

Large Filing Separator Sheet



CASE NUMBER: 10-396-GA-CRS

FILE DATE: 3/25/10

SECTION: 4 of 4

NUMBER OF PAGES: 79

DESCRIPTION OF DOCUMENT:

Certification Application

INTEGRYS ENERGY GROUP
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

| (Millions) | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|----------|---------|---------|---------|---------|
| EARNINGS | | | | | |
| Net income (loss) from continuing operations | (\$71.6) | \$124.7 | \$181.0 | \$147.8 | \$146.1 |
| Provision for income taxes | 83.2 | 51.2 | 86.0 | 45.0 | 39.6 |
| Income (loss) from continuing operations before income taxes | 11.6 | 175.9 | 267.0 | 192.8 | 185.7 |
| Less: | | | | | |
| Undistributed earnings of less than 50% owned affiliates | (16.2) | (16.4) | 3.8 | 13.0 | 7.5 |
| Preferred stock dividends of subsidiary (a) | 0.6 | (5.1) | (5.2) | (5.3) | (4.9) |
| Interest capitalized (b) | (0.2) | - | - | - | - |
| Adjusted income (loss) from continuing operations before income taxes | (4.2) | 154.4 | 265.6 | 200.5 | 188.3 |
| Total fixed charges as defined | 172.4 | 170.8 | 174.6 | 107.0 | 69.5 |
| Total earnings as defined | \$168.2 | \$325.2 | \$440.2 | \$307.5 | \$257.8 |
| FIXED CHARGES | | | | | |
| Interest expense | \$164.8 | \$158.1 | \$164.5 | \$99.2 | \$62.0 |
| Interest capitalized (c) | 2.6 | 2.0 | 0.3 | 0.2 | 0.4 |
| Interest factor applicable to rentals | 5.6 | 5.6 | 4.6 | 2.3 | 2.2 |
| Preferred stock dividends of subsidiary (a) | (0.6) | 5.1 | 5.2 | 5.3 | 4.9 |
| Total fixed charges as defined | \$172.4 | \$170.8 | \$174.6 | \$107.0 | \$69.5 |
| RATIO OF EARNINGS TO FIXED CHARGES | (d) | 1.9 | 2.5 | 2.9 | 3.7 |

(a) Preferred stock dividends of subsidiary are computed by dividing the preferred stock dividends of subsidiary by 100% minus the income tax rate.

(b) Includes interest capitalized for the unregulated segment.

(c) Includes allowance for funds used during construction.

(d) For the 12 months ended December 31, 2009, earnings as defined were inadequate to cover fixed charges as defined by \$4.2 million, driven by a pre-tax non-cash goodwill impairment loss of \$291.1 million.

**Affiliates and Subsidiaries of Integrys Energy Group, Inc.
December 31, 2009**

INTEGRYS ENERGY GROUP, INC.+ *

- Wisconsin Public Service Corporation+
 - WPS Leasing, Inc.+
 - Wisconsin Valley Improvement Company (27.1% ownership) +
 - Wisconsin River Power Company (50% ownership)+
 - WPS Investments, LLC (approximately 12.77% ownership)+
 - American Transmission Company LLC (approximately 34.07% ownership)+
 - ATC Management Inc. (32.11% ownership of Class A Shares, 20% ownership of Class B Shares)+
- WPS Investments, LLC (approximately 84.51% ownership)+
 - American Transmission Company LLC (approximately 34.07% ownership)+
- Michigan Gas Utilities Corporation++
- Minnesota Energy Resources Corporation++
- Integrys Business Support, LLC++
- WPS Visions, Inc.+
- Badger Energy Services, LLC (12.50% ownership)+
- Integrys Energy Services, Inc.+
 - Integrys Energy Services – Natural Gas, LLC++
 - Integrys Energy Services – Electric, LLC++
 - Quest Energy, LLC+++
 - Integrys Energy Services of Canada Corp. (formed under Canadian law)
 - Integrys Energy Services of New York, Inc.+++++
 - Integrys Energy Services of Texas, LP+++++ (99% ownership)
 - Integrys Energy Services of Texas, LP+++++ (1% ownership)
 - PERC Holdings, LLC++
- WPS Power Development, LLC+
 - PDI Stoneman, Inc.+
 - Winnebago Energy Center, LLC++
 - WPS Canada Generation, Inc.+
 - WPS New England Generation, Inc.+
 - Wisconsin Woodgas LLC+
 - Wisconsin Energy Operations LLC (49% ownership)+
 - ECO Coal Pelletization #12 LLC++
 - Sunbury Holdings, LLC++
 - WPS Westwood Generation, LLC++
 - WPS Empire State, Inc.+++++
 - WPS Beaver Falls Generation, LLC++
 - WPS Syracuse Generation, LLC++
 - Combined Locks Energy Center, LLC+
 - Peoples Natural Gas Liquids, LLC++
 - Solar Hold 2008-1, LLC++
 - Soltage-MAZ 700 Tinton Falls, LLC++ (99% ownership)
 - Soltage-ADC 630 Jamesburg, LLC++ (99% ownership)
 - Soltage-PLG 500 Millford, LLC++ (99% ownership)
 - Solar Hold 2008-2, LLC++
 - Solar Man, LLC++
 - Sun Devil Solar LLC++
 - Solar Star California II, LLC++
 - Solar Star New Jersey, I, LLC++
 - Crimson Solar, LLC++
 - Solar Star New Jersey, II, LLC++
 - Solar Star TM2, LLC++
 - LGS Renewables, I, LC+++++ (50% ownership)

**Affiliates and Subsidiaries of Integrys Energy Group, Inc.
December 31, 2009**

INTEGRYS ENERGY GROUP, INC.*

Peoples Energy Corporation++++

The Peoples Gas Light and Coke Company++++

Peoples Gas Neighborhood Development Corporation++++

North Shore Gas Company++++

Peoples Energy Resources Company, LLC++

Peoples District Energy Corporation++++

Peoples Energy Ventures, LLC++

Peoples Energy Home Services, LLC++

Peoples Energy Neighborhood Development, LLC++

Peoples Technology, LLC++

Upper Peninsula Power Company+++

WPS Investments, LLC (approximately 2.72 ownership)+

American Transmission Company LLC (approximately 34.07% ownership)+

ATC Management Inc. (1.96% ownership)+

Penvest, Inc.+++

* Integrys Energy Group, Inc. is the parent holding company. All affiliated companies listed are 100% owned except as noted otherwise. All affiliates are currently active, with the exception of Wisconsin Woodgas, LLC; Wisconsin Energy Operations LLC; ECO Coal Pelletization #12, LLC; PDI Stoneman, Inc.; Peoples Energy Ventures, LLC; and Peoples District Energy Corporation.

+ Formed under Wisconsin law.

++ Formed under Delaware law.

+++ Formed under Michigan law.

++++ Formed under Illinois law.

+++++ Formed under Texas law.

++++++ Formed under New York law.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-158218, 333-140921, 333-133194, 333-121971, and 333-140744 on Form S-3, 333-136911 on Form S-4, and 333-150312, 333-150311, 333-140912, 333-63101, 333-71990, 333-71992, 333-81134, 333-93193, 333-127890, and 333-127889 on Form S-8 of our reports dated February 25, 2010, relating to the consolidated financial statements and financial statement schedules of Integrys Energy Group, Inc. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of a new accounting standard in 2008), and the effectiveness of Integrys Energy Group, Inc. and subsidiaries internal control over financial reporting, appearing in this Annual Report on Form 10-K of Integrys Energy Group, Inc. for the year ended December 31, 2009.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
February 25, 2010

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-158218, 333-140921, 333-133194, 333-121971, and 333-140744 on Form S-3, 333-136911 on Form S-4, and 333-150312, 333-150311, 333-140912, 333-63101, 333-71990, 333-71992, 333-81134, 333-93193, 333-127890, and 333-127889 on Form S-8 of Integrys Energy Group, Inc. of our report dated February 4, 2010, relating to the financial statements of American Transmission Company LLC, appearing in this Annual Report on Form 10-K of Integrys Energy Group, Inc. for the year ended December 31, 2009.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
February 25, 2010

POWER OF ATTORNEY

WHEREAS, INTEGRYS ENERGY GROUP, INC., a Wisconsin corporation, will file on or before the due date of March 1, 2010 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, an annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of Integrys Energy Group, Inc.;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Charles A. Schrock, Joseph P. O'Leary, Bradley A. Johnson, Diane L. Ford, and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Keith E. Bailey

Keith E. Bailey

Director

POWER OF ATTORNEY

WHEREAS, INTEGRYS ENERGY GROUP, INC., a Wisconsin corporation, will file on or before the due date of March 1, 2010 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, an annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of IntegrYS Energy Group, Inc.;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Charles A. Schrock, Joseph P. O'Leary, Bradley A. Johnson, Diane L. Ford, and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Richard A. Bemis

Richard A. Bemis
Director

POWER OF ATTORNEY

WHEREAS, INTEGRYS ENERGY GROUP, INC., a Wisconsin corporation, will file on or before the due date of March 1, 2010 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, an annual report on Form 10-K, and

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ William J. Brodsky

William J. Brodsky
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Albert J. Budney, Jr.

Albert J. Budney, Jr.

Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Pastora San Juan Cafferty
Pastora San Juan Cafferty
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Ellen Camahan

Ellen Camahan

Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Robert C. Gallagher

Robert C. Gallagher
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Kathryn M. Hasselblad-Pascale

Kathryn M. Hasselblad-Pascale
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ John W. Higgins

John W. Higgins

Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ James L. Kemerling
James L. Kemerling
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Michael E. Lavin
Michael E. Lavin
Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ William F. Protz, Jr.

William F. Protz, Jr.

Director

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Charles A. Schrock

Charles A. Schrock
Director

POWER OF ATTORNEY

WHEREAS, INTEGRYS ENERGY GROUP, INC., a Wisconsin corporation, will file on or before the due date of March 1, 2010 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, an annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of Integrys Energy Group, Inc.;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Charles A. Schrock, Joseph P. O'Leary, Bradley A. Johnson, Diane L. Ford, and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 11th day of February, 2010.

/s/ Larry L. Weyers

Larry L. Weyers

Director

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934**

I, Charles A. Schrock, certify that:

1. I have reviewed this Annual Report on Form 10-K of Integrys Energy Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2010

/s/ Charles A. Schrock
Charles A. Schrock
President and Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934**

I, Joseph P. O'Leary, certify that:

1. I have reviewed this Annual Report on Form 10-K of Integrys Energy Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2010

/s/ Joseph P. O'Leary
Joseph P. O'Leary
Senior Vice President and Chief Financial Officer

**Written Statement of the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350**

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Integrys Energy Group, Inc. (the "Company"), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2009 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Charles A. Schrock

Charles A. Schrock
President and Chief Executive Officer

/s/ Joseph P. O'Leary

Joseph P. O'Leary
Senior Vice President and Chief Financial Officer

Date: February 25, 2010

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by Integrys Energy Group, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Integrys Energy Group, Inc. and will be retained by Integrys Energy Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

AMERICAN TRANSMISSION COMPANY LLC

**Financial Statements for the Years Ended December 31, 2009, 2008 and 2007
and Report of Independent Registered Public Accounting Firm**

American Transmission Company LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of ATC Management Inc.,
Corporate Manager of American Transmission Company LLC:

We have audited the accompanying balance sheets of American Transmission Company LLC (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, changes in members' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
February 4, 2010

American Transmission Company LLC**Statements of Operations****For the Years Ended December 31, 2009, 2008 and 2007**

(In Thousands)

| | 2009 | 2008 | 2007 |
|---|------------------|------------------|------------------|
| Operating Revenues | | | |
| Transmission Service Revenue | \$520,364 | \$464,992 | \$406,893 |
| Other Operating Revenue | 1,161 | 1,579 | 1,126 |
| Total Operating Revenues | <u>521,525</u> | <u>466,571</u> | <u>408,019</u> |
| Operating Expenses | | | |
| Operations and Maintenance | 131,693 | 121,096 | 119,901 |
| Depreciation and Amortization | 85,099 | 75,834 | 69,154 |
| Taxes Other than Income | 12,485 | 11,134 | 9,124 |
| Income Tax Expense of ATC LLC | 1,039 | 896 | - |
| Total Operating Expenses | <u>230,316</u> | <u>208,960</u> | <u>198,179</u> |
| Operating Income | <u>291,209</u> | <u>257,611</u> | <u>209,840</u> |
| Other Income (Expense), Net | <u>(621)</u> | <u>(514)</u> | <u>78</u> |
| Earnings Before Interest and Members' Income Taxes | <u>290,588</u> | <u>257,097</u> | <u>209,918</u> |
| Interest Expense | | | |
| Interest Expense, Net | 77,223 | 69,135 | 58,938 |
| Allowance for Borrowed Funds Used During Construction | - | (83) | (3,109) |
| Net Interest Expense | <u>77,223</u> | <u>69,052</u> | <u>55,829</u> |
| Earnings Before Members' Income Taxes | <u>\$213,365</u> | <u>\$188,045</u> | <u>\$154,089</u> |

The accompanying notes are an integral part of these financial statements.

American Transmission Company LLC**Statements of Cash Flows****For the Years Ended December 31, 2009, 2008 and 2007**

(In Thousands)

| | 2009 | 2008 | 2007 |
|---|-----------|-----------|-----------|
| Cash Flows from Operating Activities | | | |
| Earnings Before Members' Income Taxes | \$213,365 | \$188,045 | \$154,089 |
| Adjustments to Reconcile Earnings Before Members' Income Taxes to Net | | | |
| Cash Provided by Operating Activities- | | | |
| Depreciation and Amortization | 85,099 | 75,834 | 69,154 |
| Bond Discount and Debt Issuance Cost Amortization | 986 | 831 | 698 |
| Provision for Deferred Income Taxes of ATC LLC, Net | 545 | 504 | - |
| Change in- | | | |
| Accounts Receivable | (4,412) | (9,437) | (7,261) |
| Other Current Assets | 129 | (534) | (1,783) |
| Accounts Payable | (872) | (8,482) | 6,883 |
| Accrued Liabilities | (8,585) | 14,409 | 6,684 |
| Other, Net | (4,138) | 2,842 | 10,663 |
| Total Adjustments | 68,752 | 75,967 | 85,038 |
| Net Cash Provided by Operating Activities | 282,117 | 264,012 | 239,127 |
| Cash Flows from Investing Activities | | | |
| Capital Expenditures for Property, Plant and Equipment | (401,671) | (364,653) | (407,071) |
| Insurance Proceeds Received for Damaged Property, Plant and Equipment | 3,906 | - | - |
| Proceeds from the Sale of Property, Plant and Equipment | - | 5,125 | - |
| Allowance for Borrowed Funds Used During Construction | - | (83) | (3,109) |
| Net Cash Used in Investing Activities | (397,765) | (359,611) | (410,180) |
| Cash Flows from Financing Activities | | | |
| Distribution of Earnings to Members | (166,178) | (140,828) | (116,345) |
| Issuance of Membership Units for Cash | 99,987 | 97,985 | 66,643 |
| Return of Capital to Tax-exempt Members | - | (8,553) | - |
| Issuance (Repayment) of Short-term Debt, Net | 74,476 | 17,710 | (90,574) |
| Issuance of Long-term Debt, Net of Issuance Costs | 149,014 | 208,875 | 248,266 |
| Advances Received Under Interconnection Agreements | 7,072 | 31,493 | 63,157 |
| Repayments Made Under Interconnection Agreements | (47,995) | (111,382) | - |
| Other, Net | (552) | 388 | (35) |
| Net Cash Provided by Financing Activities | 115,824 | 95,488 | 171,112 |
| Net Change in Cash and Cash Equivalents | 176 | (111) | 59 |
| Cash and Cash Equivalents, Beginning of Period | - | 111 | 52 |
| Cash and Cash Equivalents, End of Period | \$176 | \$ - | \$111 |

The accompanying notes are an integral part of these financial statements.

American Transmission Company LLC**Balance Sheets****As of December 31, 2009 and 2008**

(in Thousands)

| ASSETS | 2009 | 2008 |
|--|---------------------------|---------------------------|
| Property, Plant and Equipment | | |
| Transmission Plant | \$3,174,792 | \$2,734,539 |
| General Plant | 91,833 | 84,165 |
| Less- Accumulated Depreciation | (712,724) | (659,075) |
| | <u>2,553,901</u> | <u>2,159,629</u> |
| Construction Work in Progress | 197,057 | 303,965 |
| Net Property, Plant and Equipment | <u>2,750,958</u> | <u>2,463,594</u> |
| Current Assets | | |
| Cash and Cash Equivalents | 176 | - |
| Accounts Receivable | 46,311 | 46,028 |
| Prepaid Expenses | 2,886 | 2,986 |
| Other Current Assets | 1,748 | 1,777 |
| Total Current Assets | <u>51,121</u> | <u>50,791</u> |
| Regulatory and Other Assets | | |
| Regulatory Assets | 7,760 | 8,252 |
| Other Assets | 8,531 | 8,188 |
| Total Regulatory and Other Assets | <u>16,291</u> | <u>16,440</u> |
| Total Assets | <u><u>\$2,818,370</u></u> | <u><u>\$2,530,825</u></u> |
| MEMBERS' EQUITY AND LIABILITIES | | |
| Capitalization | | |
| Members' Equity (see Note 3 for redemption provisions) | \$1,196,396 | \$1,049,222 |
| Long-term Debt | 1,259,643 | 1,109,397 |
| Total Capitalization | <u>2,456,039</u> | <u>2,158,619</u> |
| Current Liabilities | | |
| Accounts Payable | 19,602 | 41,493 |
| Accrued Interest | 20,274 | 19,260 |
| Other Accrued Liabilities | 45,645 | 40,622 |
| Current Portion of Regulatory Liabilities | 1,502 | 19,963 |
| Short-term Debt | 197,537 | 123,578 |
| Current Portion of Advances Under Interconnection Agreements | 934 | 7,129 |
| Total Current Liabilities | <u>285,494</u> | <u>252,035</u> |
| Regulatory and Other Long-term Liabilities | | |
| Regulatory Liabilities | 59,734 | 66,067 |
| Other Long-term Liabilities | 17,103 | 54,104 |
| Total Regulatory and Other Long-term Liabilities | <u>76,837</u> | <u>120,171</u> |
| Commitments and Contingencies (see Notes) | - | - |
| Total Members' Equity and Liabilities | <u><u>\$2,818,370</u></u> | <u><u>\$2,530,825</u></u> |

The accompanying notes are an integral part of these financial statements.

American Transmission Company LLC**Statements of Changes in Members' Equity
For the Years Ended December 31, 2009, 2008 and 2007**

(In Thousands)

| | |
|--|---------------------------|
| Members' Equity as of December 31, 2006 | <u>\$807,310</u> |
| Membership Units Outstanding at December 31, 2006 | <u>55,555</u> |
| <hr/> | |
| Issuance of Membership Units | \$67,519 |
| Earnings Before Members' Income Taxes | 154,089 |
| Distribution of Earnings to Members | <u>(116,345)</u> |
| Members' Equity as of December 31, 2007 | <u>\$912,573</u> |
| Membership Units Outstanding at December 31, 2007 | <u>60,769</u> |
| <hr/> | |
| Issuance of Membership Units | \$97,985 |
| Return of Capital to Tax-exempt Members | (8,553) |
| Earnings Before Members' Income Taxes | 188,045 |
| Distribution of Earnings to Members | <u>(140,828)</u> |
| Members' Equity as of December 31, 2008 | <u>\$1,049,222</u> |
| Membership Units Outstanding at December 31, 2008 | <u>68,089</u> |
| <hr/> | |
| Issuance of Membership Units | \$99,987 |
| Earnings Before Members' Income Taxes | 213,365 |
| Distribution of Earnings to Members | <u>(166,178)</u> |
| Members' Equity as of December 31, 2009 | <u>\$1,196,396</u> |
| Membership Units Outstanding at December 31, 2009 | <u>75,266</u> |

The accompanying notes are an integral part of these financial statements.

American Transmission Company LLC

Notes to Financial Statements

December 31, 2009

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) General

American Transmission Company LLC ("the Company") was organized, as a limited liability company under the Wisconsin Limited Liability Company Act, as a single-purpose, for-profit electric transmission company. The Company's purpose is to plan, construct, operate, own and maintain electric transmission facilities to provide for an adequate and reliable transmission system that meets the needs of all users on the system and supports equal access to a competitive, wholesale electric energy market.

The Company owns and operates the electric transmission system, under the direction of the Midwest Independent Transmission System Operator, Inc. ("MISO"), in parts of Wisconsin, Illinois, Minnesota and the Upper Peninsula of Michigan. The Company is subject to regulation by the Federal Energy Regulatory Commission ("FERC") as to rates, terms of service and financing and by state regulatory commissions as to other aspects of business, including the construction of electric transmission assets.

The Company's five largest customers are also members and account for over 85% of the Company's operating revenues. The rates for these transmission services are subject to review and approval by the FERC. In addition, several members provide operations, maintenance and construction services to the Company. The agreements under which these services are provided are subject to review and approval by the Public Service Commission of Wisconsin ("PSCW"). See note (8) for details of the various transactions between the Company and its members.

The Company evaluated potential subsequent events through February 4, 2010, which is the date these statements were issued.

(b) Corporate Manager

The Company is managed by a corporate manager, ATC Management Inc. ("Management Inc."). The Company and Management Inc. have common ownership and operate as a single functional unit. Under the Company's operating agreement, Management Inc. has complete discretion over the business of the Company and provides all management services to the Company at cost. The Company itself has no employees and no governance structure separate from Management Inc. The Company's operating agreement establishes that all expenses of Management Inc. are the responsibility of the Company. These expenses consist primarily of payroll, benefits, payroll-related taxes and other employee related expenses. All such expenses are recorded in the Company's accounts as if they were direct expenses of the Company.

As of December 31, the following net payables to Management Inc. were included in the Company's balance sheets (in thousands):

| | 2009 | 2008 |
|---------------------------------------|-----------------|-----------------|
| Other Accrued Liabilities | \$15,791 | \$14,922 |
| Other Long-term Liabilities | 6,777 | 11,045 |
| Net Amount Payable to Management Inc. | <u>\$22,568</u> | <u>\$25,967</u> |

Amounts included in accrued liabilities are primarily payroll and benefit-related accruals. Amounts included in other long-term liabilities relate primarily to certain long-term compensation arrangements covering Management Inc. employees, as described in note (2), offset by a \$14.3 million and \$12.7 million receivable as of December 31, 2009 and 2008, respectively, for income taxes paid on Management Inc.'s behalf by the Company. The income taxes paid are due to temporary differences relating to the tax deductibility of certain employee-related costs. As these temporary differences reverse in future years, Management Inc. will receive cash tax benefits and will then repay the advances from the Company.

(c) Revenue Recognition

Wholesale electric transmission service for utilities, municipalities, municipal electric companies, electric cooperatives and other eligible entities is provided through the Company's facilities under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("ASMT") regulated by the FERC. The Company charges for these services under FERC-approved rates. The tariff specifies the general terms and conditions of service on the transmission system and the approved rates set forth the calculation of the amounts to be paid for those services. The Company's revenues are derived from agreements for the receipt and delivery of electricity at points along the transmission system. The Company does not take ownership of the electricity that it transmits.

The Company's FERC-approved formula rate tariff for the revenue requirement determined under Attachment O of the ASMT includes a true-up provision that meets the requirements of an alternative revenue program set forth in the Financial Accounting Standards Board's ("FASB") Financial Accounting Standards Codification ("FASC") Topic 980, "Regulated Operations" ("FASC 980"). Accordingly, revenue is recognized for services provided during the reporting period based on the revenue requirement formula in the tariff. The Company accrues or defers revenues to the extent that the actual revenue requirement for the reporting period is higher or lower, respectively, than the amounts billed during the reporting period. The true-up mechanism uses a three-year cycle to project and true up rates. Prior to the beginning of each calendar year, the Company prepares a forecast of operating, maintenance, depreciation and tax expenses, as well as the projected rate base resulting from planned construction and other capital expenditures for the upcoming year. In addition, the Company projects revenues from services other than network service. From this forecast, the Company computes a projected network revenue requirement for the year. This network revenue requirement is billed and collected from network transmission customers throughout the first year. During the second year, after filing annual financial reports with the FERC, the Company recalculates the revenue requirement for the first year based on actual results. Any difference between the actual and projected revenue requirement for network customers is added to, or subtracted from, the network revenue requirement billed for the third year. Under the true-up mechanism, as originally

authorized, the Company was permitted to include any over-collected amounts in billings two fiscal years subsequent to the year in which the over-collection occurred. On December 20, 2005, the FERC approved an amendment to the true-up provision that would allow the acceleration of future refunds at the Company's discretion. True-up collections, however, remain on a one-year lag, as the original tariff language provided. On October 10, 2008 the Company made a filing with the FERC requesting approval of a true-up provision in the regional cost-sharing provisions of Attachment GG of the ASMT. The FERC issued an order on December 19, 2008 approving the Company's true-up provision for MISO regional cost-sharing revenues. During 2009, the Company refunded approximately \$16.4 million to network customers and \$4.1 million to regional customers related to prior years under these true-up provisions.

The Company records a reserve for revenue subject to refund when such refund is probable and can be reasonably estimated.

(d) Transmission and General Plant and Related Depreciation

Transmission Plant is recorded at the original cost of construction. Assets transferred to the Company primarily by its members, which include investor-owned utilities, municipalities, municipal electric companies and electric cooperatives, have been recorded at their original cost in property, plant and equipment with the related reserves for accumulated depreciation also recorded.

The original cost of construction includes materials, construction overhead, outside contractor costs and, for projects on which construction began prior to January 1, 2004, an allowance for funds used during construction (See note 1(f)). Additions to, and significant replacements of, transmission assets are charged to property, plant and equipment at cost; replacement of minor items is charged to maintenance expense. The cost of transmission plant is charged to accumulated depreciation when an asset is retired.

The provision for depreciation of transmission assets is an integral part of the Company's cost of service under FERC-approved rates. Depreciation rates include estimates for future removal costs and salvage value. Amounts collected in depreciation rates for future removal costs are included in regulatory liabilities in the balance sheet, as described in note 1(i). Removal costs incurred are charged against the regulatory liability. Depreciation expense, including a provision for removal costs, as a percentage of average transmission plant was 2.64%, 2.66%, and 2.65% in 2009, 2008 and 2007, respectively.

General plant, which includes buildings, office furniture and equipment, computer hardware and software, is recorded at cost. Depreciation is recorded at straight-line rates over the estimated useful lives of the assets, which range from three to 40 years.

(e) Asset Retirement Obligations

Consistent with FASC Topic 410, "Asset Retirement and Environmental Obligations" ("FASC 410"), the Company records a liability at fair value for a legal asset retirement obligation ("ARO") in the period in which it is incurred. When a new legal obligation is recorded, the costs of the liability are capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. In accordance with FASC 980, the Company recognizes regulatory assets or liabilities, as described in note 1(i), for the timing differences between when it recovers the ARO in rates and when it recognizes these costs under FASC

410. At the end of the asset's useful life, the Company settles the obligation for its recorded amount and records the gain or loss in the appropriate regulatory account.

The Company has recognized ARO's primarily related to asbestos and polychlorinated biphenyls ("PCB's") contained in its electrical equipment. ARO's are recorded as long-term liabilities on the balance sheet. The following table describes all changes to ARO's for the year ended December 31, 2009 (in thousands):

| | |
|---|----------------|
| Asset Retirement Obligations at December 31, 2008 | \$1,838 |
| Accretion | 130 |
| Liabilities Incurred | 25 |
| Liabilities Settled | (96) |
| Asset Retirement Obligations at December 31, 2009 | <u>\$1,897</u> |

(f) Allowance for Funds Used During Construction

Allowance for funds used during construction ("AFUDC") represents the composite cost of the debt used to fund the construction of transmission assets and a return on members' capital devoted to construction. The portion of the allowance that applies to borrowed funds is presented in the statements of operations as a reduction of interest expense; the return on members' capital is presented as other income. Although the allowance does not represent current cash income, it is recovered under the ratemaking process over the service lives of the related assets. In 2009, the Company did not capitalize AFUDC, but capitalized AFUDC at its average debt rates of 4.0% and 5.2% in 2008 and 2007, respectively, in accordance with FERC Order 561. There was no equity AFUDC capitalized during the years presented in these financial statements.

Beginning January 1, 2004, the Company was allowed to include construction work in progress ("CWIP") in its rate base and earn a current return on construction projects for which construction commenced after December 31, 2003, in lieu of capitalizing AFUDC to the projects. Accordingly, the Company has not accrued AFUDC on projects earning a current return, nor has it capitalized interest in accordance with FASC Topic 835, "Interest". At December 31, 2009 and 2008, respectively, the Company had no CWIP accruing AFUDC. Amounts of CWIP earning a current return as a component of rate base were \$188.1 million and \$258.0 million as of December 31, 2009 and 2008, respectively. Additionally, amounts of CWIP related to generator interconnection agreements, which neither accrue AFUDC nor are included as a component of rate base (see note 1(g) below), were \$2.1 million and \$45.4 million at December 31, 2009 and 2008, respectively.

(g) Interconnection Agreements

The Company has entered into a number of interconnection agreements with entities planning to build generation plants within the Company's service territory. The Company will construct the transmission network upgrades and interconnection facilities to accommodate these new generation plants; however, the generator will finance and bear all financial risk of constructing the transmission facilities under these agreements. The Company will own and operate the transmission facilities when the generation plants become operational and will reimburse the generator for construction costs plus interest. If the generation

plants do not become operational, the Company has no obligation to reimburse the generator for costs incurred during construction.

In cases in which the Company is contractually obligated to construct the interconnection facilities, the Company receives cash advances for construction costs from the generators. During construction, the Company includes actual costs incurred in CWIP and records liabilities for the cash advances from the generators, along with accruals for interest. The accruals for interest are capitalized, in lieu of AFUDC, and included in CWIP.

At December 31, 2009 and 2008, amounts included in CWIP related to generator interconnection agreements were \$2.1 million and \$45.4 million, respectively. Similarly, at December 31, 2009 and 2008, liabilities for generator advances, including accrued interest, totaled \$7.9 million and \$46.6 million, respectively. Of these amounts, \$0.9 million and \$7.1 million were included in current liabilities at December 31, 2009 and 2008, respectively, and \$7.0 million and \$39.5 million were included in other long-term liabilities at December 31, 2009 and 2008, respectively.

(h) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

The Company paid cash for interest in the amounts of \$74.3 million, \$68.5 million and \$48.7 million during 2009, 2008 and 2007, respectively.

At December 31, 2009, 2008 and 2007, construction costs funded through accounts payable and accrued liabilities were \$37.0 million, \$61.1 million and \$66.8 million, respectively. Accordingly, these non-cash investing activities are not reported in the statements of cash flows until the period in which the payables are paid.

The Company did not issue any membership units to members in return for transmission assets in 2009 or 2008, but in 2007, the Company issued \$0.9 million of membership units to members in return for transmission assets. These non-cash investing activities are not reported in the statements of cash flows.

(i) Regulatory Accounting

The Company's accounting policies conform to FASC 980. Accordingly, assets and liabilities that result from the regulated ratemaking process are recorded that would otherwise not be recorded under accounting principles generally accepted in the United States of America for non-regulated companies. Certain costs are recorded as regulatory assets as incurred and are recognized in the statements of operations at the time they are reflected in rates. Regulatory liabilities represent amounts that have been collected in current rates to recover costs that are expected to be incurred, or refunded to customers, in future periods.

In accordance with FASC Topic 715, "Compensation – Retirement Benefits", the Company recognizes the under-funded status of its postretirement benefit plan, measured as the amount by which its accumulated postretirement benefit obligation exceeds the fair value of the assets that fund its plan. Since the Company expects to recover these amounts in future rates, a regulatory asset has been established for an amount equal to the FASC 715 liability.

As of December 31, regulatory assets included the following long-term amounts (in thousands):

| | 2009 | 2008 |
|---|----------------|----------------|
| 2009 Network Revenue to be Collected in 2011, Including Interest | \$973 | \$ - |
| 2009 Regional Cost-sharing Revenue to be Collected in 2011, Including Interest | 3,743 | - |
| Recognition of Under-funded Postretirement Benefit Plan | 3,044 | 8,252 |
| Total Regulatory Assets | <u>\$7,760</u> | <u>\$8,252</u> |

The Company has recorded a regulatory liability for the cumulative difference between amounts recognized for ARO's under FASC 410 and amounts recovered through depreciation rates related to these obligations. In addition, as described in note 1(d), the Company's depreciation rates include an estimate for future asset removal costs which do not represent ARO's. The cumulative amounts that have been collected for future asset removal costs are also reflected as regulatory liabilities.

As of December 31, regulatory liabilities included the following amounts (in thousands):

| | 2009 | 2008 |
|---|-----------------|-----------------|
| 2007 Regional Cost-sharing Revenue Refunded in 2009, Including Interest | \$ - | \$3,994 |
| 2008 Network Revenue Refunded in 2009, Including Interest | - | 15,959 |
| 2008 Regional Cost-sharing Revenue to be Refunded in 2010, Including Interest | 854 | 817 |
| 2008 Network Revenue to be Refunded in 2010, Including Interest | 648 | - |
| Non-ARO Removal Costs Recovered through Rates | 58,405 | 63,745 |
| Cumulative Difference between ARO Costs Recovered through Rates and ARO Recognition under FASC 410 | 1,329 | 1,505 |
| Total Regulatory Liabilities | <u>\$61,236</u> | <u>\$86,020</u> |

As of December 31, these amounts were classified in the balance sheet as follows (in thousands):

| | 2009 | 2008 |
|---|-----------------|-----------------|
| Current Portion of Regulatory Liabilities | \$1,502 | \$19,953 |
| Regulatory Liabilities (long-term) | 59,734 | 66,067 |
| Total Regulatory Liabilities | <u>\$61,236</u> | <u>\$86,020</u> |

The Company continually assesses whether regulatory assets continue to meet the criteria for probability of future recovery. This assessment includes consideration of factors such as changes in the regulatory environment, recent rate orders to other regulated entities under the same jurisdiction and the status of any pending or potential deregulation legislation. If the likelihood of future recovery of any regulatory asset becomes less than probable, the affected assets would be written off in the period in which such determination is made.

(j) Other Assets

As of December 31, other assets were comprised of the following (in thousands):

| | 2009 | 2008 |
|---------------------------------|----------------|----------------|
| Unamortized Debt Issuance Costs | \$6,619 | \$6,338 |
| Deferred Project Costs | 1,434 | 1,639 |
| Other | 478 | 211 |
| Total Other Assets | <u>\$8,531</u> | <u>\$8,188</u> |

Deferred project costs are expenditures directly attributable to the construction of transmission assets. These costs are recorded as other assets in the balance sheet until all required regulatory approvals are obtained and construction begins, at which time the costs are transferred to CWIP. Beginning January 1, 2004, the Company was allowed to expense and recover in rates, in the year incurred, certain preliminary survey and investigation costs related to study and planning work performed in the early stages of construction projects. Other costs, such as advance equipment purchases and expenditures related to generator interconnection projects, continue to be deferred as described above. Approximately \$5.3 million, \$4.0 million and \$7.6 million of preliminary survey and investigation costs are included in operations and maintenance expense for 2009, 2008 and 2007, respectively.

(k) Impairment of Long-lived Assets

The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable under FASC Topic 360, "Property, Plant and Equipment". Impairment would be determined based upon a comparison of the undiscounted future operating cash flows to be generated during the remaining life of the assets to their carrying amounts. An impairment loss would be measured as the amount that an asset's carrying amount exceeds its fair value. As long as its assets continue to be recovered through the ratemaking process, the Company believes that such impairment is unlikely.

(l) Income Taxes

The Company is a limited liability company that has elected to be treated as a partnership under the Internal Revenue Code and applicable state statutes. The Company's members (except certain tax-exempt members) report their share of the Company's earnings, gains, losses, deductions and tax credits on their respective federal and state income tax returns. Earnings before members' income taxes reported on the statements of operations is the net income of the Company. Accordingly, these financial statements do not include a provision for federal income tax expense and only include a provision for income taxes for the state of Michigan since the Company became subject to the Michigan Business Tax ("MBT") beginning January 1, 2008. Under the MBT, limited liability companies like the Company are considered taxable entities. The income tax expense reported in the statement of operations is derived in accordance with FASC Topic 740, "Income Taxes". As such, deferred income taxes have been recorded using current enacted tax rates for

the differences between the tax basis of the Company's assets and liabilities and the basis reported in the financial statements. See note 6 for further discussion of income taxes and the MBT.

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to apply policies and make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for items such as depreciable lives of property, plant and equipment, removal costs and salvage associated with asset retirements, tax provisions included in rates, actuarially-determined benefit costs and accruals for construction costs and operations and maintenance expenses. As additional information becomes available, or actual amounts are determined, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

(n) New Accounting Pronouncements

In June 2009, FASB issued Statement of Financial Accounting Standards No. ("SFAS") 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" ("SFAS 168"), which became effective for the Company for the reporting period ended September 30, 2009. FASC is the source of authoritative Generally Accepted Accounting Principles ("GAAP") recognized by the FASB and applied by non-governmental entities. Pursuant to this Statement, the FASB does not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it issues Accounting Standards Updates ("ASU's"). The FASB does not consider ASU's as authoritative in their own right; ASU's serve only to update the FASC, provide background information about the guidance, and provide the bases for conclusions on the changes in the FASC. The adoption of this standard changes the way GAAP is referenced in the notes to the financial statements. SFAS 168 is currently included in FASC Topic 105, "Generally Accepted Accounting Principles".

In June 2009, FASB issued SFAS 167, "Amendments to Interpretation 46(R)" ("SFAS 167"), which is currently included in FASC Topic 810, "Consolidations". The purpose of this guidance is to improve financial reporting by enterprises with variable interest entities. SFAS 167 is effective for all new and existing variable interest entities for fiscal years beginning after November 15, 2009. Since the Company is not the primary beneficiary of any variable interest entities, it does not expect SFAS 167 to have a significant impact on its financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS 165, "Subsequent Events" ("SFAS 165"), which is currently included in FASC Topic 855, "Subsequent Events". SFAS 165 establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or available to be issued. Specifically, SFAS 165 sets forth:

- 1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements,
- 2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and
- 3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

The Company adopted SFAS 165 as of June 30, 2009.

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements" ("SFAS 157"), which is currently included in FASC Topic 820, "Fair Value Measurements and Disclosures". SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States, and establishes a three-tier hierarchy for disclosures of fair value measurements. These tiers include:

- 1) Level 1, defined as directly observable inputs for identical assets or liabilities, such as quoted prices in active markets
- 2) Level 2, defined as directly or indirectly observable market inputs other than quoted prices
- 3) Level 3, defined as significant unobservable market inputs that are not able to be corroborated by observable market data, therefore requiring an entity to develop its own measurement assumptions.

In February 2008, the FASB issued Staff Position FAS 157-b ("FAS 157-b"), "Effective Date of FASB Statement 157," which is currently included in FASC Topic 820, "Fair Value Measurements and Disclosures". FAS 157-b delayed adoption of SFAS 157 for non-financial assets and liabilities, including ARO's initially measured at fair value under SFAS 143. On January 1, 2009 the Company adopted SFAS 157. The only effect on the Company from the adoption of SFAS 157 is the fair value measurement of any new ARO's or increases in cash flow estimates after the adoption date. During 2009, the Company recorded \$25 thousand of new ARO's which were measured as level 3 within the fair value hierarchy.

(2) Benefits

Management Inc. sponsors several benefit plans for its employees. These plans include certain postretirement healthcare benefits. The weighted average assumptions related to the postretirement healthcare benefits, as of the measurement date, are as follows:

| | 2009 | 2008 | 2007 |
|---|-------|-------|-------|
| Discount Rate | 6.07% | 5.90% | 6.75% |
| Medical Cost Trend: | | | |
| Initial Range | 8.60% | 9.00% | 9.00% |
| Ultimate Range | 5.00% | 5.00% | 5.00% |
| Long-term Rate of Return on Plan Assets | 6.00% | 6.00% | 6.00% |

Prior to 2007, the Company had been measuring plan assets and benefit obligations as of September 30. In accordance with FASC 715, effective December 31, 2007, the Company began measuring plan assets and benefit obligations as of December 31 and recognized fifteen months of net periodic postretirement healthcare benefit cost in its 2007 statement of operations.

The components of Management Inc.'s postretirement healthcare benefit costs for 2009, 2008 and 2007 are as follows (in thousands):

| | 2009 | 2008 | 2007 |
|---|----------------|----------------|----------------|
| Service Cost | \$2,164 | \$1,260 | \$1,471 |
| Interest Cost | 1,079 | 884 | 864 |
| Amortization of Prior Service Cost | 250 | 250 | 313 |
| Amortization of Net Actuarial Loss / (Gain) | 142 | (1) | 3 |
| Expected Return on Plan Assets | (827) | (711) | (683) |
| Net Periodic Postretirement Cost | <u>\$2,808</u> | <u>\$1,682</u> | <u>\$1,968</u> |

To recognize the under-funded status of its postretirement healthcare benefit plan in accordance with FASC 715, the Company recorded long-term liabilities at December 31 of \$3.7 million and \$8.8 million for 2009 and 2008, respectively. In addition, the Company had the following amounts not yet reflected in net periodic benefit cost and included in regulatory assets at December 31 (in thousands):

| | 2009 | 2008 |
|--|----------------|----------------|
| Prior Service Cost | \$688 | \$938 |
| Accumulated Loss | 2,356 | 7,314 |
| Regulatory Asset for Amounts Recoverable in Future Rates | <u>\$3,044</u> | <u>\$8,252</u> |

The assumed medical cost trend rates are critical assumptions in determining the service and interest cost and accumulated postretirement healthcare benefit obligation. A one percent change in the medical cost trend rates, holding all other assumptions constant, would have the following effects for 2009 (in thousands):

| | One Percent Increase | One Percent Decrease |
|--|-------------------------|-------------------------|
| Effect on Total of Service and Interest Cost Components | \$898 | \$(670) |
| Effect on Postretirement Benefit Obligation at the End of Year | \$4,253 | \$(3,273) |

In 2010, the Company will recognize \$250 thousand of prior service cost in its net periodic postretirement healthcare benefit cost.

A reconciliation of the funded status of the Company's postretirement benefit plan to the amounts recognized on the Company's balance sheet as of December 31 is as follows (in thousands):

| | 2009 | 2008 |
|--|-------------------------|-------------------------|
| Change in Projected Benefit Obligation: | | |
| Accumulated Postretirement Benefit Obligation at January 1 | \$18,368 | \$13,144 |
| Service Cost | 2,164 | 1,260 |
| Interest Cost | 1,079 | 884 |
| Benefits Paid | (81) | (47) |
| Actuarial Losses / (Gains) | (2,591) | 3,127 |
| Benefit Obligation at December 31 | <u>\$18,939</u> | <u>\$18,368</u> |
| Change in Plan Assets: | | |
| Fair Value of Plan Assets at January 1 | \$9,587 | \$11,686 |
| Employer Contributions | 2,720 | 1,641 |
| Actual Return on Plan Assets (Net of Expenses) | 3,053 | (3,699) |
| Net Benefits Paid | (73) | (41) |
| Fair Value at December 31 | <u>\$15,287</u> | <u>\$9,587</u> |
| Funded Status at December 31 | <u><u>\$(3,652)</u></u> | <u><u>\$(8,781)</u></u> |

The Company anticipates contributing \$2.1 million to the plan for postretirement medical obligations during 2010.

The Company anticipates net retiree benefit payments for the next ten years to be as follows (in thousands):

| | |
|-----------|-----------------------|
| 2010 | \$153 |
| 2011 | 232 |
| 2012 | 311 |
| 2013 | 396 |
| 2014 | 498 |
| 2015-2019 | 3,538 |
| Total | <u><u>\$5,128</u></u> |

To fund postretirement medical obligations, the Company contributed to the VEBA and 401(h) trusts in 2009 and 2008. The trusts are discretionary trusts with a long-term investment objective to preserve and, if possible, enhance the post-inflation value of the trusts' assets, subject to cash flow requirements, while maintaining an acceptable level of volatility.

The composition of the fair value of total plan assets held in the trusts as of December 31, along with targeted allocation percentages for each major category of plan assets in the trusts, are as follows:

| | 2009 | 2008 | Target | Range |
|-------------------|-------------|-------------|-------------|--------|
| U.S. Equities | 50% | 52% | 50% | +/- 5% |
| Non-U.S. Equities | 18% | 10% | 15% | +/- 4% |
| Fixed Income | 32% | 38% | 35% | +/- 5% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | |

The Company appoints a trustee to maintain investment discretion over trust assets. The trustee is responsible for holding and investing plan assets in accordance with the terms of the Company's trust agreement, including investing within the targeted allocation percentages. The asset classes designated above and described below serve as guides for the selection of individual investment vehicles by the trustee:

- U.S. Equities – Strategy of achieving long-term growth of capital and dividend income through investing primarily in common stock of companies in the U.S. stock market with the Wilshire 5000 Index (or a comparable broad U.S. stock index) as the investment benchmark.
- Non-U.S. Equities – Strategy of achieving long-term growth of capital and dividend income through investing primarily in common stock of companies in the non-U.S. stock markets with the Morgan Stanley Capital Index All Country World ex-U.S Index (or a comparable broad non-U.S. stock index) as the investment benchmark.
- Fixed Income – Strategy of achieving total return from current income and capital appreciation by investing in a diversified portfolio of fixed income securities with the Barclays Capital Aggregate Index (or a comparable broad bond index) as the investment benchmark.

It is understood that the objective of the investment vehicles is to minimize risk of large losses by effective diversification. The investment vehicles will attempt to rank better than the median vehicle in their respective peer group. It is also understood that these investments are intended to be viewed over the long term. The Company acknowledges that during the short-term there will be fluctuations in rates of return characteristic to the securities markets.

The Company measures its plan assets at fair value according to the hierarchy set forth in FASC 715. The three levels of the fair value hierarchy under FASC 715 are:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company's postretirement healthcare plans have the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;

- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value at December 31, 2009 and 2008:

- *Money Market Fund*: Valued at cost plus accrued interest, which approximates the fair value of the net asset value of the shares held by the Plan at year end.
- *Mutual Funds*: Valued at the net asset value of shares held by the Plan at year end.

The following table contains, by level within the fair value hierarchy, the Company's post-retirement healthcare account investments at fair value as of December 31, 2009 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|-----------------|--------------|-------------|-----------------|
| U.S. Equity Mutual Funds | \$7,668 | \$ - | \$ - | \$7,668 |
| Non-U.S. Equity Mutual Fund | 2,698 | - | - | 2,698 |
| Fixed Income Mutual Funds | 4,138 | - | - | 4,138 |
| Money Market Fund | - | 783 | - | 783 |
| Total | <u>\$14,504</u> | <u>\$783</u> | <u>\$ -</u> | <u>\$15,287</u> |

Management Inc. sponsors a defined contribution money-purchase pension plan, in which substantially all employees participate, and makes contributions to the plan for each participant based on several factors. Contributions made by Management Inc. to the plan and charged to expense totaled \$2.5 million, \$2.3 million and \$2.2 million in 2009, 2008 and 2007, respectively.

Certain management employees who agreed to leave their prior employers and become employees of Management Inc. receive pension benefits from Management Inc. that are at least equal to the benefits the employees would have received under the pension plans of their prior employers. The Company accounts for the benefits as individual deferred compensation arrangements under FASC Topic 710, "Compensation – General". As of December 31, 2009 and 2008, \$4.5 million and \$5.4 million, respectively, were included in other long-term liabilities related to this plan. The Company has not funded these arrangements.

Management Inc. also provides a deferred compensation plan for certain employees. The plan allows for the elective deferral of a portion of an employee's base salary and incentive compensation and also contains a supplemental retirement and 401(k) component. Deferred amounts are taxable to the employee when paid, but

the Company recognizes compensation expense in the period earned. As of December 31, 2009 and 2008, \$10.4 million and \$9.1 million, respectively, were included in other long-term liabilities related to this deferred compensation plan. Amounts charged to expense, including interest accruals, were \$1.4 million in 2009, \$1.4 million in 2008 and \$1.1 million in 2007.

(3) Members' Equity

The Company's members include investor-owned utilities, municipalities, municipal electric companies and electric cooperatives.

On February 20, 2008, the Company's voting members unanimously approved an amendment to the Company's operating agreement ("the Amendment") which changes certain earnings and income tax allocation provisions. The purpose of the Amendment is to allocate income tax expense recovered by the Company in its FERC formula rates to those members that will ultimately pay such income taxes; previously a portion of income tax recovered was allocated to tax-exempt members. The Amendment changes the operating agreement in a manner that is consistent with the FERC's Policy Statement on income taxes issued May 4, 2005. In September 2007, the Company received a favorable private letter ruling on a request it submitted to the Internal Revenue Service in the first quarter of 2007 related to this allocation methodology. The ruling gave the Company the flexibility to enact the Amendment without adverse income tax impacts to its members. Any changes to the operating agreement require the approval of the PSCW. On September 30, 2008, the Company received a written order from the PSCW approving the Amendment. The provisions of the Amendment were applied retroactive to January 1, 2008. Because the Amendment causes all income taxes recovered in rates to be allocated to taxable members, it resulted in a greater percentage of the Company's earnings being subject to federal and state income taxes; accordingly, the Company recovered \$3.3 million of additional income tax expense through its formula rates in 2008 based on the approval of the Amendment by the PSCW. Also as a result of the Amendment, the Company made an \$8.6 million return of capital distribution to its tax-exempt members during the fourth quarter of 2008.

Distribution of earnings to members is at the discretion of Management Inc. The operating agreement of the Company established a target for distribution of 80% of annual earnings before members' income taxes. During 2009, 2008 and 2007, the Company distributed \$166.2 million, \$140.8 million and \$116.3 million, respectively, of its earnings to its members. On January 28, 2010, the board of directors of ATC Management Inc. approved a distribution for the fourth quarter of 2009, in the amount of \$44.7 million, that was paid on January 29, 2010, bringing the total distributions for 2009 to 80% of earnings before members' income taxes.

Each of the Company's members has the right to require the Company to redeem all or a portion of its membership interests, so long as such interests have been outstanding for at least twelve months. However, the Company is not required to effect the redemption if Management Inc., in its sole discretion as the corporate manager, elects to purchase, in lieu of redemption, such membership interests for either a specified amount of cash or a specified number of shares of its common stock. After such purchase, Management Inc. shall be deemed the owner of such membership interests.

(4) Debt

(a) Credit Facilities

The Company's five-year revolving credit facility provides back-up liquidity to its commercial paper program. While the Company does not intend to borrow under the revolving credit facility, interest rates on outstanding borrowings under the facility would be based on the London Inter-bank Offered Rate, plus a margin. The applicable margin, which is based on the Company's debt rating from Moody's and S&P, ranges from 0.13% to 0.35%.

Lehman Brothers Holdings Inc. ("Lehman") filed for bankruptcy court protection on September 15, 2008. Lehman is an affiliate of Aurora Bank FSB ("Aurora"), formerly known as Lehman Brothers Bank FSB, which had a commitment of \$35 million under the credit facility. The Company and the lenders in the credit facility executed an amendment to the agreement on November 6, 2009, which terminated the commitment of Aurora. As a result of the amendment, the Company's credit facility was reduced from \$275 million to \$240 million. The terms of the agreement allow the Company to increase the amount available under the facility by increasing the commitments of current lenders or by adding lenders to the agreement under the same terms. The agreement also allows a lender to assign its commitment to another lender. The Company has no current plans to replace the \$35 million commitment.

The revolving credit facility contains restrictive covenants, including restrictions on liens, certain mergers, sales of assets, acquisitions, investments, transactions with affiliates, change of control, conditions on prepayment of other debt, maintenance of certain financial ratios and certain financial reporting requirements. The revolving credit facility provides for certain customary events of default, none of which occurred during the periods covered by these financial statements.

The Company had no outstanding balance under the credit facility as of December 31, 2009 or 2008.

(b) Commercial Paper

The Company has a \$275 million unsecured, private placement, commercial paper program. Investors are limited to qualified institutional buyers and institutional accredited investors. Maturities may be up to 364 days from date of issue with proceeds to be used for working capital and other capital expenditures. Pricing is par less a discount or, if interest bearing, at par. The Company had \$197.5 million of commercial paper outstanding as of December 31, 2009 at an average rate of 0.33% and \$123.0 million of commercial paper outstanding as of December 31, 2008 at an average rate of 0.87%. As defined by the commercial paper program, no customary events of default took place during the periods covered by the accompanying financial statements. The Company does not intend to exceed \$240 million under its commercial paper program.

(c) Long-term Debt

The following table summarizes the Company's long-term debt commitments as of December 31 (in thousands):

| | 2009 | 2008 |
|--|--------------------|--------------------|
| Senior Notes at stated rate of 7.125%, due March 15, 2011 | \$300,000 | \$300,000 |
| Unamortized Discount | (367) | (649) |
| | <u>299,633</u> | <u>299,351</u> |
| Senior Notes at stated rate of 7.02%, due August 31, 2032 | 50,000 | 50,000 |
| Senior Notes at stated rate of 6.79%, due on dates ranging from August 31, 2024 to August 31, 2043 | 100,000 | 100,000 |
| Senior Notes at stated rate of 4.992%, due April 15, 2015 | 100,000 | 100,000 |
| Senior Notes at stated rate of 5.59%, due December 1, 2035 | 100,000 | 100,000 |
| Senior Notes at stated rate of 5.91%, due August 1, 2037 | 250,000 | 250,000 |
| Senior Notes at stated rate of 5.58%, due April 30, 2018 | 200,000 | 200,000 |
| Senior Notes at stated rate of 5.40%, due May 15, 2019 | 150,000 | - |
| Business Note at stated rate of 5.75%, due May 1, 2011 | 10,000 | 10,000 |
| Other Long-term Notes Payable | 10 | 46 |
| Net Long-term Debt | <u>\$1,259,643</u> | <u>\$1,109,397</u> |

The senior notes rank equivalent in right of payment with all of the Company's existing and future unsubordinated, unsecured indebtedness and senior in right of payment to all subordinated indebtedness of the Company.

The senior notes contain restrictive covenants, which include restrictions on liens, certain mergers and sales of assets and require certain financial reporting. The notes also provide for certain customary events of default, none of which have taken place during the periods covered by the accompanying financial statements. Within the next five years, \$300 million of principal of the senior notes and the \$10 million business note will become due.

The senior notes contain an optional redemption provision whereby the Company is required to make the note holders whole on any redemption prior to maturity. The notes may be redeemed at any time, at the Company's discretion, at a redemption price equal to the greater of one hundred percent of the principal amount of the notes plus any accrued interest or the present value of the remaining scheduled payments of principal and interest from the redemption date to the maturity date discounted to the redemption date on a semi-annual basis at the then existing treasury rate plus 30 to 50 basis points, plus any accrued interest.

In April 2008, the Company entered into an agreement with a group of investors, through a private placement offering, to issue \$200 million of 10-year, unsecured 5.58% senior notes. The closing and funding occurred on April 30, 2008. The notes pay interest semi-annually on April 30 and October 30 and will mature on April 30, 2018.

In April 2008, the Company entered into an agreement with a local community bank to issue a \$10 million, three year, unsecured 5.75% business note. The closing and funding took place on April 29, 2008. The note pays interest monthly and will mature on May 1, 2011.

During February 2009, the Company entered into an agreement with a group of investors, through a private placement offering, to issue \$150 million of 10-year, unsecured 5.40% senior notes. The closing and initial funding of \$115 million occurred on March 16, 2009. The second funding of \$35 million occurred on May 15, 2009. The notes will pay interest semi-annually on May 15 and November 15 and will mature on May 15, 2019.

During December 2009, the Company entered into an agreement with a group of investors, through a private placement offering, to issue \$100 million of 12-year, unsecured 4.59% senior notes and \$50 million of 30-year unsecured 5.72% senior notes. The closing and funding of the \$100 million issuance occurred on February 1, 2010 and the closing and funding of the \$50 million issuance is scheduled to occur on April 1, 2010. The \$100 million notes will pay interest semi-annually on February 1 and August 1 and will mature on February 1, 2022, and the \$50 million notes will pay interest semi-annually on April 1 and October 1 and will mature on April 1, 2040.

(5) Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments included in current assets and current liabilities approximates fair value due to the short maturity of such financial instruments. The fair value of the Company's long-term debt is estimated based upon quoted market values for the same or similar issues or upon the quoted market prices of U.S. Treasury issues having a similar term to maturity, adjusted for the Company's credit ratings.

The carrying amount and estimated fair value of the Company's long-term debt at December 31 are as follows (in millions):

| | 2009 | 2008 |
|----------------------|-----------|-----------|
| Carrying amount | \$1,259.6 | \$1,109.4 |
| Estimated fair value | \$1,318.9 | \$998.9 |

(6) Income Taxes

As mentioned in note 1(i), the MBT became effective January 1, 2008. Under the MBT, limited liability companies like the Company are considered taxable entities. As such, the Company, and not its members, is subject to the MBT. The main provision of the MBT imposes a two-part tax on business income. The tax is accounted for as an income tax under the provisions of FASC 740. The key features of the MBT include a business income tax and a modified gross receipts tax, with exclusions for certain activities. During 2009 and 2008, the Company's financial statements included a provision of \$1.0 million and \$0.9 million, respectively, for the MBT. The MBT is also recovered as a component of the Company's revenue requirement.

As of December 31, the Company had the following deferred tax amounts recorded in its statement of financial position (in thousands):

| | 2009 | 2008 |
|------------------------------|----------------|--------------|
| Deferred Tax Liabilities | \$4,085 | \$3,539 |
| Deferred Tax Assets | (3,036) | (3,035) |
| Net Deferred Tax Liabilities | <u>\$1,049</u> | <u>\$504</u> |

The Company is allowed to recover in rates, as a component of its cost of service, its income taxes, as well as the amount of income taxes that are the responsibility of its members. Accordingly, the Company includes a provision for its members' federal and state current and deferred income tax expenses and amortization of the excess deferred tax reserves and deferred investment tax credits associated with assets transferred to the Company by its members in its regulatory financial reports and rate filings. For purposes of determining the Company's revenue requirement under FERC-approved rates, rate base is reduced by an amount equivalent to net accumulated deferred taxes, including excess deferred tax reserves. Such amounts were approximately \$201.1 million, \$151.5 million and \$134.4 million in 2009, 2008 and 2007, respectively, and are primarily related to accelerated tax depreciation and other plant-related differences. 2009, 2008 and 2007 revenues include recovery of \$83.4 million, \$72.5 million and \$54.7 million, respectively, of income tax expense. Beginning in 2008, these amounts included the impact of the MBT.

FASC 740 provides guidance on recognition thresholds and measurement of a tax position taken or expected to be taken in a tax return, including whether an entity is taxable in a particular jurisdiction. This guidance applies to all entities, including pass-through entities such as the Company. The Company does not consider any of its tax positions to be uncertain, including the Company's position that it qualifies as a pass-through entity in the federal and Wisconsin tax jurisdictions. Additionally, the Company had no unrecognized tax benefits and was assessed no interest or penalties during 2009, 2008 or 2007. The Company is no longer subject to examination by the Internal Revenue Service or any state jurisdiction for tax years prior to 2004. In the event the Company would be assessed interest or penalties by a taxing authority related to income taxes, interest would be recorded in interest expense and penalties would be recorded in other expense in the statement of operations.

(7) Commitments and Contingencies

(a) Operating Leases

The Company leases office space and certain transmission-related equipment under non-cancelable operating leases. Amounts incurred during 2009, 2008 and 2007 totaled approximately \$6.2 million, \$3.8 million and \$3.1 million, respectively.

Future minimum lease payments, which will be expensed as incurred, under non-cancelable operating leases are as follows for the years ending December 31 (in millions):

| | |
|------------|---------------|
| 2010 | \$6.7 |
| 2011 | 5.9 |
| 2012 | 5.9 |
| 2013 | 5.6 |
| 2014 | 5.6 |
| Thereafter | 63.8 |
| | <u>\$93.5</u> |

In January 2008, the Company entered into a lease agreement for a new system operations center and headquarters facility. The agreement met the criteria for treatment as an operating lease under FASC Topic 840, "Leases". Under the agreement, the Company will incur the following future minimum lease payments, which are also included in the table above (in millions):

| | |
|------------|---------------|
| 2010 | \$4.9 |
| 2010 | 4.9 |
| 2011 | 4.9 |
| 2012 | 5.0 |
| 2013 | 5.0 |
| Thereafter | 63.0 |
| | <u>\$87.7</u> |

The Company took occupancy of the new facility during the third quarter of 2009.

(b) MISO Revenue Distribution

Periodically, the Company receives adjustments to revenues that were allocated to it by MISO in prior periods. Some of these adjustments may result from disputes filed by transmission customers. The Company does not expect any such adjustments to have a significant impact on its financial position, results of operations or cash flows since adjustments of this nature are typically offset by its true-up provision in the revenue requirement formula.

(c) Interconnection Agreements

The Company has entered into a number of interconnection agreements with entities planning to build generation plants within the Company's service territory. The Company will construct the facilities; however, the generator will finance and bear all financial risk of constructing the interconnection facilities under these agreements. The Company will own and operate the interconnection facilities when the generation plants become operational and will reimburse the generator for construction costs plus interest. If the generation plants do not become operational, the Company has no obligation to reimburse the generator for costs incurred during construction.

The current estimate of the Company's commitments under these agreements, if the generation plants become operational, is approximately \$18.7 million at completion, with the expected completion dates ranging from 2010 to 2013. In addition, there may be transmission service requests that require the Company to construct additional, or modify existing, transmission facilities to accommodate such requests. Whether such additions or upgrades to the Company's transmission system are required depends on the state of the transmission system at the time the transmission service is requested. Under these agreements, the Company reimbursed \$48.0 million to generators during 2009, including \$40.0 million to We Energies for the Elm Road generator interconnection; the Company expects to reimburse \$1.0 million to generators in 2010 under such agreements.

(d) Potential Adverse Legal Proceedings

The Company has been, and will likely in the future become, party to lawsuits, potentially including suits that may involve claims for which it may not have sufficient insurance coverage. The Company's liability is limited by FERC-approved provisions of the MISO tariff that limit potential damages to direct damages caused by the Company's gross negligence or intentional misconduct.

(e) Environmental Matters

In the future, the Company may become party to proceedings pursuant to federal and/or state laws or regulations related to the discharge of materials into the environment. Such proceedings may involve property the Company acquired from the contributing utilities. Pursuant to the asset purchase agreements executed with the contributing utilities, dated January 1, 2001, the contributing utilities will indemnify the Company for twenty-five years from such date for any environmental liability resulting from the previous ownership of the property.

The Company has an agreement with the Wisconsin Department of Natural Resources that describes the Company's responsibilities for soil management should it identify lead-based paint on its structures and should soil lead levels in the vicinity of structures being removed where soil is being disturbed exceed applicable regulatory limits. The timing and amounts related to potential future lead-based paint remediation costs are presently unknown. If sufficient information becomes available in the future, the Company will, at that time, recognize a liability. The Company expects that any remediation costs for which it is not reimbursed pursuant to the asset purchase agreements will be collected in future rates.

In December 2008, the Company reported to the U.S. Environmental Protection Agency ("EPA") known non-compliance matters and potential violations involving PCB storage and disposal regulations under the federal Toxic Substances Control Act. None of these potential violations resulted in a discharge of PCB's into the environment. The Company identified the potential violations during a review conducted pursuant to its internal policies and the potential violations were reported in accordance with the EPA's Audit Policy. The Company signed a negotiated Corporate Audit Agreement with the EPA and conducted an audit pursuant to that agreement. The audit is now complete and there were no significant findings. The final audit report was submitted to the EPA in December 2009, and the Company is now awaiting a response from the EPA. The Company is not able to estimate the cost of potential enforcement actions, if any, that the EPA may issue.

There is increased awareness of the potential effect of greenhouse gas emissions on global climate change and, as a result, legislation is continually being introduced in Congress and state legislatures and litigation is being initiated based on the potential effects of greenhouse gas emissions. Certain substation equipment on the Company's transmission system contains a greenhouse gas called sulfur hexafluoride ("SF6"), the use of which is standard in electrical circuit breakers and buses in the utility industry. On April 17, 2009, the EPA issued a proposed rule that, if adopted, would state that the atmospheric concentrations of certain greenhouse gases, including SF6, endanger the public health and welfare within the meaning of section 202(a) of the Clean Air Act. The proposed rule, along with any legislation passed by Congress, may result in future regulation of greenhouse gases such as SF6. The potential impact on the Company's financial position, results from operations or cash flows of such regulation is not known; however, the Company would seek recovery of the cost of compliance with any such measures through its rate formula.

(8) Related Party Transactions

(a) Asset Transfers and Membership Interests

On June 13, 2003, the Company acquired the Arrowhead to Weston Project ("the Project") assets from Wisconsin Public Service Corporation ("WPSC"), at WPSC's cost of \$20 million, in exchange for cash. As part of the agreement to transfer the Project, WPSC agreed to provide equity financing of 50% of the costs of the Project. Minnesota Power ("MP"), a wholly owned subsidiary of Allte, Inc. and WPSC had a prior contractual agreement which gave MP an opportunity to purchase a portion of the Arrowhead to Weston project in Wisconsin. MP and WPSC reached an agreement which resulted in Rainy River Energy Corporation - Wisconsin ("RREC-WI"), a wholly-owned subsidiary of MP, contributing \$60 million of equity to the Company related to the Project. This equity funding was in place of funding that WPSC would have otherwise provided under the arrangement described above. The agreement was approved by the PSCW in May 2006, at which time RREC-WI made its initial investment and became a member of the Company. During 2008 and 2007, WPSC contributed cash of \$2.3 million and \$50.9 million, respectively, in exchange for equity interests in the Company, related to its financing of the Project. Additionally, during 2007, RREC-WI contributed cash of \$8.7 million related to the Project, in exchange for equity interests in the Company.

Certain members have the right to invest cash to maintain their ownership interest when additional assets located in the State of Wisconsin are contributed to the Company. These rights also apply to cash contributions related to the Project. These members contributed \$1.0 million and \$7.0 million of cash in exchange for additional equity interests in the Company during 2008 and 2007, respectively.

During 2007, the Company made the following transmission asset acquisitions (in millions):

| <u>Member</u> | <u>Date of Transfer</u> | <u>Net Book Value</u> |
|-------------------|-------------------------|-----------------------|
| City of Stoughton | January 2007 | \$0.2 |
| MGE Transco LLC | February 2007 | 1.4 |
| Total | | <u>\$1.6</u> |

In exchange for these assets, the Company issued membership interests equal to 50% of the book value of the transferred assets and paid cash equal to the remaining 50%.

To maintain its targeted debt to capitalization ratio, the Company received a total of \$100 million through voluntary additional capital calls in 2009; the Company also received \$94.7 million through capital calls in 2008. The participating members received additional membership units at the current book value per unit at the time of each contribution. Contributions from capital calls are recognized when received.

(b) Operations & Maintenance and Transitional Services Agreements

Since inception, the Company has operated under Transitional Services and Operation and Maintenance Agreements whereby contributing utilities, municipalities and cooperatives provided certain administrative, operational, maintenance and construction services to the Company at a fully-allocated cost. By an order dated August 21, 2009 the PSCW ordered that work under the Transitional Services Agreements be completed and that the Company should not continue to use such agreements. In the same order, the PSCW approved Project Services Agreements and Common Facilities Agreements, for a two-year pilot period, whereby the Company and certain of its affiliates may perform engineering and construction services for each other, subject to the restrictions and reporting requirements specified in the order. The PSCW also directed the Company to review its Operations and Maintenance Agreements to ensure that there was no conflict between those agreements and the Project Services and Common Facilities Agreements. To prevent cross-subsidization between affiliated interests, the PSCW ordered that services be performed at a fully-allocated cost of the party providing services. The Company believes that the costs it must incur to procure engineering, construction, operation and maintenance services will be recoverable in future rates.

Several of the original operation and maintenance agreements continue in effect. These original agreements automatically renew on a year-to-year basis unless terminated by either party. Some new agreements have been executed with contributing and non-contributing entities. Some agreements require the Company to utilize a specified percentage of the services performed in a previous representative year as a minimum level of service. To date, the amounts utilized have exceeded the minimum in each year.

The Company was billed approximately \$48.6 million, \$49.1 million and \$137.2 million in 2009, 2008 and 2007, respectively, under these agreements. Accounts payable and accrued liabilities at December 31, 2009 and 2008 include amounts payable to these companies of \$3.0 million and \$4.7 million, respectively.

(c) Transmission Service

Revenues from Wisconsin Electric Power Company, Wisconsin Power and Light Company, Wisconsin Public Service Corporation, Madison Gas and Electric Company and WPPI Energy ranged from 85% to 91% of the Company's transmission service revenue for the years ended December 31, 2009, 2008 and 2007.

(d) Agreement with Alliant Energy

The Company has an agreement with Alliant Energy ("Alliant") under which it provides control center and operation services for Alliant's 34.5 kV distribution system in the state of Wisconsin. The agreement automatically renews every two years unless terminated by either party.

(e) Marshfield Lease

In July 2008, the Company entered into an agreement with the City of Marshfield, acting by and through its Utility Commission ("Marshfield"), to lease transmission capacity and provide services for Marshfield's transmission facilities ("the Facilities") under Marshfield's direction, approval and/or control. The Company pays Marshfield a sum based on the reasonable costs associated with ownership of the Facilities. The lease payment and operating expenses are reviewed annually and adjusted as necessary. During 2009 and 2008, the Company paid Marshfield approximately \$60 thousand per month, plus reasonable operating expenses. In October 2009, the Company entered into an agreement to acquire all of the transmission assets owned by Marshfield. The Asset Acquisition Agreement ("Agreement") must be approved by the PSCW and the FERC, and those approvals are expected to occur in the first quarter of 2010. Under the provisions of the Agreement, the Company will purchase, in two transactions, up to \$7.0 million of assets from Marshfield that were previously included in the lease. The first transaction will involve payment of approximately \$0.6 million, and the second transaction will involve the remaining amount. As a result, the Company expects to pay Marshfield approximately \$60 thousand per month during a portion of 2010, plus reasonable operating expenses, until it concludes the purchase of all of Marshfield's transmission assets included in the lease, which will occur later in 2010.

(f) Management Inc.

As discussed in note 1(b), Management Inc. manages the Company. Management Inc. charged the Company approximately \$80.8 million, \$77.3 million and \$71.4 million in 2009, 2008 and 2007, respectively, primarily for employee related expenses. These amounts were charged to the applicable operating expense accounts, or capitalized as CWIP or other assets, as appropriate. The amounts are recorded in the Company's accounts in the same categories in which the amounts would have been recorded had the Company incurred the costs directly.

(g) Interconnection Agreements

As discussed in notes 1(g) and 7(c), the Company has interconnection agreements related to the capital improvements required to connect new generation equipment to the grid. Some of these agreements are with members or affiliates of members of the Company. At December 31, 2009 and 2008, liabilities included \$2.7 million and \$43.3 million, respectively, of amounts received related to these agreements from entities that are also members of the Company. The Company expects to reimburse \$1.0 million to such members in 2010.

(9) Quarterly Financial Information (unaudited)

(In Thousands)

| | <u>Three Months Ended</u> | | | | |
|---------------------------------------|---------------------------|-----------------|---------------------|--------------------|------------------|
| | <u>2009</u> | | | | |
| | <u>March 31</u> | <u>June 30</u> | <u>September 30</u> | <u>December 31</u> | <u>Total</u> |
| Operating Revenues | \$126,232 | \$129,016 | \$132,288 | \$133,989 | \$521,525 |
| Operating Expenses | <u>56,955</u> | <u>56,617</u> | <u>58,743</u> | <u>58,001</u> | <u>230,316</u> |
| Operating Income | <u>69,277</u> | <u>72,399</u> | <u>73,545</u> | <u>75,988</u> | <u>291,209</u> |
| Other Income (Expense) | (63) | (66) | (147) | (345) | (621) |
| Interest Expense, Net | <u>18,265</u> | <u>19,653</u> | <u>19,595</u> | <u>19,710</u> | <u>77,223</u> |
| Earnings Before Members' Income Taxes | <u>\$50,949</u> | <u>\$52,680</u> | <u>\$53,803</u> | <u>\$55,933</u> | <u>\$213,365</u> |
| | <u>2008</u> | | | | |
| | <u>March 31</u> | <u>June 30</u> | <u>September 30</u> | <u>December 31</u> | <u>Total</u> |
| Operating Revenues | \$109,092 | \$116,084 | \$119,955 | \$121,440 | \$466,571 |
| Operating Expenses | <u>50,916</u> | <u>53,244</u> | <u>52,107</u> | <u>52,693</u> | <u>208,960</u> |
| Operating Income | <u>58,176</u> | <u>62,840</u> | <u>67,848</u> | <u>68,747</u> | <u>257,611</u> |
| Other Income (Expense) | (148) | 2 | (169) | (199) | (514) |
| Interest Expense, Net | <u>15,635</u> | <u>17,122</u> | <u>18,037</u> | <u>18,258</u> | <u>69,052</u> |
| Earnings Before Members' Income Taxes | <u>\$42,393</u> | <u>\$45,720</u> | <u>\$49,642</u> | <u>\$50,290</u> | <u>\$188,045</u> |

Because of seasonal factors impacting the Company's business, particularly the maintenance and construction programs, quarterly results are not necessarily comparable. In general, due to the Company's rate formula, revenues and operating income will increase throughout the year as the Company's rate base increases through expenditures for CWIP.

C-3 Exhibit C-3 “Financial Statements,” provide copies of the applicant’s two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.

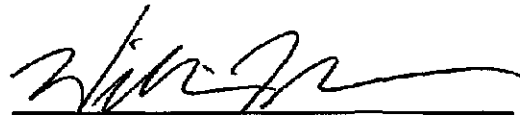
TEGE LLC is a newly-formed company; therefore, it does not have audited financial statements available. Since TEGE Inc intends to assign its natural gas business to TEGE LLC, TEGE LLC will meet the financial requirements to adequately cover these assigned customers based on TEGE Inc’s current customer base and volume. TEGE Inc’s parent company, Integrys Energy Group, Inc. has audited financials; thus attached are Integrys Energy Group, Inc.’s 2007 and 2008 Annual Reports as well as its 2009 10-K. (Attachments F)

As TEGE LLC was incorporated in October 2009, attached is an officer’s certification regarding the entire life of TEGE LLC’s business starting October 2009 through February 28, 2010. (Attachment I)

Attachment I

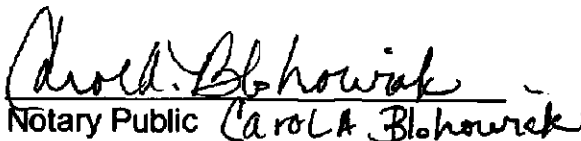
OFFICER CERTIFICATION

William Guc, being first duly sworn, deposes and says that he is the Vice-President and Controller of Integrys Energy Services, Inc.; that he acknowledges that Integrys Energy Services – Natural Gas, LLC was incorporated on October 12, 2009; that through February 28, 2010 Integrys Energy Services – Natural Gas, LLC business was not yet operational therefore no income or revenue was generated; that Integrys Energy Services – Natural Gas, LLC is a new subsidiary of Integrys Energy Services, Inc.; that Integrys Energy Services, Inc., a current certified natural gas provider in Ohio, will be assigning its customers to Integrys Energy Services – Natural Gas, LLC as soon as practical, and that the statements and numbers contained here are true, correct and complete to the best of his knowledge, information and belief.

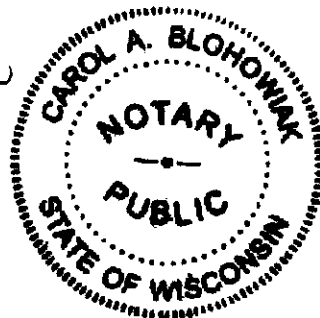


William Guc
Vice-President

Subscribed and sworn to before me
this 2nd day of March, 2010.


Notary Public Carol A. Blohowiak

[Stamp of Notary]



C-4 Exhibit C-4 "Financial Arrangements," provide copies of the applicant's current financial arrangements to conduct competitive retail natural gas service (CRNGS) as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.).

This Exhibit contains confidential and propriety information. This information has been submitted under seal and request for confidential treatment.

C-5 Exhibit C-5 “Forecasted Financial Statements,” provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant’s CRNGS operation, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer.

This Exhibit contains confidential and propriety information. This information has been submitted under seal and request for confidential treatment.

C-6 Exhibit C-6 "Credit Rating," provide a statement disclosing the applicant's credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poor's, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant.

TEGE LLC does not have a credit rating. Credit ratings for TEG, parent of TEGE LLC and TEGE Inc, from Moody's and S&P are attached (Attached H). TEG will guarantee TEGE Inc and TEGE LLC's financial commitments as necessitated by specific business activities. TEG will increase this amount or make additional guarantees to other parties as necessary during the course of our Ohio business operations.



Moody's Investors Service

Global Credit Research

Credit Opinion

9 JUN 2009

Credit Opinion: Integrys Energy Group, Inc.

Integrys Energy Group, Inc.

Chicago, Illinois, United States

Ratings

| Category | Moody's Rating |
|---|----------------|
| Outlook | Negative |
| Sr Unsec Bank Credit Facility | Baa1 |
| Senior Unsecured | Baa1 |
| Jr Subordinate | Baa2 |
| Commercial Paper | P-2 |
| Wisconsin Public Service Corporation | |
| Outlook | Negative |
| Issuer Rating | A2 |
| First Mortgage Bonds | A1 |
| Senior Secured | A1 |
| Sr Unsec Bank Credit Facility | A2 |
| Preferred Stock | Baa1 |
| Commercial Paper | P-1 |
| Peoples Energy Corporation | |
| Outlook | Negative |
| Bkd Senior Unsecured | Baa1 |

Contacts

| Analyst | Phone |
|--------------------------|--------------|
| Scott Solomon/New York | 212.553.4358 |
| William L. Hess/New York | 212.553.3837 |

Key Indicators

[1]
Integrys Energy Group, Inc.

| | LTM 3/31/2009 | 2008 | 2007 | 2006 |
|---|---------------|------|------|------|
| (CFO Pre-W/C + Interest) / Interest Expense | 5.2x | 5.0x | 3.5x | 4.0x |
| (CFO Pre-W/C) / Debt | 25% | 18% | 15% | 14% |
| (CFO Pre-W/C - Dividends) / Debt | 18% | 13% | 8% | 9% |
| (CFO Pre-W/C - Dividends) / Capex | 105% | 92% | 57% | 54% |
| Debt / Book Capitalization | 48% | 52% | 42% | 53% |
| EBITA Margin % | 2% | 2% | 4% | 5% |

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion**Rating Drivers**

Operating and financial performance of regulated utility subsidiaries provides earnings and cash flow stability

Utility subsidiaries operate in relatively supportive regulatory environments

Shift in strategic direction will improve business risk profile over the long-term but will challenge management to offset loss of earnings over the near-term

Significant holding company debt and dividend payout

Corporate Profile

Integrus Energy Group, Inc. (Integrus: Baa1 senior unsecured, negative outlook) is a diversified energy holding company headquartered in Chicago, Illinois that was created through the February 2007 merger between WPS Resources and Peoples Energy Corporation (PEC). Integrus owns six regulated utilities that serve in the aggregate 1,670,000 million gas and 488,000 electric customers in Wisconsin, Illinois, Michigan, and Minnesota. Integrus also provides retail and wholesale energy marketing services in 23 states and in 6 Canadian provinces through its Integrus Energy Services, Inc. subsidiary and has an approximate 34% ownership interest in the American Transmission Company (ATC: A1 senior unsecured).

Recent Developments

On June 9th, Moody's downgraded the senior unsecured rating of Integrus to Baa1 from A3. Moody's also downgraded the long-term ratings of Integrus subsidiaries including Peoples Energy Corporation's (PEC) senior unsecured rating to Baa1 from A3, Wisconsin Public Service Corporation's (WPSC) senior secured rating to A1 from Aa3 and Issuer Rating to A2 from A1, The Peoples Gas Light and Coke Company's (PGL) senior secured rating to A2 from A1 and North Shore Gas Company's (NSG) senior secured rating to A2 from A1. The rating outlook for the entire Integrus family is negative.

Rating Rationale

Integrus' Baa1 senior unsecured is supported by strong regulated utility performance that provides underlying cash flow stability and an expectation that near-term financial metrics will remain appropriate for its rating. The rating, however, is tempered by the degree of holding company debt, uncertainty relating to the company's shift in strategic direction and a continuing significant dividend payout.

The primary drivers for the rating and outlook are as follows:

Shift in Strategic Direction

Management undertook a fundamental shift in Integrus' strategic direction when it announced in the first quarter of 2009 its intention to divest or significantly scale-back its non-regulated energy services business and focus on its regulated businesses. This decision was driven by the increased collateral requirements of the energy services business combined with a constraint in available liquidity. The shift in strategic direction has advantages and disadvantages. While Integrus business risk and liquidity profiles are expected to improve after the divestiture, management will be challenged to offset the loss of cash flow that this business generated. Moody's estimates that non-regulated businesses generated approximately 20% of Integrus' consolidated CFO pre W/C during 2008.

Management appears confident in its ability to divest Integrus' energy services businesses and realize a return of up to \$600 million of capital in the process. This capital would then be used to reduce consolidated debt levels. While Integrus has announced its intent relating to this business, a transaction has yet to materialize, thereby adding an element of uncertainty.

Regulated Utility Footprint Provides Cash Flow Stability

Integrus has undergone significant growth through the acquisitions of two regulated gas utilities, Michigan Gas Utilities Corporation (MGUC: April 2006) and Minnesota Energy Resources Corporation (MERC: June 2006), followed by its merger with PEC in February 2007. Much of management's attention since the merger with PEC has been focused on integrating these businesses, achieving synergies and seeking rate relief. Generally speaking, Integrus' regulated utilities operate in relatively supportive regulatory environments that provide the means to recover their respective costs and to earn adequate returns and cash flows.

The company's regulated subsidiaries completed 5 rate cases in 2008, the largest of which was a \$71.2 million rate increase granted at PGL by the Illinois Commerce Commission. Integrus plans for a similar amount of rate cases in 2009, including a \$161.9 million rate increase requested by PGL in February 2009. Near-term rate relief, however, may be more of a challenge in light of current economic conditions.

Lowered forecast for financial metrics

The Baa1 reflects an expectation that Integrus will maintain consolidated CFO pre W/C to adjusted debt and CFO pre-W/C interest coverage in the range of 16-20% and 4.0-4.5 times, respectively, over the next 12-18 months. Integrus' ability to maintain metrics within these ranges is largely dependent on debt reduction efforts funded with capital the company expects to be returned through a divestiture or rationalization of its non-regulated businesses.

ATTACHMENT H

While Moody's views these metric ranges as appropriate for a high-Baa rating, failure to achieve the expected debt reduction targets could result in lower financial metrics and possible further rating action. Moody's previous ratings assumed that Integrys would achieve consolidated metrics of CFO pre-W/C to debt and CFO pre-W/C interest coverage of more than 20% and 5 times, respectively.

Significant Holding Company Debt and Dividend Payout

Integrys' rating reflects in part its leverage profile and high dividend payout ratio, which are among the primary drivers for the two notch rating difference between it and the senior unsecured rating assigned to WPSC, its largest regulated subsidiary. Long-term holding company debt, including long-term debt it guarantees on behalf of PEC, is significant at \$800 million (adjusted for a \$300M hybrid security that receives 50% equity and 50% debt treatment for financial leverage purposes by Moody's) or approximately 33% of consolidated long-term balance sheet debt.

The rating also reflects management's decision to leave its dividend policy unchanged in light of expected reductions in earnings and internal cash flow generation. Integrys' dividend payout ratio is expected to be no less than 85% of consolidated net income through 2011, compared to approximately 70% historically.

Liquidity Profile

Integrys maintains four separate bank credit facilities totaling \$1,860 million to support the issuance of letters of credit, to meet short-term funding requirements and to provide alternate liquidity for its commercial paper program. Moody's views this level of bank commitments as appropriate to provide adequate liquidity support as the company seeks to divest its energy marketing business.

Credit facilities include \$460 million of revolving credit facilities due May 2010, a \$500 million revolving credit facility due June 2010, a \$500 million revolving credit facility due July 2011 and a \$400 million revolving credit facility due June 2011. While TEG is not a named borrower under the \$400 million facility (PEC, a wholly-owned intermediate holding company is the named borrower), the facility was amended in May 2007 whereby lenders were provided an unconditional guarantee by Integrys while covenants were changed so that they mirror those in Integrys' other credit facilities. There are no restrictions that prevent PEC from providing TEG access to this commitment.

Terms of the four syndicated revolving credit facilities include a representation that no material adverse change has occurred which was required only on the facility's effective date. The sole financial covenant is a 65% limitation on the ratio of funded debt to capitalization. The company has flexibility under the capital structure covenant, as its funded debt/capitalization ratio at March 31, 2009 was approximately 50%.

Integrys uses of liquidity at March 31, 2009 included \$144 million of commercial paper and \$632 million of letters of credit outstanding. Approximately \$355 million of loans outstanding under various credit agreements as of this date have since been repaid.

Integrys long-term debt is layered into staggered maturities. The next maturity of long-term debt is \$150 million in November 2009.

Rating Outlook

The negative outlook reflects execution risk and uncertainty associated with Integrys' planned divestiture of its energy marketing business. While Integrys has announced its intent relating to this business, a transaction has yet to materialize. Moody's would likely revise the outlook for Integrys to stable should we gain comfort with the company's ability to complete the sale and achieve its announced debt reduction targets.

What Could Change the Rating - Up

Upward rating movement is not expected in the medium-term. Longer term, we would likely need to see Integrys' consolidated ratio of CFO pre-W/C to debt exceed 24% on a sustainable basis to consider an upgrade.

What Could Change the Rating - Down

Difficulties in divesting its energy services businesses or an inability to meet debt reduction targets in a timely manner such that its ratio of CFO pre-W/C to debt falls below 16% could trigger a downgrade.

Rating Factors

WPS Resources Corporation

Select Key Ratios for Global Regulated Electric

Utilities

| Rating | Aa | Aa | A | A | Baa | Baa | Ba | Ba |
|---|--------|-----|---------|---------|---------|-------|--------|-----|
| Level of Business Risk | Medium | Low | Medium | Low | Medium | Low | Medium | Low |
| CFO pre-W/C to Interest (x) [1] | >6 | >5 | 3.5-6.0 | 3.0-5.7 | 2.7-5.0 | 2-4.0 | <2.5 | <2 |
| CFO pre-W/C to Debt (%) [1] | >30 | >22 | 22-30 | 12-22 | 13-25 | 5-13 | <13 | <5 |
| CFO pre-W/C - Dividends to Debt (%) [1] | >25 | >20 | 13-25 | 9-20 | 8-20 | 3-10 | <10 | <3 |
| Total Debt to Book Capitalization (%) | <40 | <50 | 40-60 | 50-70 | 50-70 | 60-75 | >60 | >70 |

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody's.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

January 26, 2010

Research Update:

**Integrys Energy Group's And Subs'
Outlook Is Revised To Stable**

Primary Credit Analyst:

Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

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Research Update:

Integrys Energy Group's And Subs' Outlook Is Revised To Stable

Overview

- We are revising the outlook on Integrys Energy Group Inc. and its subsidiaries Wisconsin Public Service Corp. (WPS) Peoples Energy Corp., Peoples Gas Light & Coke Co., and North Shore Gas. Co. to stable from negative.
- We are affirming all of the long-term ratings including the 'BBB+' corporate credit rating for Integrys and the 'A-' corporate credit rating for WPS.
- The business risk profile and financial risk profile were changed to 'strong' and 'significant', respectively.
- The stable outlook reflects Integrys' decision to retain a selected portion of its unregulated operations and Integrys' improved financial measures that are primarily the result of the company's decreasing regulatory risk.

Rating Action

On Jan. 26, 2010, Standard & Poor's Ratings Services revised its outlook on Integrys Energy Group Inc. and its subsidiaries WPS, Peoples Energy Corp., Peoples Gas Light & Coke Co., and North Shore Gas. Co. to stable from negative. We also affirmed the current ratings on Integrys and its subsidiaries. The outlook revision reflects the diminished possibility of a downgrade in light of the company's decision to restructure its unregulated businesses and its decreasing regulatory risk.

Rationale

The ratings on Integrys reflect its 'strong' business risk profile and 'significant' financial risk profile. Integrys' subsidiaries include the regulated companies of WPS, Peoples Energy Corp., Peoples Gas Light & Coke Co., and North Shore Gas. Co. and the unregulated company of Integrys Energy Services Inc. (ESI). As of Sept. 30, 2009, Integrys had about \$2.8 billion of total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view Integrys as about 90% regulated and 10% unregulated.

The 'strong' business risk profile reflects the company's strategic decision to retain some of its unregulated businesses. These businesses are expected to include electric and gas retail and renewable and merchant generation. Ratings stability is premised on the unregulated businesses accounting for about 10% of the consolidated cash flow and not to significantly exceed that figure. The previous 'excellent' business risk

profile assumed that the company would divest all of its unregulated businesses. The unregulated retail businesses, which we expect to account for the majority of the unregulated cash flows, operates in a highly competitive industry that is characterized by minimal barriers to entry, low margins, and volatile cash flows. Matching supply to variable loads or estimated sales volumes and maintaining sufficient liquidity for collateral and margin calls are the primary risk drivers.

The regulated gas and electric businesses mostly offset the business risks of Integrys's unregulated businesses. Integrys has made progress to reduce its regulatory risks. This includes the recent rate case orders in Illinois that will increase revenue by more than \$83 million and other recent rate case orders in Wisconsin, Michigan, and Minnesota that will collectively increase revenue by more than \$57 million. In addition, the company has further reduced its regulatory lag by filings forward looking rate cases, employing decoupling and fuel recovery mechanisms, and filing for bad debt and infrastructure riders. Ultimately, we expect that the reduced regulatory risk will translate to more stable and predictable cash flows. We also expect that the company will continue to strategically file rate cases more frequently to further reduce its regulatory lag.

The 'significant' financial risk profile reflects the company's recently improved financial measures. We expect that the company will be able to maintain adequate financial measures due to the company's improved regulatory risk and its reduced regulatory lag. For the 12 months ended Sept. 30, 2009, adjusted consolidated funds from operations (FFO) to total debt increased to 25.3% compared to 18.2% at year-end 2008. Adjusted FFO interest coverage also increased to 5.5x compared with 5.2x at year-end 2008 and adjusted debt to total capital decreased to 53.0% from 55.3% at year-end 2008. Given the company's current business risk profile and rating we expect that adjusted FFO to debt to approximate 22%, adjusted FFO interest coverage to exceed 4.5x, and for adjusted debt to total capital of less than 55%.

The corporate credit ratings on WPS will continue to be rated one notch higher than Integrys's corporate credit ratings due to WPS's higher standalone credit quality and its existing regulatory insulation. The Wisconsin Public Service Commission's legislative authority to determine the utility's capital structure, restricting dividends to the parent, and its long record of protecting utility credit quality, provides Standard & Poor's with sufficient basis to differentiate WPS' corporate credit rating from its parent.

Short-term credit factors

The short-term credit rating on Integrys is 'A-2' and reflects adequate cash flow and sufficient alternative sources to cover current liquidity needs, including ongoing capital requirements, margin requirements, and upcoming debt maturities.

As of Sept. 30, 2009, Integrys and its subsidiaries had cash and cash equivalents of \$149 million and revolving credit facilities of \$2.2 billion, of which about \$1.9 billion was available after reducing for outstanding loans, commercial paper, and letters of credit. Currently, \$1.3 billion of the company's current \$2.2 billion of total credit facility capacity terminates in 2010 and the balance terminates in 2011. Failure by Integrys to timely renew

its credit facilities and consistently maintain adequate liquidity could result in a ratings downgrade. However, due to ESI's reduced size and its reduced collateral requirements, Integrys is expected to right-size its total credit facilities at a reduced level in 2010.

Outlook

The stable outlook on Integrys reflects the company's decreasing regulatory risk that is partially offset by management's decision to retain some of its unregulated companies. We could lower the rating if the regulatory risk improvements are not lasting, the financial measures fail to improve consistently, management demonstrates a lack of commitment to credit quality, the company does not maintain sufficient collateral to meet Standard and Poor's stress tests, or the unregulated businesses disproportionately grows. A ratings upgrade, although less likely, is predicated on management's long-term consistent commitment to its present strategy and a considerable consistent strengthening of the financial measures over the long term.

Related Research

- "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," published May 27, 2009.
- "Corporate Criteria: Analytical Methodology," published April 15, 2008.

Ratings List

Ratings Affirmed; Outlook Revised

| | To | From |
|---|-----------------|-------------------|
| Integrys Energy Group Inc. Peoples Gas Light & Coke Co. (The) Corporate Credit Rating | BBB+/Stable/A-2 | BBB+/Negative/A-2 |
| North Shore Gas Co. Peoples Energy Corp. Corporate Credit Rating | BBB+/Stable/-- | BBB+/Negative/-- |
| Wisconsin Public Service Corp. Corporate Credit Rating | A-/Stable/A-2 | A-/Negative/A-2 |

Ratings Affirmed

| | |
|--|------|
| Integrys Energy Group Inc. Senior Unsecured | BBB |
| Junior Subordinated | BBB- |
| Commercial Paper | A-2 |
| North Shore Gas Co. Senior Secured | A |

Research Update: Integrys Energy Group's And Subs' Outlook Is Revised To Stable

| | |
|------------------------------------|-----|
| Recovery Rating | 1+ |
| Peoples Energy Corp. | |
| Senior Unsecured | BBB |
| Peoples Gas Light & Coke Co. (The) | |
| Senior Secured | A- |
| Recovery Rating | 1 |
| Commercial Paper | A-2 |
| Wisconsin Public Service Corp. | |
| Senior Secured | A |
| Recovery Rating | 1+ |
| Preferred Stock | BBB |
| Commercial Paper | A-2 |

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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C-7 Exhibit C-7 "Credit Report," provide a copy of the applicant's credit report from Experion, Dun and Bradstreet, or a similar organization.

TEGE LLC has not been in operations long enough to carry a credit report with D&B or from other credit reporting companies. TEGE LLC's DUNS Number is 83-248-1902.

TEGE LLC, parent, TEGE Inc's DUNS Number is 84-173-9824. For copyright reasons we cannot provide this report for TEGE Inc: a full credit report is available from Dun and Bradstreet on its website.

For more information contact our Regulatory Compliance Analyst, Amy Klaviter, via the telephone number or e-mail address identified in section A-5.

C-8 Exhibit C-8 “Bankruptcy Information,” provide a list and description of any reorganizations, protection from creditors, or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or since applicant last filed for certification.

TEG, TEGE Inc, TEGE LLC nor any of its subsidiaries have filed for any form of bankruptcy protection, including reorganization or protection from creditors, in the current year or two most recent previous years.

C-9 Exhibit C-9 “Merger Information,” provides a statement describing any dissolution or merger or acquisition of the applicant since within the five most recent years preceding the application, or any times as a participant in the Ohio Natural Gas Choice Programs.

The applicant has not been involved with any dissolution or merger or acquisition of the applicant since within the five most recent years preceding the application. However, below is some affiliate information.

- WPS Niagara Generation, LLC was sold to USRG Niagara Biomass, LLC on January 31, 2007.
- Nova Scotia Company was dissolved on January 23, 2007.
- Wedge Acquisition Corporation was merged into Peoples Energy Corporation on February 21, 2007.
- Integrys Energy Group, Inc. acquired Peoples Energy Corporation on February 21, 2007.
- WPS Resources Capital Corporation was dissolved on March 31, 2007.
- Integrys Business Support, LLC was formed on June 6, 2007.
- Peoples Energy Business Services, LLC was dissolved on December 31, 2007
- PERC Canada, Inc. was merged into Peoples Energy Resources Company, LLC on December 31, 2007.
- Mid-American Power, LLC was sold to DTE Energy Services on May 19, 2008
- Sun Devil Solar LLC was formed on June 4, 2008.
- Solar Man, LLC was formed on June 10, 2008
- Peoples Energy Services Corporation’s assets were transferred to Integrys Energy Services, Inc. effective December 31, 2008.
- Integrys Energy Services Inc sold its energy management consulting business to Minneapolis-based U.S. Energy Services, Inc. in July 2009
- Integrys Energy Services – Electric, LLC was formed September 8, 2009
- Integrys Energy Services of Canada Corp. sold nearly all of it's Canadian natural gas and electric power contract portfolio to Shell Energy North America Inc. effective October 1, 2009
- Integrys Energy Services – Natural Gas, LLC was formed October 21, 2009
- Integrys Energy Services, Inc sold its wholesale natural gas marketing business to Sequent Energy Management L.P on December 7, 2009.
- Integrys Energy Services, Inc. has sold two power generation companies that own generation assets in northern Maine and New Brunswick, Canada to Algonquin Power & Utilities Corp on February 1, 2010.
- Integrys Energy Services, Inc has signed an agreement with Macquarie Cook Power, Inc. to sell its wholesale electric marketing and trading business in second quarter 2010.
- Integrys Energy Services, Inc. has agreed to sell its Environmental Markets business to EDF Trading North America, LLC ("EDF Trading"). Integrys expects to close the sale in March 2010

D-1 Exhibit D-1 "Operations" provide a current written description of the operational nature of the applicant's business. Please include whether the applicant's operations will include the contracting of natural gas purchases for retail sales, the nomination and scheduling of retail natural gas for delivery, and the provision of retail ancillary services, as well as other services used to supply natural gas to the natural gas company city gate for retail customers.

TEGE LLC was formed on October 21, 2009 as a wholly owned subsidiary of TEGE Inc. TEGE Inc is a diversified unregulated natural gas and electricity retail company with principal operations in the States of Illinois, Michigan, Maine, New York, Ohio, Texas and Wisconsin. In addition, TEGE Inc is certified to serve retail electricity and/or retail natural gas in the States of Connecticut, Delaware, District of Columbia, Illinois, Michigan, Ohio, Maine, Rhode Island, Massachusetts, Pennsylvania, New Hampshire, Maryland, Iowa, New York and New Jersey. Subsidiaries of TEGE Inc own and/or operate energy assets in Maine, New York, Oregon, Kentucky, Pennsylvania and Wisconsin. TEGE LLC has applied for a natural gas supplier license in the States of Michigan and Illinois. TEGE Inc intends to assign all of its natural gas retail customers to TEGE LLC as soon as practical to continue to serve customers seamlessly.

Primary product and service offerings of TEGE LLC will be retail gas services with various product and pricing options. TEGE LLC will serve primarily residential and small commercial customers individually or in aggregation. TEGE LLC, through a Service Agreement with TEGE Inc, will nominate, forecast and schedule retail natural gas for delivery through utility's pipelines. TEGE LLC will continue to use a combination of utility billing services as well as our own customized billing.

TEGE Inc operations' staff includes incumbents with proven technical skills. As a participant in many class categories on the distribution systems across Ohio, the company's record is easily verified. The technical operations staff performs the nominations across the many interstate pipelines that run through Ohio. TEGE Inc's staff will continue to perform their own nominations on the various LDC EBB systems. Procurement and retail supply is handled out of the Worthington office using consolidated strategy with the corporate offices of TEGE Inc to maximize opportunity to the Ohio consumer. Staff in the Worthington office balances many interstate pipeline pools as well as LDC aggregate pools in their effort to minimize balancing challenges of the retail consumer. In addition TEGE Inc will maintain a technical staff on duty or on call twenty-four (24) hours each day to operate and maintain its facilities as needed.

D-2 Exhibit D-2 “Operations Expertise,” given the operational nature of the applicant’s business, provide evidence of the applicant’s experience and technical expertise in performing such operations.

As demonstrated through the past and current solid performance as a retail natural gas provider on Ohio’s Choice Programs and as a natural gas aggregation provider, TEGE Inc has established itself as a successful CRNGS in Ohio. TEGE LLC, through its service agreement with TEGE Inc, intends to follow similar operating methods and continue a strong performance as a participant in the Ohio natural gas market.

TEGE Inc has participated in Ohio Choice Programs since 1986 as Fuel Services Group, since 1994 under WPS Energy Services and since 2007 as TEGE Inc. TEGE Inc currently participates in the Columbia Gas of Ohio, Dominion East Ohio, and CG&E Choice Programs. In Ohio’s Choice Programs, as of December 2009, TEGE Inc delivered approximately 20 Mcf/per customer to over 18,000 customers on Columbia Gas of Ohio, approximately 28 Mcf/per customer to over 49,000 customers on Dominion East Ohio, and approximately 24 Mcf/per customer to over 31,000 customers on Duke Energy.

TEGE Inc has successfully brought the retail Choice customer in Ohio consistent value for their energy dollar by combining every procurement advantage available. TEGE LLC intends to deliver the same or even improved quality of service and value to Ohio customers. Describing this strategy would include the contracting of local Appalachian producers to directly deliver their local well production to our pools. TEGE Inc through our preferred supplier agreement with Sequent Energy will be able to provide instant execution via the brokers on the NYMEX exchange including the derivative option products available to arbitrage the purchasing dollars. TEGE LLC will utilize TEGE Inc’s contracts with the interstate pipelines for capacity and storage services at discounted rates to pass this savings on to the consumer.

TEGE LLC, through our Service Agreement with TEGE Inc, will have access to all of their experienced and fully trained employees who will continue to work with rules and practices established by the North American Energy Standards Board. As you can see from personnel backgrounds under D-3 of this application, TEGE LLC personnel have many years in the energy industry and most have utility background in their portfolio.

TEGE Inc has extensive experience serving electric and natural gas aggregation programs in Ohio.

D-3 Exhibit D-3 “Key Technical Personnel,” provide the names, titles, email addresses, telephone numbers, and background of key personnel involved in the operational aspects of the applicant’s current business.

Perry, Scot - Retail Gas Trader

SJPerry@integrysenergy.com / 614-844-4322

Mr. Perry has worked in the energy industry since 1995 with experience in natural gas transportation, gas supply, and natural gas sales. In regards to natural gas supply, Mr. Perry has over 8 years of experience in this area. He has developed and executed strategies for natural gas supplies, pipeline transportation, storage services, and utility services in the U.S. on several interstate pipelines and local distribution companies. In his current role, Mr. Perry is responsible for maintaining a supply portfolio with an annual load of approximately 30 BCF

Mr. Perry holds a Bachelors of Science Degree in Business Administration from Miami University in Oxford, Ohio and a Masters Degree in Business Administration from the George Washington University.

Koontz, Charles - General Manager

CAKoontz@integrysenergy.com/ 614- 844-4324

Mr. Koontz joined Integrys Energy Services, Inc in 2005 to assist in developing the company’s renewable energy portfolio to position the company’s generation fleet for the nationwide shift towards low carbon, sustainable resources. Since then, Mr. Koontz expanded his role to be more comprehensive so that he was responsible for managing all of Integrys Energy Services, Inc’s sustainability efforts nationwide. This led to the creation of the company’s first retail renewable product line, Ecovation, which comprised of 8% renewable gas or carbon offsets.

Mr. Koontz is now responsible for Integrys Energy Services – Natural Gas LLC’s retail market focused on providing energy products to the small commercial and residential markets nationwide. Mr. Koontz will oversee all of the operations, marketing and regulatory compliance for this segment of the company’s business.

Mr. Koontz has over than 10 years of energy industry experience, in various areas ranging from product structuring to wholesale trading and asset development. Charles has a Bachelors of Science in engineering from Rice University and is a frequent speaker at energy seminars and trade shows.

George, David - Manager, Indirect Channel

DLGeorge@integrysenergy.com / 614-844-4328

Mr. George joined Integrys Energy Services in May 2006 and brings with him over 20 years of experience in the energy management and performance contracting market. He has extensive experience working with third parties vendors and agents to develop and implement their energy and sustainability programs. Mr. George has been instrumental in developing consultative-based services programs for healthcare, public education, industrial and regulated utilities.

Furthermore, he has been involved all aspects of the strategic business process, from hands-on client program management to training and education workshops.

In his current role, Mr. George is responsible for managing the agent and vendor sales channels that Integrys Energy Services – Natural Gas, LLC will utilize to support the small commercial and residential markets nationwide. He is also responsible for fully training and ensuring regulatory compliance from the sales aspect.

Mr. George has written several articles published in Trade Magazines with respect to energy and has been a keynote speaker at trade shows and energy industry roundtable groups. David holds a Bachelor's degree in Advertising and Journalism with a concentration in business marketing from The Ohio State University.

Vukovich, Ann - Ohio Market Manager
AMVukovich@integrysenergy.com 920-617-6013

Ms. Vukovich has 25 years of energy industry experience and is known for her passion and advocacy for delighting customers by leading and developing exceptional people, processes, and systems that deliver positive, memorable business experiences for customers. She has recently resumed profit and loss responsibility for Direct Mass Market and Aggregation business for the State of Ohio.

Ms. Vukovich joined Integrys Energy Services in January 2001 and successfully led the start-up of the electric and gas opt-out aggregation programs in Ohio and assumed profit and loss responsibility for the Standard Offer Service programs in the state of Maine. She was later promoted to the Director of Aggregation and had been responsible for providing business planning, execution leadership, and oversight for the Aggregation Income Stream, having full responsibility for profit and loss of the income stream. The development of the opt-out electric and gas aggregation programs in Ohio required extensive regulatory interactions to resolve competitive market issues such as purchase of receivables, shopping credits, and switching fee rules. Under her leadership, the peak enrollment of 120,000 Ohio residential and small commercial customers and city facilities in multiple programs were served.

In 2005, Ms. Vukovich assumed leadership responsibility to deploy the Competitive Excellence initiative for the non-regulated entities. She learned the tools and techniques of the Lean Management System and successfully led the roll-out of the initiative and ensured strategic alignment with the parent company's strategies, goals, and objectives. In 2007, Ms. Vukovich was named the Director of Account Management providing overall leadership to the Account Management team, with primary responsibility to work in collaboration with the sales organization and other functional groups to support customers and provide the highest level of customer service and delight.

Prior to joining Integrys Energy Services, Ms. Vukovich began her energy industry career at Wisconsin Public Service Corporation (WPSC) in 1985 in Customer Service. Highlights from her 16 years of service include being responsible for the overall management of the credit function for a division of WPSC (4 counties), providing leadership for district credit personnel, field collectors, and customer service representatives to ensure timely collection of all customer accounts and compliance with related laws, state administrative code, and corporate credit

policy. Ms. Vukovich was also instrumental in the development and implementation of a call center designed to centralize incoming customer calls from WPSC's nineteen outlying offices. In addition to completion of the centralization project, Ms. Vukovich provided leadership for the After Hours Emergency Dispatch Center. Lastly, she provided leadership for the WPSC Wholesale Energy Services team providing for the marketing and sales of wholesale electric power to municipalities and electric cooperatives.

Ms. Vukovich's education includes a Bachelor of Science degree in Psychology and Human Development from the University of Wisconsin – Green Bay. In addition, she completed academic course work in Education to teach Secondary Education - Broad Field Social Studies. Ms. Vukovich has also taken additional training and coursework in a wide variety of business and technical areas.

Gregory, Erin - Market Data Analyst
EEGregory@integrysenergy.com 312-681-1850

Ms. Gregory recently became the Market Data Analyst for Direct Mass Market (DMM). Previously, Ms. Gregory was the Account Management Data and Process Leader. She led a group of 6 employees responsible for the systems, data, and processes necessary to onboard & maintain the DMM customer base. Ms. Gregory has worked in the energy industry for nearly 11 years; 2.5 years for Integrys Energy Services and 8.5 years for Peoples Gas, an affiliate of Integrys Energy Services.

In addition to Ms. Gregory's leadership skills she has been asked to utilize her talents in Project Management, Operations Management, and Data Analysis on several initiatives within the Account Management team and for other functional departments. Some examples of those initiatives include the workflow analysis and operational clean-up of the Customer Interest Group, management of the cross functional State of Illinois team, budget analysis for the Account Management group, Employee Skill Assessment Survey and analysis, and she has served as the project lead for several system integration initiatives. In particular to note Ms. Gregory worked closely with her team to streamline operations and implement system enhancements that yielded a savings of \$181,000 in operating expenses. Since then she has continued in her collaborative effort to put in place operational controls and enhancements to minimize mistakes and drive her team towards operational excellence and customer delight. Ms. Gregory has also championed the metrics project for Account Management and personally worked with the Portfolio and Management department to develop and define some of the first financial metrics within the Customer Care cluster group. Ms. Gregory is a highly technical and analytical person who constantly seeks to further educate herself in the operations of the energy industry. She is constantly volunteering to help out on a project where she feels she could add value or seeking out projects that will provide her with new learning opportunities.

Prior to her current role at Integrys Energy Services, Ms. Gregory was very successful as a Supervisor for the Cash Receipts department and as a Business Analyst within the Peoples Gas Light and Coke Company (Peoples Gas). As Supervisor of Cash Receipts, Ms. Gregory was able to develop a team of highly engaged individuals who performed at 135% of the industry standard. Cash Receipts is responsible for processing all inbound customer payments, payment inquiries, bank processing errors, etc.

Ms. Gregory started her career as a Business Analyst with Peoples Gas. It was during that time that she developed her skills as an operations and data analyst; performing several types of analysis, such as, cost benefits, trend analysis, regression studies, etc. It was also during this time that she was given the opportunity to work on and eventually lead several high profile projects.

Ms. Gregory has a Bachelor of Science in Operations Management from Northern Illinois University and is proficient in Business Objects, SAP, SQL Querying and Microsoft Office Suites.

Klaviter, Amy - Regulatory Compliance Analyst
AKlaviter@integrysenergy.com / 312-681-1855

Ms. Klaviter began her career at Peoples Energy Services in July 1999 as an Account Analyst with Gas Nominations learning the tariffs and balancing pools. After a short time as an Account Analyst, Ms. Klaviter moved to the Gas Billing team working on reconciling account balances, daily billing activities, implementing a new system, addressing customers' issues and streamlining processes. In late 2001, Ms. Klaviter accepted the role of Electric Billing Specialist. Her primary responsibilities included daily billing activities, reconciling account balances and publishing monthly unbilled lists. She also assisted in training new employees on the electric market. Ms. Klaviter accepted the role of Market Analyst in 2004. Her focus was on completing all compliance filings in IL, MI, OH and NY, researching any requirements for new market entry and completing new market registrations. During that time, she became very familiar with the intricacies of each of the markets, specifically their rules and requirements. Since the merger with WPS Energy Services to create Integrys Energy Services in 2007, Ms. Klaviter has been in the role of Regulatory Compliance Analyst that expanded the area of filings and requirements to the entire Integrys footprint. Not only is she responsible for managing over 600 annual filings, but Ms Klaviter also completes any registration for new markets.

Ms. Klaviter received her Bachelors degree in Finance from Butler University.

McDermid, Debbie – Director, Core Contingent Leader
DLMcDermid@integrysenergy.com / 920-617-6059

Deb McDermid is the core contingent leader at Integrys Energy Services, Inc. Ms. McDermid joined Integrys Energy Services, Inc. in 1996 and was named the Director in charge of Retail Natural Gas Commercial and Industrial Accounts in 2001. She has direct profit and loss responsibilities for the retail commercial and industrial sales originating from six (6) of our regional offices located in the U.S. and three (3) provinces in Canada. As Director of this income stream, Ms. McDermid builds on her five years in a sales and service oriented role with Integrys Energy and takes a prominent role in the marketing, sales and product development of our retail natural gas service.

Ms. McDermid has over twelve (12) years of management experience, including over four (4) years of management experience with direct profit and loss responsibilities and nine (9) years of sales experience.

Ms. McDermid began her career with the regulated utility, Wisconsin Public Service Corporation (WPSC), in 1979, in the Customer Service Organization. While in the Customer Service Organization, she led the implementation of many key customer service initiatives including the design, development, testing, and implementation of their core customer information and billing system. In 1992, WPSC made the strategic corporate decision to centralize customer service calls from its 19 district offices and After Hours Emergency dispatch center. From 1993 until she joined Integrys Energy Services, Inc. in 1996, Ms. McDermid was responsible for providing project management and leadership for this corporate strategic initiative to centralize calls and create WPSC's Customer Communication Center.

Ms. McDermid holds a Bachelors degree in Business and an Associate degree in Accounting and participated in the Center for Creative Leadership program.