



Challenges and Opportunities In The Natural Gas Industry

Presentation by:

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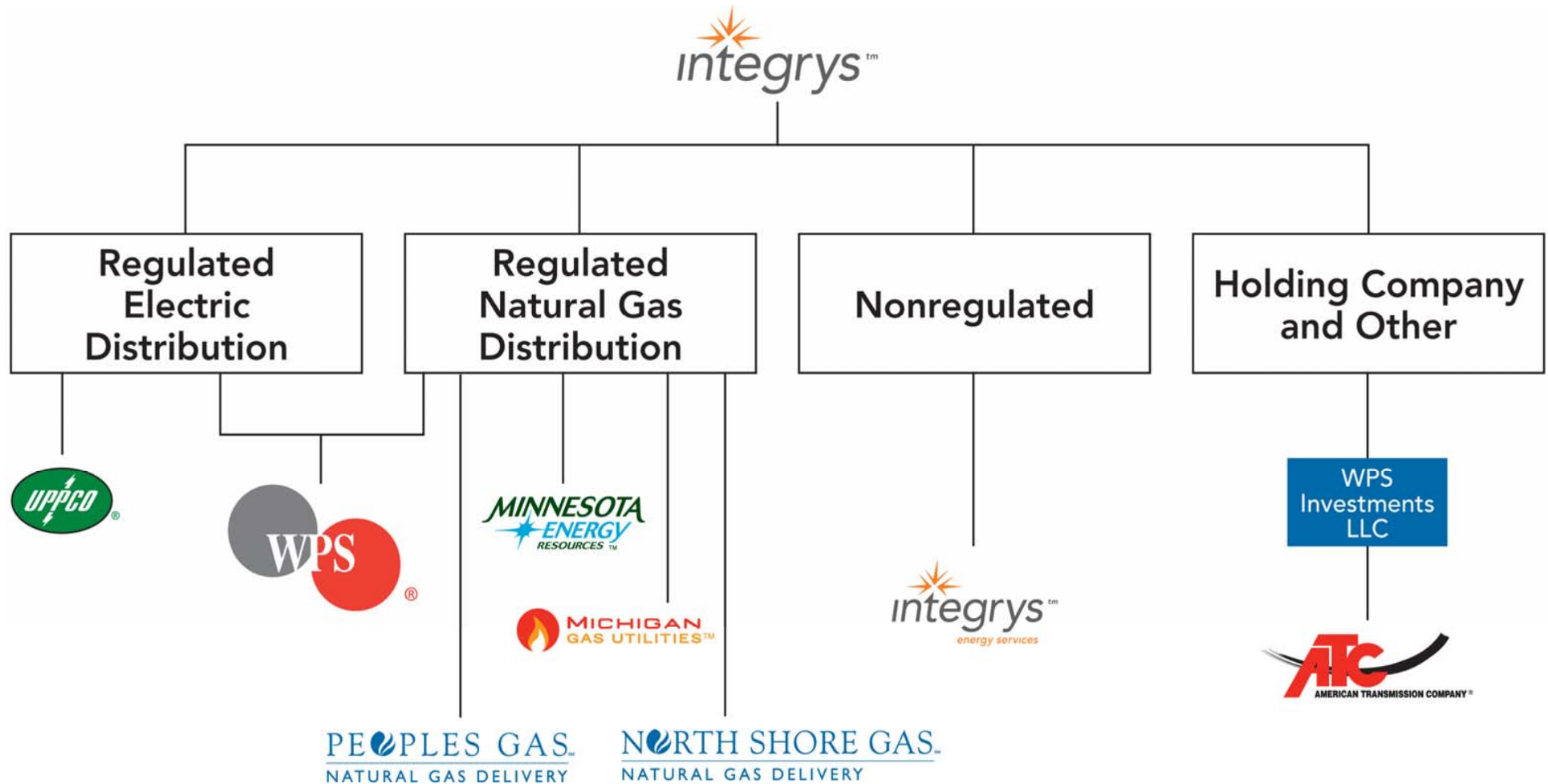
Agenda

- Overview of Integrys
- Value of relationships
- Challenges we face today
- What lies ahead?



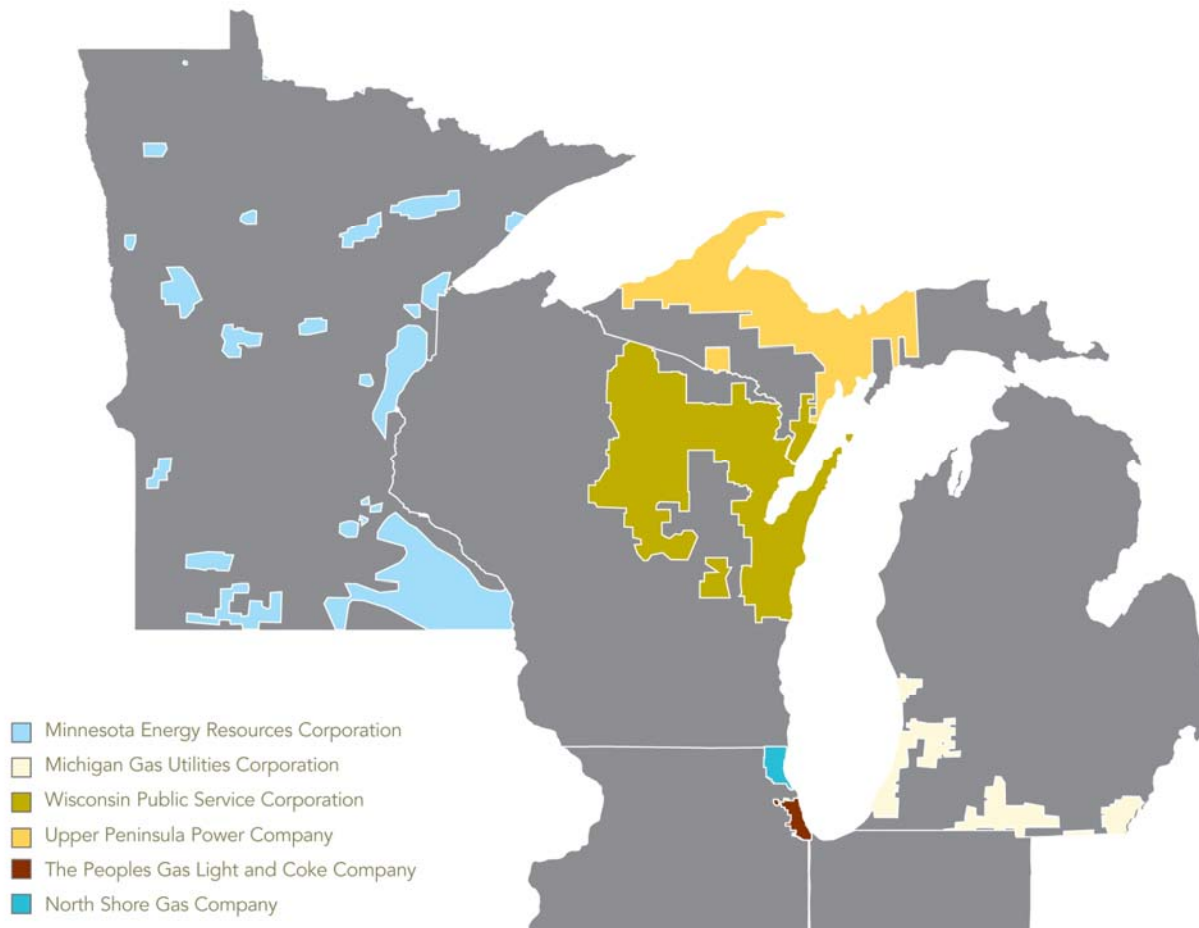
Overview of Integrys

IntegrYS Energy Group – A Leading Midwest Energy Company



Strong and Diversified Regulated Utility Business

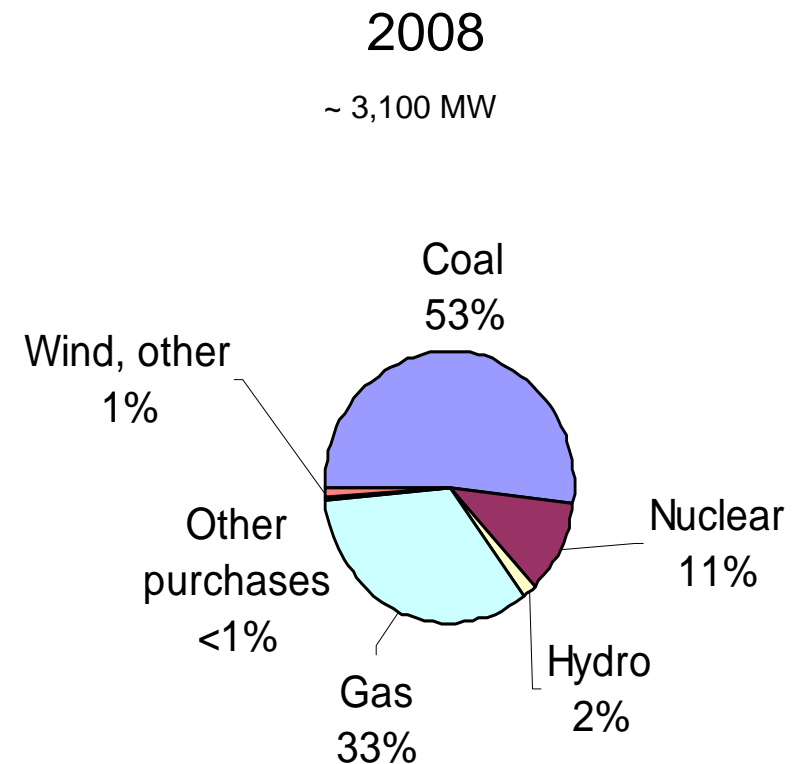
Regulated service territory



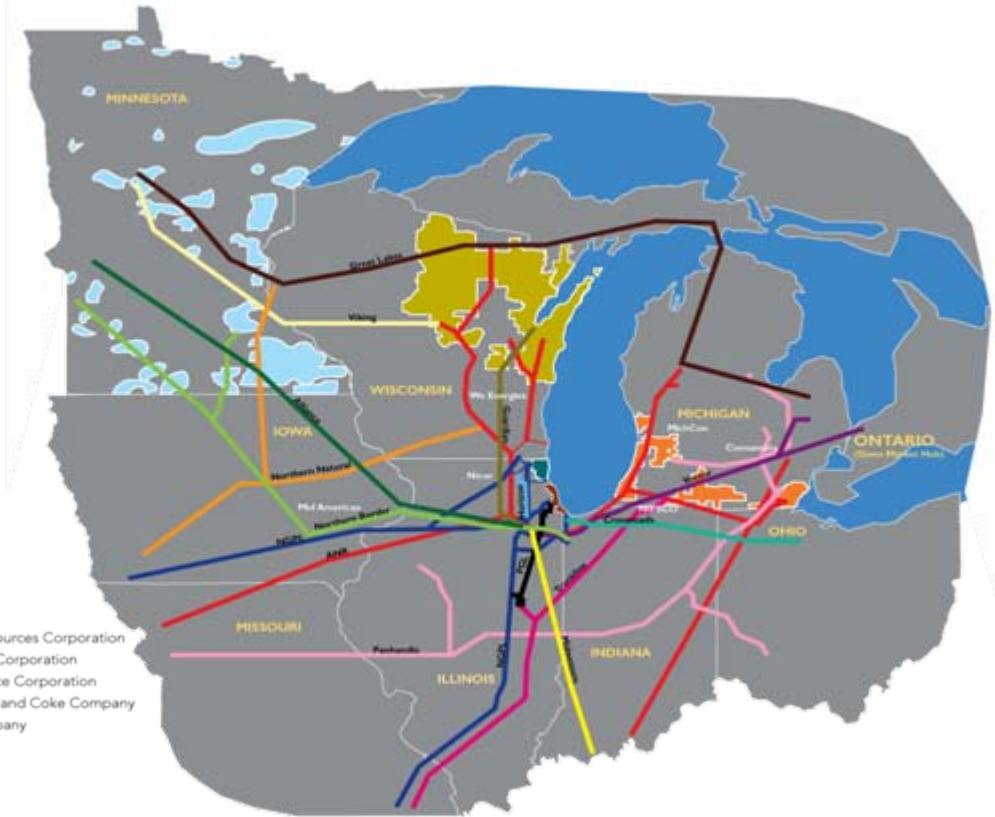
- Serving the Midwest for 125 years
- Stable organic earnings growth
 - ◆ Attractive service territories
 - ◆ Generation and distribution capital investment program
- Constructive regulatory approach
- Delivering superior customer service

WPSC Generation Profile

- 33% of generation capacity fired by natural gas
 - 550 MW of combined cycle via contract
 - 470 MW of owned combustion turbines



Integrlys Gas Group



- Operating in 4 states
- 1.7 million gas customers
 - ◆ Rural and urban
 - ◆ Diverse demographics
- 2008 purchased gas cost nearly \$2.1 billion
- Access to ample transportation and supply alternatives



IntegrYS Energy Services – Update

- Announced a structured divestiture process with the assistance of JP Morgan Securities
- We are targeting a full divestiture of IntegrYS Energy Services
 - This could be achieved in one transaction or multiple transactions
 - Immediate, smaller transactions should not adversely impact maximum value
- We are targeting an announcement by the end of the third or early fourth quarter 2009



Introduction and Overview

Value of Relationships



Customer Relations

- Customer outreach programs
- Informing customers
- Connecting customers to financial assistance
- Community involvement
- What's important to customers:
 - Reliability, Service, Quality, and Price



Supplier Relationships

- Integrys utilities are shippers on 13 pipelines
- They purchased supplies from 37 different suppliers in 2008 totaling \$2.1 billion
- In total we lease approx. 64 Bcf of storage capacity
- Relationships allow us to meet firm obligations
- Offer competitively priced supplies
- Help us fully optimize our assets



Relationships with Regulators

- Importance of developing and maintaining positive, constructive, relationships with regulators
- Understanding State and Federal requirements while maintaining full compliance
- Working to shape State and Federal rulemaking and legislation



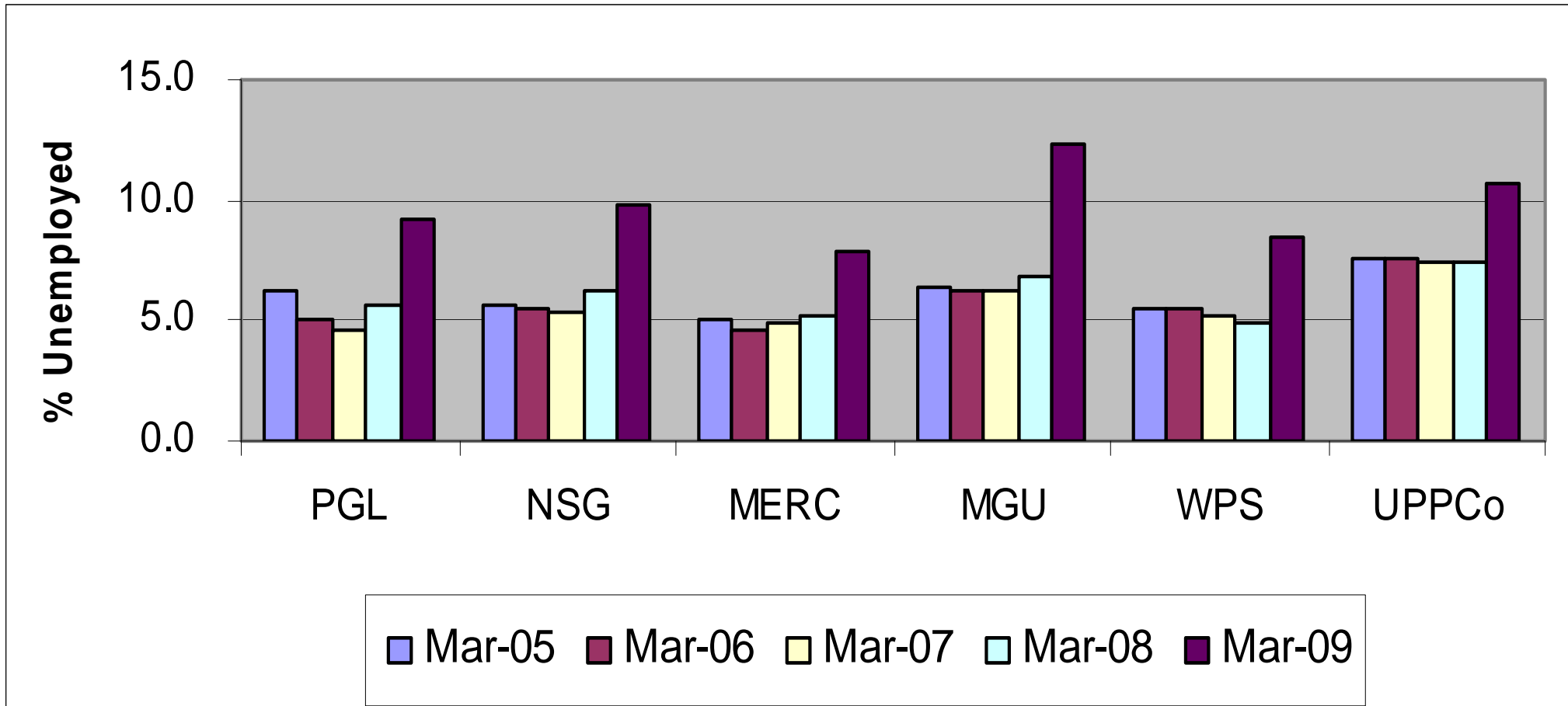
Relationship with AGA

- Increasing access to domestic supplies
- Protecting and increasing LIHEAP funding
- Extending or making permanent the current dividend tax rate
- Ensuring that natural gas is recognized as part of the solution to climate change



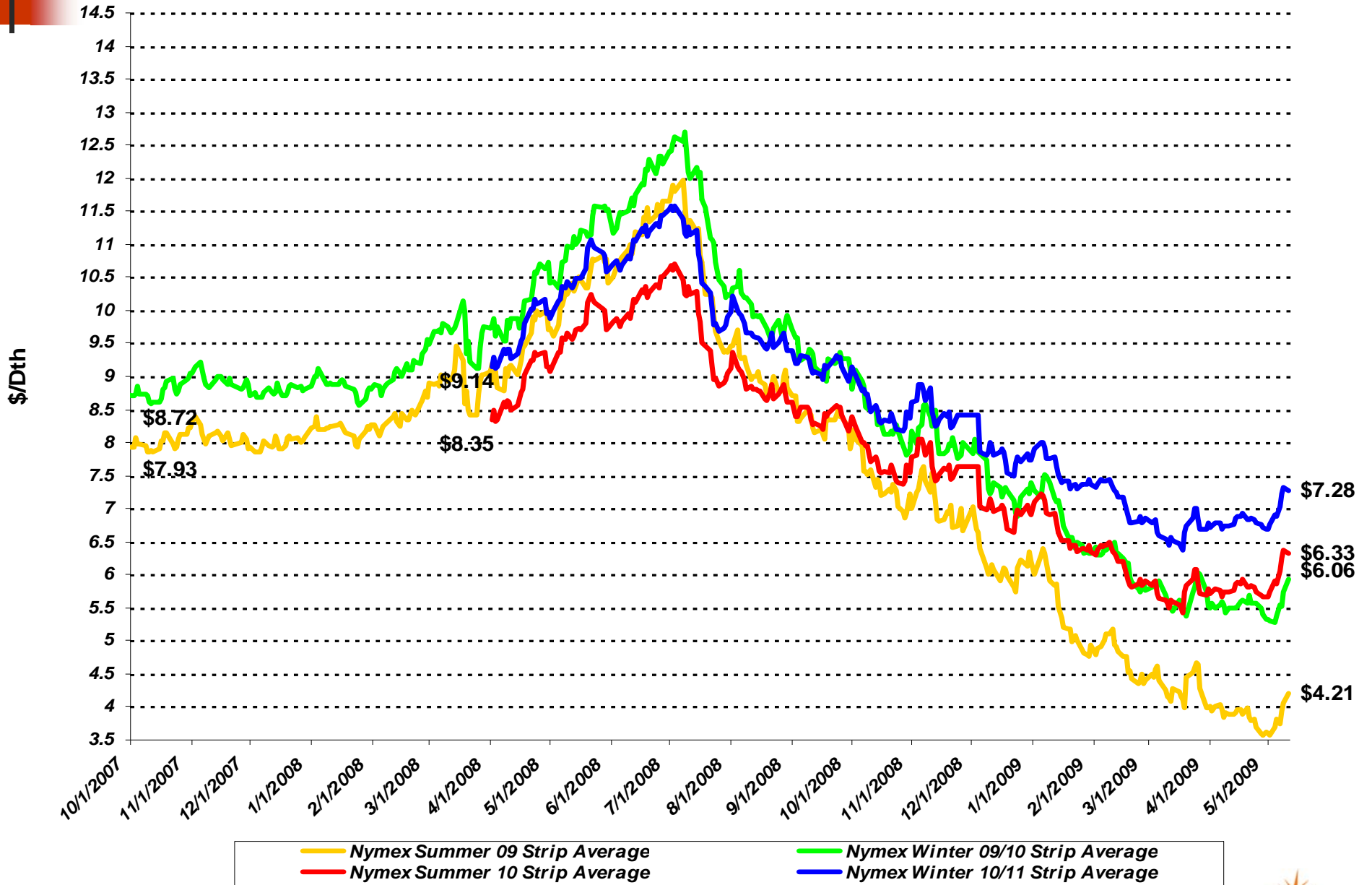
Challenges We Face Today

Unemployment by Customer Territory



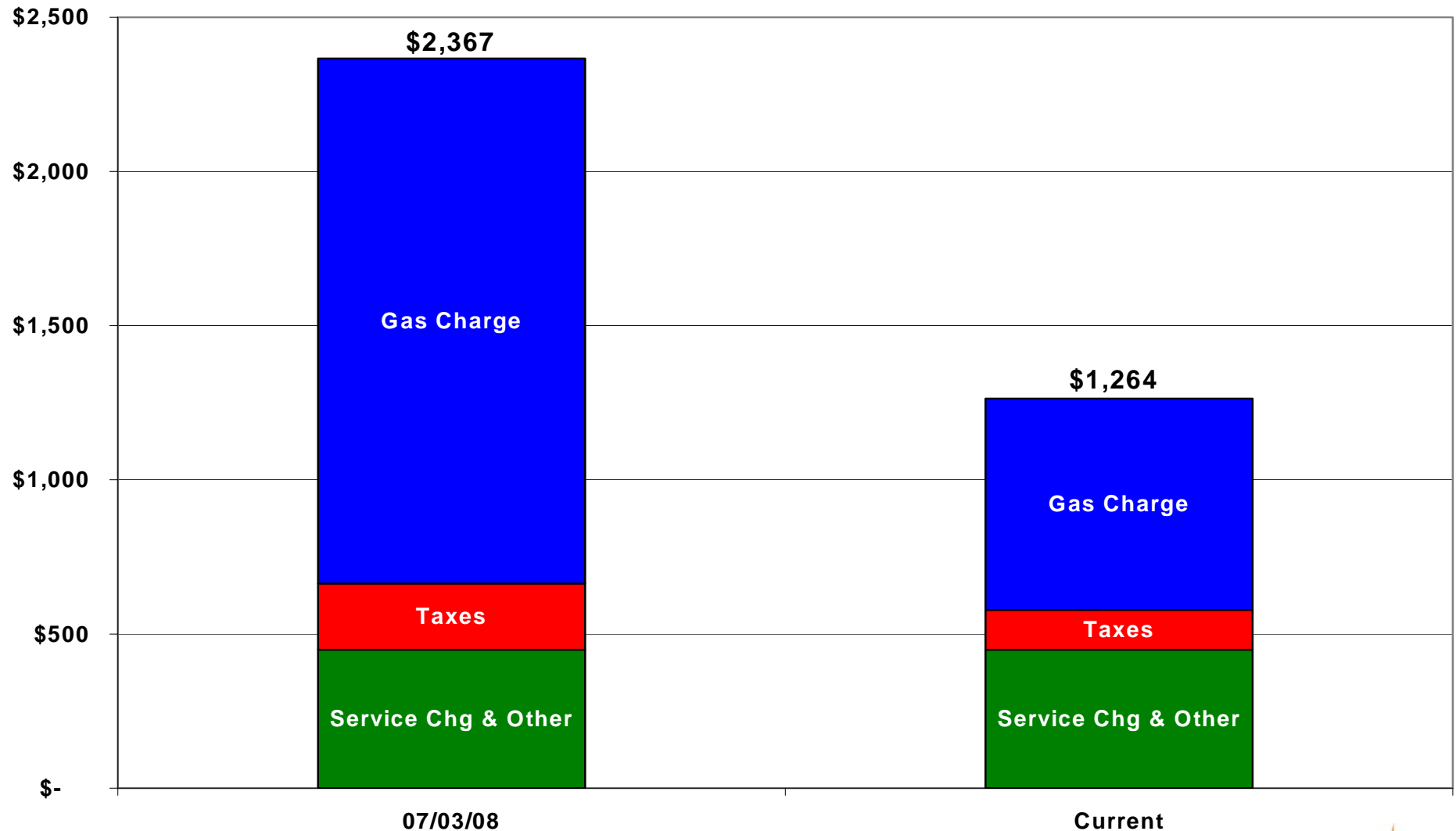
Source: Bureau of Labor Statistics

Nymex Strip Prices (As of May 11, 2009)



Lower Gas Prices Help Customers

Peoples Gas Annual Bill Comparison Based on 1,193 therms
Using 7/3/08 vs. Current Chicago Citygate Forecast

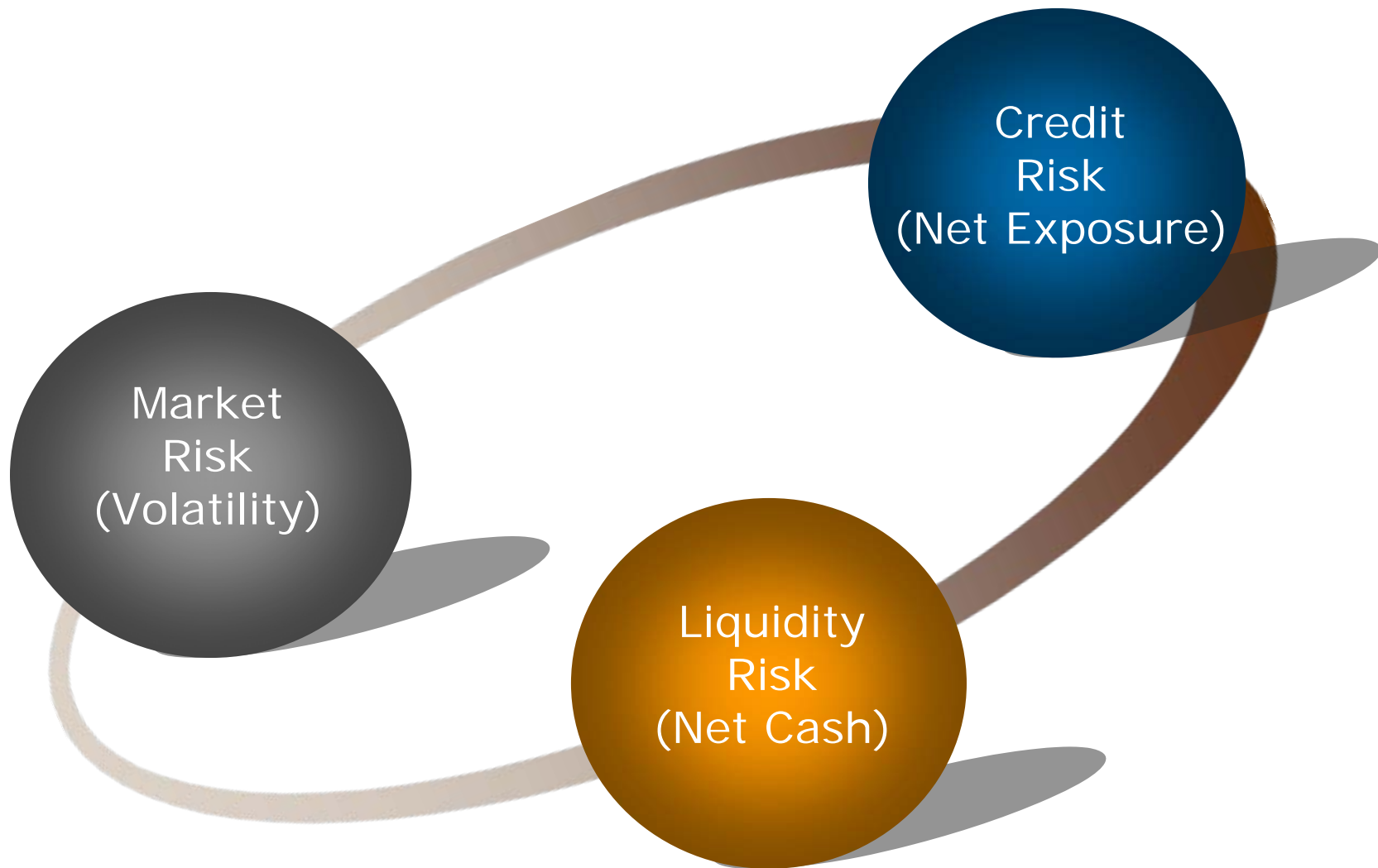




Challenges We Face Today

- We pass gas costs on to our customers with no mark-up
- The decline in gas prices over the past 10 months, roughly equates to an annual savings of \$1 billion for Integrys gas customers
- While customers will benefit from near term lower energy prices, many are personally challenged as a result of a weak economy
- Breaking the disconnect/reconnect cycle
- We must balance these issues and develop plans that allow us to succeed despite these challenges

Balancing Risks



Challenges We Face Today

- Enhancing shareholder value
 - Through regulatory mechanisms such as decoupling
 - Filing rate cases to earn allowed returns
 - Controlling costs
- Dealing with increased capital constraints
 - Cash availability is an issue for all industries, including utilities
 - Aging infrastructure must be maintained and expanded
 - Capital projects are needed even when accompanied by slow, to negative, load growth



What Lies Ahead?



What Lies Ahead?

- Increased emphasis on environmental concerns
- Growing cyber security threats for utilities
- Increased market oversight and need for transparency
- Gas quality issues/concerns
- We must be ready for the recovery of the domestic economy



Keep Our Eye on the Ball

- Continue to encourage supply diversity
- Understand how climate change legislation will affect natural gas
- Recognize that natural gas is the fuel of the future
- Work together to tell the natural gas story