

MGE ENERGY INC
Form PRE 14A
February 18, 2014

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF MGE ENERGY, INC.**

March ____, 2014

To the Shareholders of MGE Energy, Inc.:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders. Instructions on making a reservation are provided on page 3 of this proxy statement. If you are not able to attend the annual meeting, a video recording will be available on MGE Energy's website at www.mgeenergy.com. The recording will be available on this website for approximately 12 months following the meeting. **Regardless of whether you plan to attend, please take a moment to vote your proxy.** The meeting will be held as follows:

Date: Tuesday, May 20, 2014

Time: 11:00 a.m., local time

Place: Marriott Madison West

1313 John Q. Hammons Drive

Middleton, Wisconsin

Items of Business

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To elect three Class I directors to terms of office expiring at the 2017 Annual Meeting of Shareholders;

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To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2014;

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To approve, by nonbinding vote, executive compensation;

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To approve amending MGE Energy's existing Amended and Restated Articles of Incorporation in order to increase the authorized number of shares of common stock from 50,000,000 to 75,000,000; and

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To transact such other business as may properly come before the meeting.

Record Date

Shareholders of record at the close of business on March 14, 2014, are entitled to vote at the meeting.

Voting by Proxy

Your vote is important. You may vote:

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Using the Internet.

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By telephone.

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By returning the proxy card in the envelope provided.

The matters to be acted upon at the meeting are described in the accompanying proxy statement.

By Order of the Board of Directors

/s/ Jeffrey C. Newman
Jeffrey C. Newman

Vice President, Chief Financial Officer,
Secretary and Treasurer

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on May 20, 2014:

This proxy statement and our 2013 annual report to shareholders are available at www.mgeenergy.com/proxy.

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QUESTIONS AND ANSWERS

Q.

Why am I receiving this proxy statement?

A.

We are sending this document to you because our Board of Directors is seeking your proxy to vote your shares at our annual meeting. The notice of annual meeting, proxy statement, and accompanying proxy card are first being mailed on or about March ____, 2014, to shareholders of record at the close of business on March 14, 2014.

Q.

When and where will the annual meeting take place and what is its purpose?

A.

See the notice of annual meeting on the front cover of this proxy statement which provides that information.

Q.

Do I need a ticket to attend the meeting?

A.

Yes. If you plan to attend the meeting, please make your reservation online at <http://www.proxyvote.com> and look for the "shareholder meeting registration" link. Or you may fill out the enclosed postage-paid reservation card and **return it separately** to MGE Energy. All shareholders may contact Shareholder Services at investor@mgeenergy.com or 800-356-6423 to make a reservation.

Your name tag is your admittance ticket to the meeting. Name tags will be mailed to shareholders who make reservations before May 9, 2014. Name tags for late reservations will be available on the day of the meeting at the registration table.

Q.

Why did I receive more than one copy of this proxy statement?

A.

If you own our common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one copy of this document. This duplication can be eliminated. For information on combining the mailings into one, registered shareholders may contact Shareholder Services at investor@mgeenergy.com or toll-free at 800-356-6423. Street name holders should contact their broker.

Q.

Why is it important to vote?

A.

Your broker is no longer permitted to vote on your behalf on the election of directors and other nonroutine matters. This change prohibits your broker from voting your shares in director elections and the advisory vote on executive compensation without your direction. For your vote to be counted, you now need to communicate your voting instructions to your broker, bank, or other financial institution before the date of the annual meeting. If you do not vote, your shares may not be represented at the annual meeting.

Q.

Where can I find information about executive compensation for 2013?

A.

See the information under "Executive Compensation" starting on page 19 of this proxy statement, including the "Executive Summary" summarizing our board's approach to executive compensation.

Q.

What is MGE Energy, Inc.?

A.

MGE Energy is an investor-owned public utility holding company formed in August 2002. Our headquarters are in Madison, Wisconsin, and we are the parent company of Madison Gas and Electric Company (MGE), our principal subsidiary. Our executive offices are located at 133 South Blair Street, Madison, Wisconsin 53788.

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VOTING

Number of Votes Per Share

Each share of common stock issued and outstanding as of the record date for the meeting is entitled to one vote at the meeting, except as described below for shareholders who own more than a specified percentage of our common stock.

The record date for the meeting is March 14, 2014. Holders of record as of such date can vote in person at the meeting or by proxy. By giving us your proxy, you are authorizing the individuals named on the proxy card (the proxies) to vote your shares in the manner you indicate. On March 14, 2014, there were 34,668,370 shares of our common stock issued and outstanding.

Our Amended and Restated Articles of Incorporation contain a provision limiting the voting power of any shareholder who acquires more than 10 percent of our outstanding voting stock. In addition, under the Wisconsin Business Corporation Law, the voting power of shares held by any person in excess of 20 percent of the voting power in the election of directors is limited to 10 percent of the full voting power of the excess shares. To our knowledge, neither of these limitations currently applies to any shareholder.

How Street Name Holders May Vote

If you own shares through a broker, the registered holder of those shares is your broker or its nominee. If you receive our proxy materials from your broker, you should vote your shares by following the procedures specified by your broker. Your broker will tabulate the votes it received from its customers and submit a proxy card to us reflecting those votes. If you plan to vote your shares in person at the meeting, you should contact your broker to obtain a legal proxy.

Please note that, in the absence of any direction from you, your broker is not allowed to vote your shares in the election of directors or the advisory vote on executive compensation. Your vote is important to us, and so we hope you will make your choices known to your broker using the means they provide to you.

How Registered Holders May Vote

If you personally hold a certificate for your shares, have direct registration shares on our books, or have shares held by us in the Direct Stock Purchase and Dividend Reinvestment Plan, then you are the registered holder. Shares you have accumulated in the Direct Stock Purchase and Dividend Reinvestment Plan are held by the administrator under the nominee name of Madge & Co. Those shares, including your certificate or direct registration shares, will be voted in accordance with the direction given by you on your proxy.

As a convenience to you, we are providing you with the option to vote by proxy via the Internet or toll-free touch-tone telephone. Refer to your proxy card or e-notice for more information and instructions. If you prefer, you may cast your vote by returning your signed and dated proxy card. Instructions regarding all three methods of voting are included on the proxy card. The signature on the proxy card should correspond exactly with the name of the shareholder as it appears on the proxy card. Where stock is registered in the name of two or more persons, each of them should sign the proxy card. If you sign a proxy card as an attorney, officer, personal representative, administrator, trustee, guardian, or in a similar capacity, please indicate your full title in that capacity.

In voting on:

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The election of directors in Proposal 1, you may vote **"for"** the election of all nominees or you may **"withhold"** your votes as to all or a specific nominee.

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The ratification of the selection of our independent registered public accounting firm in Proposal 2; the advisory vote on executive compensation in Proposal 3; and the amendment to the Company's existing Amended and Restated Articles of Incorporation, increasing the authorized shares to 75 million in Proposal 4, you can specify whether you **"approve," "disapprove,"** or **"abstain."**

If you sign and return the proxy card or submit your electronic vote without specifying any instructions and without indicating expressly that you are not voting some or all of your shares on a particular proposal, your shares will be voted **"for"** the election of the nominees on the proxy card, **"for"** ratification of the selection of PricewaterhouseCoopers LLP, **"for"** approval of executive compensation, and **"for"** approval of the amendment to our Amended and Restated Articles of Incorporation.

Holders Needed to Establish a Quorum

A quorum is necessary to hold a valid meeting of shareholders. If holders of a majority of the outstanding shares of common stock are present in person or by proxy for any proposal to be acted upon at the meeting, then a quorum will exist for all proposals. In order to assure the presence of a quorum, please vote via the Internet, telephone, or sign and return your proxy card promptly in the enclosed postage-paid envelope even if you plan to attend the meeting. Brokers are permitted to vote on the ratification of the selection of auditors and the approval of the amendment to our Amended and Restated Articles of Incorporation, but not on any of the other matters to be considered at the annual meeting. Thus, broker votes as well as abstentions are counted for purposes of establishing a quorum for the meeting.

The Vote Necessary for Action to Be Taken

The three persons receiving the greatest number of votes will be elected to serve as Class I directors. Accordingly, withholding authority to vote for a director and abstentions will not affect the outcome of the election of directors.

More than one-half of the shares present in person or by proxy and entitled to vote at the annual meeting must vote for the ratification of the selection of auditors in order for that proposal to be approved. Abstentions have the same effect as a vote against ratification of the selection of our independent registered public accounting firm.

Although the advisory vote on Proposal 3 is nonbinding, as provided by law, our board will review the results of the votes and take them into account in making a determination concerning executive compensation.

Two-thirds of the outstanding shares of common stock must vote for the amendment of the Company's existing Amended and Restated Articles of Incorporation in order for that proposal to be approved. Abstentions have the same effect as a vote against approval of the proposed amendment.

Revocation of Proxies

If you are a registered holder of our common stock, you may revoke your proxy by giving a written notice of revocation to our Corporate Secretary at any time before your proxy is voted, by executing a later-dated proxy card

that is voted at the meeting, or by attending the meeting and voting your shares in person. If your shares are held by a broker, you must contact your broker to revoke your proxy. Attendance at the meeting will not automatically revoke any authorization you have given to your broker.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on May 20, 2014

This proxy statement and our 2013 annual report to shareholders are available at www.mgeenergy.com/proxy. Shareholders can elect to receive email alerts when proxy and annual meeting materials are available on the Internet instead of receiving paper copies in the mail. If you are a registered holder of our common stock, you may sign up for email alerts via the Internet at www.mgeenergy.com/paperless or by contacting Shareholder Services. These alerts will notify you when the proxy materials are available. If your shares are held by a broker, you must contact your broker to receive these materials via the Internet.

Unless you prefer paper copies, please consider electronic delivery, which will help us reduce costs and the amount of resources used in connection with the annual meeting.

PROPOSAL 1 ELECTION OF DIRECTORS

As described below, the Board of Directors consists of eight directors divided into three classes. One class is elected each year for a term of three years. It is proposed that the three nominees listed below be elected to serve as Class I directors for a three-year term to expire at the 2017 annual meeting and upon the election and qualification of their successors. Your proxy may not be voted for a greater number of persons than the three nominees below.

All of our directors serve concurrently as directors of MGE. As discussed below under "Board of Directors Information," our Board of Directors has determined that all of our directors, other than Directors Stolper and Wolter, are independent as defined in the applicable Nasdaq Stock Market, Inc., listing standards. All of our directors live in our service area and have been active in the communities we serve. We believe that involvement brings an important perspective to our board deliberations and our community energy company focus.

Directors Millner, Dewey, and Stolper are currently Class I directors whose terms expire at the 2014 Annual Meeting of Shareholders and who have been recommended by our Corporate Governance Committee and nominated by our board for reelection.

Each of the nominees has indicated a willingness to serve if elected, and the board has no reason to believe that any nominee will be unavailable for that service. If any nominee should become unable to serve, it is presently intended that your proxy will be voted for a substitute nominee designated by the board. Under the Company's retirement guidelines for directors, directors who have served as the chief executive officer (CEO) or who have been retained as a salaried consultant shall resign from the board no later than the date and time of the Annual Meeting of Shareholders following their 70th birthday; and other directors are expected to retire after completing the term during which he or she attains the age of 73, unless requested to remain by the board.

The board believes the directors of MGE Energy collectively have backgrounds and skills important for MGE Energy's business. The following biographies summarize the experiences, qualifications, and skills that qualify our nominees and continuing directors to serve as directors of the Company.

Nominees for Election to the Board of Directors

The following paragraphs provide information regarding the background and qualifications of the nominees to our Board of Directors, all of whom are current directors.

Names (Ages)* and Business Experience	Director Since**
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Class I Term Expiring in 2017

<p>Regina M. Millner (69), Madison, Wisconsin Director Millner retired as President of RMM Enterprises, Inc., a consulting firm which specialized in complex real estate projects and where she provided various legal, consulting, and brokerage services for private clients and governmental agencies. She is an attorney and has worked as an analyst and broker in commercial real estate for more than 34 years. We believe Director Millner's analytical and financial skills that have been applied to commercial real estate, including the analysis of general market conditions, local and regional community and business trends, market risks and opportunities, and financial returns, are valuable to the board in its consideration of general economic conditions in our service area and the consideration and evaluation of risks and opportunities in our business. Director Millner has served on our board for 18 years and has significant experience with our Company and its operations. She serves as our lead independent director, as described below under "Board of Directors Information - Board Leadership Structure."</p>	1996
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Londa J. Dewey (53), Madison, Wisconsin

2008

Director Dewey is President of QTI Management Services, Inc., d/b/a The QTI Group, a human resources and staffing company, which she has held since 2007. Prior thereto, she was former President of the Private Client Group and Market President at U.S. Bank where she was an employee from 1982 to 2007 and an Officer from 1985 to 2007. We believe Director Dewey's experience with financial analysis, investment management and risk assessment, and management in the banking industry provides our board with valuable input on the identification, evaluation, and assessment of financial and general business risks; the evaluation of strategies to address those risks; and the implementation of our business strategy. We also believe Director Dewey's experience with human resource matters and knowledge of the local labor market are valuable resources in assessing our Company's employment policies and practices. Director Dewey holds the following directorships: American Family Insurance; past Chair of the Board, Meriter Health Services, Inc., and Meriter Hospital; Board Member, Edgewood College; director, University of Wisconsin Family Business Advisory Board; past Chair of the Board, United Way of Dane County Foundation; Director, Wealth Management Company; Director, Northwestern Mutual Life Insurance; and Director, Wausau Paper Corp.

Thomas R. Stolper (65), Madison, Wisconsin

2008

Director Stolper is Executive Vice President and a director of ProActive Solutions USA LLC, a manufacturer of cleaning and sanitizing products, for 12 years. He is a certified public accountant with over 40 years in public accounting. He was a partner in Clifton Gunderson LLP, certified public accountants and consultants, for 31 years. Director Stolper provided auditing, tax, financial services, and advice for a broad array of business entities. In addition, he was an elected member of the firm's national board for 12 years. Director Stolper has served on numerous community and civic boards for more than 30 years including three terms as an elected public official. We believe Director Stolper's accounting, tax, and auditing education and experience, as well as his business experience, assist our board in the review of accounting and financial reporting matters and proposed strategic plans and initiatives. We also believe that business experience, combined with his public service commitment and experience, assist in the evaluation of our business risks and opportunities within our service area and the consideration of the needs of the community we serve.

THE BOARD RECOMMENDS A VOTE "FOR" ALL NOMINEES.**Members of the Board of Directors Continuing in Office**

The following paragraphs provide information regarding the background and qualifications of the continuing members of our Board of Directors.

*Class II Term Expiring in 2015***John R. Nevin (70)**, Madison, Wisconsin

1998

Director Nevin is Grainger Professor and Executive Director, Grainger Center for Supply Chain Management and the Center for Brand and Product Management at the Wisconsin School of Business, University of Wisconsin-Madison, where he has been a faculty member for 43 years. We believe Director Nevin's business education background (B.S., M.S., and Ph.D. degrees in business) and his business analytical abilities (extensive economic damage analysis of financial statements while serving as an expert in litigation) assist

our board in its consideration and analysis of our business strategy and proposed projects and its evaluation of plan implementation and operational results.

Gary J. Wolter (59), Madison, Wisconsin

2000

Chairman, President and CEO of MGE Energy, Inc., and Madison Gas and Electric Company, of which he has been an officer since 1989 and an employee since 1984. Director Wolter is the only member of management on our board. Director Wolter is an attorney and has been involved in the public utility business for over 25 years.

Class III Term Expiring in 2016

F. Curtis Hastings (68), Madison, Wisconsin

1999

Director Hastings is the retired Chairman of J. H. Findorff & Son, Inc., a large commercial and industrial construction general contractor and design builder, with which he had been associated for more than 39 years. We believe Director Hastings' experience with the management and oversight of a large company brings an important perspective to our board in its oversight of our operations. His particular knowledge of the construction industry assists our board in its understanding and oversight of the various significant construction projects we have undertaken over the past several years with respect to power plant construction, wind farm construction, environmental control projects, and the general construction activities that constitute a recurring part of an electric and gas utility's operations. He is familiar with the management and control of large projects, cost control, and schedule management. Director Hastings is a director of National Guardian Life Insurance Co., a position he has held since 1981.

James L. Possin (62), Madison, Wisconsin

2009

Director Possin is a tax consultant with James L. Possin CPA, LLC. In 1976, Director Possin started working at Grant Thornton LLP, a registered public accounting firm. From 1990 to 2007, he was a partner where he advised on tax- and financial-related matters. Director Possin is a certified public accountant and holds degrees in accounting and law from the University of Wisconsin-Madison. Director Possin also serves on the Audit Committee of Oakwood Lutheran Homes Association, Inc. We believe Director Possin's background and current accounting and tax employment adds valuable accounting, tax, and financial reporting experience to our board. We believe that experience, and his familiarity with financial reporting principles and requirements, will assist in our board's oversight of financial reporting and tax matters as well as the identification and management of financial risk exposures.

Mark D. Bugher (65), Madison, Wisconsin

2010

Director Bugher is the retired Director of the University Research Park, University of Wisconsin-Madison, a position he has held since 1999. Prior to joining the Research Park, he served the State of Wisconsin as Secretary of Administration from 1996 to 1999 and as Secretary of Revenue from 1988 to 1996. Director Bugher serves on the board of First Business Financial Services, Inc., as a member of the corporate governance and compensation committees. Director Bugher formerly chaired the Wisconsin Technology Council and served on the Greater Madison Chamber of Commerce Board (past chair 2008-2009). He is a recognized leader in the Madison business community and brings an understanding of the business environment and economy within our service area. As a result of his governmental service, Director Bugher has insights into public policies, priorities, and objectives that assist our board in evaluating longer-range trends that may affect the community we serve and our business. His experience at the University Research Park will assist with fiscal and strategic matters as well as with the evaluation of technology trends and developments that may affect the generation and distribution of electricity and the distribution of gas.

*

Ages as of December 31, 2013.

**

Date when first became a director of MGE. Directors Dewey and Stolper became directors of MGE Energy, Inc., in 2008. Director Possin became a director of MGE Energy, Inc., in 2009. Director Bugher became a director of MGE Energy, Inc., in 2010. The other persons became directors of MGE Energy, Inc., when it became the holding company of MGE in August 2002.

PROPOSAL 2 RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The second proposal to be considered at the annual meeting is the ratification of our selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2014. If the shareholders do not ratify the selection or if PricewaterhouseCoopers LLP declines to act or otherwise becomes incapable of acting or if their appointment is otherwise discontinued, we will appoint other independent registered public accountants.

We selected PricewaterhouseCoopers LLP to audit our consolidated financial statements for 2014. PricewaterhouseCoopers LLP is expected to have a representative present at the 2014 annual meeting who may make a statement and will be available to respond to appropriate questions from shareholders.

Our Audit Committee approves each engagement of the independent registered public accounting firm to render any audit or non-audit services before the firm is engaged to render those services. The Chairman of the Audit Committee or other designated Audit Committee member may represent the entire Audit Committee for purposes of this approval. Any services approved by the Chairman or other designated Audit Committee member are reported to the full Audit Committee at the next scheduled Audit Committee meeting after such approval has been given. No exceptions to this approval process are allowed under the Audit Committee Charter; and thus, none of the services described in the following table were approved pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X, which otherwise would allow de minimis amounts of services to be provided without specific approval.

The following table presents fees for professional services rendered by PricewaterhouseCoopers LLP for the years ended December 31, 2013 and 2012. (Fees include amounts related to the year indicated, which may differ from amounts billed.)

Independent Registered Public Accounting Firm Fees Disclosure	2013 Fees	2012 Fees
Audit Fees:		
Audit of financial statements and internal controls	\$803,000	\$712,000
Review of SEC filings, comfort letters, and comment letters	\$0	\$7,700
Total Audit Fees	\$803,000	\$719,700
Audit-Related Fees:		
Services rendered for Department of Energy grant compliance audit	\$50,000	\$45,901

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Services rendered for utility commission-mandated obligations	\$50,000	\$36,000
Total Audit-Related Fees	\$100,000	\$81,901
Tax Fees:		
Services rendered on pre-funding postretirement prescription drug benefit	\$2,300	\$77,700
Services rendered to change tax method of accounting for repairs	\$0	\$74,938
Review of federal and state income tax returns	\$47,000	\$41,600
Services rendered on bonus depreciation	\$0	\$34,450
Total Tax Fees	\$49,300	\$228,688
All Other Fees:		
PowerPlant system implementation assurance review	\$106,687	\$80,139
Generation projects advisory services	\$83,885	\$1,750
Fee to access online accounting standards library	\$3,600	\$3,600
Total All Other Fees	\$194,172	\$85,489

THE BOARD RECOMMENDS A VOTE "FOR" THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.

PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION

We seek your advisory vote on the approval of the compensation paid to its named executive officers (NEO) as described below under "Executive Compensation - Compensation Discussion and Analysis" and the related tables. Because your vote is advisory, it will not be binding on our board or the Company. However, our board will receive and review the voting results and take them into consideration when making future decisions regarding executive compensation.

We are required to provide such vote pursuant to Section 14A of the Securities Exchange Act of 1934, as amended. Our shareholders approved a frequency of once every three years at our annual meeting in 2011. That frequency will be subject to a nonbinding advisory vote at our annual meeting to be held in 2017.

We believe our executive compensation policies and practices are effective in tying a significant portion of pay to performance, while at the same time providing competitive compensation that attracts and retains talented personnel, and aligns the interests of our executive officers with those of our shareholders.

As described below in "Executive Compensation - Compensation Discussion and Analysis," page 19 of this proxy statement, we believe our annual executive compensation is competitive with the market, and our Compensation Committee considers market data obtained from Towers Watson, its independent compensation consultant, to help establish compensation levels. Our board believes it has been careful and prudent in its approach to executive compensation and has generally taken a conservative approach, taking into account the impact of such programs on our cost to customers and returns to our shareholders. Our program is based on cash compensation, consisting of salary and short-term and long-term incentive compensation. Our program does not include stock options, restricted stock, or stock awards. It does include a cash-based incentive intended to encourage attention to, and reward participants for, the performance of our stock over a long-term period. Our Compensation Committee monitors executive compensation programs and adopts changes to reflect the dynamic marketplace in which we compete for talent as well as general economic, regulatory, and legislative developments affecting executive compensation.

We will continue to emphasize compensation arrangements that align the financial interests of our executives with the interests of long-term shareholders.

You have the opportunity to vote "For," "Against," or "Abstain" from voting on the following resolution relating to executive compensation:

RESOLVED, that the shareholders of MGE Energy, Inc., approve the compensation of the Company's executives as disclosed pursuant to the compensation disclosure rules of the Securities Exchange Commission (SEC), including the Compensation Discussion and Analysis, the compensation tables, and related material disclosed in the proxy statement for the 2014 annual meeting of shareholders.

THE BOARD RECOMMENDS A VOTE "FOR" ON THE ADVISORY VOTE ON EXECUTIVE COMPENSATION.

PROPOSAL 4 APPROVAL OF AN AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED

ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

General

We are seeking your approval to increase the authorized number of shares of our common stock from the present 50,000,000 to 75,000,000. As described more fully below, we believe that increase to be desirable in order to preserve the Company's flexibility to issue additional shares of common stock for various business needs, including future stock dividends or splits and equity financings. The proposal requires the approval of the holders of two-thirds of our outstanding common stock.

Our Amended and Restated Articles of Incorporation, which we refer to as our Charter, authorizes us to issue up to 50,000,000 shares of common stock, \$1 par value, without further authorization from shareholders. We are requesting shareholders consider and approve a proposal to amend our Charter to increase the number of shares of common stock the Company is authorized to issue by 25,000,000 shares, from 50,000,000 to 75,000,000. We refer to that proposed amendment as the Charter Amendment. The Board of Directors approved the Charter Amendment on December 20, 2013, subject to shareholder approval.

If the Charter Amendment is approved by shareholders, it will become effective upon the filing of an amendment to the Charter with the Wisconsin Department of Financial Institutions, which we expect would occur shortly after shareholder approval of the Charter Amendment. If the Charter Amendment is not approved by our shareholders, then the proposal will not be implemented.

Purpose of the Proposed Amendment

We recently declared and issued a 3-for-2 stock split, which became effective in February 2014 and lowered the number of authorized but unissued shares that we have available. Our board believes it is in the best interest of the Company and its shareholders to increase the number of authorized shares of our common stock so as to have sufficient authorized, but unissued and unreserved, shares available for issuance to meet valid business needs as they arise. Those business needs may include future stock dividends or splits, equity financings, acquisitions, adopting new or modifying current employee benefit plans, and other proper corporate purposes identified by our board in the future.

As of March 14, 2014, we had outstanding 34,668,370 shares of our common stock. That number reflects the issuance of shares as a result of our 3-for-2 stock split. Consequently, we have only 15,331,630 unissued and unreserved authorized shares remaining.

The board believes additional authorized shares of common stock would provide us with the necessary flexibility to issue shares in the future for various corporate purposes and enable us to take timely advantage of market conditions and opportunities without the delay and expense associated with convening a special shareholders' meeting to seek approval for those additional shares, except as may otherwise be required by law and the rules of the Nasdaq Stock Market, Inc.

We have no current plan, commitment, arrangement, understanding, or agreement regarding the issuance of the additional shares of common stock that would result from the proposed increase in authorized shares. The additional shares of common stock will be available for issuance by the board for various future corporate needs as discussed above.

Potential Effects of the Proposed Amendment

The board is required to make any determination to issue shares of our common stock based on its judgment regarding the best interests of our Company and shareholders. Future issuances of shares of our common stock, or securities convertible into shares of our common stock, could have a dilutive effect on our earnings per share, book value per share, and the voting interest and power of our current shareholders since holders of our common stock are not entitled to preemptive rights.

The ability of the board to issue additional shares of common stock without additional shareholder approval may be deemed to have an antitakeover effect. The Charter Amendment, however, is not being proposed in order to prevent a change of control, is not in response to any present attempt known to the board to obtain representation on the board, or to take significant action affecting control of the Company. Although we have no such plans, we could use the additional shares of common stock to oppose a hostile takeover attempt or to delay or prevent changes of control or changes in or removal of management of the Company. For example, the issuance of shares of common stock in a public or private sale, merger, or similar transaction would increase the number of outstanding shares, thereby possibly diluting the interest of a party attempting to obtain control of the Company. In addition, the increased shares authorized by the proposed amendment could permit the board to issue shares to persons supportive of management's position. Such persons might then be in a position to vote to prevent or delay a proposed business combination that is deemed unacceptable to the board, although perceived as desirable by some shareholders. Again, we have no such plans.

Existing provisions of our Charter and bylaws may have the effect of discouraging takeover proposals for the Company or impeding a business combination between the Company and a major shareholder. These provisions include:

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In our Charter:

Ø

A provision limiting and reducing the voting power of persons holding 10 percent or more of our common stock.

Ø

A provision requiring the approval of the holders of two-thirds of our outstanding common stock to approve an amendment of our Charter or to approve various fundamental corporate changes, including a merger or share exchange, the sale of all or substantially all of the assets, or the dissolution of the Company.

.

In our bylaws:

Ø

As authorized by our Charter, a provision establishing a classified board in which our directors are divided into three classes having staggered terms of three years each.

Ø

A provision that a director may be removed from office for cause only by the affirmative vote of 80 percent of the outstanding shares of our common stock.

Ø

A provision requiring the approval of 80 percent of the votes cast by holders entitled to vote at a duly authorized meeting to amend the bylaw provision regarding the removal of directors only for cause.

Ø

A provision requiring shareholder action to be conducted at meetings or by unanimous written consent.

SEC rules require disclosure of charter and bylaw provisions that could have an antitakeover effect.

The board does not, however, intend to issue any additional shares of common stock except on terms that it deems to be in the best interests of the Company and its shareholders.

Required Vote

Approval of the Charter Amendment requires the affirmative vote of at least two-thirds of the outstanding shares of common stock. Abstentions will have the same effect as a vote against the proposed amendment.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE "FOR" APPROVAL OF THE AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK.

TRANSACTION OF OTHER BUSINESS

Our Board of Directors does not intend to present any business for action by our shareholders at the meeting except the matters referred to in this document. If any other matters should be properly presented at the meeting, it is the intention of the persons named in the accompanying form of proxy to vote thereon in accordance with the recommendations of our Board of Directors.

Whether or not you expect to be present at the meeting, please complete, sign, date, and promptly return your proxy card in the enclosed postage-paid envelope, call the toll-free number, or log on to the Internet.

BENEFICIAL OWNERSHIP**Beneficial Ownership of Common Stock**

The following table lists the beneficial ownership of our common stock as of December 31, 2013 (except as otherwise noted), adjusted to reflect a 3-for-2 stock split that was effected in early February 2014, of each director and nominee, the individuals named in the Summary Compensation Table and the directors and executive officers as a group, and each shareholder known to us to be the beneficial owner of more than 5 percent of our outstanding common stock. In each case, the indicated owner has sole voting power and sole investment power with respect to the shares shown except as noted.

Name	Number of Shares Beneficially Owned	Percent of Outstanding Common Stock
Mark D. Bugher	1,380	*
Londa J. Dewey	4,500	*
Kristine A. Euclide	5,530 (1)	*
F. Curtis Hastings	5,770 (3)	*
Regina M. Millner	2,543	*
Scott A. Neitzel	6,156 (1)	*
John R. Nevin	4,038	*
Jeffrey C. Newman	8,386 (1)(2)	*
James L. Possin	2,223	*
Thomas R. Stolper	4,950	*
Peter J. Waldron	9,342 (2)	*
Gary J. Wolter	18,471 (1)(2)	*
All directors and executive officers as a group (14 persons)	83,711 (2)	*
The Vanguard Group, Inc.	2,376,459 (4)	6.85%
BlackRock, Inc.	2,057,727 (5)	5.93%

*

Less than 1 percent.

(1)

K. Euclide, S. Neitzel, J. Newman, and G. Wolter are directors of Madison Gas and Electric Foundation, Inc., and, as such, have shared voting and investment power in an additional 18,000 shares of our common stock held by the Foundation. These shares are not shown in the numbers in the table. The Foundation was formed by, and receives contributions primarily from, MGE, which contributions are used for charitable purposes.

(2)

Includes common stock held by executive officers in the MGE 401(k) defined contribution plan with respect to which those persons have sole voting and investment power: J. Newman, 144 shares; G. Wolter, 256 shares; P. Waldron, 3,036 shares; and executive officers as a group, 9,583 shares.

(3)

The year-over-year change in Director Hasting's stock ownership is the result of a termination in the third quarter of 2013 of a custodial account for his son, which was previously deemed to be, and reported as, beneficially owned by Director Hastings.

(4)

Information contained on Schedule 13G filed with the Securities and Exchange Commission (SEC) for the year ended December 31, 2013, by The Vanguard Group, Inc., 100 Vanguard Boulevard, Malvern, Pennsylvania 19355. The Schedule 13G reported 1,584,306 shares of common stock as being beneficially owned as of December 31, 2013. The number in the table reflects that ownership as adjusted to reflect the 3-for-2 stock split effected in early February 2014.

(5)

Information contained on Schedule 13G filed with the SEC for the year ended December 31, 2013, by BlackRock, Inc., 40 East 52nd Street, New York, New York 10022. The Schedule 13G reported 1,371,818 shares of common stock as being beneficially owned as of December 31, 2013. The number in the table reflects that ownership as adjusted to reflect the 3-for-2 stock split effected in early February 2014.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers, and persons who own more than 10 percent of our common stock to file reports of ownership and changes in ownership with the SEC. Those persons are also required to furnish us with copies of those reports. Based solely on our review of the copies of the reports received by us and written representations from certain reporting persons, we note that all of our directors and executive officers (we do not have any greater than 10 percent shareholders) filed all required reports during or with respect to the year ended December 31, 2013, on a timely basis.

BOARD OF DIRECTORS INFORMATION

Our board provides oversight with respect to the Company's long-term strategic plan, business initiatives, major capital projects, and budget matters. Members of the board are kept informed of our business by various reports and documents provided to them on a regular basis, including operating and financial reports made at board and committee meetings by our CEO and other officers.

Board Leadership Structure

Our CEO serves as the Chairman of our Board of Directors, and Director Millner, who is an independent member of our board as determined under the guidelines adopted by the Nasdaq Stock Market, Inc., serves as our lead independent director. Director Millner has served as a member of our board since 1996, has served as our lead independent director since 2010, and has extensive experience with the operation of our board and business.

Our board believes its current board leadership structure encourages independent director participation and engagement while deriving the benefit of having our CEO also serve as Chairman of the Board. Given the complexity of the industry, its operations, and regulatory environment, the board believes the combined function of CEO and Chairman, coupled with an independent lead director, is the appropriate structure for the Company. As the individual with primary responsibility for managing the Company's day-to-day operations, our CEO is best positioned to chair regular board meetings as we discuss key business and strategic issues. This combined structure provides independent oversight while avoiding unnecessary confusion regarding the board's responsibilities and day-to-day management of

business operations.

The board has structured the role of our lead independent director to strike an appropriate balance to the combined Chairman and CEO role and to fulfill the important requirements of independent leadership on the board. The lead director calls meetings of the board or executive sessions with our independent directors; chairs executive sessions of the independent directors; provides input to the Chairman on the scope, quality, quantity, and timeliness of the information provided to the board; serves as a nonexclusive conduit to the Chairman of views and concerns of our independent directors; chairs our Corporate Governance Committee, which monitors the composition and structure of our board; and assists in board recruitment efforts.

Risk Oversight

Our board is involved in the process of overseeing the primary operational, financial, and regulatory risks we face in the conduct of our business. Trends in economic, business, and commodity market conditions; legislative and regulatory initiatives and their potential or actual effects upon operations and capital expenditures; information technology systems and cyber security; and operational issues are recurring matters considered by our board in the course of its regular meetings. Our CEO generally leads in the identification of risk discussion matters; however, all of our directors are encouraged to initiate discussion at any time, either directly or through our lead director, on any areas of concern, including risk identification and assessment, controls, management, and oversight. During 2013, our board held two meetings with management for the purpose of reviewing and discussing in detail the various risks faced by the Company and the policies, processes, and controls in place to assess and manage those risks. Meetings devoted solely to risk evaluation and assessment were last held in 2011.

Committees

Our board has four standing committees, the principal responsibilities of which are described below. The following table sets forth the current membership of each committee and the number of meetings held during 2013:

Name	Audit	Compensation	Executive	Corporate
	Committee	Committee	Committee	Governance Committee
Mark D. Bugher	X			X
F. Curtis Hastings	X	X		X
Regina M. Millner (1)	X	X	X	X(2)
John R. Nevin	X	X(2)	X	X
James L. Possin	X(2)			X
Gary J. Wolter			X	
Number of Meetings	5	4	0	1

(1)

Lead Independent Director.

(2)

Committee Chairperson.

Corporate Governance Committee

The Corporate Governance Committee is responsible for taking a leadership role in shaping corporate governance of the Company. The committee reviews and makes recommendations to the board regarding corporate governance principles applicable to the Company and concerning board and committee organization, membership, function, and effectiveness. Our board has adopted a Corporate Governance Committee Charter and Corporate Governance Guidelines, which are posted on our website at www.mgeenergy.com/corpgov. More information regarding our corporate governance practices can be found at our website. Each of the me