



***Second Quarter 2007 Earnings Conference Call
August 8, 2007***

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, or the effects of purchase accounting that may be different from our expectations;
- 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;
- The credit ratings of Integrys Energy Group or its subsidiaries could change in the future;
- 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, 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, pending United States Environmental Protection Agency investigations of Wisconsin Public Service Corporation's generation facilities, and the appeal of the decision in the contested case proceeding regarding the Weston 4 air permit;
- 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 our subsidiaries operate;
- The impact of fluctuations in commodity prices, interest rates and customer demand;
- 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, legal and economic conditions and developments in the United States and Canada;
- Potential business strategies, including mergers and acquisitions or dispositions of assets or businesses, which cannot be assured to be completed (such as construction of the Weston 4 power plant, additional investment in American Transmission Company related to construction of the Wausau, Wisconsin, to Duluth, Minnesota, transmission line, and the sale of Peoples Energy Production Company);
- The direct or indirect effects of terrorist incidents, natural disasters or responses to such events;
- Financial market conditions and the results of financing efforts, including credit ratings, and risks associated with commodity prices (particularly natural gas and electricity), interest rates and counterparty credit;
- 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 2006 Annual Report on Form 10-K and in other reports filed by the registrants from time to time with the Securities and Exchange Commission.



IntegrYS Energy Group – Goals

- Providing a high level of service to our customers
- Continuing to engage a dedicated employee base
- Maintaining a strong balance sheet
- Delivering earnings growth
- Building long-term value for our shareholders



Non-GAAP Financial Information

Diluted Earnings Per Share Information – Non-GAAP Financial Information

Integrus 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 earnings per share (EPS) from continuing operations – adjusted, which is a non-GAAP measure. Management uses the measure in its internal performance reporting and for reports to the Board of Directors. We disclose the measure in our quarterly earnings releases, on investor conference calls, and during investor conferences and related events. Management believes that diluted EPS from continuing operations – 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. 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.

Key Drivers – 2Q06 Versus 2Q07

2Q06 Versus 2Q07

Earnings Available for Common Shareholders, 2Q06	\$ 34.9
Earnings Available for Common Shareholders, 2Q07	\$ (16.4)
Quarter-over-Quarter Change	<u>\$ (51.3)</u>

Key Drivers

	2Q07	2Q06	Change	Explanation
Non-cash mark-to-market loss on derivatives related to energy contracts	\$ (29.7)	\$ (9.1)	\$ (20.6)	Accounting
Synfuel activity, including oil option mark-to-market losses	\$ (15.2)	\$ 8.5	\$ (23.7)	Acc't'g/Operations
Sale of Kimball and Guardian	\$ -	\$ 9.1	\$ (9.1)	Asset Management
Peoples Gas/North Shore Gas	\$ (3.1)	\$ -	\$ (3.1)	Operations
Income Tax Timing, Natural Gas Segment	\$ 6.0	\$ -	\$ 6.0	Accounting
Total			<u>\$ (50.5)</u>	

Note: All dollars in millions.

Diluted EPS from Continuing Operations - Adjusted

Actual Quarter and Year-to-Date for Periods Ended June 30, 2007, and 2006

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Diluted EPS from continuing operations	\$(0.53)	\$0.97	\$1.13	\$2.41
Diluted EPS from discontinued operations	0.31	(0.14)	0.70	(0.11)
Total Diluted EPS	\$(0.22)	\$0.83	\$1.83	\$2.30
Average Shares of Common Stock - Diluted	76.0	42.2	67.1	41.3

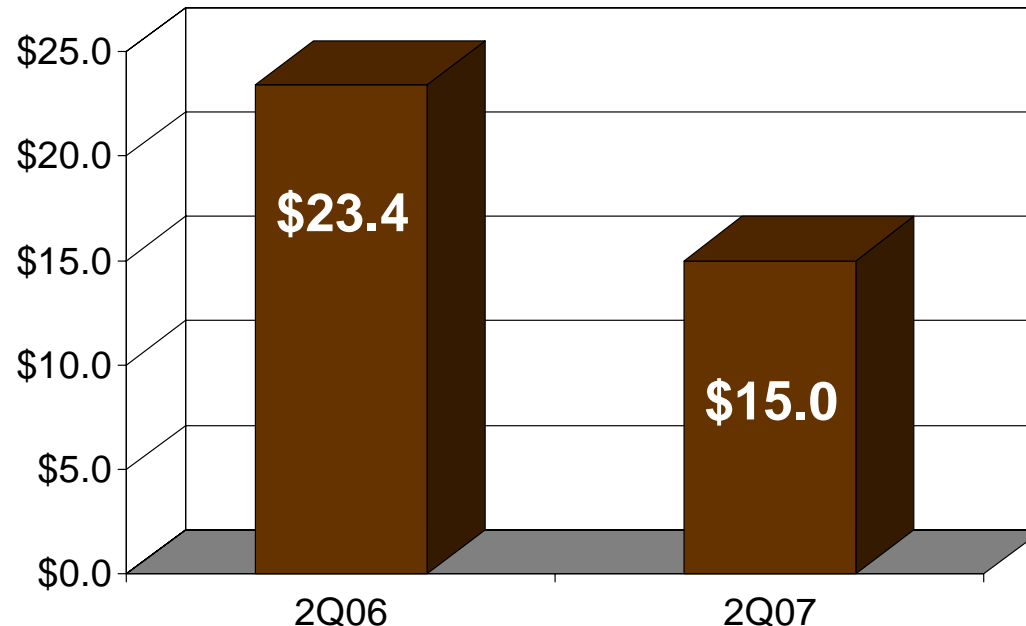
Information on Special Items:

Diluted earnings per share from continuing operations, as adjusted for special items and their financial impact on diluted earnings per share from continuing operations for the three and six months ended June 30, 2007 and 2006 are as follows:

Diluted EPS from continuing operations	\$(0.53)	\$0.97	\$1.13	\$2.41
Adjustments (net of taxes):				
Net gains on asset sales	0.00	(0.22)	0.00	(0.22)
External transition costs related to MGUC and MERC acquisitions	0.00	0.06	0.01	0.12
Integrus Energy Services power contract in Maine liquidated in 2005	0.00	0.02	0.00	0.05
External transition costs related to Peoples Energy merger	0.02	0.00	0.03	0.00
Impacts of purchase accounting adjustments due to Peoples Energy merger	0.04	0.00	0.07	0.00
Synfuel - realized and unrealized oil option gains, tax credits, production costs, premium amortization, deferred gain recognition, and royalties	0.20	(0.20)	(0.06)	(0.44)
Diluted EPS from continuing operations – adjusted	\$(0.27)	\$0.63	\$1.18	\$1.92

2Q07 – Regulated Electric Utility

Earnings (millions)

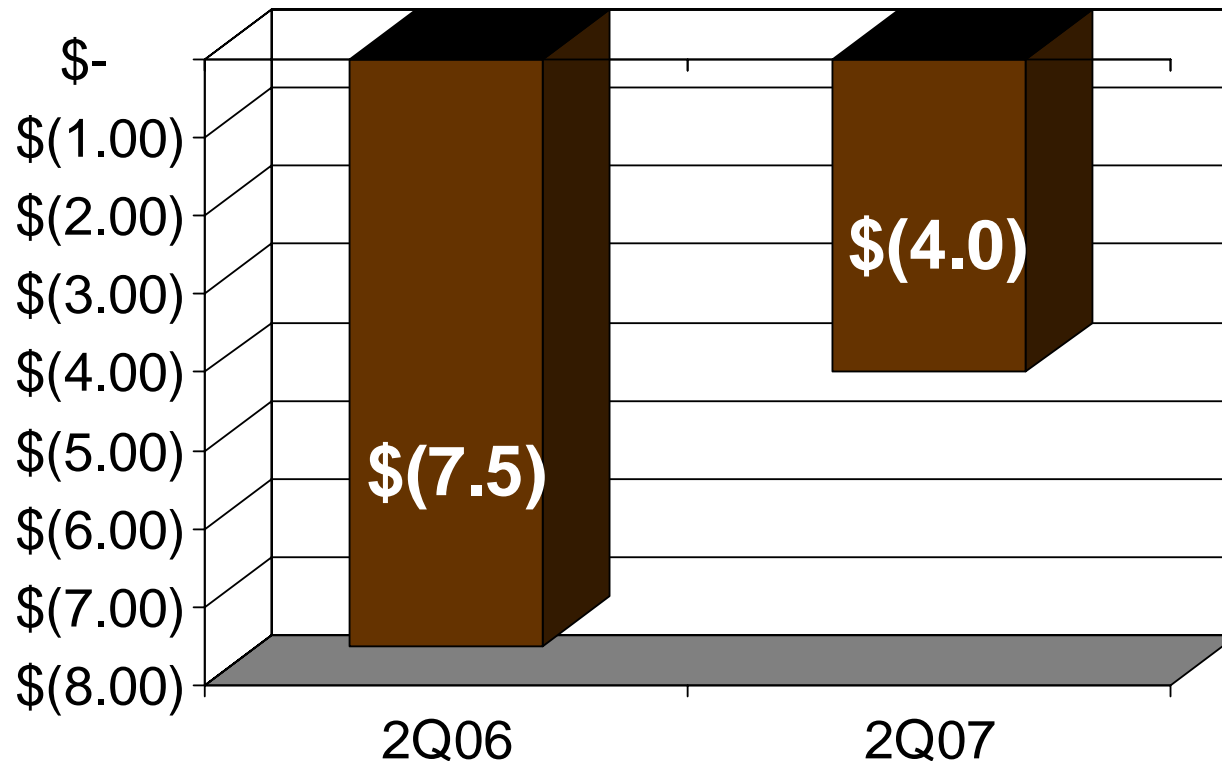


Key Drivers:

- Wisconsin Public Service earnings down \$9.6 million quarter-over-quarter
 - C&I and residential volumes/sales up due to weather, rate increase
 - Higher fuel and purchased power costs in general temper margin growth
 - Three unplanned outages
 - Purchased power costs related to these unplanned outages create \$5 million negative impact on margin
 - Related maintenance costs up \$6 million for planned as well as unplanned outages

2Q07 – Regulated Natural Gas Utility

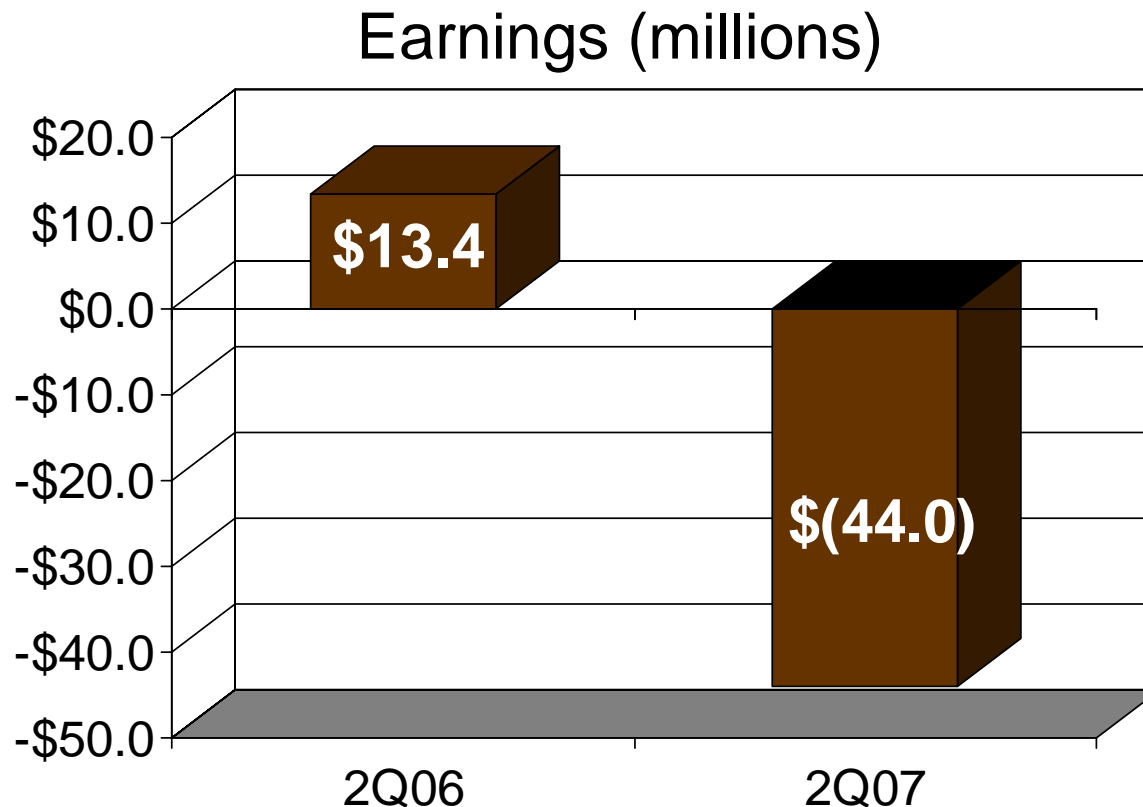
Earnings (millions)



Key Drivers:

- About \$6 million related to increase in income tax benefits
- Wisconsin Public Service - \$2 million improvement quarter-over-quarter in earnings
- Peoples Gas/North Shore Gas - \$3.1 million net loss

2Q07 – Nonreg Integrys Energy Services

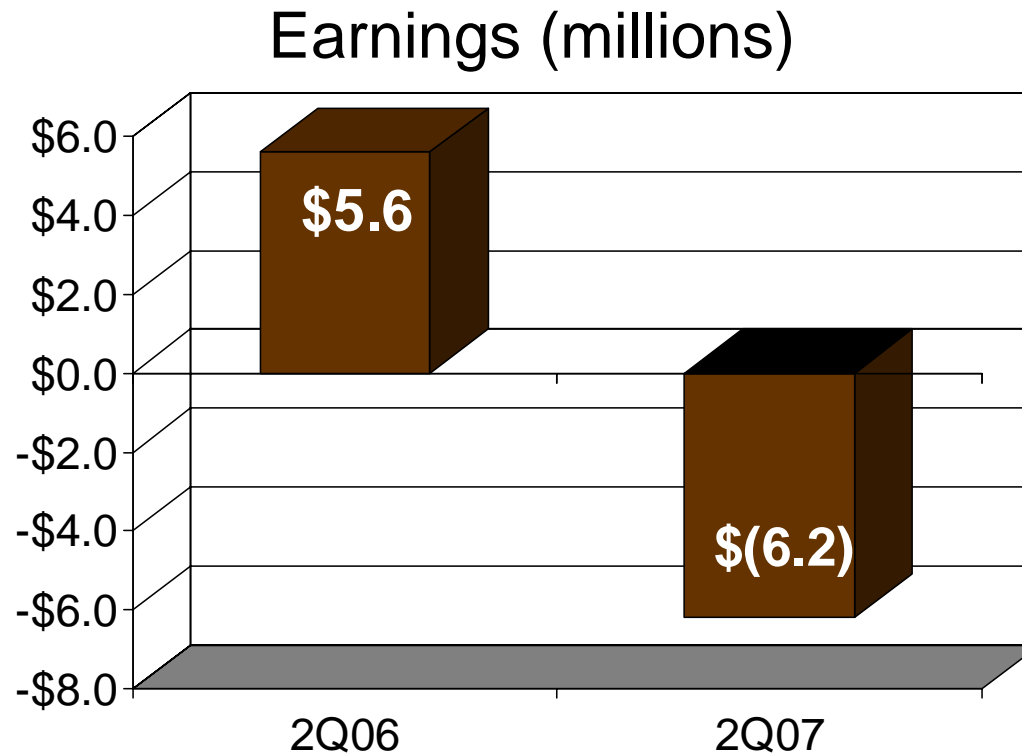


Key Drivers:

- Retail mark-to-market activity decreased by \$29.0 million*
- Wholesale electric margins decreased by \$22.1 million*
- Oil option mark-to-market gains decreased by \$14.1 million*
- Federal income tax credits decreased \$15.7 million due primarily to tax accounting rules
- Second quarter 2006 included a \$9.0 million* gain on the sale of the Kimball storage field

* pre-tax

2Q07 – Nonregulated Holding Company/Other



Key Drivers:

- Interest expense increase of \$13.4 million* due to acquisitions/growth
- Operating expenses increased due to severance accruals, relocation
- Second quarter 2006 included \$6.2 million* gain on Guardian Pipeline sale
- Increase of \$2.2 million* in equity earnings from ATC

* pre-tax



Potential Financings

- Long-Term Debt, 2007
 - Wisconsin Public Service, \$125 million
 - Peoples Gas, \$50 million
 - North Shore Gas, \$10 million
- Long-Term Debt, 2008
 - Integrys Energy Group, \$150 million
 - Peoples Gas - \$35 million
- Equity
 - None planned for 2007/2008 other than dividend reinvestment/stock investment plan (\$40 million expected in 2007)



Other

- Oil & Gas Production Business
 - On target as planned
 - Great deal of interest from a variety of parties
 - Expected to close by December 31, 2007
 - Allows us to focus on our core business, reduces our external financing requirements, and lowers our business risk profile

- Large Construction Projects
 - Weston 4
 - ATC — Wausau, Wisconsin, to Duluth, Minnesota, transmission line
 - Lateral connections to Guardian Pipeline

Synergy Savings and Potential Costs to Achieve – Remains on Target

Merger Cost Savings and Costs to Achieve (Pre-tax Dollars in Millions)

	2006	2007	2008	2009	2010	2011	Total
Corporate and Regulated Savings	–	18	55	76	82	88	319
Nonregulated Savings	–	8	13	6	6	6	39
Total Savings	–	26	68	82	88	94	358
Costs to Achieve	(20) *	(90) **	(27)***	(11)	(31)	–	(179)

* Includes \$18.2 million incurred by Peoples Energy.

** Includes \$34.5 million of system write-offs, of which \$11.7 million will be capitalized. Overall \$59 million is anticipated to be capitalized.

*** Anticipate that \$6 million will be capitalized.



Regulated Electric Utility Operations

- Outages
 - Weston 2 and De Pere Energy Center – planned
 - Weston 3 – 3 unplanned
 - Fuel and purchased power up \$5 million, pre-tax, due to these unplanned outages
- Large Construction Projects
 - Weston 4
 - Remains on schedule for operations commencement first half of 2008
 - More efficient power generation – lower fuel costs, reduced O&M
 - ATC – Wausau, Wisconsin, to Duluth, Minnesota, transmission line
 - Remains on schedule to be completely energized by early 2008
 - To date, 20 miles remain to be constructed, with 140 miles already energized
 - Lateral Connections to Guardian Pipeline
 - Important for our Wisconsin natural gas utility customers
 - Approved by Public Service Commission of Wisconsin
- J.D. Powers ranking
 - Rating remains above Midwest Region Electric Utility Average



Recently Acquired Natural Gas Utilities

- Michigan Gas Utilities
 - April 1, 2006
- Minnesota Energy Resources
 - July 1, 2006
- Peoples Gas
 - February 22, 2007
- North Shore Gas
 - February 22, 2007

Illinois Rate Cases

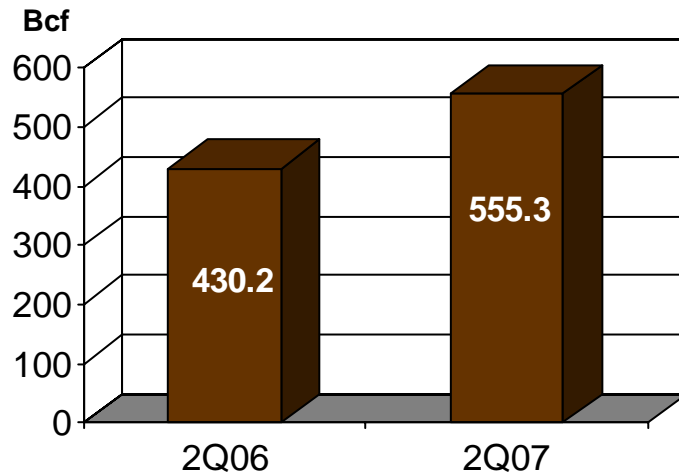
- **As filed**
 - Peoples Gas
 - \$102.5 million rate increase
 - 56% equity, 11.06% ROE
 - Separate rider for infrastructure replacement
 - North Shore Gas
 - \$6.3 million rate increase
 - 56% equity, 11.06% ROE
 - Both
 - Riders for decoupling, energy efficiency costs and bad debt recovery
- **Staff/Interveners**
 - Peoples Gas
 - \$39.2 million to \$50.2 million rate increase
 - 56% equity, 8.11% to 9.7% ROE
 - North Shore Gas
 - \$2.6 million rate decrease to \$0.4 million rate decrease
 - 56% equity, 8.11% to 9.5% ROE
- **Our rebuttal**
 - Peoples Gas
 - \$99.0 million rate increase
 - 56% equity, 11.06% ROE
 - Separate rider for infrastructure replacement
 - North Shore Gas
 - \$4.2 million rate increase
 - 56% equity, 11.06% ROE
 - Both
 - Riders for decoupling, energy efficiency costs and bad debt recovery

Schedule:

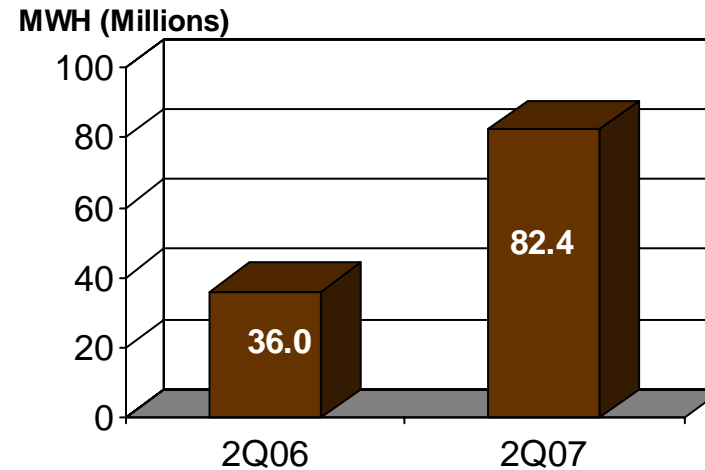
- Hearings set for September 10-18, 2007
- Proposed order by November 20, 2007
- Decision anticipated by February 5, 2008

2Q07 – Integrys Energy Services Forward Contracted Volumes

Natural Gas



Electric



Key Drivers:

- Peoples acquisition
- New markets –
 - Texas
 - Mid-Atlantic
- Denver trading group

Book of business solid –

- For the remainder of the year, approximately \$60 million of pre-tax gross margin to recognize in 2007
- Over \$54 million in pre-tax gross margin in future years as a result of existing contracts

IntegrYS Energy Services - Margins

	Three Months Ended June 30			Six Months Ended June 30		
	2007	2006	Change	2007	2006	Change
Natural Gas						
Retail						
Realized margins (1)	\$ 6.5	\$ 6.8	\$ (0.3)	\$ 34.0	\$ 26.5	\$ 7.5
Unrealized gain/(loss) (2)	3.6	8.6	(5.0)	(17.6)	13.7	(31.3)
Effect of purchase accounting on realized margins (3)	(2.6)	-	(2.6)	(5.6)	-	(5.6)
Effect of purchase accounting on unrealized margins (3)	0.9	-	0.9	2.8	-	2.8
	<u>8.4</u>	<u>15.4</u>	<u>(7.0)</u>	<u>13.6</u>	<u>40.2</u>	<u>(26.6)</u>
Wholesale						
Realized margins (1)	12.1	12.7	(0.6)	26.0	24.5	1.5
Unrealized gain/(loss) (2)	(4.1)	(13.9)	9.8	12.6	(12.2)	24.8
Effect of purchase accounting on realized margins (3)	2.0	-	2.0	2.5	-	2.5
Effect of purchase accounting on unrealized margins (3)	0.2	-	0.2	0.3	-	0.3
	<u>10.2</u>	<u>(1.2)</u>	<u>11.4</u>	<u>41.4</u>	<u>12.3</u>	<u>29.1</u>
Total Natural Gas Margins	<u>18.6</u>	<u>14.2</u>	<u>4.4</u>	<u>55.0</u>	<u>52.5</u>	<u>2.5</u>
Electric and Other						
Retail						
Realized margins (1)	14.6	5.3	9.3	16.5	4.6	11.9
Unrealized gain/(loss) (2)	(31.7)	(4.9)	(26.8)	8.8	(8.7)	17.5
Effect of purchase accounting on realized margins (3)	(8.4)	-	(8.4)	(12.1)	-	(12.1)
Effect of purchase accounting on unrealized margins (3)	1.9	-	1.9	2.6	-	2.6
	<u>(23.6)</u>	<u>0.4</u>	<u>(24.0)</u>	<u>15.8</u>	<u>(4.1)</u>	<u>19.9</u>
Wholesale Trading and Structured Origination (4)						
Realized margins (1)	23.7	30.4	(6.7)	39.2	45.1	(5.9)
Unrealized gain/(loss) (2)	(20.4)	(5.0)	(15.4)	(4.0)	15.5	(19.5)
	<u>3.3</u>	<u>25.4</u>	<u>(22.1)</u>	<u>35.2</u>	<u>60.6</u>	<u>(25.4)</u>
Oil option activity						
Unrealized gain/(loss)	0.2	14.3	(14.1)	1.2	24.7	(23.5)
Total Electric and Other Margins	<u>(20.1)</u>	<u>40.1</u>	<u>(60.2)</u>	<u>52.2</u>	<u>81.2</u>	<u>(29.0)</u>
Total Gross Margin	<u>\$ (1.5)</u>	<u>\$ 54.3</u>	<u>\$ (55.8)</u>	<u>\$ 107.2</u>	<u>\$ 133.7</u>	<u>\$ (26.5)</u>

Volumes Delivered (includes only transactions settled physically for the periods shown)

Retail Natural Gas (in billion cubic feet)	73.5	61.8	11.7	165.1	131.3	33.8
Realized per unit margins (\$ per dekatherm)	\$ 0.09	\$ 0.11	\$ (0.02)	\$ 0.21	\$ 0.20	\$ 0.01
Retail Electric (in kilowatt hours)	3,419.8	1,035.2	2,384.6	5,859.3	1,966.8	3,892.5
Realized per unit margins (\$ per megawatt hour)	\$ 4.27	\$ 5.12	\$ (0.85)	\$ 2.82	\$ 2.34	\$ 0.48

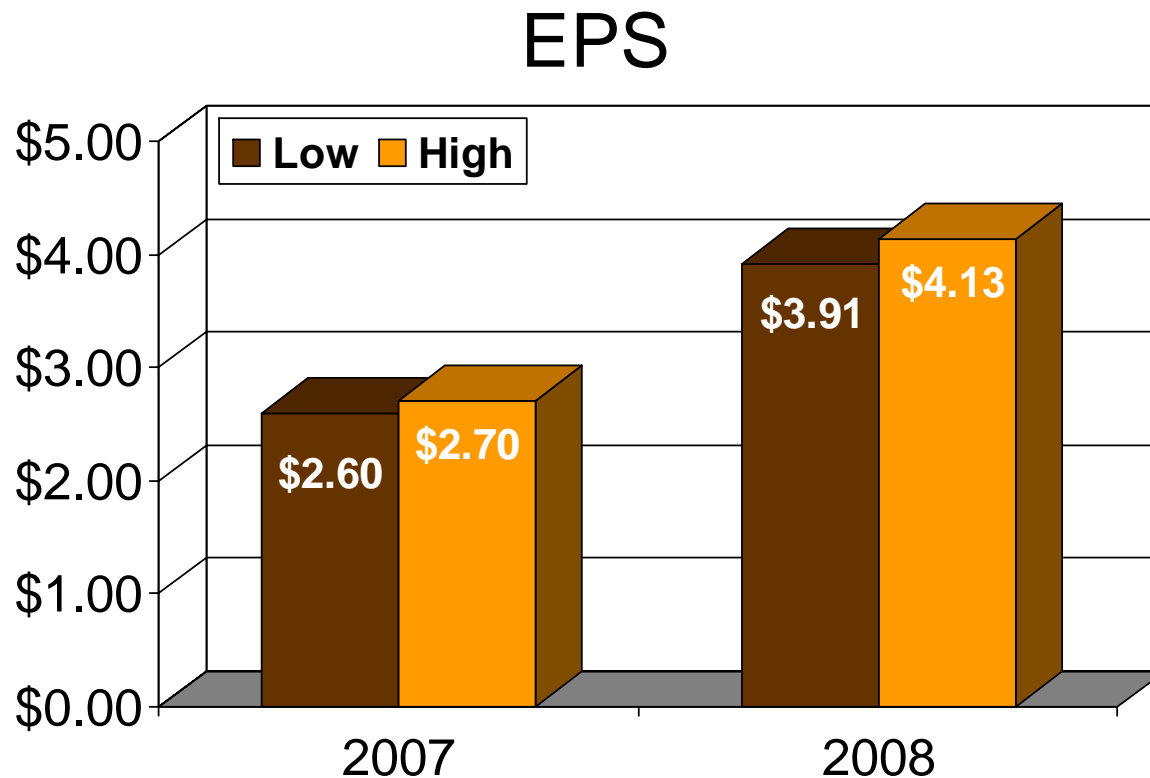


IntegrYS Energy Services – Definitions

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) 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 is reflected in realized margins.
- ¶(3) Effect of purchase accounting - Represents the attribution of purchase price related to the contracts acquired via the Peoples merger. The value of the 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 SEC Form 10Q, Management's Discussion and Analysis of the Financial Condition and Results 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) 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 three line items in the SEC Form 10-Q (1) Realized gains on structured origination contracts (2) Liquidation of an electric supply contract in 2005 and (3) All other wholesale electric operations.

Diluted EPS from Continuing Operations – Adjusted – Revised Guidance



Key Assumptions:

- Normal weather
- Availability of generation units
- Excludes impacts of purchase accounting/transition costs related to merger
- Full rate relief for Peoples Gas/North Shore Gas as amended by companies' filings in July 2007



Question and Answers



Appendices

Investing in Capital Projects to Better Serve Our Growing Customer Base

Construction Expenditures by Company (Millions)	2007	2008	2009	Total
Wisconsin Public Service	222	304	307	833
Peoples Gas Light (1) (3)	111	126	134	371
Upper Peninsula Power	11	25	11	47
Minnesota Energy Resources	17	14	15	46
North Shore Gas	11	11	11	33
Michigan Gas Utilities	9	8	8	25
Subtotal for Utilities	381	488	486	1,355
Peoples Energy Production (2) (3)	150	–	–	150
Integrys Energy Services	20	4	4	28
Total Anticipated Capital Expenditures	551	492	490	1,533
American Transmission Company (equity contribution)	44	62	26	132

(1) Includes cast iron replacement program.

(2) Assumes ownership through 2007.

(3) Includes expenditures made prior to Integrys Energy Group's acquisition on February 21, 2007.

Estimated Utility Depreciation

Depreciation by Company (Millions)	2007	2008	2009	Total
Wisconsin Public Service	103	124	125	352
Peoples Gas (1)	60	60	63	183
Upper Peninsula Power	5	6	6	17
Minnesota Energy Resources	10	11	11	32
North Shore Gas	6	6	6	18
Michigan Gas Utilities	7	7	8	22
Total for Utilities	191	214	219	624

(1) Includes expenditures made prior to Integrys Energy Group's acquisition on February 21, 2007.