

Corporate Governance Guidelines

of



Integrys Energy Group, Inc.

Adopted by the Board of Directors as of December 17, 2009



Corporate Governance Guidelines of IntegrYS Energy Group, Inc.

The Board of Directors (the “Board”) of IntegrYS Energy Group, Inc. (the “Company”) has adopted the following Corporate Governance Guidelines to assist in exercising its responsibilities. The Corporate Governance Guidelines were developed by the Governance Committee and recommended to the Board for their approval. These Corporate Governance Guidelines reflect the Board’s commitment to monitoring the effectiveness of policy and decision making both at the Board and management level.

Mission and Responsibilities of the Board

Mission Statement

The Board’s mission is to maximize long-term shareholder value.

Responsibility of the Board

The business and affairs of the Company will be managed in accordance with the By-laws of the Company under the direction of the Board. To further its mission, the Board delegates certain authority to management. The Board also advises management and expects and requires that the Company’s management and employees operate in a legal and ethically responsible manner. To this end, the Board has approved a Code of Conduct that applies to all of the Company’s directors, officers, and employees.

These Corporate Governance Guidelines are not intended to describe all of the Board’s responsibilities, nor address all requirements placed on the Board under Federal or state laws or regulations.

Board Structure

Number of Directors

The Board will strive to have a minimum of 9 directors and a maximum of 15 directors. This number of directors encourages diversity of experience without diminishing individual accountability or effective discussion.

Board Composition

A minimum of two-thirds of the Board will be directors who qualify as independent directors (“Independent Directors”) under the listing standards of the New York Stock Exchange (the “NYSE”).

The Board annually reviews the direct and indirect relationships that each director has with the Company. Following such review, only those directors who the Board determines have no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under applicable law. To aid in determining the independence of directors, the Board adopted categorical standards to use when making this determination. These standards are attached as Exhibit A.

Chairman of the Board and Chief Executive Officer

The Board believes that the roles of Chairman of the Board (“Chairman”) and Chief Executive Officer (“CEO”) can be split between two persons or be held by the same person. The Chairman presides at the



meetings of the Board of Directors and guides the Board in the exercise of its duties. The CEO acts as the liaison between the Board and the Company's operating organizations and provides critical leadership for the strategic objectives of the Company.

Lead Independent Director

If the Chairman is not an independent director, the Company's Independent Directors will select one person to serve as a lead Independent Director (the "Lead Independent Director"). The Lead Independent Director's role will include:

- Chair executive sessions of the independent directors.
- Serve as liaison between the Chairman and/or CEO and the independent directors, including, communicating to the Chairman, as appropriate, the results of executive sessions of the independent directors.
- Ensure that independent directors have adequate opportunities to meet without management present.
- Serve as designated contact for communication to independent directors as required by Securities and Exchange Commission and New York Stock Exchange standards, including being available for consultation and direct communication with major shareholders.
- Coordinate with the CEO on the agenda and information sent in connection with Board meetings and ensure that the other independent directors also have an opportunity to provide input on the agenda.
- Coordinate with the CEO on meeting schedules to assure that there is sufficient time for discussion of all agenda items.
- Chair Board meetings if the Chairman is unable to attend.
- Coordinate the annual evaluation of the Chief Executive Officer through the Compensation Committee.
- Lead the review of the Board of Directors' self-assessment and evaluation process through the Governance Committee.
- Maintain the authority to call meetings of the Board of Directors and meetings of the independent directors.
- Promote effective communication on developments occurring between Board meetings.

The Lead Independent Director will serve a one-year term and may not serve more than three consecutive one-year terms.

Committees

The Company has the following standing committees: Audit, Compensation, Environmental, Financial, and Governance. The Board may periodically form a new committee, including an ad hoc committee, or disband an existing committee, depending on the circumstances.

The Audit, Compensation, and Governance committees will be entirely comprised of, and chaired by, Independent Directors satisfying applicable legal, regulatory, and stock exchange requirements necessary for an assignment to any such committee. In addition, the Financial and Environmental Committees will be comprised of a majority of Independent Directors.

The Governance Committee evaluates and makes recommendations to the Board concerning the number and composition of committees, committee responsibilities and assignments, committee member rotation practices, and director compensation. The Board will then be responsible for annually appointing the Chair and members of the committees.



Committee Charters

Each committee will have a charter, which will be approved by the Board. The duties of committees will be reviewed annually by the appropriate committee, and any recommended changes will be presented to the full Board for consideration. Committees are empowered to act on behalf of the full Board for those areas that the Board has prescribed.

Information Respecting the Company and its Subsidiaries

The Board will be informed of significant developments concerning the Company and its subsidiaries. The CEO, with the assistance of management, is charged with the task of presenting material information to the Board in this regard.

Corporate Support

The Corporate Secretary serves as secretary to the Board and may also serve as secretary to the Board committees at their request. The Corporate Secretary, at the request of the Chairman, CEO, or the committee chairs, as appropriate, arranges meetings, provides meeting agendas, and facilitates the materials presented to the Board and its committees.

Directors

Nominees and Criteria for Election to the Board

The Governance Committee recommends nominees to the full Board for annual director elections. Nominees are selected on the basis of, among other things, knowledge, experience, skills, expertise, diversity, personal and professional integrity, business judgment, time availability in light of other commitments, absence of conflicts of interest, and such other relevant factors that the Committee considers appropriate in the context of the needs of the Board. In screening director candidates, the Governance Committee will review potential conflicts of interest, including interlocking directorships and substantial business, civic, and social relationships with other members of the Board that could impair the prospective candidate's ability to act independently. In connection with potential nominees recommended by the Governance Committee or shareholders, the Board has adopted a policy attached as Exhibit B covering (a) the consideration of director nominees recommended by shareholders; (b) specific, minimum qualifications that must be met by a nominating committee-recommended nominee and any specific qualities or skills that the nominating committee believes are necessary for directors to possess; (c) the process for identifying and evaluating nominees for director, and, if different, the process for evaluating a shareholder-recommended nominee; and (d) the procedures to be followed by shareholders in submitting recommendations.

If a director is appointed by the Board, such director will stand for election at the next Annual Meeting of Shareholders regardless of whether or not the class to which the director was appointed was slated for re-election at that meeting.

Stock Ownership Guidelines

Directors will acquire stock in the Company in accordance with the Company's Stock Ownership Guidelines for officers and directors.

Retirement Age

No director shall be eligible for election after attaining the age of 72 years.



Director Tenure

In connection with each director nomination recommendation, the Governance Committee will consider the issue of continuing director tenure and take appropriate steps to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. Re-nomination is dependent upon the Governance Committee's determination that re-nomination is appropriate.

A member of the Board of Directors may not stand for election after serving ten consecutive three-year terms without the Independent Directors making a unanimous, affirmative determination that the interests of the Company are best served by the director continuing to stand for election. This determination will be disclosed in the proxy statement for which the director is standing for re-election.

Changes in Professional Responsibility

The Board should consider the impact of a change in an individual's professional responsibilities on that person's ability to fulfill directorship obligations. To facilitate the Board's consideration, (i) employee directors will submit a resignation as a matter of course upon resignation or termination of employment with the Company, or other significant reduction in their professional roles, and (ii) all non-employee directors will submit a resignation as a matter of course upon resignation or termination from their current job or other significant change in their professional roles (not including changes due to their retirement). This policy will allow the Board to determine whether or not to accept the resignation if the change in employment status constitutes a significant enough change that the director should not continue to serve on the Board.

Director Compensation

The Company's philosophy is that compensation for non-management directors should be competitive and should encourage increased Company ownership by making a portion of director compensation equity based. The Governance Committee will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry, and complexity. The Governance Committee will present its recommendation to the full Board for consideration of any compensation changes. The Governance Committee will obtain input from the Company's Human Resources Department and outside compensation consultants, as needed.

A director who is also an employee or officer of the Company or one of its wholly owned subsidiaries will not receive additional compensation for such directorship.

Director fees and other compensation related to their service as a director (including pension, deferred compensation, stock related awards, additional amounts paid to chairs of committees and to members of committees of the Board, etc.) are the only compensation a member of the Audit Committee may receive from the Company. No fees for professional services are allowed to be paid to any director.

Outside Board Memberships – Management Directors

The CEO and other management members of the Board, if any, will seek the approval of the Board before accepting outside board memberships. The Governance Committee will review annually the outside and not-for-profit board memberships of the CEO and executive officers.



Outside Board Memberships – All Directors

Members of the Board of Directors (whether employee or non-management directors) may serve on no more than the following number of public company boards:

- If actively employed, no more than three other public company boards
- If retired or not actively employed, no more than five other public company boards

In addition, no member of the Audit Committee may serve on more than two other public companies' audit committees without the approval of the Board of Directors.

Responsibility of Oversight

The directors of the Company have the responsibility to provide oversight to management on the following:

1. Fundamental operating, financial and other corporate plans, strategies, and objectives
2. The performance of the Company and its senior management
3. Compensation of the CEO and other senior executives
4. Policies of corporate conduct, including compliance with applicable laws and regulations, and maintaining accounting, financial, and other controls
5. Providing appropriate financial and operational information to decision makers (including Board members)

Responsibility of Diligence and Knowledge

The directors of the Company have the responsibility to have a basic understanding of the:

1. Principal operational and financial objectives, strategies, and plans of the Company
2. Results of operations and financial condition of the Company and any significant subsidiaries
3. The business segments and subsidiaries within the Company

The directors of the Company have the responsibility to satisfy themselves that an effective system is in place for periodic and timely reporting to the Board on the following matters:

1. Current business and financial performance, including the degree of achievement of approved objectives and the need to address forward-planning issues
2. Financial statements, with appropriate segment breakdowns
3. Compliance with laws and corporate policies
4. Material litigation and regulatory matters

Responsibility of Loyalty

Directors should not use their corporate position to make personal profit or to gain a personal advantage. When a director, directly or indirectly, has a financial or personal interest in a transaction to which the Company is to be a party, the director should obtain the approval of the Governance Committee to participate in any decisions regarding the transaction or should refrain from participating in any decisions regarding the transaction.

Responsibility of Confidentiality

A director should deal in confidence with all matters involving the Company until such time that there has been general public disclosure and should maintain the confidentiality of all confidential information of the Company.

Board Operations

Frequency of Meetings

There are at least five regularly scheduled meetings of the Board each year.

Expectations of Directors

Directors are expected to attend all or substantially all meetings of the Board and the committees on which they serve and to read in advance the meeting materials. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chairperson of the appropriate committee in advance of such meeting. Non-management directors are expected to be willing to serve on one or more committees of the Board, if requested. Directors are also expected to spend the necessary time to discharge their responsibilities appropriately and to ensure that other commitments do not materially interfere with their responsibilities as members of the Board.

Directors are also expected to attend the Annual Meeting of Shareholders where they will be introduced and shareholders will have an opportunity to interact with them.

Attendance

The Chairman presides at all meetings of the Board. In the absence of the Chairman, the Lead Independent Director will preside. In the absence of the Lead Independent Director and the Chairman, the CEO shall preside. The CEO's senior management team, outside corporate counsel, and the Corporate Secretary are expected to attend all meetings of the Board, subject to the Board's decision to excuse one or more of these individuals from all or portions of any meeting.

Independent Auditors

The Board understands the importance of the selection of the independent auditors and requires that the selection is the direct responsibility of the Audit Committee. In addition, shareholders will ratify the selection of the independent auditors as part of the Company's annual proxy.

Strategic Planning

The Board holds an annual strategic planning session. The Chairman, in consultation with the CEO and/or the Lead Independent Director, as applicable, will suggest the timing and agenda for this meeting. Further, to facilitate strategic planning through constructive dialogue among top management and Board members, members of senior management who are not directors may be invited to participate in the strategic planning session.

Director Orientation and Continuing Education

The Company provides a director orientation program to familiarize new directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, insider trading compliance programs, conflict policies, code of business conduct and ethics, corporate governance guidelines, and principal officers, as well as visits to the Company's headquarters or other operating sites or facilities. Each director is also expected to participate in continuing educational programs in order to maintain the necessary level of expertise.



Access to Top Management

Independent Directors are free to contact members of senior management and, as appropriate, the Company's outside advisors. Board members will use their judgment to assure that this access is not distracting to the business operations of the Company and is consistent with their role as members of the Board.

The Board encourages the CEO to bring members of management from time to time into Board meetings to provide management insight and make presentations to the Board on matters that involve the manager, and to introduce managers with significant potential.

Independent Advice

The Board may seek expert advice from a source independent of management and retain experts as needed.

Executive Sessions of Non-Management Directors

An executive session of non-management directors without management present is held at each regularly scheduled Board meeting with the Chairman (if an independent director) or the Lead Independent Director presiding (the "Presiding Director"). If the Presiding Director is absent, the Chair of the Governance Committee will preside.

In the event that the non-management directors include directors who are not independent under the NYSE listing standards, the Company should, at least once a year, schedule an executive session including only Independent Directors.

Communications with Non-Management Directors – General

Any interested parties desiring to communicate with the Presiding Director or any other non-management director regarding the Company may contact the Presiding Director in care of the Corporate Secretary, at the Company's corporate office, 130 E. Randolph Drive, Chicago, IL 60601. The Corporate Secretary will forward communications received to the Presiding Director; however, the Company has discretion to exclude from transmittal communications that are commercial advertisements or other forms of solicitation. The Presiding Director will review with the Board, or a Board committee, as appropriate, such communications.

Communications with Audit Committee on Complaints Regarding Accounting, Internal Accounting Controls, or Auditing Matters

Employees and others having concerns over accounting, internal accounting controls, or auditing matters, may communicate with the Audit Committee of the Board of Directors. Options for doing so include sending written notice to either the Corporate Secretary or Director of Audit Services at 130 E. Randolph Drive, Chicago, IL 60601. In addition, employees may submit concerns anonymously to the Business Integrity Helpline. All such concerns will be forwarded to the Audit Committee quarterly. Significant issues will be raised promptly with the Audit Committee, and the Audit Services Department, Corporate Secretary, and the Chief Compliance and Ethics Officer, or outside parties will review such matters as requested. The Audit Committee has the authority to hire outside counsel and/or advisors to address concerns presented and will report them quarterly to the Board. The Company's Code of Conduct prohibits any retaliatory action against any employee for raising concerns. All materials associated with concerns raised will be retained until the concern has been addressed and then will be retained consistent with the Company's record retention program.

Mailing Board Meeting Materials

To the extent practicable, directors receive important information and materials for Board meetings sufficiently in advance of the meeting to allow for prior review. In the event of a pressing need for the Board to meet on short notice or if the materials would contain highly confidential or sensitive information, written materials may not be available in advance of the meeting.

Board Evaluation

The Governance Committee coordinates an annual self-assessment of the performance of the Board and each committee thereof. The assessment should include a review of any areas in which the Board believes the Board can make a better contribution to the Company and also a review of the Board's effectiveness in fulfilling its responsibilities in a manner that serves the best interests of the Company and its shareholders. The results of the assessment will be discussed with the full Board and each committee. Each director also receives an individual self-assessment annually that is used for personal self-assessment. The Governance Committee will use the results of the Board and Committee self-assessments in assessing and determining the characteristics and critical skills required of prospective Board members and making recommendations to the Board with respect to committee assignments of the Board. The Governance Committee also reviews the directors standing for re-election and may evaluate individual directors as appropriate before renominating a director for election.

Leadership Development

Selection of the CEO

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's CEO. In doing so, the Board will consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, skills, integrity, reputation in the business community, and willingness to devote the necessary time and effort to make the Company successful. The Board may appoint an ad hoc committee to lead the selection process.

Evaluation of the CEO

Each year the Compensation Committee will evaluate the CEO's performance in light of their review of corporate goals and objectives relevant to the CEO. The Compensation Committee will review the results of its evaluation with the non-management directors in executive session. This assessment should include:

- The Company's performance and the CEO's contribution to it, both compared to competitors and the Company's own strategic goals;
- Achievement of personal goals set by the CEO for the year, as part of his or her self-evaluation; and
- Other aspects of the CEO's performance, which the non-management directors deem relevant.

Management Succession

The Board will plan for CEO succession. To provide assistance, the CEO periodically prepares and distributes to the Board a report on succession planning for all senior officers of the Company with an assessment of senior officers and the potential to succeed the CEO and other senior management positions. The Board should also have a short-term succession plan, which outlines a temporary plan for succession if the CEO should unexpectedly become unable to perform his/her duties. If such events



were to occur, the Presiding Director would convene a meeting of the Board to appoint a temporary replacement of the CEO.

Removal of the CEO

When it is appropriate or necessary, it is the Board's responsibility to remove the CEO and to select his or her successor.

Management Development

The Board will determine that a satisfactory system is in effect for education, development, and orderly succession of senior officers throughout the Company.

Review of Corporate Governance Guidelines

The Governance Committee will annually review the Corporate Governance Guidelines and recommend to the Board such revisions as the Committee deems appropriate.

Disclosure of Corporate Governance Guidelines

Consistent with the requirements of the New York Stock Exchange, the Corporate Governance Guidelines will be, and the Company's annual proxy statement will state that these Guidelines are, included on the Company's web site.

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