



INTEGRYS ENERGY GROUP, INC.

CHARTER

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Purpose

The Audit Committee (“Committee”) of IntegrYS Energy Group, Inc.’s Board of Directors (the “Board”) shall assist the Board in fulfilling the Board’s oversight responsibilities to the shareholders. The Committee shall provide this assistance by overseeing the:

- Preparation by management and audit by registered public accountants of the financial statements of IntegrYS Energy Group, Inc. (the “Company”),
- Company’s compliance with legal and regulatory requirements,
- Independent auditor’s qualifications and independence,
- Performance of the Company’s internal audit function and independent auditors, and
- Company’s system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance, and ethics that management and the Board have established.

The Committee shall foster a candid, active, and substantive dialogue by raising necessary and difficult issues and asking pertinent and probing questions of management, independent auditors, and internal auditors on a regular basis. The Committee will make regular reports to the Board concerning its activities.

Composition

1. The Committee shall be comprised of three or more independent directors, as defined by the rules of the Securities and Exchange Commission and the New York Stock Exchange. The Board will appoint Committee members and the Committee Chair. Each Committee member shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of the Committee member’s independent judgment. Committee members will not serve on more than a total of three public company audit committees without the approval of the Board of Directors.
2. Each Committee member shall have a working familiarity with financial and accounting practices, and at least one member of the Committee shall be designated an “audit committee financial expert” in compliance with the criteria established by the Securities and Exchange Commission and any other applicable regulations.

Meetings

1. The Committee shall meet at least four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.



2. Periodically, but in no event less than annually, the Committee shall meet separately in executive session with each of these groups: management, the independent auditors, and internal auditors.
3. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The Committee shall maintain minutes of meetings and regularly report to the Board on significant results of its activities (including reporting any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors and the performance of the internal audit function).

Oversight Areas

1. The Committee shall oversee the processes that management has established, including policies and procedures, to assure:
 - An adequate system of internal control is functioning within the Company.
 - The reliability and integrity of the accounting policies, financial reporting, and disclosure practices of the Company.
 - Management has an understanding of the Company's business risks.
 - Enforcement and monitoring of compliance with the Company's Code of Conduct, which includes the Company's compliance with applicable laws and regulations.
2. The Committee shall take steps to familiarize its members with significant issues and/or changes to accounting and financial reporting areas that affect the Company, including its subsidiaries.
3. The Committee shall oversee the external audit process by:
 - Being directly responsible for selecting, retaining, compensating, evaluating and overseeing the independent auditor, including understanding the scope of and approving the fees for the audit engagement.
 - At least annually, review a report by the independent auditors describing the internal and external quality control procedures and any material issues raised by the most recent reviews and also any inquiry or investigation by governmental or professional authority within the preceding five years related to an audit, including steps taken to deal with any such issues.
 - Reviewing at least annually:
 - + Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
 - + Analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the



preparation of the financial statements, including analysis of the effects of alternative GAAP methods on the financial statements;

- + The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on financial statements of the Company.

- Ensuring that the independent auditor understands that the independent auditor is ultimately accountable to the Committee.
 - Reviewing and appraising the efforts of the independent auditor, including an evaluation of the lead (or coordinating) audit partner, and, if necessary, replacing the independent auditor. In so reviewing and appraising the efforts of the independent auditor, the Committee must ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law and should consider whether, in order to assure continuing auditor independence, there should be rotation of the audit firm itself.
 - Reviewing with the independent auditor any audit problems or difficulties and management's response.
 - Ensuring that the independent auditor at least annually, in writing, (1) describes all relationships between the independent auditor and the Company or persons in financial reporting oversight roles at the Company, that may be reasonably be thought to bear on the auditor's independence, pursuant to PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and, (2) affirms that the independent auditor is independent in compliance with PCAOB Rule 3520, Auditor Independence.
 - Reviewing and discussing with the independent auditor matters arising in the audit, including matters required to be communicated to the Committee pursuant to PCAOB AU 380, *Communications with Audit Committees*; Rule 2-07, *Communication with Audit Committees* (Rule 2-07), of SEC Regulation S-X; PCAOB Auditing Standard No. 5; and the New York Stock Exchange Corporate Governance Listing Standards.
 - Dialoguing with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor.
 - Preapproving and disclosing, as required, all services provided by the independent auditor, including non-audit services.
 - Recommend to the Board or set policies that meet all applicable requirements for the Company's hiring of employees or former employees of the independent auditors.
4. The Committee, along with the Board, shall oversee the duties and results of the internal audit function to ensure that the internal audit function operates effectively and efficiently.
 5. The Committee will establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential and anonymous submissions by employees of concerns regarding questionable accounting, auditing, and internal control matters. This process should ensure that complaints received are retained and addressed in a timely manner.



6. The Committee shall review and discuss with management and the independent auditors the annual and quarterly financial statements included in the Company's 10-K and 10-Q filings including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee will recommend to the Board whether the annual financial statements be included in the Company's 10-K.
7. The Committee will review the type and presentation of information to be included in earnings press releases at least annually (including a review of any use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and ratings agencies.
8. The Committee will discuss policies with respect to risk assessment and risk management.
9. The Committee shall annually prepare a report to shareholders and shall cause the Company to include it in its annual proxy statement, as required by the Securities and Exchange Commission.
10. The Committee shall review and reassess the adequacy of this Charter at least annually.
11. The Committee shall at least annually perform a self-assessment of the Committee's performance.
12. The Committee shall be empowered to retain independent counsel and other professionals to assist the Committee. The Committee, in its capacity as a committee of the Board, shall determine the appropriate funding that the Company shall provide for payments of:
 - (a) compensation to any independent public accountant engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
 - (b) compensation to any advisers employed by the Committee, as provided for above; and
 - (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
13. The Committee shall perform any other activities consistent with this Charter, the Company's articles of incorporation and by-laws, and the governing law, as the Committee or the Board deems necessary or appropriate.