

WPS RESOURCES CORP  
Form S-4  
August 25, 2006

As filed with the Securities and Exchange Commission on August 25, 2006

Registration No. 333-\_\_\_\_\_

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**FORM S-4**  
REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933

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**WPS Resources Corporation**

(Exact name of registrant as specified in its charter)

**Wisconsin**  
(State or other jurisdiction of incorporation  
or organization)

**4931**  
(Primary Standard Industrial  
Classification Code Number)  
**700 North Adams Street**  
**P.O. Box 19001**  
**Green Bay, Wisconsin 54307-9001**  
**(920) 433-4901**

**39-1775292**  
(I.R.S. Employer  
Identification No.)

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive  
offices)

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**Larry L. Weyers**  
**Chairman, President and Chief Executive Officer**  
**WPS Resources Corporation**  
**P.O. Box 19001**  
**Green Bay, Wisconsin 54307-9001**  
**(920) 433-1727**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

---

Copies to:

**Russell E. Ryba**  
**Peter D. Fetzer**  
**Foley & Lardner LLP**  
**777 East Wisconsin Avenue**  
**Milwaukee, Wisconsin 53202**  
**(414) 271-2400**

**Richard Hall**  
**Thomas E. Dunn**  
**Cravath, Swaine & Moore LLP**  
**Worldwide Plaza**  
**825 Eighth Avenue**  
**New York, New York 10019**  
**(212) 474-1000**

and

**William S. Lamb**  
**Sheri E. Bloomberg**  
**LeBoeuf, Lamb, Greene & MacRae**  
**LLP**  
**125 West 55th Street**  
**New York, New York 10019**

**Theodore R. Tetzlaff**  
**General Counsel**  
**Peter H. Kauffman**  
**Secretary**  
**Peoples Energy Corporation**  
**130 E. Randolph Drive**

**John G. Nassos**  
**Ungaretti & Harris LLP**  
**3500 Three First National Plaza**  
**70 West Madison**  
**Chicago, Illinois 60602**  
**(312) 977-4400**

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(212) 424-8000

Chicago, Illinois 60601  
(312) 240-4347

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective and upon completion of the merger described in this registration statement.

If the securities being registered on this Form are offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, \$1.00 par value per share	34,000,000 shares	\$51.05	\$1,735,700,000	\$185,719.90
Common Stock Purchase Rights	34,000,000 shares	(4)	(4)	(4)

- (1) The registrant has determined that this is the maximum number of shares of WPS Resources Corporation common stock, \$1 par value, issuable upon consummation of the merger described in this registration statement, based upon the exchange ratio of 0.825 shares of WPS Resources Corporation common stock for each outstanding share of Peoples Energy Corporation common stock, no par value, and an aggregate of 41,212,121 shares of common stock of Peoples Energy Corporation presently outstanding or potentially issuable or expected to be issued in connection with the merger.
- (2) Estimated solely for purposes of calculating the registration fee and computed pursuant to Rules 457(f) and (o) promulgated under the Securities Act, based on \$51.05, the average of the high and the low prices of common stock of WPS Resources Corporation as reported on the New York Stock Exchange on August 21, 2006, and multiplied by the maximum number of shares of common stock of WPS Resources Corporation to be issued pursuant to the merger.
- (3) Calculated in accordance with Section 6(b) of the Securities Act and Rule 457(f)(1) promulgated thereunder.
- (4) The common stock purchase rights are attached to and traded with the shares of common stock being registered. The value attributable to the common stock purchase rights, if any, is reflected in the value attributable to the common stock.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information in this preliminary joint proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary joint proxy statement/prospectus is not an offer to sell and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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[WPS Resources Logo and Address] and [Peoples Energy Logo and Address]

[ ], 2006

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Dear WPS Resources Corporation and Peoples Energy Corporation Shareholders:

On behalf of the boards of directors and management teams of WPS Resources and Peoples Energy, we are pleased to enclose the joint proxy statement/prospectus relating to the merger of a wholly-owned subsidiary of WPS Resources into Peoples Energy Corporation. Upon completion of the merger, Peoples Energy will be a wholly-owned subsidiary of WPS Resources. We believe this merger will create a strong combined company that will deliver important benefits to our shareholders, to our customers and to the communities we serve.

In connection with the merger, WPS Resources shareholders are cordially invited to attend a special meeting of the shareholders of WPS Resources Corporation to be held on [ ], 2006 at [ ], local time, at [ ], and Peoples Energy shareholders are cordially invited to attend a special meeting of the shareholders of Peoples Energy to be held on [ ], 2006 at [ ], local time, at [ ].

At the special meeting of the shareholders of WPS Resources, WPS Resources shareholders will be asked to vote on a proposal to approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement with Peoples Energy and a proposal to approve an amendment to WPS Resources' restated articles of incorporation to change its name to [ ], and to vote on a proposal to adjourn WPS Resources' special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation.

**The WPS Resources board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger, including the issuance of shares of WPS Resources common stock and the changing of the name of WPS Resources to [ ], as contemplated by the merger agreement, is in the best interests of WPS Resources and its shareholders and unanimously recommends that WPS Resources shareholders vote FOR the proposal to approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement, FOR the proposal to amend the restated articles of incorporation of WPS Resources to change its name to [ ] and FOR the proposal to adjourn WPS Resources' special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation.**

At the special meeting of the shareholders of Peoples Energy, Peoples Energy shareholders will be asked to vote on a proposal to approve the merger agreement pursuant to which Peoples Energy will become a wholly-owned subsidiary of WPS Resources, and to vote on a proposal to adjourn Peoples Energy's special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement.

**The Peoples Energy board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are in the best interests of Peoples Energy and its shareholders and unanimously recommends that Peoples Energy shareholders vote FOR the proposal to approve the merger agreement and thereby approve the merger and FOR the proposal to adjourn the Peoples Energy special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement.**

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**If the merger is completed, Peoples Energy shareholders will receive 0.825 shares of WPS Resources common stock for each share of Peoples Energy common stock held. The exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the completion of the merger.** Based on the closing price of WPS Resources common stock on the New York Stock Exchange on July 5, 2006, the last full trading day prior to the publication of a news article reporting that WPS Resources and Peoples Energy were in advanced merger discussions in *The Wall Street Journal*, this would result in an approximate value of \$41.39 per share for Peoples Energy common stock. This represents a premium to Peoples Energy's shareholders of approximately 14.2%, based on the 20 trading day average closing prices for Peoples Energy ending July 5, 2006, and approximately 15%, based on the closing price for Peoples Energy on July 5, 2006. Based on the closing price of WPS Resources common stock on the New York Stock Exchange on August 18, 2006, of \$51.16, the exchange ratio represented an approximate value of \$42.21 per share for Peoples Energy common stock. **The value of the consideration to be received by Peoples Energy shareholders will fluctuate with changes in the price of WPS Resources common stock. We urge you to obtain current market quotations for WPS Resources and Peoples Energy common stock.**

WPS Resources shareholders will continue to own their existing WPS Resources shares. We estimate that WPS Resources may issue up to approximately [ ] million shares of its common stock to Peoples Energy shareholders as contemplated by the merger agreement. Upon completion of the merger, WPS Resources' shareholders immediately prior to the merger will own approximately [ ]% of WPS Resources outstanding common stock on a fully diluted basis and former Peoples Energy shareholders will own approximately [ ]% of WPS Resources outstanding common stock on a fully diluted basis. WPS Resources common stock will continue to be listed on the New York Stock Exchange, under the new symbol [ ].

We urge you to read the enclosed joint proxy statement/prospectus, which includes important information about the merger and our special meetings. In particular, see the section titled "Risk Factors" on pages [ ] through [ ] of the joint proxy statement/prospectus which contains a description of the risks that you should consider in evaluating the merger.

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For a discussion of the United States federal income tax consequences of the merger, see *The Proposed Merger* Material United States Federal Income Tax Consequences of the Merger beginning on page [ ] of the joint proxy statement/prospectus.

**Your vote is very important.** Whether or not you expect to attend the special meeting of your company, the details of which are described in the enclosed joint proxy statement/ prospectus, please vote immediately by submitting your proxy by telephone or the Internet or by completing, signing, dating and returning your signed proxy card(s) in the enclosed prepaid return envelope. Because the required vote of the shareholders of Peoples Energy to approve the merger agreement is two-thirds of the outstanding shares of Peoples Energy voting in favor of the merger agreement, if a shareholder of Peoples Energy does not vote, whether in person, by telephone, via the Internet or by returning a signed proxy card, this will have the same effect as a vote **AGAINST** the merger agreement. So, please submit your vote immediately.

If WPS Resources shareholders have any questions or require assistance in voting their shares, they should call Georgeson, Inc., WPS Resources proxy solicitor for the special meeting, toll free at 866-821-2626. If Peoples Energy shareholders have any questions or require assistance in voting their shares, they should call Georgeson, Inc., Peoples Energy s proxy solicitor for the special meeting, toll free at 866-295-4388.

Sincerely,

Larry L. Weyers  
*Chairman, President and  
Chief Executive Officer  
WPS Resources Corporation*

Sincerely,

Thomas M. Patrick  
*Chairman of the Board, President and  
Chief Executive Officer  
Peoples Energy Corporation*

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in the joint proxy statement/prospectus or the securities to be issued pursuant to the merger under the joint proxy statement/prospectus or determined if the joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

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The enclosed joint proxy statement/prospectus is dated [ ], 2006 and is first being mailed to shareholders on or about [ ], 2006.

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Preliminary Copy Subject to Completion, dated August 25, 2006

[WPS Resources Logo]

**WPS RESOURCES CORPORATION**  
700 North Adams Street, P.O. Box 19001, Green Bay, Wisconsin 54307-9001

### **NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD [ ], 2006**

The WPS Resources special meeting will be held on [ ], 2006 at [ ], local time, at [ ]. Our shareholders are asked to vote to:

1. Approve the issuance of shares of WPS Resources common stock as contemplated by the Agreement and Plan of Merger, dated as of July 8, 2006, among WPS Resources Corporation, Wedge Acquisition Corp. and Peoples Energy Corporation. A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice. In the merger, each share of Peoples Energy common stock outstanding immediately prior to completion of the merger will be converted into the right to receive 0.825 shares of WPS Resources common stock.
2. Approve an amendment to WPS Resources restated articles of incorporation to change the name of WPS Resources to [ ].
3. Adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation.
4. Transact any other business properly brought before the special meeting and any adjournment or postponement thereof.

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If you held shares in WPS Resources at the close of business on [ ], 2006, you are entitled to vote at the special meeting and at any adjournment or postponement thereof.

Your board of directors recommends that you vote **FOR** all of these proposals, which are described in detail in the accompanying joint proxy statement/prospectus. Your attention is directed to the accompanying joint proxy statement/prospectus for a discussion of the merger and the merger agreement, as well as the other matters that will be considered at the meeting.

**Whether or not you plan to attend the special meeting in person, please complete, sign, date and return the enclosed proxy in the accompanying self-addressed postage pre-paid envelope or complete your proxy by following the instructions supplied on the proxy card for voting by telephone or via the Internet (or, if your shares are held in street name by a broker, nominee, fiduciary or other custodian, follow the directions given by the broker, nominee, fiduciary or other custodian regarding how to instruct it to vote your shares) as soon as possible.**

WPS RESOURCES CORPORATION

Barth J. Wolf  
*Secretary and Manager - Legal Services*

Green Bay, Wisconsin  
[ ], 2006

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Preliminary Copy Subject to Completion, dated August 25, 2006

[Peoples Energy Logo]

**PEOPLES ENERGY CORPORATION**  
130 East Randolph Drive, Chicago, Illinois 60601

### **NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD [ ], 2006**

To the shareholders of Peoples Energy Corporation:

A Special Meeting of Shareholders of PEOPLES ENERGY CORPORATION will be held in the [ ], located at [ ], at [ ] on [ ], [ ], 2006, for the following purposes:

1. A proposal to approve the Agreement and Plan of Merger, dated as of July 8, 2006, among WPS Resources Corporation, Wedge Acquisition Corp. and Peoples Energy Corporation. A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice. In the merger, each share of Peoples Energy common stock outstanding immediately prior to completion of the merger will be converted into the right to receive 0.825 shares of WPS Resources common stock.
2. A proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the Agreement and Plan of Merger referred to in Item 1.
3. To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

All shareholders, whether or not they expect to be present at the meeting, are requested to sign, date, and mail the accompanying proxy in the envelope enclosed with this Notice or complete their proxy by following the instructions supplied on the proxy card for voting by telephone or via the Internet. Shareholders who are present at the meeting may withdraw their proxies and vote in person.

If you plan to attend the meeting, please save the admission ticket that is attached to your proxy and present it at the door. Attendance at the meeting will be limited to shareholders of record as of the record date and their guests or their authorized representatives, not to exceed two per shareholder, and to guests of Peoples Energy.

Shareholders of record as of [ ], 2006, will be entitled to vote at the meeting and at any adjournment or postponement thereof. Please do not send any share certificates at this time. If the merger is consummated, WPS Resources will notify you of the procedures for exchanging Peoples

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Energy share certificates for shares of WPS Resources.

**Your board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement and thereby approve the merger, which is described in detail in the joint proxy statement/prospectus accompanying this notice, and FOR the proposal to adjourn the meeting if necessary to permit further solicitation of proxies.**

PETER H. KAUFFMAN  
*Secretary*

Chicago, Illinois  
[ ], 2006

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### REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about WPS Resources and Peoples Energy from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain copies of the documents incorporated by reference into this joint proxy statement/prospectus through the Securities and Exchange Commission (sometimes referred to as the SEC) website at [www.sec.gov](http://www.sec.gov) or by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**WPS Resources Corporation**  
Attention: Barth J. Wolf, Secretary and  
Manager Legal Services  
P.O. Box 19001  
Green Bay, Wisconsin 54307-9001  
(920) 433-1727

**Peoples Energy Corporation**  
Attention: Peter H. Kauffman, Secretary  
130 East Randolph Drive  
24th Floor  
Chicago, Illinois 60601  
(312) 240-4366.

*If you would like to request documents from WPS Resources, please do so by [ ], 2006, in order to receive them before the WPS Resources special meeting. If you would like to request documents from Peoples Energy, please do so by [ ], 2006, in order to receive them before the Peoples Energy special meeting.*

See **Where You Can Find More Information** beginning on page [ ] of this joint proxy statement/prospectus.

### SUBMITTING PROXIES BY MAIL, TELEPHONE OR INTERNET

WPS Resources shareholders of record may submit their proxies:

by telephone, by calling the toll-free number [o] in the United States or Canada on a touch-tone phone and following the recorded instructions;

by accessing the Internet website at [www.voteproxy.com](http://www.voteproxy.com) and following the instructions on the website; or

by mail, by indicating their voting preference on the proposals on each proxy card received, signing and dating each proxy card and returning each proxy card in the prepaid envelope that accompanied that proxy card.

Peoples Energy shareholders of record may submit their proxies:

by telephone, by calling the toll-free number 1-866-207-3912 in the United States or Canada on a touch-tone phone and following the recorded instructions;

by accessing the Internet website at [www.eproxyvote.com/PGL](http://www.eproxyvote.com/PGL) and following the instructions on the website; or

by mail, by indicating their voting preference on the proposals on each proxy card received, signing and dating each proxy card and returning each proxy card in the prepaid envelope that accompanied that proxy card.

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Shareholders of WPS Resources and/or Peoples Energy whose shares are held in street name, must provide their brokers with instructions on how to vote their shares; otherwise, their brokers will not vote their shares on any of the proposals before the special meeting. Shareholders should check the voting form provided by their brokers for instructions on how to vote their shares.

This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

### TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETINGS	1
SUMMARY	7
RISK FACTORS	27
Risks Relating to the Merger	27
Risks Relating to the Businesses of WPS Resources, Peoples Energy and the Combined Company	31
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	38
THE COMPANIES	41
WPS Resources Corporation	41
Peoples Energy Corporation	41
INFORMATION ABOUT THE WPS RESOURCES SPECIAL MEETING AND VOTE	43
Date, Time and Place of WPS Resources Special Meeting	43
Matters to be Considered	43
WPS Resources Record Date; Quorum; and Voting Rights	43
Abstentions and Broker Non-Votes	43
Required Vote	44
Dissenters' Rights	44
Directors and Executive Officers of WPS Resources	44
Shares Beneficially Owned by WPS Resources Directors and Officers	44
How Shares are Voted; Proxies; Revocation of Proxies	45
Solicitation of Proxies	46
Other Business; Adjournments	46
WPS Resources Shareholder Account Maintenance	46
INFORMATION ABOUT THE PEOPLES ENERGY SPECIAL MEETING AND VOTE	48
Date, Time and Place of Peoples Energy Special Meeting	48
Matters to be Considered	48
Peoples Energy Record Date; Voting Rights	48
Quorum, Abstentions and Broker Non-Votes	48
Required Vote	49
Dissenter's Rights	49
Directors and Executive Officers of Peoples Energy	50
Shares Beneficially Owned by Peoples Energy Directors and Officers	51
How Shares are Voted; Proxies; Revocation of Proxies	51
Solicitation of Proxies	52
Other Business; Adjournments	52
Peoples Energy Shareholder Account Maintenance	52
THE PROPOSED MERGER	53
General	53
WPS Resources Merger Proposals	53
Peoples Energy Merger Proposal	53
Background of the Merger	53
WPS Resources' Reasons for the Merger; Recommendation of the Board of Directors	64
Opinion of WPS Resources' Financial Advisor	68
Peoples Energy's Reasons for the Merger; Recommendation of the Board of Directors	75
Opinion of Peoples Energy's Financial Advisor	80
Forward-Looking Financial Information	89
Estimated Potential Synergies Attributable to the Merger	92
Accounting Treatment	93

## Edgar Filing: WPS RESOURCES CORP - Form S-4

	<u>Page</u>
Material United States Federal Income Tax Consequences of the Merger	93
Regulatory Matters Relating to the Merger	98
Dissenters' Rights	102
Federal Securities Laws Consequences; Stock Transfer Restrictions	102
Stock Exchange Listing; Delisting and Deregistration of Peoples Energy's Common Stock	102
-i-	
<hr/>	
Business Relationships between WPS Resources and Peoples Energy	102
ADDITIONAL INTERESTS OF WPS RESOURCES' AND PEOPLES ENERGY'S DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER	104
Positions with the Combined Company	104
Additional Interests of WPS Resources' Directors and Executive Officers in the Merger	104
Additional Interests of Peoples Energy's Directors and Executive Officers in the Merger	105
THE MERGER AGREEMENT	111
General	111
Closing Matters	111
Consideration to be Received Pursuant to Merger	112
Exchange of Certificates Pursuant to Merger	112
Covenants	113
Representations and Warranties	123
Conditions	125
Termination of Merger Agreement	127
Amendments, Extensions and Waivers	130
POST-MERGER GOVERNANCE AND MANAGEMENT	131
Amended and Restated WPS Resources' Articles of Incorporation and By-laws	131
Corporate Offices	131
Board of Directors of WPS Resources	131
Executive Officers of WPS Resources	131
Dividends	131
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION	132
COMPARISON OF SHAREHOLDERS' RIGHTS	144
DESCRIPTION OF WPS RESOURCES CAPITAL STOCK	156
General	156
Dividend and Liquidation Rights	156
Voting Rights	156
Provisions of WPS Resources Restated Articles of Incorporation with Possible Anti-takeover Effects	156
Statutory Provisions with Possible Anti-takeover Effects	157
Preemptive Rights; Common Stock Purchase Rights	158
Conversion Rights, Redemption Provisions and Sinking Fund Provisions	158
Restrictions on Dividends Payable by Subsidiaries	159
EXPERTS	160
WPS Resources	160
Peoples Energy	160
HOUSEHOLDING	160
WPS Resources	160
Peoples Energy	160
LEGAL MATTERS	161
SHAREHOLDER PROPOSALS	161
WPS Resources	161
Peoples Energy	161
OTHER MATTERS	161
WHERE YOU CAN FIND MORE INFORMATION	162
ANNEX A - Agreement and Plan of Merger	A-1
ANNEX B - Illinois Business Corporation Act Dissenters' Right Statute	B-1
ANNEX C - Opinion of J.P. Morgan Securities Inc.	C-1
ANNEX D - Opinion of Morgan Stanley & Co. Incorporated	D-1
ANNEX E - Form of Amendment to Restated Articles of Incorporation of WPS Resources	E-1
ANNEX F - Form of Amended By-Laws of WPS Resources	F-1
ANNEX G - Form of Cravath, Swaine & Moore LLP Tax Opinion	G-1
ANNEX H - Form of LeBoeuf, Lamb, Greene & MacRae LLP Tax Opinion	H-1



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## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETINGS

### **Q1: Why am I receiving this document?**

A: We are delivering this document to you because you are either a WPS Resources shareholder, a Peoples Energy shareholder, or both, and WPS Resources and Peoples Energy are each holding a special shareholders meeting in connection with the merger of a wholly-owned subsidiary of WPS Resources into Peoples Energy, with Peoples Energy as the surviving corporation (surviving as a direct wholly-owned subsidiary of WPS Resources). WPS Resources shareholders are being asked to approve at a special shareholders meeting the issuance of shares of WPS Resources common stock as contemplated by the merger agreement, an amendment to WPS Resources' restated articles of incorporation to change the name of WPS Resources to [ ] and a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation of WPS Resources. Peoples Energy shareholders are being asked to approve at a special shareholders meeting the merger agreement, and thereby approve the merger, and a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement. This document is serving as both a joint proxy statement of WPS Resources and Peoples Energy and a prospectus of WPS Resources. It is a joint proxy statement because it is being used by each of our boards of directors to solicit proxies of our respective shareholders. It is a prospectus because WPS Resources is offering shares of its common stock in exchange for shares of Peoples Energy common stock if the merger is completed. A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus.

### **Q2: What do I need to do now?**

A: After you carefully read this joint proxy statement/prospectus, please respond by submitting your proxy by telephone or the Internet or by completing, signing, dating and returning your signed proxy card(s) in the enclosed prepaid return envelope(s), as soon as possible, so that your shares may be represented at your special meeting. In order to assure that your vote is recorded, please vote your proxy as instructed on your proxy card(s) even if you currently plan to attend your special meeting in person.

### **Q3: Why is my vote important?**

A: If you do not submit your proxy by telephone or the Internet, or return your signed proxy card(s) by mail or vote in person at your special meeting, it will be more difficult for WPS Resources and Peoples Energy to obtain the necessary quorum to hold their respective special meetings and to obtain the shareholder approvals necessary for the completion of the merger. For both the WPS Resources special meeting and the Peoples Energy special meeting, the presence, in person or by proxy, of holders of a majority of the issued and outstanding shares entitled to vote at the meeting constitutes a quorum for the transaction of business. If a quorum is not present at either WPS Resources' special meeting or Peoples Energy's special meeting, the shareholders of that company will not be able to take action on any of the proposals at that meeting.

**In addition, for the Peoples Energy proposal to approve the merger agreement, if you do not vote, it will have the same effect as a vote AGAINST the proposal.**

### **Q4: Why have WPS Resources and Peoples Energy agreed to the merger?**

A: WPS Resources and Peoples Energy believe that the merger will provide substantial strategic and financial benefits to their shareholders, customers and the communities they serve, including:

the combined company will be better positioned to compete in a consolidating industry where size and scale are increasingly important;

the combined company's regulated utility business will have greater market and regulatory diversity from operations in four adjacent states in the Midwest;

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the combined company will have substantial capital investment opportunities in its regulated operations;

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combining the two companies non-regulated energy marketing businesses will create a stronger, more competitive, and better balanced growth platform with opportunities to capture operational efficiencies;

the increased scale of the combined company and the adoption of best practices by the combined company is expected to create value through the realization of synergies from the merger;

the merger will combine complementary areas of expertise of each company, allowing the combined company to draw upon the intellectual capital, technical expertise, processes, practices and experience of a deeper, more diverse workforce; and

the combined company will have a larger market capitalization, which is expected to enhance the equity market profile of the combined company.

Additional information on the reasons for the merger can be found below, beginning on page [ ] for WPS Resources and on page [ ] for Peoples Energy.

### **Q5: When do you expect the merger to be completed?**

A: We hope to complete the merger as soon as reasonably practicable, subject to receipt of necessary regulatory approvals and shareholder approvals. We are requesting expedited regulatory approval, and if granted, the transaction is expected to be completed in the first calendar quarter of 2007. However, we cannot predict when regulatory review will be completed, whether regulatory or shareholder approval will be received or the potential terms and conditions of any regulatory approval that is received. In addition, other factors outside of our control could require us to complete the merger at a later time or not to complete it at all. For a discussion of the conditions to the completion of the merger and of the risks associated with obtaining regulatory approvals in connection with the merger, see The Merger Agreement Conditions beginning on page [ ] and The Proposed Merger Regulatory Matters Relating to the Merger beginning on page [ ].

### **Q6: How will my proxy be voted?**

A: If you vote by telephone or by the Internet or by completing, signing, dating and returning your signed proxy card(s), your proxy will be voted in accordance with your instructions.

If you are a WPS Resources shareholder of record and submit your proxy but do not indicate how you want to vote, your shares will be voted **FOR** the proposal to approve the issuance of shares of WPS Resources common stock pursuant to the merger agreement, **FOR** the proposal to amend the restated articles of incorporation of WPS Resources to change its name to [ ] and **FOR** the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation. If other matters are properly brought before the special meeting, or any adjourned meeting, your proxy includes discretionary authority on the part of the individuals appointed to vote your shares to act on those matters according to their best judgment.

If you are a Peoples Energy shareholder of record and submit your proxy but do not indicate how you want to vote, your shares will be voted **FOR** the proposal to approve the merger agreement and **FOR** the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement. If other matters are properly brought before the special meeting, or any adjourned meeting, your proxy includes discretionary authority on the part of the individuals appointed to vote your shares to act on those matters according to their best judgment.

-2-

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### **Q7: May I vote in person?**

A: Yes. If you are a shareholder of record of WPS Resources common stock as of [ ], 2006 or of Peoples Energy common stock as of [ ], 2006, you may attend your special meeting and vote your shares in person, instead of submitting your proxy by telephone or by the Internet or returning your signed proxy card(s). However, we highly recommend that you vote in advance by submitting your proxy by telephone, via the Internet or by mail, even if you plan to attend the special meeting of your company.

### **Q8: What are the votes required to approve the proposals?**

A: *WPS Resources*. The proposal respecting the issuance of shares as contemplated by the merger agreement will be approved if a quorum is present and the number of votes cast in favor of the issuance of shares exceeds the number of votes cast in opposition to it, and the total votes

cast on the proposal represents over 50% of the shares of common stock entitled to vote on such proposal. The proposal respecting the amendment to the restated articles of incorporation of WPS Resources to change its name will be approved if a quorum is present and the number of votes cast in favor of the amendment exceeds the number of votes cast in opposition to it. The proposal respecting the adjournment of the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation will be approved if a quorum is present and the number of votes cast in favor of the amendment exceeds the number of votes cast in opposition to it. A shareholder will be deemed present at the meeting by proxy if such shareholder has returned a proxy by mail, by telephone or via the Internet (even if the proxy contains no instructions as to voting, abstains from voting, or constitutes a broker non-vote).

*Peoples Energy.* The proposal respecting the approval of the merger agreement will be approved if at least two-thirds of the outstanding shares of Peoples Energy vote in favor of the proposal. In order for shareholders to approve the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement, a quorum must be present and the votes cast in favor of the proposal must exceed the votes cast against the proposal.

**Q9: If I am a record holder of my shares, what happens if I don't submit a proxy (whether by returning my proxy card or submitting my proxy by telephone or via the Internet) or attend my special meeting to vote in person?**

*A: WPS Resources.* If you do not return your proxy card or submit your proxy by telephone or via the Internet or vote in person at WPS Resources special meeting, your vote will not be counted and it will be less likely that a quorum to conduct business at WPS Resources special meeting will be obtained and that the vote necessary for approval of the issuance of shares, the name change amendment and the proposal to adjourn the meeting will be obtained.

*Peoples Energy.* If you do not return your proxy card or submit your proxy by telephone or via the Internet or vote in person at Peoples Energy's special meeting, this will have the same effect as a vote **AGAINST** the approval of the proposal to approve the merger agreement. In the case of a proposal to adjourn the special meeting, a failure to vote, a vote to abstain or a broker non-vote will have no effect on the outcome of the voting if a quorum is present.

**Q10: What if my shares are held in street name ?**

*A:* If some or all of your shares of WPS Resources and/or Peoples Energy are held in street name by your broker, you must provide your broker with instructions on how to vote your shares; otherwise, your broker will not be able to vote your shares on any of the proposals before the special meeting.

As a result of the foregoing, please be sure to provide your broker with instructions on how to vote your shares. Please check the voting form used by your broker to see if it offers telephone or Internet submission of proxies.

-3-

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**Q11: What if I fail to instruct my broker?**

*A:* Shares represented by proxies reflecting abstentions and properly executed broker non-votes, if any, will be counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote arises when a bank, broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received voting instructions from the beneficial owner. See Information About the WPS Resources Special Meeting and Voting Quorum, Abstentions and Broker Non-Votes beginning on page [ ], and Information About the Peoples Energy Special Meeting and Voting Quorum, Abstentions and Broker Non-Votes beginning on page [ ], for more detail on the impact of a broker non-vote. For the Peoples Energy proposal to approve the merger agreement, a broker non-vote will have the same effect as a vote **AGAINST** the approval of the merger agreement.

**Q12: Who will count the votes?**

*A:* For the WPS Resources proposals, representatives of American Stock Transfer & Trust Company will serve as inspector of elections, count all the proxies or ballots submitted and report the votes at the special meeting. American Stock Transfer & Trust Company will hold your vote in confidence. Whether you vote your shares by Internet, telephone or mail, your vote will be received directly by American Stock Transfer & Trust Company.

For the Peoples Energy proposals, representatives of LaSalle Bank N.A. will serve as inspector of elections, count all the proxies or ballots submitted and report the votes at the special meeting. LaSalle Bank N.A. will hold your vote in confidence. Whether you vote your shares by Internet, telephone or mail, your vote will be received directly by LaSalle Bank N.A.

**Q13: What does it mean if I receive more than one set of materials?**

A: This means you own shares of both WPS Resources and Peoples Energy or you own shares of WPS Resources or Peoples Energy that are registered under different names. For example, you may own some shares directly as a shareholder of record and other shares through a broker or you may own shares through more than one broker. In these situations, you may receive multiple sets of proxy materials. It is necessary for you to vote, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the proxy cards you receive in order to vote all of the shares you own. Each proxy card you receive will come with its own prepaid return envelope; if you vote by mail, make sure you return each proxy card in the return envelope which accompanied that proxy card.

**Q14: How are shares in the Wisconsin Public Service Employee Stock Ownership Plan and Trust voted?**

A: If you own stock in the Wisconsin Public Service Employee Stock Ownership Plan (sometimes referred to as the WPSC ESOP), you may vote your shares by any of the following three methods:

over the Internet at [www.voteproxy.com](http://www.voteproxy.com);

over the telephone by calling toll-free 1-800-776-9437; or

through the mail by returning your completed, signed and dated proxy card in the enclosed prepaid envelope.

Your vote must be received by [ ], 2006 to be voted at the special meeting. Stock owned in the WPSC ESOP may **NOT** be voted in person at the special meeting.

The results of the vote received from WPSC ESOP participants will serve as voting instructions to the plan trustee, Wells Fargo Bank N.A. The trustee will vote the plan shares as instructed by plan participants. The trustee will not vote any proxy not voted by participants. The plan trustee will follow your voting instructions unless it determines that to do so would be contrary to the Employee Retirement Income Security Act of 1974. American Stock Transfer & Trust Company will tabulate the WPSC ESOP vote. American Stock Transfer and Wells Fargo will keep how you vote your shares confidential.

-4-

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**Q15: How are shares in the Peoples Energy 401(k) plan and ESOP voted?**

A: If you are a participant in any of the Peoples Energy Corporation Capital Accumulation Plan (sometimes referred to as the Peoples Energy Capital Accumulation Plan) or the Peoples Energy Corporation Thrift Plan (sometimes referred to as the Peoples Energy Thrift Plan), The Northern Trust Company, as trustee of the trust established for these plans, will vote the shares in the exercise of its fiduciary duty. If you are a participant in the Peoples Energy Corporation Employee Stock Ownership Plan (sometimes referred to as the Peoples Energy ESOP), you may vote your shares by submitting your voting instruction card for those shares in accordance with the instructions included with the voting instruction card.

Your voting instructions will be treated confidentially. The plan trustee will follow your voting instructions unless it determines that to do so would be contrary to the Employee Retirement Income Security Act of 1974. If you elect not to provide voting directions, the plan trustee will vote Peoples Energy shares allocated to your plan account in the same proportion as those votes cast by other plan participants submitting voting instructions.

Because the plan trustee must process voting instructions from participants before the date of the Peoples Energy special meeting, you are urged to deliver your instructions well in advance of the Peoples Energy special meeting so that the instructions are received no later than [ ], 2006. Stock owned in the Peoples Energy Capital Accumulation Plan, the Peoples Energy Thrift Plan or the Peoples Energy ESOP may **NOT** be voted in person at the special meeting.

**Q16: Can I revoke my proxy and change my vote?**

A: Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted at your special meeting. If you are a shareholder of record, your proxy can be revoked in several ways:

by entering a new vote by telephone or the Internet;

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by delivering a written revocation to your company's Secretary prior to the special meeting;

by submitting another valid proxy bearing a later date that is received prior to your special meeting; or

by attending your special meeting and voting your shares in person.

However, if your shares are held in street name through a bank, broker, custodian or other recordholder, you must check with your bank, broker, custodian or other recordholder to determine how to revoke your proxy.

### **Q17: When and where are the special meetings?**

A: The WPS Resources special meeting will take place on [ ], 2006, at [ ], local time, at [ ].

The Peoples Energy special meeting will take place on [ ], 2006, at [ ], local time, at [ ].

### **Q18: What must I bring to attend the special meetings?**

A: Admittance to the WPS Resources special meeting will be limited to shareholders and their guests or their authorized representatives, not to exceed one per shareholder, and to guests of WPS Resources. Shareholders whose shares are held in street name by a broker, nominee, fiduciary or other custodian should bring with them a legal proxy or a recent brokerage statement or letter from the street name holder confirming their beneficial ownership of shares.

-5-

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Admittance to the Peoples Energy special meeting will require the admission ticket that is attached to your proxy. Attendance at the meeting will be limited to shareholders of record as of the record date and their guests or their authorized representatives, not to exceed two per shareholder, and to guests of Peoples Energy.

### **Q19: Should I send in my stock certificates now?**

A: No. After the merger is completed, WPS Resources will send former Peoples Energy shareholders written instructions for exchanging their Peoples Energy stock certificates for stock certificates of WPS Resources. Even though WPS Resources will change its name, WPS Resources shareholders will keep their existing stock certificates.

### **Q20: Are there risks I, as a WPS Resources shareholder, should consider in deciding to vote on the issuance of shares of WPS Resources common stock as contemplated by the merger agreement or, as a Peoples Energy shareholder, should consider in deciding to vote on the approval of the merger agreement?**

A: Yes, in evaluating the issuance of shares of WPS Resources common stock as contemplated by the merger agreement, or the merger agreement and the merger, you should carefully read this joint proxy statement/prospectus, including the factors discussed in the section titled Risk Factors beginning on page [ ] of this joint proxy statement/prospectus.

### **Q21: Who can answer any questions I may have about the special meetings or the merger?**

A: WPS Resources shareholders may call Georgeson, Inc., WPS Resources proxy solicitor for the special meeting, toll free at 866-821-2626.

Peoples Energy shareholders may call Georgeson, Inc., Peoples Energy's proxy solicitor for the special meeting, toll free at 866-295-4388.

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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus with respect to the merger and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger agreement, you should carefully read this entire joint proxy statement/prospectus and the documents to which we refer you. A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page [ ]. We have included references to other portions of this joint proxy statement/prospectus to direct you to a more complete description of the topics presented in this summary, which you should review carefully in their entirety.*

**The Companies Involved in the Merger (see page [ ])**

**WPS Resources Corporation**  
P.O. Box 19001  
Green Bay, Wisconsin 54307-9001  
(920) 433-1727

WPS Resources is a holding company, based in Green Bay, Wisconsin, incorporated in Wisconsin on December 3, 1993. WPS Resources principal subsidiary is Wisconsin Public Service Corporation, a regulated electric and natural gas utility that generates and distributes energy in northeastern Wisconsin and an adjacent portion of Michigan's Upper Peninsula. WPS Resources' other major subsidiaries include:

Upper Peninsula Power Company, a regulated electric utility operating in Michigan's Upper Peninsula.

Michigan Gas Utilities Corporation, a regulated gas distribution utility operating in the southern portion of Michigan's Lower Peninsula.

Minnesota Energy Resources Corporation, a regulated gas distribution utility operating in certain areas throughout Minnesota.

WPS Energy Services, Inc. (sometimes referred to as ESI), a non-regulated subsidiary that provides energy and related products and services in the non-regulated energy market in the northeast quadrant of the United States and eastern portions of Canada and recently established operations in Texas. WPS Energy Services, through a subsidiary, develops, owns and operates non-regulated electric generation facilities and steam production facilities in various locations in the United States and New Brunswick, Canada, as well as a portion of a synthetic fuel processing facility.

**Peoples Energy Corporation**  
130 East Randolph Drive  
24th Floor  
Chicago, Illinois 60601  
(312) 240-4366

Peoples Energy is a diversified energy holding company that, through its subsidiaries, engages principally in natural gas utility operations and other diversified energy businesses. Peoples Energy's business operations are segregated into the following segments:

The Gas Distribution business is Peoples Energy's core business. Peoples Energy's two regulated utilities, The Peoples Gas Light and Coke Company (sometimes referred to as Peoples Gas) and North Shore Gas Company (sometimes referred to as North Shore Gas), purchase, store, distribute, sell and transport natural gas.

The Oil and Gas Production business, through Peoples Energy's subsidiary Peoples Energy Production Company (sometimes referred to as Peoples Energy Production), is active in the acquisition, development and production of oil and gas reserves in selected onshore basins in the United States through direct ownership in oil, gas and mineral leases.

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The Energy Marketing business provides, through Peoples Energy Services Corporation (sometimes referred to as Peoples Energy Services), gas, electricity and energy management services to industrial, commercial and residential customers regionally within Illinois, Ohio and Michigan. In addition, through Peoples Energy Resources Company, LLC (sometimes referred to as Peoples Energy Resources), it provides wholesale gas transportation, storage and supply services to marketers, utilities, pipelines and gas-fired power generation facilities.

The Energy Assets business, through Peoples Energy Resources, is principally engaged in the development, operation and ownership of an electric generation facility for sales to electric utilities and marketers. The Energy Assets business also owns a propane-based peaking facility and other assets used for providing wholesale gas sales and related services. Peoples Energy announced in February 2006 its intention to exit the power generation business and expects to close on the sale of its remaining power generation assets by the end of calendar year 2006.

The Corporate and Other business includes administrative activities that support the other businesses and business development activities that do not fall under the four major business segments identified above.

### **The Merger (see page [ ])**

Under the terms of the merger, a wholly-owned subsidiary of WPS Resources (Wedge Acquisition Corp.) was formed for the purpose of the merger, and will merge with and into Peoples Energy. As a result, Peoples Energy will survive the merger and will become a wholly-owned subsidiary of WPS Resources upon completion of the merger.

The merger will be completed only after the satisfaction or waiver of the conditions to the completion of the merger discussed below.

The merger agreement is attached as Annex A to this joint proxy statement/prospectus. We encourage you to read the merger agreement carefully and fully, as it is the legal document that governs the merger.

### **Peoples Energy Shareholders Will Receive 0.825 Shares of WPS Resources Common Stock for Each Share of Peoples Energy Common Stock (see page [ ])**

Subject to the terms and conditions of the merger agreement, upon completion of the merger, Peoples Energy shareholders will receive 0.825 shares of WPS Resources common stock for each share of Peoples Energy common stock they hold (sometimes referred to as the Exchange Ratio). WPS Resources will not issue fractional shares pursuant to the merger. As a result, the total number of shares of WPS Resources common stock that each Peoples Energy shareholder would otherwise receive pursuant to the merger will be rounded down to the nearest whole number, and each Peoples Energy shareholder will receive such whole number of shares of WPS Resources common stock and a cash payment for the remaining fraction of a share of WPS Resources common stock that such shareholder would otherwise receive, based on the fair market value of a share of WPS Resources common stock. Fair market value for purposes of this fractional share payment equals the average of the closing sale prices for WPS Resources common stock on the New York Stock Exchange Composite Transactions Tape for each of the ten consecutive trading days ending with the fifth complete trading day prior to the closing date of the merger (not counting the closing date).

-8-

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### **WPS Resources Shareholders Will Not Have Dissenters' Rights in Connection with the Merger (see page [ ])**

WPS Resources' shareholders are not entitled to dissenters' rights in connection with the merger or the proposals being considered at the WPS Resources special meeting.

### **Peoples Energy Shareholders Will Have Dissenters' Rights in Connection with the Merger (see page [ ])**

Under Illinois law, Peoples Energy shareholders have dissenters' rights in connection with the merger. Therefore, a shareholder of Peoples Energy may elect to be paid for such shareholder's shares in accordance with the procedures set forth in the Illinois Business Corporation Act of 1983, as amended (sometimes referred to as the IBCA). The full text of Article 11 of the IBCA is reprinted in its entirety as Annex B to this joint proxy statement/prospectus.

### **Adjustment of the Terms of Awards Outstanding under Peoples Energy's Stock Plans (see page [ ])**

Peoples Energy has adjusted the terms of awards outstanding under the Peoples Energy stock plans or otherwise to provide that:

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each outstanding Peoples Energy stock option will be converted automatically into an option to acquire, on the same terms and conditions, including vesting, a number of shares of WPS Resources common stock (rounded down to the nearest whole share) equal to the number of shares that were subject to the Peoples Energy stock option multiplied by 0.825 at an exercise price per share (rounded up to the nearest whole cent) equal to (a) the exercise price per share of the Peoples Energy common stock otherwise purchasable pursuant to such option divided by (b) 0.825;

each holder of a Peoples Energy stock appreciation right will be entitled to that number of stock appreciation rights with respect to common stock of WPS Resources (rounded down to the nearest whole right), determined by multiplying the number of Peoples Energy stock appreciation rights held by such holder immediately prior to the consummation of the merger by 0.825, at an exercise price with respect to each such WPS Resources stock appreciation right (rounded up to the nearest whole cent) equal to (a) the exercise price in effect with respect to the corresponding Peoples Energy stock appreciation right immediately prior to the consummation of the merger divided by (b) 0.825;

with respect to the Peoples Energy Employee Stock Purchase Plan, (a) non-union participants in such plan may not increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement, (b) each participant's outstanding right to purchase shares of common stock of Peoples Energy under such plan will terminate on the day immediately prior to the day on which the merger is consummated, provided that all amounts allocated to each participant's account under such plan as of such date will thereupon be used to purchase from Peoples Energy whole shares of common stock of Peoples Energy at the applicable price determined under the terms of such plan for the then outstanding offering period using such date as the final price date for such offering period, and (c) such plan will terminate immediately following such purchases of common stock of Peoples Energy; and

the terms of the Peoples Energy Directors Deferred Compensation Plan and Directors Stock and Option Plan and any elections made under either plan by any participating director will be adjusted to provide that (a) each share equivalent or deferred share credited to the account of a participating director and not paid to such director as a share of common stock of Peoples Energy as of the day on which the merger is consummated will be, as of such date, converted into that number of share equivalents equal to 0.825, which will be paid to such participating director in shares of common stock of WPS Resources on the same schedule as provided in such participating director's election and (b) the number of share equivalents or deferred shares credited to the account of a participating director following the consummation of the merger will be determined as set forth in such plan and will be equivalent to shares of common stock of WPS Resources.

-9-

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### **The Exchange Ratio is Fixed and Will Not Be Adjusted in Response to Changes in Our Stock Prices (see page [ ])**

The Exchange Ratio is fixed and will not be adjusted to reflect stock price changes prior to the completion of the merger. Based on the closing price of WPS Resources common stock on the New York Stock Exchange on July 5, 2006, the last full trading day prior to the publication of a news article reporting that WPS Resources and Peoples Energy were in advanced merger discussions in *The Wall Street Journal*, the Exchange Ratio would result in an approximate value of \$41.39 per share for Peoples Energy common stock. This represents a premium to Peoples Energy's shareholders of approximately 14.2%, based on the 20 trading day average closing prices for Peoples Energy ending July 5, 2006, and approximately 15%, based on the closing price for Peoples Energy on July 5, 2006. Based on the closing price of WPS Resources common stock on the New York Stock Exchange on August 18, 2006, of \$51.16, the Exchange Ratio represented an approximate value of \$42.21 per share for Peoples Energy common stock. Upon completion of the merger, former Peoples Energy shareholders will own approximately [ ]% of WPS Resources' outstanding common stock on a fully diluted basis.

The value of the consideration to be received by Peoples Energy shareholders will fluctuate with changes in the price of WPS Resources common stock. We urge you to obtain current market quotations for WPS Resources and Peoples Energy common stock.

### **WPS Resources and Peoples Energy Expect to Continue Their Respective Stated Dividend Policies Until Completion of the Merger; WPS Resources has Agreed to Increase its Dividend Following Completion of the Merger**

After the merger is consummated, it is intended that the quarterly dividend of the combined company will be \$0.66 per share, but this policy will be evaluated over time as future business needs dictate. This would be a 14.8% increase in WPS Resources' current quarterly dividend of \$0.575 per share, and, after taking into account the Exchange Ratio, would effectively continue the dividend at the current level for Peoples Energy's shareholders.

Prior to the merger, the merger agreement permits both WPS Resources and Peoples Energy to continue to pay regular dividends to their respective shareholders in accordance with their previously announced dividend policies. However, prior to the merger WPS Resources and



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Peoples Energy have agreed to coordinate with each other regarding the declaration and payment of dividends on their respective common stock and the record dates and payment dates relating to these dividends. This coordination is designed to ensure that no holder of the respective common stock of WPS Resources and Peoples Energy receives two dividends, or fails to receive one dividend, for any single calendar quarter with respect to such holder's shares of WPS Resources common stock and Peoples Energy common stock, as the case may be, and/or any shares of WPS Resources common stock any holder of Peoples Energy common stock receives pursuant to the merger.

### **WPS Resources' Financial Advisor Delivered its Opinion to the WPS Resources Board of Directors to the Effect that, as of July 8, 2006, the Exchange Ratio in the Merger Was Fair, from a Financial Point of View, to WPS Resources (see page [ ])**

WPS Resources' financial advisor, J.P. Morgan Securities Inc. (sometimes referred to as JPMorgan), has delivered its opinion dated as of July 8, 2006 to the WPS Resources board of directors that, as of that date, based upon and subject to the assumptions, qualifications and limitations set forth in its opinion, the Exchange Ratio in the merger was fair, from a financial point of view, to WPS Resources. The full text of the opinion of JPMorgan is attached as Annex C to this joint proxy statement/prospectus. WPS Resources urges its shareholders to read the opinion in its entirety. JPMorgan has provided its opinion for the information and assistance of the WPS Resources board of directors in connection with its consideration of the merger agreement, the issuance of shares of WPS Resources common stock as contemplated by the merger agreement and the merger, and the opinion does not constitute a recommendation as to how any holder of WPS Resources common stock should vote with respect to the proposal to approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement, the proposal to approve an amendment to WPS Resources' restated articles of incorporation to change its name to [ ] or the proposal to adjourn WPS Resources' special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation.

-10-

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The opinion of JPMorgan does not reflect any developments that may occur or may have occurred after the date of the opinion and prior to completion of the merger.

Pursuant to an engagement letter dated May 13, 2005, as extended by a letter agreement dated May 31, 2006, WPS Resources has agreed to pay JPMorgan a fee of \$7 million in consideration for its services as financial advisor, one-third of which was paid upon the execution of the merger agreement, one-third of which is payable upon Peoples Energy shareholder approval of the merger agreement and WPS Resources shareholder approval of the share issuance and the amendment to the restated articles of incorporation of WPS Resources to change its name, and one-third of which is payable upon completion of the merger. At the closing of the transaction, WPS Resources may pay JPMorgan an additional fee of \$2 million, in its sole discretion, based on the results obtained in connection with the merger and any other factors that WPS Resources deems relevant.

### **Peoples Energy's Financial Advisor Delivered its Opinion to the Peoples Energy Board of Directors to the Effect that, as of July 8, 2006, the Exchange Ratio Pursuant to the Merger Agreement Was Fair, from a Financial Point of View, to the Holders of Shares of Peoples Energy Common Stock (see page [ ])**

Peoples Energy's financial advisor, Morgan Stanley & Co. Incorporated (sometimes referred to as Morgan Stanley), has delivered its opinion dated as of July 8, 2006 to the Peoples Energy board of directors that, as of that date, based upon and subject to the assumptions, qualifications and limitations discussed in its opinion, the Exchange Ratio pursuant to the merger agreement was fair, from a financial point of view, to the holders of shares of Peoples Energy common stock. The full text of Morgan Stanley's opinion is attached as Annex D to this joint proxy statement/prospectus. Peoples Energy urges its shareholders to read that opinion in its entirety. Morgan Stanley provided its opinion for the information and assistance of the Peoples Energy board of directors in connection with its consideration of the merger agreement and the merger, and the opinion does not constitute a recommendation as to how any holder of Peoples Energy common stock should vote with respect to the proposal to approve the merger agreement or the proposal to adjourn Peoples Energy's special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement.

The opinion of Morgan Stanley will not reflect any developments that may occur or may have occurred after the date of its opinion and prior to completion of the merger.

Pursuant to an engagement letter dated March 21, 2006, Peoples Energy has agreed to pay Morgan Stanley a fee of \$11.5 million in consideration for its services as financial advisor, one-third of which was paid upon the execution of the merger agreement, one-third of which is payable upon Peoples Energy shareholder approval of the merger agreement and WPS Resources shareholder approval of the share issuance and the amendment to the restated articles of incorporation of WPS Resources to change its name, and one-third of which is payable upon completion of the merger.

The Exchange Ratio is Fixed and Will Not Be Adjusted in Response to Changes in Our Stock Prices (see page [ ])

**United States Federal Income Tax Treatment of the Exchange of Shares of Peoples Energy Common Stock for Shares of WPS Resources Common Stock (see page [ ])**

As a condition to the completion of the merger, Cravath, Swaine & Moore LLP must have delivered to WPS Resources, and LeBoeuf, Lamb, Greene & MacRae LLP (sometimes referred to as LeBoeuf Lamb) must have delivered to Peoples Energy, their respective opinions, each dated as of the effective time of the merger, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that each of WPS Resources, Peoples Energy and Wedge Acquisition Corp. (the wholly-owned merger subsidiary of WPS Resources) will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code. These opinions will be based, in part, on customary factual assumptions and written factual representations, including those representations set forth in the certificates provided by officers of WPS Resources and Peoples Energy to Cravath, Swaine & Moore LLP and LeBoeuf, Lamb, Greene & MacRae LLP. The full text of the opinions of Cravath, Swaine & Moore LLP and LeBoeuf, Lamb, Greene & MacRae LLP are attached as Annex G and Annex H, respectively, to this joint proxy statement/prospectus.

Assuming that the foregoing opinions are correct, and subject to the qualifications and limitations set forth in the section titled "The Proposed Merger - Material United States Federal Income Tax Consequences of the Merger," the holders of Peoples Energy common stock will generally not recognize gain or loss on the exchange of their Peoples Energy common stock to the extent that such holders receive solely WPS Resources common stock in exchange for their Peoples Energy common stock, but the holders of Peoples Energy common stock may recognize gain or income from the receipt of cash (either in connection with dissenters' rights or cash received in lieu of fractional shares) in exchange for their Peoples Energy common stock.

-11-

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*The United States federal income tax consequences of the merger to holders of Peoples Energy common stock will depend upon each holder's specific situation. You should read carefully the discussion under the heading "The Proposed Merger - Material United States Federal Income Tax Consequences of the Merger" beginning on page [ ] of this joint proxy statement/prospectus for certain material tax consequences resulting from the merger. In addition, you may be subject to state, local or foreign tax laws that are not discussed in this joint proxy statement/prospectus. You should therefore consult with your own tax advisor for a full understanding of the tax consequences to you of the merger.*

**Approvals Required by WPS Resources and Peoples Energy Shareholders to Complete the Merger (see pages [ ] and [ ])**

***For WPS Resources Shareholders:***

The proposal respecting the issuance of shares pursuant to the merger agreement will be approved if a quorum is present and the number of votes cast in favor of the amendment exceeds the number of votes cast in opposition to it, and the total votes cast on the proposal represents over 50% of the shares of common stock entitled to vote on such proposal.

The proposal respecting the amendment to the restated articles of incorporation of WPS Resources to change its name to "[ ]" will be approved if a quorum is present and the number of votes cast in favor of the amendment exceeds the number of votes cast in opposition to it.

The proposal respecting adjournment of the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation will be approved if a quorum is present and the votes cast in favor of the proposal exceeds the number of votes cast in opposition to the proposal.

A shareholder will be deemed present at the meeting by proxy if the shareholder has returned a proxy by mail, by telephone or via the Internet (even if the proxy contains no instructions as to voting, abstains from voting, or constitutes a broker non-vote).

On [ ], 2006, which is the record date for determining those WPS Resources shareholders who are entitled to vote at the WPS Resources special meeting, directors and executive officers of WPS Resources and their affiliates beneficially owned and had the right to vote [ ] shares of WPS Resources common stock, representing less than [ ]% of the shares of WPS Resources common stock outstanding on the record date. To WPS Resources' knowledge, directors and executive officers of WPS Resources and their affiliates intend to vote their shares of common stock in favor of all the proposals to be voted on at the special meeting, although none of them has entered into any agreement requiring them to do so.

***For Peoples Energy Shareholders:***

The proposal to approve the merger agreement will be approved upon receiving the affirmative vote of at least two-thirds of the votes of the Peoples Energy shares entitled to vote on the merger agreement. Abstentions and broker non-votes will have the effect of votes **AGAINST** the merger agreement.

The proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement will be approved if a quorum is present and the votes cast in favor of the proposal exceed the votes cast against the proposal. A failure to vote, a vote to abstain or a broker non-vote will have no effect on the outcome of the voting on this proposal if a quorum is present.

-12-

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On [ ], 2006, which is the record date for determining those Peoples Energy shareholders who are entitled to vote at the Peoples Energy special meeting, directors and executive officers of Peoples Energy and their affiliates beneficially owned and had the right to vote [ ] shares of Peoples Energy common stock, representing less than [ ]% of the shares of Peoples Energy common stock outstanding on the record date. To Peoples Energy knowledge, directors and executive officers of Peoples Energy and their affiliates intend to vote their shares of common stock in favor of all proposals to be voted on at the special meeting, although none of them has entered into any agreement requiring them to do so.

**Recommendations of WPS Resources and Peoples Energy to Shareholders (see pages [ ] and [ ])**

***To WPS Resources Shareholders:***

The WPS Resources board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger, including the issuance of shares of WPS Resources common stock and the changing of the name of WPS Resources to [ ], as contemplated by the merger agreement, is in the best interests of WPS Resources and its shareholders and unanimously recommends that WPS Resources shareholders vote **FOR** the proposal to approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement, **FOR** the proposal to amend the restated articles of incorporation of WPS Resources to change its name to [ ] and **FOR** the proposal to adjourn WPS Resources special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation.

***To Peoples Energy Shareholders:***

The Peoples Energy board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Peoples Energy and its shareholders and unanimously recommends that Peoples Energy shareholders vote **FOR** the proposal to approve the merger agreement and thereby approve the merger. The Peoples Energy board of directors also recommends that you vote **FOR** the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement.

**Completion of the Merger is Subject to Regulatory Clearance (see page [ ])**

To complete the merger, we must receive approval from and/or make filings with various federal and state regulatory authorities. The required statutory approvals include, among others: (1) the filing of notification and report forms with the Department of Justice (sometimes referred to as the DOJ) and the Federal Trade Commission (sometimes referred to as the FTC) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (sometimes referred to as the HSR Act), and expiration or early termination of any applicable waiting periods under the HSR Act; (2) approval of the merger and related affiliated interest agreement by the Illinois Commerce Commission (sometimes referred to as the ICC); (3) approval of the related affiliated interest agreement, and, approval of the merger, if applicable, by the Public Service Commission of Wisconsin (sometimes referred to as the PSCW); (4) approval by the Federal Communications Commission (sometimes referred to as the FCC) of the change in control of certain licenses that will result from the merger; and (5) approval of the merger by the Federal Energy Regulatory Commission (sometimes referred to as the FERC). See The Proposed Merger Regulatory Matters Relating to the Merger beginning on page [ ] of this joint proxy statement/prospectus for a discussion of the status of the regulatory approval process.

**WPS Resources Articles and By-Laws Will Be Amended Following Completion of the Merger (see page [ ])**

WPS Resources is proposing to amend its restated articles of incorporation to change the name of the company to [ ], subject to shareholder approval. Also, in connection with the merger, WPS Resources will amend its by-laws to increase the number of directors from nine to sixteen and create the position of Non-Executive Chairman of the Board.

-13-

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You should read the complete text of the amendment to the restated articles of incorporation of WPS Resources and the amended by-laws of WPS Resources, substantially in the form to become effective upon completion of the merger, which are attached as [Annex E](#) and [Annex F](#) to

this joint proxy statement/prospectus, respectively, in conjunction with this summary.

**WPS Resources Directors Have Interests in the Merger that May Be Different from, or in Addition to, the Interests of the WPS Resources shareholders (see page [ ])**

WPS Resources shareholders should be aware that WPS Resources directors may have interests in the merger that are different from, or in addition to, WPS Resources shareholders' interests when they consider their board of directors' recommendation that they vote to approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement, to approve an amendment to WPS Resources restated articles of incorporation to change its name to [ ] and to adjourn WPS Resources' special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation. Those interests include, among other things, the continuation of the nine WPS Resources directors (or others designated by WPS Resources) on the board of directors of the combined company.

As a result, the directors of WPS Resources may be more likely to recommend the approval of the proposals to be voted upon at the special meeting than if they did not have these interests.

**Peoples Energy Executive Officers and Directors Have Interests in the Merger that May Be Different from, or in Addition to, the Interests of the Peoples Energy shareholders (see page [ ])**

Peoples Energy shareholders should be aware that Peoples Energy directors and executive officers may have interests in the merger that are different from, or in addition to, Peoples Energy shareholders' interests when they consider their board of directors' recommendation that they vote to approve the merger agreement and to adjourn Peoples Energy's special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement. Those interests include, among other things, benefits that may become payable under change in control severance agreements, the accelerated vesting of certain restricted shares, deferred shares and performance shares held by the directors and executive officers, retention bonuses for executive officers and the appointment of seven of the Peoples Energy directors (or others designated by Peoples Energy) to the WPS Resources board of directors.

As a result, the directors and officers of Peoples Energy may be more likely to recommend the approval of the merger agreement than if they did not have these interests.

**Completion of the Merger is Subject to the Satisfaction of a Number of Conditions (see page [ ])**

Completion of the merger depends upon the satisfaction or waiver of a number of conditions, including, among others, the following:

the receipt of the approval of the merger agreement by the Peoples Energy shareholders, and the receipt of the approval by the WPS Resources shareholders of the share issuance proposal and the proposal to amend the restated articles of incorporation of WPS Resources to change its name;

the absence of temporary restraining orders, preliminary or permanent injunction or other order issued by any court of competent jurisdictions or other legal restraint or prohibition preventing the consummation of the merger;

the SEC having declared effective, without any stop order or proceedings seeking a stop order, the WPS Resources registration statement of which this joint proxy statement/prospectus forms a part and WPS Resources having received any state securities or blue sky authorizations necessary for the share issuance;

-14-

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the receipt of the approval for listing by the NYSE of the WPS Resources common stock to be issued pursuant to the merger, subject to official notice of issuance;

the waiting period (and any extension thereof) applicable to the merger under the HSR Act having been terminated or having expired and any consents, approvals and filings under any foreign antitrust law, the absence of which would prohibit the consummation of the merger, having been obtained or made;

the required statutory approvals (including, without limitation, approval from the ICC, the PSCW, the FCC and the FERC) of both WPS Resources and Peoples Energy having been obtained at or prior to the consummation of the merger, without such approvals imposing terms or conditions that, individually or in the aggregate, would reasonably be expected to have a material adverse effect

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on the business, properties, condition (financial or otherwise) or results of operations of either party and its subsidiaries, taken as a whole;

the merger and any related affiliated interest agreements having been approved by the ICC, with only such terms or conditions as in the aggregate would not reasonably be expected to have a material adverse effect on the regulatory prospects in the State of Illinois of Peoples Energy and its subsidiaries taken as a whole; and the merger, if applicable, and any related affiliated interest agreements having been approved by the PSCW, with only such terms or conditions as in the aggregate would not reasonably be expected to have a material adverse effect on the regulatory prospects in the State of Wisconsin of WPS Resources and its (current pre-merger) subsidiaries taken as a whole. For purposes of this condition, the term *regulatory prospects* means the ability of either party's respective public utility subsidiaries to recover and to be authorized to earn a reasonable rate of return on their prudently incurred capital investment in accordance with ratemaking laws, regulations and practices in the State of Illinois or the State of Wisconsin, as the case may be, in effect when the merger is consummated; and

the receipt of an opinion of each party's counsel which provides that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that WPS Resources, Peoples Energy and Wedge Acquisition Corp. are parties to that reorganization within the meaning of Section 368(b) of the Internal Revenue Code.

### **How the Merger Agreement May Be Terminated by WPS Resources and Peoples Energy (see page [ ])**

The merger agreement may be terminated at any time prior to the completion of the merger in any of the following ways:

by mutual written consent of WPS Resources and Peoples Energy;

by either WPS Resources or Peoples Energy:

if the merger has not been completed by July 8, 2007, unless the failure to complete the merger is the result of a breach of the merger agreement by the party seeking to terminate the merger agreement; provided further that if all conditions to closing have been fulfilled or are capable of being fulfilled, other than receipt of the required statutory approvals, then either WPS Resources or Peoples Energy may extend this date to January 8, 2008;

if either the WPS Resources shareholders fail to approve the share issuance proposal or the proposal to amend the restated articles of incorporation of WPS Resources to change its name or the Peoples Energy shareholders fail to approve the merger agreement; or

-15-

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if any governmental entity issues an order, decree or ruling or takes any other action permanently enjoining, restraining or otherwise prohibiting the merger and such order, decree, ruling or other action has become final and nonappealable;

by WPS Resources:

if there has been a breach or failure to perform in any material respect any representation, warranty or covenants made by Peoples Energy in the merger agreement, and the breach or failure to perform:

would result in the applicable closing condition to the merger not being satisfied; and

is not curable or, if curable, is not cured within 30 days after written notice is given by WPS Resources to Peoples Energy (provided that WPS Resources is not then in material breach of any representation, warranty or covenant in the merger agreement);

if the Peoples Energy board of directors (1) recommends the approval or adoption of a takeover proposal from another party, (2) withdraws or modifies, in a manner adverse to WPS Resources, its recommendation to its shareholders regarding the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (3) recommends that its shareholders reject the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, or (5) approves or recommends, or proposes publicly to approve

or recommend any other takeover proposal;

if, in light of a superior proposal from another party, a majority of the members of WPS Resources board of directors has determined in good faith, after consultation with outside counsel, that it is necessary for WPS Resources board of directors to withdraw or modify its approval or recommendation of the share issuance or the proposal to amend the restated articles of incorporation of WPS Resources to change its name or accept a superior proposal in order to comply with its fiduciary duty under applicable law, and after compliance with all notice and other requirements in the merger agreement, (x) pays, if it has not previously paid, the termination fee due and (y) enters into a definitive agreement for the implementation of such superior proposal;

by Peoples Energy:

if there has been a breach or failure to perform in any material respect any representation, warranty, covenant or other agreement made by WPS Resources in the merger agreement, and the breach or failure to perform:

would result in the applicable closing condition to the merger not being satisfied; and

is not curable or, if curable, is not cured within 30 days after written notice is given by Peoples Energy to WPS Resources (provided that Peoples Energy is not then in material breach of any representation, warranty or covenant in the merger agreement);

if the WPS Resources board of directors (1) recommends the approval or adoption of a takeover proposal from another party, (2) withdraws or modifies, in a manner adverse to Peoples Energy, its recommendation to its shareholders regarding the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (3) recommends that its shareholders reject the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, or (5) approves or recommends, or proposes publicly to approve or recommend any other takeover proposal;

-16-

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if, in light of a superior proposal from another party, a majority of the members of Peoples Energy board of directors has determined in good faith, after consultation with outside counsel, that it is necessary for Peoples Energy board of directors to withdraw or modify its approval or recommendation of the merger agreement or the merger or accept a superior proposal in order to comply with its fiduciary duty under applicable law and after compliance with all notice and other requirements in the merger agreement, (x) pays, if it has not previously paid, the termination fee due and (y) enters into a definitive agreement for the implementation of such superior proposal.

#### **Termination Fees and Expenses May Be Payable Under Some Circumstances (see page [ ])**

##### ***Fees Payable by WPS Resources:***

WPS Resources will be required to reimburse Peoples Energy for its fees and expenses (1) up to a limit of \$15 million if the merger agreement is terminated because of a breach by WPS Resources of its representations and warranties or covenants (and such breach would give rise to the failure of a condition precedent and cannot or has not been remedied within 30 days) or WPS Resources shareholders fail to approve the transactions contemplated by the merger agreement (and prior to the WPS Resources shareholder meeting at which the WPS Resources shareholder approval was not obtained relating to such termination, any third party has made a takeover proposal which was not withdrawn at least 10 business days prior to such shareholder meeting) or (2) up to a limit of \$5 million, if the merger agreement is terminated because WPS Resources shareholders fail to approve the transactions contemplated by the merger agreement (if no such takeover proposal has been made or was so withdrawn).

WPS Resources will be required to pay a termination fee of \$45 million to Peoples Energy (provided that any termination fee payable will be reduced by the amount of any fees and expenses previously reimbursed) in the event that:

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WPS Resources terminates the merger agreement in order to enter into a superior proposal from another party;

Peoples Energy terminates the merger agreement because the WPS Resources board of directors (1) recommends the approval or adoption of a takeover proposal from another party, (2) withdraws or modifies, in a manner adverse to Peoples Energy, its recommendation to its shareholders regarding the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (3) recommends that its shareholders reject the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, or (5) approves or recommends, or proposes publicly to approve or recommend any other takeover proposal; or

-17-

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the merger agreement is terminated (a) because (1) the merger has not been consummated by July 8, 2007 (or January 8, 2008 if extended), (2) WPS Resources shareholders fail to approve the transactions contemplated by the merger agreement or (3) WPS Resources has breached its representations and warranties or covenants, and (b) prior to such termination (or, in the case of any termination following a failure to obtain the WPS Resources shareholder approval, prior to or at the time of the shareholder meeting at which such failure occurred) a third party has made a takeover proposal, which has not been withdrawn (1) in the case of any termination following a failure to obtain WPS Resources shareholder approval, at least 10 business days prior to such shareholder meeting and (2) in the case of any termination due to failure to consummate the transactions prior to July 8, 2007 (or January 8, 2008 if extended) at least 30 days prior to such date and (c) at or within twelve months of such termination, WPS Resources enters into a definitive agreement to consummate or consummates a takeover proposal with a third party.

### ***Fees Payable by Peoples Energy:***

Peoples Energy will be required to reimburse WPS Resources for its fees and expenses (1) up to a limit of \$15 million if the merger agreement is terminated because of a breach by Peoples Energy of its representations and warranties or covenants (and such breach would give rise to the failure of a condition precedent and cannot or has not been remedied within 30 days) or Peoples Energy's shareholders fail to approve the merger agreement (and prior to the Peoples Energy shareholder meeting at which the Peoples Energy's shareholder approval was not obtained relating to such termination, any third party has made a takeover proposal which was not withdrawn at least 10 business days prior to such shareholder meeting) or (2) up to a limit of \$5 million, if the merger agreement is terminated because Peoples Energy's shareholders fail to approve the merger agreement (if no such takeover proposal has been made or was so withdrawn).

Peoples Energy will be required to pay a termination fee of \$45 million to WPS Resources (provided that any termination fee payable will be reduced by the amount of any fees and expenses previously reimbursed) in the event that:

Peoples Energy terminates the merger agreement in order to enter into a superior proposal from another party;

WPS Resources terminates the merger agreement because the Peoples Energy board of directors (1) recommends the approval or adoption of a takeover proposal from another party, (2) withdraws or modifies, in a manner adverse to WPS Resources, its recommendation to its shareholders regarding the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (3) recommends that its shareholders reject the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, or (5) approves or recommends, or proposes publicly to approve or recommend any other takeover proposal; or

the merger agreement is terminated (a) because (1) the merger has not been consummated by July 8, 2007 (or January 8, 2008 if extended), (2) Peoples Energy's shareholders fail to approve the merger or the merger agreement or (3) Peoples Energy has breached its representations and warranties or covenants, and (b) prior to such termination (or, in the case of any termination following a failure to obtain the Peoples Energy shareholder approval, prior to or at the time of the shareholder meeting at which such failure occurred) a third party has made a takeover proposal, which has not been withdrawn (1) in the case of any termination following a failure to obtain Peoples Energy shareholder approval, at least 10 business days prior to such shareholder meeting and (2) in the case of any termination due to failure to consummate the transactions prior to July 8, 2007 (or January 8, 2008 if extended) at least 30 days prior to such date and (c) at or within twelve months of such termination, Peoples Energy enters into a definitive agreement to consummate or consummates a takeover proposal with a third party.

**WPS Resources Common Stock Will Be Listed on the New York Stock Exchange (see page [ ])**

Subsequent to the merger, the shares of WPS Resources common stock will be listed on the New York Stock Exchange under a new ticker symbol, [ ]".

**Peoples Energy Shareholders Will Hold Approximately [ ]% of the Outstanding Shares of WPS Resources Common Stock Following Completion of the Merger (see page [ ])**

Upon completion of the merger, WPS Resources will issue up to approximately [ ] million shares of WPS Resources common stock to Peoples Energy shareholders as contemplated by the merger agreement. Immediately following completion of the merger, it is expected that there will be approximately [ ] million shares of WPS Resources common stock issued and outstanding on a fully diluted basis. The shares of WPS Resources common stock to be issued to Peoples Energy shareholders will represent approximately [ ]% of the outstanding WPS Resources common stock after the merger on a fully diluted basis. This information is based on the number of WPS Resources and Peoples Energy shares and Peoples Energy equity-based awards and securities convertible into shares of Peoples Energy common stock outstanding on [ ], 2006.

**Differences Exist Between the Rights of WPS Resources Shareholders and Peoples Energy Shareholders (see page [ ])**

The rights of WPS Resources and Peoples Energy's shareholders under their respective business corporation laws are different. There are additional differences in the rights of WPS Resources shareholders and Peoples Energy shareholders as a result of the provisions of the articles of incorporation, by-laws and other corporate documents of each company. See Comparison of Shareholders' Rights beginning on page [ ] of this joint proxy statement/prospectus.

**The Merger and the Performance of the Combined Company are Subject to a Number of Risks (see page [ ])**

There are a number of risks relating to the merger and to the businesses of WPS Resources, Peoples Energy and the combined company following the merger. See Risk Factors beginning on page [ ] of this joint proxy statement/prospectus for a discussion of these and other risks and see also the documents that we have filed with the SEC and which we have incorporated by reference into this joint proxy statement/prospectus.

**Post-Merger Governance and Management (see page [ ])**

Upon completion of the merger, the combined company will establish its headquarters in Chicago, Illinois. The headquarters of each of the utilities of the combined company will continue to be located in the same place as immediately prior to the completion of the merger. The non-regulated energy marketing business of the combined company will be headquartered in the Green Bay, Wisconsin area.

As provided in the merger agreement, upon completion of the merger, the board of directors of the combined company will be composed of seven of the Peoples Energy directors (or others designated by Peoples Energy) and the nine WPS Resources directors (or others designated by WPS Resources). Larry Weyers, Chairman of the Board, President and CEO of WPS Resources, will serve as President and CEO of the combined company. James Boris, the current lead director for Peoples Energy, will serve as non-executive Chairman of the Board for the combined company. The combined company board of directors will have an executive committee comprised of Mr. Weyers and Robert Gallagher, lead director of the WPS Resources board of directors, and James Boris and Keith Bailey from the Peoples Energy board of directors.

**Selected Historical Financial Information**

The following selected historical financial information is being provided to assist you in your analysis of the financial aspects of the merger. The WPS Resources annual historical information is derived from the audited consolidated financial statements of WPS Resources as of and for each of the years in the five-year period ended December 31, 2005. The Peoples Energy annual historical information is derived from the audited consolidated financial statements of Peoples Energy as of and for each of the years in the five-year period ended September 30, 2005. The information as of and for the six months ended June 30, 2006 and 2005 has been derived from unaudited interim financial statements of WPS Resources, and, in the opinion of WPS Resources' management, includes all normal and recurring adjustments that are considered necessary for the fair presentation of the results for such interim periods. The information as of and for the nine months ended June 30, 2006 and 2005 has been derived from unaudited interim financial statements of Peoples Energy, and, in the opinion of Peoples Energy's management, includes all normal and recurring adjustments that are considered necessary for the fair presentation of the results for such interim periods. The information is only a summary and should be read in conjunction with the consolidated financial statements included in: (1) WPS Resources current report on Form 8-K dated and filed August 9, 2006; (2) Peoples Energy's current report on Form 8-K dated and filed June 30, 2006; (3)



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WPS Resources' quarterly report on Form 10-Q for the period ended June 30, 2006; and (4) Peoples Energy's quarterly report on Form 10-Q for the period ended June 30, 2006, which have been incorporated by reference into this joint proxy statement/prospectus, as well as other information that has been filed with the SEC. See "Where You Can Find More Information" beginning on page [ ] of this joint proxy statement/prospectus for information on where you can obtain copies of this information. The historical results included below and elsewhere in this joint proxy statement/prospectus are not necessarily indicative of the future performance of WPS Resources, Peoples Energy or the combined company.

### WPS Resources Selected Historical Financial Information (Amounts in millions, except per share data)

	As of and for the six months ended		As of and for the year ended December 31				
	June 30, 2006	June 30, 2005	2005	2004	2003	2002	2001
	(Unaudited)						
Total revenues (1)	\$ 3,480.1	\$ 2,776.6	\$ 6,847.3	\$ 4,890.6	\$ 4,321.3	\$ 1,461.1	\$ 1,345.4
Income from continuing operations	101.0	91.9	153.0	156.2	110.6	118.5	87.6
Preferred stock dividends of subsidiary	1.6	1.6	3.1	3.1	3.1	3.1	3.1
Income available for common shareholders	95.0	89.8	157.4	139.7	94.7	109.4	77.6
Total assets	5,978.5	4,452.5	5,462.5	4,376.8	4,292.3	3,671.2	3,346.5
Long-term debt and capital lease obligation (excluding current portion) (2)	865.7	869.6	867.1	865.7	871.9	824.4	727.8
Average shares of common stock							
Basic	41.2	37.9	38.3	37.4	33.0	31.7	28.2
Diluted	41.3	38.2	38.7	37.6	33.2	32.0	28.3
Earnings per common share (Basic)							
Income from continuing operations	\$ 2.41	\$ 2.38	\$ 3.91	\$ 4.09	\$ 3.26	\$ 3.64	\$ 3.00
Earnings per common share	2.31	2.37	4.11	3.74	2.87	3.45	2.75
Earnings per common share (Diluted)							
Income from continuing operations	2.41	2.36	3.87	4.07	3.24	3.61	2.99
Earnings per common share	2.30	2.35	4.07	3.72	2.85	3.42	2.74
Dividends per share of common stock	1.13	1.11	2.24	2.20	2.16	2.12	2.08

(1) Approximately \$1,127 million of the increase in revenue in 2003 compared to 2002 related to WPS Energy Services' required adoption of Issue No. 02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," effective January 1, 2003.

(2) At December 31, 2001, there was a \$72.1 million long-term capital lease obligation recorded in WPS Resources' financial statements related to an agreement with Calpine Corporation to purchase power from Calpine's De Pere Energy Center. The capital lease was extinguished in December 2002 when WPS Resources completed the purchase of the De Pere Energy Center.

-20-

### Peoples Energy Selected Historical Financial Information (Amounts in millions, except per share data)

	As of and for the nine months ended		As of and for the year ended September 30				
	June 30, 2006	June 30, 2005	2005	2004	2003	2002	2001
Revenues	\$ 2,632.9	\$ 2,220.2	\$ 2,599.6	\$ 2,260.2	\$ 2,138.4	\$ 1,482.5	\$ 2,270.2
Income from continuing operations	1.5	77.7	66.8	74.7	97.2	83.0	84.9
Net income	3.6	80.4	78.1	81.6	103.9	89.1	96.9
Total assets	3,543.7	3,202.0	3,537.8	3,094.8	2,928.5	2,723.6	2,976.1
Long-term debt (excluding current portion)	893.6	897.1	895.6	897.4	744.3	554.0	644.3

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	As of and for the nine months ended		As of and for the year ended September 30				
Average shares of common stock outstanding							
Basic	38.3	37.9	38.0	37.3	36.1	35.5	35.4
Diluted	38.5	38.1	38.1	37.5	36.2	35.5	35.4
Earnings per common share (Basic)							
Income from continuing operations	\$ 0.04	\$ 2.05	\$ 1.76	\$ 2.01	\$ 2.69	\$ 2.34	\$ 2.40
Earnings per common share	0.09	2.12	2.06	2.19	2.88	2.51	2.74
Earnings per common share (Diluted)							
Income from continuing operations	0.04	2.04	1.75	2.00	2.68	2.34	2.40
Earnings per common share	0.09	2.11	2.05	2.18	2.87	2.51	2.74
Dividends per share of common stock	1.635	1.63	2.175	2.15	2.11	2.07	2.03

-21-

**Selected Unaudited Pro Forma Condensed Combined Financial Information**

The merger will be accounted for under the purchase method of accounting, which means the assets and liabilities of Peoples Energy will be recorded, as of completion of the merger, at their respective fair values and added to those of WPS Resources. For a more detailed description of purchase accounting, see The Proposed Merger Accounting Treatment beginning on page [ ] of this joint proxy statement/prospectus.

The unaudited pro forma condensed combined per share information is derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Combined Financial Information beginning on page [ ] of this joint proxy statement/prospectus. The Selected Unaudited Pro Forma Condensed Combined Financial Information presented below:

reflects the purchase method of accounting and gives effect to the merger, in the case of the statements of income, as though the merger had occurred as of January 1, 2005 and, in the case of the balance sheet information, as though the merger had occurred as of June 30, 2006;

has been prepared giving effect to the issuance of 0.825 shares of WPS Resources common stock in exchange for each outstanding share of Peoples Energy common stock;

may have been different had the companies actually been combined as of January 1, 2005 for the year ended December 31, 2005 and the six months ended June 30, 2006;

does not reflect the effect of asset dispositions, if any, or synergies that may result from the merger;

reflects the presumed receipt of cash from sale at carrying value of the assets held for sale associated with the intention of Peoples Energy to exit the power generation business which is expected to be sold prior to the closing; and

has been derived from, and should be read in conjunction with, the WPS Resources and Peoples Energy Unaudited Pro Forma Condensed Combined Financial Information beginning on page [ ] of this joint proxy statement/prospectus.

You should not rely on the Selected Unaudited Pro Forma Condensed Combined Financial Information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after completion of the merger.

-22-

**Unaudited Pro Forma Condensed Combined Financial Information (Amounts in millions, except per share data)**

	<b>Six Months Ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
<b>Statement of income information</b>		
Total revenues	\$ 4,951.0	\$ 9,617.3
Operating income	213.8	250.5
Income from continuing operations	120.0	196.0
Preferred stock dividends of subsidiary	1.6	3.1
Income from continuing operations available for common shareholders	118.4	192.9
Earnings per common share from continuing operations		
Basic	\$ 1.62	\$ 2.76
Diluted	\$ 1.62	\$ 2.74
Weighted average number of common shares		
Basic	72.9	70.0
Diluted	73.0	70.4
	<b>As of June 30, 2006</b>	
<b>Balance sheet information</b>		
Cash and cash equivalents	\$ 188.0	
Total assets	10,339.7	
Long-term debt	1,770.7	
Total liabilities (excluding long-term debt)	5,431.5	
Shareholders' equity	3,137.5	
Common shareholders' equity	3,086.4	
Common shareholders' equity per share	\$ 41.43	

-23-

**Comparative Historical and Unaudited Pro Forma Combined Per Share Information**

The following table sets forth selected pro forma combined and historical per share information of WPS Resources and Peoples Energy, respectively, and unaudited pro forma combined per share information reflecting the merger between WPS Resources and Peoples Energy, under the purchase method of accounting. You should read this information in conjunction with (a) the selected historical financial information included elsewhere in this joint proxy statement/prospectus; (b) the consolidated financial statements and notes included in WPS Resources current report on Form 8-K dated and filed August 9, 2006 and the consolidated financial statements and notes included in Peoples Energy's current report on Form 8-K dated and filed June 30, 2006; and (c) the consolidated financial statements and notes included in the WPS Resources quarterly report on Form 10-Q for the period ended June 30, 2006 and the Peoples Energy quarterly report on Form 10-Q for the

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period ended June 30, 2006, which have been incorporated by reference into this joint proxy statement/prospectus and the Unaudited Pro Forma Condensed Combined Financial Information beginning on page [ ] of this joint proxy statement/prospectus. The unaudited pro forma combined per share information is derived from, and should be read in conjunction with, the WPS Resources and Peoples Energy Unaudited Pro Forma Condensed Combined Financial Information beginning on page [ ] of this joint proxy statement/prospectus. The historical per share information is derived from the audited financial statements of WPS Resources and the audited financial statements of Peoples Energy as of and for their respective fiscal 2005 year ends and the unaudited financial statements of WPS Resources and Peoples Energy for their respective quarters ended June 30, 2006.

The unaudited pro forma combined per share information does not purport to represent what the actual results of operations of WPS Resources and Peoples Energy would have been had the companies been combined during the periods presented or to project WPS Resources and Peoples Energy's results of operations that may be achieved after completion of the merger.

-24-

	<b>Six Months Ended June 30, 2006</b>	<b>Year Ended December 31, 2005</b>
<b>Unaudited pro forma combined</b>		
Income from continuing operations per share		
Basic	\$ 1.62	\$ 2.76
Diluted	1.62	2.74
Dividends declared per common share(1)	1.13	2.24
Common shareholders' equity per share	41.43	N/A
<b>WPS Resources - historical</b>		
Income from continuing operations per share		
Basic	\$ 2.41	\$ 3.91
Diluted	2.41	3.87
Dividends declared per common share	1.13	2.24
Common shareholders' equity per share	35.97	32.76
<b>Peoples Energy - historical(2)</b>		
Income from continuing operations per share		
Basic	\$ 0.52	\$ 0.67
Diluted	0.52	0.67
Dividends declared per common share	1.09	2.18
Common shareholders' equity per share	21.62	20.95
<b>Unaudited Peoples Energy equivalents based on combination of WPS Resources and Peoples Energy(3)</b>		
Income from continuing operations per share		
Basic	\$ 1.34	\$ 2.28
Diluted	1.34	2.26
Dividends declared per common share	0.93	1.85
Common shareholders' equity per share	34.18	N/A

- (1) The pro forma cash dividends declared per share of common stock are equal to the dividend declared by WPS Resources during the periods presented, and do not give effect to the intended quarterly dividend of \$0.66 per share of the combined company upon completion of the merger.
- (2) The Peoples Energy historical data has been derived from the historical financial statements of Peoples Energy; however, the periods presented were selected to conform more closely with WPS Resources' calendar year-end rather than the historical presentation of Peoples Energy's fiscal year-end of September 30.
- (3) The unaudited Peoples Energy equivalents based on combination of WPS Resources and Peoples Energy, is calculated by multiplying the unaudited pro forma combined amounts by the Exchange Ratio of 0.825 shares of WPS Resources common stock for each share of Peoples Energy common stock.

-25-

### Comparative Per Share Market Price and Dividend Information

WPS Resources common stock and Peoples Energy common stock are each listed on the New York Stock Exchange. WPS Resources trading symbol is WPS and Peoples Energy's trading symbol is PGL. The following table shows, for the calendar quarters indicated, based on published financial sources: (a) the high and low sale prices of shares of WPS Resources and Peoples Energy common stock as reported on the New York Stock Exchange Composite Transaction Tape and (b) the cash dividends paid per share of WPS Resources and Peoples Energy common stock.

(Based on Calendar Years)	Peoples Energy Common Stock			WPS Resources Common Stock		
	High	Low	Dividends	High	Low	Dividends
<b>2004</b>						
1st Quarter	\$46.03	\$41.37	\$0.530	\$48.93	\$44.99	\$0.545
2nd Quarter	\$45.19	\$38.91	\$0.540	\$48.70	\$43.50	\$0.545
3rd Quarter	\$43.86	\$38.50	\$0.540	\$48.81	\$44.85	\$0.555
4th Quarter	\$45.38	\$41.05	\$0.540	\$50.53	\$45.35	\$0.555
<b>2005</b>						
1st Quarter	\$45.10	\$41.11	\$0.540	\$54.90	\$47.67	\$0.555
2nd Quarter	\$44.97	\$38.72	\$0.545	\$56.90	\$51.11	\$0.555
3rd Quarter	\$45.52	\$38.71	\$0.545	\$60.00	\$54.50	\$0.565
4th Quarter	\$39.90	\$34.34	\$0.545	\$58.95	\$51.50	\$0.565
<b>2006</b>						
1st Quarter	\$37.97	\$35.11	\$0.545	\$57.75	\$49.02	\$0.565
2nd Quarter	\$38.66	\$35.10	\$0.545	\$51.60	\$47.39	\$0.565
3rd Quarter (as of [ ])	\$ --	\$ --	\$0.545	\$ --	\$ --	\$0.575

-26-

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## RISK FACTORS

*WPS Resources shareholders and Peoples Energy shareholders should carefully consider the following factors, in addition to those factors discussed elsewhere herein and in the documents that we have filed with the SEC and which we have incorporated by reference into this joint proxy statement/prospectus and the other information in this joint proxy statement/prospectus, before voting at their respective special meetings.*

### **Risks Relating to the Merger**

***The merger may not be completed, which could adversely affect WPS Resources and/or Peoples Energy's business operations and stock prices.***

To complete the merger, WPS Resources shareholders must approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement and the amendment to WPS Resources' restated articles of incorporation to change its name, and Peoples Energy shareholders must approve the merger agreement. In addition, each of WPS Resources and Peoples Energy must also make certain filings with and obtain certain other approvals and consents from various federal and state governmental and regulatory authorities.

WPS Resources and Peoples Energy have not yet obtained all regulatory clearances, consents and approvals required to complete the merger. Governmental or regulatory agencies could still seek to block or challenge the merger or could impose restrictions they deem necessary or desirable in the public interest as a condition to approving the merger. If these approvals are not received, or they are not received on terms that satisfy the conditions set forth in the merger agreement, then neither WPS Resources nor Peoples Energy will be obligated to complete the merger.

WPS Resources and Peoples Energy are each subject to termination fees of \$45 million or the reimbursement of up to \$15 million of merger-related out-of-pocket expenses if it terminates the merger under certain circumstances specified in the merger agreement.

In addition, the merger agreement contains other customary closing conditions, which are described in *The Merger Agreement* Conditions beginning on page [ ], which may not be satisfied or waived. If WPS Resources and Peoples Energy are unable to complete the merger, WPS Resources and Peoples Energy would be subject to a number of risks, including the following:

WPS Resources and Peoples Energy would not realize the anticipated benefits of the merger, including any synergies from combining the two companies; and

the trading price of WPS Resources common stock and/or Peoples Energy common stock may decline to the extent that the current market prices reflect a market assumption that the merger will be completed.

The occurrence of any of these events individually or in combination could have a material adverse effect on the results of operations or the trading price of WPS Resources common stock or Peoples Energy common stock.

***WPS Resources and Peoples Energy will be subject to business uncertainties and contractual restrictions while the merger is pending that could adversely affect their businesses.***

Uncertainty about the effect of the merger on employees may have an adverse effect on WPS Resources and Peoples Energy, regardless of whether the merger is eventually completed, and, consequently, on the combined company. Although WPS Resources and Peoples Energy have taken steps designed to reduce any adverse effects, this uncertainty may impair WPS Resources' or Peoples Energy's ability to attract, retain and motivate key personnel until the merger is completed or the merger agreement is terminated, and for a period of time thereafter. Furthermore, this uncertainty could cause customers, suppliers and others that deal with WPS Resources or Peoples Energy to seek to change existing business relationships with WPS Resources or Peoples Energy.

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Employee retention and recruitment may be particularly challenging during the pendency of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company. The departure of existing key employees or the failure of potential key employees to accept employment with either of the companies, despite WPS Resources' and Peoples Energy's retention and recruiting efforts, could have a material adverse impact on the business, financial condition and operating results of WPS Resources or Peoples Energy, regardless of whether the merger is eventually completed.

WPS Resources and Peoples Energy will be subject to business uncertainties and contractual restrictions while the

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The pursuit of the merger and the preparation for the combination of WPS Resources and Peoples Energy will place a significant burden on management and internal resources. The diversion of management attention away from day-to-day business concerns and any difficulties encountered in the transition process could have a material adverse impact on Peoples Energy's or WPS Resources' business, financial condition and operating results, regardless of whether the merger is eventually completed.

In addition, the merger agreement restricts each of WPS Resources and Peoples Energy, without the other party's consent, from making certain acquisitions and taking other specified actions until the merger occurs or the merger agreement terminates. These restrictions may prevent WPS Resources and Peoples Energy from pursuing otherwise attractive business opportunities and making other changes to their businesses prior to completion of the merger or termination of the merger agreement. See "The Merger Agreement - Covenants" beginning on page [ ] for a description of the restrictive covenants applicable to WPS Resources and Peoples Energy.

***The value of shares of WPS Resources common stock to be received by Peoples Energy shareholders in the merger will fluctuate.***

In the merger, each share of Peoples Energy common stock outstanding immediately prior to completion of the merger (other than shares of Peoples Energy common stock owned by the parties to the merger agreement and shares of Peoples Energy common stock held by Peoples Energy shareholders who have perfected their dissenters' rights) will be converted into the right to receive 0.825 shares of WPS Resources common stock (with cash paid in lieu of fractional shares). The Exchange Ratio is fixed and will not be adjusted to reflect stock price changes prior to the completion of the merger.

The market prices of WPS Resources common stock and Peoples Energy common stock immediately prior to the effective time of the completion of the merger may vary significantly from their market prices at the date of this joint proxy statement/prospectus and at the date of the special meetings of the shareholders of WPS Resources and Peoples Energy. See "Summary - Comparative Per Share Market Price and Dividend Information" beginning on page [ ] for more detailed share price information. These variations may be the result of various factors, including:

changes in the business, operations or prospects of WPS Resources and/or Peoples Energy;

speculation regarding the likelihood that the merger will be completed and the timing of the completion;

general market and economic conditions; and

regulatory developments and/or litigation.

The merger may not be completed until a significant period of time has passed after the WPS Resources and Peoples Energy shareholder approvals are received. At the time of their respective special meetings, WPS Resources shareholders and Peoples Energy shareholders will not know the exact market value of the WPS Resources common stock that will be received as a result of the merger.

Shareholders of WPS Resources and shareholders of Peoples Energy are urged to obtain current market quotations for WPS Resources common stock and Peoples Energy common stock.

-28-

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***The merger is subject to receipt of consent or approval from governmental entities that could delay or prevent the completion of the merger or impose conditions that could have a material adverse effect on the combined company or that could cause abandonment of the merger.***

To complete the merger, WPS Resources and Peoples Energy need to obtain approvals or consents from, or make filings with, a number of United States federal and state public utility, antitrust and other regulatory authorities, including, among others, FERC, FTC, DOJ, PSCW and ICC.

While WPS Resources and Peoples Energy each believe that they will receive the required statutory approvals and other clearances for the merger, there can be no assurance as to the timing of these approvals and clearances or their ability to obtain these approvals and clearances on satisfactory terms or otherwise. There can be no assurance that any of these approvals will be obtained or, if obtained, that these approvals will not contain terms or conditions that could reasonably be expected to have a material adverse effect on the combined company following completion of the merger. See "The Proposed Merger - Regulatory Matters Relating to the Merger" beginning on page [ ] for more detail.

The special meetings at which the WPS Resources shareholders and the Peoples Energy shareholders will vote on the transactions contemplated by the merger agreement may take place before all such approvals have been obtained and, in certain cases where they have not

The merger is subject to receipt of consent or approval from governmental entities that could delay or prevent the c

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been obtained, before the terms of any conditions to obtain such approvals that may be imposed are known. As a result, if shareholder approval of the transactions contemplated by the merger agreement is obtained at such meetings, WPS Resources and Peoples Energy may make decisions after the special meetings to waive a condition or approve certain actions required to obtain necessary approvals without seeking further shareholder approval. Such actions could have an adverse effect on the combined company.

### ***The anticipated benefits of combining WPS Resources and Peoples Energy may not be realized.***

WPS Resources and Peoples Energy entered into the merger agreement with the expectation that the merger would result in various benefits, including, among other things, synergies, cost savings and operating efficiencies.

Although we expect to achieve the anticipated benefits of the merger, including the synergies, achieving them is subject to a number of uncertainties, including:

whether United States federal and state public utility, antitrust and other regulatory authorities whose approval is required to complete the merger impose conditions on the merger, or the extent to which these regulatory authorities will require the combined company to share a disproportionate amount of the expected or achieved synergies of the merger with customers, any of which may have an adverse effect on the combined company;

resolution of pending and future rate cases and negotiations (including the recovery of deferred costs) and other regulatory decisions impacting WPS Resources and Peoples Energy's regulated businesses, including the rate treatment of synergies and the cost to achieve those synergies;

the ability of the two companies to combine certain of their operations or take advantage of expected growth opportunities;

general market and economic conditions;

general competitive factors in the marketplace; and

higher than expected costs required to achieve the expected synergies.

-29-

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No assurance can be given that these benefits will be achieved or, if achieved, the timing of their achievement. Failure to achieve these anticipated benefits could result in increased costs and decreases in the amount of expected revenues or net income of the combined company.

### ***The integration of WPS Resources and Peoples Energy following the merger will present significant challenges that may result in a decline in the anticipated potential benefits of the merger.***

The merger involves the combination of two companies that previously operated independently. The difficulties of combining the companies' operations include:

combining the best practices of two companies, including utility operations, non-regulated energy marketing operations and staff functions;

the necessity of coordinating geographically separated organizations, systems and facilities;

integrating personnel with diverse business backgrounds and organizational cultures;

reducing the costs associated with each company's operations; and

preserving important relationships of both WPS Resources and Peoples Energy and resolving potential conflicts that may arise.

The process of combining operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the possible loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business, results of

The integration of WPS Resources and Peoples Energy following the merger will present significant challenges that



operations, financial condition or prospects of the combined company after the merger.

WPS Resources and Peoples Energy expect the merger to generate potential pre-tax cost synergies of \$94 million for the combined company on an annualized basis by the end of the fifth full year of operations following completion of the merger (excluding costs of integration). These savings may not be realized within the time periods contemplated, or at all. See *The Proposed Merger Estimated Potential Synergies Attributable to the Merger* beginning on page [ ] for more detail.

***Each of WPS Resources and Peoples Energy will incur significant transaction, merger-related and restructuring costs in connection with the merger.***

WPS Resources and Peoples Energy expect to incur costs associated with combining the operations of the two companies, as well as transaction fees and other costs related to the merger. The combined company also will incur restructuring and integration costs in connection with the merger. The estimated total cost to WPS Resources (and ultimately the combined company) of accomplishing the merger and achieving synergies and cost savings is approximately \$186 million in transaction and integration costs, most of which will be incurred through 2010. The costs related to restructuring will be treated as a liability and will be included in the total purchase price or expensed as a cost of the ongoing results of operations of either WPS Resources or Peoples Energy or the combined company, depending on the nature of the restructuring activity. Although WPS Resources and Peoples Energy expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction, merger-related and restructuring costs over time, any net benefit may not be achieved in the near term, or at all.

***The combined company will record goodwill that could become impaired and adversely affect the combined company's operating results.***

The merger will be accounted for as a purchase by WPS Resources in accordance with generally accepted accounting principles. Under the purchase method of accounting, the assets and liabilities of Peoples Energy will be recorded, as of completion, at their respective fair values and added to those of WPS Resources. The reported financial condition and results of operations of WPS Resources issued after completion of the merger will reflect Peoples Energy balances and results after completion of the merger, but will not be restated retroactively to reflect the historical financial position or results of operations of Peoples Energy for periods prior to the merger. Following completion of the merger, the earnings of the combined company will reflect purchase accounting adjustments. See *Unaudited Pro Forma Condensed Combined Financial Information* beginning on page [ ].

-30-

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Under the purchase method of accounting, the total purchase price will be allocated to Peoples Energy's tangible assets and liabilities and identifiable intangible assets based on their fair values as of the date of completion of the merger. The excess of the purchase price over those fair values will be recorded as goodwill. We expect that the merger will result in the creation of goodwill based upon the application of purchase accounting. To the extent the value of goodwill or intangibles becomes impaired, the combined company may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material impact on the combined company's operating results.

***Members of the management and boards of directors of WPS Resources and Peoples Energy have interests in the merger that are different from, or in addition to, those of other shareholders and that could have influenced their decision to support or approve the merger.***

In considering whether to approve the transactions contemplated by the merger agreement, WPS Resources shareholders and Peoples Energy shareholders should recognize that some of the members of management and the boards of directors of WPS Resources and Peoples Energy have interests in the merger that differ from, or are in addition to, their interests as shareholders of WPS Resources and shareholders of Peoples Energy. These interests are described in *Additional Interests of WPS Resources and Peoples Energy's Directors and Executive Officers in the Merger* beginning on page [ ].

#### **Risks Relating to the Businesses of WPS Resources, Peoples Energy and the Combined Company**

***The business of the combined company will be subject to risks currently affecting the businesses of WPS Resources and Peoples Energy.***

After the completion of the merger, the business of the combined company, as well as the price of WPS Resources common stock, will be subject to numerous risks currently affecting the businesses of WPS Resources and Peoples Energy. Some of these risks are discussed below. For a discussion of additional risks to consider respecting the businesses of WPS Resources and Peoples Energy, see the risk factors sections of WPS Resources' annual report on Form 10-K for the fiscal year ended December 31, 2005, as updated by its quarterly report on Form 10-Q for the quarter ended June 30, 2006 and Peoples Energy's annual report on Form 10-K/A for the fiscal year ended September 30, 2005, as updated by its quarterly report on Form 10-Q for the quarter ended June 30, 2006, and the other filings with the SEC by WPS Resources and Peoples Energy that are incorporated by reference into this joint proxy statement/prospectus.

The business of the combined company will be subject to risks currently affecting the businesses of WPS Resources

***WPS Resources may not successfully integrate pending or future acquisitions into its operations or otherwise achieve the anticipated benefits of those acquisitions.***

As part of WPS Resources growth strategy, it continues to pursue a disciplined acquisition strategy. While it expects to identify cost savings and growth opportunities before it acquires companies or assets, it may not be able to achieve these anticipated benefits due to, among other things:

Delays or difficulties in completing the integration of acquired companies or assets;

Higher than expected costs or a need to allocate additional resources to manage unexpected operating difficulties;

Parameters imposed or delays caused by regulatory agencies;

Reliance on inaccurate assumptions in evaluating the expected benefits of a given acquisition;

-31-

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Inability to retain key employees or customers of acquired companies; and

Assumption of liabilities not identified in the due diligence process.

These risks apply to WPS Resources' recently completed acquisition of Aquila's Michigan and Minnesota natural gas distribution assets, and will apply to the combined company.

***WPS Resources may not complete construction projects within estimated project costs.***

WPS Resources is currently in the process of constructing the 500-megawatt Weston 4 base-load generation facility at an estimated cost of \$779 million (including the coal trains). WPS Resources' subsidiary, Wisconsin Public Service Corporation, will be responsible for approximately 70% of these costs. Wisconsin Public Service Corporation (sometimes referred to as WPSC) is also considering the possible construction of additional generation facilities in the future. These and other projects also may be subject to joint ownership or operation agreements, completion of which will impact estimated project costs.

These are very large and complex construction projects, subject to numerous unpredictable events that could affect WPS Resources' and the combined company's ability to timely complete construction of these projects within estimated costs. WPS Resources may not be able to meet these construction estimates due to, among other things:

Fluctuating or unanticipated construction costs;

Supply delays;

Legal claims; and

Environmental regulation.

***WPS Resources may not earn Section 29/45K synthetic fuel production tax credits or match related hedge earnings to production due to increasing oil prices.***

WPS Resources has significantly reduced its consolidated federal income tax liability for the past several years through tax credits available to it under Section 29/45K of the Internal Revenue Code for the production and sale of solid synthetic fuel from coal. The Internal Revenue Code provides Section 29/45K federal tax credits based on the price of crude oil. As the price of oil rises above certain thresholds, the allowable tax credit decreases. If the price of oil rises high enough, the credit is eliminated. In order to manage exposure to the risk that an increase in oil prices could reduce or eliminate the recognizable amount of Section 29/45K federal credits, WPS Resources has entered into a series of derivative contracts (options) covering a specified number of barrels of oil. These derivatives mitigate substantially all of the Section 29/45K federal tax credit exposure related to rising oil prices in 2006 and approximately 40% of the exposure in 2007. However, the accounting period

WPS Resources may not earn Section 29/45K synthetic fuel production tax credits or match related hedge earnings

in which gains on these hedge agreements are recognized may not coincide with the accounting period projected for recognition of tax credits. As a result, if the price of oil rises above the Internal Revenue Code thresholds, income may be recognized in periods other than the period for which the Section 29/45K federal tax credits are projected.

***The companies' operations are subject to risks beyond our control, including but not limited to the demand for electricity and natural gas, which is driven in large part by weather conditions, and potentially by terrorist attacks or acts of war.***

The revenues of WPS Resources and Peoples Energy are affected by, and the combined company will be affected by, the demand for electricity and natural gas. That demand can vary greatly based upon:

Weather conditions, seasonality and temperature extremes;

-32-

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Fluctuations in economic activity and growth in regulated service areas; and

The amount of additional energy available from current or new competitors.

Weather conditions directly influence the demand for electricity and natural gas and affect the price of energy commodities. The gas distribution business generally delivers less natural gas, and consequently earns less income, when weather conditions are milder than normal during the heating season. The electric utility business generally delivers less electricity, and consequently earns less income, when weather conditions are cooler than normal during the cooling season. Although the companies may from time to time utilize weather insurance or financial weather derivatives to manage this risk, such measures result in increased costs and expose the companies to the credit risk of the counterparties in such transactions and, moreover, there can be no assurance that such measures will fully protect from the effects of mild weather.

In addition, the cost of repairing damage to facilities due to storms, natural disasters, wars, terrorist acts, acts of war and other catastrophic events may adversely impact results of operations, financial condition and cash flows. The occurrence or risk of occurrence of future terrorist activity or acts of war and the high cost or potential unavailability of insurance to cover such activity may impact results of operations and financial condition in unpredictable ways. These actions could also result in disruptions of power and fuel markets. In addition, natural gas distribution system and pipelines could be directly or indirectly harmed by future terrorist activity or acts of war.

***Costs of environmental compliance, liabilities, fines, penalties and litigation could exceed the companies' estimates.***

Compliance with current and future federal and state environmental laws and regulations may result in increased capital, operating and other costs, including remediation and containment expenses and monitoring obligations. Neither WPS Resources nor Peoples Energy can predict with certainty the amount and timing of all future expenditures (including the potential or magnitude of fines or penalties) related to environmental matters because of the difficulty of estimating clean-up and compliance costs and the possibility that changes will be made to the current environmental laws and regulations. Any future changes in the interpretation of the Clean Air Act's New Source Review provisions could potentially increase operating and maintenance costs substantially.

On March 15, 2005, the Environmental Protection Agency (sometimes referred to as the EPA), adopted the Clean Air Mercury Rule, which is intended to reduce mercury emissions from coal-fired generation plants. The EPA has also issued the Clean Air Interstate Rule requiring reductions of sulfur dioxide and nitrogen oxide emissions. In addition, the possibility exists of future regulation of greenhouse gases emitted from generation facilities. The companies cannot be certain how these rules will affect them or the combined company. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liabilities on all potentially responsible parties.

Citizen groups that feel there are compliance issues not sufficiently enforced by environmental regulatory agencies may bring citizen enforcement actions against us. Such actions could seek penalties, injunctive relief and costs of litigation. The Sierra Club, Inc. and Clean Wisconsin, Inc. filed a complaint in the United States District Court, Eastern District of Wisconsin, claiming that WPS's Pulliam facility violated provisions of its air permit.

On November 15, 2004, the Sierra Club filed a petition with the Wisconsin Department of Natural Resources (sometimes referred to as the WDNR), under Section 285.61 of the Wisconsin Statutes, seeking a contested case hearing on the air permit issued for the Weston 4 generation station. In February 2006, the Administrative Law Judge affirmed the Weston 4 air permit with modifications to the emission limits for sulfur dioxide and nitrogen oxide from the coal-fired boiler and particulate from the cooling tower. The modifications, which must be implemented by

Costs of environmental compliance, liabilities, fines, penalties and litigation could exceed the companies' estimates 35

the WDNR in a revised permit, set limits that are more stringent than those originally set by the WDNR. The Sierra Club and WPSC filed petitions for judicial review of the Administrative Law Judge's decision with the circuit court. WPSC subsequently dismissed its petition and has moved for dismissal of the Sierra Club petition. The circuit court action has not stayed the Administrative Law Judge's decision on the air permit. WPS Resources believes that the WDNR intends to revise the air permit consistent with the Administrative Law Judge's decision unless otherwise directed by the court. However, until the WDNR issues the revised air permit interpreting the Administrative Law Judge's decision, WPS Resources will not be able to make a final determination of the probable cost impact of compliance with the revised air permit on its future operating costs.

-33-

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Peoples Energy's subsidiaries are accruing liabilities and deferring costs (recorded as regulatory assets) incurred in connection with the subsidiaries' former manufactured gas sites, including related legal expenses, pending recovery through rates or from other entities. At June 30, 2006, regulatory assets of \$311 million have been recorded. This amount reflects the net amount of (1) costs incurred to date, (2) carrying costs, (3) amounts recovered from insurance companies, other entities and from customers, and (4) the best estimates of Peoples Energy's management of the costs the utilities will spend in the future for investigating and remediating the manufactured gas sites (\$284 million for Peoples Energy on a consolidated basis). Peoples Energy's management has recorded liabilities for the amounts described in clause (4) of the preceding sentence. Peoples Energy's management believes that any such costs that are not recoverable from other entities or from insurance carriers are recoverable through rates for utility services under ICC-approved mechanisms for the recovery of prudently incurred costs. A change in these rate recovery mechanisms, or a decision by the ICC that some or all of these costs were not prudently incurred, could result in the present recognition as expense with no rate recovery of some or all of these costs.

***Future regulations imposed by FERC could negatively impact earnings of the combined company.***

The FERC has authorized WPS Resources to sell generation from its non-regulated facilities at market prices. The FERC retains the authority to modify or withdraw our market based rate authority. If the FERC determines that the market is not workably competitive, that WPS Resources possess market power or that its is not charging just and reasonable rates, the FERC may require WPS Resources' non-regulated subsidiaries to sell power at a price based upon the costs incurred in producing the power. Any reduction by the FERC of the rates WPS Resources may receive could reduce WPS Resources' revenues and profit margins.

Peoples Energy's midstream gas services are regulated by the FERC. Additional or different regulations imposed by the FERC could affect the profitability of the midstream services business.

***Fluctuating commodity prices may reduce regulated and non-regulated energy margins.***

WPSC's regulated energy margins are directly affected by, and the combined company's regulated energy margins will be directly affected by, commodity costs related to coal, natural gas and other fuels used in the electric generation process. The commodity price of market purchases of electricity also directly affects WPS Resources' (and will affect the combined company's) regulated energy margins. In the case of each of WPS Resources' and Peoples Energy's gas distribution operations, costs for purchased gas and pipeline transportation and storage services are fully recovered through a gas charge, but increases in gas costs affect total retail prices and, therefore, the competitive position of the gas distribution businesses relative to electricity and other forms of energy.

Higher commodity prices increase energy prices and may impact customer demand for energy in the non-regulated market and increase counterparty risk. This may stress margins at the non-regulated subsidiaries.

ESI may experience increased expenses, including interest costs and uncollectibles, higher working capital requirements and possibly some reduction in volumes sold as a result of any increase in the cost of fuel or purchased power. If market prices for electric energy decline below the cost of production at our non-regulated facilities, these units may be temporarily shut down and alternative sources of energy found to meet energy commitments.

Peoples Energy's earnings growth and the carrying value of Peoples Energy's oil and gas producing properties depends in part upon the prices received for its natural gas and oil production. Natural gas and oil prices historically have been volatile and are likely to continue to be volatile in the future. The prices for natural gas and oil are subject to a variety of factors that are beyond Peoples Energy's control. These factors include, but are not limited to, the level of consumer demand for, and the supply of, natural gas and oil, commodity processing, gathering and transportation availability, the level of imports of, and the price of, foreign natural gas and oil, the price and availability of alternative fuel sources, weather conditions, political conditions or hostilities in natural gas and oil producing regions. Further, because approximately 93% of Peoples Energy's proved reserves at September 30, 2005, were natural gas reserves, Peoples Energy is substantially more sensitive to changes in natural gas prices than to changes in oil prices. Declines in natural gas and oil prices would not only reduce revenue, but could reduce the amount of natural gas and oil that can be produced economically and, as a result, could adversely affect the financial results of the oil and gas production business.

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***WPS Resources and Peoples Energy are subject to changes in government regulation, which may have a negative impact on their business, financial position and results of operations.***

The companies are subject to comprehensive regulation by several federal and state regulatory agencies, which significantly influences their operating environment and may affect their ability (and the ability of the combined company) to recover costs from utility customers. The companies are required to have numerous permits, approvals and certificates from these agencies to operate their businesses.

Specifically, Peoples Energy's utility subsidiaries are subject to the jurisdiction of and regulation by the ICC, which has general supervisory and regulatory powers over practically all phases of the public utility business in Illinois, including rates and charges, issuance of securities, services and facilities, systems of accounts, investments, safety standards, transactions with affiliated interests and other matters. Recently, credit rating agencies have issued negative alerts on some Illinois utilities, citing as a concern a heightened level of politicizing of the regulatory process in Illinois, particularly with regard to electric utilities. If Peoples Gas and North Shore Gas tariff rates were reduced in a future proceeding, or if the ICC denied recovery of certain costs presently allowed to be recovered through rates, the profitability of the utilities businesses could be reduced.

For each Peoples Energy utility subsidiary, the ICC conducts annual proceedings regarding the reconciliation of revenues from the gas charge and related gas costs. In these proceedings, the accuracy of the reconciliation of revenues and costs is reviewed and the prudence of gas costs recovered through the gas charge is examined by interested parties. If the ICC were to find that the reconciliation was inaccurate or any gas costs were imprudently incurred, the ICC would order the utility to refund the affected amount to customers. Proceedings regarding Peoples Energy's utility subsidiaries for the fiscal years 2001, 2002, 2003 and 2004 were recently settled, which resulted in a significant credit to customers.

The rates the regulated utilities are allowed to charge for their retail and wholesale services are some of the most important items influencing the companies' business, financial position, results of operations and liquidity.

The companies are unable to predict the impact on their businesses and operating results from the future regulatory activities of any of these agencies. Changes in regulations or the imposition of additional regulations may require the companies to incur additional expenses or change business operations, which may have an adverse impact on results of operations. In addition, federal regulatory reforms may produce unexpected changes and costs in the public utility industry.

***The use of derivative instruments could result in financial losses and liquidity constraints.***

WPS Resources and Peoples Energy use derivative instruments (and the combined company will use derivative instruments), including futures, forwards, options and swaps, to manage commodity and financial market risks. In addition, the companies purchase and sell commodity-based contracts in the natural gas and electric energy markets for trading purposes. In the future, the companies could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities or if a counterparty fails to perform under a contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves the judgment of the applicable company's management or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. Additionally, realized values could differ from values previously determined.

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***WPS Resources is subject (and the combined company will be subject) to provisions that can limit merger and acquisition opportunities for its shareholders.***

The Wisconsin Public Utility Holding Company Law precludes the acquisition of 10% or more of the voting shares of a holding company of a Wisconsin public utility unless the PSCW has first determined that the acquisition is in the best interests of utility consumers, investors and the public. Those interests may, to some extent, be mutually exclusive. This provision and other requirements of the Wisconsin Public Utility Holding Company Law may delay, or reduce the likelihood of, a sale or change of control, thus reducing the likelihood that shareholders of WPS Resources will receive a takeover premium for their shares.

Provisions of WPS Resources' restated articles of incorporation and by-laws may delay or frustrate the removal of incumbent directors and may prevent or delay a merger, tender offer or proxy contest involving WPS Resources that is not approved by WPS Resources' board of directors, even if the shareholders believe that such events may be beneficial to their interests. In addition, WPS Resources' shareholder rights plan may have anti-takeover effects by delaying, deferring or preventing an unsolicited acquisition proposal not approved by WPS Resources' board of directors, even if the shareholders believe that the proposal may be beneficial to their interests. (WPS Resources' board of directors

WPS Resources is subject (and the combined company will be subject) to provisions that can limit merger and acquisition opportunities for its shareholders.

intends to let the rights plan expire on December 11, 2006, pursuant to its terms.) Further, the Wisconsin Business Corporation Law contains provisions that may have the effect of delaying or making more difficult attempts by others to obtain control of WPS Resources without the approval of our board of directors.

***A downgrade in the combined company's credit ratings could negatively affect its ability to access capital.***

WPS Resources, Peoples Energy and their respective subsidiaries rely on access to capital markets as a source of liquidity for capital requirements not satisfied by operating cash flows. If any of their respective credit ratings or the credit ratings of the combined company were to be downgraded, especially below investment grade, its ability to raise capital on favorable terms, including the commercial paper markets, could be hindered, and their and the combined company's borrowing costs would increase. Also, reductions in credit ratings could require the affected company to post additional collateral related to current trading contracts which could reduce its liquidity.

In addition, the inability of the regulated utility businesses of WPS Resources and Peoples Energy to timely recover their costs of providing service could have a material adverse effect on the credit ratings of the utilities and of the combined company.

***Customer growth in service areas may affect results of operations and cash flows.***

WPS Resources and Peoples Energy's results of operations are affected by the growth in customer accounts. Customer growth can be affected by population growth as well as economic factors, including job and income growth, housing starts and new home prices. Customer growth will directly influence the demand for electricity and gas and the need for additional power generation and energy delivery facilities of the combined company.

***The combined company is subject to employee workforce factors that could affect its businesses and financial condition.***

The combined company is subject to employee workforce factors, including loss or retirement of key executives and other employees, availability of qualified personnel, collective bargaining agreements with union employees and work stoppages that could affect the businesses and financial condition of the combined company.

***WPS Resources and Peoples Energy are holding companies and their assets consist primarily of investments in their subsidiaries; covenants in certain of their financial instruments may limit their ability to pay dividends, thereby adversely impacting the valuation of their common stock and access to capital.***

-36-

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WPS Resources and Peoples Energy's assets, and the combined company's assets will, consist primarily of investments in subsidiaries. Each company's payment of common stock dividends depends on the earnings, financial condition and capital requirements of its subsidiaries, principally WPSC with respect to WPS Resources and Peoples Gas and North Shore Gas with respect to Peoples Energy, and the distribution or other payment of earnings from its subsidiaries in the form of dividends, loans, advances or repayment of loans and advances. The subsidiaries are distinct legal entities and have no obligation to pay any dividends or make advances or loans to the companies. The ability of each company to pay dividends on its common stock may also be limited by existing or future regulatory restrictions or agreement covenants limiting the right of its subsidiaries to pay dividends on their common stock.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus and the documents that are incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. You can identify these statements by the fact that they do not relate strictly to historical or current facts and often include words such as anticipate, believe, estimate, expect, intend, plan, project, and other similar words. Although the companies believe they have acted prudently in their plans and assumptions, there can be no assurance that indicated results will be realized. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from those anticipated.

Forward-looking statements include, but are not limited to, the information in this joint proxy statement/prospectus relating to:

- management forecasts, projections and estimates;
- regulatory matters;
- economies of scale and the ability to achieve operational efficiencies, synergies and cost savings;
- income and margins;
- earnings per share;
- combined operations;
- the economy;
- future economic performance;
- conditions to, and the timetable for, completing the merger;
- future acquisitions and dispositions;
- litigation;
- potential and contingent liabilities;
- management's plans;
- taxes; and
- merger and integration-related expenses.

All written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus or incorporated by reference into this joint proxy statement/prospectus and attributable to WPS Resources or Peoples Energy or any person acting on either company's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Forward-looking statements speak only as of the date on which they are made, and the companies undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise. The companies recommend that you consult any further disclosures they make on related subjects in their filings on Form 10-Q, Form 8-K, and Form 10-K to the SEC.

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You should understand that the following important factors, in addition to those discussed in "Risk Factors" beginning on page [ ] and elsewhere in this joint proxy statement/prospectus, and in the documents which are incorporated by reference into this joint proxy statement/prospectus, could affect the future results of WPS Resources and Peoples Energy, and of the combined company after the completion

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of the merger, and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

timely and successful completion of the merger (including receipt of acceptable regulatory approvals, including but not limited to, approval by ICC, FERC and PSCW, and the ability of WPS Resources and Peoples Energy to satisfy all of the other conditions precedent to the completion of the merger);

unexpected costs or unexpected liabilities related to the merger, or the effects of purchase accounting that may be different from WPS Resources' and Peoples Energy's expectations;

successful combination of the operations of WPS Resources and Peoples Energy;

the combined company may be unable to achieve synergies or it may take longer or cost more than expected to achieve synergies;

the credit ratings of the combined company or its subsidiaries may be different from what WPS Resources and Peoples Energy expect;

the successful integration of both the Michigan and Minnesota natural gas distribution operations recently acquired by WPS Resources;

resolution of pending and future rate cases and negotiations (including the recovery of deferred costs) and other regulatory decisions impacting WPS Resources' and Peoples Energy's regulated businesses, including the rate treatment of synergies and the cost to achieve those synergies;

the impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric and gas utility industries, changes in environmental, tax and other laws and regulations to which WPS Resources and Peoples Energy and their subsidiaries are subject, as well as changes in application of existing laws and regulations;

current and future litigation, regulatory investigations, proceedings or inquiries, including manufactured gas plant site cleanup, pending EPA investigations of WPSC's generation facilities and the Weston 4 air permit;

resolution of audits by the Internal Revenue Service and various state revenue agencies;

the effects, extent, and timing of additional competition or regulation in the markets in which WPS Resources' and Peoples Energy's subsidiaries operate;

the impact of fluctuations in commodity prices, interest rates, and customer demand;

available sources and costs of fuels and purchased power;

ability to control costs;

investment performance of employee benefit plan assets;

-39-

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advances in technology;

effects of and changes in political, legal, and economic conditions and developments in the United States and Canada;

the performance of projects undertaken by non-regulated businesses and the success of efforts to invest in and develop new opportunities;

potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed (such as the merger, construction of the Weston 4 power plant, additional investment in the American Transmission



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Company LLC (sometimes referred to as ATC) related to construction of the Wausau, Wisconsin, to Duluth, Minnesota, transmission line, and the disposition of the non-regulated electric generation assets of Peoples Energy);

the direct or indirect effect resulting from terrorist incidents, natural disasters, or responses to such events;

financial market conditions and the results of financing efforts, including credit ratings and risks associated with commodity prices (particularly natural gas and electricity), interest rates, and counterparty credit;

weather and other natural phenomena, in particular the effect of weather on natural gas and electricity sales; and

the effect of accounting pronouncements issued periodically by standard-setting bodies.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Shareholders are cautioned not to place undue reliance on such statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference.

-40-

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### THE COMPANIES

#### WPS Resources Corporation

WPS Resources (NYSE: WPS) is a holding company incorporated in Wisconsin on December 3, 1993. WPS Resources wholly-owned subsidiaries include four regulated utilities, WPSC, Upper Peninsula Power Company (sometimes referred to as UPPCO), Michigan Gas Utilities Corporation (sometimes referred to as Michigan Gas Utilities) and Minnesota Energy Resources Corporation (sometimes referred to as Minnesota Energy Resources).

WPSC, the primary regulated utility of WPS Resources, accounted for 52% of WPS Resources consolidated net income in 2005. WPSC began operations in 1883 and is a regulated electric and natural gas utility serving an 11,000 square mile service territory in northeastern Wisconsin and an adjacent portion of the Upper Peninsula of Michigan. In 2005, WPSC served 424,615 electric customers and 307,540 natural gas customers. Wholesale electric service is provided to various customers, including municipal utilities, electric cooperatives, energy marketers, other investor owned utilities and municipal joint action agencies. WPSC is currently allowed an 11.00% authorized return on equity in its Wisconsin rates.

UPPCO, a Michigan corporation began operations in 1884 and was acquired by WPS Resources in 1998. UPPCO is a regulated electric utility serving a 4,500 square mile area of Michigan's Upper Peninsula. In 2005, UPPCO provided retail electric service to 52,130 customers and wholesale electric service to 37 customers. In 2005, total revenues for UPPCO consisted of 77% retail sales and 23% wholesale sales. UPPCO is currently allowed a 10.75% authorized return on equity.

Michigan Gas Utilities acquired the Michigan natural gas distribution assets of Aquila, Inc. on April 1, 2006. The Michigan natural gas assets provide gas distribution service to approximately 161,000 customers, primarily in southern Michigan in 147 cities and communities. Annual natural gas throughput is approximately 36 billion cubic feet per year. These assets operate under a cost-of-service environment and are currently allowed an 11.4% authorized return on equity on a 45% equity component of the regulatory capital structure.

On July 1, 2006, Minnesota Energy Resources acquired the Minnesota natural gas distribution assets of Aquila, Inc. The Minnesota natural gas assets provide gas distribution service to about 200,000 customers throughout the state in 165 cities and communities. Annual natural gas throughput is approximately 76.1 billion cubic feet per year, roughly equal to that of WPS Resources 2005 regulated natural gas operations. The assets operate under a cost-of-service environment and are currently allowed an 11.71% authorized return on equity on a 50% equity component of the regulatory capital structure.

WPS Resources primary non-regulated subsidiary is ESI. ESI was established in 1994. Although ESI has a widening array of products and services, revenues are primarily derived through sales of electricity and natural gas to retail and wholesale customers primarily in the northeastern quadrant of the United States and adjacent portions of Canada. In addition, in 2005, ESI began operations in Texas. ESI also owns and operates, through its subsidiaries, electric generation facilities in Wisconsin, Maine, Pennsylvania and New York in the United States and New Brunswick in Canada, a 23.3% interest in a synthetic fuel processing facility located in Kentucky and steam production facilities located in Arkansas and Oregon.

In addition, at June 30, 2006, WPS Resources owned through one of its subsidiaries a 32.74% interest in ATC. ATC started business on Jan. 1, 2001, as a transmission-only utility. ATC provides electric transmission service starting in the Upper Peninsula of Michigan, throughout the eastern half of Wisconsin and into portions of Illinois. It owns and operates 8,900 miles of high-voltage transmission lines and 480 substations providing communities with access to local and regional energy sources.

### **Peoples Energy Corporation**

Peoples Energy Corporation (NYSE: PGL) is a holding company incorporated in Illinois on August 3, 1967. Peoples Energy's income is derived principally from its two regulated utility subsidiaries, Peoples Gas and North Shore Gas. Peoples Energy also derives income from other subsidiaries: Peoples Energy Resources, Peoples Energy Services and Peoples Energy Production.

-41-

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Peoples Energy's core business is gas distribution through Peoples Gas and North Shore Gas, which accounted for 65% of its revenues, 77% of its operating income and 81% of its capital assets for fiscal year 2005. Peoples Gas and North Shore Gas purchase, store, distribute, sell and transport natural gas to approximately one million customers through a 6,000-mile distribution system serving Chicago and 54 communities in northeastern Illinois. Peoples Gas was formed in 1855 and has approximately 814,000 residential, commercial and industrial retail sales and transportation customers in Chicago. North Shore Gas was formed in 1900 and has approximately 155,000 residential, commercial and industrial retail sales and transportation customers within its service area of approximately 275 square miles, located in northeastern Illinois.

Peoples Energy Production acquires, develops and produces oil and gas reserves in selected onshore basins in the United States through direct ownership in oil, gas and mineral leases. Peoples Energy Production owns working interests in substantial oil and gas leasehold positions located in various areas of Texas, Louisiana, New Mexico, Arkansas, Oklahoma, Mississippi and North Dakota. Peoples Energy Production's primary focus is on natural gas, with growth coming from low to moderate risk drilling opportunities and the acquisition of proved reserves with upside potential that can be realized through drilling, production enhancements and reservoir optimization programs.

Peoples Energy Services provides gas, electricity and energy management services to industrial, commercial and residential customers regionally within Illinois, Michigan, and Ohio. The company is one of the largest nonutility energy marketers in the northern Illinois retail energy marketplace and it expects to enter the New York market later this year.

Peoples Energy Resources provides wholesale gas transportation, storage and supply services to marketers, utilities, pipelines and gas-fired power generation facilities. Peoples Energy Resources owns a propane-based peaking plant and has several contractual assets for pipeline transportation and storage in the Midwest region. Peoples Energy Resources also owns approximately 40 miles of small diameter pipes, which are used to provide services to local refineries in the Chicago area.

Peoples Energy Resources is an equal investor with Dominion Energy, Inc. in Elwood Energy LLC, which owns and operates a 1,400-megawatt peaking facility near Chicago. The plant capacity is sold through long-term contracts as wholesale sales of electricity at market-based rates to Exelon Generation Company, LLC and Constellation Energy Commodities Group, Inc. Peoples Energy announced in February 2006 its intention to exit the power generation business and expects to close on the sale of its remaining power generation assets by the end of calendar year 2006.

-42-

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### INFORMATION ABOUT THE WPS RESOURCES SPECIAL MEETING AND VOTE

The WPS Resources board of directors is using this joint proxy statement/prospectus to solicit proxies from the holders of WPS Resources common stock for use at the special meeting of WPS Resources shareholders. WPS Resources is first mailing this joint proxy statement/prospectus and accompanying proxy card to WPS Resources shareholders on or about [ ], 2006.

#### Date, Time and Place of WPS Resources Special Meeting

The WPS Resources special meeting will be held on [ ], 2006 at [ ], local time, at [ ].

#### Matters to be Considered

The following matters will be considered at the meeting:

1. Proposal to approve the issuance of shares of WPS Resources common stock as contemplated by the Agreement and Plan of Merger, dated as of July 8, 2006, among WPS Resources Corporation, Wedge Acquisition Corp. and Peoples Energy Corporation. A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice. In the merger, each share of Peoples Energy common stock outstanding immediately prior to completion of the merger will be converted into the right to receive 0.825 shares of WPS Resources common stock.
2. A proposal to approve an amendment to WPS Resources restated articles of incorporation to change the name of the company to [ ]".
3. A proposal to adjourn WPS Resources special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation.
4. Any other business properly brought before the special meeting and any adjournment or postponement thereof.

#### WPS Resources Record Date; Quorum; and Voting Rights

The WPS Resources board of directors has fixed the close of business on [ ], 2006 as the record date for determination of shareholders entitled to notice of and to vote at the WPS Resources special meeting.

A quorum is the number of shares that must be represented at a meeting to lawfully conduct business. The presence of a majority of the shares entitled to vote constitute a quorum. As of the record date, a total of [ ] shares were eligible to vote. The presence of [ ] shares will constitute a quorum. Shares held by WPS Resources in its treasury do not count towards a quorum.

Each shareholder is entitled to one vote at the WPS Resources special meeting for each share of WPS Resources common stock held by that shareholder at the close of business on the record date. Shares of WPS Resources common stock held by WPS Resources in its treasury are not voted.

#### Abstentions and Broker Non-Votes

A shareholder will be deemed present at the meeting by proxy because the shareholder has returned a proxy by mail, by telephone or via the Internet (even if the proxy contains no instructions as to voting, abstains from voting, or constitutes a broker non-vote, if any). So, abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum, as noted above, but do not constitute a vote for or against any proposal at the special meeting and will be disregarded in the calculation of votes cast.

-43-

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A broker non-vote occurs when the broker is not permitted to vote on an item without instruction from the beneficial owner of the shares of WPS Resources common stock and the beneficial owner gives no instruction as to voting of the shares. Under New York Stock Exchange rules, your broker or bank does not have discretionary authority to vote your shares on the proposals. Without your voting instructions on the proposals, a broker non-vote will occur if the broker submits a properly executed proxy.

## Required Vote

The proposal respecting the issuance of shares as contemplated by the merger agreement will be approved if a quorum is present and the number of votes cast in favor of the issuance exceeds the number of votes cast in opposition to it, and the total votes cast on the proposal represents over 50% of the shares of common stock entitled to vote on such proposal. The proposal respecting the amendment to the restated articles of incorporation of WPS Resources to change its name will be approved if a quorum is present and the number of votes cast in favor of the amendment exceeds the number of votes cast in opposition to it. The proposal respecting the adjournment of the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation will be approved if a quorum is present and the votes cast in favor of the proposal exceeds the number of votes cast in opposition to the proposal. A shareholder will be deemed present at the meeting by proxy because the shareholder has returned a proxy by mail, by telephone or via the Internet (even if the proxy contains no instructions as to voting, abstains from voting, or constitutes a broker non-vote). If you do not return your proxy card or submit your proxy by telephone or via the Internet or vote in person at the WPS Resources special meeting, your vote will not be counted and it will be less likely that a quorum to conduct business at the WPS Resources special meeting will be obtained and that the vote necessary for approval of the proposals will be obtained.

## Dissenters' Rights

WPS Resources' shareholders are not entitled to dissenters' rights in connection with the proposals.

## Directors and Executive Officers of WPS Resources

Biographical information regarding WPS Resources' executive officers is included in WPS Resources' annual report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference into this joint proxy statement/prospectus. For biographical information regarding WPS Resources' directors, information concerning the compensation paid to the chief executive officer and the other four most highly compensated executive officers of WPS Resources for the 2005 fiscal year as well as any information regarding certain relationships and related transactions involving WPS Resources' directors and executive officers for the 2005 fiscal year, see WPS Resources' proxy statement used in connection with its 2006 annual meeting of shareholders and WPS Resources' annual report on 10-K for the year ended December 31, 2005, both of which are incorporated by reference into this joint proxy statement/prospectus.

## Shares Beneficially Owned by WPS Resources Directors and Officers

WPS Resources' directors and officers beneficially owned [ ] shares of WPS Resources common stock on [ ], 2006, the record date for the special meeting. These shares represent in total less than [ ]% of the total voting power of WPS Resources' voting securities outstanding and entitled to vote as of the record date. WPS Resources currently expects that WPS Resources' directors and officers will vote their shares in favor of all the proposals to be voted on at the special meeting, although none of them has entered into any agreements obligating them to do so.

For information regarding the beneficial ownership of WPS Resources common stock by certain beneficial owners, each current WPS Resources director, executive officers of WPS Resources and all directors and executive officers as a group, see WPS Resources' proxy statement used in connection with its 2006 annual meeting of shareholders and WPS Resources' annual report on 10-K for the year ended December 31, 2005, both of which are incorporated by reference into this joint proxy statement/prospectus.

-44-

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## How Shares are Voted; Proxies; Revocation of Proxies

Shareholders of record may vote in person by ballot at the special meeting or by submitting their proxies:

by telephone, by calling the toll-free number [o] in the United States or Canada on a touch-tone phone and following the recorded instructions;

by accessing the Internet website at [www.voteproxy.com](http://www.voteproxy.com) and following the instructions on the website; or

by mail, by indicating your vote on each proxy card you receive, signing and dating each proxy card and returning each proxy card in the prepaid envelope that accompanied that proxy card.

Telephone and Internet voting are available 24 hours a day and will be accessible until [ ] p.m. on [ ], 2006. WPS Resources' telephone and Internet voting procedures are designed to identify existing shareholders by using individual control numbers.

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Shareholders of WPS Resources who hold their shares in street name by a broker, nominee, fiduciary or other custodian should refer to the proxy card or other information forwarded by their broker, nominee, fiduciary or other custodian for instructions on how to vote their shares.

WPS Resources recommends you submit your proxy even if you plan to attend the special meeting. If you attend the special meeting, you may vote by ballot, thereby canceling any proxy previously submitted. If you properly give your proxy and submit it to WPS Resources in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against the proposals or abstain from voting.

If you are a shareholder of record and submit your proxy but do not make specific choices, your proxy will follow the WPS Resources board of directors' recommendations and your shares will be voted:

1. **FOR** the proposal to approve the issuance of shares of WPS Resources common stock as contemplated by merger agreement.
2. **FOR** the proposal to approve an amendment to WPS Resources' restated articles of incorporation to change the name of the company to [ ]".
3. **FOR** the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares and/or the amendment to the restated articles of incorporation.

You have the right to revoke your proxy at any time prior to the time your shares are voted at the special meeting. If you are a shareholder of record, your proxy can be revoked in several ways:

by entering a new vote by telephone or the Internet;

by delivering a written revocation to WPS Resources' Secretary prior to the WPS Resources special meeting;

by submitting another valid proxy bearing a later date that is received prior to the WPS Resources special meeting; or

by attending the WPS Resources special meeting and voting your shares in person.

However, if your shares are held in street name through a bank, broker, custodian or other recordholder, you must check with your bank, broker, custodian or other recordholder to determine how to revoke your proxy.

-45-

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If you own stock in the WPSC ESOP, you may vote your shares by any of the following three methods:

over the Internet at [www.voteproxy.com](http://www.voteproxy.com);

over the telephone by calling toll-free 1-800-776-9437; or

through the mail by returning your completed, signed and dated proxy card in the enclosed prepaid envelope.

Your vote must be received by [ ], 2006 to be voted at the special meeting. Stock owned in the WPSC ESOP may **NOT** be voted in person at the special meeting.

The results of the vote received from WPSC ESOP participants will serve as voting instructions to the plan trustee, Wells Fargo Bank N.A. The trustee will vote the plan shares as instructed by plan participants. The trustee will not vote any proxy not voted by participants. The plan trustee will follow your voting instructions unless it determines that to do so would be contrary to the Employee Retirement Income Security Act of 1974. American Stock Transfer & Trust Company will tabulate the WPSC ESOP vote. American Stock Transfer and Wells Fargo will keep how you vote your shares confidential.

**Solicitation of Proxies**

WPS Resources will pay the costs of soliciting proxies from WPS Resources shareholders. In addition to this mailing, proxies may be solicited by directors, officers or employees of WPS Resources in person or by telephone or electronic transmission. None of the directors, officers or employees will be directly compensated for such services. WPS Resources has retained Georgeson, Inc. to assist in the distribution and solicitation of proxies. WPS Resources will pay Georgeson a fee of \$10,000, plus reasonable expenses, for these services.

The extent to which these proxy soliciting efforts will be necessary depends entirely upon how promptly proxies are submitted. You should submit your proxy without delay by mail, by telephone or via the Internet. WPS Resources also reimburses brokers and other nominees for their expenses in sending these materials to you and getting your voting instructions.

**Other Business; Adjournments**

WPS Resources is not currently aware of any other business to be acted upon at the WPS Resources special meeting. If, however, other matters are properly brought before the special meeting, or any adjourned meeting, your proxies include discretionary authority on the part of the individuals appointed to vote your shares to act on those matters according to their best judgment.

Any adjournment (other than an adjournment to solicit additional votes) may be made from time to time by the affirmative vote of a majority of the votes cast by holders of shares of WPS Resources common stock present in person or by proxy at the WPS Resources special meeting whether or not a quorum is present, without further notice other than by announcement at the meeting.

If the special meeting is adjourned to a different place, date or time, WPS Resources need not give notice of the new place, date or time if the new place, date or time is announced at the meeting before adjournment, unless a new record date is or must be set for the adjourned meeting. The board of directors must fix a new record date if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

**WPS Resources Shareholder Account Maintenance**

-46-

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WPS Resources' transfer agent is American Stock Transfer & Trust Company. All communications concerning accounts of WPS Resources shareholders of record, including address changes, name changes, inquiries as to requirements to transfer shares of common stock and similar issues can be handled by calling American Stock Transfer & Trust Company, toll-free at (800) 236-1551. For other information about WPS Resources, WPS Resources shareholders can visit WPS Resources' web site at [www.wpsr.com](http://www.wpsr.com). Information on WPS Resources' website does not constitute part of this joint proxy statement/prospectus.

-47-

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**INFORMATION ABOUT THE PEOPLES ENERGY SPECIAL MEETING AND VOTE**

The Peoples Energy board of directors is using this joint proxy statement/prospectus to solicit proxies from the holders of Peoples Energy common stock for use at the special meeting of Peoples Energy's shareholders. Peoples Energy is first mailing this joint proxy statement/prospectus and accompanying proxy card to Peoples Energy shareholders on or about [ ], 2006.

**Date, Time and Place of Peoples Energy Special Meeting**

The Peoples Energy special meeting of shareholders will be held on [ ], 2006 at [ ], local time at [ ].

**Matters to be Considered**

At the Peoples Energy special meeting, holders of Peoples Energy common stock will be asked to:

1. Approve the Agreement and Plan of Merger, dated as of July 8, 2006, among WPS Resources Corporation, Wedge Acquisition Corp. and Peoples Energy Corporation. A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice. In the merger, each share of Peoples Energy common stock outstanding immediately prior to completion of the merger will be converted into the right to receive 0.825 shares of WPS Resources common stock.
2. Approve a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the Agreement and Plan of Merger referred to in Item 1.
3. Transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

The Peoples Energy board of directors has adopted the merger agreement and approved the merger and recommends that Peoples Energy shareholders vote **FOR** the approval of the merger agreement and **FOR** adjourning the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement.

**Peoples Energy Record Date; Voting Rights**

The Peoples Energy board of directors has fixed the close of business on [ ], 2006 as the record date for determination of shareholders entitled to notice of and to vote at the Peoples Energy special meeting.

Each shareholder is entitled to one vote for each share of common stock owned. To vote by telephone or via the Internet, see the instructions attached to your proxy card.

As of [ ], 2006, there were outstanding [ ] shares of common stock of Peoples Energy held by approximately [ ] holders of record.

**Quorum, Abstentions and Broker Non-Votes**

In order to conduct the special meeting, a simple majority of the outstanding shares of Peoples Energy common stock is required to be present in person or by proxy at the special meeting for there to be a quorum.

All shares of Peoples Energy common stock represented at the Peoples Energy special meeting, including abstentions and broker non-votes, if any, will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Broker non-votes are shares held by a broker or other nominee that are represented at the meeting, but with respect to which such broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal, and the broker does not have discretionary voting power on such proposal. Under NYSE rules, your broker or bank does not have discretionary authority to vote your shares of Peoples Energy common stock on the proposal to approve the merger agreement or the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement. Without voting instructions on such proposal, a broker non-vote will occur, if the broker submits a properly executed proxy.

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## Required Vote

The merger agreement will be approved upon receiving the affirmative vote of at least two-thirds of the votes of the Peoples Energy shares entitled to vote on the merger agreement. Abstentions and broker non-votes will have the effect of votes *AGAINST* the merger.

In order for shareholders to approve the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement, the votes cast in favor of the proposal must exceed the votes cast against the proposal. In the case of such a proposal to adjourn the special meeting, a failure to vote on this proposal, a vote to abstain or a broker non-vote will be counted in determining whether a quorum exists, and if a quorum is present, will have no effect on the outcome of the voting.

## Dissenter s Rights

Illinois law requires that Peoples Energy shareholders have dissenters rights in connection with the merger. Therefore, a shareholder of Peoples Energy may elect to be paid cash for such shareholder s shares in accordance with the procedures set forth in the IBCA.

The following is a summary of the material terms of the statutory procedures to be followed by holders of Peoples Energy common stock in order to dissent from the merger under the IBCA. The following discussion is not a complete description of the law relating to dissenters rights available under Illinois law and is qualified in its entirety by the full text of Article 11 of the IBCA, which is reprinted in its entirety as Annex B to this joint proxy statement/prospectus. If you wish to exercise dissenters rights, you should review carefully the following discussion and Annex B; Peoples Energy urges you to consult a lawyer before electing or attempting to exercise these rights.

Under Article 11, all shareholders entitled to dissenters rights in the merger must be notified in the meeting notice relating to the merger that shareholders are entitled to assert dissenters rights. This joint proxy statement/prospectus constitutes that notice.

If you are a Peoples Energy shareholder and desire to dissent and receive cash payment of the fair value of your Peoples Energy common stock, you must:

deliver to Peoples Energy before the vote is taken at the special meeting of shareholders a written demand for payment for your shares if the proposed action is consummated; and

not vote in favor of the merger agreement and merger.

Within 10 days after the date on which the merger is consummated or 30 days after the shareholder delivers to Peoples Energy the written demand for payment, whichever is later, Peoples Energy will send each shareholder who has delivered a written demand for payment:

a statement setting forth the opinion of Peoples Energy as to the estimated fair value of the shares;

Peoples Energy s latest balance sheet as of the end of a fiscal year ending not earlier than 16 months before the delivery of the statement;

-49-

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the statement of income for that year and the latest available interim financial statements; and either:

a commitment to pay for the shares of the dissenting shareholder at the estimated fair value thereof upon transmittal to Peoples Energy of the certificate or certificates, or other evidence of ownership, with respect to the shares, or

instructions to the dissenting shareholder to sell his or her shares on the public market within 10 days after delivery of Peoples Energy s statement to the shareholder. If the shareholder does not sell on the public market within that 10 day period after being so instructed by Peoples Energy, the shareholder will be deemed to have sold his or her shares at the average closing price of the shares during that 10 day period.



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If the shareholder does not agree with the opinion of Peoples Energy as to the estimated fair value of the shares or the amount of interest due, the shareholder, within 30 days from the delivery of the Peoples Energy's statement of value, must notify Peoples Energy in writing of the shareholder's estimated fair value and amount of interest due and demand payment for the difference between the shareholder's estimate of fair value and interest due and the amount of the payment by Peoples Energy or the proceeds of sale by the shareholder, as applicable.

If, within 60 days from delivery to Peoples Energy of the shareholder notification of estimate of fair value of the shares and interest due, Peoples Energy and the dissenting shareholder have not agreed in writing upon the fair value of the shares and interest due, Peoples Energy will either pay the difference in value demanded by the shareholder, with interest, or file a petition in the circuit court of the county in which either the registered office or the principal office of the corporation is located, requesting the court to determine the fair value of the shares and interest due. The court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. Each dissenter made a party to the proceeding is entitled to judgment for the amount, if any, by which the court finds that the fair value of his or her shares, plus interest, exceeds the amount paid by Peoples Energy or the proceeds of sale by the shareholder, whichever amount is applicable.

In view of the complexity of these provisions and the requirement that they be strictly complied with, if you hold Peoples Energy common stock and are considering dissenting from the approval of the merger agreement and the merger and exercising your dissenters' rights under the IBCA, you should consult a lawyer promptly.

All written communications from shareholders with respect to the exercise of dissenters' rights should be mailed to:

Peoples Energy Corporation  
130 East Randolph Drive  
24<sup>th</sup>Floor  
Chicago, IL 60601  
Attention: Peter H. Kauffman, Secretary

Peoples Energy recommends that such communications be sent by registered or certified mail, return receipt requested.

### **Directors and Executive Officers of Peoples Energy**

Biographical information regarding Peoples Energy's executive officers is included in Peoples Energy annual report on Form 10-K for the year ended September 30, 2005, as amended, which is incorporated by reference into this joint proxy statement/prospectus. For biographical information regarding Peoples Energy's directors, information concerning the compensation paid to the chief executive officer and the other four most highly compensated executive officers of Peoples Energy for the 2005 fiscal year as well as any information regarding certain relationships and related transactions involving Peoples Energy's directors and executive officers for the 2005 fiscal year, see Peoples Energy's proxy statement used in connection with its 2006 annual meeting of shareholders and Peoples Energy's annual report on 10-K for the year ended September 30, 2005, as amended, both of which are incorporated by reference into this joint proxy statement/prospectus.

-50-

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### **Shares Beneficially Owned by Peoples Energy Directors and Officers**

Peoples Energy directors and officers beneficially owned [ ] shares of Peoples Energy common stock on [ ], 2006 the record date for the Peoples Energy special meeting. These shares represent less than [ ]% of the total voting power of Peoples Energy's voting securities outstanding and entitled to vote as of [ ], 2006. Peoples Energy currently expects that Peoples Energy's directors and officers will vote their shares in favor of all proposals to be voted on at the special meeting, although none of them has entered into any agreements obligating them to do so.

For information regarding beneficial ownership of Peoples Energy common stock by certain beneficial owners, each current Peoples Energy director, executive officers of Peoples Energy and all directors and executive officers as a group, see Peoples Energy's proxy statement used in connection with its 2006 annual meeting of shareholders and Peoples Energy's annual report on 10-K for the year ended September 30, 2005, as amended, both of which are incorporated by reference into this joint proxy statement/prospectus.

### **How Shares are Voted; Proxies; Revocation of Proxies**

If you are a shareholder of record, you may vote in person by ballot at the Peoples Energy special meeting or by submitting a proxy. Peoples Energy recommends you submit your proxy even if you plan to attend the special meeting. If you attend the special meeting, you may vote by ballot, thereby canceling any proxy previously submitted.

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Voting instructions are included on your proxy card. If you properly give your proxy and submit it to Peoples Energy in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against the proposals or abstain from voting.

### *Peoples Energy 401(k) Plan Participants and ESOP Participants*

If you are a participant in the Peoples Energy Capital Accumulation Plan or the Peoples Energy Thrift Plan, The Northern Trust Company, as trustee of the trust established for these plans, will vote the shares in the exercise of its fiduciary duty.

If you are a participant in the Peoples Energy ESOP, you may vote your shares by submitting your voting instruction card for those shares in accordance with the instructions included with the voting instruction card. Plan participant voting directions will be treated confidentially. The plan trustee will follow participants' voting directions unless it determines that to do so would be contrary to the Employee Retirement Income Security Act of 1974. If you elect not to provide voting directions, the plan trustee will vote Peoples Energy shares allocated to your plan account in the same proportion as those votes cast by other plan participants submitting voting instructions. Because the plan trustee must process voting instructions from participants before the date of the Peoples Energy special meeting, you are urged to deliver your instructions well in advance of the Peoples Energy special meeting so that the instructions are received no later than [ ], 2006.

### *How to Vote by Proxy*

*By Telephone or Internet.* If you are a shareholder of record, you can submit your proxy by telephone by calling the toll-free telephone number on your proxy card, 1-866-207-3912, or you can submit your proxy via the Internet by accessing the Internet website identified on your proxy card, [www.eproxyvote.com/PGL](http://www.eproxyvote.com/PGL). Telephone and Internet voting are available 24 hours a day and will be accessible until 11:59 p.m. on [ ], 2006. **If you hold your shares through a bank, broker, custodian or other recordholder, please refer to your proxy card or the voting instruction form provided by your bank, broker, custodian or other recordholder for information on telephone or Internet voting. If you submit your proxy by telephone or Internet, please do not mail your proxy card. If you are located outside the United States, Canada and Puerto Rico, see your proxy card or other materials for additional instructions with respect to voting by telephone.**

-51-

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*By Mail.* If you are a shareholder of record and choose to submit your proxy by mail, please complete each proxy card you receive, date and sign it, and return it in the prepaid envelope which accompanied that proxy card. If you hold your shares through a bank, broker, custodian or other recordholder, please refer to your proxy card or the voting instruction form provided to you by your bank, broker, custodian or other recordholder.

### *Revocation of Proxies*

You may revoke your proxy at any time prior to the time your shares are voted. If you are a shareholder of record, your proxy can be revoked in several ways:

- by entering a new vote by telephone or the Internet;
- by delivering a written revocation to Peoples Energy's Secretary that is received prior to the Peoples Energy special meeting;
- by submitting another valid proxy bearing a later date that is received prior to the Peoples Energy special meeting; or
- by attending the Peoples Energy special meeting and voting your shares in person.

However, if your shares are held in street name through a bank, broker, custodian, or other recordholder (including the trustee of the Peoples Energy Plan), you must check with your bank, broker, custodian or other recordholder to determine how to revoke your proxy.

### **Solicitation of Proxies**

Peoples Energy will pay the cost of preparing, assembling, and mailing proxy soliciting material to Peoples Energy shareholders. In addition to solicitation by mail, there may be incidental personal solicitations made by directors, officers, and regular employees of Peoples Energy. The cost of solicitation, including payments to brokers, nominees, or fiduciaries who mail such material to their clients, will be borne by Peoples Energy.

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Peoples Energy has retained Georgeson, Inc. to assist in the distribution and solicitation of proxies. Peoples Energy will pay Georgeson a fee of \$10,000, plus reasonable expenses, for these services.

### Other Business; Adjournments

Peoples Energy is not currently aware of any other business to be acted upon at the Peoples Energy special meeting. If, however, other matters are properly brought before the special meeting, or any adjourned meeting, your proxies include discretionary authority on the part of the individuals appointed to vote your shares to act on those matters according to their best judgment.

Any adjournment (other than an adjournment to solicit additional votes) may be made from time to time by the affirmative vote of a majority of the votes cast by holders of shares of Peoples Energy common stock present in person or by proxy at the Peoples Energy special meeting whether or not a quorum is present, without further notice other than by announcement at the meeting.

### Peoples Energy Shareholder Account Maintenance

Peoples Energy's transfer agent is LaSalle Bank N.A. All communications concerning accounts of Peoples Energy shareholders of record, including address changes, name changes, inquiries as to requirements to transfer shares of common stock and similar issues can be handled by calling the Peoples Energy Shareholder Services department at 1-800-901-8878, or by calling LaSalle Bank N.A., toll-free at 1-800-228-688. For other information about Peoples Energy, Peoples Energy shareholders can visit Peoples Energy's web site at [www.peoplesenergy.com](http://www.peoplesenergy.com). Information on Peoples Energy's website does not constitute part of this joint proxy statement/prospectus.

-52-

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## THE PROPOSED MERGER

### General

The WPS Resources board of directors is using this joint proxy statement/prospectus to solicit proxies from the holders of WPS Resources common stock for use at the WPS Resources special meeting. The Peoples Energy board of directors is using this joint proxy statement/prospectus to solicit proxies from the holders of Peoples Energy common stock for use at the Peoples Energy special meeting.

### WPS Resources Merger Proposals

At the WPS Resources special meeting, holders of shares of WPS Resources common stock will be asked to vote on the issuance of shares of WPS Resources common stock as contemplated by the merger agreement and on amending the restated articles of incorporation of WPS Resources to change its name to "[ ]".

**The merger will not be completed unless WPS Resources shareholders approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement and the amendment to the restated articles of incorporation of WPS Resources to change its name.**

The parties may agree to waive the condition to the merger that the shareholders approve the amendment to the restated articles of incorporation, but they are not required to do so. A separate vote by the holders of WPS Resources common stock on the merger agreement or the merger itself is not required under Wisconsin law.

### Peoples Energy Merger Proposal

At the Peoples Energy special meeting, holders of shares of Peoples Energy common stock will be asked to vote on the approval of the merger agreement and thereby approve the merger.

**The merger will not be completed unless Peoples Energy's shareholders approve the merger agreement and thereby approve the merger.**

### Background of the Merger

The senior management teams and boards of directors of each of WPS Resources and Peoples Energy historically monitored and assessed developments in the energy industry on an active basis and were generally aware of the business activities of other major energy companies, including each other. Executives from each of WPS Resources and Peoples Energy periodically interacted with each other at industry gatherings

and as part of various energy industry organizations.

Over the past several years, senior management and the boards of directors of each of WPS Resources and Peoples Energy have regularly reviewed strategic opportunities in the energy industry in response to developments within their respective businesses, industry trends, competitive conditions and changes in legislation and regulation. For several years, the WPS Resources board of directors and management have been engaged in a strategic planning process designed to position WPS Resources to take advantage of growth opportunities in its industry. As a part of this process, WPS Resources has periodically evaluated a variety of possible business combinations in light of its evolving acquisition criteria and opportunities presented by various potential transactions.

Peoples Energy's long-term strategy has been to enhance its core utility business, build its diversified energy businesses and carefully manage risk. During 2004, the Peoples Energy board of directors and senior management recognized that the growth trend of Peoples Energy's non-regulated businesses would cause those businesses to be overweighted and the core utility business to be underweighted in the company's business mix.

In response to the trend regarding the company's business mix, Peoples Energy engaged Morgan Stanley & Co., Incorporated to act as its financial advisor and to help prepare a formal process to identify strategic opportunities to enlarge the company's utility assets, including potential candidates for a strategic business combination with Peoples Energy. On December 3, 2004 at a regular meeting of the Peoples Energy board, members of senior management and representatives of Morgan Stanley identified to the board a number of candidates that met a series of screening criteria, including size of business, geographic location, strategic fit, financial strength and potential synergies, among others, designed to highlight the most attractive partners for a potential strategic business combination with Peoples Energy. In the course of the board's discussion, two important considerations in pursuing any strategic business combination transaction were identified: (i) the preservation of Peoples Energy's current dividend level for its shareholders and (ii) the maintenance of a significant presence in Chicago following the transaction, preferably with the headquarters of any company resulting from such a strategic transaction located in Chicago. The board directed senior management to continue its analysis and contact selected candidates as appropriate.

-53-

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Following this meeting, Peoples Energy's senior management, working with Morgan Stanley, identified a small number of candidates, including WPS Resources, to be contacted to engage in preliminary discussions regarding a potential business combination transaction, and began to contact these candidates. At regular meetings of the Peoples Energy board of directors held on February 4, 2005 and February 25, 2005, members of senior management, including Thomas M. Patrick, Chairman, President and Chief Executive Officer of Peoples Energy, discussed with the board the status of the strategic initiative, and reported to the board on the results of preliminary contacts with certain candidates. As a result of this process, WPS Resources emerged as an attractive candidate with which to pursue additional discussions.

In February, 2005, Mr. Patrick called Larry Weyers, Chairman of the Board, President and Chief Executive Officer of WPS Resources to arrange a meeting for the purpose of discussing whether the companies could pursue jointly any strategic business opportunities.

In March, 2005, Messrs. Weyers and Patrick met in Kohler, Wisconsin to have a general discussion about developments in the energy industry and their two companies. During this conversation, they discussed strategic trends and opportunities within their respective companies and in the energy industry generally. In addition, they discussed briefly, and generally, the possibility of a strategic transaction between WPS Resources and Peoples Energy. Although no specific potential terms or proposals were discussed, they agreed to meet later to discuss the possibility of a strategic transaction further. (A confidentiality agreement was entered into by the parties on May 31, 2005, as discussed below. The meetings prior to this date, which are discussed below, did not include the exchange of confidential information.)

On April 8, 2005, Messrs. Weyers and Patrick met in Milwaukee, Wisconsin. They discussed primarily high-level issues relating to the companies' businesses and a potential business combination, including strategic, management and governance matters.

On April 14, 2005, at a regularly scheduled meeting of the WPS Resources board of directors, Mr. Weyers briefed the members of the WPS Resources board of directors about his discussions to date with Mr. Patrick. Specific terms of a potential transaction were not discussed. Mr. Weyers indicated his expectation that he would have further discussions with Mr. Patrick and that the senior management team would begin to evaluate Peoples Energy more closely as a potential merger partner based on publicly available information.

On April 19, 2005, Messrs. Weyers and Patrick met again in Kohler, Wisconsin. Mr. Weyers provided Mr. Patrick with a summary outline of possible key terms for a potential stock-for-stock merger. Their discussion focused primarily on the potential strategic benefits of a combination of the two companies' businesses and various governance issues that would be raised by a merger.

At a regular meeting of the Peoples Energy board of directors held on April 22, 2005, members of senior management, including Mr. Patrick, together with representatives of Morgan Stanley, updated the board on the status of the strategic initiative, and identified a small group of the most attractive candidates, which included WPS Resources, to the board for further consideration based on a variety of factors, including

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geographic proximity, opportunity for regulatory diversification, strategic fit, potential synergies and complementary businesses, among other things. At the conclusion of the presentation, the board authorized senior management to continue analyzing a strategic transaction with the candidates included in this small group, and commence preliminary negotiations as appropriate.

-54-

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During the second half of April and during May and June of 2005, senior management of WPS Resources and Peoples Energy had numerous discussions regarding various issues relating to a potential merger in addition to those described below.

On April 30, 2005, Messrs. Weyers and Patrick met at an industry conference in New Orleans, Louisiana and continued to discuss strategic and business considerations of a possible merger, as well as to review the potential terms and timetable for such a transaction.

On May 6, 2005, Messrs. Weyers and Patrick and Mr. Robert C. Gallagher (lead independent director of WPS Resources' board of directors) and Mr. James R. Boris (lead director of Peoples Energy's board of directors) met in Chicago, Illinois. They discussed the outline of possible key terms for a potential stock-for-stock merger, focusing on the potential strategic benefits of a combination of the two companies. They also discussed various governance issues that would be raised by a merger. Following this discussion, Mr. Weyers advised outside legal counsel and an investment banker, respectively, about the discussions to date on a potential merger with Peoples Energy.

On May 19, 2005, at a regularly scheduled meeting of the WPS Resources board of directors, Mr. Weyers briefed the members of the WPS Resources board of directors about his continued discussions with Mr. Patrick. Following this meeting, on May 20, 2005, Messrs. Weyers and Patrick talked by telephone to discuss further details of a potential merger, including a discussion on a possible management team for the combined company as well as economic, governance and other key terms. They also agreed that the companies should enter into a mutual confidentiality agreement and begin to exchange business information. The companies entered into a confidentiality agreement on May 31, 2005.

At a meeting of the Executive Committee of the Peoples Energy board of directors held on May 17, 2005 and at meetings of the Peoples Energy non-management directors and board of directors held on June 7 and 8, 2005, Mr. Patrick, together with other members of senior management and representatives of Morgan Stanley at the June 8 meeting, reported to the board on the status of senior management's preliminary negotiations with, and due diligence investigation of, WPS Resources.

On May 31, 2005, senior executives of WPS Resources and Peoples Energy met in Milwaukee, Wisconsin, to exchange initial presentations on their companies' respective businesses.

During the month of June 2005, certain members of senior management of each of WPS Resources and Peoples Energy met regularly with each other and with their respective outside legal, financial and other outside professional advisors to discuss the structure of a potential merger, regulatory considerations and approvals, potential synergies, legal considerations and other matters that would arise in the course of a potential merger between the two companies.

On June 15, 2005, Messrs. Weyers and Patrick met in Kohler, Wisconsin to continue discussions about the potential merger. They also discussed proceedings that the ICC had brought against Peoples Energy relating to the reconciliation of revenues from Peoples Energy's gas charges for fiscal years 2000 to 2004 and related gas costs.

On June 22, 2005, the Peoples Energy board of directors held a special meeting to consider a potential strategic transaction with WPS Resources. At the meeting, members of senior management, including Mr. Patrick, updated the board with respect to preliminary negotiations with WPS Resources and with respect to the due diligence investigation that had been conducted to date. Representatives of Morgan Stanley attended the meeting, and reviewed with the board preliminary valuation analyses of Peoples Energy and WPS Resources, as well as various pro forma financial analyses relating to the potential strategic transaction with WPS Resources. A representative of Navigant Consulting, Inc. also attended the meeting and reviewed its analysis of WPS Resources operations with the board, and representatives of LeBoeuf Lamb, Peoples Energy's legal counsel in connection with the merger, and Katten Muchin Rosenman LLP, special counsel to the non-management directors of Peoples Energy (sometimes referred to as Katten Muchin) attended the meeting and reviewed with the board the legal obligations and fiduciary duties of the directors and officers of Peoples Energy in connection with engaging in a potential strategic transaction with WPS Resources, and the laws and regulations applicable to such a transaction. Meeting in separate executive session on the same day, the Peoples Energy board of directors discussed other aspects of the potential strategic transaction with Mr. Patrick, including the economic and other terms of the transaction, the anticipated timing of the transaction, the due diligence effort that would need to be undertaken and the fact that both companies used the same independent registered public accounting firm. The board also asked that the change-in-control agreements of both Peoples Energy and WPS Resources be examined to determine the effect that they could have on the transaction. At the conclusion of discussion, the board directed senior management to continue negotiations with WPS Resources.

-55-

On June 23, 2005, during a special meeting of the WPS Resources board of directors, Mr. Weyers briefed the members of the WPS Resources board of directors about his recent discussions with Mr. Patrick, including information about the gas charge reconciliation proceedings.

On June 28, 2005, senior management of and legal counsel for both WPS Resources and Peoples Energy met together to discuss the gas charge reconciliation proceedings and the potential impact the proceedings might have on Peoples Energy and the combined company if a merger were consummated. They also discussed other legal considerations related to the potential merger. The following day, on June 29, 2005, Messrs. Weyers, Gallagher, Patrick and Boris met in Chicago, Illinois to discuss the potential merger and the impact of the gas charge reconciliation proceedings on the transaction. They also discussed other legal considerations related to the potential merger, and ultimately concluded that it would be difficult to continue discussions until the gas charge reconciliation proceedings had been resolved.

On June 30, 2005, during a special meeting of the WPS Resources board of directors, Mr. Weyers briefed the members of the WPS Resources board of directors on the recent discussions with Peoples Energy and the concerns related to the gas charge reconciliation proceedings. In light of the gas charge reconciliation proceedings, and after careful deliberation, the board of directors, based on management's recommendation, instructed Mr. Weyers to terminate discussions with Peoples Energy. The following day, on July 1, 2005, Mr. Weyers informed Mr. Patrick by telephone, e-mail and letter that WPS Resources was terminating its discussions with Peoples Energy. Mr. Patrick then advised the Peoples Energy board of WPS Resources' decision.

On July 12, 2005, the board of directors of Peoples Energy, meeting in executive session, discussed the termination of discussions with WPS Resources relating to a potential strategic transaction, resulting from the uncertainty relating to the resolution of certain gas charge reconciliation matters of Peoples Energy pending before the ICC. Mr. Patrick reviewed for the board the circumstances of the termination of discussions, and indicated that Mr. Weyers had left open the possibility of renewing discussions once there was more certainty with respect to the resolution of the gas charge reconciliation matters, and depending on other factors such as intervening developments in each company's business.

In September 2005, Mr. Patrick received a call from and was invited to meet with the chief executive officer of a utility holding company that had been identified as a potential candidate for a potential business combination transaction early in 2005 (sometimes referred to as Company 1). At this meeting, Mr. Patrick and the chief executive officer of Company 1 discussed in general terms a variety of industry trends and potential business opportunities, including the possibility of a strategic transaction between Peoples Energy and Company 1, and agreed to schedule a follow-up meeting with additional members of senior management from both Peoples Energy and Company 1 in attendance.

On September 15, 2005, at a regularly scheduled meeting of the WPS Resources board of directors, Mr. Weyers reported to the board of directors on the current status of Peoples Energy and the gas charge reconciliation proceedings, based on publicly available information.

On October 11, 2005, at a regular meeting of the Peoples Energy board of directors, Mr. Patrick and another member of Peoples Energy senior management made a presentation to the board analyzing the effect WPS Resources' recently announced acquisition of Aquila, Inc.'s natural gas distribution operations in Michigan and Minnesota would have on a potential strategic transaction between Peoples Energy and WPS Resources. In addition, the presentation included a pro forma analysis of a strategic transaction between Peoples Energy and Company 1 based on publicly available information. The board considered the benefits and risks, from a financial perspective, of each potential transaction.

-56-

On October 26, 2005, at a meeting of the non-management directors of the Peoples Energy board of directors, with Mr. Patrick in attendance, Mr. Boris discussed with the board certain potential strategic transactions involving Peoples Energy, including a potential strategic transaction with Company 1. The directors discussed the potential transactions, and, concluded that although Peoples was not for sale at the present time, the opportunities presented should be examined in an effort to enhance shareholder value.

On November 7, 2005, Mr. Patrick and other members of senior management of Peoples Energy met with members of senior management of Company 1 in Chicago, Illinois to discuss a potential strategic transaction between Peoples Energy and Company 1. Mr. Patrick discussed with the representatives of Company 1 the general financial parameters that would govern a potential transaction, the regulatory issues that would have to be addressed in the course of obtaining approval for a transaction, the operational philosophy and practices that Company 1 would bring to Peoples Energy, the potential timeline for completing a strategic transaction, the due diligence investigation that would be required, the integration issues that would face a combined company, and other aspects of a potential transaction. After considering the matters discussed at this meeting, Mr. Patrick believed that Company 1 was not as good a strategic fit for Peoples Energy as was WPS Resources. In particular, Mr. Patrick was concerned that Company 1's operational philosophy and practices were not consistent with those of Peoples Energy or those that had been approved by the ICC and might make it more difficult to obtain the necessary regulatory approval in connection with any potential strategic transaction, and that it was unclear whether a potential strategic transaction with Company 1 would meet the objective of maintaining a significant presence in Chicago, which could also increase the difficulty of obtaining regulatory approval. Also, the location of Company 1's

headquarters outside of the Midwest, a significant distance from Chicago, raised further concerns about the ability of Peoples Energy to realize the benefits of a strategic transaction with Company 1. In addition, Company 1 indicated an interest in linking regulatory approval of a strategic proposal with the settlement of the gas charge cases. At the time, the settlement of those cases was in late stages of negotiation and Mr. Patrick did not consider this approach practical. Furthermore, after reviewing the preliminary financial analysis of a potential strategic transaction between Company 1 and Peoples Energy, Mr. Patrick was unsure whether it would be feasible to maintain Peoples Energy's dividend policy. Mr. Patrick communicated these concerns to the Peoples Energy board of directors.

On December 2, 2005, at a regular meeting of the Peoples Energy board of directors, Mr. Patrick reported to the board on an opportunity to acquire certain natural gas utility businesses (sometimes referred to, collectively, as Company 2) through an auction process. The possibility of engaging in a potential strategic transaction with Company 2 had been identified as a potential candidate for a business combination transaction early in 2005. Mr. Thomas A. Nardi, Executive Vice President and Chief Financial Officer of Peoples Energy, reviewed with the board the screening criteria that had been developed for evaluating potential candidates for a strategic transaction, and discussed with the board the strategic and financial rationale for engaging in a strategic transaction with Company 2. A representative of Morgan Stanley then discussed with the board the preliminary financial analysis that Morgan Stanley had conducted with respect to a transaction between Peoples Energy and Company 2. At the conclusion of discussions, the board authorized senior management to continue due diligence efforts and engage in non-binding negotiations with Company 2 regarding a potential transaction. Shortly after the board meeting, management submitted a non-binding bid in the auction for Company 2, which ultimately was not accepted by Company 2.

On January 17, 2006, Mr. Patrick called Mr. Weyers to inform Mr. Weyers that Peoples Energy had reached a settlement agreement related to its utilities' fiscal years 2000 to 2004 gas charge reconciliation proceedings pending before the ICC. Mr. Patrick indicated that the City of Chicago, the Illinois Attorney General and the Citizens Utility Board were all in agreement with the settlement and that Peoples Energy looked forward to expeditious approval by the ICC. Following this conversation, Mr. Weyers notified certain members of WPS Resources' senior management of the development. Then on the following day, January 18, 2006, Peoples Energy issued a press release to announce the settlement. Also, on that same day, certain members of WPS Resources' senior management met to discuss renewing discussions with Peoples Energy on a potential merger.

On January 24, 2006, certain members of WPS Resources' senior management team, including Mr. Weyers, met with JPMorgan to discuss strategy in connection with merger discussions with Peoples Energy.

On January 28, 2006, Messrs. Weyers and Patrick met in Milwaukee, Wisconsin. They discussed primarily high-level issues relating to renewed discussions respecting a combination of the companies' businesses and next steps in the process. Both expressed interest in moving forward with merger discussions.

-57-

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On January 31, 2006, in a meeting of the non-management directors of the Peoples Energy board of directors and in a meeting of the Peoples Energy board of directors, meeting in executive session, Mr. Patrick reported to the board his discussions with members of senior management at WPS Resources, as well as his consultations with Morgan Stanley with respect to a potential transaction. Mr. Nardi, who was also in attendance at the meeting, reviewed with the board updated business and financial information with respect to WPS Resources and a combination between the two companies. The board discussed engaging in a potential strategic transaction with WPS Resources and the pricing, timing and strategic benefits that would arise from such a transaction, as well as the potential negative consequences of such a transaction. At the conclusion of the discussion, the board authorized Mr. Patrick to continue discussions with WPS Resources to determine whether a strategic transaction could be consummated on terms favorable to Peoples Energy.

On February 3, 2006, Mr. Patrick called Mr. Weyers to discuss concerns that the ICC had raised about the settlement relating to the gas charge reconciliation proceedings. Then on February 9, 2006, Mr. Patrick called Mr. Weyers to inform him that the ICC was issuing a data request to ensure that the proposed settlement would resolve all of the open issues. On that same day, at a regularly scheduled meeting of the WPS Resources board of directors, Mr. Weyers reported to the board of directors on his discussions with Mr. Patrick.

In the remainder of February and from March through June, senior management and the lead directors of WPS Resources and Peoples Energy had numerous discussions regarding a potential strategic transaction and the potential terms thereof, in addition to those described below.

On February 24, 2006, in a meeting of the board of directors of Peoples Energy, meeting in executive session, Mr. Patrick discussed with the board his conversations with Mr. Weyers that had occurred since the last meeting and an inquiry management had received from Company 1 about meeting to renew discussions about potential business opportunities. The board discussed these contacts, and the benefits and drawbacks of entering into a strategic transaction at the present time. At the conclusion of this discussion, the board authorized Mr. Patrick to continue discussions with WPS Resources and to meet with Company 1 to learn more about potential opportunities with them. Following this discussion, the board discussed Mr. Patrick's expressed intention to retire within 1 year.

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On March 2, 2006, Mr. Nardi, Mr. William E. Morrow, Executive Vice President of Operations of Peoples Energy, Mr. Phillip M. Mikulsky, Executive Vice President Development of WPS Resources and Boris Brevnov, Vice President, Business Development and Implementation of WPS Energy Services met in Milwaukee and discussed the potential transaction and timeline.

On March 6, 2006, Peoples Energy announced that the ICC had agreed to an amended settlement agreement relating to the gas charge reconciliation proceedings.

On March 15, 2006, Mr. Patrick and Mr. Morrow met with the CEO and two other members of senior management of Company 1 to review their respective businesses and to discuss a potential strategic transaction between Peoples Energy and Company 1. At the meeting, Mr. Patrick discussed with the representatives of Company 1 the operations of Company 1, the complementary aspects of Peoples Energy's business and Company 1's business, the regulatory environment of each of the companies, a potential structure and timeline for pursuing a strategic transaction, among other matters relating to a potential transaction. Company 1 discussed generally without details, its views concerning location of headquarters, dividend level and use of cash as part of the merger consideration. Mr. Patrick agreed to consider further the proposal put forth by Company 1, but believed that the views expressed by Company 1 were not consistent with the strategic objectives of Peoples Energy with respect to a variety of matters and that a merger transaction with WPS Resources would be a better strategic fit with Peoples Energy.

On March 20, 2006, at a meeting of the Executive Committee of the Peoples Energy board of directors, the committee discussed the progress to date on the strategic opportunities currently available, including with respect to the type of transaction that was in the best interest of Peoples Energy, the process that the board and management should pursue, and what level of premium would be appropriate. In addition, the committee discussed a process for finding a replacement upon the retirement of Mr. Patrick. As part of this discussion, Mr. Patrick reviewed with the committee his discussions with Company 1 held on March 15, 2006. The committee agreed with Mr. Patrick that a merger with Company 1 would be less strategically attractive than a merger with WPS Resources. In light of that, the committee directed Mr. Patrick to focus on a potential transaction with WPS Resources, but not to terminate discussions with Company 1.

-58-

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On March 24, 2006, Messrs. Weyers and Patrick met in Milwaukee, Wisconsin to discuss the potential terms of the merger, as well as Mr. Patrick's announcement that he would retire in a year as Peoples Energy's Chairman of the Board, President and Chief Executive Officer.

Also on March 24, 2006, an organizational meeting was held in Milwaukee among Messrs. Weyers and Patrick, and the companies' respective investment bankers and senior management. At this meeting, the parties and their advisors discussed financial projections, business strategy and their respective operations, and discussed various issues and potential terms for a strategic transaction.

Throughout the months of April, May and June, the companies and their advisors exchanged and discussed high-level information about their businesses, including with respect to financial, operational, accounting and compensation and benefits matters.

On April 6, 2006, at a regularly scheduled meeting of the WPS Resources board of directors, Mr. Weyers briefed the members of the WPS Resources board of directors about his recent discussions with Mr. Patrick. Terms of a potential transaction were discussed, as were recent developments related to Peoples Energy. It was agreed that management should continue the merger discussions with Peoples Energy.

On April 17, 2006, Messrs. Weyers and Gallagher and Patrick and Boris met in Chicago, Illinois. They discussed possible key terms for a potential stock-for-stock merger, focusing on the potential strategic benefits of a combination of the two companies. They also discussed various governance issues that would be raised by a merger.

On April 25, 2006, the Peoples Energy board of directors held a regular meeting. At the meeting, Mr. Nardi reviewed with the board updated business and financial information regarding WPS Resources, and the status of the proposed strategic transaction, including potential exchange ratio ranges. In addition, representatives of LeBoeuf Lamb and Katten Muchin attended the meeting in part, and reviewed with the board the directors' duties in the context of considering a strategic transaction, the legal standards applicable to such duties, the board's responsibilities in the event of multiple competitive transactions and the governmental approvals that would be required. The board asked questions of the representative and discussed these matters in depth.

On April 26, 2006, in response to inquiries from the CEO and senior management of Company 1 concerning the status of discussions with Peoples Energy, Mr. Patrick called the CEO of Company 1 and informed the CEO that a merger with Company 1 did not appear consistent with the strategic objectives of Peoples Energy.

On May 17, 2006, a meeting of the Executive Committee of the Peoples Energy board of directors was held. At this meeting, Mr. Patrick and Mr. Nardi reported to the committee with respect to the status of the potential strategic transaction with WPS Resources. Mr. Patrick reviewed with the committee Peoples Energy's rationale for pursuing a strategic transaction, the criteria that had been developed to assess potential candidates with which to engage in a strategic transaction, the most favorable candidates that were identified, the strategic rationale for



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pursuing a transaction with WPS Resources and the status of social and governance issues with respect to the potential transaction. Mr. Nardi then reviewed with the committee the status of management's due diligence investigation, the status of financial issues, valuations of the two companies, and financial projections and a proposed timeline for completing a transaction. At the conclusion of these presentations, the committee discussed the transaction at length with Mr. Patrick and Mr. Nardi and authorized them to continue their efforts.

On May 18, 2006, at a regularly scheduled meeting of the WPS Resources board of directors, certain members of the senior management of WPS Resources provided the directors with a high-level overview of the possible merger and Peoples Energy's business, financial condition and management based upon publicly available information and information provided by Peoples Energy over the past several weeks. The board of directors discussed with management the strategic rationale for a possible merger with Peoples Energy, the matters that Mr. Weyers and Mr. Patrick had been discussing and a possible timetable for due diligence and the negotiation of a definitive agreement. The WPS Resources board of directors instructed management to proceed with its discussions of a potential merger with Peoples Energy.

-59-

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On May 25, 26 and 31, 2006, members of senior management of Peoples Energy met with representatives of Morgan Stanley regarding various matters relating to the strategic transaction with WPS Resources, including the valuation of certain of Peoples Energy's properties, and with a representative of Booz Allen Hamilton, a consultant being considered to be engaged to assist the managements of WPS Resources and Peoples Energy in assessing the level of potential synergies in the transaction.

On May 31, 2006, Messrs. Weyers, Gallagher, Patrick and Boris met in Green Bay, Wisconsin to discuss the transaction structure for the proposed merger, including a discussion respecting the possible exchange ratio to be used. They also discussed management and governance issues, executive compensation matters and a proposed schedule for due diligence and the negotiation of a definitive agreement.

On June 6 and 7, 2006, the Peoples Energy board of directors held a regular meeting. At the meeting, members of senior management, including Mr. Patrick and Mr. Nardi, updated the board with respect to negotiations with WPS Resources, the current status of the transaction, and the results of the due diligence investigation that had been conducted to date. Representatives of Morgan Stanley attended the meeting, and reviewed with the board preliminary analyses of Peoples Energy and WPS Resources. The board discussed the status of the transaction and the various analyses presented with the advisors present. Following discussion of the proposed transaction, the board discussed making certain amendments to the change-in-control agreements in place for members of Peoples Energy management in order to address the lack of uniformity in providing post employment health insurance, as well as amendments necessary to comply with Section 409A of the Internal Revenue Code, to clarify the definition of "term", and to add a provision which would provide benefits to the employee upon a termination of employment without cause within six months of a change in control. At the conclusion of the meetings on June 7, the board agreed that management should continue negotiations with WPS Resources and conduct in-depth due diligence in support of the potential merger transaction. Following this meeting, Peoples Energy engaged Ernst & Young, Navigant Consulting, Inc., Sargent & Lundy LLC, LeBoeuf Lamb and Ungaretti & Harris LLP to provide assistance in the final stages of the due diligence investigation of WPS Resources.

On June 13, 2006, at a strategy retreat of the WPS Resources board of directors, management reported on the status of the preliminary merger discussions with Peoples Energy. The results of the preliminary investigation presented to the WPS Resources board of directors included analysis of various factors that would affect the value of the potential transaction to WPS Resources, including, but not limited to, earnings per share accretion/dilution, synergies and scalability, consistency of state regulatory models, regional diversity, opportunities for diversification, social issues, size of transaction and credit considerations. After considering the factors relevant to the evaluation of alternatives and the nature of discussions with Peoples Energy, the WPS Resources board of directors accepted management's recommendation that WPS Resources continue to pursue a possible business combination with Peoples Energy.

On June 14, 2006, Mr. Weyers called Mr. Patrick to inform him of the WPS Resources board of directors' decision to proceed to negotiate a potential merger with Peoples Energy. They discussed transaction structure, pricing, management and governance issues, executive compensation matters and a proposed schedule for due diligence and the negotiation of a definitive agreement, and Mr. Weyers reiterated WPS Resources' willingness to preserve Peoples Energy's current dividend level for its shareholders. During the conversation, they discussed that the transaction would be a stock-for-stock deal involving a fixed exchange ratio and that Peoples Energy shareholders would receive a premium consistent with comparable transactions. In addition, they agreed that the headquarters of the combined company would be in Chicago, Illinois, and discussed the size of the combined company board of directors and various other governance matters. They also discussed their respective management roles in a combined business, generally agreeing that Mr. Weyers would be the chief executive officer and that Mr. Boris would serve as a non-executive chairman.

During the later half of June and into early July, Cravath, Swaine & Moore, LLP and Foley & Lardner LLP, outside legal counsel for WPS Resources, and LeBoeuf Lamb and Ungaretti & Harris LLP, outside legal counsel for Peoples Energy, had several discussions, including with respect to legal documentation, the specific terms of a merger agreement and due diligence matters. The parties also commenced due diligence investigations of each other, and their respective outside legal counsel circulated drafts of transaction documents to the companies and their respective advisors for discussion.

On June 21, 2006, Mr. Boris received an unsolicited call from the chief executive officer of a company with electric and gas utility holdings (sometimes referred to as Company 3) expressing an interest in discussing a potential business combination with Peoples Energy. Mr. Boris returned this call the next day and, due to the preliminary nature of the inquiry, advised the executive that because of a variety of matters that were ongoing at Peoples Energy, Peoples Energy was not in a position to engage in discussions with Company 3 at this time, but that Mr. Boris would contact him if circumstances changed. Mr. Boris subsequently discussed this call with the Peoples Energy board of directors, and explained that in his judgment, given the advanced stage of the discussions with WPS Resources, it would not be advisable to commence discussions with Company 3 unless discussions with WPS Resources broke down. Mr. Boris' primary concern was that there was no assurance that discussions with Company 3 would lead to a transaction as favorable as the one with WPS Resources and that pursuing such discussions at that time would have jeopardized the potential transaction with WPS Resources. The board concurred with Mr. Boris' judgment.

On June 28, 2006, the Peoples Energy board of directors held a special meeting to consider the proposed strategic transaction with WPS Resources. At the meeting, members of senior management, including Mr. Patrick, updated the board with respect to negotiations with WPS Resources and with respect to the preliminary results of the due diligence investigation, including the reviews by Peoples Energy's outside experts and advisors, that had been conducted to date. Representatives of Booz Allen Hamilton attended the meeting and described to the board the scope of the analysis to be conducted of potential synergies that could be realized from the transaction and the cost to achieve those synergies. Representatives of Morgan Stanley also attended the meeting, and reviewed with the board updated preliminary valuation analyses of Peoples Energy and WPS Resources, as well as various pro forma financial analyses. Representatives of LeBoeuf, Lamb and Katten Muchin were also in attendance at the meeting, and reviewed with the board in detail the provisions of the draft merger agreement that had been negotiated, discussing all of the material terms of the agreement and noting areas where the two companies had not reached agreement. Following this review, the board indicated to Mr. Boris and Mr. Patrick its positions with respect to certain key provisions in the merger agreement. The board also received a report from a member of senior management and a representative of Schiff Hardin LLP in attendance with respect to the Illinois regulatory approval that would be required to consummate the proposed transaction. Following conclusion of the board meeting, Messrs. Weyers and Gallagher attended a dinner with the board for introductory purposes and to express their aspirations for the potential new company.

Throughout the week of July 3, 2006, the companies' respective outside legal counsel continued to exchange drafts of the merger agreement which were discussed among the companies and their respective advisors. During that week, each company also distributed to the other initial drafts of its disclosure letter. The proposed form of the amended and restated WPS Resources by-laws also was prepared and negotiated.

On July 5, 2006, certain members of senior management of WPS Resources and Peoples Energy met with representatives of Moody's and Standard & Poor's to discuss the proposed transaction and its potential impact on credit ratings.

On July 6, 2006, a news report was published regarding negotiations between WPS Resources and Peoples Energy relating to a potential merger. The companies publicly acknowledged that they were in discussions.

On July 6, 2006, at a special meeting of the WPS Resources board of directors, the senior management team updated the directors on due diligence, the status of discussions regarding terms of the potential merger with Peoples Energy and the key open due diligence items remaining to be addressed by each company. Outside counsel reviewed the board of directors' fiduciary obligations in the context of a potential merger transaction, discussed the due diligence reports, discussed the potential key terms of a merger agreement and outlined for the board of directors the various regulatory approvals that would be required and the likely timing for securing such approvals. Representatives of JPMorgan discussed with the board of directors various preliminary valuation matters regarding a potential transaction based on discussions completed to date.

From July 3, 2006, following the WPS Resources board meeting, through July 7, 2006, Messrs. Weyers and Patrick discussed economic terms in a series of telephone calls. Their respective financial advisors participated in several of these calls. The focus of the discussion was on a proposed exchange ratio for the merger. Over the course of these discussions, the parties narrowed the range between their positions.

On July 6, 2006, Mr. Boris received an unsolicited call from a member of senior management at Company 1, prompted by the news report that discussed the possibility that Peoples Energy was in discussions about a merger with WPS Resources. The next day, Mr. Boris called the Chief Executive Officer of Company 1, to elicit additional information on Company 1's proposal, and after briefly discussing the proposal, Company 1 agreed to send a written proposal to Peoples Energy that day.

On July 7, 2006, Company 1 subsequently delivered to Peoples Energy a written proposal to enter into discussions with respect to a business combination between the companies. The proposal indicated that Company 1 would be prepared to offer a premium of approximately 20% over the market price of Peoples Energy's shares prior to the July 6 news report regarding the potential merger, with consideration

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consisting of an unspecified mixture of stock and cash, subject to satisfactory completion of due diligence, negotiation of a definitive agreement and other contingencies. The proposal further expressed a willingness to explore mutually acceptable solutions with respect to maintaining the headquarters of Peoples Energy in Chicago, but did not address dividend policy on a going forward basis and did not discuss the regulatory plan that Company 1 would present to the ICC in connection with obtaining approval of the transaction.

On July 7, 2006, Mr. Boris called the chief executive officer of Company 3 to advise him that Peoples Energy would be willing to entertain a proposal from Company 3, but that Company 3 would need to move quickly as Peoples Energy was close to reaching a definitive agreement with WPS Resources. The chief executive officer responded that although Company 3 had an interest in Peoples Energy, it was not prepared to move quickly to make a proposal, and therefore would not pursue a transaction with Peoples Energy at this time.

On July 7, 2006, the Peoples Energy board of directors held a special meeting to consider the proposed strategic transaction with WPS Resources, with members of senior management and representatives of Peoples Energy's advisors in attendance. The board heard reports from Mr. Nardi on the final results of the due diligence review and the final results of the synergies analysis prepared by the managements of WPS Resources and Peoples Energy with the assistance of Booz Allen. Representatives of Morgan Stanley provided an update of their various preliminary financial analyses. Representatives of LeBoeuf Lamb and Katten Muchin then reviewed with the board the key terms of the current draft of the merger agreement, including those that had been resolved since the prior meeting, and identified the remaining items in the draft merger agreement that were not yet agreed. Mr. Boris noted that two of the key open issues were the exchange ratio and the regulatory approvals condition to closing. After board discussion of these points, the board instructed Mr. Boris and Mr. Patrick to seek a higher exchange ratio than the exchange ratio of 0.815 proposed by WPS Resources and to seek a regulatory approvals condition that would be less difficult to satisfy. The board also discussed the proposal received earlier that day from Company 1. Mr. Patrick reviewed with the board the proposal and the general terms and conditions for a transaction that had previously been discussed with Company 1 at prior meetings between Mr. Patrick and representatives of Company 1. Representatives from LeBoeuf Lamb and Katten Muchin reviewed with the board its legal responsibilities with respect to the proposed transaction with WPS Resources, as well as the proposal received from Company 1. The board discussed extensively the terms and conditions outlined in the proposal and determined that they were not specific enough to permit comparison of the benefits and risks of engaging in a business combination transaction with Company 1 as opposed to those inherent in the proposed transaction with WPS Resources. The board directed Mr. Boris and Mr. Patrick to gather additional information on the proposal, and in particular with respect to the price and consideration being offered, the timing of a transaction, regulatory strategy, dividend policy and its commitment to maintaining a presence in Chicago.

On July 7, 2006 and early July 8, 2006, there were several phone calls between Mr. Patrick and Mr. Weyers and among Messrs. Weyers, Gallagher, Patrick and Boris. During these calls unresolved issues concerning, among other things, the exchange ratio and conditions to closing, were discussed.

On July 8, 2006, the WPS Resources board of directors held a special meeting by telephone at 9:00 a.m. to consider the proposed merger. At the meeting, senior management updated the directors on the results of merger agreement negotiations. The board of directors discussed with management the business, operational and financial aspects of the proposed merger. Representatives of Cravath, Swaine & Moore LLP and Foley & Lardner LLP again reviewed with the board of directors their fiduciary obligations in the context of considering a proposed merger. They also reviewed with the board of directors in detail the terms of the then-current draft of the proposed merger agreement. They reported that all of the material terms had been negotiated and agreed, other than the exchange ratio. They also discussed with the board of directors the current drafts of the disclosure letters and the post-merger governance issues. The board of directors then adjourned the meeting until later that day.

-62-

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Subsequent to the WPS Resources board of directors meeting, Mr. Weyers and Mr. Patrick discussed the exchange ratio for the proposed merger, and Mr. Weyers advised Mr. Patrick that WPS Resources would agree to an exchange ratio of 0.825, but was not prepared to agree to an exchange ratio that was any higher. In addition, Mr. Weyers indicated to Mr. Patrick that if the negotiations were not completed by Sunday, July 9<sup>th</sup>, the WPS Resources board might reconsider its latest proposal and potentially withdraw from the transaction.

On July 8, 2006, Mr. Boris, Mr. Patrick and other members of Peoples Energy senior management participated in a conference call with members of senior management of Company 1 and discussed the price and consideration being offered by Company 1, the timing of a transaction, Company 1's regulatory strategy, Company 1's proposed dividend policy following a merger and Company 1's commitment to maintaining a presence in Chicago.

On July 8, 2006, the Peoples Energy board of directors held a special telephonic meeting to provide the board with the results of the conference call with Company 1 and to update the board on the merger negotiations with WPS Resources, with members of senior management and representatives of Peoples Energy's advisors in attendance. Mr. Patrick reviewed with the board Company 1's positions on the various items of the board's concern, and noted that Company 1's proposal included a significant cash component as part of the consideration, which could result in the transaction being taxable to Peoples Energy shareholders, the potential premium cited in Company 1's proposal was based upon the market price of Peoples Energy stock prior to the increase of the stock price after the publication of the July 6 news report regarding the

potential merger, and that there were other uncertainties associated with premium that might be obtained from Company 1, Company 1 would need several weeks to complete its due diligence and enter into a definitive agreement, the regulatory strategy outlined by Company 1, whereby ICC approval of the strategic transaction and utility rate cases would be sought simultaneously, appeared to entail greater risk than that of the proposed transaction with WPS Resources, Company 1 did not commit to maintaining Peoples Energy's current dividend level and that Company 1 was not willing to locate the headquarters of the combined company in Chicago, Illinois. The board of directors then discussed the foregoing factors, as well as Peoples Energy's prior negotiations with Company 1, the substantially complete transaction that had been negotiated with WPS Resources, the certainty of that transaction and the risk inherent in delaying that transaction, as well as the other factors outlined under the heading Peoples Energy's Reasons for the Merger; Recommendation of the Board of Directors. The board of directors also considered the possibility that WPS Resources might withdraw its offer if Peoples Energy sought to delay the transaction. Based on these factors, the board concluded that the proposal from Company 1 should not be pursued further unless a definitive agreement relating to a transaction could not be reached with WPS Resources. The board then reviewed the revised proposal from WPS Resources with respect to the exchange ratio, an increase from 0.815 to 0.825. After discussion by the board, Morgan Stanley rendered its oral opinion to the effect that, as of such date and based upon and subject to the assumptions made, matters considered and limitations on the review undertaken, the exchange ratio of 0.825 pursuant to the merger agreement was fair, from a financial point of view, to the holders of shares of common stock of Peoples Energy, which was subsequently confirmed in writing. See Opinion of Peoples Energy's Financial Advisor beginning on page [ ]. The board subsequently determined that, based on all of the factors considered, the proposed ratio was acceptable. Mr. Patrick then reviewed with the board the resolutions of the remaining open items, and after further discussion, the board unanimously approved the merger agreement with WPS Resources, and authorized senior management to conclude negotiations and finalize the agreement consistent with the terms discussed with the board.

The WPS Resources board of directors then met again on July 8, 2006 at a special meeting by telephone at 3:00 p.m. At the meeting, senior management updated the directors on the results of merger agreement negotiations. They reported that all of the material terms had been negotiated and agreed. Representatives of JPMorgan separately reviewed with the directors their financial analyses of the proposed merger. JPMorgan indicated that, based upon these analyses, it was prepared to render an opinion to the WPS Resources board of directors that, based upon and subject to the assumptions, qualifications and limitations described by it and to be set forth in its written opinions, the exchange ratio of 0.825 shares of WPS Resources common stock for each share of Peoples Energy common stock pursuant to the merger agreement was fair, from a financial point of view, to the WPS Resources shareholders. See Opinion of WPS Resources' Financial Advisor beginning on page [ ].

-63-

At the conclusion of the discussion, by unanimous vote of all of the directors present, the WPS Resources board of directors approved the merger agreement (subject to final negotiation to be completed by WPS Resources' senior executives, in their discretion) and the merger, as well as the issuance of shares of WPS Resources common stock in connection with the merger and the proposed amendment to the WPS Resources charter to change the company's name. The board of directors recommended that the issuance of shares of WPS Resources common stock in connection with the merger and the proposed name change be submitted for approval to the WPS Resources shareholders.

Following completion of the respective meetings of the boards of directors of WPS Resources and Peoples Energy, Messrs. Weyers and Patrick advised each other that their respective boards of directors had approved the proposed merger. They agreed to work out all final changes with the objective of signing the definitive documents in time for a public announcement on Monday, July 10, 2006. The companies and their outside legal counsel then agreed upon all final revisions to the definitive documents (in each case consistent with the terms that were approved by the respective boards of directors), including the disclosure letters. The companies then executed the definitive merger agreement and approved a joint press release for issuance on Monday morning, July 10, 2006, to announce the execution of the merger agreement.

#### **WPS Resources' Reasons for the Merger; Recommendation of the Board of Directors**

**The WPS Resources board of directors has unanimously approved the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger, the issuance of shares of WPS Resources common stock as contemplated by the merger agreement and the amendment of the restated articles of incorporation of WPS Resources to change its name to [ ], are advisable, fair to and in the best interests of WPS Resources and WPS Resources shareholders and unanimously recommends that WPS Resources shareholders vote FOR the proposal to approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement and vote FOR the proposal to approve the amendment to the restated articles of incorporation of WPS Resources to change its name.**

In reaching its decision to recommend that the WPS Resources shareholders approve the issuance of shares of WPS Resources common stock as contemplated by the merger agreement and approve the amendment to the restated articles of incorporation of WPS Resources to change its name to [ ], the WPS Resources board of directors consulted with WPS Resources management, as well as JPMorgan, WPS Resources' financial advisor in connection with the merger, and Cravath, Swaine & Moore LLP and Foley & Lardner LLP, each of which serve as outside counsel to WPS Resources in connection with the merger, and considered various other factors. The following discussion of the information and factors considered by the WPS Resources board of directors is not intended to be exhaustive. In view of the wide variety of factors considered by the WPS Resources board of directors in connection with its evaluation of the merger, the WPS Resources board of

directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. In considering the factors described below, individual members of the WPS Resources board of directors may have given different weight to different factors. The WPS Resources board of directors considered this information as a whole and considered overall the information and factors to be favorable to, and in support of, its determinations and recommendations. The material information and factors considered by the WPS Resources board of directors were the following:

-64-

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*Strategic Considerations.* The WPS Resources board of directors considered a number of factors pertaining to the strategic rationale for the merger, including the following:

*Increased Scale, Scope and Regulatory Diversification.* The WPS Resources board of directors considered that the merger will create a combined company with increased scale and scope in both regulated utility and non-regulated businesses. The merger will create a larger company with total assets of approximately \$9.2 billion calculated on a pro forma historical combined basis. The combined company will have non-regulated natural gas volumes of approximately 692 (Bcf) and non regulated electric volumes of approximately 9,986 (Gwh), in each case calculated on a pro forma historical combined basis. The WPS Resources board of directors considered that the increased scale of the combined company and the adoption of best practices by the combined company is expected to create value for WPS Resources stakeholders through the realization of synergies from the merger, although the WPS Resources board of directors noted that there is no assurance that any particular level of synergies will be achieved. The WPS Resources board of directors considered that the combined company will have greater diversification of regulatory regimes. By extending its operations across several states, the merger will diversify WPS Resources regulatory risk by increasing utility operations in multiple jurisdictions, with combined company regulated utility businesses in Wisconsin, Michigan, Minnesota and Illinois. The WPS Resources board of directors considered the regulatory diversification provided by the merger as a continuation of the regulatory diversification achieved through WPS Resources recent purchase of Aquila's natural gas distribution assets in Michigan and Minnesota. Additionally, the WPS Resources board of directors considered that the increased scale and diversification of the combined company's operations are expected to support the combined company's strategic initiatives and provide additional financial flexibility.

*Stronger Regulated Utility Platform.* The WPS Resources board of directors considered that the merger should result in a large percentage of the combined company's earnings being derived from the more stable regulated businesses. The combined company will own a stronger portfolio of regulated utility businesses with over 1.6 million regulated natural gas customers and 477,000 regulated electric customers, in each case, calculated on a pro forma historical combined basis. The combined company will have significant capital investment opportunities in its regulatory operations, including the completion of the Weston 4 project and accelerated infrastructure capital expenditures in Illinois (subject to appropriate rate recovery treatment).

*Complimentary Geography and Non-regulated Energy Marketing.* The WPS Resources board considered that the combined company will operate regulated utility businesses in four adjacent states in the Midwest, which should be beneficial in the integration and management of the combined company. The WPS Resources board considered that WPS Resources and Peoples Energy have complementary non-regulated energy marketing businesses, which will provide the combined company with a strong growth platform and more diversified presence in attractive markets. The combined company will have strategic opportunities to grow its current non-regulated services by focusing on WPS Resources and Peoples Energy's combined non-regulated retail and wholesale operations, disciplined risk management, and expanding into new territories.

*Shared Vision.* The WPS Resources board of directors considered that WPS Resources and Peoples Energy share a common vision of the future of consolidation in the utility sector and the present and future effect of deregulation on energy companies. WPS Resources believes this shared vision will ease the integration of WPS Resources and Peoples Energy and better enable the combined company to effectively implement its business plan following consummation of the merger.

*Combined Expertise.* The WPS Resources board of directors considered that the merger will combine complementary areas of expertise of each company. The combined company is expected to be able to draw upon the intellectual capital, technical expertise, processes, practices and experience of a deeper, more diverse workforce and to leverage the best practices of WPS Resources and Peoples Energy.

-65-

*Enhancement of Equity Market Profile.* The WPS Resources board of directors considered that the combined company should have a larger market capitalization, which is expected to enhance the equity market profile of the combined company. The merger will create a larger public company with an estimated market capitalization of \$3.6 billion. The WPS Resources board of directors considered that a larger market capitalization will make the combined company a more attractive investment to institutional investors, increase the analyst coverage of the combined company and increase the liquidity of the publicly traded common stock of the combined company.

*Impact of the Merger on Customers, Employees and Suppliers.* The WPS Resources board of directors evaluated the expected impact of the merger on WPS Resources' customers, employees and suppliers and the benefits that are expected to be derived from the merger, including increased operating efficiencies, reduced costs and better system reliability. The WPS Resources board of directors considered that there should be more opportunities for employees in a larger, more competitive company.

*Impact of the Merger on Communities.* The WPS Resources board of directors evaluated the expected impact of the merger on the communities served by WPS Resources and the benefits that will likely result to these communities from the greater strength of the combined company as compared to WPS Resources on a stand-alone basis and the likely improvements in the overall reliability and quality of service. The WPS Resources board of directors also determined that WPS Resources' regulated utility, WPSC, will maintain its headquarters in Green Bay, Wisconsin and that the non-regulated energy marketing business of the combined company will be headquartered in the Green Bay, Wisconsin area, and that the combined company will maintain a civic, community and philanthropic presence in the communities their regulated utilities serve.

*Financial Considerations.* The WPS Resources board of directors considered the expected financial impact of the merger on WPS Resources, including that the merger is expected to be accretive to shareholders of the combined company in 2008 (assuming closing in the first calendar quarter of 2007), excluding transaction costs and the effects of purchase accounting, and that the accretive nature of the transaction should result in increased earnings per share of the combined company. The WPS Resources board of directors also considered the historic financial condition, operating results and businesses of WPS Resources and Peoples Energy, including information with respect to their respective earnings histories. The WPS Resources board of directors also considered that the merger was expected to result in an increased dividend for holders of WPS Resources common stock at or just prior to the merger.

*Opinion of Financial Advisors.* The WPS Resources board of directors considered the financial analyses and presentations of JPMorgan, as presented to the WPS Resources board of directors on July 6, 2006 and July 8, 2006, and JPMorgan's oral opinion given on July 8, 2006 (and subsequently confirmed in writing as of July 8, 2006) that as of that date and subject to and based upon the assumptions, qualifications and limitations discussed in such opinion, the Exchange Ratio pursuant to the merger agreement was fair, from a financial point of view, to WPS Resources. See [Opinion of WPS Resources' Financial Advisor](#) beginning on page [ ].

*Strategic Alternatives.* The WPS Resources board of directors considered the trends and competitive developments in the industry and the range of strategic alternatives available to WPS Resources, including the possibility of business combinations with other participants in the industry or continuing to operate as a stand-alone entity.

*Synergies.* The WPS Resources board of directors considered that, although no assurance can be given that any particular level of cost savings and other synergies will be achieved, based on an analysis developed by the managements of WPS Resources and Peoples Energy with the assistance of an outside consultant, an estimated \$80 million of annual synergies could be realized by the end of the third full year of operations following completion of the merger, with approximately \$72 million derived from the regulated businesses and \$8 million from the non-regulated businesses (these numbers have subsequently been revised to an estimated \$94 million of annual synergies that could be realized by the end of the fifth full year of operations, with approximately \$87 million derived from the regulated businesses and \$7 million from the non-regulated businesses). The WPS Resources board of directors took note of the fact that the synergy numbers were estimates, that they may change, that regulators could establish requirements for returning to customers some or all of the synergies derived from regulated businesses and that achieving the synergies is subject to a number of uncertainties. See [Risk Factors - Risks Relating to the Merger](#) beginning on page [ ] for more details.

-66-

*Terms of the Merger Agreement.* The WPS Resources board of directors reviewed and considered the terms of the merger agreement, including the fixed nature of the Exchange Ratio, the restrictions on each party's operations between the signing of the merger agreement and the closing of the transaction, the representations and warranties of each party, the conditions to each party's obligation to complete the merger, the rights of each party to consider and engage in negotiations regarding potentially superior proposals, the rights of each party to withdraw or otherwise change its recommendation to its shareholders in favor of the proposals related to the merger agreement, the rights of each party to terminate the merger agreement and the obligations of each party to pay a termination fee or reimburse the other party for expenses. See [The](#)

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Merger Agreement beginning on page [ ] for a detailed discussion of the terms and conditions of the merger agreement.

*Likelihood of Completion of the Merger.* The WPS Resources board of directors considered the likelihood that the merger will be completed on a timely basis, including the likelihood that the merger will receive all necessary regulatory approvals without unacceptable conditions. The WPS Resources board of directors took note of the closing condition in the merger agreement that neither WPS Resources nor Peoples Energy is required to complete the merger if any governmental authority were to impose terms or conditions in connection with the required statutory approvals that would reasonably be expected to have a material adverse effect on either party. The WPS Resources board of directors also took note of the closing condition in the merger agreement that neither WPS Resources nor Peoples Energy is required to complete the merger if the merger and any related affiliated interest agreements have not been approved by the ICC or the PSCW, as applicable, with only such terms or conditions as in the aggregate would not reasonably be expected to have a material adverse effect on the regulatory prospects of Peoples Energy and its subsidiaries taken as a whole in the State of Illinois or the regulatory prospects of WPS Resources and its subsidiaries taken as a whole in the State of Wisconsin. The WPS Resources board of directors further considered the potential length of the regulatory approval process and that the merger agreement provides that, subject to certain exceptions, it may not be terminated until July 8, 2007, which may be extended to January 8, 2008 under specified circumstances.

*Post-Merger Corporate Governance.* The WPS Resources board of directors considered the corporate governance provisions of the merger agreement and the amended by-laws of WPS Resources to be adopted upon completion of the merger, including that, upon completion of the merger, the board of directors of the combined company will be composed of seven of the Peoples Energy directors (or others designated by Peoples Energy) and the nine WPS Resources directors (or others designated by WPS Resources), that Mr. James Boris, the current lead director of Peoples Energy, will serve as non-executive Chairman of the board of directors of the combined company and Mr. Larry Weyers, current Chairman of the board of directors, Chief Executive Officer and President of WPS Resources, will serve as the Chief Executive Officer and President of the combined company. See Post-Merger Governance and Management beginning on page [ ] for further information.

The WPS Resources board of directors also considered potential risks associated with the merger, including the following:

*Peoples Energy Business Risks.* The WPS Resources board of directors considered certain risks associated with Peoples Energy's business and operations, including the potential impact of Peoples Energy's relationship with the ICC, the regulatory and legislative environment in Illinois, the prospect of a new rate application by Peoples Energy's regulated utility subsidiaries, the potential impact of the Settlement and Release Agreement with the Illinois Attorney General, the City of Chicago and the Citizens Utility Board, the ICC review of Peoples Energy's corrosion control inspection and Peoples Energy's various contingent liabilities.

*Termination Fee; Alternative Proposals.* The WPS Resources board of directors considered the risk that, although WPS Resources has the right under certain limited circumstances to consider and participate in negotiations with respect to proposals for alternative transactions, the provisions of the merger agreement relating to the potential payment of a termination fee of \$45 million may have the effect of discouraging such proposals. In addition, the WPS Resources board of directors considered that the merger agreement includes other customary restrictions on the ability of WPS Resources to solicit offers for alternative proposals or engage in discussions regarding such proposals, subject to exceptions, which could have the effect of discouraging such proposals from being made or pursued. The WPS Resources board of directors understood that these provisions may have the effect of discouraging alternative proposals and may make it less likely that the transactions related to such proposals would be negotiated or pursued, even if potentially more favorable to the shareholders of WPS Resources than the merger. See The Merger Agreement Termination of Merger Agreement Termination Fees/Reimbursement of Expenses Payable by WPS Resources beginning on page [ ] for further information regarding such fees and expenses.

-67-

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*Employee Matters.* The WPS Resources board of directors considered the impact that business uncertainty pending completion of the merger could have on the ability to attract, retain and motivate key personnel until the merger is completed. The WPS Resources board of directors noted that the consummation of the merger will not trigger payments or other benefits under the terms of WPS Resources' various employee benefit plans and agreements.

*Additional Interests of Executive Officers and Directors.* The WPS Resources board of directors considered that certain executive officers and directors of WPS Resources may have interests with respect to the merger in addition to their interests as shareholders of WPS Resources. See Additional Interests of Peoples Energy's and WPS Resources' Directors and Executive Officers in the Merger beginning on page [ ] for further information.

*Diversion of Management.* The WPS Resources board of directors considered the possible diversion of management's time and attention from WPS Resources' ongoing business due to the substantial time and effort necessary to complete the merger and plan for and implement the integration of the operations of WPS Resources and Peoples Energy.

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The WPS Resources board of directors realized that there can be no assurance about future results, including results considered or expected as described in the factors listed above, such as assumptions regarding potential synergies. It should be noted that this explanation of the WPS Resources board of directors' reasoning and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Note Regarding Forward-Looking Statements" beginning on page [ ].

The WPS Resources board of directors concluded that, overall, the potential benefits of the merger to WPS Resources and its shareholders outweighed the risks.

### Opinion of WPS Resources' Financial Advisor

Pursuant to an engagement letter dated May 13, 2005, as extended by a letter agreement dated May 31, 2006, WPS Resources retained JPMorgan to serve as its financial advisor and deliver a fairness opinion in connection with the merger.

At the meeting of the WPS Resources board of directors on July 8, 2006, JPMorgan rendered its oral opinion to the WPS Resources board of directors (as subsequently confirmed in writing in an opinion dated July 8, 2006) that, as of such date and based upon and subject to the factors and assumptions set forth in its opinion, the Exchange Ratio pursuant to the merger agreement was fair, from a financial point of view, to WPS Resources. No limitations were imposed by the WPS Resources board of directors upon JPMorgan with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of the written opinion of JPMorgan dated July 8, 2006, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. WPS Resources' shareholders are urged to read the opinion in its entirety. JPMorgan's written opinion is addressed to the WPS Resources board of directors, is directed only to the Exchange Ratio in the merger and does not constitute a recommendation to any shareholder of WPS Resources as to how such shareholder should vote at the WPS Resources special meeting. The summary of the opinion of JPMorgan set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

-68-

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In arriving at its opinion, JPMorgan, among other things:

reviewed a draft dated July 7, 2006 of the merger agreement;

reviewed certain publicly available business and financial information concerning WPS Resources and Peoples Energy and the industries in which they operate;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

compared the financial and operating performance of WPS Resources and Peoples Energy with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of WPS Resources common stock and Peoples Energy common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the managements of WPS Resources and Peoples Energy relating to their respective businesses, as well as the estimated amount and timing of cost savings and related expenses and synergies expected to result from the merger;

reviewed reserve reports prepared by independent oil and gas engineers with respect to certain production assets of Peoples Energy; and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of its opinion.

JPMorgan also held discussions with certain members of the management of WPS Resources and Peoples Energy with respect to certain aspects of the merger, the past and current business operations of WPS Resources and Peoples Energy, the financial condition and future prospects and operations of WPS Resources and Peoples Energy, the effects of the merger on the financial condition and future prospects of WPS Resources, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.



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JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JPMorgan by WPS Resources and Peoples Energy or otherwise reviewed by or for JPMorgan. JPMorgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities (other than the reserve reports referred to above), nor did JPMorgan evaluate the solvency of WPS Resources or Peoples Energy under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to it, including the synergies and reserve reports referred to above, JPMorgan assumed that they were reasonably prepared based on assumptions reflecting the best then currently available estimates and judgments by management as to the expected future results of operations and financial condition of WPS Resources and Peoples Energy to which such analyses or forecasts relate (and in the case of the reserve reports, the best currently available estimates and judgments of the engineers who prepared such reserve reports). JPMorgan expressed no view as to such analyses or forecasts (including the synergies and reserve reports) or the assumptions on which they were based. JPMorgan also assumed that the merger will qualify as a tax-free reorganization for United States federal income tax purposes, and that the definitive merger agreement would not differ in any material respect from the draft thereof provided to JPMorgan. JPMorgan relied as to all legal matters relevant to the rendering of its opinion upon the advice of counsel. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on WPS Resources or Peoples Energy or on the contemplated benefits of the merger, and that all other conditions to the merger will be satisfied in all material respects.

-69-

The projections furnished to JPMorgan for WPS Resources and Peoples Energy were prepared by the respective managements of each company. Neither WPS Resources nor Peoples Energy publicly discloses internal management projections of the type provided to JPMorgan in connection with JPMorgan's analysis of the merger, and such projections were not prepared with a view toward public disclosure. These projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections.

JPMorgan's opinion is based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of its opinion. Subsequent developments may affect JPMorgan's opinion, and JPMorgan does not have any obligation to update, revise, or reaffirm such opinion. JPMorgan's opinion is limited to the fairness, from a financial point of view, to WPS Resources of the Exchange Ratio in the merger, and JPMorgan has expressed no opinion as to the fairness of the merger to, or any consideration of, the holders of any class of securities, creditors or other constituencies of WPS Resources or as to the underlying decision by WPS Resources to engage in the merger. JPMorgan expressed no opinion as to the price at which the WPS Resources common stock or Peoples Energy common stock will trade at any future time.

JPMorgan's opinion and financial analyses were only one of many factors considered by the WPS Resources board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the WPS Resources board of directors or management with respect to the merger or the Exchange Ratio.

In accordance with customary investment banking practice, JPMorgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses performed by JPMorgan in connection with providing its opinion to the WPS Resources board of directors on July 8, 2006. Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the tables without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

**Comparable Publicly Traded Companies Analysis.** Using publicly available information, JPMorgan compared selected financial data of WPS Resources and Peoples Energy with similar data for selected publicly traded companies engaged in businesses which JPMorgan judged to be reasonably comparable to the businesses of WPS Resources and Peoples Energy.

JPMorgan reviewed the trading and operating statistics of the following selected publicly traded companies in the power and utility industry:

### **WPS Resources Public Comparables**

Allete, Inc.  
Alliant Energy Corporation  
Idacorp, Inc.  
MDU Resources Group, Inc.  
Otter Tail Corporation  
Wisconsin Energy Corporation  
Xcel Energy Inc.

### **Peoples Energy Public Comparables**

Equitable Resources, Inc.  
National Fuel Gas Company  
Nicor Inc.  
Northwest Natural Gas Company  
ONEOK, Inc.  
Piedmont Natural Gas Company Inc.  
Questar Corporation

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Based on the above companies' closing stock prices on July 5, 2006, JPMorgan calculated the ratio of stock price to 2006 and 2007 estimated earnings per share (sometimes referred to in this joint proxy statement/prospectus as EPS) and the ratio of firm value (calculated as equity value, plus debt, plus minority interest, less cash and cash equivalents) to 2006 and 2007 estimated EBITDA (earnings before interest, taxes, depreciation and amortization).

-70-

This analysis indicated the following firm value and stock price multiples:

	<b>Stock price as a multiple of estimated EPS</b>		<b>Firm value as a multiple of estimated EBITDA</b>	
	<b>2006E</b>	<b>2007E</b>	<b>2006E</b>	<b>2007E</b>
	<b>WPS Resources Public Comparables</b>			
Median	15.8x	15.1x	8.0x	7.4x
Mean	16.1x	15.0x	8.0x	7.6x

	<b>Stock price as a multiple of estimated EPS</b>		<b>Firm value as a multiple of estimated EBITDA</b>	
	<b>2006E</b>	<b>2007E</b>	<b>2006E</b>	<b>2007E</b>
	<b>Peoples Energy Public Comparables</b>			
Median	16.6x	15.2x	8.0x	7.5x
Mean	16.6x	15.3x	8.3x	7.7x

Based on the current trading multiples of the comparable companies, JPMorgan applied a range of multiples of estimated 2006 and 2007 EBITDA and EPS to the corresponding financial data regarding WPS Resources and to normalized financial data regarding Peoples Energy provided to JPMorgan by WPS Resources management, without giving effect to potential net synergies related to the merger, to derive an implied range of values for shares of WPS Resources and Peoples Energy common stock. WPS Resources management indicated its belief that 2006 and 2007 financial projections for Peoples Energy did not accurately represent ongoing profitability of Peoples Energy's regulated natural gas distribution business. Therefore, in order to more accurately approximate ongoing profitability of the regulated natural gas distribution business of Peoples Energy, JPMorgan utilized normalized financial data for Peoples Energy for the 2006 and 2007 fiscal years assuming normalized EBITDA and EPS for the Peoples Energy regulated natural gas distribution business based on a three-year historical average. Based on the share values derived from this analysis, JPMorgan determined the following implied exchange ratio ranges of shares of WPS Resources common stock for each share of Peoples Energy common stock, as compared to the Exchange Ratio of 0.825 in the merger:

<b><u>Metrics</u></b>	<b><u>Implied exchange ratio range</u></b>	
Firm value as a multiple of 2006 estimated EBITDA	0.630x	0.971x
Firm value as a multiple of 2007 estimated EBITDA	0.550x	0.848x
Stock price as a multiple of 2006 estimated EPS	0.607x	0.780x
Stock price as a multiple of 2007 estimated EPS	0.536x	0.700x

In addition, WPS Resources management indicated that Peoples Energy's regulated natural gas distribution business is likely to return to a profitability level more comparable with historical levels in fiscal year 2008. As limited information was available on 2008 trading multiples for WPS Resources and Peoples Energy's public company peers, JPMorgan applied a range of multiples of estimated 2007 EBITDA and EPS to the corresponding 2008 financial data regarding WPS Resources and Peoples Energy provided to JPMorgan by WPS Resources management, without giving effect to potential net synergies related to the merger, to derive an implied range of values for shares of WPS Resources and Peoples Energy common stock. JPMorgan discounted back the implicit share prices for each company by one year. Based on the share value ranges derived from this analysis, JPMorgan determined the following implied exchange ratio ranges of shares of WPS Resources common stock for each share of Peoples Energy common stock, as compared to the Exchange Ratio of 0.825 in the merger:

<b><u>Metrics</u></b>	<b><u>Implied exchange ratio range</u></b>	
Firm value as a multiple of adjusted 2007 estimated EBITDA	0.678x	1.028x
Stock price as a multiple of adjusted 2007 estimated EPS	0.594x	0.775x

-71-

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JPMorgan noted that none of the selected comparable companies is either identical or directly comparable to WPS Resources or Peoples Energy and that any analysis of selected companies necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading of the selected companies. The financial estimates for Peoples Energy were adjusted to a calendar year basis to estimate a December 31 fiscal year end.

**Selected Transaction Analysis.** Using publicly available information, JPMorgan examined selected transactions where JPMorgan judged the target business to be reasonably comparable with Peoples Energy's business. Specifically, JPMorgan reviewed the following transactions:

### **Integrated companies**

#### **Target**

KeySpan Corporation  
 Constellation Energy Group, Inc.  
 PacifiCorp  
 Cinergy Corp.  
 Public Service Enterprise Group Incorporated  
 TNP Enterprises, Inc.  
 Illinois Power Company  
 UniSource Energy Corporation  
 Portland General Electric Company  
 CILCORP Inc.  
 RGS Energy Group, Inc.  
 Conectiv  
 GPU, Inc.  
 Unicom Corporation  
 New Century Energies, Inc.  
 Central & South West Corporation

#### **Acquirer**

National Grid TransCo plc  
 FPL Group, Inc.  
 MidAmerican Energy Company  
 Duke Energy Corporation  
 Exelon Corporation  
 PNM Resources, Inc.  
 Ameren Corporation  
 Financial consortium  
 Texas Pacific Group  
 Ameren Corporation  
 Energy East Corporation  
 Potomac Electric Power Company  
 FirstEnergy Corp.  
 PECO Energy Company  
 Northern States Power Company  
 American Electric Power Company, Inc.

### **Gas distribution**

#### **Target**

Dominion Resources, Inc. - LDC assets  
 Southern Union Company - Rhode Island gas distribution assets  
 PG Energy  
 Aquila, Inc. - LDC assets  
 TXU Gas Company  
 North Carolina Natural Gas Corporation  
 Southern Union Company - Texas gas distribution assets

#### **Acquirer**

Equitable Resources, Inc.  
 National Grid plc  
 UGI Corporation  
 WPS Resources Corporation  
 Atmos Energy Corporation  
 Piedmont Natural Gas, Inc.  
 ONEOK, Inc.

### **Firm value as a multiple of EBITDA for the trailing twelve-months prior to transaction announcement**

	Mean	Median
Integrated companies	8.2x	8.1x
Gas distribution	9.2x	9.3x

Based on these precedent transactions, JPMorgan applied a range of 9.0x to 10.0x EBITDA multiple to Peoples Energy's EBITDA for the twelve months ended March 31, 2006 to derive an implied range of values for shares of Peoples Energy common stock. To derive an implied range of values for shares of WPS Resources common stock, JPMorgan assumed the average valuation range for WPS Resources derived from the Comparable Publicly Traded Companies analysis described above. Based on these value ranges, JPMorgan determined an implied exchange ratio range of 0.690x to 0.966x shares of WPS Resources common stock for each share of Peoples Energy common stock, as compared to the Exchange Ratio of 0.825 in the merger.

In addition, based on the precedent transactions, JPMorgan applied a premium of 13% to 21% to Peoples Energy's price per share as of July 5, 2006 and compared the resulting price range to WPS Resources' price per share as of the same date. Based on these value ranges, JPMorgan determined an implied exchange ratio range of 0.810x to 0.868x shares of WPS Resources common stock for each share of Peoples Energy

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common stock, as compared to the Exchange Ratio of 0.825 in the merger.

JPMorgan noted that none of the target companies in the selected comparable transactions is either identical or directly comparable to Peoples Energy and that any analysis of comparable transactions necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the transaction valuation of the selected transactions.

**Discounted Cash Flow Analysis.** JPMorgan conducted a discounted cash flow analysis for WPS Resources and Peoples Energy for the purpose of determining the fully diluted equity value for each share of the companies' respective common stocks based on the expected future cash flows to be generated by each company, as described below. Utilizing these implied values, JPMorgan then calculated implied exchange ratio ranges.

**WPS Resources:** JPMorgan calculated the unlevered free cash flows that WPS Resources is expected to generate during fiscal years 2006 through 2010, based upon financial projections prepared by the management of WPS Resources through the years ended 2010 and upon management projections adjusted by JPMorgan to reflect more moderate growth in revenues and lower operating margins during the terminal-year period. Unlevered free cash flow represents the amount of cash generated and available for principal, interest and dividend payments after providing for ongoing business operations. JPMorgan also calculated a range of terminal asset values of WPS Resources at the end of the five-year period ending 2010 by applying a perpetual growth rate ranging from 1.75% to 2.25% of the unlevered free cash flow of WPS Resources during the final year of the five-year period. The unlevered free cash flows and the range of terminal asset values were then discounted to present values using a weighted average discount rate of 7.25%, which was chosen by JPMorgan based upon an analysis of the weighted average cost of capital of WPS Resources. The value of WPS Resources common stock was derived from the discounted cash flow range by subtracting WPS Resources' debt and adding cash and cash equivalents outstanding as of March 31, 2006, adjusted for recent company events, based on estimates provided by Peoples Energy management.

**Peoples Energy:** JPMorgan calculated the unlevered free cash flows that Peoples Energy is expected to generate, excluding cash flows from Peoples Energy's oil and gas production business, during fiscal years 2006 through 2010, with and without giving effect to potential net synergies related to the merger, based upon financial projections prepared by Peoples Energy management, as adjusted by WPS Resources management and provided to JPMorgan by WPS Resources management. Unlevered free cash flow represents the amount of cash generated and available for principal, interest and dividend payments after providing for ongoing business operations. JPMorgan also calculated a range of terminal asset values at the end of the five-year period ending 2010 by applying a perpetual growth rate ranging from 1.25% to 1.75% of the unlevered free cash flows during the final year of the five-year period. The unlevered free cash flows and the range of terminal asset values were then discounted to present values using a weighted average discount rate of 6.75%, which was chosen by JPMorgan based upon an analysis of the weighted average cost of capital of Peoples Energy, excluding the oil and gas production business. JPMorgan performed a separate valuation of Peoples Energy's oil and gas production business based on a net asset value analysis utilizing reserve and operating data provided by Peoples Energy management. JPMorgan calculated the unlevered free cash flows that Peoples Energy's oil and gas production business is expected to generate based on the current reserve life of the assets. The unlevered free cash flows were then discounted to present values using a weighted average discount rate of 8.0%, which was chosen by JPMorgan based upon an analysis of the weighted average cost of capital of similar oil and gas operations. The value of Peoples Energy common stock was derived from the sum total of these discounted cash flow ranges by subtracting Peoples Energy's debt and adding cash and cash equivalents outstanding as of March 31, 2006, adjusted for recent company events.

Using the range of implied equity values for WPS Resources and Peoples Energy computed as described above, JPMorgan then calculated a range of implied exchange ratios. The high and the low implied exchange ratio were calculated by dividing the highest per share value for Peoples Energy by the lowest per share value for WPS Resources and the lowest per share value for Peoples Energy by the highest per share value for WPS Resources, respectively. This analysis indicated the following implied exchange ratio ranges (with and without giving effect to potential net synergies related to the merger), as compared to the Exchange Ratio of 0.825 in the merger.

-73-

### **Implied exchange ratio without net synergies**

0.661x 0.882x

### **Implied exchange ratio with net synergies**

0.820x 1.069x

**Historical Exchange Ratio Analysis.** JPMorgan reviewed the historical average exchange ratio between WPS Resources and Peoples Energy common stocks as of July 5, 2006 and for the one-month, six-month, one-year and two-year periods ending July 5, 2006. The historical average exchange ratios were calculated by dividing the average closing price per share of Peoples Energy common stock by the average closing price per share of WPS Resources common stock for the indicated periods. This review indicated the implied exchange ratios set out in the table below, as compared to the Exchange Ratio of 0.825 in the merger.

### **Period ended July 5, 2006**

### **Exchange ratio**

One-day	0.717x
One-month average	0.739x

Gas distribution

**Period ended July 5, 2006**

	<b>Exchange ratio</b>
Six-month average	0.712x
One-year average	0.702x
Two-year average	0.770x

JPMorgan also reviewed the respective one-year trading ranges of WPS Resources and Peoples Energy and calculated the implied exchange ratios by dividing Peoples Energy's 52-week high by WPS Resources' 52-week low and by dividing Peoples Energy's 52-week low by WPS Resources' 52-week high. This resulted in an exchange ratio range of 0.572x to 0.961x shares of WPS Resources common stock for each share of Peoples Energy common stock, as compared to the proposed Exchange Ratio of 0.825 in the merger.

***Analysis of Merger Impact on Earnings.*** JPMorgan analyzed the expected impact of the merger on WPS Resources' estimated EPS for years 2007, 2008 and 2009, after giving effect to potential synergies related to the merger, but excluding transaction related expenses and purchase accounting adjustments. Based on the terms of the merger and using financial projections for WPS Resources provided by WPS Resources management, financial projections for Peoples Energy prepared by Peoples Energy management, as adjusted by WPS Resources management and provided to JPMorgan by WPS Resources management, and estimates of potential synergies provided jointly by WPS Resources and Peoples Energy management, JPMorgan's analysis indicated that the merger can be expected to be accretive to WPS Resources EPS in 2008 and 2009. JPMorgan noted that actual results may vary from projected results and the variations may be material.

***Miscellaneous.*** The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by JPMorgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, JPMorgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, JPMorgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by JPMorgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, JPMorgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. None of the selected companies reviewed as described in the above summary is identical to WPS Resources or Peoples Energy, and none of the selected transactions reviewed was identical to the merger. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of JPMorgan's analysis, may be considered similar to those of WPS Resources or Peoples Energy. The transactions selected were similarly chosen because their participants, size and other factors, for purposes of JPMorgan's analysis, may be considered similar to the merger. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to WPS Resources or Peoples Energy and the transactions compared to the merger.

-74-

As a part of its investment banking business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. JPMorgan was selected to serve as financial adviser to WPS Resources with respect to the merger and to deliver an opinion to the WPS Resources board of directors with respect to the merger on the basis of such experience and its familiarity with WPS Resources.

For services rendered in connection with the merger and the delivery of its opinion, WPS Resources has agreed to pay JPMorgan a fee of \$7 million, one-third of which was paid upon the execution of the merger agreement, one-third of which is payable upon Peoples Energy shareholder approval of the merger agreement and WPS Resources shareholder approval of the share issuance and the amendment to the restated articles of incorporation of WPS Resources to change its name, and one-third of which is payable upon completion of the merger. At the closing of the transaction, WPS Resources may pay JPMorgan an additional fee of \$2 million, in its sole discretion, based on the results obtained in connection with the merger and any other factors that WPS Resources deems relevant. In addition, WPS Resources has agreed to reimburse JPMorgan for its expenses incurred in connection with its services including the reasonable fees of counsel (provided that reimbursable expenses may not exceed \$150,000 without prior approval of WPS Resources), and WPS Resources has agreed to indemnify JPMorgan for certain liabilities arising out of its engagement. JPMorgan and its affiliates have provided in the past, and may in the future provide, investment banking, commercial banking and other financial services for each of WPS Resources and Peoples Energy. Such past services for WPS Resources have included acting as financial advisor to WPS Resources in connection with its acquisition of the Michigan and Minnesota natural gas distribution assets of Aquila, Inc. in April and July 2006 and providing bridge financing in connection therewith, acting as a lead arranger, bookrunner and agent on certain credit facilities of WPS Resources in November 2005 and June 2006, and acting as a bookrunner and structuring agent of an offering by WPS Resources of its common equity in November 2005 (including a forward sale agreement which settled in May 2006). Such past services for Peoples Energy have included acting as a lead arranger, bookrunner and/or agent on certain credit facilities of Peoples Energy and its affiliates, including in July 2005, November 2005 and June 2006, and acting as placement agent in offerings of Peoples Energy's tax exempt bonds in 2004, 2005 and 2006. JPMorgan's commercial bank affiliates are lenders to each of WPS Resources and Peoples Energy. In the

ordinary course of JPMorgan's businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of WPS Resources or Peoples Energy for JPMorgan's own account or for the accounts of customers and, accordingly, JPMorgan may at any time hold long or short positions in such securities.

### Peoples Energy's Reasons for the Merger; Recommendation of the Board of Directors

**The Peoples Energy board of directors has approved the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Peoples Energy and its shareholders, and unanimously recommends that Peoples Energy shareholders vote FOR the proposal to approve the merger agreement and FOR the proposal to adjourn the Peoples Energy special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement.**

In reaching its determination to recommend the approval of the merger agreement and the merger, the Peoples Energy board of directors consulted with management, as well as Morgan Stanley & Co. Incorporated, Peoples Energy's financial advisor, LeBoeuf Lamb, and Katten Muchin, as well as Schiff Hardin LLP, Peoples Energy's regulatory counsel, and Ungaretti & Harris LLP, Peoples Energy's corporate counsel, and considered various material factors, which are discussed below. The following discussion of the information and factors considered by the Peoples Energy board of directors is not intended to be exhaustive. In view of the wide variety of factors considered in connection with the merger, the Peoples Energy board of directors did not consider it practical to, and did not attempt to, quantify or otherwise assign relative weights to the specific material factors it considered in reaching its decision. In addition, individual members of the Peoples Energy board of directors may have given different weights to different factors. The Peoples Energy board of directors considered this information and these factors as a whole, and overall considered the relevant information and factors to be favorable to, and in support of, its determinations and recommendations. Among the material information and factors considered by the Peoples Energy board of directors were the following:

-75-

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*Strategic Considerations.* The Peoples Energy board of directors considered a number of factors pertaining to the strategic rationale for the merger, including the following:

*Increased Scale and Scope.* The merger will create a combined company with increased scale and scope in energy delivery, including four natural gas utilities, one electric utility, and one integrated electric and natural gas utility in Wisconsin, Illinois, Michigan and Minnesota, serving approximately 1.6 million natural gas customers and 477,000 regulated electric customers. As a result, the combined company will be better positioned to compete in a consolidating industry.

*Achieve Regulatory Diversity.* The regulated operations of the combined company will have greater diversification of regulators and regulatory regimes. By extending its operations into new states, the merger will diversify Peoples Energy's regulatory risk by subjecting the combined company's regulated operations to the jurisdictions of multiple state regulators rather than solely Illinois.

*Achieve Market Diversity.* The merger will create a combined company with greater diversification of markets, which should make the combined company less vulnerable to a downturn in any particular market.

*Addition of Electric Generation and Distribution Portfolio.* The operations of the combined company will include electric generation and delivery, which, among other things, will make the business of the combined company less seasonal than Peoples Energy's current business and provide additional opportunities for growth.

*Complementary Non-regulated Energy Marketing Businesses.* The merger will combine the complementary non-regulated wholesale and retail energy marketing businesses of Peoples Energy and WPS Resources, which will create a larger and more geographically diverse business, which will be positioned to leverage the expertise, reputation and assets of both companies. This in turn is expected to provide expansion opportunities for the combined company in the Northeast United States and adjacent portions of Canada and Texas. In addition, the combined company is expected to be well positioned to compete when the Illinois electric market fully opens to competition in 2007.

*Anticipated Financial Strength and Flexibility.* The increased scale and diversification of the combined company's operations are expected to provide improved earnings and cash flows, resulting in greater financial stability. In addition, because of the combined company's focus on its core regulated electric and natural gas operations, it is anticipated that the combined company will maintain a strong credit profile and may have an improved credit rating as compared to Peoples Energy's current rating.

*Combined Expertise and Reputation.* The merger will combine the technical and operational expertise of WPS Resources and Peoples Energy and create a combined company which would be able to draw upon the intellectual capital, technical expertise, and experience of a deeper, more diverse workforce. In addition, WPS Resources' outstanding industry reputation makes it an

attractive partner for the merger.

-76-

*Cost Savings and Synergies.* The Peoples Energy board of directors considered that, although no assurance can be given that any particular level of cost savings and other synergies will be achieved, based on the analysis prepared by WPS Resources and Peoples Energy's management with the assistance of an outside consultant, an estimated \$80 million of annual synergies could be realized by the end of the third full year of operations following completion of the merger, with approximately \$72 million derived from the regulated businesses and \$8 million from the non-regulated businesses (these numbers have subsequently been revised to an estimated \$94 million of annual synergies that could be realized by the end of the fifth full year of operations, with approximately \$87 million derived from the regulated businesses and \$7 million from the non-regulated businesses). The Peoples Energy board of directors noted that the cost savings and synergies identified by management are estimates, that they may change and that achieving the synergies is subject to a number of risks and uncertainties. See Risk Factors Risks Relating to the Merger beginning on page [ ] for more details.

*Share Prices and Tax-Free Exchange.* The Peoples Energy board of directors considered the historical stock prices of WPS Resources and Peoples Energy, and noted that the Exchange Ratio in the merger represents a premium of approximately 14.2% over the average of the closing prices for the 20 trading days ending July 5, 2006 of Peoples Energy common stock and a premium of approximately 15% over the closing price of Peoples Energy's common stock on July 5, 2006, the last trading day prior to the publication of an article in *The Wall Street Journal* regarding the merger. In addition, the Peoples Energy board of directors considered that shareholders will receive WPS Resources common stock in the transaction, which will provide them with the opportunity to share in the potential appreciation in value of WPS Resources common stock following the merger. Furthermore, the Peoples Energy board of directors also considered that the merger is designed to be tax-free to the holders of Peoples Energy common stock.

*Impact on Communities.* The Peoples Energy board of directors evaluated the expected impact of the merger on the communities in which Peoples Energy is located and which it serves. The Peoples Energy board of directors believes that the merger will benefit the municipalities currently served by Peoples Energy by creating a strong combined company that will have its headquarters in Chicago, Illinois, immediately following the merger, and that the future success of the utility subsidiaries of Peoples Energy could be negatively impacted by a failure of the combined company to maintain a significant presence in Chicago.

*Financial Considerations and Stand Alone Alternative.* The Peoples Energy board of directors considered the expected financial impact of the merger on Peoples Energy, including the expected earnings, cash flow, balance sheet and dividend impact of the merger, the expected market reaction to the merger and the financial prospects of the combined company as compared to the prospects inherent in Peoples Energy's stand-alone business plan, taking into account the board's assessment of achieving those prospects. The Peoples Energy board of directors also considered the historical financial condition and operating results of WPS Resources and Peoples Energy as well as historical stock market information. The Peoples Energy board of directors further considered WPS Resources' history of consistent dividend payments. Further to the foregoing, the Peoples Energy board of directors believes that there is a greater likelihood that the stock of the combined company after the merger will be included in the S&P 500 Index, whereas if Peoples Energy remained independent, there is the possibility that its stock could be removed from that important market index. In addition, the Peoples Energy board of directors believes that the benefits of the merger are likely to be achieved on a more accelerated basis and with less uncertainty of execution than under Peoples Energy's stand-alone business plan, and that the merger will be immediately accretive to Peoples Energy's shareholders, and is likely to be accretive to all shareholders of the combined company in calendar year 2008, excluding residual transaction costs and the effects of purchase accounting, once the companies have been integrated and the regulatory plans have been executed.

*Opinion of Financial Advisor.* The Peoples Energy board of directors considered the opinion of Morgan Stanley delivered to it that, as of July 8, 2006, and subject to and based on the considerations, assumptions and limitations discussed in that opinion, the Exchange Ratio pursuant to the merger agreement was fair from a financial point of view to the holders of shares of Peoples Energy common stock. See Opinion of Peoples Energy's Financial Advisor beginning on page [ ].

-77-

*Recommendation of Management.* The Peoples Energy board of directors took into account management's presentations to the board and recommendation in support of the merger.

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*Results of Due Diligence Investigation.* The Peoples Energy board of directors considered the scope of the due diligence investigation of WPS Resources, including with respect to WPS Resources' recent acquisitions and divestitures, by management and Peoples Energy's outside advisors, and evaluated the results of this investigation.

*Dividend Policy.* The Peoples Energy board of directors considered the agreement by WPS Resources to adopt a dividend policy, which will be evaluated over time as future business needs dictate, to increase its quarterly dividend to \$0.66 per share and WPS Resources' history of paying regular dividends for several decades. The Peoples Energy board of directors noted that the \$0.66 per share quarterly dividend is equal to Peoples Energy's dividend on an Exchange Ratio adjusted basis.

*Terms of the Merger Agreement.* The Peoples Energy board of directors considered the course of the negotiations of the merger agreement and reviewed the terms of the merger agreement. This review included the representations, warranties, obligations and rights of the parties under the merger agreement, the conditions to each party's obligation to complete the merger, the rights of each party to consider and engage in negotiations regarding potentially superior proposals, the rights of each party to withdraw or otherwise change its recommendation to its shareholders in favor of the proposals related to the merger agreement, the instances in which each party is permitted to terminate the merger agreement and the related termination fees payable by each party in the event of termination of the merger agreement under specified circumstances. See *The Merger Agreement* beginning on page [ ], for a detailed discussion of the terms and conditions of the merger agreement.

*Strategic Alternatives.* The Peoples Energy board of directors considered the trends and developments in the industry and the range of strategic alternatives available to Peoples Energy, including the possibility of business combinations with other participants in the industry. See *Background of the Merger* beginning on page [ ], for a description of possible alternative strategic transactions considered by the Peoples Energy board of directors concurrently with the merger.

*Likelihood and Timing of Completion of the Merger.* The Peoples Energy board of directors considered the likelihood that the merger will receive all necessary regulatory approvals without unacceptable conditions, including conditions that would have a material adverse effect on the regulatory prospects of the combined company following the merger, and the likelihood that the merger will be completed on a timely basis.

The Peoples Energy board of directors also considered the potential risks of the merger, including the following:

*Regulatory Approvals.* The Peoples Energy board of directors considered the various regulatory approvals required to complete the merger and the risk that governmental authorities and third parties may seek to impose unfavorable terms or conditions as part of granting the required approvals or that the approvals may not be obtained at all. The Peoples Energy board of directors considered the potential length of the regulatory approval process and the period of time that Peoples Energy may be subject to the merger agreement.

-78-

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*Additional Closing Conditions.* The Peoples Energy board of directors considered the conditions to the parties' respective requirements to complete the merger, other than the receipt of required regulatory approvals, and the risk that those conditions may not be satisfied.

*Increased Regulation.* The Peoples Energy board of directors considered that the combined company would operate in new jurisdictions and be subject to additional regulatory oversight as compared to Peoples Energy's operations prior to the merger.

*Diversion of Management.* The Peoples Energy board of directors considered the possible diversion of management attention away from Peoples Energy's ongoing operations resulting from the substantial time and effort necessary to complete the merger and integrate the operations of WPS Resources and Peoples Energy following the completion of the merger.

*Fixed Exchange Ratio.* The Peoples Energy board of directors considered that the merger is structured with a fixed exchange ratio and there is the possibility that the market price of the WPS Resources common stock or the Peoples Energy's common stock could be more or less at closing than at the time of the execution of the merger agreement and that the value of the WPS Resources common stock received by Peoples Energy shareholders in the merger could decrease.

*Restrictions on Interim Operations.* The Peoples Energy board of directors considered the provisions of the merger agreement placing restrictions on Peoples Energy's operations during the period prior to the completion of the merger, and the extent of those restrictions as negotiated between the parties.



*Integration.* The Peoples Energy board of directors considered the challenges inherent in the combination of two large companies such as WPS Resources and Peoples Energy, including the possibility of not achieving the anticipated cost savings and synergies, and other benefits that are expected to be obtained from the merger.

*Personnel.* The Peoples Energy board of directors considered the fact that the uncertainty pending completion of the merger could have an adverse impact on Peoples Energy's ability to attract, retain and motivate key personnel until the merger is completed. The Peoples Energy board of directors also considered the potential reductions in staff associated with the achievement of the anticipated cost savings and synergies associated with the merger.

*Termination Fee.* The Peoples Energy board of directors considered the risk that, although Peoples Energy has the right under certain limited circumstances to consider and participate in negotiations with respect to alternative acquisition proposals, the provisions of the merger agreement relating to the potential payment of a termination fee by Peoples Energy of \$45 million or the reimbursement by Peoples Energy of WPS Resources' expenses of up to \$15 million under certain circumstances, may have the effect of discouraging alternative proposals, even if they are potentially more favorable to the shareholders of Peoples Energy than the merger.

*Interests of Directors and Officers.* The Peoples Energy board of directors considered that certain executive officers and directors of Peoples Energy may have interests with respect to the merger in addition to their interests as shareholders of Peoples Energy. See *Additional Interests of WPS Resources' and Peoples Energy's Directors and Executive Officers in the Merger* *Additional Interests of Peoples Energy's Directors and Executive Officers in the Merger* beginning on page [ ].

The Peoples Energy board of directors also considered the corporate governance provisions of the merger agreement and the amendments to WPS Resources' by-laws to be adopted upon completion of the merger, including that upon completion of the merger, the board of directors of the combined company will be composed of seven of the Peoples Energy directors (or others designated by Peoples Energy) and the nine WPS Resources directors (or others designated by WPS Resources). See *Additional Interests of WPS Resources' and Peoples Energy's Directors and Executive Officers in the Merger* *Positions with the Combined Company* *Directors* on page [ ] for more details on the composition of the board of directors of the combined company.

-79-

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The Peoples Energy board of directors realized that there can be no assurance about future results, including results considered or expected as described in the factors listed above. It should be noted that this explanation of the reasoning of the Peoples Energy board of directors and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading *Cautionary Statement Regarding Forward-Looking Statements* beginning on page [ ].

The Peoples Energy board of directors believed that, overall, the potential benefits of the merger to Peoples Energy and its shareholders outweighed the risks which are mentioned above.

#### **Opinion of Peoples Energy's Financial Advisor**

At the meeting of the Peoples Energy board of directors on July 8, 2006, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that as of July 8, 2006, and based upon and subject to the assumptions, qualifications and limitations discussed in its opinion, the Exchange Ratio pursuant to the merger agreement was fair, from a financial point of view, to holders of shares of Peoples Energy common stock.

**The full text of Morgan Stanley's opinion, dated July 8, 2006, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken in rendering its opinion, is attached as Annex D to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus. The summary of Morgan Stanley's fairness opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Shareholders should read this opinion carefully and in its entirety. Morgan Stanley's opinion is directed to the board of directors of Peoples Energy, addresses only the fairness from a financial point of view to holders of Peoples Energy common stock of the Exchange Ratio pursuant to the merger agreement, and does not address any other aspect of the merger. Morgan Stanley's opinion does not constitute a recommendation to any shareholder of Peoples Energy as to how such shareholder should vote with respect to the merger agreement.**

In connection with rendering its opinion, Morgan Stanley, among other things:

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reviewed certain publicly available financial statements and other business and financial information of Peoples Energy and WPS Resources, respectively;

reviewed certain internal financial statements and other financial and operating data concerning Peoples Energy and WPS Resources prepared by the managements of Peoples Energy and WPS Resources, respectively;

reviewed certain financial projections prepared by the managements of Peoples Energy, which were based upon the assumption that Peoples Energy's Illinois-based utility subsidiaries would file a rate case in the second half of fiscal 2006 and new rates would become effective eleven months later, among others, and WPS Resources, respectively;

discussed the past and current operations and financial condition and the prospects of Peoples Energy and WPS Resources with senior executives of Peoples Energy and WPS Resources, respectively;

discussed the strategic rationale for the merger with senior executives of Peoples Energy and WPS Resources;

-80-

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reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger prepared by the managements of Peoples Energy and WPS Resources, respectively;

reviewed the reported prices and trading activity for the Peoples Energy common stock and the WPS Resources common stock;

compared the financial performance of Peoples Energy and WPS Resources and the prices and trading activity of the Peoples Energy common stock and the WPS Resources common stock with that of certain other publicly-traded companies comparable with Peoples Energy and WPS Resources respectively and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable transactions;

participated in discussions and negotiations among representatives of Peoples Energy, WPS Resources and their financial and legal advisors;

reviewed the draft merger agreement dated July 7, 2006, and certain related documents; and

considered such other factors and performed such other analyses as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to it for the purposes of its opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best then currently available estimates and judgments of the future financial performance of Peoples Energy and WPS Resources. Morgan Stanley also relied without independent verification on the assessments of senior management of Peoples Energy and WPS Resources respectively of the strategic rationale for the merger. In addition, Morgan Stanley assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement, including, among other things, that the merger would be treated as a tax-free reorganization, pursuant to the Internal Revenue Code of 1986, as amended. Morgan Stanley assumed that in connection with the receipt of all necessary regulatory approvals for the merger, no restrictions would be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Peoples Energy or of WPS Resources, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley is not a legal, regulatory or tax expert and relied on the assessments made by advisors to Peoples Energy with respect to such issues. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of July 8, 2006. Events occurring after such date may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition of Peoples Energy or any of its assets.

The following is a summary of the financial analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion, dated July 8, 2006. In connection with arriving at its opinion, Morgan Stanley considered all of its analyses as a whole and

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did not attribute any particular weight to any analysis described below. Some of these summaries include information in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

In connection with its analysis, Morgan Stanley calculated the implied consideration to be paid for each share of Peoples Energy common stock by multiplying the closing price of WPS Resources common stock of \$50.17 as of July 5, 2006 (the last day of trading prior to *The Wall Street Journal* article dated July 6, 2006) by the merger exchange ratio of 0.825 which results in an implied consideration of \$41.39 per share.

-81-

**Historical Trading and Exchange Ratio Analysis.** Morgan Stanley reviewed the historical trading ranges of Peoples Energy and WPS Resources and the historical exchange ratios for various periods ending on July 5, 2006 to provide it with background and perspective for how each company's stock has historically traded on a standalone basis and relative to each other.

Morgan Stanley noted that for the 52-week period ending July 5, 2006 the range of traded prices for Peoples Energy common stock was \$34.34 to \$45.52 and for WPS Resources common stock was \$47.39 to \$60.00. Morgan Stanley also observed the following:

<u>Period Ending July 5, 2006</u>	<u>Average Peoples Price Per Share</u>	<u>Average WPS Price Per Share</u>	<u>Average Historical Trading Ratio</u>
1 Month Prior	\$36.35	\$49.12	0.740x
3 Months Prior	\$36.39	\$49.45	0.736x
6 Months Prior	\$36.46	\$51.37	0.712x
1 Year Prior	\$37.82	\$53.87	0.703x
2 Years Prior	\$40.13	\$52.07	0.775x

Morgan Stanley noted that the implied consideration to be paid for each share of Peoples Energy common stock based on the exchange ratio of 0.825 was \$41.39 as of July 5, 2006.

**Comparable Public Companies Analysis.** Morgan Stanley performed a comparable company analysis on Peoples Energy and WPS Resources, which attempted to provide an implied value for Peoples Energy and WPS Resources by comparing them to similar companies. For purposes of its analysis, Morgan Stanley reviewed and compared certain publicly available and internal financial information, ratios and publicly available market multiples relating to Peoples Energy and WPS Resources to corresponding financial data for selected publicly-traded utility companies that shared characteristics with Peoples Energy and WPS Resources to derive an implied valuation range for each company.

The companies included in the Peoples Energy comparable public companies analysis and the WPS Resources comparable public companies analysis were:

Peoples Energy Comparable Public Companies

AGL Resources Inc.  
 Atmos Energy Corporation  
 New Jersey Resources Corporation  
 Nicor Inc.  
 The Laclede Group, Inc.  
 WGL Holdings, Inc.

WPS Resources Comparable Public Companies

DTE Energy Company  
 Northeast Utilities  
 PG&E Corporation  
 PNM Resources, Inc.  
 PPL Corporation  
 Wisconsin Energy Corporation

Morgan Stanley then reviewed both publicly available and internal financial information for Peoples Energy to compare financial metrics of the companies included in the Peoples Energy comparable public companies analysis to the following metrics for Peoples Energy based on publicly available and internal financial information:

-82-

stock price to 2006 estimated EPS;

stock price to 2007 estimated EPS;

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Aggregate Value (defined as equity value plus estimated non-convertible debt, minority interest, capital lease obligations and preferred stock less cash and cash equivalents as of March 31, 2006) to the estimated 2006 EBITDA;

Aggregate Value to the estimated 2007 EBITDA; and

Dividend Yield (defined as current annual dividend per share divided by stock price).

The following table reflects the results of this analysis. The multiples in the table below are based on average statistics of earnings and EBITDA estimates obtained from I/B/E/S, a data service that monitors and publishes a compilation of earnings estimates produced by selected research analysts on companies of interest to investors, adjusted to remove certain estimates deemed to be outdated for Peoples Energy.

	Price to EPS		Aggregate Value to EBITDA		Dividend Yield
	2006E	2007E	2006E	2007E	7/5/06
Representative range derived from:					
Peoples Energy comparable companies	14.0x - 15.5x	13.0x - 14.5x	7.25x - 8.25x	6.75x - 7.75x	4.0%-5.5%
Peoples Energy multiples	19.8x	16.0x	7.6x	6.9x	6.1%

Applying a representative range of multiples derived from the comparable public company analysis, Morgan Stanley calculated a range of implied equity values per share of Peoples Energy based on projected and public financial results with respect to the following metrics for Peoples Energy:

	Implied Equity Value	
	I/B/E/S	Projected
Stock price to 2006 estimated EPS	\$25.31 - \$28.02	\$22.89 - \$25.34
Stock price to 2007 estimated EPS	\$29.28 - \$32.66	\$24.88 - \$32.38
Stock price to 2008 estimated EPS		\$29.33 - \$40.97
Aggregate Value to the estimated 2006 EBITDA		\$27.60 - \$34.77
Aggregate Value to the estimated 2007 EBITDA		\$34.33 - \$43.02
Dividend Yield		\$39.64 - \$54.50

Based on this analysis, Morgan Stanley derived a range of implied equity values per share of Peoples Energy common stock of \$22.89 to \$54.50. Morgan Stanley noted that the exchange ratio of 0.825 results in an implied consideration to Peoples Energy of \$41.39 per share, based on a closing price of WPS Resources common stock of \$50.17 as of July 5, 2006.

Morgan Stanley then reviewed both publicly available and internal financial information for WPS Resources to compare financial metrics of the companies included in the WPS Resources comparable public companies analysis to the following metrics for WPS Resources based on publicly available and internal financial information:

stock price to 2006 estimated EPS;

stock price to 2007 estimated EPS;

Aggregate Value to the estimated 2006 EBITDA;

-83-

Aggregate Value to the estimated 2007 EBITDA; and

Dividend Yield.

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The following table reflects the results of this analysis based on average statistics of earnings and EBITDA estimates obtained from I/B/E/S:

	Price to EPS		Aggregate Value to EBITDA		Dividend Yield
	2006E	2007E	2006E	2007E	7/5/06
Representative range derived from:					
WPS Resources comparable companies	14.0x - 15.5x	13.0x - 14.5x	7.5x - 8.5x	7.0x - 8.0x	3.5% - 5.0%
WPS Resources multiples	13.6x	12.8x	8.6x	7.4x	4.5%

Applying a representative range of multiples derived from the comparable public companies analysis, Morgan Stanley calculated a range of implied equity values per share of WPS Resources based on projected financial results, projected financial results adjusted for certain alternative regulatory rate of return and unregulated growth assumptions, and public financial results with respect to the following metrics for WPS Resources:

	Implied Equity Value	
	I/B/E/S	Projected
Stock price to 2006 estimated EPS	\$46.22 - \$51.06	\$42.71 - \$49.79
Stock price to 2007 estimated EPS	\$47.94 - \$53.35	\$51.25 - \$59.56
Aggregate Value to the estimated 2006 EBITDA		\$40.57 - \$52.16
Aggregate Value to the estimated 2007 EBITDA		\$44.04 - \$56.86
Dividend Yield		\$45.20 - \$64.57

Based on this analysis, Morgan Stanley derived a range of implied equity values per share of WPS Resources common stock of \$40.57 to \$64.57. Morgan Stanley noted that the closing price of WPS Resources common stock on July 5, 2006 was \$50.17.

No company utilized in the comparable public companies analysis is identical to Peoples Energy or WPS Resources. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of Peoples Energy and WPS Resources and other factors that could affect the public trading value of the companies to which they are being compared. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, regulatory, economic, market and financial conditions and other matters, many of which are beyond the control of Peoples Energy or WPS Resources, such as the impact of competition on Peoples Energy and WPS Resources and the industry generally, industry growth and the absence of any adverse material change in the financial conditions and prospects of Peoples Energy and WPS Resources or the industry or in the financial markets in general. Mathematical analysis, such as determining the mean, median or average, is not in itself a meaningful method of using comparable company data.

**Discounted Cash Flow Analysis.** Morgan Stanley also performed discounted cash flow analyses for Peoples Energy and WPS Resources. A discounted cash flow analysis is designed to provide insight into the value of a company as a function of its future cash flows and terminal value. Morgan Stanley performed a discounted cash flow analysis based on consolidated financial projections provided by the management of Peoples Energy for fiscal years 2006 through 2011 and WPS Resources for fiscal years 2006 through 2010. Morgan Stanley also performed a discounted cash flow analysis based on consolidated financial projections provided by the management of WPS Resources for fiscal years 2006 through 2010 adjusted for certain alternative regulatory rate of return and unregulated growth assumptions. Unlevered free cash flows were calculated as net income available to common shareholders plus the aggregate of depreciation and amortization, deferred taxes, and other noncash expenses and after-tax net interest expense less the sum of capital expenditures and investment in noncash working capital.

-84-

For the Peoples Energy discounted cash flow analysis, Morgan Stanley calculated a range of terminal values at the end of the projection period by applying to projected 2011 EBITDA for Peoples Energy a multiple range of Aggregate Value to EBITDA of 7.0x to 8.0x. The free cash flows and range of terminal values were then discounted to present values using a range of discount rates which were selected by Morgan Stanley based upon analysis of market discount rates applicable to comparable companies. The weighted average cost of capital range used in each case was 7.5% to 8.5%. From this analysis, Morgan Stanley calculated a range of equity values per share of Peoples Energy common stock as of July 5, 2006 of \$30.19 to \$45.14. Morgan Stanley noted that the exchange ratio of 0.825 results in an implied consideration to Peoples Energy of \$41.39 per share, based on a closing price of WPS Resources common stock of \$50.17 as of July 5, 2006.

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For the WPS Resources discounted cash flow analysis, Morgan Stanley calculated a range of terminal values at the end of the projection period by applying a multiple to projected 2010 EBITDA for WPS Resources, provided by WPS Resources management, and to such projections as adjusted for certain alternative regulatory rate of return and unregulated growth assumptions, a multiple range of Aggregate Value to EBITDA of 7.0x to 8.0x. The free cash flows and range of terminal values were then discounted to present values using a range of discount rates which were selected by Morgan Stanley based upon analysis of market discount rates applicable to comparable companies. The weighted average cost of capital range used in each case was 6.5% to 7.5%. From this analysis, Morgan Stanley calculated a range of equity value per share of WPS Resources common stock as of July 5, 2006 of \$42.07 to \$63.13. Morgan Stanley noted that the closing price of WPS Resources common stock on July 5, 2006 was \$50.17.

**Sum-of-Parts Analysis.** Given the different nature of businesses in which Peoples Energy and WPS Resources participate, Morgan Stanley also analyzed each company as the sum of its constituent businesses, or as the sum of its parts and performed a comparable companies and discounted cash flow analysis (as described earlier) on each of its constituent businesses.

Using Peoples Energy management estimates, Morgan Stanley compared certain publicly available financial measures of selected comparable companies to those of the relevant business within Peoples Energy. Morgan Stanley selected these comparable companies based upon its views as to the comparability of the financial and operating characteristics of these companies to the relevant businesses of Peoples Energy. Morgan Stanley calculated reference value ranges for the Peoples Energy businesses by applying various multiples derived from these comparable companies to selected financial measures of the relevant Peoples Energy businesses based on information provided by Peoples Energy management. Based on this analysis, Morgan Stanley calculated per share values for Peoples Energy common stock ranging from \$28.59 to \$42.94. Morgan Stanley noted that the exchange ratio of 0.825 results in an implied consideration to Peoples Energy of \$41.39 per share, based on a closing price of WPS Resources common stock of \$50.17 as of July 5, 2006.

Using WPS Resources management estimates and such estimates as adjusted for certain alternative regulatory rate of return and unregulated growth assumptions where applicable, Morgan Stanley calculated reference value ranges for the WPS Resources businesses by applying various multiples derived from selected comparable companies to selected financial measures of the relevant WPS Resources businesses. With respect to WPS Resources synthetic fuel assets and projected land sales, Morgan Stanley conducted a separate discounted cash flow analysis covering the entire period during which WPS Resources synthetic fuel assets and land sales were projected to provide cash flow; therefore, a comparable public companies multiple based approach was not used for these businesses. Based on this analysis, Morgan Stanley calculated per share values for WPS Resources common stock ranging from \$44.72 to \$54.12. Morgan Stanley noted that the closing price of WPS Resources common stock on July 5, 2006 was \$50.17.

For the Peoples Energy sum-of-parts discounted cash flow analysis, Morgan Stanley performed discounted cash flow analyses on the following business segments with the noted assumptions and considerations using segment financial projections provided by management of Peoples Energy for fiscal years 2006 through 2011 (in the table, the weighted average cost of capital is referred to as WACC):

-85-

<b><u>Business Segment</u></b>	<b><u>Terminal Value Multiple</u></b>	<b><u>Discount Rate</u></b>
Gas Distribution	14.5x - 15.5x 2011 earnings	5.75% - 6.75% WACC
Oil and Gas Production	4.0x - 5.5x 2009 EBITDA	8.0% - 10.0% WACC
Energy Marketing	5.0x - 7.0x 2011 EBITDA	10.25% - 11.25% WACC
Energy Assets	8.0x - 9.0x 2011 EBITDA	7.75% - 8.75% WACC
Corporate and Other	7.0x - 8.0x 2011 EBITDA	7.5% - 8.5% WACC

Based on this analysis, Morgan Stanley calculated a range of equity value per share of Peoples Energy common stock of \$32.33 to \$41.98. Morgan Stanley noted that the exchange ratio of 0.825 results in an implied consideration to Peoples Energy of \$41.39 per share, based on a closing price of WPS Resources common stock of \$50.17 as of July 5, 2006.

For the WPS Resources sum-of-parts discounted cash flow analysis, Morgan Stanley performed discounted cash flow analyses on the following business segments with the noted assumptions and considerations using segment financial projections provided by management of WPS Resources for fiscal years 2006 through 2010 and using segment financial projections for the same period provided by management of WPS Resources as adjusted for certain alternative regulatory rate of return and unregulated growth assumptions where applicable:

<b><u>Business Segment</u></b>	<b><u>Terminal Value Multiple</u></b>	<b><u>Discount Rate</u></b>
Wisconsin Public Service Corporation and Upper	14.0x - 15.0x 2010 earnings	6.0% - 7.0% WACC

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<u>Business Segment</u>	<u>Terminal Value Multiple</u>	<u>Discount Rate</u>
Peninsula Power Company		
Michigan Gas Utilities Corporation and Minnesota Energy Resources Corporation	14.5x - 15.5x 2010 earnings	5.75% - 6.75% WACC
WPS Energy Services	5.0x - 7.0x 2010 EBITDA	10.25% - 11.25% WACC
WPS Investments	16.5x - 17.5x 2010 earnings	7.5% - 8.5% cost of equity
WPS Resources and Other	7.0x - 8.0x 2010 EBITDA	6.5% - 7.5% WACC

Based on this analysis, Morgan Stanley calculated a range of equity value per share of WPS Resources common stock of \$42.48 to \$58.58. Morgan Stanley noted that the closing price of WPS Resources common stock on July 5, 2006 was \$50.17.

**Dividend Discount Analysis.** Morgan Stanley also analyzed the implied values of Peoples Energy and WPS Resources as a function of the present value of their respective dividend payments. Morgan Stanley performed these analyses based on consolidated financial projections provided by the management of Peoples Energy for fiscal years 2006 through 2011 and the management of WPS Resources for fiscal years 2006 through 2010. Morgan Stanley calculated terminal values by applying a range of multiples to the estimated EPS in 2011 for Peoples Energy and 2010 for WPS Resources, and the dividend streams and terminal values were then discounted to the present using a range of discount rates representing an estimated range of the cost of equity for each of Peoples Energy and WPS Resources. For Peoples Energy, Morgan Stanley used a terminal value multiple range of 14.0x to 15.5x and a cost of equity range of 9.5% to 10.5%. For WPS Resources, Morgan Stanley used a terminal value multiple range of 14.0x to 15.5x and a cost of equity range of 8.75% to 9.75%. Based on this analysis, Morgan Stanley calculated per share values for Peoples Energy ranging from \$30.63 to \$39.83. Morgan Stanley noted that the Exchange Ratio of 0.825 results in an implied consideration to Peoples Energy of \$41.39 per share, based on a closing price of WPS Resources common stock of \$50.17 as of July 5, 2006. In addition, based on this analysis, Morgan Stanley calculated per share values for WPS Resources of \$53.11 to \$67.94 and noted that the closing price of WPS Resources common stock on July 5, 2006 was \$50.17.

**Analysis of Selected Precedent Transactions.** Morgan Stanley also performed an analysis of selected precedent transactions, for the purpose of providing an implied value for Peoples Energy by comparing it to other companies involved in business combinations. Using publicly available information, Morgan Stanley considered selected transactions from three sets of announced or completed transactions:

-86-

Utility sector modified merger-of-equal transactions (sometimes referred to as Utility MMOEs), since September, 1995;

Utility sector corporate transactions (sometimes referred to as Utility Transactions), since November, 2003; and

Utility sector transactions involving gas local distribution companies (sometimes referred to as Gas LDC Transactions), since 1997.

Morgan Stanley compared certain financial and market statistics of the three sets of selected precedent transactions. Based on an assessment of the Utility MMOEs, Morgan Stanley applied a premium to the unaffected market price ranging from 10% to 20% which resulted in per share values for Peoples Energy common stock of \$39.58 to \$43.18. Based on an assessment of the Utility Transactions, Morgan Stanley applied a multiple to Peoples Energy 2007 estimated earnings ranging from 15.0x to 18.0x which resulted in per share values for Peoples Energy common stock of \$28.65 to \$40.20. Based on an assessment of the Gas LDC Transactions, Morgan Stanley applied an Aggregate Value to 2007 EBITDA multiple for Peoples Energy ranging from 7.0x to 8.0x which resulted in per share values for Peoples Energy common stock of \$32.97 to \$45.19. Morgan Stanley noted that the Exchange Ratio of 0.825 results in an implied consideration to Peoples Energy of \$41.39 per share, based on a closing price of WPS Resources common stock of \$50.17 as of July 5, 2006.

No company or transaction utilized as a comparison in the analysis of selected precedent transactions is identical to the merger in business mix, timing and size. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of Peoples Energy and WPS Resources and other factors that would affect the value of the companies to which it is being compared. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to industry performance, global business, economic, market and financial conditions and other matters, many of which are beyond the control of Peoples Energy and WPS Resources, such as the impact of competition on Peoples Energy and WPS Resources and the industry generally, industry growth and the absence of any adverse material change in the financial conditions and prospects of Peoples Energy, WPS Resources or the industry or the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which they are being compared. Mathematical analysis (such as determining the mean or median) is not, in itself, a meaningful method of using precedent transactions data.

**Pro Forma Transaction Analysis.** Using financial projections provided by Peoples Energy and WPS Resources management adjusted for certain alternative regulatory rate of return and unregulated growth assumptions, Morgan Stanley reviewed the pro forma impact of the merger on Peoples Energy and WPS Resources estimated EPS for the years 2007-2010. For purposes of this analysis, Morgan Stanley assumed the

transaction closed on January 1, 2007.

Using each company's forward-looking financial information as the basis of comparison, the pro forma impact on Recurring Earnings Per Share (defined as earnings based on all projected merger-related adjustments to EPS except for impacts relating to costs to achieve synergies and certain purchase accounting adjustments) was found to be accretive to earnings from 2007 to 2010 for Peoples Energy and accretive to earnings from 2008 to 2010 for WPS Resources at the Exchange Ratio of 0.825.

Using each company's forward-looking financial information as the basis of comparison, the pro forma impact on Reported Earnings Per Share (defined as earnings based on all projected merger-related adjustments to EPS except for impacts relating to costs to achieve synergies and including certain purchase accounting adjustments) was found to be accretive to earnings from 2007 to 2010 for Peoples Energy and not accretive to earnings for the same period for WPS Resources at the Exchange Ratio of 0.825.

**Contribution Analysis.** Morgan Stanley also performed a contribution analysis which reviewed the pro forma contribution of each of Peoples Energy and WPS Resources to the combined entity and implied contributions based on other financial metrics. Morgan Stanley reviewed the pro forma effect of the merger and computed the implied equity contribution of Peoples Energy and WPS Resources for the years ended December 31, 2007 and December 31, 2008. Such financial results included EBITDA and net income. The computation showed, among other things, that Peoples Energy implied equity contribution based on 2007 and 2008 projected EBITDA was 41% and 43%, respectively; and based on 2007 and 2008 projected net income, Peoples Energy implied equity contribution was 30% and 37%, respectively. In addition, Morgan Stanley calculated the implied equity contribution of Peoples Energy and WPS Resources based on the results of the Sum-of-Parts Discounted Cash Flow, Sum-of-Parts Comparable Public Companies, Dividend Discount, and Discounted Cash Flow analyses. The computations showed, among other things, that Peoples Energy implied equity contribution based on these four analyses was 38%, 35%, 40% and 39%, respectively. Morgan Stanley noted that the Exchange Ratio of 0.825 would result in pro forma ownership of the combined company for holders of Peoples Energy common stock equal to approximately 42%.

-87-

In connection with the review of the transaction by the Peoples Energy board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered. Furthermore, Morgan Stanley believes that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of the analyses, without considering all of them, would create an incomplete view of the process underlying Morgan Stanley's analyses and opinion. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Morgan Stanley with respect to the actual value of Peoples Energy or WPS Resources common stock.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Peoples Energy or WPS Resources. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by the estimates. The analyses performed were performed solely as part of Morgan Stanley's analysis of the fairness from a financial point of view of the Exchange Ratio pursuant to the merger agreement to the holders of shares of Peoples Energy common stock and were conducted in connection with the delivery of Morgan Stanley's opinion dated July 8, 2006 to the Peoples Energy board of directors. The analyses do not purport to be appraisals or to reflect the prices at which Peoples Energy common stock or WPS Resources common stock might actually trade. The Exchange Ratio applicable to each share of Peoples Energy common stock under the merger agreement and other terms of the merger agreement were determined through arm's length negotiations between Peoples Energy and WPS Resources and approved by the Peoples Energy board of directors. Morgan Stanley provided advice to Peoples Energy during these negotiations. Morgan Stanley did not, however, recommend any specific exchange ratio to Peoples Energy or that any specific exchange ratio constituted the only appropriate exchange ratio for the merger. The written opinion of Morgan Stanley dated July 8, 2006, was one of a number of factors taken into consideration by Peoples Energy board of directors in making its decision to approve the merger agreement and the transactions contemplated by the merger agreement. Consequently, Morgan Stanley's analyses described above should not be viewed as determinative of the opinion of the Peoples Energy board of directors with respect to the value of Peoples Energy or WPS Resources. See Peoples Energy's Reasons for the Merger; Recommendation of the Board of Directors beginning on page [ ] for further information relating to Peoples Energy's decision to enter into this merger transaction.

Morgan Stanley, as part of its investment banking businesses, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Peoples Energy selected Morgan Stanley as its financial advisor based upon the firm's qualifications, experience and expertise and because it is an internationally recognized investment banking firm with substantial experience in transactions similar to the merger. In the ordinary course of its trading and brokerage activities, Morgan Stanley and its affiliates may at any time hold long or short positions, trade or otherwise effect transactions, for their own accounts or for the accounts of customers, in the equity or debt securities or senior loans of Peoples Energy or WPS Resources or any currency or commodity related to Peoples



Energy or WPS Resources. Pursuant to the terms of its engagement, Peoples Energy has agreed to pay Morgan Stanley a transaction fee of \$11.5 million. The fee is payable as follows: one-third of the fee was due upon the execution of the merger agreement, one-third of the fee is payable upon the approval of the merger agreement by Peoples Energy's shareholders and the approval of the share issuance and the proposal to amend the restated articles of incorporation of WPS Resources to change its name by WPS Resources shareholders and one-third of the fee is payable upon the completion of the merger. Peoples Energy has also agreed to reimburse Morgan Stanley for its fees and expenses incurred in performing its services. In addition, Peoples Energy has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement and any related transactions. Morgan Stanley is a participant in certain of the credit facilities of Peoples Energy. Morgan Stanley also may in the future seek to provide financial advice or financing services to Peoples Energy and may receive fees for such services.

-88-

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### Forward-Looking Financial Information

The WPS Resources forward-looking financial information for years 2006 through 2010 were prepared for WPS Resources and its subsidiaries and the Peoples Energy forward-looking financial information were prepared for Peoples Energy and its subsidiaries. The forward-looking financial information prepared by each of the companies is not intended to be added together, and adding the forward-looking financial information for the two companies would not represent the results the combined company will achieve if the merger is completed and does not represent forward-looking financial information for the combined company.

#### *WPS Resources Forward-Looking Financial Information*

WPS Resources does not as a matter of course make public projections as to future revenues, earnings or other results. However, in the course of its discussions with Peoples Energy leading up to the execution of the merger agreement, WPS Resources provided Peoples Energy with some business and financial information which WPS Resources believes was not publicly available. The information provided to Peoples Energy included forward-looking financial information for years 2006 through 2010 based upon projections developed by WPS Resources through a regular internal planning and forecasting process that included input from WPS Resources' business units and a corporate level review. The information provided to Peoples Energy and summarized below was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. In the view of WPS Resources' management, the information was prepared on a reasonable basis and reflected the best available estimates and judgments at the time of its preparation, and presented at the time of its preparation, to the best of WPS Resources management's knowledge and belief, the expected course of action and a reasonable projection of future financial performance of WPS Resources. However, the information provided to Peoples Energy has not been updated, is not fact and should not be relied upon as being indicative of future results, and readers of this joint proxy statement/prospectus are cautioned not to rely on this forward-looking financial information.

Neither WPS Resources' independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forward-looking financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forward-looking financial information.

-89-

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The following table is a portion of the forward-looking financial information WPS Resources provided to Peoples Energy for years 2006 through 2010.

	<b>For the Year Ending December 31,</b>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net Income (Millions)	\$162	\$221	\$235	\$253	\$270

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For the Year Ending December 31,

Earnings Per Share	\$3.62	\$4.49	\$4.77	\$5.18	\$5.56
Total Common Dividends Per Share	\$2.28	\$2.32	\$2.36	\$2.40	\$2.44

The WPS Resources forward-looking financial information was based upon various assumptions, including the following principal assumptions:

Normal weather in the forward-looking periods;

Based on second quarter and third quarter 2006 acquisitions of the Aquila gas distribution operations which occurred after the profitable first quarter 2006 winter heating season, and considering transition costs, these acquisitions would contribute a loss in 2006, but would contribute positively to earnings in 2007;

The significant construction program under way in the electric utility would result in significant additions to rate base and increased revenues from rate increases;

WPS Resources would earn its authorized rates of return in its regulated operations;

Continued investment in ATC and related increases in earnings from this investment;

Partial phase-out of tax credits from synfuel operations in 2006 and 2007 with no tax credits from synfuel operations after 2007; and

Gains on sales of land under WPS Resources asset management program.

The estimates and assumptions underlying the forward-looking financial information are inherently uncertain and, though considered reasonable by the management of WPS Resources as of the date of its preparation, are subject to a wide variety of significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking financial information, including, among other things, risks and uncertainties, rate recovery, weather, electric and gas commodity prices and competition. See Risk Factors beginning on page [ ]. Accordingly, there can be no assurance that the forward-looking results are indicative of the future performance of WPS Resources or that actual results will not differ materially from those presented in the forward-looking financial information. Inclusion of the forward-looking financial information in this joint proxy statement/prospectus should not be regarded as a representation by any person that the results contained in the forward-looking financial information will be achieved.

See Cautionary Statement Regarding Forward-Looking Statements beginning on page [ ].

WPS Resources does not generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. Accordingly, WPS Resources does not intend to update or otherwise revise the forward-looking financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, WPS Resources does not intend to update or revise the forward-looking financial information to reflect changes in general economic or industry conditions.

-90-

The information concerning forward-looking financial information provided by WPS Resources is not included in this joint proxy statement/prospectus in order to induce any shareholder to vote in favor of the merger agreement or to acquire securities of WPS Resources.

*Peoples Energy Forward-Looking Financial Information*

Peoples Energy does not as a matter of course make public projections as to future revenues, earnings or other results. However, in the course of its discussions with WPS Resources leading up to the execution of the merger agreement, Peoples Energy provided WPS Resources with some business and financial information which Peoples Energy believes was not publicly available. The information provided to WPS Resources included forward-looking financial information for years 2006 through 2011 based upon projections developed by Peoples Energy through an internal planning and forecasting process that included input from Peoples Energy business units and a corporate level review. The information provided to WPS Resources and summarized below was not prepared with a view toward public disclosure or with a view toward

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complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. In the view of Peoples Energy's management, the information was prepared on a reasonable basis and reflected the best available estimates and judgments at the time of its preparation, and presented at the time of its preparation, to the best of Peoples Energy management's knowledge and belief, the expected course of action and a reasonable projection of future financial performance of Peoples Energy. However, the information provided to WPS Resources has not been updated, is not fact and should not be relied upon as being indicative of future results, and readers of this joint proxy statement/prospectus are cautioned not to rely on this forward-looking financial information.

Neither Peoples Energy's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forward-looking financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forward-looking financial information.

### For the Year Ending September 30,

	2006	2007	2008	2009	2010	2011
Net Income (Millions)	\$18	\$74	\$122	\$130	\$132	\$138
Earnings Per Share	\$0.48	\$1.86	\$2.99	\$3.17	\$3.21	\$3.34
Total Common Dividends Per Share	\$2.18	\$2.18	\$2.18	\$2.18	\$2.18	\$2.18

The Peoples Energy forward-looking financial information provided to WPS Resources was based upon various assumptions, including the following principal assumptions:

Normal weather in the forward-looking periods;

The year ending September 30, 2006 includes charges, not expected to recur in future years, totaling \$107.3 million pre-tax (\$1.68 per share after tax) for settlement of prior years' gas charge proceedings;

the Illinois based utility subsidiaries would file a rate case in the second half of fiscal 2006 and new rates would become effective eleven months later, and that these utilities would receive fair rate treatment and reasonable allowed returns from the ICC (in connection with the merger, the filing of the rate case has been delayed to allow for clear focus by all parties on the merger filing with the ICC);

the Oil and Gas segment would continue its strategy of acquiring and developing properties;

the completion of the announced divestiture of the power generation assets;

-91-

the Energy Assets segment would make capital investments and make reasonable after-tax returns;

the Energy Marketing segment would experience organic growth in both customer and unit volumes; and

the financing of investments would be at levels appropriate for its current credit rating.

The estimates and assumptions underlying the forward-looking financial information are inherently uncertain and, though considered reasonable by the management of Peoples Energy as of the date of its preparation, are subject to a wide variety of significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking financial information, including, among other things, risks and uncertainties, rate recovery, weather, electric and gas commodity prices and competition. Accordingly, there can be no assurance that the forward-looking results are indicative of the future performance of Peoples Energy or that actual results will not differ materially from those presented in the forward-looking financial information. Inclusion of the forward-looking financial information in this joint proxy statement/prospectus should not be regarded as a representation by any person that the results contained in the forward-looking financial information will be achieved.

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See Cautionary Statement Regarding Forward-Looking Statements beginning on page [ ].

Peoples Energy does not generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. Accordingly, Peoples Energy does not intend to update or otherwise revise the forward-looking financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, Peoples Energy does not intend to update or revise the forward-looking financial information to reflect changes in general economic or industry conditions.

The information concerning forward-looking financial information provided by Peoples Energy is not included in this joint proxy statement/prospectus in order to induce any shareholder to vote in favor of the merger agreement or to acquire securities of Peoples Energy.

### Estimated Potential Synergies Attributable to the Merger

The merger is expected to produce significant synergies and cost savings over time. We expect the combined company's regulated and non-regulated businesses to realize synergies and cost savings due to consolidation of corporate headquarters and utility support staffing, duplicative general and administrative functions, including administrative and public company costs, savings and consolidations relevant to information technology integration, supply chain economies of scale and gas supply planning integration, among other areas. These savings should be achieved without any adverse impacts to service quality, reliability or safety as the areas identified do not relate to direct operating areas.

WPS Resources and Peoples Energy have already identified approximately \$94 million of annual synergies that could be realized by the end of the fifth full year of operations for the combined company as a whole. Of this \$94 million, approximately \$87 million relates to the regulated businesses of the combined company and the remaining \$7 million relates to the non-regulated businesses of the combined company.

The combination of WPS Resources and Peoples Energy is expected to provide the potential for approximately \$402 million in total gross synergy savings over the first five years following the closing of the merger. A preliminary allocation of these synergy savings shows an allocation of approximately \$373 million to corporate, shared services and the combined company's regulated businesses and approximately \$29 million to the combined company's non-regulated businesses.

The estimated total cost to WPS Resources (and ultimately the combined company) of accomplishing the merger and achieving synergies and cost savings is approximately \$186 million in transaction and integration costs, most of which will be incurred through 2010. Of this amount, approximately \$8 million relates directly to the non-regulated businesses and the remaining \$178 million is allocable between the combined company's regulated and non-regulated businesses. Of the \$178 million allocable between the regulated and non-regulated businesses, an estimated \$36 million relates to change-in-control and transaction costs, with the remaining \$142 million comprised of other costs, such as systems integration, separation costs, retention costs, relocation costs, regulatory costs and facilities integration.

-92-

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The estimated synergies and cost savings referenced above reflect the consensus of both WPS Resources and Peoples Energy and were jointly developed by management of WPS Resources and Peoples Energy, with the assistance of an outside consultant. The estimated synergies and cost savings reflect the potential creation of cost reduction or cost avoidance opportunities through the ability to consolidate separate, stand-alone operations into a single entity. This consolidation and integration thus may enable duplicative functions and positions to be eliminated; similar activities to be combined, avoided or reduced in scope; external purchases of commodities and services to be standardized, rationalized and aggregated; and certain capital expenditures to be avoided. However, as in any merger transaction, shareholders assume the risk that the combined company will not achieve the strategic, financial, and operational benefits set forth as the rationale for the merger.

### Accounting Treatment

The merger will be accounted for as a purchase by WPS Resources in accordance with generally accepted accounting principles in the United States. Under the purchase method of accounting, the assets and liabilities of Peoples Energy will be recorded, as of completion of the merger, at their respective fair values and added to those of WPS Resources. The reported financial condition and results of operations of WPS Resources issued after completion of the merger will reflect Peoples Energy balances and results after completion of the merger, but will not be restated retroactively to reflect the historical financial position or results of operations of Peoples Energy for the pre-merger periods. Following completion of the merger, the earnings of the combined company will reflect purchase accounting adjustments, including increased amortization and depreciation expense for acquired non-regulated assets. See Note 1 to the Unaudited Pro Forma Condensed Combined Financial Information beginning on page [ ].

**Material United States Federal Income Tax Consequences of the Merger***General*

The following discussion describes the material United States federal income tax consequences of the exchange of shares of Peoples Energy common stock for WPS Resources common stock pursuant to the merger that are generally applicable to United States Holders (as defined below) of Peoples Energy common stock. With respect to Non-United States Holders (as defined below), the following discussion addresses the applicability of the FIRPTA Tax (as defined below) in connection with the merger but does not address any other United States federal, state, or local tax consequences. This discussion is based on existing provisions of the Internal Revenue Code of 1986, as amended (sometimes referred to as the Code), existing and proposed Treasury regulations thereunder and current administrative rulings and court decisions, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences to holders of shares of Peoples Energy common stock as described herein.

As used herein, a United States Holder means a holder of shares of Peoples Energy common stock who holds those shares as capital assets within the meaning of Section 1221 of the Code (generally, for investment purposes) and is for United States federal income tax purposes (1) an individual citizen or resident of the United States, (2) a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia, (3) a trust (x) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all substantial decisions of the trust or (y) that has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person or (4) an estate that is subject to United States federal income tax on its income regardless of its source. As used herein, a Non-United States Holder means any holder of shares of Peoples Energy common stock that (i) is an individual or is an entity classified as a corporation for United States federal income tax purposes and (ii) is not a United States Holder. The discussion below addresses the applicability of the FIRPTA Tax to Non-United States Holders in connection with the merger but does not address the applicability of the FIRPTA Tax to any trust or estate that is not a United States Holder.

-93-

This discussion does not address all aspects of United States federal income taxation that may be relevant to particular United States Holders in light of their personal investment or tax circumstances or to United States Holders that are subject to special tax rules. In addition, this discussion does not address the tax treatment of special classes of holders of Peoples Energy common stock, including, without limitation: brokers or dealers in securities or foreign currencies; traders in securities that use a mark-to-market method of accounting for securities holdings; tax-exempt organizations; United States expatriates; entities treated as partnerships for United States federal income tax purposes or investors in such entities; United States Holders who have a functional currency other than the United States dollar; banks, mutual funds, financial institutions or insurance companies; holders who hold Peoples Energy common stock as part of an integrated investment, including a straddle, hedge or other risk-reduction strategy, or as part of a conversion transaction or constructive sale; United States Holders whose Peoples Energy common stock is qualified small-business stock for purposes of Section 1202 of the Code; holders who acquired their shares through any plan intended to qualify under Section 401(k) of the Code, deferred compensation plan or other retirement plan; or holders who acquired Peoples Energy common stock in connection with stock option or stock purchase plans or in other compensatory transactions. This discussion does not address the United States federal income tax considerations applicable to holders of options or warrants, if any, to purchase Peoples Energy common stock, or holders of debt instruments convertible into Peoples Energy common stock. If an entity treated as a partnership for United States federal income tax purposes holds Peoples Energy common stock, the tax treatment of a partner will depend on the status of the partners and the activities of the partnership. Any entity treated as a partnership for United States federal income tax purposes that holds Peoples Energy common stock, and any investors in such partnership, should consult their tax advisors.

In connection with the filing of the registration statement of which this document forms a part, Cravath, Swaine & Moore LLP has delivered an opinion to WPS Resources, and LeBoeuf, Lamb, Greene & MacRae LLP has delivered an opinion to Peoples Energy, that (i) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and that each of WPS Resources, Peoples Energy and Wedge Acquisition Corp. will be a party to that reorganization within the meaning of Section 368(b) of the Code and (ii) the discussion under the heading **Material United States Federal Income Tax Consequences of the Merger** constitutes in all material respects, a fair and accurate summary of the United States federal income tax consequences resulting from the merger under existing law subject to the qualifications and conditions set forth in the registration statement. The full text of the opinions of Cravath, Swaine & Moore LLP and LeBoeuf, Lamb, Greene & MacRae LLP are attached as Annex G and Annex H, respectively, to this joint proxy statement/prospectus. The obligations of the parties to complete the merger are also conditioned upon the receipt by WPS Resources and Peoples Energy of opinions from Cravath, Swaine & Moore LLP and LeBoeuf, Lamb, Greene & MacRae LLP, respectively, in each case dated as of the closing date of the merger, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and that each of WPS Resources, Peoples Energy and Wedge Acquisition Corp. will be a party to that reorganization within the meaning of Section 368(b) of the Code.

The opinions filed in connection with the registration statement have been, and the opinions that will be dated as of the closing date will be, rendered on the basis of factual representations and covenants, including the representations and warranties requested by LeBoeuf, Lamb, Greene & MacRae LLP and Cravath, Swaine & Moore LLP as set forth in officers' certificates provided by Peoples Energy and WPS Resources

to such firms, and representations and covenants that the merger will be completed in accordance with this joint proxy statement/prospectus and the merger agreement, all of which must be true and accurate in all respects as of the date hereof and must continue to be true and accurate as of the effective time of the merger. If any of those assumptions or representations are inaccurate, incomplete or untrue or any of the covenants are breached, the conclusions contained in the opinions referred to in this paragraph or stated below could be affected. Neither WPS Resources nor Peoples Energy is currently aware of any facts or circumstances that would cause any such representations made to counsel to be untrue or incorrect in any material respect. The opinions filed in connection with the registration statement also assume that none of the terms and conditions contained in the merger agreement will have been waived or modified in any respect on or prior to the closing date.

-94-

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Cravath, Swaine & Moore LLP and LeBoeuf, Lamb, Greene & MacRae LLP are under no obligation to update the opinions described above as a result of a change in law or discovery of any inaccuracy in such representations. Neither the tax opinions referred to in the preceding paragraph nor the discussion that follows will be binding on the IRS or any court and no rulings will be sought from the Internal Revenue Service regarding the tax treatment of the merger. Accordingly, there can be no certainty that the Internal Revenue Service will not challenge the conclusions set forth in any of the opinions stated or referred to herein or that a court would not sustain such a challenge.

**This discussion does not address the tax consequences of any transaction other than the merger. In addition, no information is provided with respect to the consequences of the merger under any federal tax law relating to taxes other than federal income taxes, and no information is provided with respect to the consequences of the merger under any state, local or foreign tax law. Peoples Energy shareholders are urged to consult their own tax advisors as to the specific tax consequences to them of the merger, including the applicable federal, state, local and foreign tax consequences.**

#### *The Merger*

Assuming that the opinions set forth above are correct, and subject to the qualifications and limitations set forth herein, the United States federal income tax consequences of the merger will be as described below:

#### Consequences to Non-Dissenting United States Holders.

No gain or loss will be recognized by United States Holders upon the exchange of such holders' Peoples Energy common stock for shares of WPS Resources common stock pursuant to the merger (except for gain or loss resulting from cash received in lieu of fractional shares).

The aggregate tax basis of the WPS Resources common stock received by each United States Holder pursuant to the merger will be the same as the aggregate tax basis of the Peoples Energy common stock surrendered by such Peoples Energy shareholder in exchange therefor reduced by any tax basis in such Peoples Energy common stock allocable to a fraction of a WPS Resources share for which cash is received.

The holding period of the WPS Resources common stock received by each United States Holder pursuant to the merger will include the period for which the Peoples Energy common stock surrendered in exchange therefor was considered to be held, provided that the Peoples Energy common stock so surrendered is held as a capital asset at the time of the merger. If a United States Holder has differing bases or holding periods in respect of shares of Peoples Energy common stock, such holder should consult the holder's tax advisor prior to the merger with regard to identifying the bases or holding periods of the particular shares of WPS Resources common stock received in the merger.

Any cash payment received by a United States Holder in lieu of a fractional share of WPS Resources common stock will be treated as if such fractional share had been issued pursuant to the merger and then redeemed by WPS Resources. A United States Holder receiving such cash generally will recognize gain or loss upon such payment, measured by the difference, if any, between the amount of cash received and the portion of the tax basis of the Peoples Energy common stock allocable to the fractional share. The gain or loss will be capital gain or loss if the shares of Peoples Energy common stock were held as capital assets and will be long-term capital gain or loss if the Peoples Energy common stock exchanged for that fractional share of WPS Resources common stock had been held for more than one year at the time of the merger.

#### *Consequences to Dissenting United States Holders.*

If a United States Holder dissents to the merger and receives solely cash in exchange for such shareholder's common stock, such cash will be treated as a distribution in redemption of such holder's Peoples Energy common stock. The United States Holder generally should recognize gain or loss measured by the difference between the amount of cash received and the adjusted tax basis of the Peoples Energy common stock

surrendered. However, in certain situations when the United States Holder owns WPS Resources stock directly or indirectly by reason of certain attribution rules set forth in the Code, the cash received could be treated as dividend income to the holder that is not reduced by the holder's tax basis in the holder's Peoples Energy common stock.

-95-

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*Consequences to Non-United States Holders.*

It is not clear whether either WPS Resources or Peoples Energy is or has been a United States Real Property Holding Corporation (sometimes referred to as a USRPHC) as defined under the provisions of Section 897 of the Code which were enacted under the Foreign Investment in Real Property Tax Act of 1980 (sometimes referred to as FIRPTA). A corporation generally is characterized as a USRPHC if the fair market value of the United States real property interests (sometimes referred to as USRPIs) owned by the corporation and its subsidiaries equals or exceeds 50% of the sum of (i) the fair market value of the worldwide real property interests owned by the group and (ii) the other assets used or held for use by the group in a trade or business. USRPIs include any interest (other than an interest solely as a creditor) in real property located in the United States or the Virgin Islands. Real property includes land and unsevered natural products of the land, improvements on land (e.g., pipelines, and the inherently permanent structural components of power plants) and personal property associated with the use of real property.

If Peoples Energy is or has been a USRPHC at any time during the Testing Period (as defined below), then in the circumstances described in the immediately following paragraph any Non-United States Holder that is a Significant Shareholder (as defined below) and that receives shares of WPS Resources common stock in the merger will be subject to United States federal income tax at the regular graduated rates imposed under Section 897 of the Code (sometimes referred to as the FIRPTA Tax) on the gain that is inherent in its shares of Peoples Energy common stock. In addition, if Peoples Energy is or has been a USRPHC at any time during the Testing Period, then any Non-United States Holder that is a Significant Shareholder and that receives cash pursuant to an exercise of dissenters' rights will be subject to the FIRPTA Tax. The FIRPTA Tax will not apply to any Non-United States Holder that is not a Significant Shareholder.

As used herein, the Testing Period means, with respect to a Non-United States Holder, the shorter of (i) the five year period preceding the effective time of the merger and (ii) the period during which the Non-United States Holder held its Peoples Energy common stock, and a Significant Shareholder means a Non-United States Holder that has owned, directly or indirectly, more than 5% of the Peoples Energy common stock at any time during the Testing Period. A non-dissenting Significant Shareholder that receives shares of WPS Resources common stock in the merger will be subject to the FIRPTA Tax if both of the following conditions are met:

Peoples Energy has been a USRPHC at any time during the Testing Period; and

either (i) WPS Resources is not a USRPHC immediately after the merger, (ii) the Significant Shareholder does not own, directly or indirectly, more than 5% of the WPS Resources common stock immediately after the merger, or (iii) certain federal income tax filing requirements are not satisfied by the Significant Shareholder.

For purposes of determining whether any Non-United States Holder owns more than 5% of the Peoples Energy common stock or the WPS Resources common stock, ownership is determined by applying the constructive ownership rules of Section 318 of the Code as modified by Section 897(c)(6)(C) of the Code. Generally, those rules treat a shareholder as owning (i) shares owned by certain relatives, related corporations, partnerships, estates or trusts, and (ii) shares that the shareholder has an option to acquire.

The amount of gain recognized by a Significant Shareholder that is subject to the FIRPTA Tax will equal the excess of (i) the sum of the amount of any cash received and the fair market value of the WPS Resources common stock received in the merger over (ii) the shareholder's tax basis in the Peoples Energy common stock exchanged therefor. Loss generally may not be recognized by a Significant Shareholder in connection with the merger.

A Significant Shareholder subject to the FIRPTA Tax will be required to file a United States federal income tax return with the Internal Revenue Service. An exemption from the FIRPTA tax or a reduced tax rate may be available under certain United States income tax treaties. In the case of a Significant Shareholder that is subject to the FIRPTA Tax, such holder's aggregate tax basis in the WPS Resources common stock received in the merger will equal the fair market value of such stock as of the effective time of the merger; and such holder's holding period in the WPS Resources common stock received in the merger will begin the day after the effective time of the merger.

-96-

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If WPS Resources is a USRPHC immediately after the merger, a Non-United States Holder may be subject to United States federal income tax on gain recognized on future dispositions of shares of WPS common stock after the merger, if that Non-United States Holder has held, directly or indirectly, at any time during the five year period ending on the date of the disposition, more than 5% of the WPS Resources common stock and was not eligible for any treaty exemption.

Under Section 1445 of the Code, a person acquiring stock in a USRPHC from a Non-United States Holder generally is required to deduct and withhold a tax equal to 10% of the amount realized by that Non-United States Holder on the sale or exchange of that stock (sometimes referred to as FIRPTA Withholding). However, Section 1445(b)(6) of the Code exempts from FIRPTA Withholding stock that is regularly traded on an established securities market. Peoples Energy believes that Peoples Energy common stock will continue to be regularly traded on the New York Stock Exchange at all times leading up to and as of the effective time of the merger, so that Peoples Energy common stock should be considered to be regularly traded on an established securities market for purposes of Section 1445(b)(6) of the Code. Assuming that this expectation proves to be correct, neither Peoples Energy, WPS Resources nor the exchange agent will be required to, nor will they, deduct and withhold amounts on account of FIRPTA Withholding with respect to a Non-United States Holder's exchange of Peoples Energy common stock pursuant to the merger.

**Because of the complexity of the FIRPTA rules, Non-United States Holders are urged to consult their tax advisors to determine the possible application of the FIRPTA Tax and availability of an exemption or tax reduction under an applicable United States income tax treaty.**

### *Tax Reporting*

Each Peoples Energy shareholder that receives WPS Resources common stock in the merger that owned immediately before the merger (i) 5% or more by vote or value of the stock of Peoples Energy or (ii) securities of Peoples Energy with a tax basis of \$1,000,000 or more will be required to file a statement with the shareholder's federal income tax return setting forth the shareholder's basis in the shares of Peoples Energy common stock surrendered, the fair market value of the shares of Peoples Energy common stock surrendered in the merger, the date of the merger and the name and employer identification number of WPS Resources, Peoples Energy and Wedge Acquisition Corp., and will be required to retain permanent records of this information.

### *United States Federal Backup Withholding*

A noncorporate holder of Peoples Energy common stock may be subject, under some circumstances, to backup withholding at a rate of 28% with respect to certain payments made in the merger unless the holder provides proof of an applicable exemption or correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against the holder's United States federal income tax liability, if the required information is furnished to the Internal Revenue Service.

**The foregoing discussion is not intended to constitute a complete description of all tax consequences relating to the merger. Tax matters are complicated and the tax consequences of the merger to you will depend upon the facts of your particular situation. Because individual circumstances may differ, we urge you to consult with your tax advisor regarding the applicability to you of the rules discussed above and the particular tax effects to you of the merger, including the application of state, local and foreign tax laws.**

-97-

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## Regulatory Matters Relating to the Merger

### *General*

To complete the merger, WPS Resources and Peoples Energy need to obtain approvals or consents from, or make filings with, a number of United States federal and state public utility, antitrust and other regulatory authorities. The material United States federal and state regulatory approvals, consents and filings are described below, and are collectively referred to in this joint proxy statement/prospectus as the required statutory approvals.

It is a condition to completion of the merger that final orders are obtained for the required statutory approvals and that such orders do not (in addition to specific requirements described below for certain required statutory approvals) impose terms or conditions that, individually or in the aggregate, would reasonably be expected to have (a) a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of WPS Resources and its subsidiaries, taken as a whole, or (b) a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of Peoples Energy and its subsidiaries, taken as a whole. A final order means an action by the relevant regulator that has not been revised, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by law before the merger may be consummated has expired or been terminated, and as to which all conditions to the consummation



of the merger prescribed by law, regulation or order have been satisfied. The merger agreement provides that each party to the agreement will cooperate and promptly prepare and file all necessary documentation, applications, notices, petitions and filings and use its reasonable best efforts to obtain all approvals and authorizations (including the required statutory approvals) necessary to effect the merger.

As used in the context of obtaining required statutory approvals, the term reasonable best efforts will not require either WPS Resources or Peoples Energy to dispose of any of its assets or to limit its freedom of action with respect to any of its businesses, or to consent to any disposition of its assets or limits on such party's freedom of action with respect to any of its businesses, or to commit or agree to any of the foregoing, to obtain any consents, approvals, permits or authorizations or to remove any impediments to the merger relating to the HSR Act or other antitrust, competition or premerger notification, trade regulation law, regulation or order or to the required statutory approvals or to avoid the entry of any order in any suit or proceeding relating to antitrust laws, other than dispositions, limitations or consents or commitments (1) that, individually or in the aggregate, have not had and would not reasonably be expected to (a) have a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of WPS Resources and its subsidiaries, taken as a whole, (b) have a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of the Peoples Energy and its subsidiaries, taken as a whole or (c) the combined company and (2) that otherwise are consistent with the satisfaction of the conditions set forth in the merger agreement.

The required statutory approvals, described in greater detail below, include: (1) the filing of notification and report forms with the Department of Justice and the Federal Trade Commission under the HSR Act, and expiration or early termination of any applicable waiting periods under the HSR Act; (2) approval of the merger and related affiliated interest agreement by the ICC, with only such terms or conditions as in the aggregate would not reasonably be expected to have a material adverse effect on the regulatory prospects in the State of Illinois of Peoples Energy and its subsidiaries taken as a whole; (3) approval of the related affiliated interest agreement and approval of the merger, if applicable, by the PSCW, with only such terms or conditions as in the aggregate would not reasonably be expected to have a material adverse effect on the regulatory prospects in the State of Wisconsin of WPS Resources and its (current, pre-merger) subsidiaries taken as a whole; (4) approval by the Federal Communications Commission of the change in control of certain licenses that will result from the merger; and (5) approval of the merger by the Federal Energy Regulatory Commission. For the purposes of the merger agreement, regulatory prospects means the ability of Peoples Energy's or WPS Resources' respective public utility subsidiaries to recover and to be authorized to earn a reasonable rate of return on their prudently incurred capital investment in accordance with ratemaking laws, regulations and practices in the State of Illinois or the State of Wisconsin, as the case may be, in effect at the time of the consummation of the merger.

-98-

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While WPS Resources and Peoples Energy each believe that they will receive the required statutory approvals and other clearances for the merger, there can be no assurance that any of these approvals will be obtained or, if obtained, that these approvals will not contain terms or conditions that could reasonably be expected to have a material adverse effect on the combined company following completion of the merger. Based on the current status of the regulatory approval process, the parties are working, assuming all other conditions to completion of the merger are satisfied, to complete the merger in the first calendar quarter of 2007. If one or more regulatory agencies conduct hearings or proceedings or otherwise open an investigation, the closing of the merger may not occur until later in 2007, if at all.

Each of WPS Resources and Peoples Energy currently intends to submit the merger proposals to its respective shareholders at a special meeting as noted above in Section [ ]. It is possible that a governmental agency will not have approved the merger by the date of such special meetings, which could delay or prevent completion of the merger for a significant period of time after WPS Resources' shareholders and Peoples Energy's shareholders have approved the proposals relating to the merger. Any delay in the completion of the merger could diminish the anticipated benefits of the merger or result in additional transaction costs, loss of revenue or other effects associated with uncertainty surrounding the transaction. In addition, it is possible that, among other things, a governmental agency could condition its approval of the merger upon WPS Resources and Peoples Energy entering into an agreement to divest a portion of their combined businesses or assets, or could restrict the operations of the combined businesses in accordance with specified business conduct rules. See Risk Factors beginning on page [ ]. A governmental agency also could impose significant additional costs on the business of the combined company, including requiring the combined company to share a disproportionate amount of the expected or achieved synergies of the merger with utility customers. Acceptance of any such conditions could diminish the benefits of the merger to the combined company and result in additional costs, loss of revenue or other effects. Alternatively, rejection of such conditions could result in WPS Resources and Peoples Energy litigating with a governmental entity, which could delay the merger or cause the merger to be abandoned.

No additional shareholder approval is expected to be required for any decision by WPS Resources or Peoples Energy after the special meetings are held relating to any terms and conditions necessary to resolve any regulatory objections to the merger and, possibly, to proceed with consummation of the merger.

Each of WPS Resources and Peoples Energy has agreed to use its reasonable best efforts to take, or cause to be taken, all actions, and to do or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary or advisable to complete and make effective in the most expeditious manner reasonably practicable the merger and the other transactions contemplated by the merger agreement including (1) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging the merger agreement or the

completion of the transactions contemplated thereby, and (2) the execution and delivery of any additional instruments necessary to complete the transactions contemplated by the merger agreement.

As more fully described in The Merger Agreement Termination of Merger Agreement beginning on page [ ], the merger agreement may be terminated by WPS Resources or Peoples Energy if the merger is not consummated on or before July 8, 2007; provided, however, that if the conditions to closing relating to antitrust, governmental approvals of the merger or final orders relating to the required statutory approvals have not been satisfied, but all other conditions to closing are fulfilled or are capable of being fulfilled as of July 8, 2007, then either WPS Resources or Peoples Energy may extend such date to January 8, 2008. A party may not terminate the merger agreement if the cause of the merger not being completed is that party's failure to fulfill its obligations under the merger agreement.

#### *Antitrust and HSR Act Matters*

The FTC, and the Antitrust Division of the DOJ, frequently scrutinize the legality under the antitrust laws of transactions such as the merger. At any time before or after the merger, the DOJ or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the merger or seeking divestiture of substantial assets of WPS Resources, Peoples Energy or their subsidiaries. Private parties and state attorneys general may also bring an action under the antitrust laws under certain circumstances. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, of the result of such challenge.

-99-

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WPS Resources and Peoples Energy plan to file their respective Pre-Merger Notification and Report Forms with the FTC and the DOJ under the HSR Act in September 2006. The HSR Act, and the rules and regulations thereunder, provide that certain merger transactions, including the merger, may not be consummated until required information and materials have been furnished to the DOJ and the FTC and certain waiting periods have expired or been terminated. The waiting period is 30 calendar days unless either early termination of the waiting period is granted, or the waiting period is extended by the issuance of a request for additional information.

#### *State Regulatory Approvals*

Illinois Commerce Commission. WPS Resources and Peoples Energy filed for ICC approval on August 2, 2006, and have sought expedited review. It is currently anticipated that among the required statutory approvals, the ICC approval represents the critical path to closing the merger by the end of the first calendar quarter of 2007. If expedited review is not granted, the time that is allowed for review of the merger application with the ICC is 11 months after the filing of the application, subject to potential extension.

Illinois law requires approval by the ICC of the merger and certain associated transactions and arrangements. The merger will result in a reorganization of Peoples Energy's Illinois public utility subsidiaries (Peoples Gas and North Shore Gas) as that term is defined under Section 7-204 of the Public Utilities Act (sometimes referred to as the PUA). Section 7-204(b) of the PUA requires the following findings by the ICC before it may approve a reorganization such as the merger:

the proposed reorganization will not diminish the utility's ability to provide adequate, reliable, efficient, safe and least cost public utility service;

the proposed reorganization will not result in the unjustified subsidization of non utility activities by the utility or its customers;

costs and facilities are fairly and reasonably allocated between utility and non utility activities in such a manner that the Commission may identify those costs and facilities which are properly included by the utility for ratemaking purposes;

the proposed reorganization will not significantly impair the utility's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure;

the utility will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities;

the proposed reorganization is not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction; and

the proposed reorganization is not likely to result in any adverse rate impacts on retail customers.

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Section 7-204(c) of the PUA further requires that the ICC rule on the allocation of any savings resulting from the merger, and whether the applicants should be allowed to recover any costs incurred in accomplishing the merger and, if so, the amount of costs eligible for recovery and how the costs will be allocated. In addition, ICC approval of the addition of Peoples Gas and North Shore Gas to a WPS Resources affiliated interest agreement was also requested. Finally, the ICC may condition its approval of the merger on the imposition of such terms, conditions and requirements as in the ICC's judgment are necessary to protect the interests of Peoples Energy's gas public utilities and their customers. In prior orders approving mergers under Section 7-204, the ICC has imposed significant conditions on the applicants.

On July 26, 2006, the Chicago City Council entered a resolution requesting that the Committee on Finance and the Committee on Energy, Environmental Protection and Public Utilities hold a joint public hearing regarding the potential impact of the merger on Chicago. The resolution also requested that the ICC refrain from granting approval of the merger until the proposed hearing takes place. No hearing date has yet been established.

-100-

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Public Service Commission of Wisconsin. In connection with the merger, WPS Resources has filed for PSCW approval of amendments to its affiliated interest agreements so that they include and apply to Peoples Energy and its subsidiaries, as appropriate, upon closing of the merger. These agreements govern the provision by and among WPS Resources and its regulated and non-regulated subsidiaries of services, property, and other things of value. Modification of these agreements requires the approval of the PSCW. WPS Resources filed for PSCW approval of the amended agreements on August 15, 2006. WPS Resources has concluded that no other PSCW approvals are required prior to the closing of the merger. However, on August 9, 2006, the PSCW issued a notice of investigation of the merger to consider, among other things, whether the PSCW has jurisdiction and approval authority over the merger. The PSCW did not request comments on the merger or establish any other procedures associated with its investigation.

Other States. In connection with the merger, WPS Resources will seek approval of the Michigan Public Service Commission and the Minnesota Public Utilities Commission for amendments to its affiliated interest agreements so that they include and apply to Peoples Energy and its subsidiaries, as appropriate, upon closing of the merger. The approvals of these state commissions are not required prior to completing the merger.

### *Federal Energy Regulatory Commission*

Each of WPS Resources and Peoples Energy currently has public utility subsidiaries subject to the jurisdiction of FERC under the Federal Power Act (sometimes referred to as the FPA). Section 203 of the FPA provides that no holding company in a holding company system that includes a transmitting utility or an electric utility may merge or consolidate with a holding company system that includes a transmitting utility or electric utility company without first having obtained authorization from FERC. In addition, even if, prior to consummation of the merger, Peoples Energy divests all of its public utility subsidiaries that are subject to FERC's jurisdiction under the FPA, established FERC precedent under other provisions of FPA Section 203 suggest that pre-approval of the merger by FERC is required.

Assuming this approval is required, FERC will approve the merger if it finds that it will be consistent with the public interest. Consistent with this standard, FERC's Merger Policy Statement and the relevant filing requirements established by FERC regulations, FERC's approval of the merger will require the following four findings:

There will be no adverse effect on FERC-jurisdictional rates;

There will be no adverse effect on competition in wholesale electric power markets;

There will be no adverse effect on state or federal regulation of the applicants; and

The merger will not result in the cross-subsidization by public utility subsidiaries of other subsidiaries or improper encumbrances or pledges of utility assets or, if such cross-subsidization or encumbrances were to occur, that they will be consistent with the public interest.

WPS Resources and Peoples Energy filed their joint application for FERC approval on August 15, 2006.

### *Federal Communications Commission*

Various subsidiaries of WPS Resources and Peoples Energy hold certain radio station licenses issued by the FCC which are utilized in connection with their utility operations. FCC approval is required prior to the transfer of control of any entity holding such FCC licenses. The

FCC will review whether the transfer of control of such entities and licenses is in the public interest. WPS Resources and Peoples Energy will timely file their application with the FCC.

-101-

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#### *Other Regulatory Approvals*

The merger may also be subject to review by the governmental authorities of various other federal, state or local jurisdictions under the antitrust and utility regulation or other applicable laws of those jurisdictions. As noted above, the Chicago City Council has requested that a hearing regarding the potential impact of the merger on Chicago be held, and has requested that the ICC refrain from granting approval of the merger until the proposed hearing takes place.

There can be no assurance that the reviewing authorities will permit the applicable statutory waiting periods to expire or that the reviewing authorities will terminate the applicable statutory waiting periods at all, or otherwise approve the merger without restrictions or conditions (which are difficult to predict or quantify) that would have a material adverse effect on the combined company if the merger were completed.

#### **Dissenters' Rights**

Under the Wisconsin Business Corporation Act, dissenters' rights are not available to shareholders of WPS Resources in connection with the transactions contemplated by the merger agreement.

Under the IBCA, Peoples Energy shareholders have dissenters' rights in connection with the merger. Therefore, a shareholder of Peoples Energy may elect to be paid cash for such shareholder's shares in accordance with the procedures set forth in the IBCA. See Information About the Peoples Energy Special Meeting Dissenters' Rights beginning on page [ ] for more detail.

#### **Federal Securities Laws Consequences; Stock Transfer Restrictions**

All shares of WPS Resources stock received by shareholders of Peoples Energy in the merger who are not affiliates of Peoples Energy prior to the merger will be freely transferable. However, shares of WPS Resources stock received by persons who are deemed to be affiliates of Peoples Energy prior to the merger may be resold by them only in transactions permitted by the resale provisions of Rule 145 promulgated under the Securities Act of 1933, or Rule 144 promulgated under the Securities Act in the case of such persons who become affiliates of WPS Resources, or as otherwise permitted under the Securities Act. Persons deemed to be affiliates of Peoples Energy are those individuals or entities that control, are controlled by, or are under common control with, Peoples Energy. Affiliates generally include executive officers and directors of Peoples Energy as well as certain principal shareholders of Peoples Energy. This joint proxy statement/prospectus does not cover any resales of WPS Resources common stock received by affiliates of Peoples Energy in the merger.

#### **Stock Exchange Listing; Delisting and Deregistration of Peoples Energy's Common Stock**

It is a condition to the merger that the shares of WPS Resources common stock issuable pursuant to the merger be approved for listing on the NYSE, subject to official notice of issuance. Shares of WPS Resources common stock will continue to be traded on the NYSE, but will be traded under the symbol [ ] immediately following the completion of the merger. If the merger is completed, Peoples Energy common stock will cease to be listed on the NYSE and its shares will be deregistered under the Securities Exchange Act of 1934.

#### **Business Relationships between WPS Resources and Peoples Energy**

In the ordinary course of its electric retail business, Peoples Energy Services has purchased from ESI electric supply for the Commonwealth Edison Company and Ameren Illinois Power service territories and capacity for the Commonwealth Edison Company service territory. Peoples Energy Services also has contracted with ESI to provide scheduling services behind Midwest Independent Transmission System Operator (sometimes referred to as MISO) to support operations for various electric utilities.

In the ordinary course of its natural gas wholesale marketing business, Peoples Energy Wholesale Marketing, LLC has purchased and sold natural gas with WPSC and ESI. Peoples Energy Wholesale Marketing, LLC has also regularly provided natural gas exchanges services to WPSC, whereby WPSC would deliver gas to Peoples Energy Wholesale Marketing, LLC during the summer and Peoples Energy Wholesale Marketing, LLC would return during the following winter period.

-102-

In the ordinary course of its natural gas hub services activity, Peoples Gas has transacted with ESI. All transactions were done pursuant to the operating statement of Peoples Gas under 18 C.F.R. Section 284.224. Under this operating statement, Peoples Gas hub offers services that have maximum and minimum rates approved by the FERC. For all transactions entered into pursuant to the operating statement, the rate charged must remain within the established maximum and minimum rates.

-103-

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**ADDITIONAL INTERESTS OF WPS RESOURCES AND PEOPLES ENERGY S  
DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER**

**Positions with the Combined Company**

*Directors*

Upon completion of the merger, the board of directors of the combined company will be composed of seven of the Peoples Energy directors (or others designated by Peoples Energy) and the nine WPS Resources directors (or others designated by WPS Resources). The nine current directors of WPS Resources are Richard A. Bemis, Albert J. Budney, Jr., Ellen Carnahan, Robert C. Gallagher, Kathryn M. Hasselbald-Pascale, James L. Kemerling, John C. Meng, William F. Protz, Jr. and Larry L. Weyers. Two of the Peoples Energy designated directors will be James Boris, current lead director of the Peoples Energy board of directors, and Keith Bailey, a current director of Peoples Energy. The combined company board of directors will have an executive committee comprised of Messrs. Weyers, Gallagher, Boris and Bailey.

James Boris, the current lead director of the Peoples Energy board of directors, will serve as non-executive Chairman of the Board for the combined company.

*Executive Officers*

Larry Weyers, Chairman of the Board, President and CEO of the WPS Resources, will serve as President and CEO of the combined company. Thomas Patrick, Chairman, President, and CEO of Peoples Energy, will retire upon completion of the merger.

**Additional Interests of WPS Resources Directors and Executive Officers in the Merger**

In considering the recommendations of the board of directors of WPS Resources to approve the issuance of common stock in connection with the merger and the amendment to the restated articles of incorporation of WPS Resources to change its name, you should be aware that certain of WPS Resources executive officers and directors have interests in the transaction that are different from, or are in addition to, the interests of WPS Resources shareholders generally. The board of directors was aware of these interests and considered them along with other matters when they determined to recommend the merger.

*Directors*

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As of [ ], 2006, directors of WPS Resources as a group controlled the voting or dispositive power over [ ] shares of WPS Resources common stock, representing approximately [ ]% of the outstanding shares of common stock. This percentage ownership will decrease to [ ]%, if the merger is completed. See Positions with the Combined Company Directors above for information on the board of directors of the combined company.

### *Executive Officers*

The WPS Resources board of directors has determined that the transactions contemplated by the merger agreement will not constitute a change in control within the meaning of WPS Resources employee benefit plans, nor the employment and severance agreements that WPS Resources has with its executive officers. See Positions with the Combined Company Executive Officers above for information on those executive officers of WPS Resources that will serve as executive officers of the combined company.

As of [ ], 2006, executive officers of WPS Resources as a group controlled the voting or dispositive power over [ ] shares of WPS Resources common stock, representing less than [ ]% of the outstanding shares of common stock. This percentage ownership will decrease to less than [ ]%, if the merger is completed.

-104-

### **Additional Interests of Peoples Energy's Directors and Executive Officers in the Merger**

In considering the recommendations of the board of directors of Peoples Energy to approve the merger agreement, you should be aware that certain of Peoples Energy's executive officers and directors have interests in the transaction that are different from, or are in addition to, the interests of Peoples Energy's shareholders generally. The board of directors was aware of these interests and considered them along with other matters when they determined to recommend the merger.

### *Directors*

See Positions with the Combined Company Directors above for information on the board of directors of the combined company.

***Directors Stock and Option Plan.*** Pursuant to the Peoples Energy directors stock and option plan, Peoples Energy has granted Peoples Energy deferred shares and Peoples Energy stock options to its directors. The deferred shares will be paid in shares of Peoples Energy common stock upon shareholder approval of the merger agreement. The number of Peoples Energy deferred shares held by directors of Peoples Energy as of July 8, 2006 (other than Mr. Patrick who holds no deferred shares under the plan) and assuming a closing date of January 1, 2007 are shown in the table below.

<b><u>Director</u></b>	<b><u>Number of Peoples Energy Deferred Shares</u></b>	<b><u>Number of Shares of WPS Resources for which Exchangeable</u></b>
Keith E. Bailey	2,059	1,698
James R. Boris	4,348	3,587
William J. Brodsky	4,348	3,587
Pastora San Juan Cafferty	4,348	3,587
Diana S. Ferguson	2,059	1,698
John W. Higgins	3,175	2,619
Dipak C. Jain	4,348	3,587
Michael E. Lavin	4,348	3,587
Homer J. Livingston	4,348	3,587
Richard P. Toft	4,348	3,587

With respect to the directors' stock options, the merger agreement provides that upon completion of the merger, these options will be converted into WPS Resources stock options based on the Exchange Ratio of 0.825. The number of Peoples Energy stock options held by directors of Peoples Energy as of July 8, 2006, assuming a closing date of January 1, 2007, is shown in the table below.

<b><u>Director</u></b>	<b><u>Number of Peoples Energy Stock Options</u></b>	<b><u>Number of WPS Resources Stock Options into which Convertible</u></b>
James R. Boris	9,000	7,425
William J. Brodsky	9,000	7,425
Pastora San Juan Cafferty	9,000	7,425
Dipak C. Jain	3,000	2,475

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<u>Director</u>	<u>Number of Peoples Energy Stock Options</u>	<u>Number of WPS Resources Stock Options into which Convertible</u>
Homer J. Livingston	9,000	7,425
Richard P. Toft	9,000	7,425

Directors Deferred Compensation Plan. The merger agreement provides that upon completion of the merger, each outstanding share equivalent of Peoples Energy common stock under the Peoples Energy directors deferred compensation plan will be converted into a number of share equivalents equal to 0.825, which will be paid to such participating director with shares of common stock of WPS Resources on the same schedule as provided in such participating director's election. The number of Peoples Energy share equivalents that will be converted into WPS Resources share equivalents upon completion of the merger for directors of Peoples Energy as of July 8, 2006 (other than Messrs. Bailey, Higgins, Lavin and Patrick and Ms. Cafferty who hold no share equivalents under the plan) and assuming a closing date of January 1, 2007 are shown in the table below.

-105-

<u>Director</u>	<u>Number of Peoples Energy Share Equivalents</u>	<u>Number of WPS Resources Share Equivalents into which Convertible</u>
James R. Boris	19,645	16,207
William J. Brodsky	15,004	12,378
Diana S. Ferguson	3,103	2,559
Dipak C. Jain	5,894	4,862
Homer J. Livingston	13,008	10,731
Richard P. Toft	11,797	9,732
<i>Executive Officers</i>		

See Positions with the Combined Company Executive Officers above for information on those executive officers of Peoples Energy that will serve as executive officers of the combined company.

Equity Compensation Awards. The merger agreement provides that upon completion of the merger, each Peoples Energy stock option and stock appreciation right, including those held by executive officers of Peoples Energy, will be converted into WPS Resources stock options and stock appreciation rights based on the Exchange Ratio of 0.825.

<u>Executive</u>	<u>Number of Peoples Energy Stock Options</u>	<u>Number of WPS Resources Stock Options into which Convertible</u>
William E. Morrow	21,000	17,325
Steven W. Nance	12,100	9,982
Thomas A. Nardi	18,600	15,345
Thomas M. Patrick	112,400	92,730
Desiree G. Rogers	16,800	13,860
Theodore R. Tetzlaff	--	--
All other executive officers (1)	36,300	29,947

(1) Includes 1,200 Peoples Energy SARs held by one executive officer convertible into 990 WPS Resources SARs.

The Peoples Energy Long-Term Incentive Compensation Plan provides that, upon completion of the merger, each share of Peoples Energy restricted stock, including those held by executive officers, will vest in full. Accordingly, such restricted stock will be exchangeable for shares of WPS Resources common stock in the merger. Based on Peoples Energy equity compensation awards held by executives of Peoples Energy as of July 8, 2006 (excluding outstanding awards that will vest prior to January 1, 2007) and assuming a closing date of January 1, 2007, upon completion of the merger, the number of restricted shares as shown in the table below will vest.

<u>Executive</u>	<u>Number of Peoples Energy Restricted Shares</u>	<u>Number of Shares of WPS Resources for which Exchangeable</u>
William E. Morrow	7,365	6,076

<u>Executive</u>	<u>Number of Peoples Energy Restricted Shares</u>	<u>Number of Shares of WPS Resources for which Exchangeable</u>
Steven W. Nance	4,200	3,465
Thomas A. Nardi	7,150	5,898
Thomas M. Patrick	22,855	18,855
Desiree G. Rogers	6,075	5,011
Theodore R. Tetzlaff	--	--
All other executive officers	13,190	10,881

-106-

Upon completion of the merger, each performance share award granted under the Peoples Energy Long-Term Incentive Compensation Plan prior to the date of the merger agreement, will be paid, as provided for by the Plan, based upon target performance levels and pro rated to recognize the completed months of the performance cycle. Based on performance share awards held by executives of Peoples Energy as of July 8, 2006 (excluding outstanding awards that will vest prior to January 1, 2007) and assuming a closing date of January 1, 2007, upon completion of the merger, the number of performance shares that will vest and be exchangeable in the merger are set forth below.

<u>Executive</u>	<u>Number of Peoples Energy Performance Shares</u>	<u>Number of Shares of WPS Resources for which Exchangeable</u>
William E. Morrow	5,456	4,501
Steven W. Nance	--	--
Thomas A. Nardi	5,175	4,269
Thomas M. Patrick	18,186	15,003
Desiree G. Rogers	4,525	3,733
Theodore R. Tetzlaff	--	--
All other executive officers	9,198	7,588

Long-Term Cash Awards. The Peoples Energy Long-Term Incentive Plan for Diversified Business Units provides cash awards based upon the achievement of operating and financial performance measures over a three-year performance cycle. As provided in the Plan, upon a Change in Control, Peoples Energy may cause the performance period applicable to any outstanding performance award to lapse and the performance award to be paid out either (i) based on actual satisfaction or attainment of the applicable performance measures at such time or (ii) as if the applicable performance measures were satisfied at the minimum, target or maximum level. As provided under the plan, maximum cash awards that may be paid to executives of Peoples Energy for current performance cycles that may lapse assuming a closing date of January 1, 2007 are listed in the table below.

<u>Executive</u>	<u>Cash Award</u>
William E. Morrow	--
Steven W. Nance	\$1,024,500
Thomas A. Nardi	--
Thomas M. Patrick	--
Desiree G. Rogers	--
Theodore R. Tetzlaff	--
All other executive officers	--

Retention Bonuses. Prior to completion of the merger, the merger agreement provides that Peoples Energy may provide for retention bonuses to corporate employees, including executive officers, not in excess of \$2 million in the aggregate. As of the date hereof, no such retention bonuses have been granted to any executive officers.

Change in Control Severance Agreements. Prior to execution of the merger agreement, Peoples Energy entered into change in control severance agreements with all ten of its executive officers. The merger constitutes a change in control for purposes of the severance agreements.

The term of each severance agreement commences six months prior to, and ends three years after, the date the merger is completed. Each severance agreement provides for payment of severance benefits to the executive in the event that, during the term of the severance agreement (1) the executive's employment is terminated by Peoples Energy, except for cause (as this term is defined in the severance agreement), death or disability; or (2) the executive's employment is terminated due to a constructive discharge, which includes (a) a material change in the executive's responsibilities, which change would cause the executive's position with Peoples Energy to become of less dignity, responsibility, prestige or scope; (b) reduction, which is more than *de minimis*, in total compensation; (c) assignment without the executive's consent to a location more than 50 miles from the current place of employment; or (d) liquidation, dissolution, consolidation, merger, or sale of all or substantially all of the assets of Peoples Energy (items (1) and (2) above are sometimes collectively referred to as a qualifying termination).



The principal severance benefits payable under each severance agreement consist of the following: (1) the executive's base salary and accrued benefits through the date of termination; and (2) a lump sum cash payment equal to from one to three years (depending on the officer's rank) of the sum of the executive's base salary, the average of the short-term incentive (bonus) compensation paid to the executive during the three years preceding termination of employment and the economic equivalent value of any long-term incentive compensation awards received by the executive in the calendar year preceding termination (items (1) and (2) above are sometimes collectively referred to as salary and incentive-based compensation).

Based upon compensation in effect on [ ], 2006, and assuming a closing date of January 1, 2007 and a qualifying termination occurring immediately thereafter, each executive officer would be entitled to receive the cash severance payment set forth below in connection with his or her termination (other than Mr. Patrick, who is not entitled to a cash severance payment, except as described in the paragraphs below the table).

<u>Executive</u>	<u>Cash Severance Payment (1)(2)</u>
William E. Morrow	\$2,634,345
Steven W. Nance	\$2,020,854
Thomas A. Nardi	\$2,593,345
Desiree G. Rogers	\$2,193,829
Theodore R. Tetzlaff	--
All other executive officers	\$3,935,652

- (1) Excludes (1) post-termination health benefits with a present value of \$60,809 for Mr. Morrow, \$64,064 for Mr. Nance, \$74,832 for Mr. Nardi, \$16,292 for Ms. Rogers and \$113,376 for all other executive officers; (2) outplacement services with a value of \$20,000 with respect to each executive officer; and (3) life insurance benefits with a de minimis present value with respect to each executive officer.
- (2) Assumes a price per share of Peoples Energy common stock of \$41.81 for purposes of calculating the economic equivalent value of long-term incentive compensation awards. This price per share is the mean market price of Peoples Energy common stock on August 21, 2006.

Peoples Energy and Mr. Patrick have agreed upon the terms of an Employment and Retention Agreement that will replace his change in control severance agreement. Under the new agreement, Mr. Patrick will give up the severance payments he would have otherwise received under his change in control severance agreement, including without limitation the obligation of Peoples Energy to pay Mr. Patrick an amount sufficient on an after-tax basis to satisfy any golden parachute excise tax liability imposed by Section 4999 of the Internal Revenue Code of 1986, as amended. Mr. Patrick has also waived the obligation of Peoples Energy to fund certain of his nonqualified retirement benefits under a trust maintained by Peoples Energy, commonly called a rabbi trust; instead, such benefits will be paid with general corporate assets.

Peoples Energy has agreed to retain Mr. Patrick on an at will basis at his current salary, subject to increase from time to time in accordance with salary increases generally granted to company executives. Mr. Patrick shall remain eligible to participate in all bonus programs, incentive arrangements, employee benefit plans and perquisite plans for which he is eligible in accordance with their terms. Peoples Energy has also agreed that if Mr. Patrick elects to receive his supplemental retirement benefit in the form of an annuity and such payments are delayed six months to comply with tax laws, Mr. Patrick's first payment will equal the total of the annuity payments he otherwise would have received during the six months immediately following his employment termination.

Mr. Patrick is eligible to receive an incentive bonus and a success bonus under the agreement. Mr. Patrick will receive an incentive bonus in consideration for, among other things, terminating his change in control severance agreement if he remains employed by Peoples Energy through November 30, 2006 or dies or experiences a disability, as disability is defined under the agreement, on or before that date. \$1,000,000 of the bonus will be paid on December 1, 2006 and the remainder of \$1,775,000 will be paid six months after his employment termination.

Mr. Patrick will be paid a success bonus of \$2,000,000 if he remains employed with the company as of:

- (i) the later of (A) the completion date of the merger or (B) at Peoples Energy's option the three-month anniversary date of the completion date of the merger; or
- (ii) if the merger is abandoned and does not close, the later of (A) the date Peoples Energy hires a new chief executive officer and he or she commences service in such position, or (B) at Peoples Energy's option the three-month anniversary date of the new chief executive officer's first day of service; or

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- (iii) the date Peoples Energy terminates his employment due to death, disability or a reason other than cause, as cause is defined in the agreement, before the occurrence of an event described in (i) or (ii) above.

The success bonus will be paid six months after Mr. Patrick's employment termination.

Mr. Morrow's severance agreement provides that in addition to the salary and incentive-based compensation, Mr. Morrow is entitled to receive from Peoples Energy, within ten business days after termination (or such later date as provided by the agreement), the amount of his vested accrued benefit under Peoples Energy's Supplemental Retirement Benefits Plan (sometimes referred to as the SRB Plan) on the date of his termination, determined as if Mr. Morrow had received credit for an additional three years of service. Mr. Morrow's severance agreement further provides that Mr. Morrow is entitled to continuation of coverage under Peoples Energy's welfare benefit plans (e.g., life insurance and medical benefits) or equivalent individual coverage for a period that is the longer of (1) three years after termination, or (2) the period commencing with the date of termination and ending on the last day of the first month in which Mr. Morrow may retire under Peoples Energy's pension plan and receive an annuity under the plan without actuarial reduction, provided that such benefits shall cease upon Mr. Morrow becoming eligible for such coverage under another employer's plans.

Mr. Nardi's severance agreement provides that in addition to the salary and incentive-based compensation, Mr. Nardi is entitled to receive from Peoples Energy, within ten business days after termination (or such later date as provided by the agreement), an amount equal to the remainder of (1) the value of the benefits that would have been accrued by Mr. Nardi under Peoples Energy's retirement plan and the SRB Plan on the date of termination of employment, determined as if Mr. Nardi had received credit for an additional twenty-one years of service and had commenced participation in Peoples Energy's retirement plan and the SRB Plan as of his first day of actual employment with Peoples Energy Services Corporation, less (2) the value of Mr. Nardi's benefits accrued under the Peoples Energy retirement plan on the date of termination of his employment. The amount payable to Mr. Nardi is computed without actuarial reduction for early receipt of the benefit and is calculated using the formula under the Peoples Energy's retirement plan which would result in the greater benefit. Mr. Nardi's severance agreement further provides that Mr. Nardi is entitled to a continuation of coverage under Peoples Energy's welfare benefit plans (e.g., life insurance and medical benefits) or equivalent individual coverage for the longer of: (1) three years after termination, or (2) the period commencing with the date of termination and ending on the date that Mr. Nardi reaches age 65, provided that such benefits shall cease upon Mr. Nardi becoming eligible for such coverage under another employer's plans.

-108-

Ms. Rogers' severance agreement provides that in addition to the salary and incentive-based compensation, if Ms. Rogers is vested under Peoples Energy's retirement plan, Ms. Rogers is entitled to receive from Peoples Energy, within ten business days after termination (or such later date as provided by the agreement), the amount of her vested accrued benefit under the SRB Plan on the date of her termination, computed as if Ms. Rogers had completed three years of additional service. If on the date of termination, Ms. Rogers is at least age 47 but less than age 50, the portion of Ms. Rogers' severance benefit resulting from the additional three years of benefit service under the SRB Plan shall be calculated based on the benefits percentage under the SRB Plan that Ms. Rogers would be entitled to if she had reached age 50 by the time of termination. Ms. Rogers' severance agreement further provides that Ms. Rogers is entitled to continuation of coverage under Peoples Energy's welfare benefit plans (e.g., life insurance and medical benefits) or equivalent individual coverage for a period of three years after termination, provided that such benefits shall cease upon Ms. Rogers becoming eligible for such coverage under another employer's plans.

Mr. Nance's severance agreement provides that if, on the date of Mr. Nance's termination, he is vested under Peoples Energy's retirement plan, Mr. Nance would be entitled to a payment, within ten business days after his termination, equal to the amount of the benefit accrued under Peoples Energy's SRB Plan on the date of termination, plus an additional three years accrued benefit (as determined in accordance with Mr. Nance's severance agreement). If Mr. Nance is not vested under Peoples Energy's retirement plan, he would receive a payment, within ten business days after his termination, in an amount equal to the sum of the value of the benefit accrued under the SRB Plan on the date of termination plus an additional three years accrued benefit (as determined in accordance with Mr. Nance's severance agreement with reference to Peoples Energy's retirement plan but payable under the SRB Plan), with the value of Mr. Nance's benefit accrued under the SRB Plan on his date of termination determined as if (1) Mr. Nance had commenced participation in Peoples Energy's retirement plan and the SRB Plan as of the date of his actual employment with Peoples Energy Production Company, (2) received credit for one year of benefit service under Peoples Energy's retirement plan and the SRB Plan for each year or partial year during which he was employed by Peoples Energy, and (3) Mr. Nance were fully vested in his accrued benefit under the SRB Plan at all times. Mr. Nance's severance agreement further provides that Mr. Nance is entitled to a continuation of coverage under Peoples Energy's welfare benefit plans (e.g., life insurance and medical benefits) or equivalent individual coverage for the longer of: (1) three years after termination, or (2) the period commencing with the date of termination and ending on the date Mr. Nance reaches age 65, provided that such benefits shall cease upon Mr. Nance becoming eligible for such coverage under another employer's plans.

Based upon compensation and benefit levels in effect on January 1, 2006 (without assuming any increases thereof), and assuming a closing date of January 1, 2007 and a qualifying termination occurring immediately thereafter, each executive officer would be entitled to receive the amounts shown in the table below in connection with his or her termination.

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<u>Executive</u>	<u>Current vested benefit under SRB Plan (A)</u>	<u>Enhancement if terminated (B)</u>	<u>Total potential value if terminated (A+B)</u>
William E. Morrow	\$448,680	\$136,154	\$584,834
Steven W. Nance	\$35,485	\$162,642	\$198,127
Thomas A. Nardi	\$2,699,752	--	\$2,699,752
Thomas M. Patrick	\$3,680,074	--	\$3,680,074
Desiree G. Rogers	\$29,081	\$73,122	\$102,203
Theodore R. Tetzlaff	--	--	--
All other executive officers	\$542,625	\$178,501	\$721,126

-109-

Peoples Energy is also obligated under each severance agreement to pay an additional amount to the executive sufficient on an after-tax basis to satisfy any golden parachute excise tax liability imposed by Section 4999 of the Internal Revenue Code of 1986, as amended.

Finally, during the first twenty-four months of the coverage period under each of the severance agreements, the executive may request Peoples Energy to provide him or her with outplacement services. In the event such a request is made, Peoples Energy may, at its election, reimburse the executive for the cost of outplacement services actually incurred by the executive up to a maximum of \$20,000, or arrange for the provision of outplacement services for the executive of an approximate value to the executive of \$20,000.

The benefits received by the executive under each agreement are in lieu of benefits under Peoples Energy's termination allowance plan and the executive's benefits under the SRB Plan. Each executive would be required to generally waive employment-related claims prior to receiving any severance benefits and to enter into a confidentiality and non-solicitation agreement.

*Benefits with the Combined Company*

For a period of one year after the completion of the merger, WPS Resources will provide benefits to employees of Peoples Energy and its subsidiaries that are substantially comparable in the aggregate to those in effect for such employees on the date of the merger agreement. See The Merger Agreement Covenants Employee Matters beginning on page [ ] for more information on these arrangements.

*Indemnification of Directors and Executive Officers*

WPS Resources has agreed that:

all rights to indemnification and exculpation of current or former directors, officers and fiduciaries under benefit plans of Peoples Energy and its subsidiaries for liabilities arising from their acts or omissions occurring at or prior to closing as provided under their respective certificates of incorporation or by-laws or other agreements will survive the merger and, subject to applicable law, continue in full force and effect;

from and after the closing of the merger, directors, officers and fiduciaries under benefit plans currently indemnified by Peoples Energy or its subsidiaries who become directors, officers or fiduciaries under benefit plans of WPS Resources will be entitled to the indemnity rights and protections then afforded to directors, officers and fiduciaries under benefit plans of WPS Resources; and

for six years after the completion of the merger, WPS Resources will maintain either (a) the Peoples Energy's current directors' and officers' insurance and indemnification policy to the extent that it provides coverage for events occurring prior to such time for Peoples Energy's directors and officers, so long as the annual premium therefore would not be in excess of 200% of the last annual premium paid prior to the date of the merger agreement or (b) director and officer insurance with an insurer substantially comparable to the insurer under the director and officer insurance provided to such persons of at least the same coverage and amounts and containing terms and conditions no less advantageous to such persons; provided that the annualized premium for such director and officer insurance does not exceed such 200% maximum amount, in which case, WPS Resources will obtain the most favorable director and officer insurance available for such maximum amount.

If the existing director and officer insurance expires, is terminated or canceled during such six-year period, WPS Resources will use all reasonable efforts to cause to be obtained as much director and officer insurance as can be obtained for the remainder of such period for an annualized premium not in excess of the 200% maximum amount, on terms and conditions no less advantageous than the existing Peoples Energy director and officer insurance.

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**THE MERGER AGREEMENT**

*The following is a summary of the material terms of the merger agreement. This summary does not purport to describe all the terms of the merger agreement and is qualified by reference to the complete merger agreement which is attached as Annex A to this joint proxy statement/prospectus and incorporated by reference. All shareholders of WPS Resources and Peoples Energy are urged to read the merger agreement carefully and in its entirety.*

*The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about WPS Resources or Peoples Energy. Such information can be found elsewhere in this joint proxy statement/prospectus and in the public filings each of WPS Resources and Peoples Energy makes with the SEC, which are available without charge at [www.sec.gov](http://www.sec.gov). See *Where You Can Find More Information* beginning on page [ ].*

*The merger agreement contains representations and warranties WPS Resources and Peoples Energy made to each other as of specific dates. The statements embodied in those representations and warranties were made solely for purposes of the merger agreement between WPS Resources and Peoples Energy and are subject to important, exceptions, qualifications, limitations and supplemental information agreed to by WPS Resources and Peoples Energy and in part contained in confidential disclosure letters delivered by the parties in connection with negotiating its terms. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to shareholders or may have been used for the purpose of allocating risk between WPS Resources and Peoples Energy rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since the representations and warranties are subject, in important part, to the underlying disclosure letters.*

**General**

The merger agreement provides for the merger of a newly-formed, wholly-owned subsidiary of WPS Resources (Wedge Acquisition Corp.) with and into Peoples Energy, with Peoples Energy continuing as the surviving corporation. Upon completion of the merger, Peoples Energy will become a wholly-owned subsidiary of WPS Resources.

**Closing Matters**

*Closing.* Unless the parties agree otherwise, the closing of the merger will take place on the second business day after all mutual closing conditions have been satisfied or waived, or if, on such day, any condition that is only applicable to one party has not been satisfied or waived as soon as practicable after all conditions have been satisfied or waived. See *Conditions* below for a more complete description of the conditions that must be satisfied or waived prior to closing.

*Completion of the Merger.* On the date the merger closes, WPS Resources and Peoples Energy will file articles of merger with the Secretary of State of Illinois in accordance with the relevant provisions of the IBCA and make all other required filings or recordings. The merger will become effective when the articles of merger duly filed or, to the extent within the time limitations provided in the IBCA, at such later time as WPS Resources and Peoples Energy agree and specify in the articles of merger.

We are working to complete the merger in the first calendar quarter of 2007. However, because completion of the merger is subject to the receipt of regulatory approvals and the satisfaction or waiver of other conditions, we cannot predict the actual timing of the completion of the merger.

*Articles and By-laws.* WPS Resources will amend its restated articles of incorporation and by-laws, with each amendment to be effective as of the effective time of the merger. See *Post-Merger Governance and Management* beginning on page [ ] for a description of the material terms and provisions of the restated articles of incorporation of WPS Resources, which is the subject of the proposal to amend the restated articles of incorporation of WPS Resources to change its name, and material terms and provisions of the amended by-laws of WPS Resources.

### Consideration to be Received Pursuant to Merger

The merger agreement provides that, at the completion of the merger, each share of Peoples Energy common stock issued and outstanding immediately prior to the completion of the merger, but excluding shares of Peoples Energy common stock owned by the parties and shares of Peoples Energy common stock held by Peoples Energy shareholders who have complied with the requirements for perfection of dissenters' rights under the IBCA, will be converted into the right to receive 0.825 shares of WPS Resources common stock, and all outstanding options to purchase shares of Peoples Energy common stock granted under the Peoples Energy stock plans, all shares of Peoples Energy restricted stock granted under the Peoples Energy stock plans and all outstanding Peoples Energy other equity-based awards will be treated as described in the section entitled "Covenants - Employee Matters" beginning on page [ ].

### Exchange of Certificates Pursuant to Merger

Before the closing of the merger, WPS Resources will appoint a bank or trust company reasonably acceptable to Peoples Energy as the exchange agent to effectuate the exchange of Peoples Energy stock certificates for certificates representing shares of WPS Resources common stock. As soon as reasonably practicable after the closing of the merger, the exchange agent will send a letter of transmittal to each former Peoples Energy shareholder who holds one or more stock certificates. The letter of transmittal will contain instructions explaining the procedure for surrendering Peoples Energy stock certificates. You should not return stock certificates with the enclosed proxy card.

Peoples Energy shareholders who surrender their stock certificates, together with a properly completed letter of transmittal, will receive a certificate representing that number of whole shares of WPS Resources common stock into which their shares of Peoples Energy common stock were converted pursuant to the merger and cash in lieu of fractional shares.

After the merger, each certificate that previously represented shares of Peoples Energy common stock will only represent the right to receive:

certificates representing the shares of WPS Resources common stock into which those shares of Peoples Energy common stock have been converted and any cash payable in lieu of fractional shares; and

dividends or other distributions, if any, of WPS Resources common stock which Peoples Energy shareholders are entitled to under the terms of the merger agreement.

WPS Resources will not pay dividends declared with a record date after the completion of the merger to any holder of any Peoples Energy stock certificates until the holder surrenders the Peoples Energy stock certificates. However, once those certificates are surrendered, WPS Resources will pay to the holder, without interest, any dividends that have been declared and paid after the closing date of the merger on the shares into which those Peoples Energy shares have been converted, subject to the effect of applicable escheat or similar laws.

After the completion of the merger, Peoples Energy will not register any transfers of shares of Peoples Energy common stock.

*Dissenting Shares.* Holders of shares of Peoples Energy common stock who have complied with requirements for perfecting dissenters' rights under the IBCA will be entitled to exercise such rights with respect to the shares as to which such rights have been perfected, to the extent available under the IBCA. Upon consummation of the merger, the dissenting shares will cease to be issued and outstanding and the holders thereof will only be entitled to receive such consideration as will be determined under the IBCA. If a holder of dissenting shares fails to perfect or otherwise waives, withdraws or loses its dissenters' rights under the IBCA, such that dissenters' rights can no longer be legally perfected or exercised under the IBCA with respect to such common stock of Peoples Energy, then the right of such holder to receive such consideration for dissenting shares will cease and such dissenting shares will become exchangeable solely for the right to receive WPS Resources common stock and cash in lieu of fractional shares as provided above.

-112-

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### Covenants

We have each undertaken certain covenants in the merger agreement concerning the conduct of our respective businesses between the date the merger agreement was signed and the completion of the merger. The following summarizes the more significant of these covenants:

*No Solicitation.* Each of WPS Resources and Peoples Energy has agreed that it will not, and will not permit its respective officers, directors, employees or representatives to:

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directly or indirectly solicit, initiate or encourage, including by way of furnishing information, the submission of, or take any action designed to facilitate, any inquiries or the making of any proposal that constitutes or is reasonably expected to lead to a takeover proposal of the type described below;

enter into any acquisition agreement related to any other takeover proposal; or

directly or indirectly enter or participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, a takeover proposal.

Under the merger agreement, each of Peoples Energy and WPS Resources agreed to cease all existing activities, discussions or negotiations as of the date of the merger agreement with any parties with respect to a takeover proposal. Each party agreed to provide written notice to the other on receipt of any request for information by a person who is reasonably likely to make a takeover proposal or who has made a takeover proposal within 24 hours of receiving such request or proposal.

Notwithstanding the above provisions, each of Peoples Energy and WPS Resources is permitted to participate in negotiations with, and furnish information with respect to itself to, a person making a takeover proposal, pursuant to a confidentiality and standstill agreement not less restrictive of the other party than the confidentiality and standstill agreement between WPS Resources and Peoples Energy, if:

the respective party's shareholder meeting to vote on the approval of the merger agreement has not occurred;

a majority of the respective party's board of directors determines in good faith after consultation with the applicable party's outside counsel that such action is required by the fiduciary obligation of the applicable board of directors to the shareholders of the applicable party under applicable law in response to a bona fide written takeover proposal that is made by a person that the board of directors determines, in good faith, after consultation with the outside counsel and financial advisors constitutes or is reasonably expected to result in a superior proposal of the type described below that was not solicited by such party or its representatives and that did not otherwise result from a breach of the no solicitation covenant; and

within 24 hours of making such conclusion and prior to furnishing any information to a person making a takeover proposal, it has provided written notice to the other party stating that it has received a takeover proposal and has made the conclusion described above and specifying the principal terms and conditions of the takeover proposal and the identity of the person making such proposal or inquiry.

-113-

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A *takeover proposal* means any bona fide proposal or offer from any person relating to:

any direct or indirect acquisition or purchase of a business constituting 20% or more of the net revenues, net income or assets of the party and its subsidiaries or 20% or more of any class of voting securities of the party or any of its material subsidiaries;

any tender offer or exchange offer that if consummated would result in any person beneficially owning 20% or more of any class of voting securities of the party or any of its material subsidiaries; or

any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the party or any of its material subsidiaries as a result of which a third party would acquire 20% or more of the voting securities of the party or any of its material subsidiaries, in each case, other than the transactions contemplated by the merger agreement or transactions solely among wholly-owned subsidiaries.

A *superior proposal* means any written takeover proposal (as defined above, *provided, however* that 50% should be substituted for all references to 20% in the definition above) which the party's board of directors determines in good faith (after consultation with a financial advisor of nationally-recognized reputation) to be more favorable to the party's shareholders than the transactions contemplated by the merger agreement after taking into account, among other things, all financial considerations and aspects of the takeover proposal, all strategic considerations, all legal and regulatory considerations, the identity of the offeror, the conditions and likelihood of completion, the likelihood of the imposition of obligations in connection with obtaining necessary regulatory approval, any financing condition and the likelihood of financing occurring and the payment of any termination fee under the merger agreement.

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*Board of Directors Covenant to Recommend.* The WPS Resources board of directors has recommended that the WPS Resources shareholders approve the share issuance proposal and the proposal to amend the restated articles of incorporation of WPS Resources to change its name. Similarly, the Peoples Energy board of directors has recommended that the Peoples Energy shareholders approve the merger agreement.

Neither WPS Resources nor Peoples Energy may (A) recommend the approval or adoption of a takeover proposal, (B) withdraw or modify in a manner adverse to the other party, its recommendation to its shareholders or (C) recommend that its shareholders reject the transactions contemplated by the merger agreement unless (i) the applicable board of directors determines in good faith, after consulting with outside counsel and financial advisors, that failure to take such action would reasonably be likely to result in a breach of the fiduciary obligations of such board of directors to the shareholders of the applicable party under applicable law and (ii) it has provided five business days prior written notice of its intent to make a change in its recommendation to the other party, and, if requested by the other party, negotiated in good faith with the other party during such five day period to avoid such a recommendation change. Additionally, neither WPS Resources nor Peoples Energy may (A) approve or adopt, or resolve, agree or propose publicly to approve or adopt, any other takeover proposal, (B) withdraw or modify, or resolve, agree or propose publicly to withdraw or modify, in a manner adverse to the other party, the approval or adoption by the applicable board of directors of the merger or any of the transactions contemplated by the merger agreement, (C) determine that the transactions contemplated by the merger agreement are no longer advisable to the extent such determination is necessary in order to validly submit such transactions to the applicable party's shareholders or (D) cause or permit the applicable party to enter into any other takeover proposal (other than a permitted confidentiality and standstill agreement) or resolve, agree or propose publicly to take any such actions. Notwithstanding the foregoing, neither WPS Resources nor Peoples Energy is prohibited under the merger agreement from taking and disclosing to its shareholders a position with respect to any transaction in compliance with Rule 14e-2(a) under the Securities Exchange Act of 1934.

Even if a party's board of directors withdraws or modifies its recommendation to its shareholders in favor of the proposals related to the merger, the party is still required to submit the proposals relating to the merger agreement at the special meeting of its shareholders for consideration, unless the merger agreement is otherwise terminated. See *Termination of Merger Agreement* beginning on page [ ] for a discussion of each party's ability to terminate the merger agreement.

-114-

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*Restrictions on the Parties' Businesses Pending Closing.* In general, until either the completion of the merger or the termination of the merger agreement, WPS Resources and Peoples Energy and their respective subsidiaries are required to carry on their businesses in all material respects in the ordinary course and to use commercially reasonable efforts to preserve intact their current business organizations and keep available their existing relations with customers, suppliers, licensors, licensees, distributors and other business associates and to comply in all material respects with all laws, judgments and consents of and permits with all governmental entities applicable to them to the end that its goodwill and ongoing business shall not be impaired in any material respect at the time of the consummation of the merger.

Peoples Energy has also agreed that (except as contemplated by the merger agreement or previously disclosed to WPS Resources) it will not and will not permit any of its subsidiaries (without the prior written consent of WPS Resources) to:

declare, set aside or pay any dividend or distribution payable in cash, stock or property in respect of any capital stock other than (i) the payment of dividends or making of distributions from direct or indirect wholly-owned subsidiaries to their parent companies and (ii) regular quarterly cash dividends with respect to Peoples Energy common stock, not in excess of \$0.545 per share, with usual declaration, record and payment dates and in accordance with the Peoples Energy's past dividend policy;

split, combine or reclassify its outstanding shares of capital stock or authorize the issuance of any other securities in respect of, in lieu of or in substitution for its shares of capital stock;

except in connection with employee stock plans and in certain other defined circumstances, purchase, redeem or otherwise acquire, or permit any subsidiaries to purchase, redeem or otherwise acquire, any shares of its capital stock or any securities convertible into or exchangeable or exercisable for any shares of its capital stock;

purchase, redeem or otherwise acquire any shares of WPS Resources capital stock or capital stock of any of its subsidiaries, or any other voting securities or equity interests of WPS Resources or any of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

issue, deliver, sell or grant any shares of, or securities convertible into or rights of any kind to acquire, its capital stock or voting debt, or stock-based compensation awards, other than (i) the issuance of shares of its common stock and its stock options and other equity-based awards pursuant to its existing stock plans, (ii) the issuance of shares pursuant to the exercise or vesting of stock options and other equity-based awards outstanding as of the date of the merger agreement, (iii) in connection with the grant of equity-based or equity-related awards with respect to 300,000 additional shares of Peoples Energy common stock of Peoples Energy pursuant to its existing stock plans consistent with prior practice, (iv) in accordance with the terms of Peoples Energy's

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dividend reinvestment plan and (v) the issuance of Peoples Energy common stock to the extent necessary to prevent the long-term credit rating of Peoples Energy from falling below investment grade; however Peoples Energy must obtain WPS Resources' prior written consent unless such issuance is in the ordinary course of business consistent with past practice pursuant to Peoples Energy's continuous equity offering plan in an aggregate amount not to exceed \$30 million;

amend its certificate of incorporation or by-laws, except for such amendments (A) required by law or the rules and regulations of the SEC or the NYSE or (B) that do not have an adverse affect on the transactions contemplated by the merger agreement and would not materially restrict the operation of their businesses;

-115-

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acquire or agree to acquire (A) by merging or consolidating with any business or (B) any assets that are material, individually or in the aggregate, to Peoples Energy and its subsidiaries, taken as a whole, other than (x) purchases of inventory in the ordinary course of business consistent with past practice and (y) capital expenditures or expenditures (1) in an amount not to exceed 110% in the aggregate of the amount of capital expenditures budget disclosed to WPS Resources (excluding any acquisition of a business and any acquisition by Peoples Energy Production Company of interests in real property for more than \$5 million), (2) required by law or governmental entities or (3) incurred in connection with the repair or replacement of facilities destroyed or damaged due to casualty or accident; provided in each case, Peoples Energy must use its best efforts to notify WPS Resources in writing prior to making any such capital expenditure in excess of the aggregate budgeted amounts;

grant to any director, officer or employee any material increase in compensation or benefits, except in the ordinary course of business consistent with prior practice or to the extent required under certain existing employment agreements;

grant to any director, officer or employee any increase in severance, change in control, retention or termination compensation or benefits, except to the extent required under certain existing employment, severance or termination agreements;

enter into any employment, consulting, indemnification, retention, severance, change in control or termination agreement with any such director, officer or employee;

establish, adopt, enter into, amend or modify in any material respect or terminate any collective bargaining agreement or Peoples Energy benefit plan;

take any action to fund or secure, or accelerate the time of payment or vesting of any compensation or other rights, or make any material determinations not in the ordinary course of business consistent with prior practice, under any collective bargaining agreement, Peoples Energy benefit plan or Peoples Energy benefit agreement;

make any changes to accounting methods, principles or practices that would materially affect its reported consolidated assets, liabilities or results of operations, except as may be required by law or a change in law or generally accepted accounting principles;

make any material elections with respect to taxes that will continue to be binding after the consummation of the merger, or settle or compromise any material tax liability or refund, except insofar as may be required by law or a change in law;

sell, lease, license or otherwise dispose of or encumber any of its assets or properties that are material individually or in the aggregate, to Peoples Energy and its subsidiaries taken as a whole, other than (i) dispositions or encumbrances having an aggregate principal amount not to exceed \$20 million, (ii) sales of inventory and excessive obsolete assets or assets being replaced, in each case, in the ordinary course consistent with past practice, and (iii) grants of liens in connection with project financings;

incur any debt other than (i) short term borrowings in an aggregate principal amount not to exceed \$550 million outstanding at any time, of which \$250 million may be outstanding in respect of Peoples Energy's regulated utility business, in each case, if incurring such short-term borrowings is not reasonably likely to cause the long-term credit rating of Peoples Energy to fall below investment grade; (ii) letters of credit if obtaining such letter of credit is not reasonably likely to cause the long-term credit rating of Peoples Energy to fall below investment grade; (iii) borrowings made in connection with the refinancing of existing indebtedness at its stated maturity or a lower cost of funds and (iv) additional indebtedness to be issued by Peoples Energy's subsidiaries that are public utilities in an aggregate principal amount not to exceed \$70 million, provided that the incurrence of such indebtedness is in compliance with applicable ICC rules and regulations and is not reasonably likely to cause the long-term credit rating of Peoples Energy to fall below investment grade;



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make any loans to any person, other than a wholly-owned subsidiary;

except as required by applicable law, make any changes or propose any changes in its existing rates, standards of service or regulatory accounting, or effect any agreement with respect thereto, or amend the settlement and release agreement with the State of Illinois and the Citizens Utility Board or make any filing to change its rates, except for any change or other action (A) which is not reasonably expected to cause the return on equity in respect of Peoples Energy regulated business to be materially lower than the return on equity which Peoples Energy is authorized to receive in respect of such regulated business and (B) which would not reasonably be expected to lead to any material delay in obtaining or materially increase the risk of not obtaining any Peoples Energy required statutory approval (however, neither Peoples Energy nor any of its subsidiaries may submit any new rate application to the ICC without WPS Resources' prior written consent, except as otherwise required by applicable law in which case Peoples Energy will provide WPS Resources such application reasonably in advance of filing and must consider WPS Resources' comments in good faith prior to filing such application);

make capital expenditures (excluding any acquisition of a business and any acquisition by Peoples Energy Production Company of interests in real property for more than \$5 million) in excess of 110% of the amount disclosed to WPS Resources in the capital expenditure plan, except emergency capital expenditures (i) it deems necessary in its reasonable judgment based on prudent utility practices to restore or maintain the provision of utility service to wholesale and retail customers or (ii) required by law or a governmental entity;

pay, discharge or satisfy any claims, liabilities or obligations, other than (1) in the ordinary course of business consistent with past practice, (2) in accordance with their terms, or (3) of liabilities reflected or reserved against in the most recent consolidated financial statements of Peoples Energy included in Peoples Energy's filings with the SEC or incurred in the ordinary course of business consistent with past practice (however, Peoples Energy may not settle or pay any claims made in connection with the ICC's claims regarding Peoples Energy's and its subsidiaries compliance with safety inspections requirements or corrosion issues without the prior written consent of WPS Resources);

cancel any material indebtedness (individually or in the aggregate) or waive any claims or rights of substantial value;

enter into any power agreement, other than any such agreement entered into in the ordinary course of business that does not have a term longer than 3 years and does not exceed (1) a notional value of purchase and/or sale of electric energy or natural gas commitments outstanding at any given time of \$175 million, (2) a fixed notional value of purchase and/or sale of electric or gas pipeline capacity of \$6.0 million, (3) a notional value for the underlying sale of options of \$15 million and (4) a notional value for the aggregate premiums paid in a calendar year for the purchase of options of \$1 million;

enter into any hedging or similar contracts that expire after the consummation of the merger related to Peoples Energy Production;

(i) amend or modify its trading guidelines to be less restrictive, (ii) terminate such guidelines without adopting new guidelines which are at least as restrictive, or (iii) permit its net trading positions to be outside such guidelines' risk parameters; or

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enter into any agreement that materially restrains Peoples Energy's or its subsidiaries ability to conduct business or take any action that violates any order or regulation of any governmental entity governing Peoples Energy's or its subsidiaries operations and obligations to provide safe and reliable service to customers.

WPS Resources has also agreed that (except as contemplated by the merger agreement or previously disclosed to Peoples Energy), without the prior written consent of Peoples Energy, it will not and will not permit any of its subsidiaries to:

declare, set aside or pay any dividend or distribution payable in cash, stock or property in respect of any capital stock (other than (i) the payment of dividends or making of distributions from direct or indirect wholly-owned subsidiaries to their parent companies and (ii) regular quarterly cash dividends with respect to WPS Resources common stock, consistent with past practice (including normal course increases consistent with past practice));

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split, combine or reclassify its outstanding shares of capital stock or authorize the issuance of any other securities in respect of, in lieu of or in substitution for its shares of capital stock;

except in connection with employee stock plans and in certain other defined circumstances, purchase, redeem or otherwise acquire, or permit any subsidiaries to purchase, redeem or otherwise acquire, any shares of its capital stock or any securities convertible into or exchangeable or exercisable for any shares of its capital stock;

purchase, redeem or otherwise acquire any shares of capital stock of Peoples Energy or capital stock of any of its subsidiaries, or any other voting securities or equity interests of Peoples Energy or any of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

issue, deliver, sell or grant any shares of, or securities convertible into or rights of any kind to acquire, its capital stock or voting debt, or stock-based compensation awards, other than (i) the issuance of shares of its common stock and its stock options and other equity-based awards pursuant to its existing stock plans or dividend reinvestment and savings investment plans, (ii) the issuance of shares pursuant to the exercise or vesting of stock options and other equity-based awards outstanding as of the date of the merger agreement, (iii) in connection with the grant of equity-based or equity-related awards with respect to 1,200,000 additional shares of common stock of WPS Resources pursuant to its existing stock plans consistent with prior practice, (iv) the issuance of shares upon the exercise of rights under WPS Resources' rights plan and (v) the issuance of common stock of WPS Resources to the extent necessary to prevent the long-term credit rating of WPS Resources from falling below investment grade;

amend its restated articles of incorporation or by-laws, except for such amendments (A) required by law or the rules and regulations of the SEC or the NYSE or (B) that do not have an adverse effect on the transactions contemplated by the merger agreement and would not materially restrict the operation of their businesses;

acquire or agree to acquire (A) by merging or consolidating with any business or (B) any assets that are material, individually or in the aggregate, to WPS Resources and its subsidiaries, taken as a whole, other than any such acquisition or agreement that would not reasonably be expected to have (x) a material adverse effect on WPS Resources, (y) lead to any material delay in obtaining or materially increase the risk of not obtaining any WPS Resources required statutory approval or (z) materially alter the overall risk profile of the business of WPS Resources and its subsidiaries taken as a whole;

-118-

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grant to any director, officer or employee any material increase in compensation or benefits, except in the ordinary course of business consistent with prior practice or to the extent required under certain existing employment agreements;

grant to any director, officer or employee any increase in severance, change in control, retention or termination compensation or benefits, except to the extent required under certain existing employment, severance or termination agreements;

enter into any employment, consulting, indemnification, retention, severance, change in control or termination agreement with any such director, officer or employee, except in the ordinary course of business consistent with past practice or except as would not reasonably be expected to have a material adverse effect on or materially delay WPS Resources' ability to perform its obligations under the merger agreement;

establish, adopt, enter into, amend or modify in any material respect or terminate any collective bargaining agreement or WPS Resources benefit plan, except in the ordinary course of business consistent with past practice or except as would not reasonably be expected to have a material adverse effect on or materially delay WPS Resources' ability to perform its obligations under the merger agreement;

take any action to fund or secure, or accelerate the time of payment or vesting of any compensation, benefits or other rights, or make any material determinations not in the ordinary course of business consistent with prior practice, under any collective bargaining agreement, WPS Resources benefit plan or WPS Resources benefit agreement;

make any changes to accounting methods, principles or practices that would materially affect its reported consolidated assets, liabilities or results of operations, except as may be required by law on a change in law or generally accepted accounting principles;

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make any material elections with respect to taxes that will continue to be binding after the consummation of the merger, or settle or compromise any material tax liability or refund, except insofar as may be required by law or a change in law;

sell, lease, license or otherwise dispose of or encumber any of its assets or properties that are material individually or in the aggregate, to WPS Resources and its subsidiaries taken as a whole, except in the ordinary course of business consistent with past practice or except as would not reasonably be expected to have a material adverse effect on WPS;

incur any debt other than (i) short term borrowings if incurring such short-term borrowings is not reasonably likely to cause the long-term credit rating of WPS Resources to fall below investment grade; (ii) letters of credit obtained if obtaining such letter of credit is not reasonably likely to cause the long-term credit rating of WPS Resources to fall below investment grade; (iii) borrowings made in connection with the refinancing of existing indebtedness at its stated maturity or a lower cost of funds, and (iv) additional indebtedness, provided that obtaining of such indebtedness is not reasonably likely to cause the long-term credit rating of WPS Resources to fall below investment grade;

make any material loans to any person other than a wholly-owned subsidiary;

except as required by applicable law, make any changes or propose any changes in its existing rates, standards of service or regulatory accounting, or effect any agreement with respect thereto, or make any filing to change its rates, except for any change or other action (A) which is not reasonably expected to cause the return on equity in respect of a WPS Resources regulated business to be materially lower than the return on equity which WPS Resources is authorized to receive in respect of such regulated business and (B) which would not reasonably be expected to lead to any material delay in obtaining or materially increase the risk of not obtaining any WPS Resources required statutory approval;

-119-

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make capital expenditures in excess of 110% of the amount disclosed to Peoples Energy in the capital expenditure plan, other than (x) emergency capital expenditures or expenditures (i) it deems necessary in its reasonable judgment based on prudent utility practices to restore or maintain the provision of utility service to wholesale and retail customers or (ii) as required by law or a governmental entity or (y) any capital expenditures or expenditures that would not reasonably be expected to have a material adverse effect on WPS;

pay, discharge or satisfy any claims, liabilities or obligations, other than, (1) in the ordinary course of business consistent with past practice, (2) in accordance with their terms, (3) of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements of WPS Resources included in WPS Resources filings with the SEC or incurred in the ordinary course of business consistent with past practice or (4) as would not reasonably be expected to have a material adverse effect on WPS;

cancel any material indebtedness (individually or in the aggregate) or waive any claims or rights of substantial value, other than a cancellation or waiver that would not reasonably be expected to have a material adverse effect on WPS;

enter into any power agreement, other than (x) any such agreement entered into in the ordinary course of business that does not exceed (1) a notional value of purchase and/or sale electric energy or natural gas commitments outstanding at any given time of \$750 million, (2) a fixed notional value of purchase and/or sale of electric or gas pipeline capacity of \$30 million, (3) a notional value for the underlying sale of options of \$15 million and (4) a notional value for the aggregate premiums paid in a calendar year for the purchase of options of \$90 million, and (y) such agreements that otherwise would not reasonably be expected to have a material adverse effect on WPS;

other than in the ordinary course, amend, modify or terminate its trading guidelines or fail to comply with its trading guidelines;  
or

enter into any agreement that materially restrains WPS Resources or its subsidiaries ability to conduct business or take any action that violates any order or regulation of any governmental entity governing WPS Resources or its subsidiaries operations and obligations to provide safe and reliable service to customers, except as would not reasonably be expected to have a material adverse effect on WPS Resources.

*Reasonable Best Efforts Covenant.* We have each agreed to cooperate with each other and to use our reasonable best efforts to take or cause to be taken all actions and do or cause to be done and to assist and cooperate with the other parties in doing, all things necessary, proper or

advisable to consummate and make effective, in the most expeditious manner practicable, the merger and the other transactions contemplated by the merger agreement, including (i) obtaining all necessary regulatory approvals, (ii) the obtaining of all necessary consents, approvals or waivers from third parties and (iii) the defending of any lawsuits or other legal proceedings challenging the merger agreement or the consummation of the transactions contemplated by the merger agreement. Reasonable best efforts does not require either party to dispose of any of its assets or to limit its freedom of action with respect to any of its businesses, or to consent to any disposition of its assets or limits on such party's freedom of action with respect to any of its businesses, or to commit or agree to any of the foregoing, to obtain any consents, approvals, permits or authorizations or to remove any impediments to the merger relating to the HSR Act or other antitrust law or regulation or to the required statutory approvals, other than dispositions, limitations or consents or commitments (i) that, individually or in the aggregate, have not had and would not reasonably be expected to (A) have a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of WPS Resources and its subsidiaries, taken as a whole or (B) have a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of Peoples Energy and its subsidiaries, taken as a whole and (ii) that otherwise are consistent with the satisfaction of the regulatory conditions to the merger.

-120-

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We also have agreed to take all action necessary to ensure that no state anti-takeover statutes or similar regulation becomes applicable to the merger and, if any state anti-takeover statute becomes applicable, to take all necessary actions to ensure that the merger and other provisions of the merger agreement be completed as soon as reasonably practicable and to minimize the effect of such statute on the merger.

*Employee Matters.* Prior to the merger occurring, Peoples Energy will adjust the terms of awards outstanding under the Peoples Energy stock plans or otherwise to provide that:

each outstanding Peoples Energy stock option will be converted automatically into an option to acquire, on the same terms and conditions, including vesting, a number of shares of WPS Resources common stock (rounded down to the nearest whole share) equal to the number of shares that were subject to the Peoples Energy stock option multiplied by 0.825 at an exercise price per share (rounded up to the nearest whole cent) equal to (A) the exercise price per share of the Peoples Energy common stock otherwise purchasable pursuant to such option divided by (B) 0.825;

each holder of a Peoples Energy stock appreciation right will be entitled to that number of stock appreciation rights with respect to common stock of WPS Resources (rounded down to the nearest whole right), determined by multiplying the number of Peoples Energy stock appreciation rights held by such holder immediately prior to the consummation of the merger by 0.825, at an exercise price with respect to each WPS Resources stock appreciation right (rounded up to the nearest whole cent) equal to (A) the exercise price in effect with respect to the corresponding Peoples Energy stock appreciation right immediately prior to the consummation of the merger divided by (B) 0.825;

with respect to Peoples Energy employee stock purchase plan, (A) participants in such plan may not increase their payroll deductions or purchase elections from those in effect on the date of the merger agreement, (B) each participant's outstanding right to purchase shares of common stock of Peoples Energy under such plan will terminate on the day immediately prior to the day on which the merger is consummated occurs, provided that all amounts allocated to each participant's account under such plan as of such date will thereupon be used to purchase from Peoples Energy whole shares of common stock of Peoples Energy at the applicable price determined under the terms of such plan for the then outstanding offering period using such date as the final price date for such offering period, and (C) such plan will terminate immediately following such purchases of common stock of Peoples;

the terms of Peoples Energy directors deferred compensation plan and any elections made thereunder by any participating director will be adjusted to provide that (A) each share equivalent credited to the account of a participating director and not paid to such director as a share of common stock of Peoples Energy as of the day on which the merger is consummated will be, as of such date, converted into that number of share equivalents equal to the Exchange Ratio in the merger, which will be paid to such participating director in shares of common stock of WPS Resources on the same schedule as provided in such participating director's election and (B) the number of share equivalents credited to the account of a participating director following the consummation of the merger will be determined as set forth in such plan and will be equivalent to shares of common stock of WPS Resources.

For a period of one year after the consummation of the merger, WPS Resources will provide benefits to employees of Peoples Energy and its subsidiaries that are substantially comparable in the aggregate to those in effect for such employees on the date of the merger agreement.

-121-

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With respect to WPS Resources employee benefit plans in which employees of Peoples Energy or its subsidiaries will participate after the consummation of the merger, service with Peoples Energy or any of its subsidiaries will be treated as service with WPS Resources or its subsidiaries for purposes of determining eligibility to participate and vesting (but not for purposes of benefit accrual or level of benefits); provided, however, that such service will not be recognized to the extent that such recognition would result in any duplication of benefits. The merger agreement provides that no employee of Peoples Energy or its subsidiaries will be entitled to receive benefits or credits under formulae applicable to employees of WPS Resources or its subsidiaries hired prior to January 1, 2001.

WPS Resources will waive, or cause to be waived, any pre-existing condition limitation under any welfare benefit plan maintained by WPS Resources or any of its affiliates (other than Peoples Energy) in which employees of Peoples Energy and its subsidiaries and their eligible dependents) will be eligible to participate from and after the consummation of the merger, except to the extent that such pre-existing condition limitation would have been applicable under the comparable Peoples Energy welfare benefit plan immediately prior to the consummation of the merger. WPS Resources will recognize, or cause to be recognized, the dollar amount of all expenses incurred by each Peoples Energy employee (and his or her eligible dependents) during the calendar year in which the consummation of the merger occurs for purposes of satisfying such year's deductible and co-payment limitations under the relevant welfare benefit plans in which they will be eligible to participate from and after the consummation of the merger to the extent such amounts were so recognized under the comparable Peoples Energy welfare benefit plan immediately prior to the consummation of the merger.

*Indemnification and Insurance.* WPS Resources has agreed that:

all rights to indemnification and exculpation of current or former directors, officers and fiduciaries under benefit plans of Peoples Energy and its subsidiaries for liabilities arising from their acts or omissions occurring at or prior to closing as provided under their respective certificates of incorporation or by-laws or other agreements will survive the merger and, subject to applicable law, continue in full force and effect;

from and after the closing of the merger, directors, officers and fiduciaries under benefit plans currently indemnified by Peoples Energy or its subsidiaries who become directors, officers or fiduciaries under benefit plans of WPS Resources will be entitled to the indemnity rights and protections then afforded to directors, officers and fiduciaries under benefit plans of WPS; and

for six years after the completion of the merger, WPS Resources will maintain either (i) the Peoples Energy's current directors' and officers' insurance and indemnification policy to the extent that it provides coverage for events occurring prior to such time for Peoples Energy's directors and officers, so long as the annual premium therefore would not be in excess of 200% of the last annual premium paid prior to the date of the merger agreement or (ii) director and officer insurance with an insurer substantially comparable to the insurer under the director and officer insurance provided to such persons of at least the same coverage and amounts and containing terms and conditions no less advantageous to such persons; provided that the annualized premium for such director and officer insurance does not exceed such 200% maximum amount, in which case, WPS Resources will obtain the most favorable director and officer insurance available for such maximum amount.

If the existing director and officer insurance expires, is terminated or canceled during such six-year period, WPS Resources will use all reasonable efforts to cause to be obtained as much director and officer insurance as can be obtained for the remainder of such period for an annualized premium not in excess of the maximum amount, on terms and conditions no less advantageous than the existing Peoples Energy director and officer insurance.

*Expenses.* We have each generally agreed to pay our own costs and expenses incurred in connection with the merger and the merger agreement, with the exception that we will each pay 50% of any expenses incurred in filing, printing and mailing the registration statement of which this joint proxy statement/prospectus forms a part. See *Termination of the Merger Agreement Termination Fees/Reimbursement of Expenses Payable by WPS Resources* beginning on page [ ] and *Termination of the Merger Agreement Termination Fees/Reimbursement of Expenses Payable by Peoples Energy* beginning on page [ ] for a description of the events that may result in one party being required to reimburse the other party for expenses in connection with the merger.

-122-

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*Election to WPS Resources Board of Directors.* At or prior to the completion of the merger, WPS Resources will expand its board of directors to sixteen members. Immediately after the completion of the merger, the board of directors of the combined company will be composed of seven of the Peoples Energy directors (or others designated by Peoples Energy) and the nine WPS Resources directors (or others designated by WPS Resources). See *Post-Merger Governance and Management Board of Directors of WPS Resources* beginning on page [ ].

*Dividends.* We have agreed to coordinate our declaration and payment of dividends and the record dates and payment dates relating thereto. This coordination is designed to ensure that no holder of the respective common stock of WPS Resources and Peoples Energy receives two

dividends, or fails to receive one dividend, for any single calendar quarter with respect to such holder's shares of WPS Resources common stock and Peoples Energy common stock, as the case may be, and/or any shares of WPS Resources common stock any holder of Peoples Energy common stock receives pursuant to the merger. Also, WPS Resources has agreed to adopt a dividend policy immediately after the consummation of the merger, and in no event later than the first record date for the payment of dividends after the closing date of the merger, providing for a quarterly dividend of \$0.66 per share of WPS Resources common stock, but this policy will be evaluated over time as future business needs dictate.

*Other Covenants.* The merger agreement contains certain other covenants, including covenants relating to public announcements and employee communications, the creation and operation of a transition committee, access to information and tax matters.

## Representations and Warranties

The merger agreement contains customary representations and warranties, generally qualified by material adverse effect, made by each of WPS Resources and Peoples Energy to the other as of specified dates. In certain cases the representations and warranties extend to cover WPS Resources and Peoples Energy joint ventures. The statements embodied in those representations and warranties were made solely for purposes of the merger agreement between WPS Resources and Peoples Energy and are subject to important qualifications and limitations agreed to by WPS Resources and Peoples Energy in connection with negotiating its terms.

Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to shareholders or may have been used for the purpose of allocating risk between WPS Resources and Peoples Energy rather than establishing matters as facts.

The representations and warranties relate to:

corporate existence, qualification to conduct business and corporate standing and power;

capital structure;

corporate authority to enter into, and carry out the obligations under, the merger agreement and enforceability of the merger agreement;

absence of a breach of the certificate of incorporation, by-laws, law or material agreements as a result of the merger;

required approvals and consents as a result of the merger;

filings with the SEC and other governmental entities;

-123-

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absence of undisclosed liabilities;

required shareholder votes;

disclosure controls and procedures;

information supplied for use in this joint proxy statement/prospectus;

absence of certain changes or events;

tax matters;

absence of changes in employee benefit plans;

labor and employee matters;

matters relating to the Employee Retirement Income Security Act;

absence of excess parachute payments to certain individuals;

legal proceedings;

permits and compliance with laws;

payment of fees to finders or brokers in connection with the merger agreement;

opinions of financial advisors;

environmental matters;

filings of all contracts required to be filed with SEC and absence of defaults under such contracts;

title to property;

intellectual property;

energy trading;

regulatory proceedings; and

the lack of ownership of the other party's capital stock.

The merger agreement also contains certain representations and warranties made solely by WPS Resources with respect to (i) the inapplicability of a rights agreement between WPS Resources and American Stock Transfer & Trust Company, as Rights Agent, (ii) the absence of any nuclear power plant facilities and compliance with the Sale Agreement and the absence of contingent liabilities related to WPS Resources former interest in the Kewaunee Nuclear Power Plant and (iii) its wholly-owned merger subsidiary, including corporate authorization, absence of a breach of the certificate of incorporation or the by-laws, lack of prior business activities and capitalization.

The merger agreement also contains certain representations and warranties made solely by Peoples Energy with respect to (i) the settlement agreement and release, dated January 17, 2006, among Peoples Energy, various of its subsidiaries, the State of Illinois, the City of Chicago and the Citizens Utility Board, (ii) certain tax exempt bonds under which its subsidiaries, Peoples Gas and North Shore Gas, are the obligors and (iii) its subsidiary, Peoples Energy Production.

-124-

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As used in the merger agreement, the term "material adverse effect" means with respect to either WPS Resources or Peoples Energy, as applicable, any change, effect, event, occurrence or state of facts:

that has had or would be reasonably expected to have a materially adverse effect on the business, properties, condition (financial or otherwise) or results of operations of such person and its subsidiaries taken as a whole, other than any change, effect, occurrence or state of facts to the extent relating to:

the United States regulated gas and electric utility industries in general to the extent not disproportionately affecting such person and its subsidiaries, taken as a whole, as compared to other similarly situated companies in such person's industry;

general economic, financial or securities market conditions in the United States or elsewhere to the extent not disproportionately affecting such person and its subsidiaries, taken as a whole, as compared to other similarly situated companies in such person's industry;

the commencement, occurrence, or intensification of any war, sabotage, armed hostilities or acts of terrorism that does not directly affect the assets or properties of, or the communities served by, such person or its subsidiaries;

fluctuations, in and of themselves, in the price of such person's common stock;

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any change in generally accepted accounting principles (or any interpretation thereof) by the Financial Accounting Standards Board, the SEC or any other applicable regulatory body;

changes in laws, rules or regulations of any governmental entity to the extent not disproportionately affecting such person and its subsidiaries, taken as a whole, as compared to similarly situated companies in such person's industry; and

the announcement of the merger agreement or the consummation of the transactions contemplated in the merger agreement; or

that have a material adverse effect on or materially delay such person's ability to perform its obligations under the merger agreement.

The representations and warranties of the parties do not survive the completion of the merger.

### Conditions

Our respective obligations to complete the merger are subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions:

the receipt of the approval of the merger agreement and the transactions contemplated thereby by the Peoples Energy shareholders, and the receipt of the approval by the WPS Resources shareholders of the share issuance proposal and the proposal to amend the restated articles of incorporation of WPS Resources to change its name;

-125-

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the absence of temporary restraining orders, preliminary or permanent injunction or other order issued by any court of competent jurisdictions or other legal restraint or prohibition preventing the consummation of the merger;

the SEC having declared effective, without any stop order or proceedings seeking a stop order, the WPS Resources registration statement of which this joint proxy statement/prospectus forms a part and WPS Resources has received any state securities or blue sky authorizations necessary for the share issuance;

the receipt of the approval for listing by the NYSE of the WPS Resources common stock to be issued pursuant to the merger, subject to official notice of issuance;

the waiting period (and any extension thereof) applicable to the merger under the HSR Act has been terminated or has expired and any consents, approvals and filings under any foreign antitrust law, the absence of which would prohibit the consummation of the merger, have been obtained or made;

the required statutory approvals of both WPS Resources and Peoples Energy having been obtained at or prior to the consummation of the merger, without, such approvals imposing terms or conditions that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of either party and its subsidiaries, taken as a whole; and

the merger and any related affiliated interest agreements have been approved by the ICC, with only such terms or conditions as in the aggregate would not reasonably be expected to have a material adverse effect on the regulatory prospects in the State of Illinois of Peoples Energy and its subsidiaries taken as a whole; and the merger, if applicable, and any related affiliated interest agreements have been approved by the PSCW, with only such terms or conditions as in the aggregate would not reasonably be expected to have a material adverse effect on the regulatory prospects in the State of Wisconsin of WPS Resources and its (current pre-merger) subsidiaries taken as a whole.

For purposes of this condition, the term *regulatory prospects* means the ability of either party's respective public utility subsidiaries to recover and to be authorized to earn a reasonable rate of return on their prudently incurred capital investment in accordance with ratemaking laws, regulations and practices in the State of Illinois or the State of Wisconsin, as the case may be, in effect when the merger is consummated.



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In addition, individually, our respective obligations to effect the merger are subject to the satisfaction or, the waiver of the following additional conditions:

the representations and warranties of the other party with respect to (i) due organization, standing and power of WPS Resources and Peoples Energy, as applicable, (ii) capital structure or (iii) due authorization of the transactions contemplated by the merger agreement, in each case, contained in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date of the merger in all material respects;

the representations and warranties of the other party being true and correct as of the date of the merger agreement and as of the closing date of the merger unless the inaccuracies (without giving effect to any materiality or material adverse effect qualifications or exceptions) in respect of those representations and warranties, taking all the inaccuracies in respect of those representations and warranties together in their entirety, does not have, and would not be reasonably expected to have a material adverse effect on the applicable party;

-126-

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the other party having performed in all material respects all obligations required to be performed and complied with by it under the merger agreement;

the receipt of an opinion of the party's counsel which provides that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

since July 8, 2006, except as previously disclosed to the other party, there has been no event, change, effect or development that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the other party; and

the receipt by each party of a certificate from an executive officer of the other party with respect to the satisfaction of certain of the closing conditions.

In addition, WPS Resources' obligations to effect the merger are subject to the satisfaction or the waiver of the additional condition that the number of Peoples Energy dissenting shares does not exceed 10% of the outstanding common stock of Peoples Energy at the closing of the merger.

### **Termination of Merger Agreement**

*Right to Terminate.* The merger agreement may be terminated at any time prior to the completion of the merger in any of the following ways:

by mutual written consent of WPS Resources and Peoples Energy;

by either WPS Resources or Peoples Energy:

if the merger has not been completed by July 8, 2007, unless the failure to complete the merger is the result of breach of the merger agreement by the party seeking to terminate the merger agreement; provided that if all conditions to closing have been fulfilled or are capable of being fulfilled, other than receipt of the required statutory approvals, then either WPS Resources or Peoples Energy may extend this date to January 8, 2008;

if either the WPS Resources shareholders fail to approve the share issuance proposal or proposal to amend the restated articles of incorporation of WPS Resources to change its name or the Peoples Energy shareholders fail to approve the merger agreement; or

if any governmental entity issues an order, decree or ruling or takes any other action permanently enjoining, restraining or otherwise prohibiting the merger and such order, decree, ruling or other action has become final and nonappealable;

by WPS Resources:

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if there has been a breach or failure to perform in any material respect any representation, warranty or covenants made by Peoples Energy in the merger agreement, and the breach or failure to perform:

would result in the applicable closing condition to the merger not being satisfied; and

is not curable or, if curable, is not cured within 30 days after written notice is given by WPS Resources to Peoples Energy (provided that WPS Resources is not then in material breach of any representation, warranty or covenant in the merger agreement);

-127-

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if the Peoples Energy board of directors (1) recommends the approval or adoption of a takeover proposal, (2) withdraws or modifies, in a manner adverse to WPS Resources, its recommendation to its shareholders regarding the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (3) recommends that its shareholders reject the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, or approves or recommends, or (5) proposes publicly to approve or recommend any other takeover proposal; or

if, in light of a superior proposal from another party, a majority of the members of WPS Resources board of directors has determined in good faith, after consultation with outside counsel, that it is necessary for WPS Resources board of directors to withdraw or modify its approval or recommendation of the share issuance or the proposal to amend the restated articles of incorporation of WPS Resources to change its name or accept a superior proposal in order to comply with its fiduciary duty under applicable law, and after compliance with all notice and other requirements in the merger agreement, (x) pays, if it has not previously paid, the termination fee due and (y) enters into a definitive agreement for the implementation of such superior proposal;

by Peoples Energy:

if there has been a breach or failure to perform in any material respect any representation, warranty, covenant or other agreement made by WPS Resources in the merger agreement, and the breach or failure to perform:

would result in the applicable closing condition to the merger not being satisfied; and

is not curable or, if curable, is not cured within 30 days after written notice is given by Peoples Energy to WPS Resources (provided that Peoples Energy is not then in material breach of any representation, warranty or covenant in the merger agreement);

if the WPS Resources board of directors (1) recommends the approval or adoption of a takeover proposal, (2) withdraws or modifies, in a manner adverse to Peoples Energy, its recommendation to its shareholders regarding the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (3) recommends that its shareholders reject the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, or (5) approves or recommends, or proposes publicly to approve or recommend any other takeover proposal;

if, in light of a superior proposal from another party, a majority of the members of Peoples Energy board of directors has determined in good faith, after consultation with outside counsel, that it is necessary for Peoples Energy board of directors to withdraw or modify its approval or recommendation of the merger agreement or the merger or accept a superior proposal in order to comply with its fiduciary duty under applicable law and after compliance with all notice and other requirements in the merger agreement, (x) pays, if it has not previously paid, the termination fee due and (y) enters into a definitive agreement for the implementation of such superior proposal.

-128-

*Termination Fees/Reimbursement of Expenses Payable by WPS Resources.* WPS Resources will be required to reimburse Peoples Energy for its fees and expenses (i) up to a limit of \$15 million if the merger agreement is terminated because of a breach by WPS Resources of its representations and warranties or covenants (and such breach would give rise to the failure of a condition precedent and cannot or has not been remedied within 30 days) or WPS Resources shareholders fail to approve the merger agreement (and prior to the WPS Resources shareholder meeting at which the WPS Resources shareholder approval was not obtained relating to such termination, any third party has made a takeover proposal which was not withdrawn at least 10 business days prior to such shareholder meeting) and (ii) up to a limit of \$5 million, if the merger agreement is terminated because WPS Resources shareholders fail to approve the transactions contemplated by the merger agreement (if no such takeover proposal has been made or was so withdrawn).

WPS Resources will be required to pay a termination fee of \$45 million to Peoples Energy (provided that any termination fee payable will be reduced by the amount of any fees and expenses previously reimbursed) in the event that:

WPS Resources terminates the merger agreement in order to enter into a superior proposal from another party;

Peoples Energy terminates the merger agreement because the WPS Resources board of directors (1) recommends the approval or adoption of a takeover proposal, (2) withdraws or modifies, in a manner adverse to Peoples Energy, its recommendation to its shareholders regarding the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (3) recommends that its shareholders reject the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the share issuance, the proposal to amend the restated articles of incorporation of WPS Resources to change its name or any of the other transactions, in each case, contemplated by the merger agreement, or (5) approves or recommends, or proposes publicly to approve or recommend any other takeover proposal; or

the merger agreement is terminated (x) because any of (i) the merger has not been consummated by July 8, 2007 (or January 8, 2008 if extended), (ii) WPS Resources shareholders fail to approve the transactions contemplated by the merger agreement or (iii) WPS Resources has breached its representations and warranties or covenants, and (y) prior to such termination (or, in the case of any termination following a failure to obtain the WPS Resources shareholder approval, prior to or at the time of the shareholder meeting at which such failure occurred) a third party has made a takeover proposal, which has not been withdrawn (i) in the case of any termination following a failure to obtain WPS Resources shareholder approval, at least 10 business days prior to such shareholder meeting and (ii) in the case of any termination due to failure to consummate the transactions prior to July 8, 2007 (or January 8, 2008 if extended) at least 30 days prior to such date and (z) at or within twelve months of such termination, WPS Resources enters into a definitive agreement to consummate or consummates a takeover proposal with a third party.

*Termination Fees/Reimbursement of Expenses Payable by Peoples Energy.* Peoples Energy will be required to reimburse WPS Resources for its fees and expenses (i) up to a limit of \$15 million if the merger agreement is terminated because of a breach by Peoples Energy of its representations and warranties or covenants (and breach would give rise to the failure of a condition precedent and cannot or has not been remedied within 30 days) or Peoples Energy's shareholders fail to approve the merger agreement (and prior to the Peoples Energy shareholder meeting at which the Peoples Energy's shareholder approval was not obtained relating to such termination, any third party has made a takeover proposal which was not withdrawn at least 10 business days prior to such shareholder meeting) and (ii) up to a limit of \$5 million, if the merger agreement is terminated because Peoples Energy's shareholders fail to approve the merger agreement (if no such takeover proposal has been made or was so withdrawn).

-129-

Peoples Energy will be required to pay a termination fee of \$45 million to WPS Resources (provided that any termination fee payable will be reduced by the amount of any fees and expenses previously reimbursed) in the event that:

Peoples Energy terminates the merger agreement in order to enter into a superior proposal from another party;

WPS Resources terminates the merger agreement because the Peoples Energy board of directors (1) recommends the approval or adoption of a takeover proposal, (2) withdraws or modifies, in a manner adverse to WPS Resources, its recommendation to its shareholders regarding the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (3) recommends that its shareholders reject the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, (4) fails to recommend to its shareholders that they approve the merger agreement, the merger or any of the other transactions contemplated by the merger agreement, or (5) approves or recommends, or proposes publicly to approve or recommend any other takeover proposal; or

the merger agreement is terminated (x) because any of (i) the merger has not been consummated by July 8, 2007 (or January 8, 2008 if extended), (ii) Peoples Energy's shareholders fail to approve the merger or the merger agreement or (iii) Peoples Energy has breached its representations and warranties or covenants, and (y) prior to such termination (or, in the case of any termination following a failure to obtain the Peoples Energy shareholder approval, prior to or at the time of the shareholder meeting at which such failure occurred) a third party has made a takeover proposal, which has not been withdrawn (i) in the case of any termination following a failure to obtain Peoples Energy shareholder approval, at least 10 business days prior to such shareholder meeting and (ii) in the case of any termination due to failure to consummate the transactions prior to July 8, 2007 (or January 8, 2008 if extended) at least 30 days prior to such date and (z) at or within twelve months of such termination, Peoples Energy enters into a definitive agreement to consummate or consummates a takeover proposal with a third party.

#### **Amendments, Extensions and Waivers**

*Amendments.* The merger agreement may be amended by the parties, except that any amendment after a shareholders' meeting that by law requires approval by shareholders may not be made without such approval. All amendments to the merger agreement must be in writing signed by each party.

*Extensions and Waivers.* At any time prior to the completion of the merger, any party to the merger agreement may:

extend the time for the performance of any of the obligations or other acts of any other party;

waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement; or

subject to the restrictions described in the immediately preceding paragraph, waive compliance by any other party with any of the agreements or conditions contained in the merger agreement.

All extensions and waivers must be in writing and signed on behalf of the applicable party.

-130-

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### **POST-MERGER GOVERNANCE AND MANAGEMENT**

This section of this joint proxy statement/prospectus describes the material governance and management arrangements that will apply to WPS Resources upon completion of the merger.

#### **Amended and Restated WPS Resources' Articles of Incorporation and By-laws**

WPS Resources is proposing to amend its restated articles of incorporation to change the name of the company to "[ ]", subject to shareholder approval. Also, in connection with the merger, WPS Resources will amend its by-laws to increase the number of directors from nine to sixteen and create the position of Non-Executive Chairman of the Board. The directors of WPS Resources will continue to be divided into three classes, with the term for one class expiring each year. Each class will consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire board of directors.

You should read the complete text of the amendment to the restated articles of incorporation of WPS Resources and the amended by-laws of WPS Resources, substantially in the form to become effective upon completion of the merger, which are attached as [Annex E](#) and [Annex F](#), respectively, to this joint proxy statement/prospectus, in conjunction with this summary. The form of amended by-laws of WPS Resources that is attached as an annex to this joint proxy statement/prospectus is substantially similar to the form of such document attached as an exhibit to the merger agreement.

#### **Corporate Offices**

Upon completion of the merger, WPS Resources will establish its headquarters in Chicago, Illinois. The headquarters of each of the utilities businesses of the combined company will continue to be located in the same place as immediately prior to the completion of the merger. The non-regulated energy marketing business of the combined company will be headquartered in the Green Bay, Wisconsin area.

**Board of Directors of WPS Resources**

See Additional Interests of WPS Resources and Peoples Energy's Directors and Executive Officers in the Merger Positions with the Combined Company Directors on page [ ] for information on the combined company's board of directors.

**Executive Officers of WPS Resources**

See Additional Interests of WPS Resources and Peoples Energy's Directors and Executive Officers in the Merger Positions with the Combined Company Executive Officers on page [ ] for information on the combined company's executive officers.

**Dividends**

After the merger is consummated, it is intended that the quarterly dividend of the combined company will be \$0.66 per share. This policy will be evaluated over time as future business needs dictate.

-131-

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

WPS Resources and Peoples Energy have entered into a merger agreement pursuant to which WPS Resources will acquire Peoples Energy.

The unaudited pro forma condensed combined financial statements presented below are derived from the historical consolidated financial statements of WPS Resources and Peoples Energy. The unaudited pro forma condensed combined financial statements are prepared using the purchase method of accounting, with WPS Resources treated as the acquirer and as if the acquisition of Peoples Energy had been completed on January 1, 2005 for statement of income purposes and on June 30, 2006 for balance sheet purposes. WPS Resources was determined to be the acquirer for accounting purposes as it is gaining control of Peoples Energy, as well as other qualitative factors. For a summary of the merger, see The Proposed Merger beginning on page [ ].

The unaudited pro forma condensed combined financial statements are based upon the historical financial statements of WPS Resources and Peoples Energy adjusted to give effect to the merger. The pro forma amounts have been developed from and should be read in conjunction with (i) the audited consolidated financial statements for the year ended December 31, 2005 and notes thereto included in the WPS Resources current report on Form 8-K, filed with the SEC on August 9, 2006, (ii) the unaudited condensed consolidated financial statements and notes thereto included in the WPS Resources quarterly report on Form 10-Q for the period ended June 30, 2006, filed with the SEC on August 3, 2006, (iii) the audited consolidated financial statements and notes thereto of Peoples Energy for the year ended September 30, 2005 included in the Peoples Energy current report on Form 8-K, filed with the SEC on June 30, 2006, and (iv) the unaudited consolidated financial statements and notes thereto of Peoples Energy included in the Peoples Energy quarterly report on Form 10-Q for the period ended June 30, 2006, filed with the SEC on August 9, 2006, each of which has been incorporated by reference in this joint proxy statement/prospectus.

WPS Resources has a December 31 calendar year-end and Peoples Energy has a fiscal year-end of September 30. As a result, the historical statements of income of Peoples Energy have been recast to present the statements of income of Peoples Energy on a calendar year basis for the year ended December 31, 2005 and for the six-month period ended June 30, 2006.

As of the date of this document, WPS Resources has not completed all of the detailed valuation studies necessary to arrive at the required estimates of the fair market value of the Peoples Energy assets to be acquired and the Peoples Energy liabilities to be assumed and the related allocations of purchase price. Additionally, the actual purchase price allocation will be based on the fair market values of the Peoples Energy assets and liabilities as of the closing date of the merger. Those values could differ materially from the estimated values as of the assumed closing date used in these unaudited condensed combined financial statements. However, as indicated in the notes to the unaudited pro forma condensed combined financial information, WPS Resources has made certain estimates of the fair values necessary to prepare these unaudited pro forma condensed combined financial statements. The excess of the purchase price over the historical net assets of Peoples Energy, as adjusted to reflect estimated fair values, will be allocated amongst goodwill and definite and indefinite-lived intangibles. Additionally, WPS Resources will continue to assess Peoples Energy accounting policies for any additional adjustments that may be required to conform Peoples Energy accounting policies to those of WPS Resources, other than those noted in the pro forma adjustments described below.

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The Peoples Energy gas distribution operations are regulated and will be accounted for pursuant to SFAS No. 71, Accounting for the Effects of Certain Types of Regulation. Under the rate setting and recovery provisions currently in place and expected to continue in place for these regulated operations, revenues are derived from earning a return on, and a recovery of, the original cost of assets and liabilities. Accordingly, the fair values of the individual tangible and intangible assets and liabilities of the gas distribution operations are expected to approximate the carrying value or, if adjusted, any fair value adjustments are expected to be recorded with an offset to regulatory assets and liabilities.

-132-

The unaudited pro forma condensed combined financial statements include estimates of potential adjustments for events that are:

Directly attributable to the merger;

Factually supportable; and

With respect to the statements of income, expected to have a continuing impact on the combined company's results.

The pro forma adjustments are described in the accompanying notes. Actual results may differ from these unaudited pro forma condensed combined financial statements as WPS Resources undergoes additional studies necessary to evaluate the purchase price allocation and identifies additional changes to be made to conform the Peoples Energy accounting policies with the accounting policies of WPS Resources. There can be no assurance that such finalization will not result in material changes.

The unaudited pro forma condensed combined financial statements are provided for illustration purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of WPS Resources would have been had the Peoples Energy acquisition occurred on the dates assumed, nor are they necessarily indicative of future combined results of operations or combined financial position.

-133-

**WPS Resources Corporation**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
**As of June 30, 2006**  
**(Amounts in millions)**

	WPS Resources Historical	Peoples Energy Historical	Pro Forma Adjustments		WPS Resources Combined Pro Forma
	(unaudited)	(unaudited)			
<b>Assets</b>					
Cash and cash equivalents	\$ 17.5	\$ 116.5	\$ 54.0	B	\$ 188.0
Accounts receivable, net of reserves	754.2	263.8	(2.9)	A	1,015.1
Accrued unbilled revenues	66.0	49.7	--		115.7
Inventories	468.3	152.2	--		620.5
Current assets from risk management activities	801.4	32.5	(4.5)	A	829.4
Assets held for sale	22.9	74.3	(74.3)	B	22.9
Deferred income taxes	5.8	31.2	0.9	C	37.9

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	WPS Resources Historical	Peoples Energy Historical	Pro Forma Adjustments		WPS Resources Combined Pro Forma
Other current assets	100.6	48.9	--		149.5
<b>Current assets</b>	<b>2,236.7</b>	<b>769.1</b>	<b>(26.8)</b>		<b>2,979.0</b>
Property, plant and equipment, net of reserves	2,276.5	2,128.4	28.9	D	4,453.8
Regulatory assets	293.1	425.3	144.7	E	863.1
Long-term assets from risk management activities	282.6	7.7	(8.4)	F	281.9
Restricted cash for acquisition	333.3	--	--	A	333.3
Goodwill	189.2	--	699.7	H	888.9
Other	367.1	211.2	25.3	G	539.7
			31.6	P	
			(94.0)	F	
			(1.5)	I	
<b>Total assets</b>	<b>\$ 5,978.5</b>	<b>\$ 3,541.7</b>	<b>\$ 819.5</b>		<b>\$ 10,339.7</b>
<b>Liabilities and Shareholders Equity</b>					
Short-term debt	\$ 1,002.8	\$ 171.4	\$ --		\$ 1,174.2
Current portion of long-term debt	4.2	--	--		4.2
Accounts payable	686.4	198.5	(2.9)	A	882.0
Current liabilities from risk management activities	670.1	151.5	(2.2)	A	819.4
Liabilities held for sale	6.7	--	--		6.7
Other current liabilities	145.2	372.3	26.6	M	544.1
<b>Current liabilities</b>	<b>2,515.4</b>	<b>893.7</b>	<b>21.5</b>		<b>3,430.6</b>
Long-term debt	865.7	893.6	11.4	I	1,770.7
Deferred income taxes	106.0	464.9	27.2	C	577.8
			(20.3)	B	
Deferred investment tax credits	13.8	26.0	--		39.8
Regulatory liabilities	343.5	--	--		343.5
Environmental remediation liabilities	91.9	284.1	--		376.0
Pension and postretirement benefit obligations	106.9	36.2	27.0	F	210.8
			40.7	F	
Long-term liabilities from risk management activities	228.1	30.3	(4.1)	A	254.3
Other	116.6	82.1	--		198.7
<b>Long-term liabilities</b>	<b>1,872.5</b>	<b>1,817.2</b>	<b>81.9</b>		<b>3,771.6</b>
<b>Commitments and contingencies</b>					
Preferred stock of subsidiary with no mandatory redemption	51.1	--	--		51.1
Common stock equity	1,539.5	830.8	(830.8)	J	3,086.4
			1,544.1	K	
			2.8	L	
<b>Total liabilities and shareholders equity</b>	<b>\$ 5,978.5</b>	<b>\$ 3,541.7</b>	<b>\$ 819.5</b>		<b>\$ 10,339.7</b>

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Information

**WPS Resources Corporation**  
**UNAUDITED PRO FORMA CONDENSED COMBINED**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2005**  
**(Amounts in millions, except per share data)**

	WPS Resources Historical	Peoples Energy Historical	Pro Forma Adjustments		WPS Resources Combined Pro Forma
	(unaudited)	(unaudited)			
Nonregulated revenue	\$ 5,323.1	\$ 1,022.2	\$ (19.6)	A	\$ 6,362.2
			1.4	A	
			35.1	N	
Utility revenue	1,524.2	1,732.2	(1.3)	A	3,255.1
<b>Total revenues</b>	<b>6,847.3</b>	<b>2,754.4</b>	<b>15.6</b>		<b>9,617.3</b>
Nonregulated cost of fuel, natural gas, and purchased power	5,150.0	876.6	(19.7)	A	6,006.9
Utility cost of fuel, natural gas, and purchased power	801.2	1,218.0	(1.2)	A	2,018.0
Operating and maintenance expense	540.3	359.7	(2.7)	F	897.3
Depreciation, depletion, amortization and decommissioning expense	142.6	109.6	7.6	G	267.5
			3.3	P	
			3.6	D	
			0.8	E	
Gas charge settlement	--	91.7	--		91.7
Taxes other than income	47.5	37.9	--		85.4
<b>Operating income</b>	<b>165.7</b>	<b>60.9</b>	<b>23.9</b>		<b>250.5</b>
Miscellaneous income	86.2	24.3	--		110.5
Interest income (expense)	(62.0)	(51.3)	5.5	I	(107.8)
Minority interest	4.5	--	--		4.5
<b>Other income (expense)</b>	<b>28.7</b>	<b>(27.0)</b>	<b>5.5</b>		<b>7.2</b>
Income before taxes	194.4	33.9	29.4		257.7
Provision for income taxes	41.4	8.5	11.8	O	61.7
<b>Income from continuing operations</b>	<b>153.0</b>	<b>25.4</b>	<b>17.6</b>		<b>196.0</b>
Preferred stock dividends of subsidiary	3.1				3.1
<b>Income from continuing operations available for common shareholders</b>	<b>\$ 149.9</b>				<b>\$ 192.9</b>
<b>Average shares of common stock - Note 4</b>					
Basic	38.3				70.0
Diluted	38.7				70.4
<b>Earnings per common share - basic</b>					
Income from continuing operations	\$ 3.91				\$ 2.76
<b>Earnings per common share - diluted</b>					
Income from continuing operations	\$ 3.87				\$ 2.74

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Information



**WPS Resources Corporation**  
**UNAUDITED PRO FORMA CONDENSED COMBINED**  
**STATEMENT OF INCOME**  
**For the Six Months Ended June 30, 2006**  
**(Amounts in millions, except per share data)**

	<b>WPS Resources Historical</b>	<b>Peoples Energy Historical</b>	<b>Pro Forma Adjustments</b>		<b>WPS Resources Combined Pro Forma</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>			
Nonregulated revenue	\$ 2,691.5	\$ 527.1	\$ (17.4)	A	\$ 3,205.9
			(8.0)	A	
			12.7	N	
Utility revenue	788.6	956.5	--		1,745.1
<b>Total revenues</b>	<b>3,480.1</b>	<b>1,483.6</b>	<b>(12.7)</b>		<b>4,951.0</b>
Nonregulated cost of fuel, natural gas, and purchased power	2,549.0	443.8	(16.7)	A	2,976.1
Utility cost of fuel, natural gas, and purchased power	440.5	691.9	(0.7)	A	1,131.7
Operating and maintenance expense	251.2	197.1	(1.4)	F	446.9
Depreciation, depletion, and amortization expense	49.6	59.6	6.1	G	119.2
			1.6	P	
			1.9	D	
			0.4	E	
Gas charge settlement	--	15.6	--		15.6
Taxes other than income	27.2	20.5	--		47.7
<b>Operating income</b>	<b>162.6</b>	<b>55.1</b>	<b>(3.9)</b>		<b>213.8</b>
Miscellaneous income	22.9	1.7	--		24.6
Interest income (expense)	(40.5)	(30.6)	2.7	I	(68.4)
Minority interest	2.4	--	--		2.4
<b>Other income (expense)</b>	<b>(15.2)</b>	<b>(28.9)</b>	<b>2.7</b>		<b>(41.4)</b>
Income before taxes	147.4	26.2	(1.2)		172.4
Provision for income taxes	46.4	6.4	(0.4)	O	52.4
<b>Income from continuing operations</b>	<b>101.0</b>	<b>19.8</b>	<b>(0.8)</b>		<b>120.0</b>
Preferred stock dividends of subsidiary	1.6				1.6
<b>Income from continuing operations available for common shareholders</b>	<b>\$ 99.4</b>				<b>\$ 118.4</b>
<b>Average shares of common stock - Note 4</b>					
Basic	41.2				72.9
Diluted	41.3				73.0
<b>Earnings per common share - basic</b>					
Income from continuing operations	\$ 2.41				\$ 1.62
<b>Earnings per common share - diluted</b>					
Income from continuing operations	\$ 2.41				\$ 1.62

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Information

**WPS RESOURCES CORPORATION**  
**NOTES TO UNAUDITED PRO FORMA**  
**CONDENSED COMBINED FINANCIAL INFORMATION**

**1. Basis of Presentation**

As of July 8, 2006, WPS Resources and Peoples Energy signed the merger agreement, and on July 10, 2006, announced the merger in which WPS Resources will acquire Peoples Energy and Peoples Energy will become a wholly-owned subsidiary of WPS Resources.

The estimated purchase price and the allocation of the estimated purchase price discussed below are preliminary because the proposed merger has not yet been completed. The actual purchase price will be based on the value of WPS Resources shares issued to Peoples Energy shareholders, the fair value of the Peoples Energy share-based compensation that will be exchanged for WPS Resources share-based compensation, and the actual transaction-related costs of WPS Resources. The final allocation of the purchase price will be based on the fair value of the assets and liabilities of Peoples Energy on the date the merger is complete.

The preliminary estimated total purchase price of the merger is as follows:

(Amounts in millions, except share and per share data)

Peoples Energy common shares outstanding (1)	38,426,474
Peoples Energy performance awards to be converted to WPS Resources shares (2)	38,556
	<hr/>
Total Peoples Energy common shares to be converted to WPS Resources shares	38,465,030
WPS Resources share price (3)	\$ 48.66
Exchange ratio into WPS Resources shares (4)	0.825
Equivalent number of WPS Resources shares (5)	31,733,650
Estimated fair value of WPS Resources shares issued (6)	\$ 1,544.1
Estimated fair value of stock options exchanged (7)	\$ 2.8
Estimated transaction-related costs (8)	\$ 26.6
	<hr/>
Total preliminary estimated purchase price	\$ 1,573.5
	<hr/>

Notes:

- (1) For pro forma purposes, the shares outstanding represent the total number of common shares of Peoples Energy outstanding as of June 30, 2006, the latest period available. The actual purchase price will be based on the total shares of Peoples Energy outstanding as of the effective date of the merger.
- (2) Represents the Peoples Energy outstanding performance based awards, which will be partially vested to recognize the completed months of the performance cycle as of June 30, 2006. The shares will initially be issued in Peoples Energy common stock which will then instantaneously convert to WPS Resources shares upon closing. The actual number of Peoples Energy performance awards will be those vested to recognize the completed months of the performance cycle as of the effective date of the merger.
- (3) The share price used herein is based on the average closing price for the period beginning two trading days before and ending two trading days after the announcement of the merger. The range of dates for WPS Resources was between July 6 and July 12, 2006, and is herein referred to as the WPS Resources share price.
- (4) The Exchange Ratio into WPS Resources shares issued to Peoples Energy shareholders is defined in the merger agreement.

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- (5) The equivalent number of WPS Resources shares is based on the Peoples Energy common shares outstanding as of June 30, 2006, including Peoples Energy performance awards to be converted into WPS Resources shares, multiplied by the Exchange Ratio into WPS Resources shares.
- (6) The estimated fair value of WPS Resources shares issued is the equivalent number of WPS Resources shares multiplied by the WPS Resources Share Price.
- (7) The estimated fair value of the stock options exchanged in the merger is calculated using the Black-Scholes valuation model. The fair value of the new WPS Resources options issued for the purposes of these unaudited pro forma condensed combined financial statements may differ from the fair value determined at closing.
- (8) The estimated costs directly related to the merger transaction are comprised of WPS Resources financial advisory, legal, and other professional service fees, excluding all of the merger-related expenses of Peoples Energy.

WPS Resources and Peoples Energy have already identified approximately \$94 million of annual synergies that could be realized by the end of the fifth full year of operations for the combined company as a whole. Of this \$94 million, approximately \$87 million relates to the regulated businesses of the combined company, and the remaining \$7 million relates to the non-regulated businesses of the combined company. The combination of WPS Resources and Peoples Energy is expected to provide the potential for approximately \$402 million in total gross synergy savings over the first five years following the closing of the merger. A preliminary allocation of these synergy savings shows an allocation of approximately \$373 million to corporate, shared services and the combined company's regulated businesses and approximately \$29 million to the combined company's non-regulated businesses.

The estimated total cost to WPS Resources (and ultimately the combined company) of accomplishing the merger and achieving synergies and cost savings is approximately \$186 million in transaction and integration costs, most of which will be incurred through 2010. Of this amount, approximately \$8 million relates directly to the non-regulated businesses, and the remaining \$178 million is allocable between the combined company's regulated and non-regulated businesses. Of the \$178 million allocable between the regulated and non-regulated businesses, an estimated \$36 million relates to change-in-control and transaction costs, with the remaining \$142 million comprised of other costs, such as systems integration, separation costs, retention costs, relocation costs, regulatory costs and facilities integration.

These synergy savings and the related costs to achieve these synergies have not been included in the pro forma condensed combined financial statements.

The unaudited pro forma c