

INTEGRYS ENERGY GROUP, INC.
Form DEF 14A
April 02, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

Integrus Energy Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- ☐ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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Integrys Energy Group, Inc.

130 East Randolph Drive, Chicago, Illinois 60601

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 13, 2009**

The Integrys Energy Group annual meeting will be held on Wednesday, May 13, 2009, at 10:00 a.m., Central daylight time, at the Weidner Center, on the campus of the University of Wisconsin-Green Bay, 2420 Nicolet Drive, Green Bay, Wisconsin. Our shareholders are asked to vote to:

1. Elect Keith E. Bailey, Kathryn M. Hasselblad-Pascale, John W. Higgins, James L. Kemerling and Charles A. Schrock to one-year terms on the Board of Directors or until their successors have been duly elected; and
2. Ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm for Integrys Energy Group and its subsidiaries for 2009.

Also, as necessary or desirable, shareholders will consider and act upon any other business properly brought before the annual meeting and any adjournment or postponement thereof.

Our board of directors recommends a vote "FOR" Items 1 and 2. Only shareholders of record at the close of business on March 19, 2009 are entitled to notice and to vote at the annual meeting.

You may vote your shares over the Internet at www.voteproxy.com, by calling toll-free (800) 776-9437 (or if calling from outside of the United States, by calling 1-718-921-8500), by completing and mailing the enclosed proxy card, or in person at the annual meeting. We request that you vote in advance whether or not you attend the annual meeting. You may revoke your proxy at any time prior to the vote at the annual meeting by notifying us in writing, voting your shares in person at the meeting, revoting through the Web site or telephone numbers listed above or returning a later-dated proxy card.

INTEGRYS ENERGY GROUP, INC.

BARTH J. WOLF

Vice President, Chief Legal Officer and Secretary

Chicago, Illinois
April 3, 2009

The board of directors solicits the enclosed proxy. Your vote is important no matter how large or small your holdings. To assure your representation at the meeting, please complete, sign exactly as your name appears, date and promptly mail the enclosed proxy card in the postage-paid envelope provided or use one of the alternative voting options provided.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING
TO BE HELD ON MAY 13, 2009**

Our proxy statement and our 2008 annual report to shareholders can be accessed on the Internet at
<http://www.integrysgroup.com/proxymaterials/>.

**2009 ANNUAL MEETING OF SHAREHOLDERS
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This proxy statement, the accompanying Notice of Annual Meeting of Shareholders and proxy card are being mailed to shareholders on or about April 3, 2009, and are furnished in connection with the solicitation of proxies by the board of directors of Integrys Energy Group, Inc.

FREQUENTLY ASKED QUESTIONS

Q: Why have I received these materials?

A. All shareholders of Integrys Energy Group were sent these proxy materials. You are asked to elect five members to the board of directors and ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for Integrys Energy Group and its subsidiaries for 2009 and consider and act upon any other business that may be properly brought before the annual meeting.

Q: Who can attend the annual meeting?

A: Anyone who is a shareholder as of the close of business on March 19, 2009 may attend the annual meeting and vote. This includes all shareholders holding Integrys Energy Group common stock on March 19, 2009. Each shareholder may be accompanied by one guest.

Q: How are directors elected?

A: A plurality of votes cast at the annual meeting is required to elect directors (assuming a quorum is present). Five directors will be elected at the annual meeting. "Plurality" means the five individuals who receive the largest number of votes will be elected as directors. Assuming a quorum is present, shares not voted at the annual meeting will not affect the election of directors. Abstentions, broker non-votes and votes withheld will be treated as shares not voted, but will count toward establishing a quorum.

Q: What constitutes a quorum?

A: A quorum is the number of shares that must be voted at the meeting to lawfully conduct business. Votes of a majority of the shares entitled to vote constitute a quorum. As of the record date of March 19, 2009, a total of 76,425,737 shares were eligible to vote. Votes of 38,212,869 shares will constitute a quorum.

Q: What are the items to be voted on?

A: Items you are asked to vote on are the election of five directors and ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm for Integrys Energy Group and its subsidiaries for 2009. Additional matters may be considered and acted upon at this annual meeting if they are properly presented at the meeting.

Q: What happens if additional proposals are presented at the meeting?

A: Our By-Laws require advance notice of any matter to be brought before the annual meeting. We have not received any additional proposals that will need to be addressed at the meeting. Therefore, we are not required to present any other issues at the meeting. Additional issues may be presented at the discretion of Integrys Energy Group. If an additional proposal is brought up, the shares represented by proxy will be voted in accordance with the discretionary judgment of the appointed proxies, Larry L. Weyers and Barth J. Wolf.

Q:

Who tabulates the votes?

A:

Our independent transfer agent, American Stock Transfer & Trust Company, tabulates the votes.

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Q:
Is my vote confidential?

A:
Yes. American Stock Transfer & Trust Company will hold your vote in confidence. Whether you vote your shares by Internet, telephone or mail, your vote will be received directly by American Stock Transfer & Trust Company. American Stock Transfer & Trust Company will serve as inspector, count all the proxies or ballots submitted, and report the vote at the annual shareholder meeting on May 13, 2009. For a discussion of how shares in our employee stock ownership plan trusts are voted, please see the discussion below.

Q:
Do I need to attend the annual meeting in order to vote?

A:
No. You can vote your shares at any time prior to the annual meeting by Internet, telephone or returning the completed proxy card in the enclosed pre-paid envelope. You may also vote in person at the annual meeting.

Q:
Who can vote?

A:
Anyone who owned Integrys Energy Group common stock as of the close of business on March 19, 2009, can vote. Each eligible share of Integrys Energy Group common stock is entitled to one vote.

Q:
How do I vote?

A:
You may vote your shares by any of four methods:

- 1)
Over the Internet at www.voteproxy.com,
- 2)
Over the telephone by calling toll-free (800) 776-9437 (or if calling from outside of the United States, by calling 1-718-921-8500),
- 3)
Through the mail by returning your completed, signed and dated proxy card in the enclosed prepaid envelope, or
- 4)
In person at the annual meeting.

Instructions to vote your shares over the Internet or telephone are provided on your proxy card. Your completed proxy will be voted according to your instructions. If you return an incomplete proxy card, your proxy will be voted FOR the election of Keith E. Bailey, Kathryn M. Hasselblad-Pascale, John W. Higgins, James L. Kemerling and Charles A. Schrock, and FOR the ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm for Integrys Energy Group and its subsidiaries for 2009. You have the right to change your vote any time before the meeting by:

- 1)
Notifying us in writing,
- 2)
Revoting over the Internet or telephone,
- 3)
Voting in person at the annual meeting, or
- 4)

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Returning a later-dated proxy card.

By voting your shares, you also authorize your shares to be voted on any other business that may properly come before the annual meeting or any adjournment or postponement of the annual meeting in accordance with the judgment of the appointed proxies, Larry L. Weyers and Barth J. Wolf.

You may vote over the Internet or telephone until midnight Eastern daylight time on May 12, 2009.

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Q:

Do I need to return the proxy card if I vote over the Internet or telephone?

A:

No. If you vote your proxy over the Internet or telephone, you should not mail your proxy card, unless you want to change your vote. If you return your proxy card after voting over the Internet or telephone, it will be processed and replace any earlier vote you provided over the Internet or telephone.

Q:

If my broker holds my shares in "street name," will my broker vote my shares for me?

A:

If your shares are held in "street name" through a broker, fiduciary, custodian or other nominee, you will receive from your nominee a full meeting package including a voting instruction form to vote your shares. Your brokerage firm may permit you to vote by Internet or telephone. Brokerage firms have the authority under New York Stock Exchange rules to vote their clients' unvoted shares on certain routine matters. If you do not vote, your brokerage firm may choose to vote for you on the election of the five directors and ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm for Integrys Energy Group and its subsidiaries for 2009 or they may leave your shares unvoted on these proposals (otherwise referred to as a broker non-vote).

Q:

If my shares are held in "street name," can I vote my shares at the annual meeting?

A:

If your shares are held in street name, you may vote your shares at the annual meeting **ONLY** if you bring a legal proxy to the annual meeting. The legal proxy would be provided by your broker, fiduciary, custodian or other nominee. You must request this legal proxy from your bank or broker as they will not automatically supply one to you.

Q:

What are the board of directors' voting recommendations?

A:

The board of directors recommends shareholders vote FOR the election of all of our nominees as directors and FOR ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm for 2009.

Q:

What if I receive more than one proxy card?

A:

If you receive more than one proxy card, this means your shares are in more than one account. Please vote all the shares that you own. If you would like to consolidate your accounts and receive only one proxy card in the future, please contact our transfer agent, American Stock Transfer & Trust Company, at (800) 236-1551 or www.amstock.com. This will save printing and mailing costs, so please take advantage of this option.

Q:

How are shares in the Employee Stock Ownership Plan Trusts voted?

A:

If you own stock in the Wisconsin Public Service Corporation Employee Stock Ownership Plan (ESOP), or the Peoples Energy Corporation Employee Stock Ownership Plan, you may vote your shares by any of the following three methods:

- 1)
Over the Internet at www.voteproxy.com,
- 2)
Over the telephone by calling toll-free (800) 776-9437, or
- 3)

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Through the mail by returning your completed, signed and dated proxy card in the enclosed prepaid envelope.

Your vote must be received by May 11, 2009 to be voted at the annual meeting. Stock owned in these plans, may NOT be voted in person at the annual meeting.

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American Stock Transfer & Trust Company will tabulate the votes of participants for each of these plans. The results of the vote received from these plans' participants will serve as voting instructions to the plan trustees. The trustee of these plans, as of the record date, is Wells Fargo Bank N.A. The trustee will vote the plan shares as instructed by plan participants. If a participant in the Wisconsin Public Service Corporation Employee Stock Ownership Plan does not provide voting instructions, the trustee, Wells Fargo Bank N.A., will not vote the participant's shares in the plan. If a participant in the Peoples Energy Corporation Employee Stock Ownership Plan does not provide voting instructions, the trustee, Wells Fargo Bank N.A., will vote shares allocated to the participant's plan account in the same proportion as those votes cast by other plan participants submitting voting instructions. American Stock Transfer & Trust Company and Wells Fargo Bank N.A. will keep how you vote your shares confidential.

Shares held in the Peoples Energy Capital Accumulation Plan or the Peoples Energy Thrift Plan will be voted at the discretion of the trustee, Wells Fargo Bank N.A., and not by plan participants.

Q:

How can a shareholder communicate with the board of directors directly?

A:

Any shareholder or interested parties may communicate with the board of directors (or an individual director serving on the board of directors) by sending written communications, addressed to any director or to the board of directors as a group, in care of Integrys Energy Group's Vice President, Chief Legal Officer and Secretary, Integrys Energy Group, Inc., 700 North Adams Street, Green Bay, Wisconsin 54301. The Vice President, Chief Legal Officer and Secretary will ensure that this communication (assuming it is properly marked *to the board of directors* or *a specific director*) is delivered to the board of directors or the specified director, as the case may be. However, commercial advertisements or other forms of solicitation will not be forwarded.

Q:

When are shareholder proposals due to be included in the proxy for the 2010 annual meeting?

A:

Shareholder proposals must be received in writing by December 4, 2009, to be included in next year's proxy statement. Proposals should be submitted to Barth J. Wolf, Vice President, Chief Legal Officer and Secretary, Integrys Energy Group, Inc., 700 North Adams Street, Green Bay, Wisconsin 54301.

Q:

How can I help reduce costs for Integrys Energy Group?

A:

You can help Integrys Energy Group reduce costs by subscribing to electronic delivery of your annual report, proxy statement and other shareholder communications. If you subscribe to this free service, you will receive future copies of Integrys Energy Group's annual reports, proxy statements and other shareholder communications over the Internet. You will receive the material quicker and reduce costs for Integrys Energy Group. Subscribers will receive an e-mail when the annual report, proxy statement and other material become available. This would be no later than the day Integrys Energy Group mails the paper documents. The e-mail will provide you with instructions to access the documents over the Internet.

Additionally, if you receive more than one proxy card, you can help reduce costs by consolidating your accounts. To receive only one proxy card in the future, please contact our transfer agent, American Stock Transfer & Trust Company, at (800) 236-1551 or www.amstock.com.

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Q:

How can I subscribe to electronic delivery of annual reports and proxy statements?

A:

You can subscribe to electronic delivery of future annual reports, proxy statements and other shareholder communications over the Internet when you vote your proxy or by going directly to www.voteproxy.com. When you reach the Web page:

Click on "Account Access,"

Have the proxy card you received in hand and follow the instructions on the screen,

Click on "submit,"

Click on "Receive Company Mailings via e-mail,"

Provide your e-mail address, and

Click on "go."

Q:

Where can I find voting results from the meeting?

A:

The annual meeting voting results will be published in the Form 10-Q for the second quarter of 2009, available no later than August 10, 2009, on Integrys Energy Group's Web site at <http://www.integrysgroup.com/investor/>, and can be accessed by selecting "SEC Filings."

Q:

May I review the presentation made at the meeting if I can't attend?

A:

Yes. The speech from our Executive Chairman will be posted on Integrys Energy Group's Web site at <http://www.integrysgroup.com/investor/>, and can be accessed by selecting "Presentations."

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ELECTION OF DIRECTORS

Following the resignation of John C. Meng from our board of directors on February 12, 2009, our board of directors is currently made up of 14 directors. As provided in our By-Laws, the directors are currently divided into classes A, B and C. Based on the decision last year to declassify our board of directors, our board of directors has amended our By-Laws to declassify our board of directors. Pursuant to By-Law amendments adopted by our board of directors, starting at the 2009 annual meeting, directors standing for election will be elected to a one-year term instead of a three-year term. Therefore, the five class C directors nominated below and standing for election at this year's annual meeting will be the first class of directors to serve one-year terms. The five class A directors and the four remaining class B directors (Mr. Meng was a class B director prior to his resignation) that were elected to three-year terms at the 2007 and 2008 annual meetings, respectively, will continue to serve as elected until the 2010 and 2011 annual meetings, respectively. The class A directors will be elected to a one-year term at the 2010 annual meeting, and starting with the 2011 annual meeting, our board of directors will be fully declassified, with all directors elected to one-year terms, and we will no longer have classes of directors with staggered terms.

Our board of directors has nominated Keith E. Bailey, Kathryn M. Hasselblad-Pascale, John W. Higgins, James L. Kemerling and Charles A. Schrock for election at the annual meeting as class C directors to serve until the 2010 annual meeting. Mr. Schrock, who became President and Chief Executive Officer of Integrys Energy Group, Inc. effective January 1, 2009, was appointed to the board of directors effective February 12, 2009.

The tables on pages 7, 8 and 9 set forth certain information, as of March 19, 2009, about the board of director nominees for election as class C directors at this year's annual meeting and each class A and B director whose term will continue after this year's annual meeting.

The board of directors has no reason to believe that any of Class C nominees will be unable or unwilling to serve as a director if elected. If any nominee is unable or unwilling to serve, the shares represented by proxies solicited by the board of directors will be voted for the election of another person the board of directors may recommend.

The board of directors recommends a vote "FOR" the election to the board of directors for each of the Class C nominees listed on page 7. Proxies solicited by the board of directors will be voted "FOR" the Class C nominees unless the shareholder has specified otherwise.

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Current directors standing for election this year are:

Class C Term Expiring in 2010

Name	Age	Principal Occupation and Other Directorships	Director Since
Keith E. Bailey	66	Retired Directorships Apco Argentina Inc. MarkWest Energy Partners, L.P.	2005*
Kathryn M. Hasselblad-Pascale	61	Managing Partner Hasselblad Machine Company, LLP (Manufacturer of automatic screw machine products)	1987
John W. Higgins	62	Chairman and Chief Executive Officer Higgins Development Partners (Real estate development services)	2003*
James L. Kemerling	69	President and Chief Executive Officer Riiser Oil Company, Inc. (Distributor of petroleum products)	1988
Charles A. Schrock	55	Chairman and Chief Executive Officer Award Hardwood Floors, LLP (Manufacturer of hardwood floors)	2009
		President and Chief Executive Officer IntegrYS Energy Group, Inc.	2009
		President and Chief Executive Officer Wisconsin Public Service Corporation	2008 - present
		President Wisconsin Public Service Corporation	2007 - 2008
		President and Chief Operating Officer Generation Wisconsin Public Service Corporation	2005 - 2007
		Senior Vice President WPS Resources Corporation (now known as IntegrYS Energy Group, Inc.)	2004 - 2005

*

Years of service includes years of service as a director of Peoples Energy Corporation. Mr. Bailey and Mr. Higgins began to serve as directors of IntegrYS Energy Group in 2007.

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Current directors not standing for election this year are:

Class A Term Expiring in 2010

Name	Age	Principal Occupation and Other Directorships	Director Since
Pastora San Juan Cafferty	68	Professor <i>emerita</i> University of Chicago Professor University of Chicago Directorships Waste Management, Inc.	1988*
		2005 - present	
		1985 - 2005	
Ellen Carnahan	53	Managing Director William Blair Capital Management LLC (Venture capital fund management) Managing Director Seyen Capital Management LLC (Venture capital fund management)	2003
		1988 - present	
		2006 - 2008	
Michael E. Lavin	63	Retired	2003*
		2003 - present	
		Directorships Tellabs, Inc. SPSS Inc.	
William F. Protz, Jr.	64	Retired	2001
		2006 - present	
		Consultant Santa's Best LLP (Manufacturer and supplier of Christmas decorations and accessories)	
		2003 - 2006	
Larry L. Weyers	63	Executive Chairman Integrys Energy Group, Inc. Chairman, President and Chief Executive Officer Integrys Energy Group, Inc.	1996
		2009 - present	
		1998 - 2008	

*

Years of service includes years of service as a director of Peoples Energy Corporation. Ms. Cafferty and Mr. Lavin began to serve as directors of Integrys Energy Group in 2007.

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Name	Age	Principal Occupation and Other Directorships	Director Since
Richard A. Bemis	67	Co-Chairman of the Board Bemis Manufacturing Company (Manufacturer of toilet seats and contract plastics) President and Chief Executive Officer Bemis Manufacturing Company Directorships W.H. Brady Company	1983
William J. Brodsky	65	Chairman and Chief Executive Officer Chicago Board Options Exchange	1997 - present 1997*
Albert J. Budney, Jr.	61	Retired	2002 - present 2002
Robert C. Gallagher	70	Retired Chairman of the Board Associated Banc-Corp (Diversified multi-bank holding company) Directorships Associated Banc-Corp	2007 - present 2003 - 2007 1992

*

Years of service includes years of service as a director of Peoples Energy Corporation. Mr. Brodsky began to serve as a director of Integrys Energy Group in 2007.

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Director Independence

On February 12, 2009, the board of directors reviewed the business and other relationships of all directors of Integrys Energy Group. The board of directors affirmatively determined that all directors other than Larry L. Weyers and Charles A. Schrock are independent as defined in the New York Stock Exchange listing standards, meet the categorical independence standards adopted by the board of directors (set forth below) and have no other material relationships with Integrys Energy Group. In addition, Keith E. Bailey, Ellen Carnahan, John W. Higgins, Michael E. Lavin, and William F. Protz, Jr. meet additional independence standards for audit committee members.

In reaching its determination that all directors other than Larry L. Weyers and Charles A. Schrock are independent, the board of directors reviewed any transactions, relationships or arrangements that directors had with Integrys Energy Group during the last three years. Matters reviewed included the following types of transactions, relationships or arrangements, all of which were deemed to not involve amounts material in nature that would affect their independence:

Richard A. Bemis, William J. Brodsky, Pastora San Juan Cafferty, Kathryn M. Hasselblad-Pascale, John W. Higgins and James L. Kemerling are, or have been, employed by entities that purchased energy-related services (electricity and natural gas) from affiliates of Integrys Energy Group.

James L. Kemerling is employed by an entity from which an affiliate of Integrys Energy Group has purchased gasoline, lubricating oils, and diesel fuel through a competitive bidding process for use in transportation fleets and electric generation units.

Pastora San Juan Cafferty is affiliated with a university which has provided professional development services to Integrys Energy Group, and to which affiliates of Integrys Energy Group have made charitable donations from time to time.

Categorical Independence Standards for Directors

A director who at all times during the previous three years has met all of the following categorical standards and has no other material relationships with Integrys Energy Group will be deemed to be independent:

1. Integrys Energy Group has not employed the director, and has not employed (except in a non-executive officer capacity) any of his or her immediate family members. Employment as an interim Chairman or Chief Executive Officer shall not disqualify a director from being considered independent following that employment.
2. Neither the director, nor any of his or her immediate family members, has received more than \$120,000 per year in direct compensation from Integrys Energy Group, other than director and committee fees, and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as an interim Chairman or Chief Executive Officer need not be considered in determining independence under this test. Compensation received by an immediate family member for service as a non-executive employee of Integrys Energy Group need not be considered in determining independence under this test.
3. The director (i) is not a current partner or employee of Integrys Energy Group's present internal or external auditor, (ii) was not within the last three years a partner or employee of Integrys Energy Group's present internal or external auditor that personally worked on Integrys Energy Group's audit within that time, (iii) does not have an immediate family member who is a current partner at Integrys Energy Group's present internal or external

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auditor, (iv) does not have an immediate family member who is a current employee of the Company's present internal or external auditor that personally works on Integritys Energy Group's audit, and (v) does not have an immediate family member who was within the last three years a partner or employee of Integritys Energy Group's present internal or external auditor that personally worked on Integritys Energy Group's audit within that time.

4. Neither the director, nor any of his or her immediate family members, has been part of an "interlocking directorate" in which any of Integritys Energy Group's present executives serve on the compensation (or equivalent) committee of another company that employs the director or any of his or her immediate family members in an executive officer capacity.
5. Neither the director, nor any of his or her immediate family members (except in a non-executive officer capacity), has been employed by a company that makes payments to, or receives payments from, Integritys Energy Group for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2 percent of such other company's consolidated gross revenues.
6. Neither the director, nor any of his or her immediate family members, has been an employee, officer or director of a foundation, university or other non-profit organization to which Integritys Energy Group gives directly, or indirectly through the provision of services, more than \$1 million per annum or 2 percent of the total annual donations received (whichever is greater).

In addition to satisfying the criteria set forth above, directors who are members of Integritys Energy Group's audit committee will not be considered independent for purposes of membership on the audit committee unless they satisfy the following additional criteria:

1. A director who is a member of the audit committee may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board of directors committee, accept directly or indirectly any consulting, advisory, or other compensatory fee from Integritys Energy Group or any subsidiary thereof, provided that, unless the rules of the New York Stock Exchange provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Integritys Energy Group (provided that such compensation is not contingent in any way on continued service).
2. A director, who is a member of the audit committee may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board of directors committee, be an affiliated person of Integritys Energy Group.
3. If an audit committee member simultaneously serves on the audit committees of more than two other public companies, then the board of directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on Integritys Energy Group's audit committee. Integritys Energy Group shall disclose this determination in its proxy statement.

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Related Person Transaction Policy

Our board of directors has adopted a written policy regarding related person transactions. Pursuant to this policy, all related person transactions are subject to approval or ratification. Each of our executive officers, directors or nominees for director is required to disclose to the governance committee certain information relating to related person transactions. Disclosure to the governance committee should occur on a timely basis after the executive officer, director or nominee for director becomes aware of the related person transaction, but in no case later than the time of the next circulation of an annual questionnaire requesting disclosure of any related person transactions that have occurred or are proposed to occur. The governance committee's decision whether or not to approve or ratify a related person transaction is to be made in light of the governance committee's determination that consummation of the transaction is not or was not contrary to our best interests.

With respect to related person transactions:

A "related person" means any person who is, or was at some time since the beginning of the last fiscal year, (a) an executive officer, director or nominee for election as a director, (b) a greater than 5 percent beneficial owner of our common stock, or (c) an immediate family member of the foregoing; and

A "related person transaction" means any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (a) the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year, (b) we are a participant, and (c) any related person has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10 percent beneficial owner of another entity).

Certain related person transactions are deemed pre-approved, including, among others, (a) any transaction with another company, or charitable contribution, grant or endowment to a charitable organization, foundation or university, at which a related person's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10 percent of that company's shares, if the aggregate amount involved does not exceed the greater of \$1,000,000 or 2 percent of the company's total annual revenues or the charitable organization's total annual receipts, and (b) any public utility services transactions or transactions (i) where the rates or charges involved are determined by competitive bids or (ii) that are made in the ordinary course of business on terms no less favorable to the company than those generally available from an unaffiliated third-party under the same or similar circumstances.

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RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee selected Deloitte & Touche LLP, independent registered public accounting firm, to audit the consolidated financial statements of Integrys Energy Group and its subsidiaries for the year ending December 31, 2009, as well as its internal control over financial reporting as of December 31, 2009, and requests that the shareholders ratify such selection. If shareholders do not ratify the selection of Deloitte & Touche LLP, the audit committee will reconsider the selection.

Audit services provided by Deloitte & Touche in 2008 included the audit of the consolidated financial statements of Integrys Energy Group and its subsidiaries, reviews of interim condensed consolidated financial statements, audit of Integrys Energy Group's internal control over financial reporting as of December 31, 2008, and consultations on matters related to accounting and financial reporting.

Deloitte & Touche also provided certain audit related and non-audit services to Integrys Energy Group and its subsidiaries during 2008, which were reviewed by the audit committee and are more fully described later in this proxy statement.

Representatives of Deloitte & Touche are expected to attend the annual meeting where they will be available to respond to questions and, if they desire, to make a statement.

Assuming a quorum is present at the annual meeting, to ratify the audit committee's selection of Deloitte & Touche as the independent registered public accounting firm for 2009, the number of votes cast in favor of ratification must exceed the number of votes cast in opposition to it. Abstentions and broker non-votes will be counted as present in determining whether there is a quorum; however, they will not constitute a vote "for" or "against" ratification, and will be disregarded in the calculation of "votes cast." A broker non-vote occurs when a broker submits a proxy card with respect to shares that the broker holds on behalf of another person, but declines to vote on a particular matter, either because the broker elects not to exercise its discretionary authority to vote on the matter or does not have authority to vote on the matter.

The board of directors recommends a vote "FOR" the ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm for Integrys Energy Group and its subsidiaries for 2009. Proxies solicited by the board of directors will be voted "FOR" ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm for Integrys Energy Group and its subsidiaries for 2009 unless the shareholder has specified otherwise.

Table of Contents**BOARD COMMITTEES****Committee Membership**

The following table lists the committees of the board of directors, their members as of December 31, 2008, and the number of meetings held in 2008.

2008 Committees of Board of Directors (1)

Director	Board of Directors	Audit	Compensation	Environmental	Financial	Governance
Keith E. Bailey	X	X			X	
Richard A. Bemis	X		X			X
William A. Brodsky	X		X		X	
Albert J. Budney, Jr.	X					X*
Pastora San Juan Cafferty	X			X		X
Ellen Carnahan	X	X			X	
Robert C. Gallagher, Lead Director	X					
Kathryn M. Hasselblad-Pascale	X			X*		
John W. Higgins	X	X		X		
James L. Kemerling	X				X*	
Michael E. Lavin	X	X*				
John C. Meng (2)	X		X*			
William F. Protz, Jr.	X	X		X		
Larry L. Weyers, Chairman	X					
Meetings in 2008	9	8	5	2	6	5

*

Denotes chair of committee.

(1)

As discussed below, an ad hoc selection committee also was in existence for a portion of 2008.

(2)

Resigned from the board of directors effective February 12, 2009.

In 2008, all directors attended a minimum of 75 percent of the aggregate number of all board of directors meetings and their assigned committee meetings. Under Integrys Energy Group's Corporate Governance Guidelines all directors are expected to attend the annual meeting of shareholders. All directors attended the 2008 annual meeting.

Until his resignation effective May 15, 2008, James R. Boris, an independent director, served as non-executive chairman of the board of directors. At that time, Mr. Weyers was appointed chairman and Mr. Gallagher, an independent director, was appointed lead director. As chairman, Mr. Weyers presides at all meetings of the board of directors, except during executive sessions of the non-management directors. Executive sessions of non-management directors (without management present) are held at each regularly scheduled board of directors meeting, with Mr. Gallagher as lead director presiding during each executive session. Any shareholder or interested party wishing to communicate with the lead director may contact him by sending a written communication, addressed to the Lead Director, in care of the Vice President, Chief Legal Officer and Secretary, Integrys Energy Group, Inc., 700 North Adams Street, Green Bay, Wisconsin 54301. The Vice President, Chief Legal Officer and Secretary will ensure that this communication (assuming it is properly marked to the Lead Director) is delivered to the lead director. However, commercial advertisements or other forms of solicitation will not be forwarded.

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As noted previously, the board of directors appointed Mr. Charles A. Schrock a director effective February 12, 2009. Mr. Schrock, who is also President and Chief Executive Officer, is not an independent director and was not appointed to serve on any committees of the board of directors.

Ad Hoc Selection Committee

During 2008 an ad hoc selection committee was formed by the board of directors to assist in the process of selecting a successor to our CEO. The ad hoc selection committee consisted of five independent directors as follows: Richard A. Bemis, William J. Brodsky, Albert J. Budney, Jr., Robert C. Gallagher and John C. Meng chair. The ad hoc selection committee met on four dates between September and December. This committee was dissolved after a successor to our CEO was identified and appointed by the board of directors in December.

Audit Committee

On December 31, 2008, the audit committee consisted of five independent directors as follows:

Keith E. Bailey, Ellen Carnahan, John W. Higgins, Michael E. Lavin chair and William F. Protz, Jr.

The board of directors has determined that all five members meet audit committee financial expert requirements as defined by the Securities and Exchange Commission ("SEC"). Keith E. Bailey currently serves on the audit committees of Apco Argentina Inc. and MarkWest Energy Partners, L.P. and Michael E. Lavin currently serves on the audit committees of Tellabs, Inc. and SPSS Inc. None of the remaining members of the audit committee are members of any other public company's audit committee.

Integrys Energy Group's securities are listed on the New York Stock Exchange and are governed by its listing standards. All members of the audit committee meet the independence standards of Section 303.01(B)(2) and (3) of the listing standards of the New York Stock Exchange and Section 10A-3 under the Securities Exchange Act of 1934. In compliance with New York Stock Exchange listing standards, in 2008 the audit committee received an annual report of the independent auditors regarding their internal quality control procedures, material issues raised from quality control reviews and government inquiries and relationships between the firm and Integrys Energy Group.

The audit committee is directly responsible for the selection, compensation and oversight of Deloitte & Touche LLP as its independent registered public accounting firm. Deloitte & Touche LLP reports directly to the audit committee. The audit committee is responsible for overseeing the resolution of any disagreements between Deloitte & Touche LLP and management. A written charter defining the responsibilities of the audit committee has been adopted and is reviewed annually.

The information contained in this proxy statement with respect to the audit committee charter shall not be deemed to be "soliciting material" or deemed to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent specifically requested by Integrys Energy Group or incorporated by reference in documents otherwise filed.

Table of Contents**Principal Fees and Services Paid to Independent Registered Public Accounting Firm**

The following is a summary of the fees billed to Integrys Energy Group by Deloitte & Touche LLP for professional services performed for 2008 and 2007:

Fees	2008	2007
Audit Fees (a)	\$ 3,829,464	\$ 4,562,338
Audit Related Fees (b)	401,528	840,920
Tax Fees (c)	0	222,736
All Other Fees (d)	9,843	13,275
Total Fees	\$ 4,240,835	\$ 5,639,269

(a)

Audit Fees. Consists of aggregate fees billed to Integrys Energy Group and its subsidiaries for professional services rendered for the audits of the annual consolidated financial statements, reviews of the interim condensed consolidated financial statements included in quarterly reports and audits of the effectiveness of internal control over financial reporting of Integrys Energy Group and its subsidiaries. Audit fees also include services that are normally provided in connection with statutory and regulatory filings or engagements, including comfort letters, consents and other services related to SEC matters, and consultations arising during the course of the audits and reviews concerning financial accounting and reporting standards. Included in the 2008 audit fees is \$531,502 related to the 2007 audit.

(b)

Audit Related Fees. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements or internal control over financial reporting and are not reported under "Audit Fees." These services include employee benefit plan audits, accounting consultations in connection with potential transactions, due diligence projects, consultations concerning financial accounting and reporting standards, and examinations of forecasted financial statements in connection with rate filings.

(c)

Tax Fees. Consists of fees billed for professional services rendered for tax compliance.

(d)

All Other Fees. Consists of other fees billed to Integrys Energy Group and its subsidiaries for products and services other than the services reported above. All Other Fees are for software licensing and training provided in 2008 and 2007. The nature of the software license fees, which include support, learning services, and training have been deemed to be permissible non-attest services.

In considering the nature of the services provided by the independent registered public accounting firm, the audit committee determined that such services are compatible with the provision of independent audit services. The audit committee discussed these services with the independent registered public accounting firm and Integrys Energy Group's management and determined that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as those of the American Institute of Certified Public Accountants. The audit committee has approved in advance 100% of the services described in the table above under "Audit Fees," "Audit Related Fees," "Tax Fees," and "All Other Fees" in accordance with its pre-approval policy.

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Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Consistent with SEC policies regarding auditor independence, the audit committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the audit committee has established a policy regarding the pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm.

The audit committee will annually pre-approve a list of select services and a maximum fee per engagement for these services that would not require management to obtain specific approval from the committee on an individual basis. Other services (not on the pre-approved list or individual engagements for services on the pre-approved list that exceed the dollar limit) would require additional approval of the audit committee. If pre-approval is necessary between audit committee meetings, the audit committee chair or his designated alternate may provide approval. The audit committee may specifically delegate its pre-approval authority to the chair and any audit committee member designated as an alternate. Approvals provided by any member to whom authority is delegated must be presented to the full audit committee at its next scheduled meeting. Integrys Energy Group's external auditors are absolutely prohibited from performing certain non-audit services, including:

Bookkeeping or other services related to the accounting records or financial statements;

Financial information systems design and implementation;

Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

Actuarial services;

Internal audit outsourcing services;

Management functions or human resources;

Broker-dealer, investment advisor or investment banking services;

Legal and expert services unrelated to the audit; and

Other services the Public Company Accounting Oversight Board chooses to prohibit.

Compensation Committee

On December 31, 2008, the compensation committee consisted of three independent directors as follows: Richard A. Bemis, William J. Brodsky, and John C. Meng chair. Each individual met the independence requirements as defined in the New York Stock Exchange listing standards.

The compensation committee evaluates the performance of the chief executive officer, defines and establishes executive compensation strategy for Integrys Energy Group and recommends to the board of directors compensation, bonuses and benefits for the chief executive officer, executive officers and certain other officers as determined from time to time. A written charter defining the responsibilities of the compensation committee has been adopted.

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As previously noted, John C. Meng resigned from the board of directors effective February 12, 2009. Richard A. Bemis was appointed chair of this Committee effective upon Mr. Meng's resignation.

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Environmental Committee

On December 31, 2008, the environmental committee consisted of four non-management directors as follows: Pastora San Juan Cafferty, Kathryn Hasselblad-Pascale chair, John W. Higgins, and William F. Protz, Jr.

The environmental committee reviews the environmental strategy and compliance plans of Integrys Energy Group and the related management systems that are used to ensure compliance with environmental regulations and stewardship. A written charter defining the responsibilities of the environmental committee has been adopted which requires this committee to consist of three non-management directors.

Financial Committee

On December 31, 2008, the financial committee consisted of four independent directors as follows: Keith E. Bailey, William J. Brodsky, Ellen Carnahan, and James L. Kemerling chair.

The financial committee acts in an advisory and consulting capacity to management regarding capitalization, dividend and investment policies and other financial matters. The financial committee also provides assistance to the board of directors relating to financing strategy, financial policies and financial condition of Integrys Energy Group. A written charter defining the responsibilities of the financial committee has been adopted.

Governance Committee

On December 31, 2008, the governance committee consisted of three independent directors as follows: Richard A. Bemis, Albert J. Budney, Jr. chair, and Pastora San Juan Cafferty. Each individual met the independence requirements as defined in the New York Stock Exchange listing standards.

The governance committee provides oversight on the broad range of issues surrounding composition, operation and compensation of the board of directors, identifying and recommending individuals qualified to become board members and recommending corporate governance guidelines for Integrys Energy Group to the board of directors. A written charter defining the responsibilities of the governance committee has been adopted.

The governance committee will consider individuals recommended by shareholders for nomination as a director. Recommendations for consideration by the governance committee should be sent to the Vice President, Chief Legal Officer and Secretary, Integrys Energy Group, Inc., 700 North Adams Street, Green Bay, Wisconsin 54301, together with appropriate biographical information concerning each proposed nominee. As provided in our By-Laws, any proposed nominees and appropriate biographical information must be submitted to the Vice President, Chief Legal Officer and Secretary between January 13, 2010 and February 12, 2010, for consideration at the 2010 annual meeting. For more detailed information regarding the process to submit an individual for consideration as a director nominee and the qualifications necessary to become a director of Integrys Energy Group, shareholders should review our By-Laws, corporate governance guidelines and the governance committee charter.

In identifying potential nominees and determining which nominees to recommend to the board of directors, the governance committee may retain the services of a professional search firm or other third party advisor. In connection with each vacancy, the governance committee will develop a specific set of characteristics for the vacant director position. The governance committee will look at nominees it identifies and any nominees identified by shareholders on an equal basis using these characteristics and the general criteria identified below.

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The governance committee selects nominees on the basis of 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 governance committee considers appropriate in the context of the needs of the board of directors at that time. At a minimum, each director nominee must have displayed the highest personal and professional ethics, integrity, values and sound business judgment. When considering nominees, the governance committee seeks to ensure that the board of directors as a whole possesses, and individual members possess at least one of the following competencies: (1) accounting and finance, (2) business judgment, (3) management, (4) industry knowledge, (5) leadership, and (6) strategy and vision. In addition, the governance committee assures that at least one director have the requisite experience and expertise to be designated as an "audit committee financial expert." The governance committee looks at each nominee on a case-by-case basis regardless of who recommended the nominee. In screening director nominees, 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 of directors that could impair the prospective nominee's ability to act independently.

AVAILABLE CORPORATE GOVERNANCE INFORMATION

IntegrYS Energy Group's Articles of Incorporation, By-Laws, Code of Conduct, Corporate Governance Guidelines and charters of all current board committees are available on the IntegrYS Energy Group Web site at <http://www.integrysgroup.com/investor/>, and can be accessed by selecting "Corporate Governance." Copies can also be obtained by writing to IntegrYS Energy Group, Inc., Attention: Barth J. Wolf, Vice President, Chief Legal Officer and Secretary, 700 North Adams Street, Green Bay, Wisconsin 54301.

Table of Contents**OWNERSHIP OF VOTING SECURITIES****Beneficial Ownership**

Based on Integrys Energy Group's records and filings made with the SEC, we are not aware of any shareholder with beneficial ownership of five percent or more of our common stock. The following table indicates the shares of our common stock and stock options beneficially owned by our executive officers and directors as of March 6, 2009. None of the persons listed beneficially owns shares of any other class of our equity securities.

Name and Title	Amount and Nature of Shares Beneficially Owned March 6, 2009		
	Aggregate Number of Shares Beneficially Owned (8)	Number of Shares Subject to Stock Options	Percent of Shares
Keith E. Bailey, Director	9,538	0	*
Richard A. Bemis, Director	17,264	3,000	*
William J. Brodsky, Director	25,741	7,425	*
Albert J. Budney, Jr., Director (1)	8,434	0	*
Pastora San Juan Cafferty, Director	17,532	7,425	*
Ellen Carnahan, Director	12,856	0	*
Robert C. Gallagher, Director (2)	25,210	0	*
Kathryn M. Hasselblad-Pascale, Director (3)	17,520	1,000	*
John W. Higgins, Director	4,907	0	*
James L. Kemerling, Director	12,480	0	*
Michael E. Lavin, Director	7,614	0	*
William F. Protz, Jr., Director (4)	186,138	0	*
Larry L. Weyers, Director Executive Chairman Integrys Energy Group, Inc.	583,938	531,474	*
Charles A. Schrock, Director President and Chief Executive Officer Integrys Energy Group, Inc.	108,243	88,576	*
Joseph P. O'Leary, Senior Vice President and Chief Financial Officer Integrys Energy Group, Inc.	134,384	119,771	*

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Mark A. Radtke, President Integrys Energy Services, Inc. (5)	134,103	110,695	*
Phillip M. Mikulsky, Executive Vice President Corporate Development and Shared Services Integrys Energy Group, Inc. (6)	206,915	164,416	*
All 23 directors and executive officers as a group (7)	1,812,163	1,257,379	2.33%

*
Less than one percent of Integrys Energy Group outstanding shares of common stock.

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- (1) Includes 800 shares owned by spouse.
- (2) Includes 8,542 shares held in a joint revocable trust.
- (3) Includes 3,531 shares owned by spouse.
- (4) Includes 123,841 shares held in two trusts for which Mr. Protz is the trustee and in which his spouse is a 1/16th beneficiary. As trustee, Mr. Protz controls the voting of the shares and can direct the trust to sell or retain the shares. Also includes 45,031 shares owned by spouse.
- (5) Includes 4,652 shares held in a joint trust with spouse.
- (6) Includes 7,501 shares held in a joint trust with spouse.
- (7) Includes 197,987 shares held in joint tenancy, by spouses or as trustee.
- (8) Aggregate number of shares beneficially owned includes shares and share equivalents of common stock held in the Wisconsin Public Service Corporation Employee Stock Ownership Plan and Trust and, to the extent voting or investment power exists, in the Integrys Energy Group, Inc. Deferred Compensation Plan, restricted stock with voting rights, and all stock options exercisable within 60 days of March 6, 2009. Each director or officer has sole voting and investment power with respect to the shares reported, unless otherwise noted. No voting or investment power exists related to the stock options reported until exercised.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires executive officers, directors and persons who beneficially own more than 10 percent of our common stock to file reports of changes in ownership of our common stock with the SEC within two business days following such change. We have reviewed statements of beneficial ownership furnished to us and written representations made by our executive officers and directors. Based solely on this review, we believe that our executive officers and directors timely filed all reports they were required to file under Section 16(a) in 2008, except for John W. Higgins who reported one transaction late.

Table of Contents**Equity Compensation Plan Information**

The following table sets forth information as of December 31, 2008 regarding total shares subject to outstanding stock options and rights and total additional shares available for issuance under our existing equity compensation plans.

Plan Type/Plan Name	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders			
1999 Employee Stock Option Plan	34,126	\$33.9030	0
Peoples Energy Long-Term Incentive Plan 1999	137,184	\$46.7382	0
Peoples Energy Directors Stock Option Plan 2000	47,025	\$44.7316	0
IntegrYS Energy Group 2001 Omnibus Incentive Compensation Plan	1,016,962	\$42.6168	0
IntegrYS Energy Group 2005 Omnibus Incentive Compensation Plan	701,511 (1)	\$53.7733	0
IntegrYS Energy Group 2007 Omnibus Incentive Compensation Plan	1,114,498 (2)	\$50.9445	2,342,390
IntegrYS Energy Group Deferred Compensation Plan	596,467	\$0	702,047
Equity Compensation Plans Not Approved by Security Holders			
1999 Director's Stock Option Plan (3)	7,000	\$25.5446	0

TOTAL	3,654,773	3,044,437
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- (1) Includes 43,147 performance shares that are not taken into account in calculating the weighted average exercise price reflected in column (b).
- (2) Includes 140,388 performance shares and 172,323 restricted stock units that are not taken into account in calculating the weighted average exercise price reflected in column (b).
- (3) Equity compensation plans not approved by security holders consist solely of the Integrys Energy Group 1999 Non-Employee Directors Stock Option Plan, which provides stock options to directors at the discretion of the board of directors. The board of directors has not granted any stock options under this plan since 2000, and no further stock options will be issued under this plan. The plan provides that all exercises of options under this plan are to be completed through the use of treasury stock.

As of March 6, 2009, there were 3,180,892 stock options outstanding for Integrys Energy Group common stock (with a weighted-average exercise price of \$46.98 and weighted average remaining life of 6.88 years). In addition, as of March 6, 2009, there were 334,937 shares issuable upon vesting of all outstanding restricted stock units and 301,091 targeted performance share awards under the plans. As of March 6, 2009, approximately 1.5 million shares remain available for issuance under the 2007 Omnibus Incentive Compensation Plan.

As of March 6, 2009 shares deferred under the Integrys Energy Group, Inc. Deferred Compensation Plan were 566,730 with approximately 694,108 shares remaining available for issuance under the plan.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide material information that is necessary for an understanding of our compensation policies and decisions relating to our named executive officers, including the identification of key components of our executive compensation program, and an explanation of the purpose of each key component. Our named executive officers for 2008 consist of (1) the following executive officers: Larry L. Weyers, Chairman, President and Chief Executive Officer (CEO) until January 1, 2009 when he became Executive Chairman; Joseph P. O'Leary, Senior Vice President and Chief Financial Officer (CFO); Mark A. Radtke, President and Chief Executive Officer, Integrys Energy Services, Inc.; Phillip M. Mikulsky, Executive Vice President – Corporate Development and Shared Services; and Charles A. Schrock, President and Chief Executive Officer, Wisconsin Public Service Corporation until January 1, 2009 when he also became President and Chief Executive Officer of Integrys Energy Group, Inc.; (the foregoing individuals are referred to collectively as the continuing named executive officers), and (2) Thomas A. Nardi, President of Integrys Business Support, LLC until his resignation on May 31, 2008 and Desiree G. Rogers, President of The Peoples Gas Light and Coke Company and North Shore Gas Company until her resignation on June 27, 2008 (referred to collectively as the non-continuing named executive officers).

Compensation Philosophy

We recognize the importance of maintaining sound principles for the development and administration of our executive compensation program. Overall, our executive compensation program is specifically designed to:

Align executive efforts with the company's core values of integrity, innovation, safety, collaboration, respect for employees, service to customers, value creation for our shareholders and support for the communities we serve;

Reward executive performance consistent with company objectives, including operational effectiveness and financial results, which in turn may reduce the need for rate increases to our customers;

Attract, retain, motivate and develop a highly competent executive staff;

Utilize a mix of fixed and variable pay, as well as a mix of short-term and long-term incentives to appropriately balance executive focus on short-term and long-term goals; and

Provide a mechanism for executives to have a stake in the company through stock ownership.

We believe that a focus on these principles will benefit our shareholders in the long-term by ensuring that we can attract and retain highly qualified executives who are committed to our long-term success and the creation of shareholder value.

Role of the Compensation Committee and Advisors to the Committee

The compensation committee of the board of directors has the authority to set policy for executive compensation, and to establish and administer the executive compensation program for the company and its subsidiaries in keeping with our compensation philosophy. For the 2008 fiscal year, the compensation committee consisted of John C. Meng – Chair, Richard A. Bemis, and William J. Brodsky.

The compensation committee adheres to objective criteria and a structured method of determining compensation, with very limited discretionary decision-making. Compensation decisions made by

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the compensation committee rely on market trends and performance at the corporate, business unit and individual levels. The compensation committee also may review the compensation history of the named executive officers, but it is only a minor factor in setting future compensation for our named executive officers. We reserve the right to modify or discontinue elements of the executive compensation program, and to revise compensation levels after considering qualitative and quantitative facts and circumstances surrounding actual or projected financial results, as well as our view of the appropriate balance between base salary, annual short-term incentive compensation, long-term incentive compensation and other benefits. With respect to the compensation of the continuing named executive officers in fiscal 2008, the compensation committee did not exercise discretion to award performance based compensation absent attainment of the relevant performance goals or to reduce or increase the size of any award or payout.

For the past several years, the compensation committee has hired and engaged a nationally recognized compensation consultant (Towers Perrin) to evaluate executive compensation, to discuss general compensation trends, to provide competitive market data and to assist human resources management in developing compensation recommendations to present to the compensation committee. The compensation consultant provides the compensation committee with advice, consultation and market information on a regular basis, as requested, throughout the year. Although the compensation consultant provides market data for consideration by the compensation committee in setting senior executive compensation levels and programs (including compensation levels and programs for the continuing named executive officers), the compensation consultant does not make specific recommendations on individual compensation amounts for named executive officers, nor does the consultant determine the amount or form of executive compensation. All decisions on senior executive compensation levels and programs are made by the compensation committee. The compensation committee and the full board of directors approve the use of company stock for equity grants for executives as well as non-executives.

In performing its duties, the compensation consultant is instructed to perform independent research based on competitive market data of similarly-sized companies in the utility/energy services industry and in the broader United States industrial executive talent market, using both proprietary compensation surveys and the consultant's knowledge of industry practices. For 2008, the compensation consultant assisted the compensation committee by providing a competitive compensation analysis of the company's senior executive positions, a market study of executive benefit practices, an overview of compensation trends and reviews of various incentive plan practices.

While our CEO has the ability to meet with the c