

THE EMPIRE DISTRICT ELECTRIC COMPANY

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Organization

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of The Empire District Electric Company (the "Company") shall consist of no fewer than three members. The members of the Committee shall meet the independence requirements of the New York Stock Exchange ("NYSE") and the Securities and Exchange Commission ("SEC"). Committee members shall be chosen based on their competence and ability to add substance to the deliberations of the Committee.

Committee members shall be appointed by (with due regard to the recommendations of the Nominating/Corporate Governance Committee), and may be replaced by, the Board of Directors. The Chairperson of the Committee shall be designated by the Board.

Purpose

The Committee shall assist the Board in establishing and overseeing director and officer compensation policies and practices of the Company on behalf of the Board. The Committee shall discharge the duties of the Board, to the extent delegated to the Committee, and approve or make recommendations to the Board, with respect to the compensation of the Company's executives.

Meetings

The Committee shall meet on a regular basis and is empowered to hold special meetings as circumstances require. Meetings may be called by the Chairman of the Board or the Chairperson of the Committee. The Committee shall report at least annually to the Board and whenever the Board may require.

Duties and Responsibilities

1. The Committee shall, at least annually, review and approve goals and objectives relevant to Chief Executive Officer ("CEO") and other executive officer compensation, evaluate the CEO's and the other executive officers' performance in light of those goals and objectives and determine and approve the CEO's and the other executive officers' compensation level based on such evaluation or such other factors as the Committee deems appropriate. In determining the long-term incentive component of CEO and other executive officer compensation, the Committee should consider the Company's performance and relative shareholder return, the value of

similar incentive awards at comparable companies and awards earned by such officers in past years or such other factors as the Committee deems appropriate.

2. The Committee shall make recommendations to the Board with respect to the design of incentive compensation plans and equity-based plans.
3. The Committee shall make recommendations to the Board as to the form and amount of director compensation.
4. The Committee shall produce a Committee report on executive compensation as required by the SEC to be included in the Company's annual proxy statement filed with the SEC.
5. The Committee shall conduct an annual evaluation of its own performance.
6. The Committee shall annually review and assess compliance with all applicable rules and regulations of the SEC and the NYSE specifically applicable to the composition and responsibilities of the Committee and recommend any proposed changes to the Board for approval.
7. The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant used to assist in the evaluation of director or senior executive (i.e. the Chief Executive Officer and all other officers, as defined under Section 16 of the Securities Exchange Act of 1934, and related rules) compensation and shall have sole authority to approve the consultant's fees and other retention terms.
8. The Committee shall engage independent counsel and other advisers as it determines to be necessary or appropriate to carry out its duties and shall have authority to approve the fees and other retention terms of such advisers.
9. The Committee shall perform such other activities as the Board may from time to time deem necessary or appropriate.