



*Fourth Quarter 2009 Earnings Conference Call
February 26, 2010*

TEG
LISTED
NYSE

3-4	Forward-Looking Statements	23-27	Net Income Drivers – Fourth Quarter
5	Non-GAAP Financial Information	23	Regulated Natural Gas Utility Segment
6	Agenda	24	Regulated Electric Utility Segment
7	2009 Overview	25	Electric Transmission Investment Segment
8	Highlights of Analyst Day – Strategy Moving Forward – Regulated Operations	26	Nonregulated IntegrYS Energy Services Segment
9	Potential Earnings Growth	27	Holding Company/Other
10	Highlights of Investor and Analyst Day – Strategy Moving Forward – Nonregulated Operations	28-32	Net Income Drivers – Full Year 2009
11	Diluted EPS – Adjusted	28	Regulated Natural Gas Utility Segment
12	Key Net Income Drivers – Fourth Quarter 2009	29	Regulated Electric Utility Segment
13	Key Net Income Drivers – 2009 Versus 2008	30	Electric Transmission Investment Segment
14	IntegrYS Energy Group Remains Financially Strong	31	Nonregulated IntegrYS Energy Services Segment
15	2010 Diluted EPS Guidance	32	Holding Company/Other
16	2011 Diluted EPS Guidance	33	Financing Summary
17	Executing Our Strategy	34	Investing in Capital Projects
18	Well-Positioned for the Future	35	Estimated Utility Depreciation
19	Appendix	36	Net Growth In Regulated Utility Rate Base
20	Potential Earnings Growth – 2008	37	Simplified Cash Flow Model
21	Potential Earnings Growth – 2009	38	IntegrYS Energy Services – Margins
22	IntegrYS Energy Services’ Strategic Objectives Achieved – The Numbers	39	IntegrYS Energy Services – Definitions Related to Margin Exhibit

Forward-Looking Statements



In this presentation, IntegrYS Energy Group and its subsidiaries make statements concerning expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are subject to assumptions and uncertainties; therefore, actual results may differ materially from those expressed or implied by such forward-looking statements. Although IntegrYS Energy Group and its subsidiaries believe that these forward-looking statements and the underlying assumptions are reasonable, they cannot provide assurance that such statements will prove correct.

Forward-looking statements include, among other things, statements concerning management’s expectations and projections regarding earnings, regulatory matters, fuel costs, sources of electric energy supply, coal and natural gas deliveries, remediation costs, environmental and other capital expenditures, liquidity and capital resources, trends, estimates, completion of construction projects, and other matters.

Forward-looking statements involve a number of risks and uncertainties. Some risks that could cause results to differ from any forward-looking statement include those described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009. Other factors include:

- Resolution of pending and future rate cases and negotiations (including the recovery of deferred costs) and other regulatory decisions impacting IntegrYS Energy Group’s regulated businesses;
- The impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric and natural gas utility industries, changes in environmental and other regulations, including but not limited to, greenhouse gas emissions, energy efficiency mandates, renewable energy standards, and reliability standards, and changes in tax and other laws and regulations to which IntegrYS Energy Group and its subsidiaries are subject;
- Current and future litigation and regulatory investigations, enforcement actions or inquiries, including, but not limited to, manufactured gas plant site cleanup, third party intervention in permitting and licensing projects, compliance with Clean Air Act requirements at generation plants, and prudence and reconciliation of costs recovered in revenues through an automatic gas cost recovery mechanism;
- The impacts of changing financial market conditions, credit ratings, and interest rates on the liquidity and financing efforts of IntegrYS Energy Group and its subsidiaries;
- The risks related to executing the strategy change associated with IntegrYS Energy Group’s nonregulated energy services business, including the restructuring of its retail natural gas and retail electric marketing business;

Forward-Looking Statements

- The risks associated with changing commodity prices (particularly natural gas and electricity) and the available sources of fuel and purchased power, including their impact on margins;
- Resolution of audits or other tax disputes with the Internal Revenue Service and various state, local, and Canadian revenue agencies;
- The effects, extent, and timing of additional competition or regulation in the markets in which IntegrYS Energy Group's subsidiaries operate;
- The retention of market-based rate authority;
- The risk associated with the value of goodwill or other intangibles and their possible impairment;
- Investment performance of employee benefit plan assets and the related impact on future funding requirements;
- Changes in technology, particularly with respect to new, developing, or alternative sources of generation;
- Effects of and changes in political and legal developments, as well as economic conditions and the related impact on customer demand;
- Potential business strategies, including mergers, acquisitions, and construction or disposition of assets or businesses, which cannot be assured to be completed timely or within budgets;
- The direct or indirect effects of terrorist incidents, natural disasters, or responses to such events;
- The effectiveness of risk management strategies, the use of financial and derivative instruments, and the ability to recover costs from customers in rates associated with the use of those strategies and financial instruments;
- The risk of financial loss, including increases in bad debt expense, associated with the inability of IntegrYS Energy Group's and its subsidiaries' counterparties, affiliates, and customers to meet their obligations;
- Customer usage, weather, and other natural phenomena;
- The utilization of tax credit and loss carryforwards;
- Contributions to earnings by non-consolidated equity method and other investments, which may vary from projections;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other factors discussed in the 2009 Annual Report on Form 10-K and in other reports filed by IntegrYS Energy Group from time to time with the United States Securities and Exchange Commission.

Non-GAAP Financial Information

Diluted Earnings Per Share Information – Non-GAAP Financial Information

IntegrYS Energy Group, Inc. prepares financial statements in accordance with accounting principles generally accepted in the United States (GAAP). Along with this information, we disclose and discuss “diluted earnings per share (EPS) – adjusted,” which is a non-GAAP measure. Management uses this measure in its internal performance reporting and for reports to the Board of Directors. We disclose this measure in our quarterly earnings releases, on investor conference calls, and during investor conferences and related events. Management believes that diluted EPS – adjusted is a useful measure for providing investors with additional insight into our operating performance because it eliminates the effects of certain items that are not comparable from one period to the next. The presentation of this additional information is not meant to be considered in isolation or as a substitute for our results of operations prepared and presented in conformance with GAAP. A reconciliation of non-GAAP information to GAAP information is included on the slide where the information appears.

Agenda

- 2009 Overview
- Highlights of Investor and Analyst Day – Strategy Moving Forward
 - Dividend maintained; management is confident that successful execution of the business plan will lead to a reasonable pay out ratio over time
- Financials
 - Fourth Quarter 2009 Results
 - Full Year 2009 Results
 - 2010 Guidance
 - 2011 Guidance
- Well-Positioned for the Future
- Questions and Answers

- Full year 2009 results exceed previously announced guidance range
- 2009 rate cases completed; combined with ongoing operational excellence, these are the steps needed to move regulated utilities to earning closer to their authorized rates of return
- Key strategic objectives achieved for IntegrYS Energy Services
 - Invested capital and collateral support requirements substantially reduced
 - Reduced scale of operations and reduced risk exposure for controlled growth
 - Exit from wholesale

Highlights of Investor and Analyst Day – Strategy Moving Forward – Regulated Operations



- Initiatives in place to move regulated utilities toward their allowed returns on equity in the future
 - Timely and regular rate case filings when appropriate
 - Risk-stabilizing mechanisms in place
- Regulatory support for investing in capital projects
 - Investments involving environmental compliance, renewable portfolio standards, and infrastructure approved by state commissions
- Continued investment in American Transmission Company
- Commitment to operational excellence with focus on delivering safe, reliable, and outstanding customer service

Potential Earnings Growth

Utility Segment Returns on Equity

	2008A			2009A			2010E			2011E		
	Natural Gas Utility	Electric Utility	Total	Natural Gas Utility	Electric Utility	Total	Natural Gas Utility	Electric Utility	Total	Natural Gas Utility	Electric Utility	Total
<i>(Millions)</i>												
Average Utility Equity	\$ 1,180.6	\$ 920.3	\$ 2,100.9	\$ 1,192.5	\$ 965.6	\$ 2,158.1	\$ 1,168	\$ 970	\$ 2,138	\$ 1,163	\$ 970	\$ 2,133
Utility Net Income	\$ 86.3	\$ 92.6	\$ 178.9	\$ 77.4	\$ 94.1	\$ 171.5	\$ 101	\$ 89	\$ 190	\$ 96	\$ 97	\$ 193
Utility ROE	7.31%	10.06%		6.49%	9.75%		8.65%	9.15%		8.23%	10.02%	
Allowed Utility Net Income	\$ 123.4	\$ 100.2	\$ 223.6	\$ 123.1	\$ 105.2	\$ 228.3	\$ 121	\$ 106	\$ 227	\$ 121	\$ 106	\$ 227
Utility Net Income Excess (Shortfall)	\$ (37.1)	\$ (7.6)	\$ (44.7)	\$ (45.7)	\$ (11.1)	\$ (56.8)	\$ (20)	\$ (17)	\$ (37)	\$ (25)	\$ (9)	\$ (34)

2008A data removes goodwill impairment charge impact.

2009A data removes impact of goodwill impairment and restructuring charges.

Please see the Appendix for further detail on 2008A and 2009A data.

2010E and 2011E figures were calculated using the midpoint of the 2010 and 2011 Diluted EPS guidance range for each utility segment.

The trend shown on this slide has been reflected in the Diluted EPS guidance for 2010 and 2011.

Highlights of Investor and Analyst Day – Strategy Moving Forward – Nonregulated Operations



- Restructuring allows controlled growth while reducing the scale and risk of operations
- Retail customer business is lower risk and more predictable than integrated business
- Customer-sited solar projects and renewable contracted asset development
- Commitment to operational excellence with focus on providing exceptional energy solutions for customers

Diluted EPS – Adjusted



Diluted Earnings Per Share Information - Non-GAAP Financial Information

*Actual Quarter Ended and Year-to-Date for Periods Ended
December 31, 2009 and 2008*

	Three Months Ended December 31		Year Ended December 31	
	2009	2008	2009	2008
Diluted EPS from continuing operations	\$ 0.31	\$ 0.27	\$ (0.96)	\$ 1.58
Diluted EPS from discontinued operations	-	0.06	0.04	0.06
Total Diluted EPS	\$ 0.31	\$ 0.33	\$ (0.92)	\$ 1.64
Average Shares of Common Stock – Diluted (millions)	77.0	77.0	76.8	77.0

Information on Special Items:

Diluted earnings per share are adjusted for special items and their financial impact on diluted earnings per share for the quarter and year ended December 31, 2009, and 2008. Due to IntegrYS Energy Group's change in strategy related to IntegrYS Energy Services, the results of the business operations of IntegrYS Energy Services are shown as a special adjusting item.

Diluted EPS from continuing operations	\$ 0.31	\$ 0.27	\$ (0.96)	\$ 1.58
Special Items (net of taxes):				
Goodwill impairment – natural gas segment	-	-	3.24	0.08
Expenses related to reduction in workforce, excluding IntegrYS Energy Services	0.13	-	0.13	-
IntegrYS Energy Services' net loss from continuing operations	0.05	0.41	-	0.85
Diluted EPS – Adjusted (a non-GAAP financial measure)	\$ 0.49	\$ 0.68	\$ 2.41	\$ 2.51

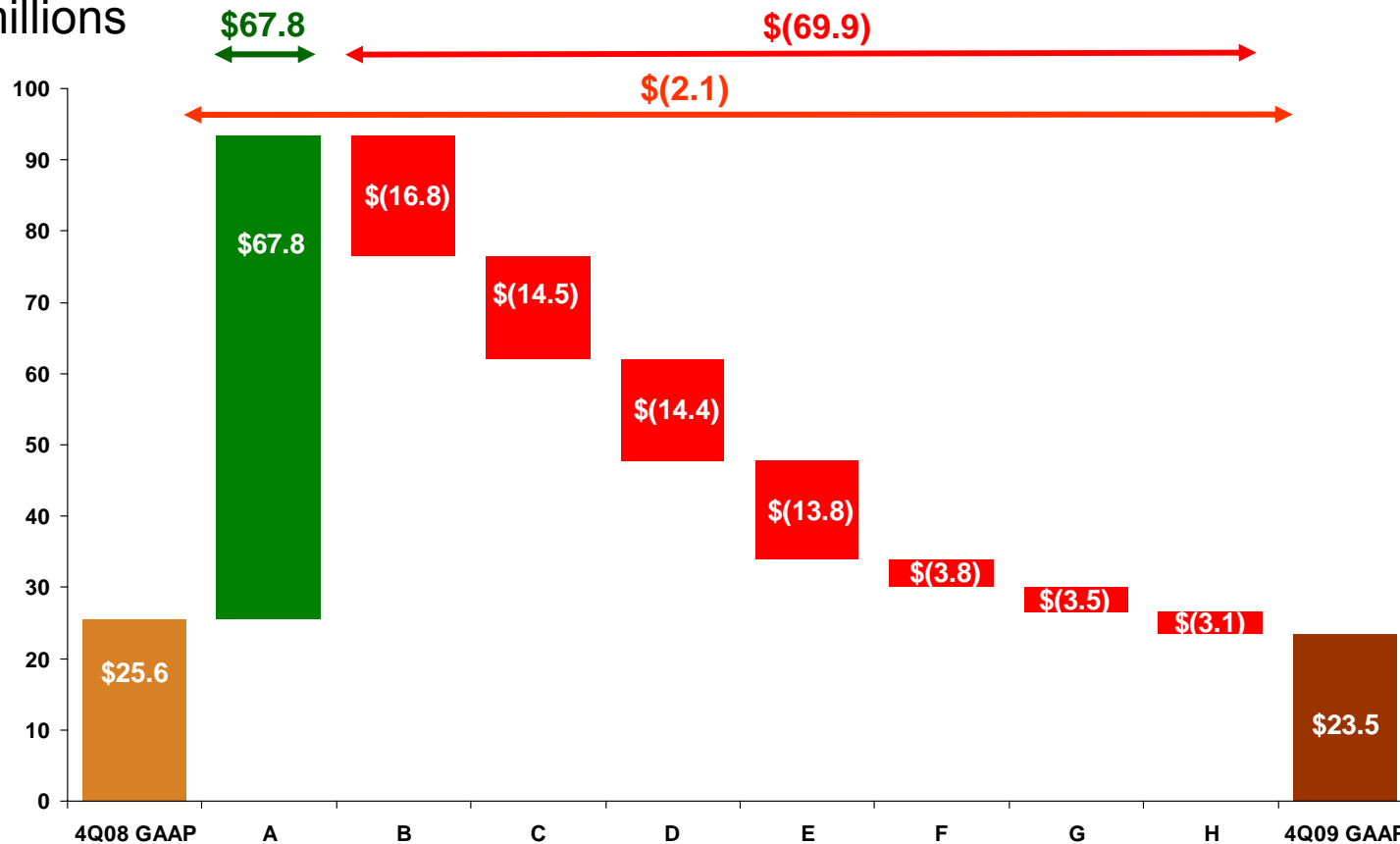
See Appendix for segment details.

Key Net Income Drivers

Fourth Quarter 2009



\$ in millions



A – Integrys Energy Services – higher electric margin driven by derivative accounting requirements

B – Integrys Energy Services – net losses on sales of businesses related to strategy change

C – Integrys Energy Services – reduction in income tax credits related to solar projects and reduction in foreign income tax credits

D – Integrys Energy Services – lower natural gas margin driven by derivative and inventory accounting requirements and sale of wholesale natural gas business

E – Restructuring expenses related to Integrys Energy Group reductions in workforce and the Integrys Energy Services strategy change

F – Other

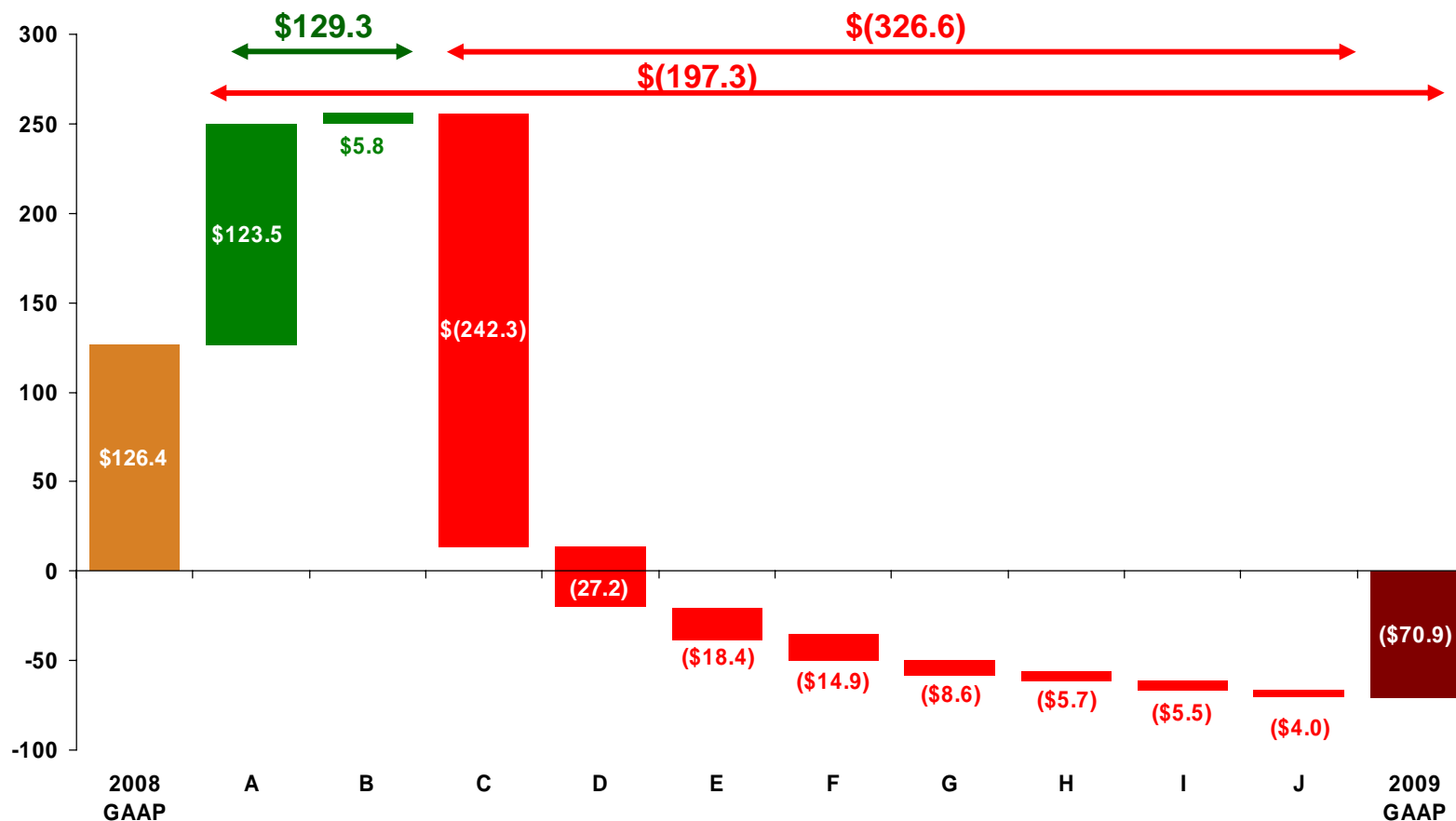
G – Natural gas - An increase in salaries and employee benefit costs (primarily related to pension expense) and an expected settlement at Peoples Gas and North Shore Gas, partially offset by a \$4.5 million after-tax decrease in bad debt expense, driven by lower energy prices and the implementation of bad debt expense tracking mechanisms

H – Natural gas - Decrease in margin related to an 8.9 percent decrease in natural gas throughput volumes attributed to the negative impact of the general economic slowdown and warmer weather. This decrease in margin included the positive impact of decoupling mechanisms in effect for certain natural gas utilities

Key Net Income Drivers Full Year 2009



\$ in millions



A – IntegrYS Energy Services – higher electric margin driven by derivative accounting requirements and higher pricing

B – Equity earnings in American Transmission Company

C – Natural gas utility segment – increase in goodwill impairment

D – Restructuring expenses related to IntegrYS Energy Group’s reductions in workforce and the IntegrYS Energy Services strategy change

E – IntegrYS Energy Services – reduction in income tax credits

F – IntegrYS Energy Services – net losses on sales of businesses related to strategy change – includes discontinued operations

G – Other

H – IntegrYS Energy Group – higher depreciation expense primarily related to expenditures at the electric utility (Weston 4) and IntegrYS Energy Services (renewable projects)

I – IntegrYS Energy Services – increase in operating and maintenance expenses (novation fee)

J – Higher interest expense primarily to fund increased capital expenditures at the utilities

Integrys Energy Group Remains Financially Strong



- Please see the slides in the Appendix related to:
 - Financings (debt and equity)
 - Recent favorable credit rating agency action
 - Capital expenditures
 - Utility depreciation
 - Growth in regulated utility rate base
 - Simplified Cash Flow Model

2010 Diluted EPS Guidance



2010 Diluted EPS Guidance	Low	High
Regulated Electric Utility Segment	\$ 1.09	\$ 1.20
Regulated Natural Gas Utility Segment	1.28	1.33
Electric Transmission Investment Segment	0.60	0.62
IntegrYS Energy Services Segment		
Core	0.19	0.25
Other *	0.20	0.20
Holding Company and Other Segment	(0.27)	(0.23)
Total 2010 Diluted EPS Guidance	\$ <u>3.09</u>	\$ <u>3.37</u>
Average Shares of Common Stock - Diluted	77.5	77.5

Key Assumptions

- Operational improvements and rate relief for certain utilities.
- Availability of generation units.
- Normal weather conditions.
- Does not include any IntegrYS Energy Group restructuring costs related to the reduction in workforce that is currently in progress (other than those at IntegrYS Energy Services).

* Includes gains and losses and certain other impacts related to divestiture transactions, restructuring costs related to IntegrYS Energy Services' strategy change, net non-cash gains or losses related to derivative accounting, and the non-cash impact on margin resulting from inventory adjustments made in prior periods.

2011 Diluted EPS Guidance



2011 Diluted EPS Guidance	Low	High
Regulated Electric Utility Segment	\$ 1.18	\$ 1.29
Regulated Natural Gas Utility Segment	1.14	1.29
Electric Transmission Investment Segment	0.62	0.64
IntegrYS Energy Services Segment		
Core	0.50	0.55
Other *	0.04	0.04
Holding Company and Other Segment	(0.20)	(0.20)
Total 2011 Diluted EPS Guidance	<u>\$ 3.28</u>	<u>\$ 3.61</u>
Average Shares of Common Stock - Diluted	78.7	78.7

Key Assumptions

- Operational improvements and rate relief for certain utilities.
- Availability of generation units.
- Normal weather conditions.

* Includes net non-cash gains and losses related to derivative accounting, the non-cash impact on margin resulting from inventory adjustments made in prior periods, and certain impacts related to divestiture transactions.

Executing Our Strategy

- Moving regulated utilities toward their allowed returns on equity
 - 2009 utility rate cases completed and focus on operational excellence
 - Risk-stabilizing mechanisms in place
- Key strategic objectives achieved for IntegrYS Energy Services
 - Invested capital and collateral support requirements substantially reduced
 - Reduced scale of operations and reduced risk exposure for controlled growth
 - Exit wholesale
- More streamlined and efficient operations, company-wide

Well Positioned for the Future

- Earnings driven by utilities, complemented by focused nonregulated operations
 - 2010 – 2012: Investing approximately \$1.2 billion in utility capital projects
 - Regulatory-supported environmental and renewable investments
 - Regulatory-supported, via rider mechanism, infrastructure investment
 - Rate case filings when appropriate
 - Controlled growth at IntegrYS Energy Services
 - Continued focus on operational excellence and cost controls to deliver on our financial commitments
- Growth in earnings from our continuing investment in American Transmission Company
- Dividend maintained
 - Management is confident that successful execution of the business plan will lead to a reasonable pay out ratio over time.
- Diluted EPS guidance:
 - 2010: \$3.09 - \$3.37
 - 2011: \$3.28 - \$3.61
- 4% to 6% growth rate on an average annualized basis, with 2011 as the base year, through 2015




integrus[®]

Appendix

Potential Earnings Growth – 2008



IntegrYS Energy Group, Inc. Utility Segments Returns on Equity – 2008

<i>(Millions)</i>	Natural Gas Utility						Electric Utility		
	New acquisitions				WPSC	Total	WPSC	UPPCO	Total
	PGL	NSG	MERC	MGU					
Total 13-month Average Utility Equity	\$ 659.2	\$ 104.3	\$ 97.9	\$ 101.5	\$ 217.9	\$ 1,180.6	\$ 866.1	\$ 54.2	\$ 920.3
Utility Net Income	\$ 37.2	\$ 6.9	\$ 4.7	\$ 5.5	\$ 32.0	\$ 86.3	\$ 88.7	\$ 3.9	\$ 92.6
2008 Utility ROE	5.64%	6.66%	4.80%	5.41%	14.69%	7.31%	10.24%	7.18%	10.06%
Allowed Utility ROE	10.19%	9.99%	11.71%	10.45%	10.90%		10.90%	10.75%	
Allowed Utility Net Income	\$ 67.2	\$ 10.4	\$ 11.5	\$ 10.6	\$ 23.7	\$ 123.4	\$ 94.4	\$ 5.8	\$ 100.2
Utility Net Income Excess (Shortfall)	\$ (30.0)	\$ (3.5)	\$ (6.8)	\$ (5.1)	\$ 8.3	\$ (37.1)	\$ (5.7)	\$ (1.9)	\$ (7.6)
Total for natural gas and electric utilities									\$ (44.7)

Data removes goodwill impairment charge impact.

Potential Earnings Growth – 2009



IntegrYS Energy Group, Inc. Utility Segments Returns on Equity – 2009

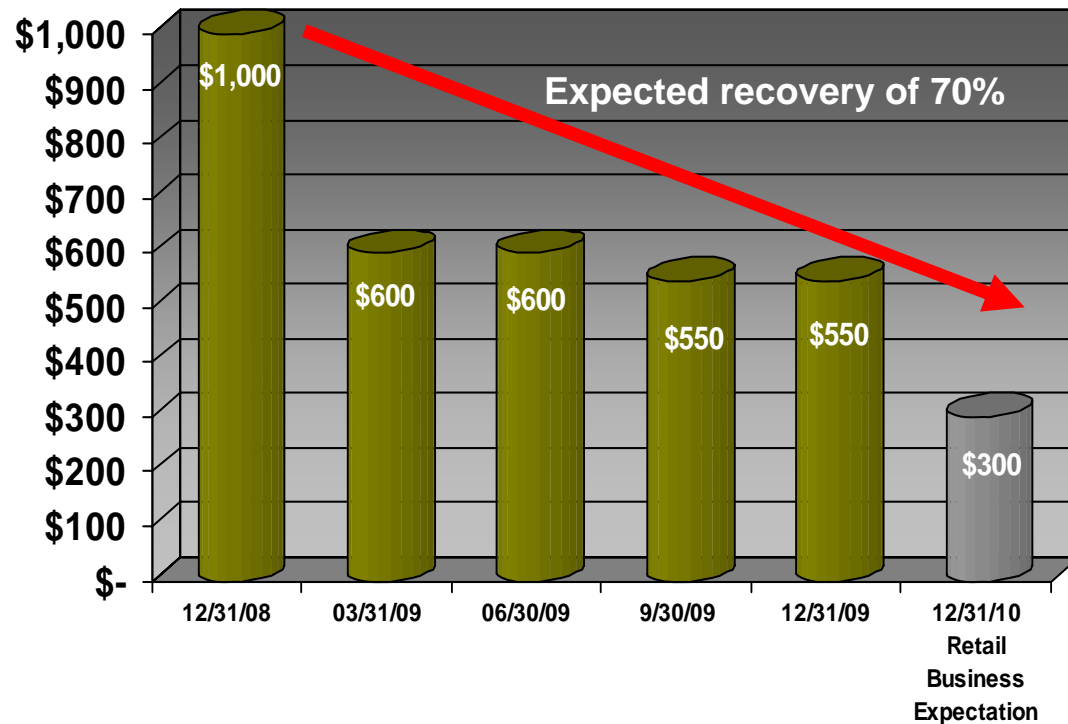
<i>(Millions)</i>	Natural Gas Utility						Electric Utility		
	PGL	NSG	MERC	MGU	WPSC	Total	WPSC	UPPCO	Total
Total 13-month Average Utility Equity	\$ 691.6	\$ 99.5	\$ 93.1	\$ 95.9	\$ 212.4	\$ 1,192.5	\$ 905.6	\$ 60.0	\$ 965.6
Utility Net Income	\$ 29.7	\$ 4.6	\$ 10.0	\$ 7.4	\$ 25.7	\$ 77.4	\$ 92.7	\$ 1.4	\$ 94.1
2009 Utility ROE	4.29%	4.62%	10.74%	7.72%	12.10%	6.49%	10.24%	2.33%	9.75%
Allowed Utility ROE	10.19%	9.99%	10.21%	10.45%	10.90%		10.90%	10.75%	
Allowed Utility Net Income	\$ 70.5	\$ 9.9	\$ 9.5	\$ 10.0	\$ 23.2	\$ 123.1	\$ 98.7	\$ 6.5	\$ 105.2
Utility Net Income Excess (Shortfall)	\$ (40.8)	\$ (5.3)	\$ 0.5	\$ (2.6)	\$ 2.5	\$ (45.7)	\$ (6.0)	\$ (5.1)	\$ (11.1)
Total for Natural Gas and Electric Utilities									\$ (56.8)

Data removes the impact of goodwill impairment and restructuring charges.

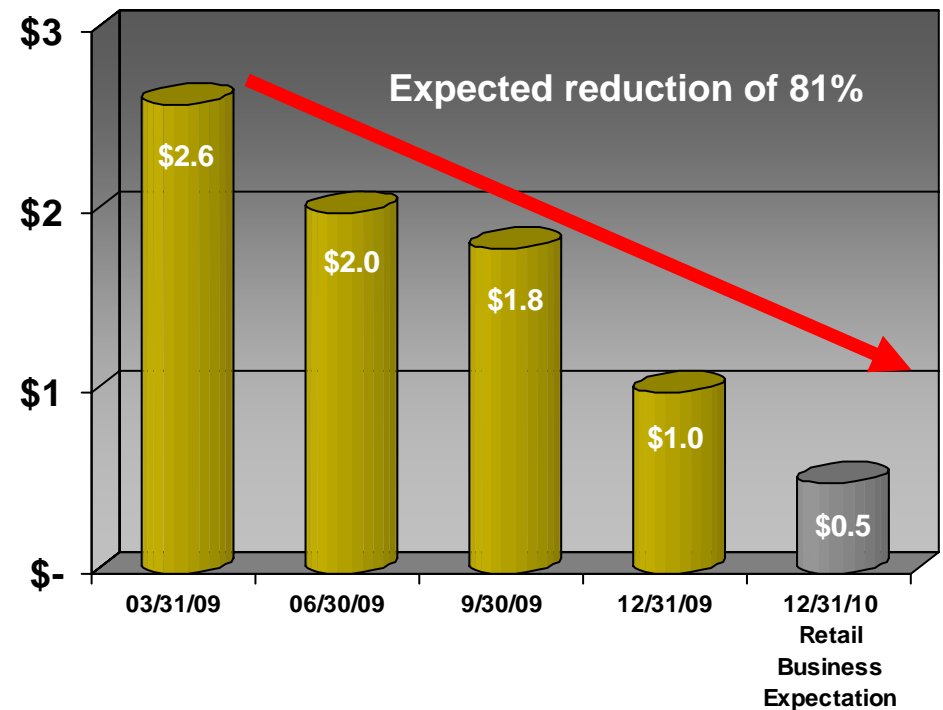
Integrys Energy Services' Strategic Objectives Achieved – The Numbers



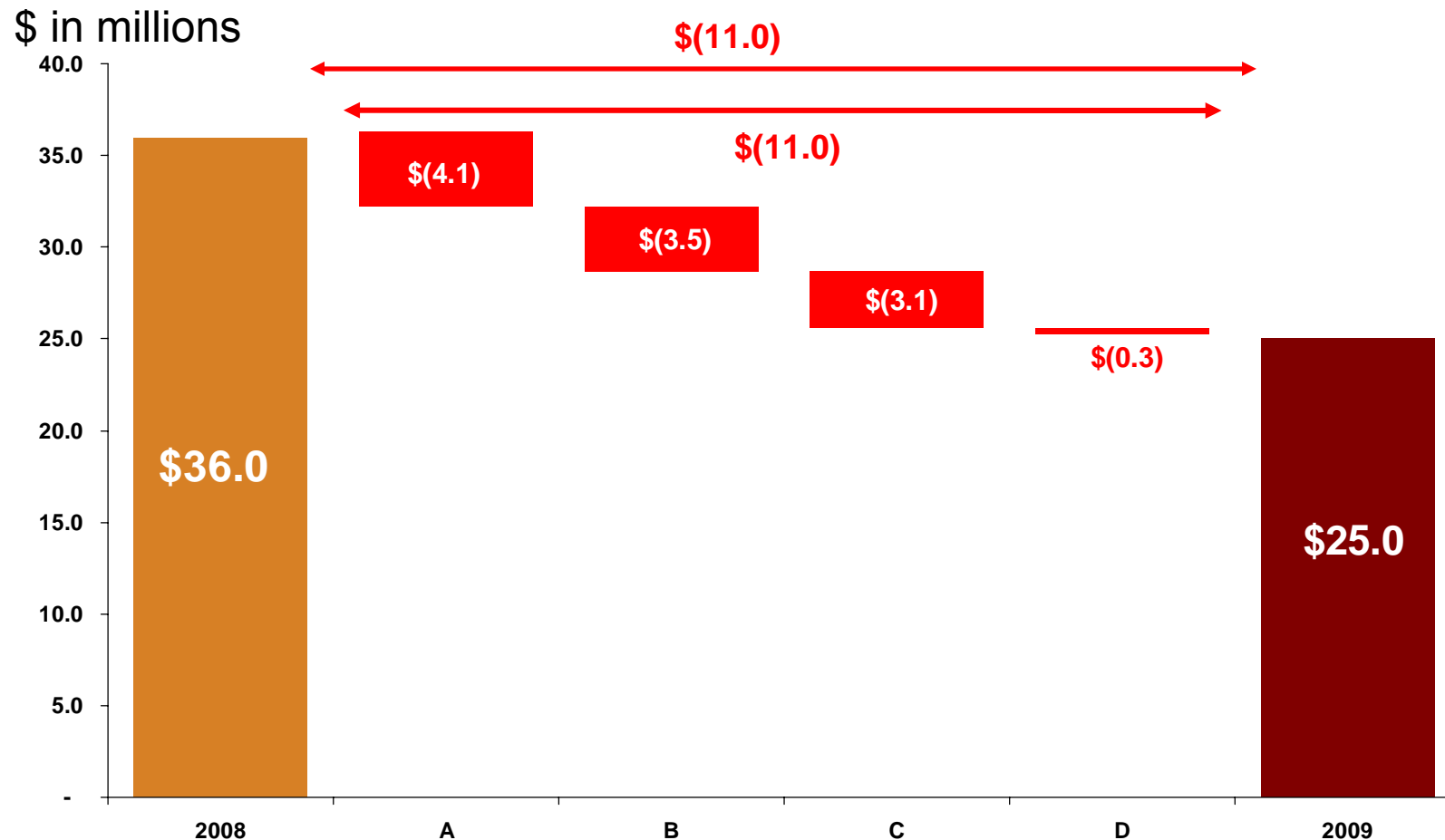
Approximate Capital to be Recovered
Millions



Approximate Corporate Guarantees
Billions



Net Income Drivers – Regulated Natural Gas Utility Segment – Fourth Quarter 2009



A – Restructuring expenses related to reductions in the workforce

B – An increase in salaries and employee benefit costs (primarily related to pension expense) and an expected settlement at Peoples Gas and North Shore Gas, partially offset by a \$4.5 million after-tax decrease in bad debt expense, driven by lower energy prices and the implementation of bad debt expense tracking mechanisms

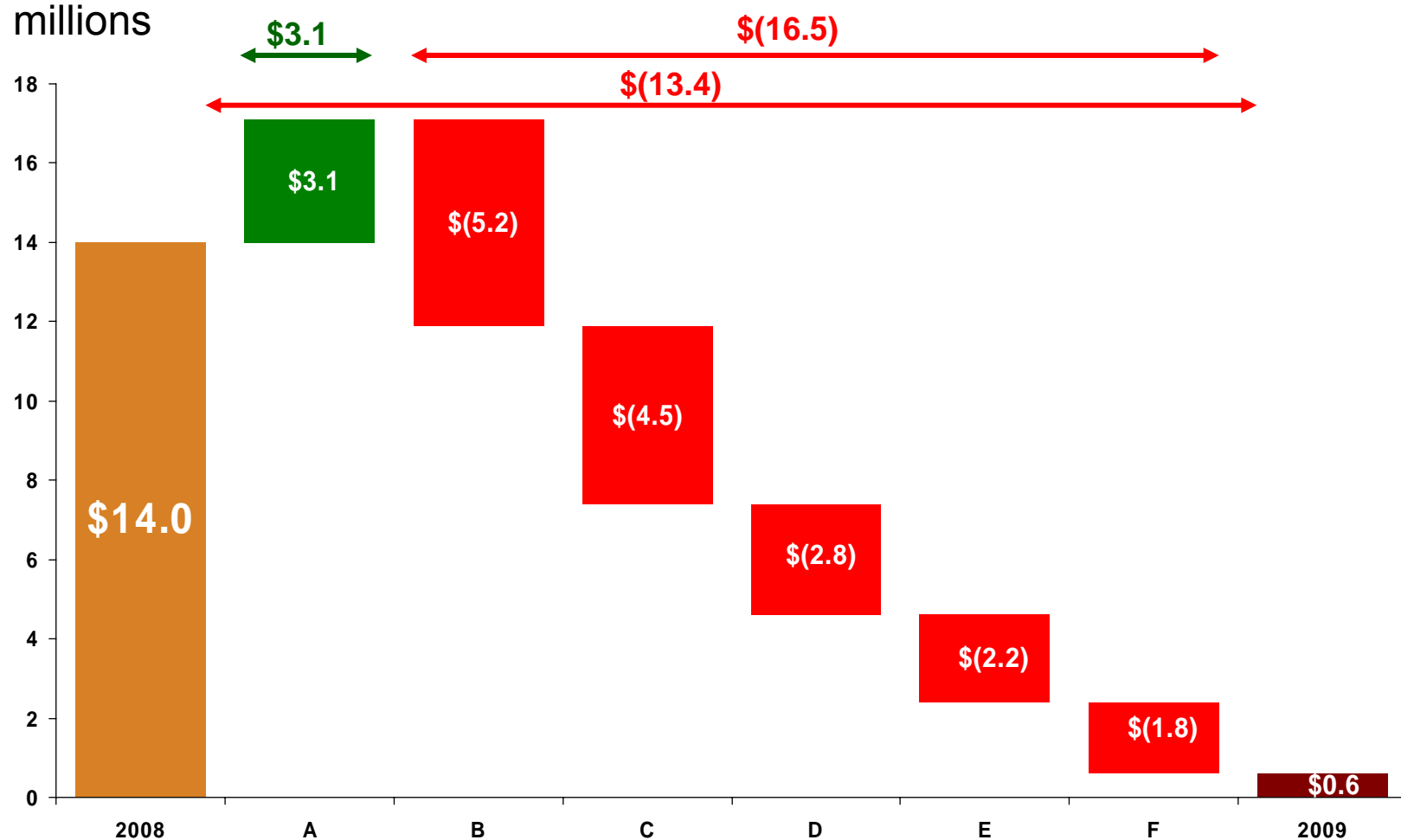
C – Decrease in margin related to an 8.9 percent decrease in natural gas throughput volumes attributed to the negative impact of the general economic slowdown and warmer weather. This decrease in margin included the positive impact of decoupling mechanisms in effect for certain natural gas utilities

D – Other

Net Income Drivers – Regulated Electric Utility Segment – Fourth Quarter 2009



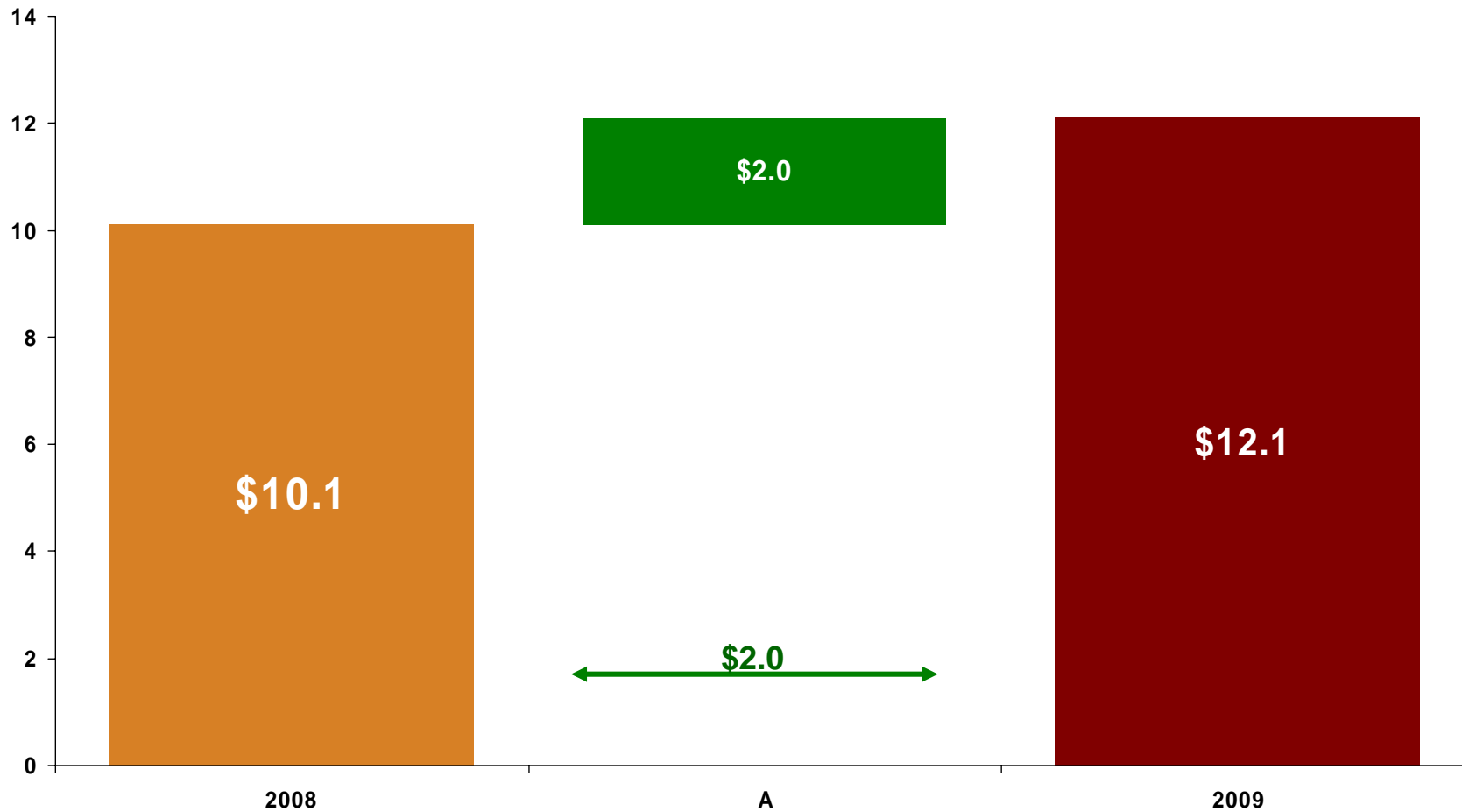
\$ in millions



- A – Increase in margin due to an increase in contracted sales volumes with a large existing wholesale customer and an increase in demand charges to wholesale customers
- B – Restructuring expenses related to reductions in the workforce
- C – Increase in operating and maintenance expenses driven by an increase in employee benefit costs, primarily pension expense

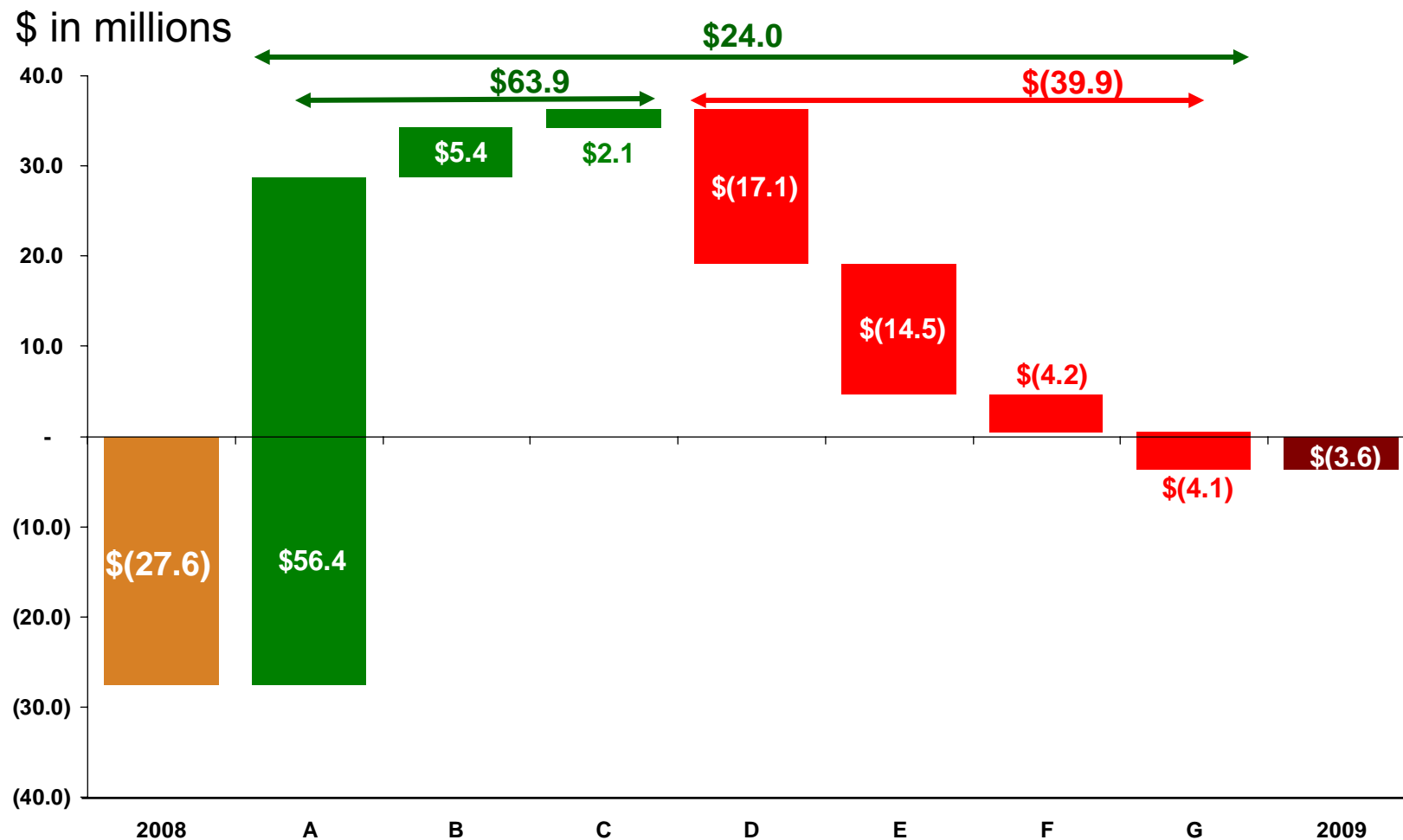
- D – Other
- E – Increase in effective tax rate
- F – Decrease in margin due to fuel and purchased power costs for the fourth quarter 2008 at Wisconsin Public Service that were lower than what was recovered in rates in the fourth quarter of 2008

Net Income Drivers – Electric Transmission Investment Segment – Fourth Quarter 2009



A – Increased earnings from 34 percent equity ownership in American Transmission Company

Net Income Drivers – Nonregulated Integrys Energy Services Segment – Fourth Quarter 2009



A – Increase in margin related to non-cash activity, largely due to the partial recovery of non-cash accounting losses related to derivative fair value adjustments recorded in prior periods

B – Decrease in operating and maintenance expense driven by lower employee benefit costs and a decrease in bad debt expense

C – Other

D – Loss on sale of wholesale natural gas marketing business

E – Decrease in tax credits recognized on solar projects and a reduction in foreign tax credits recognized

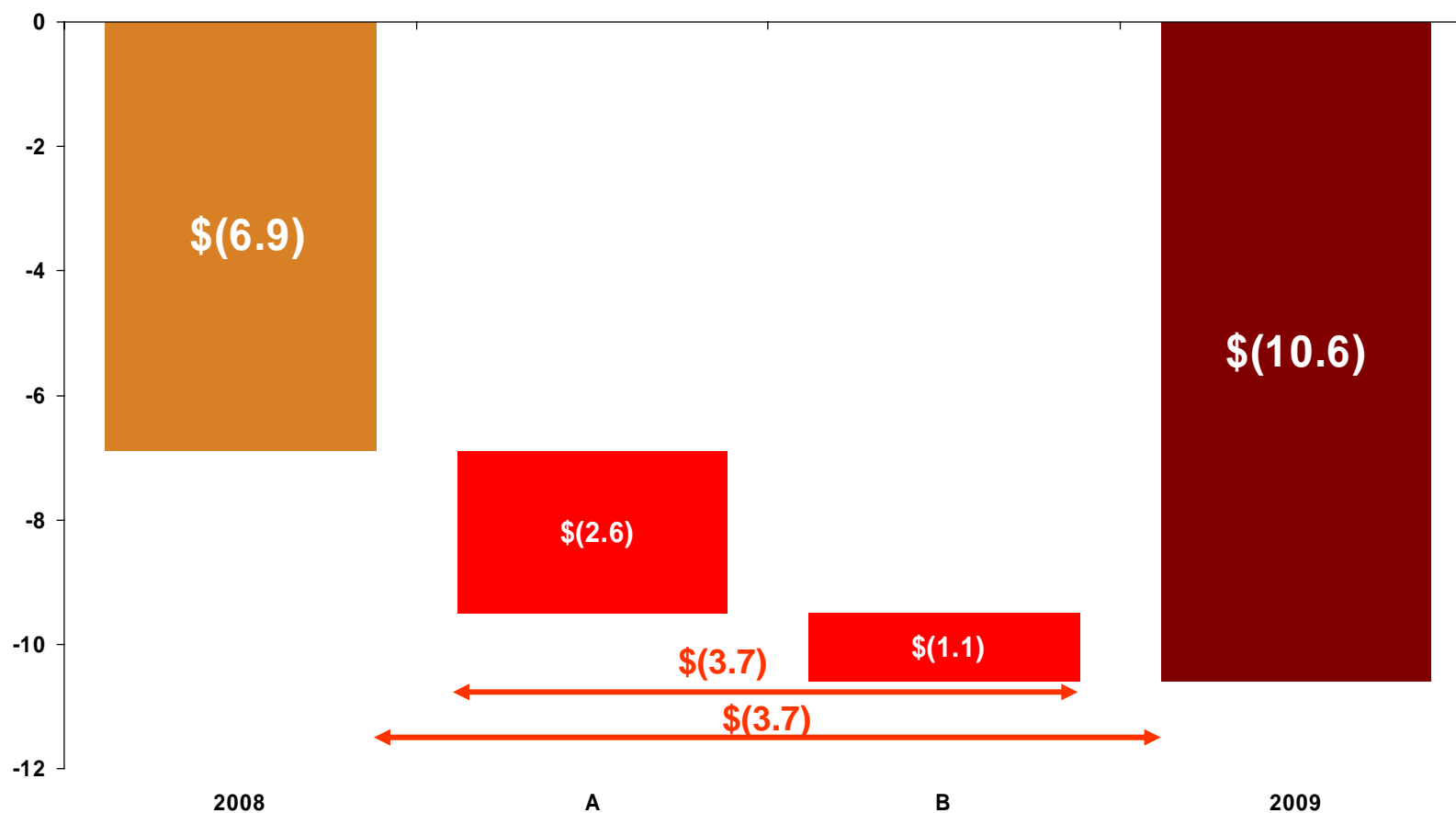
F – Decrease in realized wholesale natural gas margins primarily due to sale of wholesale natural gas business

G – Restructuring expenses

Net Income Drivers - Holding Company/Other – Fourth Quarter 2009

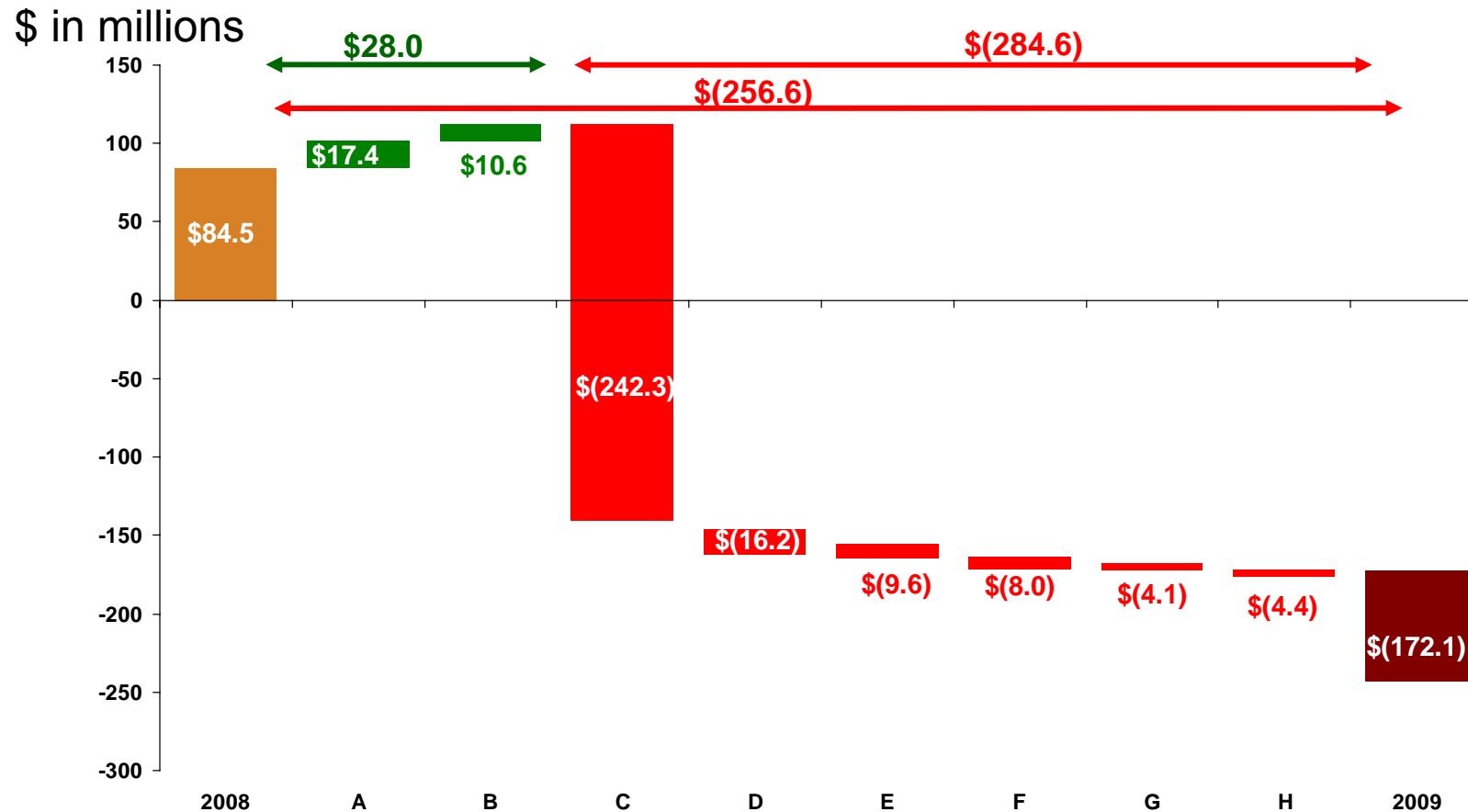


\$ in millions



A – Decrease in effective tax rate
B – Other

Net Income Drivers – Regulated Natural Gas Utility Segment – Full Year 2009



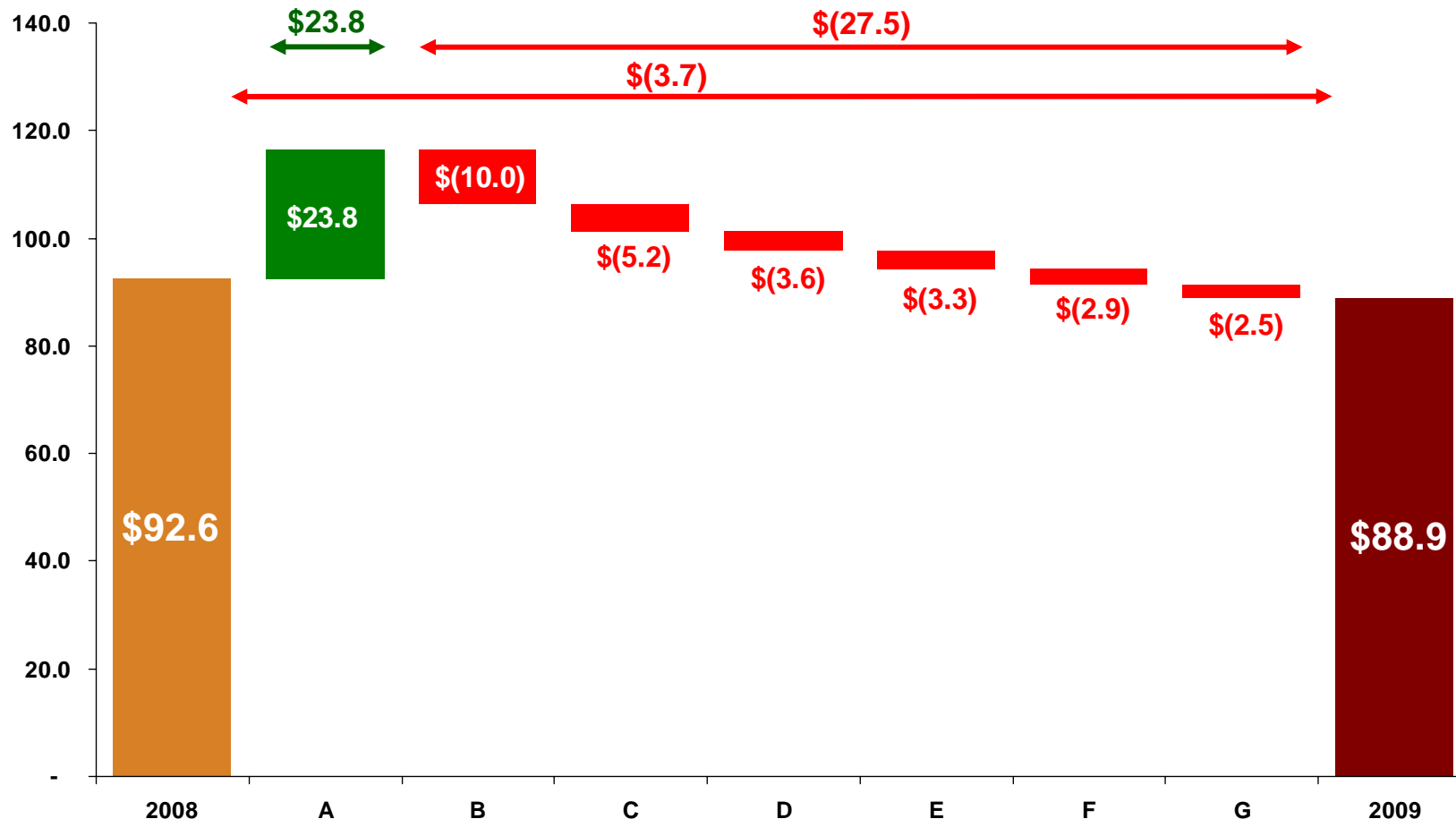
- A – Rate increases and the impact of rate design changes**
- B – Decrease in bad debt expense driven by the impact of lower energy prices and the implementation of bad debt tracking mechanisms**
- C – Increase in goodwill impairment losses**
- D – Decrease in margin related to a 9.0 percent decrease in natural gas throughput volumes attributed to the negative impact of the general economic slowdown and warmer weather. This decrease in margin included the positive impact of decoupling mechanisms in effect for certain natural gas utilities.**

- E – Increase in other operating and maintenance expenses primarily related to natural gas maintenance costs and workers compensation claims**
- F – Increase in employee benefit costs, primarily related to pension expense**
- G – Restructuring expenses**
- H – Other**

Net Income Drivers – Regulated Electric Utility Segment – Full Year 2009



\$ in millions



A – Increase in margin related to higher margin from wholesale customers, an increase in retail electric rates, and fuel and purchased power costs that were lower than what was recovered in rates in 2009, partially offset by decreased sales (net of decoupling)

B – Increase in operating and maintenance expense, driven by higher maintenance expense related to a greater number of planned outages in 2009 and an increase in pension expense

C – Restructuring expenses

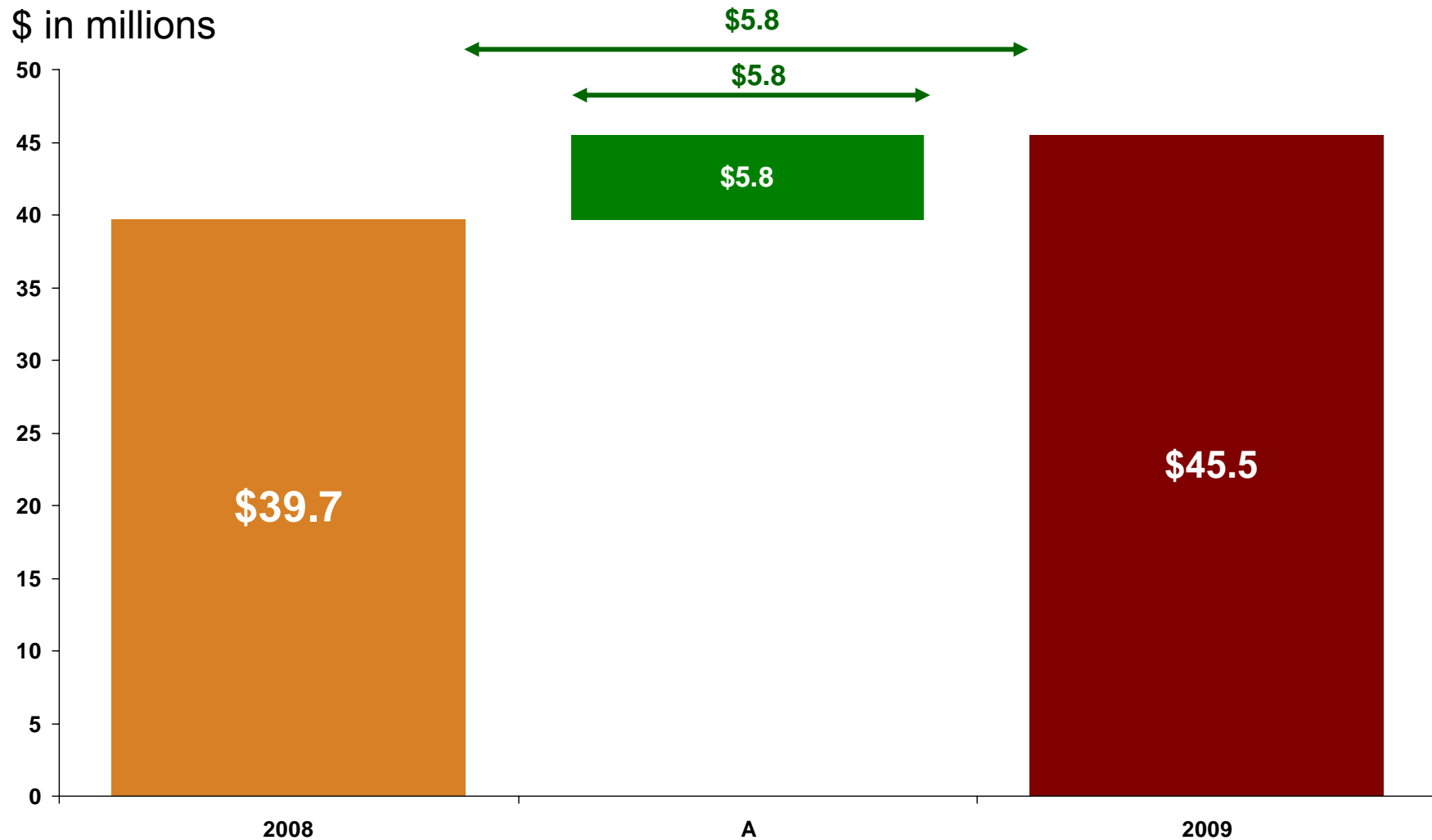
D – Increase in depreciation and amortization expense, primarily related to Weston 4 being placed in service for accounting purposes in April 2008

E – Higher effective income tax rate

F – Higher interest expense

G – Other

Net Income Drivers – Electric Transmission Investment Segment – Full Year 2009

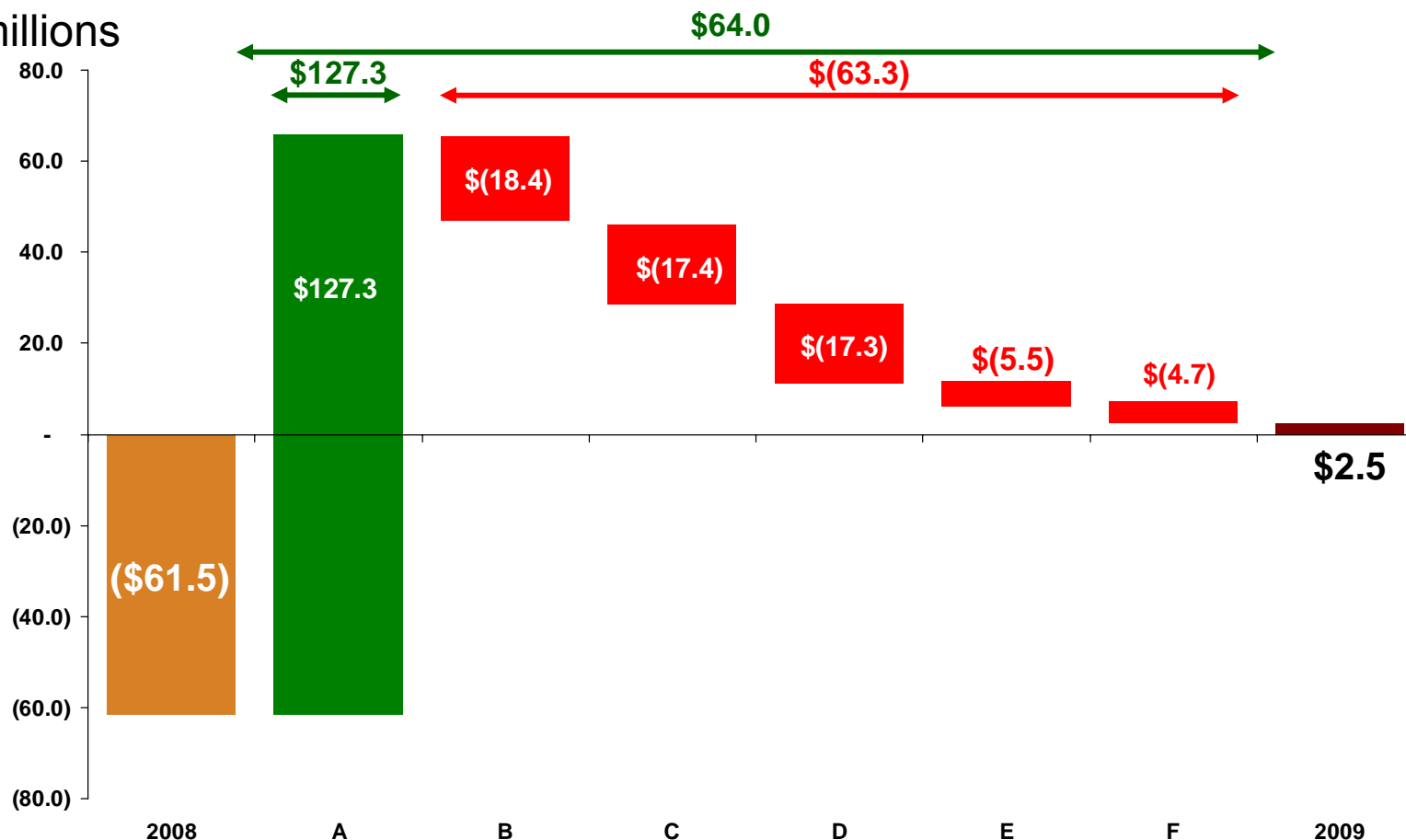


A – Increase in income from approximate 34% ownership in American Transmission Company

Net Income Drivers – Nonregulated Integrys Energy Services Segment – Full Year 2009



\$ in millions



A – Integrys Energy Services increase in margin – primarily related to the positive year-over-year impact of inventory valuation adjustments recorded in prior periods, partially offset by non-cash accounting losses due to derivative fair value adjustments

B – Decrease in income tax credits recognized on solar projects and a reduction in foreign income tax credits recognized

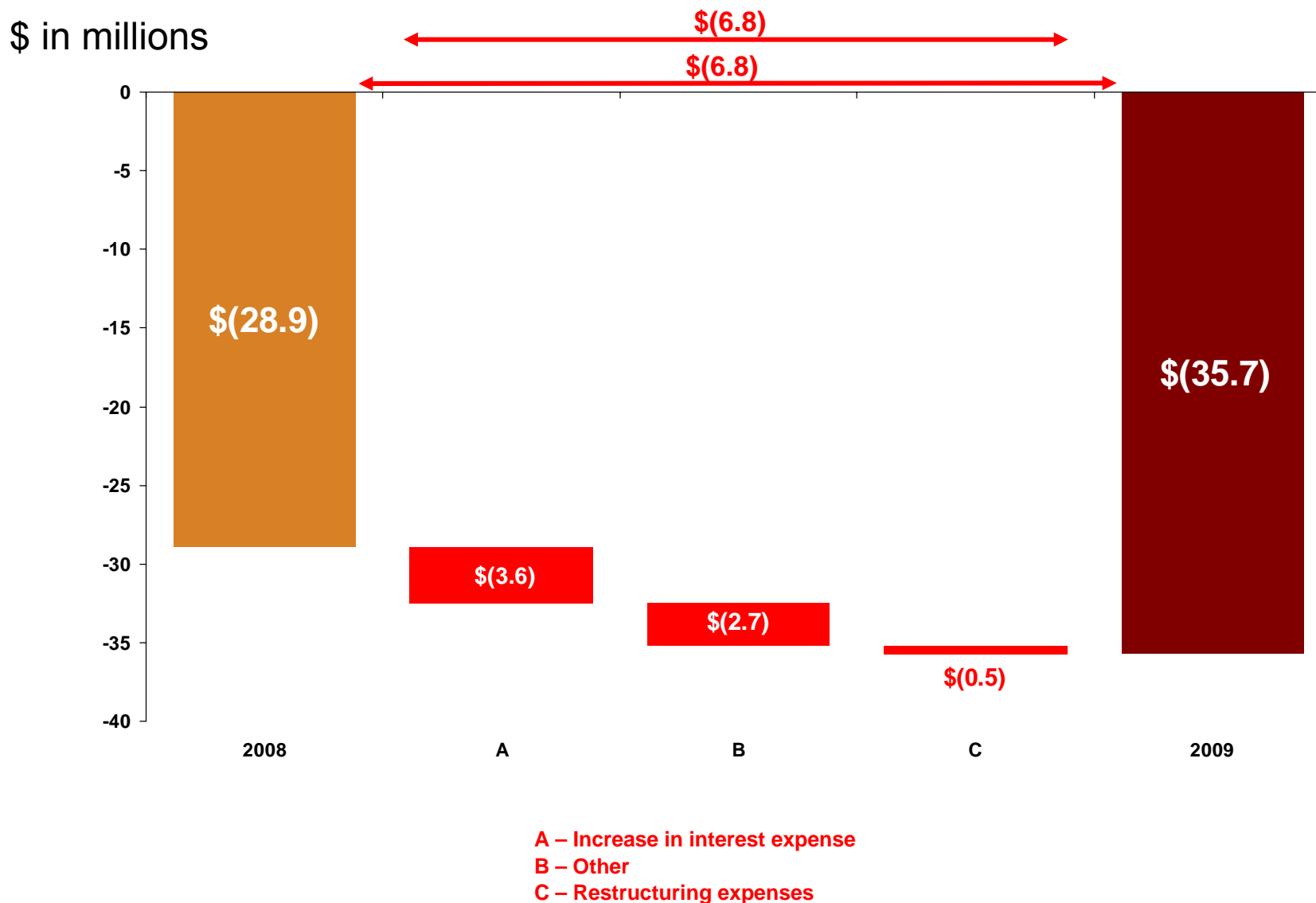
C – Restructuring expenses

D – Dispositions completed in connection with the strategy change

E – Increase in operating and maintenance expenses primarily related to a one-time \$5.4 million after-tax novation fee

F – Other

Net Income Drivers – Holding Company/Other – Full Year 2009



Financing Summary

- Long-Term Debt
 - Transactions expected in 2010
 - Integrys Energy Group, approximately \$150 million
 - Peoples Gas, approximately \$50 million
 - Transactions expected in 2011
 - Wisconsin Public Service, approximately \$150 million
- Equity
 - 2010: Approximately \$50 million
 - 2011: Approximately \$50 million
- Target to maintain current credit ratings
 - January 2010: Standard & Poor's upgrade from negative to stable outlook with credit ratings maintained (see Appendix for current credit ratings details)

Investing in Capital Projects

Planned Capital Expenditures by Company (Millions)	2010	2011	2012	Total
Wisconsin Public Service	\$112	\$161	\$209	482
Peoples Gas *	95	195	191	481
Upper Peninsula Power	39	16	10	65
Minnesota Energy Resources	14	17	17	48
North Shore Gas	19	15	12	46
Michigan Gas Utilities	8	11	11	30
Subtotal for Utilities	\$287	\$415	\$450	\$1,152
IntegrYS Energy Services	45	42	2	89
IntegrYS Business Support	20	8	26	54
Total Anticipated Capital Expenditures	\$352	\$465	\$478	\$1,295
American Transmission Company (equity contribution)	\$ 7	\$ 8	\$ 7	\$ 22

* Includes accelerated cast iron main replacement program starting in 2011.

Estimated Utility Depreciation



Depreciation by Company (Millions)	2010	2011	2012	Total
Wisconsin Public Service	\$107	\$110	\$114	\$331
Peoples Gas	80	84	93	257
Upper Peninsula Power	6	7	7	20
Minnesota Energy Resources	10	10	11	31
North Shore Gas	9	10	11	30
Michigan Gas Utilities	8	8	9	25
Total for Utilities	\$220	\$229	\$245	\$694

Net Growth In Regulated Utility Rate Base



	(Millions)			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Capital Expenditures for Regulated Utility Operations	\$ 287	\$ 415	\$ 450	\$ 1,152
Estimated Depreciation for Regulated Utility Operations	<u>220</u>	<u>229</u>	<u>245</u>	<u>694</u>
Net Growth in Regulated Utility Rate Base Investment	<u><u>\$ 67</u></u>	<u><u>\$ 186</u></u>	<u><u>\$ 205</u></u>	<u><u>\$ 458</u></u>

Simplified Cash Flow Model



(In millions except per share amounts)	2009	2010		2011	
		Low	High	Low	High
Earnings Per Share (exclusive of IntegrYS Energy Services - Other)		\$ 2.89	\$ 3.17	\$ 3.24	\$ 3.57
Dividends Per Share		\$ 2.72	\$ 2.72	\$ 2.72	\$ 2.72
Number of Shares - Diluted		77.5	77.5	78.7	78.7
<hr/>					
Earnings from Continuing Operations		\$ 224	\$ 246	\$ 255	\$ 281
Other Operating Cash Flows:					
Estimated Utility Depreciation		220	220	229	229
Estimated IntegrYS Business Support Depreciation		23	23	23	23
IntegrYS Energy Services Depreciation		16	16	16	16
Estimated Cash Flow from Operating Activities		<u>\$ 483</u>	<u>\$ 505</u>	<u>\$ 523</u>	<u>\$ 549</u>
Investing Cash Flows					
Capital Expenditures and American Transmission Company Contribution		<u>(359)</u>	<u>(359)</u>	<u>(473)</u>	<u>(473)</u>
Add: Remaining IntegrYS Energy Services Capital Received		<u>\$ 250</u>	<u>\$ 250</u>		
Financings:					
Dividends		(211)	(211)	(214)	(214)
Increase in Short-term Debt		(250)	(250)	400	400
Long-term Debt, New		200	200	150	150
Long-term Debt, Maturity Due		(116)	(116)	(479)	(479)
Common Equity		50	50	50	50
Estimated Net Financing Activities		<u>\$ (327)</u>	<u>\$ (327)</u>	<u>\$ (93)</u>	<u>\$ (93)</u>
Surplus (Deficit)		<u>\$ 47</u>	<u>\$ 69</u>	<u>\$ (43)</u>	<u>\$ (17)</u>
Cash and Cash Equivalents, December 31	\$ 45	\$ 92	\$ 114	\$ 49	\$ 97

IntegrYS Energy Services – Margins



(\$ Millions)

	Three Months Ended December 31			Twelve Months Ended December 31		
	2009	2008	Change	2009	2008	Change
Natural Gas						
Retail						
Realized margins (1)	\$ 17.0	\$ 17.2	\$ (0.2)	\$ 70.5	\$ 57.4	\$ 13.1
Settlement of forward contracts sold (2)	-	-	-	9.2	-	9.2
Unrealized gain/(loss) (3)	97.0	8.6	88.4	51.8	34.8	17.0
Effect of purchase accounting on realized margins (4)	(0.2)	(1.0)	0.8	(1.8)	(5.9)	4.1
Effect of purchase accounting on unrealized margins (4)	-	0.1	(0.1)	(0.2)	(0.7)	0.5
	<u>113.8</u>	<u>24.9</u>	<u>88.9</u>	<u>129.5</u>	<u>85.6</u>	<u>43.9</u>
Wholesale						
Realized margins without lower of cost or market impact (1)	4.5	11.0	(6.5)	35.8	61.9	(26.1)
Settlement of inventory and forward contracts sold (2)	(56.5)	-	(56.5)	(51.4)	-	(51.4)
Lower-of-cost-or-market impact on realized margins (5)	21.4	(47.8)	69.2	155.4	(167.3)	322.7
Unrealized gain/(loss) (3)	(47.1)	65.8	(112.9)	(159.8)	119.6	(279.4)
Effect of purchase accounting on realized margins (4)	0.7	1.2	(0.5)	5.0	2.2	2.8
Effect of purchase accounting on unrealized margins (4)	(5.6)	0.1	(5.7)	(6.7)	(0.6)	(6.1)
	<u>(82.6)</u>	<u>30.3</u>	<u>(112.9)</u>	<u>(21.7)</u>	<u>15.8</u>	<u>(37.5)</u>
Total Natural Gas Margins	<u>31.2</u>	<u>55.2</u>	<u>(24.0)</u>	<u>107.8</u>	<u>101.4</u>	<u>6.4</u>
Electric and Other						
Retail						
Realized margins (1)	15.8	18.5	(2.7)	82.6	71.9	10.7
Settlement of forward contracts sold (2)	-	-	-	7.2	-	7.2
Unrealized gain/(loss) (3)	19.7	(59.0)	78.7	18.4	(112.8)	131.2
Effect of purchase accounting on realized margins (4)	(0.2)	(3.2)	3.0	(0.6)	(9.6)	9.0
Effect of purchase accounting on unrealized margins (4)	(0.8)	0.9	(1.7)	(1.6)	0.8	(2.4)
	<u>34.5</u>	<u>(42.8)</u>	<u>77.3</u>	<u>106.0</u>	<u>(49.7)</u>	<u>155.7</u>
Wholesale Trading and Structured Origination (6)						
Realized margins (1)	24.5	23.5	1.0	78.2	59.4	18.8
Unrealized gain/(loss) (3)	(3.9)	(38.6)	34.7	5.9	(25.4)	31.3
	<u>20.6</u>	<u>(15.1)</u>	<u>35.7</u>	<u>84.1</u>	<u>34.0</u>	<u>50.1</u>
Total Electric and Other Margins	<u>55.1</u>	<u>(57.9)</u>	<u>113.0</u>	<u>190.1</u>	<u>(15.7)</u>	<u>205.8</u>
Total Gross Margin	\$ 86.3	\$ (2.7)	\$ 89.0	\$ 297.9	\$ 85.7	\$ 212.2
Realized margins without lower of cost or market impact (1)						
	\$ 61.8	\$ 70.2	\$ (8.4)	\$ 267.1	\$ 250.6	\$ 16.5
Settlement of inventory and forward contracts sold (2)	(56.5)	-	(56.5)	(35.0)	-	(35.0)
Lower-of-cost-or-market impact on realized margins (5)	21.4	(47.8)	69.2	155.4	(167.3)	322.7
Unrealized gain/(loss) (3)	65.7	(23.2)	88.9	(83.7)	16.2	(99.9)
Effect of purchase accounting on realized margins (4)	0.3	(3.0)	3.3	2.6	(13.3)	15.9
Effect of purchase accounting on unrealized margins (4)	(6.4)	1.1	(7.5)	(8.5)	(0.5)	(8.0)
Total Gross Margin	\$ 86.3	\$ (2.7)	\$ 89.0	\$ 297.9	\$ 85.7	\$ 212.2

Integrys Energy Services – Definitions Related to Margin Exhibit



(\$ Millions)

	Three Months Ended December 31			Twelve Months Ended December 31		
	2009	2008	Change	2009	2008	Change
Volumes Delivered (includes only transactions settled physically for the periods shown)						
Retail Natural Gas (in billion cubic feet)	39.2	84.0	(44.8)	236.7	336.0	(99.3)
Realized per unit margins (\$ per dekatherm)	\$ 0.43	\$ 0.20	\$ 0.23	\$ 0.30	\$ 0.17	\$ 0.13
Retail Electric (in kilowatt hours)	3,361.7	4,019.0	(657.3)	15,045.3	16,561.3	(1,516.0)
Realized per unit margins (\$ per megawatt hour)	\$ 4.70	\$ 4.60	\$ 0.10	\$ 5.49	\$ 4.34	\$ 1.15

Definitions

- (1) Realized margins - Represents physical sales, net of physical purchases and the cash settlement of financial contracts (i.e. forwards, futures and swaps).
- (2) Settlement of inventory and forward contracts sold - Upon sale of the wholesale natural gas business and Canadian wholesale and retail portfolios, the forward derivative contract values were transferred from unrealized gain/(loss) to realized margins. This had no impact on gross margins or net income. In conjunction with the sale of the wholesale gas and Canadian wholesale contracts, gas inventory was sold, resulting in realized margin. The impact is shown separately and has been removed from the calculation of realized per unit margins.
- (3) Unrealized gain/(loss) - Represents the non-cash change in fair value of the portfolio of contracts deemed to be derivative instruments for accounting purposes. In addition to the change in the value of currently outstanding contracts, this amount is impacted when contracts are settled. The value is taken out of unrealized gain/(loss) and the actual settlement gain/(loss) and the actual settlement amount is reflected in realized margins. Beginning in the fourth quarter of 2009, an additional component of the unrealized gain/(loss) is the settlement of off-market contracts established in conjunction with the dispositions, as more fully discussed in Note 4, "Dispositions" in the 10-K. The net impact to unrealized gain/(loss) related to the settlement of these off-market contracts was a non-cash gain of \$12.4 million.
- (4) Effect of purchase accounting - Represents the attribution of purchase price related to the contracts acquired via the PEC merger. The value of the contracts (calculated as of the merger date) is reversed through gross margin in the month of settlement. A portion of this impact runs through unrealized gain and loss and another portion runs through realized margins. Both are noncash impacts that are broken out above in order to help reconcile to the year-over-year variance discussion within Item 7 of the 10-K, "Management's Discussion and Analysis of the Financial Condition and Results of Operations". This schedule excludes the amortization of intangibles identified as part of the merger (i.e. customer list) which is included in operating expenses.
- (5) Lower-of-cost-or-market - As required by GAAP, natural gas inventory is to be valued at the lower of acquired price or current market price. For the year ended December 31, 2008 Integrys Energy Services realized a negative lower-of-cost-or-market impact to earnings of \$167.3 million. For the period ended December 31, 2009, a substantial portion of the inventory that had been written down in 2008 was delivered, resulting in a reversal of the non-cash losses.
- (6) Wholesale Trading and Structured Origination - Captures our proprietary trading activity, structured origination activity and optimization of our plants and customer load.