Earnings Conference Call
Fourth Quarter 2008
February 26, 2009

Operator will introduce you, and then begin reading.

Steven Eschbach, Vice President - Investor Relations, speaks.

Good morning. Welcome to Integrys Energy Group's 2008 fourth quarter earnings conference call. Delivering formal remarks with me today are Larry Weyers, our Executive Chairman; Charlie Schrock, President and Chief Executive Officer of Integrys Energy Group and Wisconsin Public Service; Joe O'Leary, our Senior Vice President and Chief Financial Officer; Larry Borgard, President and Chief Operating Officer of Integrys Gas Group; and Mark Radtke, President of our nonregulated subsidiary, Integrys Energy Services.

The slides supporting today's presentation and an associated data package are located on our Web site at www.integrysgroup.com. Select Investors, select Presentations, and then today's presentation.

Before we begin, I will advise everyone that this call is being recorded and will be available for replay through May 5, 2009.

I need to direct you to Slides 2 and 3 of our presentation and to point out that this presentation contains forward-looking statements within the definition of the Securities and Exchange Commission's Safe Harbor rules including projected results for 2009 for Integrys Energy Group and its subsidiaries. Forward-looking statements contain factors that are beyond the ability of Integrys Energy Group to control and, in many cases, Integrys Energy Group cannot predict what factors would cause actual results to differ materially from those indicated by forward-looking statements. I also refer you to the

forward-looking statement section of yesterday's news release and to our Securities and Exchange Commission disclosure documents that we filed last evening for further information. Except as may be required by federal securities laws, Integrys Energy Group and its subsidiaries undertake no obligation to publicly update or revise any forward-looking statement contained in this presentation, whether the result of new information, future events, or otherwise.

Slide 4 indicates that today's presentation includes non-GAAP financial information related to "diluted earnings per share from continuing operations – adjusted," "forward book value," and "managerial gross margin." We believe that diluted earnings per share from continuing operations – adjusted, forward book value, and managerial gross margin are useful measures for providing investors with additional insight into our operating performance and the effects of certain items that are not comparable from one period to the next. Please review the text of this slide regarding non-GAAP financial information.

I will now turn the call over to Larry Weyers. Larry...

Larry Weyers, Executive Chairman speaks.

Thanks, Steve. Good morning, everyone, and thanks for joining us on the call today.

Now please turn to Slide 5 and I will highlight our key accomplishments for 2008. First and foremost, we successfully managed our business through the unprecedented and continuing global credit crisis while at the same time keeping our focus on our business. Our financial results, net of all non-cash derivative and inventory accounting adjustments, exceeded our expectations. Our 2008 synergy savings from the Peoples Energy merger of 83 million dollars were 10 million dollars greater than what we forecasted early in 2008, and this was done with approximately 10 million dollars less in costs to achieve the savings. Next, we completed construction of the 500-megawatt Weston 4 generating facility in mid-2008, placed it into service on July 1, and garnered

two national recognition awards. Additionally, we completed four rate cases and have interim rate relief on a fifth rate case. Currently, 1.7 million of our approximate 2.2 million regulated utility customers, or approximately 80 percent, now have a form of decoupling in their rate structures. Decoupling encourages customer conservation, enables us to more aggressively promote energy efficiency, and helps stabilize our margins and net income.

Finally, our Board of Directors selected a new President and Chief Executive Officer, announcing that Charlie Schrock would assume that role on January 1, 2009, and I would remain as Executive Chairman of the Board. I expect to retain that role for as long as the Board deems appropriate to ensure a smooth transition.

Notwithstanding these successful achievements during the year, the current economic environment and credit crisis in the financial markets has caused us to reassess our strategic direction. We are taking steps to reduce risk and preserve liquidity during current general market conditions that challenge all businesses, and we believe this is the best course of action to deliver value to our stakeholders.

Our 2009 initiatives are set forth on Slide 6. The most significant change for Integrys Energy Group is that we have decided to substantially scale back the operations of our nonregulated energy services business or exit that business entirely. Our preference is a full divesture of this business segment, with alternatives including divestiture of portions of this business or scaling back by further modifying the scope of the products offered and/or the markets we serve. The goal is to reduce the demands on our balance sheet and the capital support obligations that are driven by commodity prices, which, at this time, have demonstrated unprecedented volatility. We are seeking to deploy our capital to areas with more desirable risk-adjusted rates of return. We expect to significantly reduce corporate guarantees and invested capital that have been required by our nonregulated energy services segment. If we do not divest this business segment entirely, our ultimate objective is a size and scope for Integrys Energy Services that will reduce the liquidity, capital, and credit support requirements

for our nonregulated energy services segment and will give us greater control of our own destiny. If we remain in this business at a reduced level, the expected contribution from Integrys Energy Services is no more than 30 million dollars of core net income by the end of 2009. Our ultimate intent is to reduce our nonregulated business segment such that its demands on liquidity and capital are not significant by the end of the calendar year 2010.

We began to scale back this business in late 2008 by modifying the products offered. We expect to fully implement our strategy by December 31, 2009. We are committed to this strategy, and we have engaged JP Morgan to act as our financial advisor to assist us.

Be assured that this strategy change is not the result of a deteriorating customer portfolio. This business segment, formed in 1994, is strong and has demonstrated success for many years. The merger with Peoples Energy in 2007 increased the regulated utility component of our consolidated earnings, enabling us to accommodate our nonregulated energy services business segment growth. This was anticipated to reduce the nonregulated component of our consolidated earnings to between 20 and 30 percent. However, given the recent growth of our nonregulated business segment, the reduced liquidity in the financial markets, and the extraordinary energy price volatility that increased potential cash collateral requirements in an era of shrinking and more expensive credit availability, we have re-evaluated the future of our nonregulated business segment and determined this is the path we need to take.

As we stated during our last earnings conference call, we proactively put many conservative measures in place in response to the current market environment, prudently deploying our resources and managing credit risk to protect the integrity of our book of business. These measures are working as intended, and Mark Radtke will have more to say on this during his formal remarks.

Another strategy change is taking place at our regulated utilities where we are reducing our capital expenditure programs by approximately 30 percent in 2009 and approximately 40 percent in 2010. Note that the focus here is on the short-term. We are continuing to take a hard look at our capital programs with an eye toward further reductions. Projects essential for reliability are proceeding forward while those that can be deferred are being evaluated on a case-by-case basis. There are several potential drivers of utility investment on the horizon and they are typically investments in generation and distribution upgrades that are required due to aging infrastructure, investments to meet new needs such as requirements to create a smart grid, energy efficiency investments, renewable energy mandates, and environmental mandates.

Other changes cut across all business segments. Integrys Energy Group's senior executives and our Board members have agreed to forego any pay increases in 2009. We also implemented a hiring freeze whereby open positions will remain unfilled, providing this action does not adversely impact reliability or customer service. In addition, the use of external contractors will be reduced, again providing there is no adverse impact on reliability and customer service.

Our long-term growth target is also being impacted by the near-term economic and general financial market conditions. Although we anticipate continued growth, it will come from improving the earnings from our regulated subsidiaries as we work to bring all of these businesses closer to their allowed rates of return during the next few years and making selective investments in required renewable, environmental, and infrastructure improvements longer term. As a result, we expect our long-term growth in earnings per share from continuing operations – adjusted to be between 4 and 6 percent on an average annualized basis, with 2009 as our foundational base for future growth, rather than the 6 to 8 percent we had previously indicated. I'll illustrate this at the close of my formal remarks before we open this call to your questions

Now I will turn this call over to Joe O'Leary who will provide you with an overview of our financial results, current liquidity situation, our scaled-back capital expenditure program,

and our long-term financing plans. He will be followed by Larry Borgard who will highlight the Gas Group. Charlie Schrock will follow and will be reporting on both Wisconsin Public Service and Upper Peninsula Power. Mark Radtke will then highlight the nonregulated energy services business segment. Joe will then return and review our 2009 guidance and assumptions, and I will provide a brief recap and moderate your questions.

Joe...

Joe O'Leary, Senior Vice President and Chief Financial Officer, speaks.

Thank you, Larry.

Turning to Slide 7, during the fourth quarter of 2008, in accordance with generally accepted accounting principles, or GAAP, we recognized income available for common shareholders of 25.6 million dollars compared with income available for common shareholders of 85.1 million dollars in the same quarter a year ago. This resulted in diluted earnings per share of 33 cents for the quarter ended December 31, 2008, compared with diluted earnings per share of 1 dollar and 11 cents for the same quarter in 2007.

There are 7 key items driving the 59.5 million dollar quarter-over-quarter change, and we have presented them in after-tax dollars. Keep in mind that the accounting results for the fourth quarter of 2008 included net after-tax non-cash accounting losses of 41.9 million dollars at Integrys Energy Services compared with net after-tax non-cash accounting gains of 47.2 million dollars for the fourth quarter of 2007. The non-cash accounting losses were primarily related to the required accounting treatment of derivative electric supply contracts that were used to economically hedge non-derivative electric customer sales contracts. When electric energy prices fell during the fourth quarter, Integrys Energy Services was required, under GAAP, to adjust the electric supply contracts to fair value, resulting in the recognition of non-cash accounting losses.

However, the related customer sales contracts could not be adjusted to fair value. Integrys Energy Services will recover net after-tax non-cash accounting losses when electricity is physically delivered to customers and the related derivative electric supply contracts are settled.

Although not apparent due to non-cash accounting losses, the 2008 fourth quarter was strong. You will find more details in our earnings news release issued last night.

Additional detail related to the quarter-over-quarter drivers by segment can be found in the Appendix contained in the slide deck for today's presentation and in the Form 10-K report we filed with the Securities and Exchange Commission last evening.

Moving on to Slide 8, I would like to update you on our current liquidity situation as well as cash needs and generation over the next couple of quarters. Our credit facilities totaling approximately 2.4 billion dollars remain unchanged from what we described on our previous earnings conference call. At December 31, 2008, approximately 750 million dollars of the credit facilities were unused and available for us to support our short-term borrowing needs on top of 254 million dollars of cash on hand. This improved since then, with our unused credit facilities increasing to approximately 890 million dollars to support our short-term borrowing needs on top of about 320 million dollars of cash on hand at February 25, 2009. Cash requirements for long-term debt maturities due in 2009 have not changed, with approximately 155 million dollars coming due in 2009. And, as we are now heading out of the winter heating season, our natural gas storage cycle at the regulated natural gas distribution utilities and Integrys Energy Services' fulfillment of customer obligations is expected to generate approximately 1.0 billion dollars of cash from January 1 through April 30, 2009. As Larry mentioned, our capital expenditure plan, as I will outline a little later, has been reduced from what we presented previously, and can be further adjusted if needed depending upon economic and capital market conditions.

Some of our energy procurement contracts contain collateral provisions that are affected by our credit ratings. Slide 9 sets forth additional collateral requirements at year-end 2008 in the theoretical event of our credit ratings being downgraded. In such a theoretical worst case scenario, which would be a downgrade of four notches below our current level, we would be required to provide approximately 829 million dollars of additional collateral. While we do not anticipate any credit ratings changes that would move us to below investment grade, this slide shows that the current availability under our credit facilities and expected cash receipts over the next few months would be sufficient to accommodate this.

Slide 10 shows our revised projected capital expenditures for 2009 through 2011. The decreases in 2009 and 2010 from what was reported in November 2008 for Wisconsin Public Service are primarily related to the planned delay of a number of projects associated with our fleet of generating units and a projected delay in a number of electric and natural gas distribution projects resulting from the slowing economy. For Peoples Gas, the changes are primarily related to a modification of our previous cast iron main replacement program in 2009 and 2010 – approximately 40 million dollars per year. In other words, we would, over the next two years, implement that program on an opportunistic basis – replace required mains, if needed, when the city of Chicago street repairs are being performed rather than removing and replacing the street surface ourselves. Our accelerated cast iron main replacement program could return as early as 2010 if we are granted approval of an infrastructure rider in our current general rate case filing and the present financial market crisis eases. For Upper Peninsula Power, we have delayed a number of hydro projects from 2009 into 2010. The rest of the changes on this chart are the result of shifting a number of small projects between years.

Slide 11 shows our estimated utility depreciation through 2011. The data has been modified since last quarter's conference call in accordance with our revised capital expenditures.

Our projected net growth in regulated utility rate base investment for 2009 through 2011 is summarized on Slide 12. As you can see, that totals 596 million dollars over the next three years. Assuming the timely filing and regulatory approval of incorporating the net utility plant growth in rates at the regulated utilities, plus the anticipated growth in earnings from our 34 percent ownership in the American Transmission Company resulting from their projected growth in net utility plant, we expect our net income growth will be positively impacted.

Slide 13 sets forth our expected long-term financing needs through the end of 2009. Our long-term debt financing includes up to 350 million dollars for Integrys Energy Group and 50 million dollars for Peoples Gas. As far as common equity, we have decided to return to issuing new shares of common stock to meet the needs of our stock investment plan and stock-based employee benefit plans rather than purchasing the shares on the open market. We estimate that the issuance of new common shares for these plans will total about 40 million dollars for 2009. We do not anticipate going to market for any other equity in 2009, but we will continue to assess this as capital market conditions change.

Now I'll turn the call over to Larry Borgard, President and Chief Operating Officer of Integrys Gas Group. Larry…

Larry Borgard, President and Chief Operating Officer – Integrys Gas Group, speaks.

Thanks, Joe.

Recent key accomplishments in the Integrys Gas Group are indicated on Slide 14 and, like last quarter, are primarily rate case-related.

In December, we reached a settlement on our general rate case filing for Michigan Gas Utilities that was approved by the Michigan Public Service Commission on January 13,

2009. We agreed to a 6 million dollar rate increase, and the details of this can be found in the Appendix on Slide 32.

As we mentioned during our last earnings conference call, we received an interim rate increase for Minnesota Energy Resources that went into effect on October 1, 2008, allowing us an increase of 19.8 million dollars on an annual basis, subject to refund, of our 22 million dollar full rate increase request. We expect the Minnesota Commission to issue a decision on this rate case by June 2009. Details of that rate case can also be found in the Appendix, on Slide 33.

We continue to monitor the bad debt situation at all of our natural gas distribution utilities, and our results reflect no material change. In absolute dollars, bad debt expense was up in the fourth quarter 2008 as well as the full year 2008 versus the same periods in 2007. However, as a percent of revenues, our diligent collection efforts kept this under control. For the fourth quarter and full-year 2008, bad debt expense was under 1 percent of revenues for North Shore Gas and Minnesota Energy Resources. For Michigan Gas Utilities, it was approximately 1 percent of revenues for the fourth quarter 2008 and full-year 2008. For Peoples Gas, it was just under 3 percent for the fourth quarter 2008 and full-year 2008.

Initiatives that will drive the Gas Group's value proposition are indicated on Slide 15. Yesterday, we refiled general rate increase requests with the Illinois Commerce Commission for both Peoples Gas and North Shore Gas, for new rates to be effective in early 2010. Details of those filings are set forth on Slide 34 in the Appendix. A key component of that filing is our request for reconsideration of an infrastructure rider to support our accelerated investment in replacing cast iron and unprotected steel pipe in Chicago. As Joe discussed earlier, our 2011 capital expenditure plan assumes that we will increase our cast iron main replacement by approximately 100 million dollars versus 2010. Some acceleration could occur in 2010 depending upon regulatory treatment and capital market conditions. Recall that approximately 2,000 miles of the 4,000 miles of mains in Chicago need replacement at a cost which we anticipate will range between

2 billion dollars and 3 billion dollars and will be reflected in our capital spending over a number of years.

We also intend to pursue decoupling for Michigan Gas Utilities and Minnesota Energy Resources in future rate cases. Per our recent rate case decision in Michigan, we are required to include a decoupling plan for Michigan Gas Utilities in our next rate case filing.

I will now turn this call over to Charlie Schrock for an update on our Wisconsin and Upper Michigan utilities. Charlie…

Charlie Schrock, President and CEO of Wisconsin Public Service, speaks.

Thank you, Larry, and I ask our listeners to refer to Slide 16 for operational data related to Wisconsin Public Service and Upper Peninsula Power.

Key accomplishments recently achieved for Wisconsin Public Service include the general rate case decision reached by the Public Service Commission of Wisconsin at the end of December 2008. Details are set forth in the Appendix on Slide 35, but let me provide you with the two key components of that decision. Although our electric customers essentially saw no increase in rates effective January 1, 2009, the decision effectively ordered a 48 million dollar rate increase over the rates that were in effect on January 12, 2008. The fuel surcharges that went into effect in July 2008, which totaled 48 million dollars on an annual basis and which were set to end on December 31, 2008, were rolled into base rates beginning January 1, 2009. Further, lower forecasted 2009 fuel costs of 41 million dollars and an extended amortization period for the 2007 and 2008 Weston 3 deferred purchased power costs reduced Wisconsin Public Service's 2009 revenue requirement as compared to the Public Service Commission of Wisconsin Staff audit completed in the summer of 2008. The rate order also included a rate stabilization mechanism, which is a form of decoupling, with maximum annual

recoverable or refundable revenues of 8 million dollars for natural gas and 14 million dollars for electric as agreed to earlier this month.

Other accomplishments during the quarter include a second award for Weston 4, our 500-megawatt coal-fired power plant jointly owned with Dairyland Power. In addition to receiving *POWER Magazine's* 2008 Plant of the Year award, Weston 4 received *Power Engineering Magazine's* 2008 Best Coal-Fired Project award. Additionally, we closed on the 99-megawatt Crane Creek wind farm project in December 2008, which was approved in Wisconsin Public Service's recently completed general rate case, and is expected to be in-service by the end of this year. Finally, we completed construction of the laterals for the Guardian II pipeline project on schedule and slightly under budget at 79 million dollars versus a revised budget estimate of 85 million dollars. We are now ready to provide a competitive source of natural gas in northeastern Wisconsin when the Guardian II pipeline is placed in service.

The economy and weather have continued to impact customers' usage at Wisconsin Public Service as indicated on Slide 16. Weather normalized usage per customer is down across all classes for our electric operations at Wisconsin Public Service. For all of 2008, residential usage was down approximately 4 percent, while commercial and industrial customer usage was down approximately 2 percent. For the fourth quarter of 2008, weather-normalized usage per residential customer was down approximately 4 percent while commercial and industrial customer usage was down approximately 6 percent. This had an after-tax impact of 1.2 million dollars, or approximately 2 cents per share, for the fourth quarter of 2008 as compared with the fourth quarter of 2007.

Bad debt expense at Wisconsin Public Service and Upper Peninsula Power has seen a slight increase of approximately 1 million dollars pre-tax quarter-over-quarter and year-over-year. Both Wisconsin Public Service and Upper Peninsula Power's total bad debt expense as a percent of revenues is approximately one-half of one percent.

Going forward, as indicated on Slide 17, the recently-completed Wisconsin Public Service general rate case provides us an opportunity for a limited reopener for rates effective in 2010 for consideration of a number of items, including:

- fuel and purchased power costs;
- construction costs associated with our 99-megawatt wind farm project;
- amortization of deferred replacement power costs related to the October 2007 Weston 3 outage;
- changes in pension and benefit plan costs;
- amortization and current recovery of emission allowances cost; and
- amortization and recovery of energy conservation costs.

Beyond the reopener for 2010, the required capital investments related to environmental mandates and renewable portfolio standards will drive future growth in value at Wisconsin Public Service. At Upper Peninsula Power, we will continue work on a number of hydro projects, projected to cost approximately 30 million dollars to improve existing dams pursuant to Federal Energy Regulatory Commission mandates.

Now Mark Radtke, President of Integrys Energy Services, will discuss our nonregulated operations. Mark…

Mark Radtke, President of Integrys Energy Services, speaks.

Thanks, Charlie.

Before I get into the discussion about our future plans, let me briefly review the strong fourth quarter that Integrys Energy Services had, allowing us to deliver economic performance well above what we projected at the beginning of the year.

Our focus for the quarter was to prudently deploy limited capital in existing markets, and that successfully contributed to increased profitability at the expense of volume. While

there was tremendous opportunity to grow our customer base in the fourth quarter, it was a time to exercise restraint. Consequently, our delivered volumes were down, while our forward contracted volumes were up year-over-year, as depicted on Slide 18. As a result, the economic performance of the business exceeded our expectations. Much like the third quarter of 2008, this performance is not evident in our GAAP results. Derivative accounting coupled with commodity price declines creates non-cash GAAP losses, while commodity price increases produce non-cash GAAP gains. Natural gas and electric forward prices decreased another 20 percent during the quarter, above and beyond the 40 percent decline in the third quarter. While this creates the non-cash accounting losses that were mentioned earlier, this continued falling price environment provided attractive hedging opportunities for our customers. We worked with our customers through this period implementing mechanisms to satisfy their needs while operating within the new financial market framework.

Managerial Gross Margin, which we use to measure our business performance on an economic basis, is set forth on Slide 19. You'll see that our Managerial Gross Margin finished the year at 353 million dollars, 200 million dollars more than what we reported at June 30, 2008, and about 100 million dollars ahead of where we were at September 30, 2008. The strong second half of the year more than made up for the slow start in the first half of the year, and we finished 2008 with an improvement of almost 82 million dollars, or about a 30 percent increase, over 2007. The primary difference between this metric and GAAP margins is that Managerial Gross Margin includes the changes in fair value of all commodity contracts, regardless of their treatment under the derivative accounting rules, making it a more complete representation of economic performance during the period. Over the life of any contract, GAAP margins and Managerial Gross Margins will eventually be the same, but the timing of recognition can be dramatically different.

On Slide 20, we have scheduled out the future margin recognition that would occur if energy prices remained at December 31 levels. You can see that approximately 328 million dollars of our current portfolio will be recognized over the remaining life of

the contracts. About 182 million dollars of that portfolio will be recognized in 2009, fairly ratably over the course of the year. That said, we cannot predict the impact that derivative accounting treatment might have on transactions that settle beyond the current period. Further decreases in energy prices will push GAAP margins into the future, while energy price increases will accelerate the recognition of GAAP margins. It is important to note that the amounts on this slide are based on current contracts and prices and do not reflect future new business and further optimization of our portfolio of assets.

Slide 21 takes it one step further by giving a total adjustment that eliminates the volatility that derivative accounting can introduce. The Mark-to-Market Volatility Adjustment line items represent the difference between GAAP and Managerial Gross Margin-based earnings. So, while a year ago we showed you our quarterly GAAP results would have been decreased by 45.5 million dollars, under this quarter's conditions, to get a better picture of business economic performance, our results would have been increased by 59.8 million dollars. Similarly, our full-year 2007 results would have been decreased by 21.3 million dollars. Under this year's conditions, to get a better picture of the business economic performance, our results would have been increased by 152.2 million dollars. The quarterly and annual "core" earnings contribution of 34.2 million dollars and 102.8 million dollars, respectively, exceeded our expectations set forth earlier in the year.

This success notwithstanding, the unprecedented events in the marketplace that unfolded during the second half of 2008 – the credit crisis in the financial markets; volatile energy price impacts on collateral requirements; fewer market participants that increased counterparty concentrations and demands on collateral capital; and an increase in the required credit availability levels – converged to create a new paradigm. Consequently, we are well on our way in implementing a number of strategic alternatives, with a preference to divest of this entire business segment and alternatives including divesture of portions of this business or scaling back by further modifying the scope of the products offered or markets in which we operate.

As a result of this, we have realigned several of our priorities for 2009, and they are set forth in Slide 22. First, is to facilitate a value monetizing divestiture of the business, fully cognizant of the current financial environment. In the event we do not execute on a divestiture, we want to reduce the corporate guarantees to not exceed 1.1 billion dollars from 2.6 billion dollars at December 31, 2008. Additionally we have plans to reduce the capital deployed by at least 400 million dollars, from about 1 billion dollars to 600 million dollars or less by the end of this year.

While my comments do not provide you with an assurance that we will be in this business at all, nor the specifics as to how we are going to refocus this business segment, the targets have been defined, the strategic alternatives have been identified, some steps have already been taken, and the due diligence in exploring alternatives is underway.

Naturally, we will keep you apprised of our developments as the specifics of our revised strategy unfolds.

Now, I will turn the call back to Joe O'Leary. Joe…

Joe O'Leary, Senior Vice President and Chief Financial Officer, speaks.

Now we will move on to our 2009 financial guidance, which is covered in Slide 23.

Also included in the news release and supplemental data package is the projected guidance range for 2009 diluted earnings per share from continuing operations – adjusted, which is anticipated to be between 2 dollars and 53 cents and 2 dollars and 68 cents. See our slides, news release, and supplemental data package for further details relating to this guidance.

Slide 24 summarizes by business segment our 2009 earnings guidance from continuing operations – adjusted:

- For our regulated electric segment, we expect our earnings per share to be between 1 dollar and 5 cents per share and 1 dollar and 13 cents per share. This is about a 10 million reduction from 2008, which is primarily driven by a 5 percentage point reduction in the authorized equity component of our capital structure for Wisconsin Public Service and the decline in weather-normalized usage per customer net of effects of decoupling.
- For our regulated natural gas segment, we expect our earnings per share to be between 91 and 97 cents. This is an approximate 12-million dollar reduction from 2008, which is driven by a full year's impact of decoupling at our Illinois utilities and normal weather. Colder weather had a positive impact on this segment's results for 2008, and decoupling did not go into effect for our Illinois natural gas distribution utilities until March 2008. Also, rates that went into effect on February 14, 2008, were based on a historic test year ended September 30, 2006. In the latest rate cases that we filed in January 2009, we are using a 2010 forward test year and requesting recovery for over three years of inflation.
- For our nonregulated energy services business segment, we are targeting 30 million dollars of earnings contribution, which equates to 39 cents per share. This estimate for 2009 excludes derivative accounting volatility adjustments and any financial results from divestiture of all or parts of this business segment.
- For our holding company/other segment, we expect our earnings per share to be between 18 and 19 cents per share. This is approximately 4 million dollars greater than 2008 and is primarily attributable to our expected increase in earnings from our 34 percent investment in the American Transmission Company.

Note that with the announced strategic changes to our nonregulated business and the projected reduced earnings capacity of our nonregulated energy services business segment, we anticipate our business risk profile should improve and overall liquidity

should be enhanced. In recent months, the financial community has expressed concern relative to the potential liquidity requirement and business risks associated with energy marketing businesses. The changes we are making will address those issues.

Now I'll turn the call back to Larry Weyers.

Larry Weyers, the Executive Chairman speaks.

Thanks, Joe.

Before I highlight the key points from today's discussion, let me illustrate for you where we see our growth opportunities going forward. Clearly, it will come from our regulated utility segments, and it will come from moving our actual returns closer to authorized levels. As we have discussed previously, we agreed to moratoriums on rate cases with our four recently acquired natural gas utilities as part of our merger agreements in 2006 and 2007 with the jurisdictional commissions. As set forth in Slide 25, we estimate that if these regulated utilities were earning their allowed returns on equity in 2008 that would generate an additional 45 million dollars in earnings. The only way to close that gap is to continue to do what we did in 2008 and that is the timely filing of rate cases. We are currently involved in three rate cases, and we have an opportunity later this year for Wisconsin Public Service with the limited reopener for 2010 proceeding. Continued investment combined with filing of rate cases is expected to provide us the opportunity for continued growth in earnings by increasing our rate base to reflect construction investments.

Growth in investments and rate base for our regulated natural gas utility segment will be driven by our required infrastructure investment in Illinois. Growth for our regulated electric utility segment will be driven by capital projects in accordance with environmental mandates and renewable portfolio standards. Additional growth will come from our investment in the American Transmission Company, which will be driven

by their continued investment in the transmission assets needed to replace an aging system and continued expansion.

Looking back at Slide 12, the net growth in rate base investment in 2011 of 337 million dollars would generate an additional 16 million dollars of earnings assuming the timely filing of rate cases and recovery of such in rates. This represents a 6 percent growth rate over the midpoint of our 2009 guidance for diluted earnings per share from continuing operations – adjusted. With the 2009 strategic change in our portfolio of assets, we believe a long-term growth in earnings per share target of 4 to 6 percent on an average annualized basis is achievable.

Turning to Slide 26, let me remind you of the key points from today's discussion. We have made and have begun implementation of strategic decisions that are positioning us to succeed in the face of the global economic and financial market changes. The most notable strategy shift is to divest entirely, divest a portion, or substantially scale back our nonregulated energy services business segment, which we expect will improve our business risk profile and provide greater earnings predictability. We expect our efforts to be completed by the end of this year with no more than a 30 million dollar earnings contribution, excluding the impact of mark-to-market volatility, to consolidated earnings from our nonregulated energy services segment in 2009. By the end of 2010, this segment's demands on liquidity and capital are expected to be not significant. Consequently, 2009 becomes the foundational base for future growth.

Our Board of Directors has supported and endorsed these actions as the best opportunity for us to achieve our long-term earnings per share growth target. Consequently, they approved a common stock dividend increase effective with the March 20 dividend, marking the 51st consecutive year we have increased our quarterly dividend. This is a record we are proud of, and we will continue to work to enhance shareholder value.

We appreciate you listening to our prepared remarks, now I would like to open the floor to questions.

STOP

Allow operator to give instructions.

Repeat the question before answering.

Signal for the last question.

Take last question and then end the call with the following:

Steve Eschbach, Vice President – Investor Relations speaks:

Thank you for being a part of our fourth quarter earnings conference call. A replay of this conference call will be available until May 5, 2009, by dialing toll free 866-365-4158.

The text for today's presentation is available on our Web site at www.integrysgroup.com. Just select Investors and then Presentations.

If you have additional questions, you may contact me at 312-228-5408 or Donna Sheedy at 920-433-1857.