integrys
energy services – natural gas, llc

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APR 17 2014

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

ORIGINAL

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

Public
13-0316
Report per Order

Dear Ms. Rolando:

Enclosed please find a public version and proprietary version of Integrys Energy Services –Natural Gas, LLC's Report of Continued Compliance as requested by the Commission in the Order issued April 16, 2014 in Docket No. 13-0316. Please note that proprietary treatment was granted in this Order.

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

integrys
energy services

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

April 26, 2013

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

Public Document

Dear Ms. Rolando:

In compliance with 83 Ill. Admin. Code Section 551.120, General Procedures for Reporting Continuing Compliance with Certification Requirements, Integrys Energy Services – Natural Gas, LLC. ("TEGE LLC") submits the following:

1. 551.120(b) - See verification page attached.

2. 551.140 (e) – Attachment A is TEGE LLC's demonstration that it maintains sufficient financial resources. Attachment A is confidential and is being provided to Ms. Nicdao-Cuyugan and Mr. Stoller on a confidential basis pursuant to Sections 4-404 and 5-108 of the Public Utilities Act. Please note that Attachment A is the same method TEGE LLC used to meet the financial qualification when it was granted its certification of authority in 2010.

Very Truly Yours,

Amy Klaviter
Regulatory Compliance Analyst

605-0105

STATE OF WISCONSIN)
) ss.
COUNTY OF BROWN)

VERIFICATION

I, Daniel J. Verbanac, being first duly sworn, depose and say that I am Integrys Energy Services – Natural Gas, LLC's President, that this compliance filing to demonstrate Integrys Energy Services – Natural Gas, LLC's continuing compliance with Alternative Gas Suppliers certification requirements is being made pursuant to 83 Ill. Admin. Code Part 551 of the Illinois Administrative Code, that the enclosed document was prepared under my direction, that I know the contents thereof, and that the statements therein contained are true to the best of my knowledge, information and belief.

By [signature]
DANIEL J. VERBANAC
President
Integrys Energy Services– Natural Gas, LLC

SUBSCRIBED and **SWORN** to before me
this 24th day of April 2013.

[signature]
Carol A. Blohowiak

CAROL A. BLOHOWIAK
NOTARY PUBLIC
STATE OF WISCONSIN

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, 2012, 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 26, "Segments of Business," in TEG's 2012 SEC Form 10-K Annual Report on page 101 (see Attachment E for this page), the Nonregulated (TEGE Inc) Revenue for 2012 is $1,217.6 million. This number reflects total revenue booked from all of TEGE Inc's business, which includes TEGE LLC, during 2012. 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 2012 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 2012 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 2012 Natural Gas Revenues	$ [redacted]

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

Thus, 5% of TEGE LLC's 2012 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, 2013.

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.

MY
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

Attachment D

MOODY'S
INVESTORS SERVICE

Credit Opinion: Integrys Energy Group, Inc.

Global Credit Research - 18 May 2012

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
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
Pref. 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
North Shore Gas Company	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1

Contacts

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

Key Indicators

[1]Integrys Energy Group, Inc.

	2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	**6.7x**	**6.0x**	**5.5x**	**5.3x**
(CFO Pre-W/C) / Debt	**28%**	**27%**	**27%**	**18%**
(CFO Pre-W/C - Dividends) / Debt	**21%**	**21%**	**20%**	**13%**
Debt / Book Capitalization	**41%**	**44%**	**45%**	**52%**

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

Attachment D

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

Opinion

Rating Drivers

Utility subsidiaries operate in diverse and relatively supportive regulatory environments

Repositioning of non-regulated businesses

Strong financial performance

Large capital spending program

Significant holding company debt and above average 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. The most sizable utilities are WPSC, a vertically-integrated electric utility headquarter in Green Bay, Wisconsin and PGL, a local natural gas distribution company(LDC) that operates in and around Chicago.

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

Integrys' non-regulated retail energy marketing business is focused on marketing natural gas and electricity to commercial, industrial and residential customers primarily in the northeastern quadrant of the United States. Moody's estimates Integrys' non-regulated energy marketing business currently accounts for 10- 15% of the company's annual cash flow .

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 is well positioned in the Baa1 rating category. The company's rating is supported by the underlying cash flow stability provided by its six regulated utility subsidiaries, a diverse, multi-state service territory and strong historical financial performance. The rating, however, is tempered by the degree of holding company debt, the risk profile of its non-regulated business and an above average dividend payout.

DETAILED RATING CONSIDERATIONS

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

Diverse and reasonably supportive regulatory environments

Integrys has successfully reduced the business risk profile of the enterprise through the acquisition of four regulated

Attachment D

gas utilities, MGUC in April 2006, MERC in June 2006 and NSG and PGL in February 2007 followed by a restructuring of its non-regulated business in 2009-2010. As a result, Integrys' regulated utilities (including its investment in ATC) which operates in four states, typically account for approximately 85-90% of its annual consolidated cash flow.

Generally speaking, Integrys' regulated LDC utilities operate in relatively supportive regulatory environments that provide PGL, NSG, MGU and MERC with rate mechanisms to pass gas costs directly to their customers and to recover bad debts. 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 and we expect the request to be approved in a final order expected in the second quarter. An offset to these allowed recovery mechanisms by regulators, a credit positive, is the below average allowed return on equity (9.45%) granted to PGL and NSG.

The supportive regulatory environments in which the LDC's operate combined with the strong regulatory environment provided in Wisconsin supports 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.

Reduced scale and scope of non-regulated energy marketing business

Integrys substantially reduced the scale and scope of its non-regulated energy marketing businesses in 2009-2010 largely by selling several businesses with substantial collateral requirements.

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.

Integrys has always provided collateral support on behalf of its non-regulated energy marketing businesses. As this business grew in scale, so did the collateral requirements, thereby pressuring Integrys' liquidity profile. The downsizing of this business segment, 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 less than $600 million as of March 31, 2012 from $2.5 billion at December 31, 2008. Cash collateral provided to third parties declined to $64 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 $271 million at March 31, 2012 from approximately $700 million at December 31, 2008.

Strong key financial metrics

Integrys achieved CFO-pre WC to debt of approximately 28% and cash flow coverage of interest expense of 6.7 times for 2011 compared to 27% and 6.0 times, respectively, in 2010. Integrys' strong financial metrics in these years were driven in part by the impact of bonus depreciation. Specifically, Integrys received a federal tax refund of $80 million in 2011 and $2 million in 2010. Without bonus depreciation, Moody's estimates that Integrys' key financial metrics would have ranged between 22-26% and 5-6 times, respectively, during this two-year timeframe.

The company anticipates a significant reduction in taxes again in 2012 due to bonus depreciation. Our rating and outlook assumes a normalization of depreciation and an expectation that Integrys maintains consolidated CFO-pre WC to debt in the 20-25% range and interest coverage in excess of 5.0 times over the next several years.

Integrys consolidated capital expenditure program for the three-year period 2012 through 2014 is significant at an estimated $2.3 billion (compared to $1.0 billion for the three year period ended 2011). The primary drivers for the increase in capital spending are PGL's accelerated cast iron replacement program and environmental controls on WPS's coal plant facilities. Both utilities are expected to file frequent rate cases to ensure timely recovery of these investments.

Integrys' subsidiaries are expected to fund their respective capital expenditure programs with internally generated

Attachment D

funds, incremental debt and parent equity contributions. Integrys anticipates an incremental holding company debt offering in the 2012-2014 timeframe and may issue equity to fund in part its capital expenditure program.

Significant holding company debt and above average dividend payout

Integrys' rating reflects in part the significant amount of holding company debt and the current high dividend payout ratio, which are the primary drivers for the two-notch rating difference between it and the senior unsecured rating assigned to WPSC, its largest regulated subsidiary. At 12/31/2011 long-term holding company debt was $708 million (adjusted for a $270M 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' dividend payout to its shareholders in 2011 was approximately $206 million or 90% of consolidated net income. That said, the company's earnings are somewhat influenced by mark-to-market accounting at its energy marketing business. For example, in 2011, the company earnings were skewed by $48 million (after-tax) of net unrealized losses on non-regulated energy contracts. Ignoring this non-cash impact, Integrys' dividend payout in 2011 was approximately 74%, which is slightly higher than industry average of 65-70%.

Liquidity Profile

Integrys proactively manages its liquidity profile to ensure access to funds in an amount comfortably in excess of all potential requirements.

Integrys' parent's external sources of liquidity include $1,210 million of unsecured revolving credit facilities commitments ($735 million due April 2013, $275 million due in May 2014 and $200 million due in May 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 facilities' 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 headroom under the capital structure covenant ; we estimate that Integrys' debt-to-capitalization for the purpose of this covenant is currently at approximately 45%.

Integrys had approximately $92 million of commercial paper outstanding and $34 million of letters of credit issued under its credit facilities at December 31, 2011. The average amount of parent commercial paper outstanding during fiscal year 2011 was $75 million. The company's most near-term debt maturity is $100 million in December 2012.

Availability under Integrys' credit facilities are more than adequate to meet the potential $271 million collateral requirement associated with a hypothetical downgrade of Integrys' rating to below investment grade. We anticipate Integrys will extend the maturity of its $735 million facility due April 2013 during the second quarter.

Separately, WPSC and PGL have access to three credit facilities totaling $500 million in commitments to support their respective business requirements.

Rating Outlook

The stable rating outlook reflects a reduced business risk profile associated with the completed restructuring of the company's non-regulated businesses and an expectation that Integrys' consolidated ratio of CFO pre-W/C to debt will continue to exceed 20% for the near-to- medium 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% without the benefit of any temporary items such as bonus depreciation 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

Attachment D

Integrys Energy Group, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	**Current 12/31/2011**		**Moody's 12-18 month Forward View* As of May 2012**	
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 (10%)		A		A
b) Generation and Fuel Diversity (0%)		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%)	6.0x	A	5.0x-6.0x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	27.6%	A	20-25%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	20.7%	A	15-17%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	43.3%	A	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 12/31/2011; Source: Moody's Financial Metrics

MOODY'S
INVESTORS SERVICE

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Attachment D

STANDARD & POOR'S
RATINGS SERVICES

RatingsDirect®
S&P Ratings Tearsheet

Generated on Apr 22, 2013 02:16 p.m. EST

Prepared for Luz Garcia

All figures quoted in millions based on entities' current reporting currency

Integrys Energy Group Inc. (A-/Stable/A-2)

Business Description*

Integrys Energy Group, Inc., a diversified energy holding company, engages in natural gas and electric utility operations, and non regulated energy operations in the United States and Canada. Its segments include Natural Gas Utility, Electric Utility, Electric Transmission Investment, and Integrys Energy Services. The company provides natural gas service to approximately 1,690,000 residential, commercial and industrial, transportation, and other customers in Chicago and the northern suburbs of Chicago; northeastern Wisconsin and an adjacent portion of Michiganâ€™s Upper Peninsula; various cities and communities throughout Minnesota, and the southern portion of lower Michigan. It also generates and supplies electricity to approximately 495,000 residential, commercial and industrial, wholesale, and other customers in northeastern Wisconsin and an adjacent portion of Michiganâ€™s Upper Peninsula. In addition, the company offers wholesale electric service to various customers, including municipal utilities, electric cooperatives, energy marketers, other investor-owned utilities, and municipal joint action agencies. As of December 31, 2012, it owned approximately 25,000 miles of electric distribution lines and approximately 181 distribution substations; and approximately 22,000 miles of natural gas distribution mains; approximately 1,000 miles of natural gas transmission mains; and approximately 300 natural gas distribution and transmission gate stations. Further, Integrys Energy Group, Inc. supplies and sells non regulated retail electricity and natural gas to commercial, industrial, and residential customers in deregulated markets. The company was formerly known as WPS Resources Corporation and changed its name to Integrys Energy Group, Inc. in February 2007. Integrys Energy Group, Inc. was founded in 1883 and is headquartered in Chicago, Illinois.

Major Rating Factors*

Strengths:

- Mostly lower-risk monopolistic, rate-regulated electric and gas businesses;
- Management's proactive efforts to decrease regulatory risk;
- Restructured, smaller size, lower-risk nonutility businesses; and
- Historically improved financial measures.

Weaknesses:

- A continued weak economy and slow growth could weaken cash flow over the medium term; and
- Increased capital spending over the medium term.

Issuer Credit Measures (as of April 20, 2013)

S&P Issuer Credit Rating	Rating Date	Rating	CreditWatch/Outlook	CreditWatch/Outlook Date
Foreign Long-Term	24-Jan-2012	A-	Stable	24-Jan-2012
Foreign Short-Term	21-Feb-2007	A-2		
Local Long-Term	24-Jan-2012	A-	Stable	24-Jan-2012
Local Short-Term	21-Feb-2007	A-2		

Recent Credit Research (as of April 22, 2013)

Date		Type	Description
19- 2013	Apr-	Commentary	Industry Report Card: Stable-To-Modestly Improved Industry Outlook Supports Ratings For U.S. Regulated Electric, Gas, And Water Utilities
15-	Feb-	Summary	Summary: Wisconsin Public Service Corp.

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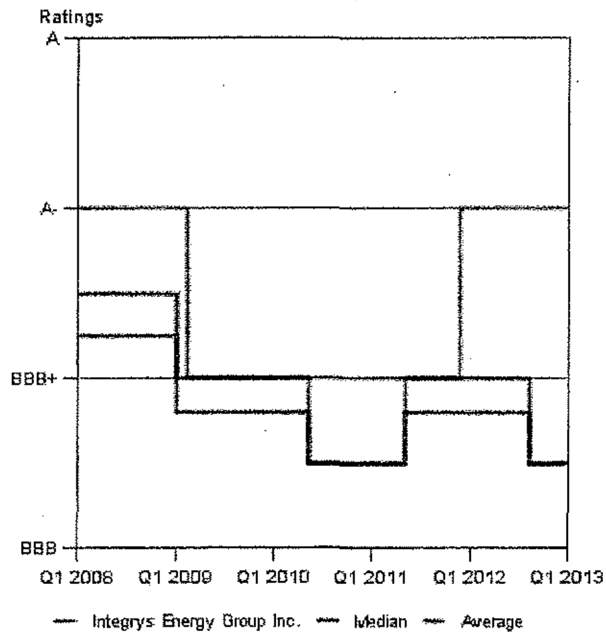
Integrys Energy Group Inc.		A-/Stable/A-2	USD in Millions	
Sub-sector: Utilities	Industry: Multi	[1]CDS: —	[1]CDS 90 day Hi/Lo: —	[1]CDS MDS: —
Rev: 4,212.40	EBITDA: 826.20	Debt/EBITDA: 4.18x	EBITDA Int Cov: 5.42x	

Analytical Contacts: S&P Primary Analyst - Ana M Olaya-Rotonti, New York (1 212-438-8668) & S&P Backup Analyst - Gerrit W Jepsen, CFA, New York (1 212-438-8668)

Recent Credit Research (as of April 22, 2013)

Date		Type	Description
2013		Analysis	
15-2013	Feb-	Summary Analysis	Summary: The Peoples Gas Light & Coke Co.
15-2013	Feb-	Summary Analysis	Summary: Peoples Energy LLC
15-2013	Feb-	Summary Analysis	Summary: North Shore Gas Co.
15-2013	Feb-	Summary Analysis	Summary: Integrys Energy Group Inc.
01-2013	Feb-	Commentary	Issuer Ranking: U.S. Electric, Gas, And Water Utilities, Strongest To Weakest
25-2013	Jan-	Commentary	Industry Economic And Ratings Outlook: U.S. Regulated Utilities Expected To Continue On Stable Trajectory In 2013
28-2012	Dec-	Commentary	Standard & Poor's Revises Its U.S. Utility Regulatory Assessments
19-2012	Nov-	News Comments	U.S. Regulated Utilities' Credit Stability Continues Amid Good Risk Management And Capital Access, Report Says

Foreign Long-Term Ratings History (Last 5 Years)



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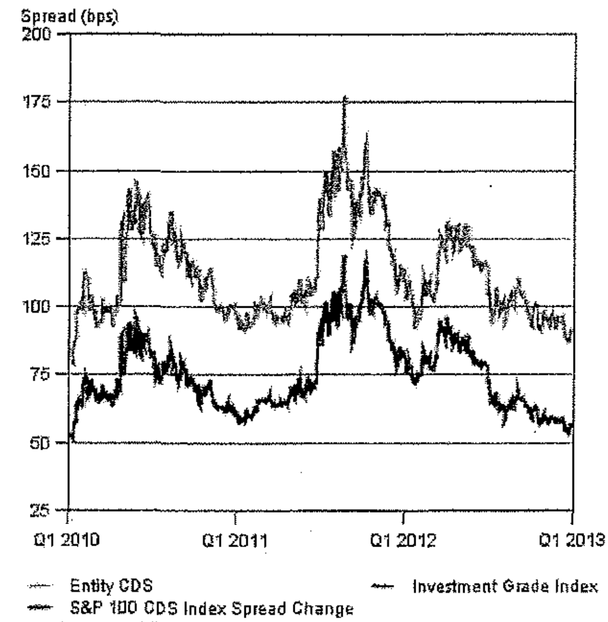
Credit Default Swap History (Last 3 Years)



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[1]CDS Data provided by CMA DataVision as of previous day closing values, EST.

Peer Group: Ratings Comparison — Global Multi Companies — Updated As of April 20, 2013

Rank	Issuers	ICR	ICR Date	Previous ICR	Previous ICR Date	CDS(bps)	MDS
1	ATCO Ltd.	A/Stable/--	07-Jan-2004	A+/Watch Neg/--	05-Mar-2003		
2	Canadian Utilities Ltd.	A/Stable/A-1	07-Jan-2004	A+/Watch Neg/A-1	05-Mar-2003		

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Integrys Energy Group Inc.	A-/Stable/A-2	USD in Millions		
Sub-sector: Utilities	Industry: Multi	[1]CDS: —	[1]CDS 90 day Hi/Lo: —	[1]CDS-MDS: —
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Peer Group: Ratings Comparison — Global Multi Companies — Updated As of April 20, 2013

Rank	Issuers	ICR	ICR Date	Previous ICR	Previous ICR Date	CDS(bps)	MDS
3	San Diego Gas & Electric Co.	A/Stable/A-1	02-Oct-2009	A/Negative/A-1	28-Jul-2008		
4	Integrys Energy Group Inc.	A-/Stable/A-2	24-Jan-2012	BBB+/Positive/A-2	21-Jan-2011		
5	Wisconsin Energy Corp.	A-/Positive/A-2	07-Jun-2012	A-/Stable/A-2	27-Jun-2011	44.6	a
6	Hera SpA	BBB+/Stable/A-2	23-Jun-2010	A-/Negative/A-2	17-Apr-2009		
7	MDU Resources Group Inc.	BBB+/Stable/A-2	28-Feb-2006	A-/Negative/A-2	08-Jan-2003		
8	SCANA Corp.	BBB+/Stable/A-2	06-Oct-2010	BBB+/Stable/NR	22-Apr-2009	94	bbb
9	Puget Sound Energy Inc.	BBB/Stable/A-2	16-Jan-2009	BBB-/Watch Neg/A-3	26-Oct-2007		
10	Acea SpA	BBB-/Negative/A-3	31-Oct-2012	BBB+/Negative/A-2	16-Mar-2012		
11	Puget Energy Inc.	BB+/Stable/--	16-Jan-2009	BBB-/Watch Neg/--	26-Oct-2007		

Peer Group: Financial Comparison — Global Multi Companies — Updated As of April 18, 2013

	Profitability						Leverage	Debt Servicing	
Issuers	Revenue	EBITDA	Cash Flow From Ops.	CAPEX	FOCF	Op. Inc./ Rev. (%)	Debt/ EBITDA (x)	EBITDA Int. Cov. (x)	FOCF/ Debt (%)
Hera SpA (30-Sep-2012)*	5,874.57	730.27	371.45	392.88	(21.44)	16.25	5.89	4.96	(0.82)
Wisconsin Energy Corp. (31-Dec-2012)*	4,246.40	1,450.03	1,275.53	704.80	570.73	33.85	3.85	5.32	10.21
ATCO Ltd. (31-Dec-2012)*	4,380.60	1,677.56	1,133.62	2,194.51	(1,060.89)	39.15	4.23	4.67	(15.08)
SCANA Corp. (31-Dec-2012)*	4,176.00	1,279.67	826.16	1,070.10	(243.95)	30.49	4.91	3.92	(3.88)
Acea SpA (30-Sep-2012)*	4,767.72	722.84	508.63	673.29	(164.66)	19.50	7.51	5.80	(5.02)
Integrys Energy Group Inc. (31-Dec-2012)*	4,212.40	826.20	773.82	643.10	130.72	19.35	4.18	5.42	3.79
San Diego Gas & Electric Co. (31-Dec-2012)*	3,694.00	1,390.17	1,064.57	1,207.00	(142.43)	37.80	3.48	5.36	(2.95)
MDU Resources Group Inc. (30-Sep-2012)*	4,060.04	773.98	582.61	795.11	(212.50)	19.43	2.64	7.71	(10.42)
Puget Energy Inc. (31-Dec-2012)*	3,215.16	1,277.18	932.19	1,017.11	(84.92)	39.97	4.62	3.16	(1.44)
Puget Sound Energy Inc. (31-Dec-2012)*	3,216.26	1,251.82	948.32	1,023.45	(75.13)	39.20	3.47	4.89	(1.73)
Canadian Utilities Ltd. (31-Dec-2012)*	3,152.39	1,443.61	943.78	1,956.55	(1,012.77)	46.74	4.44	4.42	(15.93)
Peer Group Average	**4,090.50**	**1,165.76**	**850.97**	**1,061.63**	**(210.66)**	**31.07**	**4.47**	**5.06**	**(3.93)**

** LTM as of*

All figures quoted in millions USD , based on the issuers base currency.

Peer Group: CreditStats Direct Comparison — Global Multi Companies — Updated As of April 18, 2013

	2012	2012 vs Peers	2011	2011 vs Peers	2010	2010 vs Peers	2009	2009 vs Peers	2008	2008 vs Peers
Revenue	4,212.40	3,786.65	4,708.70	4,036.20	5,203.20	3,822.75	7,499.80	4,068.83	14,047.80	4,840.17

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Integrys Energy Group Inc.		A-/Stable/A-2		USD in Millions
Sub-sector: Utilities	Industry: Multi	CDS: —	CDS 90 day Hi/Lo: —	CDS-MDS: —
Rev: 4,212.40	EBITDA: 826.20	Debt/EBITDA: 4.18x	EBITDA Int Cov: 5.42x	

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Peer Group: CreditStats Direct Comparison — Global Multi Companies — Updated As of April 18, 2013

	2012	2012 vs Peers	2011	2011 vs Peers	2010	2010 vs Peers	2009	2009 vs Peers	2008	2008 vs Peers
EBITDA	826.20	1,324.53	763.29	1,068.17	860.19	963.25	773.59	926.42	523.93	828.32
Cash Flow From Operations	773.82	1,000.50	821.82	808.51	863.06	697.27	1,647.50	739.17	(210.21)	589.36
CAPEX	643.10	1,334.57	368.88	940.50	294.90	746.97	495.32	738.59	571.56	810.63
Free Operating Cash Flow	130.72	(243.22)	452.93	(131.99)	568.16	(49.69)	1,152.19	0.58	(781.77)	(221.27)
Annual Revenue Growth (%)	(10.54)	(0.48)	(9.50)	8.88	(30.62)	(2.05)	(46.61)	(11.17)	36.49	16.45
Debt/EBITDA (x)	4.18	4.19	4.21	4.34	3.80	4.51	4.36	4.54	7.75	4.83
Operating Income (BefD&A)/Revenue (%)	19.35	35.82	16.11	28.82	16.25	27.97	10.28	27.28	3.77	22.13
EBITDA/Interest (x)	5.98	5.41	5.15	6.23	5.13	6.50	4.14	5.97	3.00	5.68
FOCF/Debt (%)	(0.93)	(4.86)	16.93	(2.06)	17.61	(0.49)	42.52	0.55	(21.43)	(6.13)

Rationale†

Standard & Poor's Ratings Services' ratings on Chicago-based Integrys Energy Group Inc. reflect Integrys' consolidated credit profile, including its "excellent" business risk profile and "significant" financial risk profile under our criteria.

Integrys's rate-regulated electric and gas utility subsidiaries include:

- Peoples Energy, LLC., formerly Peoples Energy Corp., an intermediate holding company of Peoples Gas Light & Coke Co. (PG) and North Shore Gas Co. (NSG);
- Wisconsin Public Service Corp. (WPS);
- Upper Peninsula Power Co.;
- Minnesota Energy Resources Corp.;
- Michigan Gas Utilities Corp.; and
- American Transmission Co. LLC, a rate regulated electric transmission company of which Integrys owns 34%.

Integrys's nonutility operations include Integrys Energy Services Inc., a retail energy marketing company, and the compressed natural gas operations of Integrys Transportation Fuels LLC, through two recently acquired subsidiaries, Trillium USA and Pinnacle CNG. Integrys's nonutility businesses also include solar projects, through its partnership with Duke Energy Generation Services.

We view Integrys's various businesses as a diversification of its nonutility operations, but we do not view them as an overall reduction of the nonutility risk portfolio and would not expect them to grow disproportionately. We expect Integrys to maintain the current size of its nonutility businesses and these to account for about 10% of consolidated funds from operations (FFO) and the remaining 90% to represent the more stable cash flows of the regulated utility business.

Integrys's excellent business risk profile reflects the company's lower-risk monopolistic rate-regulated businesses that provide an essential service, partly offset by the company's higher-risk nonutility businesses. Integrys has continued to effectively manage its regulatory risk in its service territories, including regular filing of rate cases, with the goal of further reducing regulatory lag. Rate cases were filed in Illinois and are currently pending for PG and NSG; the utilities requested increases of $102.7 million and $12.5 million, respectively. In Wisconsin, a settlement was recently approved by the Public Service Commission authorizing a rate increase of $28.5 million for WPS' electric rates, subject to certain offsets and deferrals in 2013 and a $3.4 million decrease in WPS's gas distribution rates.

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The riskier nonutility businesses reflect the highly competitive energy retail marketing industry that is characterized by minimal barriers to entry, low margins, and volatile cash flows. The primary risks are matching supply to variable loads or estimated sales volumes and maintaining sufficient liquidity for collateral and margin calls. The company continues to expand this business and was recently selected as the supplier of electricity for the city of Chicago's 900,000 customers.

Integrys's significant financial risk profile reflects the company's strong historical financial measures, despite the recession and the subsequent weak recovery. We expect financial measures to support the current rating in the future. However, lower sales volumes, driven by mild weather, may continue to pressure the company's consolidated finances. The company also faces uncertainty regarding the Illinois gas companies' further use of the decoupling mechanism pending the Appellate Court's decision, which may result in regulatory refunds and increase vulnerability to weather in the future.

For the 12 months ended Sept. 30, 2012, consolidated FFO to total debt was 18.6%, compared with 19.8% on June 30, 2012. Debt to EBITDA was 4.3x and debt to capital was 50.7%. Under our base-case scenario, over the next three years, we forecast FFO to debt of about 20%, debt to EBITDA to average 4.1x, and debt to total capital to equal about 50%. Key assumptions include a continued slow economy, frequent rate case filings, and timely recovery of large capital spending.

Integrys had positive discretionary cash flow in 2011, partly because of increased bonus depreciation and reduced capital spending. Over the next three years, we expect discretionary cash flow to revert to negative, primarily because of increased environmental capital spending and the acquisition of the Fox Energy Center. However, we expect Integrys to 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 cover its needs for the next year, even if FFO decreases.

Our liquidity assessment is based on the following factors and assumptions:

- We expect the company's liquidity sources (including cash, FFO, and credit facility availability) to exceed its uses by about 1.3x over the next 12 months.
- Debt maturities are manageable, with about $314 million maturing in 2013, $100 million maturing in 2014, and about $126 million maturing in 2015.
- Even if EBITDA decreases by 15%, we believe net sources will be well in excess of liquidity requirements.

The company can absorb high-impact, low-probability events with limited need for refinancing, has the flexibility to lower capital spending, has sound bank relationships and solid standing in the credit markets, and has generally prudent risk management.

In our analysis, we assumed liquidity sources of more than $1.8 billion over the next 12 months. Integrys has more than $1.6 billion currently committed under revolving credit facilities. We estimate the company will use about $1.4 billion over the same period for capital spending, debt maturities, working capital needs, and shareholder dividends.

Integrys's 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, 2012, the company had adequate cushion with respect to this financial covenant.

Outlook†

The stable rating outlook on Integrys reflects Standard & Poor's baseline forecast that consolidated FFO to debt and debt to total capital will equal about 20% and 50%, respectively, over the next three years. Significant risks to the forecast include higher-than-anticipated capital costs, a weaker-than-expected economy, or materially lower rate case increases than we predict. We could lower the rating if the nonutility business were to disproportionately grow to greater than 15% of the consolidated company

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USD in Millions

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or FFO to debt were to weaken to less than 18% on a consistent basis. We consider an upgrade to be highly unlikely, but it could occur if the company's FFO to debt were to be consistently greater than 30% and its debt to total capital less than 45% and if it were to maintain its excellent business risk profile.

Adjusted income statement as of March 12, 2013

	Annual 31-Dec-2012 USD	Annual 31-Dec-2011 USD	Annual 31-Dec-2010 USD	Annual 31-Dec-2009 USD	Annual 31-Dec-2008 USD
Sales	4,212.40	4,708.70	5,203.20	7,499.80	14,047.80
Other operating revenues	—	—	—	—	—
Revenues, pre-adjusted	**4,212.40**	**4,708.70**	**5,203.20**	**7,499.80**	**14,047.80**
Less: Captive finance revenues	0.00	0.00	0.00	0.00	0.00
Plus: Revenues, consolidating (deconsolidating)	—	—	—	—	—
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: Revenues - Finance/interest Income	—	—	—	—	—
Plus: Revenues - Profit on disposals	—	—	—	—	—
Plus: Revenues - Derivatives	—	—	—	—	—
Plus: Revenues (ad hoc)	—	—	—	—	—
Revenues, adjusted	**4,212.40**	**4,708.70**	**5,203.20**	**7,499.80**	**14,047.80**
Cost of goods sold	2,366.50	2,916.90	3,305.30	5,621.10	12,398.40
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Raw materials, supplies, and merchandise	—	—	—	—	—
Change in stocks	0.00	0.00	0.00	0.00	0.00
Capitalized costs	—	—	—	—	—
Staff expense, total	—	—	—	—	—
Taxes other than income	96.40	98.40	93.20	96.30	93.60
Operating expense, other	1,031.30	1,028.20	1,045.60	1,100.60	1,081.20
Income (expense) of unconsolidated companies	0.00	0.00	0.00	0.00	0.00
Special item gains/(losses)- disposals, restructuring, FX, asset sales	0.00	1.70	0.00	0.00	0.00
Operating expenses (bef. D&A), total, pre-adjusted	**3,494.20**	**4,045.20**	**4,444.10**	**6,818.00**	**13,573.20**
Operating income (bef. D&A), pre-adjusted	**718.20**	**663.50**	**759.10**	**681.80**	**474.60**
Plus: Trade receivables sold	—	—	—	—	—
Plus: OLA rent	8.50	9.15	10.70	11.35	9.70
Less: Captive finance revenues	0.00	0.00	0.00	0.00	0.00

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Attachment D

Integrys Energy Group Inc.		A-/Stable/A-2	USD in Millions	
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Adjusted Income statement as of March 12, 2013

	Annual 31-Dec-2012 USD	Annual 31-Dec-2011 USD	Annual 31-Dec-2010 USD	Annual 31-Dec-2009 USD	Annual 31-Dec-2008 USD
Plus: Captive finance operating expense	0.00	0.00	0.00	0.00	0.00
Plus: Revenues, consolidating (deconsolidating)	—	—	—	—	—
Less: Expenses, consolidating (deconsolidating)	0.00	0.00	0.00	0.00	0.00
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: ARO finance costs	20.40	17.10	11.70	9.70	7.80
Plus: PPA depreciation	40.30	40.30	36.40	31.20	27.00
Plus: PPA interest expense	14.59	14.59	16.67	17.65	11.58
Less: Capitalized development costs	0.00	0.00	0.00	0.00	0.00
Less: Infrastructure renewal costs	0.00	0.00	0.00	0.00	0.00
Plus: Capitalized Interest (EBITDA transfer from inventory)	—	—	—	—	—
Plus: Pension & other postretirement expense	12.90	12.00	11.20	19.20	(1.60)
Plus: Revenues - Finance/Interest Income	—	—	—	—	—
Plus: Revenues - Profit on disposals	—	—	—	—	—
Plus: Revenues - Derivatives	—	—	—	—	—
Plus: Revenues (ad hoc)	—	—	—	—	—
Plus: EBITDA - Income (expense) of unconsolidated companies	—	—	—	—	—
Plus: EBITDA - Gain/(Loss) on disposals of PP&E	—	—	—	—	—
Plus: EBITDA - Foreign Exchange gain/(loss)	—	—	—	—	—
Plus: EBITDA - Restructuring costs	—	2.00	—	—	—
Plus: EBITDA - Derivatives	—	—	—	—	—
Plus: EBITDA - Settlement (litigation/insurance) costs	—	—	—	—	—
Plus: EBITDA - Valuation gains/(losses)	—	—	—	—	—
Plus: EBITDA - Business Divestments	—	—	—	—	—
Plus: EBITDA - Inventory	—	—	—	—	—
Plus: EBITDA - Other	—	—	—	—	—

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Attachment D

Integrys Energy Group Inc.		A-/Stable/A-2	USD in Millions	
Sub-sector: Utilities	**Industry**: Multi	[1]**CDS**: —	[1]**CDS 90 day Hi/Lo**: —	[1]**CDS-MDS**: —
Rev: 4,212.40	**EBITDA**: 826.20	**Debt/EBITDA**: 4.18x	**EBITDA Int Cov**: 5.42x	

Analytical Contacts: S&P Primary Analyst - Ana M Olaya-Rotonti, New York (1 212-438-8668) & S&P Backup Analyst - Gerrit W Jepsen, CFA, New York (1 212-438-8668)

Adjusted Income statement as of March 12, 2013

	Annual 31-Dec-2012 USD	Annual 31-Dec-2011 USD	Annual 31-Dec-2010 USD	Annual 31-Dec-2009 USD	Annual 31-Dec-2008 USD
income/(expense)					
Plus: Operating expenses (ad hoc)	—	(0.30)	—	—	—
Operating income (bef. D&A), pension adjusted	**814.89**	**758.34**	**845.77**	**770.90**	**529.08**
D&A, pre-adjusted	**250.70**	**250.10**	**265.80**	**230.90**	**221.40**
Impairment charges/(reversals)	—	4.60	—	—	—
Asset valuation gains/(losses)	0.00	0.00	0.00	0.00	0.00
D&A, Impairment & Valuation changes, pre-adjusted	**250.70**	**254.70**	**265.80**	**230.90**	**221.40**
Plus: OLA depreciation	5.39	6.45	7.98	8.81	7.75
Less: Captive Finance depreciation	0.00	0.00	0.00	0.00	0.00
Plus: Depreciation, consolidating (deconsolidating)	—	—	—	—	—
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: PPA depreciation	40.30	40.30	36.40	31.20	27.00
Less: Amortized development costs	0.00	0.00	0.00	0.00	0.00
Less: Infrastructure renewal costs	0.00	0.00	0.00	0.00	0.00
Plus: D&A - Asset Valuation gains/(losses)	—	—	—	—	—
Plus: D&A - Impairment charges/(reversals)	—	(4.60)	—	—	—
Plus: D&A - Reverse Goodwill amortisation	—	—	—	—	—
Plus: D&A (ad hoc)	—	—	—	—	—
D&A, adjusted	**296.39**	**296.85**	**310.18**	**270.91**	**256.15**
Operating income (after D&A), adjusted	**518.50**	**461.49**	**535.59**	**499.99**	**272.93**
Non-operating income (expense), total	93.40	84.80	91.60	87.20	81.90
EBIT, pre-adjusted	**560.90**	**493.60**	**584.90**	**538.10**	**335.10**
Plus: EBIT - Finance/Interest income	—	—	—	—	—
Plus: EBIT - Income (expense) of unconsolidated companies	—	—	—	—	—
Plus: EBIT (ad hoc)	—	—	—	—	—
Less: Captive Finance investment income	0.00	0.00	0.00	0.00	0.00
Plus: Non-operating income/(expense), consolidating (deconsolidating)	—	—	—	—	—
Plus: Transfer pmt. (to) from	0.00	0.00	0.00	0.00	0.00

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Attachment D

Integrys Energy Group Inc.	A-/Stable/A-2	USD in Millions		
Sub-sector: Utilities	**Industry:** Multi	**[1]CDS:** —	**[1]CDS 90 day HI/Lo:** —	**[1]CDS MDS:** —
Rev: 4,212.40	**EBITDA:** 826.20	**Debt/EBITDA:** 4.18x	**EBITDA Int Cov:** 5.42x	

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Adjusted Income statement as of March 12, 2013

	Annual 31-Dec-2012 USD	Annual 31-Dec-2011 USD	Annual 31-Dec-2010 USD	Annual 31-Dec-2009 USD	Annual 31-Dec-2008 USD
captive fin. co.					
EBIT, adjusted	**611.90**	**546.29**	**627.19**	**587.19**	**354.83**
Interest expense, pre-adjusted	**120.20**	**128.80**	**147.90**	**164.80**	**158.10**
Plus: Capitalized interest	0.90	0.20	0.30	2.00	1.80
Plus: OLA interest expense	3.11	2.70	2.72	2.54	1.95
Plus: Interest from receivables sold	0.00	0.00	0.00	0.00	0.00
Plus: receivables sold interest adjustment	—	—	—	—	—
Less: Captive finance interest	0.00	0.00	0.00	0.00	0.00
Plus: Interest expense, consolidating (deconsolidating)	—	—	—	—	—
Plus: PPA interest expense	14.59	14.59	16.67	17.65	11.58
Plus: ARO finance costs	20.40	17.10	11.70	9.70	7.80
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Plus: Debt-like hybrid pmts. reported as dividends	—	—	—	—	—
Less: Equity-like hybrid pmts. reported as interest	0.00	0.00	0.00	0.00	0.00
Less: 50% of intermediate-equity hybrid pmts. reported as interest expense	(8.24)	(8.24)	(9.17)	(9.17)	(9.17)
Plus: 50% of intermediate-equity hybrid pmts. reported as dividends	1.55	1.55	1.55	1.55	1.55
Plus: Pension & other postretirement expense, normalized data	0.00	0.00	0.00	0.00	0.00
Plus: Interest expense - Derivatives	—	—	—	—	—
Plus: Interest expense - Shareholder loan	—	—	—	—	—
Plus: Interest expense (ad hoc)	—	—	—	—	—
Interest expense, adjusted (pensions normalized)	**152.51**	**156.70**	**171.67**	**189.08**	**173.61**
EBITDA, pre-adjusted	**718.20**	**663.50**	**759.10**	**681.80**	**474.60**
Plus: Trade Receivables sold	—	—	—	—	—
Plus: OLA interest expense	3.11	2.70	2.72	2.54	1.95
Less: Captive finance revenues	0.00	0.00	0.00	0.00	0.00
Plus: Captive finance operating expense	0.00	0.00	0.00	0.00	0.00
Plus: Revenues, consolidating (deconsolidating)	—	—	—	—	—
Less: Expenses, consolidating (deconsolidating)	0.00	0.00	0.00	0.00	0.00

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Attachment D

Integrys Energy Group Inc.		A-/Stable/A-2	USD in Millions	
Sub-sector: Utilities	**Industry:** Multi	**CDS:** —	**CDS 90 day Hi/Lo:** —	**CDS-MDS:** —
Rev: 4,212.40	**EBITDA:** 826.20	**Debt/EBITDA:** 4.18x	**EBITDA Int Cov:** 5.42x	

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Adjusted Income statement as of March 12, 2013

	Annual 31-Dec-2012 USD	Annual 31-Dec-2011 USD	Annual 31-Dec-2010 USD	Annual 31-Dec-2009 USD	Annual 31-Dec-2008 USD
Less: Nonrecourse interest	0.00	0.00	0.00	0.00	0.00
Less: Securitized interest	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of nonrecourse debt	0.00	0.00	0.00	0.00	0.00
Less: Amortized portion of securitized debt	0.00	0.00	0.00	0.00	0.00
Plus: ARO finance costs	20.40	17.10	11.70	9.70	7.80
Plus: PPA depreciation	40.30	40.30	36.40	31.20	27.00
Plus: PPA interest expense	14.59	14.59	16.67	17.65	11.58
Less: Capitalized development costs	0.00	0.00	0.00	0.00	0.00
Less: Infrastructure renewal costs	0.00	0.00	0.00	0.00	0.00
Plus: Capitalized Interest (EBITDA transfer from inventory)	—	—	—	—	—
Plus: Exploration costs	—	—	—	—	—
Plus: Dividends received from equity investments	—	—	—	—	—
Plus: Pension & other postretirement expense	12.90	12.00	11.20	19.20	(1.60)
Plus: Stock compensation expense	16.70	11.40	22.40	11.50	2.60
Plus: Revenues - Finance/Interest Income	—	—	—	—	—
Plus: Revenues - Profit on disposals	—	—	—	—	—
Plus: Revenues - Derivatives	—	—	—	—	—
Plus: Revenues (ad hoc)	—	—	—	—	—
COGS- Restructuring costs	—	—	—	—	—
COGS- Valuation gains/(losses)	—	—	—	—	—
COGS- Other non-operating nonrecurring items	—	—	—	—	—
SG&A- Restructuring costs	—	—	—	—	—
SG&A- Valuation gains/(losses)	—	—	—	—	—
SG&A- Other non-operating nonrecurring items	—	—	—	—	—
R&D- Restructuring costs	—	—	—	—	—
R&D- Valuation gains/(losses)	—	—	—	—	—
R&D- Other non-operating nonrecurring items	—	—	—	—	—
RMS&M- Restructuring costs	—	—	—	—	—
RMS&M Valuation gains/(losses)	—	—	—	—	—
RMS&M- Other non-operating nonrecurring items	—	—	—	—	—
Staff - Restructuring costs	—	—	—	—	—

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Attachment D

Integrys Energy Group Inc.		A-/Stable/A-2	USD in Millions	
Sub-sector: Utilities	**Industry**: Multi	!**CDS**: —	!**CDS 90 day Hi/Lo**: —	!**CDS-MDS**: —
Rev: 4,212.40	**EBITDA**: 826.20	**Debt/EBITDA**: 4.18x	**EBITDA/Int Cov**: 5.42x	

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Adjusted Income statement as of March 12, 2013

	Annual 31-Dec-2012 USD	Annual 31-Dec-2011 USD	Annual 31-Dec-2010 USD	Annual 31-Dec-2009 USD	Annual 31-Dec-2008 USD
Staff - Valuation gains/(losses)	—	—	—	—	—
Staff - Other non-operating nonrecurring items	—	—	—	—	—
Plus: EBITDA - Income (expense) of unconsolidated companies	—	—	—	—	—
Plus: EBITDA - Gain/(Loss) on disposals of PP&E	—	—	—	—	—
Plus: EBITDA - Foreign Exchange gain/(loss)	—	—	—	—	—
Plus: EBITDA - Restructuring costs	—	2.00	—	—	—
Plus: EBITDA - Derivatives	—	—	—	—	—
Plus: EBITDA - Settlement (litigation/insurance) costs	—	—	—	—	—
Plus: EBITDA - Valuation gains/(losses)	—	—	—	—	—
Plus: EBITDA - Business Divestments	—	—	—	—	—
Plus: EBITDA - Inventory	—	—	—	—	—
Plus: EBITDA - Other income/(expense)	—	—	—	—	—
Plus: Operating expenses (ad hoc)	—	(0.30)	—	—	—
EBITDA, adjusted	**826.20**	**763.29**	**860.19**	**773.59**	**523.93**

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Attachment D

*Full Analysis:Integrys Energy Group Inc., published 10-Feb-2012

†Summary Analysis: Integrys Energy Group Inc., published 15-Feb-2013

Header information displayed is for the most recent data available with S&P Adjusted LTM financials.

[1]CDS Data provided by CMA DataVision as of previous day closing values, EST.

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NOTE 26—SEGMENTS OF BUSINESS

At December 31, 2012, we reported five segments, which are described below.

- The natural gas utility segment includes the regulated natural gas utility operations of MERC, MGU, NSG, PGL, and WPS.
- The electric utility segment includes the regulated electric utility operations of UPPCO and WPS.
- The electric transmission investment segment includes our approximate 34% ownership interest in ATC. ATC is a federally regulated electric transmission company with operations in Illinois, Michigan, Minnesota, and Wisconsin.
- Integrys Energy Services is a diversified nonregulated retail energy supply and services company that primarily sells electricity and natural gas 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 IBS, MERC, MGU, NSG, PGL, UPPCO, and WPS. 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			
2012 *(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	$ 1,662.1	$ 1,297.4	$ —	$ 2,959.5	$ 1,217.6	$ 35.3	$ —	$ 4,212.4
Intersegment revenues	9.9	—	—	9.9	0.9	1.9	(12.7)	—
Depreciation and amortization expense	131.8	89.0	—	220.8	10.3	20.1	(0.5)	250.7
Earnings from equity method investments	—	—	85.3	85.3	1.1	0.8	—	87.2
Miscellaneous income	0.6	2.6	—	3.2	1.1	20.9	(15.9)	9.3
Interest expense	47.3	35.9	—	83.2	2.1	50.8	(15.9)	120.2
Provision (benefit) for income taxes	61.4	49.4	32.9	143.7	25.8	(19.7)	—	149.8
Net income (loss) from continuing operations	94.0	110.4	52.4	256.8	52.6	(15.4)	—	294.0
Discontinued operations	—	—	—	—	(11.5)	1.8	—	(9.7)
Preferred stock dividends of subsidiary	(0.6)	(2.5)	—	(3.1)	—	—	—	(3.1)
Noncontrolling interest in subsidiaries	—	—	—	—	—	0.2	—	0.2
Net income (loss) attributed to common shareholders	93.4	107.9	52.4	253.7	41.1	(13.4)	—	281.4
Total assets	5,446.2	3,041.3	476.6	8,964.1	749.2	1,267.8	(653.7)	10,327.4
Cash expenditures for long-lived assets	375.1	163.9	—	539.0	30.9	24.4	—	594.3