OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION

integrys™
energy services – natural gas, llc

ORIGINAL

Integrys Energy Services – Natural Gas, LLC
20 N. Wacker Drive
Suite 2100
Chicago, IL 60606
www.integrysenergy.com

August 22, 2012

VIA OVERNIGHT MAIL
Ms. Elizabeth A. Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Public
12-0300
Report per Order

Dear Ms. Rolando:

In the Final Order issued on August 15, 2012 in Docket 12-0300, the Commission granted proprietary treatment to Integrys Energy Services-Natural Gas, LLC for our Report of Continued Compliance as an Alternative Gas Supplier ("Continued Compliance Report"). The Commission requested Integrys to file a proprietary and redacted public version of our Continued Compliance Report, which is enclosed with this filing.

Should you have any questions, please contact me at 312-681-1855 or via email at AKlaviter@integrysenergy.com

Kind Regards,

Amy Klaviter

Amy Klaviter
Regulatory Compliance Analyst

Enclosures

ILLINOIS COMMERCE COMMISSION
2012 AUG 23 A 11:07
CHIEF CLERK'S OFFICE

Integrys Energy Services – Natural Gas, LLC

Report of Continued Compliance as an Alternative Gas Supplier

PUBLIC

PROPRIETARY INFORMATION REDACTED

Attachment A

Financial Qualifications

Integrys Energy Services – Natural Gas, LLC ("TEGE LLC") will meet its financial qualifications by utilizing Section 551.80 (d) of the Commission's rules, which permits the use of a guarantee from an affiliate in favor of an unaffiliated entity associated with the acquisition of gas from that entity.

TEGE LLC is a wholly owned subsidiary of Integrys Energy Services, Inc. ("TEGE Inc"), which is a wholly owned subsidiary of Integrys Energy Group, Inc ("TEG").

Section 551.80 (d) (2) provides, in relevant part: "The guarantee, payment bond or letter of credit be in an amount that is no less than the greater of $500,000 or 5% of the amount of the applicant's revenue from the sale of natural gas for its most recently completed fiscal year, adjusted for any amount of revenue expected from customer accounts purchased or under contract to be purchased from another AGS". As TEGE LLC does not have separate certified financial statements, TEGE LLC will show that it meets the financial requirements to adequately cover these assigned customers by starting with TEGE Inc.'s financial data that is included in the TEG SEC Form 10-K Annual Report for the year ended December 31, 2011, which represents the most recent financial statements covered by an independent auditors report and then disclosing revenues specific to Illinois.

As it appears in Note 27, "Segments of Business," in TEG's 2011 SEC Form 10-K Annual Report on page 110 (see Attachment E for this page), the Nonregulated (TEGE Inc) Revenue for 2011 is $1,394.8 million. This number reflects total revenue booked from all of TEGE Inc's business, which includes TEGE LLC, during 2011. Instead of using this number, which covers TEGE Inc's revenue in all territories, for purposes of certification in Illinois, TEGE LLC proposes to determine the appropriate amount required for the guarantee by using the total revenue of TEGE LLC for only Illinois.

PROPRIETARY INFORMATION REDACTED

TEG has issued one guarantee totaling $60 million to Sequent Energy Management L.P. ("Sequent") for the benefit of TEGE Inc and TEGE LLC (see Attachment C). The term of the guarantee is not less than one year. TEGE LLC have contracted with Sequent as its preferred wholesale natural gas supplier to acquire gas supply to meet, among other requirements, TEGE LLC's gas supply obligations of its residential and small commercial customers in Illinois. Sequent will be supplying natural gas to TEGE LLC who will take title to that gas for sale and delivery to residential and small commercial customers in Illinois. Attachment D is TEG's latest rating reports.

TEGE LLC's 2011 Illinois total revenue for all natural gas for its retail business is $[redacted] million as referenced by the following chart.

Integrys Energy Services – Natural Gas, LLC 2011 Realized Retail Revenues Generated in Illinois

($ in millions)

Natural Gas	
DMM	
NICOR Customer Select	$ [redacted]
Choices For You	$ [redacted]
	$ [redacted]
C&I	
IL C&I	$ [redacted]
IL Storage	$ [redacted]
	$ [redacted]
Total 2011 Natural Gas Revenues	**$** [redacted]

This number was certified by Craig VanderWerff, Controller for TEGE Inc, in Attachment B.

Thus, 5% of TEGE LLC's 2011 Illinois total revenue is $[redacted] million. Attachment C does not contain any restrictions for the amounts to be used for certain markets or specific business purposes. Therefore, of the $60 million in guarantees to Sequent, more than $[redacted] million could be made available to our Illinois business.

Attachment B

AFFIDAVIT

STATE OF WISCONSIN)
) ss:
COUNTY OF BROWN)

Craig Vanderwerff, being first duly sworn, deposes and says that he is the Controller of Integrys Energy Services, Inc.; that he has read the foregoing filing of Integrys Energy Services – Natural Gas, LLC., and that the statements and numbers contained in Attachment A are true, correct and complete to the best of his knowledge, information and belief.

Craig Vanderwerff
Craig Vanderwerff
Controller

Subscribed and sworn to before me
this 24th day of April, 2012.

Carol A. Blohowiak
Notary Public
Carol A. Blohowiak
[Stamp of Notary]

CAROL A. BLOHOWIAK
NOTARY PUBLIC
STATE OF WISCONSIN

CORPORATE GUARANTY

This Corporate Guaranty (this "Guaranty") is entered into as of March 18th, 2010 by Integrys Energy Group, Inc., a Wisconsin corporation (herein together with its successors and permitted assigns, the "Guarantor"), in favor of Sequent Energy Management, L.P., a Georgia limited partnership (herein together with its successors and assigns, "Guaranteed Party").

WHEREAS, Integrys Energy Services - Natural Gas, LLC, a Delaware limited liability company, is an indirect wholly owned subsidiary of Guarantor (herein together with its successors and assigns, "IES Obligor"); and

WHEREAS, Integrys Energy Services, Inc., a Wisconsin corporation, is a wholly owned subsidiary of Guarantor (herein together with its successors and assigns, "TEGE Obligor", and together with IES Obligor, the "Obligors"); and

WHEREAS, IES Obligor and Guaranteed Party have executed the following agreements: an Energy Management Agreement dated as of October 28, 2009 ("EMA"), an ISDA Master Agreement and Credit Support Annex and Gas Annex ("ISDA Master Agreement"), a Lockbox Agreement and a Collateral Assignment, all dated as of December 4, 2009 (collectively the "IES Agreements"); and

WHEREAS, TEGE Obligor and Guaranteed Party have executed an ISDA Master Agreement and Credit Support Annex and Gas Annex dated as of December 4, 2009 (the "TEGE Agreement", and together with the IES Agreements, the "Agreements"); and

WHEREAS, as consideration for the benefits that Guarantor will receive as a result of Obligors executing the Agreements with Guaranteed Party, Guarantor is willing to guarantee both respective Obligors' payment obligations under the terms of the Agreements.

NOW, THEREFORE, for value received, the receipt and sufficiency of which are hereby acknowledged, Guarantor agrees as follows:

Guarantor hereby unconditionally guarantees the prompt payment of all indebtedness that now is or may hereafter become due and payable from either Obligor to Guaranteed Party under the Agreements pursuant to the terms and conditions thereof (including, without limitation, interest thereon (inclusive of post-petition interest) and late charges, money damages and other monetary amounts) and subject to the provisions of this Guaranty. Guarantor further promises to pay reasonable attorney's fees and costs incurred by Guaranteed Party in enforcing such payment against Guarantor. The indebtedness guaranteed under this paragraph and the reasonable attorney's fees and costs payable by Guarantor are herein referred to as the "Guaranteed Liabilities".

This Guaranty shall be a continuing guaranty of payment and not of collection, and Guarantor shall have no obligation to perform or cause either Obligor to perform under the Agreements. It shall remain in full force and effect until the termination date of this Guaranty, which shall be the date the EMA and the ISDA Master Agreement are terminated in accordance with their terms. This Guaranty shall be revocable only with respect to liabilities occurring on or after the termination date of this Guaranty. Termination of this Guaranty shall not affect Guarantor's obligations for Guaranteed Liabilities arising prior to the termination date of this Guaranty. Notwithstanding anything contained herein to the contrary, the maximum aggregate liability of Guarantor under this Guaranty is limited to the amount of sixty million dollars ($60,000,000). At such time as Guarantor and Guaranteed Party mutually agree in writing that all of TEGE Obligor's obligations under the TEGE Agreement have terminated or been satisfied in accordance with its terms, this Guaranty shall cease to apply with respect to any Guaranteed Liabilities or other obligations of TEGE Obligor, but it shall otherwise remain in full force and effect.

Guarantor shall not be discharged or released from its obligations hereunder by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Obligor or by any defense which either Obligor may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding, including without limitation, the rejection of any of the Agreements as an executory contract. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Liabilities is rescinded or must otherwise be returned by Guaranteed Party upon the insolvency, bankruptcy, or reorganization of either Obligor, Guarantor, or any other guarantor or otherwise, all as though such payment had not been made.

3/19/10

Guarantor waives notice of acceptance of this Guaranty and notice of all defaults or disputes with either Obligor and notices of presentment, demand, dishonor, protest or other notices of any kind, other than those expressly required hereunder. Guarantor hereby consents to and waives notice of, and hereby agrees that this Guaranty is unaffected by, any and all changes of terms, amendments or other modifications to the Agreements, the withdrawal or extension of credit or time to pay, the release of the whole or any part of either Obligor's indebtedness, the settlement or compromise of differences, the acceptance or release of security, the acceptance of notes, or any other form of obligation for either Obligor's indebtedness, and the demand, protest, and notice of protest of such instruments or their endorsements.

Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which either Obligor may have to payment of any indebtedness under the Agreements, other than (a) defenses arising from the bankruptcy or insolvency of an Obligor, and (b) any other defenses expressly waived by an Obligor in its respective Agreement(s) with Guaranteed Party or otherwise waived in this Guaranty.

Upon the failure of an Obligor to pay any amount due and payable to Guaranteed Party under the Agreements, Guaranteed Party shall give written notice of such failure to Guarantor and Guarantor shall pay or cause to be paid the amount owed within five (5) business days.

Guarantor hereby represents and warrants to Guaranteed Party that (i) Guarantor is duly organized and validly existing under the laws of the jurisdiction of its incorporation and, if applicable under such laws, in good standing, (ii) Guarantor has all necessary corporate power and authority under its Articles of Incorporation or its By-Laws and all applicable laws to enter into this Guaranty and to perform its obligations hereunder, (iii) the execution, delivery and performance of this Guaranty by Guarantor have been duly authorized by all necessary corporate action and do not contravene or breach any agreement to which Guarantor is a party or is bound, (iv) Guarantor's obligations under this Guaranty constitute legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)), and (v) as of the date hereof and after giving effect to this Guaranty, Guarantor is solvent.

Demands on Guarantor for payment under this Guaranty shall be in writing and delivered by certified mail, postage prepaid and return receipt requested, or by facsimile to:

Integrys Energy Group, Inc.
700 North Adams Street
Green Bay, WI 54301
Attn: Brad Johnson
Phone: (920) 433-1449
Fax: (920) 433-7653

Any notices by Guarantor to Guaranteed Party shall be in writing and delivered by certified mail, postage prepaid and return receipt requested, or by facsimile to:

Sequent Energy Management, L.P.
1200 Smith Street, Suite 900
Houston, TX 77002
Attn: Credit Manager
Phone: (832) 397-1700
Fax: (832)397-1781

This Guaranty shall be binding upon the successors and permitted assigns of Guarantor and inure to the benefit of Guaranteed Party and its successors and assigns. This Guaranty may not be assigned by Guarantor without the prior written consent of Guaranteed Party, which consent shall not be unreasonably withheld.

THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WISCONSIN, DISREGARDING, HOWEVER, ANY CONFLICT OF LAWS PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF SOME OTHER STATE, AND IS INTENDED TO BE PERFORMED IN ACCORDANCE WITH, AND TO THE EXTENT PERMITTED BY, SUCH LAWS. GUARANTOR AND GUARANTEED PARTY HEREBY WAIVE ALL RIGHTS TO A JURY TRIAL.

This Guaranty contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings, agreements and guaranties between the parties, whether oral or written, relating thereto. Guaranteed Party agrees that any such prior guaranties are revoked and replaced by this Guaranty.

If any one or more provisions of this Guaranty shall for any reason or to any extent be determined invalid or unenforceable, all other provisions shall, nevertheless, remain in force and effective.

Delivery of an executed counterpart of a signature page to this Guaranty by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Guaranty.

IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty on this 18th day of March, 2010.

GUARANTOR: Integrys Energy Group, Inc.

By: Barth J. Wolf

Name: Barth J. Wolf

Title: Vice President, Chief Legal Officer and Secretary

MOODY'S
INVESTORS SERVICE

Credit Opinion: Integrys Energy Group, Inc.

Global Credit Research - 23 Jun 2011

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Commercial Paper	P-2
Wisconsin Public Service Corporation	
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured	Aa3
Sr Unsec Bank Credit Facility	A2
Preferred Stock	Baa1
Commercial Paper	P-1
Peoples Gas Light and Coke Company	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1
Commercial Paper	P-2

Contacts

Analyst	Phone
Scott Solomon/New York	212.553.4358
William L. Hess/New York	212.553.3837

Key Indicators

[1]Integrys Energy Group, Inc.

	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	6.1x	5.5x	5.3x	3.5x
(CFO Pre-W/C) / Debt	28%	27%	18%	15%
(CFO Pre-W/C - Dividends) / Debt	22%	20%	13%	8%
Debt / Book Capitalization	42%	45%	52%	42%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Repositioning of non-regulated businesses improved company's risk profile

Utility subsidiaries operate in diverse and relatively supportive regulatory environments

Significant equity ownership in American Transmission Company

Consolidated financial performance that is commensurate with a Baa1 rating

Significant holding company debt and high dividend payout

Corporate Profile

Integrys Energy Group, Inc. (Integrys: Baa1 senior unsecured, stable outlook) is a diversified energy holding company headquartered in Chicago, Illinois that was created through the February 2007 merger between WPS Resources and Peoples Energy, LLC (PEC). Integrys owns six regulated utilities, Wisconsin Public Service Corporation (WPSC: A2 Issuer Rating), The Peoples Gas, Light and Coke Company (PGL: A3 Issuer Rating), North Shore Gas Company (NSG: A3 Issuer Rating), Minnesota Energy Resources Corporation (MERC: not rated), Michigan Gas Utilities Corporation (MGUC: not rated) and Upper Peninsula Power Corporation (UPPCO: not rated), that in the aggregate serve approximately 1.7 million gas and 500,000 electric customers in Wisconsin, Illinois, Michigan, and Minnesota.

Integrys also has an approximate 34% ownership interest in the American Transmission Company (ATC: A1 senior unsecured).

Integrys has completed the restructuring of its non-regulated energy marketing business and, as a result, has significantly reduced the size and collateral support requirements of this business. This has been largely accomplished through a series of asset sales and today the business is focused on marketing natural gas and electricity to commercial, industrial and residential customers primarily in the northeastern quadrant of the United States.

Rating Rationale

Moody's evaluates Integrys' consolidated financial performance relative to the Regulated Electric and Gas Utilities rating methodology (the methodology) published in August 2009. As depicted in the grid below, Integrys' indicated rating under this methodology is Baa1 compared to its current Baa1 senior unsecured rating. The indicated rating under the methodology considers Integrys' consolidated financial performance based on a three-year historical average.

Integrys' Baa1 senior unsecured rating is supported by the underlying cash flow stability provided by its six utility subsidiaries, a diverse, multi-state service territory, an improved business risk profile resulting from the restructuring of its non-regulated energy marketing business and an expectation that near-term financial metrics will remain appropriate for its rating. The rating, however, is tempered by the degree of holding company debt and a significant dividend payout.

DETAILED RATING CONSIDERATIONS

The primary drivers for the rating and outlook are as follows:

Improved risk profile resulting from the restructuring of non-regulated energy marketing business

Integrys substantially reduced the scale and scope of its non-regulated energy marketing business throughout 2009 and 2010 resulting in improved corporate risk and liquidity profiles.

Integrys had historically provided collateral support on behalf of its non-regulated energy marketing business. As this business grew in scale, so did the collateral requirements, thereby pressuring Integrys' liquidity profile. The downsizing of this business, however, has resulted in significantly reduced collateral requirements. Guarantees and other forms of corporate support provided by Integrys on behalf of its non-regulated operations to support its commodity transactions declined to approximately $500 million as of March 31, 2011 from $2.5 billion at December 31, 2008. Cash collateral provided to third parties declined to $38 million from $256 million during the same timeframe. Furthermore, the collateral requirement associated with a hypothetical downgrade of Integrys' rating to below investment grade has declined to a more manageable $220 million at March 31, 2011 from approximately $700 million at December 31, 2008.

Integrys' remaining non-regulated business is focused on marketing electricity and natural gas in the retail market serving commercial, industrial, direct and aggregated small commercial and residential customers primarily in the northeastern quadrant of the United States. Integrys manages the supply risk of its natural gas marketing business through a multi-year natural gas supply agreement with a creditworthy counterparty. Specifically, this agreement provides Integrys with sufficient capacity to meet the natural gas requirements of its energy marketing business and includes a contractually set limitation on collateral support requirements.

The restructuring of the business negatively impacted the financial performance of Integrys' non-regulated business. Specifically, revenues derived from this business declined in 2010 by more than 50% to approximately $1.8 billion while operating margins declined by 30% to $209 million.

Diverse and reasonably supportive regulatory environments

Integrys has undergone significant growth through the acquisitions of two regulated gas utilities, MGUC in April 2006 and MERC in June 2006, followed by the merger with PEC in February 2007. Going forward, Integrys' regulated utilities (including its investment in ATC) which operate in four states, are expected to account for approximately 90% of its consolidated cash flow.

Much of management's attention since the merger with PEC has been focused on integrating the regulated businesses and increasing their returns through cost control measures and rate case filings. Generally speaking, Integrys' regulated utilities operate in relatively supportive regulatory environments that provide the means to recover their respective costs and to earn adequate returns and cash flows.

Integrys' regulated subsidiaries completed 5 rate cases in 2010/2011, the largest of which was a $69.8 million rate increase granted to

PGL effective January 2010. Rate cases filed in 2011 include PGL (requested a $125.4 million increase to be effective 1/2012), NSG ($8.7 million), WPSC ($34.8 million) and MERC ($15.2 million).

PGL, NSG, MGU and MERC are local natural gas distribution companies (LDCs) that have rate mechanisms in place to pass gas costs directly to their customers and to recover bad debt. Furthermore, PGL, NSG and MGU have been granted decoupling mechanisms to offset the financial impact of declining usage (MERC requested a decoupling mechanism in its recent rate case filing).

The supportive regulatory environments in which the LDC's operate combined with the strong regulatory environment in Wisconsin (WPSC, Integrys' largest utility subsidiary, operates primarily in Wisconsin) could support a high-Baa rating factor for Factor 1: Regulatory Framework within Moody's methodology. That being said, we have notched this rating factor downward to reflect the higher risk profile of Integrys' remaining non-regulated business; however, a high-Baa rating factor has been assigned for Factor 2: Ability to Recover Costs and Earn Returns.

Consolidated financial metrics are expected to remain consistent with a Baa1 rating

Integrys achieved CFO-pre WC to debt of approximately 28% and cash flow coverage of interest expense of 6.1 times for 2010 compared to 27% and 5.5 times, respectively, in 2009. Integrys' strong financial metrics during 2010 were driven in large part by the impact of bonus depreciation, which reduced the company's consolidated cash tax payments. Specifically, deferred taxes accounted for approximately 28% of Integrys' CFO-pre WC in 2010 (compared to 7% in 2009). Our rating and outlook assumes a normalization of bonus depreciation and an expectation that Integrys maintains consolidated CFO-pre WC to debt in the 20-25% range and interest coverage of approximately 5.0 times over the next several years.

Integrys consolidated capital expenditure program for the three-year period 2011 through 2013 is significant at an estimated $1.7 billion (compared to $1.2 billion for the three year period ended 2010). Drivers for the increase in expected near-term capital spending includes PGL's accelerated cast iron replacement program, environmental controls on WPS's coal facilities and an increase in solar investments.

Integrys' subsidiaries are expected to fund their respective capital expenditure programs with internally generated funds, incremental debt and parent equity contributions. Integrys issued $19.2 million of common equity during the 1Q2011 but does not anticipate additional equity issuances for the remainder of the year. Integrys does not anticipate incremental holding company debt offerings over the near-term.

Significant holding company debt and dividend payout

Integrys' rating reflects in part the significant amount of holding company debt and high dividend payout ratio, which are among the primary drivers for the two notch rating difference between it and the senior unsecured rating assigned to WPSC, its largest regulated subsidiary. Long-term holding company debt is $730 million (adjusted for a $300M hybrid security that currently receives 25% equity and 75% debt treatment for financial leverage purposes by Moody's) or approximately 30% of consolidated long-term balance sheet debt.

Integrys' annual dividend is $209 million or approximately 80% of consolidated net income over the near-term, slightly above the industry average.

Liquidity Profile

Integrys' external sources of liquidity include $1,210 million of unsecured revolving credit facilities commitments ($735 million due 2013, $275 million due in 2014 and $200 million due in 2016) to support the issuance of letters of credit, to meet short-term funding requirements and to provide alternate liquidity for its commercial paper program. Terms of the syndicated revolving credit facilities include a representation that no material adverse change has occurred on the facility effective date (but not at any other times throughout the facility's term). The sole financial covenant is a 65% limitation on the debt component of Integrys' capital structure. The company has substantial flexibility under the capital structure covenant; we estimate that Integrys' debt-to-capitalization for the purpose of this covenant is currently at approximately 50%.

In May 2011, Integrys replaced a total $900 million of parent company and subsidiary facilities with $610 million of facilities at the parent ($475 million) and WPSC ($135 million). The reduced collateral requirements of the non-regulated energy marketing business is the primary driver for replacing maturing credit facilities with reduced commitments and is not a concern.

Integrys had approximately $34 million of commercial paper outstanding and $44 million of letters of credit issued under its credit facilities at March 31, 2011. The company's most near-term debt maturity is $100 million in December 2012.

Rating Outlook

The stable rating outlook reflects a reduced business risk profile associated with the restructuring of the company's non-regulated business and an expectation that Integrys' consolidated ratio of CFO pre-W/C to debt will exceed 20% for at least the near-term.

What Could Change the Rating - Up

Upward rating movement is not expected in the medium-term. Longer term, we would likely need to see Integrys' consolidated ratio of CFO pre-W/C to debt exceed 25% on a sustainable basis to consider an upgrade.

What Could Change the Rating - Down

Changes in regulatory supportiveness or an unexpected increase in leverage or decline in cash flow such that its ratio of CFO pre-W/C to debt falls below 17% on a sustainable basis.

Rating Factors

Integrys Energy Group, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of May 2011	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		A		A
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.6x	A	4.5-5.5x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	23.8%	A	20-25%	A
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	17.5%	A	10-15%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	46.7%	Baa	40-45%	A
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010; Source: Moody's Financial Metrics

Moody's
INVESTORS SERVICE

MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

Attachment 4

STANDARD
&POOR'S

Global Credit Portal®
RatingsDirect®

January 24, 2012

Research Update:

Integrys Energy Group Inc. Ratings Raised To 'A-' From 'BBB+'; Outlook Stable

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043;gabe_grosberg@standardandpoors.com

Secondary Contact:
Gerrit Jepsen, CFA, New York (1) 212-438-2529;gerrit_jepsen@standardandpoors.com

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Attachment D

Research Update:

Integrys Energy Group Inc. Ratings Raised To 'A-' From 'BBB+'; Outlook Stable

Overview

- Chicago-based Integrys Energy Group Inc. has improved its business risk profile by restructuring and reducing the size of its nonutility businesses and by continuing to effectively manage regulatory risk.
- We are raising our corporate credit ratings on Integrys Energy Group Inc. and subsidiaries Peoples Energy Corp., Peoples Gas Light & Coke Co., and North Shore Gas Co. to 'A-' from 'BBB+'. We also raised Integrys Energy Group's senior unsecured debt to 'BBB+' from 'BBB' and unsecured hybrid junior subordinated notes to 'BBB' from 'BBB-'.
- The stable outlook for Integrys Energy Group and all of its subsidiaries reflects its excellent business risk profile and significant financial risk profile.

Rating Action

On Jan. 24, 2012, Standard & Poor's Ratings Services raised its corporate credit ratings on Chicago-based holding company Integrys Energy Group Inc. and subsidiaries Peoples Energy Corp., Peoples Gas Light & Coke Co., and North Shore Gas Co. to 'A-' from 'BBB+'. In addition, we raised the ratings on Integrys Energy Group's senior unsecured debt to 'BBB+' from 'BBB' and on its unsecured hybrid junior subordinated notes to 'BBB' from 'BBB-'. The outlook is stable.

Rationale

The rating actions are based on the tangible improvements that Integrys has made to its business risk profile and our expectations that the company will be able to maintain financial measures that are consistent with a "significant" (as our criteria define the term) financial risk profile over the intermediate term.

We revised our assessment of Integrys Energy Group's business risk profile to "excellent" from "strong" (as our criteria define the terms) to reflect management's successful implementation of its strategic initiative to reduce its exposure to the nonutility businesses and the company's effective management of regulatory risk. Fundamentally, we anticipate that these improvements will be maintained over the intermediate term. Furthermore, we expect that the nonutility businesses will account for 10% of consolidated funds from operations (FFO) and the remaining 90% will represent the more stable cash flows of the regulated utilities businesses. In addition, the company has continued to effectively manage its regulatory risk--including its

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recent rate case orders for Peoples Gas Light & Coke Co. and North Shore Gas Co. that will collectively raise rates by almost $60 million--which we view as credit supportive. We expect that the company will continue to effectively manage its regulatory risk with the goal of further reducing its regulatory lag.

Over the past three years, Integrys has significantly improved its financial measures primarily by increasing the cash flow from its regulated subsidiaries, implementing effective cost management initiatives, and utilizing bonus depreciation. Although under our base-case scenario we forecast some weakening of the financial measures over the intermediate term because of the continued weak economy and the phaseout of bonus depreciation, we nevertheless expect that Integrys will maintain financial measures that are consistent with the significant financial risk profile, albeit with less cushion.

For the 12 months ended Sept. 30, 2011, adjusted consolidated FFO to total debt improved to 29.3% from 25.2% at the end of 2010, adjusted debt to EBITDA improved to 3.5x from 3.8x, and adjusted debt to total capital strengthened to 47.8% from 50.7%. Under our base-case scenario we expect the company's financial measures to weaken over the intermediate term, so that FFO to debt approximates 21%, adjusted debt to EBITDA is about 4.0x, and adjusted debt to total capital approximates 51%.

Integrys had positive discretionary cash flow in 2010 partially because of increased deferred taxes and reduced capital spending. However, over the intermediate term, we expect that discretionary cash flow will revert to negative primarily because of increased capital spending for environmental capital expenditures and the company's natural gas main replacement program. We expect that Integrys will meet these cash shortfalls in a manner that is at least credit neutral.

Liquidity

Our short-term rating on Integrys is 'A-2'. The company has adequate liquidity and can more than cover its needs for the next year, even if FFO declines. (For more on liquidity, see "Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers," published on July 2, 2010.)

We base our liquidity assessment on the following factors and assumptions:

- We expect the company's liquidity sources (including cash, FFO, and credit facility availability) over the next 12 months to exceed its uses by about 1.7x.
- Debt maturities are manageable over the intermediate term, with approximately $250 million, $315 million, and $100 million maturing during 2012-2014.
- Even if both the availability under the existing credit facilities and FFO declined by 25%, we believe net sources would total more than 1.2x cash requirements.

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- The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets, having successfully issued debt during the 2009 credit crisis.

In our analysis, we assumed liquidity of about $1.9 billion over the next 12 months, primarily consisting of cash, FFO, and availability under the credit facilities. We estimate the company will use about $1.1 billion over the same period for capital spending, debt maturities, working capital needs, and shareholder dividends.

Integrys' credit agreements include a financial covenant requiring that the consolidated ratio of total debt to total capital be no more than 65%. As of Sept. 30, 2011, the company had adequate cushion against this covenant and could increase total debt by more than 75% without violating it.

Outlook

The stable rating outlook on Integrys and its subsidiaries reflects Standard & Poor's baseline forecast that that consolidated adjusted FFO to debt and debt to total capital will approximate 21% and 51%, respectively, over the intermediate term. Significant risks to the forecast include higher-than-anticipated capital costs, a weaker-than-expected economy, or materially lower rate case increases than predicted. We could lower the rating if the nonutility business disproportionally grows to greater than 15% of the consolidated company or FFO to debt weakens to below 18% on a consistent basis. We consider a further ratings upgrade to be highly unlikely but could occur if the company's FFO to debt is consistently greater than 30% and its debt to total capital is lower than 45%, and it maintains an excellent business risk profile.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008

Ratings List

Upgraded; Outlook Action; Ratings Affirmed

	To	From
Integrys Energy Group Inc.		
Corporate Credit Rating	A-/Stable/A-2	BBB+/Positive/A-2
Senior Unsecured	BBB+	BBB
Junior Subordinated	BBB	BBB-
Commercial Paper	A-2	A-2

North Shore Gas Co.

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Corporate Credit Rating	A-/Stable/--	BBB+/Positive/--
Peoples Energy Corp.		
Corporate Credit Rating	A-/Stable/--	BBB+/Positive/--
The Peoples Gas Light & Coke Co.		
Corporate Credit Rating	A-/Stable/A-2	BBB+/Positive/A-2

Ratings Affirmed; Recovery Ratings Unchanged

North Shore Gas Co.	
Senior Secured	A
Recovery Rating	1+
The Peoples Gas Light & Coke Co.	
Senior Secured	A-
Recovery Rating	1
Wisconsin Public Service Corp.	
Corporate Credit Rating	A-/Stable/A-2
Senior Secured	A
Recovery Rating	1+
Preferred Stock	BBB
Commercial Paper	A-2

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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- The electric transmission investment segment includes our approximate 34% ownership interest in ATC. ATC is a federally regulated electric transmission company with operations in Wisconsin, Michigan, Minnesota, and Illinois.
- Integrys Energy Services is a diversified nonregulated retail energy supply and services company that primarily sells electricity and natural gas to commercial, industrial, and residential customers in deregulated markets. In addition, Integrys Energy Services invests in energy assets with renewable attributes.
- The holding company and other segment includes the operations of the Integrys Energy Group holding company and the PELLC holding company, along with any nonutility activities at WPS, MGU, MERC, UPPCO, PGL, NSG, and IBS. The operations of ITF were included in this segment beginning on September 1, 2011, when we acquired Trillium USA and Pinnacle CNG Systems.

The tables below present information related to our reportable segments:

	Regulated Operations				Nonutility and Nonregulated Operations			
2011 *(Millions)*	Natural Gas Utility	Electric Utility	Electric Transmission Investment	Total Regulated Operations	Integrys Energy Services	Holding Company and Other	Reconciling Eliminations	Integrys Energy Group Consolidated
Income Statement								
External revenues	$1,987.2	$1,307.3	$ -	$3,294.5	$1,394.8	$ 19.4	$ -	$4,708.7
Intersegment revenues	10.8	-	-	10.8	1.1	1.5	(13.4)	-
Impairment losses on property, plant, and equipment	-	-	-	-	4.6	-	-	4.6
Restructuring expense	-	0.2	-	0.2	1.8	-	-	2.0
Depreciation and amortization expense	126.1	88.5	-	214.6	12.7	23.3	(0.5)	250.1
Miscellaneous income	2.2	0.8	79.1	82.1	0.4	19.3	(17.0)	84.8
Interest expense	48.4	41.8	-	90.2	2.3	53.3	(17.0)	128.8
Provision (benefit) for income taxes	61.2	59.2	31.3	151.7	(7.1)	(10.7)	-	133.9
Net income (loss) from continuing operations	103.9	103.0	47.8	254.7	(6.2)	(17.6)	-	230.9
Discontinued operations	-	-	-	-	0.1	(0.5)	-	(0.4)
Preferred stock dividends of subsidiary	(0.6)	(2.5)	-	(3.1)	-	-	-	(3.1)
Net income (loss) attributed to common shareholders	103.3	100.5	47.8	251.6	(6.1)	(18.1)	-	227.4
Total assets	5,033.0	2,982.9	439.4	8,455.3	891.5	1,215.3	(578.9)	9,983.2
Cash expenditures for long-lived assets	199.3	84.1	-	283.4	18.0	10.0	-	311.4