

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: February 21, 2007

Subject: Peoples Energy Corporation (PGL) Pending Merger UPDATE

On Wednesday, December 6, 2006, the shareholders of Peoples Energy Corporation (PGL) voted to approve the proposed merger with WPS Resources Corporation (WPS). Pursuant to the merger terms each PGL share will be converted into the right to receive 0.825 WPS common shares. Cash will be paid in lieu of fractional shares. **The merger is anticipated to become effective on Wednesday, February 21, 2007.**

WPS Resources Corp. (WPS) is also expected to change their name and symbol to Integrys Energy Group, Inc. (TEG) upon completion of the merger

***The foregoing is an unofficial summary of the terms of the Merger, prepared by the PHLX for the convenience of its members. PHLX accepts no responsibility for the accuracy or completeness of the summary. Members should refer to the proxy statement for the authoritative description of the merger terms and conditions.*

Pursuant to Options Clearing Corporation (OCC) By-Laws, all outstanding PGL options will be adjusted as follows:

EFFECTIVE DATE: Option changes are expected to become effective on a date to be announced
SYMBOL(s): PGL/YKB/OWU becomes PAD/YVZ/OGT
STRIKE PRICE: No Change
POS/EXERCISE LIMIT: 125,000 contracts until January 2009 expiration; where the limits revert to 50,000 contracts
MULTIPLIER: 100*(eg., Premium of 1.00 = \$100)
NEW DELIVERABLE: 1) 82 WPS common shares.
 2) Cash in lieu of 0.5 fractional WPS shares.

Peoples Energy Corporation (PGL) (Before - Date To Be Announced) 100 shares PGL					Peoples Energy Corporation (PAD) (Beginning - Date To Be Announced) (See New Deliverable Above)				
			Calls	Puts				Calls	Puts
PGL	MAR	35	CG	OG	PAD	MAR	35	CG	OG
PGL	MAR	40	CH	OH	PAD	MAR	40	CH	OH
PGL	MAR	45	CI	OI	PAD	MAR	45	CI	OI
PGL	MAR	50	CJ	OJ	PAD	MAR	50	CJ	OJ
PGL	MAR	55	CK	OK	PAD	MAR	55	CK	OK
PGL	APR	30	DF	PF	PAD	APR	30	DF	PF
PGL	APR	35	DG	PG	PAD	APR	35	DG	PG
PGL	APR	40	DH	PH	PAD	APR	40	DH	PH
PGL	APR	45	DI	PI	PAD	APR	45	DI	PI
PGL	APR	50	DJ	PJ	PAD	APR	50	DJ	PJ
PGL	JUL	35	GG	SG	PAD	JUL	35	GG	SG
PGL	JUL	40	GH	SH	PAD	JUL	40	GH	SH
PGL	JUL	45	GI	SI	PAD	JUL	45	GI	SI
PGL	JUL	50	GJ	SJ	PAD	JUL	50	GJ	SJ
PGL	JUL	55	GK	SK	PAD	JUL	55	GK	SK
PGL	OCT	35	JG	VG	PAD	OCT	35	JG	VG
PGL	OCT	40	JH	VH	PAD	OCT	40	JH	VH
PGL	OCT	45	JI	VI	PAD	OCT	45	JI	VI
PGL	OCT	50	JJ	VJ	PAD	OCT	50	JJ	VJ
PGL	OCT	55	JK	VK	PAD	OCT	55	JK	VK

Peoples Energy Corporation - 2008 Leap (PGL/YKB)
 (Before - Date To Be Announced)
 100 shares PGL

			Call	Put
YKB	JAN	20	AD	MD
YKB	JAN	30	AF	MF
YKB	JAN	40	AH	MH
YKB	JAN	50	AJ	MJ
YKB	JAN	60	AL	ML

Peoples Energy Corporation - 2008 Leap (PGL/YVZ)
 (Beginning - Date To Be Announced)
 (See New Deliverable Above)

			Call	Put
YVZ	JAN	20	AD	MD
YVZ	JAN	30	AF	MF
YVZ	JAN	40	AH	MH
YVZ	JAN	50	AJ	MJ
YVZ	JAN	60	AL	ML

Peoples Energy Corporation - 2009 Leap (PGL/OWU)
 (Before - Date To Be Announced)
 100 shares PGL

			Call	Put
OWU	JAN	25	AE	ME
OWU	JAN	30	AF	MF
OWU	JAN	35	AG	MG
OWU	JAN	40	AH	MH
OWU	JAN	45	AI	MI
OWU	JAN	50	AJ	MJ

Peoples Energy Corporation - 2009 Leap (PGL/OGT)
 (Beginning - Date To Be Announced)
 (See New Deliverable Above)

			Call	Put
OGT	JAN	25	AE	ME
OGT	JAN	30	AF	MF
OGT	JAN	35	AG	MG
OGT	JAN	40	AH	MH
OGT	JAN	45	AI	MI
OGT	JAN	50	AJ	MJ

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-1508.