



***Second Quarter 2008 Earnings Conference Call  
August 7, 2008***

# 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;
- 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;
- 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;

# Forward-Looking Statements

- 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 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;
- 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 the related 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 liquidity and financing efforts;
- The risks associated with changing commodity prices (particularly natural gas and electricity), including counterparty credit risk and the impact on general market liquidity;
- 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 United States Securities and Exchange Commission.



# 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 “diluted earnings per share (EPS) from continuing operations – 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 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.

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.



# Prospects for our Future

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- Regulated Utility Growth
  - Regulatory catch-up due to rate case moratoriums from recent acquisitions
  - Increasing investment in environmental and electric renewable projects
  - Increasing investment in natural gas cast iron main replacement
  - Continued investment in American Transmission Company
- Nonregulated Opportunities
  - Focused expansion into new markets
  - Continuing to gain expertise in renewables
  - Asset management optimization
  - Hedge to lock in margins as soon as practicable, limit speculative trading
- Enhance Shareholder Value
  - Continuing our strong dividend track record
  - Increasing earnings per share by 6 to 8 percent on an average annualized basis

# Estimated Synergy Savings and External Costs to Achieve

Updated Merger Cost Savings and External Costs to Achieve (Pre-tax Dollars in Millions)							
	2006A	2007A	2008E	2009E	2010E	2011E	Total
Total Estimated Synergy Savings - Current	–	38	73	89	100	106	406
Estimated Synergies Savings on February 21, 2007	–	29	73	82	88	94	366
Total Estimated Costs to Achieve - Current	(20) <sup>1</sup>	(91) <sup>2</sup>	(35) <sup>3</sup>	(9)	–	–	(155)
Estimated Costs to Achieve on February 21, 2007	(20) <sup>1</sup>	(91) <sup>4</sup>	(33) <sup>5</sup>	(11)	(31)	–	(186)

- (1) Includes/included \$18.2 million incurred by Peoples Energy.
- (2) Includes \$13.1 million of system write-offs, all of which were capitalized. Overall \$54.6 million was capitalized.
- (3) Anticipate that \$6.8 million will be capitalized.
- (4) Included \$34.5 million of system write-offs, of which \$11.7 million would have been capitalized. Overall \$59 million was anticipated to be capitalized.
- (5) Anticipated that \$6 million would have been capitalized.

# Key Drivers – 2Q08 Versus 2Q07

(All dollars in millions and after tax)

Earnings available for common shareholders, 2Q08	\$ 24.1
Net loss, 2Q07	(16.4)
Quarter-over-Quarter Change	<u>\$ 40.5</u>

## Key Drivers

### Continuing Operations

	2Q08	2Q07	Change	Explanation
Integrys Energy Services' electric margin (mainly derivative accounting requirements)	60.5	(12.2)	\$72.7	Accounting
Integrys Energy Services' natural gas margin (derivative accounting treatments)	(26.5)	11.2	(37.7)	Accounting/Operations
Discontinued operations (earnings from oil and natural gas production business unit before sale in 3Q07)	0.1	24.0	(23.9)	Operations
Halt on synthetic fuel production and sale versus net loss on investment on synthetic fuel facility in 2Q07	-	(15.2)	15.2	Operations - Expiration of Section 29 Legislation
Holding Company and Other Segment (decrease in interest expense, increase in earnings from American Transmission Company investment)	4.2	(6.2)	10.4	Operations
Natural gas utility earnings (driven by a goodwill impairment at North Shore Gas, adjustment required by GAAP, and higher operating and maintenance expenses)	(9.3)	(4.0)	(5.3)	Accounting/Operations
WPSC electric utility earnings (collection of a portion of under-recovered fuel costs in 1Q08, fewer planned power plant outages)	19.5	14.1	5.4	Operations
Other			3.7	Operations
Total			<u>\$ 40.5</u>	

### External cost to achieve merger synergies included in earnings:

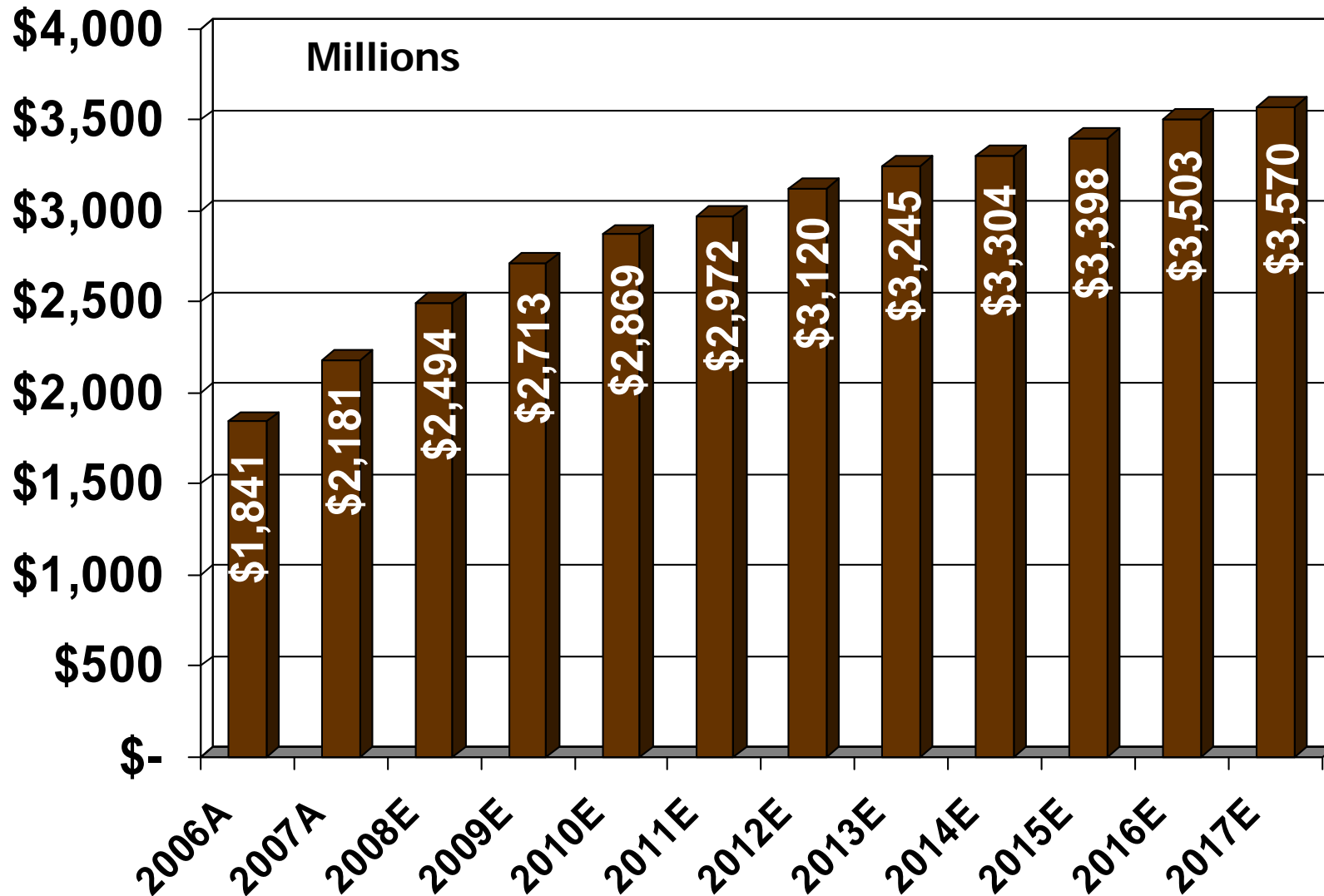
	2Q08	2Q07	Change
Peoples Energy	\$ 4.0	\$ 2.4	\$ 1.6

# Investing in Regulated Utility Capital Projects

	(Millions)			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Capital Expenditures for Regulated Utility Operations	\$ 492	\$ 512	\$ 409	\$ 1,413
Estimated Depreciation for Regulated Utility Operations	<u>202</u>	<u>219</u>	<u>236</u>	<u>657</u>
Net Growth in Rate Base Investment	<u>\$ 290</u>	<u>\$ 293</u>	<u>\$ 173</u>	<u>\$ 756</u>

See Slides 29 and 30 in Appendix for more information.

# ATC – Investment in Net Plant



Source: ATC 2007 Annual Report, p. 15; accessible at [http://www.atcllc.com/documents/AR\\_single\\_FNL.pdf](http://www.atcllc.com/documents/AR_single_FNL.pdf)



# Potential Financings

- 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

***Note: Unchanged from May 8, 2008***

# Diluted EPS from Continuing Operations – Adjusted – Revised Guidance

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

<i>Actual 2007 with 2008 Forecasts</i>	<u>Actual 2007</u>	<u>Potential 2008 Diluted EPS Ranges</u>	
		<u>Low Scenario</u>	<u>High Scenario</u>
		Diluted EPS from continuing operations	\$ 2.48
Diluted EPS from discontinued operations	1.02	-	-
<b>Total Diluted EPS</b>	<u>\$ 3.50</u>	<u>\$ 3.33</u>	<u>\$ 3.53</u>
<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 2007 diluted earnings per share from continuing operations 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>\$ 3.53</b>
<b>Adjustments (net of taxes):</b>			
Synfuel – realized and unrealized oil option gains/losses, tax credits, production costs, premium amortization, deferred gain recognition, and royalties	(0.24)	-	-
Gains on asset sales	(0.02)	-	-
Integritys Energy Services' power contract in Maine liquidated in 2005	0.01	-	-
Goodwill impairment loss	-	0.08	0.08
Impacts of purchase accounting adjustments due to Peoples Energy merger	0.14	0.09	0.09
External transition costs related to Peoples Energy merger	0.15	0.13	0.13
<b>Diluted EPS from continuing operations – adjusted</b>	<u><b>\$ 2.52</b></u>	<u><b>\$ 3.63</b></u>	<u><b>\$ 3.83</b></u>
<b>Weather impact – regulated utilities (as compared to normal)</b>			
Electric – favorable/(unfavorable)	0.03	-	-
Natural gas – favorable/(unfavorable)	(0.16)	0.11	0.11
<b>Total weather impact</b>	<u><b>\$ (0.13)</b></u>	<u><b>\$ 0.11</b></u>	<u><b>\$ 0.11</b></u>

#### Key Assumptions for 2008:

- Normal weather for the remainder of the year
- Continued availability of generating units
- Impacts of purchase accounting/transition costs related to merger
- Anticipated merger synergy savings
- Rate relief for our utilities as recently approved by regulators
- Excludes any impact of mark-to-market volatility in 2008 (such mark-to-market volatility is expected to include about \$20 million of net mark-to-market after-tax losses in 2008 relating to contracts terminating in 2008 that had net mark-to-market after-tax gains recognized in 2007)

# Diluted EPS from Continuing Operations – Adjusted – Guidance Drivers

	<u>2008</u>	
	<u>Low</u>	<u>High</u>
Previous Guidance, May 8, 2008	\$ 3.60	\$ 4.05
Revised Guidance, August 7, 2008	<u>3.63</u>	<u>3.83</u>
Difference	<u>\$ 0.03</u>	<u>\$ (0.22)</u>
<b>Key Drivers:</b>		
Regulated Electric Segment – decline in margin due to decreased demand	\$ -	\$ (0.15)
Regulated Natural Gas Segment – increase in margin, favorable weather	\$ -	\$ 0.05
Regulated Natural Gas Segment – increased bad debt expense	\$ -	\$ (0.06)
Regulated Natural Gas Segment – increased maintenance expense	\$ -	\$ (0.09)
Other	\$ 0.03	\$ 0.03

# Wisconsin Public Service Operations – Recent Accomplishments

## ■ **Weston 4**

- Full commercial operation declared June 30, 2008
- Earned POWER Magazine's 2008 Plant of the Year Award
  - See: [http://www.powermag.com/ArchivedArticleDisplay2.aspx?a=32-CS\\_Plant&y=2008&m=august](http://www.powermag.com/ArchivedArticleDisplay2.aspx?a=32-CS_Plant&y=2008&m=august)

## ■ **Regulatory Update**

- Filed for general rate increase expected to be effective in 2009 – amended to include 99-megawatt Iowa wind project
- Staff audit completed
- Granted approval to increase 2008 retail electric rates due to fuel and purchased power costs

# Wisconsin Public Service Operations – Prospects for Future Growth in Value

- Continue construction of natural gas pipeline laterals connecting to the Guardian II pipeline - \$75 million project expected to be completed by year-end 2008
- Acquire wind farm projects
  - 99 megawatts in Iowa
  - 150 megawatts in Minnesota



# Integrys Gas Group – Recent Accomplishments

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- Resolved Collective Bargaining Agreements with North Shore Gas union, in second quarter, and Peoples Gas union, in the first quarter
  - New five-year contracts, yearly wage increases, defined contribution plan
- Filed rate increase request with Michigan Public Service Commission
  - Required because of environmental costs, depreciation expense, inflation
  - First distribution rate increase since 2003
- Filed rate case with Minnesota Public Utilities Commission
  - Required because of general inflation, lower sales growth, and increased customer service costs
  - First distribution rate increase since 2000



# IntegrYS Gas Group – Prospects for Future Growth in Value

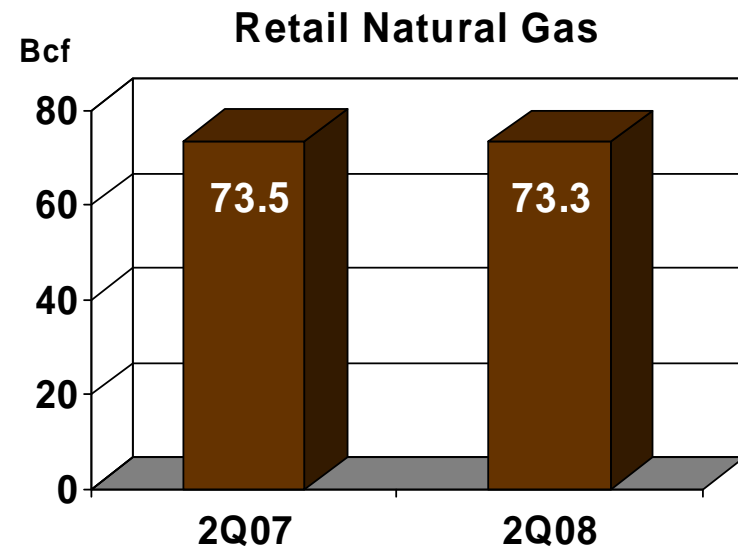
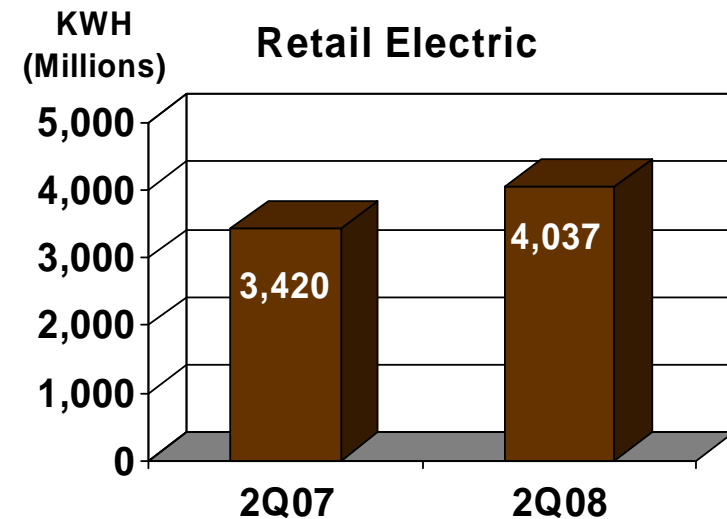
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- Complete rate case process in Michigan and Minnesota to obtain approval for rate requests
- Acceleration of investment in Chicago infrastructure

# Integritys Energy Services Physical Retail Volumes – 2Q08

## Key Drivers in 2Q08:

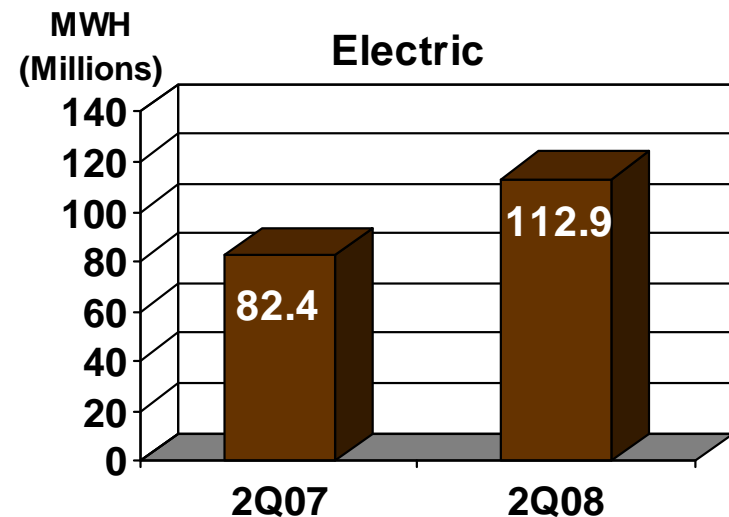
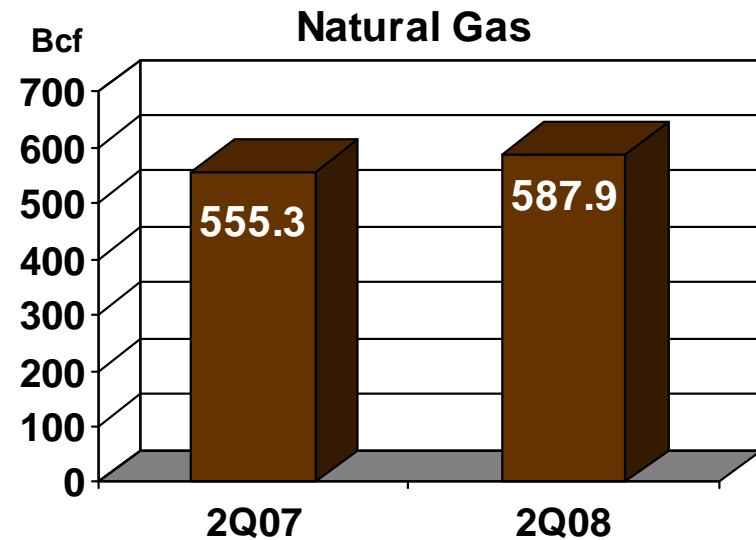
- Illinois market – Peoples Energy merger synergies
- New markets – Mid-Atlantic, New York, Texas



# IntegrYS Energy Services Forward Contracted Volumes – 2Q08

## Key Drivers in 2Q08:

- High energy prices
- Month-to-month contracting
- Energy prices easing, seeing signs of longer-term contracting



# 2008 Integrys Energy Services Value Creation

**Integrys Energy Services  
Managerial Gross Margin Summary  
Year-to-Date June 2008  
(Pretax dollars in millions)**

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
<b>MANAGERIAL GROSS MARGIN</b>							
<b>Forward Book Value (a non-GAAP financial measure) <sup>(1)</sup></b>							
As of June 30, 2008	\$ 31.1	\$ 33.5	\$ 64.6	\$ 48.0	\$ 73.1	\$ 121.1	\$ 185.7
As of December 31, 2007	41.2	37.0	78.2	58.5	48.4	106.9	185.1
<b>Change in Forward Book Value</b>	(10.1)	(3.5)	(13.6)	(10.5)	24.7	14.2	0.6
<b>Total Realized Gross Margin <sup>(2)</sup></b>	40.1	46.9	87.0	30.4	33.7	64.1	151.1
<b>Year-to-Date June 2008 Managerial Gross Margin</b>	\$ 30.0	\$ 43.4	\$ 73.4	\$ 19.9	\$ 58.4	\$ 78.3	\$ 151.7
<b>Year-to-Date June 2007 Managerial Gross Margin <sup>(3)</sup></b>	\$ 43.0	\$ 30.9	\$ 73.9	\$ 48.9	\$ 33.8	\$ 82.7	\$ 156.6
<b>Change from Prior Year</b>	\$(13.0)	\$ 12.5	\$ (0.5)	\$(29.0)	\$ 24.6	\$ (4.4)	\$ (4.9)

Refer to the appendix 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.
- (3) The 2007 Managerial Gross Margin includes the value acquired as part of the Peoples Energy merger, which was \$27.2 million forward book and realized margin from the date of acquisition through the end of the period.

# IntegrYS Energy Services

## Mark-to-Market Volatility Adjustment

	2Q08	2Q07	Variance	YTD June 2008	YTD June 2007	Variance
	(Millions)			(Millions)		
GAAP Gross Margin	\$56.5	(\$1.5)	\$58.0	\$187.3	\$107.2	\$80.1
Add: Non-GAAP Adjustments						
Purchase Accounting	2.4	6.0	(3.6)	12.0	9.6	2.4
Synfuel activity included in Gross Margin	0.0	(0.2)	0.2	0.0	(1.2)	1.2
Power contract in Maine liquidated in 2005	0.0	0.2	(0.2)	0.0	0.9	(0.9)
	<u>\$58.9</u>	<u>\$4.5</u>	<u>\$54.4</u>	<u>\$199.3</u>	<u>\$116.5</u>	<u>\$82.8</u>
Less: Managerial Gross Margin	\$84.4	\$67.6	\$16.8	\$151.7	\$156.6	(\$4.9)
Mark-to-Market Volatility Adjustment - Pretax (1)	<u>(25.5)</u>	<u>(63.1)</u>	<u>37.6</u>	<u>47.6</u>	<u>(40.1)</u>	<u>87.7</u>
Mark-to-Market Volatility Adjustment - Net of tax (1)	<u>(\$15.3)</u>	<u>(\$37.9)</u>	<u>\$22.6</u>	<u>\$28.6</u>	<u>(\$24.1)</u>	<u>\$52.6</u>

- (1) Represents the estimated impact of derivative accounting mismatches that create earnings volatility that is not reflective of the economic substance of the underlying commercial activity.

# Future Integrys Energy Services Accounting Recognition

As of June 30, 2008  
(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
2008	\$ 26.5	\$ 86.1	\$ (59.6)	\$ (3.2)	\$ (62.8)
2009	57.2	37.1	20.1	2.9	23.0
2010	43.4	36.7	6.7	2.7	9.4
2011	30.1	14.1	16.0	2.0	18.0
2012 and Beyond	28.5	5.2	23.3	0.2	23.5
	<u>\$ 185.7</u>	<u>\$ 179.2</u>	<u>\$ 6.5</u>	<u>\$ 4.6</u>	<u>\$ 11.1</u>

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



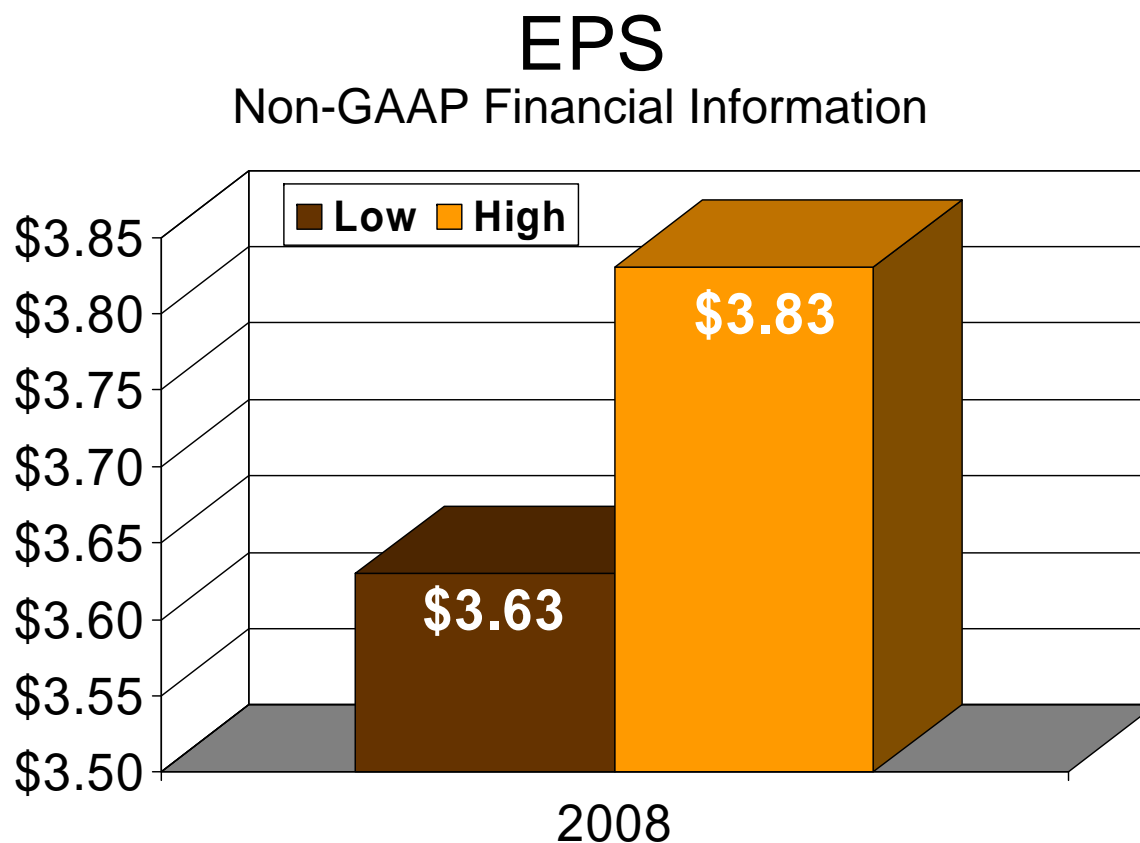
# IntegrYS Energy Services – Prospects for Future Growth in Value

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- Stoneman 50-megawatt coal-fired power plant sold
- Greater focus on environmentally-friendly projects
  - Winnebago Energy Center
  - Solar installations
  - Dedicated landfill gas pipeline
- Continued new market penetration

# IntegrYS Energy Group, Inc.

## Diluted EPS from Continuing Operations – Adjusted Revised Guidance



### Key Assumptions:

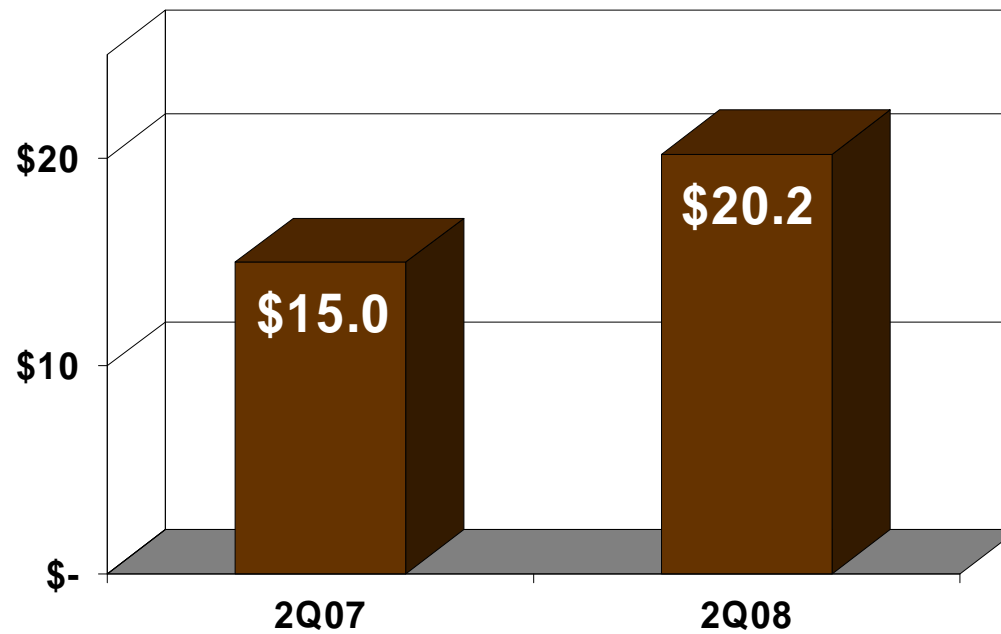
- Normal weather for remainder of 2008
- Continued availability of generating units
- Impacts of purchase accounting/transition costs related to merger
- Anticipated synergy savings
- Rate relief for our utilities as recently approved by regulators
- Excludes the impact of any mark-to-market volatility from IntegrYS Energy Services (see Slide 11 for more information)



## *Appendix*

# Regulated Electric Utility Segment – 2Q08

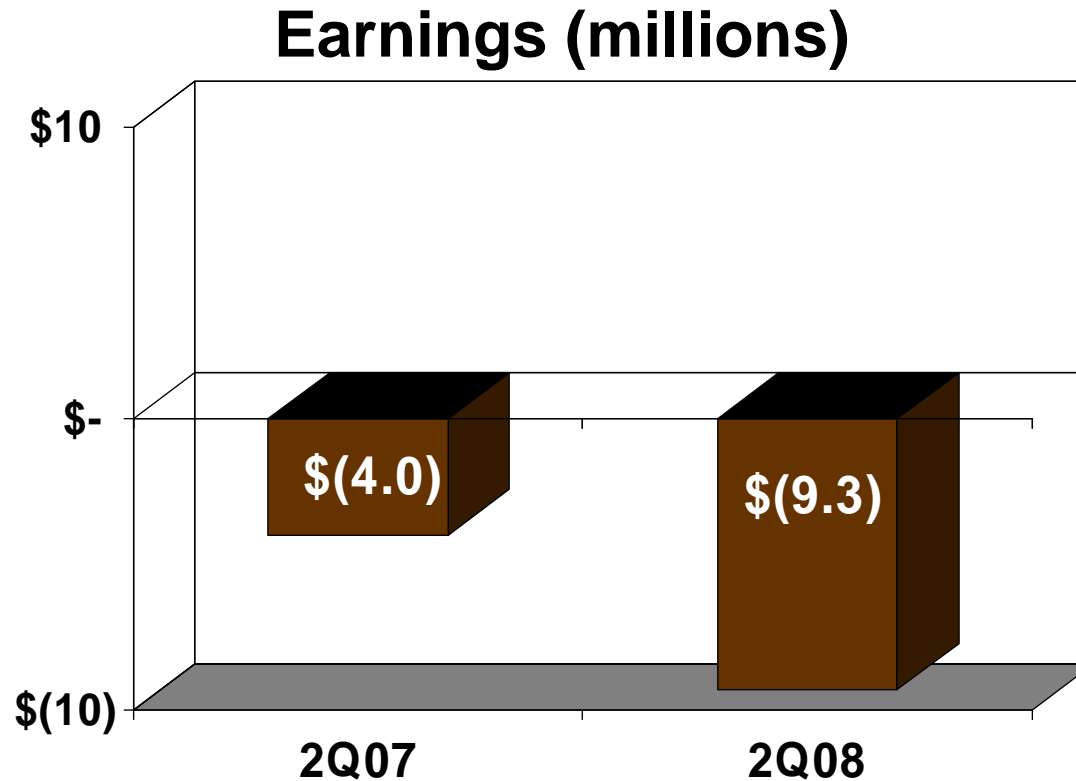
## Earnings (millions)



### Key Drivers (after tax):

- (+) \$ 5.4 million, lower fuel and purchased power costs at Wisconsin Public Service
- (+) \$ 3.5 million, fewer planned power plant outages at Wisconsin Public Service
- (--) \$ 1.0 million, lower volumes at Wisconsin Public Service
- (--) \$ 2.0 million, cooler weather conditions at Wisconsin Public Service

# Regulated Natural Gas Utility Segment – 2Q08

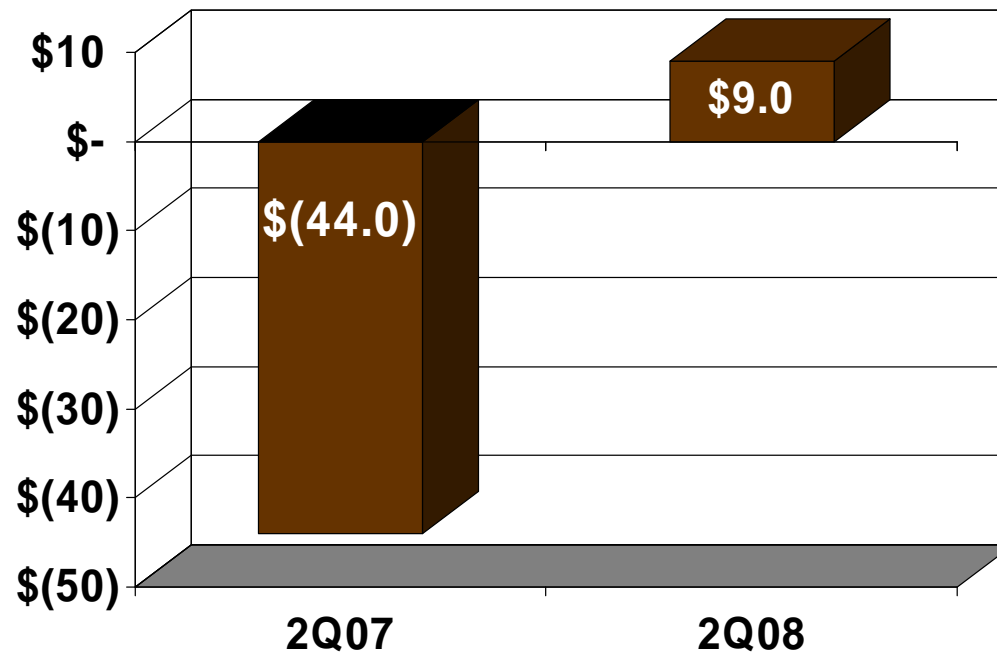


## Key Drivers (after tax):

- (+) \$10.8 million increase, Peoples Gas rate increase
- (--) \$ 5.2 million, operation and maintenance (street restoration and regulatory asset amortization)
- (--) \$ 6.0 million, adjustment to the effective tax rate in 2007
- (--) \$ 6.5 million, North Shore Gas goodwill impairment

# Nonregulated Integrys Energy Services Segment – 2Q08

Income from Continuing Operations (millions)

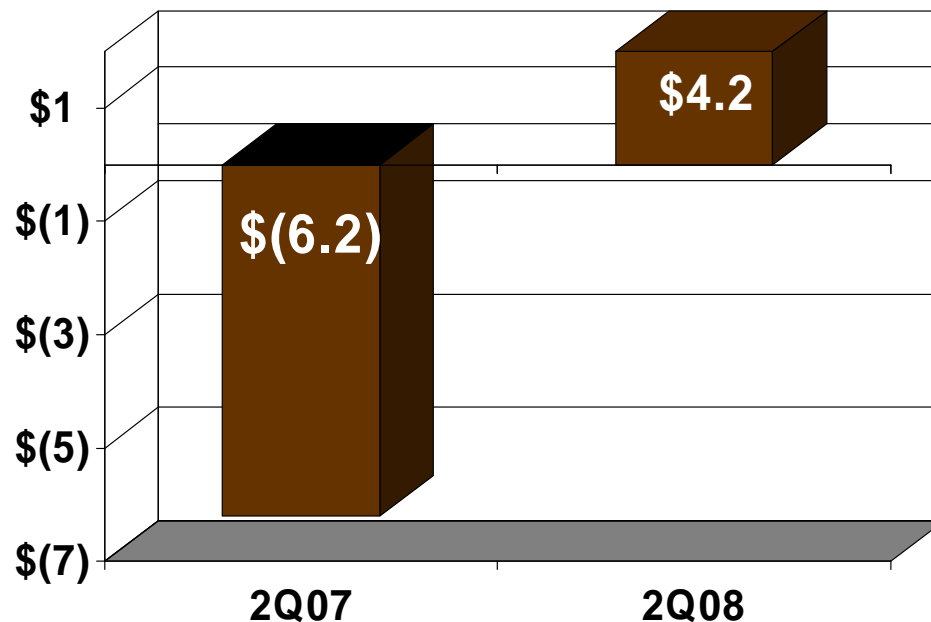


## Key Drivers (after tax):

- (+) \$ 72.7 million increase in retail and wholesale electric margins
  - (+) \$72.4 million primarily mark-to-market activity
- (+) \$ 15.2 million, former investment in a synthetic fuel facility
- (--) \$ 37.7 million decrease in retail and wholesale natural gas margins
  - (+) \$ 13.2 million, realized margin
  - (--) \$ 50.9 million, mark-to-market activity

# Holding Company/Other – 2Q08

## Earnings (millions)



### Key Drivers (after tax):

- (+) \$ 5.2 million, increase in operating income driven by reduced severance, relocation, and other expenses related to the Peoples Energy merger
- (+) \$ 4.3 million, reduced interest expense
- (+) \$ 2.3 million, increase in earnings from American Transmission Company

# Investing in Capital Projects to Better Serve Our Growing Customer Base

<b>Construction Expenditures by Company (Millions)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
Wisconsin Public Service	328	314	199	841
Peoples Gas Light *	114	117	160	391
Upper Peninsula Power	14	48	13	75
Minnesota Energy Resources	18	15	16	49
North Shore Gas	10	10	11	31
Michigan Gas Utilities	8	8	10	26
Subtotal for Utilities	492	512	409	1,413
Integrys Energy Services	35	3	4	42
Integrys Business Support	37	30	13	80
Total Anticipated Capital Expenditures	564	545	426	1,535
<b>American Transmission Company (equity contribution)</b>	<b>35</b>	<b>14</b>	<b>0</b>	<b>49</b>

\* Includes accelerated cast iron main replacement program in 2010.

# 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	73	200
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>\$236</b>	<b>\$657</b>

# Wisconsin Public Service Rate Case

## Wisconsin Jurisdiction

- Filed for \$117.2 million increase in retail electric rates for 2009, plus an adjustment for fuel related costs, in 2010. Staff proposed \$100.1 million increase in retail electric rates for 2009 and 2.0%, plus an adjustment for fuel related costs, in 2010.

	<u>Amended Request</u>	<u>Staff Proposed</u>
▪ Rate Base/Investment:	\$ 1,389,959,000	\$1,350,097,000
▪ Return on Equity: (company requested 11.5%)	10.9%	10.7%
▪ Equity Component:	58%	53.4%

- Filed for \$11.7 million increase in retail natural gas rates in 2009 and no increase in 2010. Staff proposed \$3.75 million decrease in retail natural gas rates.

	<u>Filed For</u>	<u>Staff Proposed</u>
▪ Rate Base/Investment:	\$414,047,000	\$434,657,000
▪ Return on Equity: (company requested 11.5%)	10.9%	10.7%
▪ Equity Component:	58.1%	53.4%

- Filed: April 1, 2008
- Audit: Completed July 28
- Hearings: September 25 and 26, 2008
- Written decision anticipated: December 2008
- Docket number: 6690-UR-119
- Web site: [http://psc.wi.gov/apps/erf\\_search/content/result.aspx](http://psc.wi.gov/apps/erf_search/content/result.aspx)

# Michigan Gas Utilities Rate Case

- In May requested \$13.9 million, 5.8%, increase in retail natural gas delivery rates from Michigan Public Service Commission
  - Rate Base/Investment: \$204 million
  - Return on Equity: 11.25%
  - Equity Component: 50.01%
- Requested 4.4% interim rate increase while Commission considers request.
  - Interim rate request expected December 2008 at the earliest
  - Final rates expected second quarter 2009
- Web site:  
<http://efile.mpasc.cis.state.mi.us/cgi-bin/efile/viewcase.pl?casenum=15549>

# Minnesota Energy Resources Rate Case

- In July requested \$22.0 million, 6.4%, increase in retail natural gas delivery rates from Minnesota Public Utilities Commission
  - Rate Base/Investment: \$201 million
  - Return on Equity: 11.25%
  - Equity Component: 50%
- Requested full 6.4% interim rate increase while Commission considers request
  - Interim rates expected in October 2008
  - Final rates expected in May 2009
- Web site:  
<https://www.edockets.state.mn.us/EFiling/ShowFile.do?DocNumber=5405047>

# Regulated Utilities Serving Over 2 Million Customers

	PGL	NSG	MERC	MGUC	WPSC		UPPCO
<b>As of 12/31/2007</b>							
Electric Customers					433,000		52,000
Natural Gas Customers	830,000	158,000	207,000	165,000	314,000		
Generation capacity (megawatts)					1,757.4		58.9
Natural gas storage (Bcf)	47.3	6.9*	3.6*	5.1	8.1*		
<b>For the period ending 12/31/2007</b>							
Annual electric volumes (million megawatt-hours)					14.8		1.2
Annual natural gas throughput (Bcf)	124.1	25.8	70.5	31.1	78.8		
<b>Retail as of 12/31/2007</b>							
	<b>Natural Gas</b>	<b>Natural Gas</b>	<b>Natural Gas</b>	<b>Natural Gas</b>	<b>Natural Gas</b>	<b>Electric</b>	<b>Electric</b>
Rate base/investment (\$ millions), IL	1,345	205					
Rate base/investment (\$ millions), WI					338	1,288	
Rate base/investment (\$ millions), MI				170	3	15	84.5
Rate base/investment (\$ millions), MN			186				
<b>Wholesale as of 12/31/07</b>							
Rate base/investment (\$ millions)						174	7.5

\* Represents contracted storage.

# Regulated Utilities Regulatory Rate Base and ROE

	PGL	NSG	MERC	MGUC	WPSC		UPPCO
	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Electric	Electric
<b>Retail last authorized, IL/MN</b>							
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				
<b>Retail last authorized, MI</b>							
Rate base/investment (\$ millions)				170 <sup>(2)</sup>	2	14	87.3
Allowed ROE				11.40%	14.25%	10.60%	10.75%
Authorized regulatory equity %				44.89%	42.40%	56.39%	54.93%
Date of decision				3/12/2003	6/7/1983	12/4/2007	6/27/2006
<b>Retail last authorized, WI</b>							
Rate base/investment (\$ millions)					352	1,241 <sup>(1)</sup>	
Allowed ROE					10.90%	10.90%	
Authorized regulatory equity %					57.46%	57.46%	
Date of decision					1/11/2007	1/11/2007	
<b>Wholesale last authorized</b>							
Rate base/investment (\$ millions)						168	7.7
Allowed ROE						11.00%	*
Authorized regulatory equity %						57.46% <sup>(3)</sup>	*
Date of decision						11/19/2004	*

Notes:

- (1) - Authorized rate base includes \$475 million of construction work-in-progress.
- (2) - MGUC's last rate case was settled by previous owner, with no value stated for rate base/investment (12/31/07 estimated value represented here).
- (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.

# Reconciliation of Integry's Energy Services' Forward Book Value to GAAP

As of December 2007  
(Pre-tax dollars in millions)

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
<b>Forward Book Value (a Non-GAAP financial measure) As of December 31, 2007</b>	\$ 41.2	\$ 37.0	\$ 78.2	\$ 58.5	\$ 48.4	\$ 106.9	\$ 185.1
Fair value of oil options, including unamortized premiums (1)	-	-	-	-	(0.2)	(0.2)	(0.2)
Unamortized electric and gas option premiums (2)	1.1	0.1	1.2	1.3	0.7	2.0	3.2
Fair value of nonderivative contracts, derivative contracts designated as normal purchase and sales, as well as portfolio valuation reserves (3)	(1.3)	11.4	10.1	(43.6)	(17.1)	(60.7)	(50.6)
<b>Net Risk Management Assets and Liabilities per GAAP Balance Sheet</b>	<b>\$ 41.0</b>	<b>\$ 48.5</b>	<b>\$ 89.5</b>	<b>\$ 16.2</b>	<b>\$ 31.8</b>	<b>\$ 48.0</b>	<b>\$ 137.5</b>

(1) These contracts were used to mitigate the risk of a tax credit phaseout associated with rising oil prices. Since the synfuel production facility is not part of the core marketing and trading business, the oil contracts have been excluded from Forward Book Value included in the calculation of Managerial Gross Margin.

(2) 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.

(3) 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.

# Reconciliation of Integry's Energy Services' Forward Book Value to GAAP

Year-to-Date June 2008  
(Pre-tax dollars in millions)

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
<b>Forward Book Value (a Non-GAAP financial measure) As of June 30, 2008</b>	\$ 31.1	\$ 33.5	\$ 64.6	\$ 48.0	\$ 73.1	\$ 121.1	\$ 185.7
Unamortized electric and gas option premiums (1)	0.2	(0.9)	(0.7)	10.0	5.1	15.1	14.4
Fair value of nonderivative contracts, derivative contracts designated as normal purchase and sales, as well as portfolio valuation reserves and eliminations (2)	(107.7)	(111.1)	(218.8)	101.9	39.4	141.3	(77.5)
<b>Net Risk Management Assets and Liabilities per GAAP Balance Sheet</b>	<b>\$ (76.4)</b>	<b>\$ (78.5)</b>	<b>\$ (154.9)</b>	<b>\$ 159.9</b>	<b>\$ 117.6</b>	<b>\$ 277.5</b>	<b>\$ 122.6</b>

(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.

(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.

# Integritys Energy Services – Margins

(\$ Thousands)

	3 Months Ended June 30			6 Months Ended June 30		
	2008	2007	Change	2008	2007	Change
Natural Gas						
Retail						
Realized margins (1)	\$ 10.5	\$ 6.5	\$ 4.0	\$ 40.1	\$ 34.1	\$ 6.0
Unrealized gain/(loss) (2)	(33.4)	3.6	(37.0)	(47.5)	(17.4)	(30.1)
Effect of purchase accounting on realized margins (3)	(0.5)	(2.6)	2.1	(4.4)	(5.7)	1.3
Effect of purchase accounting on unrealized margins (3)	(0.2)	0.9	(1.1)	(0.8)	2.7	(3.5)
	<u>(23.6)</u>	<u>8.4</u>	<u>(32.0)</u>	<u>(12.6)</u>	<u>13.7</u>	<u>(26.3)</u>
Wholesale						
Realized margins (1)	28.9	12.1	16.8	46.9	25.8	21.1
Unrealized gain/(loss) (2)	(51.8)	(4.1)	(47.7)	(73.6)	13.1	(86.7)
Effect of purchase accounting on realized margins (3)	1.0	2.0	(1.0)	-	2.5	(2.5)
Effect of purchase accounting on unrealized margins (3)	1.2	0.2	1.0	(1.3)	0.3	(1.6)
	<u>(20.7)</u>	<u>10.2</u>	<u>(30.9)</u>	<u>(28.0)</u>	<u>41.7</u>	<u>(69.7)</u>
Total Natural Gas Margins	<u>(44.3)</u>	<u>18.6</u>	<u>(62.9)</u>	<u>(40.6)</u>	<u>55.4</u>	<u>(96.0)</u>
Electric and Other						
Retail						
Realized margins (1)	13.0	14.6	(1.6)	30.4	16.5	13.9
Unrealized gain/(loss) (2)	50.9	(31.7)	82.6	106.0	8.7	97.3
Effect of purchase accounting on realized margins (3)	(5.6)	(8.4)	2.8	(5.7)	(12.1)	6.4
Effect of purchase accounting on unrealized margins (3)	1.7	1.9	(0.2)	0.2	2.7	(2.5)
	<u>60.0</u>	<u>(23.6)</u>	<u>83.6</u>	<u>130.9</u>	<u>15.8</u>	<u>115.1</u>
Wholesale Trading and Structured Origination (4)						
Realized margins (1)	22.9	23.7	(0.8)	33.7	39.2	(5.5)
Unrealized gain/(loss) (2)	17.9	(20.4)	38.3	63.3	(4.4)	67.7
	<u>40.8</u>	<u>3.3</u>	<u>37.5</u>	<u>97.0</u>	<u>34.8</u>	<u>62.2</u>
Oil option activity						
Realized gain	-	-	-	-	-	-
Unrealized gain/(loss)	-	0.2	(0.2)	-	1.2	(1.2)
	<u>-</u>	<u>0.2</u>	<u>(0.2)</u>	<u>-</u>	<u>1.2</u>	<u>(1.2)</u>
Total Electric and Other Margins	<u>100.8</u>	<u>(20.1)</u>	<u>120.9</u>	<u>227.9</u>	<u>51.8</u>	<u>176.1</u>
<b>Total Gross Margin</b>	<b>\$ 56.5</b>	<b>\$ (1.5)</b>	<b>58.0</b>	<b>\$ 187.3</b>	<b>\$ 107.2</b>	<b>80.1</b>
Realized margins (1)	75.3	56.9	18.4	151.1	115.6	35.5
Unrealized gain/(loss) (2)	(16.4)	(52.4)	36.0	48.2	1.2	47.0
Effect of purchase accounting on realized margins (3)	(5.1)	(9.0)	3.9	(10.1)	(15.3)	5.2
Effect of purchase accounting on unrealized margins (3)	2.7	3.0	(0.3)	(1.9)	5.7	(7.6)
<b>Total Gross Margin</b>	<b>\$ 56.5</b>	<b>\$ (1.5)</b>	<b>\$ 58.0</b>	<b>\$ 187.3</b>	<b>\$ 107.2</b>	<b>\$ 80.1</b>

# IntegrYS Energy Services – Definitions Related to Margin Exhibit

	3 Months Ended June 30			6 Months Ended June 30		
	2008	2007	Change	2008	2007	Change
<b>Volumes Delivered (includes only transactions settled physically for the periods shown)</b>						
Retail Natural Gas (in billion cubic feet)	73.3	73.5	(0.20)	180.9	165.0	15.90
Realized per unit margins (\$ per dekatherm)	\$ 0.14	\$ 0.09	\$ 0.05	\$ 0.22	\$ 0.19	\$ 0.03
Retail Electric (in kilowatt-hours)	4,036.7	3,419.8	616.9	7,989.4	5,859.2	2,130.2
Realized per unit margins (\$ per megawatt-hour)	\$ 3.22	\$ 4.27	\$ (1.05)	\$ 3.81	\$ 3.46	\$ 0.35

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 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 losses 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. Effect of purchase accounting budgeted in operating expenses, while actual impacts margin.
- (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 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.