

MGE ENERGY INC
Form DEF 14A
April 14, 2008

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

**SCHEDULE 14A
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

MGE ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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

Date: Tuesday, May 20, 2008

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

Place: Marriott Madison West
1313 John Q. Hammons Drive
Middleton, Wisconsin

Purpose:

To elect two Class I directors to terms of office expiring at the 2011 Annual Meeting of Shareholders;

To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2008; and

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

Shareholders of record at the close of business on March 14, 2008, are entitled to vote at the meeting. Your vote is important to us. Even if you plan to attend the meeting in person, please cast your vote by signing, dating and returning your proxy card; calling the toll-free number; or logging on the Internet.

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

By Order of the Board of Directors

TERRY A. HANSON
Vice President, Chief Financial
Officer and Secretary

April 14, 2008

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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 April 14, 2008, to shareholders of record at the close of business on March 14, 2008.

Q: When and where will the annual meeting take place?

A: The meeting will be held on Tuesday, May 20, 2008, at 11:00 a.m., local time, at the Marriott Madison West, 1313 John Q. Hammons Drive, Middleton, Wisconsin.

Q: What is the purpose of the meeting?

A: The purpose of the meeting is:

To elect two Class I directors to terms of office expiring at the 2011 annual meeting of shareholders;

To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year 2008; and

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

Q: Do I need a ticket to attend the meeting?

A: No; however, if you plan to attend the meeting, please fill out the enclosed reservation form and return it with your proxy card so we may have an indication of the number of shareholders planning to attend the meeting. ***If your shares are held through a broker or its nominee and you would like to attend the meeting, please contact Shareholder Services at (800) 356-6423 to make a reservation.***

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 our Shareholder Services Department at investor@mgeneergy.com or toll-free at (800) 356-6423. Street holders should contact their broker.

Q: What is MGE Energy, Inc.?

A: We (MGEE) are an investor-owned public utility holding company formed in August of 2002. Our headquarters are in Madison, Wisconsin, and we are the parent company of Madison Gas and Electric Company (MGE), our principal subsidiary. Our principal executive offices are located at 133 South Blair Street, Madison, Wisconsin 53703.

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 the common stock.

The record date for the meeting is March 14, 2008. 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, 2008, there were 21,999,588 shares of our common stock issued and outstanding.

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Our 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 has received from its customers and submit a proxy card to us reflecting those votes. If you plan to attend the annual meeting and vote your shares in person, you should contact your broker to obtain a broker's proxy card and our Shareholder Services Department at (800) 356-6423 to make a reservation for the meeting.

How Registered Holders May Vote

If you personally hold a certificate for your shares 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 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 via toll-free touch-tone telephone. Refer to your proxy card 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 for the election of directors in Proposal 1, you may vote for the election of all of the nominees or you may withhold your votes as to all or specific nominees. In voting on the ratification of the selection of our independent registered public accounting firm in Proposal 2, you can specify whether you approve, disapprove or abstain. If you sign and return the proxy card 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 proposal.

Holdings 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 a particular proposal, a quorum will exist for that proposal. 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. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker votes on one or more matters on the proxy card, but not on others because the broker does not have the authority to do so.

The Vote Necessary for Action to be Taken

The two persons receiving the greatest number of votes will be elected to serve as Class I 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. Accordingly, withholding authority to vote for a director, abstentions and broker non-votes will not affect the outcome of the election of directors. Abstentions and broker non-votes have the same effect as a vote against ratification of the selection of our independent registered public accounting firm.

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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 your proxy.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 20, 2008

This proxy statement, our 2007 annual report on Form 10-K and our 2007 summary annual report are available at www.mgeenergy.com/proxy. Shareholders can elect to receive e-mail 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 e-mail alerts, which will notify you when the proxy materials are available via the Internet, by contacting our Shareholder Services Department. If your shares are held by a broker, you must contact your broker to receive these materials via the Internet.

PROPOSAL 1 ELECTION OF DIRECTORS

As described below, the Board of Directors consists of eight directors divided into three classes, with one class having two directors and two classes having three directors. One class is elected each year for a term of three years. Accordingly, it is proposed that the two nominees listed below be elected to serve as Class I directors for three-year terms to expire at the 2011 annual meeting and upon the election and qualification of their successors.

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 Mr. Wolter, are independent as defined in the applicable NASDAQ Stock Market, Inc., listing standards.

Ms. Dewey and Ms. Millner are currently Class I directors whose terms expire at the 2008 annual meeting of shareholders and who have been nominated by the Board for reelection. Ms. Dewey was elected by the Board to fill the vacancy created by the resignation of Donna Sollenberger.

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. 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 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.

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The following table sets forth information about the nominees and the current directors who will continue in office after the meeting.

THE BOARD RECOMMENDS A VOTE FOR ALL NOMINEES.

Names (Ages)* and Business Experience	MGEE** Director Since
<i>Nominees Class I Term Expiring in 2011</i>	
Regina M. Millner (63) , Madison, Wisconsin Attorney, analyst and broker in commercial real estate for more than 30 years; President, RMM Enterprises, Inc., which specializes in complex real estate projects providing legal, consulting and brokerage services for private clients and governmental agencies.	1996
Londa J. Dewey (47) , Madison, Wisconsin President, QTI Group, Inc., a human resources and staffing company since 2007. Former President, 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. Director of American Family Insurance; Chairman of the Board, United Way of Dane County; Vice Chair of the Board, Meriter Health Services, Inc.; director, Edgewood High School; director, University of Wisconsin Family Business Advisory Board.; director and former Chair, Camp Manitowish YMCA Board.	2008
Members of the Board of Directors Continuing in Office	
<i>Class II Term Expiring in 2009</i>	
H. Lee Swanson (69) , Cross Plains, Wisconsin Chairman of the Board and President, SBCP Bancorp, Inc., and Chairman of the Board of the State Bank of Cross Plains, with which he has been associated for more than 42 years.	1988
John R. Nevin (64) , Madison, Wisconsin Executive Director, Grainger Center for Supply Chain Management, and Grainger Wisconsin Distinguished Professor, School of Business, University of Wisconsin-Madison, where he has been a faculty member for 37 years.	1998
Gary J. Wolter (53) , Madison, Wisconsin Chairman, President and CEO of MGE Energy, Inc., and Madison Gas and Electric Co., of which he has been an Officer since 1989 and an employee since 1984.	2000
<i>Class III Term Expiring in 2010</i>	
Richard E. Blaney (71) , Madison, Wisconsin Former President of Richard Blaney Seeds Inc., and Blaney Farms, Inc., with which he was associated for more than 31 years. Blaney Seeds, Inc.'s principal business is retail sales of hybrid seed corn and other agricultural products. Former President of Blaney Agri-Research Foundation and former director of the Wisconsin Agri-Business Council.	1974
Frederic E. Mohs (70) , Madison, Wisconsin Partner in the law firm of Mohs, MacDonald, Widder & Paradise, of which he has been a member since 1968; also Regent Emeritus of the University of Wisconsin (UW) System, retired director of the UW Hospital and Clinics and retired member of the Board of Trustees of the University of Wisconsin Research Park.	1975
F. Curtis Hastings (62) , Madison, Wisconsin	1999

Chairman of J. H. Findorff & Sons, Inc., commercial and industrial general contractors and design builders, with which he has been associated for more than 35 years; also director of National Guardian Life Insurance Co.

* Ages as of December 31, 2007.

** Date when first became a director of MGE. Ms. Dewey became a director of MGE Energy, Inc., in 2008. The other persons became directors of MGE Energy, Inc., when it became the holding company of MGE in August 2002.

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**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 2008. 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 accountants.

We selected PricewaterhouseCoopers LLP to audit our consolidated financial statements for 2008. PricewaterhouseCoopers LLP is expected to have a representative present at the 2008 annual meeting who may make a statement and will be available to respond to appropriate questions.

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 members are reported to the full Audit Committee at the next scheduled Audit Committee meeting.

Independent Registered Public Accounting Firm Fees Disclosure	2007 Fees	2006 Fees
Audit Fees		
Audit of financial statements and internal controls	\$ 674,000	\$ 749,000
Review of SEC filings and comfort letters	\$ 100,693	\$ 75,500
Total Audit Fees	\$ 774,693	\$ 824,500
Audit Related Fees	\$ 0	\$ 0
Total Audit Related Fees	\$ 0	\$ 0
Tax Fees		
Tax research for Iowa wind generation project	\$ 0	\$ 5,700
Review of federal and state income tax returns	\$ 30,858	\$ 24,400
Tax compliance research	\$ 0	\$ 52,900
Total Tax Fees	\$ 30,858	\$ 83,000
All Other Fees		
Fee to access online accounting standards library	\$ 1,500	\$ 1,500
Financial analysis for generation projects	\$ 55,600	\$ 28,300
Total All Other Fees	\$ 57,100	\$ 29,800

No de minimis exceptions to this approval process are allowed under the Audit Committee Charter; and thus, none of the services described in the preceding table were approved pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2008.

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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.

Please complete and sign the accompanying form of proxy whether or not you expect to be present at the meeting and promptly return it in the enclosed postage-paid envelope.

BENEFICIAL OWNERSHIP**Beneficial Ownership of Common Stock**

The following table lists the beneficial ownership of our common stock as of December 31, 2007 (except as otherwise noted), of each director and nominee, the individuals named in the summary compensation table and the directors and executive officers as a group. 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
Richard E. Blaney	2,201	*
Londa J. Dewey	1,000(1)	*
Kristine A. Euclide	1,705(2)	*
Terry A. Hanson	6,294(2)(3)	*
F. Curtis Hastings	3,471	*
Regina M. Millner	1,332	*
Frederic E. Mohs	12,565(4)	*
Scott A. Neitzel	3,093(2)	*
John R. Nevin	1,873	*
Jeffrey C. Newman	3,431(3)	*
H. Lee Swanson	8,000	*
Gary J. Wolter	9,847(2)(3)	*
All directors and executive officers as a group (16 persons)	68,599(3)	*
Lord Abbett & Co., LLC 90 Hudson Street Jersey City, New Jersey 07302	1,423,704(5)	6.5%

* Less than 1 percent.

(1) Beneficial ownership as of February 1, 2008, when Ms. Dewey became a director.

- (2) K. Euclide, T. Hanson, S. Neitzel and G. Wolter are directors of Madison Gas and Electric Foundation, Inc., and as such have shared voting and investment power in an additional 12,000 shares of our common stock held by the Foundation. The Foundation was formed by, and receives contributions primarily from, MGE, which contributions are used for charitable purposes.
- (3) Includes MGEE 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: T. Hanson, 663 shares; J. Newman, 77 shares; G. Wolter, 137 shares; and executive officers as a group, 5,921 shares.
- (4) Includes 628 shares of common stock with respect to which Mr. Mohs is trustee of a trust for the benefit of his children.
- (5) Information contained on Schedule 13G filed with the Securities and Exchange Commission for year ended December 31, 2007. Percent shown in table is based on 21,950,335 outstanding shares of common stock as of December 31, 2007.

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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 Securities and Exchange Commission (SEC). Those persons are also required to furnish us with copies of all such 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, 2007, 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 the Chief Executive Officer and other officers. The Board has four standing committees, the principal responsibilities of which are described below.

Director Independence

Our Board makes an annual assessment of the independence of our directors under the independence guidelines adopted by NASDAQ Stock Market, Inc. Those guidelines are generally aimed at determining whether a director has a relationship which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out their responsibilities as a director. The guidelines identify certain relationships that would affect independence, such as a current or past employment relationship with us, the receipt by the director or one of his or her family members of compensation in excess of \$60,000 from us for other than Board or Board Committee service and commercial relationships exceeding specified dollar thresholds. These guidelines are also contained in our Corporate Governance Guidelines, which are posted on our Web site at www.mgeenergy.com/corpgov.

Our Board has determined that each of Ms. Dewey and Millner and Messrs. Blaney, Hastings, Mohs, Nevin and Swanson are, and that Ms. Sollenberger was, during her service prior to her resignation, independent under the NASDAQ Stock Market, Inc., definition of independence. In reaching that determination, the Board considered certain relationships or arrangements that are described below. In each case, the amounts involved in the transactions between us and our subsidiaries, on the one hand, and the companies with which a director or an immediate family member is associated, on the other hand, fell below the amounts identified in our Corporate Governance Principles and NASDAQ Stock Market, Inc., requirements as being thresholds for concerns about their effect on director independence. Because we provide utility services through our subsidiary, MGE, and many of our directors live in the area served by MGE, many of our directors are affiliated with entities that receive utility services from MGE. Similarly, because we and our subsidiaries are active in the community and make substantial charitable contributions and many of our directors live in communities served by MGE and are active in those communities, many of our directors are affiliated with charities that receive contributions from us and our subsidiaries. In addition to those relationships and arrangements, our Board also considered the following:

Mr. Hastings is Chairman of J.H. Findorff & Sons, Inc., a commercial and industrial general contractor, from whom we have purchased and continue to purchase construction services pursuant to competitive solicitations for such services. MGE paid J.H. Findorff & Sons, Inc., for services rendered, less than 1 percent of J.H. Findorff & Sons, Inc.'s gross annual revenue for 2007.

Ms. Dewey is a director of Meriter Hospital and Meriter Health Services, which is a large customer of our gas and electric service.

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Our Board has four committees as described below. The following table sets forth the current membership of each committee and the number of meetings held during 2007:

Name	Audit Committee	Compensation Committee	Executive Committee	Corporate Governance Committee
Richard E. Blaney	X	X	X	X
Londa J. Dewey	X			X
F. Curtis Hastings	X			X
Regina M. Millner	X			X
Frederic E. Mohs	X	X*	X	X*
John R. Nevin	X			X
H. Lee Swanson	X*	X	X	X
Gary J. Wolter			X	
Number of Meetings	7**	1	0	1

* Committee Chairperson.

** Consists of three meetings of the Committee and four meetings of one or more of the Committee members and a representative of our independent registered public accounting firm to discuss periodic report filings with the SEC.

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 which is posted on our Web site at www.mgeenergy.com/corpgov. More information regarding our corporate governance practices can be found at our Web site. Each of the members of the Committee are independent as defined in applicable NASDAQ Stock Market, Inc., listing standards.

The Corporate Governance Committee also reviews candidates for our Board and makes nominations of appropriate candidates for election to the Board. The candidate review criteria includes characteristics such as integrity, business experience, knowledge and independence of judgment, as well as diversity in business backgrounds in order to bring different experiences and perspectives to the Board. Diversity in personal background, race, gender, age and nationality, for the Board as a whole, may be taken into account in considering candidates. While screening candidates, the Committee will examine potential conflicts of interest including interlocking directorships and substantial business, civic and social relationships with other members of the Board that could impair a prospective Board member's ability to act independently.

The Corporate Governance Committee also considers qualified director candidates suggested by our shareholders. Shareholders can suggest candidates by writing to MGE Energy, Inc., Post Office Box 1231, Madison, Wisconsin 53701-1231, Attention: Corporate Secretary. Submissions should describe the candidate's background, experience and ownership of our shares and otherwise address the factors considered by the Committee as described in our Corporate Governance Guidelines posted on our Web site at www.mgeenergy.com/corpgov. The Corporate Governance Committee will apply the same standards in considering candidates recommended by shareholders as it applies to other candidates. In 2008, the director nominees are currently directors.

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Audit Committee

Our Board has an Audit Committee that oversees our relationship with our internal auditors and independent registered public accounting firm and discusses with them the scope and results of their audits, accounting practices and the adequacy of our internal controls. The Audit Committee also reviews all related party transactions for potential conflict of interest situations. A related party transaction is a transaction between us and our directors, executive officers or their immediate family members that are required to be disclosed pursuant to applicable SEC rules (there were no such transactions in 2007). The Committee has a written charter which is posted on our Web site at www.mgeenergy.com/corpgov.

The Audit Committee has established a policy to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year. Any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. Once pre-approved, the services and pre-approved amounts are monitored against actual charges incurred and modified if appropriate.

The Audit Committee consists of our seven outside directors, each of whom the Board has determined has no material relationship with us and is otherwise independent under the listing requirements of the NASDAQ Stock Market, Inc., and the Company's Directors Independence Standards. In addition, all Audit Committee members must meet the heightened standards for independence for Audit Committee members imposed by the SEC. Under those heightened standards, a director may not serve on the Audit Committee if the director (i) has received any consulting, advisory or other compensatory fees from us (other than in his or her capacity as a director) or (ii) is affiliated with us or any of our subsidiaries. Our Board of Directors has determined that Mr. Swanson and Ms. Dewey are audit committee financial experts as defined by applicable SEC rules and determined that they are independent under the independence standards applicable to audit committee members under the listing requirements of the NASDAQ Stock Market, Inc.

Compensation Committee

Our Board has a Compensation Committee. The function of the Compensation Committee is to review the salaries, fees and other benefits of officers and directors and recommend compensation adjustments to the Board. The Board has adopted a Compensation Committee Charter which is posted on our Web site at www.mgeenergy.com/corpgov. See Executive Compensation Compensation Discussion and Analysis for further information regarding the role of the Compensation Committee and its selection and use of an independent compensation consultant.

The Compensation Committee consists of three directors, each of whom the Board has determined has no material relationship with us and is otherwise independent under the listing requirements of NASDAQ Stock Market, Inc., and the Company's Directors Independence Standards.

Executive Committee

The Executive Committee acts in lieu of the full Board and between meetings of the Board. The Executive Committee has the powers of the Board in the management of our business and affairs, except action with respect to dividends to shareholders, election of principal officers or the filling of vacancies on the Board or committees created by the Board.

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Nonemployee Director Compensation

Directors who are our employees receive no additional fee for service as a director or a Committee member. In 2007, nonemployee directors received cash payments and reimbursements as shown in the table below.

&n