Risk Factors Comparison 2024-02-08 to 2023-02-23 Form: 10-K

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There are various risks associated with the operations of the Registrants' utility businesses and DTE Energy' s non- utility businesses. To provide a framework to understand the operating environment of the Registrants, below is a brief explanation of the more significant risks associated with their businesses. Although the Registrants have tried to identify and discuss key risk factors, others could emerge in the future. Each of the following risks could affect performance. Regulatory, Legislative, and Legal Risks The Registrants are subject to rate regulation. Electric and gas rates for the utilities are set by the MPSC and the FERC and cannot be changed without regulatory authorization. The Registrants may be negatively impacted by new regulations or interpretations by the MPSC, the FERC, or other regulatory bodies. The Registrants' ability to recover costs may be impacted by the time lag between the incurring of costs and the recovery of the costs in customers' rates. Regulators also may decide to disallow recovery of certain costs in customers' rates if they determine that those costs do not meet the standards for recovery under current governing laws and regulations. Regulators may also disagree with the Registrants' rate calculations under the various mechanisms that are intended to mitigate the risk to their utilities related to certain aspects of the business. If the Registrants cannot agree with regulators on an appropriate reconciliation of those mechanisms, it may impact the Registrants' ability to recover certain costs through customer rates. Regulators may also decide to eliminate these mechanisms in future rate cases, which may make it more difficult for the Registrants to recover their costs in the rates charged to customers. The Registrants cannot predict what rates the MPSC will authorize in future rate cases **, and unfavorable rate relief could impact our plans for significant capital investment** . New legislation, regulations, or interpretations could change how the business operates, impact the Registrants' ability to recover costs through rates or the timing of such recovery, or require the Registrants to incur additional expenses. Changes to Michigan' s electric retail access program could negatively impact the Registrants' financial performance. The State of Michigan currently experiences a hybrid market, where the MPSC continues to regulate electric rates for DTE Electric customers, while alternative electric suppliers charge market- based rates. MPSC rate orders, and energy legislation enacted by the State of Michigan, have placed a 10 % cap on the total potential retail access migration. However, even with the legislated 10 % cap on participation, there continues to be legislative and financial risk associated with the electric retail access program. Electric retail access migration is sensitive to market price and full service electric price changes. The Registrants are required under current regulation to provide full service to retail access customers that choose to return, potentially resulting in the need for additional generating capacity. Environmental laws and liability may be costly. The Registrants are subject to, and affected by, numerous environmental regulations. These regulations govern air emissions, water quality, wastewater discharge, and disposal of solid and hazardous waste. Compliance with these regulations can significantly increase capital spending, operating expenses, and plant down times, and can negatively affect the affordability of the rates charged to customers. Uncertainty around future environmental regulations creates difficulty planning long- term capital projects in the Registrants' generation fleet and for DTE Energy' s gas distribution businesses. These laws and regulations require the Registrants to seek a variety of environmental licenses, permits, inspections, and other regulatory approvals. The Registrants could be required to install expensive pollution control measures or limit or cease activities, including the retirement of certain generating plants, based on these regulations. Additionally, the Registrants may become a responsible party for environmental cleanup at sites identified by a regulatory body. The Registrants cannot predict with certainty the amount and timing of future expenditures related to environmental matters because of the difficulty of estimating cleanup costs. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on potentially responsible parties. The Registrants may also incur liabilities as a result of potential future requirements to address climate change issues. Proposals for voluntary initiatives and mandatory controls are being discussed in Michigan, the United States, and worldwide to reduce GHGs such as carbon dioxide, a by- product of burning fossil fuels. If increased regulations of GHG emissions are implemented, or if existing deadlines for these regulations are accelerated, the operations of DTE Electric' s fossil- fueled generation assets may be significantly impacted. Increased environmental regulation may also result in greater energy efficiency requirements and decreased demand at both the electric and gas utilities. Since there can be no assurances that environmental costs may be recovered through the regulatory process, the Registrants' financial performance may be negatively impacted as a result of environmental matters. Any perceived or alleged failure by the Registrants to comply with environmental regulations could lead to fines or penalties imposed by regulatory bodies or could result in adverse public statements and reputational damage affecting the Registrants. Adverse statements, whether or not driven by political or public sentiment, may also result in investigations by regulators, legislators and law enforcement officials or in legal claims. The Renewable Portfolio Standard and energy waste reduction may affect the Registrants' business and federal and state fuel standards may affect DTE Energy' s non- utility investments. The Registrants are subject to existing Michigan, and potential future, federal legislation and regulation requiring them to secure sources of renewable energy. The Registrants have complied with the existing federal and state legislation, but do not know what requirements may be added by federal or state legislation in the future. In addition, the Registrants expect to comply with new Michigan legislation increasing the percentage of power required to be provided by renewable energy sources. The Registrants cannot predict the financial impact or costs associated with complying with potential future legislation and regulations. Compliance with these requirements can significantly increase capital expenditures and operating expenses and can negatively affect the affordability of the rates charged to customers. In addition, the Registrants are also required by Michigan legislation to implement energy waste reduction measures and provide energy waste reduction customer awareness and education programs. These requirements necessitate expenditures, and implementation of these programs creates the risk of reducing the Registrants' revenues as customers decrease their energy usage. The Registrants cannot predict how these programs will impact their business and future operating results. DTE Energy' s non- utility renewable natural gas investments are also dependent on the federal Renewable Fuel Standard and California' s Low Carbon Fuel Standard. Changes to these standards may affect DTE Energy' s business and result in lower earnings. DTE Energy' s ability to utilize tax credits may be limited. To promote U. S. climate initiatives, the Internal Revenue Code provides tax credits as an incentive for taxpayers to produce energy from alternative sources. The Registrants have generated tax credits from renewable energy generation and DTE Energy has generated tax credits from renewable gas recovery, reduced emission fuel, and gas production operations. If the Registrants' tax credits were disallowed in whole or in part as a result of an IRS audit or changes in tax law, there could be additional tax liabilities owed for previously recognized tax credits that could significantly impact the Registrants' earnings and cash flows. Operational Risks The Registrants' electric distribution system and DTE Energy' s gas distribution system are subject to risks from their operation, which could reduce revenues, increase expenses, and have a material adverse effect on their business, financial position, and results of operations. The Registrants' electric distribution and DTE Energy’ s gas distribution systems are subject to many operational risks. These operational systems and infrastructure have been in service for many years. Equipment, even when maintained in accordance with good utility practices, is subject to operational failure, including events that are beyond the Registrants' control, and could require significant operation and maintenance expense or capital expenditures to operate efficiently. Because the Registrants’ distribution systems are interconnected with those of third parties, the operation of the Registrants’ systems could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties. Construction and capital improvements to the Registrants' power facilities and DTE Energy' s distribution systems subject them to risk. The Registrants are managing ongoing, and planning future, significant construction and capital improvement projects at the Registrants' multiple power generation and distribution facilities and at DTE Energy' s gas distribution system. Many factors that could cause delays or increased prices for these complex projects are beyond the Registrants' control, including the cost of materials and labor, subcontractor performance, timing and issuance of necessary permits or approvals (including required certificates from regulatory agencies), construction disputes, impediments to acquiring rights- of- way or land rights on a timely basis and on acceptable terms, cost overruns, and weather conditions. Failure to complete these projects on schedule and on budget for any reason could adversely affect the Registrants' financial performance, operations, or expected investment returns at the affected facilities, businesses and development projects. Operation of a nuclear facility subjects the Registrants to risk. Ownership of an operating nuclear generating plant subjects the Registrants to significant additional risks. These risks include, among others, plant security, environmental regulation and remediation, changes in federal nuclear regulation, increased capital expenditures to meet industry requirements, and operational factors that can significantly impact the performance and cost of operating a nuclear facility compared to other generation options. Insurance maintained by the Registrants for various nuclear- related risks may not be sufficient to cover the Registrants' costs in the event of an accident or business interruption at the nuclear generating plant, which may affect the Registrants' financial performance. In addition, the Registrants' nuclear decommissioning trust fund, to finance the decommissioning of the nuclear generating plant, may not be sufficient to fund the cost of decommissioning. A decline in market value of assets held in decommissioning trust funds due to poor investment performance or other factors may increase the funding requirements for these obligations. Any increase in funding requirements may have a material impact on the Registrants’ liquidity, financial position, or results of operations. The supply and / or price of energy commodities and / or related services may impact the Registrants' financial results. The Registrants are dependent on coal for much of their electrical generating capacity as well as uranium for their nuclear operations. DTE Energy' s access to natural gas supplies is critical to ensure reliability of service for utility gas customers. DTE Energy' s non- utility businesses are also dependent upon supplies and prices of energy commodities and services. Price fluctuations and changes in transportation costs, driven by inflation or other factors, as well as fuel supply disruptions, could have a negative impact on the amounts DTE Electric charges utility customers for electricity and DTE Gas charges utility customers for gas, and on the profitability of DTE Energy' s non- utility businesses. The Registrants' hedging strategies and regulatory recovery mechanisms may be insufficient to mitigate the negative fluctuations in commodity supply prices at their utility or DTE Energy' s non- utility businesses, and the Registrants' financial performance may therefore be negatively impacted by price fluctuations. The price of energy also impacts the market for DTE Energy' s non- utility businesses, particularly those that compete with utilities and alternative electric suppliers. The price of environmental attributes generated by DTE Energy' s renewable natural gas investments, including those related to the federal Renewable Fuel Standard and California' s Low Carbon Fuel Standard, may also impact the market and financial results for DTE Energy' s non- utility businesses. The supply and / or price of other industrial raw and finished inputs and / or related services may impact the Registrants' financial results. The Registrants are dependent on supplies of certain commodities, such as copper and limestone, among others, and industrial materials, and services in order to maintain day- to- day operations and maintenance of their facilities. Price fluctuations, driven by inflation or other factors, or supply interruptions for these commodities and other items, could have a negative impact on the amounts charged to customers for the Registrants' utility products and, for DTE Energy, on the profitability of the non- utility businesses. Weather significantly affects operations. As weather patterns exhibit increased deviations from historical trends, our utilities may experience financial and operational challenges. Mild temperatures can result in decreased utilization of the Registrants' assets, lowering income and cash flows. At DTE Electric, high winds, floods, tornadoes, or ice storms can damage the electric distribution system infrastructure and power generation facilities and require it to perform emergency repairs and incur material unplanned expenses. The expenses of storm restoration efforts may not be fully recoverable through the regulatory process. Prolonged and / or more frequent outages caused by increasingly extreme weather may result in decreased revenues and could also negatively impact DTE Energy' s reputation and customer satisfaction or result in increased regulatory oversight. Related damages to customer assets could subject DTE Energy to litigation. DTE Gas can also experience higher than anticipated expenses from emergency repairs on its gas distribution infrastructure required as a result of weather- related issues. Unplanned power plant outages may be costly. Unforeseen maintenance may be required to safely produce electricity or comply with environmental regulations. As a result of unforeseen maintenance, the Registrants may be required to make spot market purchases of electricity that exceed the costs of generation. The Registrants' financial performance may be negatively affected if unable to recover such increased costs. A work interruption may adversely affect the Registrants. There are several bargaining units for DTE Energy' s approximately ~~5~~ **4** , ~~050~~ **900** and DTE Electric' s approximately 2, ~~600~~ **550** represented employees. The majority of represented employees are under contracts that expire in 2027. A union choosing to strike would have an impact on the Registrants' businesses. The Registrants are unable to predict the effect a work stoppage would have on their costs of operations and financial performance. DTE Energy may not achieve the carbon emissions goals of its electric and gas utilities. DTE Energy has announced the voluntary commitments of its electric and gas utilities to achieve net zero carbon emissions by 2050, along with intermediate emissions reduction goals at various points in the intervening years. **DTE Energy must also comply with the state of Michigan' s requirement to meet a 100 % clean energy standard by 2040.** Technology research and developments, innovations, and advancements are critical to DTE Energy' s ability to achieve these commitments, but they may not evolve as anticipated in order to provide cost- effective alternatives to traditional energy sources. State and municipal restrictions on the siting of renewable energy assets could also impair efforts to meet our stated targets. Additionally, we cannot guarantee that we will **continue to** receive regulatory approval of our capital plans to transition to renewable energy and other new technologies. Other factors that may impact DTE Energy' s ability to achieve these emissions reduction goals include our service territory size and capacity needs remaining in line with current expectations, the impacts on our business of future regulations or legislation, the price and availability of carbon offsets, adoption of alternative energy products by the public such as greater use of electric vehicles, greater standardization of emissions reporting, and our ability over time to transition our electric generating portfolio. DTE Energy' s emissions reduction goals require making assumptions that involve risks and uncertainties. Should one or more of these underlying assumptions prove incorrect, our actual results and ability to achieve our emissions reduction goals could differ materially from expectations. In addition, DTE Energy cannot predict the ultimate impact of achieving these objectives, or the various implementation aspects on its reliability **, availability** or **price of purchased power, or on** its results of operations, financial condition, or liquidity. DTE Energy could suffer financial loss, reputational damage, litigation, or other negative repercussions if we are unable to meet our voluntary emissions reductions goals. Financial, Economic, and Market Risks DTE Energy' s non- utility businesses may not perform to its expectations. DTE Energy relies on non- utility businesses for a portion of earnings and will depend on the successful execution of new business development in its non- utilities to help achieve overall growth targets. DTE Energy also expects to grow the non- utility businesses **over the long- term** by developing or acquiring **projects related to** renewable energy **, carbon capture and sequestration,** and customer energy solutions ~~projects over the long term~~ ; however, such opportunities may not materialize as anticipated. If DTE Energy' s current and contemplated non- utility investments do not perform at expected levels, DTE Energy could experience diminished earnings and a corresponding decline in shareholder value. Adverse changes in the Registrants' credit ratings may negatively affect them. Regional and national economic conditions, increased scrutiny of the energy industry and regulatory changes, as well as changes in the Registrants' economic performance, could result in credit agencies reexamining their credit ratings. While credit ratings reflect the opinions of the credit agencies issuing such ratings and may not necessarily reflect actual performance, a downgrade in the Registrants' credit ratings below investment grade could restrict or discontinue their ability to access capital markets and could result in an increase in their borrowing costs, a reduced level of capital expenditures, and could impact future earnings and cash flows. In addition, a reduction in the Registrants' credit ratings may require them to post collateral related to various physical or financially settled contracts for the purchase of energy- related commodities, products, and services, which could impact their liquidity. Poor investment performance of pension and other postretirement benefit plan assets and other factors impacting benefit plan costs could unfavorably impact the Registrants' liquidity and results of operations. The Registrants' costs of providing non- contributory defined benefit pension plans and other postretirement benefit plans are dependent upon a number of factors, such as the rates of return on plan assets, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation, and the Registrants' required or voluntary contributions made to the plans. The performance of the debt and equity markets affects the value of assets that are held in trust to satisfy future obligations under the Registrants' plans. The Registrants have significant benefit obligations and hold significant assets in trust to satisfy these obligations. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below the Registrants' projected return rates. A decline in the market value of the pension and other postretirement benefit plan assets will increase the funding needs under the pension and other postretirement benefit plans if the actual asset returns do not recover these declines in the foreseeable future. Additionally, the pension and other postretirement benefit plan liabilities are sensitive to changes in interest rates. If interest rates decrease, the liabilities increase, resulting in increasing benefit expense and funding needs. Also, if future increases in pension and other postretirement benefit costs as a result of reduced plan assets are not recoverable from the Registrants' utility customers, the results of operations and financial position of the Registrants could be negatively affected. Without sustained growth in the plan investments over time to increase the value of plan assets, the Registrants could be required to fund these plans with significant amounts of cash. Such cash funding obligations could have a material impact on the Registrants' cash flows, financial position, or results of operations. The Registrants' ability to access capital markets is important. The Registrants' ability to access capital markets is important to operate their businesses and to fund capital investments. Turmoil in credit markets may constrain the ability of Registrants and their subsidiaries to issue new debt, including commercial paper, and to refinance existing debt. Macroeconomic events may lead to higher interest rates on debt and could increase financing costs and adversely affect the Registrants' results of operations **. Rising interest rates could also reduce investor interest in DTE Energy' s common stock, negatively impacting its share price and increasing its cost of equity** . In addition, the level of borrowing by other energy companies and the market as a whole could limit the Registrants' access to capital markets. The Registrants' long- term revolving credit facilities do not expire until 2027, but the Registrants regularly access capital markets to refinance existing debt or fund new projects at the Registrants' utilities and DTE Energy' s non- utility businesses, and the Registrants cannot predict the pricing or demand for those future transactions. Emerging technologies may have a material adverse effect on the Registrants. Advances in technology that produce power or reduce power consumption include cost- effective renewable energy technologies, distributed generation, energy waste reduction technologies, and energy storage devices. Such developments may impact the price of energy, may affect energy deliveries as customer- owned generation becomes more cost- effective, may require further improvements to our distribution systems to address changing load demands, and could make portions of our electric system power supply and / or distribution facilities obsolete prior to the end of their useful lives. Such technologies could also result in further declines in commodity prices or demand for delivered energy. Each of these factors could materially affect the Registrants’ results of operations, cash flows, or financial position. DTE Energy' s participation in energy trading markets subjects it to risk. Events in the energy trading industry have increased the level of scrutiny on the energy trading business and the energy industry as a whole. In certain situations, DTE Energy may be required to post collateral to support trading operations, which could be substantial. If access to liquidity to support trading activities is curtailed, DTE Energy could experience decreased earnings potential and cash flows. Energy trading activities take place in volatile markets and expose DTE Energy to risks related to commodity price movements, deviations in weather, and other related risks. DTE Energy' s trading business routinely has speculative trading positions in the market, within strict policy guidelines DTE Energy sets, resulting from the management of DTE Energy' s business portfolio. To the extent speculative trading positions exist, fluctuating commodity prices can improve or diminish DTE Energy' s financial results and financial position. DTE Energy manages its exposure by establishing and enforcing strict risk limits and risk management procedures. During periods of extreme volatility, these risk limits and risk management procedures may not work as planned and cannot eliminate all risks associated with these activities. Regional, national, and international economic conditions can have an unfavorable impact on the Registrants. The Registrants' utility and DTE Energy' s non- utility businesses follow the economic cycles of the customers they serve and credit risk of counterparties they do business with. Should the financial conditions of some of DTE Energy' s significant customers deteriorate as a result of regional, national or international economic conditions, reduced volumes of electricity and gas, and demand for energy services DTE Energy supplies, collections of accounts receivable, reductions in federal and state energy assistance funding, and potentially higher levels of lost gas or stolen gas and electricity could result in decreased earnings and cash flows. If DTE Energy' s goodwill becomes impaired, it may be required to record a charge to earnings. DTE Energy annually reviews the carrying value of goodwill associated with acquisitions it has made for impairment. Goodwill is also reviewed on a quarterly basis whenever events or circumstances indicate that the carrying value of these assets may not be recoverable. Factors that may be considered for purposes of this analysis include a decline in stock price and market capitalization, slower industry growth rates, or material changes with customers or contracts that could negatively impact future cash flows. DTE Energy cannot predict the timing, strength, or duration of such changes or any subsequent recovery. If the carrying value of any goodwill is determined to be not recoverable, DTE Energy may take a non- cash impairment charge, which could materially impact DTE Energy' s results of operations and financial position. The Registrants may not be fully covered by insurance. The Registrants have a comprehensive insurance program in place to provide coverage for various types of risks, including catastrophic damage as a result of severe weather or other natural disasters, war, terrorism, cyber incidents, liability claims against the Registrants, or a combination of other significant unforeseen events that could impact the Registrants' operations. Economic losses might not be covered in full by insurance, or the Registrants' insurers may be unable to meet contractual obligations. Safety and Security Risks The Registrants' businesses have safety risks. The Registrants' electric distribution system, power plants, renewable energy equipment, and other facilities, and DTE Energy' s gas distribution system, gas infrastructure, and other facilities, could be involved in incidents that result in injury, death, or property loss to employees, customers, third parties, or the public. Although the Registrants have insurance coverage for many potential incidents, depending upon the nature and severity of any incident, they could experience financial loss, damage to their reputation, and negative consequences from regulatory agencies or other public authorities. Threats of cyber incidents, physical security, and terrorism could affect the Registrants' business. Issues may threaten the Registrants such as cyber incidents, physical security, or terrorism that may disrupt the Registrants' operations, and could harm the Registrants' operating results. Information security risks have increased in recent years as a result of the proliferation of new technologies and the increased sophistication and frequency of cyberattacks, and data security breaches. The Registrants' industry requires the continued operation of sophisticated information and control technology systems and network infrastructure. All of the Registrants' technology systems are vulnerable to disability or failures due to cyber incidents, physical security threats, acts of war or terrorism, and other causes, as well as loss of operational control of the Registrants' electric generation and distribution assets and, DTE Energy' s gas distribution assets. The Registrants have experienced, and expect to continue to be subject to, cybersecurity threats and incidents. If the Registrants' information technology systems were to fail and they were unable to recover in a timely way, the Registrants may be unable to fulfill critical business functions, which could have a material adverse effect on the Registrants' business, operating results, and financial condition. Suppliers, vendors, contractors, and information technology providers have access to systems that support the Registrants’ operations and maintain customer and employee data. A breach of these third- party systems could adversely affect the business as if it was a breach of our own system. Also, because the Registrants’ generation and distribution systems are part of an interconnected system, a disruption caused by a cyber incident at another utility, electric generator, system operator, or commodity supplier could also adversely affect the Registrants’ businesses, operating results, and financial condition. In addition, the Registrants' generation plants and electrical distribution facilities may be targets of physical security threats or terrorist activities that could disrupt the Registrants' ability to produce or distribute some portion of their products. The Registrants have increased security as a result of past events and may be required by regulators or by the future threat environment to make investments in security that the

Registrants cannot currently predict. Failure to maintain the security of personally identifiable information could adversely affect the Registrants. In connection with the Registrants' businesses, they collect and retain personally identifiable information of their customers, shareholders, and employees. Customers, shareholders, and employees expect that the Registrants will adequately protect their personal information. The regulatory environment surrounding information security and privacy is increasingly demanding. A significant theft, loss, or fraudulent use of customer, shareholder, employee, or Registrant data by cybercrime or otherwise, could adversely impact the Registrants' reputation, and could result in significant costs, fines, and litigation. General and Other Risks Failure to attract and retain key executive officers and other skilled professional and technical employees could have an adverse effect on the Registrants' operations. The Registrants' businesses are dependent on their ability to attract and retain skilled employees. Competition for skilled employees in some areas is high, and the inability to attract and retain these employees could adversely affect the Registrants' business and future operating results. In addition, the ~~Registrants have an aging utility workforce, and the~~ failure of a successful transfer of knowledge and expertise **from any departing employees** could negatively impact ~~their~~ -- **the Registrants'** operations. DTE Energy relies on cash flows from subsidiaries. DTE Energy is a holding company. Cash flows from the utility and non- utility subsidiaries are required to pay interest expenses and dividends on DTE Energy debt and securities. Should a major subsidiary not be able to pay dividends or transfer cash flows to DTE Energy, its ability to pay interest and dividends would be restricted. ~~24~~