

CONSOL Energy Inc  
Form DEF 14A  
March 26, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

**CONSOL Energy Inc.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.





**Table of Contents**

**CONSOL Energy Inc.**  
**CNX Center**  
**1000 CONSOL Energy Drive**  
**Canonsburg, Pennsylvania 15317**  
**Telephone (724) 485-4000**  
**Annual Meeting of Shareholders**  
**to be held on May 1, 2012**

Dear Shareholder:

You are cordially invited to attend CONSOL Energy Inc.'s 2012 Annual Meeting of Shareholders on May 1, 2012 at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Earhart AB Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The enclosed Notice of Annual Meeting and Proxy Statement describe the various matters to be acted upon during the meeting. Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by internet (as described in the enclosed proxy card or voting instruction card) or by completing and returning the enclosed proxy card or voting instruction card, which requires no postage if mailed in the United States.

If you need assistance, please contact CONSOL's Investor Relations Office at (724) 485-4000. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 accompanies this Proxy Statement.

We appreciate your ownership of CONSOL Energy Inc. and hope you will be able to join us at this year's Annual Meeting.

Sincerely,

J. Brett Harvey

*Chairman of the Board and Chief Executive Officer*

March 26, 2012

**Table of Contents**

**CONSOL Energy Inc.**

**CNX Center**

**1000 CONSOL Energy Drive**

**Canonsburg, PA 15317**

**Telephone (724) 485-4000**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 1, 2012**

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting ) of CONSOL Energy Inc. ( CONSOL ) will be held on May 1, 2012, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Earhart AB Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231, for the following purposes:

1. To elect directors to hold office in accordance with the Amended and Restated Bylaws of CONSOL;
2. To consider and vote upon a proposal to amend and restate the Equity Incentive Plan to, among other matters, increase the number of shares authorized for issuance thereunder;
3. To ratify the anticipated selection of Ernst & Young LLP, an independent registered public accounting firm, as the independent auditor of CONSOL for the fiscal year ending December 31, 2012; and
4. To hold an advisory vote to approve named executive officer compensation.

By resolution of the Board of Directors, we have fixed the close of business on March 16, 2012 as the record date for determining the shareholders of CONSOL entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by internet (as described in the enclosed proxy card or voting instruction card) or by completing and returning the enclosed proxy card or voting instruction card, which requires no postage if mailed in the United States. Your prompt response will be helpful and your cooperation is appreciated. If you attend the Annual Meeting, you may withdraw your proxy and vote in person, if you so choose.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON MAY 1, 2012: The Proxy Statement, form of proxy, Annual Report on Form 10-K and related materials are available at [www.edocumentview.com/CNX](http://www.edocumentview.com/CNX) or contact the Investor Relations Department at the address and phone number above.**

Sincerely,

Stephanie L. Gill

March 26, 2012

**Table of Contents****TABLE OF CONTENTS**

<b><u>PROXY SUMMARY - 2012</u></b>	<b>1</b>
<b><u>INFORMATION ABOUT THE ANNUAL MEETING</u></b>	<b>5</b>
<i><u>Voting</u></i>	5
<i><u>Record Date and Vote Required for Approval</u></i>	5
<i><u>Director Resignation Policy</u></i>	6
<i><u>Revocation of Proxy</u></i>	6
<i><u>Proxy Solicitation</u></i>	7
<i><u>Secrecy in Voting</u></i>	7
<i><u>Attendance at the Meeting</u></i>	7
<b><u>BOARD OF DIRECTORS AND COMPENSATION INFORMATION</u></b>	<b>7</b>
<b><u>BOARD OF DIRECTORS AND ITS COMMITTEES</u></b>	<b>7</b>
<i><u>Board of Directors</u></i>	7
<i><u>Board Leadership Structure</u></i>	7
<i><u>Board's Role in Risk Management</u></i>	8
<i><u>Committees of the Board of Directors</u></i>	9
<i><u>Audit Committee</u></i>	9
<i><u>Compensation Committee</u></i>	10
<i><u>Nominating and Corporate Governance Committee</u></i>	11
<i><u>Finance Committee</u></i>	12
<i><u>Health, Safety and Environmental Committee</u></i>	12
<i><u>Corporate Governance Web Page and Available Documents</u></i>	12
<i><u>Membership and Meetings of the Board of Directors and its Committees</u></i>	13
<i><u>Communication with the Board of Directors</u></i>	13
<b><u>DIRECTOR COMPENSATION TABLE - 2011</u></b>	<b>14</b>
<b><u>UNDERSTANDING OUR DIRECTOR COMPENSATION TABLE</u></b>	<b>14</b>
<b><u>BENEFICIAL OWNERSHIP OF SECURITIES</u></b>	<b>18</b>
<b><u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	<b>19</b>
<b><u>PROPOSAL NO. 1 - ELECTION OF DIRECTORS</u></b>	<b>20</b>
<i><u>Biographies of Nominees</u></i>	20
<i><u>Related Party Policy and Procedures</u></i>	25
<i><u>Determination of Director Independence</u></i>	25
<i><u>Required Vote</u></i>	27
<b><u>EXECUTIVE COMPENSATION AND STOCK OPTION INFORMATION</u></b>	<b>28</b>
<b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>	<b>28</b>
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	<b>54</b>
<b><u>COMPENSATION POLICIES AND PRACTICES AS THEY RELATE TO CONSOL'S RISK MANAGEMENT</u></b>	<b>55</b>
<b><u>SUMMARY COMPENSATION TABLE - 2011, 2010 AND 2009</u></b>	<b>56</b>
<b><u>GRANTS OF PLAN-BASED AWARDS - 2011</u></b>	<b>58</b>
<b><u>UNDERSTANDING OUR SUMMARY COMPENSATION AND GRANTS OF PLAN-BASED AWARDS TABLES</u></b>	<b>59</b>
<b><u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END - 2011</u></b>	<b>63</b>
<b><u>OPTION EXERCISES AND STOCK VESTED TABLE - 2011</u></b>	<b>65</b>
<b><u>PENSION BENEFITS TABLE</u></b>	<b>66</b>
<b><u>UNDERSTANDING OUR PENSION BENEFITS TABLE</u></b>	<b>66</b>
<b><u>NONQUALIFIED DEFERRED COMPENSATION TABLE - 2011</u></b>	<b>69</b>
<b><u>UNDERSTANDING OUR DEFERRED COMPENSATION TABLE</u></b>	<b>70</b>

**Table of Contents**

**TABLE OF CONTENTS**

<u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL TABLES</u>	70
<u>UNDERSTANDING OUR CHANGE IN CONTROL AND EMPLOYMENT TERMINATION TABLES</u>	77
<b><u>PROPOSAL NO. 2 - AMENDMENT AND RESTATEMENT OF EQUITY INCENTIVE PLAN</u></b>	<b>87</b>
<b><u>ACCOUNTANTS AND AUDIT COMMITTEE</u></b>	<b>95</b>
<u>AUDIT COMMITTEE REPORT</u>	95
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	97
<u><i>CONSOL Auditors Fees</i></u>	97
<u><i>Audit Fees</i></u>	97
<u><i>Audit-Related Fees</i></u>	97
<u><i>Tax Fees</i></u>	97
<u><i>All Other Fees</i></u>	97
<u><i>Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services</i></u>	97
<b><u>PROPOSAL NO. 3 - RATIFICATION OF ANTICIPATED APPOINTMENT OF INDEPENDENT AUDITOR</u></b>	<b>98</b>
<b><u>PROPOSAL NO. 4 - ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION</u></b>	<b>98</b>
<b><u>SECURITIES AUTHORIZED FOR ISSUANCE UNDER THE EQUITY COMPENSATION PLAN</u></b>	<b>99</b>
<b><u>ADDITIONAL MATTERS</u></b>	<b>101</b>
<u><i>Shareholder Proposals for Inclusion in Next Year's Proxy Statement or Presentation at Next Year's Annual Meeting</i></u>	101
<u><i>General Information Regarding the Requirements for Shareholder Nominations of Directors</i></u>	101
<u><i>Householding of Proxy Materials</i></u>	101
<u><i>Other</i></u>	102



**Table of Contents**

**PROXY SUMMARY - 2012**

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

***Annual Meeting of the Shareholders***

Time and Date: Tuesday, May 1, 2012 at 10:00 a.m. Eastern Time

Place: Hyatt Regency Pittsburgh International Airport, Earhart AB Room,  
1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231

Record Date: March 16, 2012

Voting: Shareholders of CONSOL Energy Inc. ( CONSOL or the Corporation ) as of the record date are entitled to vote. Each share of CONSOL common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.

***Meeting Agenda***

1. Elect 10 directors;
  2. Adopt the Amended and Restated CONSOL Energy Inc. Equity Incentive Plan to, among other matters, increase the number of shares authorized for issuance thereunder;
  3. Ratify the anticipated selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012; and
  4. Hold an advisory vote to approve named executive officer ( named executive ) compensation.
- CONSOL s Board of Directors (the Board ) recommends that you vote **FOR** the election of each of the director nominees and **FOR** Proposals 2, 3 and 4.

***Annual Report***

CONSOL s Annual Report to Shareholders is being mailed together with this Proxy Statement on or about March 26, 2012 to shareholders of record, as of March 16, 2012, of CONSOL common stock.

***Board Nominees***

The following table provides summary information about each director nominee. Each director nominee is elected annually by a majority of votes cast.

Name	Age	Director Since	Occupation	Committee Memberships				
				Independent	AC	CC	HSE	FC

## Edgar Filing: CONSOL Energy Inc - Form DEF 14A

J. Brett Harvey	61	1998	CONSOL Chairman and Chief Executive Officer					
Philip W. Baxter	63	2009	President Stan Johnson Company; Lead Independent Director of CONSOL	X	X	X		
James E. Altmeyer, Sr.	73	2003	Former President/Chief Executive Officer and Chairman of Altmeyer Funeral Homes, Inc.	X			C	X
William E. Davis	70	2004	Former Chairman and Chief Executive Officer of Niagara Mohawk Power Corporation	X			X	C
Raj K. Gupta	69	2004	Independent Management Consultant	X	C		X	
Patricia A. Hammick	65	2001	Former Chairman of Dynegy, Inc.	X				X X
David C. Hardesty, Jr.	66	2005	President Emeritus and Professor of Law at West Virginia University	X			X	X
John T. Mills	64	2006	Former Chief Financial Officer of Marathon Oil Corporation	X	X	X		
William P. Powell	56	2004	Managing Partner of 535 Partners LLC	X			C	X
Joseph T. Williams	74	2004	Former Chairman and CEO of DevX Energy, Inc.	X			X	C

AC	Audit Committee
CC	Compensation Committee
HSE	Health, Safety and Environmental Committee
FC	Finance Committee
NCG	Nominating and Corporate Governance Committee
C	Chair

## **Table of Contents**

### ***Amendment and Restatement of the Equity Incentive Plan***

Since the Equity Incentive Plan was amended and restated in 2009, we have experienced significant growth in our corporate functions and competitive pressure in the energy industry to increase the pool of employee participants under the Equity Incentive Plan. As a result, we have used more shares under the Equity Incentive Plan than originally anticipated to compensate and retain these employees for their efforts in a manner that aligns their interests with the interests of our shareholders. We propose amending and restating our Equity Incentive Plan to increase the number of shares authorized for issuance under the Equity Incentive Plan from 23,800,000 to 31,800,000 and to adopt other housekeeping amendments to our Equity Incentive Plan.

### ***Auditors***

As a matter of good corporate governance, we are asking shareholders to ratify the anticipated selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.

### ***Advisory Vote to Approve Named Executive Compensation***

Last year at our 2011 Annual Meeting, our shareholders indicated that they would like for the Corporation to provide an annual advisory vote on our named executive compensation (the say-on-pay vote). In response, our Board has determined to provide an annual say-on-pay vote. The following summary of 2011 compensation decisions demonstrates the direct linkage between our named executive pay practices and our short- and long-term corporate financial and stock performance.

### ***2011-12 Highlights***

***Record Safety Performance in 2011:*** Our Coal Division improved its reportable incident rate by approximately 18% from 2010 (approximately 2.9 times better than the industry average) and our Gas Division employees had no lost time accidents, having surpassed 5 million exposure hours.

#### ***Record Financial Performance in 2011:***

- i Cash flow from operations was \$1.5 billion, an increase of 36% from 2010.
- i Net income was \$632 million, compared to \$347 million in 2010.
- i Sales revenue was \$5.7 billion, an increase of 14% from 2010.

***Three Significant Transactions in 2011:*** CONSOL completed three significant transactions in 2011 and expects to receive aggregate consideration of \$4.1 billion. These transactions included two 50-50 joint ventures -- one with Noble Energy, Inc. and one with Hess Corporation -- and the sale of overriding royalty interests to Antero Resources Appalachian Corp. These transactions are expected to accelerate the value to CONSOL's shareholders of CONSOL's \$3.5 billion acquisition of the Appalachian Energy and Production assets of Dominion Resources, Inc. ( Dominion ) in 2010 (the Dominion Acquisition ).

***Outperformed Peers on Several Performance Metrics:*** CONSOL consistently outperformed or was at the median of our executive compensation peer group ( Peer Group, as defined on page 36) as to the key metrics of EPS Growth and Operating Cash Flow Growth in the last 1-, 3- and 5-year periods.

***Outperformed Coal Peers on Stock Price:*** CONSOL's stock price outperformed the stock price of each of our coal peers -- Alpha Natural Resources, Inc., Peabody Energy Corporation and Arch Coal, Inc. -- in 2011.

Edgar Filing: CONSOL Energy Inc - Form DEF 14A

***Dividend Increase in 2011:*** Based on confidence in CONSOL's financial performance, the Board increased the dividend rate by 25% from \$0.40 to \$0.50 per share per year.

**Table of Contents**

***Risk Mitigation:*** The incentive compensation payable to our named executives is based on a variety of performance factors, including safety, production, costs, total shareholder return and return on capital, which is designed to incentivize activities that lead to sustained growth and mitigate inappropriate risk.

***Shareholder Outreach:*** Following our 2011 say-on-pay vote, we actively engaged in discussions with our shareholders and considered shareholder sentiments about our core principles and objectives when determining the compensation of our named executives.

***Decrease in Chief Executive Officer's Compensation in 2011:*** The Chief Executive Officer's 2011 reported compensation is approximately 15% less than his reported compensation in 2010.

***More than 90% of Chief Executive Officer's Compensation is At-Risk in 2011:*** All of the Chief Executive Officer's annual incentive and long-term incentive compensation is performance-based and at-risk if performance goals are not attained, and our Chief Executive Officer did not receive any time-based restricted stock units in 2011.

***Actual Realizable Pay Substantially Less than Reported Compensation:*** CONSOL pays for performance. If CONSOL's stock price does not perform, a substantial portion of our executives' at-risk pay does not get paid and in that event actual executive pay received is less than the compensation required to be reported by the proxy rules.

***Chief Executive Officer's 2012 Pay -- Decreased Salary, Increased At-Risk Pay and Only Performance Share Units Granted (no Restricted Stock Units or Options):*** For 2012, our Compensation Committee, together with the full Board, decreased our Chief Executive Officer's base salary by \$100,000 per year to \$1 million and shifted more of his compensation to an at-risk opportunity. Approximately 92% of our Chief Executive Officer's compensation is at-risk for 2012. Our Chief Executive Officer's 2012 long-term incentive opportunity -- all in the form of performance share units -- will be earned as follows: (i) 75% on the achievement of goals, including relative total shareholder return, return on capital and safety; and (ii) 25% on our stock price appreciating in value, on an absolute basis, over a two-year period, and on CONSOL achieving goals, over a two-year period, related to promoting long-term growth, including through strategic transactions.

***No Base Salary Increases for Any Other Named Executives in 2012:*** The Compensation Committee did not increase executive officers' base salaries for 2012.

***Implemented Stock Retention Guidelines:*** The Compensation Committee adopted stock retention guidelines that generally require our executive officers to retain 50% beneficial ownership of any equity award granted to them after March 2012 until the later of (i) the stock ownership guidelines being satisfied, and (ii) 24 months and a day from the exercise of stock options and the vesting of restricted stock units and/or performance share units.

## **Table of Contents**

### ***Comparison of Results to Our Peers***

The Corporation's financial performance has been consistent and solid. Compared to its Peer Group, not only has CONSOL performed above the 50<sup>th</sup> percentile in numerous financial metrics over 1-, 3- and 5-year periods (with significant improvement over the last five years), it has been in the top tier in several of them (see below).

#### **CONSOL's Financial Performance Against Our Peer Group for 1, 3 and 5 Years Ending December 31, 2011\***

\* Chart based upon publicly available information. Additionally, CAGR means Compounded Annual Growth Rates.

### ***Compensation-Related Governance Practices***

In line with our pay for performance philosophy, the total compensation (salary, short-term incentive compensation and long-term incentive compensation) received by our named executives will vary based on individual and corporate performance measured against annual and long-term performance goals. We employ a number of best corporate governance practices in our executive compensation program that reflect our pay-for-performance compensation philosophy, including:

Stock ownership guidelines, which require each of our executives to own a significant level of stock until the executive retires or otherwise terminates service.

Over 90% of the Chief Executive Officer's 2011 pay was at risk and 50% to 67% of the other named executives' 2011 pay was at-risk, as demonstrated below.

#### **At-Risk Compensation (2011)**

A no-hedging policy in our insider trading policy that prohibits our directors, officers, and employees from engaging in hedging transactions involving shares of CONSOL common stock.

Elimination of all tax-gross ups for our named executives (except those provided for in change in control agreements that were entered into prior to April 2009).

A strong risk management program with specific responsibilities assigned to management, the Board and the Board's committees.

Equity grant practices that preclude the timing of grants to take advantage of short-term stock price movements.

**Table of Contents**

**CONSOL Energy Inc.**

**CNX Center**

**1000 CONSOL Energy Drive**

**Canonsburg, PA 15317**

**INFORMATION ABOUT THE ANNUAL MEETING**

March 26, 2012

The enclosed proxy is being solicited by the Board of CONSOL to be voted at the Annual Meeting of Shareholders to be held on May 1, 2012, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Earhart AB Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The specific proposals to be considered, and voted upon, at the Annual Meeting are summarized in the Notice of Annual Meeting of Shareholders. Each proposal is described in more detail in this Proxy Statement.

***Voting***