Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk—Utility Operations

Our regulated businesses produce, purchase and distribute power in three states and purchase and distribute natural gas in four states. All of our gas distribution utilities have PGA provisions that allow them to pass the prudently-incurred cost of gas through to the customer. To the extent that gas prices are higher or lower than amounts in our current billing rates, adjustments are made on a periodic basis to "true-up" billed amounts to match the actual cost we incurred. These adjustments are subject to periodic prudence reviews by the state utility commissions.

In our continuing regulated electric business in 2006, we generated approximately 53% of the power that we sold and we purchased the remaining 47% through long-term contracts or in the open market. The regulatory provisions for recovering power costs vary by state. In Kansas and Colorado, we have ECAs that serve a purpose similar to the PGAs for our gas utilities. To the extent that our fuel and purchased power energy costs vary from the energy cost built into our tariffs, the difference is passed through to the customer. In Missouri, we currently do not have the ability to adjust the rates we charge for electric service to offset all or part of any increase or decrease in prices we pay for natural gas, coal or other fuel we use in generating electricity (i.e., a fuel adjustment mechanism). As a result, our exposure to commodity price changes has historically been concentrated in the Missouri electric operations, resulting in greater earnings volatility from year to year there than in our other electric rate jurisdictions.

In July 2005, legislation was adopted establishing a means for the recovery of prudently incurred fuel, purchased power costs and government-mandated environmental expenditures without going through a general rate case. On September 19, 2006 the Missouri Commission approved rules regarding fuel adjustment recovery, which became final on January 30, 2007. We have requested the implementation of the fuel adjustment clause in our pending Missouri rate case. The Missouri Commission has not yet issued rules pertaining to environmental expenditures.

We have taken several measures to mitigate the commodity price risk exposure in our Missouri electric operations. One of these measures is contracting for a diverse supply of coal to meet 100% of our native load fuel requirements of coal-fired generation in 2007 and 62% in 2008, respectively. The price risk associated with our natural gas and on-peak spot market purchased power requirements is also mitigated through a dollar-cost averaging hedging plan using NYMEX futures contracts and options. This is a multi-year hedging plan. As of December 31, 2006, we had financial contracts in place to hedge approximately 76% of our expected on-peak natural gas and natural gas equivalent purchased power price exposure for 2007. The mark-to-market value of these contracts at December 31, 2006 was a liability of $17.9 million.

Additional factors that affect our commodity price exposure are the quantity and availability of fuel used for generation and the quantity of electricity customers consume. Quantities of fossil fuel used for generation vary from year to year based on the availability, price and deliverability of a given fuel type as well as planned and scheduled outages at our facilities that use fossil fuels. Our customers' electricity usage could also vary from year to year based on the weather or other factors.

Market Risk—Trading

We are exposed to market risk, including changes in commodity prices and interest rates. To manage the volatility relating to these exposures, we enter into various derivative transactions in accordance with our policy approved by the Board of Directors. Our trading portfolios consist