



To Our Customers:

Madison Gas and Electric Co. (MGE) filed an application with the Public Service Commission of Wisconsin (PSCW) in May asking for an increase in electric and natural gas rates for 2008. MGE held the line on most costs not related to meeting the growing demand for electricity and natural gas.

MGE's May application asked for an overall increase of 5.75% in electric rates. The proposed increases in electric rates for the various customer classes are: residential, 5.06%; small commercial and industrial, 4.87%; and large commercial and industrial, 7.32%. A typical residential electric customer using 600 kWh per month would see a monthly increase of \$4.15 under MGE's proposal.

MGE's May application asked for an overall increase of 3.73% in natural gas rates. The proposed increases in natural gas rates for the various customer classes are: residential, 6.47%; commercial and industrial, 1.36%; and seasonal off-peak, 2.20%. A typical residential natural gas customer would see a monthly increase of \$5.11 under MGE's proposal.

MGE updated its request in August to ask for an additional overall increase of 0.92% in electric rates, not including electric generation fuel costs. Estimated fuel costs for electric generation have also increased since the May filing. Based on fuel cost estimates from June 15, 2007, electric rates for 2008 would increase an additional 2.49% compared to the original May filing. The PSCW updates electric rate applications to reflect changes in fuel costs close to the time of the PSCW's decision, which may be higher or lower than those estimated as of June 15, 2007. MGE did not request an additional increase in natural gas rates for 2008.

(Continued on reverse.)

Recent state energy legislation requires all electric and gas utilities to increase funding for energy efficiency and renewable resource programs. This requirement plus higher costs for new generation and transmission facilities are the primary reasons for the requested increase, along with higher fuel costs.

The proposed rates affect customers differently depending on how and when they use electricity and natural gas. The PSCW reviews and audits MGE's request before setting new rates. The changes approved by the PSCW may vary from those proposed by MGE.

The PSCW has scheduled hearings on the proposals:

Public Hearings – Thursday, Oct. 4, 2007,
at 3 and 7 p.m.

Technical Hearing – Friday, Oct. 5, 2007,
at 9 a.m.

The hearings will be held at:

Amnicon Falls Hearing Room
Public Service Commission Building
610 N. Whitney Way
Madison, Wisconsin

If you have questions about the proposals or hearings, please call:

- MGE at (608) 252-7222 or 1-800-245-1125
- PSCW: Mary McIlwee at (608) 267-7915