

CONSOL ENERGY INC  
Form DEF 14A  
March 22, 2004

**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**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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**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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(4) Date Filed:



**CONSOL ENERGY INC.**

**Consol Plaza**

**1800 Washington Road**

**Pittsburgh, PA 15241**

**Telephone (412) 831-4000**

Dear Shareholder:

You are cordially invited to attend CONSOL Energy's 2004 Annual Meeting on Tuesday, April 27, 2004, at 9 a.m., local time, at Citigroup Center, 153 East 53<sup>rd</sup> Street, New York, New York.

The enclosed Notice of Annual Meeting and the Proxy Statement describe the various matters to be acted upon during the meeting. In addition, there will be a report on the state of CONSOL Energy's business and an opportunity for you to express your views on subjects related to CONSOL Energy's operations.

You may vote your shares by completing and returning the enclosed proxy card. The proxy card describes your voting options in more detail. If you need assistance, please contact CONSOL Energy's Investor Relations Office. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 accompanies these enclosures and is being distributed in lieu of a separate Annual Report to Shareholders.

The Annual Meeting gives us an opportunity to review results and discuss the steps taken to assure a strong performance in the future. We are committed to making CONSOL Energy a growing, profitable corporation that will generate increased shareholder value. We appreciate your ownership of CONSOL Energy Inc., and I hope you will be able to join us at this Annual Meeting.

Sincerely,

John L. Whitmire

*Chairman of the Board*

**CONSOL ENERGY INC.**

**Consol Plaza**

**1800 Washington Road**

**Pittsburgh, Pennsylvania 15241**

**Telephone 412.831.4000**

**April 27, 2004 Annual Meeting**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON APRIL 27, 2004**

Notice is hereby given that the Annual Meeting of the Shareholders of CONSOL Energy Inc. will be held on April 27, 2004, at 9 a.m., local time, at Citigroup Center, 153 East 53<sup>rd</sup> Street, New York, New York for the following purposes:

1. To elect directors to hold office in accordance with the Bylaws of CONSOL Energy Inc.;
2. To ratify the selection of PricewaterhouseCoopers LLP as independent certified public accountants for the fiscal year ending December 31, 2004; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 9, 2004, as the record date for determining the shareholders entitled to notice of and to vote at the meeting and any adjournment thereof.

If you do not expect to attend the Annual Meeting in person, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope, which requires no additional postage if mailed in the United States. Your prompt response will be helpful and your cooperation will be appreciated. If you attend the meeting, you may withdraw your proxy and vote in person, if you so choose.

Stephen E. Williams

*Vice President and Secretary*

**YOUR VOTE IS IMPORTANT. PLEASE MARK, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. A RETURN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. IF YOU RECEIVE MORE THAN ONE PROXY CARD, PLEASE BE SURE TO COMPLETE AND RETURN EACH PROXY.**

**CONSOL ENERGY INC.**

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**PROXY STATEMENT**

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March 22, 2004

The enclosed proxy is being solicited by the Board of Directors of CONSOL Energy Inc. ( CONSOL Energy or Corporation ) to be voted at the Annual Meeting of Shareholders to be held on April 27, 2004, at 9 a.m., local time, at Citigroup Center, 153 East 53<sup>rd</sup> Street, New York, New York.

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 and Revocation of Proxies**

The persons named as proxies on the accompanying proxy card have informed CONSOL Energy of their intention, if no contrary instructions are given, to vote the shares represented by such proxies in favor of the election as directors of CONSOL Energy of those persons nominated in this Proxy Statement to hold office in accordance with the Bylaws of CONSOL Energy; in favor of the ratification of the selection of PricewaterhouseCoopers LLP as independent certified public accountants of CONSOL Energy for the fiscal year ending December 31, 2004; and in accordance with their judgment on any other matters which may properly come before the Annual Meeting. The Board of Directors does not know of any business to be brought before the Annual Meeting other than as indicated in the Notice.

**Annual Report.** CONSOL Energy's Annual Report to Shareholders is being mailed to shareholders together with this Proxy Statement. This Proxy Statement will be mailed to holders of record of CONSOL Energy Inc. common stock on or about March 22, 2004.

**Record Date and Vote Required for Approval.** The record date with respect to this solicitation is March 9, 2004. All holders of record of CONSOL Energy Inc. common stock as of the close of business on March 9, 2004 are entitled to vote at the Annual Meeting and any adjournment thereof. As of March 9, 2004, the Corporation had 89,961,338 shares of common stock outstanding. Each share of stock is entitled to one vote. A favorable vote of a majority of the shares of common stock voted in person or by proxy at the meeting is required for the approval of each of the proposals described in this Proxy Statement, assuming that a quorum is present. Abstentions and broker non-votes are not counted in the calculation of the vote, although they will be considered present for quorum purposes.

**Revocation of Proxy.** A proxy may be revoked by a shareholder at any time prior to its being voted. If a proxy is properly executed and is not revoked by the shareholder, the shares it represents will be voted at the meeting in accordance with the instructions from the shareholder. If the proxy card is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of the Board of

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Directors. Attendance at the meeting without a request to revoke a proxy will not effectively revoke a previously executed and delivered proxy.

The proxy also serves as the voting instruction for the trustees who hold shares of record for participants in the CONSOL Energy Inc. Investment Plan for Salaried Employees. If proxies representing shares in this plan are not received by mail, those shares will be voted at the discretion of the trustees.

**Proxy Solicitation.** All costs relating to the solicitation of proxies will be borne by CONSOL Energy. Georgeson Shareholder has been retained by CONSOL Energy to aid in the solicitation of proxies, at an



estimated cost of \$6,500 plus reimbursement of out-of-pocket expenses. Proxies may also be solicited by officers, directors and employees personally, by mail, or by telephone, facsimile transmission or other electronic means. On request, CONSOL Energy will pay brokers and other persons holding shares of stock in their names or in those of their nominees for their reasonable expenses in sending soliciting material to, and seeking instructions from, their principals.

**Secrecy in Voting.** As a matter of policy, proxies, ballots and voting tabulations that identify individual shareholders are held confidential by CONSOL Energy. Such documents are available for examination only by the inspectors of election and certain employees who assist in the tabulation of the vote. The identity of the vote of any shareholder is not disclosed except as may be necessary to meet legal requirements.

**CONSOL Energy will provide to any shareholder, without charge and upon the written request of the shareholder, a copy (without exhibits, unless otherwise requested) of CONSOL Energy's Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission for CONSOL Energy's fiscal year ended December 31, 2003. Any such request should be directed to CONSOL Energy Inc., Investor Relations Department, 1800 Washington Road, Pittsburgh, PA 15241. Neither the Annual Report on Form 10-K nor the Annual Report to Shareholders is part of the proxy solicitation materials.**

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GENERAL INFORMATION

**The Board of Directors and Its Committees**

**The Board of Directors.** The Board of Directors is currently comprised of nine members. Those members are John L. Whitmire, James E. Altmeyer, Sr., William E. Davis, J. Brett Harvey, Philip W. Baxter, Patricia A. Hammick, William P. Powell, Joseph T. Williams and Raj K. Gupta. The CONSOL Energy Board of Directors held seven meetings during the fiscal year ended December 31, 2003, and acted twenty-five times by written consent. All the incumbent directors attended at least 75% of the aggregate of (1) the total number of meetings held by the Board of Directors (held during the period for which he or she was a director during 2003) and (2) the total number of meetings by all Committees of the Board of Directors on which he or she served (during the period that he or she served). Each director participated in each action by written consent by the Board of Directors and its standing Committees. CONSOL Energy does not have a policy about Directors attendance at the Annual Meeting of Shareholders. Messrs. Whitmire, Harvey, Koether and Dr. Zimmermann attended the 2003 Annual Meeting of Shareholders.

During 2003, the non-management Directors held one regularly scheduled executive session. The presiding Director for these sessions is the Chairman of the Board of Directors.

The Board of Directors has three standing Committees: Audit, Compensation, and Nominating and Corporate Governance. All committees are comprised solely of non-employee, independent Directors in accordance with the New York Stock Exchange listing standards. Current charters for each committee are available on CONSOL Energy's website at <http://www.consolenergy.com>. Actions taken by such Committees are reported to the full Board of Directors.

**Audit Committee.** The Audit Committee is responsible for providing assistance to the Board of Directors in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, financial reporting, internal control and compliance functions of the Corporation and its subsidiaries. The Board of Directors adopted a revised and amended written charter on February 23, 2004, a copy of which is attached as Appendix A hereto. The Audit Committee, which currently consists of four directors, employs independent accountants, subject to shareholder ratification, to audit the financial statements of CONSOL Energy and its subsidiaries and perform other assigned duties. Further, the Audit Committee provides general oversight with respect to the accounting principles employed in financial reporting and the adequacy of CONSOL Energy's internal controls. In discharging its responsibilities, the Audit Committee is entitled to rely on the reports, findings and representations of the Corporation's auditors, legal counsel, and responsible officers. The members of the Audit Committee are Philip W. Baxter, James E. Altmeyer, Sr., William E. Davis, Raj K. Gupta and John L. Whitmire, ex officio (who, as Chairman of the Board of Directors of CONSOL Energy, attends and participates in all meetings of the Audit Committee but is not a voting member). The Board of Directors has determined that all members are financially literate and, within the meaning of Securities and Exchange Commission rules, Philip W. Baxter is independent and the audit committee financial expert. CONSOL Energy common stock is listed on the New York Stock Exchange and governed by its listing standards. The Audit Committee met eight times during the fiscal year ended December 31, 2003.

**Compensation Committee.** The Compensation Committee, which currently consists of five directors, is responsible for establishing executive compensation policies consistent with corporate objectives and shareholder interests. Members of the Compensation Committee are William P. Powell, Philip W. Baxter, Patricia A. Hammick, James E. Altmeyer, Sr., Joseph T. Williams and John L. Whitmire, ex officio (who, as Chairman of the Board of Directors of CONSOL Energy, attends and participates in all meetings of the Compensation Committee but is not a voting member). The Committee recommends to the Board of Directors levels of compensation for the Chief Executive Officer, President and other executive officers, including salary, variable compensation and stock options. The Compensation Committee also takes action regarding the adoption or amendment of employee benefit, incentive compensation or similar plans and is responsible for their oversight or



administration. No member of the Committee may be an officer or employee of CONSOL Energy or any of its subsidiaries. The Compensation Committee met four times during the fiscal year ended December 31, 2003.

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee has five members, and was formed on February 23, 2004. The Nominating and Corporate Governance Committee recommends to the Board of Directors nominees for election as directors at the Annual Meeting of Shareholders or appointment as directors in the event of any vacancy, generally monitors CONSOL Energy's corporate governance system and performs any other functions or duties deemed appropriate by the Board of Directors. In making Director recommendations, the Nominating and Corporate Governance Committee will consider nominations submitted by shareholders. Any shareholder who wishes to submit a nomination for the Board of Directors must provide advance notice of such nomination in writing to be received by the Secretary of CONSOL Energy no later than the close of business on the date that is the 120<sup>th</sup> day prior to the first anniversary of the preceding year's annual meeting (provided, however, that if the date of the annual meeting is more than 30 days before or more than 70 days after the anniversary date, notice by the shareholder must be delivered not earlier than the close of business on the 120<sup>th</sup> day prior to the annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to the annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of the meeting is first made by the CONSOL Energy). Any nomination should be addressed to the Secretary, CONSOL Energy Inc., 1800 Washington Road, Pittsburgh, Pennsylvania 15241. Nominations must be accompanied by a statement of the nominee indicating willingness to serve if elected and disclosing the principal occupations or employment of the nominee during the past five years. The members of the Nominating and Corporate Governance Committee are Patricia A. Hammick, Joseph T. Williams, William P. Powell, William E. Davis, Raj K. Gupta and John L. Whitmire, ex officio (who, as Chairman of the Board of Directors of CONSOL Energy, attends and participates in all meetings of the Nominating and Corporate Governance Committee but is not a voting member).

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board of Directors the size, function, and needs of the Board of Directors and in doing so takes into account that the Board of Directors as a whole will have competency in the following areas: (i) industry knowledge; (ii) accounting and finance; (iii) business judgment; (iv) management; (v) leadership; (vi) international markets; (vii) business strategy; (viii) crisis management; (ix) corporate governance; and (x) risk management. The Board of Directors also seeks members from diverse backgrounds so that the Board of Directors consists of members with a broad spectrum of experience and expertise and with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions that they can make to CONSOL Energy. The Nominating and Corporate Governance Committee also (1) determines what types of backgrounds, skills, and attributes of Board members are needed to help strengthen and balance the Board of Directors, taking into account the competencies described above, (2) actively seeks individuals qualified to become Board members, (3) maintains an active file of suitable candidates for consideration as nominees to the Board, and (4) evaluates and recommends to the Board the slate of nominees for directors to be elected by the shareholders at CONSOL Energy's next Annual Meeting of Shareholders and, where applicable, fills vacancies. Recommendations by the Committee include a review by the Committee of the contribution of fellow directors, as well as the qualifications of new nominees.

The Nominating and Corporate Governance Committee also oversees the annual evaluation of the Board and the other Board committees, including the individual members of the Board and the other Board Committees, and delivers reports to the Board setting forth the results of such evaluations. The Committee also monitors director performance throughout the year (noting particularly any directors who have had a change in their primary job responsibilities or who have assumed additional directorships since their last assessment) and counsel those directors who may be found wanting. The Committee also annually reviews and assesses the performance of the Committee and each Committee member and delivers a report to the Board setting forth the results of its evaluation. In conducting this review, the Committee addresses matters that it considers relevant to its performance, including, at a minimum, the adequacy, appropriateness and quality of the information and

recommendations presented to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

In 2003, Russell Reynolds Associates, Inc. was retained to assist the Board in identifying and selecting candidates for service on the Corporation's Board of Directors.

**Compensation of Directors.** Members of the Board of Directors who are employees of CONSOL Energy or any of its subsidiaries are not compensated for service on the Board of Directors or on any of its Committees. Members of the Board of Directors, other than Mr. Whitmire, who are not employees of CONSOL Energy or any of its subsidiaries receive an annual Board membership fee of \$30,000; an attendance fee of \$2,000 for each meeting of the Board of Directors; an attendance fee of \$2,000 for each meeting of the Audit Committee of the Board of Directors and, if Chairman of the Audit Committee, a \$10,000 annual fee, an attendance fee of \$1,000 for each meeting of the Compensation Committee or Nominating and Corporate Governance Committee of the Board of Directors upon which they serve and, if Chairman of either of these Committees, an annual fee of \$2,000; and, in accordance with the terms of the Corporation's Equity Incentive Plan, an initial stock option grant of 4,000 shares and, thereafter, an annual grant of stock options to acquire 2,500 shares.

**Plans for Directors.** The Board of Directors may grant deferred stock units to Eligible Directors in lieu of all or any portion of the annual retainer or meeting fees otherwise payable to the Eligible Directors. Under the terms of the Equity Incentive Plan, any director may defer all or part of the payment of Board and Committee fees in the form of cash or stock units until a specified year, until ceasing to be a CONSOL Energy director or death. Annual stock grants may also be deferred but only as stock units. Interest equivalents accrue on payments deferred in the form of cash and dividend equivalents accrue on payments deferred in the form of stock units.

**Communication with Board of Directors.** Shareholders who wish to communicate with CONSOL Energy's Board of Directors may do so by writing to the Board and should address their communications to the attention of the Corporate Secretary at CONSOL Energy Inc., 1800 Washington Road, Pittsburgh, PA 15241. Shareholders may also communicate with CONSOL Energy's Board of Directors via e-mail at [directors@consolenergy.com](mailto:directors@consolenergy.com). Information concerning communications with the Board of Directors also is contained on CONSOL Energy's website at [www.consolenergy.com](http://www.consolenergy.com). All communications will be compiled by the Secretary of CONSOL Energy and submitted to the Board of Directors at the next regularly scheduled Board meeting, which are held quarterly.

**Beneficial Ownership of Securities**

The following table sets forth at March 9, 2004, information with respect to beneficial ownership by (i) beneficial owners of more than five percent of CONSOL Energy's common stock known by the Corporation, (ii) each director and each nominee for director, (iii) each executive officer named in the Summary Compensation table set forth on page 14 and (iv) all directors and executive officers of the Corporation as a group. The address of the directors and executive officers of CONSOL Energy is c/o CONSOL Energy Inc., 1800 Washington Road, Pittsburgh, PA 15241, and, unless otherwise indicated, the named person has the sole voting or investment powers with respect to shares of CONSOL Energy common stock set forth opposite such person's name.

<u>Name and Address</u>	<u>Amount and Nature of Beneficial Ownership<sup>(1)</sup></u>	<u>Percent</u>
Capital Research and Management Company <sup>(2)</sup> 333 South Hope Street Los Angeles, CA 90071	8,953,800	9.96
Wellington Management Company, LLP <sup>(3)</sup> 75 State Street Boston, MA 02109	8,692,200	9.67
GLG Partners <sup>(4)</sup> 1 Curzon Street London, England W1J5HB	8,350,000	9.28
Eubel Brady & Suttman Asset Management, Inc. <sup>(5)</sup> 7777 Washington Village Drive Suite 210 Dayton, OH 45459	5,174,458	5.75
State Street Research & Management Company <sup>(6)</sup> One Financial Center, 31st Floor Boston, MA 02111-2690	5,100,000	5.67
J. Brett Harvey <sup>(1)</sup>	353,908	*
Ronald E. Smith <sup>(1)</sup>	142,716	*
Christoph Koether <sup>(1)</sup>	66,600	*
William J. Lyons <sup>(1)</sup>	65,870	*
Peter B. Lilly <sup>(1)</sup>	45,100	*
Ronald G. Stovash <sup>(1)</sup>	34,450	*
John L. Whitmire <sup>(1)</sup>	85,434	*
Philip W. Baxter <sup>(1)</sup>	13,999	*
Patricia A. Hammick <sup>(1)</sup>	4,332	*
Joseph T. Williams <sup>(1)</sup>	2,000	*
James E. Altmeyer, Sr. <sup>(1)</sup>	2,000	*
William E. Davis <sup>(1)</sup>	0	*
William P. Powell <sup>(1)</sup>	0	*
Raj K. Gupta <sup>(1)</sup>	1,625	*
All Directors and Executive Officers as a group <sup>(1)</sup>	818,034	*

\* Indicates less than one percent (1%) ownership.

- (1) Includes shares issuable pursuant to options that were currently exercisable (or may become exercisable on or before May 1, 2004) as follows: Mr. Harvey, 330,200; Mr. Smith, 133,950; Mr. Koether, 66,600; Mr. Lyons, 61,700; Mr. Lilly, 40,100; Mr. Stovash, 32,850; Mr. Whitmire, 7,930; Mr. Baxter, 8,999; Ms. Hammick, 4,332 and for all directors and executive officers as a group, 686,661. Does not include stock options which will become exercisable in increments in future years in the following amounts: Mr. Harvey, 270,000; Mr. Smith, 128,250; Mr. Koether, 143,750; Mr. Lyons, 53,500; Mr. Lilly, 120,000; Mr. Stovash, 29,250; Mr. Baxter, 4,001; Ms. Hammick, 4,668; Mr. Williams, 4,000; Mr. Altmeyer, 4,000; Mr. Davis, 4,000; Mr. Powell, 4,000; and Mr. Gupta, 4,000 and for all directors and executive officers as a group, 773,419.



- (2) Based on a Schedule 13G filed by Capital Research and Management Company with the SEC on February 13, 2004.
- (3) Based on a Schedule 13G filed by Wellington Management Company, LLP with the SEC on February 12, 2004. Wellington Management Company, LLP has shared voting power for 7,510,100 shares and shared dispositive power for 8,692,200 shares.
- (4) Based on information provided to us by Friedman, Billings, Ramsey & Co. in connection with shares of our common stock purchased in private placements on October 9, 2003 and February 20, 2004.
- (5) Based on a Schedule 13G filed by Eubel Brady & Suttman Asset Management, Inc. with the SEC on February 12, 2004. Eubel Brady & Suttman Asset Management, Inc., Ronald L. Eubel, Mark E. Brady, Robert J. Suttman, William E. Hazel and Bernard J. Holtgreive have shared voting and dispositive power for 5,174,458 shares.
- (6) Based on information provided to us by State Street Research & Management Company.

### **PROPOSALS FOR CONSIDERATION AT THE ANNUAL MEETING**

#### **PROPOSAL #1 NOMINATIONS FOR ELECTION OF DIRECTORS**

The nominees for election as directors are identified as follows. All nominees are now members of the Board of Directors. If any nominee should for any reason become unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board of Directors may designate following recommendation by the Nominating and Corporate Governance Committee, or the Board may reduce the number of directors to eliminate the vacancy.

The following material contains information concerning the nominees, including their recent employment, positions with CONSOL Energy, other directorships, and age as of the date of the 2004 Annual Meeting.

**John L. Whitmire**, Chairman of the Board of Directors, CONSOL Energy Inc., age 63, has served as Chairman of the Board of Directors of CONSOL Energy Inc. since March 3, 1999. Mr. Whitmire currently serves ex officio on the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Prior to his election, Mr. Whitmire was the Chairman of the Board and Chief Executive Officer of Union Texas Petroleum Holdings, Inc., a position that he held from January 1996 until September 1998 when Union Texas Petroleum was acquired by ARCO. Before joining Union Texas Petroleum, Mr. Whitmire served for more than 30 years in various executive capacities with Phillips Petroleum Company, including Executive Vice President Exploration and Production, and as a director from January 1994 to January 1996. Mr. Whitmire is a director of the National Audubon Society, Global Santa Fe Corporation and El Paso Corporation. Mr. Whitmire received a Bachelor of Science degree in Mechanical Engineering from New Mexico State University.

**J. Brett Harvey**, Director, CONSOL Energy Inc., age 53, has been President and Chief Executive Officer and a Director of CONSOL Energy Inc. since January 1998. Prior to joining CONSOL Energy Inc., Mr. Harvey served as the President and Chief Executive Officer of PacifiCorp Energy Inc., a subsidiary of PacifiCorp, from March 1995 until January 1998. Mr. Harvey was also President and Chief Executive Officer of Interwest Mining Company from January 1993 to January 1998, Vice President of PacifiCorp Fuels from November 1993 until January 1998. Mr. Harvey is Chairman of the National Mining Association and a representative of the NMA on the Marine Transportation System National Advisory Council, Vice Chairman of the World Coal Institute, member of the IEA Coal Industry Advisory Board, Vice Chairman of Waterways Council, Inc., member of the Board of Directors of the Bituminous Coal Operators Association, member of the executive committee and the Board of the Center for Energy & Economic Development and Chairman of its finance committee, member of the CEO Group of the Coal Based Generation Stakeholders, member of the Executive Advisory Board of the Virginia Coal Field Development Authority, member of the National Coal Council, member of The Conservation Fund Corporate Counsel and Chairman of the Greater Pittsburgh Council of Boy Scouts of America. He received a bachelor's degree in Mining Engineering from the University of Utah.



**James E. Altmeyer, Sr.**, Director, age 65, has been a Director of CONSOL Energy Inc. since November 2003. He currently serves as a member of the Audit Committee and Compensation Committee. Mr. Altmeyer has been President and CEO of Altmeyer Funeral Homes, Inc. of West Virginia, Ohio, and Virginia since 1972. He also has been President of Altmeyer Realty, a real estate holding company, and of Martin-Steadfast Insurance Company since 1972. Mr. Altmeyer has served on the Board of Directors of Wesbanco since 1987 and currently serves on its audit committee. Wesbanco is a multi-state bank holding company with offices in Pennsylvania, West Virginia and Ohio. Mr. Altmeyer also serves as a member of the executive committee of the Board of Directors of Wheeling Hospital; Chairman of the Fire Department Civil Service Commission of Wheeling; President of the American Legion Home Corporation; Vice Chairman of the Chambers Foundation and, in April 2003, he was appointed to the U.S. Small Business Administration Advisory Council for Veterans Business Affairs. Mr. Altmeyer is a graduate of the U.S. Military Academy, West Point, New York.

**Philip W. Baxter**, Director, CONSOL Energy Inc., age 55, was elected to the Board of Directors of CONSOL Energy Inc. in August 1999. Mr. Baxter currently serves as Chairman of the Audit Committee and as a member of the Compensation Committee. Mr. Baxter has been the President of Stan Johnson Company, a nationally recognized leader in commercial real estate brokerage specializing in single-tenant properties, since 2002. Mr. Baxter was Chief Financial Officer and Executive Vice President of the Tulsa-based energy conglomerate, Mapco Inc., in March 1998 when it merged with The Williams Company. During his 18 year career at Mapco, Mr. Baxter held a number of officer level positions including Chief Information Officer and Senior Vice President of Strategic Planning. Prior to his career at Mapco, he held a number of financial positions with Williams Energy Company, a subsidiary of The Williams Company. Mr. Baxter received a bachelor's degree in Business Administration from the University of Oklahoma and is a 1992 graduate of the Darden Executive Program of the University of Virginia.

**William E. Davis**, Director, CONSOL Energy Inc., age 61, joined the Board of Directors in January 2004. He currently serves as a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Davis has been a Director of Abitibi Consolidated, the world's largest producer of newsprint and value-added paper since April 2003. Mr. Davis was the former Chairman of the Board of Directors and Chief Executive Officer of Niagara Mohawk Power Corporation, an electricity and natural gas utility located in upstate New York from May 1993 to February 2002. Following the sale of Niagara Mohawk in February 2002, Mr. Davis served as Chairman of National Grid USA and as an Executive Director of National Grid (UK) until April 1, 2003, when he retired. Prior to joining Niagara Mohawk, from August 1984 to February 1990, Mr. Davis was Executive Deputy Commissioner of the New York State Energy Office. He currently serves on the Board of Trustees of Syracuse University, where he is a member of the executive committee and chairs the Academic Affairs Committee, and the Metropolitan Development Foundation of Central New York, where he serves as Chairman and Chief Executive Officer. Mr. Davis received a Master of Science Degree from George Washington University in 1971 and a Bachelor of Science degree in 1964 from the U.S. Naval Academy, Annapolis, Maryland.

**Raj K. Gupta**, Director, CONSOL Energy Inc., age 61, joined the Board of Directors in February 2004. He currently serves as a member of the Audit Committee and the Nominating and Corporate Governance Committee. From 1965 to 2000, Mr. Gupta held various management positions with Phillips Petroleum Company, an international integrated oil and gas company now part of ConocoPhillips, including as Vice President of Strategic Planning, managing the company's strategic planning, growth and globalization efforts in South America, China, the Middle East and the former Soviet Union. He currently serves on the Board of Directors of Yukos Oil Company, Moscow, Russia, chairs its compensation committee and is a member of its audit and finance committees. Mr. Gupta earned a Master's degree in Industrial Engineering and Management Science from Kansas State University and a Bachelor of Science degree in Mechanical Engineering with Honors from Birla Engineering College in India.

**Patricia A. Hammick**, Director, CONSOL Energy Inc., age 57, has served on the Board of Directors since June 2001. She currently serves as Chairman of the Nominating and Corporate Governance Committee and a member of the Compensation Committee. She previously served on the Audit Committee in addition to being

Chairman of a Special Committee. Ms. Hammick was Senior Vice President and a member of the management committee of Columbia Energy Group from 1998 through 2000 and was Vice President, Corporate Strategic Planning, for Columbia Energy Group from 1997 to 1998. She served as the Chief Operations Officer for the National Gas Supply Association in Washington, D.C. from 1983 to 1996 and held a management position with Gulf Oil Exploration and Production Company from 1979 through 1983. Prior to 1979, she worked for the American Petroleum Institute, the Center for Naval Analysis and the Naval Weapons Center. Ms. Hammick is currently an independent director of Dynergy, Inc. where she serves on the audit and governance committees. She became an adjunct professor in graduate studies at the George Washington University in 2001. She is a member of the Arthur Page Society and the National Association of Corporate Directors. Ms. Hammick received a bachelor's degree in chemical physics and mathematics from Rice University in 1968, a master's degree in Physics from the University of California in 1970, and her doctorate degree in Mathematical Statistics from George Washington University in 1989. She has received additional management and executive training at The Wharton School's Aresty Institute of Executive Education and Boston University's Gulf Oil Management Institute.

**William P. Powell**, Director, CONSOL Energy Inc, age 48, has served on the Board of Directors since January 2004. He currently serves as Chairman of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee. Mr. Powell has been a Managing Director of Williams Street Advisors, a New York City-based investment banking advising boutique since May 2001. From 1998 to 2001, Mr. Powell served as Joint Global Head of the General Industrial Group of the Corporate Finance Department of UBS AG. Mr. Powell has been a director of Cytec Industries, where he chairs the governance committee and has served on the audit committee since 1993. Mr. Powell has also served on the Board of Directors of International Executive Service Corp. since 1999. Mr. Powell received a Master of Business Administration degree from Duke University in 1980.

**Joseph T. Williams**, Director, CONSOL Energy Inc., age 66, has served on the Board of Directors since January 2004, and is a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Williams is a retired oil and natural gas industry executive who has held positions as Chairman or Chief Executive Officer or both for NASDAQ, American, and New York Stock Exchange listed companies. Most recently, from October 2000 to December 2001, Mr. Williams served as Chairman of DevX Energy, Inc. From July 1998 to August 1999, Mr. Williams was the President and Chief Executive Officer of MCN Investment Corporation, a subsidiary of MCN Energy, Inc. Early in his career, Mr. Williams spent 18 years with Chevron Corp. where he held management positions with increasing responsibility in both domestic and international operations. His executive positions after leaving Chevron included assignments at Mitchell Energy and Development Corp., Lear Petroleum Corporation, and PG & E Resources Company where, as President and CEO, he oversaw the acquisition of several significant companies in building a mid-size independent oil and gas exploration and production company. He was a member of a number of industry organizations and was President of the Dallas Petroleum Club and Chairman of the Dallas Wildcat Committee. He is currently a member of the Society of Petroleum Engineers and the 25 Year Club of the Petroleum Industry. Mr. Williams received a Bachelor of Science in Petroleum Engineering from the University of Texas in 1960.

**Determination of Director Independence.** The Board of Directors is required under the New York Stock Exchange rules to affirmatively determine the independence of each Director and to disclose such determination in the proxy statement for each annual meeting of shareholders of CONSOL Energy. The Board of Directors, at its meeting held on March 16, 2004, has determined that all non-employee Directors (i.e. all directors except J. Brett Harvey) are independent in accordance with the New York Stock Exchange listing standards

**Section 16(a) Beneficial Ownership Reporting Compliance.** CONSOL Energy's directors and executive officers are required under Section 16(a) of the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership of CONSOL Energy Inc. common stock with the Securities and Exchange Commission and the New York Stock Exchange. Based solely on review of the copies of such forms furnished to CONSOL Energy, CONSOL Energy believes that, except as noted below, during 2003 all Section 16(a) filing

requirements applicable to its executive officers and directors were complied with. The following information notes all late filings of Forms 3 and 4 by persons who were directors or executive officers of CONSOL Energy in 2003: in connection with stock option grants by CONSOL Energy, of the 23 Form 4 reports required to be filed by directors and executive officers of CONSOL Energy, (1) each of Messrs. Harvey, Lilly, Smith, Lyons and Koether filed two Form 4 reports late, each of which reported one transaction and (2) each of Messrs. Whitmire and Baxter and Ms. Hammick filed one Form 4 report late, each of which reported one transaction. Mr. Whitmire filed a Form 4 report late which reported a grant of restricted shares of common stock made pursuant to Mr. Whitmire's employment agreement. All late forms have since been filed.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE**

**FOR THE ABOVE NAMED NOMINEES**

**FOR THE BOARD OF DIRECTORS**

**EXECUTIVE COMPENSATION AND STOCK OPTION INFORMATION**

**Compensation Committee Report.** The Compensation Committee of the Board of Directors is responsible for administering the Equity Incentive Plan and reviewing and making decisions with respect to the compensation of executive officers and key executives of CONSOL Energy and its subsidiaries.

The following is the Compensation Committee's report to shareholders on the Corporation's executive compensation policies with respect to compensation reported for the fiscal year ended December 31, 2003. In accordance with the rules of the Securities and Exchange Commission, this report shall not be incorporated by reference into any of the Corporation's future filings made under the Securities Exchange Act of 1934 or under the Securities Act of 1933, and shall not be deemed to be soliciting material or to be filed under the Securities Act of 1933.

*Compensation Committee Report on Executive Compensation*

*Key compensation-related responsibilities of the Compensation Committee ( Committee ) of the Board of Directors ( Board ):*

To establish and periodically review CONSOL Energy's compensation philosophy and the adequacy of compensation plans and programs for directors, executive officers and other CONSOL Energy employees;

To establish compensation arrangements and incentive goals for executive officers and to administer compensation plans;

To review the performance of the executive officers and award incentive compensation and adjust compensation arrangements as appropriate based upon performance; and

To review and monitor management development and succession plans and activities.

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For the fiscal year ended December 31, 2003, the Committee's activity focused on the key elements of the total direct compensation program for executive officers, which included Base Pay, the Short-Term Incentive Compensation Plan and Long-Term Incentives. Elements reviewed as part of the Short-Term Incentive Compensation Plan were minimum threshold, target objectives, the payout formula, and the adoption of Net Income as the performance measurement for the next fiscal year. Elements reviewed as part of the Long-Term Incentives to executive officers included type and level of award distribution.

*How the Committee functions:*

The Committee uses compensation data for a peer group of selected mining and energy companies which compete in markets served by the Corporation ( Peer Group ) as well as national surveys whereas the Corporation matches similar industries and similar revenue ( Survey Data ). The Peer Group and Survey Data are used by the Committee as a primary basis for performance and compensation comparison purposes when making key compensation-related decisions.

The Committee has been assisted by:

The Corporation's internal support staffs; and

A consulting firm retained by the Corporation.

*The Corporation's executive compensation program is designed to:*

Attract, motivate and retain executive officers who can make significant contributions to the Corporation's long-term success;

Align the interests of executive officers with those of shareholders; and

Place a significant portion of an executive officer's total compensation at risk by tying it to the Corporation's financial performance.

*The primary components of the Corporation's executive compensation programs are: base salary, annual incentive awards, and long-term incentive awards:*

*Base Salary*

Base salaries are generally targeted at the middle of the competitive marketplace (the median ).

The market rate for an executive position is determined through an assessment by the Corporation's human resources personnel. This assessment considers relevant industry salary practices, the position's complexity and level of responsibility, its importance to the Corporation in relation to other executive positions, and the competitiveness of an executive's total compensation.

Subject to the Committee's approval, the level of an executive officer's base pay is determined on the basis of:

Relevant comparative compensation data; and

The Chief Executive Officer's assessment of the executive's performance, experience, demonstrated leadership, job knowledge and management skills.

*Annual incentive awards*

These cash awards are intended to provide a linkage among executive performance, annual performance measures, and long-term shareholder value.

For the fiscal year ended December 31, 2003, no annual incentive awards were made with respect to 2002 performance to the President and Chief Executive Officer and the other executive officers included in the compensation tables under the Short-Term Incentive Compensation Plan (the Short-Term Plan ).

*How annual incentive awards are calculated under the Short-Term Incentive Compensation Plan:*

The Short-Term Plan is designed to give the Committee the flexibility to make annual incentive awards that are comparable to those found in the marketplace in which the Corporation competes for executive talent. The

Short-Term Plan permits the payment of annual incentive awards that are intended to qualify as deductible, performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

The identity of the executive officers eligible to participate in the Short-Term Plan is confirmed;

The size of the compensation pool for the year, based upon financial information supplied by the Corporation's officers, is computed and certified; and

The amount of the authorized incentive award to be paid to each participant in the Short-Term Plan is certified, based on:

the maximum percentage of the compensation pool assigned to a participant; and

an assessment of an individual executive's performance and that of the Corporation or specified business units against certain criteria, and a subjective evaluation of performance based on certain criteria.

#### *Long-term incentive awards*

The Compensation Committee has determined to discontinue the Long-Term Incentive Performance Unit Plan (the Long-Term Incentive Plan). The Corporation is considering other forms of long-term compensation to reward performance that increases the equity value of the Corporation for its shareholders.

#### *Chief Executive Officer compensation*

In determining Mr. Harvey's compensation, the Committee considered:

The Corporation's financial performance and Peer Group, compensation survey data; and

Mr. Harvey's leadership, decision-making skills, experience, knowledge, communication with the Board and strategic recommendations, as well as the Corporation's positioning for future performance.

The Committee did not place any particular relative weight on one of these factors over another, but the Corporation's financial performance is generally given the most weight.

The Committee's decisions regarding Mr. Harvey's compensation are reported to and discussed with the Board.

For fiscal year ended December 31, 2003, the Committee's decisions regarding Mr. Harvey's compensation included the following:

For the fiscal year ended December 31, 2003, Mr. Harvey's base salary remained \$600,000, and in March 2003, the Committee granted Mr. Harvey a \$300,000 additional compensation award.

In deciding upon the opportunity of Mr. Harvey's incentive award payment under the Short-Term Plan, the Committee considered the following, in addition to the Corporation's operating cash flow and operating earnings achievements:

CONSOL Energy implemented a number of strategic initiatives designed to improve the risk and return characteristics of its businesses.

The Committee recognized the Corporation's common stock performance.

Before arriving at its final decision regarding the amount of Mr. Harvey's annual incentive award, the Committee confirmed that the Corporation's compensation program is consistent with market place practices linking pay for performance.

For the fiscal year ended December 31, 2003, no annual incentive award under the Short-Term Plan was made to Mr. Harvey with respect to 2002 performance.



*Deductibility of Compensation:*

Under Section 162(m) of the Internal Revenue Code, CONSOL Energy and its subsidiaries may not deduct compensation in excess of \$1,000,000 paid to CONSOL Energy's Chief Executive Officer or to each of the named executive officers unless the compensation meets specific criteria for performance-based compensation. As discussed in this report, the Committee intends to provide compensation that is both market and performance based. Awards under the Short-Term Incentive Compensation Plan are performance-based awards and are intended to meet the Section 162(m) performance-based plan requirements. The compensation program is designed to achieve full tax deductibility. However, the Committee reserves the right to approve non-deductible compensation if the Committee believes it is in the best interests of the shareholders. All compensation paid for fiscal year ended December 31, 2003 was fully deductible for federal income tax purposes.

*Conclusion:*

Based upon its review of the Corporation's executive compensation program, the Committee has concluded that the program's basic structure is appropriate, competitive and effective to serve the purposes for which it was established.

MEMBERS OF THE COMMITTEE:

Philip W. Baxter

John L. Whitmire

**Executive Compensation.** The following table discloses the compensation for Mr. Harvey, the President and Chief Executive Officer, Mr. Koether, Executive Vice President until September 30, 2003, and the other four most highly compensated executive officers of CONSOL Energy or its subsidiaries who were serving as an executive officer at fiscal year ended December 31, 2003 whose annual salary plus other forms of compensation exceeded \$100,000 (the named executive officers). The information presented for 2001 represents the period from July 1, 2000 through June 30, 2001. The information provided for 2001T represents the period from July 1, 2001 through December 31, 2001. At January 1, 2002, CONSOL Energy converted to a fiscal year ending December 31.

**SUMMARY COMPENSATION TABLE**

	Annual Compensation	Long Term Compensation	
		Awards	Payouts
<b>Name and Principal</b>			
<b>Position</b>			