

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

Operator will introduce you, and then begin reading.

Steven Eschbach, Vice President – Investor Relations, speaks.

Good morning. Welcome to Integrys Energy Group's 2009 second quarter earnings conference call. Delivering formal remarks with me today are Charlie Schrock, our President and Chief Executive Officer; Larry Borgard, our President and Chief Operating Officer – Utilities; and Joe O'Leary, our Senior Vice President and Chief Financial Officer. Other executives, including Larry Weyers, our Executive Chairman; and Mark Radtke, President and Chief Executive Officer of our nonregulated subsidiary, Integrys Energy Services, are available for the question and answer session at the conclusion of our formal remarks.

The slides supporting today's presentation and an associated data package are located on our Web site at www.integrysgroup.com. Select Investor, select Presentations, and then today's presentation.

Before we begin, I will advise everyone that this call is being recorded and will be available for replay through October 30, 2009.

I need to direct you to Slides 3 and 4 of our presentation and to point out that this presentation contains forward-looking statements within the definition of the Securities

and Exchange Commission's Safe Harbor rules including projected results for Integrys Energy Group and its subsidiaries. Forward-looking statements contain factors that are beyond the ability of Integrys Energy Group to control and, in many cases, Integrys Energy Group cannot predict what factors would cause actual results to differ materially from those indicated by forward-looking statements. I also refer you to the forward-looking statement section of yesterday's news release for further information. Except as may be required by federal securities laws, Integrys Energy Group and its subsidiaries undertake no obligation to publicly update or revise any forward-looking statement contained in this presentation, whether the result of new information, future events, or otherwise.

Slide 5 indicates that today's presentation includes non-GAAP financial information related to "diluted earnings per share – adjusted," "forward book value," and "managerial gross margin." We believe that diluted earnings per share – adjusted, forward book value, and managerial gross margin are useful measures for providing investors with additional insight into our operating performance and the effects of certain items that are not comparable from one period to the next. Please review the text of this slide regarding non-GAAP financial information.

I will now turn the call over to Charlie Schrock. Charlie...

Charlie Schrock, President and Chief Executive Officer, speaks.

Thanks, Steve. Good morning, everyone, and thanks for joining us on the call today. I will begin with our agenda on Slide 6.

I will review our second quarter results, our earnings per share guidance, our Integrys Energy Services divestiture progress, and our dividend. Then Larry Borgard will discuss our core utility operations and provide an update on our regulatory filings. Joe O'Leary will discuss our second quarter 2009 results in detail, our current liquidity

situation, capital expenditure plans through 2011, long-term financing plans, and details for our earnings per share guidance. Finally, we will be happy to take your questions.

Moving to Slide 7, let me give you a high level overview of our financial results. Second quarter 2009 diluted earnings per share – adjusted was 30 cents, compared with 27 cents for the same period in 2008. This figure has been calculated by excluding from our diluted earnings per share – adjusted the Integrys Energy Services results and the natural gas utility goodwill impairment charge for 2008. We have presented our results to you in this way because it depicts our strategy to divest Integrys Energy Services and to evolve into a predominantly regulated Midwestern utility company. In the second quarter, our core regulated utilities performed well. The financial impact of a decrease in natural gas and electric throughput volumes in our regulated utilities segment was more than offset by the impact of finalized rate cases in the electric and natural gas segments, increased margin from our electric utility wholesale customers, decoupling, and the results of our operational optimization and cost reduction efforts.

We are also reaffirming our earnings per share guidance for 2009 and 2011. To address some of the demand implications of a weakened economic environment, we have continued to implement initiatives to improve our operational performance to overcome the recession's impact on our regulated utilities and conserve cash. Some specific examples from what we have previously mentioned includes hiring restrictions, reduced travel, and decreased use of contractors.

Finally, our Integrys Energy Services divestiture process is moving forward, as I will now discuss.

Moving on to Slide 8, as we have said before, Integrys Energy Services is a good, profitable business; however, it is one that has outgrown our balance sheet due to its growth and variable collateral support requirements. Recent transaction announcements demonstrate the progress we are making on our objective to divest of Integrys Energy Services. With this divestiture, we will strengthen our balance sheet

and support our core utility business with divestiture proceeds and recovered capital. We are executing this plan through multiple transactions to achieve the highest value for our investors. The process is ongoing, and we expect to make additional transaction announcements later in the third quarter or early in the fourth quarter of 2009. To date, the amount of recovered capital has been consistent with our expectations.

On Slide 9, we have summarized the two transactions that we announced in July.

First, we announced that we have reached a definitive agreement to sell our Canadian natural gas and electric power marketing business to Shell Energy North America (Canada) Inc. We expect this transaction to close in the fall of 2009. Our exit from this Canadian business is expected to free up about 300 million dollars of collateral support requirements. Now, just to be clear about the terminology that we are using, collateral support requirements differ from invested capital because it also includes cash, letters of credit, and corporate guarantees. The collateral support requirements for this Canadian business required very little cash collateral, primarily using letters of credit and non-cash corporate guarantees.

Second, we announced that we closed on the sale of our Energy Management Consulting Services business to U. S. Energy Services. The small group of employees in this business generated revenue of about 4 million dollars during 2008 and provided services to about 30 clients. This business required minimal collateral support and capital investment.

We recognize that many of you are looking for more information with respect to the proceeds that we expect to receive from these two transactions and the portion of the Integrys Energy Services segment that they represent. I hope you can appreciate that since we are in various stages of negotiations for the other Integrys Energy Services businesses, we have decided not to disclose individual transaction proceeds at this time.

To give you a sense of the portion of Integrys Energy Services that we have announced transactions for, the lines highlighted in red and green on Slide 10 are 3 of the 12 operations of Integrys Energy Services that have definitive agreements in place to be sold or have already been sold. The slide is not designed to provide the relative size of each operation within Integrys Energy Services, instead it provides a listing of their diverse operations.

Moving on to Slide 11, we have provided a progress report on capital recovery and the reduction in collateral support requirements. We have previously announced our expectations to recover approximately one billion dollars of capital as a result of our Integrys Energy Services strategy change by the end of 2010. As a result of operations since the start of the year, we have recovered approximately 400 million dollars of capital through June 30, 2009. In addition, corporate guarantees issued on behalf of Integrys Energy Services have decreased from 2.6 billion dollars at March 31, 2009, to 2.0 billion dollars at June 30, 2009. Our target for December 31, 2009, is to further reduce corporate guarantees to 1.1 billion dollars at December 31, 2009 for Integrys Energy Services.

Slide 12 will look familiar to you, as our plans for the use of the proceeds have not changed, so I will not go into too much detail. Our first priority is to pay down debt, which will improve our ability to fund future investment in our regulated utility rate base growth. Upon conclusion of our planned Integrys Energy Services divestiture, we expect to have substantially reduced liquidity needs and credit facilities. We, as a regular course of business, continue to communicate with the credit rating agencies as we execute our plan.

Turning to Slide 13, I will comment on our quarterly dividend. Our Board of Directors has approved a dividend of 68 cents per share, payable in September 2009. The Board continues to carefully consider the quarterly dividend level based on a number of factors. These include our long-term corporate strategy, the long-term financial strength of the Company, earnings and cash flow, the impacts of the economy, the long-term

outlook for authorized regulatory returns on equity, capital market conditions, and the Integrys Energy Services divestiture, to name a few. We continue to strive to provide shareholder value through the payment of dividends and increased earnings per share.

With that, I will turn the call over to Larry Borgard.

Larry Borgard, President and Chief Operating Officer – Utilities, speaks.

Thank you, Charlie.

I will review our core regulated utility operations, beginning with an overview of our plan to drive growth, and then providing an update on our ongoing rate cases.

Beginning with Slide 14—we are focused on having our regulated utilities earn at or close to their authorized return on equity, and we intend to achieve this through a combination of operational improvements and successful rate case executions. If you recall, in 2008, we completed 5 rate cases, which has had a positive impact on our earnings. In 2009, we are processing 5 more rate cases, and this is consistent with our path to deliver on our financial expectations for 2011. Hand-in-hand with these rate cases and our goal of achieving at or close to our allowed return on equity is our initiative to continually improve operations, reduce costs, and generally run a leaner company.

Through investments in infrastructure in Chicago and in environmental and renewable projects in Wisconsin, we will increase our regulated utility rate base investment over time.

We also continue to benefit from our investment in American Transmission Company, which has announced that it expects to invest 2.7 billion dollars over the next ten years.

Moving to Slide 15, I will give you an update of our regulatory calendar. We are anticipating a final order for Wisconsin Public Service by the end of 2009 and final orders for Peoples Gas and North Shore Gas by January 2010. We also anticipate final rates for Minnesota Energy Resources by the end of 2009 and interim rates for Michigan Gas Utilities and Upper Peninsula Power by January 2010. We hope that this slide gives you a helpful overview of our rate case calendar items, as well as individual milestones for each utility. On the left-hand side is each jurisdiction and/or utility and the key milestones in their respective regulatory proceedings. Each item is coded so you can reference it to the monthly calendar that appears on the right-hand side. This slide is designed to facilitate reference either by utility or date, whichever is your preference. Details for each regulatory filing are included in our Appendix in Slides 31 through 35.

Before turning this call over to Joe, I want to comment briefly on a change we are making to our capital expenditure plan, particularly for Wisconsin Public Service's next wind farm project. In March 2008, we announced that we had signed a letter of intent to acquire a 150-megawatt wind farm project that High Country Energy was developing in Minnesota. Although we did enter into an Acquisition and Sale Agreement in February 2009, due to the changing marketplace forces, High Country was unable to meet certain requirements of the agreement, so we terminated the agreement in July 2009. This will not have an adverse impact on us meeting the Renewable Portfolio Standards requirements in Wisconsin for 2010 and 2015 as our 99-megawatt Crane Creek wind farm project is expected to come on line by the end of 2009 as well as other projects that will enable us to meet any current and future renewable energy generation mandates. Where future wind generation will be located is uncertain as we believe that there are currently transmission issues with expanding wind generation in Minnesota.

With that, I will now turn this call over to Joe O'Leary.

Joe...

Joe O'Leary, Senior Vice President and Chief Financial Officer, speaks.

Thank you, Larry.

I will begin with Slide 16. During the second quarter of 2009, in accordance with generally accepted accounting principles, or GAAP, we recognized net income attributed to common shareholders of 34.7 million dollars compared with net income attributed to common shareholders of 24.1 million dollars in the same quarter a year ago. This resulted in diluted earnings per share of 45 cents for the quarter ended June 30, 2009, compared with diluted earnings per share of 31 cents for the same quarter in 2008. To arrive at diluted earnings per share – adjusted, the non-cash goodwill impairment losses are added back. This table also removes the financial results from Integrys Energy Services for the second quarter of 2009 as well as the second quarter of 2008 given that the impact on earnings of our change in strategy for this segment is not comparable to the strategy in place during 2008. As you can see, our core utilities, in the aggregate, performed well in the second quarter of 2009 versus the same period a year ago. Similarly, year-to-date results in 2009 are up versus the same period a year ago.

There are 7 key items driving the positive 10.6 million dollar quarter-over-quarter change in GAAP net income, and we have presented them in after-tax dollars on Slide 17. Additional detail related to the quarter-over-quarter drivers by segment can be found on Slides 36 through 39 in the Appendix contained in the slide deck for today's presentation, in the news release we issued last evening, and in the Form 10-Q we filed with the Securities and Exchange Commission last evening, which are also available on our web site.

Moving on to Slide 18, I would like to update you on our current liquidity situation. First and foremost, Integrys Energy Group continues to have a strong financial position. We have credit facilities totaling approximately 2.2 billion dollars with 27 financial institutions. The largest exposure we have at any one financial institution is about

12 percent of our total credit facilities. At July 31, 2009, approximately 1.7 billion dollars of the credit facilities were unused and available for us to support our short-term borrowing needs in addition to approximately 150 million dollars of cash on hand.

Slide 19 sets forth our expected long-term financing activity through the end of 2009. In June, we completed a 155 million dollar financing transaction for Integrys Energy Group. Our long-term debt financing plan for the remainder of 2009 includes the potential additional issuance of up to 195 million dollars for Integrys Energy Group and approximately 50 million dollars for Peoples Gas. We have not issued any new shares of common equity to date in 2009, and we do not currently have plans to issue common stock through the end of 2011, with the possible exception of a minimal number of common equity shares for certain stock based compensation programs. We will continue to assess this throughout the year based on the outcome around Integrys Energy Services and prevailing market conditions.

Slide 20 provides updated information on our planned capital expenditures through 2011. Our expenditures for Wisconsin Public Service have been reduced due to the elimination of our planned investment in the High Country wind farm that Larry described earlier. Other changes have been made with respect to scheduling of specific projects. In summary, planned capital expenditures for the regulated utilities have been reduced by 75 million dollars for the three-year period 2009 through 2011.

Slide 21 provides updated utility depreciation by company through 2011.

Slide 22 provides projected net growth in regulated utility rate base investment through 2011.

Turning to Slide 23, I will now discuss our earnings guidance for 2009, and we are presenting it in the same format as we did for our first quarter 2009 conference call. While we are reaffirming our total guidance for 2009 for diluted earnings per share – adjusted in the range of 2 dollars and 17 cents to 2 dollars and 32 cents, note that there

is a slight change by business segment. The electric segment has been reduced to reflect the fact that we have reached the decoupling cap for Wisconsin Public Service's electric utility and anticipate lower sales volumes for the balance of the year. The natural gas segment, exclusive of the after-tax non-cash goodwill impairment charge, has been increased to reflect lower anticipated operating and maintenance expenses. Our assumptions for our guidance are detailed on the bottom of the slide.

Turning to Slide 24, you can see that we are reaffirming our guidance for 2011 as previously announced on our May 1, 2009 conference call. The 2009 diluted earnings per share – adjusted has been carried over to this slide for ease of reference. Again, we have included the assumptions for our guidance on the bottom of the slide.

Now I will turn the call back over to Charlie Schrock.

Charlie Schrock, President and CEO, speaks.

Thanks, Joe.

Turning to Slide 25, I will summarize the key points from today's discussion. First, we are executing our previously stated business strategy in a number of ways that begins with improved core utility earnings. Our core utilities continue to perform well, with diluted earnings per share – adjusted up for the three months and six months ended June 30, 2009, versus the same periods in 2008. Second, our divestiture of Integrys Energy Services is advancing. On July 31, we closed on the sale of our Energy Management Consulting Services business, and we have a definitive agreement in place to sell our Canadian natural gas and electric power marketing business, which we expect to close this fall. We anticipate additional transaction announcements later in the third quarter or early fourth quarter of 2009. Third, we are driving earnings growth by our continued focus on improving the performance of our core utilities. We will continue to grow our core utilities by investing approximately 1.1 billion dollars in capital projects between 2009 and 2011, bringing to successful resolution the five rate cases

that we have in progress this year, and by focusing on operational excellence and cost controls to deliver on our financial commitments. Also, we expect to realize continued growth in earnings through our investment in the American Transmission Company. Fourth, our quarterly dividend of 68 cents per share payable in September 2009 was maintained, and our Board of Directors will continue to review the dividend on a periodic basis. Fifth, we are reaffirming our earnings per share guidance, which excludes Integrys Energy Services and goodwill impairment, for 2009 of between 2 dollars 17 cents and 2 dollars 32 cents and for 2011 of between 2 dollars 80 cents and 3 dollars 20 cents. Finally, we are also reaffirming our expected long-term, average annualized earnings per share growth target of four to six percent.

We appreciate the opportunity to share our prepared remarks. Now, I would like to open the floor to questions.

STOP

Allow operator to give instructions.

Repeat the question before answering.

Signal for the last question.

Take last question and then end the call with the following:

Steve Eschbach, Vice President – Investor Relations speaks:

Thank you for being a part of our second quarter earnings conference call. A replay of this conference call will be available until October 30, 2009, by dialing toll free 866-434-5245.

The text for today's presentation is available on our Web site at www.integrysgroup.com. Just select Investor and then Presentations.

If you have additional questions, you may contact me at 312-228-5408 or Donna Sheedy at 920-433-1857.