

Prospectus



MGE ENERGY, INC.

Direct Stock Purchase and Dividend Reinvestment Plan

Common Stock \$1 Par Value

We hereby offer participation in our Direct Stock Purchase and Dividend Reinvestment Plan. The Plan is designed to provide investors with a convenient way to purchase shares of our common stock and to reinvest in our common stock all or a portion of the cash dividends paid on our common stock.

Our common stock is quoted on the Nasdaq National Market® under the symbol “MGEE.”

Investing in shares of our common stock involves risks. See “Risk Factors” on page 5 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus relates to all shares acquired by participants under the Plan. Shares available under the Plan will be shares purchased on the open market by a registered broker-dealer selected by us, newly issued shares or treasury shares. All shares acquired by participants under the Plan are registered for sale pursuant to a registration statement that we filed with the Securities and Exchange Commission.

The date of this prospectus is August 24, 2011.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a “shelf” registration process. Under this shelf registration process, we may, from time to time, sell shares of our common stock pursuant to the Plan. All shares of our common stock sold under the Plan will be sold under that registration statement.

This prospectus provides you with a general description of the Plan. The registration statement we filed with the SEC includes exhibits that provide more detail on descriptions of the matters discussed in this prospectus. Please carefully read this prospectus, together with the registration statement, the exhibits thereto and the additional information regarding us, our business and the risks we face in our business and operations referred to in “Where You Can Find More Information,” before making an investment decision.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where such offer or sale is not permitted. The information contained in this prospectus and the documents incorporated by reference herein is accurate only as of the dates such information is or was presented, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are not offering the common stock pursuant to the Plan in any state where the offer is not permitted.

We utilize the services of a registered broker-dealer, which we refer to as the broker-dealer in this prospectus, as necessary to effect securities transactions under the Plan.

Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus to MGE Energy, we, our and us refer to MGE Energy, Inc. and its subsidiaries.

PRIVACY NOTICE

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on your application or other forms;
- Information about your transactions with us or others; and
- Information we receive from a consumer reporting agency.

We will not disclose any nonpublic personal information about you to anyone, except as necessary to administer your account or as permitted by law. If you decide to close your account(s) or become an inactive Plan participant, we will adhere to the privacy policies and practices as described in this notice.

We restrict access to your personal and account information to those employees who need to know that information to provide products or services to you. MGE Energy applies physical, electronic and procedural safeguards to your nonpublic personal information in its possession.

SUMMARY OF THE PLAN

We have briefly described below some of the material features of our Direct Stock Purchase and Dividend Reinvestment Plan. As a summary, it may omit information that may be important to you. You should carefully read the entire description of the Plan contained in this prospectus under the heading "Description of the Plan" before you decide to participate in the Plan. References to Questions in the following description refer to questions and answers appearing under "Description of the Plan."

- Enrollment:** All registered shareholders, and any interested person or entity making an initial investment of at least \$250, are eligible to participate in the Plan. Please see Questions 6 and 7 for more information.
- Initial Investment:** If you do not own any of our common shares, you can participate in the Plan by making a direct initial investment with a cash payment of no less than \$250. The minimum initial investment for custodial accounts for children is \$50. We will waive the minimum initial investment requirement for Plan participants that sign up for investments of optional cash under the Plan of at least \$25 per month via automatic cash bank account drafts for at least a 12-month period. Please see Question 15 for more information.
- Optional Cash Investments:** Plan participants can buy additional shares of common stock by making optional cash payments of no less than \$25 per payment and no more than \$25,000 for each calendar quarter per account. We may permit optional cash investments in excess of the \$25,000 quarterly maximum, in our sole discretion. Please see Questions 15, 16 and 17 for more information.
- Reinvestment of Dividends:** Dividends on shares held within the Plan *must be reinvested in full* in additional shares of our common stock.
- If a participant does not wish to reinvest dividends in full on some or all of the shares held under the Plan, those shares must be withdrawn from the Plan. Please see Question 21 for more information. Absent instructions from a participant to issue a certificate(s) for those withdrawn shares, we will register them in the participant's name in the direct registration system, which is an electronic system for registering "book-entry" share ownership. Please see Question 30 for more information regarding the direct registration system.
- Other Aspects of the Plan:** Plan participants may, with respect to shares held within the Plan:
- withdraw some or all whole shares from the Plan, either as certificated shares registered in the participant's name or as "book-entry" shares registered in the participant's name in the direct registration system; and/or
 - sell some or all of those shares through the Plan, subject to an administrative fee as described herein.
- Plan participants may also transfer other shares of common stock that they own, whether in certificated form or "book-entry" form and whether or not originally purchased through the Plan, into the Plan, subject to the requirement that dividends on those shares be fully reinvested while in the Plan. See Question 29 for additional information.

Source of Shares: Shares purchased through the Plan will be shares purchased on the open market by the broker-dealer, or newly issued shares or treasury shares purchased from us. Please see Question 10 for more information.

Purchase Price:

- *Purchases on the Open Market:* When shares are purchased on the open market, the price per share to participants will be the weighted average purchase price, including normal brokerage commissions, carried to four decimal places, of shares acquired on the open market by the broker-dealer.
- *Purchases from MGE Energy:* When shares are purchased directly from us, whether those shares are newly issued or are treasury shares, the price per share to participants will be the average of the quoted closing prices for our common stock as reported on the Nasdaq National Market for the period of five trading days ending on the investment date (or the period of five trading days immediately preceding the investment date if the Nasdaq National Market is closed on that date).

Please see Question 13 for more information.

Administration: We administer the Plan. Please see Question 5 for more information.

Fees and Expenses: Normal brokerage commissions will be incurred for both purchases and sales of shares through the Plan. There are no administrative fees to purchase shares or to withdraw shares from the Plan, either as certificated shares or book-entry shares registered in the name of the participant. If a participant sells shares through the Plan, an administrative fee of \$10 per transaction will be charged. We may waive the \$10 administrative fee, in our discretion, in connection with a sale that terminates a participant's participation in the Plan. See Question 4 for more information.

Plan Assistance and Information

Information and assistance with respect to the Plan may be obtained:

- through our Web site at www.mgeenergy.com;
- by e-mailing our Shareholder Services at investor@mgeenergy.com;
- by writing to us at MGE Energy, Inc., MGE Energy Shareholder Services, Post Office Box 1231, Madison, Wisconsin 53701-1231; or
- by telephoning us at the appropriate toll-free number:

252-4744 (from Madison, Wisconsin)

1-800-356-6423 (within Continental U.S.)

Plan participants will receive a transaction statement following each quarter in which there have been Plan share transactions in their accounts. If you would like more current information concerning your Plan purchases or sales, please contact us using one of the methods described above.

A participant should include his or her name, address, account number and telephone number during business hours with all correspondence. Participants should notify us of any change in address.

MGE ENERGY, INC.

MGE Energy, Inc., a Wisconsin corporation incorporated in 2001, is the parent holding company of Madison Gas and Electric Company (MGE), a regulated public utility, as well as of nonregulated subsidiaries.

MGE is a Wisconsin public utility that generates and distributes electricity to approximately 139,000 customers in a service area covering a 316 square mile area of Dane County, Wisconsin. MGE also purchases, transports and distributes natural gas to approximately 143,000 customers in a service area covering 1,631 square miles in the south-central Wisconsin counties of Columbia, Crawford, Dane, Iowa, Juneau, Monroe and Vernon. MGE has served the Madison area since 1896.

Our subsidiary MGE Power, LLC, has been formed to develop, acquire and own real estate and electric generating facilities. Together with the University of Wisconsin-Madison, MGE Power West Campus, LLC, a subsidiary of MGE Power, LLC, developed and built a natural gas-fired cogeneration plant to help meet the future needs of the University and MGE customers. The facility produces steam heat and chilled water air conditioning for the University and approximately 150 megawatts of electricity to meet demand in the Madison area. MGE Power Elm Road, LLC, a subsidiary of MGE Power, LLC, owns an undivided 8.33% ownership interest in each of two 615 megawatts coal-fired generating units in Oak Creek, Wisconsin. Unit 1 entered commercial operation in February 2010, and Unit 2 entered commercial operation in January 2011. We will receive a total of 100 megawatts from the units – 50 megawatts from each unit.

Our other nonregulated subsidiaries include: MGE Construct LLC, which provides construction services for our generating facilities; MGE Transco Investment LLC, which holds our investment interest in the American Transmission Company LLC; Central Wisconsin Development Corporation, which provides property-related services and financing to promote development in the MGE service area; and MAGAEL, LLC, which holds title to properties acquired for future utility plant expansion and nonutility property.

Our principal executive offices are located at 133 South Blair Street, Madison, Wisconsin 53703-1231, and our telephone number is (608) 252-7000.

RISK FACTORS

Investing in our common stock involves risks. You should carefully consider the information under the heading “Risk Factors” in:

- our annual report on Form 10-K most recently filed with the SEC, which is incorporated by reference into this prospectus;
- our quarterly reports on Form 10-Q filed with the SEC after that annual report on Form 10-K, which are incorporated by reference into this prospectus; and
- any documents we file with the SEC after the date of this prospectus and which are deemed incorporated by reference into this prospectus.

You should also consider Question 3, which discusses several disadvantages of the Plan.

USE OF PROCEEDS

We expect to use any net proceeds from the sale of newly issued shares of common stock or treasury shares pursuant to the Plan for general corporate purposes, including, among others:

- repayment of short-term debt;
- repurchase, retirement or refinancing of other securities;
- future acquisitions; and
- investments in subsidiaries.

We will not receive any additional funds from purchases of shares that are purchased on the open market for Plan participants.

DESCRIPTION OF THE PLAN

The following is a description of the Plan in a question and answer format.

PURPOSE

1. What is the purpose of the Plan?

The purpose of the Plan is to provide participants a simple and convenient method of purchasing shares of our common stock through reinvestment of dividends and cash payments. A secondary purpose of the Plan is to provide us another method to raise additional capital for general corporate purposes through sales of newly issued shares of common stock under the Plan or through sales of shares of common stock held in our treasury.

ADVANTAGES AND DISADVANTAGES

2. What are the advantages of the Plan?

- Persons and entities not presently owning shares of common stock may become shareholders by making an initial direct investment of no less than \$250. However, the minimum initial investment for custodial accounts for children is \$50. We will waive the minimum initial investment requirement for Plan participants that sign up for investments of optional cash under the Plan of at least \$25 per month via automatic cash bank account drafts for at least a twelve-month period.
- Additional investments in common stock may be made by participants through optional cash payments for as little as \$25 per payment, up to \$25,000 per calendar quarter per account. You may request, and in our discretion we may approve, a waiver of the \$25,000 maximum optional cash investment amount. See Questions 16 and 17 for details on how to request such a waiver.
- Dividends on shares held within the Plan are automatically reinvested in additional shares of our common stock. See Questions 19 and 20.
- Full investment of funds is possible under the Plan because the Plan permits fractional shares to be credited to participants' accounts. See Question 11.
- Our employees who participate in the Plan may arrange for optional cash payments to be made through payroll deductions. See Question 15.
- Shares purchased through the Plan are credited to an account in the participant's name, and a statement is furnished quarterly, thereby providing a simplified method of record keeping. See Question 24.
- Participants may deposit other shares of common stock that they own, whether in certificated or book-entry form and whether or not originally purchased through the Plan, into the Plan, subject to the requirement that dividends on those shares be fully reinvested. This convenience is provided at no cost to the participant and eliminates the possibility of loss, inadvertent destruction, or theft of certificates. See Question 29.
- Participants may transfer Plan shares held in their account to another individual or entity at no cost. The normal transfer requirements will apply.
- Participants may withdraw some or all whole shares held in their account as Plan shares. Those withdrawn shares may be issued in certificated or book-entry form, in each case registered in the participant's name.

3. What are the disadvantages of the Plan?

- Participants have no control over the price at which shares are purchased or sold through the Plan or the timing of those purchases or sales. A participant bears the market risk associated with fluctuations in the price of our common stock pending the execution of a purchase or sale of shares for the participant's account. See Questions 13 and 32.
- No interest is paid on funds pending investment. See Question 14.
- Participants are required to reinvest all of the dividends on shares held within the Plan. See Question 20.
- Requests to withdraw or sell shares from the Plan may be delayed during the dividend processing period. Withdrawals include requests to issue shares in certificated or book-entry form. Requests for other changes in Plan participation may also be delayed during this period. See Question 32.
- We do not intend to offer a discount on purchases of common stock made through the Plan (either through dividend reinvestment or optional cash purchases), although we reserve the right to offer any such discount in the future and may offer discounts for optional cash investments pursuant to a Request for Waiver, as described in Question 17.
- Without giving you prior notice, we may direct the broker-dealer to purchase shares of common stock to be sold under the Plan either directly from us or in the open market or in privately negotiated transactions with third parties.

COSTS

4. Are there any expenses to participants under the Plan?

Costs to administer the Plan will be paid by us, except that normal brokerage commissions incurred to purchase shares on the open market or to sell shares and the \$10 sale transaction fee described below will be charged to participants.

When common stock is purchased on the open market under the Plan, the price per share paid by the participant includes normal brokerage commissions incurred to acquire the shares. Because purchases are consolidated, a participant's proportionate share of brokerage commissions resulting from open market purchases should be lower than the commissions for individual purchases. Plan participants who sell shares through the Plan will incur normal brokerage commissions and an administrative fee of \$10 per transaction (see Questions 13 and 32). In our discretion, we may waive the \$10 sale transaction fee in connection with a sale that terminates a participant's participation in the Plan.

There are no expenses charged to participants when shares of common stock purchased under the Plan are newly issued or treasury shares, because shares are purchased from us and no brokerage commission is incurred.

ADMINISTRATION

5. How will the Plan be administered?

We administer the Plan, performing only clerical and ministerial functions, such as keeping a continuing record of participants' accounts, advising them of purchases and other transactions, and performing other duties relating to the Plan. We believe that our serving as administrator rather than using a registered broker-dealer or a federally insured banking institution poses no material risks to participants because of the administrative nature of the functions we perform. Initial investments and optional cash investments are deposited and held in a bank account separate from our general funds. Purchases of common stock for the accounts of participants are registered in the name of the Plan nominee as custodian for participants in the Plan.

PARTICIPATION

6. Who is eligible to participate?

All registered shareholders, and any interested person or entity making an initial investment of at least \$250, are eligible to participate in the Plan. The minimum initial investment for custodial accounts for children is \$50. We will waive the minimum initial investment requirement for Plan participants that sign up for investments of optional cash under the Plan of at least \$25 per month via automatic cash bank account drafts for at least a twelve-month period. Beneficial owners of common stock registered in others' names, such as brokers or bank trustees and nominees, who want to participate by reinvesting dividends paid on these shares, may be required by their brokers or banks to withdraw their shares from the beneficial accounts and register the shares in their own names.

7. How do eligible investors participate?

After receiving a prospectus, investors may join the Plan by completing an enrollment form and submitting it to us at MGE Energy, Inc., MGE Energy Shareholder Services, Post Office Box 1231, Madison, Wisconsin 53701-1231 (see Question 9). Enrollment forms may be obtained at any time by written request to us, by telephoning us at the appropriate toll-free number listed under the heading "Summary of the Plan – Plan Assistance and Information" in this prospectus, or by downloading the form from our Web site (www.mgeenergy.com).

Investors making first-time purchases of common stock must submit the enrollment form with the initial investment to purchase common stock or arrange for the initial investment to be made through an automatic cash bank account draft or, in the case of our employees, a payroll deduction (see Questions 14 and 15). A person or persons who are making an initial investment must specify exactly how the account to which the shares will be credited is to be titled (see Question 9).

A person who is a current owner of common stock must complete an enrollment form, which will be applied to the shares that the person desires to place within the Plan.

8. When may an eligible investor join the Plan?

Eligible investors may join the Plan at any time. See Question 19 for a description of the time when dividend reinvestment would commence; and Question 12 for a description of the time when initial investments would be made.

9. What does an enrollment form authorize?

The enrollment form authorizes us in our capacity as administrator of the Plan:

- To establish an account for a prospective Plan participant in one of the following forms:
 - *Individual or joint*—Joint accounts will be presumed to be joint tenants with right of survivorship unless otherwise indicated.
 - *Custodial*—A minor child is the beneficial owner of the account with an adult custodian managing the account until the minor comes of age as specified in the Uniform Gifts/Transfers to Minors Act in the minor's state of residence.
 - *Transfer on Death (TOD)*—The beneficiary of a TOD registration may be an individual or other entity. Only one beneficiary is allowed per TOD account.
 - *Trust*—Trust accounts are established in accordance with the provisions of a trust agreement.
- To accept and act upon instructions from a participant by telephone. Those instructions may include orders to issue share certificates or to sell shares. We will employ reasonable procedures to confirm that instructions communicated by telephone are genuine. These procedures may include a request to

confirm personal identification via taxpayer identification number, account number and address of record. We may, in certain circumstances, require additional documentation.

- If elected by the prospective participant, to make subsequent payments for stock purchases via automatic withdrawal from their checking or savings account.

In addition to the last two bulleted items above, the enrollment form for existing shareholders also authorizes us in our capacity as administrators of the Plan:

- To deposit certificates for safekeeping in the Plan or in the direct registration system.
- To provide for the reinvestment of dividends on all or a portion of shares registered to the shareholder in certificated form or as book-entry shares in the direct registration system.

The enrollment form includes an IRS Substitute Form W-9 with which the participant can certify that the taxpayer identification number shown on the enrollment form is correct and that the participant is not subject to backup withholding. The enrollment form also acknowledges the participant's receipt of this prospectus and acceptance of participation subject to the terms and conditions of the Plan as described in this prospectus.

If we receive an incomplete enrollment form, we will return the enrollment form and any payment for stock purchase to the person that sent the form and payment to us.

SOURCE OF SHARES AND USE OF PROCEEDS

10. What is the source of and use of proceeds from common stock purchased under the Plan?

Shares purchased under the Plan will be shares purchased on the open market by the broker-dealer or shares purchased from us in the form of newly issued shares or treasury shares. If shares purchased under the Plan are purchased on the open market, we will not receive any additional funds from those purchases. If shares purchased under the Plan are newly issued or treasury shares, we will receive additional funds from those purchases to be used for general corporate purposes as described under "Use of Proceeds" in this prospectus.

PURCHASES

11. How many shares of common stock can a participant purchase?

The number of shares that a participant can purchase depends on the amount of that participant's payment, dividend, or a combination thereof, and the price of the shares. A participant's account will be credited with that number of shares, including fractions computed to four decimal places, equal to the total amount invested divided by the purchase price.

12. When will shares of common stock be purchased under the Plan with initial investments and optional cash payments? What is an "investment date"?

Purchases are generally made on Tuesday of each week, unless a Tuesday is a holiday, in which case the investment will occur on the next following business day. We refer to the dates on which those purchases are made as "investment dates." If an investment date falls within one week of a record date relating to a dividend payment, we reserve the right to change that investment date. Further, if we receive an unusually large amount of investments for purchases during any given week, those amounts may be invested over the next several investment dates, if necessary. See Question 14 for a description of the deadline for receiving initial investments and optional cash payments in order to have those funds invested on a given investment date.

13. What will be the price of shares of common stock purchased under the Plan?

When shares are purchased on the open market, the price per share to participants will be the weighted average purchase price, including normal brokerage commissions, carried to four decimal places, of shares acquired

on the open market by the broker-dealer. Because purchases are consolidated, a participant's proportionate share of brokerage commissions resulting from open market purchases should be lower than the commissions for individual purchases. The broker-dealer is registered under the Securities Exchange Act of 1934, is a market maker in our common stock and will purchase shares of our common stock for the participants in the Plan. The purchases will be made in over-the-counter market purchases or negotiated transactions on terms determined by the broker-dealer.

When shares are purchased from authorized but unissued shares of common stock or from our treasury, the price per share of shares to participants will be the average of the quoted closing prices for our common stock as reported on the Nasdaq National Market for the period of five trading days ending on the investment date (or the period of five trading days immediately preceding the investment date if the Nasdaq National Market is closed on that date). In each case, the price will be calculated to four decimal places.

There are no administrative fees charged for share purchases under the Plan.

INITIAL INVESTMENTS AND OPTIONAL CASH PAYMENTS

14. When must the initial investments and optional cash payments be received by us?

Initial investments must be received with a properly completed enrollment form at least three business days prior to an investment date, in order to be invested on that investment date. Optional cash payments must be received by us prior to the close of business on the business day preceding an investment date, in order to be invested on that investment date. See Question 12 for the definition of "investment date."

If a payment is received too late for an investment date, we will hold the payment until the next investment date. Only participants who have properly completed and returned an enrollment form as provided in Questions 7, 8 and 9 are eligible to make an initial investment and optional cash payments.

A participant may withdraw an initial investment or optional cash payment by notifying MGE Energy Shareholder Services prior to the close of business on the business day preceding an investment date. Any withdrawn amount will be returned as promptly as practicable without interest.

No interest will be paid on initial investments and optional cash payments held by us pending investment. Participants are requested not to send cash.

15. How are initial investments and optional cash payments made?

Participants may make initial investments of not less than \$250, and optional cash payments of not less than \$25 per payment nor more than \$25,000 for each calendar quarter per account. The minimum initial investment for custodial accounts for children is \$50. We will waive the minimum initial investment requirement for Plan participants that sign up for investments of optional cash under the Plan of at least \$25 per month via automatic cash bank account drafts for at least a twelve-month period. When enrolling in the Plan, an initial investment and optional cash payment may be made by the participant by completing an enrollment form and enclosing therewith a check or money order payable to the order of MGE Energy, Inc. or by authorizing an automatic cash bank account draft. Thereafter, optional cash payments may be made through the use of the remittance form for optional cash payments sent by us to participants or by authorizing an automatic cash bank account draft. Pending investment, we will hold all initial investments and optional cash payments in a bank account separate from our general funds.

It is recommended that all payments be made so as to reach us at least five business days prior to the investment date. Each payment by a participant must be made by check or money order payable to the order of MGE Energy, Inc. and the same amount of money need not be sent each time, subject to the minimum and maximum payment levels. In addition, participants can sign up for investments of optional cash under the Plan via automatic cash bank account drafts. There is no obligation to make optional cash payments, and it is not a condition to continued Plan participation.

Our employees and employees of any of our subsidiaries participating in the Plan may arrange for an initial investment or optional cash payments to be made through payroll deductions. The \$250 minimum payment requirement for initial investments and the \$25 minimum payment requirement for optional cash payments will not apply to payments made through payroll deductions. Application forms for employee payroll deductions and automatic cash bank account drafts are available from MGE Energy Shareholder Services. Commencement, revision, or termination of payroll deductions and automatic cash bank account drafts will become effective as soon as practicable after receipt of the request.

You may request, and in our discretion we may approve, a waiver permitting you to make optional cash investments in excess of the \$25,000 per calendar quarter limit. See Questions 16 and 17 for more information.

16. How do I make an optional cash purchase over the maximum quarterly amount of \$25,000? What is a “Request for Waiver”?

Optional cash purchases in excess of \$25,000 per quarter may only be made pursuant to a Request for Waiver accepted by us. If you wish to make an optional cash purchase in excess of \$25,000 during any calendar quarter, *you must obtain our prior written approval.*

To obtain approval, you should request a “Request for Waiver” form by contacting the MGE Energy Shareholder Services at (800) 356-6423. Completed Request for Waiver forms:

- may be sent to us via facsimile at (608) 252-1554,
- may be mailed to us at MGE Energy, Inc., MGE Energy Shareholder Services, Post Office Box 1231, Madison, Wisconsin 53701-1231, or
- can be delivered to us in person at 133 South Blair Street, Madison, Wisconsin 53703.

We have sole discretion to grant any approval for optional cash purchases in excess of the allowable maximum amount. If we approve your request, we will notify you via return facsimile. Any investor that submits a Request for Waiver that is not already a Plan participant and whose Request for Waiver is approved by us, must submit a completed enrollment form (see Questions 7 and 9) along with the investor’s optional cash payment. You must send the authorized amount to us per written instructions in the Request for Waiver form.

In deciding whether to approve a Request for Waiver, we will consider relevant factors including, but not limited to:

- whether the Plan is then acquiring newly issued shares directly from us or acquiring shares in the open market;
- our need for additional funds;
- the attractiveness of obtaining additional funds through the sale of common stock as compared to other sources of funds;
- the purchase price likely to apply to any sale of common stock;
- the identity of the party submitting the request, including the extent and nature of the party’s prior participation in the Plan;
- the number of shares of common stock held of record by the party; and
- the aggregate number of optional cash purchases in excess of \$25,000 for which Requests for Waiver have been submitted.

If Requests for Waiver are submitted for an aggregate amount in excess of the amount we are then willing to accept, we may honor such requests in order of receipt, pro-rata or by any other method that we determine to be appropriate in our sole discretion. If you do not receive a response from us in connection with your Request for Waiver, you should assume that we have denied your request.

17. What additional provisions apply to optional cash purchases made pursuant to a Request for Waiver?

Our acceptance of a Request for Waiver will specify any applicable “pricing period,” “threshold price,” “pricing period extension” and “waiver discount,” as those terms are described below. The purchase price of shares of our common stock purchased pursuant to a Request for Waiver will be calculated pro rata on a daily basis using the volume weighted average price of our common stock obtained from Bloomberg, LP (or a comparable source, such as Thompson Reuters) for the trading hours from 9:30 a.m. to 4:00 p.m., Eastern Time, for each trading day during the relevant pricing period assuming any applicable “threshold price” is met each day, less any applicable “waiver discount.”

Pricing Period. We will specify in our acceptance of any Request for Waiver how many trading days are in a pricing period, which may be one or more days, and any applicable threshold price, pricing period extension feature and waiver discount.

As an example of how the pricing would work, if a cash investment of \$10 million is made pursuant to an approved Request for Waiver for a pricing period of 10 trading days, the number of shares you will receive will be calculated for each day of the pricing period by taking a pro rata portion of your total cash investment for each day of the pricing period, which would be \$1 million in this example, and dividing it by the volume weighted average price for that day for the trading hours from 9:30 a.m. to 4:00 p.m., Eastern Time, less, if applicable, the waiver discount. On the last day of the pricing period, the total investment amount, \$10 million in this example, will be divided by the total number of shares acquired over the 10 days (assuming any applicable threshold price is met each day) in order to establish the purchase price per share for your investment.

We will apply all optional cash investments pursuant to Requests for Waiver that are approved by us and that are received by us by wire transfer on or before the first business day before the first day of the relevant pricing period to the purchase of shares of our common stock. The allocation of the shares will occur as soon as practicable, but no later than five business days after the investment date, which is the last day of the pricing period or any extended pricing period. All such optional cash investments received after the close of business on the first business day before the first day of the relevant pricing period will be returned without interest.

Threshold Price. We may, in our sole discretion, establish for any pricing period a “threshold price” applicable to optional cash investments made pursuant to Requests for Waiver. The threshold price will be the minimum price applicable to purchases of our common stock pursuant to Requests for Waiver during the applicable pricing period. We will specify in our acceptance of any Request for Waiver whether there is a threshold price and, if there is a threshold price, its amount. We will make that determination, in our sole discretion, after a review of various factors, including current market conditions, the level of participation in the Plan and our current and projected capital needs.

If established for any pricing period, the threshold price will be stated as a dollar amount that the Nasdaq National Market volume weighted average price of our common stock obtained from Bloomberg, LP (or a comparable source, such as Thompson Reuters) for the trading hours from 9:30 a.m. to 4:00 p.m., Eastern Time, must equal or exceed on each trading day of the relevant pricing period. In the event that the threshold price is not satisfied for a trading day in the pricing period or there are no trades of our common stock reported by the Nasdaq National Market for a trading day, then that trading day will be excluded from the pricing period with respect to optional cash investments made pursuant to Requests for Waiver, and all trading prices for that day will be excluded from the determination of the purchase price. For example, if the threshold price is not satisfied for two of the 10 trading days in a pricing period, then the purchase price will be based upon the remaining eight trading days on which the threshold price was satisfied.

A portion of each optional cash investment made pursuant to a Request for Waiver will be returned for each trading day during a pricing period on which the threshold price is not satisfied and for each trading day on which no trades of our common stock are reported on the Nasdaq National Market. The returned amount will equal the total amount of the optional cash investment multiplied by a fraction the numerator of which is the number of trading days that the threshold price is not satisfied or trades of our common stock are not reported on the Nasdaq National Market and the denominator of which is the number of trading days in the pricing period. For example, if

the threshold price is not satisfied or if no sales are reported for one of 10 trading days in a pricing period, one-tenth of your optional cash investment will be returned to you without interest.

The establishment of the threshold price and the possible return of a portion of your investment in the event a threshold price is not satisfied apply only to optional cash investments made pursuant to Requests for Waiver. Setting a threshold price for a pricing period will not affect the setting of a threshold price for any subsequent pricing period. We may waive our right to set a threshold price for any pricing period.

Pricing Period Extension Feature. We may, in our sole discretion, elect in our acceptance of a Request for Waiver to activate for any given pricing period a “pricing period extension feature,” which will provide that the initial pricing period will be extended by the number of days that the threshold price is not satisfied, or on which there are no trades of our common stock reported by the Nasdaq National Market, subject to a maximum extension of five days. If the threshold price is satisfied for any additional day that has been added to the initial pricing period, that day will be included as one of the trading days for the pricing period in lieu of a day on which the threshold price was not met or trades of our common stock were not reported. For example, if the pricing period is 10 trading days, and the threshold price is not satisfied for three out of those 10 days, and we had indicated in our acceptance of a Request for Waiver that the pricing period extension feature was activated, then the pricing period will automatically be extended for 3 trading days, and if the threshold price is satisfied on the next three trading days, then those three days will be included in the pricing period in lieu of the three days on which the threshold price was not met. As a result, the purchase price will be based upon the ten trading days of the initial and extended pricing period on which the threshold price was satisfied and all of the optional cash investment will be invested (rather than, if we had elected not to extend the pricing period, 30% of your proposed optional cash investment being returned to you).

Waiver Discount. We may, in our sole discretion, establish a “waiver discount” of 0% to 3% from the market price applicable to optional cash investments made pursuant to Requests for Waiver. The waiver discount may vary for different investment dates but will apply uniformly to all optional cash investments made pursuant to Requests for Waiver that were accepted with respect to a particular investment date.

We will determine, in our sole discretion, whether to establish a waiver discount after a review of various factors, including current market conditions, the level of participation and our current and projected capital needs. We will specify any applicable waiver discount in our notice of acceptance of a Request for Waiver.

18. What happens if a check is returned unpaid by a participant’s financial institution?

In the event that any check is returned unpaid for any reason and we are unable to collect funds from the participant, we will consider the request for investment of those funds null and void. The participant will be asked to reimburse us for any fee charged by our financial institution as a result of the returned check. We will remove from the participant’s account any shares purchased upon the prior credit of those funds. Those shares may be sold to satisfy any uncollected amount. If the net proceeds of a sale are insufficient to satisfy the balance of the uncollected amount, additional shares may be sold from the participant’s account as necessary to satisfy the uncollected balance.

DIVIDEND REINVESTMENT

19. When will dividend funds be reinvested?

Reinvestment of dividends will commence for new participants with the next common stock cash dividend payment date (currently on or about March 15, June 15, September 15 and December 15), provided we have received, at least 15 days prior to that dividend payment date, a properly completed enrollment form. If the enrollment form is not received in time, reinvestment of dividends will not commence until the following dividend payment date.

Except as described in the preceding paragraph, we will reinvest dividends promptly following each dividend payment date. Dividends that are not reinvested within 30 days of the dividend payment date will be paid to the shareholder.

Shares of common stock purchased with reinvested dividends will be added to the shares held under the Plan. For administrative purposes, the actual crediting of the common stock to a participant's account and the purchase of shares through the Plan may take place several days after each dividend payment date.

For a description of the dividend rights pertaining to our common stock, see "Description of Common Stock—Dividend Rights" in this prospectus.

20. May a participant vary the level of dividend reinvestment under the Plan?

No. All dividends must be reinvested on shares held within the Plan.

21. What if a participant does not want to reinvest some or all of the dividends on shares held under the Plan?

Dividends must be fully reinvested on shares held under the Plan. If a participant does not wish to have some or all of those dividends reinvested on particular shares, then that decision, once communicated to us, will be deemed an election to withdraw those shares from the Plan. The options available upon withdrawal are described in Question 31; however, in the absence of express instructions, we will re-register the affected shares in the direct registration system under the name of the participant. See Question 30 for a description of the direct registration system.

22. When and how may participants change their status concerning dividend reinvestment in the Plan?

Participants may change their status at any time by indicating a new designation on an enrollment form for the affected shares. However, if a participant's request to change is received less than 30 days preceding a dividend payment date, the dividend paid on the dividend payment date may, at our option, be processed under the participant's previous designation. All requests to change will be processed as promptly as possible.

23. Will participants be credited with dividends on fractions of shares?

Yes.

REPORTS TO PARTICIPANTS

24. What kind of reports will be sent to participants in the Plan?

Statements of account will be issued quarterly to all participants who had Plan share transactions in their accounts during the previous quarter. Quarterly statements of account are cumulative, showing activity for all three months of the quarter and calendar year to date. If you would like to receive more current information concerning your Plan purchases or sales, please contact us using one of the methods listed under the heading "Summary of the Plan -- Plan Assistance and Information" in this prospectus. *Account statements are the participant's continuing record of purchases and should be retained for income tax purposes.* The final statement of the calendar year will indicate the total dividends credited to the participant's account for the year, and a Form 1099-DIV will be issued to each participant for use in reporting dividends received for income tax purposes.

25. What other communications will participants receive from us?

Each participant will receive the same communications as every other shareholder of record. These communications include quarterly reports, the annual report, the notice of annual meeting of shareholders and the proxy statement, proxy, and income tax information, including 1099 forms for reporting dividends and sale proceeds received by the participant. See Question 35 regarding voting of proxies.

CERTIFICATES FOR SHARES

26. Will certificates be issued for the common stock purchased?

Normally, certificates for common stock purchased under the Plan will not be issued to participants. Instead, the common stock purchased for each participant will be credited electronically to the participant's account and will be shown on the participant's statement of account. This convenience protects against loss, theft, or destruction of common stock certificates. See Question 24 regarding issuance of statements of account.

27. How does a participant request the issuance of certificates?

A participant may request certificates for any number of whole shares credited to the participant's account under the Plan. The request should be made by telephoning us at the numbers listed under "Summary of the Plan – Plan Assistance and Information" in this prospectus. You should be prepared during that call to provide to us your taxpayer identification number, account number and address of record. Requests for certificates will be handled without charge to participants, but participants are restricted to one certificate issue request per quarter.

Please note that a request for certificates will be considered a request to withdraw the affected shares from the Plan.

Certificates for fractions of shares will not be issued to a participant under any circumstances. See Questions 31 and 32 regarding withdrawal of fractional shares from the Plan.

Common stock credited to the account of a participant under the Plan may not be pledged. A participant who wishes to pledge common stock must request that certificates for the common stock be issued in his or her name.

28. In whose name will certificates be registered when issued?

Accounts under the Plan will be maintained in a participant's name as shown on our shareholder records. As explained in Question 26, certificates will not be issued to represent shares held in the Plan; and, as explained in Question 29, shares held in the Plan are registered in the name of a nominee as custodian for Plan participants.

When certificates are requested for Plan shares, they will be registered in the participant's name as shown on our shareholder records. Certificates will be issued for whole shares only.

Upon written request, certificates can also be registered and issued in names other than that of a participant, subject to compliance with any applicable laws and to payment by the participant of any applicable taxes. The request must be in the proper form and bear the signature of the participant, and that signature must be guaranteed by an eligible financial institution acceptable to our transfer agent.

SAFEKEEPING OF CERTIFICATES

29. Can certificates be sent to us for safekeeping?

Shareholders who wish to have us hold their certificated shares in safekeeping may send the certificate(s) to us to be held under the Plan or to be registered in electronic form under the direct registration system. Only shares on which full reinvestment of dividends has been elected may be held under the Plan. An instruction to include certificates under the Plan will be deemed an election to reinvest all dividends on the shares represented by the certificate(s). If the shareholder has instructed that dividends are not to be reinvested, or the instructions are unclear, the shares represented by the certificates will be registered in the direct registration system.

The certificate(s) should be sent, *unsigned*, to us at MGE Energy, Inc., MGE Energy Shareholder Services, Post Office Box 1231, Madison, Wisconsin 53701-1231. If you are not a current Plan participant and your shares are intended to be included in the Plan, you must include a completed enrollment form. Enrollment forms may be obtained at any time by writing to us, telephoning us at the appropriate toll-free number listed under the heading

“Summary of the Plan – Plan Assistance and Information” in this prospectus, or downloading the form from our Web site (www.mgeenergy.com). It is recommended the certificate(s) be sent by registered or certified mail, return receipt requested. Participants bear all risk of loss in sending certificates to us for safekeeping.

Shares represented by certificates to be held under the Plan will be canceled and registered in the name of a nominee as custodian for participants in the Plan and credited to the participant’s account. Shares represented by certificates to be held in the direct registration system will be cancelled and registered electronically in the same name as appears on the surrendered certificate(s).

30. What is the direct registration system?

The direct registration system is a method of recording shares in book-entry form without having a physical certificate issued as evidence of ownership. Instead, shares are held and registered electronically. Shares held in this form have the same rights and privileges as shares held in certificate form and can be electronically transferred between your account with us and your account at a broker-dealer.

Generally speaking, book-entry reduces the risks, time and costs associated with storing paper share certificates, transferring shares represented by paper certificates, and replacing lost or stolen certificates.

You may request that all or a portion of your shares held in the direct registration system be issued in certificated form or transferred into the Plan at any time. The request should be made by telephoning us at the numbers listed under “Summary of the Plan – Plan Assistance and Information” in this prospectus. You should be prepared during that call to provide to us your taxpayer identification number, account number and address of record. Requests for certificates or transfers to the Plan will be handled without charge to participants, but shareholders are restricted to one certificate issue request per quarter.

WITHDRAWAL

31. What are the options for withdrawal of common stock from the Plan?

When a participant withdraws, or is deemed to withdraw (see Questions 21 and 27), all or a portion of his or her common stock from the Plan, the participant has several options with respect to those shares. A participant may elect to have all or a portion of the withdrawn shares:

- represented by a certificate (for whole shares only) issued in the participant’s name;
- re-registered under the participant’s name in the direct registration system (whole shares only); and/or
- sold by us under the Plan and to receive a check for the net sale proceeds.

Withdrawal of all shares held by a participant in the Plan will result in the termination of the participant’s participation in the Plan.

32. When and how may participants withdraw all or a portion of their common stock from the Plan?

A participant may withdraw from the Plan at any time by contacting us at the appropriate toll-free number listed under “Summary of the Plan – Plan Assistance and Information” in this prospectus.

When a participant requests the withdrawal of all of his or her Plan shares, termination of participation in the Plan will be effective upon the re-registration of the shares in the direct registration system, issuance of a certificate, or sale of his or her common stock. If a participant withdraws all of his or her Plan shares and requests a certificate for the shares, a certificate for all of the whole Plan shares will be issued and a cash payment representing any fraction of a share will be mailed directly to the participant. The cash payment to each withdrawing participant will be based on the actual sale price when accumulated fractional sales of withdrawing participants are sold through the Plan.

If a request for withdrawal is received less than 30 days preceding a dividend payment date, the request may be held until dividend processing is complete.

Sales of whole shares and any fractional shares will be made directly by the broker-dealer. The sale price to participants of shares sold through the Plan will be the market price, including normal brokerage commissions, carried to four decimal places, of shares purchased by the broker-dealer. Sale proceeds will be mailed to the participant. We will charge a \$10 administrative fee for each transaction involving sales of shares through the Plan, which fee will be deducted from the sale proceeds. We may waive the sale transaction fee, in our discretion, in connection with a sale that terminates a participant's participation in the Plan. Sales of whole and fractional shares may be accumulated; however, sales transactions will normally occur weekly and at least every 30 days. Participants will receive certificates for shares or cash for shares which are sold no later than 30 days after our receiving a request to withdraw.

We cannot guarantee that shares will be sold on any specific day or at any specific price.

33. When may former participants rejoin the Plan?

Generally, a former participant may again become a participant at any time by completing a new enrollment form. (See Questions 7 and 8.) However, we reserve the right to reject any enrollment form from a previous participant on grounds of excessive joining and termination. This reservation is intended to minimize unnecessary administrative expense and to encourage use of the Plan as a long-term investment service.

OTHER INFORMATION

34. What happens if we issue a stock dividend or declare a stock split?

Any stock dividends or split shares distributed by us on common stock held in the Plan for a participant will be credited to the participant's Plan balance. Stock dividends or split shares distributed on certificated shares registered in the name of a participant will be registered in the participant's name and may be issued in book entry form through the direct registration system.

35. How will participants' common stock be voted at meetings of shareholders?

The common stock credited to a participant's account may only be voted in accordance with the participant's instructions given on a proxy form, which will be furnished to all shareholders.

36. What is our responsibility and the responsibility of the nominee under the Plan?

None of the broker-dealer, the nominee, any agents or us, in administering the Plan, will be liable for any act done in good faith, or for any omission to act in good faith, including, without limitation, any act giving rise to a claim of liability arising out of failure to terminate a participant's participation in the Plan upon a participant's death prior to the receipt of notice in writing of such death.

A participant should recognize that none of the broker-dealer, the nominee, any agents or us can assure a profit or protect against a loss on the common stock purchased or sold under the Plan.

The foregoing does not affect a participant's right to bring a cause of action based on alleged violations of federal securities laws.

37. What provision is made for participants whose dividends are subject to tax withholding?

In the case of participants whose dividends are subject to tax withholding, we will invest an amount equal to the cash dividend less the amount of tax required to be withheld. Only the net dividend will be applied by us to the purchase of common stock. Our quarterly statements for those participants will indicate the amount of tax withheld and the net dividend reinvested.

38. Can the Plan be changed or discontinued?

We reserve the right to suspend, modify, or terminate the Plan at any time. Notice of any suspension, modification, or termination will be sent to all affected participants.

39. Who interprets and regulates the Plan?

We reserve the right to interpret and regulate the Plan.

40. Which law governs the Plan?

The Plan is governed by and construed in accordance with the laws of the State of Wisconsin.

FEDERAL INCOME TAX CONSEQUENCES

The federal income tax information in Questions 41 through 44 is provided only as a guide to noncorporate participants who hold shares of our common stock as a capital asset. You should consult with your own tax advisors for more specific information on rules regarding the tax consequences of the Plan under federal and state income tax laws and the tax basis of shares held under the Plan in special cases, such as death of a participant or a gift of Plan shares and for other tax consequences.

Because state income tax laws vary between states, information on state tax consequences is not discussed in this prospectus. You should consult with your own tax advisors regarding the tax consequences of Plan participation under the specific state income tax laws to which you are subject.

41. What are the federal income tax consequences of participation in the Plan?

Participants in the Plan, in general, have the same federal income tax obligations with respect to dividends on their common stock as do shareholders who are not participants in the Plan. Cash dividends reinvested under the Plan will be treated for federal income tax purposes as having been received even though the participant does not actually receive cash but, instead, purchases common stock under the Plan. Generally, any dividends described above will be taxable to participants as ordinary dividend income to the extent of our current or accumulated earnings and profits for federal income tax purposes. The amount of any dividends in excess of earnings and profits will reduce a participant's tax basis in the common stock with respect to which the dividend was received, and, to the extent in excess of basis, result in capital gain.

Dividends paid in taxable years beginning before 2013 will be eligible for a reduced rate of federal income taxation for individuals (not exceeding 15%), provided that the dividends are paid with respect to shares held for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date, the individual is not obligated to make related payments with respect to substantially similar or related property (for example, pursuant to a short sale of such shares), and certain other conditions are met. As a separate matter, starting in 2013, investment earnings, such as dividends and gains from common stock, will be subject to a 3.8% Medicare tax in the hands of individuals having adjusted gross income in excess of \$200,000 (\$250,000 in the case of joint returns). The same tax will apply in the case of certain trusts and estates.

Participants in the Plan will not recognize any income for federal income tax purposes upon the purchase of shares of common stock with initial investments and optional cash payments. See Question 42 regarding the tax basis of those shares.

42. What is the federal tax basis of shares of common stock acquired under the Plan?

In order to determine the tax basis of shares acquired under the Plan and for other tax consequences, you should consult with your tax advisor. As a general rule, the tax basis of shares (or any fraction of a share) of common stock acquired under the Plan will be equal to the purchase price for those shares (or share), including any

brokerage commissions. The holding period for shares of common stock acquired under the Plan (or a fraction thereof) will begin on the day following the purchase date.

43. What are the federal income tax consequences of a sale of common stock acquired under the Plan?

A participant will not realize any federal taxable income upon receipt of certificates for whole shares of common stock previously credited to the participant's account, whether upon request, withdrawal from the Plan, or our termination of the Plan. However, gain or loss generally will be realized when a participant sells or otherwise disposes of shares and with respect to any cash payment by us for a fractional share.

The gain or loss will be equal to the difference between the amount received for shares (or a fractional share) and the participant's tax basis therefor. If shares of common stock acquired under the Plan are held for more than one year, the gain or loss realized upon the sale thereof generally will be long-term capital gain or loss; if the shares are held for a shorter period, the gain or loss will be short-term capital gain or loss.

For taxable years beginning before 2013, the maximum federal income tax rate for individual taxpayers on adjusted net capital gain (that is, generally, the excess of the taxpayer's net long-term capital gain over the taxpayer's net short-term capital loss) is 15%.

The type of tax information we provide to you on the sale of Plan shares will depend on whether the shares sold are acquired after 2011 (Post-2011 shares) or before 2012 (Pre-2012 shares). Unless otherwise instructed, any sale of Plan shares will be deemed to first come from your Pre-2012 shares, starting with the oldest, until all your Pre-2012 shares have been sold. After all your Pre-2012 shares have been sold, and unless otherwise instructed, any sale of Plan shares will be deemed to come from your Post-2011 shares, starting with the oldest.

Regardless of the taxable year, when Pre-2012 shares are sold, we will be required to report to you on IRS Form 1099-B, only the gross proceeds from the sale of such shares. Starting in 2012, when Post-2011 shares are sold, we will also be required to report to you on IRS Form 1099-B the basis and holding period of such Post-2011 shares. Because, unless otherwise instructed, sales of any Post-2011 shares will be deemed to come from your Post-2011 shares, starting with the oldest, the holding period and basis reported to you from a sale will be the holding period and basis of such oldest shares.

You should consult with your tax advisor to determine the tax basis and holding period of shares acquired under the Plan and whether in your situation there are other methods for determining the basis and holding periods of shares sold.

44. Is income on shares held in the Plan subject to withholding?

If you fail to furnish a properly completed Form W-9 or its equivalent, then the federal income tax "backup withholding" provisions will require us to withhold tax from any dividends and sales proceeds.

Participants who are not United States citizens or residents are generally subject to a withholding tax on any dividends payable to them. In general, the rate of withholding tax is 30% unless it is reduced under an income tax treaty between the United States and the participant's country of residence. Starting in 2013, dividends payable to participants who are not United States citizens or residents and that hold their shares through a foreign financial institution, may be subject to special reporting rules referred to as "FATCA." If these rules are applicable but are not complied with, such dividends will be subject to withholding tax at a rate of 30% notwithstanding a treaty that provides for a lower rate.

DESCRIPTION OF COMMON STOCK

General

Our authorized capital stock consists of 50,000,000 shares of common stock, par value \$1 per share, of which 23,113,638 shares were issued and outstanding as of July 29, 2011.

The following summarizes certain provisions of our Amended and Restated Articles of Incorporation and the Wisconsin Business Corporation Law that relate to our common stock.

Voting Rights

Except as described below under “Limitation of Voting Rights of Substantial Shareholders,” each share of our common stock entitles its holder to one vote in all elections of directors and any other matter submitted to a vote at a meeting of shareholders. Since our common stock does not have cumulative voting rights, the holders of more than 50% of the shares, if they choose to do so, can elect all of the directors.

All corporate action to be taken by our shareholders may be authorized by a majority of votes cast by holders entitled to vote at a duly authorized meeting, although:

- the affirmative vote of the holders of two-thirds of our outstanding stock is necessary to amend our Amended and Restated Articles of Incorporation and to approve various fundamental corporate changes, including a merger or share exchange or the sale of all or substantially all of our assets or the dissolution of our company; and
- the affirmative vote of the holders of 80% of our outstanding stock entitled to vote for the election of directors is required to amend the provisions of our Amended and Restated Bylaws relating to the removal of directors only for cause.

Limitation of Voting Rights of Substantial Shareholders

Article Eighth of our Amended and Restated Articles of Incorporation provides for limited voting rights by the record holders of our “voting stock” that is beneficially owned by a “Substantial Shareholder.” These provisions may render more difficult or discourage a merger involving our company, an acquisition of our company, the acquisition of control over our company by a Substantial Shareholder, and the removal of incumbent management.

Under Article Eighth, a Substantial Shareholder (including the shareholders of record of its beneficially owned shares) is entitled to cast one vote per share (or another number of votes per share as may be specified in or pursuant to our Amended and Restated Articles of Incorporation) with respect to the shares of voting stock which would entitle the Substantial Shareholder to cast up to 10% of the total number of votes entitled to be cast in respect of all the outstanding shares of voting stock. With respect to shares of voting stock that would entitle the Substantial Shareholder to cast more than 10% of the total number of votes, however, the Substantial Shareholder is entitled to only one one-hundredth (1/100th) of the votes per share which it would otherwise be entitled to cast. In addition, in no event may a Substantial Shareholder exercise more than 15% of the total voting power of the holders of voting stock (after giving effect to the foregoing limitations).

If the shares of voting stock beneficially owned by a Substantial Shareholder are held of record by more than one person, the aggregate voting power of all holders of record, as limited by the provisions described above, will be allocated in proportion to the number of shares held. In addition, our Amended and Restated Articles of Incorporation provide that a majority of the voting power of all the outstanding shares of voting stock (after giving effect to the foregoing limitations on voting rights) constitutes a quorum at all meetings of shareholders.

For the purposes of Article Eighth:

“*Voting stock*” includes our common stock and, unless expressly exempted by our shareholders or our board of directors in connection with the authorization of a class or series of preferred or preference stock, any class or series of preferred or preference stock then outstanding entitling its holder to vote on any matter with respect to which a determination is being made pursuant to Article Eighth. Our Amended and Restated Articles of Incorporation do not presently authorize any class of stock other than common stock.

“*Substantial Shareholder*” includes any person or entity (other than us, any of our subsidiaries, our and our subsidiaries’ employee benefit plans and the trustees thereof), or any group formed for the purpose of acquiring, holding, voting, or disposing of shares of voting stock, that is the beneficial owner of voting stock representing 10% or more of the votes entitled to be cast by the holders of all the then outstanding shares of voting stock. For purposes of our Amended and Restated Articles of Incorporation, a person is deemed to be a “beneficial owner” of any shares of voting stock which that person (or any of its affiliates or associates) beneficially owns, directly or indirectly, or has the right to acquire or to vote, or which are beneficially owned, directly or indirectly, by any other person with which that person (or any of its affiliates or associates) has an agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of voting stock.

The following is an example of how the votes available to a Substantial Shareholder would be limited by Article Eighth. The example assumes we have a Substantial Shareholder who holds 600 of 1,000 outstanding shares of voting stock. In the absence of the provision, the Substantial Shareholder would be entitled to cast 600 out of 1,000 votes, or 60%—*i.e.*, one vote for each share held. Under the provision, the Substantial Shareholder would be limited to 70 out of 470 votes, or just under 15%. The provision restricts the votes available to the Substantial Shareholder in two ways—it limits the votes available for shares representing more than 10% of the outstanding voting stock and further limits the vote so calculated to no more than 15% of the total voting power of the holders of voting stock. Under the first limit, the Substantial Shareholder would have 105 votes—one vote for each share up to 10% of the outstanding voting stock (100 shares representing 100 votes) and one-one hundredth vote for each additional share (500 shares representing 5 votes). The second limit would further restrict the votes available since, prior to any further adjustment, the Substantial Shareholder would be entitled to cast 21% of the total voting power—*i.e.*, 105 votes out of a total of 505 votes then entitled to be cast (that is, 105 votes by the Substantial Shareholder and 400 votes by all other shareholders). The second limit reduces those votes until the percentage does not exceed 15%—*i.e.*, 70 votes out of a total of 470 entitled to be cast by all shareholders (that is, 70 votes by the Substantial Shareholder and 400 votes by all other shareholders).

Accordingly, beneficial owners of more than 10% of the outstanding shares of our voting stock will be unable to exercise voting rights proportionate to their equity interests.

Subject to specified exceptions, Section 180.1150 of the Wisconsin Business Corporation Law, which is referred to as the Wisconsin control share statute, limits the voting power of shares of a Wisconsin corporation held by any person or persons acting as a group in excess of 20% of the voting power in the election of directors to 10% of the full voting power of those excess shares. In other words, a person holding 500 shares of a corporation subject to Section 180.1150 of the Wisconsin Business Corporation Law with 1,000 shares outstanding would be limited to 230 votes (that is, 200 votes (20% of the total voting power) plus 30 votes (10% of the excess 300 shares)) on any matter subjected to a shareholder vote. Full voting power may be restored if a majority of the voting power shares represented at a meeting are voted in favor of a restoration of full voting power. This provision may deter any shareholder from acquiring in excess of 20% of our outstanding voting stock.

Possible Anti-Takeover Effects of Certain Provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws and Wisconsin State Law

Provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws providing for a classified board of directors, limiting the rights of shareholders to remove directors, reducing the voting power of persons holding 10% or more of our common stock, requiring a two-thirds vote with respect to an amendment of the Articles and various fundamental corporate changes and permitting us to issue additional shares of common stock without further shareholder approval except as required under rules of the Nasdaq National Market could have the effect, among others, of discouraging takeover proposals for our company or impeding a business combination between us and a major shareholder.

The Wisconsin Holding Company Act provides that no person may take, hold or acquire, directly or indirectly, more than 10% of the outstanding voting securities of a holding company, such as our company, unless the Public Service Commission of Wisconsin (PSCW) determines that such action is in the best interest of utility consumers, investors and the public.

Dividend Rights

Holders of our common stock are entitled to receive dividends on their shares when, as and if declared by our board of directors out of funds legally available for distribution. As a practical matter, our ability to pay dividends on our common stock will be determined by the ability of our operating subsidiaries, principally MGE, to pay dividends to us.

Dividend payments by MGE to us are subject to restrictions arising under a PSCW rate order and, to a lesser degree, MGE's first mortgage bonds. The PSCW order limits the amount of dividends that MGE may pay us when its common equity ratio, calculated in the manner used in the rate proceeding, is less than 55%. Under those circumstances, MGE may not pay dividends in excess of \$28.8 million plus dividends on shares issued in excess of the shares issued in the rate proceeding forecast if the proceeds are invested in MGE. MGE's thirteen month rolling average common equity ratio at December 31, 2010, is estimated to have been 58.5% as determined under the calculation used in the rate proceeding. The rate proceeding calculation includes as indebtedness imputed amounts for MGE's outstanding purchase power capacity payments and other PSCW adjustments but excludes the indebtedness associated with our subsidiaries, MGE Power West Campus LLC and MGE Power Elm Road LLC, which are consolidated into MGE's financial statements in accordance with FIN No. 46-R.

In addition, MGE has covenanted with the holders of its first mortgage bonds not to declare or pay any dividend or make any other distribution on or purchase any shares of its common stock unless, after giving effect thereto, the aggregate amount of all such dividends and distributions and all amounts applied to such purchases, after December 31, 1945, shall not exceed the earned surplus (retained earnings) accumulated subsequent to December 31, 1945. As of December 31, 2010, approximately \$248.6 million was available for the payment of dividends under this covenant. As of December 31, 2010, there was one series of first mortgage bonds outstanding under the first mortgage bond indenture, representing indebtedness in the amount of \$1.2 million. We refer you to MGE's Indenture of Mortgage and Deed of Trust dated as of January 1, 1946 with U.S. Bank, N.A. (successor to First Wisconsin Trust Company), as trustee, for the complete text of these provisions.

Our subsidiary, MGE Power West Campus, LLC, has covenanted with the holders of its outstanding senior secured notes not to declare or make distributions to us in the event that, both before and after giving effect to such distribution, its total debt to total capitalization would exceed .65 to 1.00 or its projected debt service coverage ratio for the following four fiscal quarters would be less than 1.25 to 1.00. Projected debt service coverage considers the projected revenues available for debt service, after deducting expenses other than debt service, in relation to projected debt service on indebtedness.

Our subsidiary, MGE Power Elm Road LLC, has covenanted with the holders of its outstanding senior secured notes not to declare or make distributions to us in the event that, both before and after giving effect to such distribution, its projected debt service coverage ratio for the following four fiscal quarters would be less than 1.25 to 1.00. Projected debt service coverage considers the projected revenues available for debt service, after deducting expenses other than debt service, in relation to projected debt service on indebtedness.

Liquidation Rights

In the event we liquidate or dissolve, holders of our then outstanding common stock are entitled to receive ratably all of our assets remaining after all of our liabilities have been paid. In addition, because our operations are currently conducted primarily through MGE, the rights of the holders of our common stock to participate in the distribution of assets of MGE upon the liquidation or reorganization of that subsidiary or otherwise will be subject to the prior claims of any holders of preferred stock of MGE. Currently, there is no outstanding preferred stock of MGE.

Preemptive and Subscription Rights

Holders of our common stock, solely by virtue of their holdings, do not have any preemptive rights to subscribe for or purchase any shares of our capital stock which we may issue in the future.

Liability to Further Calls or to Assessment

All of our outstanding shares of common stock have been fully paid and are nonassessable.

Miscellaneous

We reserve the right to increase, decrease, or reclassify our authorized capital stock and to amend or repeal any provisions in our Amended and Restated Articles of Incorporation or in any amendment thereto in the manner now or hereafter prescribed by law, subject to the limitations in our Amended and Restated Articles of Incorporation. All rights conferred on the holders of our common stock in our Amended and Restated Articles of Incorporation or any amendment thereto are subject to this reservation. Our common stock does not have any conversion rights.

COMMON STOCK DIVIDENDS AND MARKET

We have paid quarterly dividends on our common stock since the share exchange in which we became the parent holding company of MGE.

Our practice of paying dividends quarterly (in March, June, September, and December), the time of payment, and the amount of future dividends are necessarily dependent upon our earnings, financial requirements, and other factors. See “Description of Common Stock – Dividend Rights” above for more information.

Our common stock is traded in the over-the-counter market and is quoted on the Nasdaq National Market under the symbol “MGEE.”

PLAN OF DISTRIBUTION

Except to the extent the broker-dealer purchases shares of our common stock in the open market, we will sell directly to the Plan participants the shares of our common stock acquired under the Plan. There are no brokerage commissions in connection with the purchases of such newly issued shares or treasury shares of our common stock.

In connection with the administration of the Plan, we may be requested to approve investments made pursuant to Requests for Waiver by or on behalf of Plan participants or other investors who may be engaged in the securities business.

Persons who acquire shares of our common stock through the Plan and resell them shortly after acquiring them, including coverage of short positions, under certain circumstances may be participating in a distribution of securities that would require compliance with Regulation M under the Securities Exchange Act of 1934 and may be considered to be underwriters within the meaning of the Securities Act of 1933. We will not extend to any such person any rights or privileges other than those rights and privileges to which that person would be entitled as a Plan participant, nor will we enter into any agreement with any such person regarding the resale or distribution by that person of the shares of our common stock so purchased. We may, however, accept investments made pursuant to Requests for Waiver by those persons.

From time to time, financial intermediaries, including brokers and dealers, and other persons may engage in positioning transactions to benefit from any waiver discounts applicable to investments made pursuant to Requests for Waiver under the Plan. Those transactions may cause fluctuations in the trading volume of our common stock. Financial intermediaries and such other persons who engage in positioning transactions may be deemed to be underwriters. We have no arrangements or understandings, formal or informal, with any person relating to the sale of shares of our common stock to be received under the Plan. We reserve the right to modify, suspend or terminate participation in the Plan by otherwise eligible persons to eliminate practices that are inconsistent with the purpose of the Plan. In connection with any investment in which the broker-dealer purchases shares of our common stock on the open market or in privately negotiated transactions with third parties, you will pay your pro rata share of all brokerage commissions and fees. Upon withdrawal by a participant from the Plan by the sale of shares of our common stock held under the Plan, the participant will receive the proceeds of that sale less a brokerage commission, an administrative fee of \$10 per transaction and any applicable withholdings, transfer or other taxes. Our common stock may not be available under the Plan in all states. We are not making an offer to sell our common stock in any state where the offer or sale is not permitted.

LEGAL MATTERS

Legal matters with respect to the common stock offered by this prospectus will be passed upon for us by Stafford Rosenbaum LLP, Madison, Wisconsin.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2010 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We and our wholly owned subsidiary, MGE, file annual, quarterly and special reports and other information with the SEC. These filings are publicly available over the Internet on the SEC's website at www.sec.gov. You may read and copy such material at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of such material at prescribed rates from the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549.

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to previously filed documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents we have filed with the SEC and any future filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until all of the common stock registered hereby has been issued:

- Our annual report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on February 24, 2011;
- Our quarterly reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, which were filed with the SEC on May 6, 2011 and August 5, 2011 (as amended by Form 10-Q/A filed on August 9, 2011), respectively; and
- Our Current Reports on Form 8-K dated:
 - January 12, 2011 and filed with the SEC on January 12, 2011;
 - February 28, 2011 and filed with the SEC on March 3, 2011;
 - March 18, 2011 and filed on March 24, 2011;
 - April 15, 2011 and filed with the SEC on April 21, 2011;
 - May 17, 2011 and filed with the SEC on May 19, 2011; and
 - August 19, 2011 and filed with the SEC on August 19, 2011.

Our website is www.mgeenergy.com. Information contained on our website shall not be deemed incorporated into, or to be a part of, this prospectus. We make available, free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, you may request a copy of these filings at no cost, by writing, calling or e-mailing us at the following address:

MGE Energy, Inc.
Post Office Box 1231
Madison, Wisconsin 53701-1231
Attention: MGE Energy Shareholder Services
Telephone: (800) 356-6423
E-mail: investor@mgeenergy.com

E. Sale and Issue Transactions (optional)

If no choice is made, telephone requests will be accepted as described in the prospectus.

- I/we want to sell or withdraw shares from the Plan by written instructions only.

F. Signatures

The signature(s) below indicate that I/we have read the MGE Energy, Inc., Direct Stock Purchase and Dividend Reinvestment Plan Prospectus and agree to the terms.

Under penalties of perjury, I/we also certify that: (1) The number shown on this form is the correct taxpayer number, (2) I/we am not subject to backup withholding because: (a) I/we am exempt from backup withholding, or (b) I/we have not been notified by the Internal Revenue Service that I/we am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me/us that I/we am no longer subject to backup withholding, and (3) I/we am a United States person (including a United States resident alien).

Signature

Date

Signature

Date

Signatures must correspond with legal registration (all joint owners must sign).

THIS ENROLLMENT FORM MUST BE SIGNED TO BE VALID

If you need assistance, please contact us at investor@mgeenergy.com or call Shareholder Services at 1-800-356-6423

Privacy Notice

MGE Energy collects nonpublic personal information about you from the following sources:

- Information we receive from you on this enrollment form or other forms
- Information about your transactions with us or others
- Information we receive from a consumer reporting agency

We do not disclose any nonpublic personal information about you to anyone, except as necessary to administer your account, as permitted by law.

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

MGE Energy restricts access to your personal and account information to those employees who need to know that information to provide products or services to you. MGE Energy maintains physical, electronic, and procedural safeguards to protect your nonpublic personal information.