TAX ALLOCATION AGREEMENT

BETWEEN

INTEGRYS ENERGY GROUP, INC. AND ITS SUBSIDIARIES

TABLE OF CONTENTS

PREAMBLE 1

Article I DEFINITIONS 2

Article II FILING OF CONSOLIDATED RETURNS 3
2.1. Consent to File. 3
2.2. Cooperation. 4

Article III ALLOCATION OF TAX LIABILITIES 5
3.1. Allocation of Consolidated Tax Liability. 5
3.2. Allocation of Consolidated Tax Liability for Earnings and Profits Purposes. 6

Article IV PAYMENTS; CARRYBACKS/CARRYFORWARDS 6
4.1. Estimated Taxes. 6
4.2. Taxes Due on Return. 6
4.3. Carrybacks and Carryovers of Losses and Credits. 7

Article V ADJUSTMENTS TO CONSOLIDATED TAX LIABILITY 7
5.1. Subsequent Tax Adjustments. 7

Article VI MISCELLANEOUS 8
6.1. Terms of this Agreement. 8
6.2. Additional Subsidiaries. 8
6.3. Purpose and Effect. 8
6.4. Miscellaneous. 9
6.5. Assignability. 9
6.6. Effect of Changes to the Code. 9
6.7. Record Retention. 9
6.8. Binding Effect. 9
6.9. Governing Law. This Agreement shall be governed by the laws of the State of Wisconsin. 9

TAX ALLOCATION AGREEMENT

AN AGREEMENT made as of the 9th day of May, 2011, by and between Integrys Energy Group, Inc. ("INTEGRYS"), and its Consolidated Subsidiaries (each a "Subsidiary" and, collectively, the "Subsidiaries").

PREAMBLE

WHEREAS, INTEGRYS is directly or indirectly the owner of 100% of the outstanding stock of Subsidiaries, and INTEGRYS and Subsidiaries are therefore members of an affiliated group (each a "Member" and, collectively, the "Group") within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, INTEGRYS and Subsidiaries recognize the importance under the "normalization" provisions of Code Section 168(i)(9) for federal tax purposes and those comparable provisions for state and local tax purposes to have the tax consequences of each of their respective operations accounted for as if each party filed federal income tax returns on a "separate" basis;

WHEREAS, so long as it continues to be permissible under the federal income tax laws and/or the applicable state and local tax laws (not including the Texas margin tax) to file consolidated/combined income tax returns ("Consolidated Returns"), the parties to this Agreement believe that it will be in their best interests to file (and continue to file) such Consolidated Returns;

WHEREAS, the parties have always accounted for their respective operations as if each party filed income tax returns on a "separate" basis, and continue to believe that the apportionment and allocation of federal income and other tax liabilities among and between the parties to this Agreement are also deemed desirable;

WHEREAS, the parties to this Agreement wish to confirm in writing their understanding as to certain matters and procedures pertaining to their federal income tax, other taxes, and unitary tax; and

WHEREAS, under custom and practice of the Consolidated Group the provisions of this Agreement are applicable to all of those entities (i.e., "Members") included in the Consolidated Group, the purpose of this Agreement is to more particularly articulate in writing such provisions as they may apply to the Members of the Consolidated Group vis-à-vis their relationship to INTEGRYS.

NOW, THEREFORE, it is agreed as follows:

ARTICLE I

DEFINITIONS

In addition to any defined terms which may have their meanings ascribed to them elsewhere in this Agreement, the following defined terms shall have the following meanings:

"Agreement" means this Tax Allocation Agreement.

"Code" means Internal Revenue Code of 1986, as amended, or corresponding provisions of any subsequent federal tax laws. Reference to the Code also includes any applicable and corresponding provisions of the Treasury Regulations.

"Consolidated Group" means the "affiliated group" of corporations of which INTEGRYS is the "common parent corporation" and WPS Visions, Inc., Wisconsin Public Service Corporation, WPS Leasing, Upper Peninsula Power Company, Michigan Gas Utilities Corporation, Minnesota Energy Resources Corporation, Penvest, Inc., Integrys Energy Services Inc., Integrys Energy Services of New York, Inc., TEGE Solar, LLC, PDI Stoneman, Inc., WPS Empire State Inc., The Peoples Gas Light and Coke Company, Peoples Gas Neighborhood Development Corporation, North Shore Gas Company, Peoples Energy Homes Services, LLC and Peoples Technology, LLC are "includible corporations" as such terms are defined in Code Section 1504(a)(1).

"Consolidated Return(s)" means the consolidated/combined federal, state and local income tax returns of the Consolidated Group for each taxable year as filed or to be filed by INTEGRYS on behalf of the Consolidated Group.

"Consolidated Tax Liability" means, except as provided otherwise in this Agreement, for any tax year, the consolidated federal income tax liability computed in accordance with Section 1.1502-2 of the Treasury Regulations or the consolidated state or local tax liability computed in accordance with applicable law, and shown on a Consolidated Return, taking into account all credits to which the Consolidated Group is entitled.

"Future Subsidiary" and "Future Subsidiaries" mean a Subsidiary or those Subsidiaries, respectively, which are not currently a party to this Agreement in the capacity as a Subsidiary or Subsidiaries.

"Member" means INTEGRYS, a Subsidiary, or Future Subsidiary. "Members" means INTEGRYS, the Subsidiary, and any Future Subsidiaries. Unless otherwise noted, particular reference to a "Member" in this Agreement shall refer to a Subsidiary.

"Subsidiary" means any Subsidiary which is a party to this Agreement at the date of original execution of this Agreement, the Subsidiaries (for purposes of this Agreement) are WPS Visions, Inc., Wisconsin Public Service Corporation, WPS Leasing, Upper Peninsula Power Company, Michigan Gas Utilities Corporation, Minnesota Energy Resources Corporation, Penvest, Inc., Integrys Energy Services Inc., Integrys Energy Services of New York, Inc., TEGE Solar, LLC, PDI Stoneman, Inc., WPS Empire State Inc., The Peoples Gas Light and Coke Company,

Peoples Gas Neighborhood Development Corporation, North Shore Gas Company, Peoples Energy Homes Services, LLC and Peoples Technology, LLC.

"Separate Return Tax" means, with respect to any tax year, the "separate return" tax liability of a Member as determined pursuant to Section 1.1552-1(a)(2)(ii) of the Treasury Regulations or applicable state or local tax laws, except that such determination shall not take into account any net operating losses or tax credits which are not utilized in the computation of Consolidated Tax Liability.

"Treasury Regulations" mean the federal income tax regulation issued as the official Treasury Department's interpretation of the Internal Revenue Code. The term shall include proposed regulations, temporary regulations and final regulations.

ARTICLE II

FILING OF CONSOLIDATED RETURNS

2.1. Consent to File.

(a) INTEGRYS and its Subsidiaries hereby consent, and agree to cause any Future Subsidiary to consent, to the extent necessary, to the filing of Consolidated Returns, including the tax year ended December 31, 2011, and for each year thereafter in which INTEGRYS and its Subsidiaries or Future Subsidiary are eligible to file Consolidated Returns, until such time as INTEGRYS, in the exercise of its sole discretion, elects to refrain from filing Consolidated Returns. Such agreement reflects prior practice of INTEGRYS and its Subsidiaries and their intention to continue such practice absent an amendment to or termination of this Agreement.

(b) INTEGRYS and its Subsidiaries agree to furnish, and cause each Future Subsidiary to furnish, all information and to execute all elections or other documents which may be necessary or appropriate to evidence consent and to prepare and file Consolidated Returns and such applications for extension of time to file such Consolidated Returns as INTEGRYS may from time to time request.

(c) INTEGRYS and its Subsidiaries agree, and shall cause each Future Subsidiary to agree, that INTEGRYS shall be authorized to and shall undertake those actions which are within the scope of INTEGRYS' "agency" (within the meaning of and pursuant to Section 1.1502-77(a) of the Treasury Regulations) in connection with a Consolidated Return, including, without limitation:

(i) taking any and all action necessary or incidental to the preparation and filing of a Consolidated Return;

(ii) making all required payments of consolidated income tax on behalf of the Group

(iii) making elections and adopting accounting methods;

(iv) filing all extensions of time, including extensions of time for payment of tax under Section 6161 and other sections of the Code;

(v) filing all claims for refund or credit;

(vi) conducting all audits of the Group and its Members and contesting (both administratively and judicially) the proposal of adjustments to tax liability and the assessment of any deficiency;

(vii) executing all waivers and statute extensions;

(viii) making decisions regarding tax adjustments affecting the Group or any Member;

(ix) executing closing agreements, settlement agreements, offers in compromise, and all other documents; and

(x) obtaining private letter rulings or technical advice memoranda.

It is intended that the Subsidiaries shall not have any authority to act for or to represent themselves in any such matter to which this paragraph relates; however, to the extent any such matter relates to a Subsidiary or to a Future Subsidiary, INTEGRYS agrees to timely apprise such Subsidiary's management regarding the matter. Furthermore, INTEGRYS agrees that in those situations when it is exercising its agency to settle proposed adjustments to the income tax liability of the Consolidated Group, it will, with regard to any tax issue which could impact the Subsidiaries, timely apprise such Subsidiaries' management of the plans for settling such issue.

(d) INTEGRYS may arrange with one or more of its affiliates or another third party provider for such services and payments as may be reasonably required for the preparation and filing of Consolidated Returns, the calculation of taxes required under this Agreement and the government audit proceedings that may be required with respect thereto, and INTEGRYS shall be reimbursed for such services and Members of the Group charged therefore, in accordance with the then-applicable affiliated interest agreement between them.

2.2. Cooperation.

(a) INTEGRYS and its Subsidiaries agree to cooperate, and INTEGRYS and its Subsidiaries agree to cause each Future Subsidiary to cooperate, with INTEGRYS in filing any return or consent or taking any other action contemplated by this Agreement and agrees to take such action as INTEGRYS may request in connection therewith.

(b) The authorization and obligations set forth herein under Article II shall survive the termination of this Agreement with respect to any tax year (or portion thereof) ending on or prior to termination of this Agreement.

ARTICLE III

ALLOCATION OF TAX LIABILITIES

3.1. Allocation of Consolidated Tax Liability.

(a) The Parties shall allocate the Consolidated Tax Liability for each taxable period among the Members and compensate a Member for the use of its net operating losses and/or tax credits in arriving at the Consolidated Tax Liability pursuant to the following steps:

(i) Step One: Each Member's separate regular tax obligation will be computed, applying the statutory rate in effect for the Consolidated Group to the Members' separate taxable income. In arriving at each Member's separate tax obligation its regular tax obligation will be increased and/or reduced for the tax effect of items subject to limitation (e.g., net operating losses, domestic manufacturing deduction, alternative minimum tax, capital losses, charitable contributions, etc.) and tax credits computed as if the Member was filing on a separate basis. For Members subject to rate regulation, the provision of this step will be applied separately to the Members' regulated and non-regulated activities.

(ii) Step Two: The Consolidated Groups' regular tax obligation will be computed, applying the statutory rate in effect for the Consolidated Group to the taxable income of the Group. The Consolidated Groups' regular tax obligation will be increased and/or reduced for the tax effect of items subject to limitation and tax credits as applied on a consolidated basis.

(iii) Step Three: Each Member will be allocated a tax adjustment where necessary to reflect any item or credit that was subject to limitation on a separate return basis as computed under subsection 3.1(a)(i), but was not subject to limitation on a consolidated basis as computed under subsection 3.1(a)(ii). The adjustment described above will be allocated only where the Member would have been able to use the adjustment in a future year on a separate return basis. Each Member will be allocated a tax adjustment where necessary to reflect any item limited on a consolidated basis under subsection 3.1(a)(ii), but was not limited on a separate basis as computed under subsection 3.1(a)(i). The adjustment described above will be allocated only where the Group will not be able to use the item or credit in a future year on a consolidated return basis. For Members subject to rate regulation, the provision of this step will be applied separately to the Members' regulated and non-regulated activities.

(iv) Step Four: INTEGRYS will be allocated a tax adjustment where necessary to reflect the Consolidated Group tax obligation as computed under subsection 3.1(a)(ii) less the aggregate amount of the Members separate obligation computed under subsection 3.1(a)(i) and adjusted under subsection 3.1(a)(iii).

(v) Step Five: Each Subsidiary shall be liable for and pay to or receive from INTEGRYS, pursuant to the provision of Article III of this Agreement, the amount of its Separate Return Tax adjusted per subsection 3.1(a)(iii).

(b) The following rules shall apply in carrying out the steps of Section 3.1(a) of this Agreement:

(i) In determining the net operating loss of a Subsidiary, the principles of Revenue Ruling 66-374, 1966-2 C.B. 427, shall be utilized;

(ii) In no event shall a payment be made to a Subsidiary unless the net operating loss and/or tax credit to which such payment relates resulted in a reduction in the Consolidated Tax Liability; and

(iii) In calculating the amount payable to a Subsidiary resulting from a carryback or carryover of net operating losses, adjustment shall be made to the Separate Return Tax for such prior year or subsequent year as required under Code Sections 172(b)(2) and 172(d) (i.e., carryover/back rules). For purposes of this calculation, the election under Section 172(b)(3) (i.e., waiver of carryback) of the Code shall be in the sole discretion of INTEGRYS.

(c) The liability of a Subsidiary to INTEGRYS for the amount of its tax shall be represented on the books of the Subsidiary and INTEGRYS as an account payable and account receivable, respectively. The liability of INTEGRYS to a Subsidiary shall be represented on the books of INTEGRYS and the Subsidiary as an account payable and account receivable respectively, as provided for under Article IV.

3.2. Allocation of Consolidated Tax Liability for Earnings and Profits Purposes.

With respect to the determination of earnings and profits for federal income tax purposes (as described under Treasury Regulations Section 1.1502.33(d)), the Members shall have allocated to them that portion of the Consolidated Tax Liability determined in accordance with the method set forth in Code Section 1552(a)(1) and Treasury Regulations Section 1.1552-1(a)(1), all as required under Treasury Regulations Section 1.1552(c)(1).

ARTICLE IV

PAYMENTS; CARRYBACKS/CARRYFORWARDS

4.1. Estimated Taxes.

INTEGRYS shall make all estimated federal income tax payments on behalf of the Group. Within the month of the prescribed due date for each estimated payment:

(a) Each Subsidiary shall compute the estimated payment that it would be required to make for the payment period applying the provisions of Article III hereof;

(b) Each Subsidiary shall pay such amount to INTEGRYS or inform INTEGRYS that no estimated payment is owed under this provision.

4.2. Taxes Due on Return.

(a) Within 90 days of the prescribed due date (including applicable extensions thereof) of a Consolidated Return for the Group:

(i) The tax allocable to a Subsidiary shall be computed in accordance with Article III; and

(ii) Each Subsidiary shall pay such amount to INTEGRYS minus the amounts previously paid as estimated tax payments and carried over from prior periods with respect to such tax year, or shall inform INTEGRYS in writing that no payment is owed by such Subsidiary or that such Subsidiary has made estimated payments to INTEGRYS in excess of its tax liability for such year.

(b) In the event INTEGRYS owes an amount to a Subsidiary pursuant to this section, INTEGRYS shall pay (or credit against estimated tax payments of the Subsidiary due INTEGRYS under Section 4.1 above) such amount to the Subsidiary within 90 days of the due date of the Consolidated Return of the Group, including proper extensions.

4.3. Carrybacks and Carryovers of Losses and Credits.

If part or all of any unused consolidated net operating loss or tax credit is allocated to a Subsidiary pursuant to Section 1.1502-79 of the Treasury Regulations, and it is carried back or forward to a year in which the Subsidiary filed a separate income tax return or was included in a consolidated federal income tax return with another consolidated or combined group, any refund or reduction in federal income tax liability arising from the carryback or carryover shall be retained (or, if appropriate, credited to such Subsidiary if a refund is received by another Member) by such Subsidiary.

ARTICLE V

ADJUSTMENTS TO CONSOLIDATED TAX LIABILITY

5.1. Subsequent Tax Adjustments.

(a) In the event of any adjustment of the tax liability shown on the Consolidated Return of the Group, by reason of an amended return, claim for refund, audit by the Internal Revenue Service or any other taxing authority (the "Taxing Authority"), including any adjustments barred by the statutes of limitation but permitted under such common law doctrines as equitable recoupment of offset, the separate return tax liability of each Subsidiary under Article III shall be recomputed to give effect to any portion of such adjustment applicable to such Subsidiary as if it had been made as part of the original computation of tax liability thereunder.

(b) Applicable interest paid by the Taxing Authority or applicable interest and penalties due to the Tax Authority shall be allocated to the Subsidiary causing the adjustment.

(c) Such recomputation and any adjusting payment required as a result of this Article V shall be made within 90 days upon the final administrative or judicial determination of such adjustment or upon receipt of a refund properly calculated.

ARTICLE VI

MISCELLANEOUS

6.1. Terms of this Agreement.

(a) This Agreement is effective for all "open years" under Code Section 6501, and the applicable state and local provisions, for purposes of federal income taxes, unitary taxes of the Members, and other state, local and foreign taxes, including the tax year ended December 31, 2011. As such, this Agreement shall apply to all taxable years or portions thereof (including those prior to the date of this Agreement) for which a consolidated or unitary tax return was or is filed with respect to a Subsidiary that was included as part of such return(s), unless INTEGRYS and the Subsidiary agree in writing to another arrangement or otherwise agree to terminate this Agreement. Notwithstanding such termination, this Agreement shall continue in effect with respect to any payment or refund due for all taxable periods prior to termination.

(b) This Agreement shall cease to apply with respect to any party hereto which ceases to be a Member of the Group, effective for all tax years beginning on or after the date such party ceases to be a Member of such Group except with respect to adjustments required pursuant to Article V hereof, which shall continue to apply. This Agreement shall not be terminated under any other circumstances except pursuant to the written agreement of the parties.

6.2. Additional Subsidiaries.

(a) If INTEGRYS at any time acquires or creates, directly or indirectly, a corporation which is an includible corporation within the meaning of Section 1504(b) of the Code, such corporation shall be subject to this Agreement and all references to the parties hereto shall thereafter be interpreted to refer to such corporation in addition to INTEGRYS and its present Subsidiaries.

(b) This Agreement shall be amended at such time the stock of a Subsidiary is owned less than 100% by INTEGRYS but the Subsidiary is nevertheless still an includible corporation under Section 1504(b) of the Code.

6.3. Purpose and Effect.

The purpose of this Agreement is to provide a method for fairly and accurately allocating federal, state, local and foreign income taxes among members of the Group on a "separate basis" and to reflect other applicable statutes and regulatory principles, and in the event of any ambiguity, this Agreement shall be construed consistently therewith. This Agreement is also intended to provide a method for determining earnings and profits for federal income tax purposes and to otherwise allocate taxes and tax attributes for federal tax purposes, and the parties hereto may take action to determine whether approval of this Agreement is necessary for its effectiveness for federal tax purposes, and may take action to secure such approval if necessary. Notwithstanding the foregoing, the effectiveness of this Agreement for other

purposes is not conditioned upon its effectiveness for earnings and profits or other federal tax purposes. Accordingly, regardless of the method in which taxes are allocated among Members of the Group for earnings and profits or other federal tax purposes, the method provided for herein shall be considered fair and accurate, and no payment required hereunder shall be considered a dividend or contribution to capital, or give rise to any claim by any Member of the Group or any shareholder thereof.

6.4. Miscellaneous.

This Agreement contains the entire agreement of the parties and may not be modified or amended except by an agreement in writing signed by the parties. The rights and obligations of the parties hereunder shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

6.5. Assignability.

The rights and obligations under this Agreement of the parties to this Agreement may not be assigned by a party without the prior written and unanimous consent of the other parties to this agreement.

6.6. Effect of Changes to the Code.

Any alteration, modification, addition, deletion, or other change in the Code, Treasury Regulations and/or the state and local tax laws applicable to the filing of Consolidated Returns shall automatically be applicable to this Agreement, provided, however, that if all the parties to this Agreement unanimously agree, this Agreement shall be amended or terminated in the event of any such alteration, modification, addition, deletion or other change.

6.7. Record Retention.

INTEGRYS shall make available, and INTEGRYS shall cause the Subsidiaries and Future Subsidiaries to make available, to the Members of the Group all materials (including, without limitation, returns, supporting schedules, work papers, correspondence, and other documents) relating to the Consolidated Returns filed for the taxable years during which this Agreement was effect during regular business hours for a period that is not less than the applicable federal record retention requirement period.

6.8. Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto; but no assignment shall relieve any party's obligations hereunder without the written consent of the other parties. In the event a Member leaves the Consolidated Group, it shall be bound, nevertheless, by this Agreement with respect to any matter which involves a taxable year (or portion thereof) during which it was included in a Consolidated Return.

6.9. Governing Law. This Agreement shall be governed by the laws of the State of Wisconsin.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

INTEGRYS ENERGY GROUP, INC

Signed: _____
Name: William J. Guc Title: Vice President & Treasurer

WPS VISIONS, INC

Signed: _____
Name: William J. Guc Title: Treasurer

WISCONSIN PUBLIC SERVICE CORPORATION

Signed: _____
Name: William J. Guc Title: Treasurer

WPS LEASING, INC

Signed: _____
Name: William J. Guc Title: Treasurer

UPPER PENINSULA POWER COMPANY

Signed: _____
Name: William J. Guc Title: Treasurer

MICHIGAN GAS UTILITIES CORPORATION

Signed: _____
Name: William J. Guc Title: Treasurer

MINNESOTA ENERGY RESOURCES CORPORATION

Signed: _____
Name: William J. Guc Title: Treasurer

PENVEST, INC

Signed: _____
Name: William J. Guc Title: Treasurer

INTEGRYS ENERGY SERVICES, INC

Signed: _____

Name: William J. Guc Title: Treasurer

INTEGRYS ENERGY SERVICES OF NEW YORK, INC

Signed: _____
Name: William J. Guc Title: Treasurer

TEGE SOLAR, LLC

Signed: _____
Name: William J. Guc Title: Treasurer

PDI STONEMAN, INC.

Signed: _____
Name: William J. Guc Title: Treasurer

WPS EMPIRE STATE INC.

Signed: _____
Name: William J. Guc Title: Treasurer

THE PEOPLES GAS LIGHT AND COKE COMPANY

Signed: _____
Name: William J. Guc Title: Treasurer

PEOPLES GAS NEIGHBORHOOD DEVELOPMENT CORPORATION

Signed: _____
Name: William J. Guc Title: Treasurer

NORTH SHORE GAS COMPANY

Signed: _____
Name: William J. Guc Title: Treasurer

PEOPLES ENERGY HOME SERVICES, LLC

Signed: _____
Name: William J. Guc Title: Treasurer

PEOPLES TECHNOLOGY, LLC

Signed: _____
Name: William J. Guc Title: Treasurer