



*Second Quarter 2009 Earnings Conference Call  
August 6, 2009*

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LISTED  
NYSE

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# 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 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 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 of, 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 and loss 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.

- Second quarter 2009 results overview
- Reaffirming earnings per share guidance for 2009 and 2011
- Strategic update
  - Integrys Energy Services divestiture
  - Dividend status
- Core utility operations – Regulatory filings update
- Financial update
  - Second quarter 2009 results
  - Current liquidity situation
  - Capital expenditures through 2011
  - Long-term financing plan
  - Details for earnings per share guidance for 2009 and 2011
- Questions and Answers

# Core Regulated Utilities Drove Adjusted Second Quarter 2009 Diluted EPS Growth



- Second quarter 2009 diluted EPS – Adjusted \$0.30 (\$0.27 for second quarter 2008)
  - Adjusted to exclude IntegrYS Energy Services and second quarter 2008 natural gas utility goodwill impairment
- Core regulated utilities performed well
- Diluted earnings per share guidance for 2009 and 2011 reaffirmed
- Divestiture process is moving forward

# Integrys Energy Services Divestiture Process Update



- Goal of divestiture and capital redeployment remains unchanged: Achieve highest value for shareholders
  - Strengthen balance sheet: Eliminate or significantly reduce collateral support requirements and capital investment
  - Recover capital to support core utility businesses
- Progress on Integrys Energy Services divestiture
  - Expected to be achieved in multiple transactions
  - Announced transactions are consistent with plan
  - Targeting additional transaction announcements by late third quarter 2009 or early fourth quarter 2009
  - Recovered capital to date is consistent with expectations

# Integrys Energy Services – Transaction Update



- Canadian natural gas and electric power marketing business
  - Transaction announced July 17, 2009
  - Expected to close in fall 2009
  - Expected to reduce collateral support requirements by approximately \$300 million
- Energy Management Consulting Services
  - Transaction closed July 31, 2009
  - Generated approximately \$4 million in revenue in 2008
  - Minimal impact on collateral support requirements and capital invested

# IntegrYS Energy Services Snapshot



- U.S. Operations
  - Retail natural gas marketing
  - Wholesale natural gas marketing
  - Retail electric marketing
  - Wholesale electric marketing
  - Power generation
- Canadian Operations
  - **Natural gas marketing ✓**
  - **Electric marketing ✓**
  - Wholesale natural gas storage contract
  - Power generation
- Direct mass marketing
  - Electric
  - Natural Gas
- **Energy Management Consulting Services ✓ ✓**

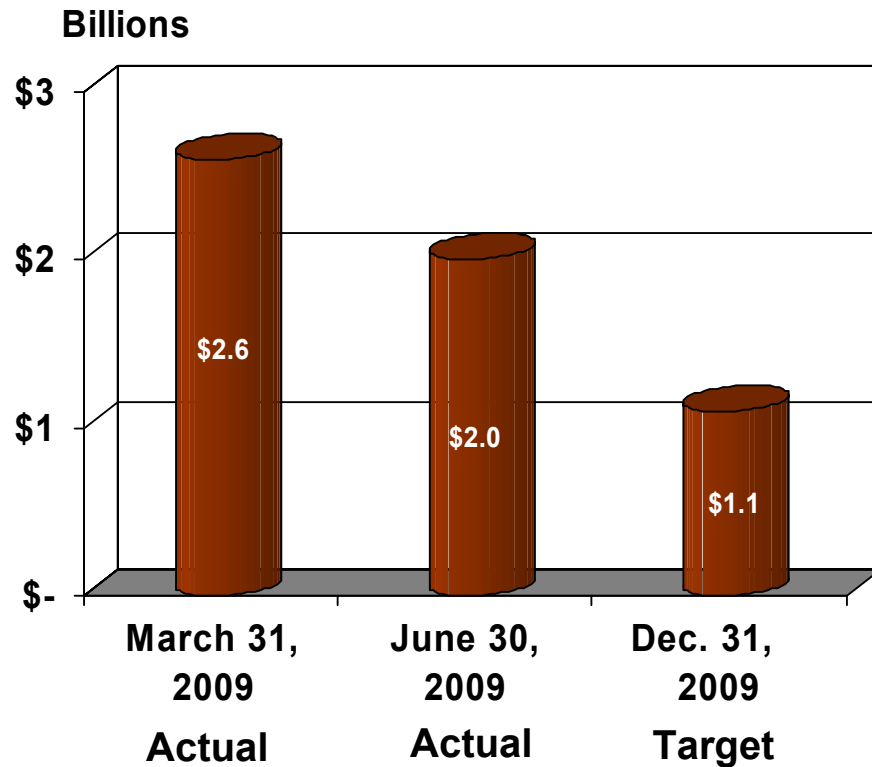
✓ **Definitive agreements in place for sale**

✓ ✓ **Sale transaction closed July 31, 2009**

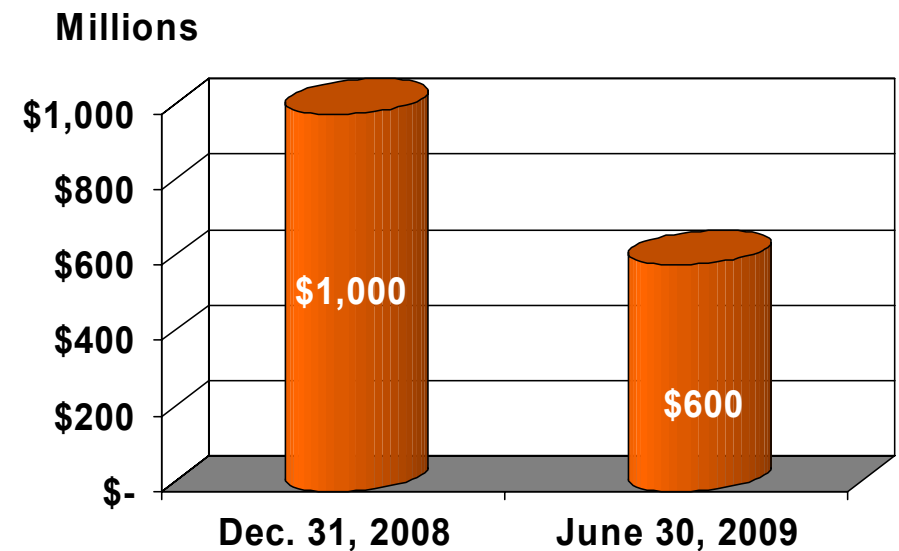
# Integrys Energy Services – Corporate Guarantees and Capital to be Recovered



## Corporate Guarantees



## Capital to be Recovered \*



\* Integrys Energy Services has recovered approximately \$400 million of capital through June 30, 2009.

# Integrys Energy Services – Use of Proceeds/Financing Implications



- Planning to use proceeds to pay down long-term and short-term debt and to better position the Company to fund future regulated utility rate base investment growth
- Short-term liquidity needs expected to be substantially reduced
- 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

# Dividend Update



- Integrys Energy Group Board of Directors approved quarterly dividend payment of \$0.68 per share for September 2009
- Board will continue to evaluate appropriate dividend level
- Factors under consideration:
  - Long-term corporate strategy
  - Long-term financial strength of the Company
  - Expected long-term earnings and cash flows
  - Economic environment
  - Long-term outlook for authorized regulatory returns on equity
  - Capital market conditions
  - Integrys Energy Services divestiture

# Growth Driven By Core Utility Focus as Planned



- Focus on regulated utilities 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 are in various stages of processing 5 more rate cases
  - 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 (ATC)
    - In 2008 ATC announced plans to invest \$2.7 billion over next 10 years

# Current Rate Case Timelines



## Illinois Rate Cases

- (PGL/NSG1) PGL/NSG original filing – February 2009
- (PGL/NSG2) Staff/Intervener testimony – June 2009
- (PGL/NSG3) PGL/NSG Rebuttal – July 2009
- (PGL/NSG4) Hearings – August - September 2009
- (PGL/NSG5) Proposed ALJ draft order anticipated – November 2009
- (PGL/NSG6) Final order anticipated – January 2009

## Wisconsin Public Service Rate Case

- (WPS1) 2008 rate case final decision – January 2009
- (WPS2) Filed reopener – May 2009
- (WPS3) Staff testimony/hearings – September 2009
- (WPS4) Final order anticipated – End of 2009

## Minnesota Energy Resources Rate Case

- (MERC1) New rate case filed – July 2008
- (MERC2) Begin interim rates – October 2008
- (MERC3) Written order issued – June 2009
- (MERC4) Final rates anticipated – Fourth quarter 2009

## Michigan Gas Utilities Rate Case

- (MGU1) 2008 rate case final decision – January 2009
- (MGU2) New rate case filed – July 2009
- (MGU3) Interim rates anticipated – January 2010
- (MGU4) Final order deadline – July 2010

## Upper Peninsula Power Company Rate Case

- (UPPCO1) New rate case filed – June 2009
- (UPPCO2) Interim rates anticipated – January 2010
- (UPPCO3) Final order deadline – June 2010

|        | PGL/NSG  | WPS  | MERC  | MGU  | UPPCO  |
|--------|----------|------|-------|------|--------|
| Jul-08 |          |      | MERC1 |      |        |
| Aug-08 |          |      |       |      |        |
| Sep-08 |          |      |       |      |        |
| Oct-08 |          |      | MERC2 |      |        |
| Nov-08 |          |      |       |      |        |
| Dec-08 |          |      |       |      |        |
| Jan-09 |          | WPS1 |       | MGU1 |        |
| Feb-09 | PGL/NSG1 |      |       |      |        |
| Mar-09 |          |      |       |      |        |
| Apr-09 |          |      |       |      |        |
| May-09 |          | WPS2 |       |      |        |
| Jun-09 | PGL/NSG2 |      | MERC3 |      | UPPCO1 |
| Jul-09 | PGL/NSG3 |      |       | MGU2 |        |
| Aug-09 | PGL/NSG4 |      |       |      |        |
| Sep-09 |          | WPS3 |       |      |        |
| Oct-09 |          |      |       |      |        |
| Nov-09 | PGL/NSG5 |      | MERC4 |      |        |
| Dec-09 |          | WPS4 |       |      |        |
| Jan-10 | PGL/NSG6 |      |       | MGU3 | UPPCO2 |
| Feb-10 |          |      |       |      |        |
| Mar-10 |          |      |       |      |        |
| Apr-10 |          |      |       |      |        |
| May-10 |          |      |       |      |        |
| Jun-10 |          |      |       |      | UPPCO3 |
| Jul-10 |          |      |       | MGU4 |        |

Only reflects rate cases currently in progress.

# Diluted EPS – Adjusted



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

*Actual Quarter Ended June 30, 2009 and 2008*

|  | Three Months Ended<br>June 30 |         | Six Months Ended<br>June 30 |         |
|--|-------------------------------|---------|-----------------------------|---------|
|  | 2009                          | 2008    | 2009                        | 2008    |
| <b>Diluted EPS</b>   | \$ 0.45                       | \$ 0.31 | \$ (1.90)                   | \$ 2.08 |
| <b>Average Shares of Common Stock – Diluted (millions)</b> | 76.8                          | 76.9    | 76.7                        | 76.9    |

### Information on Special Items:

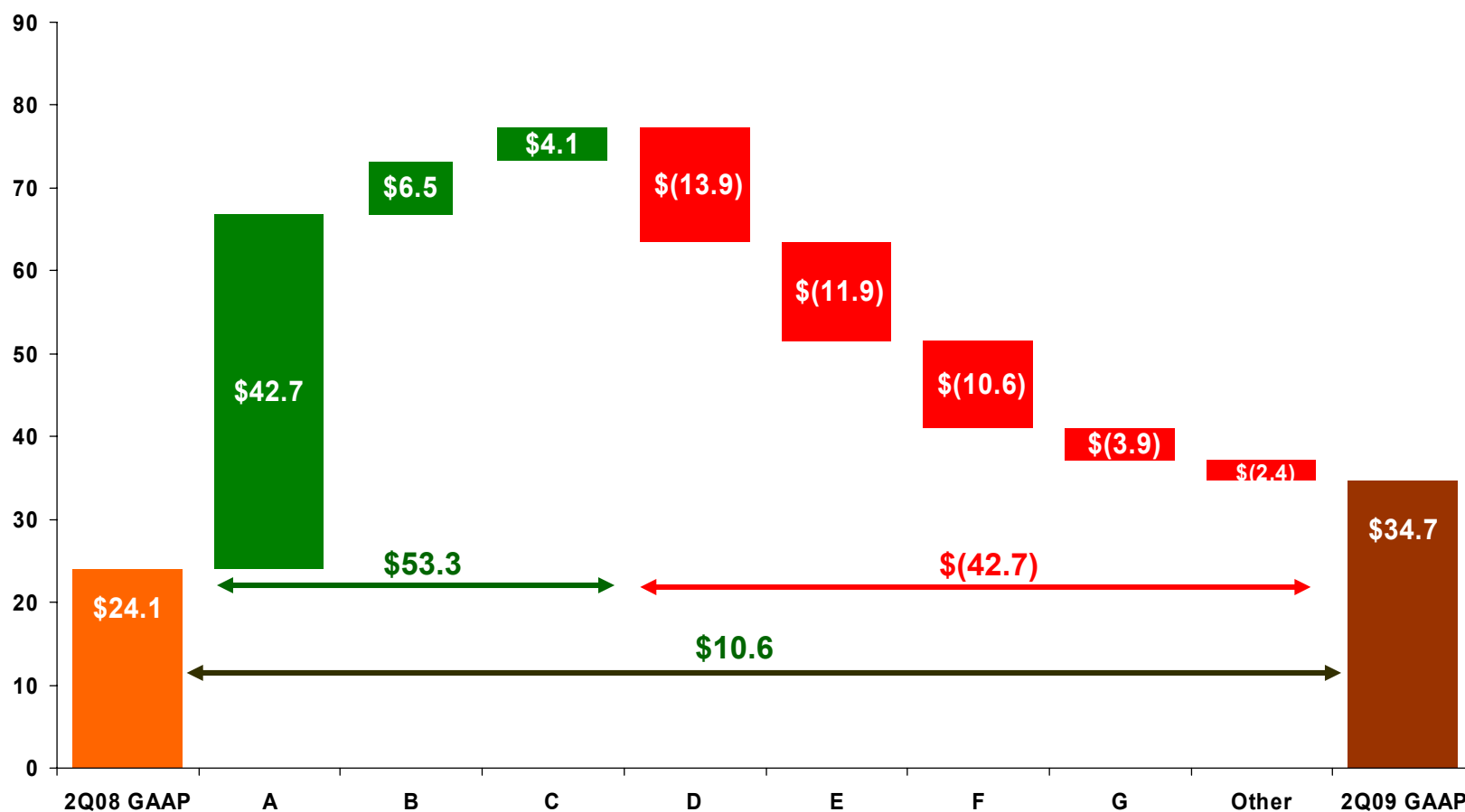
Diluted earnings per share are adjusted for special items and their financial impact on diluted earnings per share for the three and six months ended June 30, 2009, and 2008. Due to IntegrYS Energy Group's change in strategy related to IntegrYS Energy Services, the results of the business operations of IntegrYS Energy Services are shown as a special adjusting item.

|  |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Diluted EPS</b>   | <b>\$ 0.45</b>        | <b>\$ 0.31</b>        | <b>\$ (1.90)</b>      | <b>\$ 2.08</b>        |
| <b>Special Items (net of taxes):</b>                         |                       |                       |                       |                       |
| Goodwill impairment – natural gas segment                    | -                     | 0.08                  | 3.24                  | 0.08                  |
| IntegrYS Energy Services' total segment results              | <u>(0.15)</u>         | <u>(0.12)</u>         | <u>0.23</u>           | <u>(0.79)</u>         |
| <b>Diluted EPS – Adjusted (a non-GAAP financial measure)</b> | <b><u>\$ 0.30</u></b> | <b><u>\$ 0.27</u></b> | <b><u>\$ 1.57</u></b> | <b><u>\$ 1.37</u></b> |

# Key Drivers – Second Quarter 2009



\$ in millions



- A – IntegrYS Energy Services – higher natural gas margin
- B – Goodwill impairment charges in second quarter 2008 – natural gas utility segment
- C – Electric utility segment – operating income

- D – IntegrYS Energy Services – lower electric margins
- E – IntegrYS Energy Services – restructuring expense
- F – IntegrYS Energy Services – operating and maintenance expenses
- G – Higher interest expense

# Integrys Energy Group Remains Financially Strong



- Credit Facilities at July 31, 2009
  - Approximately \$2.2 billion
  - 27 financial institutions, with the largest covering only 12 percent
  - Approximately \$1.7 billion available, plus holding approximately \$150 million of cash

# Long-Term Financings Summary



- Long-Term Debt, 2009
  - Completed transaction
    - IntegrYS Energy Group, \$155 million in June 2009
  - Expected transactions
    - IntegrYS Energy Group, up to \$195 million
    - Peoples Gas, approximately \$50 million
- Equity
  - No new shares of common equity issued to date

# Investing in Capital Projects

| <b>Planned Capital Expenditures<br/>by Company (Millions)</b>  | <b>2009</b>  | <b>2010</b> | <b>2011</b> | <b>Total</b> |
|--|--------------|-------------|-------------|--------------|
| Wisconsin Public Service                                       | \$276        | \$89        | \$191       | 556          |
| Peoples Gas *  | 89           | 96          | 195         | 380          |
| Upper Peninsula Power  | 19           | 46          | 20          | 85           |
| Minnesota Energy Resources                                     | 13           | 14          | 17          | 44           |
| North Shore Gas  | 15           | 19          | 15          | 49           |
| Michigan Gas Utilities   | 7            | 8           | 11          | 26           |
| Subtotal for Utilities   | \$419        | \$272       | \$449       | \$1,140      |
| IntegrYS Energy Services                                       | 22           | 0           | 0           | 22           |
| IntegrYS Business Support                                      | 42           | 21          | 20          | 83           |
| Total Anticipated Capital Expenditures                         | \$483        | \$293       | \$469       | \$1,245      |
| <b>American Transmission Company<br/>(equity contribution)</b> | <b>\$ 34</b> | <b>\$ 5</b> | <b>\$ 0</b> | <b>\$ 39</b> |

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

# Estimated Utility Depreciation

| <b>Depreciation by Company (Millions)</b> | <b>2009</b>  | <b>2010</b>  | <b>2011</b>  | <b>Total</b> |
|---|--------------|--------------|--------------|--------------|
| Wisconsin Public Service                  | \$108        | \$113        | \$114        | \$335        |
| Peoples Gas                               | 64           | 68           | 79           | 211          |
| Upper Peninsula Power                     | 6            | 8            | 9            | 23           |
| Minnesota Energy Resources                | 9            | 10           | 11           | 30           |
| North Shore Gas                           | 6            | 7            | 8            | 21           |
| Michigan Gas Utilities                    | 7            | 8            | 8            | 23           |
| <b>Total for Utilities</b>                | <b>\$200</b> | <b>\$214</b> | <b>\$229</b> | <b>\$643</b> |

# Net Growth In Regulated Utility Rate Base



|  | (Millions)           |                     |                      |                      |
|--|----------------------|---------------------|----------------------|----------------------|
|  | <u>2009</u>          | <u>2010</u>         | <u>2011</u>          | <u>Total</u>         |
| Capital Expenditures for Regulated<br>Utility Operations   | \$ 419               | \$ 272              | \$ 449               | \$ 1,140             |
| Estimated Depreciation for Regulated<br>Utility Operations | <u>200</u>           | <u>214</u>          | <u>229</u>           | <u>643</u>           |
| Net Growth in Regulated Utility<br>Rate Base Investment    | <u><u>\$ 219</u></u> | <u><u>\$ 58</u></u> | <u><u>\$ 220</u></u> | <u><u>\$ 497</u></u> |

# Diluted EPS – Adjusted – By Business Segment



## Non-GAAP Financial Information

### Diluted Earnings Per Share - Adjusted - By Business Segment

|   | <u>5/1/2009</u><br>2009 |                      | <u>8/6/2009</u><br>2009 |                      |
|---|-------------------------|----------------------|-------------------------|----------------------|
|   | <u>Low</u>              | <u>High</u>          | <u>Low</u>              | <u>High</u>          |
| Diluted Earnings Per Share – Excluding IntegrYS Energy Services | (1.06) *                | (0.91) *             | (1.07) *                | (0.92) *             |
| Goodwill Impairment – Natural Gas Segment                       | 3.23                    | 3.23                 | 3.24                    | 3.24                 |
| <b>Diluted Earnings Per Share – Adjusted</b>                    | <b><u>\$2.17</u></b>    | <b><u>\$2.32</u></b> | <b><u>\$2.17</u></b>    | <b><u>\$2.32</u></b> |
| Average Shares of Common Stock – Diluted                        | 77.0                    | 77.0                 | 76.7                    | 76.7                 |

### Diluted Earnings Per Share - Adjusted Guidance by Segment

|   |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
| Electric  | \$1.11               | \$1.18               | 1.04                 | 1.14                 |
| Natural Gas (Excludes Impact of Goodwill Impairment) ** | 0.90 **              | 0.97 **              | 0.98 **              | 1.03 **              |
| Other   | 0.16                 | 0.17                 | 0.15                 | 0.15                 |
| <b>Total</b>  | <b><u>\$2.17</u></b> | <b><u>\$2.32</u></b> | <b><u>\$2.17</u></b> | <b><u>\$2.32</u></b> |

\* 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 per share impact of the goodwill impairment in the natural gas segment.

**Assumptions:** Operational improvements and rate relief for certain utilities.  
Availability of generation units.  
Successful execution of the divestiture of IntegrYS Energy Services.  
Return to more normal economic conditions.  
Normal weather conditions.

# Diluted EPS – Adjusted – By Business Segment



## Non-GAAP Financial Information

### Diluted Earnings Per Share - Adjusted - By Business Segment

|  | 2009 *               |                      | 2011                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | <u>Low</u>           | <u>High</u>          | <u>Low</u>           | <u>High</u>          |
| <b>Diluted Earnings Per Share – Adjusted</b>           |                      |                      |                      |                      |
| <b>Guidance by Segment</b>                             |                      |                      |                      |                      |
| Electric   | \$1.04               | \$1.14               | \$1.21               | \$1.37               |
| Natural Gas (Excludes Impact of Goodwill Impairment) * | 0.98 *               | 1.03 *               | 1.09                 | 1.31                 |
| Other  | 0.15                 | 0.15                 | 0.50                 | 0.52                 |
| <b>Total</b>   | <b><u>\$2.17</u></b> | <b><u>\$2.32</u></b> | <b><u>\$2.80</u></b> | <b><u>\$3.20</u></b> |
| <br>Average Shares of Common Stock – Diluted           | <br>76.7             | <br>76.7             | <br>77.4             | <br>77.4             |

\* The 2009 guidance range has been adjusted to exclude the \$(3.24) per share impact of the goodwill impairment in the natural gas segment.

**Assumptions:** Operational improvements and rate relief for certain utilities.  
Availability of generation units.  
Successful execution of the divestiture of IntegrYS Energy Services.  
Return to more normal economic conditions.  
Normal weather conditions.

- Executing on our previously stated business strategy
  - Improved core utility earnings in 2009
  - IntegrYS Energy Services divestiture advancing
    - On July 31, closed on sale of Energy Management Consulting Services business
    - Reached definitive agreement to sell Canadian natural gas and electric power marketing business – expect to close fall of 2009
    - Additional transaction announcements by late third quarter 2009 or early fourth quarter 2009
  - Earnings growth driven by core utilities focus
    - Investing approximately \$1.1 billion in capital projects between 2009 and 2011
    - Successfully resolving 5 rate cases in progress in 2009
    - Continued focus on operational excellence and cost controls to deliver on our financial commitments
    - Growth in earnings from our continuing investment in American Transmission Company
  - Dividend maintained
    - Subject to review based on a number of factors
- Reaffirmed diluted EPS – adjusted guidance (a non-GAAP financial measure excluding IntegrYS Energy Services and goodwill impairment):
  - 2009:           \$2.17 to \$2.32
  - 2011:           \$2.80 to \$3.20
- Reaffirmed expected long-term growth rate in earnings per share of 4% to 6% on an average annualized basis



  
*integrays*<sup>tm</sup>

## ***Appendix***

# Current Issuer Credit Ratings



|                                      | Standard & Poor's | Moody's |
|--------------------------------------|-------------------|---------|
| <b>Integritys Energy Group</b>       |                   |         |
| Issuer Credit Rating                 | BBB+              | *       |
| Senior Unsecured Debt                | BBB               | Baa1    |
| Commercial Paper                     | A-2               | P-2     |
| Credit Facility                      | *                 | Baa1    |
| Junior Subordinated Debt             | BBB-              | Baa2    |
| <b>WPS</b>                           |                   |         |
| Issuer Credit Rating                 | A-                | A2      |
| Senior Secured Debt                  | A                 | A1      |
| Commercial Paper                     | A-2               | P-1     |
| Preferred Stock                      | BBB               | Baa1    |
| Credit Facility                      | *                 | A2      |
| <b>Peoples Energy Corporation</b>    |                   |         |
| Issuer Credit Rating                 | BBB+              | *       |
| Senior Unsecured Debt                | BBB               | Baa1    |
| <b>Peoples Gas, Light &amp; Coke</b> |                   |         |
| Issuer Credit Rating                 | BBB+              | A3      |
| Senior Secured Debt                  | A-                | A2      |
| Commercial Paper                     | A-2               | P-2     |
| <b>North Shore Gas</b>               |                   |         |
| Issuer Credit Rating                 | BBB+              | A3      |
| Senior Secured Debt                  | A                 | A2      |

\* Has not issued a credit rating

# 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>                                   |                     |                 |                 |                 |               |                  |                  |                 |                  |
| <b>13-Month Adjusted Average Utility Equity</b>     | \$ 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          |
| <b>2008 Utility ROE</b>                             | <b>5.64%</b>        | <b>6.66%</b>    | <b>4.80%</b>    | <b>5.41%</b>    | <b>14.69%</b> | <b>7.31%</b>     | <b>10.24%</b>    | <b>7.18%</b>    | <b>10.06%</b>    |
| 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         |
| <b>Utility Net Income Excess (Shortfall)</b>        | <b>\$ (30.0)</b>    | <b>\$ (3.5)</b> | <b>\$ (6.8)</b> | <b>\$ (5.1)</b> | <b>\$ 8.3</b> | <b>\$ (37.1)</b> | <b>\$ (5.7)</b>  | <b>\$ (1.9)</b> | <b>\$ (7.6)</b>  |
| <b>Total for Natural Gas and Electric Utilities</b> |                     |                 |                 |                 |               |                  |                  |                 | <b>\$ (44.7)</b> |

# Regulated Utilities – Statistics



|  | PGL ♦<br> | NSG ♦<br> | MERC<br> | MGU<br> | WPS ♦<br> |                 | UPPCO<br> |
|--|--|---|---|--|--|-----------------|--|
| <b>As of 12/31/2008</b>                          |  |   |   |  |  |                 |  |
| 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   |                 |  |
| <b>For the period ending 12/31/2008</b>          |  |   |   |  |  |                 |  |
| 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   |                 |  |
| <b>Retail as of 12/31/2008</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           | 1,195  | 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   |  |  |                 |  |
| <b>Wholesale as of 12/31/08</b>                  |  |   |   |  |  |                 |  |
| Rate base/investment (\$ millions)               |  |   |   |  |  | 173             | 11.0 *   |

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

\* Deferred taxes included in rate base.

# Regulated Utilities – Regulatory Rate Base and Return on Equity



|                                      | PGL ♦<br><small>PEOPLES GAS<br/>NATURAL GAS DELIVERY™</small> | NSG ♦<br><small>NORTH SHORE GAS<br/>NATURAL GAS DELIVERY™</small> | MERC<br><small>MINNESOTA<br/>ENERGY<br/>RESOURCES™</small> | MGU<br><small>MICHIGAN<br/>WALSH UTILITIES™</small> | WPS ♦<br><small>WPS</small> |                       | UPPCO<br><small>UPPCO</small> |
|--------------------------------------|---|---|--|---|-----------------------------|-----------------------|-------------------------------|
|                                      | 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   | 189.3  |   |                             |                       |                               |
| Allowed ROE                          | 10.19%  | 9.99%   | 10.21%   |   |                             |                       |                               |
| Authorized regulatory equity %       | 56.00%  | 56.00%  | 48.77%   |   |                             |                       |                               |
| Date of decision                     | 2/5/2008  | 2/5/2008  | 6/29/2009  |   |                             |                       |                               |
| <b>Retail last authorized, MI</b>    |   |   |  |   |                             |                       |                               |
| Rate base/investment (\$ millions)   |   |   |  | 204 <sup>(1)</sup>                                  | 2                           | 14                    | 87.3                          |
| Allowed ROE                          |   |   |  | 10.45%  | 14.25%                      | 10.60%                | 10.75%                        |
| Authorized regulatory equity %       |   |   |  | 46.49%  | 42.40%                      | 56.39%                | 54.93%                        |
| Date of decision                     |   |   |  | 1/13/2009   | 6/7/1983                    | 12/4/2007             | 6/27/2006                     |
| <b>Retail last authorized, WI</b>    |   |   |  |   |                             |                       |                               |
| Rate base/investment (\$ millions)   |   |   |  |   | 435                         | 1,350                 |                               |
| Allowed ROE                          |   |   |  |   | 10.9% <sup>(2)</sup>        | 10.9% <sup>(2)</sup>  |                               |
| Authorized regulatory equity %       |   |   |  |   | 53.41%                      | 53.41%                |                               |
| Date of decision                     |   |   |  |   | 12/30/2008                  | 12/30/2008            |                               |
| <b>Wholesale last authorized</b>     |   |   |  |   |                             |                       |                               |
| Rate base/investment (\$ millions)   |   |   |  |   |                             | 168                   | 7.7                           |
| Allowed ROE                          |   |   |  |   |                             | 10.90%                | *                             |
| Authorized regulatory equity %       |   |   |  |   |                             | 53.41% <sup>(3)</sup> | *                             |
| Date of decision                     |   |   |  |   |                             | 11/19/2004            | *                             |

Notes:

- ♦ Some form of decoupling in regulatory rate structure; covers about 80% of our total regulated customers.
- (1) The 2009 MGU rate case was settled with no stated rate base value. \$204 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.

# Current Illinois Rate Cases



## PEOPLES GAS

|                      | <b>IntegrYS<br/>Original<br/>Filing</b> | <b>Staff<br/>Original<br/>Filing</b> | <b>Intervenors<br/>Original<br/>Filing</b> | <b>IntegrYS<br/>Amended<br/>Filing</b> | <b>Staff<br/>Rebuttal *</b> | <b>Intervenors<br/>Rebuttal *</b> |
|----------------------|---|--------------------------------------|--|--|-----------------------------|-----------------------------------|
| Rate increase        | \$161.9 M                               | \$35.0 M                             | \$48.3 M                                   | \$122.4 M                              | \$51.3 M                    | \$46.2 M                          |
| Rate base/investment | \$1,396.0 M                             | \$1,165.0 M                          | \$1,190.0 M                                | \$1,299.0 M                            | \$1,166.0 M                 | \$1,189.0 M                       |
| Return on equity     | 12%                                     | 9.69%                                | 8.58% **                                   | 11.87%                                 | No Change                   | No Change                         |
| Equity component     | 56%                                     | 56%                                  | 55% **                                     | 56%                                    | No Change                   | 56% **                            |
| Infrastructure rider | Requested                               | Against                              | Against                                    | Requested                              | No Change                   | No Change                         |

## NORTH SHORE GAS

|                      | <b>IntegrYS<br/>Original<br/>Filing</b> | <b>Staff<br/>Original<br/>Filing</b> | <b>Intervenors<br/>Original<br/>Filing</b> | <b>IntegrYS<br/>Amended<br/>Filing</b> | <b>Staff<br/>Rebuttal *</b> | <b>Intervenors<br/>Rebuttal *</b> |
|----------------------|---|--------------------------------------|--|--|-----------------------------|-----------------------------------|
| Rate increase        | \$21.9 M                                | \$10.0 M                             | \$11.0 M                                   | \$20.0 M                               | \$13.4 M                    | \$11.0 M                          |
| Rate base/investment | \$179.2 M                               | \$175.1 M                            | \$177.0 M                                  | \$179.0 M                              | \$176.7 M                   | \$177.0 M                         |
| Return on equity     | 12%                                     | 9.79%                                | 8.58% **                                   | 11.87%                                 | No Change                   | No Change                         |
| Equity component     | 56%                                     | 54%                                  | 53% **                                     | 56%                                    | 56%                         | 53.54% **                         |

\* Based on a preliminary review of staff and intervenor testimony and exhibits.

\*\* Without riders, lower with riders.

- Original filing: February 25, 2009; Amended filing: July 8, 2009
- ICC Staff and Intervenors testimony filed June 10, 2009; rebuttal filed August 4, 2009
- Hearings: August 24-September 1, 2009
- Proposed draft order anticipated: November 6, 2009
- Final order anticipated: January 24, 2010
- Consolidated dockets: 09-0166/09-0167
- Web site: <http://www.icc.illinois.gov/docket/Documents.aspx?no=09-0166>

# Current Wisconsin Public Service Rate Case



## Wisconsin Jurisdiction

- Wisconsin Public Service is authorized to reopen its 2009 general rate case for 2010 on a limited basis
  - Filed on May 1, 2009, 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
  - Schedule
    - Staff direct testimony due September 2, 2009
    - Rebuttal due September 16, 2009
    - Surrebuttal due September 23, 2009
    - Hearings September 24, 2009
    - Final order by end of 2009

# Minnesota Energy Resources Rate Case – Near Completion



- In June 2009 Minnesota Public Utilities Commission issued a written order:
  - Approximately \$15.4 million rate increase
  - 10.21% ROE
  - Common equity ratio 48.77%
- Currently collecting interim rates
- Final rates expected to begin in fourth quarter 2009
- Web site:  
<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=eDocketsResult>
  - Enter docket number 835 for 2008

# Recently Filed Michigan Gas Utilities Rate Case



- Filed a rate case with the Michigan Public Service Commission on July 1, 2009, for \$8.4 million
- Key data points
  - Rate base \$189.9 million \*
  - Common equity percentage 47.27% \*
  - Return on equity 12.0%
- Decoupling mechanism proposed
- Bad debt recovery mechanism proposed
- Expect interim rates based on full request to be effective January 1, 2010
- Final order required no later than July 1, 2010

\* Deferred taxes in capital structure

# Recently Filed Upper Peninsula Power Company Rate Case



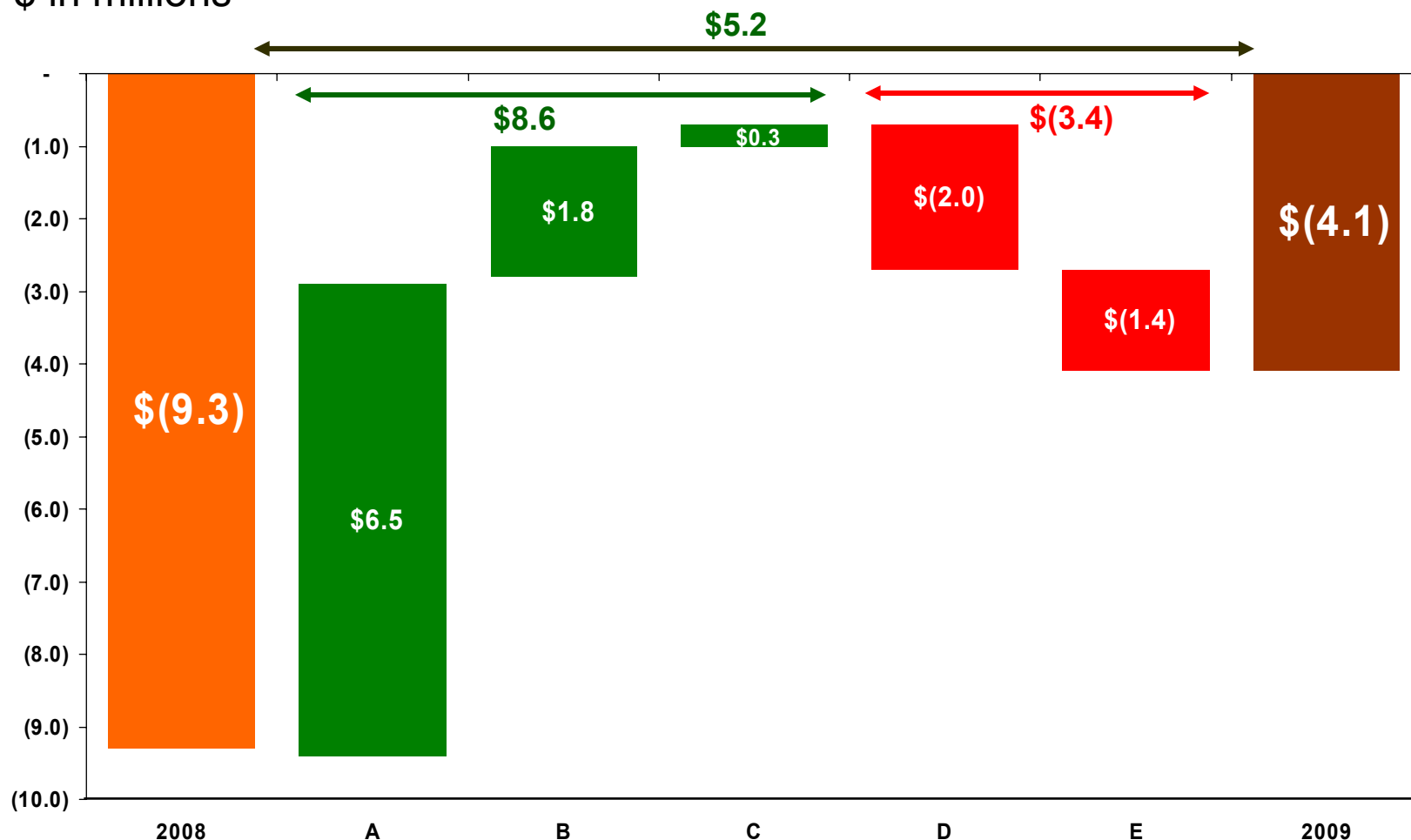
- Filed a rate case with the Michigan Public Service Commission on June 26, 2009
  - Requesting \$12.2 million, or a 12.7% increase
  - Key data points
    - Rate base – \$159.1 million corporate – of that \$145.5 million is retail
    - Common equity percentage – 49.52% \*
    - Return on equity – 12.0%
  - Decoupling mechanism proposed
  - Bad debt recovery mechanism proposed
  - Expect interim rates based on full request to be effective January 1, 2010
  - Final order required no later than June 2010

\* Deferred taxes in capital structure

# Regulated Natural Gas Utility Segment – Second Quarter 2009



\$ in millions



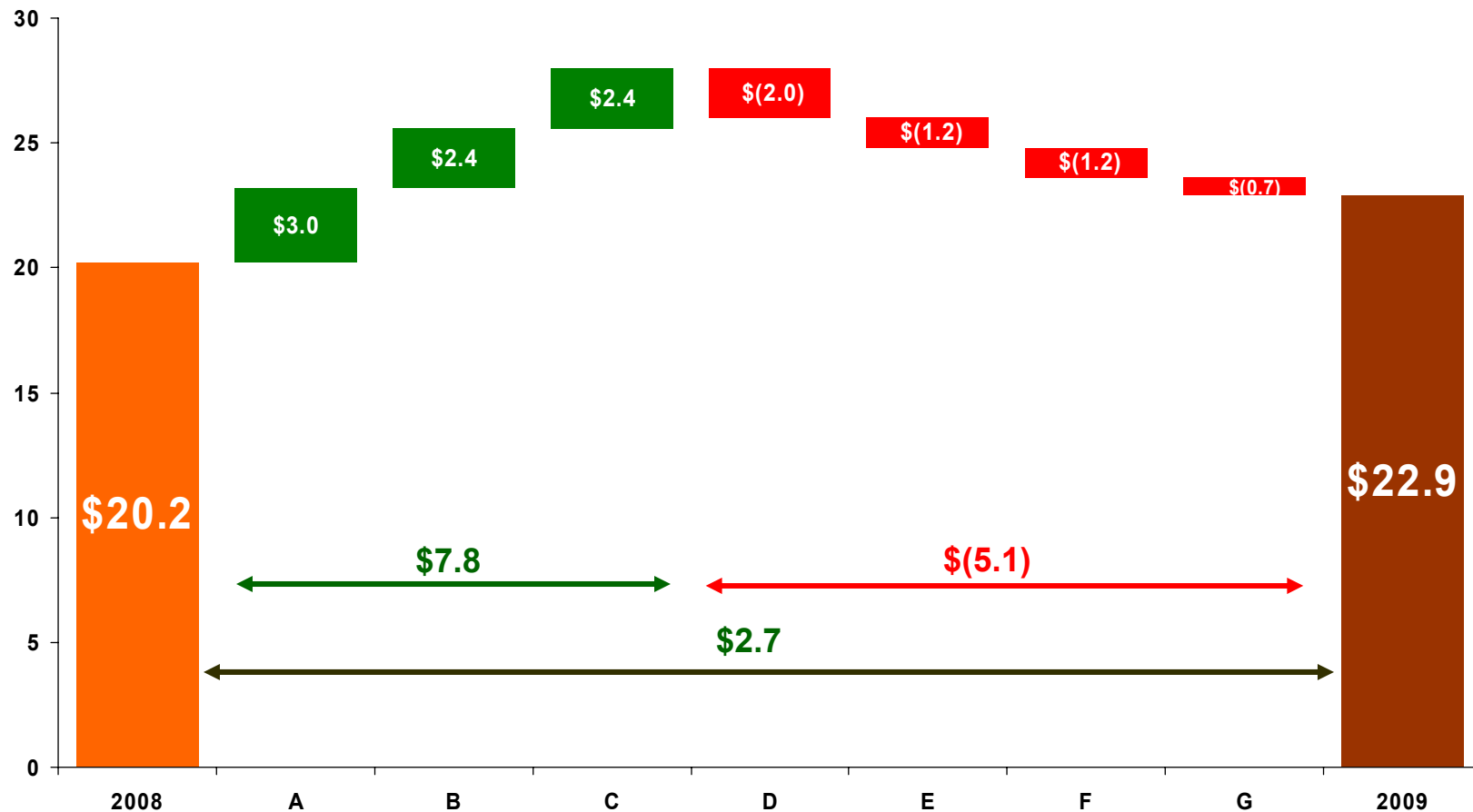
**A** – Non-cash goodwill impairment loss in second quarter 2008 related to North Shore Gas  
**B** – Impact on margin as a result of rate cases

**C** – Other  
**D** – Increased operating and maintenance expenses  
**E** – Lower volumes related to the general economic slowdown, partially offset by the impact of decoupling

# Regulated Electric Utility Segment – Second Quarter 2009



\$ in millions



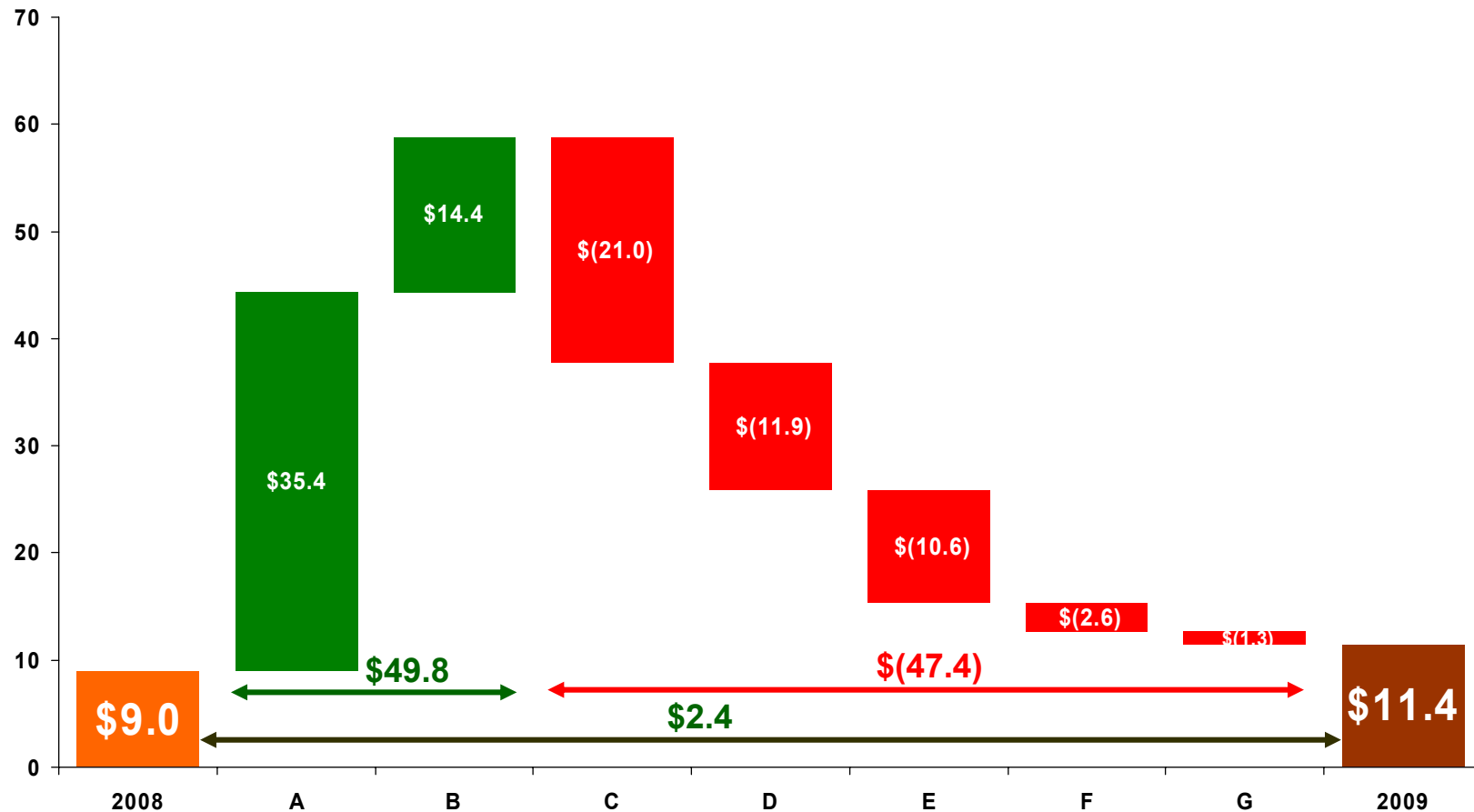
- A – Increase margin from wholesale customers
- B – Decrease in residential and commercial and industrial sales volumes, offset by positive impact of decoupling at WPS
- C – Increase in retail electric rates related to the July 4, 2008, fuel surcharge which became part of base rates in 2009

- D – Increase in maintenance expenses
- E – Increase in interest expense
- F – Increase in pension and other postretirement benefit costs
- G – Other

# Nonregulated Integrys Energy Services Segment – Second Quarter 2009



\$ in millions



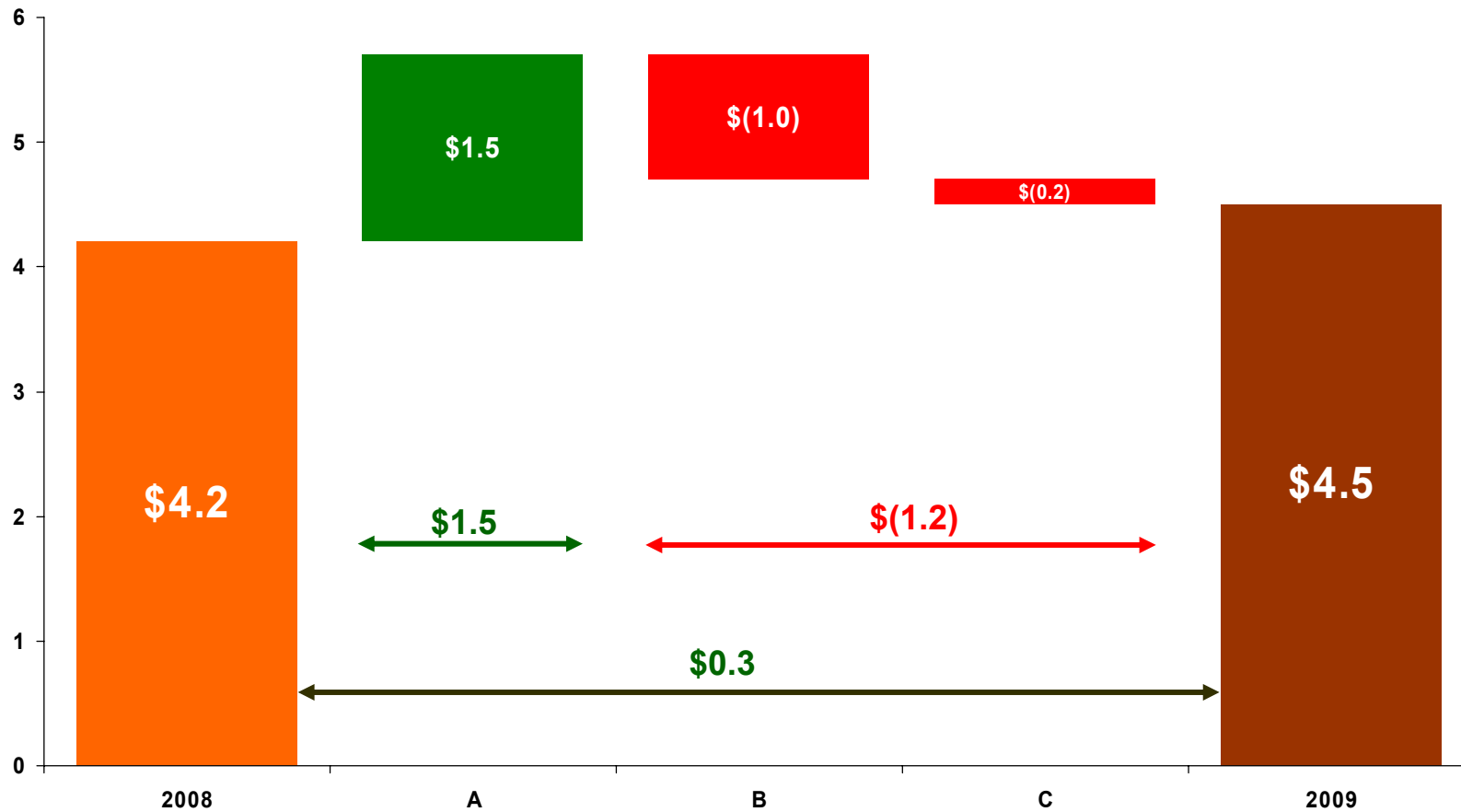
- A – Increase in margin related to non-cash activity
- B – Combined increase in realized retail and wholesale electric margin
- C – Decrease in realized natural gas margins

- D – Restructuring expense
- E – Increased operating and maintenance fees
- F – Increase in interest expense and decrease in other income
- G – Other

# Holding Company/Other – Second Quarter 2009



\$ in millions



- A – Increased equity earnings from 34% ownership in American Transmission Company
- B – Increased holding company legal expenses
- C – Other

# Collateral Requirement Impact of Theoretical Credit Rating Change



## Estimates as of June 30, 2009

| (millions)   | <b>One Notch</b><br>BBB- for IntegrYS<br>Energy Group | <b>Two Notches</b><br>BB+ for IntegrYS<br>Energy Group | <b>Three Notches</b><br>BB for IntegrYS<br>Energy Group | <b>Four Notches</b><br>BB- for IntegrYS<br>Energy Group | Total |
|--------------|---|--|---|---|-------|
| Nonregulated | \$189   | \$377  | \$ 5  | \$ 0  | \$571 |
| Regulated    | 18  | 26   | 31  | 4   | 79    |
| Total        | 207   | 403  | 36  | 4   | 650   |
| Cumulative   | 207   | 610  | 646   | 650   |       |

### 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)

|  | Three Months Ended June 30 |                  |                  | 6 Months Ended June 30 |                  |                  |
|--|----------------------------|------------------|------------------|------------------------|------------------|------------------|
|  | 2009                       | 2008             | Change           | 2009                   | 2008             | Change           |
| Natural Gas  |                            |                  |                  |                        |                  |                  |
| Retail   |                            |                  |                  |                        |                  |                  |
| Realized margins (1)   | \$ 8.0                     | \$ 10.5          | \$ (2.5)         | \$ 48.6                | \$ 40.1          | \$ 8.5           |
| Unrealized gain/(loss) (2)   | 6.8                        | (33.4)           | 40.2             | (42.3)                 | (47.5)           | 5.2              |
| Effect of purchase accounting on realized margins (3)                | (0.2)                      | (0.5)            | 0.3              | (1.3)                  | (4.4)            | 3.1              |
| Effect of purchase accounting on unrealized margins (3)              | (0.1)                      | (0.2)            | 0.1              | (0.3)                  | (0.8)            | 0.5              |
|  | <u>14.5</u>                | <u>(23.6)</u>    | <u>38.1</u>      | <u>4.7</u>             | <u>(12.6)</u>    | <u>17.3</u>      |
| Wholesale  |                            |                  |                  |                        |                  |                  |
| Realized margins w without low er of cost or market impact (1)       | (2.2)                      | 30.3             | (32.5)           | 21.6                   | 42.2             | (20.6)           |
| Low er of cost or market impact on realized margin (4)               | 46.0                       | (1.4)            | 47.4             | 65.0                   | 4.7              | 60.3             |
| Unrealized gain/(loss) (2)   | (32.9)                     | (51.8)           | 18.9             | (27.0)                 | (73.6)           | 46.6             |
| Effect of purchase accounting on realized margins (3)                | 0.7                        | 1.0              | (0.3)            | 3.6                    | -                | 3.6              |
| Effect of purchase accounting on unrealized margins (3)              | 0.8                        | 1.2              | (0.4)            | (1.6)                  | (1.3)            | (0.3)            |
|  | <u>12.4</u>                | <u>(20.7)</u>    | <u>33.1</u>      | <u>61.6</u>            | <u>(28.0)</u>    | <u>89.6</u>      |
| Total Natural Gas Margins  | <u>\$ 26.9</u>             | <u>\$ (44.3)</u> | <u>\$ 71.2</u>   | <u>\$ 66.3</u>         | <u>\$ (40.6)</u> | <u>\$ 106.9</u>  |
| Electric and Other   |                            |                  |                  |                        |                  |                  |
| Retail   |                            |                  |                  |                        |                  |                  |
| Realized margins (1)   | 23.1                       | 13.0             | 10.1             | 46.8                   | 30.4             | 16.4             |
| Unrealized gain/(loss) (2)   | 27.1                       | 50.9             | (23.8)           | (20.1)                 | 106.0            | (126.1)          |
| Effect of purchase accounting on realized margins (3)                | (0.3)                      | (5.6)            | 5.3              | (0.4)                  | (5.7)            | 5.3              |
| Effect of purchase accounting on unrealized margins (3)              | (0.7)                      | 1.7              | (2.4)            | (0.8)                  | 0.2              | (1.0)            |
|  | <u>49.2</u>                | <u>60.0</u>      | <u>(10.8)</u>    | <u>25.5</u>            | <u>130.9</u>     | <u>(105.4)</u>   |
| Wholesale Trading and Structured Origination (5)                     |                            |                  |                  |                        |                  |                  |
| Realized margins (1)   | 31.5                       | 22.9             | 8.6              | 43.9                   | 33.7             | 10.2             |
| Unrealized gain/(loss) (2)   | (3.1)                      | 17.9             | (21.0)           | (14.9)                 | 63.3             | (78.2)           |
|  | <u>28.4</u>                | <u>40.8</u>      | <u>(12.4)</u>    | <u>29.0</u>            | <u>97.0</u>      | <u>(68.0)</u>    |
| Total Electric and Other Margins                                     | <u>77.6</u>                | <u>100.8</u>     | <u>(23.2)</u>    | <u>54.5</u>            | <u>227.9</u>     | <u>(173.4)</u>   |
| <b>Total Gross Margin</b>  | <b>\$ 104.5</b>            | <b>\$ 56.5</b>   | <b>48.0</b>      | <b>\$ 120.8</b>        | <b>\$ 187.3</b>  | <b>(66.5)</b>    |
| <b>Realized margins w without lower of cost or market impact (1)</b> | <b>\$ 60.4</b>             | <b>\$ 76.7</b>   | <b>\$ (16.3)</b> | <b>\$ 160.9</b>        | <b>\$ 146.4</b>  | <b>\$ 14.5</b>   |
| <b>Lower of cost or market impact on realized margin (4)</b>         | <b>46.0</b>                | <b>(1.4)</b>     | <b>47.4</b>      | <b>65.0</b>            | <b>4.7</b>       | <b>60.3</b>      |
| <b>Unrealized gain/(loss) (2)</b>                                    | <b>(2.1)</b>               | <b>(16.4)</b>    | <b>14.3</b>      | <b>(104.3)</b>         | <b>48.2</b>      | <b>(152.5)</b>   |
| <b>Effect of purchase accounting on realized margins (3)</b>         | <b>0.2</b>                 | <b>(5.1)</b>     | <b>5.3</b>       | <b>1.9</b>             | <b>(10.1)</b>    | <b>12.0</b>      |
| <b>Effect of purchase accounting on unrealized margins (3)</b>       | <b>-</b>                   | <b>2.7</b>       | <b>(2.7)</b>     | <b>(2.7)</b>           | <b>(1.9)</b>     | <b>(0.8)</b>     |
| <b>Total Gross Margin</b>  | <b>\$ 104.5</b>            | <b>\$ 56.5</b>   | <b>\$ 48.0</b>   | <b>\$ 120.8</b>        | <b>\$ 187.3</b>  | <b>\$ (66.5)</b> |

(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



|  | Three Months Ended June 30 |         |         | 6 Months Ended June 30 |         |         |
|--|----------------------------|---------|---------|------------------------|---------|---------|
|  | 2009                       | 2008    | Change  | 2009                   | 2008    | Change  |
| <b>Volumes Delivered (includes only transactions settled physically for the periods shown)</b> |                            |         |         |                        |         |         |
| Retail Natural Gas (in billion cubic feet)   | 54.6                       | 73.3    | (18.7)  | 151.9                  | 180.9   | (29.0)  |
| Realized per unit margins (\$ per dekatherm)   | \$ 0.15                    | \$ 0.14 | \$ 0.01 | \$ 0.32                | \$ 0.22 | \$ 0.10 |
| Retail Electric (in kilowatt-hours)  | 3,719.3                    | 4,036.7 | (317.4) | 7,716.6                | 7,989.4 | (272.8) |
| Realized per unit margins (\$ per megawatt-hour)   | \$ 6.21                    | \$ 3.22 | \$ 2.99 | \$ 6.06                | \$ 3.81 | \$ 2.25 |

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 \$167.3. For the period ended June 30, 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 June 30, 2009  
(Pre-tax dollars in millions)

| Settlement Years | Gross 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             | \$ 71.0                  | \$ (58.6)                                      | \$ 129.6   | \$ 1.0  | \$ 130.6   |
| 2010             | 101.7                    | (46.9)   | 148.6  | 2.7   | 151.3  |
| 2011             | 38.5                     | 4.6  | 33.9   | 2.0   | 35.9   |
| 2012             | 19.1                     | 10.6   | 8.5  | 0.3   | 8.8  |
| 2013 and Beyond  | 28.7                     | 19.2   | 9.5  | (0.1)   | 9.4  |
|                  | <u>\$ 259.0</u>          | <u>\$ (71.1)</u>                               | <u>\$ 330.1</u>  | <u>\$ 5.9</u>   | <u>\$ 336.0</u>                                      |

Refer to Slide 40 for a reconciliation of the non-GAAP financial metrics to the GAAP financial statements.

# 2009 Integrys Energy Services Value Creation



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

|   | Natural Gas |           |           | Electric and Other |           |          | Total<br>Natural<br>Gas and<br>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, 2009   | \$ 36.1     | \$ 24.3   | \$ 60.4   | \$ 99.0            | \$ 99.6   | \$ 198.6 | \$ 259.0                                |
| As of December 31, 2008   | 56.1        | 39.1      | 95.2      | 89.7               | 102.7     | 192.4    | 287.6                                   |
| <b>Change in Forward Book Value</b>                                     | (20.0)      | (14.8)    | (34.8)    | 9.3                | (3.1)     | 6.2      | (28.6)                                  |
| <b>Total Realized Gross Margin <sup>(2)</sup></b>                       | 48.6        | 21.6      | 70.2      | 46.8               | 43.9      | 90.7     | 160.9                                   |
| <b>Year-to-Date June 2009 Managerial<br/>Gross Margin</b>               | \$ 28.6     | \$ 6.8    | \$ 35.4   | \$ 56.1            | \$ 40.8   | 96.9     | \$ 132.3                                |
| <b>Year-to-Date June 2008 Managerial<br/>Gross Margin</b>               | \$ 30.0     | \$ 43.4   | \$ 73.4   | \$ 19.9            | \$ 58.4   | \$ 78.3  | \$ 151.7                                |
| <b>Change from Prior Year</b>   | \$ (1.4)    | \$ (36.6) | \$ (38.0) | \$ 36.2            | \$ (17.6) | \$ 18.6  | \$ (19.4)                               |

Refer to Slide 40 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 +\$65.0 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 June 2009  
(Pre-tax dollars in millions)

|   | Natural Gas     |                |              | Electric and Other |                  |                  | Total<br>Natural Gas<br>and Electric |
|---|-----------------|----------------|--------------|--------------------|------------------|------------------|--------------------------------------|
|   | Retail          | Wholesale      | Total        | Retail             | Wholesale        | Total            |                                      |
| <b>Forward Book Value (a Non-GAAP financial measure)</b>  |                 |                |              |                    |                  |                  |                                      |
| <b>As of June 30, 2009</b>  | \$ 36.1         | \$ 24.3        | \$ 60.4      | \$ 99.0            | \$ 99.6          | \$ 198.6         | \$ 259.0                             |
| Plus: Unamortized electric and gas option premiums (1)  | (0.4)           | 6.0            | 5.6          | 7.6                | 6.2              | 13.8             | 19.4                                 |
| Less: Fair value of nonderivative contracts, derivative contracts designated as normal purchase and sales, portfolio valuation reserves, elimination, and other (2) | (82.3)          | (39.6)         | (121.9)      | 276.6              | 136.8            | 413.4            | 291.5                                |
| <b>Net Risk Management Assets and Liabilities per GAAP Balance Sheet</b>  | <b>\$ 118.0</b> | <b>\$ 69.9</b> | <b>187.9</b> | <b>\$(170.0)</b>   | <b>\$ (31.0)</b> | <b>\$(201.0)</b> | <b>\$ (13.1)</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. 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 value, while a negative number represents negative value.