Assets</i> | 107,847 |
| Special billing projects | 14,574 |
| Regulatory assets | 7,931 |
| Other deferred charges | 21,575 |
| Total Assets | \$720,003 |
| CAPITALIZATION AND LIABILITIES | |
| Common stockholder equity | \$257,069 |
| Long-term debt | 202,204 |
| <i>Total Capitalization</i> | 459,273 |
| Current Liabilities: | |
| Long-term debt - due within one year | 20,000 |
| Short-term debt - commercial paper | 15,500 |
| Accounts payable | 51,744 |
| Accrued interest | 2,967 |
| Accrued payroll - related items | 6,786 |
| Other current liabilities | 8,872 |
| <i>Total Current Liabilities</i> | 105,869 |
| Other Credits: | |
| Deferred income taxes | 75,606 |
| Investment tax credit - deferred | 4,891 |
| Regulatory liabilities | 34,469 |
| Pension liability | 33,879 |
| Other deferred liabilities | 6,016 |

| | |
|---|------------------|
| <i>Total Other Credits</i> | 154,861 |
| Commitments and Contingencies | - |
| Total Capitalization and Liabilities | \$720,003 |

EXHIBIT B

Provide an organizational chart showing the relationship of each EWG or foreign utility company to associate companies in the holding-company system.

Not applicable.

The above-named claimants have caused this statement to be duly executed on their behalf by their authorized officer as of this 27th day of February, 2004.

EXHIBIT C

| | |
|--|-------------------|
| Financial Data Schedule for MGE Energy | |
| Fiscal Year End | December 31, 2003 |
| Period Year End | December 31, 2003 |
| Total Assets | \$725,619,000 |
| Total Operating Revenues | \$401,547,000 |
| Net Income | \$30,640,000 |

| | |
|---------------------------------|-------------------|
| Financial Data Schedule for MGE | |
| Fiscal Year End | December 31, 2003 |
| Period Year End | December 31, 2003 |
| Total Assets | \$720,003,000 |
| Total Operating Revenues | \$401,547,000 |
| Net Income | \$30,329,000 |

MGE Energy, Inc. and Madison Gas and Electric Company

/s/ Jeffrey C. Newman
 Vice President and Treasurer

Name, title, and address of officer to whom notices and correspondence concerning this statement should be addressed:

Jeffrey C. Newman
 Vice President and Treasurer
 MGE Energy, Inc. and Madison Gas and Electric Company
 Post Office Box 1231
 Madison, Wisconsin 53701-1231