



# **Edward Jones**

**Mid-Cap Utility Conference**

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**Presentation by:**

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# Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. You can identify these statements by the fact that they do not relate strictly to historical or current facts and often include words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” and other similar words. Although we believe we have been prudent in our plans and assumptions, there can be no assurance that indicated results will be realized. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated.

Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise. We recommend that you consult any further disclosures we make on related subjects in our 10-Q, 8-K, and 10-K reports to the Securities and Exchange Commission.

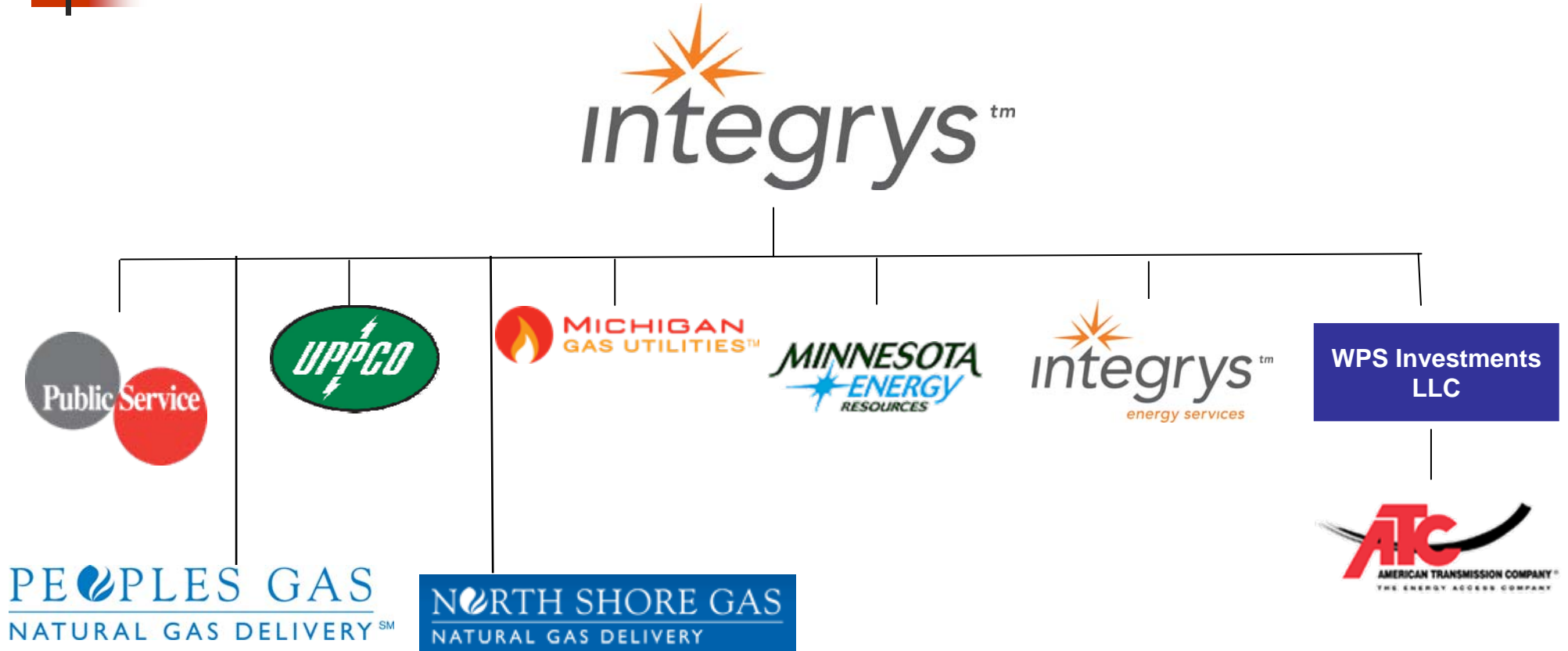
The following is a cautionary list of risks and uncertainties that may affect the assumptions which form the basis of forward-looking statements relevant to our business. These factors, and other factors not listed here, could cause actual results to differ materially from those contained in forward-looking statements.

- Unexpected costs and/or unexpected liabilities related to the Peoples Energy merger;
- The successful combination of the operations of Integrys Energy Group and Peoples Energy;
- Integrys Energy Group may be unable to achieve the forecasted synergies in connection with the Peoples Energy merger or it may take longer or cost more than expected to achieve these synergies;
- 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;

# Forward-Looking Statements

- 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 and possible future initiatives to address concerns about global climate change, changes in environmental, tax and other laws and regulations to which Integrys Energy Group and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- Current and future litigation, regulatory investigations, proceedings or inquiries, including but not limited to, manufactured gas plant site cleanup and the contested case proceeding regarding the Weston 4 air permit;
- Resolution of audits or other tax disputes by 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 our subsidiaries operate;
- Available sources and costs of fuels and purchased power;
- Investment performance of employee benefit plan assets;
- Advances in technology;
- Effects of and changes in political and legal developments as well as economic conditions and its impact on customer demand, in the United States and Canada;
- 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 impacts of changing financial market conditions, credit ratings, and interest rates on our financing efforts, and the risks associated with changing commodity prices (particularly natural gas and electricity);
- Weather and other natural phenomena, in particular the effect of weather on natural gas and electricity sales;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other factors discussed in the 2007 Annual Report on Form 10-K and in other reports filed by us from time to time with the Securities and Exchange Commission.

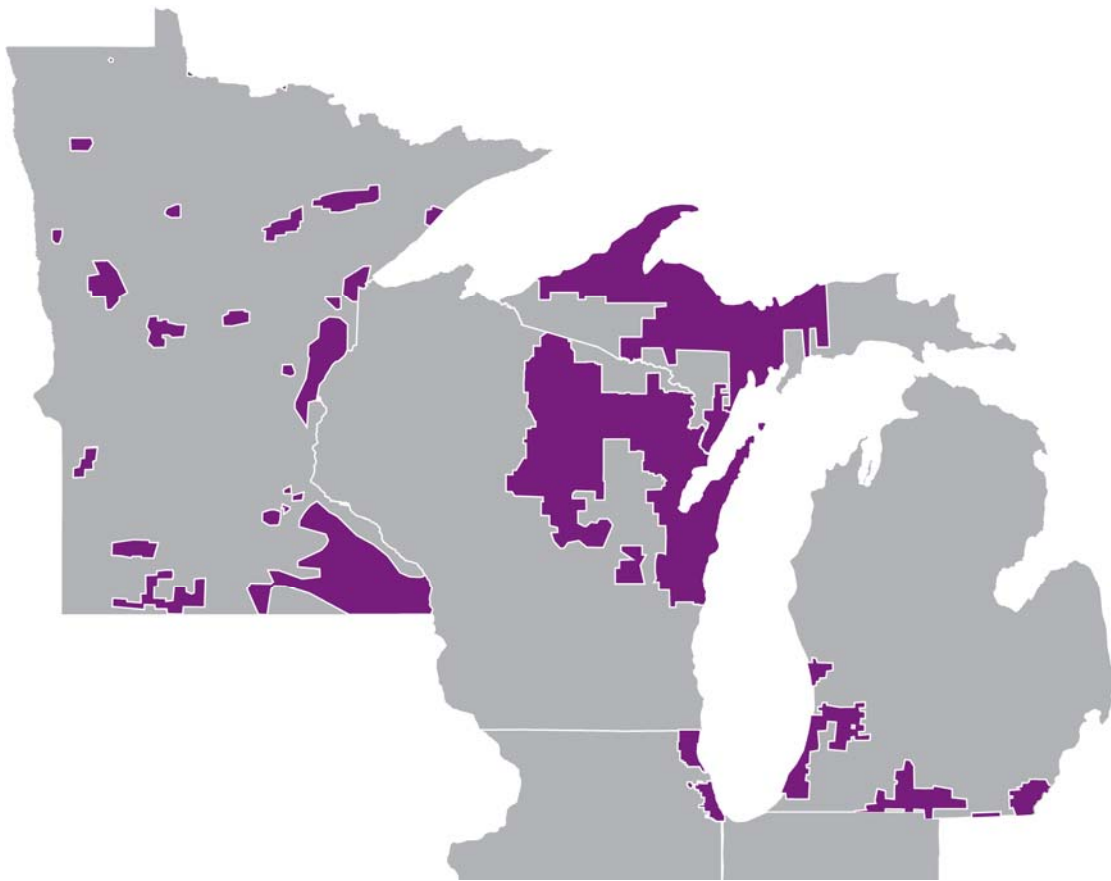
# IntegrYS Energy Group – A Leading Midwest Energy Company



\$4 billion market cap

# Strong and Diversified Regulated Utility Business

## Regulated service territory



- Serving the Midwest for over 120 years
- Stable organic earnings growth
  - ◆ Attractive service territories
  - ◆ Generation and distribution capital investment program
- Constructive regulatory approach
- Delivering superior customer service



# Agenda for Today

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- Goals, vision and mission
- Dependable and growing base of regulated operations
- Progress on Peoples Energy merger
- Investment in capital projects
- American Transmission Company investment
- Nonregulated business update
- Strong financial profile
- Track record of increasing dividends
- Initiatives for 2008
- 2008 Guidance



# IntegrYS Energy Group – Goals

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- Building long-term value for our shareholders
- Maintain superior dividend track record
- Delivering long-term earnings per share growth – *6% to 8% on an average annualized basis*
- Maintaining a strong balance sheet
- Continuing to engage a dedicated employee base
- Providing a high level of service to our customers



# Integritys Energy Group – Vision and Mission

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## **Vision**

People creating a premier and growing energy company

## **Mission**

Provide customers with the best value in energy and related services

# Serving Over 2 Million Customers

|  | Peoples<br>Gas | WPSC    | MERC    | MGUC    | NSG     | UPPCO  |
|--|----------------|---------|---------|---------|---------|--------|
| <b>As of 12/31/2007</b>                                    |                |         |         |         |         |        |
| Electric customers   |                | 433,000 |         |         |         | 52,000 |
| Natural gas customers                                      | 830,000        | 314,000 | 207,000 | 165,000 | 158,000 |        |
| Generation capacity (MW)                                   |                | 1,757.4 |         |         |         | 58.9   |
| Natural gas storage (Bcf)                                  | 47.3           | 8.1*    | 3.6*    | 5.1     | 6.9*    |        |
| Estimated rate<br>base/investment (dollars<br>in millions) | \$1,345        | \$1,815 | \$186   | \$170   | \$205   | \$92   |
| <b>For period ending 12/31/2007</b>                        |                |         |         |         |         |        |
| Annual electric volumes<br>(million MW hours)              |                | 14.8    |         |         |         | 1.2    |
| Annual natural gas<br>throughput (Bcf)                     | 124.1          | 78.8    | 70.5    | 31.1    | 25.8    |        |

\* Represents contracted storage.

# Regulatory Rate Base and ROE

|   | Peoples<br>Gas | WPSC *  | MERC    | MGUC    | NSG    | UPPCO   |
|---|----------------|---------|---------|---------|--------|---------|
| Date of decision  | 2/5/08         | 1/11/07 | 7/29/03 | 3/12/03 | 2/5/08 | 4/27/06 |
| Allowed ROE   | 10.19%         | 10.90%  | 11.71%  | 11.40%  | 9.99%  | 10.75%  |
| Authorized regulatory equity  | 56.00%         | 57.46%  | 50.00%  | 44.89%  | 56.00% | 54.93%  |
| Last authorized rate base<br>(millions)   | \$1,212        | \$1,624 | \$125   | \$170   | \$182  | \$84    |
| <i>* Authorized rate base includes \$396 million of Construction Work-In-Progress</i> |                |         |         |         |        |         |

# Weston 4 project

## Weston 4



| (\$ millions)         | Total        | Plant        | Trains      |
|-----------------------|--------------|--------------|-------------|
| WPSC                  | \$557        | \$536        | \$21        |
| Dairyland Power Coop. | 225          | 216          | 9           |
| <b>Total</b>          | <b>\$782</b> | <b>\$752</b> | <b>\$30</b> |

## Project overview

- 500 MW low sulfur coal-fired base-load generation facility
- Construction began in October 2004
- In service 1<sup>st</sup> quarter 2008
- Planned commercial operation date is June 2008
- Dairyland Power Cooperative owns 30% interest in Weston 4
- Current return on 100% of CWIP



# Progress on Peoples Energy Merger Achieved in 2007

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- Merger completed in February 2007
- Completed sale of oil and natural gas production business in September 2007
- Filed for Illinois rate cases in March 2007 and order approved in February 2008
- Expect total synergy cost savings to exceed \$400 million by 2011



# Integritys Energy Group, Inc. Successes To Date

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- \$38 million in annual synergies have already been attained through December 31, 2007
- Extensive use of project management tools, competitive excellence (Lean and Six Sigma) philosophy, and change management techniques
- Ensures best practice, enables savings, controls costs, and generates new sources of revenue

# Regulated Natural Gas Utility Segment – Illinois Rate Cases Approved

## Illinois rate cases – approval granted February 5, 2008

- New rates effective February 14, 2008
- Rate increase of \$71.2 million for Peoples Gas
  - Rate Base: \$1,212,274,000
  - Return On Equity: 10.19%
  - Equity Component: 56%
- Rate decrease of \$213 thousand for North Shore Gas
  - Rate Base: \$182,033,000
  - Return On Equity: 9.99%
  - Equity Component: 56%
- Decoupling/Energy Efficiency Riders – approved for both companies
- Infrastructure Riders – disallowed for both companies, but key criteria set forth for future consideration
- Infrastructure/Bad Debt Riders – disallowed for both companies

# Growing Investment in Capital Projects

| <b>Construction Expenditures by Company<br/>(Millions)</b>     | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>Total</b> |
|--|-------------|-------------|-------------|--------------|
| Wisconsin Public Service                                       | 343         | 407         | 242         | 992          |
| Peoples Gas Light *  | 134         | 157         | 160         | 451          |
| Upper Peninsula Power  | 19          | 16          | 19          | 54           |
| Minnesota Energy Resources                                     | 18          | 16          | 16          | 50           |
| North Shore Gas  | 10          | 10          | 11          | 31           |
| Michigan Gas Utilities   | 8           | 7           | 7           | 22           |
| <b>Subtotal for Utilities</b>                                  | <b>532</b>  | <b>613</b>  | <b>455</b>  | <b>1,600</b> |
| Integrys Energy Services                                       | 16          | 3           | 3           | 22           |
| Integrys Business Support                                      | 37          | 30          | 13          | 80           |
| <b>Total Anticipated Capital Expenditures</b>                  | <b>585</b>  | <b>646</b>  | <b>471</b>  | <b>1,702</b> |
| <b>American Transmission Company<br/>(equity contribution)</b> | <b>33</b>   | <b>14</b>   | <b>0</b>    | <b>47</b>    |

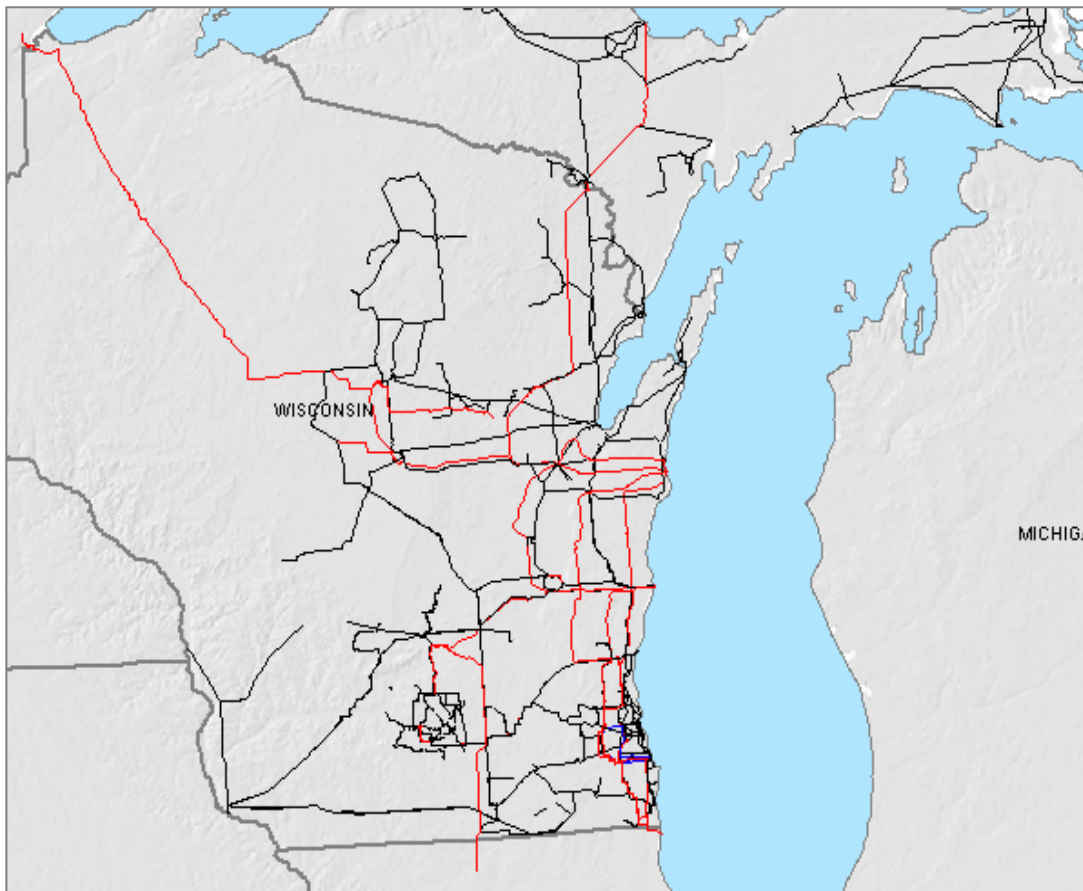
\* Includes accelerated cast iron replacement program.

# American Transmission Company



## Service territory

■ 345kV-499kV ■ 230kV-344kV ■ Below 230kV



## ATC key operating statistics

- Over \$2.5 billion in transmission assets
  - ◆ Announced in 2007 plans to spend \$2.8 billion over 10 years
- Authorized ROE: 12.2% on 50% equity
  - ◆ Rate design includes true-up mechanism with return on CWIP

# American Transmission Company



- Total projected equity contributions to ATC of about \$47 million over the next three years
- Integrys Energy's interest in ATC is 34.5% at December 31, 2007
- Total equity investment: \$262 million





# Integrlys Energy Services – Operational Overview

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- Denver office fully operational – supporting Midwest and Western markets
- Winnebago Energy Center – focused on clean fuel and green energy to enhance growth opportunities
- Operating expenses to moderate in 2008 – plan to focus on productivity of newly established resources
- Targeting 10-15% growth in 2008 from core earnings (excludes asset divestiture impacts, synthetic fuel contributions, mark-to-market volatility and non-recurring mergers costs)



# Potential Financings

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## ■ Long-Term Debt, 2008

- Integrys Energy Group, \$200 million
- Wisconsin Public Service, \$100 million
- Peoples Gas, \$50 million
- North Shore Gas, \$5 million

## ■ Long-Term Debt, 2009

- Wisconsin Public Service, \$100 million

## ■ Equity

- No new issuance planned through 2009

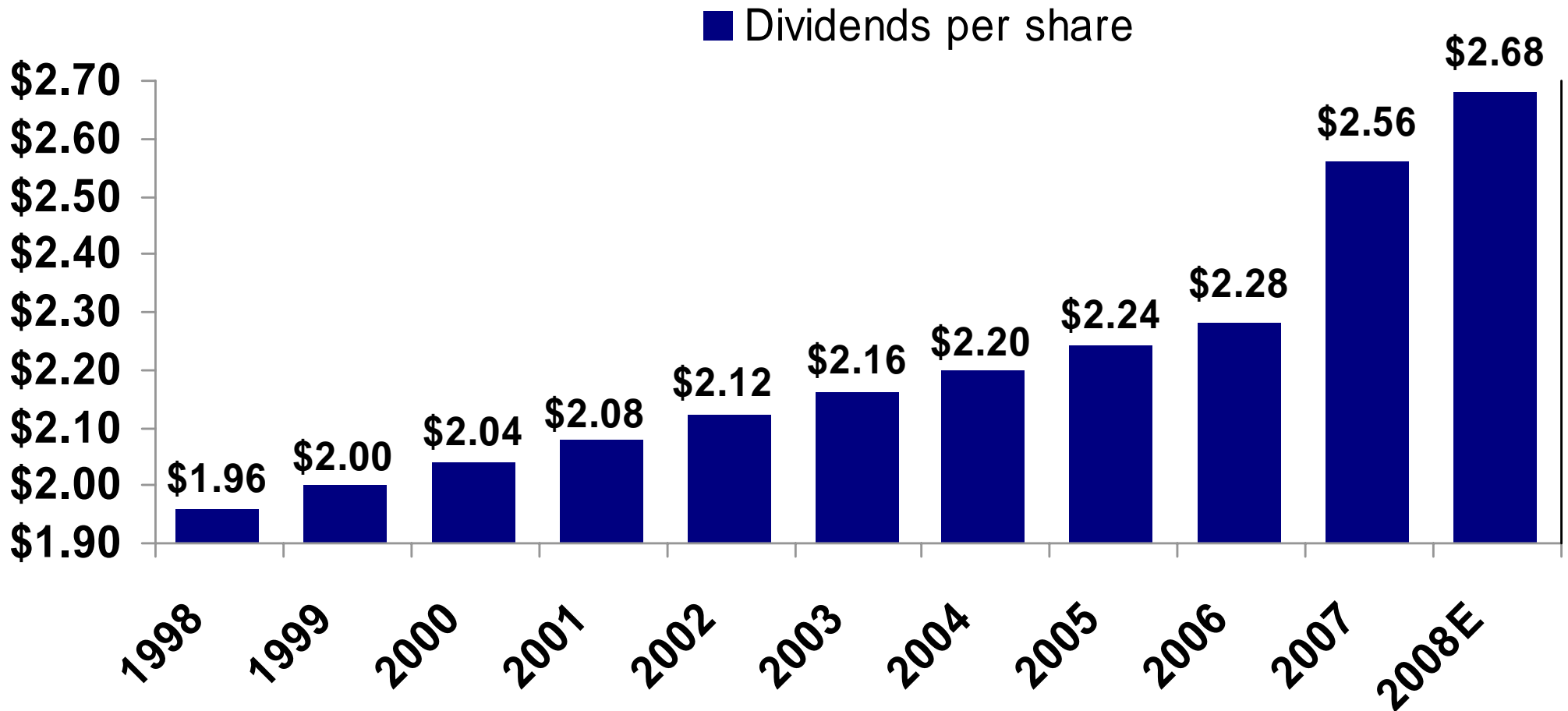
# Commitment to Strong Balance Sheet and Credit Ratings

## Current Credit Ratings

|                                    | <u>Standard &amp; Poor's</u> | <u>Moody's</u> |
|------------------------------------|------------------------------|----------------|
| <b>IntegrYS Energy Group, Inc.</b> |                              |                |
| Corporate credit rating            | A-                           | *              |
| Senior unsecured debt              | BBB+                         | A3             |
| Commercial paper                   | A-2                          | P-2            |
| Credit facility                    | -                            | A3             |
| Junior hybrid subordinated notes   | BBB                          | Baa1           |

\* Has not issued a corporate credit rating.

# Recent Dividend Payments



- 68 consecutive years of dividends paid
- 50 consecutive years of dividend increases
- ◆ S&P High Yield Dividend Aristocrat Index
- ◆ Mergent Dividend Achiever



# Initiatives for 2008

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- Advance our construction projects
  - 500-megawatt Weston 4 commercially operable by mid-2008
  - Guardian II pipeline laterals expected to be completed by November 2008
  - Moving forward with planned wind projects
- Integrys Business Support operational
  - Administrative support subsidiary that will capture many of the cost synergies identified
- Regulatory rate cases to ensure opportunity to earn reasonable returns
- Grow core earnings at Integrys Energy Services by 10-15%

# Diluted EPS from Continuing Operations – Adjusted – Guidance (Provided 2/20/2008)

## Diluted Earnings Per Share Information - Non-GAAP Financial Information

| <i>Actual 2007 with 2008 Forecasts</i>                     | Actual<br>2007 | Potential 2008 Diluted<br>EPS Ranges |                  |
|--|----------------|--------------------------------------|------------------|
|  |                | Low<br>Scenario                      | High<br>Scenario |
| Diluted EPS from continuing operations                     | \$ 2.48        | \$ 3.33                              | \$ 3.78          |
| Diluted EPS from discontinued operations                   | \$ 1.02        | \$ -                                 | \$ -             |
| <b>Total Diluted EPS</b>                                   | <b>\$ 3.50</b> | <b>\$ 3.33</b>                       | <b>\$ 3.78</b>   |
| <b>Average Shares of Common Stock - Diluted (millions)</b> | 71.8           | 76.9                                 | 76.9             |

### Information on Special Items:

Diluted earnings per share from continuing operations, as adjusted for special items and their financial impact on the actual 2006 diluted earnings per share from continuing operations and the 2007 and 2008 diluted earnings per share from continuing operations guidance are as follows:

|  |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| <b>Diluted EPS from continuing operations</b>  | <b>\$ 2.48</b>        | <b>\$ 3.33</b>        | <b>\$ 3.78</b>        |
| <b>Adjustments (net of taxes):</b>   |                       |                       |                       |
| Gains on asset sales   | \$ (0.02)             | \$ -                  | \$ -                  |
| External transition costs related to MGUC and MERC acquisitions  | \$ -                  | \$ -                  | \$ -                  |
| Integrlys Energy Services power contract in Maine liquidated in 2005   | \$ 0.01               | \$ -                  | \$ -                  |
| External transition costs related to Peoples Energy merger   | \$ 0.15               | \$ 0.15               | \$ 0.15               |
| Impacts of purchase accounting adjustments due to Peoples Energy merger  | \$ 0.08               | \$ 0.12               | \$ 0.12               |
| Synfuel - realized and unrealized oil option gains/losses, tax credits, production costs, premium amortization, deferred gain recognition, and royalties | <u>\$ (0.24)</u>      | <u>\$ -</u>           | <u>\$ -</u>           |
| <b>Diluted EPS from continuing operations - adjusted</b>   | <b><u>\$ 2.46</u></b> | <b><u>\$ 3.60</u></b> | <b><u>\$ 4.05</u></b> |
| <b>Weather impact - regulated utilities (as compared to normal)</b>  |                       |                       |                       |
| Electric - favorable/(unfavorable)   | \$ 0.03               | \$ -                  | \$ -                  |

#### Key Assumptions for 2008:

- Normal weather
- Availability of generation units
- Excludes any impact of mark-to-market volatility (such mark-to-market volatility is expected to include about \$20 million of mark-to-market after-tax losses in 2008 relating to contracts terminating in 2008 which had net mark-to-market after-tax gains recognized in 2007)
- Impacts of purchase accounting/transition costs related to merger
- Rate relief for Peoples Gas/North Shore Gas as approved on Feb. 5, 2008



# Investment Merits

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- Sound business focus
- Growing investment opportunities in regulated utilities and American Transmission Company
- Growing nonregulated business
- Delivering long-term earnings per share growth – *6% to 8% on an average annualized basis*
- Superior dividend track record
- Financial strength



*Questions and Answers*



*Appendix*

# Estimated Synergy Savings and External Costs to Achieve

| Updated Merger Cost Savings and External Costs to Achieve<br>(Pre-tax Dollars in Millions) |        |         |          |       |       |       |       |
|--|--------|---------|----------|-------|-------|-------|-------|
|  | 2006A  | 2007A   | 2008E    | 2009E | 2010E | 2011E | Total |
| Total Estimated Synergy Savings  | –      | 38      | 73       | 89    | 100   | 106   | 406   |
| Total Estimated Costs to Achieve   | (20) * | (91) ** | (35) *** | (9)   | –     | –     | (155) |
| Approximate Costs to Achieve Percentage by Year  | 13%    | 59%     | 22%      | 6%    | –     | –     | 100%  |

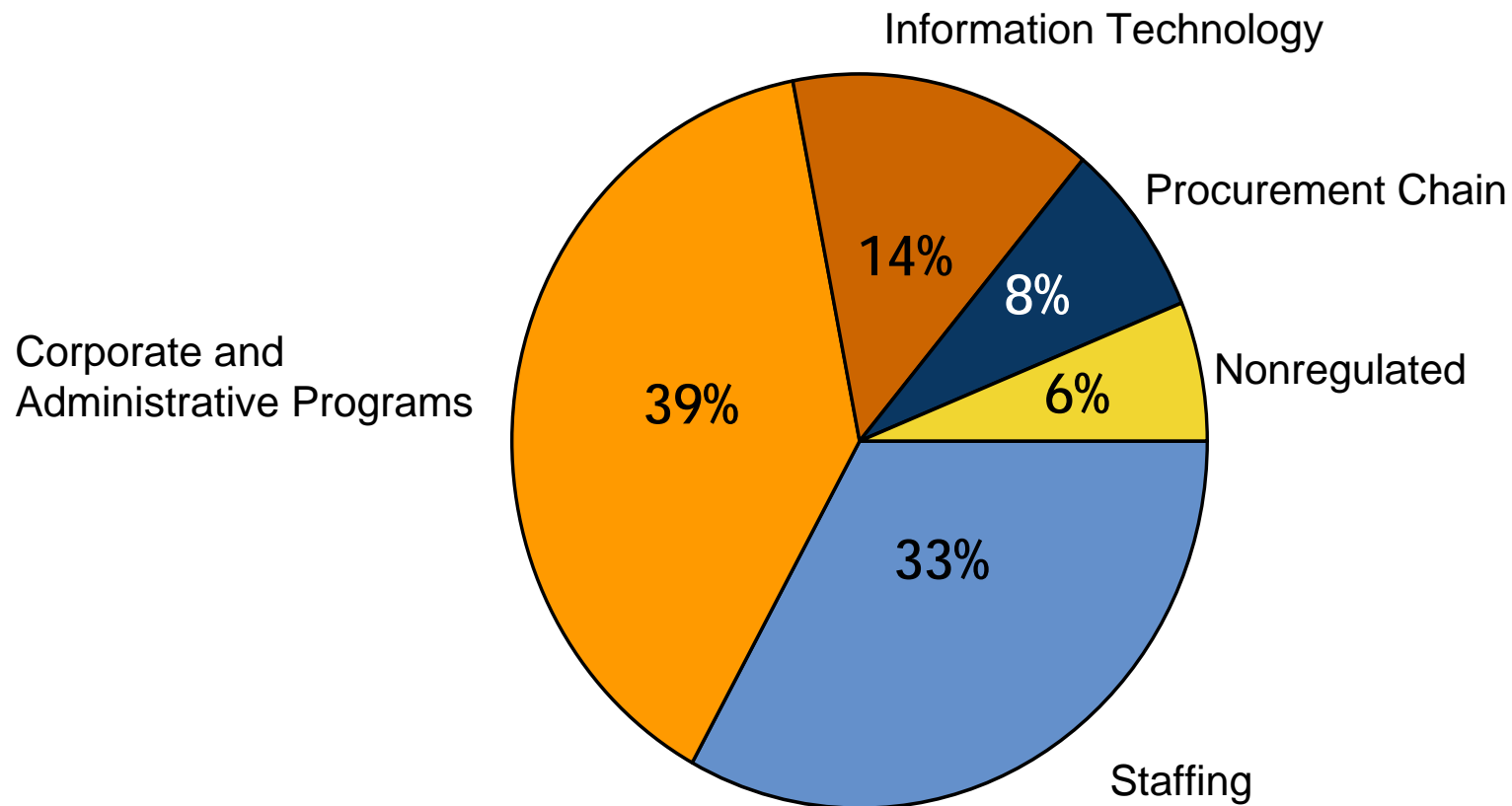
\* Includes \$18.2 million incurred by Peoples Energy.

\*\* Includes \$13.1 million of system write-offs, all of which was capitalized.  
Overall \$54.6 million is anticipated to be capitalized.

\*\*\* Anticipate that \$6.8 million will be capitalized.

# Synergy Potential

## Estimated annual synergies



Estimated annual steady-state synergies  
of approximately \$106 million

# Estimated Utility Depreciation

| <b>Depreciation by Company (Millions)</b> | <b>2008</b>  | <b>2009</b>  | <b>2010</b>  | <b>Total</b> |
|---|--------------|--------------|--------------|--------------|
| Wisconsin Public Service                  | \$110        | \$122        | \$130        | \$362        |
| Peoples Gas Light and Coke                | 62           | 65           | 67           | 194          |
| Upper Peninsula Power                     | 6            | 6            | 7            | 19           |
| Minnesota Energy Resources                | 11           | 10           | 10           | 31           |
| North Shore Gas                           | 6            | 6            | 6            | 18           |
| Michigan Gas Utilities                    | 7            | 10           | 10           | 27           |
| <b>Total for Utilities</b>                | <b>\$202</b> | <b>\$219</b> | <b>\$230</b> | <b>\$651</b> |

# Diluted EPS from Continuing Operations – Adjusted – Guidance Drivers

|   | <u>2008</u>      |                  |
|---|------------------|------------------|
|   | <u>Low</u>       | <u>High</u>      |
| Previous Guidance, November 8, 2007                       | \$ 3.91          | \$ 4.13          |
| Revised Guidance, February 20, 2008                       | <u>3.60</u>      | <u>4.05</u>      |
| Difference  | <u>\$ (0.31)</u> | <u>\$ (0.08)</u> |
| <b>Key Drivers:</b>                                       |                  |                  |
| Peoples/North Shore Rate Case                             | \$ (0.19)        | \$ (0.19)        |
| Mark-to-market volatility - contracts terminating in 2008 | \$ 0.08          | \$ 0.08          |
| Timing of other projects and initiatives                  | \$ (0.20)        | \$ 0.03          |