

INTEGRYS ENERGY GROUP, INC.

Form 11-K

June 26, 2013

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 33-35050

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Integrys Energy Group  
Employee Stock Ownership Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Integrys Energy Group, Inc.  
(A Wisconsin Corporation)  
130 East Randolph Street  
Chicago, IL 60601-6207

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REQUIRED INFORMATION

The following financial statements and schedules of the Integrys Energy Group Employee Stock Ownership Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Securities Act of 1974, as amended, are filed herewith.

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Integrys Energy Group Employee Stock Ownership Plan &  
Trust  
Financial Statements as of and for the Years  
Ended December 31, 2012 and 2011, Supplementary  
Schedules as of and for the Year Ended  
December 31, 2012, and Report of Independent Registered  
Public Accounting Firm

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INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

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NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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[Schenck letterhead]

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Integrys Energy Group, Inc.  
Employee Benefits Administrator Committee

We have audited the accompanying statements of net assets available for benefits of the Integrys Energy Group Employee Stock Ownership Plan and Trust (the "Plan") as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2012 and schedule of reportable transactions for the year ended December 31, 2012, are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Schenck SC

Certified Public Accountants  
Green Bay, Wisconsin  
June 25, 2013



INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS:		
Investments — at fair value:		
Non-participant directed:		
Common stock of Integrys Energy Group, Inc.	\$ 177,586,799	\$ 173,235,132
Mutual Fund	14,534	8,442
Participant directed:		
Mutual funds	10,554,165	7,297,882
Collective trust funds	6,406,584	4,547,886
<b>Total investments</b>	<b>194,562,082</b>	<b>185,089,342</b>
Receivables:		
Employer contributions	1,281,393	1,215,163
<b>NET ASSETS AVAILABLE FOR BENEFITS — at fair value</b>	<b>195,843,475</b>	<b>186,304,505</b>
ADJUSTMENT FROM FAIR VALUE TO CONTRACT		
VALUE FOR FULLY BENEFIT-RESPONSIVE		
INVESTMENT CONTRACTS	(116,585 )	(83,550 )
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 195,726,890</b>	<b>\$ 186,220,955</b>

See notes to financial statements.

INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
ADDITIONS:		
Employer contributions	\$ 14,653,066	\$ 13,236,212
Investment income:		
Interest and dividend income	9,159,017	8,480,877
Net appreciation (depreciation) in fair value of investments	(5,495,798 )	17,507,398
Total investment income	3,663,219	25,988,275
DEDUCTIONS:		
Distributions to participants	8,270,580	7,944,938
Dividend distributions	539,770	484,856
Total deductions	8,810,350	8,429,794
NET INCREASE	9,505,935	30,794,693
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	186,220,955	155,426,262
End of year	\$ 195,726,890	\$ 186,220,955

See notes to financial statements.



INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. DESCRIPTION OF THE PLAN

General — The Integrys Energy Group Employee Stock Ownership Plan and Trust (the “Plan”) was established effective January 1, 1975, as a defined contribution employee stock ownership plan. The Plan invests principally in Integrys common stock. The Plan is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (the “Code”), and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document, as amended, for more complete information.

Effective May 16, 2011, the name of the Plan was changed to Integrys Energy Group Employee Stock Ownership Plan and Trust from Wisconsin Public Service Corporation Employee Stock Ownership Plan and Trust.

Plan Sponsor — Wisconsin Public Service Corporation; a wholly owned subsidiary of Integrys Energy Group, Inc. ( the “Company” or “Integrys”), is the Plan sponsor.

Plan Administration — Overall responsibility for administration of the Plan rests with the Employee Benefits Administrator Committee, which consists of Integrys employees. Wells Fargo Bank N.A. (the “Trustee”) serves as the Plan’s trustee and has custody of all cash and investments of the Plan. Wells Fargo Bank N.A. is also the recordkeeper for the Plan and maintains the individual participant accounts. Costs of administering the Plan are paid by either the Plan or the Company.

Eligibility — Administrative employees of the Company are generally eligible to participate in the Plan except for limited-term, temporary, and certain part-time employees (unless limited-term employees work one year and 1,000 hours and/or are participating in one of the Company’s employee savings plans). Limited-term employees are defined under the Plan as employees of the Company or any affiliate who are hired for a limited period of time, such as temporary summer help or as a student employee who is scheduled to perform services during summer or semester breaks. Certain non-administrative employees (employees covered by a collective bargaining agreement) which have an agreement with the Company are eligible to participate in the Plan. Certain non-administrative employees from Local 420 (formerly Local 310), International Union of Operating Engineers (AFL-CIO) (“Local 420”), Local 18007 of the Gas Workers Union, UWUA, AFL-CIO (“Local 18007”), Local 2285 of the International Brotherhood of Electrical Workers, AFL-CIO (“Local 2285”), International

Brotherhood of Electrical Workers Local 510 (“Local 510”), Local 12295 of the United Steelworkers Union (“Local 12295”), Local 31 International Brotherhood of Electrical Workers (“Local 31”), and Local 417 of the Utility Workers of America, AFL-CIO (“Local 417”) also participate in the Plan. Each collective bargaining agreement sets forth which non-administrative employees are eligible to participate in the Plan.

**Employer Contributions** — Contributions to the Plan on behalf of administrative employees and certain non-administrative employees are made in Integrys common stock and match participant contributions to other plans. The matching contributions have a value equal to a 100% match on the first 5% of eligible pay that each participant defers into the Wisconsin Public Service Corporation Administrative Employees’ Savings Plan, the Wisconsin Public Service Corporation Non-Administrative Employees’ Savings Plan (for participants hired or rehired on or after April 19, 2009 for Local 510, December 18, 2009 for Local 420, January 15, 2010 for Local 12295, March 22, 2011 for Local 31, and February 16, 2012 for Local 417), the Peoples Energy Employee Capital Accumulation Plan, or the Peoples Energy Employee Thrift Plan (for participants hired or rehired on or after May 1, 2008 for Local 18007 and July 1, 2008 for Local 2285). Such contributions totaled \$11,535,222 and \$9,699,633 for 2012 and 2011, respectively.

Pursuant to a union contract with Local 420, the Company contributes to the Plan on behalf of eligible employees who are members of Local 420, 2% of a participant’s gross pay. Also, an additional percentage (as described in the collective bargaining agreement based on the participant’s date of hire/rehire) of a participant’s base pay is contributed to the Plan. Contributions pursuant to this collective bargaining agreement with Local 420 employees totaled \$3,117,844 and \$3,536,579 for 2012 and 2011, respectively.

**Vesting** — Participants are immediately vested in their accounts.

**Payment of Benefits** — Benefits paid to participants represent the amount paid during the year to participants who elected to receive the distribution of their account balance. Non-administrative participants may withdraw from their account shares that have been held at least 84 months. Administrative participants may withdraw from their account shares that were received prior to January 1, 2001, and held for at least 84 months. For administrative employees, shares received after January 1, 2001, may be withdrawn only upon termination or retirement. Diversification withdrawals are also allowed for those over age 55 and who have participated in the Plan for over ten years.

Former employees may elect to receive lump sum distributions quarterly as described in the Plan document, or may defer distribution until the year they attain age 69. Participants who die, become disabled, retire, or otherwise terminate employment with the Company are entitled to elect a distribution as early as the next withdrawal opportunity. To the extent provided for by a qualified domestic relations order, and as determined by the administrator, a lump-sum payment may be made to an alternate payee under such order at the next withdrawal opportunity. Fractional shares and balances diversified into mutual funds or the

collective trust funds are paid in cash. Amounts held in Integrys common stock are issued in full share certificates.

**Dividend Distributions** — Each eligible participant may elect, for dividends declared and payable on stock that is allocated to the participant account, to be paid in cash directly to the participant or be reinvested in the participant's account. Dividends that are reinvested in the participant's account are used to purchase additional shares of Integrys stock at the closing market price on the payment date of the dividend.

**Participant Accounts** — Individual accounts are maintained for each of the Plan's participants to reflect the employer contributions, as well as the participant's share of the Plan's income and any related administrative expenses. Allocations of interest/expense are based on the proportion that each participant's account balance bears to the total of all participant account balances.

**Investment Options** — Contributions to the Plan are nonparticipant directed into Integrys common stock. Participants have the option to diversify into mutual funds and collective trust funds within the Plan on a quarterly basis. Diversification transactions occur within a certain time period each quarter. The mutual funds and collective trust funds are managed by Wells Fargo, Fidelity, Neuberger Berman, Invesco, Loomis Sayles, Vanguard, Hartford, Dodge & Cox, American Funds, and the Northern Trust Company.

**Voting Rights** — Each participant is entitled to exercise voting rights attributable to the shares allocated to the participant's account. Each participant is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any share for which instructions have not been given by a participant.

**Plan Amendments** — The Wisconsin Public Service Corporation Non-Administrative Savings Plan and Trust was amended in 2011 to reflect the negotiated changes for Local 31 participants hired or rehired on or after March 22, 2011 and in 2012 to reflect the negotiated changes for Local 417 participants hired or rehired on or after February 16, 2012. The Plan was amended to reflect the addition of a matching contribution in Integrys common stock for these Local 31 and Local 417 participants based on the respective effective dates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** — The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition — The Plan's investments are stated at fair value. See Note 5 for discussion of fair value measurements. Investments in Integrys common stock are stated at fair market value based on the closing price reported by the New York Stock Exchange at year end. Mutual fund investments are valued as determined by the Trustee by reference to published market data. The collective trust funds are stated at fair value as determined by the issuer of the collective trust based on the fair market value of the underlying investments. The underlying investments in the Wells Fargo Stable Return Fund N35 are stated at fair value and are then adjusted by the issuer to contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment in the Wells Fargo Stable Return Fund N35 at contract value. Contract value represents contributions made to the fund, plus earnings, less participant withdrawals.

The Northern Trust Company collective trust funds invest primarily in traded securities and have a variety of investment strategies including equity funds, fixed income funds and balanced funds. There are no redemption notice restrictions for the assets managed by Wells Fargo and Northern Trust.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the plan's gains and losses on investments bought and sold as well as held during the year.

Management fees and operating expenses charged to the Plan for investments in mutual funds and collective trust funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Contributions Receivable — The Plan records employer contributions receivable when earned by the participants.

Administrative Expenses — All administrative expenses of maintaining the Plan are first paid by rebate income received by the Plan and any additional administrative expenses are paid by the Company and/or its affiliates.

Risks and Uncertainties — The Plan utilizes various investment instruments, but is primarily invested in shares of Integrys common stock. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk

associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Payment of Benefits — Benefit payments to participants are recorded upon distribution. Benefits totaling \$2,581,080 and \$876,812 were due to participants who have withdrawn but not received payment as of December 31, 2012 and 2011.

Subsequent Events — Plan management has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date on which the financial statements were issued.

Reclassification – Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation with no impact on previously reported net assets available for benefits or changes in net assets available for benefits.

### 3. INVESTMENTS

The Plan is primarily invested in shares of Integrys common stock. These shares are held in a bank-administered trust fund. This is the only investment that represents 5% or more of the Plan's net assets. The values of shares held at December 31, 2012 and 2011, are as follows:

	2012	2011
Common stock of Integrys Energy Group, Inc., 3,197,400.000 3,400,743 shares at \$52.22 per share and 3,197,400 shares at \$54.18 per share, respectively	\$ 177,586,799	\$ 173,235,132

The investment in Integrys common stock is nonparticipant directed.

During 2012 and 2011, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	2012	2011
Common stock of Integrys Energy Group, Inc.	\$ (6,721,963)	\$ 17,810,352
Mutual funds	950,098	(358,345 )
Collective trust funds	276,067	55,391
<b>Total</b>	<b>\$ (5,495,798)</b>	<b>\$ 17,507,398</b>

## 4. NONPARTICIPANT DIRECTED INVESTMENTS

The Plan includes participant directed and nonparticipant directed investments. Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant directed investments is as follows:

	2012	2011
Net assets:		
Common stock of Integrys Energy Group, Inc.	\$ 177,586,799	\$ 173,235,132
Mutual fund	14,534	8,442
Employer contribution receivable	1,281,393	1,215,163
<b>Total</b>	<b>\$ 178,882,726</b>	<b>\$ 174,458,737</b>

	2012	2011
Changes in net assets:		
Employer contributions	\$ 14,653,066	\$ 13,236,212
Interest and dividend income	8,963,597	8,342,838
Net appreciation (depreciation) in fair value of investments	(6,721,963 )	17,810,352
Distributions to participants	(6,538,387 )	(6,621,552 )
Dividend distributions	(539,770 )	(484,856 )
Transfers to participant directed investments	(5,392,554 )	(3,768,748 )
<b>Total</b>	<b>\$ 4,423,989</b>	<b>\$ 28,514,246</b>

## 5. FAIR VALUE MEASUREMENTS

FASB ASC 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Collective trust funds: Valued at the NAV of units of a bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held the by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Plan to initiate a full redemption of the collective trust, the investment advisor reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

Stable Return Fund: The stable return fund is valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Since the participants transact at contract value, fair value is determined annually for financial statement reporting purposes only. In determining the reasonableness of the methodology, the Investment Committee evaluates a variety of factors including review of existing contracts, economic conditions, industry and market developments, and overall credit ratings. Certain unobservable inputs are assessed through review of contract terms (for example, duration or payout date) while others are substantiated utilizing available market data (for example, swap curve rate).

The following tables set forth by level, within the fair value hierarchy, a summary of the Plan's investments measured at fair value on a recurring basis at December 31, 2012 and 2011.

	Fair Value Measurements at December 31, 2012			Total
	Level 1	Level 2	Level 3	
Integrys Energy Group, Inc. common stock	\$ 177,586,799	\$ -	\$ -	\$ 177,586,799
<b>Mutual funds:</b>				
Equity	5,378,271	-	-	5,378,271
Balanced	3,684,769	-	-	3,684,769
Fixed Income	1,505,659	-	-	1,505,659
Total mutual funds	10,568,699	-	-	10,568,699
<b>Collective trust funds:</b>				
Equity	-	1,751,270	-	1,751,270
Balanced	-	68,731	-	68,731
Fixed Income	-	449,805	-	449,805
Stable Return Fund	-	4,136,778	-	4,136,778
Total collective trust funds	-	6,406,584	-	6,406,584
	\$ 188,155,498	\$ 6,406,584	\$ -	\$ 194,562,082



	Fair Value Measurements at December 31, 2011			Total
	Level 1	Level 2	Level 3	
IntegrYS Energy Group, Inc. common stock	\$ 173,235,132	\$ -	\$ -	\$ 173,235,132
<b>Mutual funds:</b>				
Equity	3,777,564	-	-	3,777,564
Balanced	2,361,333	-	-	2,361,333
Fixed Income	1,167,427	-	-	1,167,427
Total mutual funds	7,306,324	-	-	7,306,324
<b>Collective trust funds:</b>				
Equity	-	944,357	-	944,357
Balanced	-	66,186	-	66,186
Fixed Income	-	240,319	-	240,319
Stable Return Fund	-	3,297,024	-	3,297,024
Total collective trust funds	-	4,547,886	-	4,547,886
	\$ 180,541,456	\$ 4,547,886	\$ -	\$ 185,089,342

Investment	Fair Value	Fair Value Estimated Using Net Asset Value per Share		
		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Collective trust funds at December 31, 2012 (a)	\$ 6,406,584	-	Immediate	(a)
Collective trust funds at December 31, 2011 (a)	\$ 4,547,886	-	Immediate	(a)

The fair values of the investments have been estimated using the NAV of the investment.

- (a) This category has a variety of investment strategies which includes both U.S. and international equity securities and fixed income securities. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. There are no redemption notice restrictions for the assets managed by The Northern Trust Company. The valuation date is the close of business on the last business day of the month and the distribution is made the 1st day after the valuation date or as soon as possible.



## 6. STABLE VALUE FUND

The stable value fund (the "Fund") is a collective trust fund sponsored by Wells Fargo. The beneficial interest of each participant is represented by units. Units are issued and redeemed daily at the Fund's constant NAV of \$1 per unit. Distribution to the Fund's unit holders is declared daily from the net investment income and automatically reinvested in the Fund on a monthly basis, when paid. It is the policy of the Fund to use its best efforts to maintain a stable net asset value of \$1 per unit; although there is no guarantee that the Fund will be able to maintain this value.

Participants ordinarily may direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the Fund, plus earnings, less participant withdrawals and administrative expenses. The Fund imposes certain restrictions on the Plan, and the Fund itself may be subject to circumstances that affect its ability to transact at contract value. Plan management believes that the occurrence of events that would cause the Fund to transact at less than contract value is not probable.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the Trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The plan administrator believes that the occurrence of any events that would limit the Plan's ability to transact at contract value with participants are not probable of occurring.

## 7. FEDERAL INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Sponsor by a letter dated March 5, 2003, that the Plan and related trust were designed in accordance with applicable regulations of the Internal Revenue Code ("the Code"). The Plan has been amended since receiving the determination letter. However, the Sponsor and the Plan administrator believe that the Plan is currently designed and operated in compliance with applicable requirements of the Code and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by

taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

#### 8. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event the Plan is terminated, each participant's interest in the Plan would be distributed as prescribed by the Plan and ERISA at the time of termination. Upon termination of the Plan, the Committee shall direct the Trustee to pay all liabilities and expenses of the Plan.

#### 9. PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of a money market fund and a collective trust fund managed by the Trustee and, therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for investment management services were included as a reduction of the return earned on each fund. Integrys provides certain administrative and accounting services to the Plan at no cost.

In addition, certain investments are shares of common stock of Integrys and, therefore these transactions qualify as party-in-interest transactions. At December 31, 2012 and 2011, the Plan held 3,400,743 and 3,197,400 shares, respectively, of common stock of Integrys, parent company of the sponsoring employer, with a cost basis of \$142,687,711 and \$128,354,093, respectively. During the years ended December 31, 2012 and 2011, the Plan recorded dividend income of \$8,963,597 and \$8,342,838, respectively, from investments in common stock of Integrys.

## 10. RECONCILIATION TO FORM 5500

As of December 31, 2012 and 2011, the Plan reported \$(116,585) and \$(83,550), respectively, of adjustments from fair value to contract value for a fully benefit-responsive investment contract.

A reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2012 and 2011, and for the year ended December 31, 2012 is as follows:

	2012	2011
Statements of net assets available for benefits:		
Net assets available for benefits per financial statements	\$ 195,726,890	\$ 186,220,955
Adjustment from contract value to fair value for fully benefit-responsive investment contract	116,585	83,550
Net assets available for benefits per Form 5500 —		
at fair value	\$ 195,843,475	\$ 186,304,505
Statement of changes in net assets available for benefits:		
Increase in net assets per the financial statements	\$ 9,505,935	
Change in adjustment from contract value to fair value for fully benefit-responsive investment contract	33,035	
Net income per Form 5500	\$ 9,538,970	

Additionally, differences between these financial statements and the information combined in Schedule H, Parts I and II of Form 5500 were identified and are due to different classifications among various detail accounts. Except for the differences identified above, these balances are in agreement in total.

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SUPPLEMENTARY SCHEDULES

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INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

FORM 5500, SCHEDULE H, PART IV, LINE 4I SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
AS OF DECEMBER 31, 2012  
EIN/PN:39-0715160/003

(a)	(b)	(c)	(d)	(e)
	Identity of Issue	Shares or par value	Cost	Current Value
	Nonparticipant directed:			
	Integrys Energy Group, Inc. common			
*	stock	3,400,743	\$ 142,687,711	\$ 177,586,799
	Mutual Fund:			
	Wells Fargo Advantage Cash Investment			
*	Money			
	Market Fund	14,534	14,534	14,534
	Total nonparticipant directed		\$ 142,702,245	177,601,333
	Participant directed:			
	Mutual Funds:			
	American Funds Growth Fund of America			
		15,858		543,919
	Dodge & Cox Stock Fund			
		7,439		906,866
	Fidelity Balanced Fund			
		39,866		804,503
	Hartford Small Company HLS IA Fund			
		13,126		259,104
	Invesco International Growth Fund			
		37,154		1,085,653
	Loomis Sayles Small Cap Value Fund			
		23,001		691,653
	Neuberger Berman Large Cap Value Fund			
		8,193		230,230
	Northern International Equity Index Fund			
		68,657		709,910
	Vanguard Total Stock Market Index Fund			
		26,667		950,936
	Vanguard Total Bond Market Index Fund			
		134,457		1,491,125
	Vanguard Target Retirement Fund			
		33,005		402,334
	Vanguard Target Retirement 2015 Fund			
		51,978		695,472
	Vanguard Target Retirement 2025 Fund			
		61,573		836,773
	Vanguard Target Retirement 2035 Fund			
		44,727		630,202
	Vanguard Target Retirement 2045 Fund			
		21,683		315,485
	Total mutual funds			10,554,165
	Collective Trust Funds:			
	Northern Trust Company Balanced Fund			
		368		68,731
	Northern Trust Company Bond Fund			
		2,559		449,805

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Northern Trust Company Mid Cap Equity Fund	2,249	520,757
Northern Trust Company S&P 500 Equity Fund	979	162,268
Northern Trust Company S&P 500 Growth Fund	2,759	450,721
Northern Trust Company S&P 500 Value Fund	2,199	369,755
Northern Trust Company Small Cap Equity Fund	1,076	247,769
* Wells Fargo Stable Return Fund N35	84,744	4,136,778
Total collective trust funds		6,406,584
Total participant directed		16,960,749
<b>TOTAL INVESTMENTS</b>		<b>\$ 194,562,082</b>

\* Indicates a party-in-interest



INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN & TRUST

FORM 5500, SCHEDULE H, PART IV, LINE 4J — SCHEDULE OF REPORTABLE TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
EIN/PN:39-0715160/003

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Identity of Party Involved	Description of Asset	Purchase Price	Selling Price	Lease rental	Expense Incurred With Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain or (Loss)
SINGLE IN SAME SECURITY								
None.								
SERIES IN SAME SECURITY								
Integrys Energy Group, Inc.*	Common stock	\$9,909,533			\$3,632		\$9,909,533	
Integrys Energy Group, Inc.*	Common stock		\$6,884,349		\$2,674	\$5,178,258	\$6,884,349	\$1,706,094

\*Party-in-interest

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator of the Integrys Energy Group Employee Stock Ownership Plan has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized, in the City of Green Bay and the State of Wisconsin this 25 day of June 2013.

INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN  
PLAN ADMINISTRATOR

/s/ Charles A. Cloninger  
Charles A. Cloninger  
Member Plan Administrator Committee

/s/ William J. Guc  
William J. Guc  
Member Plan Administrator Committee

/s/ Linda M. Kallas  
Linda M. Kallas  
Member Plan Administrator Committee

/s/ William D. Laakso  
William D. Laakso  
Member Plan Administrator Committee

/s/ Daniel J. Verbanac  
Daniel J. Verbanac  
Member Plan Administrator Committee

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EXHIBIT INDEX

INTEGRYS ENERGY GROUP  
EMPLOYEE STOCK OWNERSHIP PLAN

FORM I I -K

Exhibit No.	Exhibit	Page Number in Sequentially Numbered Form I I-K
23.1	Consent of Schenck SC	

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