

North Shore Gas Company

Provide a copy of all credit rating analyses or reports on the utility and its parent, in the utility's possession, published during the last 12 months that describe security rating changes and the rationale for those changes.

Provided is a Moody's report for Integrys Energy Group, Inc., on which North Shore Gas Company is included. Moody's had no such report for the parent, Peoples Energy Corporation (1). Provided is an S&P report for Integrys Energy Group, Inc., on which North Shore Gas Company is included, regarding revision of Integrys' and North Shore's outlook to positive from stable. No other ratings action was taken by Standard and Poor's during the last 12 months.

Note: (1) Moody's has not prepared a report for Peoples Energy Corporation (PEC) since 2007 citing that PEC is an intermediate holding company and its rating is based upon a guarantee provided by Integrys Energy Group, Inc.



Rating Action: Moody's revises outlook for Integrys Energy and its subsidiaries to stable from negative

Global Credit Research - 27 May 2010

New York, May 27, 2010 -- Moody's Investors Service changed the rating outlook of Integrys Energy Group, Inc. (Integrys: Baa1 senior unsecured) and its subsidiaries Peoples Energy Corporation (PEC: Baa1 senior unsecured), Wisconsin Public Service Corporation (WPSC: A2 Issuer Rating), Peoples Gas Light and Coke Company (PGL: A3 Issuer Rating) and North Shore Gas Company (NSG: A3 Issuer Rating) to stable from negative. Moody's also upgraded the following first mortgage bond ratings: WPSC to Aa3 from A1; PGL to A1 from A2; and NSG to A1 from A2. All other ratings of Integrys, WPSC, PEC, PGL and NSG are affirmed.

PEC is an intermediate holding company and its rating is based upon a guarantee provided by Integrys. WPSC, PGL and NSG are wholly-owned free-standing regulated utility subsidiaries of Integrys.

"The change in the rating outlooks reflects a reduced business risk profile driven by the recently completed restructuring of Integrys' non-regulated energy marketing business into a smaller segment with significantly reduced collateral requirements" said Moody's Vice President Scott Solomon. "The action also considered a reduction in consolidated debt levels, the implementation of rate increases at various utility subsidiaries and the recent renewal of \$1.1 billion in credit facilities" added Solomon.

The upgrade of first mortgage bonds at WPSC, PGL and NSG follows Moody's August 2009 upgrade of the senior secured ratings of the majority of its investment grade regulated utilities. Issuers with negative outlooks were excluded from the August 2009 upgrade.

Integrys has reduced the scale, scope and risk profile of its non-regulated energy marketing business through a series of asset sales. These transactions have allowed Integrys to recover approximately \$700 million of capital invested in the business and significantly reduce collateral support requirements going forward. In turn, Integrys has used the returned capital to reduce debt, which currently stands at approximately \$3.1 billion on an adjusted basis compared to \$4 billion outstanding at December 31, 2008. Integrys' remaining non-regulated business is focused on marketing electricity and natural gas to retail customers in a select geographic region.

Integrys reported strong financial results during 2009 due to a combination of robust returns at its non-regulated energy marketing business and a reduced debt load. Given the company's restructuring, Moody's expects a decline in the energy marketing segment's contribution to earnings and cash flow generation. This business segment, which accounted for more than 20% of Integrys' consolidated cash flow over the past several years, is expected to account for approximately 10% of consolidated cash flow going forward.

A reduced consolidated debt profile combined with recently implemented rate increases at its utility subsidiaries is expected to offset some of the expected loss in earnings and cash flow from the energy marketing business and allow Integrys to maintain financial metrics appropriate for its current rating category. Integrys' key consolidated financial metrics of cash flow from operations pre-changes in working capital (CFO-pre WC) to debt and cash flow coverage of interest expense is expected to exceed 20% and 5 times, respectively, over the near-term. Integrys achieved consolidated cash flow from operations pre-changes in working capital (CFO-pre WC) to debt of approximately 27% and cash flow coverage of interest expense of 5.6 times for 2009 versus 18% and 5.0 times, respectively, in 2008.

The rating action also reflects the renewal in April of \$1.1 billion in consolidated credit facilities that included \$735 million at Integrys, \$250 million at PGL and \$115 million at WPSC. These new facilities replaced facilities that had been scheduled to mature within the next few months. Integrys faces an additional \$900 million of credit facility expirations in June 2011, which it currently intends to roll into a smaller sized facility.

For further details refer to Integrys' credit opinion published at www.moody.com.

All ratings at the following listed entities are affirmed:

-Integrys Energy Group, Inc.

Baa1 Senior Unsecured Rating

Baa2 Junior Subordinated Notes

Prime-2 Commercial Paper

- Peoples Energy Corporation

Baa1 Senior Unsecured Rating

- Wisconsin Public Service Corporation

A2 Issuer Rating/Senior Unsecured Rating

Baa1 Preferred Stock

Prime-1 Commercial Paper

- Peoples Gas Light and Coke Company

A3 Issuer Rating

Prime-2 Commercial Paper

- North Shore Gas Company

A3 Issuer Rating

Moody's last rating action on Integrys and its subsidiaries occurred on June 9, 2009 when the ratings were downgraded one notch and negative outlooks were assigned.

The principal methodology used in rating Integrys and its regulated subsidiaries was Rating Methodology: Regulated Electric and Gas Utilities. It can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors may have been considered in the process of the rating these issuers can also be found in the Credit Policy & Methodologies directory.

Integrys Energy Group, Inc. is a diversified energy holding company headquartered in Chicago, Illinois

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January 21, 2011

IntegrYS Energy Group Outlook Revised To Positive From Stable On Expected Stronger Business Risk Profile

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- We expect IntegrYS Energy Group Inc. to improve its business risk profile over the intermediate term while maintaining its improved financial measures despite its increased capital spending.
- We revised the outlook on IntegrYS, Peoples Energy Corp. (PE), Peoples Gas Light & Coke Co. (PG), and North Shore Gas Co. (NSG) to positive from stable.
- We affirmed all of IntegrYS' and its subsidiaries ratings, including the 'BBB+' corporate credit ratings.
- We affirmed the 'A-' credit rating on Wisconsin Public Service Corp. (WPS) and the outlook remains stable, reflecting its stand-alone credit quality.

NEW YORK (Standard & Poor's) Jan. 21, 2011--Standard & Poor's Ratings Services revised the outlook on IntegrYS, PE, PG, and NSG to positive from stable. At the same time, we affirmed all of the ratings on IntegrYS and its subsidiaries, including IntegrYS' 'BBB+' corporate credit rating. In addition, we affirmed the 'A-' credit rating on WPS. The outlook on WPS remains stable.

The positive outlook reflects our view that there is at least a one-in-three probability that IntegrYS will improve its business risk profile over the intermediate term and maintain its improved financial measures despite its increased capital spending. The company has been able to improve its business risk profile by continuing to reduce the size and scope of its non-regulated businesses. We think that in the intermediate period, IntegrYS may continue to limit the risks of its non-rate regulated businesses, and over the longer term, the non-rate regulated businesses will consist of no more than 10% of consolidated funds from operations.

Integrys Energy Group Outlook Revised To Positive From Stable On Expected Stronger Business Risk Profile

RELATED CRITERIA AND RESEARCH

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008.

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