

**The Empire District Electric Company  
Energy Trader's Sales Commission / Incentive Plan  
Summary Plan Document  
Revised June 1, 2003**

**Purpose:**

The Empire District Electric Company Energy Trader's Sales Commission / Incentive Plan is intended to provide an appropriate means by which to reward eligible employees for superior performance and to provide an incentive for them to remain as employees.

**Eligible Employees:**

All regular full-time employees who are employed as Traders in the Wholesale Energy Department are eligible to participate in the Plan.

**Definitions:**

"Base Salary" means the Trader's monthly or annual fixed rate of pay.

"Company" means The Empire District Electric Company.

"Group" means all individuals employed as Energy Traders in the Wholesale Energy Department.

"Gross Margin" means gross sales less cost of sales or generation, or gross profit.

"Group Threshold" means the aggregate of the monthly Individual Thresholds of the Group.

"Individual Margin Ratio" means the ratio of the individual Trader's monthly Gross Margin to the Group's monthly Gross Margin.

"Individual Threshold" means the Trader's monthly Base Salary times a multiple determined by the Company.

"Net Margin" means Group monthly Gross Margin from sales of excess generation less direct operation and maintenance expenses and capital costs as determined by the Company. Direct operation and maintenance expenses and capital costs may be represented as a multiple of Group Base Salary.

"Plan" means The Empire District Electric Company Energy Trader's Sales Commission / Incentive Plan.

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"Sales Commission", "Commission" or "Incentive" means the amount of money employees may be eligible to receive if they meet all requirements for the payment and receipt of such money under this Plan. No such amounts shall vest with any employee until paid by the Company.

"Trader" means any individual employed as an Energy Trader in the Wholesale Energy Department.

Features:

The Plan features reward opportunities in the form of Sales Commissions on sales of excess generation in the wholesale market.

Sales Commission:

Sales Commissions will be triggered on a monthly basis when the efforts of the Group generate monthly Group Net Margin that exceeds the monthly Group Threshold. When the monthly Group Threshold is met, Commission payments will be drawn for eligible Traders from the amount that equals monthly Net Margin. To become eligible to receive a Commission, a Trader must meet his or her Individual Threshold during that same month. No Commission will be paid for any month in which the Group Threshold is not met.

Sales Commission Schedule:

Once the monthly Group Threshold is met, the Group will be awarded a monthly Group Sales Commission payment amount in accordance with the following schedule:

| <u>Monthly Net Margin</u> | <u>Monthly Group Sales Commission</u>          |
|---------------------------|--|
| Up to \$100,000           | 2.5% of Net Margin                             |
| \$100,001 to \$500,000    | \$2,500 + 1% of Net Margin over \$100,000      |
| \$500,001 to \$1,000,000  | \$6,500 + 0.5% of Net Margin over \$500,000    |
| Over \$1,000,000          | \$9,000 + 0.25% of Net Margin over \$1,000,000 |

Sales Commission Payments:

Distributions of individual Sales Commission payments from the Group Sales Commission payment amount will be based on the Individual Margin Ratio. Sales Commissions will be paid in full on a monthly basis. Total payments are subject to the maximum annual payment amount.

Restricted Deferral Accounts:

Any balances remaining in restricted deferral accounts accrued under previous Plans shall be paid out in accordance with the terms of such Plans. Payments from restricted deferral accounts shall be contingent upon the continued employment of the Trader.

Maximum Annual Payment:

The maximum amount payable during the calendar year will be \$12,000. This amount shall include Sales Commissions, payments from restricted deferral accounts accrued under previous Plans, and procurement incentives paid under the terms of previous Plans.

Amounts earned under previous Plans prior to the effective date of this Plan will be applied toward the maximum annual payment amount. Such payments may exceed the maximum annual payment. If the annual maximum is exceeded prior to the effective date of this plan, no further payments will be made...

Transfers:

Employees who transfer into the Group at a time other than the beginning of the year will be immediately eligible to receive Sales Commission payments. Traders who transfer out of the Group on a voluntary basis will be eligible for payment of deferred balances accrued under previous plans in accordance with the terms of such plans. Traders who are removed from the Group for cause shall not be eligible to be paid any balances left in restricted deferral accounts accrued under previous Plans.

Termination:

Employees who leave employment with the Company for whatever reason shall not be eligible to be paid any money from any restricted deferral accounts accrued under previous Plans.

Death of Trader:

Any amount remaining in a restricted deferral account accrued under a previous Plan shall be considered immediately payable in the event of the death of a Trader.

Administration:

The Company intends to pay monthly Sales Commissions in the month following the month they are accrued. However, the time required to accumulate the necessary data to make Commission determinations may cause payments to be delayed. Additionally,

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Commission calculations received by the Payroll Department are subject to review and audit prior to distribution to the Trader. The Company will make every reasonable effort to pay monthly Commission payments as quickly as practicable.

All payments will be considered ordinary income for tax purposes and combined with a normal Base Salary payroll check or direct deposit. Such payments will be considered eligible income for pension and 401(k) purposes.

Acceptance:

Acceptance of payments made under this Plan constitutes acceptance of the terms of the Plan Document.

Interpretation:

The Company has authority to construe the Plan and to determine all questions that arise under it. The Company's interpretations are binding on Plan participants.

Modification and Termination:

The Company reserves the right to modify, suspend or terminate the Plan at any time or from time to time at the Company's sole discretion.

Effective Date:

The effective date of the Plan is June 1, 2003.