



The RIMS Strategic and Enterprise Risk Center presents:

## Denise Cosentino

Director of ERM  
Eversource Energy

# Generating an Energetic ERM Program

By Russ Banham



Eversource Energy is New England's largest energy delivery company, providing electric, gas and water service to 4.3 million customers in Massachusetts, Connecticut and New Hampshire. The Fortune 500 company traces its roots to the middle of the 19th century, a time when watchwords like "climate change" and "energy sustainability" had yet to

enter the lexicon. Today, having divested most of its fossil fuel generation capabilities more than 20 years ago, Eversource is focused on clean energy sources like solar and offshore wind. The company is the first utility in the United States to commit to a carbon neutral status by 2030.

Eversource also is committed to a strong enterprise risk management program, launched in 2005 when the utility was about to spend significant dollars on a energy transmission buildout. To learn more about the company and its ERM program, a 2021 RIMS Award of Distinction honoree, RIMS sat down with Eversource Energy ERM Director Denise Cosentino.

**RIMS:** Many ERM leaders have a tough time reaching the strategy table, yet you seem to have been given a seat. How did that come about?

**Cosentino:** Over time, we demonstrated the value we added to our capital investments. This translated into inclusion into other strategic initiatives such as offshore wind and acquisitions

**RIMS:** Looking over the history of Eversource Energy, the company wasn't branded as such until 2015, right around the time you became ERM director (Eversource was previously known as Northeast Utilities and composed of six main subsidiaries serving different regions, such as NSTAR Electric, Western Massachusetts Electric Company and Connecticut Light and Power Company). As you took charge, did the consolidation and rebranding make managing ERM more efficient?

**Cosentino:** It did. In many large organizations, departments sometimes operate in silos. I consider our program to be successful based on how we've structured things to embed risk management into the culture. The Eversource Risk Committee for instance, is comprised of executives from across the company and chaired by the CFO. Members include the CIO, the controller and chief accounting officer, and the heads of Internal Audit, Government Affairs & Community Relations and Energy Strategy and Policy Development. The presidents of three of our operating companies also are on the committee, as well as other high-level executives. We meet quarterly to discuss the status of our top enterprise risks, doing deep dives in at least one of them to possibly uncover a previously unidentified risk driver. Then, on at least an annual basis, I meet with our executive leadership team, which includes the CEO, COO, corporate secretary, general counsel, and other leaders. Separately I meet with our Board of Trustees annually. The executive team and Board of Trustees asks risk-related questions about our top enterprise risks, as well as our emerging risks. These are highly interactive discussions.

**RIMS:** What would you consider to be the backbone of the ERM program?

**Cosentino:** I'd say our annual risk identification and assessment process. We engage all levels of employees across the enterprise to assess each risk, based on likelihood and potential impact. We then work with our business risk liaisons to dig into apparent trends to identify the top enterprise risks. We cannot do everything ourselves, of course, and leverage other assurance functions for assistance like insurance, internal audit and compliance. For example, we recognize insurance as a form of risk transfer and include insurance team members in our risk mitigation conversations to see if there are available insurance products we can leverage. We also leverage internal audit to validate our mitigation plans.

**RIMS:** Let's turn to the subject of sustainability, as it is a key pillar of Eversource Energy and an integral component of ESG (environment, social and governance). As in the past three years, ESG factors are expected to be front and center at public company annual meetings, given their growing importance to institutional investors, shareholders, customers, and other stakeholders. Is ESG woven into the ERM program or the culture at Eversource?

**Cosentino:** ESG is a big deal for us, given (the politics in) our geographic market footprint. The states of New Hampshire, Massachusetts and Connecticut are all focused on clean energy. In Massachusetts, we have a utility-owned solar power facility that the state recently allowed us to expand from the current 70 megawatts to 200 megawatts statewide.

**RIMS:** That's a sizable savings difference. How is the ERM program directly involved in the sustainability agenda?

**Cosentino:** My group provides input into the sustainability reports the company files each year. We have a risk section, where we talk about the risks associated with climate change and sustainability. From an operational standpoint, we consider the uptick in the frequency and severity of storms occurring in a particular service territory. While we don't normally experience full hurricanes across the three states, we do get some bad windstorm events that cause significant damage and flooding events.

**RIMS:** Are there any risk mitigation efforts put forward in these regards?

**Cosentino:** Yes. A great example is in Boston where we built a new substation on a platform, recognizing the possibility that in 20 years the water levels will likely rise. We purposely designed it to be above the flood plain. In other words, if the flood maps tell us one thing, we then add to (the height) to account for the potential of rising sea levels.

**RIMS:** It seems you have integrated ERM into most every aspect of Eversource's strategy and operations. Anything we've missed?

**Cosentino:** You mentioned earlier the proxy season coming up. We have a section on ERM in the proxy statement. We also have an ESG committee on the board. Many public companies have different board committees looking at the E or the S or the G, but we're one of the few that has a full standing committee focused on ESG. Another area we get involved in is our 10K annual report. My group studies the previous 10Ks of comparative utilities to see what they've disclosed as emerging risks. We then analyze our risks to ensure they track the emerging trend. We also do a study of what we're currently reporting to make sure it addresses what we should be reporting in the future.

**RIMS:** From everything you've said, ERM appears to be woven into every fiber of the company. Is it farfetched to conclude that every employee is effectively a risk manager?

**Cosentino:** That's not farfetched at all; it's the reality. We encourage all employees, more than 9,000 in all, to understand what ERM is and the strategic role we perform. We recently devel-



*Denise Cosentino receiving the ERM Global Award of Distinction - U.S. Honoree, on behalf of Eversource Energy at the RIMS ERM Conference 2021 in New York.*

oped an e-learning module, where employees will learn about our ERM structure and processes and their role in risk management involvement in it.

**RIMS:** In your speech accepting the RIMS Award of Distinction, you thanked your fellow ERM professionals, mentioning that you belonged to several risk management benchmarking groups. How has this been helpful to you?

**Cosentino:** I can't say enough about the importance of risk-sharing opportunities. I belong to a few informal and formal benchmarking groups, including one whose members include the ERM leaders at Pepsi, IBM and several utilities. We share what we're doing, where we're having problems and how we overcame them, learning from each other's examples.

**RIMS:** Is there a particular lesson you learned that you could provide the readers?

**Cosentino:** One member of a benchmarking group talked about the correlations between top enterprise risks, insofar as how one risk might influence another risk. A risk like a cyberattack, say, something every utility confronts, can adversely influence customer satisfaction, the laws and regulations governing utilities, our financial picture and stock value. We now have a top risk correlation exercise we do to make sure we identify and assess these possible influencing factors. It's just another example of how an ERM program is never static; it constantly evolves. ■

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