

CONSOL Energy Inc
Form DEF 14A
March 25, 2015
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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.
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- 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)

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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 6, 2015

Dear Shareholder:

You are cordially invited to attend CONSOL Energy Inc.'s 2015 Annual Meeting of Shareholders on May 6, 2015 at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The enclosed Notice of Annual Meeting and Proxy Statement describe the various matters to be acted upon at 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, 2014 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

March 25, 2015

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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 6, 2015

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 6, 2015

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting) of CONSOL Energy Inc. (CONSOL or the Corporation) will be held on May 6, 2015, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231, for the following purposes:

1. To elect eleven directors to hold office in accordance with the Amended and Restated Bylaws of CONSOL;
2. To ratify the anticipated selection of Ernst & Young LLP, an independent registered public accounting firm, as CONSOL's independent auditor for the fiscal year ending December 31, 2015;
3. To approve, on an advisory basis, the compensation paid to our named executives in 2014, as reported in this Proxy Statement;
4. If properly presented, to consider and vote upon a shareholder proposal regarding proxy access;
5. If properly presented, to consider and vote upon a shareholder proposal regarding a climate change report; and
6. If properly presented, to consider and vote upon a shareholder proposal regarding an independent Board chair.

By resolution of the Board of Directors, we have fixed the close of business on March 12, 2015 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 6, 2015: The Proxy Statement, form of proxy, Annual Report on Form 10-K for the fiscal year ended

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December 31, 2014 and related materials are available at www.edocumentview.com/CNX or may be obtained by contacting the Investor Relations Department at the address and phone number above.

Sincerely,

Stephanie L. Gill
Vice President, General Counsel and

Corporate Secretary

March 25, 2015

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This Proxy Summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider. Please read the entire Proxy Statement carefully before voting.

Annual Meeting of the Shareholders

Time and Date:	Wednesday, May 6, 2015, at 10:00 a.m. Eastern Time
Place:	Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231
Record Date:	March 12, 2015
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 other proposals to be voted upon at the Annual Meeting.

Annual Report

CONSOL's Annual Report to Shareholders is being mailed together with this Proxy Statement on or about March 25, 2015 to shareholders of record, as of March 12, 2015, of CONSOL common stock.

Proposals for Meeting***I. Elect Eleven Directors¹***

The following table provides summary information about each director nominee as of March 12, 2015. Each director nominee is elected annually by a majority of votes cast.

Name	Director			Occupation	Committee Memberships					
	Age	Since	Independent		AC	CC	HSE	FC	NCG	
J. Brett Harvey	64	1998		CONSOL Chairman						
Nicholas J. DeIulii	46	2014		CONSOL President and Chief Executive Officer						
Philip W. Baxter	66	2009		Former President Stan Johnson Company; CONSOL's Lead Independent Director	X	X	X			X
Alvin R Carpenter	73	2013		Former Vice Chairman of CSX Corporation; Director of Stein Mart, Inc. and of Regency Centers Corporation	X		C		X	
William E. Davis	72	2004		Former Chairman and Chief Executive Officer of Niagara Mohawk Power Corporation	X			X		C
David C. Hardesty, Jr.	69	2005		President Emeritus and Professor of Law at West Virginia University				X	X	
Maureen E. Lally-Green	65	2013		Former Judge on the Superior Court of Pennsylvania; Associate General Secretary and Director of the Office for Church Relations for the Diocese of Pittsburgh; Director of Federated Mutual Fund Complex	X			X		X
Gregory A. Lanham	50	2014		Director and Chief Executive Officer of FTS International, Inc.	X		X	X		

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John T. Mills	67	2006	Former Chief Financial Officer of Marathon Oil Corporation	X	X	X		
William P. Powell	59	2004	Managing Partner of 535 Partners LLC	X			X	X
William N. Thorndike, Jr.	51	2014	Managing Director of Housatonic Partners	X		X	X	

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

¹ Immediately after the Annual Meeting, the Board will reduce the number of directors from fourteen to eleven. Accordingly, Messrs. Altmeyer, Gupta and Williams, long-standing, valuable members of our Board, are not on the slate of directors to be re-elected. Committee assignments, including Chair positions, will be determined immediately after the Annual Meeting.

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2. *Ratify the Anticipated Selection of Ernst & Young LLP (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, 2015.

3. *Approve Named Executive Compensation*

We provide our shareholders with an annual advisory vote to approve the compensation paid to our named executive officers (named executives). The following 2014-2015 business and compensation highlights demonstrate the direct linkage between our pay practices with respect to our named executives and our short- and long-term corporate financial and stock performance.

4. *Consider Shareholder Proposal Regarding Proxy Access*

As described later, a shareholder has submitted a proposal regarding proxy access. For the reasons set forth in *Proposal No. 4 Shareholder Proposal Regarding Proxy Access*, the Board of Directors (the Board) recommends that you vote AGAINST this proposal.

5. *Consider Shareholder Proposal Regarding a Climate Change Report*

As described later, a shareholder has submitted a proposal requesting the issuance of a climate change report by CONSOL. For the reasons set forth in *Proposal No. 5 Shareholder Proposal Regarding a Climate Change Report*, the Board recommends that you vote AGAINST this proposal.

6. *Consider Shareholder Proposal Regarding an Independent Board Chair*

As described later, a shareholder has submitted a proposal requesting that CONSOL adopt a policy that the Chair of the Board be an independent director. For the reasons set forth in *Proposal No. 6 Shareholder Proposal Regarding an Independent Board Chair*, the Board recommends that you vote AGAINST this proposal.

The Board recommends that you vote FOR Proposals 1, 2 and 3, and AGAINST Proposals 4, 5 and 6.

Table of Contents***2014 - 2015 Business, Compensation and Corporate Governance Highlights******Business Highlights***

Demonstrated Strong Stock Price Performance. CONSOL's 2014 Total Shareholder Return (TSR) outperformed its compensation peer group with a ranking in the 89th percentile as described on page 34.

Executed Our Strategic Plan. At its Analyst Day in June, 2014, CONSOL management laid out its vision for increasing net asset value per share. CONSOL successfully executed on a number of items to this end: (i) conducted an initial public offering of CONE Midstream Partners LP, a partnership formed by CONSOL and Noble Energy focusing on our Marcellus Shale gas gathering system; (ii) lowered our cost of capital by refinancing two-thirds of our public debt and amending our credit facility; (iii) sold \$270 million of non-core assets; (iv) improved our E&P visibility in the investment community; (v) exceeded our \$65 million overhead reduction target; (vi) approved and initiated a \$250 million share buyback program; and (vii) announced our plan to form two coal-focused, publicly-owned subsidiaries to bring the value of our coal assets forward.

Strong Safety Performance in 2014. Our E&P Division achieved a milestone of 8.2 million exposure hours before experiencing its first lost-time accident in over 20 years. In addition, we reduced the number of fatal potential exceptions by 44% during 2014. In order to further strengthen our emphasis on safety we introduced behavior management training to shape behavior and proactively address policy changes and concerns. Safety is important for our shareholders because a safe workplace reduces our costs and increases the reliability of our operations and production.

Maintained Strong Financial Performance in Very Challenging Markets for Coal and Natural Gas in 2014. In very challenging markets, CONSOL delivered strong results in 2014, including: (i) net income of \$163.1 million; (ii) net cash flow from operations of \$936.8 million; (iii) annual E&P production of 235.7 billions of cubic feet equivalent (Bcfe), which exceeded our goal of 30% production growth over 2013; and (iv) strong liquidity at year-end with approximately \$2 billion of total liquidity, including \$177 million in cash. We also continue to reinvest in our business in a measured way while keeping our liquidity strong. To this end, fiscal year 2014 capital investments in continued operations were \$1.5 billion, of which \$1.1 billion were in natural gas-related projects.

Increased Well Performance and Returns. We utilized Short Stage Lengths and Reduced Cluster Spacing enhanced completion techniques on all of our operated wells in 2014 to achieve 24-hour production rates as high as 20.2 million cubic feet per day (MMcf/d), compared to a high of 18.4 Mmcfd in 2013. Wells completed in this manner have shown initial production rates improving by as much as 40%. During 2014, CONSOL had 53 operated Marcellus Shale wells turned in line with an average completed lateral length of 7,600 feet.

Increased Total Gas Proved Reserves by 19%. Total gas proved reserves, as of December 31, 2014, were a record 6.8 trillion cubic feet equivalent (Tcfe), which represents a 19% increase from the 5.7 Tcfe at year-end 2013. In 2014, CONSOL added 1.1 Tcfe (net to CONSOL) of proved reserves through extensions and discoveries. Drilling and completion costs in 2014 directly attributable to extensions and discoveries were \$836.7 million. When divided by the extensions and discoveries of 1.1 Tcfe, this yields a drill bit finding and development cost of \$0.76 per thousand cubic feet equivalent (Mcf).

Demonstrated Ability to Grow our E&P Business. CONSOL was focused on growing shareholder value by achieving 37% E&P production growth through 2014 and is currently working on improving breakeven economics by targeting our stacked plays. For the fourth quarter of 2014, we achieved a year-over-year 45% production growth at 70.5 Bcfe. This growth was mainly achieved through targeting Marcellus completions and recompletions, Upper Devonian, and Ohio Utica. We achieved record quarterly production of 70.5

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Before in the fourth quarter of 2014, with overall natural gas production up 45% from the fourth quarter of 2013. Additionally, in December 2014, we finalized an agreement with Columbia Energy Ventures to sublease approximately 20,000 contiguous acres of Utica Shale and Upper Devonian gas rights in Greene and Washington Counties in Pennsylvania and Marshall and Ohio Counties in West Virginia. This acquisition further positions CONSOL as one of the largest holders of Utica Shale acreage in Pennsylvania and West Virginia.

Successfully Transitioned Management Team. In early 2014, CONSOL hired a seasoned executive to serve as its new Chief Operating Officer for its E&P Division. Immediately after the Annual Meeting in 2014, as part of the Corporation's succession plan, Mr. Harvey assumed the role of Executive Chairman and Mr. DeLuliis assumed his new role of Chief Executive Officer, in addition to his existing role as President. In January 2015, Mr. Harvey retired as an executive of CONSOL, but is continuing in his role as Chairman of CONSOL's Board of Directors.

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Compensation Highlights

Reduced Chief Executive Officer's Compensation Significantly. When Mr. Harvey assumed the role of Executive Chairman immediately after the 2014 Annual Meeting, his annual base salary was reduced by 25% to \$750,000. Mr. DeIuliis declined an increase to his 2014 compensation in connection with his promotion to Chief Executive Officer in 2014.

Redesigned the 2014 Short-Term Incentive Compensation Program (STIC). The 2014 STIC was changed largely in response to certain shareholder comments that our program was too subjective and insufficiently based on our financial results. The changes included: (i) the elimination of the individual performance component of annual bonus for executive officers, which some stakeholders had believed to be too subjective (was 1/3 weighting); (ii) an increased emphasis on production, operating cost, and reserve replacement; and (iii) the addition of a profitability modifier (EBITDA results could impact awards +/- 30%). For 2015, this profitability modifier was replaced with an absolute TSR modifier (impacting awards as much +/- 20%).

Redesigned the Long-Term Incentive Compensation Program (LTIC). We changed the LTIC in response to certain shareholder comments that long-term incentive awards should be tied to our stock price and financial results of CONSOL. The changes included a 2014 Performance Share Unit (PSU) award to be earned based on performance relative to two equally-weighted goals of (i) average return on capital employed and (ii) relative TSR as compared to the S&P 500. For 2015, the payout formula remained the same.

Continued to Keep Executive 2014 Pay Aligned with Shareholder Interests. When examining our CEO's total direct compensation (salary, STIC and LTIC) relative to our peer group, Mr. DeIuliis' compensation, shown on the vertical axis, ranks in the 34th percentile for 2014, while CONSOL's relative TSR performance, shown on the horizontal axis, ranks at the 89th percentile. *See diagram to the right.*

Implemented a Stock Retention Requirement. For equity awards granted in 2015, CONSOL implemented a stock retention requirement mandating that executive officers keep half of any shares vested (net of taxes) until the earlier of (i) retirement at age 62 or (ii) ten years from the grant date.

Followed Compensation Policy Best Practices. CONSOL maintained a policy prohibiting tax gross-ups for our executive officers (except those provided for in Messrs. DeIuliis' and Johnson's change in control agreements, which were entered into prior to April 2009) and a clawback policy that generally provides the Compensation Committee with the discretion to seek recovery of performance-based cash and equity incentive compensation paid to an executive officer in connection with an accounting restatement due to misconduct of that officer. In addition, we eliminated the accelerated vesting of equity awards when an employee leaves as a result of retirement, and we no longer have any employment agreements between CONSOL and our named executives. Finally, we continue to follow no hedging and no pledging policies that generally prohibit directors and employees from engaging in hedging or pledging transactions with our stock.

Corporate Governance Highlights

Maintained Corporate Governance Best Practices. Along with maintaining a Lead Independent Director, CONSOL does not have a shareholder rights plan or a classified board.

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Expanded Gender Diversity in Management. CONSOL believes strongly in diversity throughout our organization, and has promoted women to several of the top management positions at CONSOL, including the Chief Accounting Officer, the Senior Vice President of Environmental Strategy and Regulatory Affairs, the Vice President of CNX Land LLC, the Director of Corporate Strategy and the General Counsel.

Continued Boardroom Evolution. Two new independent directors joined the Board in 2014, bringing the total new independent directors to join the Board since mid-2013 to four. These four new directors replace three of the longest tenured directors on the Board and bring diverse, new experiences and thinking along with expertise for future strategic growth. Of the 11 directors who are nominated for the Board at this year's Annual Meeting, 36% have joined in the past two years.