Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

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We are subject to a variety of risks, many of which are beyond our control, that may adversely affect our business, financial condition, and results of operations. You should carefully consider the following risk factors, as well as the other information included in this report and other documents filed by us with the SEC from time to time, when making an investment decision. Risks Related to Legislation and Regulation Our business is significantly impacted by governmental regulation and oversight. We are subject to significant state, local, and federal governmental regulations, including regulations by the various utility commissions in the states where we serve customers. These regulations significantly influence our operating environment, may affect our ability to recover costs from utility customers **, affect our ability to implement our corporate strategy** , and cause us to incur substantial compliance and other costs. Changes in regulations, interpretations of regulations, or the imposition of new regulations could also significantly impact us, including requiring us to change our business operations. Many aspects of our operations are regulated and impacted by government regulation, including, but not limited to: the rates we charge our retail electric, natural gas, and steam customers; the authorized rates of return of our utilities; construction and operation of electric generating facilities and electric and natural gas distribution systems, including the ability to recover such costs; decommissioning generating facilities, the ability to recover the related costs, and continuing to recover the return on the net book value of these facilities; wholesale power service practices; electric reliability requirements and accounting; participation in the interstate natural gas pipeline capacity market; standards of service; issuance of securities; short- term debt obligations; transactions with affiliates; and billing practices. Failure to comply with any applicable rules or regulations may lead to customer refunds, penalties, and other payments, which could materially and adversely affect our results of operations and financial condition. The rates, including adjustments determined under riders, we are allowed to charge our customers for retail and wholesale services have the most significant impact on our financial condition, results of operations, and liquidity. Rate regulation provides us an opportunity to recover prudently incurred costs and earn a reasonable rate of return on invested capital. However, our ability to obtain rate adjustments in the future is dependent upon regulatory action, **the outcome of which can be influenced by the level of opposition by intervening parties; potential rate impacts; increasing levels of regulatory review;** and **changes in the political, regulatory, or legislative environments.** ~~there~~ **There** is no assurance that our regulators will consider all of our costs to have been prudently incurred. In addition, our rate proceedings may not always result in rates that fully recover our costs or provide for a reasonable ROE. We defer certain costs and revenues as regulatory assets and liabilities for future recovery from or refund to customers, as authorized by our regulators. Future recovery of regulatory assets is not assured and is subject to review and approval by our regulators. If recovery of regulatory assets is not approved or is no longer deemed probable, these costs would be recognized in current period expense and could have a material adverse impact on our results of operations, cash flows, and financial condition. **Changes in the local and national political, regulatory, and economic environment have had, and may in the future have, an adverse effect on regulatory decisions, which could impair the ability of our utility subsidiaries to recover costs historically collected from customers.** ~~The~~ **These decisions, which may come from any level of government, may cause us to cancel or delay current or planned projects, to reduce or delay other planned capital expenditures, or to pay for investments or otherwise incur costs that our utilities may not be able to recover through rates or otherwise. In November 2023, the ICC issued final rate orders for PGL and NSG, with PGL rates effective December 1, 2023. In the rate order, the ICC disallowed certain previously incurred capital costs in Illinois, which resulted in PGL and NSG recording an impairment loss in the fourth quarter of 2023. In addition, the ICC paused spending on PGL' s SMP for at least one year, causing uncertainty of recovery of costs for existing and future projects. Due to the expiration of the** QIP rider **in December 2023, PGL had included the costs of necessary infrastructure improvements related to the SMP in its rate case. In January 2024, the ICC granted a rehearing to PGL and NSG with a limited scope. Disallowance of PGL' s and NSG' s capital costs will not be part of the rehearing. Subsequent to the rehearing, we anticipate appealing the ICC' s disallowance of these capital costs to the Illinois Circuit Court, which may result in extended uncertainty related to the recovery of existing and future investments in capital expenditures and our natural gas infrastructure in Illinois, and may impact future capital plans. Prior to its expiration, the QIP rider** ~~provides~~ **provided** PGL with recovery of, and a return on, qualifying natural gas infrastructure investments that are placed in service between regulatory rate reviews. ~~Infrastructure investments under the QIP rider earn a return at the applicable weighted average cost of capital.~~ This rider ~~is~~ **continues to be** subject to an annual reconciliation whereby costs are reviewed for accuracy and prudency. There can be no assurance that all costs incurred under the QIP rider during the open reconciliation years, which include 2016 through ~~2022~~ **2023** , will be deemed recoverable by the ICC. ~~In addition, the QIP rider will sunset after December 2023, and PGL will not seek an extension. Instead, PGL will return to the regular ratemaking process to recover costs of necessary infrastructure improvements, subjecting PGL to regulatory~~ **Regulatory** ~~lag on its natural gas infrastructure investments that are placed in service between regulatory rate reviews. This regulatory~~ lag, as well as the risk of costs being deemed unrecoverable during the review ~~process~~ **of the outstanding reconciliations** , could have a material adverse impact on PGL' s, and correspondingly our, results of operations, financial position, and liquidity **. 2023 Form 10- K24WEC Energy Group, Inc** . We believe we have obtained the necessary permits, approvals, authorizations, certificates, and licenses for our existing operations, have complied in all material respects with all of their associated terms, and that our businesses are conducted in accordance with applicable laws. These permits, approvals, authorizations, certificates, and licenses may be revoked or modified by the agencies that granted them if facts develop that differ significantly from the facts assumed when they were issued. In addition, ~~discharge~~ permits and other approvals and licenses are often granted for a term that is less than the expected life of the associated facility. Licenses and permits may require periodic renewal, which may result in additional requirements being imposed by the granting agency. In addition, existing regulations may be revised or reinterpreted by federal, state, and local agencies, or these agencies may adopt new laws and regulations that apply to us. We cannot predict the impact on our business and operating results of any such actions by these agencies. ~~2022 Form 10- K24WEC Energy Group, Inc.~~ If we are unable to recover costs of complying with regulations or other associated costs in customer rates in a timely manner, or if we are unable to obtain, renew, or comply with these governmental permits, approvals, authorizations, certificates, or licenses, our results of operations and financial condition could be materially and adversely affected. We face significant costs to comply with existing and future environmental laws and regulations. Our operations are subject to extensive and evolving federal, state, and local environmental laws, regulations, and permit requirements related to, among other things, air emissions (including, but not limited to: CO2, methane, mercury, SO2, and NOx), protection of natural resources, water quality, wastewater discharges, and management of hazardous and toxic substances and solid wastes and soils. **The** ~~For example, the~~ EPA **has recently** adopted and implemented (or is in the process of implementing) **new environmental** regulations **, with more in the proposal process. These include regulations that** ~~governing~~ --- **govern** the emission of NOx, ozone, fine particulates, and other air pollutants under the CAA through the NAAQS, climate change ~~regulations~~, NSPS for GHG emissions from new, modified, and reconstructed fossil- fueled power plants, ~~and~~ other air quality regulations **, and water quality regulations** . ~~The~~ **For example, the** EPA ~~also~~ finalized regulations under the **CWA** ~~Clean Water Act~~ that govern cooling water intake structures at our power plants, revised **again** the effluent guidelines for steam electric generating plants, and along with the ~~United States~~ Army Corps ~~of Engineers~~, released a final rule revising the definition of WOTUS that may impact projects requiring federal permits. Several of these rules **were** ~~are being~~ challenged or reviewed by agencies under the Biden Administration' s Executive Order 13990, which creates additional uncertainty. As a result of these challenges and reviews, existing environmental laws and regulations may be revised or new laws or regulations may be adopted at the federal, state, or local level. We incur significant capital and operating resources to comply with environmental laws, regulations, and requirements, including costs associated with the installation of pollution control equipment; operating restrictions on our facilities; and environmental monitoring, emissions fees, and permits at our facilities. The operation of emission control equipment and compliance with rules regulating our intake and discharge of water could also increase our operating costs and reduce the generating capacity of our power plants. These regulations may create substantial additional costs in the form of taxes or emission allowances and could affect the availability and / or cost of fossil fuels and our ability to continue operating certain generating units. Failure to comply with these laws, regulations, and requirements, even if caused by factors beyond our control, may result in the assessment of civil or criminal penalties and fines. We continue to assess the potential cost of complying, and to explore different alternatives in order to comply, with these and other environmental regulations. As a result of these compliance costs and other factors, certain of our coal- fired electric generating facilities have become uneconomical to maintain and operate, which has resulted in these units being retired or converted to an alternative type of fuel. As part of our commitment to a cleaner energy future, we have already retired more than 1, ~~800~~ **900** ~~MW~~ **MWs** of coal- fired generation since the beginning of 2018. **We** ~~Under our ESG Progress Plan, we~~ expect to retire approximately 1, ~~600~~ **800** ~~MW~~ **MWs** of additional fossil- fueled generation by the end of ~~2026~~ **2031** , and plan to replace a portion of the retired capacity by building and owning zero- carbon- emitting renewable generation facilities. We continue to evaluate the conversion of certain coal units to natural gas. Our electric and natural gas utilities are also subject to significant liabilities related to the investigation and remediation of environmental impacts at certain of our current and former facilities and at third- party owned sites. We accrue liabilities and defer costs (recorded as regulatory assets) incurred in connection with our former manufactured gas plant sites. These costs include all costs incurred to date that we expect to recover, management' s best estimates of future costs for investigation and remediation and related legal expenses, and are net of amounts recovered (or that may be recovered) from insurance or other third parties. Due to the potential for the imposition of stricter standards and greater regulation in the future, the possibility that other potentially responsible parties may not be willing or financially able to contribute to cleanup costs, a change in conditions or the discovery of additional contamination, our remediation costs could increase, and the timing of our capital and / or operating expenditures in the future may accelerate or could vary from the amounts currently accrued. **2023 Form 10- K25WEC Energy Group, Inc.** Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental laws and regulations, occurs frequently throughout the United States. This litigation has included claims for damages alleged to have been caused by GHG and other emissions and exposure to regulated substances and / or requests for injunctive relief in connection with such matters. In addition to claims relating to our current facilities, we may also be subject to potential liability in connection with the environmental condition of facilities that we previously owned and operated, regardless of whether the liabilities arose before, during, or after the time we owned or operated these facilities. If we fail to comply with environmental laws and regulations or cause (or caused) harm to the environment or persons, that failure or harm may result in the assessment of civil penalties and damages against us. The incurrence of a material environmental liability or a material judgment in any action for personal injury or property damage related to environmental matters could have a material adverse effect on our results of operations and financial condition. ~~2022 Form 10- K25WEC Energy Group, Inc.~~ In the event we are not able to recover all of our environmental expenditures and related costs from our customers in the future, our results of operations and financial condition could be adversely affected. Further, increased costs recovered through rates could contribute to reduced demand for electricity and natural gas, which could adversely affect our results of operations, cash flows, and financial condition. Our operations, capital expenditures, and financial results may be affected by the impact of greenhouse gas legislation, regulation, and emission reduction goals. There is **significant** ~~continued scientific and political~~ attention to issues concerning ~~the existence and extent of~~ climate change. Management expects this attention to continue since climate change is one of President Biden' s primary initiatives, with significant actions being taken by his administration ~~with more expected to~~

~~follow~~ . As a result, we expect the EPA and states to ~~adopt~~ **finalize** and implement additional regulations to restrict emissions of GHGs. There have also been increasing efforts to introduce and adopt electrification initiatives and / or mandates and other efforts to reduce ~~the use of~~ **or eliminate reliance on** natural gas **as an energy source** . In addition, there is increasing activism from other stakeholders, including institutional investors and other sources of financing, to accelerate the transition to lower GHG emissions. Costs associated with such legislation, regulation, and emission reduction goals could be significant **within our electric and natural gas operations** . GHG regulations that may be ~~adopted~~ **finalized** in the future, at either the federal or state level ~~, or other necessary changes to our ESG Progress Plan~~ , may cause our environmental compliance spending to differ materially from the amounts currently estimated. There is no guarantee that we will be allowed to fully recover costs incurred to comply with these and other federal and state regulations or that cost recovery will not be delayed or otherwise conditioned. These regulations, as well as changes in the fuel markets and advances in technology, could make additional electric generating units uneconomic to maintain or operate, may impact how we operate our existing fossil- fueled power plants and biomass facility, and could cause us to retire and replace units earlier than planned under the ESG Progress Plan, which could lead to a possible loss on abandonment and reduced revenues. In addition, our natural gas delivery systems and natural gas storage fields may generate fugitive gas as a result of normal operations and as a result of excavation, construction, and repair. Fugitive gas typically vents to the atmosphere and consists primarily of methane. CO2 is also a byproduct of natural gas consumption. **In a movement toward electrification,** ~~Certain~~ **certain** states ~~outside~~ **and municipalities near or in** our service territories have passed legislation **or are considering ordinances** banning natural gas used in new construction in order to limit ~~these~~ GHG emissions **. For example, the city of Chicago is considering an ordinance that would ban the use of natural gas in most new buildings, and the ICC is exploring the role of natural gas in the future and issues related to decarbonization of the natural gas distribution system in Illinois. There have also been efforts to restrict residential natural gas- fired appliances** . Future local, statewide, or nationwide actions like these to regulate GHG emissions could increase the price of natural gas, ~~restrict~~ **reduce** the ~~use of~~ **demand for** natural gas, cause us to accelerate the replacement and / or updating of our natural gas delivery systems, and adversely affect our ability to operate our natural gas facilities. A significant increase in the price of natural gas may increase rates for our natural gas customers, which could **also** reduce natural gas demand **and revenues** . The adoption of electrification initiatives and / or mandates could **also** result in ~~a further reduction in natural gas demand and revenue, as well as~~ an increase in electrical demand and increased investment costs for existing or new electrical systems. These types of initiatives and / or mandates could result in increased costs associated with permitting and siting of new technologies and delayed installation and start- up timelines. In addition, financial investments in older carbon intensive technologies may not be fully realized. We have set goals to achieve reductions in carbon emissions from our electric generation fleet by 60 % by the end of 2025 and by 80 % by the end of 2030, both from a 2005 baseline. Over the longer term, the target for our generation fleet is **to be** net **carbon neutral** ~~- zero CO2 emissions~~ by 2050. We also believe we will be in a position to eliminate coal as an energy source by the end of ~~2035~~ **2032** . We continue to monitor the financial and operational feasibility of taking more aggressive action to further reduce GHG emissions in order to limit future global temperature increases. **We** ~~Through our ESG Progress Plan, we~~ continue to reduce methane emissions by improving our natural gas **2023 Form 10- K26WEC Energy Group, Inc.** distribution systems. We set a target across our natural gas distribution operations to achieve net- zero methane emissions by the end of 2030. The ability to achieve these reductions in CO2 and methane emissions depends on many external factors, including the ability to make operating refinements, the retirement of less efficient generating units, the development of relevant energy technologies, the use of RNG throughout our natural gas utility systems, and the ability to execute our capital plan. These efforts could impact how we operate our electric generating units and natural gas facilities and lead to increased competition and regulation, all of which could have a material adverse effect on our operations and financial condition. ~~2022 Form 10- K26WEC Energy Group, Inc.~~ Changes in tax legislation, IRS audits, or our inability to use certain tax benefits and carryforwards, may adversely affect our financial condition, results of operations, and cash flows, as well as our ~~or our subsidiaries'~~ credit ratings. Tax legislation and regulations can adversely affect, among other things, our financial condition, results of operations, cash flows, liquidity, and credit ratings. Future changes to corporate tax rates or policies, including under Treasury Regulations and guidance issued in connection with the IRA, could require us to take material charges against earnings. Such changes include, among other things, increasing the federal corporate income tax rate, disallowing **or limiting the** use of certain tax benefits and carryforwards, limiting interest deductions, and altering the expensing of capital expenditures. Our inability to manage these changes, an adverse determination by one of the applicable taxing jurisdictions, or additional interpretations, implementing regulations, amendments, or technical corrections by the Treasury Department, the IRS, or state income tax authorities, could significantly impact our financial results and cash flows. We have significantly reduced our consolidated federal and state income tax liabilities in the past through tax credits, net operating losses, and charitable contribution deductions. A reduction in or disallowance of these tax benefits could adversely affect our earnings and cash flows. We have not fully used these allowed tax benefits in our previous tax filings and have carried them forward to use against future taxable income. Our inability to generate sufficient taxable income in the future to fully use these tax carryforwards before they expire **,** or to transfer future tax credits as discussed below, could significantly affect our tax obligations and financial results. In addition, we have invested, and plan to continue to invest, in renewable energy generating facilities. These facilities generate PTCs or ITCs that we can use to reduce our federal tax obligations. **Under the** ~~The recently passed~~ IRA ~~may~~ **, a transferability option** also ~~allow~~ **allows** us to **sell** ~~transfer some of~~ these ~~future~~ **tax** credits to third parties ~~at~~ **. This is** a ~~discounted value. We are still awaiting Treasury~~ **new market that may require additional regulations and** guidance **from taxing authorities** ~~on how and when we are allowed to transfer these credits~~ . The amount of tax credits we earn depends on available government incentives and policies, the amount of electricity produced, the applicable tax credit rate, or the amount of the investment in qualifying property. In addition, a variety of operating and economic factors, including transmission constraints, adverse weather conditions, and breakdown or failure of equipment, could significantly reduce the PTCs generated by the renewable projects we have invested in, resulting in a material adverse impact on our financial condition and results of operations. The imposition of additional taxes, tariffs, or other assessments related to renewable energy projects **or the equipment necessary to generate or deliver it,** as well as any reductions or eliminations of tax credits or other governmental incentives that promote renewable energy generating facilities **,** may limit our ability to make further investments in renewable energy generating facilities or reduce the returns on our existing investments. We are also uncertain as to how credit rating agencies, capital markets, the FERC, or state public utility commissions will treat any future changes to federal or state tax legislation. These impacts could subject us ~~or any of our subsidiaries~~ to credit rating downgrades. In addition, certain financial metrics used by credit rating agencies, such as our funds from operations- to- debt percentage, could be negatively impacted by changes in federal or state income tax legislation. Our electric utilities could be subject to higher costs and penalties as a result of mandatory reliability standards. Our electric utilities are subject to mandatory reliability and critical infrastructure protection standards established by the North American Electric Reliability Corporation and enforced by the FERC. The critical infrastructure protection standards focus on controlling access to critical physical and ~~cyber security~~ **cybersecurity** assets. Compliance with the mandatory reliability standards could subject our electric utilities to higher operating costs. If our electric utilities are found to be in noncompliance with the mandatory reliability standards, they could be subject to sanctions, including substantial monetary penalties, or damage to our reputation **. 2023 Form 10- K27WEC Energy Group, Inc** . Provisions of the Wisconsin Utility Holding Company Act limit our ability to invest in non- utility businesses and could deter takeover attempts by a potential purchaser of our common stock that would be willing to pay a premium for our common stock. Under the Holding Company Act, we remain subject to certain restrictions that have the potential of limiting our diversification into non- utility businesses. Under the Holding Company Act, the sum of certain assets of all non- utility affiliates in a holding company system generally may not exceed 25 % of the assets of all public utility affiliates in the system, subject to certain exemptions for energy- related assets. In addition, the Holding Company Act 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 customers, investors, and the public. This provision and other requirements of the Holding Company Act may delay or reduce the likelihood of a sale or change of control of WEC Energy Group. As a result, shareholders may be deprived of opportunities to sell some or all of their shares of our common stock at prices that represent a premium over market prices. ~~2022 Form 10- K27WEC Energy Group, Inc.~~ Risks Related to the Operation of Our Business Public health crises, including epidemics and pandemics, could adversely affect our business functions, financial condition, liquidity, and results of operations. Public health crises, including epidemics and pandemics, and any related government responses may adversely impact the economy and financial markets and could have a variety of adverse impacts on us ~~and our subsidiaries~~ , including a decrease in revenues; increased bad debt expense; increases in past due accounts receivable balances; and access to the capital markets at unreasonable terms or rates. Public health crises, including epidemics and pandemics, and any related government responses could also impair our ~~and our subsidiaries'~~ ability to develop, construct, and operate facilities. Risks include extended disruptions to supply chains and inflation, resulting in increased costs for labor, materials, and services, which could adversely impact our ability to implement our corporate strategy. We may also be adversely impacted by labor disruptions and productivity as a result of infections, employee attrition, and a reduced ability to replace departing employees as a result of employees who leave or forego employment to avoid any required precautionary measures. Despite our efforts to manage the impacts of public health crises, including epidemics and pandemics, that may occur in the future, the extent to which they may affect us depends on factors beyond our knowledge or control. As a result, we are unable to determine the potential impact any such public health crises, including epidemics and pandemics, may have on our business plans and operations, liquidity, financial condition, and results of operations. Our operations are subject to risks arising from the reliability of our electric generation, transmission, and distribution facilities, natural gas infrastructure facilities, natural gas storage fields, renewable energy facilities, and other facilities, as well as the reliability of third- party transmission providers. Our financial performance depends on the successful operation of our electric generation, natural gas and electric distribution facilities, natural gas storage fields, and renewable energy facilities. The operation of these facilities involves many risks, including operator error and the breakdown or failure of equipment or processes. Potential breakdown or failure may occur due to severe weather (i. e., storms, tornadoes, floods, droughts, etc.); catastrophic events (i. e., fires, earthquakes, and explosions); public health crises, including epidemics and pandemics; significant changes in water levels in waterways; fuel supply or transportation disruptions; accidents; employee labor disputes; construction delays or cost overruns **; delays in the replacement of aging infrastructure** ; shortages of or delays in obtaining equipment, material, and / or labor; performance below expected levels; operating limitations that may be imposed by environmental or other regulatory requirements; terrorist or other physical attacks; or ~~cyber security~~ **cybersecurity** intrusions. Any of these events could lead to substantial financial losses, including increased maintenance costs, unanticipated capital expenditures, and a reduction of revenues related to our non- utility renewable energy facilities. Because our electric generation and renewable energy facilities are interconnected with third- party transmission facilities, the operation of our facilities could also be adversely affected by events impacting their systems. Unplanned outages at our power plants may reduce our revenues, cause us to incur significant costs if we are required to operate our higher cost electric generators or purchase replacement power to satisfy our obligations, and could result in additional maintenance expenses. Insurance, warranties, performance guarantees, or recovery through the regulatory process may not cover any or all of these lost revenues or increased expenses, which could adversely affect our results of operations and cash flows **. 2023 Form 10- K28WEC Energy Group, Inc** . The operations of our natural gas utilities depend upon the availability of adequate interstate pipeline transportation capacity and natural gas. Our natural gas utilities purchase almost all of their natural gas supply from interstate sources that must be transported to the applicable service territories. Interstate pipeline companies transport the natural gas to our natural gas utilities' systems under firm service agreements that are designed to meet the requirements of their core markets. A significant disruption to interstate pipelines capacity or reduction in natural gas supply due to events including, but not limited to, operational failures or disruptions, hurricanes, tornadoes, floods, freeze **-** off of natural gas wells, terrorist or physical attacks, cyberattacks, other acts of war, or legislative or regulatory actions or requirements, including remediation related to integrity inspections or regulations and laws enacted to address climate change **or other environmental matters** , could reduce the normal interstate supply of natural gas and thereby significantly disrupt our operations and / or reduce earnings ~~. For example, in December 2022, the Guardian Pipeline experienced a significant equipment failure, which limited 2022 Form 10- K28WEC Energy Group, Inc. the amount of natural gas that it could send our Wisconsin natural gas utilities. Moreover, if additional natural gas infrastructure, including, but not limited to, exploration and drilling rigs and platforms, processing and gathering systems, offshore pipelines, interstate pipelines and storage, cannot be built at a pace that meets demand, then growth opportunities could be limited~~ . Our operations are subject to various conditions that can result in fluctuations in energy sales to customers, including customer growth and general economic conditions in our service areas, varying weather conditions, and energy conservation efforts. Our results of operations and cash flows are affected by the demand for electricity and natural gas, which can vary greatly based upon: • Fluctuations in customer growth and general economic conditions in our service areas. Customer growth and energy use can be negatively impacted by population declines as well as economic factors in our service territories, including workforce reductions, stagnant wage growth, changing levels of support from state and local government for economic development, business closings, and reductions in the level of business investment. Our electric and natural gas utilities are impacted by economic cycles and the competitiveness of the commercial and industrial customers we serve. Any economic downturn, disruption of financial markets, or reduced incentives by state government for economic development could adversely affect the financial condition of our customers and demand for their products or services. These risks could directly influence the demand for electricity and natural gas as well as the need for additional power generation and generating facilities. We could also be exposed to greater risks of accounts receivable write- offs if customers are unable to pay their bills. • Weather conditions. Demand for electricity is greater in the summer and winter months when cooling and heating is necessary. In addition, demand for natural gas peaks in the winter heating season. As a result, our overall results may fluctuate substantially on a seasonal basis. In addition, milder temperatures during the summer cooling season and during the winter heating season may result in lower revenues and net income. • Our customers' continued focus on energy conservation. Our customers' use of electricity and natural gas has decreased as a result of continued individual conservation efforts, including the use of more energy efficient technologies **, and could be further reduced by new building codes, DERs, energy storage technology, and private solar** . Customers could also voluntarily reduce their consumption of energy in response to decreases in their disposable income and increases in energy prices. Conservation of energy can be influenced by certain federal and state programs that are intended to influence how consumers use energy. For example, several states, including Wisconsin and Michigan, have adopted energy efficiency targets to reduce energy consumption. As part of our planning process, we estimate the impacts of changes in customer growth and general economic conditions, weather, and customer energy conservation efforts, but risks still remain. Any of these matters, as well as any regulatory delay in adjusting rates as a result of reduced sales from effective conservation measures or the adoption of new technologies, could adversely impact our results of operations and financial condition. Our operations are subject to the effects of global climate change. A changing climate creates uncertainty and could result in broad changes, both physical and financial in nature, to our service territories. If climate changes occur that result in extreme temperatures in our service territories, our financial results could be adversely impacted by lower electric and natural gas usage and higher natural gas costs. An extreme weather event could result in downed wires and poles or damage to other operating equipment, which could result in us incurring significant restoration costs and foregoing sales of ~~electricity~~ **energy** and lost revenues. ~~An~~ **Extreme weather in summer could cause electric load to be interrupted or certain customers to be curtailed who participate in load management programs. Additionally, an** extreme weather event could also cause the cost of **natural** gas purchased for our natural gas utility customers and for the use of fuel at our generation facilities to be temporarily driven significantly higher than our normal winter weather expectations. Although our utilities have regulatory mechanisms in place for recovering all prudently incurred natural gas costs, **our** ~~regulatory~~ **regulators** ~~commissions~~ could disallow recovery or order the refund of any costs determined to be imprudent **. 2023 Form 10- K29WEC Energy Group, Inc** . In addition, our operations could be adversely affected and our facilities placed at greater risk of damage should changes in global climate produce, among other possible conditions, unusual variations in temperature and weather patterns, which could result in more intense, frequent and extreme weather events, such as wind storms **including derecho events** , floods, tornadoes, snow and ice storms, or abnormal levels of precipitation. Extreme weather may result in unexpected increases in customer load, requiring us to procure additional power at wholesale prices for our retail operations, unpredictable curtailment of customer load by MISO to maintain grid reliability, or other grid reliability issues. Any of these events could lead to substantial financial losses including increased maintenance costs, unanticipated capital expenditures, or a reduction of revenues related to our non- utility renewable energy facilities. The cost of storm restoration efforts may also not be fully recoverable through the regulatory process. ~~2022 Form 10- K29WEC Energy Group, Inc.~~ Our corporate strategy may be impacted by policy and legal, technology, market, and reputational risks and opportunities that are associated with the transition to lower GHG emissions. In addition, changes in policy to combat climate change, including mitigation and adaptation efforts, and technology advancement, each of which can also accelerate the implications of a transition to lower emissions, may materially adversely impact our results of operations and cash flows through significant capital expenditures and investments in renewable generation. Our operations and future results may be impacted by changing expectations and demands of our customers, regulators, investors, and other stakeholders, including heightened emphasis on environmental, social **,** and governance concerns. Our ability to execute our strategy and achieve anticipated financial outcomes are influenced by the expectations of our customers, regulators, investors, and other stakeholders. Those expectations are based in part on the core fundamentals of affordability and reliability but are also increasingly focused on our ability to meet rapidly changing demands for new and varied products, services, and offerings. Additionally, the risks of global climate change continues to shape our customers' sustainability goals and energy needs, as well as the investment and financing criteria of investors. Failure to meet these increasing expectations or to adequately address the risks and external pressures from regulators, customers, investors, and other stakeholders may impact our reputation and affect our ability to achieve favorable outcomes in future rate cases or our results of operations. Furthermore, the increasing use of social media may accelerate and increase the potential scope of negative publicity we might receive and could increase the negative impact on our reputation, business, results of operations, and financial condition. As it relates to electric generation, a diversified fleet with increasingly clean generation resources may facilitate more efficient financing and lower costs. Conversely, jurisdictions utilizing more carbon- intensive generation such as coal may experience difficulty attracting certain investors and obtaining the most economical financing terms available. Furthermore, with this heightened emphasis on environmental, social, and governance concerns, and climate change in particular, there is an increased risk of litigation. Our operations and corporate strategy may be adversely affected by supply chain disruptions and inflation. Our business is dependent on the global supply chain to ensure that equipment, materials, and other resources are available to both expand and maintain services in a safe and reliable manner. **Protracted, expanding or escalating regional conflicts, including the conflicts in Ukraine, Israel, and parts of the Middle East, as well as strained relationships between the United States and other countries related to such conflicts, could further contribute to** ~~Current~~ **current** domestic and global supply chain disruptions **that** are delaying the delivery, and in some cases resulting in shortages of, materials, equipment, and other resources that are critical to our business operations. Failure to eliminate or manage the constraints in the supply chain may eventually impact the availability of items that are necessary to support normal operations as well as materials that are required to implement our corporate strategy for continued **utility and** infrastructure growth, including our renewable energy projects. Moreover, prices of equipment, materials, and other resources have increased ~~recently~~ as a result of these supply chain disruptions and may continue to increase in the future, as a result of inflation. Increases in inflation raise our costs for labor, materials, and services, and failure to secure these resources on economically acceptable terms, as well as any regulatory delay in adjusting rates to account for increased costs, may adversely impact our financial condition and results of operations. We are actively involved with multiple significant capital projects, which are subject to a number of risks and uncertainties that could adversely affect project costs and completion of construction projects. Our business requires substantial capital expenditures for investments in, among other things, capital improvements to our electric generating facilities, electric and natural gas distribution infrastructure, natural gas **and LNG** storage, and other projects, including projects for environmental compliance. We also expect to continue constructing and investing in renewable energy generating **2023 Form 10- K30WEC Energy Group, Inc.** facilities as part of the ESG Progress Plan **and our goal to be net carbon neutral by 2050**, including ~~repowering existing wind generation~~ projects in ~~our generation portfolio, and as part of~~ our non- utility energy infrastructure segment. In addition, WBS continues to invest in technology and the development of software applications to support our ~~utilities~~ **businesses**. Achieving the intended benefits of any large construction project is subject to many uncertainties, some of which we will have limited or no control over, that could adversely affect project costs and completion time. Supply chain disruptions, including solar panel shortages and **delays,** increasing material costs **,** ~~as a result of~~ government tariffs **,** and other factors, could impact the timing of completion of our renewable **projects. For example, the UFLPA' s prohibition on imports of solar panels manufactured with certain silica- based products originating in Xinjiang, China, has delayed the release of solar panels to us for our renewables** projects. Additional risks include, but are not limited to, the ability to adhere to established budgets and time frames; the availability of labor or materials at estimated costs; the ability of contractors to perform under their contracts; strikes; adverse weather conditions; potential legal challenges; changes in applicable laws or regulations; rising interest rates; the impact of public health crises, including epidemics and pandemics; other governmental actions; continued public and policymaker support for such projects; and events in the global economy. ~~In addition, certain~~ **Certain** of these projects require the approval of our regulators. If construction of commission-approved projects should materially and adversely deviate from the schedules, estimates, and / or projections on which the approval was based, our regulators may deem the additional capital costs as imprudent and ~~2022 Form 10- K30WEC Energy Group, Inc.~~ disallow recovery of them through rates, and otherwise available PTCs and ITCs for renewable energy projects could be lost or lose value. **In addition, regulators, in a future rate proceeding, may alter the timing or amount of certain costs for which recovery is allowed, such as the case in the ICC' s November 2023 rate orders for PGL and NSG. Our subsidiaries sometimes enter into equipment purchase orders and construction contracts and incur engineering and design service costs in advance of receiving necessary regulatory approvals and / or siting or environmental permits. If any of these projects are canceled for any reason, including failure to receive necessary regulatory approvals and / or siting or environmental permits, significant cancellation penalties under the equipment purchase orders and construction contracts could occur. In addition, if any construction work or investments have been recorded as an asset, an impairment may need to be recorded in the event the project is canceled.** To the extent that delays occur, costs become unrecoverable, tax credits are lost or lose value, or we ~~(~~ or third parties with whom we invest and / or partner ~~)~~ otherwise become unable to effectively manage and complete ~~our (or their)~~ capital projects, our results of operations, cash flows, and financial condition may be adversely affected. Our operations are subject to risks beyond our control, including but not limited to, ~~cyber security~~ **cybersecurity** intrusions, terrorist or other physical attacks, acts of war, or unauthorized access to personally identifiable information. We have been subject to attempted cyber attacks from time to time, and will likely continue to be subject to such attempted attacks; however, these prior attacks have not had a material impact on our system or business operations. Despite the implementation of security measures, all assets and systems are potentially vulnerable to disability, failures, or unauthorized access due to physical or ~~cyber security~~ **cybersecurity** intrusions caused by human error, vendor bugs, terrorist or other physical attacks (including potential attacks on our substations and other electric distribution equipment), acts of war, or other malicious acts. These threats could result in a full or partial disruption of our ability to generate, transmit, purchase, or distribute electricity or natural gas or cause environmental repercussions. If our assets or systems were to fail, be physically damaged, or be breached, and were not recovered in a timely manner, we may be unable to perform critical business functions, and data, including sensitive information, could be compromised. **Cybersecurity attacks, including attacks targeting utility systems and other critical infrastructure may increase during periods of heightened or escalating geopolitical tensions.** We operate in an industry that requires the use of sophisticated information technology systems and network infrastructure, which **in turn** control an interconnected ~~system~~ **network** of generation, distribution, and transmission systems shared with third parties. A successful physical or ~~cyber security~~ **cybersecurity** intrusion may occur despite our security measures or those ~~that~~ we require **of** our vendors ~~to take~~ , ~~which include~~ **including** compliance with reliability ~~standards~~ and critical infrastructure protection standards. Successful ~~cyber security~~ **cybersecurity** intrusions, including those targeting the electronic control systems used at our generating facilities and electric and natural gas transmission, distribution, and storage systems, could disrupt our operations and result in loss of service to customers. Attacks may come through ransomware, software updates or patches, or firmware that hackers can manipulate. These intrusions may cause unplanned outages at our power plants, which may reduce our revenues or cause us to incur significant costs if we are required to operate our higher cost electric generators or purchase replacement power to satisfy our obligations, and could result in additional maintenance expenses. The risk of such intrusions may also increase our capital and operating costs as a result of having to implement increased security measures for protection of our information technology and infrastructure. **2023 Form 10- K31WEC Energy Group, Inc.** Our continued efforts to integrate, consolidate, and streamline our operations have also resulted in increased reliance on current and recently completed projects for technology systems **. The failure to enhance existing information technology systems and implement new technology, could adversely affect our operations** . We implement procedures to protect our systems, but we cannot guarantee that the procedures we have implemented to protect against unauthorized access to secured data and systems are adequate to safeguard against all security breaches. The failure of any of these or other similarly important technologies, or our inability to support, update, expand, and / or integrate these technologies across our subsidiaries could materially and adversely impact our operations, diminish customer confidence and our reputation, materially increase the costs we incur to protect against these risks, and subject us to possible financial liability or increased regulation or litigation. Our business requires the collection and retention of personally identifiable information of our customers, shareholders, and employees, who expect that we will adequately protect such information. **In some cases, we rely on third- party hosted services to support our business operations. Malicious actors may target these providers to disrupt the services they provide to us, or to use those third parties to attack us.** Security breaches **of our or our third- party service providers' systems** may expose us to a risk of loss or misuse of confidential and proprietary information. A significant theft, loss, or fraudulent use of personally identifiable information may lead to potentially large costs to notify and protect the impacted persons, and / or could cause us to become subject to significant litigation, costs, liability, fines, or penalties, any of which could materially and adversely impact our results of operations as well as our reputation with customers, shareholders, and regulators, among others. In addition, we may be required to incur significant costs associated with governmental actions in response to such intrusions or to strengthen our information and electronic control systems. We may also need to obtain additional insurance coverage related to the threat of such intrusions. Threats to our systems and operations continue to emerge as new ways to compromise components into our systems or networks are developed. Any operational disruption or environmental repercussions caused by on- going or future threats to our assets and technology systems could result in a significant decrease in our revenues or significant reconstruction or remediation costs, which could materially and adversely affect our results of operations, financial condition, and cash flows. The costs of repairing damage to our facilities, operational disruptions, protecting personally identifiable information, and notifying impacted persons, as well as related legal claims, may also not be recoverable in rates, may exceed the insurance limits on our insurance policies, or, in some cases, may not be covered by insurance ~~. 2022 Form 10- K31WEC Energy Group, Inc~~ . Advances in technology, and legislation or regulations supporting such technology, could make our electric generating facilities less competitive and may impact the demand for natural gas. Advances in new technologies that produce or store power or reduce power consumption are ongoing and include renewable energy technologies, customer- oriented generation, energy storage devices, and energy efficiency technologies. We generate power at central station power plants and utility- scale renewable generation facilities to achieve economies of scale and produce power at a competitive cost. Distributed generation technologies that produce power, including fuel cells, microturbines, wind turbines, solar cells, and related energy storage devices, have technologically improved and have become more cost competitive than they were in the past. Recently **enacted legislation, including the IRA and the Infrastructure Investment and Jobs Act, promotes the construction and cost- effectiveness of renewable energy generation, including distributed generation technologies for self- supply of electricity by our customers and third parties. Increased use of technologies such as private solar and battery storage in our service territories could reduce our recovery of fixed costs, could result in customers leaving the electric distribution system, and could cause an increase in customer net energy metering, which allows customers with private solar to receive bill credits for surplus power at the full retail amount. Over time, customer adoption of these technologies could result in our electric utilities not being able to fully recover the costs and investment in generation. In December 2022** , the PSCW issued a declaratory ruling finding that a third- party financed DER is not a " public utility " under Wisconsin law. ~~A second petition is also being considered.~~ Although the finding ~~in the first petition~~ was limited to the specific facts and circumstances of the lease presented in that petition **and is being appealed** , similar findings or a broader policy position could **have a material** ~~adversely~~ - **adverse** impact **on** our business operations. ~~Recently enacted legislation, including~~ **Federal and state regulations and** ~~the~~ **other efforts designed to** ~~IRA and the Infrastructure Investment and Jobs Act, promotes~~ - **promote** ~~the construction~~ and ~~cost- effectiveness~~ **expand the use** of ~~renewable energy generation, including~~ distributed generation technologies ~~, for self- supply of electricity by our customers and third parties. This legislation~~ also ~~incentivizes~~ - **incentivize** modernization of the electric distribution grid to, among other things, accommodate two- way flows of electricity and increase the grid' s capacity to interconnect to these distributed generation technologies. Other legislation or regulations could be adopted supporting the use of these technologies at below cost or that permit third- party sales from such facilities, and allow these facilities to interconnect to our distribution system. There is also a risk that advances in technology will continue to reduce the costs of these alternative methods of producing power to a level that is competitive with that of central station and utility- scale renewable power production. ~~We~~ **2023 Form 10- K32WEC Energy Group, Inc. In addition, we** cannot predict the effect that development of alternative energy sources or new technology may have on our natural gas operations, including whether subsidies of alternative energy sources by local, state, and federal governments might be expanded, or what impact this might have on the supply of or the demand for natural gas. If these technologies become ~~more~~ cost competitive and achieve economies of scale, our market share could be eroded, and the value of our generating facilities and natural gas distribution systems could be reduced. Advances in technology, or changes in legislation or regulations, could also change the channels through which our customers purchase or use power and natural gas, which could reduce our sales and revenues or increase our expenses. We transport, distribute, and store natural gas, which involves numerous risks that may result in accidents and other operating risks and costs. Inherent in natural gas distribution and storage activities are a variety of hazards and operational risks, such as leaks, accidental explosions, and mechanical problems, which could materially and adversely affect our results of operations, financial condition, and cash flows. In addition, these risks could result in serious injury to employees and non- employees, loss of human life, significant damage to property, environmental pollution, impairment of operations, and substantial losses to us. The location of natural gas pipelines and storage facilities near populated areas, including residential areas, commercial business centers, and industrial sites, could increase the level of damages resulting from these risks. These activities may subject us to litigation and / or administrative proceedings from time to time, which could result in substantial monetary judgments, fines, or penalties against us, or be resolved on unfavorable terms **. Further, delays in the replacement of aging infrastructure as a result of the ICC' s orders in the PGL and NSG rate cases may lead to increased costs and disruptions in operations that could also negatively impact our financial results** . We face risks related to our non- utility renewable energy facilities that could impact our return on investment or have a negative impact on our financial condition or results of operations. The production of **energy from** wind ~~energy~~ **and solar sites** depends heavily on suitable ~~wind~~ **weather** conditions, which are variable. ~~If wind~~ **Wind** conditions ~~are~~ **or solar irradiance that is** unfavorable or below our estimates ~~, our~~ **can cause** electricity production, and therefore ~~our~~ revenues and PTCs earned from ~~our~~ non- utility renewable energy facilities, ~~may~~ **to** be substantially below our expectations. We base our decisions about which sites to acquire and operate in part on the findings of **studies of** long- term ~~wind and other~~ meteorological data ~~and studies conducted~~ in the proposed area, which **includes** ~~measure the~~ wind ~~' s~~ speed and prevailing direction **or solar irradiance** and seasonal variations **of each** . Actual conditions at these sites, however, may not conform to the **results of** ~~measured data in~~ these studies. **An** ~~For example, if there is an~~ increase in frequency and severity of weather conditions ~~, the~~ **could cause** disruptions to our sites ~~may~~ **to** become more frequent and severe. **Wind and solar equipment can be damaged by natural events such as lightning strikes that damage blades** ~~For-~~ **or in** ~~the majority of our non- utility~~ **ground electrical systems used to collect electricity from turbines or panels. Sites also may experience production shutdowns or delayed restoration of production during extreme weather conditions resulting in, among other things, damage to solar panels, icing on wind turbine blades, or restricted access to sites. The costs of repairing damage to these facilities may exceed the insurance limits on our insurance policies or may be outside the coverage afforded by our insurance policies. In addition, significant repair costs and / or continuous damage events could cause our insurance premiums to increase or lead to insurance coverage not being available at all. Damage to renewable facilities could also reduce operating capacity and cause the declaration of force majeure events. Customers may raise objections to force majeure declarations for these or similar operating issues. The failure to satisfy minimum operational or availability requirements under the PPAs, including PPAs related to projects under construction, could result in payment of damages or termination of the PPAs. Lower wholesale market prices for electricity may adversely affect the financial results for certain of our renewable projects, depending on the structure of the related PPA. In addition, lower prices for other energy sources may reduce the demand for wind and solar energy development, which could adversely affect our growth prospects and financial condition. Wind and solar energy demand is affected by the price and availability of other fuels, including nuclear, coal, natural gas and oil, as well as other sources of** renewable energy **. Reduced government incentives for wind and solar energy, increases in operating and maintenance costs, new regulations, or incentives that favor other forms of energy could reduce the demand for renewable energy and may adversely affect our results of** operations **. We do not own all the property and other sites on which our projects are located** , ~~we~~ **and our rights may be subordinate to the rights of lienholders and leaseholders, which could have an adverse effect on our business and financial condition. Existing and future projects may be located on property on other sites occupied under long- term easements, leases, and rights of way. The ownership interests on these properties may be subject to mortgages securing loans or other liens and other easements, lease rights and rights 2023 Form 10- K33WEC Energy Group, Inc. of way of third parties that were created previously. As a result, some of our real property rights may be subordinate to the rights of these third parties, and the rights of our operating subsidiaries to use the property could be lost or curtailed. We** have entered into long- term PPAs **for the majority of our non- utility renewable energy operations** with a small number of customers ~~to purchase~~ **where their payment is based on** the energy produced **, and in some cases the REC value created,** by our facilities. Although initial agreements are often ten years or more, in the future we may not be able to replace expiring PPAs related to our non- utility renewable energy facilities with contracts on acceptable ~~2022 Form 10- K32WEC Energy Group, Inc.~~ terms, including at prices that support operation of the facility on a profitable basis. Decreases in the retail prices of electricity supplied by traditional utilities or **the pricing of** other clean energy sources in the ~~areas~~ **regions** where our non- utility renewable energy facilities are located could harm our ability to offer competitive pricing and ~~could harm our ability~~ to sign PPAs with customers. If we are unable to replace an expiring PPA with an acceptable new revenue contract, we may be required to sell the power produced by the facility at wholesale prices and be exposed to market fluctuations and risks, or the affected site may temporarily or permanently cease operations. If we are unable to replace an expired distributed generation PPA with an acceptable new contract, we may be required to remove the renewable energy facility from the site or, alternatively, we may have to sell the assets, but the sale price may not be sufficient to replace the revenue previously generated by the renewable energy facility. For some of our PPAs, the net amount paid by our PPA counterparties is impacted by wholesale prices at a market hub location different ~~than~~ **from** the location of our ~~wind farms~~ **renewable site** . Systemic shortfalls and disruptions in transmission capacity can cause congestion between the two locations, which along with other factors, can ~~increase~~ **cause** price disparity **between the market hub and site** . This price ~~difference~~ **disparity** , known as basis risk, can be significant at times. We attempt to mitigate basis risk where possible, but hedging instruments are often not economically feasible or available in the quantities that we require. Basis risk cannot be entirely eliminated and can adversely affect our financial condition and results of operations. Our non- utility renewable energy facilities are exposed to risks through participation ~~in the market and transmission structures~~ in various regional power markets. Our ability to acquire new non- utility renewable energy facilities or generate revenue from existing facilities depends on having interconnection arrangements with transmission providers and **power markets along with** a reliable ~~electricity~~ grid. We cannot predict whether transmission facilities will be expanded in specific markets to accommodate or increase competitive access to those markets. If a transmission network to which one or more of our facilities is connected experiences down time for system emergencies, force majeure, safety, reliability, maintenance or other operational reasons, we may lose revenues and PTCs and be exposed to non- performance penalties and claims from our customers. This risk of curtailment of our non- utility renewable energy facilities may result in a reduced return on our investments, and we may not be compensated for lost energy and ancillary services. As members of these RTOs, we are also subject to certain additional risks, including the allocation **of losses** among existing members ~~, of losses~~ caused by unreimbursed defaults of other participants in these markets and resolution of complaint cases **seeking** ~~that may seek~~ refunds of revenues previously earned by members of these markets. Existing, new, or changed rules of these RTOs could result in significant additional fees and increased costs for participation, including the cost of transmission facilities built by others due to changes in transmission rate design. In addition, these RTOs may assess costs resulting from improved transmission reliability, reduced transmission congestion, and firm transmission rights. We are a holding company and rely on the earnings of our subsidiaries to meet our financial obligations. As a holding company with no operations of our own, our ability to meet our financial obligations including, but not limited to, debt service, taxes, and other expenses, as well as pay dividends on our common stock, is dependent upon the ability of our subsidiaries to pay amounts to us, whether through dividends or other payments. Our subsidiaries are separate legal entities that are not required to pay any of our obligations or to make any funds available for that purpose or for the payment of dividends on our common stock. The ability of our subsidiaries to pay amounts to us depends on their earnings, cash flows, capital requirements, and general financial condition, as well as regulatory limitations. Prior to distributing cash to us, our subsidiaries have financial obligations that must be satisfied, including, among others, debt service and preferred stock dividends. In addition, each subsidiary' s ability to pay amounts to us depends on any statutory, regulatory, and / or contractual restrictions and limitations applicable to such subsidiary, which may include requirements to maintain specified levels of debt or equity ratios, working capital, or other assets. Our utility subsidiaries are regulated by various state utility commissions, which generally possess broad powers to ensure that the needs of the utility customers are being met. We may fail to attract and retain an appropriately qualified workforce. We operate in an industry that requires many of our employees to possess unique technical skill sets. Events such as an aging workforce without appropriate replacements, the mismatch of skill sets to future needs, or the unavailability of contract resources may lead to operating challenges or increased costs. These operating challenges include lack of resources, loss of knowledge, and a **2023 Form 10- K34WEC Energy Group, Inc.** lengthy time period associated with skill development. Failure to hire and obtain replacement employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, may adversely affect our ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce, our results of operations could be adversely affected ~~. 2022 Form 10- K33WEC Energy Group, Inc~~ . Our counterparties may fail to meet their obligations, including obligations under power purchase, natural gas supply, natural gas pipeline capacity, and transportation agreements. We are exposed to the risk that counterparties to various arrangements who owe us money, electricity, natural gas, or other commodities or services will not be able to perform their obligations. Should the counterparties to these arrangements fail to perform or if capacity is inadequate, we may be required to replace the underlying commitment at current market prices or we may be unable to meet all of our customers' electric and natural gas requirements unless or until alternative supply arrangements are put in place. In such event, we may incur losses, and our results of operations, financial position, or liquidity could be adversely affected. We have entered into several power purchase, natural gas supply, natural gas pipeline capacity, and transportation agreements with non- affiliated companies. Revenues are dependent on the continued performance by the counterparties of their obligations under these agreements. Although we have a comprehensive credit evaluation process and contractual protections, it is possible that one or more counterparties could fail to perform their obligations. If this were to occur, we generally would expect that any operating and other costs that were initially allocated to a defaulting customer' s power purchase, natural gas supply, natural gas pipeline capacity, or transportation agreement would be reallocated among our retail customers. To the extent these costs are not allowed to be reallocated by our regulators or there is any regulatory delay in adjusting rates, a counterparty default under these agreements could have a negative impact on our results of operations and cash flows. Risks Related to Economic and Market Volatility Our business is dependent on our ability to successfully access capital markets on competitive terms and rates. We rely on access to credit and capital markets to support our capital requirements, including expenditures for our utility infrastructure and to comply with future regulatory requirements, to the extent not satisfied by the cash flow generated by our operations. We have historically secured funds from a variety of sources, including the issuance of short- term and long- term debt securities. In addition, we rely on committed bank credit agreements as back- up liquidity, which allows us to access the low cost commercial paper markets. **The availability of credit depends upon the ability of banks providing commitments**

under the facility to provide funds when their obligations to do so arise. Systemic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the credit agreements. Successful implementation of our long- term business strategies, including capital investment, is dependent upon our ability to access the capital markets, including the banking and commercial paper markets, on competitive terms and rates. **Continued elevation of, or further increases in,** ~~Interest~~ **interest** rates may **adversely** ~~increase in the future, which may~~ affect our results of operations and the ability of our regulated subsidiaries to earn their approved rates of return. ~~Rising~~ **High** interest rates may also impair our ability to cost- effectively finance capital expenditures and to refinance maturing debt. Our ~~or our subsidiaries'~~ access to the credit and capital markets could be limited, or our ~~or our subsidiaries'~~ cost of capital significantly increased, due to any of the following risks and uncertainties: • A rating downgrade; • Failure to comply with debt covenants; • An economic downturn or uncertainty; • Prevailing market conditions and rules **; • Political tensions, including civil unrest and election volatility** ; • Concerns over foreign economic conditions; • Changes in tax policy; • Changes in investment criteria of institutional investors or banks, including any policies that would limit or restrict funding for companies with fossil fuel- related investments; • War or the threat of war; **and** • The overall health and view of the utility and financial institution industries ~~; and • The replacement of LIBOR with SOFR or other alternative reference rate~~ . ~~A portion of our indebtedness provides for interest at variable interest rates, primarily based on LIBOR. LIBOR is the subject of national, international, and other regulatory reform, which is expected to cause LIBOR to cease to exist after June~~ 2023 **Form 10- K35WEC Energy Group** ~~. Various alternative reference rates are being evaluated by market participants~~ , **Inc** ~~with SOFR being the most widely adopted alternative to date. Although we cannot predict the consequences of transitioning to SOFR or other alternative reference rate, they could include an increase in our interest expense~~ . If any of these risks or uncertainties limit our access to the credit and capital markets or significantly increase our cost of capital, it could limit our ability to implement, or increase the costs of implementing, our business plan, which, in turn, could materially and adversely affect our results of operations, cash flows, and financial condition, and could limit our ability to sustain our current common stock dividend level. ~~2022 Form 10- K34WEC Energy Group, Inc.~~ A downgrade in our ~~or any of our subsidiaries'~~ credit ratings could negatively affect our ~~or our subsidiaries'~~ ability to access capital at reasonable costs and / or require the posting of collateral. There are a number of factors that impact our ~~and our subsidiaries'~~ credit ratings, including, but not limited to, capital structure, regulatory environment, the ability to cover liquidity requirements, and other requirements for capital. We ~~or any of our subsidiaries~~ could experience a downgrade in ratings if the rating agencies determine that our level of business or financial risk, or that of any of our utilities or the utility industry, has deteriorated. Changes in rating methodologies by the rating agencies could also have a negative impact on credit ratings. Any downgrade by the rating agencies could: • Increase borrowing costs under certain existing credit facilities; • Require the payment of higher interest rates in future financings and possibly reduce the pool of creditors; • Decrease funding sources by limiting our ~~or our subsidiaries'~~ access to the commercial paper market; • Limit the availability of adequate credit support for our ~~subsidiaries'~~ operations; and • Trigger collateral requirements in various contracts. Fluctuating commodity prices could negatively impact our ~~electric and natural gas utility~~ operations. Our operating and liquidity requirements are impacted by changes in the forward and current market prices of natural gas, coal, electricity, renewable energy credits, and ancillary services. Our electric utilities burn natural gas in several of their electric generation plants and as a supplemental fuel at several coal- fired plants. In many instances the cost of purchased power is tied to the cost of natural gas. The cost of natural gas ~~has increased, and~~ may ~~continue to~~ increase because of disruptions in the supply of natural gas due to a curtailment in production or distribution, international market conditions, the demand for natural gas, and the availability of shale gas and potential regulations and / or other government action affecting its accessibility. For Wisconsin retail electric customers, our utilities bear the risk for the recovery of fuel and purchased power costs within a symmetrical 2 % fuel tolerance band compared to the forecast of fuel and purchased power costs established in their respective rate structures. Prudently incurred fuel and purchased power costs are recovered dollar- for- dollar from our Michigan retail electric customers and our wholesale electric customers. Our natural gas utilities receive dollar- for- dollar recovery of prudently incurred natural gas costs from their natural gas customers. Changes in commodity prices could result in: • Higher working capital requirements, particularly related to natural gas inventory, accounts receivable, and cash collateral postings; • Reduced profitability to the extent that lower revenues, increased bad debt, and higher interest expense are not recovered through rates; • Higher rates charged to our customers, which could impact our competitive position; • Reduced demand for energy, which could impact revenues and operating expenses; **• Reduced growth prospects from renewable energy projects related to lower cost alternative energy sources and a limited number of purchasers of electricity;** and • Shutting down of generation facilities if the cost of generation exceeds the market price for electricity. We may not be able to obtain an adequate supply of coal, which could limit our ability to operate our coal- fired facilities. We own and operate several coal- fired electric generating units. Although we generally carry sufficient coal inventory at our generating facilities to protect against an interruption or decline in supply, there can be no assurance that the inventory levels will be adequate. While we have coal supply and transportation contracts in place, we cannot assure that the counterparties to these agreements will be able to fulfill their obligations to supply coal to us or that we will be able to take delivery of all the coal volume contracted for. Coal deliveries may occasionally be restricted because of rail congestion and maintenance, derailments, weather, **2023 Form 10- K36WEC Energy Group, Inc.** public health crises, including epidemics and pandemics, and supplier financial hardship. Supplier financial hardship is a result of decreased demand for coal due to increased natural gas and renewable energy generation, the impact of environmental regulations, and environmental concerns related to coal- fired generation ~~. 2022 Form 10- K35WEC Energy Group, Inc~~ . If we are unable to obtain our coal requirements under our coal supply and transportation contracts, we may be required to purchase coal at higher prices or we may be forced to reduce generation at our coal- fired units, which could lead to increased fuel costs. The increase in fuel costs could result in either reduced margins on net sales into the MISO Energy Markets, a reduction in the volume of net sales into the MISO Energy Markets, and / or an increase in net power purchases in the MISO Energy Markets. There is no guarantee that we would be able to fully recover any increased costs in rates or that recovery would not otherwise be delayed, either of which could adversely affect our results of operations and cash flows. Our use of derivative contracts could result in financial losses. We use derivative instruments such as swaps, options, futures, and forwards to manage commodity price exposure. We could recognize financial losses as a result of volatility in the market value of these contracts or if a counterparty fails to perform. These risks are managed through risk management policies, which might not work as planned and cannot entirely eliminate the risks associated with these activities. In addition, although the hedging programs of our utilities must be approved by the various state commissions, derivative contracts entered into for hedging purposes might not offset the underlying exposure being hedged as expected, resulting in financial losses. In the absence of actively quoted market prices and pricing information from external sources, the value of these financial instruments can involve management' s judgment or use of estimates. Changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. Restructuring in the regulated energy industry and competition in the retail and wholesale markets could have a negative impact on our business and revenues. The regulated energy industry continues to experience significant structural changes. Deregulation or other changes in law in the states where we serve our customers could allow third- party suppliers to contract directly with customers for their natural gas and electric supply requirements. In addition, legislation or regulation that supports distributed energy technologies or that allows third party sales from such technologies could result in further competition. This increased competition in the retail and wholesale markets could have a material adverse financial impact on us. Certain jurisdictions in which we operate, including Michigan and Illinois, have adopted retail choice. Under Michigan law, our retail electric customers may choose an alternative electric supplier to provide power supply service. The law limits customer choice to 10 % of our Michigan retail load. The iron ore mine located in the Upper Peninsula of Michigan is excluded from this cap. When a customer switches to an alternative electric supplier, we continue to provide distribution and customer service functions for the customer. Although Illinois has adopted retail choice, there is currently little or no impact on the net income of our Illinois utilities as they still earn a distribution charge for transporting the natural gas for these customers. It is uncertain whether retail choice might be implemented in Wisconsin or Minnesota. The FERC continues to support the existing RTOs that affect the structure of the wholesale market within these RTOs. In connection with its status as a FERC- approved RTO, MISO implemented bid- based energy markets that are part of the MISO Energy Markets. All market participants, including us, must submit day- ahead and / or real time bids and offers for energy at locations across the MISO region. MISO then calculates the most efficient solution for all of the bids and offers made into the market that day and establishes an LMP that reflects the market price for energy. We are required to follow MISO' s instructions when dispatching generating units to support MISO' s responsibility for maintaining the stability of the transmission system. MISO also implemented an ancillary services market for operating reserves that schedules energy and ancillary services at the same time as part of the energy market, allowing for more efficient use of generation assets in the MISO Energy Markets. These market designs continue to have the potential to increase the costs of transmission, the costs associated with inefficient generation dispatching, the costs of participation in the MISO Energy Markets, and the costs associated with estimated payment settlements. The FERC rules related to transmission are designed to facilitate competition in the wholesale electricity markets among regulated utilities, non- utility generators, wholesale power marketers, and brokers by providing greater flexibility and more choices to wholesale customers, including initiatives designed to encourage the integration of renewable sources of supply. In addition, along with transactions contemplating physical delivery of energy, financial laws and regulations impact hedging and trading based on futures contracts and derivatives that are traded on various commodities exchanges, as well as over- the- counter. Technology changes in the power and fuel industries also have significant impacts on wholesale transactions and related costs. We currently **2023 Form 10- K37WEC Energy Group, Inc.** cannot predict the impact of these and other developments or the effect of changes in levels of wholesale supply and demand, which are driven by factors beyond our control ~~. 2022 Form 10- K36WEC Energy Group, Inc~~ . Volatility in the securities markets, interest rates, changes in assumptions, market conditions, and other factors may impact the performance of our benefit plan holdings and other investment funds. We have significant obligations related to pension and OPEB plans. If we are unable to successfully manage our benefit plan assets and medical costs, our cash flows, financial condition, or results of operations could be adversely impacted. Our cost of providing these plans is dependent upon a number of factors, including actual plan experience, changes made to the plans, and assumptions concerning the future. Types of assumptions include earnings on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation, estimated withdrawals by retirees, and our required or voluntary contributions to the plans. Plan assets are subject to market fluctuations and may yield returns that fall below projected return rates. In addition, medical costs for both active and retired employees may increase at a rate that is significantly higher than we currently anticipate. Our funding requirements could be impacted by a decline in the market value of plan assets, changes in interest rates, changes in demographics (including the number of retirements), or changes in life expectancy assumptions. In addition, we maintain rabbi trusts to fund our deferred compensation plans and other investments funds, which from time to time, hold equity and debt investments that are subject to market fluctuations. Decreases in investment performance of these assets could materially adversely affect our results of operations, cash flows, and financial condition. General Risks We have recorded goodwill and other long- lived assets, including intangible assets, that could become impaired. We assess goodwill for impairment on an annual basis or whenever events or circumstances occur that would more than likely indicate that the carrying amount of our reporting unit' s net assets exceeds the reporting unit' s fair value. At December 31, ~~2022~~ **2023** , our goodwill was $ 3, 052. 8 million. Other long- lived assets, including intangible assets, are evaluated for impairment on an annual basis or whenever events or circumstances occur that indicate that an asset' s carrying value may not be recoverable. If goodwill or other long- lived assets are deemed to be impaired, we may be required to incur a non- cash charge to earnings that could materially adversely affect our results of operations. **See the risk factor titled" Our business is significantly impacted by governmental regulation and oversight" for more information about long- lived assets that were impaired as a result of the ICC' s November 2023 rate orders for PGL and NSG.** We may be unable to obtain insurance on acceptable terms or at all, and the insurance coverage we do obtain may not provide protection against all significant losses. Our ability to obtain insurance, as well as the cost and coverage of such insurance, could be affected by developments affecting our business; international, national, state, or local events; and the financial condition of insurers and our contractors that are required to acquire and maintain insurance for our benefit. Insurance coverage may not continue to be available at all or at rates or terms similar to those presently available to us. In addition, our insurance may not be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject. Any losses for which we are not fully insured or that are not covered by insurance at all could materially adversely affect our results of operations, cash flows, and financial position.