



**Company Update**  
**September 2008**

TEG  
**LISTED**  
NYSE



# 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

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) 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.



# IntegrYS Energy Group – Vision and Mission

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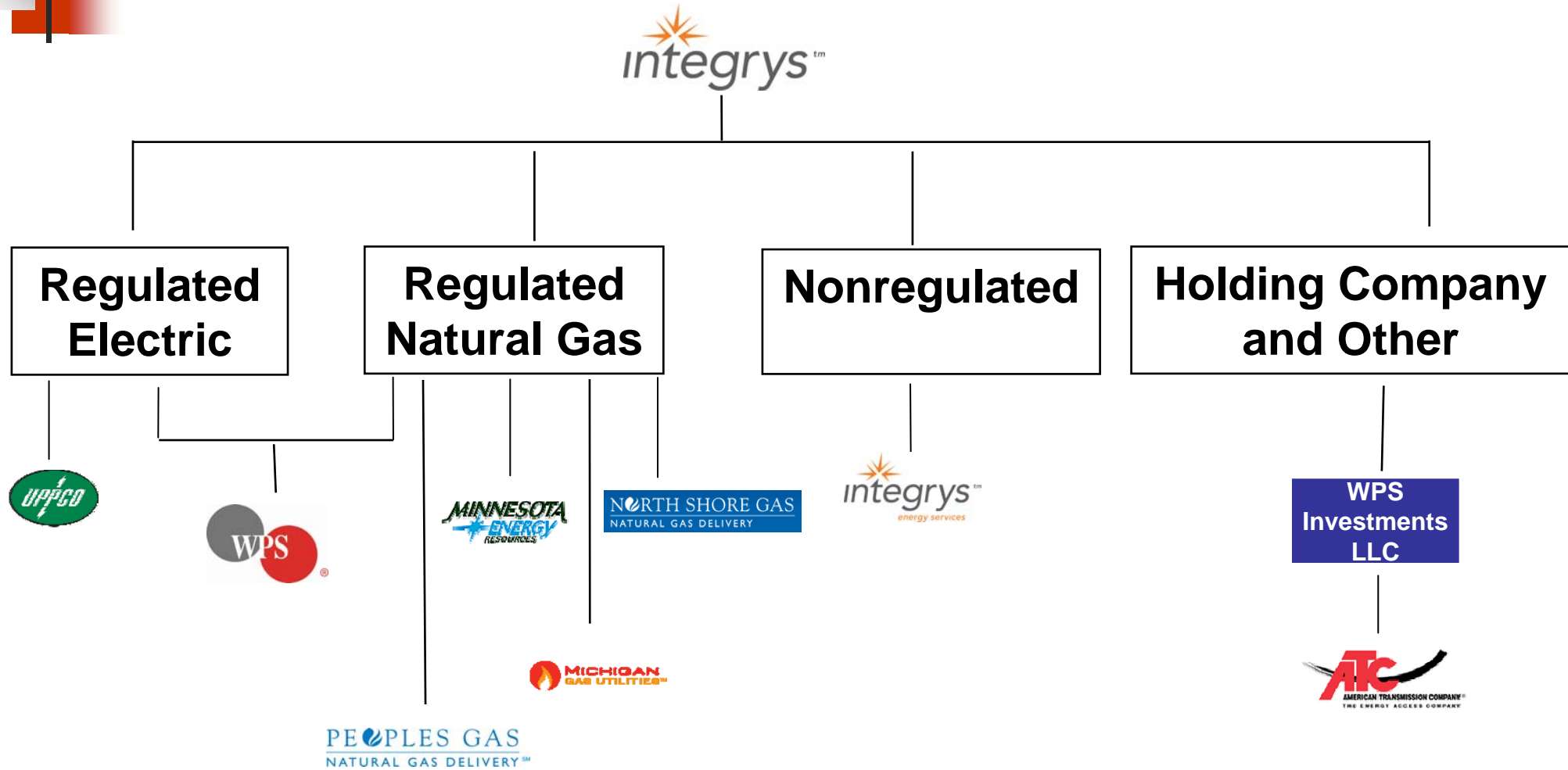
## **Vision**

People creating a premier and growing energy company

## **Mission**

Provide customers with the best value in energy and related services

# IntegrYS Energy Group – A Leading Midwest Energy Company



\$4 billion market cap



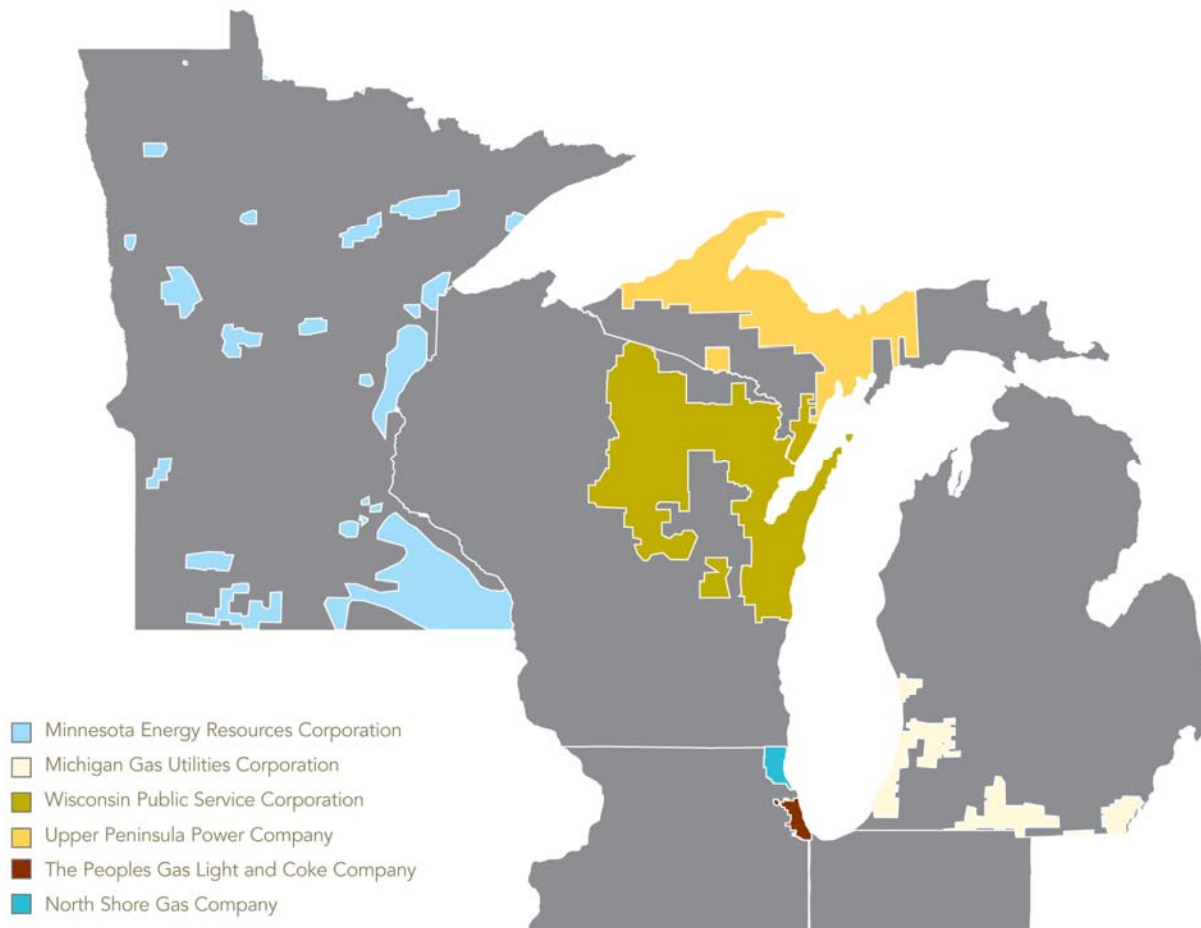
# Prospects for our Future

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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

# Strong and Diversified Regulated Utility Business

## Regulated service territory



- Serving the Midwest for over 120 years
- Stable organic earnings growth
  - ◆ Attractive service territories
  - ◆ Generation and distribution capital investment program
- Constructive regulatory approach
- Delivering superior customer service

# 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>
Estimated rate base/investment (\$ millions), IL	1,345	205					
Estimated rate base/investment (\$ millions), WI					338	1,288	
Estimated rate base/investment (\$ millions), MI				170	3	15	84.5
Estimated rate base/investment (\$ millions), MN			186				
<b>Wholesale as of 12/31/07</b>							
Estimated rate base/investment (\$ millions)						174	7.5

\* Represents contracted storage.

Note: Estimated rate base/investment dollars for all companies as of December 31, 2007. Most regulatory authorities use 13-month averages to determine authorized rate base/investments in rate proceedings.

# 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.

# Investing in Regulated Utility Capital Projects

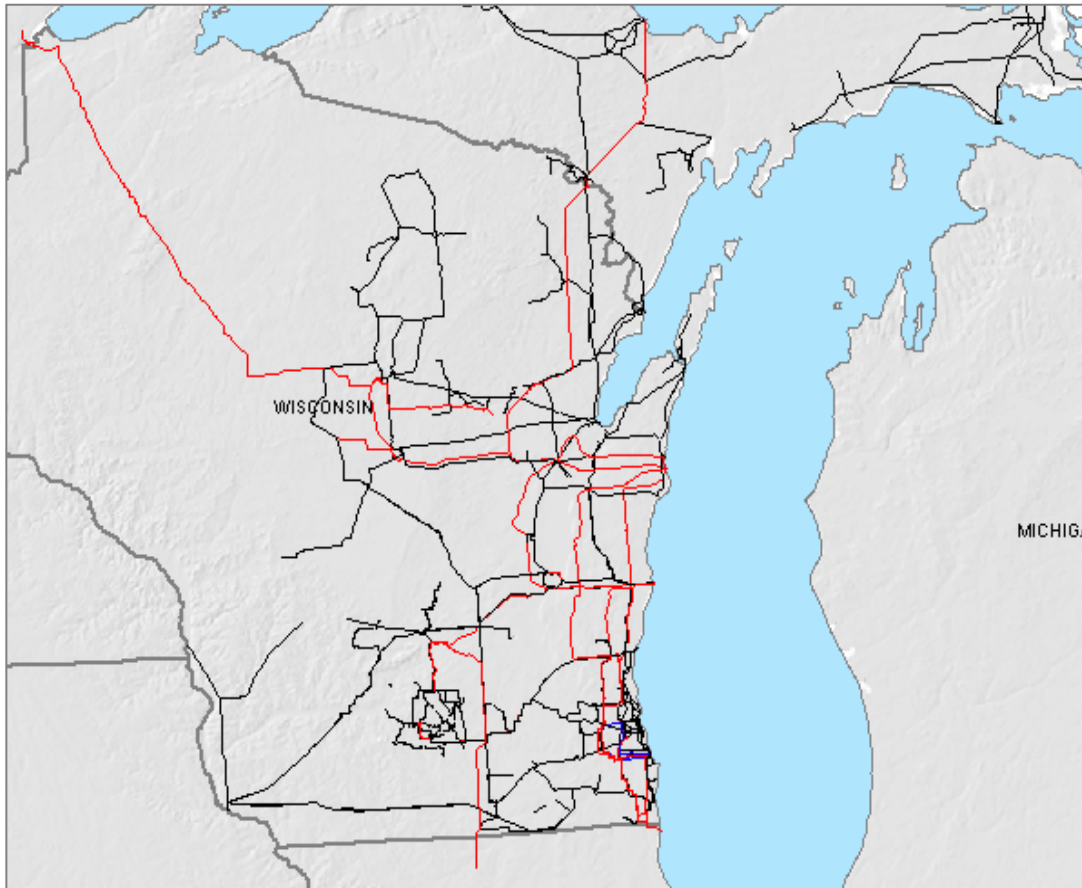
	(Millions)			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Capital Expenditures for Regulated Utility Operations	\$ 492	\$ 512	\$ 409	\$ 1,413
Estimated Depreciation for Regulated Utility Operations	<u>202</u>	<u>219</u>	<u>236</u>	<u>657</u>
Net Growth in Rate Base Investment	<u>\$ 290</u>	<u>\$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

# American Transmission Company



## Service territory

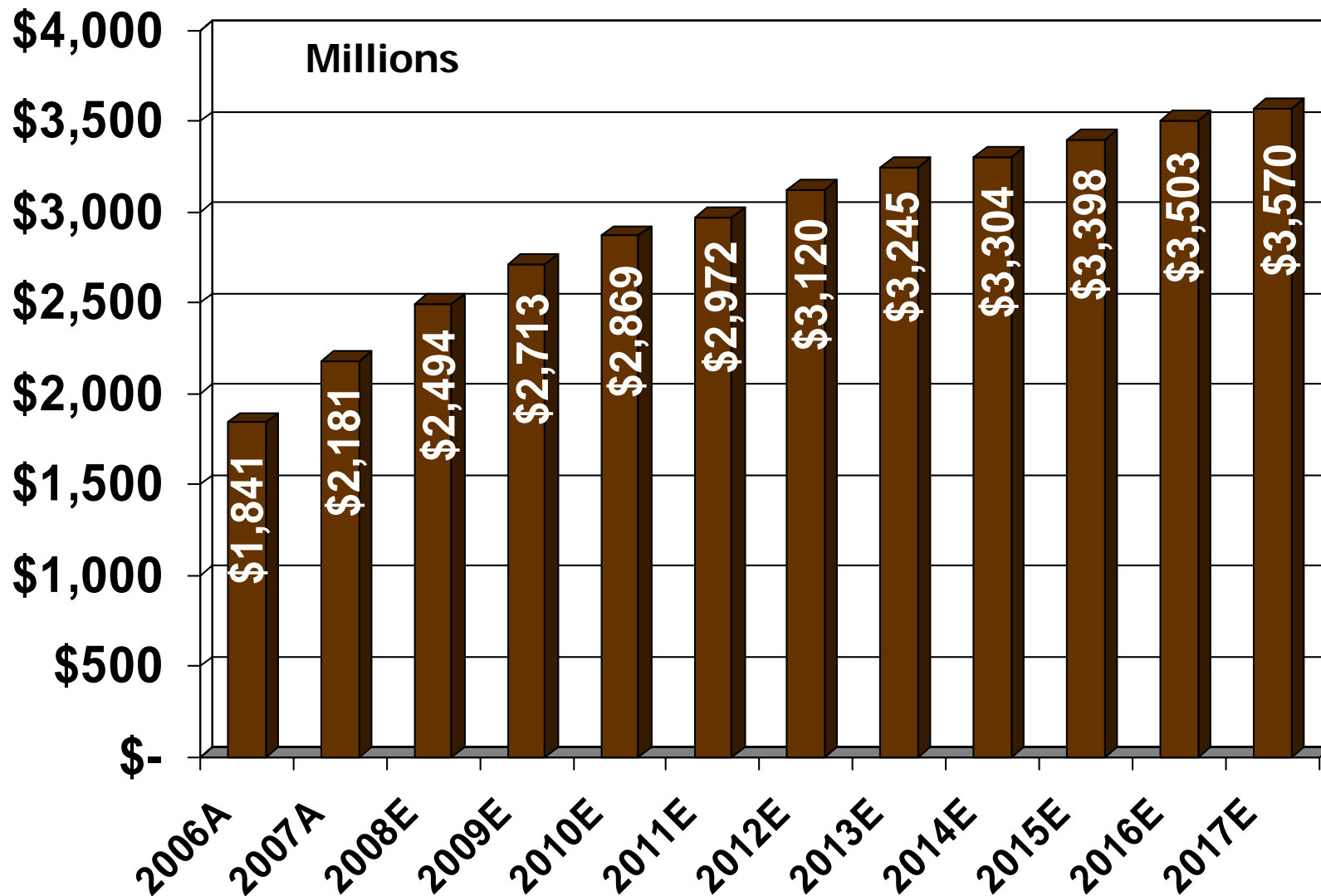
■ 345kV-499kV ■ 230kV-344kV ■ Below 230kV



## ATC key operating statistics

- Over \$2.5 billion in transmission assets
  - ◆ Announced in 2007 plans to spend \$2.8 billion over 10 years
- Authorized ROE: 12.2% on 50% equity
  - ◆ Rate design includes true-up mechanism and return on CWIP

# 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)

# Weston 4 Project

## Weston 4



- Approximate construction cost: \$1,600 per kilowatt
- Estimated construction cost for similar plant today: \$2,500-\$3,000 per kilowatt

## Project overview

- 500 MW low sulfur coal-fired base-load generation facility
- In service 1<sup>st</sup> quarter 2008, full commercial operation June 30, 2008
- Dairyland Power Cooperative owns 30% interest in Weston 4
- 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)

# 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, 2008
- Staff testimony filed August 29, 2008
- 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>



# Prospects for Future Growth in Value – Regulated Utilities

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- **Wisconsin Public Service**
  - 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
- **Regulated Natural Gas Segment**
  - Complete rate case process in Michigan and Minnesota to obtain approval for rate requests
  - Acceleration of investment in Chicago infrastructure

# IntegrYS Energy Services – Snapshot

- Serve 140,000 Customers
  - Northeast quadrant of US, adjacent portions of Canada, Texas, and Alberta, Canada
  - 32 pipelines and 6 electric markets
- Service Center Locations
  - United States: CO, IL, KY, ME, MI, NH, NY, OH, TX, VA, WI
  - Canada: AB, ON, QC
- 2007 Annual Sales Data
  - Revenue: \$7 billion
  - Natural gas sales: 765 BCF
  - Electric sales: 18.2 million megawatt-hours





## 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



# 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*

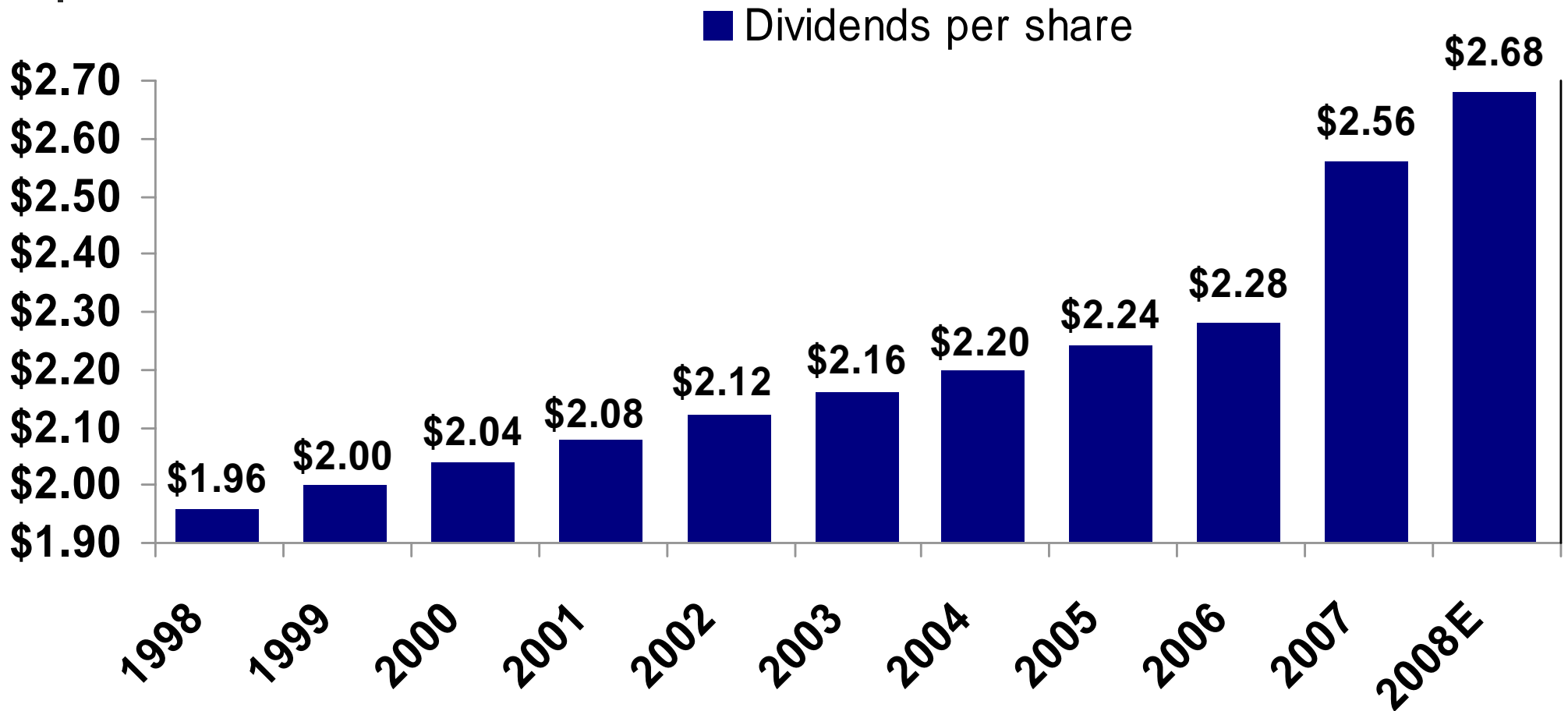
# Commitment to Strong Balance Sheet and Credit Ratings

## Current Credit Ratings

	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
<b>IntegrYS Energy Group, Inc.</b>		
Corporate credit rating	A-	*
Senior unsecured debt	BBB+	A3
Commercial paper	A-2	P-2
Credit facility	-	A3
Junior hybrid subordinated notes	BBB	Baa1

\* Has not issued a corporate credit rating.

# Recent Dividend Payments



- 68 consecutive years of dividends paid
- 50 consecutive years of dividend increases
  - ◆ S&P High Yield Dividend Aristocrat Index
  - ◆ Mergent Dividend Achiever
- Long-term target dividend payout ratio of 60-65% of earnings



# Investment Merits

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- Sound business focus
- Growing investment opportunities in regulated utilities and American Transmission Company
- Growing nonregulated business
- Delivering long-term earnings per share growth – *6% to 8% on an average annualized basis using 2008 as the base*
- Superior dividend track record
- Financial strength



*Appendix*

# 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.

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

<b>Capital 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
<b>Subtotal for Utilities</b>	<b>492</b>	<b>512</b>	<b>409</b>	<b>1,413</b>
Integrys Energy Services	35	3	4	42
Integrys Business Support	37	30	13	80
<b>Total Anticipated Capital Expenditures</b>	<b>564</b>	<b>545</b>	<b>426</b>	<b>1,535</b>
<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>

# Diluted EPS from Continuing Operations – Adjusted – Revised Guidance

(This guidance was provided as of 8/7/2008. It does not reflect any changes or events subsequent to that date.)

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

### Actual 2007 with 2008 Forecasts

	Actual 2007	Potential 2008 Diluted EPS Ranges	
		Low Scenario	High Scenario
Diluted EPS from continuing operations	\$ 2.48	\$ 3.33	\$ 3.53
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)	-	-
Integrays 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>	<b><u>\$ 2.52</u></b>	<b><u>\$ 3.63</u></b>	<b><u>\$ 3.83</u></b>
<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>	<b><u>\$ (0.13)</u></b>	<b><u>\$ 0.11</u></b>	<b><u>\$ 0.11</u></b>

#### 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)

# Drivers of Earnings Per Share Guidance Change

	<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