

*First Quarter 2009 Earnings Conference Call
May 1, 2009*

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 risk factors 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, 2008, as may be amended or supplemented in our Quarterly Reports on Form 10-Q. 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 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 the 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, reconciliation of revenues from the Gas Charge and related natural gas costs, and the contested case proceeding regarding the Weston 4 air permit;
- 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;

Forward-Looking Statements



- The risks associated with executing IntegrYS Energy Group's plan to significantly reduce the scope and scale, or divest in its entirety, the nonregulated energy services business;
- The risks associated with changing commodity prices (particularly natural gas and electricity) and the available sources of fuel and purchased power, including their impacts 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;
- Advances in technology;
- 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 and the use of financial and derivative instruments;
- The risks associated with the inability of IntegrYS Energy Group's and its subsidiaries' counterparties, affiliates, and customers to meet their obligations;
- Weather and other natural phenomena, in particular the effect of weather on natural gas and electricity sales;
- The utilization of tax credit carryforwards;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other factors discussed in the 2008 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.

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,” “forward book value,” and “managerial gross margin,” which are non-GAAP measures. Management uses these measures in its internal performance reporting and for reports to the Board of Directors. We disclose these measures 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. Management believes that forward book value and managerial gross margin provide investors with a more complete view of the fair value of the nonregulated contract portfolio and changes therein. Unlike GAAP gross margin, managerial gross margin includes the fair value of contracts that are not currently subject to the derivative accounting rules. Therefore, this measure allows investors to better compare our financial results from period to period. 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 either on the slide where the information appears, in the Supplemental Data Package, or in the Appendix.

Agenda



- First Quarter 2009 Results Overview
 - Non-cash charges drove GAAP loss
 - IntegrYS Energy Group performed well
- Status of IntegrYS Energy Services Divestiture
- Capital Redeployment Program
 - Focus on core utility business
- Current Dividend Status
- Future Growth Potential
 - Mandated environmental/renewable/infrastructure investment
- 2009 Financial Overview
- Guidance
 - 2009 updated
 - Introduce estimate for 2011

First Quarter Results Overview



- Net loss attributed to common shareholders of \$180.2 million – included \$300.3 million (after tax) in non-cash losses
 - Goodwill impairment loss of \$248.8 million (after tax) in the natural gas utility segment
 - Non-cash accounting losses of \$51.5 million after tax for IntegrYS Energy Services resulting from derivative and inventory accounting activities
 - Core utility operations performed well
- Exclusive of after-tax non-cash items, IntegrYS Energy Group would have earned \$120.1 million in the first quarter of 2009 compared with \$96.1 million in the first quarter of 2008
- Moving forward with capital redeployment program and core utility focus

Integrys Energy Services Divestiture Driven by Core Utility Focus



- Goal of divestiture and capital redeployment: Achieve highest value for investors
 - Planned divestiture is part of a coherent, logical strategy
 - Expected proceeds and/or recovered capital will be used to strengthen balance sheet and support core utility businesses
- Dividend policy unchanged
- Revised diluted earnings per share guidance for 2009 and introduction of guidance for 2011
- Divestiture process is moving forward as planned

Integrys Energy Services – Transaction Update



- Following our announcement in February, we have initiated a structured divestiture process with the assistance of J. P. Morgan Securities
- We are targeting a full divestiture of Integrys Energy Services
 - This could be achieved in one transaction or multiple transactions
 - Immediate, smaller transactions should not adversely impact maximum value
- We continue to anticipate Integrys Energy Services' recovered capital will be approximately \$600 million when full execution of strategy change is completed
- We are targeting an announcement with respect to Integrys Energy Services by the end of the third or early fourth quarter 2009

Integrys Energy Services – Financing and Dividend Implications



- We are planning to use proceeds to pay down long-term and short-term debt and to better position the Company to fund future rate base investment growth
- Short-term liquidity needs will be substantially reduced
 - Targeting \$1.4 billion of ongoing liquidity facilities after divestiture of Integrys Energy Services compared with \$2.4 billion at December 31, 2008
- Integrys Energy Group's management team continues to communicate with the credit rating agencies
 - Impact of divestiture of Integrys Energy Services
 - Long-term financing plan that will allow Integrys Energy Group to execute on its future capital program
- The Board of Directors has not changed the dividend policy
 - The Board reviews periodically based on long-term view of earnings and cash flows

Growth Driven By Core Utility Focus



- Growth at the regulated utilities
 - Focus on earning at or close to their authorized returns on equity
 - Estimated increase in 2008 net income attributed to common shareholders of \$44.7 million if all our regulated utilities had earned their authorized returns on equity
 - In 2008, we completed 5 rate cases, increasing annualized earnings from those utilities
 - In 2009, we will be processing 5 more rate cases that we expect will improve earnings beginning in 2010
 - Increasing investment in rate base over time
 - \$2 billion to \$3 billion from infrastructure replacement in Chicago
 - \$500 million to \$1 billion in Wisconsin due to environmental and renewable projects
- Growth in earnings from our continuing investment in American Transmission Company
- Continued focus on operational excellence and cost controls

Key Drivers – 1Q09 Versus 1Q08



(All dollars in millions and after tax)

Net loss attributed to common shareholders, 1Q09	\$(180.2)
Net income attributed to common shareholders, 1Q08	<u>135.8</u>
Quarter-over-Quarter Change	<u><u>\$(316.0)</u></u>

Key Drivers of Quarter-over-Quarter Change (all after-tax)

	1Q09	1Q08	Change	Explanation
Natural gas Segment – Goodwill impairment loss	\$(248.8)	\$ -	\$ (248.8)	Accounting
IntegrYS Energy Services – non-cash activity (related to derivative and inventory accounting activity)	(51.5)	39.7	(91.2)	Accounting
IntegrYS Energy Services - increase in realized natural gas margin (increased storage withdrawals and higher per-unit margins)	39.7	22.0	17.7	Operations
Electric utility - over-recovery of fuel and purchased power costs in the first quarter 2009 versus under-recovery of fuel and purchased power costs in the first quarter 2008	3.0	(13.8)	16.8	Operations
Holding Company and Other segment (higher quarter-over-quarter state income taxes, increased interest expense due to working capital requirements)	(5.1)	1.8	(6.9)	Operations
IntegrYS Energy Services - increase in operating and maintenance expense (higher bad debt expense, higher broker commissions)	(29.7)	(24.1)	(5.6)	Operations
Other			2.0	Operations
Total			<u>\$ (316.0)</u>	

Goodwill Impairment



- Non-cash charge to earnings of \$248.8 million after tax
- Related to several natural gas utility operations acquired over the past few years
- Will not create problems complying with current covenants for credit facilities and long-term debt contracts

Diluted EPS – Adjusted



	Three Months Ended March 31	
	<u>2009</u>	<u>2008</u>
Diluted EPS	\$ (2.35)	\$ 1.77
Average Shares of Common Stock – Diluted (millions)	76.7	76.9

Information on Special Items:

Diluted earnings per share are adjusted for special items and their financial impact on diluted earnings per share for the three months ended March 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	\$ (2.35)	\$ 1.77
Special Items (net of taxes):		
Goodwill impairment – natural gas segment	3.24	–
IntegrYS Energy Services' total segment results	<u>0.38</u>	<u>(0.67)</u>
Diluted EPS – Adjusted (a non-GAAP financial measure)	<u>\$ 1.27</u>	<u>\$ 1.10</u>

Integrys Energy Group Remains Financially Strong



- Credit Facilities at April 30, 2009
 - Approximately \$2.2 billion
 - 23 financial institutions, with the largest covering only 13 percent
 - Approximately \$1.3 billion available, plus holding \$300 million of cash
- Reflects \$1 billion of cash generation since January 1, 2009, as expected

Long-Term Financings Summary



■ Long-Term Debt, 2009

■ Expected transactions

- IntegrYS Energy Group, up to \$350 million (includes refinancing \$155 million upon maturity)
- Peoples Gas, approximately \$50 million

■ Equity

- No new shares of common equity issued to date
- Will continue to assess given capital market conditions

Diluted EPS – Adjusted – By Business Segment



Non-GAAP Financial Information

	<u>2/26/2009</u> 2009		<u>5/1/2009</u> 2009	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Guidance	\$2.53	\$2.68		
Less: IntegrYS Energy Services *	(0.39)	(0.39)		
Diluted Earnings Per Share - Excluding IntegrYS Energy Services	2.14	2.29	(1.06) *	(0.91) *
Goodwill Impairment - Natural Gas Segment	-	-	3.23	3.23
Diluted Earnings Per Share - Adjusted	\$2.14	\$2.29	\$2.17	\$2.32
Average Shares of Common Stock - Diluted	77.0	77.0	77.0	77.0
Diluted Earnings Per Share - Adjusted				
Guidance by Segment				
Electric	\$1.05	\$1.13	\$1.11	\$1.18
Natural Gas (Excludes Impact of Goodwill) **	0.91 **	0.97 **	0.90 **	0.97 **
Other	0.18	0.19	0.16	0.17
Total	\$2.14	\$2.29	\$2.17	\$2.32

* It is difficult to continue to predict earnings impact of IntegrYS Energy Services in 2009 due to the execution of the change in strategy.

** The 2009 guidance range has been adjusted to exclude the \$(3.23) per share impact of the goodwill impairment in the natural gas segment.

Assumptions: Rate relief for certain utilities.
Availability of generation units.
Normal weather conditions.

Diluted EPS – Adjusted – By Business Segment



Non-GAAP Financial Information

	2009 *		2011	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Diluted Earnings Per Share - Adjusted Guidance by Segment				
Electric	\$1.11	\$1.18	\$1.21	\$1.37
Natural Gas (Excludes Impact of Goodwill) *	0.90 *	0.97 *	1.09	1.31
Other	0.16	0.17	0.50	0.52
Total	\$2.17	\$2.32	\$2.80	\$3.20
Average Shares of Common Stock - Diluted	77.0	77.0	77.4	77.4

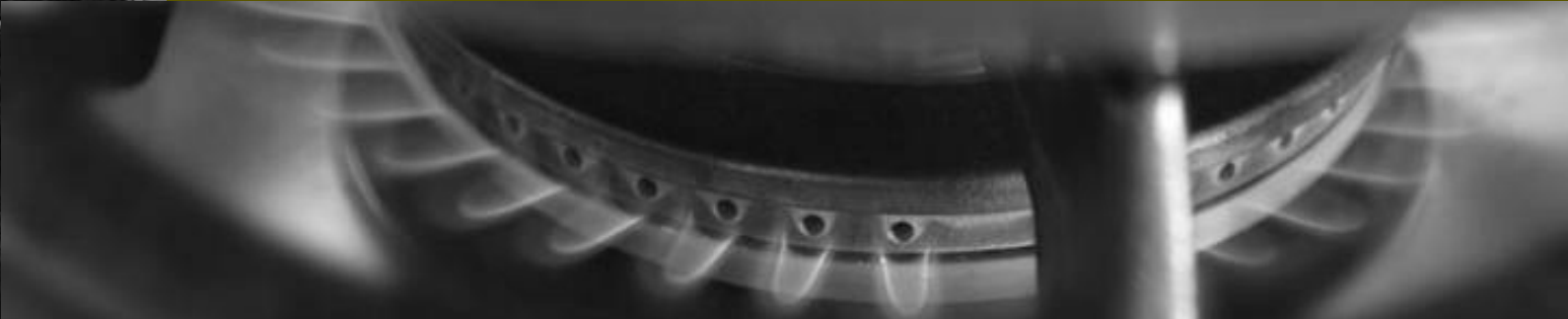
* The 2009 guidance range has been adjusted to exclude the \$(3.23) per share impact of the goodwill impairment in the natural gas segment.

Assumptions: Rate relief for certain utilities.
Availability of generation units.
Reasonable execution of the divestiture of IntegrYS Energy Services.
Normal weather conditions.

Summary



- We are driving a structured capital redeployment process with a focus on our core utility businesses
- Targeted announcement regarding IntegrYS Energy Services by the end of third quarter or early fourth quarter of 2009
- Proceeds and/or recovered capital to be used to:
 - Pay down long-term and short-term debt
 - Better position the Company to fund future investment in rate base growth
- Dividend policy unchanged
- Long-term growth target in EPS 4% to 6% on average annualized basis
- Diluted EPS – adjusted, a non-GAAP financial measure, guidance (excluding IntegrYS Energy Services and goodwill impairment):
 - 2009: \$2.17 to \$2.32
 - 2011: \$2.80 to \$3.20




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Appendix

Potential Earnings Growth









IntegrYS Energy Group, Inc. Utilities Returns on Equity – 2008

	Natural Gas Utility						Electric Utility		
	New Acquisitions				WPSC	Total	WPSC	UPPCO	Total
	PGL	NSG	MERC	MGU					
<i>(Millions)</i>									
13-Month Adjusted Average Utility Equity	\$ 659.0	\$ 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)

Regulated Utilities Serving Approximately 2.2 Million Customers



	PGL ♦ 	NSG ♦ 	MERC 	MGU 	WPS ♦ 		UPPCO 
As of 12/31/2008							
Electric Customers					436,000		52,000
Natural Gas Customers	819,000	158,000	210,000	166,000	316,000		
Generation capacity (megawatts)					2,149.8		56.3
Natural gas storage (Bcf)	58.0	10.0	6.0	9.0	13.0		
For the period ending 12/31/2008							
Annual electric volumes (million megawatt-hours)					15.4		1.1
Annual natural gas throughput (Bcf)	189.7	38.7	31.4	77.5	80.9		
Retail as of 12/31/2008							
	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Electric	Electric
Rate base/investment (\$ millions), IL	1,195	178					
Rate base/investment (\$ millions), WI					415	1,350	
Rate base/investment (\$ millions), MI				182	4	25	90.0
Rate base/investment (\$ millions), MN			205				
Wholesale as of 12/31/08							
Rate base/investment (\$ millions)						173	11.0

♦ Some form of decoupling in regulatory rate structure; covers about 80% of our customers.

Regulated Utilities Regulatory Rate Base and ROE



	PGL ♦	NSG ♦	MERC	MGU	WPS ♦		UPPCO
	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Electric	Electric
Retail last authorized, IL/MN							
Rate base/investment (\$ millions)	1,212	182	125				
Allowed ROE	10.19%	9.99%	11.71%				
Authorized regulatory equity %	56.00%	56.00%	50.00%				
Date of decision	2/5/2008	2/5/2008	7/29/2003				
Retail last authorized, MI							
Rate base/investment (\$ millions)				201 ⁽¹⁾	2	14	87.3
Allowed ROE				10.45%	14.25%	10.60%	10.75%
Authorized regulatory equity %				50.01%	42.40%	56.39%	54.93%
Date of decision				1/13/2009	6/7/1983	12/4/2007	6/27/2006
Retail last authorized, WI							
Rate base/investment (\$ millions)					435	1,350	
Allowed ROE					10.9% ⁽²⁾	10.9% ⁽²⁾	
Authorized regulatory equity %					53.41%	53.41%	
Date of decision					12/30/2008	12/30/2008	
Wholesale last authorized							
Rate base/investment (\$ millions)						168	7.7
Allowed ROE						11.00%	*
Authorized regulatory equity %						53.41% ⁽³⁾	*
Date of decision						11/19/2004	*

Notes:

- ♦ Some form of decoupling in regulatory rate structure; covers about 80% of our customers.
- (1) The 2009 MGU rate case was settled with no stated rate base value. \$201 million corresponds to MGU's filed amount.
- (2) The 2009 WPS rate case was settled with a stipulation agreement with no stated change to ROE. 10.90% corresponds to WPS's last authorized ROE in January of 2007.
- (3) Authorized regulatory equity percent is equal to retail actual equity percent.
- * All rates are based on individual contracts with customers, consequently no allowed ROE, and authorized equity percent applies.

Investing in Capital Projects



Planned Construction Expenditures by Company (Millions)	2009	2010	2011	Total
Wisconsin Public Service	\$277	\$112	\$287	\$ 676
Peoples Gas *	77	86	195	358
Upper Peninsula Power	18	42	10	70
Minnesota Energy Resources	13	14	17	44
North Shore Gas	15	11	14	40
Michigan Gas Utilities	7	8	11	26
Subtotal for Utilities	\$407	\$273	\$534	\$1,214
Integritys Energy Services	20	0	0	20
Integritys Business Support	42	21	20	83
Total Anticipated Capital Expenditures	\$469	\$294	\$554	\$1,317
American Transmission Company (equity contribution)	\$ 27	\$ 12	\$ 0	\$ 39

* Includes accelerated cast iron main replacement program in 2011.

Estimated Utility Depreciation

Depreciation by Company (Millions)	2009	2010	2011	Total
Wisconsin Public Service	\$108	\$113	\$114	\$335
Peoples Gas	62	65	80	207
Upper Peninsula Power	7	8	9	24
Minnesota Energy Resources	12	13	10	35
North Shore Gas	6	7	8	21
Michigan Gas Utilities	7	8	8	23
Total for Utilities	\$202	\$214	\$229	\$645

Investing in Regulated Utility Capital Projects

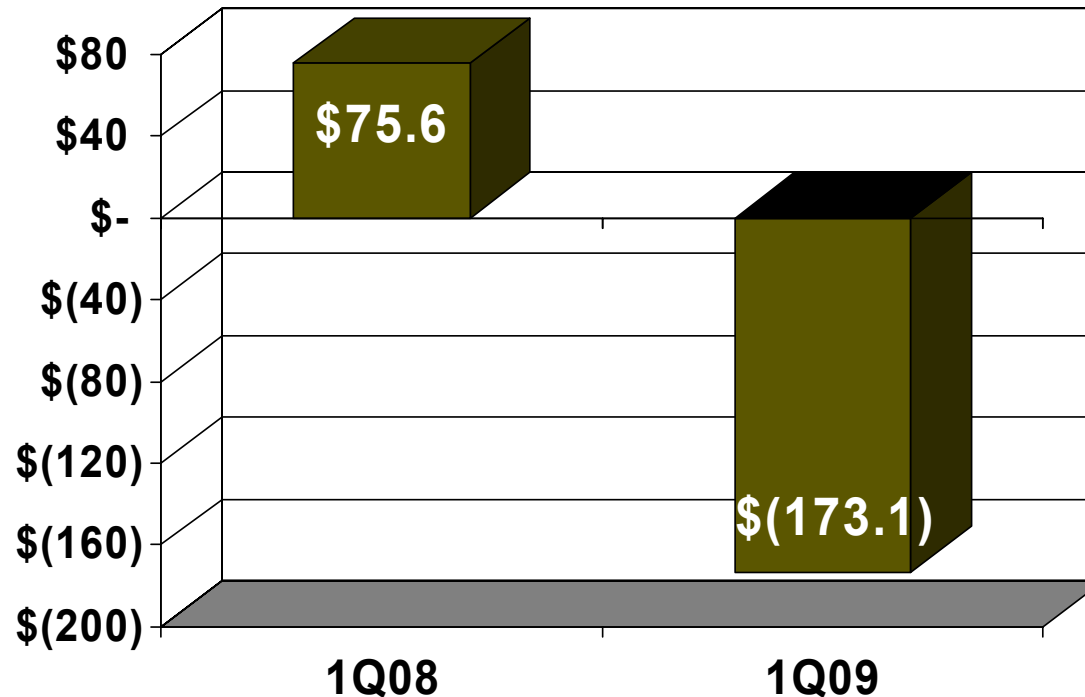


	(Millions)			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Capital Expenditures for Regulated Utility Operations	\$ 407	\$ 273	\$ 534	\$ 1,214
Estimated Depreciation for Regulated Utility Operations	<u>202</u>	<u>214</u>	<u>229</u>	<u>645</u>
Net Growth in Rate Base Investment	<u><u>\$ 205</u></u>	<u><u>\$ 59</u></u>	<u><u>\$ 305</u></u>	<u><u>\$ 569</u></u>

Regulated Natural Gas Utility Segment – 1Q09



Earnings (millions)



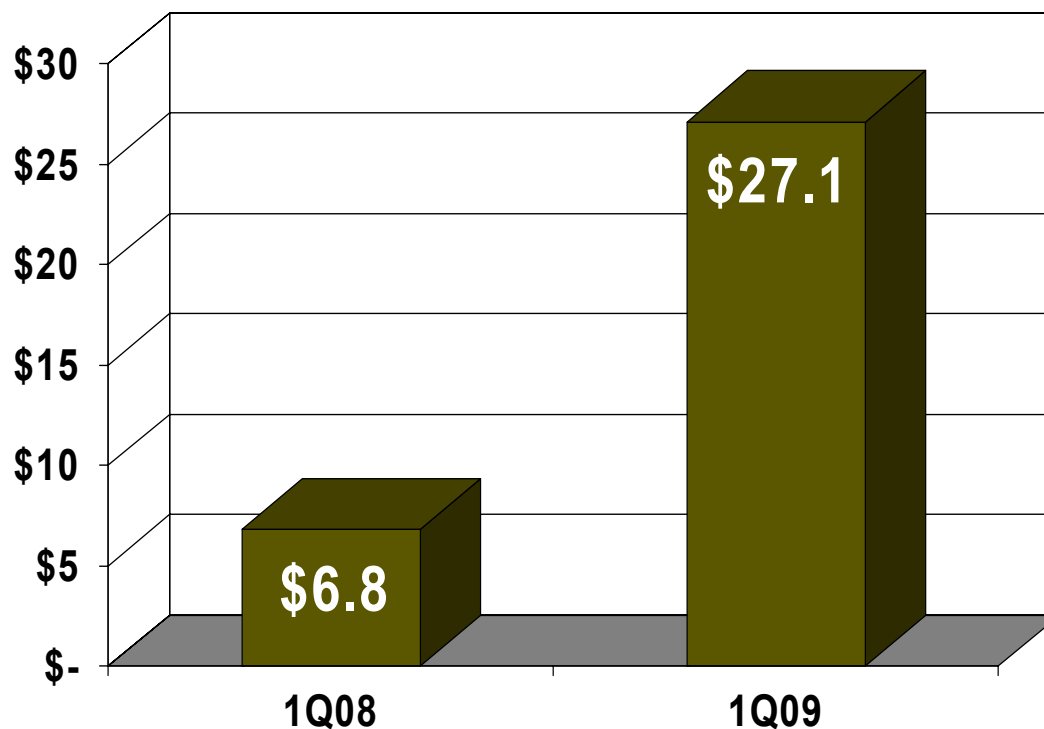
Key Drivers (after tax):

- (--) \$248.8 million – Goodwill impairment loss related to Peoples Gas, North Shore Gas, Minnesota Energy Resources, and Michigan Gas
- (--) \$9.0 million – Warmer weather and negative impact of economic slow down
- (+) \$ 9.4 million – Rate increases and changes in rate design

Regulated Electric Utility Segment – 1Q09



Earnings (millions)



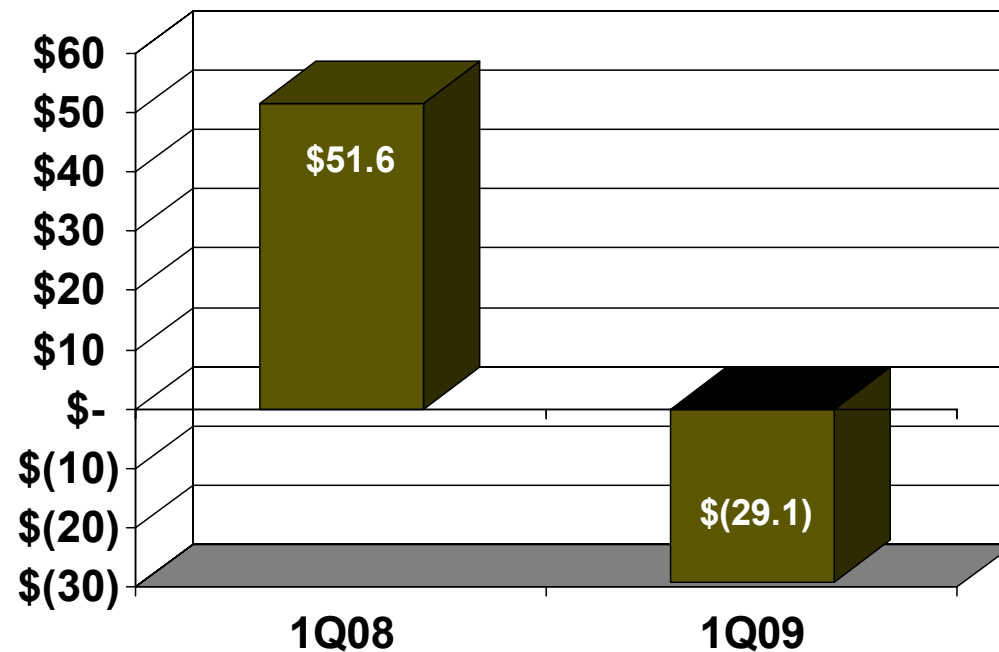
Key Drivers (after tax):

- (+) \$16.8 million – Over-collection of fuel and purchased power costs at Wisconsin Public Service in the first quarter of 2009 compared with under-collection in first quarter of 2008
- (+) \$3.0 million – Increase in demand charges to wholesale customers to recover fixed costs related to Weston 4
- (+) \$2.4 million – Increase in margin from 2008 fuel surcharge that was incorporated into Wisconsin Public Service's 2009 base retail electric rates
- (--) \$2.0 million – Increase in depreciation expense related to Weston 4

Nonregulated Integrys Energy Services Segment – 1Q09



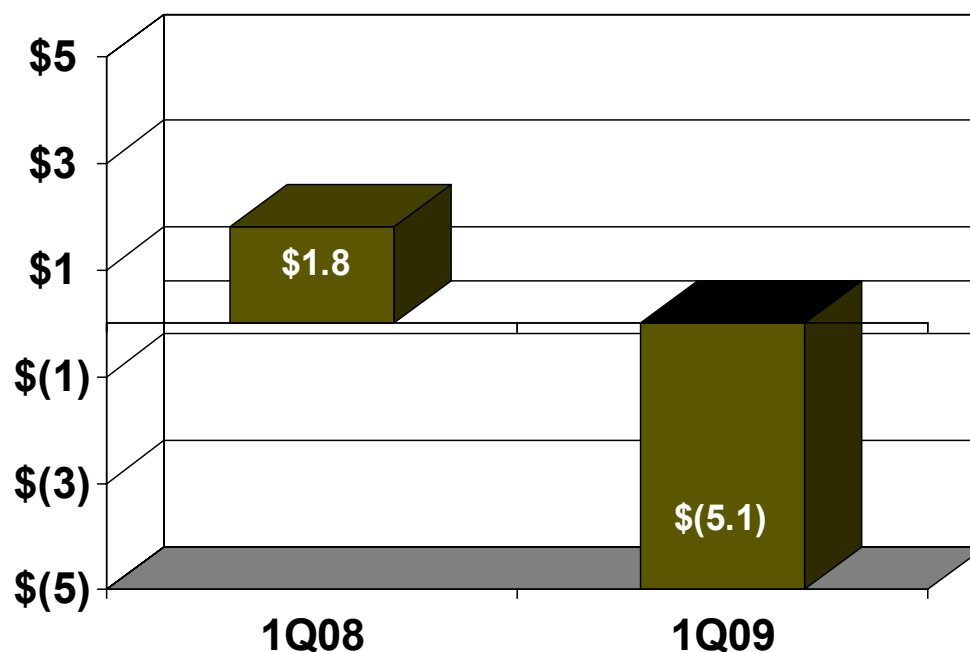
Earnings (millions)



Key Drivers (after tax):

- (--) \$91.2 million – Decrease in margin related to non-cash derivative and inventory accounting activities
- (--) \$5.6 million – Increase in operating and maintenance expense
- (+) \$17.7 million – Increase in realized natural gas margins due to an increase in natural gas storage withdrawals

Earnings (millions)



Key Drivers (after tax):

- (--) \$7.0 million – Increase in effective income tax rate
- (--) \$2.1 million – Increases in interest expense, net of related party interest income
- (+) \$2.0 million – Higher earnings from IntegrYS Energy Group's investment in American Transmission Company

Michigan Gas Utilities Rate Case



- On January 13, 2009, the Michigan Public Service Commission approved a natural gas delivery rate increase
 - Annual Revenue Requirement Increase \$6 million
 - Rate Base/Investment: \$201 million
 - Return on Equity: 10.45%
 - Equity Component: 50.01%
- First increase since 2003
- Web site:
<http://efile.mpsc.cis.state.mi.us/efile/viewcase.php?casenum=15549&submit.x=15&submit.y=6>
- Order requires decoupling filing with the next rate case; cannot file for another rate case before July 1, 2009

Minnesota Energy Resources Rate Case



- In April 2009 Administrative Law Judge submitted opinion and recommends:
 - \$15.5 million increase, or 4.4%
 - 10.21% ROE – Minnesota Energy Resources requested 11.25% ROE
 - Increase in monthly residential customer charge from \$5.50 or \$6.50 to \$9.00
- All other revenue requirement issues settled between parties
- Currently collecting interim rates
- Final decision expected in June 2009
- Web site: <https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=eDocketsResult>
 - Enter docket number 835 for 2008

Regulated Natural Gas Utility Segment – Illinois Rate Cases



- Refiled rate case for Peoples Gas Light and Coke and for North Shore Gas with the Illinois Commerce Commission to avoid a potential issue with the effective date of the new rates. Expect the new rates to be effective in January 2010.

The rate cases as filed request:

Peoples Gas

■ Base Rate Revenue Requirement Increase	\$161.9 million
■ Rate Base/Investment:	\$1,396.1 million
■ Return on Equity:	12%
■ Equity Component:	56%

North Shore Gas

■ Base Rate Revenue Requirement Increase	\$22 million
■ Rate Base/Investment:	\$179.2 million
■ Return on Equity:	12%
■ Equity Component:	56%

■ Riders

- Gas commodity component of bad debt expense (both companies)
- Infrastructure for accelerated cast iron main replacement (Peoples only)

- Refiled: February 25, 2009
- Staff testimony expected to be filed by June 10, 2009.
- Hearings: August 24-September 1, 2009
- Proposed draft order anticipated: October 1, 2009
- Combined docket number: 09-0167
- Web site: <http://www.icc.illinois.gov/docket/Documents.aspx?no=09-0166>

Wisconsin Jurisdiction

- Wisconsin Public Service is authorized to reopen its 2009 general rate case for 2010 on a limited basis
 - Filed today for \$63.3 million
 - Key items for consideration include:
 - Fuel and purchased power costs
 - Updated construction costs on 99-megawatt wind farm project
 - Pension and benefit asset growth
 - Expenditures for energy conservation
 - Recovery of emission allowance costs

Collateral Requirement Impact of Theoretical Credit Rating Change



Estimates as of March 31, 2009

(millions)	One Notch BBB- for IntegrYS Energy Group	Two Notches BB+ for IntegrYS Energy Group	Three Notches BB for IntegrYS Energy Group	Four Notches BB- for IntegrYS Energy Group	Total Total
Nonregulated	\$269	\$388	\$ 7	\$ 0	\$664
Regulated	44	38	27	4	113
Total	313	426	34	4	777
Cumulative	313	739	773	777	

Notes:

- These estimates are related to contracts that have specific ratings-based requirements relative to the posting of collateral.
- The amount of collateral to be paid at any point in time is dependent on a variety of factors, including but not limited to (1) notional amount of trading positions, (2) nature of counterparty agreements, and (3) changes in commodity prices.
- Procurement contract collateral requirements are a function of market prices. Collateral posting requirements for IntegrYS Energy Group will generally increase as forward market prices fall and decrease as forward market prices rise. Given the relationship to forward market prices, contract requirements can be volatile.
- This depicts anticipated incremental collateral postings for credit rating changes only. All other factors are held constant.

IntegrYS Energy Services – Margins



(\$ Millions)

	3 Months Ended March 31		
	2009	2008	Change
Natural Gas			
Retail			
Realized margins (1)	\$ 40.6	\$ 29.6	\$ 11.0
Unrealized gain/(loss) (2)	(49.1)	(14.1)	(35.0)
Effect of purchase accounting on realized margins (3)	(1.1)	(3.9)	2.8
Effect of purchase accounting on unrealized margins (3)	(0.2)	(0.6)	0.4
	<u>(9.8)</u>	<u>11.0</u>	<u>(20.8)</u>
Wholesale			
Realized margins w without low er of cost or market impact (1)	23.8	11.9	11.9
Low er of cost or market impact on realized margin (4)	19.0	6.1	12.9
Unrealized gain/(loss) (2)	5.9	(21.8)	27.7
Effect of purchase accounting on realized margins (3)	2.9	(1.0)	3.9
Effect of purchase accounting on unrealized margins (3)	(2.4)	(2.5)	0.1
	<u>49.2</u>	<u>(7.3)</u>	<u>56.5</u>
Total Natural Gas Margins	\$ 39.4	\$ 3.7	\$ 35.7
Electric and Other			
Retail			
Realized margins (1)	23.7	17.4	6.3
Unrealized gain/(loss) (2)	(47.2)	55.1	(102.3)
Effect of purchase accounting on realized margins (3)	(0.1)	(0.1)	-
Effect of purchase accounting on unrealized margins (3)	(0.1)	(1.5)	1.4
	<u>(23.7)</u>	<u>70.9</u>	<u>(94.6)</u>
Wholesale Trading and Structured Origination (5)			
Realized margins (1)	12.4	10.8	1.6
Unrealized gain/(loss) (2)	(11.8)	45.4	(57.2)
	<u>0.6</u>	<u>56.2</u>	<u>(55.6)</u>
Total Electric and Other Margins	(23.1)	127.1	(150.2)
Total Gross Margin	\$ 16.3	\$ 130.8	(114.5)
Realized margins without lower of cost or market impact (1)	\$ 100.5	\$ 69.7	\$ 30.8
Lower of cost or market impact on realized margin (4)	19.0	6.1	12.9
Unrealized gain/(loss) (2)	(102.2)	64.6	(166.8)
Effect of purchase accounting on realized margins (3)	1.7	(5.0)	6.7
Effect of purchase accounting on unrealized margins (3)	(2.7)	(4.6)	1.9
Total Gross Margin	\$ 16.3	\$ 130.8	\$ (114.5)

(Note - Pre-tax dollars in millions, except for per-unit margins; definitions are listed on next slide)

IntegrYS Energy Services – Definitions Related to Margin Exhibit



	3 Months Ended March 31		
	2009	2008	Change
Volumes Delivered (includes only transactions settled physically for the periods shown)			
Retail Natural Gas (in billion cubic feet)	97.3	107.6	(10.3)
Realized per unit margins (\$ per dekatherm)	\$ 0.42	\$ 0.28	\$ 0.14
Retail Electric (in kilowatt-hours)	3,997.3	3,952.7	44.6
Realized per unit margins (\$ per megawatt-hour)	\$ 5.93	\$ 4.40	\$ 1.53

Definitions (These definitions should be used in conjunction with the previous slide.)

- (1) Realized margins - Represents physical sales, net of physical purchases and the cash settlement of financial contracts (i.e., forwards, futures, and swaps).
- (2) Unrealized gain/(loss) - Represents the non-cash change in fair value of the portfolio of contracts deemed to be derivative instruments as defined by Financial Accounting Standards Board Statement No. 133 "Accounting for Derivative Instruments." 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 are reflected in realized margins.
- (3) Effect of purchase accounting - Represents the attribution of purchase price related to the contracts acquired via the Peoples Energy 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 gains 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 2 of the Form 10-Q, 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.
- (4) 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 of \$163.7. For the period ended March 31, 2009, a portion of the inventory that had been written down in 2008 was delivered, resulting in a partial reversal of the impact relating to these non-cash losses.
- (5) Wholesale Trading and Structured Origination - Captures our proprietary trading activity, structured origination activity and optimization of our plants and customer load. Variance explanations are captured in two line items in the Form 10-Q: (1) Realized gains on structured origination contracts and (2) All other realized wholesale electric margin.

Future Integrys Energy Services Accounting Recognition



As of March 31, 2009
(Pre-tax dollars in millions)

Settlement Years	Forward Book Value	Amount Recognized To Date In GAAP Gross Margin	Amount Yet To Be Recognized In GAAP Gross Margin In Future Periods	Purchase Accounting Amortization To Be Recognized In Future Periods	GAAP Gross Margin To Be Recognized In Future Periods
	A	B	C=A-B	D	E=C+D
2009	\$ 96.9	\$ (109.0)	\$ 205.9	\$ 1.2	\$ 207.1
2010	97.4	(37.2)	134.6	2.7	137.3
2011	35.0	1.7	33.3	2.0	35.3
2012	16.5	9.9	6.6	0.3	6.9
2013 and Beyond	30.8	13.2	17.6	(0.1)	17.5
	<u>\$ 276.6</u>	<u>\$ (121.4)</u>	<u>\$ 398.0</u>	<u>\$ 6.1</u>	<u>\$ 404.1</u>

Refer to Slide 39 for a reconciliation of the non-GAAP financial metrics to the GAAP financial statements.

2008 Integrys Energy Services Value Creation



**Integrys Energy Services
Managerial Gross Margin Summary
Year-to-Date March 2009
(Pretax dollars in millions)**

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
MANAGERIAL GROSS MARGIN							
Forward Book Value (a non-GAAP financial measure) ⁽¹⁾							
As of March 31, 2009	\$ 35.4	\$ 23.4	\$ 58.8	\$ 104.4	\$ 113.4	\$ 217.8	\$ 276.6
As of December 31, 2008	56.1	39.1	95.2	89.7	102.7	192.4	287.6
Change in Forward Book Value	(20.7)	(15.7)	(36.4)	14.7	10.7	25.4	(11.0)
Total Realized Gross Margin ⁽²⁾	40.6	23.8	64.4	23.7	12.4	36.1	100.5
Year-to-Date March 2009 Managerial Gross Margin	\$ 19.9	\$ 8.1	\$ 28.0	\$ 38.4	\$ 23.1	61.5	\$ 89.5
Year-to-Date March 2008 Managerial Gross Margin	\$ 16.9	\$ 16.0	\$ 32.9	\$ 11.4	\$ 23.0	\$ 34.4	\$ 67.3
Change from Prior Year	\$ 3.0	\$ (7.9)	\$ (4.9)	\$ 27.0	\$ 0.1	\$ 27.1	\$ 22.2

Refer to Slide 39 for a reconciliation of the non-GAAP financial metrics to the GAAP financial statements.

- (1) Forward Book Value – Represents the estimated value that will be realized upon settlement of the contract portfolio based on industry standard valuation approaches and assumptions. Derivative and non-derivative contracts are included in managerial gross margin.
- (2) Realized Gross Margin – This is a GAAP-based measure that represents physical sales, net of physical purchases and the cash settlement of financial contracts (i.e., forwards, futures, options, and swaps). Realized margins associated with the nonregulated generation fleet are included herein, although the change in value of the physical plants is not included in the forward book value section. Purchase accounting amortization has been excluded from this line item. The year-to-date natural gas lower of cost or market adjustment of \$19.0 million pretax has also been excluded from this schedule and impacts the wholesale natural gas and total realized gross margin amounts above.

Reconciliation of Integrys Energy Services' Forward Book Value to GAAP



Year-to-Date March 2009
(Pre-tax dollars in millions)

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
Forward Book Value (a Non-GAAP financial measure)							
As of March 31, 2009	\$ 35.4	\$ 23.4	\$ 58.8	\$ 104.4	\$ 113.4	\$ 217.8	\$ 276.6
Plus: Unamortized electric and gas option premiums (1)	(0.4)	2.3	1.9	8.5	4.6	13.1	15.0
Less: Fair value of nonderivative contracts, derivative contracts designated as normal purchase and sales, portfolio valuation reserves, elimination, and other (2)	(109.9)	(40.2)	(150.1)	319.4	157.1	476.5	326.4
Net Risk Management Assets and Liabilities per GAAP Balance Sheet	\$ 144.9	\$ 65.9	210.8	\$ (206.5)	\$ (39.1)	\$ (245.6)	\$ (34.8)

(1) Option premiums are included in the GAAP balance sheet until expiration of the associated options. The forward book value line item of managerial gross margin only includes the net difference between the premium and the fair value of the option. Upon option expiration, premium amortization is included in the total realized gross margin line in the managerial gross margin analysis. A positive number represents an option premium paid (future expense), while a negative number represents an option premium received (future income).

(2) Represents the estimated fair value of contracts that either do not meet the criteria for derivative accounting treatment under SFAS 133 or contracts that have been excluded from mark-to-market accounting under the normal purchase and sale exception. Contract types include full requirements sales contracts, natural gas storage and transport capacity contracts, among others. A positive number represents positive fair value (positive future cash flow), while a negative number represents fair value (negative future cash flow).