

MGE ENERGY, INC.

CORPORATE GOVERNANCE GUIDELINES

(Amended September 16, 2011)

The Board of Directors of MGE Energy, Inc. has adopted the following guidelines to serve as a framework and to provide direction for the governance of the Company.

I. Responsibilities of the Board

The Board is elected to oversee management's performance, although management is responsible for managing the day-to-day operations of the Company. The Board reviews the Company's long-term strategic plan, business initiatives, major capital projects, and budget matters.

II. Composition and Operation of the Board

A. Size of the Board

The size of the Board shall be set by the Board, based upon the recommendation of the Corporate Governance Committee, within a range of one to thirteen as set forth in the Company's By-Laws. Board size is influenced by the desire to have diverse participants in a manageable number to facilitate discussion and decision-making.

B. Board Membership Criteria

The Corporate Governance Committee shall be responsible for identifying, screening, recruiting and recommending candidates for nomination by the Board for election as members of the Board. The candidate review criteria include 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 Corporate Governance 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.

At least three fourths of the members of the Board will be independent directors, as determined by the Board in accordance with the categorical standards set forth in **Exhibit A** to these Guidelines.

C. Board Meetings

The Chairman of the Board shall prepare an annual schedule of meetings for the Board. Additional meetings may be scheduled as necessary or appropriate.

- (a) Board Agenda – The Chairman of the Board and the Chief Executive Officer shall establish an agenda for each meeting, with input from other directors and management members.
- (b) Board Attendance – It is the responsibility of each director to attend meetings of the Board and each Committee of which he or she is a member and to review materials provided in advance of those meetings. Directors are expected and encouraged to attend the annual meeting of shareholders.

D. Access to Management and Outside Advisors

The directors shall have complete access to the Company's senior management. The Board expects that members of management will be present at Board meetings from time to time in order to provide additional insight into the items being discussed. The Board also shall have access to the Company's outside counsel and auditors and shall be empowered to retain outside counsel or other professional advisors with respect to any issue relating to its activities.

E. Executive Sessions of Non-Management Directors

Non-management directors shall meet regularly, without management, and at other times as deemed appropriate, but no less than two times per year. The Chair of the Corporate Governance Committee shall preside over all executive sessions of the non-management directors.

F. Communications

The Board encourages open communication with shareholders and other constituencies. Shareholders may send written communications to: Board of Directors, MGE Energy, Inc., P.O. Box 1231, Madison, WI 53701-1231. There is also an email contact link on the Company's Corporate Governance web page for sending communications to the Board. Communications, except commercial solicitations and customer-related inquiries, will be forwarded to the Board as directed by the shareholder.

III. Committees of the Board

A. Committees

The Board has established four standing committees: Audit, Compensation, Corporate Governance and Executive. Additional standing committees may be created by resolution of the Board.

B. Composition

Each of the Audit, Compensation, and Corporate Governance Committees shall be comprised solely of independent directors, as determined by the Board in accordance with the categorical standards set forth in Exhibit A to these Guidelines. Such determinations may consider recommendations made by the Corporate Governance Committee.

C. Charters

Each of the Audit, Compensation and Corporate Governance Committees shall be governed by its particular committee charter, which shall be approved by the Board. The duties of each such committee and their associated charter shall be reviewed by that committee as needed or required by The NASDAQ Stock Market, Inc. listing requirements. Any recommended changes from such reviews shall be presented to the full Board for consideration.

IV. Lead Director

The Chair of the Corporate Governance Committee shall serve the role of lead director, if and whenever necessary, and shall lead the discussion of the non-management directors and independent directors when they meet in executive session.

V. Directors

A. Retirement Age

The Board believes that it is in the best interest of the Company that directors resign after completing the term during which the director attains the age of 73, unless requested to remain by the Board of Directors. No employee director can serve as a director after ceasing to be an employee, unless requested to do so by the Board.

B. Term Limits

The Board does not believe it appropriate or necessary to limit the number of terms that a director may serve. The Board values the participation of directors who have gained an increased understanding of the governance of the Company and the issues confronting it over a period of service on the Board.

C. Service on Other Boards

Directors may not serve on more than three other public company boards.

D. Director Orientation and Education

New directors will participate in an orientation program, which includes discussions with key executives, as well as a continuing education program.

E. Share Ownership Requirements

The Board believes that directors and executives should be shareholders and have a financial stake in the Company. Directors and executives are required to purchase at least \$25,000 of Company common stock, which may be purchased over a period of five years from the time of their initial election.

F. Director Compensation

The Board shall review periodically the level and form of non-management director compensation and shall set the level of that compensation. The purpose of these activities shall be to assure that the level of compensation is reasonable and competitive to similarly-sized companies.

VI. Succession Planning and Management Development

A. Chief Executive Officer

The Board shall be responsible for reviewing and making decisions with respect to succession planning for the Chairman and/or Chief Executive Officer.

B. Other Executive Officers

The Chief Executive Officer shall be responsible for reviewing a succession plan for senior management with the Board as frequently as needed. Included in the succession plan report shall be a review of management development.

C. Annual Assessment of Performance

The Corporate Governance Committee shall conduct an annual assessment of the Board's effectiveness as a whole.

VII. Code of Ethics

The policy of the Company is that there shall be adherence to the highest form of ethical business conduct, and the Board has adopted a Code of Ethics (the Code) applicable to all directors, officers and employees of the Company. No one has the authority to amend or to make exceptions to the Code other than the Board. The Audit Committee shall be responsible for reviewing the Code from time to time to determine its currency and accomplishment of the stated policy of the Company. The Company's Code of Ethics is posted on the Company's website.

Each year, Internal Audit will reaffirm the Code with salaried personnel. Every third year, Internal Audit will request all non-salaried personnel to acknowledge in writing that they have reviewed the Code. All new employees will also be asked to acknowledge they received a copy of the Code at time of hire and will read it.

All employees will receive formal ethics training once every three years. Training will also be provided to all new employees shortly after they are hired. Employee communications on ethics issues will be provided to all employees at least twice during each year in which formal training does not occur.

VIII. Review and Disclosure of Corporate Governance Guidelines

The Board shall review these Corporate Governance Guidelines as needed from time to time and shall make any needed changes. Such review shall consider recommendations made by the Corporate Governance Committee.

These Corporate Governance Guidelines and the Charter of the Governance Committee shall be available upon request and shall be posted on the Company's website.

Exhibit A

Director Independence Standards

The Board believes that the interests of the shareholders are best served by having a substantial number of objective, independent directors on the Board. Consequently, at all times, at least three-fourths of the directors will be "independent."

A director shall be considered to be "independent" only if the Board affirmatively determines that the director does not have a relationship that would interfere with the director's ability to make independent judgments as a director and the director otherwise satisfies the standards of "independence" established by applicable rules and regulations, including The NASDAQ Stock Market, Inc. listing requirements and federal securities laws.

Under those requirements:

- (a) A director will not be considered to be "*independent*" if any of the following conditions exist at the time of determination or existed at any time during the immediately preceding three year period:
1. The director is employed by the Company or any of its subsidiaries;
 2. The director accepted, or an immediate family member accepted, any compensation from the Company in excess of \$120,000 during any period of 12 consecutive months, other than (i) compensation for board or board committee service, (ii) compensation paid to an immediate family member who is an employee (other than an executive officer), or (iii) benefits under a tax-qualified retirement plan or non-discretionary compensation;
 3. An immediate family member of the director is employed as an executive officer of the Company;
 4. The director is, or an immediate family member of the director is, a partner, or was a partner or employee of the Company's independent auditor who worked on the Company's audit; or
 5. An executive officer of the Company serves on the Compensation Committee of a company that employs the director, or employs an immediate family member of the director, as an executive officer.

For purposes of the above, "*immediate family member*" includes spouse, parents, children, siblings, whether by blood, marriage or adoption, or anyone residing in the director's home.

(b) The following relationships are not considered to be relationships that would interfere with a director's ability to make independent judgments. Consequently, the existence of these relationships will not alone prevent a director from being considered to be "independent" under the corporate governance guidelines:

The director or immediate family member is a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payment for property or services in the current or past three fiscal years that do not exceed the greater of (i) 5% of the recipient's consolidated gross revenues for that year or (ii) \$200,000.

The Board shall review annually all commercial and charitable relationships between each director and the Company and will make a determination of such director's independence, and the Company will disclose the Board's determinations in the proxy statement relating to the annual meeting of shareholders.

Members of the Audit Committee and the Compensation Committee of the Board of Directors may be subject to more stringent standards of "independence" under applicable rules and regulations, including The NASDAQ Stock Market, Inc. listing requirements, accounting and auditing rules, and federal securities or tax laws. Those standards will be reflected in the charters of those committees.