



Powering Strong Communities

Risk Management Toolkit for Public Power Utilities Key Terms

- **Business Continuity Planning:** The process of creating systems to ensure that critical operations can continue during and after a disruptive event.
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- **Business Units:** Distinct departments or functional areas within the organization responsible for specific operations and objectives.
(Volume I, Page 7)
- **Compliance Risk:** The potential for legal or regulatory penalties, financial losses, or reputational harm due to non-compliance with laws or regulations.
(Volume I, Page 9)
- **Contingency Plan:** A plan of action designed to respond to a specific risk event if it occurs, outlining the steps needed to mitigate impact.
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- **Control Effectiveness:** An evaluation of how well a control or mitigation measure reduces the likelihood or impact of a risk.
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- **Emerging Risks:** New or evolving risks that may not yet be fully understood but could have significant impacts on the organization if realized.
(Volume II, Page 23)
- **Enterprise Risk Management (ERM):** A holistic approach to identifying, assessing, managing, and monitoring risks across the organization to achieve strategic and operational objectives.
(Volume I, Page 5)
- **Event Likelihood:** The probability of a specific risk event occurring within a defined period.
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- **Financial Risk:** The possibility of adverse financial outcomes, such as increased costs, reduced revenues, or liquidity challenges.
(Volume I, Page 9)
- **Governance:** The framework of rules, practices, and processes through which the utility is directed and controlled, ensuring accountability in risk management.
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- **Governing Board:** The group of individuals, typically elected or appointed, responsible for overseeing the organization's governance, strategy, and risk management processes.
(Volume I, Page 10)
- **Impact:** The degree of consequences or damage that could occur if a risk event takes place, measured qualitatively or quantitatively.
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- **Inherent Risk:** The level of risk that exists before any mitigation measures or controls are implemented, reflecting the raw or natural exposure to risk.
(Volume II, Page 10)
- **Key Risk Indicators (KRIs):** Metrics or indicators that provide early warning signs of increasing exposure to specific risks, allowing proactive management.
(Volume II, Page 21)
- **Likelihood:** A measure of the probability or frequency of a risk event occurring.
(Volume II, Page 15)
- **Leadership Buy-In:** The active support and commitment from senior leadership to champion and engage with the risk management process across the organization.
(Volume I, Page 6)
- **Loss Event:** An incident or occurrence that leads to an adverse outcome, such as financial losses, operational disruptions, or reputational damage.
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- **Mitigation Plan:** A documented set of strategies and actions developed to reduce the likelihood or impact of identified risks.
(Volume III, Page 10)
- **Monitoring and Review:** The continuous process of evaluating the status of risks and the effectiveness of mitigation measures, ensuring alignment with objectives.
(Volume III, Page 14)
- **Mission and Vision Statements:** Declarations that outline the utility's core purpose (mission) and the long-term aspirations (vision), guiding all strategic decisions, including risk management.
(Volume I, Page 4)
- **Operational Risk:** Risks arising from internal processes, people, systems, or external events that could disrupt daily utility operations.
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- **Prioritization:** The process of ranking risks based on their likelihood and impact to focus resources on the most critical areas.
(Volume II, Page 18)
- **Residual Risk:** The remaining level of risk after mitigation strategies have been applied, representing the exposure the organization still faces.
(Volume II, Page 14)
- **Resilience:** The ability of the utility to recover quickly and effectively from disruptive events while maintaining critical operations.
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- **Risk Assessment:** The process of evaluating identified risks to determine their potential impact and likelihood, facilitating prioritization.
(Volume II, Page 9)
- **Risk Assessment Criteria:** The standards or measures used to evaluate the severity, likelihood, and impact of risks, helping to assess which risks are most significant.
(Volume II, Page 11)
- **Risk Categories:** Broad groupings used to classify risks, such as financial, operational, reputational, compliance, or strategic risks.
(Volume I, Page 8)
- **Risk Communication:** The exchange of information regarding risks, their impact, and mitigation actions with stakeholders, ensuring informed decision-making.
(Volume III, Page 12)
- **Risk Control Measures:** Actions or processes implemented to reduce the likelihood or severity of a risk, such as policies, procedures, or physical safeguards.
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- **Risk Identification:** The systematic process of recognizing and documenting potential risks that could impact objectives.
(Volume I, Page 7)
- **Risk Identification Workshop:** A structured session in which stakeholders collaborate to identify potential risks, allowing for a comprehensive and collaborative approach to risk identification.
(Volume I, Page 7)
- **Risk Limit:** The maximum level of risk the organization is willing to accept in specific areas before action is required to mitigate further exposure.
(Volume II, Page 14)
- **Risk Management Committee:** A designated group within the utility tasked with overseeing the risk management process, from identification to mitigation and monitoring.
(Volume I, Page 10)
- **Risk Mitigation:** Strategies or measures implemented to reduce the impact or likelihood of a risk event.
(Volume III, Page 6)
- **Risk Monitoring:** The ongoing tracking and assessment of risks and mitigation strategies to ensure they remain effective and aligned with organizational goals.
(Volume III, Page 14)
- **Risk Profile:** A comprehensive description of the utility's risk exposure, including the types, levels, and sources of risk, as well as their potential impact on objectives.
(Volume II, Page 7)
- **Risk Prioritization:** The process of ranking risks to determine which ones should be addressed first based on their likelihood and potential impact.
(Volume II, Page 18)
- **Risk Register:** A centralized document or database used to record and track identified risks, their assessment, mitigation actions, and status.
(Volume I, Page 12)
- **Risk Reporting:** The process of communicating risk-related information, including assessment, mitigation status, and residual risks, to senior leadership, stakeholders, and governing boards.
(Volume III, Page 13)
- **Risk Scoring Process:** The methodology used to assign a score to each risk based on its likelihood and impact, helping to evaluate and compare risks effectively.
(Volume II, Page 18)
- **Risk Scoring Matrix:** A tool used to assign a score to risks based on their likelihood and impact, aiding in prioritization.
(Volume II, Page 18)
- **Risk Treatment:** The actions taken to address identified risks, including avoidance, reduction, sharing, or acceptance.
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- **Risk Treatment Types:**
 - **Avoidance:** Altering plans to sidestep the risk.
 - **Reduction:** Implementing measures to reduce the likelihood or impact of the risk.
 - **Sharing:** Transferring the risk to another party, such as through insurance or contracts.
 - **Acceptance:** Acknowledging the risk and deciding to bear it without taking further action.
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- **Risk Tolerance:** The acceptable variation in performance relative to achieving objectives, reflecting the utility's willingness to accept specific risks.
(Volume I, Page 6)
- **Scenario Analysis:** The process of exploring and evaluating possible future events by considering alternative scenarios, used to assess potential risk impacts.
(Volume III, Page 12)
- **Senior Leadership:** The top executives and decision-makers in an organization, responsible for setting strategic direction, overseeing risk management, and ensuring risk mitigation efforts align with organizational objectives.
(Volume I, Page 11)
- **Stress Testing:** A method of testing the utility's ability to withstand extreme but plausible scenarios, such as natural disasters or financial crises.
(Volume III, Page 13)
- **Strategic Objectives:** High-level goals aligned with the utility's mission and vision that guide decision-making and priorities.
(Volume I, Page 4)
- **Threat Identification:** The process of recognizing specific events, conditions, or actors that could lead to risks for the organization.
(Volume I, Page 11)
- **Vulnerability:** The susceptibility of an asset, system, or process to a specific risk event, determining how easily it can be affected.
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