



***Third Quarter 2008 Earnings Conference Call
November 6, 2008***

Forward-Looking Statements

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

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

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

- Unexpected costs and/or unexpected liabilities related to the Peoples Energy merger;
- Integrys Energy Group may be unable to achieve the forecasted synergies anticipated from 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 the 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;
- 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.



Prospects for our Future

- 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 on optimizing existing business footprint
 - 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, long-term, by 6 to 8 percent on an average annualized basis, subject to market conditions



Third Quarter 2008 Update

- Precipitous decline in energy prices during three months ended September 30, 2008, caused significant non-cash mark-to-market losses
 - Non-cash charges
 - Timing differences
- Financial position and solid investment grade credit ratings enable us to continue moving forward during the country's credit crisis
- Economic growth at Integrys Energy Services, but more selective with business opportunities

Key Drivers – 3Q08 Versus 3Q07

(All dollars in millions and after tax)

Net loss, 3Q08	\$ (59.1)
Earnings available for common shareholders, 3Q07	43.2
Quarter-over-Quarter Change	<u>\$ (102.3)</u>

Key Drivers of Quarter-over-Quarter Change

Continuing Operations

	3Q08	3Q07	Change	Explanation
Integrus Energy Services' electric margin (mainly non-cash mark-to-market derivative accounting requirements)	(111.5)	14.0	\$ (125.5)	Accounting
Discontinued operations (driven by earnings from the oil and natural gas production business unit sold in 3Q07)	-	32.3	(32.3)	Operations
Integrus Energy Services' natural gas margin (mainly non-cash mark-to-market derivative accounting requirements, partially offset by non-cash fair value natural gas inventory adjustment)	52.1	19.9	32.2	Accounting
WPSC electric utility earnings (collection of a portion of under-recovered fuel costs from 1Q08, fewer planned power plant outages)	49.8	34.8	15.0	Operations
Natural gas utility earnings (Rate increase at Peoples Gas, synergy savings, partially offset by higher bad debt expense)	(17.8)	(30.6)	12.8	Operations
Holding Company and Other Segment (decrease in interest expense, increase in income from American Transmission Company)	1.6	(8.7)	10.3	Operations
Halt on synthetic fuel production and sale versus recognition of Section 29/45K federal tax credits on the production and sale of synthetic fuel in 2007	-	8.2	(8.2)	Operations - Expiration of Section 29 Legislation
Integrus Energy Services operating and maintenance expense (increase in bad debt expense primarily related to Lehman Brothers bankruptcy)	(27.4)	(22.9)	(4.5)	Operations
Other			(2.1)	Operations
Total			\$ (102.3)	

External cost to achieve merger synergies included in earnings:

	3Q08	3Q07	Change
Peoples Energy	\$ 2.1	\$ 7.9	\$ (5.8)

Liquidity

■ Credit Facilities

- Approximately \$2.4 billion
- 27 financial institutions
- Expanded credit facilities by \$400 million in November
- Currently, approximately \$1 billion is available

■ Subsequent Cash Needs/Generation

- Maturities of long-term debt – less than \$300 million through 2010
- Impacts of natural gas storage cycle and fulfillment of customer obligations expected to generate \$1.1 billion of cash through April 2009
 - \$400 million for natural gas distribution utilities
 - \$700 million for Integrys Energy Services
- Flexibility with capital expenditure program

■ Support for Integrys Energy Services

- Adjusted pricing to accommodate increase in operating costs, business risks, and cash margin requirements



Long-Term Financings Summary

- Long-Term Debt, 2008
 - Recently completed transactions
 - Peoples Gas, \$50 million
 - North Shore Gas, \$6.5 million
 - Expected transactions
 - Integrys Energy Group, up to \$300 million
 - Wisconsin Public Service, \$125 million
- Long-Term Debt, 2009
 - Wisconsin Public Service, \$100 million
- Equity
 - No new issuance through 2009 planned at this time – will reassess given market conditions

Investing in Capital Projects to Better Serve Our Growing Customer Base

Construction Expenditures by Company (Millions)	2008	2009	2010	Total
Wisconsin Public Service	\$275	\$376	\$206	\$857
Peoples Gas Light *	114	139	220	473
Upper Peninsula Power	23	50	20	93
Minnesota Energy Resources	18	15	16	49
North Shore Gas	10	15	15	40
Michigan Gas Utilities	8	8	10	26
Subtotal for Utilities	\$448	\$603	\$487	\$1,538
Integrys Energy Services	52	13	3	68
Integrys Business Support	26	36	28	90
Total Anticipated Capital Expenditures	\$526	\$652	\$518	\$1,696
American Transmission Company (equity contribution)	35	24	12	71

* Includes accelerated cast iron main replacement program in 2010.

Estimated Utility Depreciation

Depreciation by Company (Millions)	2008	2009	2010	Total
Wisconsin Public Service	\$104	\$103	\$117	\$324
Peoples Gas Light and Coke	62	67	78	207
Upper Peninsula Power	6	7	9	22
Minnesota Energy Resources	11	12	13	36
North Shore Gas	7	7	7	21
Michigan Gas Utilities	7	7	8	22
Total for Utilities	\$197	\$203	\$232	\$632

Diluted EPS from Continuing Operations – Adjusted – Revised Guidance

Diluted Earnings Per Share Information - Non-GAAP Financial Information

<i>Actual 2007 with 2008 Forecasts</i>	Actual 2007	Potential 2008 Diluted EPS Ranges	
		Low Scenario	High Scenario
Diluted EPS from continuing operations	\$ 2.48	\$ 3.06	\$ 3.17
Diluted EPS from discontinued operations	1.02	0.05	0.05
Total Diluted EPS	\$ 3.50	\$ 3.11	\$ 3.22
Average Shares of Common Stock – Diluted (millions)	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:

Diluted EPS from continuing operations	\$ 2.48	\$ 3.06	\$ 3.17
Adjustments (net of taxes):			
Synfuel – realized and unrealized oil option gains/losses, tax credits, production costs, premium amortization, deferred gain recognition, and royalties	(0.24)	(0.01)	(0.01)
Gains on asset sales	(0.02)	-	-
Integrus 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	0.11	0.11
Diluted EPS from continuing operations – adjusted	\$ 2.52	\$ 3.33	\$ 3.44
Weather impact – regulated utilities (as compared to normal)			
Electric – favorable/(unfavorable)	0.03	-	-
Natural gas – favorable/(unfavorable)	(0.16)	0.10	0.10
Total weather impact	\$ (0.13)	\$ 0.10	\$ 0.10

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 negative non-cash lower of cost or market inventory adjustments and derivative mark-to-market volatility in 2008 (such mark-to-market volatility is expected to include about \$20 million of net mark-to-market after-tax losses in 2008 relating to contracts terminating in 2008 that had net mark-to-market after-tax gains recognized in 2007)

Diluted EPS from Continuing Operations – Adjusted – Guidance Drivers

	<u>2008</u>	
	<u>Low</u>	<u>High</u>
Previous Guidance, August 7, 2008	\$ 3.63	\$ 3.83
Revised Guidance, November 6, 2008	<u>3.33</u>	<u>3.44</u>
Difference	<u>\$ (0.30)</u>	<u>\$ (0.39)</u>
Key Drivers:		
Increased interest expense	\$ (0.09)	\$ (0.03)
Increased bad debt expense – primarily Lehman Brothers	\$ (0.08)	\$ (0.08)
Reduced land sales	\$ (0.07)	\$ (0.07)
Decrease in Integrys Energy Services' earnings – a potential solar project syndication	\$ (0.01)	\$ (0.17)
Other	\$ (0.05)	\$ (0.04)

Wisconsin Public Service Operational Update

■ **Weston 4**

- Earned POWER Magazine's 2008 Power Plant of the Year Award
- Nominated for two additional awards
 - Power Engineering Magazine's 2008 Best Coal-Fired Project Award
 - Platts ENR Energy Construction Project of the Year

■ **Regulatory Update**

- Wisconsin Public Service general rate case in briefing stage
- Expect revised revenue requirement request to decrease, reflecting lowered forecasted fuel costs and added stability to earnings and cash flows from decoupling
- Written decision expected December 2008
- General rate increase expected to be effective January 2009
- In July granted approval to increase 2008 retail electric rates due to fuel and purchased power costs
- Due to declining energy prices since July, our rates are subject to refund effective September 30
- Expect over or under recovery of fuel costs will not be significant

■ **Customer Weather-Normalized Usage Decline – Electric**

- In third quarter 2008, residential declined 4% and commercial and industrial declined approximately 3%
- After-tax impact of \$1.8 million, or approximately \$0.02 per share.

Wisconsin Public Service Operations – Prospects for Future Growth in Value

- Guardian II pipeline laterals
 - Cost increased by \$10 million to \$85 million due to flooding and heavy rainfall
 - Scheduled year-end 2008 project completion
- Acquire wind farm project
 - Expect to close on purchase of \$250 million, 99-megawatt wind farm in November
 - Expected in service by end of 2009



IntegrYS Gas Group – Recent Accomplishments

- Filed rate case with Minnesota Public Utilities Commission requesting \$22.0 million
 - Required because of general inflation, lower sales growth, and increased customer service costs
 - First distribution rate increase since 2000
 - Interim rates of \$19.8 million in effect October 1, 2008
 - Expect final rates to be effective in June 2009
- Filed rate increase request with Michigan Public Service Commission requesting \$13.9 million
 - First distribution rate increase since 2003
 - Interim rate request expected December 2008 – Final rates expected second quarter of 2009



Integrys Gas Group – Prospects for Future Growth in Value

- Complete rate case process in Minnesota and Michigan to obtain approval for rate requests
- Acceleration of investment in Chicago infrastructure
- Program in place to reduce bad debt

2008 Integrys Energy Services Value Creation

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

	Natural Gas			Electric and Other			Total Natural Gas and Electric
	Retail	Wholesale	Total	Retail	Wholesale	Total	
MANAGERIAL GROSS MARGIN							
Forward Book Value (a non-GAAP financial measure)⁽¹⁾							
As of September 30, 2008	\$ 48.0	\$ 44.9	\$ 92.9	\$ 66.1	\$ 99.9	\$ 166.0	\$ 258.9
As of December 31, 2007	41.2	37.0	78.2	58.5	48.4	106.9	185.1
Change in Forward Book Value	6.8	7.9	14.7	7.6	51.5	59.1	73.8
Total Realized Gross Margin⁽²⁾	40.2	50.9	91.1	53.4	35.9	89.3	180.4
Year-to-Date September 2008 Managerial Gross Margin (3) (non-GAAP)	\$ 47.0	\$ 58.8	\$ 105.8	\$ 61.0	\$ 87.4	\$ 148.4	\$ 254.2
Year-to-Date September 2007 Managerial Gross Margin (3) (non-GAAP)	\$ 53.3	\$ 51.6	\$ 104.9	\$ 62.2	\$ 46.1	\$ 108.3	\$ 213.2
Change from Prior Year	\$ (6.3)	\$ 7.2	\$ 0.9	\$ (1.2)	\$ 41.3	\$ 40.1	\$ 41.0

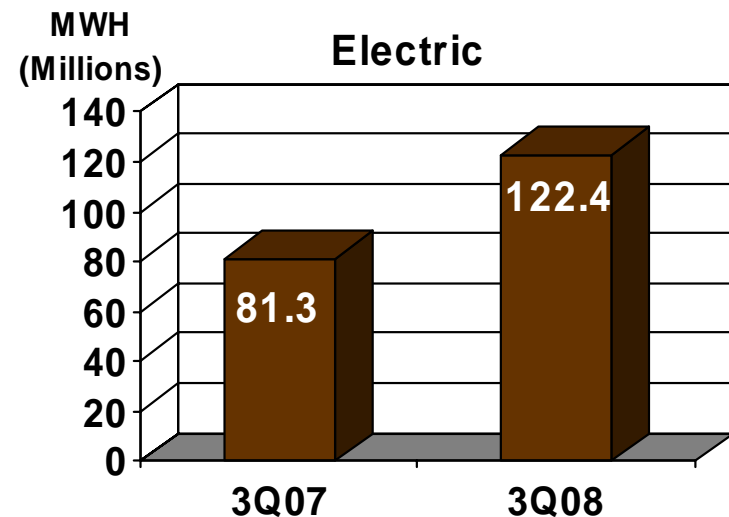
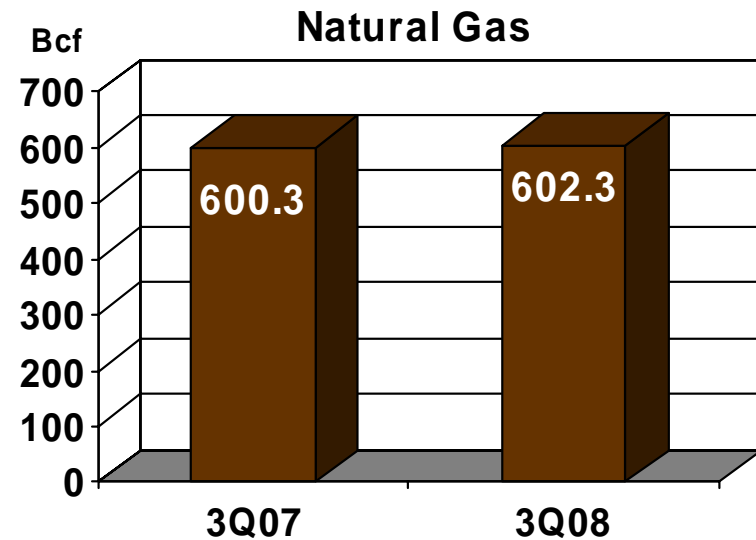
Refer to the appendix for a reconciliation of the non-GAAP financial metrics to the GAAP financial statements.

- (1) Forward Book Value – Represents the estimated value that will be realized upon settlement of the contract portfolio based on industry standard valuation approaches and assumptions. Derivative and non-derivative contracts are included in managerial gross margin.
- (2) Realized Gross Margin – This is a GAAP-based measure that represents physical sales, net of physical purchases and the cash settlement of financial contracts (i.e., forwards, futures, options, and swaps). Realized margins associated with the nonregulated generation fleet are included herein, although the change in value of the physical plants is not included in the forward book value section. Purchase accounting amortization has been excluded from this line item. The natural gas lower of cost or market non-cash negative adjustment of \$119.5 million pretax has also been excluded from this schedule and impacts the wholesale natural gas and total realized gross margin amounts above.
- (3) The 2007 Managerial Gross Margin includes the value acquired as part of the Peoples Energy merger, which was \$27.2 million at acquisition date.

Integritys Energy Services Forward Contracted Volumes – 3Q08

Key Drivers in 3Q08:

- Lower energy prices, longer contracting terms
- Wholesale electric customer origination



Future Integrys Energy Services Accounting Recognition

As of September 30, 2008
(Pre-tax dollars in millions)

Settlement Years	Forward Book Value	Amount Recognized To Date In GAAP Gross Margin	Amount Yet To Be Recognized In GAAP Gross Margin In Future Periods	Purchase Accounting Amortization To Be Recognized In Future Periods	GAAP Gross Margin To Be Recognized In Future Periods
	A	B	C=A-B	D	E=C+D
2008	\$ 49.1	\$ (41.4)	\$ 90.5	\$ (3.0)	\$ 87.5
2009	93.9	28.9	65.0	2.9	67.9
2010	51.8	21.2	30.6	2.7	33.3
2011	28.2	17.2	11.0	2.0	13.0
2012 and Beyond	35.9	18.5	17.4	0.2	17.6
	<u>\$ 258.9</u>	<u>\$ 44.4</u>	<u>\$ 214.5</u>	<u>\$ 4.8</u>	<u>\$ 219.3</u>

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

IntegrYS Energy Services

Mark-to-Market Volatility Adjustment

	3Q08	3Q07	Variance	YTD Sept 2008	YTD Sept 2007	Variance
	(Millions)			(Millions)		
GAAP Gross Margin	\$ (98.9)	\$ 66.8	\$ (165.7)	\$ 88.4	\$ 174.0	\$ (85.6)
Add: Non-GAAP Adjustments						
Purchase Accounting	(0.1)	(0.2)	0.1	11.9	9.4	2.5
Synfuel activity included in Gross Margin	0.0	(10.3)	10.3	0.0	(11.5)	11.5
Power contract in Maine liquidated in 2005	0.0	0.0	0.0	0.0	0.9	(0.9)
	<u>\$ (99.0)</u>	<u>\$ 56.3</u>	<u>\$ (155.3)</u>	<u>\$ 100.3</u>	<u>\$ 172.8</u>	<u>\$ (72.5)</u>
Less: Managerial Gross Margin (non-GAAP)	\$ 102.5	\$ 56.6	\$ 45.9	\$ 254.2	\$ 213.2	\$ 41.0
Mark-to-Market Volatility Adjustment - Pretax (1)	<u>(201.5)</u>	<u>(0.3)</u>	<u>(201.2)</u>	<u>(153.9)</u>	<u>(40.4)</u>	<u>(113.5)</u>
Mark-to-Market Volatility Adjustment - Net of tax (1)	<u>\$ (120.9)</u>	<u>\$ (0.2)</u>	<u>\$ (120.7)</u>	<u>\$ (92.3)</u>	<u>\$ (24.2)</u>	<u>\$ (68.1)</u>

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



IntegrYS Energy Services – Prospects for Future Growth in Value

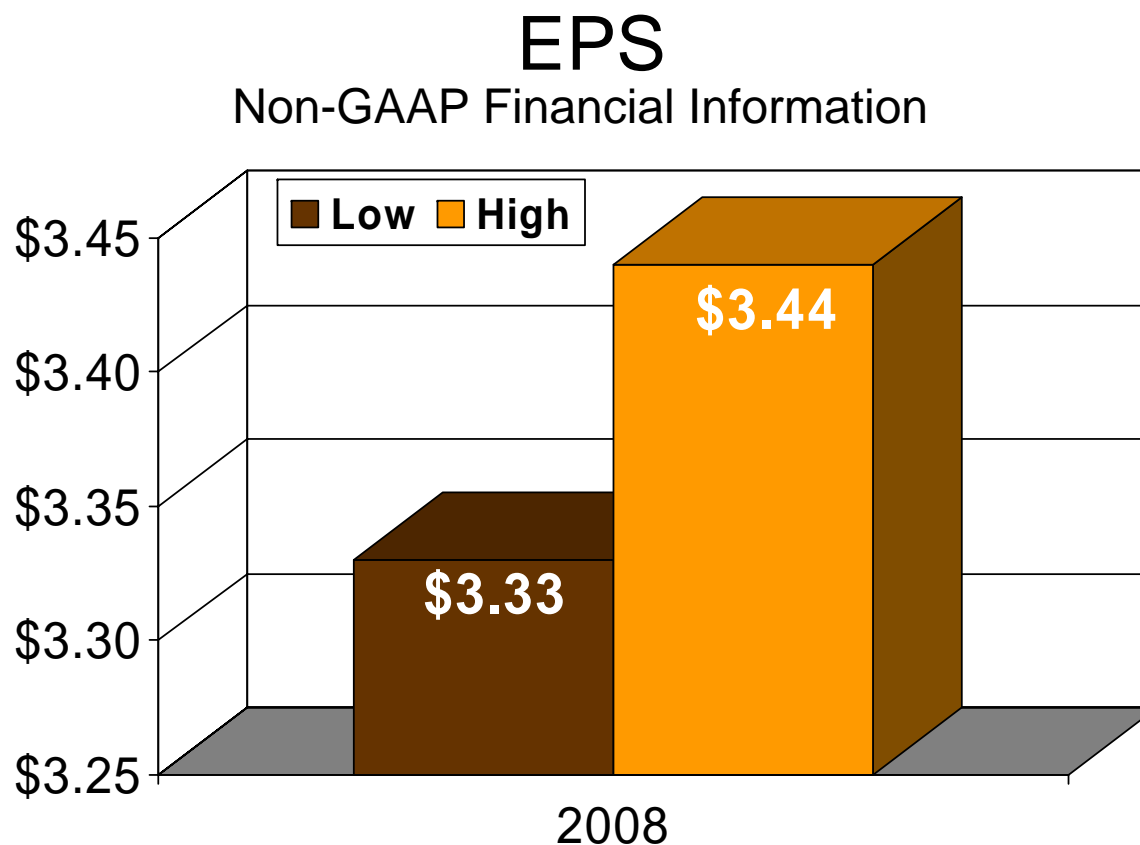
- Optimize business to enhance bottom-line growth
 - Focus on obtaining new customers in current markets
 - Geographic expansion on hold
- Solar projects
- Other renewable energy products and services to accommodate customers' environmental strategies

President Selection Process

- Larry Weyers asked Board of Directors to begin the process
- Announced search in September 2008
- Five member Board committee working with prominent international search firm to carefully evaluate internal and external candidates to be considered for President
- Expect new President to be appointed in second quarter of 2009, expected to assume CEO title at Larry Weyers' retirement
- Larry Weyers will remain as Chairman of the Board as needed to ensure smooth transition

IntegrYS Energy Group, Inc.

Diluted EPS from Continuing Operations – Adjusted Revised Guidance



Key Assumptions:

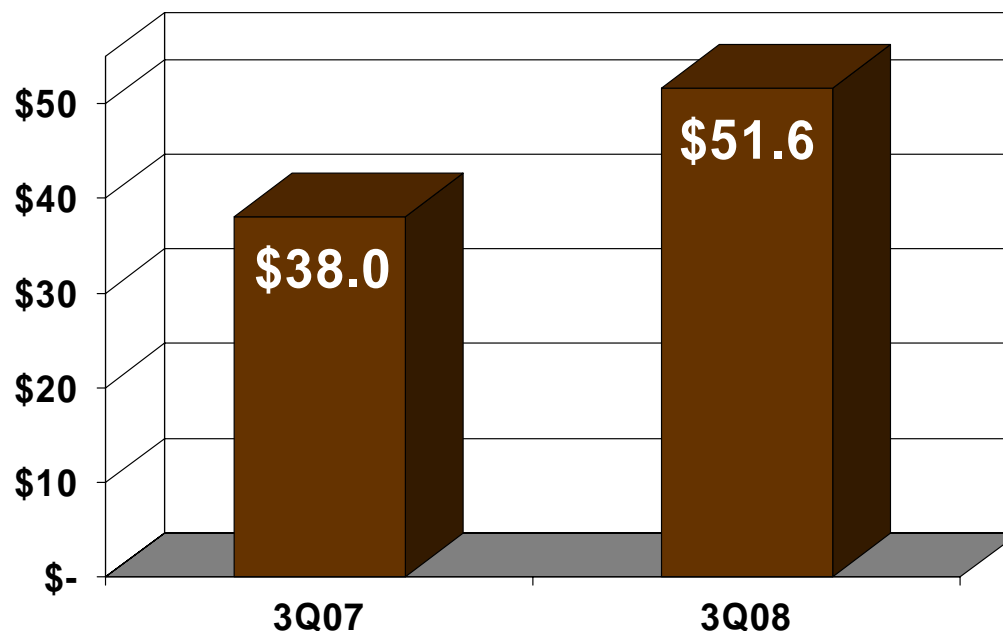
- Normal weather for remainder of 2008
- Continued availability of generating units
- Impacts of purchase accounting/transition costs related to merger
- Anticipated synergy savings
- Rate relief for our utilities as recently approved by regulators
- Excludes any impact of negative non-cash lower of cost or market inventory adjustments and derivative 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) (See Slide 12 for more information)



Appendix

Regulated Electric Utility Segment – 3Q08

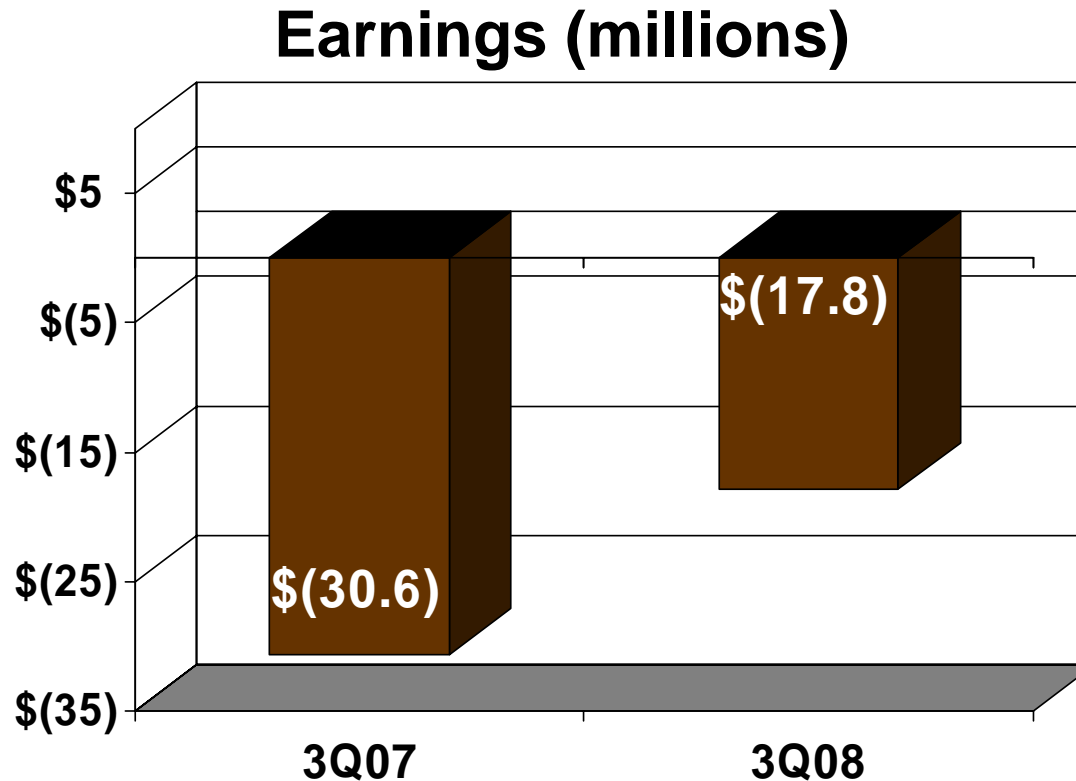
Earnings (millions)



Key Drivers (after tax):

- (+) \$10.8 million lower fuel and purchased power costs at Wisconsin Public Service than recovered in rates
- (+) \$ 9.4 million mainly due to retail electric rate increase
- (+) \$ 1.1 million decrease in electric utility maintenance expense due to planned outages in 2007 at Weston 3, the De Pere Energy Center, and Pulliam
- (--) \$ 1.3 million increase in depreciation expense due to Weston 4 being placed in service
- (--) \$ 3.6 million decrease related to a decrease in sales volumes
- (--) \$ 2.8 million increase in electric transmission expense due to higher rates charged by MISO and American Transmission Company

Regulated Natural Gas Utility Segment – 3Q08

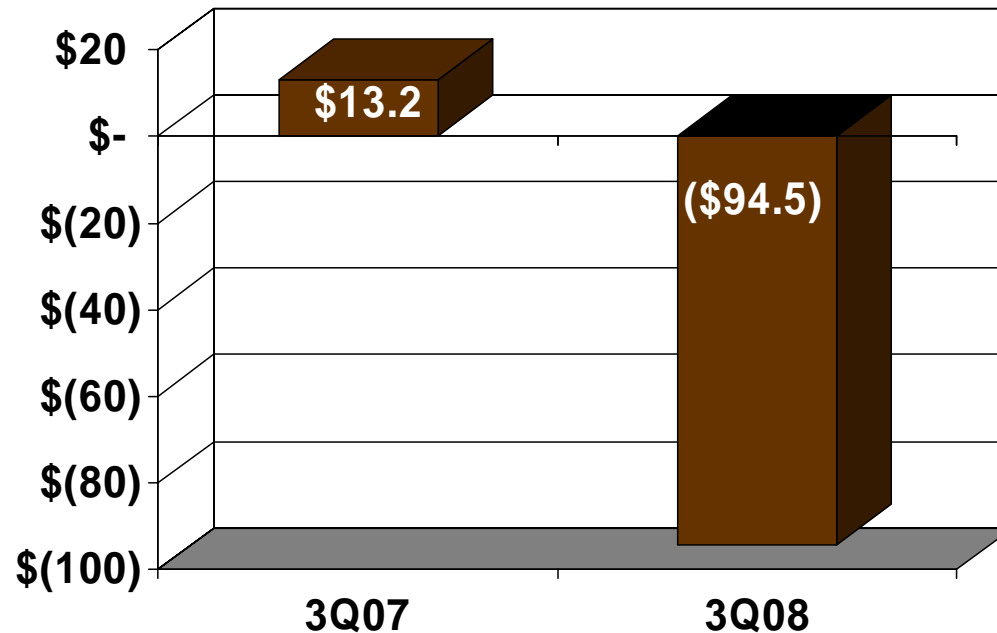


Key Drivers (after tax):

- (+) \$12.6 million Peoples Gas and North Shore Gas rate change
- (+) \$ 1.8 million Michigan Gas Utilities regulatory reconciliation of revenues from natural gas charges and related natural gas costs as required by the Michigan Public Service Commission
- (+) \$ 0.2 million decrease in general and administrative expense related to decrease in pension, post-retirement medical, and other benefit expenses, partially offset by a \$7.6 million increase in bad debt expense
- (--) \$ 0.6 million lower volumes
 - (--) \$ 1.8 million decrease in natural gas margin due to decreased throughput volumes
 - (+) \$ 1.2 million increase in natural gas margin due to decoupling at Peoples Gas and North Shore Gas

Nonregulated Integrys Energy Services Segment – 3Q08

Income from Continuing Operations (millions)

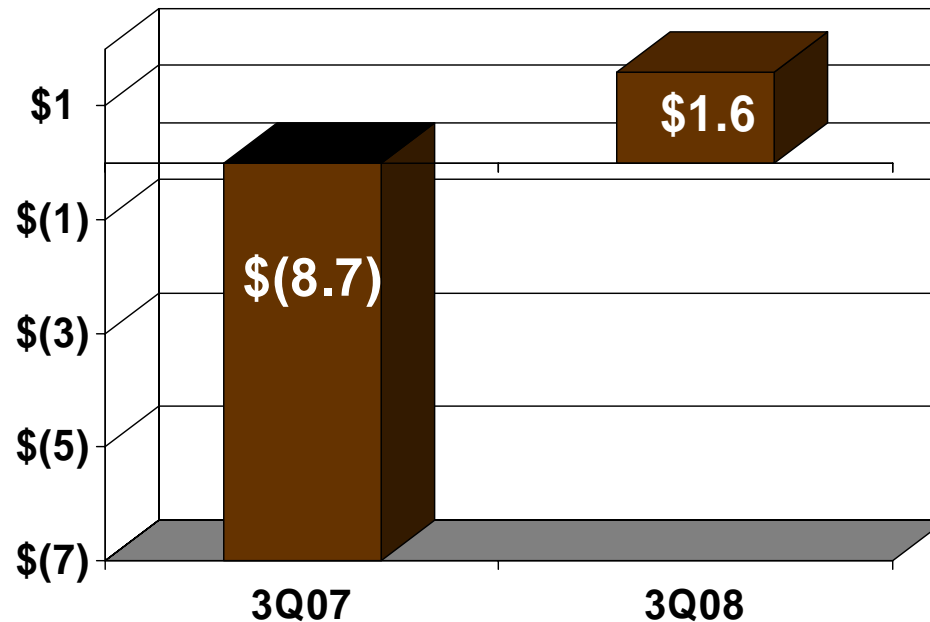


Key Drivers (after tax):

- (+) \$ 32.2 million increase in retail and wholesale natural gas margins
 - (+) \$116.3 million increase in non-cash unrealized gains on derivative instruments
 - (--) \$ 84.1 million decrease in realized natural gas margins
 - (--) \$ 72.9 million negative non-cash lower of cost or market value inventory adjustment required by GAAP
 - (--) \$ 11.2 million decrease in natural gas margins related to realized losses on wholesale natural gas transactions, primarily due to timing
- (--) \$ 8.2 million former investment in synthetic fuel facility
- (--) \$125.5 million decrease in retail and wholesale electric margin
 - (--) \$121.8 negative non-cash fair value adjustments related to electric customer supply contracts

Holding Company/Other – 3Q08

Earnings (millions)



Key Drivers (after tax):

- (+) \$ 4.2 million, decrease in interest expense due to decrease in average amount of short-term debt
- (+) \$ 3.5 million increased earnings from American Transmission Company
- (+) \$ 1.7 million decrease in operating and maintenance expenses related to consulting fees and other costs recorded in 2007 related to the Peoples Energy merger

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:	58.1%	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

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 of \$19.8 million, 90% of \$22 million requested, approved, and were effective October 1, 2008
 - Final rates expected in June 2009
- Web site:
<https://www.edockets.state.mn.us/EFiling/ShowFile.do?DocNumber=5405047>

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.
 - Commission staff recommended \$3.5 million, 10.75% return on equity, and a 7.83% return on average rate base of \$202.1 million
 - Interim rate order expected December 2008 at the earliest
 - Final rates expected second quarter 2009
- Web site:
<http://efile.mpsc.cis.state.mi.us/cgi-bin/efile/viewcase.pl?casenum=15549>

Regulated Utilities Serving Over 2 Million Customers

	PGL	NSG	MERC	MGUC	WPSC		UPPCO
As of 12/31/2007							
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*		
For the period ending 12/31/2007							
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		
Retail as of 12/31/2007							
	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Electric	Electric
Rate base/investment (\$ millions), IL	1,157	177					
Rate base/investment (\$ millions), WI					338	1,288	
Rate base/investment (\$ millions), MI				170	3	15	84.5
Rate base/investment (\$ millions), MN			186				
Wholesale as of 12/31/07							
Rate base/investment (\$ millions)						174	7.5

* Represents contracted storage.

Regulated Utilities Regulatory Rate Base and ROE

	PGL	NSG	MERC	MGUC	WPSC		UPPCO
	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Electric	Electric
Retail last authorized, IL/MN							
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				
Retail last authorized, MI							
Rate base/investment (\$ millions)				170 ⁽²⁾	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
Retail last authorized, WI							
Rate base/investment (\$ millions)					352	1,241 ⁽¹⁾	
Allowed ROE					10.90%	10.90%	
Authorized regulatory equity %					57.46%	57.46%	
Date of decision					1/11/2007	1/11/2007	
Wholesale last authorized							
Rate base/investment (\$ millions)						168	7.7
Allowed ROE						11.00%	*
Authorized regulatory equity %						57.46% ⁽³⁾	*
Date of decision						11/19/2004	*

Notes:

- (1) - Authorized rate base includes \$475 million of construction work-in-progress.
- (2) - MGUC's last rate case was settled by previous owner, with no value stated for rate base/investment (12/31/07 estimated value represented here).
- (3) - Authorized regulatory equity percent is equal to retail actual equity percent.
- * - All rates are based on individual contracts with customers, consequently no allowed ROE, and authorized equity percent applies.

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

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

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

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

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

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

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



Year-to-Date September 2008
(Pre-tax 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, 2008	\$ 48.0	\$ 44.9	\$ 92.9	\$ 66.1	\$ 99.9	\$ 166.0	\$ 258.9
Unamortized electric and gas option premiums (1)	0.3	0.8	1.1	7.0	3.9	10.9	12.0
Fair value of nonderivative contracts, derivative contracts designated as normal purchase and sales, as well as portfolio valuation reserves and eliminations (2)	52.5	123.9	176.4	(117.2)	(54.6)	(171.8)	4.6
Net Risk Management Assets and Liabilities per GAAP Balance Sheet	\$ 100.8	\$ 169.6	\$ 270.4	\$ (44.1)	\$ 49.2	\$ 5.1	\$ 275.5

(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 negative number represents an expected future accounting gain, while a positive number represents an expected future accounting loss.

(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 negative number represents an expected future accounting gain, while a positive number represents an expected future accounting loss.

Integrays Energy Services – Margins

(\$ Millions)

	3 Months Ended September 30			9 Months Ended September 30		
	2008	2007	Change	2008	2007	Change
Natural Gas						
Retail						
Realized margins (1)	\$ 0.1	\$ 5.7	\$ (5.6)	\$ 40.2	\$ 39.8	\$ 0.4
Unrealized gain/(loss) (2)	73.7	5.8	67.9	26.2	(11.6)	37.8
Effect of purchase accounting on realized margins (3)	(0.5)	(0.6)	0.1	(4.9)	(6.3)	1.4
Effect of purchase accounting on unrealized margins (3)	-	(0.1)	0.1	(0.8)	2.6	(3.4)
	<u>73.3</u>	<u>10.8</u>	<u>62.5</u>	<u>60.7</u>	<u>24.5</u>	<u>36.2</u>
Wholesale						
Realized margins (1)	(115.5)	19.5	(135.0)	(68.6)	45.3	(113.9)
Unrealized gain/(loss) (2)	127.4	1.9	125.5	53.8	15.0	38.8
Effect of purchase accounting on realized margins (3)	1.0	0.7	0.3	1.0	3.2	(2.2)
Effect of purchase accounting on unrealized margins (3)	0.6	0.2	0.4	(0.7)	0.5	(1.2)
	<u>13.5</u>	<u>22.3</u>	<u>(8.8)</u>	<u>(14.5)</u>	<u>64.0</u>	<u>(78.5)</u>
Total Natural Gas Margins	<u>86.8</u>	<u>33.1</u>	<u>53.7</u>	<u>46.2</u>	<u>88.5</u>	<u>(42.3)</u>
Electric and Other						
Retail						
Realized margins (1)	23.0	19.5	3.5	53.4	36.0	17.4
Unrealized gain/(loss) (2)	(159.8)	(10.9)	(148.9)	(53.8)	(2.2)	(51.6)
Effect of purchase accounting on realized margins (3)	(0.7)	3.1	(3.8)	(6.4)	(9.0)	2.6
Effect of purchase accounting on unrealized margins (3)	(0.3)	(3.1)	2.8	(0.1)	(0.4)	0.3
	<u>(137.8)</u>	<u>8.6</u>	<u>(146.4)</u>	<u>(6.9)</u>	<u>24.4</u>	<u>(31.3)</u>
Wholesale Trading and Structured Origination (4)						
Realized margins (1)	2.2	8.0	(5.8)	35.9	47.2	(11.3)
Unrealized gain/(loss) (2)	(50.1)	6.8	(56.9)	13.2	2.4	10.8
	<u>(47.9)</u>	<u>14.8</u>	<u>(62.7)</u>	<u>49.1</u>	<u>49.6</u>	<u>(0.5)</u>
Oil option activity						
Realized gain	-	-	-	-	-	-
Unrealized gain/(loss)	-	10.3	(10.3)	-	11.5	(11.5)
	<u>-</u>	<u>10.3</u>	<u>(10.3)</u>	<u>-</u>	<u>11.5</u>	<u>(11.5)</u>
Total Electric and Other Margins	<u>(185.7)</u>	<u>33.7</u>	<u>(219.4)</u>	<u>42.2</u>	<u>85.5</u>	<u>(43.3)</u>
Total Gross Margin	\$ (98.9)	\$ 66.8	\$ (165.7)	\$ 88.4	\$ 174.0	\$ (85.6)
Realized margins (1)	(90.2)	52.7	(142.9)	60.9	168.3	(107.4)
Unrealized gain/(loss) (2)	(8.8)	13.9	(22.7)	39.4	15.1	24.3
Effect of purchase accounting on realized margins (3)	(0.2)	3.2	(3.4)	(10.3)	(12.1)	1.8
Effect of purchase accounting on unrealized margins (3)	0.3	(3.0)	3.3	(1.6)	2.7	(4.3)
Total Gross Margin	\$ (98.9)	\$ 66.8	\$ (165.7)	\$ 88.4	\$ 174.0	\$ (85.6)

IntegrYS Energy Services – Definitions Related to Margin Exhibit

	3 Months Ended September 30			9 Months Ended September 30		
	2008	2007	Change	2008	2007	Change
Volumes Delivered (includes only transactions settled physically for the periods shown)						
Retail Natural Gas (in billion cubic feet)	71.1	66.0	5.1	252.0	231.0	21.0
Realized per unit margins (\$ per dekatherm)	\$ -	\$ 0.09	\$ (0.09)	\$ 0.16	\$ 0.17	\$ (0.01)
Retail Electric (in kilowatt-hours)	4,552.9	4,708.1	(155.2)	12,542.3	10,567.3	1,975.0
Realized per unit margins (\$ per megawatt-hour)	\$ 5.05	\$ 4.14	\$ 0.91	\$ 4.26	\$ 3.41	\$ 0.85

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). Wholesale natural gas realized margins include the negative impact of the inventory lower of cost or market adjustment of \$124.2 million for the three month period and \$119.5 million for the nine month period ended September 30, 2008.
- (2) Unrealized gain/(loss) - Represents the non-cash change in fair value of the portfolio of contracts deemed to be derivative instruments as defined by Financial Accounting Standards Board Statement No. 133 "Accounting for Derivative Instruments." In addition to the change in the value of currently outstanding contracts, this amount is impacted when contracts are settled. The value is taken out of unrealized gain/loss and the actual settlement gain/loss and the actual settlement amount are reflected in realized margins.
- (3) Effect of purchase accounting - Represents the attribution of purchase price related to the contracts acquired via the Peoples Energy merger. The value of the the contracts (calculated as of the merger date) is reversed through gross margin in the month of settlement. A portion of this impact runs through unrealized gains and losses and another portion runs through realized margins. Both are noncash impacts that are broken out above in order to help reconcile to the year-over-year variance discussion within Item 2 of the Form 10-Q, Management's Discussion and Analysis of the Financial Condition and Results of Operations. This schedule excludes the amortization of intangibles identified as part of the merger (i.e., customer list) which is included in operating expenses. Effect of purchase accounting budgeted in operating expenses, while actual impacts margin.
- (4) Wholesale Trading and Structured Origination - Captures our proprietary trading activity, structured origination activity and optimization of our plants and customer load. Variance explanations are captured in three line items in the Form 10-Q: (1) Realized gains on structured origination contracts, (2) Liquidation of an electric supply contract in 2005, and (3) All other wholesale electric operations.

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) ¹	(91) ²	(35) ³	(9)	–	–	(155)
Estimated Costs to Achieve on February 21, 2007	(20) ¹	(91) ⁴	(33) ⁵	(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 capitalized.
- (5) Anticipated that \$6 million would have been capitalized.

Note: Unchanged from second quarter earnings conference call