



Third Quarter 2007 Earnings Conference Call
November 8, 2007

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. You can identify these statements by the fact that they do not relate strictly to historical or current facts and often include words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” and other similar words. Although we believe we have been prudent in our plans and assumptions, there can be no assurance that indicated results will be realized. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated.

Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise. We recommend that you consult any further disclosures we make on related subjects in our 10-Q, 8-K, and 10-K reports to the Securities and Exchange Commission.

The following is a cautionary list of risks and uncertainties that may affect the assumptions which form the basis of forward-looking statements relevant to our business. These factors, and other factors not listed here, could cause actual results to differ materially from those contained in forward-looking statements.

- Unexpected costs and/or unexpected liabilities related to the Peoples Energy merger, or the effects of purchase accounting that may be different from our expectations;
- The successful combination of the operations of Integrys Energy Group and Peoples Energy;
- Integrys Energy Group may be unable to achieve the forecasted synergies in connection with the Peoples Energy merger or it may take longer or cost more than expected to achieve these synergies;
- The credit ratings of Integrys Energy Group or its subsidiaries could change in the future;
- Resolution of pending and future rate cases and negotiations (including the recovery of deferred costs) and other regulatory decisions impacting Integrys Energy Group's regulated businesses;

Forward-Looking Statements

- The impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric and natural gas utility industries, changes in environmental, tax and other laws and regulations to which Integrys Energy Group and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- Current and future litigation, regulatory investigations, proceedings or inquiries, including but not limited to, manufactured gas plant site cleanup, pending United States Environmental Protection Agency investigations of Wisconsin Public Service Corporation generation facilities, and the contested case proceeding regarding the Weston 4 air permit;
- Resolution of audits or other tax disputes by the Internal Revenue Service and various state, local and Canadian revenue agencies;
- The effects, extent and timing of additional competition or regulation in the markets in which our subsidiaries operate;
- The impact of fluctuations in commodity prices, interest rates and customer demand;
- Available sources and costs of fuels and purchased power;
- Investment performance of employee benefit plan assets;
- Advances in technology;
- Effects of and changes in political, legal and economic conditions and developments in the United States and Canada;
- Potential business strategies, including mergers and acquisitions or dispositions of assets or businesses, which cannot be assured to be completed (including, but not limited to, the construction of the Weston 4 power plant and additional investment in American Transmission Company related to construction of the Wausau, Wisconsin, to Duluth, Minnesota, transmission line);
- The direct or indirect effects of terrorist incidents, natural disasters or responses to such events;
- Financial market conditions and the results of financing efforts, including credit ratings, and risks associated with commodity prices (particularly natural gas and electricity), interest rates and counterparty credit;
- Weather and other natural phenomena, in particular the effect of weather on natural gas and electricity sales;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other factors discussed in the 2006 Annual Report on Form 10-K and in other reports filed by the registrants from time to time with the Securities and Exchange Commission.



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 the diluted EPS from continuing operations – adjusted measure in our quarterly earnings releases, on investor conference calls, and during investor conferences and related events. Management believes that diluted EPS from continuing operations – adjusted is a useful measure for providing investors with additional insight into our operating performance because it eliminates the effects of certain items that are not comparable from one period to the next. 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, this measure 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 – Goals

- Providing a high level of service to our customers
- Continuing to engage a dedicated employee base
- Maintaining a strong balance sheet
- Delivering long-term earnings per share growth – *6% to 8% on an average annualized basis*
- Building long-term value for our shareholders



Sale of Oil and Natural Gas Production Business Unit

- Sale completed on September 28, 2007
- Initial cash proceeds: \$879.1 million *
- Net after-tax proceeds: \$630 million *
- After-tax gain: \$13.7 million *
- Enhanced our financial and business risk profile
- Focus returns to core competencies
 - Providing customers with the best value in energy and related services

* Final proceeds subject to post-closing adjustments and final tax calculations.

Updated Estimated Synergy Savings and Costs to Achieve

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

	2006	2007	2008	2009	2010	2011	Total
Total Estimated Synergy Savings on November 8, 2007	–	36	73	89	100	106	404
Estimated Synergies Savings on August 8, 2007	–	26	68	82	88	94	358
Total Estimated Costs to Achieve on November 8, 2007	(20) *	(85) **	(27) ***	(11)	(36)	–	(179)
Estimated Costs to Achieve on August 8, 2007	(20) *	(90) **	(27) ***	(11)	(31)	–	(179)
Approximate Costs to Achieve Percentage by Year	11%	50%	15%	6%	18%	–	100%

* Includes \$18.2 million incurred by Peoples Energy.

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

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

Key Drivers – 3Q06 Versus 3Q07

3Q06 Versus 3Q07

Earnings Available for Common Shareholders, 3Q07	\$ 43.2
Earnings Available for Common Shareholders, 3Q06	<u>39.5</u>
Quarter-over-Quarter Change	<u>\$ 3.7</u>

Key Drivers

	<u>3Q07</u>	<u>3Q06</u>	<u>Change</u>	<u>Explanation</u>
Peoples Gas/North Shore Gas	\$(20.5)	-	\$(20.5)	Operations
Synfuel activity, including oil option mark-to-market gains/losses	8.2	0.3	7.9	Accounting/Operations
Costs to achieve merger synergies	(4.7)	(0.3)	(4.4)	Operations
Other, net			<u>1.0</u>	
Subtotal, continuing operations			\$(16.0)	
Oil and natural gas production business, including \$13.7 million after-tax gain on sale	32.4	-	32.4	Operations/Asset Mgmt.
Sale of Sunbury generation plant	-	12.7	<u>(12.7)</u>	Asset Management
Total, continuing and discontinued operations			<u>\$ 3.7</u>	

Note: All dollars in millions.

Diluted EPS from Continuing Operations – Adjusted

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Diluted EPS from continuing operations	\$0.14	\$0.63	\$1.24	\$3.02
Diluted EPS from discontinued operations	0.42	0.28	1.13	0.18
Total Diluted EPS	\$0.56	\$0.91	\$2.37	\$3.20
Average Shares of Common Stock - Diluted	76.5	43.4	70.2	42.0

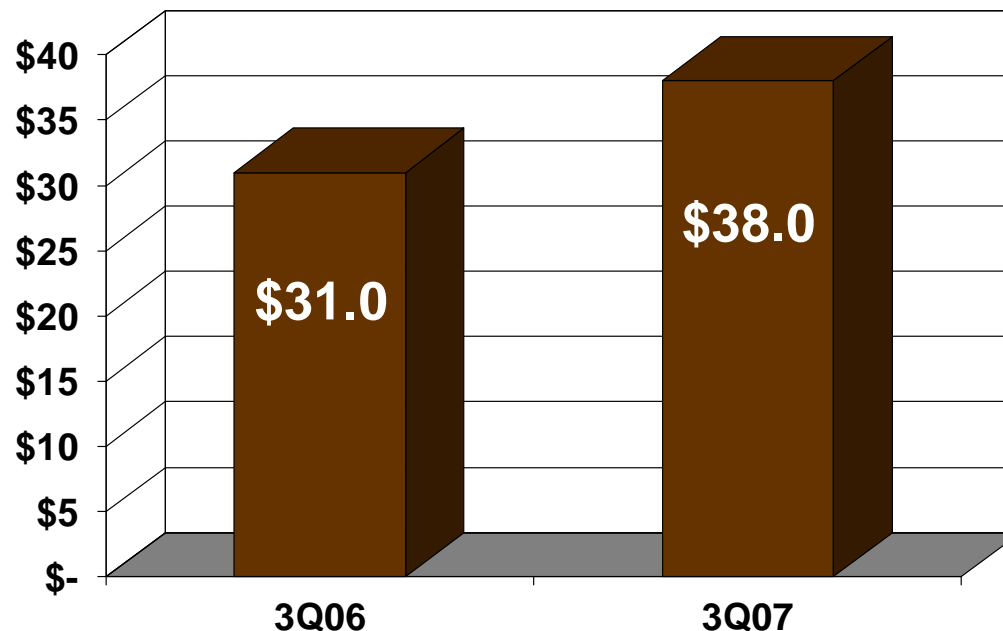
Information on Special Items:

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

Diluted EPS from continuing operations	\$0.14	\$0.63	\$1.24	\$3.02
Adjustments (net of taxes):				
Gain on asset sales	(0.02)	0.00	(0.02)	(0.22)
External transition costs related to MGUC and MERC acquisitions	0.00	0.03	0.00	0.15
Integritys Energy Services power contract in Maine liquidated in 2005	0.00	0.03	0.01	0.08
External transition costs related to Peoples Energy merger	0.06	0.01	0.10	0.01
Impacts of purchase accounting adjustments due to Peoples Energy merger	(0.01)	0.00	0.06	0.00
Synfuel - realized and unrealized oil option gains/losses, tax credits, production costs, premium amortization, deferred gain recognition, and royalties	(0.11)	(0.01)	(0.17)	(0.44)
Diluted EPS from continuing operations – adjusted	\$0.06	\$0.69	\$1.22	\$2.60
Weather impact - regulated utilities (as compared to normal)				
Electric impact – favorable/(unfavorable)	\$ 0.02	\$0.04	\$0.03	\$(0.03)
Gas impact – favorable/(unfavorable)	0.00	(0.01)	(0.10)	(0.11)
Total weather impact	\$0.02	\$0.03	\$(0.07)	\$(0.14)

3Q07 – Regulated Electric Utility Segment

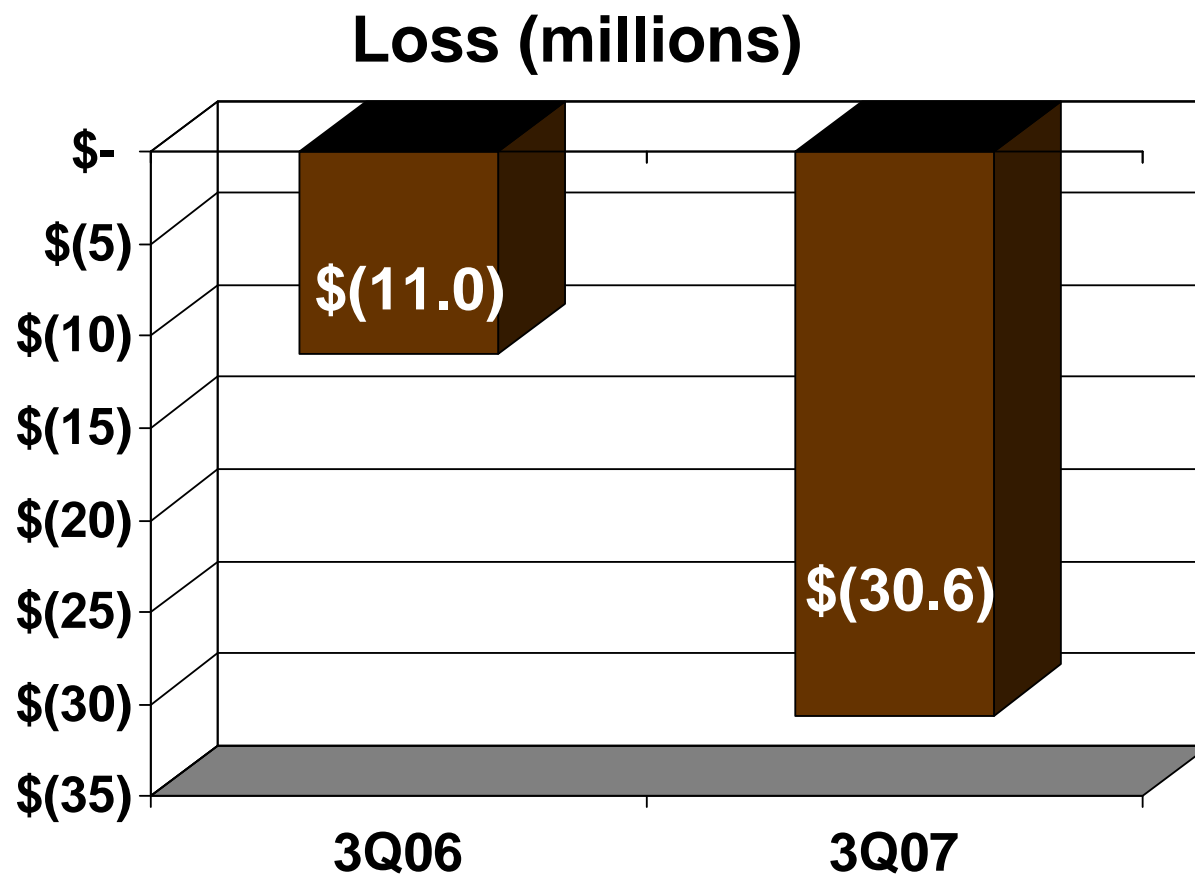
Earnings (millions)



Key Drivers (after tax):

- (+) \$11.4 million – Gross margin, rate increase
- (–) \$ 2.2 million – Costs to achieve synergies
- (–) \$ 1.5 million – Pulliam generation plant planned maintenance

3Q07 – Regulated Natural Gas Utility Segment

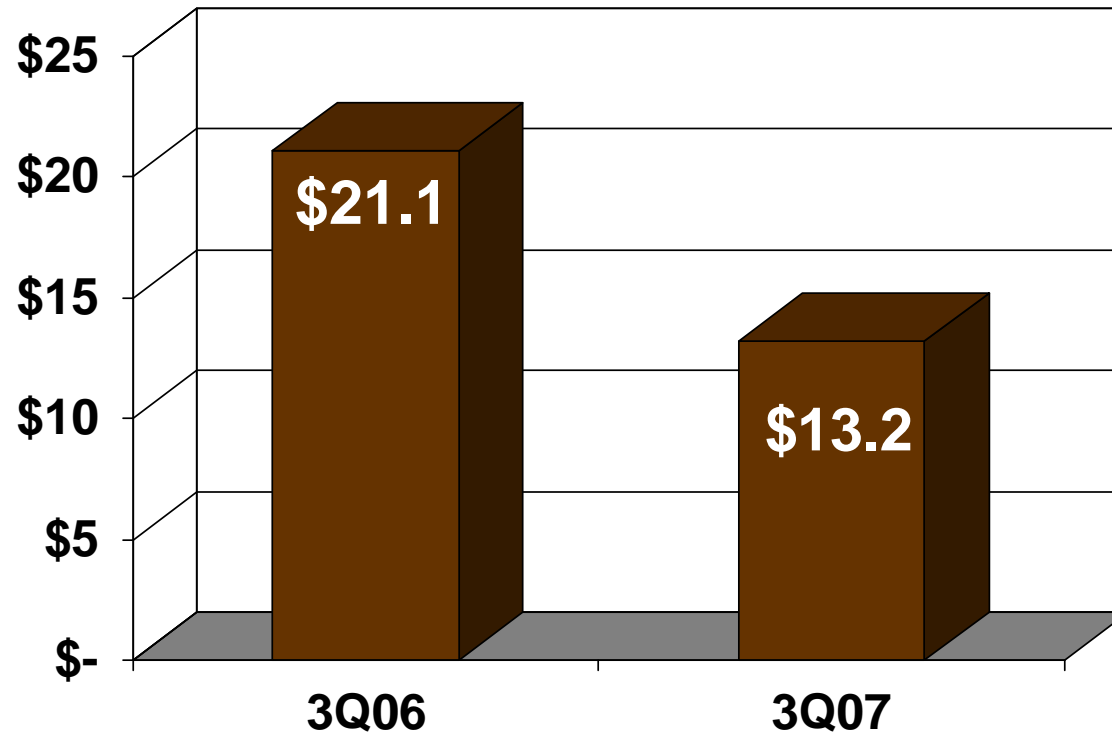


Key Drivers (after tax):

- (–) \$20.5 million – Peoples/North Shore Gas
- (+) \$ 1.4 million – MGU and MERC utilities O&M (transition costs in 3Q06)

3Q07 – Nonregulated Integrys Energy Services Segment

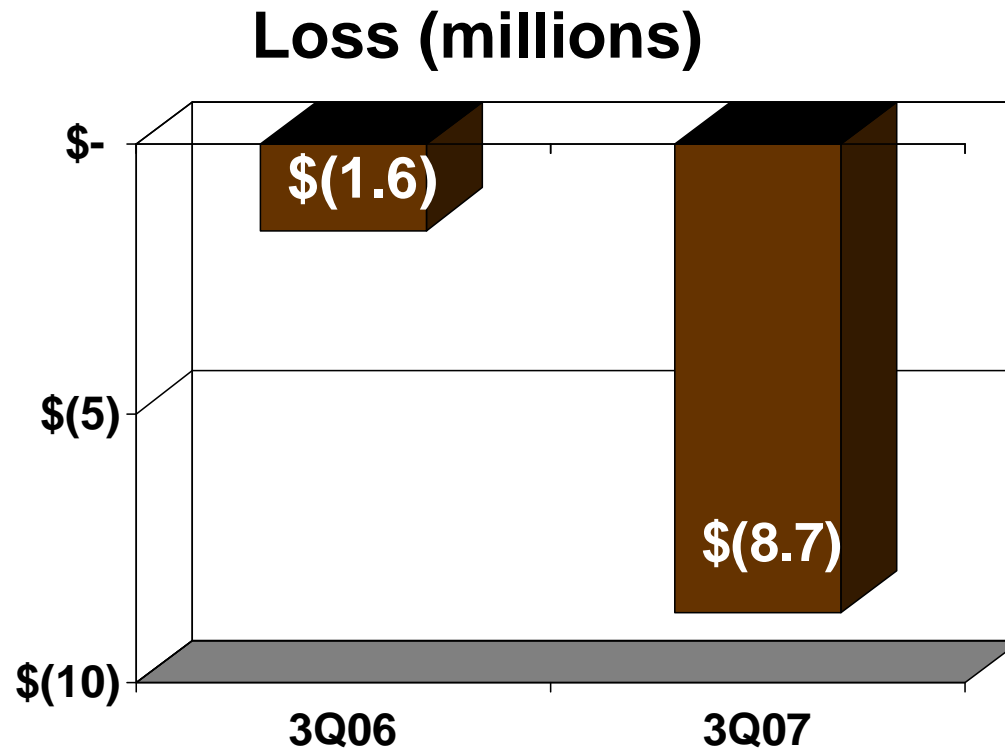
Earnings (millions)



Key Drivers (after tax):

- (+) \$ 9.8 million – Increase in realized retail electric margin
- (+) \$ 7.9 million – Increased earnings from investment in synthetic fuel facility
- (–) \$12.7 million – Increase in operating and maintenance expenses (primarily expansion)
- (–) \$12.7 million – Sale of Sunbury in 3Q06 (Discontinued Operations)

3Q07 – Holding Company/Other



Key Drivers (after tax):

- (+) \$ 1.7 million – Increase in ATC earnings
- (–) \$ 5.7 million – Increased interest expense
- (–) \$ 1.2 million – Increase in income tax expense



Potential Financings

- Long-Term Debt, 2007
 - Wisconsin Public Service, \$125 million
- Long-Term Debt, 2008
 - Integrys Energy Group, \$150 million
 - Peoples Gas, \$85 million
 - North Shore Gas, \$10 million
- Equity
 - None planned after 2007 through 2009

Investing in Capital Projects to Better Serve Our Growing Customer Base

Construction Expenditures by Company (Millions)	2007	2008	2009	Total
Wisconsin Public Service	205	342	405	952
Peoples Gas Light ⁽¹⁾ ⁽²⁾	109	154	159	422
Upper Peninsula Power	11	19	16	46
Minnesota Energy Resources	16	18	16	50
North Shore Gas ⁽²⁾	10	10	10	30
Michigan Gas Utilities	9	8	7	24
Subtotal for Utilities	360	551	613	1,524
Integrys Energy Services	25	4	4	33
Total Anticipated Capital Expenditures	385	555	617	1,557
American Transmission Company (equity contribution)	53	30	14	97

(1) Includes cast iron replacement program.

(2) Includes expenditures from January 1 through February 21, 2007.

Diluted EPS from Continuing Operations – Adjusted – Revised Guidance

Diluted Earnings Per Share Information - Non-GAAP Financial Information

<i>Actual 2006 with 2007 and 2008 Forecasts</i>	Actual 2006	Potential 2007 Diluted EPS Ranges		Potential 2008 Diluted EPS Ranges	
		Low Scenario	High Scenario	Low Scenario	High Scenario
Diluted EPS from continuing operations	\$ 3.50	\$ 2.40	\$ 2.62	\$ 3.67	\$ 3.89
Diluted EPS from discontinued operations	\$ 0.17	\$ 1.10	\$ 1.10	\$ -	\$ -
Total Diluted EPS	\$ 3.67	\$ 3.50	\$ 3.72	\$ 3.67	\$ 3.89
Average Shares of Common Stock - Diluted	42.4	71.8	71.8	76.8	76.8

Information on Special Items:

Diluted earnings per share from continuing operations, as adjusted for special items and their financial impact on the actual 2006 diluted earnings per share from continuing operations and the 2007 and 2008 diluted earnings per share from continuing operations guidance are as follows:

Diluted EPS from continuing operations	\$ 3.50	\$ 2.40	\$ 2.62	\$ 3.67	\$ 3.89
Adjustments (net of taxes):					
Gains on asset sales	\$ (0.22)	\$ (0.02)	\$ (0.02)	\$ -	\$ -
External transition costs related to MGUC and MERC acquisitions	\$ 0.27	\$ -	\$ -	\$ -	\$ -
Integritys Energy Services power contract in Maine liquidated in 2005	\$ 0.09	\$ 0.01	\$ 0.01	\$ -	\$ -
External transition costs related to Peoples Energy merger	\$ 0.03	\$ 0.20	\$ 0.20	\$ 0.16	\$ 0.16
Impacts of purchase accounting adjustments due to Peoples Energy merger	\$ -	\$ 0.13	\$ 0.13	\$ 0.08	\$ 0.08
Synfuel - realized and unrealized oil option gains/losses, tax credits, production costs, premium amortization, deferred gain recognition, and royalties	\$ (0.47)	\$ (0.21)	\$ (0.28)	\$ -	\$ -
Diluted EPS from continuing operations - adjusted	\$ 3.20	\$ 2.51	\$ 2.66	\$ 3.91	\$ 4.13
Weather impact - regulated utilities (as compared to normal)					
Electric - favorable/(unfavorable)	\$ (0.05)	\$ 0.02	\$ 0.02	\$ -	\$ -
Natural gas - favorable/(unfavorable)	\$ (0.18)	\$ (0.10)	\$ (0.10)	\$ -	\$ -
Total weather impact	\$ (0.23)	\$ (0.08)	\$ (0.08)	\$ -	\$ -

Key Assumptions:

- Normal weather
- Availability of generation units
- Impacts of purchase accounting/transition costs related to merger
- Full rate relief for Peoples Gas/North Shore Gas as requested in September 2007



Diluted EPS from Continuing Operations – Adjusted – Guidance Drivers

Changes from Guidance Provided in August 2007

■ 2007

- Increase in merger synergy savings in 2007
- Reduction due to:
 - Increased non-fuel operating and maintenance expenses
 - Slower than anticipated growth in Integrys Energy Services' margin

■ 2008

- Increase in merger synergy savings in 2008
- Reduction in rate increase requests for Peoples Gas, North Shore Gas per September 2007 filing

Regulated Electric Utility Segment Operations

- Weston 4 –
 - Commercial operation by June 2008
 - In-service for accounting in mid-January 2008
- American Transmission Company –
 - Wausau, WI, to Duluth, MN, transmission line – operational in 1Q08
- Fuel Window Filing –
 - Filed in August 2007
 - Decision expected around year-end 2007
- Weston 3 Lightning Strike –
 - Request for replacement purchased power cost deferral received regulatory approval
 - Request for similar treatment for non-fuel operating and maintenance expenses pending regulatory approval
 - No significant impact on future net income, assuming favorable regulatory treatment in future rate proceedings

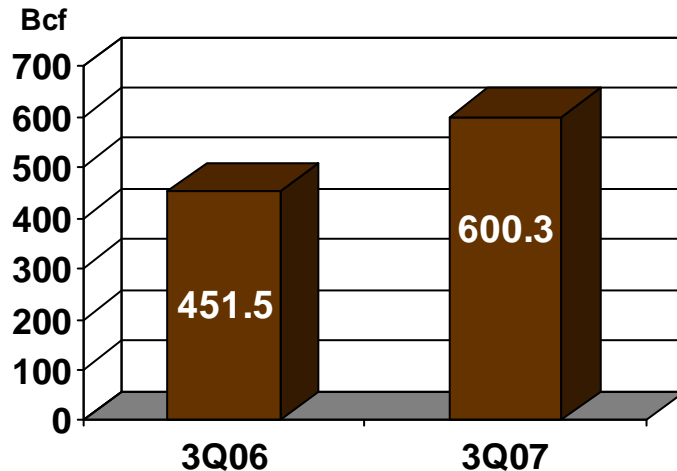


Regulated Natural Gas Segment Operations

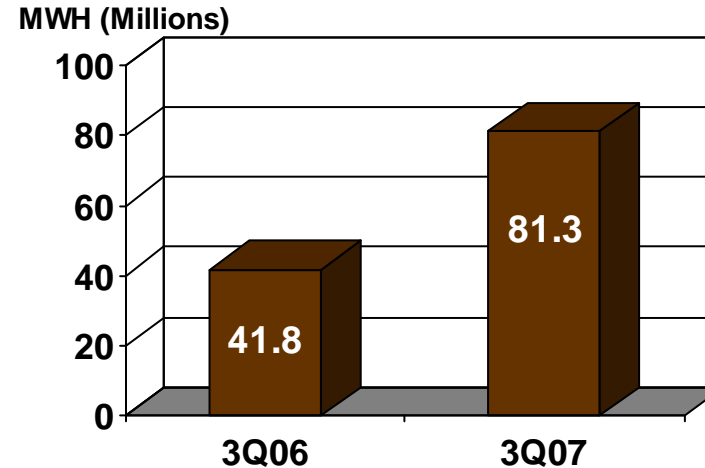
- Illinois rate cases update
- MERC/MGUC – additional initiatives to address bad debts
- Guardian Pipeline laterals –
 - Regulatory approvals received for construction
 - \$73 million estimated capital expenditure
 - Researching rights of ways
 - In-service 4Q08

3Q07 – Integrys Energy Services Forward Contracted Volumes

Natural Gas



Electric



Key Drivers:

- Illinois expansion
 - Market deregulation
 - Peoples acquisition
- New markets –
 - Texas
 - Mid-Atlantic
- Denver trading group

Book of business solid –

For the remainder of the year, approximately \$53 million of pre-tax gross margin to recognize in 2007 (excluding impacts of purchase accounting)

Approximately \$100 million in pre-tax gross margin will be recognized in future years as a result of existing contracts (excluding impacts of purchase accounting)

2007 Integrys Energy Services Value Creation

**Integrys Energy Services
Managerial Gross Margin Summary
Year-to-Date September 2007
(Pretax dollars in millions)**

	Natural Gas			Electric and Other			Total Natural Gas and Electric	Full Year 2006
	Retail	Wholesale	Total	Retail	Wholesale	Total		
MANAGERIAL GROSS MARGIN								
Forward Book Value (a Non-GAAP financial measure)⁽¹⁾								
As of September 30, 2007	\$ 47.2	\$ 41.9	\$ 89.1	\$ 60.1	\$ 60.3	\$ 120.4	\$ 209.5	
As of December 31, 2006	34.0	35.7	69.7	33.9	61.4	95.3	165.0	\$165.0
As of December 31, 2005								98.5
Change in Forward Book Value	13.2	6.2	19.4	26.2	(1.1)	25.0	44.4	66.5
Total Realized Gross Margin⁽²⁾	40.1	45.4	85.5	36.0	47.2	83.2	168.7	144.9
Total Managerial Gross Margin	\$ 53.3	\$ 51.6	\$ 104.9	\$ 62.2	\$ 46.1	\$ 108.2	\$ 213.1	\$211.4

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

- (1) Forward Book Value – Represents the estimated value that will be realized upon settlement of the contract portfolio based on industry standard valuation approaches and assumptions. Derivative and non-derivative contracts are included in managerial gross margin.
- (2) Realized Gross Margin – This is a GAAP-based measure that represents physical sales, net of physical purchases and the cash settlement of financial contracts (i.e. forwards, futures, options, and swaps).

Future Integrys Energy Services Accounting Recognition

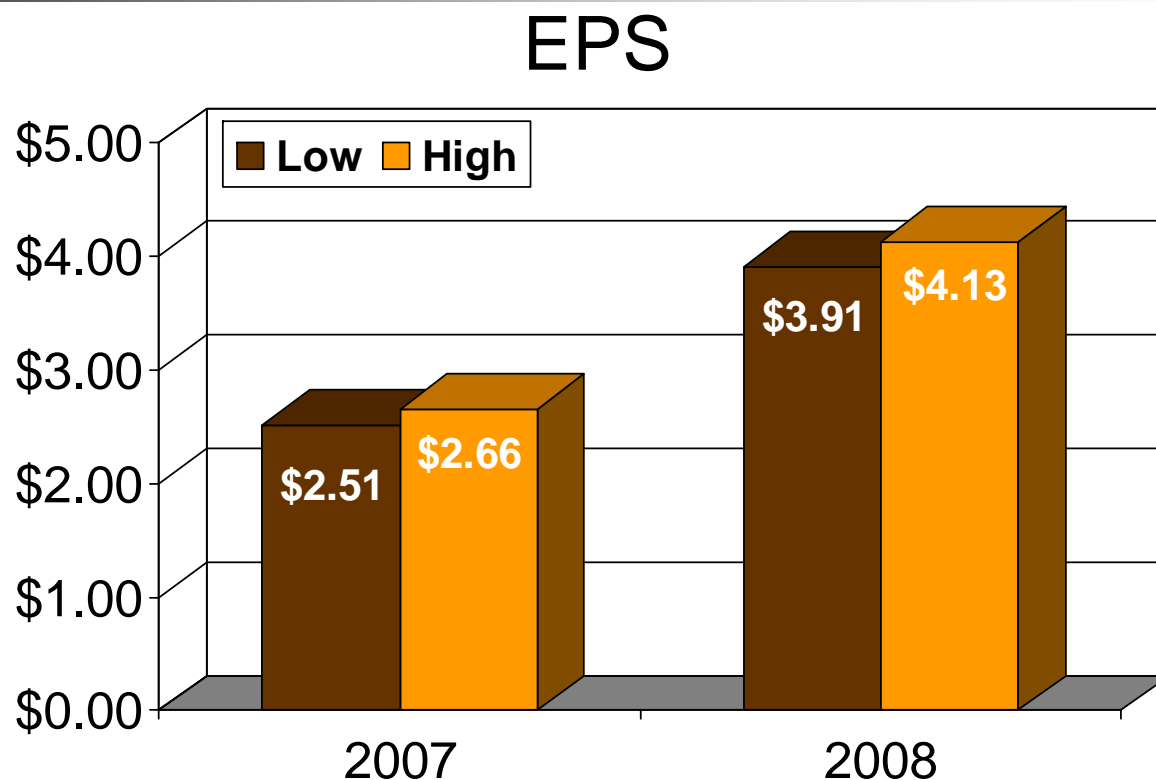
As of September 30, 2007
(Pretax dollars in millions)

Settlement Years	Forward Book Value	Amount Recognized To Date In GAAP Gross Margin	Amount Yet To Be Recognized In GAAP Gross Margin In Future Periods	Purchase Accounting Amortization To Be Recognized In Future Periods	GAAP Gross Margin To Be Recognized In Future Periods
	A	B	C=A-B	D	E=C+D
2007	\$ 43.2	\$ (9.5)	\$ 52.7	\$ (9.1)	\$ 43.6
2008	85.2	9.9	75.3	(13.4)	61.9
2009	33.4	22.8	10.6	2.9	13.5
2010 and Beyond	47.7	34.5	13.2	4.8	18.0
	<u>\$ 209.5</u>	<u>\$ 57.7</u>	<u>\$ 151.8</u>	<u>\$ (14.8)</u>	<u>\$ 137.0</u>

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

IntegrYS Energy Group, Inc.

Diluted EPS from Continuing Operations – Adjusted Revised Guidance



Key Assumptions:

- Normal weather
- Availability of generation units
- Impacts of purchase accounting/transition costs related to merger
- Full rate relief in 2008 for Peoples Gas/North Shore Gas as amended by companies' filings in September 2007



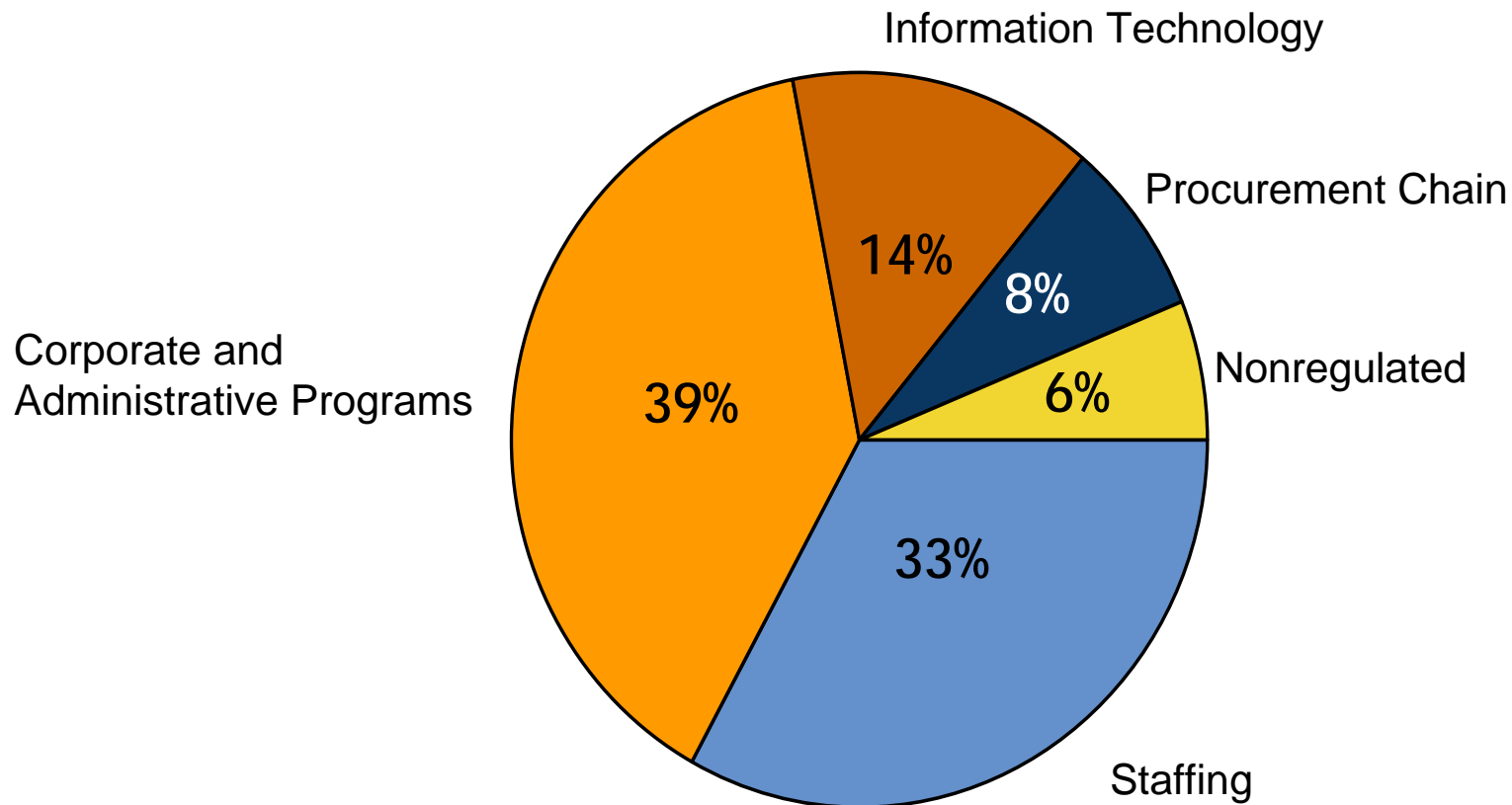
Question and Answers



Appendices

IntegrYS Energy Energy Group, Inc. Synergy Potential

Estimated annual synergies



Estimated annual steady-state synergies
of approximately \$106 million



IntegrYS Energy Group, Inc. Integration Timeline

- On schedule
- Costs to achieve synergies of approximately \$179 million
 - ◆ IT integration and upgrades
 - ◆ Severance and relocation
 - ◆ Transaction costs
 - ◆ Regulatory process
 - ◆ Integration and facility costs
 - ◆ Communication and insurance costs



IntegrYS Energy Group, Inc. Integration Timeline (continued)

■ Target milestones

- ◆ Year-end 2007 – Nonregulated Functionally Integrated
- ◆ First quarter 2008 – Common Compensation and Benefits
- ◆ Year-end 2008 – Common IT Platforms and Applications
- ◆ Mid-year 2009 – Common Customer Information System (or equivalent savings)

IntegrYS Energy Group, Inc.

Successes To Date

- Approximately \$21.6 million in annual synergies have already been attained through September 30, 2007
- Extensive use of project management tools, competitive excellence (Lean and Six Sigma) philosophy, and change management techniques
- Ensures best practice, enables savings, controls costs, and generates new sources of revenue

Regulated Natural Gas Utility Segment – Illinois Rate Cases Latest Positions

■ Integrys Energy Group

■ Peoples Gas

- \$94.9 million rate increase
- 56% equity, 11.06% ROE
- Separate rider for infrastructure replacement

■ North Shore Gas

- \$3.5 million rate increase
- 56% equity, 11.06% ROE

■ Both

- Riders for decoupling, energy efficiency costs and bad debt recovery

■ Interveners/Staff

■ Peoples Gas

- \$46.1 million to \$53.6 million rate increase
- 56% equity, 8.11% to 9.7% ROE

■ North Shore Gas

- \$3.0 million to \$1.4 million rate decrease
- 56% equity, 8.11% to 9.5% ROE

Schedule:

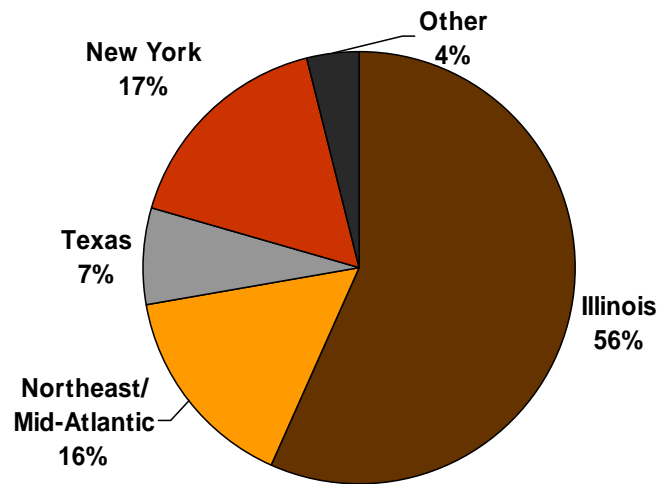
- Hearings completed September 17, 2007
- Briefing stage completed October 23, 2007
- Proposed order by November 20, 2007
- Exceptions to draft due in December 2007
- Decision by February 5, 2008

Estimated Utility Depreciation

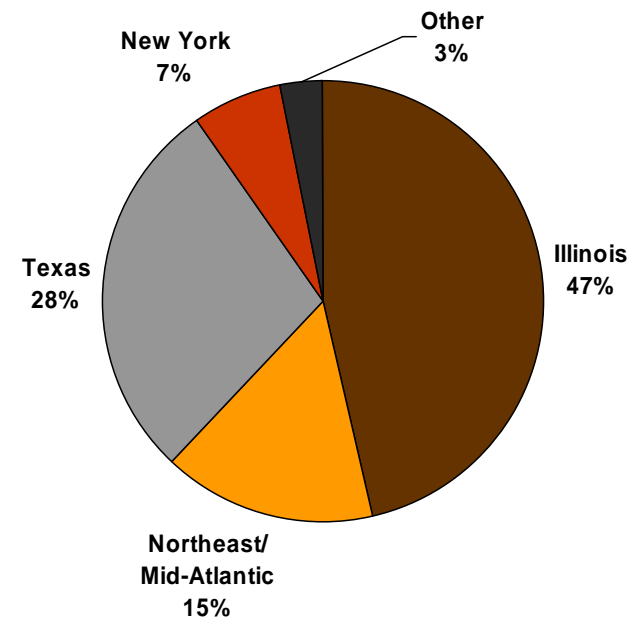
Depreciation by Company (Millions)	2007	2008	2009	Total
Wisconsin Public Service	103	124	125	352
Peoples Gas Light and Coke	60	60	63	183
Upper Peninsula Power	5	6	6	17
Minnesota Energy Resources	10	11	11	32
North Shore Gas	6	6	6	18
Michigan Gas Utilities	7	7	8	22
Total for Utilities	191	214	219	624

Integritys Energy Services – Retail Electric

**2007 Actual Volumes Delivered
(Nine Months Ended September 30, 2007)**



**Forward Contracted Volumes
(October 1, 2007 and Beyond)**



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

Year-to-Date September 2007
(Pretax dollars in millions)

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
Forward Book Value (a Non-GAAP financial measure) As of September 30, 2007	\$ 47.2	\$ 41.9	\$ 89.1	\$ 60.1	\$ 60.3	\$ 120.4	\$ 209.5
Fair value of oil options, including unamortized premiums (1)	-	-	-	-	6.9	6.9	6.9
Unamortized electric and gas option premiums (2)	1.6	1.3	2.9	2.6	0.2	2.8	5.7
Fair value of nonderivative contracts, derivative contracts designated as normal purchase and sales, as well as portfolio valuation reserves (3)	(23.0)	24.2	1.2	(82.4)	(38.1)	(120.5)	(119.3)
Net Risk Management Assets and Liabilities per GAAP Balance Sheet	\$ 25.8	\$ 67.4	\$ 93.2	\$ (19.7)	\$ 29.3	\$ 9.6	\$ 102.8

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

(2) Option premiums are included in the GAAP balance sheet until expiration of the associated options. The Forward Book Value line item of Managerial Gross Margin only includes the net difference between the premium and the fair value of the option. Upon option expiration, premium amortization is included in the Total Realized Gross Margin line in the Managerial Gross Margin Analysis.

(3) Represents the estimated fair value of contracts that either do not meet the criteria for derivative accounting treatment under SFAS 133 or contracts that have been excluded from mark-to-market accounting under the normal purchase and sale exception. Contract types include full requirements sales contracts, natural gas storage and transport capacity contracts, among others.

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

As of December 2006
(Pretax dollars in millions)

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
Forward Book Value (a Non-GAAP financial measure)							
As of December 31, 2006							
Fair value of oil options, including unamortized premiums (1)	\$ 34.0	\$ 35.7	\$ 69.7	\$ 33.9	\$ 61.4	\$ 95.3	\$ 165.0
	-	-	-	-	(4.6)	(4.6)	(4.6)
Unamortized electric and gas option premiums (2)	1.4	1.1	2.5	-	1.7	1.7	4.2
Fair value of nonderivative contracts, derivative contracts designated as normal purchase and sales, as well as portfolio valuation reserves (3)	(32.2)	63.1	30.9	(49.4)	(38.4)	(87.8)	(56.9)
Net Risk Management Assets and Liabilities per GAAP Balance Sheet	\$ 3.2	\$ 99.9	\$ 103.1	\$ (15.5)	\$ 20.1	\$ 4.6	\$ 107.7

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

(2) Option premiums are included in the GAAP balance sheet until expiration of the associated options. The Forward Book Value line item of Managerial Gross Margin only includes the net difference between the premium and the fair value of the option. Upon option expiration, premium amortization is included in the Total Realized Gross Margin line in the Managerial Gross Margin Analysis.

(3) Represents the estimated fair value of contracts that either do not meet the criteria for derivative accounting treatment under SFAS 133 or contracts that have been excluded from mark-to-market accounting under the normal purchase and sale exception. Contract types include full requirements sales contracts, natural gas storage and transport capacity contracts, among others.

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

As of December 2005
(Pretax dollars in millions)

	Total Natural Gas and Electric
Forward Book Value (a Non-GAAP financial measure) As of December 31, 2005	\$ 98.5
Fair value of oil options, including unamortized premiums (1)	23.7
Unamortized electric and gas option premiums (2)	4.2
Fair value of nonderivative contracts, derivative contracts designated as normal purchases and sales, as well as portfolio valuation reserves (3)	(64.8)
Net Risk Management Assets and Liabilities per GAAP Balance Sheet	\$ 61.6

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

(2) Option premiums are included in the GAAP balance sheet until expiration of the associated options. The Forward Book Value line item of Managerial Gross Margin only includes the net difference between the premium and the fair value of the option. Upon option expiration, premium amortization is included in the Total Realized Gross Margin line in the Managerial Gross Margin Analysis.

(3) Represents the estimated fair value of contracts that either do not meet the criteria for derivative accounting treatment under SFAS 133 or contracts that have been excluded from mark-to-market accounting under the normal purchase and sale exception. Contract types include full requirements sales contracts, natural gas storage and transport capacity contracts, among others.

Integritys Energy Services – Margins

	3 Months Ended September 30			9 Months Ended September 30		
	2007	2006	Change	2007	2006	Change
Natural Gas						
Retail						
Realized margins (1)	\$ 5.7	\$ 8.6	\$ (2.9)	\$ 40.1	\$ 34.9	\$ 5.2
Unrealized gain/(loss) (2)	5.8	9.2	(3.4)	(11.7)	23.3	(35.0)
Effect of purchase accounting on realized margins (3)	(0.6)	-	(0.6)	(6.3)	-	(6.3)
Effect of purchase accounting on unrealized margins (3)	(0.1)	-	(0.1)	2.6	-	2.6
	<u>10.8</u>	<u>17.8</u>	<u>(7.0)</u>	<u>24.7</u>	<u>58.2</u>	<u>(33.5)</u>
Wholesale						
Realized margins (1)	19.5	10.2	9.3	45.4	35.1	10.3
Unrealized gain/(loss) (2)	1.9	3.2	(1.3)	14.3	(9.6)	23.9
Effect of purchase accounting on realized margins (3)	0.7	-	0.7	3.2	-	3.2
Effect of purchase accounting on unrealized margins (3)	0.2	-	0.2	0.5	-	0.5
	<u>22.3</u>	<u>13.4</u>	<u>8.9</u>	<u>63.4</u>	<u>25.5</u>	<u>37.9</u>
Total Natural Gas Margins	<u>33.1</u>	<u>31.2</u>	<u>1.9</u>	<u>88.1</u>	<u>83.7</u>	<u>4.4</u>
Electric and Other						
Retail						
Realized margins (1)	19.5	6.2	13.3	36.0	12.6	23.4
Unrealized gain/(loss) (2)	(10.9)	(9.3)	(1.6)	(2.2)	(18.0)	15.8
Effect of purchase accounting on realized margins (3)	3.1	-	3.1	(9.0)	-	(9.0)
Effect of purchase accounting on unrealized margins (3)	(3.1)	-	(3.1)	(0.4)	-	(0.4)
	<u>8.6</u>	<u>(3.1)</u>	<u>11.7</u>	<u>24.4</u>	<u>(5.4)</u>	<u>29.8</u>
Wholesale Trading and Structured Origination (4)						
Realized margins (1)	8.0	9.0	(1.0)	47.2	52.3	(5.1)
Unrealized gain/(loss) (2)	6.8	2.7	4.1	2.8	18.2	(15.4)
	<u>14.8</u>	<u>11.7</u>	<u>3.1</u>	<u>50.0</u>	<u>70.5</u>	<u>(20.5)</u>
Oil option activity						
Realized gain	-	-	-	-	2.0	(2.0)
Unrealized gain/(loss)	10.3	(18.0)	28.3	11.5	4.7	6.8
	<u>10.3</u>	<u>(18.0)</u>	<u>28.3</u>	<u>11.5</u>	<u>6.7</u>	<u>4.8</u>
Total Electric and Other Margins	<u>33.7</u>	<u>(9.4)</u>	<u>43.1</u>	<u>85.9</u>	<u>71.8</u>	<u>14.1</u>
Total Gross Margin	<u>\$ 66.8</u>	<u>\$ 21.8</u>	<u>\$ 45.0</u>	<u>\$ 174.0</u>	<u>\$ 155.5</u>	<u>\$ 18.5</u>
Volumes Delivered (includes only transactions settled physically for the periods shown)						
Retail Natural Gas (in billion cubic feet)	66.0	61.2	4.8	231.0	192.5	38.5
Realized per unit margins (\$ per dekatherm)	\$ 0.09	\$ 0.14	\$ (0.05)	\$ 0.17	\$ 0.18	\$ (0.01)
Retail Electric (in kilowatt-hours)	4,708.1	1,266.0	3,442.1	10,567.3	3,232.8	7,334.5
Realized per unit margins (\$ per megawatt-hour)	\$ 4.14	\$ 4.90	\$ (0.76)	\$ 3.41	\$ 3.90	\$ (0.49)

(Note - Definitions are listed on next slide)



IntegrYS Energy Services – Definitions

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 losses and another portion runs through realized margins. Both are noncash impacts that are broken out above in order to help reconcile to the year-over-year variance discussion within Item 2 of the 10-Q, Management's Discussion and Analysis of the Financial Condition and Results Operations. This schedule excludes the amortization of intangibles identified as part of the merger (i.e., customer list) which is included in operating expenses.
- (4) Wholesale Trading and Structured Origination - Captures our proprietary trading activity, structured origination activity and optimization of our plants and customer load. Variance explanations are captured in three line items in the 10-Q: (1) Realized gains on structured origination contracts, (2) Liquidation of an electric supply contract in 2005, and (3) All other wholesale electric operations.