

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2020  
OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer Identification No.
001-37976	Southwest Gas Holdings, Inc. 5241 Spring Mountain Road Post Office Box 98510 Las Vegas, Nevada 89193-8510 (702) 876-7237	Delaware	81-3881866
1-7850	Southwest Gas Corporation 5241 Spring Mountain Road Post Office Box 98510 Las Vegas, Nevada 89193-8510 (702) 876-7237	California	88-0085720

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol	Name of each exchange on which registered
Southwest Gas Holdings, Inc. Common Stock, \$1 Par Value	SWX	New York Stock Exchange

Indicate by check mark whether each registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that each registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether each registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that each registrant was required to submit such files). Yes  No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Southwest Gas Holdings, Inc.:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Southwest Gas Corporation:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Southwest Gas Holdings, Inc. Common Stock, \$1 Par Value, 55,129,976 shares as of April 30, 2020.

All of the outstanding shares of common stock (\$1 par value) of Southwest Gas Corporation were held by Southwest Gas Holdings, Inc. as of April 30, 2020.

SOUTHWEST GAS CORPORATION MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION (H)(1)(a) and (b) OF FORM 10-Q AND IS THEREFORE FILING THIS REPORT WITH THE REDUCED DISCLOSURE FORMAT AS PERMITTED BY GENERAL INSTRUCTION H(2).

**FILING FORMAT**

This quarterly report on Form 10-Q is a combined report being filed by two separate registrants: Southwest Gas Holdings, Inc. and Southwest Gas Corporation. Except where the content clearly indicates otherwise, any reference in the report to “we,” “us” or “our” is to the holding company or the consolidated entity of Southwest Gas Holdings, Inc. and all of its subsidiaries, including Southwest Gas Corporation, which is a distinct registrant that is a wholly owned subsidiary of Southwest Gas Holdings, Inc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other representation whatsoever as to any other company.

Part I—Financial information in this Quarterly Report on Form 10-Q includes separate financial statements (i.e., balance sheets, statements of income, statements of comprehensive income, statements of cash flows, and statements of equity) for Southwest Gas Holdings, Inc. and Southwest Gas Corporation, in that order. The Notes to the Condensed Consolidated Financial Statements are presented on a combined basis for both entities. All Items other than Part I – Item 1 are combined for the reporting companies.

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Thousands of dollars, except par value)  
(Unaudited)

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
Utility plant:		
Gas plant	\$ 7,949,283	\$ 7,813,221
Less: accumulated depreciation	(2,341,561)	(2,313,050)
Construction work in progress	202,935	185,026
Net utility plant	5,810,657	5,685,197
Other property and investments	785,522	784,173
Current assets:		
Cash and cash equivalents	60,965	49,539
Accounts receivable, net of allowances	423,013	474,097
Accrued utility revenue	48,100	79,100
Income taxes receivable, net	7,503	31,751
Deferred purchased gas costs	—	44,412
Prepaid and other current assets	133,338	180,957
Total current assets	672,919	859,856
Noncurrent assets:		
Goodwill	333,943	343,023
Deferred income taxes	765	856
Deferred charges and other assets	489,419	496,943
Total noncurrent assets	824,127	840,822
Total assets	\$ 8,093,225	\$ 8,170,048
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
Common stock, \$1 par (authorized - 120,000,000 shares; issued and outstanding - 55,126,386 and 55,007,433 shares)	\$ 56,756	\$ 56,637
Additional paid-in capital	1,470,411	1,466,937
Accumulated other comprehensive loss, net	(59,073)	(56,732)
Retained earnings	1,079,801	1,039,072
Total equity	2,547,895	2,505,914
Redeemable noncontrolling interest	85,005	84,542
Long-term debt, less current maturities	2,310,084	2,300,482
Total capitalization	4,942,984	4,890,938
Current liabilities:		
Current maturities of long-term debt	169,574	163,512
Short-term debt	157,000	211,000
Accounts payable	182,182	238,921
Customer deposits	69,938	69,165
Income taxes payable, net	—	2,069
Accrued general taxes	73,105	48,160
Accrued interest	34,755	21,329
Deferred purchased gas costs	26,498	60,755
Other current liabilities	266,763	264,950
Total current liabilities	979,815	1,079,861
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits, net	624,888	599,840
Accumulated removal costs	399,000	395,000
Other deferred credits and other long-term liabilities	1,146,538	1,204,409
Total deferred income taxes and other credits	2,170,426	2,199,249
Total capitalization and liabilities	\$ 8,093,225	\$ 8,170,048

The accompanying notes are an integral part of these statements.



SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
<b>Operating revenues:</b>				
Gas operating revenues	\$ 502,827	\$ 520,677	\$ 1,351,089	\$ 1,384,092
Utility infrastructure services revenues	333,493	312,862	1,771,609	1,575,130
Total operating revenues	836,320	833,539	3,122,698	2,959,222
<b>Operating expenses:</b>				
Net cost of gas sold	160,821	192,604	353,381	426,260
Operations and maintenance	103,781	106,245	421,686	410,287
Depreciation and amortization	87,653	77,539	313,351	264,273
Taxes other than income taxes	16,378	16,206	62,500	60,847
Utility infrastructure services expenses	319,314	300,465	1,592,076	1,429,202
Total operating expenses	687,947	693,059	2,742,994	2,590,869
Operating income	148,373	140,480	379,704	368,353
<b>Other income and (expenses):</b>				
Net interest deductions	(28,380)	(26,397)	(111,209)	(100,437)
Other income (deductions)	(20,770)	6,839	(17,524)	(6,253)
Total other income and (expenses)	(49,150)	(19,558)	(128,733)	(106,690)
Income before income taxes	99,223	120,922	250,971	261,663
Income tax expense	26,218	25,538	56,703	62,921
Net income	73,005	95,384	194,268	198,742
Net income attributable to noncontrolling interests	463	575	2,599	747
Net income attributable to Southwest Gas Holdings, Inc.	\$ 72,542	\$ 94,809	\$ 191,669	\$ 197,995
<b>Earnings per share:</b>				
Basic	\$ 1.31	\$ 1.78	\$ 3.50	\$ 3.91
Diluted	\$ 1.31	\$ 1.77	\$ 3.50	\$ 3.91
<b>Weighted average shares:</b>				
Basic	55,310	53,369	54,726	50,640
Diluted	55,363	53,424	54,792	50,701

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Thousands of dollars)  
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
Net income	\$ 73,005	\$ 95,384	\$ 194,268	\$ 198,742
Other comprehensive income (loss), net of tax				
Defined benefit pension plans:				
Net actuarial loss	—	—	(54,026)	(15,524)
Amortization of prior service cost	220	241	945	1,002
Amortization of net actuarial loss	7,188	4,441	20,513	23,603
Prior service cost	—	—	(1,426)	—
Regulatory adjustment	(6,380)	(4,063)	25,760	(4,574)
Net defined benefit pension plans	1,028	619	(8,234)	4,507
Forward-starting interest rate swaps ("FSIRS"):				
Amounts reclassified into net income	636	635	2,542	2,541
Net forward-starting interest rate swaps	636	635	2,542	2,541
Foreign currency translation adjustments	(4,005)	791	(2,758)	(1,308)
Total other comprehensive income (loss), net of tax	(2,341)	2,045	(8,450)	5,740
Comprehensive income	70,664	97,429	185,818	204,482
Comprehensive income attributable to noncontrolling interests	463	575	2,599	747
Comprehensive income attributable to Southwest Gas Holdings, Inc.	<u>\$ 70,201</u>	<u>\$ 96,854</u>	<u>\$ 183,219</u>	<u>\$ 203,735</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Thousands of dollars)  
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net income	\$ 73,005	\$ 95,384	\$ 194,268	\$ 198,742
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	87,653	77,539	313,351	264,273
Deferred income taxes	25,309	24,923	54,548	52,736
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	45,837	(15,562)	7,154	(40,282)
Accrued utility revenue	31,000	30,200	(1,100)	300
Deferred purchased gas costs	10,155	(67,863)	19,527	25,339
Accounts payable	(60,723)	(12,643)	(49,945)	47,632
Accrued taxes	30,377	25,400	10,220	(5,331)
Other current assets and liabilities	76,453	47,848	102,742	(5,582)
Gains on sale of equipment	(28)	(233)	(5,268)	(1,706)
Changes in undistributed stock compensation	2,816	3,188	6,524	7,438
Equity AFUDC	(1,061)	(960)	(4,262)	(4,358)
Changes in deferred charges and other assets	6,495	(16,328)	1,772	(20,221)
Changes in other liabilities and deferred credits	(55,722)	(2,782)	(65,704)	17,420
Net cash provided by operating activities	271,566	188,111	583,827	536,400
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Construction expenditures and property additions	(210,655)	(210,662)	(938,141)	(822,034)
Acquisition of businesses, net of cash acquired	—	—	(47,638)	(247,164)
Changes in customer advances	5,434	3,078	21,357	13,503
Other	4,430	262	19,321	3,200
Net cash used in investing activities	(200,791)	(207,322)	(945,101)	(1,052,495)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Issuance of common stock, net	3,148	25,879	135,215	369,061
Dividends paid	(30,006)	(27,602)	(118,531)	(104,003)
Issuance of long-term debt, net	99,978	29,666	601,908	259,456
Retirement of long-term debt	(75,168)	(31,160)	(257,797)	(247,816)
Change in credit facility and commercial paper	—	—	—	111,000
Change in short-term debt	(54,000)	36,000	(31,000)	165,500
Principal payments on finance lease obligations	(51)	(70)	(193)	(553)
Withholding remittance - share-based compensation	(2,736)	(1,838)	(2,756)	(2,096)
Other	(199)	(53)	(1,422)	(2,460)
Net cash provided by (used in) financing activities	(59,034)	30,822	325,424	548,089
Effects of currency translation on cash and cash equivalents	(315)	65	(222)	(72)
Change in cash and cash equivalents	11,426	11,676	(36,072)	31,922
Cash and cash equivalents at beginning of period	49,539	85,361	97,037	65,115
Cash and cash equivalents at end of period	\$ 60,965	\$ 97,037	\$ 60,965	\$ 97,037
<b>SUPPLEMENTAL INFORMATION:</b>				
Interest paid, net of amounts capitalized	\$ 13,073	\$ 15,850	\$ 99,481	\$ 89,118
Income taxes paid (received), net	\$ (20,064)	\$ 454	\$ (17,766)	\$ (2,743)

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
<b>Common stock shares</b>		
Beginning balances	55,007	53,026
Common stock issuances	119	365
Ending balances	55,126	53,391
<b>Common stock amount</b>		
Beginning balances	\$ 56,637	\$ 54,656
Common stock issuances	119	365
Ending balances	56,756	55,021
<b>Additional paid-in capital</b>		
Beginning balances	1,466,937	1,305,769
Common stock issuances	3,474	27,024
Ending balances	1,470,411	1,332,793
<b>Accumulated other comprehensive loss</b>		
Beginning balances	(56,732)	(52,668)
Foreign currency exchange translation adjustment	(4,005)	791
Net actuarial gain arising during period, less amortization of unamortized benefit plan cost, net of tax	1,028	619
FSIRS amounts reclassified to net income, net of tax	636	635
Ending balances	(59,073)	(50,623)
<b>Retained earnings</b>		
Beginning balances	1,039,072	944,285
Net income	72,542	94,809
Dividends declared	(31,813)	(29,285)
Ending balances	1,079,801	1,009,809
Total Southwest Gas Holdings, Inc. equity ending balances	2,547,895	2,347,000
<b>Noncontrolling interest</b>		
Beginning balances	—	(452)
Ending balances	—	(452)
Total equity ending balances	\$ 2,547,895	\$ 2,346,548
Dividends declared per common share	\$ 0.570	\$ 0.545

The accompanying notes are an integral part of these statements.



SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Thousands of dollars)  
(Unaudited)

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
Utility plant:		
Gas plant	\$ 7,949,283	\$ 7,813,221
Less: accumulated depreciation	(2,341,561)	(2,313,050)
Construction work in progress	202,935	185,026
Net utility plant	5,810,657	5,685,197
Other property and investments	118,547	133,787
Current assets:		
Cash and cash equivalents	56,524	40,489
Accounts receivable, net of allowance	148,817	150,793
Accrued utility revenue	48,100	79,100
Income taxes receivable, net	—	25,901
Deferred purchased gas costs	—	44,412
Prepaid and other current assets	119,264	165,639
Total current assets	372,705	506,334
Noncurrent assets:		
Goodwill	10,095	10,095
Deferred charges and other assets	456,684	463,333
Total noncurrent assets	466,779	473,428
Total assets	\$ 6,768,688	\$ 6,798,746
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
Common stock	\$ 49,112	\$ 49,112
Additional paid-in capital	1,279,208	1,229,083
Accumulated other comprehensive loss, net	(53,487)	(55,151)
Retained earnings	839,443	782,108
Total equity	2,114,276	2,005,152
Long-term debt, less current maturities	1,991,624	1,991,333
Total capitalization	4,105,900	3,996,485
Current liabilities:		
Current maturities of long-term debt	125,000	125,000
Short-term debt	97,000	194,000
Accounts payable	108,569	149,368
Customer deposits	69,938	69,165
Income taxes payable	19,241	—
Accrued general taxes	73,105	48,160
Accrued interest	34,714	21,256
Deferred purchased gas costs	26,498	60,755
Payable to parent	174	844
Other current liabilities	147,950	126,573
Total current liabilities	702,189	795,121
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits, net	547,281	539,050
Accumulated removal costs	399,000	395,000
Other deferred credits and other long-term liabilities	1,014,318	1,073,090
Total deferred income taxes and other credits	1,960,599	2,007,140
Total capitalization and liabilities	\$ 6,768,688	\$ 6,798,746

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Thousands of dollars)  
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
Gas operating revenues	\$ 502,827	\$ 520,677	\$ 1,351,089	\$ 1,384,092
Operating expenses:				
Net cost of gas sold	160,821	192,604	353,381	426,260
Operations and maintenance	103,088	105,542	419,720	408,165
Depreciation and amortization	64,725	57,612	222,733	199,467
Taxes other than income taxes	16,378	16,206	62,500	60,847
Total operating expenses	345,012	371,964	1,058,334	1,094,739
Operating income	157,815	148,713	292,755	289,353
Other income and (expenses):				
Net interest deductions	(25,058)	(23,099)	(96,985)	(85,584)
Other income (deductions)	(20,536)	5,946	(16,965)	(6,691)
Total other income and (expenses)	(45,594)	(17,153)	(113,950)	(92,275)
Income before income taxes	112,221	131,560	178,805	197,078
Income tax expense	28,622	28,171	35,424	45,196
Net income	\$ 83,599	\$ 103,389	\$ 143,381	\$ 151,882

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Thousands of dollars)  
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
Net income	\$ 83,599	\$ 103,389	\$ 143,381	\$ 151,882
Other comprehensive income (loss), net of tax				
Defined benefit pension plans:				
Net actuarial loss	—	—	(54,026)	(15,524)
Amortization of prior service cost	220	241	945	1,002
Prior service cost	—	—	(1,426)	—
Amortization of net actuarial loss	7,188	4,441	20,513	23,603
Regulatory adjustment	(6,380)	(4,063)	25,760	(4,574)
Net defined benefit pension plans	1,028	619	(8,234)	4,507
Forward-starting interest rate swaps ("FSIRS"):				
Amounts reclassified into net income	636	635	2,542	2,541
Net forward-starting interest rate swaps	636	635	2,542	2,541
Total other comprehensive income (loss), net of tax	1,664	1,254	(5,692)	7,048
Comprehensive income	<u>\$ 85,263</u>	<u>\$ 104,643</u>	<u>\$ 137,689</u>	<u>\$ 158,930</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Thousands of dollars)  
(Unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net income	\$ 83,599	\$ 103,389	\$ 143,381	\$ 151,882
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	64,725	57,612	222,733	199,467
Deferred income taxes	7,707	26,270	15,118	50,593
Changes in current assets and liabilities:				
Accounts receivable, net of allowance	1,975	(30,414)	21,652	(22,522)
Accrued utility revenue	31,000	30,200	(1,100)	300
Deferred purchased gas costs	10,155	(67,863)	19,527	25,339
Accounts payable	(41,899)	(39,574)	(29,798)	18,398
Accrued taxes	53,335	28,704	33,526	(17,504)
Other current assets and liabilities	99,257	81,625	106,803	(12,982)
Changes in undistributed stock compensation	2,496	2,597	5,045	5,834
Equity AFUDC	(1,061)	(960)	(4,262)	(4,358)
Changes in deferred charges and other assets	3,658	(18,238)	(9,871)	(23,289)
Changes in other liabilities and deferred credits	(55,910)	(2,977)	(66,294)	16,805
Net cash provided by operating activities	259,037	170,371	456,460	387,963
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Construction expenditures and property additions	(173,353)	(163,636)	(788,465)	(714,762)
Changes in customer advances	5,433	3,078	21,356	13,503
Other	(31)	(78)	(48)	(357)
Net cash used in investing activities	(167,951)	(160,636)	(767,157)	(701,616)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Contributions from parent	50,000	22,842	187,094	136,391
Dividends paid	(25,200)	(23,500)	(97,600)	(89,500)
Issuance of long-term debt, net	—	—	297,222	—
Change in credit facility and commercial paper	—	—	—	111,000
Change in short-term debt	(97,000)	36,000	(91,000)	188,000
Withholding remittance - share-based compensation	(2,736)	(1,838)	(2,756)	(2,096)
Other	(115)	(53)	(887)	(783)
Net cash provided by (used in) financing activities	(75,051)	33,451	292,073	343,012
Change in cash and cash equivalents	16,035	43,186	(18,624)	29,359
Cash and cash equivalents at beginning of period	40,489	31,962	75,148	45,789
Cash and cash equivalents at end of period	\$ 56,524	\$ 75,148	\$ 56,524	\$ 75,148
<b>SUPPLEMENTAL INFORMATION:</b>				
Interest paid, net of amounts capitalized	\$ 10,204	\$ 11,585	\$ 87,277	\$ 75,094
Income taxes paid (received), net	\$ (22,962)	\$ (22)	\$ 700	\$ (5,878)

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
<b>Common stock shares</b>		
Beginning and ending balances	47,482	47,482
<b>Common stock amount</b>		
Beginning and ending balances	\$ 49,112	\$ 49,112
<b>Additional paid-in capital</b>		
Beginning balances	1,229,083	1,065,242
Share-based compensation	125	918
Contributions from Southwest Gas Holdings, Inc.	50,000	22,842
Ending balances	1,279,208	1,089,002
<b>Accumulated other comprehensive loss</b>		
Beginning balances	(55,151)	(49,049)
Net actuarial gain arising during period, less amortization of unamortized benefit plan cost, net of tax	1,028	619
FSIRS amounts reclassified to net income, net of tax	636	635
Ending balances	(53,487)	(47,795)
<b>Retained earnings</b>		
Beginning balances	782,108	717,155
Net income	83,599	103,389
Share-based compensation	(364)	(160)
Dividends declared to Southwest Gas Holdings, Inc.	(25,900)	(22,800)
Ending balances	839,443	797,584
<b>Total Southwest Gas Corporation equity ending balances</b>	<b>\$ 2,114,276</b>	<b>\$ 1,887,903</b>

The accompanying notes are an integral part of these statements.

### **Note 1 – Background, Organization, and Summary of Significant Accounting Policies**

*Nature of Operations.* Southwest Gas Holdings, Inc. is a holding company, owning all of the shares of common stock of Southwest Gas Corporation (“Southwest” or the “natural gas operations” segment) and all of the shares of common stock of Centuri Group, Inc. (“Centuri,” or the “utility infrastructure services” segment).

Southwest is engaged in the business of purchasing, distributing, and transporting natural gas for customers in portions of Arizona, Nevada, and California. Public utility rates, practices, facilities, and service territories of Southwest are subject to regulatory oversight. The timing and amount of rate relief can materially impact results of operations. Natural gas purchases and the timing of related recoveries can materially impact liquidity. Results for the natural gas operations segment are higher during winter periods due to the seasonality incorporated in its regulatory rate structures.

Centuri is a comprehensive utility infrastructure services enterprise dedicated to delivering a diverse array of solutions to North America’s gas and electric providers. Centuri derives revenue from installation, replacement, repair, and maintenance of energy distribution systems, and developing industrial construction solutions. Centuri operations are generally conducted under the business names of NPL Construction Co. (“NPL”), NPL Canada Ltd. (“NPL Canada”), New England Utility Constructors, Inc. (“Neuco”), and Linetec Services, LLC (“Linetec”). Utility infrastructure services activity is seasonal in most of Centuri’s operating areas. Peak periods are the summer and fall months in colder climate areas, such as the northeastern and midwestern United States (“U.S.”) and in Canada. In warmer climate areas, such as the southwestern and southeastern U.S., utility infrastructure services activity continues year round.

*Basis of Presentation.* The condensed consolidated financial statements of Southwest Gas Holdings, Inc. and subsidiaries (the “Company”) and Southwest included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The year-end condensed balance sheet data was derived from audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. No substantive change has occurred with regard to the Company’s business segments on the whole.

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair depiction of results for the interim periods, have been made. Globally, the novel Coronavirus (“COVID-19”) pandemic has created volatility, uncertainty, and economic disruption. Utility operations have been deemed “essential services” and utility infrastructure services have, to a large extent, been similarly characterized by government officials. Management has considered the impact of the pandemic and adjusted certain estimates, where relevant, used in the preparation of the condensed consolidated financial statements.

It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the 2019 Annual Report to Stockholders, which is incorporated by reference into the 2019 Form 10-K.

*Fair Value Measurements.* Certain assets and liabilities are reported at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

U.S. GAAP states that a fair value measurement should be based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy that ranks the inputs used to measure fair value by their reliability. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to fair values derived from unobservable inputs (Level 3 measurements). Financial assets and liabilities are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for similar assets or liabilities, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company primarily used quoted market prices and other observable market pricing information in valuing cash and cash equivalents, derivatives, long-term debt outstanding, and assets of the qualified pension plan and postretirement benefit plans required to be recorded and/or disclosed at fair value.

*Other Property and Investments.* Other property and investments on the Condensed Consolidated Balance Sheets includes:

(Thousands of dollars)	March 31, 2020	December 31, 2019
<b>Southwest Gas Corporation:</b>		
Net cash surrender value of COLI policies	\$ 116,615	\$ 132,072
Other property	1,932	1,715
Total Southwest Gas Corporation	118,547	133,787
Centuri property, equipment, and intangibles	1,009,351	983,905
Centuri accumulated provision for depreciation and amortization	(363,074)	(352,333)
Other property	20,698	18,814
Total Southwest Gas Holdings, Inc.	\$ 785,522	\$ 784,173

Included in the table above are the net cash surrender values of company-owned life insurance (“COLI”) policies. These life insurance policies on members of management and other key employees are used by Southwest to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. Balances reflect impacts of equity and fixed-income securities underlying the cash surrender values at each reporting date; however, ultimately, only the insurance proceeds are ever actually received, due to management’s intent to hold the policies to maturity.

*Cash and Cash Equivalents.* For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and financial instruments with original maturities of three months or less. Such investments are carried at cost, which approximates market value. Cash and cash equivalents for Southwest and the Company also include money market fund investments totaling approximately \$40,000 and \$49,000, respectively, at March 31, 2020, and \$23.5 million and \$26.7 million, respectively, at December 31, 2019, which fall within Level 2 of the fair value hierarchy, due to the asset valuation methods used by money market funds.

Typical non-cash investing activities for Southwest include customer advances applied as contributions toward utility construction activity, capital expenditures that were not paid as of period end reporting dates but rather included in accounts payable, and right-of use assets obtained in exchange for lease liabilities, which are non-cash investing and financing activities. Amounts related to such activities were immaterial for the periods presented herein.

*Intercompany Transactions.* Centuri recognizes revenues generated from contracts with Southwest (see **Note 7 – Segment Information**). The accounts receivable balance, revenues, and associated profits are included in the condensed consolidated financial statements of the Company and Southwest and were not eliminated during consolidation in accordance with accounting treatment for rate-regulated entities.

*Accounts Receivable, net of allowances.* On January 2, 2020, the Company adopted the Financial Accounting Standards Board’s (the “FASB”) Accounting Standards Update (“ASU”) 2016-13 “Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments,” which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss, or CECL, methodology. The Company adopted ASU 2016-13 using the modified retrospective method, and therefore, results for reporting periods beginning prior to January 1, 2020 are presented under previously accepted U.S. GAAP. See *Recent Accounting Standards Updates* below.

Business activity with respect to natural gas utility operations is conducted with customers located within the three-state region of Arizona, Nevada, and California. Southwest’s Accounts receivable are short-term in nature with no billing due dates customarily extending beyond one month, with customers’ credit worthiness assessed upon account creation by evaluation of other utility service and related payments history. Although Southwest seeks to minimize its credit risk related to utility operations by requiring security deposits from new customers, imposing late fees, and actively pursuing collection on overdue accounts, some accounts are ultimately not collected. Customer accounts are subject to collection procedures that vary by jurisdiction (late fee assessment, noticing requirements for disconnection of service, and procedures for actual disconnection and/or reestablishment of service). After disconnection of service, accounts are customarily written off approximately two months after inactivation. Dependent upon the jurisdiction, reestablishment of service requires both payment of previously unpaid balances and additional deposit requirements. Provisions for uncollectible accounts are recorded monthly based on experience, consideration of current and expected future conditions, customer and rate composition, and write-off processes. They are included in the ratemaking process as a cost of service. The Nevada jurisdictions have a regulatory mechanism associated with the gas cost-related portion of uncollectible accounts. Such amounts are deferred and collected through a surcharge in the ratemaking process. Due to the

COVID-19 pandemic, and as utility service is an essential service to the residents in the states in which Southwest operates, Southwest implemented a temporary moratorium on disconnection of natural gas service for non-payment and it also ceased charging late fees until further notice. Southwest is also actively working with customers experiencing financial hardship by means of flexible payment options. Management is monitoring expected credit losses in light of the evolving financial impact of COVID-19, and has adjusted the allowance for uncollectibles as of March 31, 2020 as a result of the anticipated impact on Southwest's customers' ability to pay amounts due both currently and when the moratorium is lifted. The adjustment was not material to the financial statements overall, and entering the summer season, during which time monthly billing amounts are substantially reduced, management does not expect a material increase to the allowance for uncollectibles.

Utility infrastructure services contracts receivable are recorded at face amounts less an allowance for doubtful accounts. Centuri's customers are generally investment-grade gas and electric utility companies for which Centuri has historically recognized an insignificant amount of write-offs. Centuri's trade accounts receivable balances carry standard payment terms of up to 60 days. Centuri maintains an allowance that is an estimate based on historical collection experience, current and forward-looking estimated economic and market conditions, and a review of the current status of each customer's trade accounts receivable balance. Account balances are monitored at least monthly, and are charged-off against the allowance when management determines it is probable the balance will not be recovered. Centuri has not been significantly impacted, nor does it anticipate it will experience significant difficulty in collecting amounts due as a result of COVID-19 given the nature of its customers.

Activity in the allowance for uncollectibles and the balances as of the periods presented within the Company's and Southwest's financial statements are not material to the condensed consolidated financial statements.

*Income Taxes.* On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted. The CARES Act provides a number of tax provisions and stimulus measures, including changes to prior and future limitations on interest deductions, the ability to accelerate refund of Alternative Minimum Tax credits, elective deferment of payment related to the employer portion of Social Security taxes, and the creation of certain refundable employee retention credits, among other things. Management does not anticipate the impacts, if any, related to the CARES Act to have a material effect on the Company's or Southwest's results of operations, financial position, or liquidity.

*Prepaid and other current assets.* Prepaid and other current assets includes gas pipe materials and operating supplies of \$53 million at March 31, 2020 and \$57 million at December 31, 2019 (carried at weighted average cost), in addition to \$33 million at December 31, 2019 related to a regulatory asset associated with the Arizona decoupling mechanism (an alternative revenue program), with no corresponding asset balance at March 31, 2020.

*Goodwill.* Goodwill is assessed as of October 1st each year for impairment, or more frequently, if circumstances indicate an impairment to the carrying value of goodwill may have occurred. Management of the Company and Southwest considered its reporting units and segments and determined that its segments and reporting units remain consistent between periods presented below, and that no change was necessary with regard to the level at which goodwill is assessed for impairment. Since December 31, 2019, management also qualitatively assessed whether events during the 1st quarter of 2020 may have resulted in conditions whereby the carrying value of goodwill was higher than its fair value, which if the case, could be an indication of a permanent impairment. Through this assessment, no such condition was believed to have existed and therefore, no impairment was deemed to have occurred in the first three months of 2020.

(Thousands of dollars)	Natural Gas Operations	Utility Infrastructure Services	Total Company
December 31, 2019	\$ 10,095	\$ 332,928	\$ 343,023
Foreign currency translation adjustment	—	(9,080)	(9,080)
March 31, 2020	<u>\$ 10,095</u>	<u>\$ 323,848</u>	<u>\$ 333,943</u>

*Other Current Liabilities.* Management recognizes in its balance sheets various liabilities that are expected to be settled through future cash payment with the next twelve months, including amounts payable under regulatory mechanisms, customary accrued expenses for employee compensation and benefits, declared but unpaid dividends, and miscellaneous other accrued liabilities. Other current liabilities for Southwest include \$25.9 million and \$25.2 million of dividends declared by Southwest Gas Corporation, but not yet paid to Southwest Gas Holdings, Inc. as of March 31, 2020 and December 31, 2019, respectively.



*Other Income (Deductions).* The following table provides the composition of significant items included in Other income (deductions) in the Condensed Consolidated Statements of Income:

(Thousands of dollars)	Three Months ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
<b>Southwest Gas Corporation - natural gas operations segment:</b>				
Change in COLI policies	\$ (15,500)	\$ 7,600	\$ (5,700)	\$ 5,100
Interest income	1,388	1,597	6,147	6,199
Equity AFUDC	1,061	960	4,262	4,358
Other components of net periodic benefit cost	(5,005)	(3,765)	(16,299)	(19,560)
Miscellaneous income and (expense)	(2,480)	(446)	(5,375)	(2,788)
<b>Southwest Gas Corporation - total other income (deductions)</b>	<b>(20,536)</b>	<b>5,946</b>	<b>(16,965)</b>	<b>(6,691)</b>
<b>Utility infrastructure services segment:</b>				
Interest income	—	—	—	87
Foreign transaction gain (loss)	(10)	531	5	162
Miscellaneous income and (expense)	(232)	344	(656)	125
<b>Centuri - total other income (deductions)</b>	<b>(242)</b>	<b>875</b>	<b>(651)</b>	<b>374</b>
<b>Corporate and administrative</b>	<b>8</b>	<b>18</b>	<b>92</b>	<b>64</b>
<b>Consolidated Southwest Gas Holdings, Inc. - total other income (deductions)</b>	<b>\$ (20,770)</b>	<b>\$ 6,839</b>	<b>\$ (17,524)</b>	<b>\$ (6,253)</b>

Included in the table above is the change in cash surrender values of COLI policies (including net death benefits recognized). Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, changes in the cash surrender values of COLI policies, as they progress towards the ultimate death benefits, are also recorded without tax consequences. Refer to *Other Property and Investments* above and also to **Note 2 – Components of Net Periodic Benefit Cost**.

*Derivatives.* In managing its natural gas supply portfolios, Southwest has historically entered into fixed- and variable-price contracts, which qualify as derivatives. Additionally, Southwest has utilized fixed-for-floating swap contracts (“Swaps”) to supplement its fixed-price contracts. The fixed-price contracts, firm commitments to purchase a fixed amount of gas in the future at a fixed price, qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business, and are exempt from fair value reporting. The variable-price contracts qualify as derivative instruments; however, because the contract prices are the prevailing prices at the future transaction dates, the contracts have no determinable fair value. The Swap contract prices are determined at the beginning of each month to reflect that month’s published first of month index price and are recorded at fair value (Level 2). Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

Management does not currently anticipate entering into new Swaps in the near term; the longest maturity date of the Swaps as of March 31, 2020 is October 2020.

Pursuant to regulatory deferral accounting treatment for rate-regulated entities, unrealized gains and losses in fair value of the Swaps are recorded as a regulatory asset and/or liability. When the Swaps mature, any prior positions held are reversed and the settled position is recorded as an increase or decrease of purchased gas under the related purchase gas adjustment (“PGA”) mechanism in determining the deferred PGA balances. Neither changes in fair value nor settled amounts of Swaps have a direct effect on earnings or other comprehensive income, since following settlement, amounts are reflected in Net cost of gas sold at the same time they are included in Gas operating revenues through updates to the PGA component of rates.

Master netting arrangements exist with each counterparty that provide for the net settlement (in the settlement month) of all contracts through a single payment. As applicable, management has elected to reflect the net amounts in its balance sheets, which were immaterial at March 31, 2020. There was no outstanding collateral associated with the Swaps during any period reflected on the Condensed Consolidated Balance Sheets.

Previously, Southwest entered into forward-starting interest rate swaps (“FSIRS”), the settled positions for which are immaterial and continue to be amortized from Accumulated other comprehensive income (loss) into interest expense.

*Redeemable Noncontrolling Interest.* In connection with the acquisition of Linetec in November 2018, the previous owner retained a 20% equity interest in Linetec, the reduction of which is subject to certain rights based on the passage of time or upon the occurrence of certain triggering events.

Significant changes in the value of the redeemable noncontrolling interest, above a floor established at the acquisition date, are recognized as they occur, and the carrying value is adjusted as necessary at each reporting date. The fair value is estimated using

a market approach that utilizes certain financial metrics from guideline public companies of similar industry and operating characteristics. However, the carrying value was greater than the fair value as of March 31, 2020, and no previous upward redemption value adjustments were made following the acquisition date. SEC guidance indicates that a redemption value adjustment would not be made under these circumstances. The following depicts the change to the balance of the redeemable noncontrolling interest:

(Thousands of dollars):	Redeemable Noncontrolling Interest
Balance, December 31, 2019	\$ 84,542
Net income attributable to redeemable noncontrolling interest	463
Balance, March 31, 2020	<u>\$ 85,005</u>

*Earnings Per Share.* Basic earnings per share (“EPS”) in each period of this report were calculated by dividing net income attributable to Southwest Gas Holdings, Inc. by the weighted-average number of shares during those periods. Diluted EPS includes additional weighted-average common stock equivalents (performance shares and restricted stock units). Unless otherwise noted, the term “Earnings Per Share” refers to Basic EPS. A reconciliation of the denominator used in the Basic and Diluted EPS calculations is shown in the following table:

(In thousands)	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
Average basic shares	55,310	53,369	54,726	50,640
Effect of dilutive securities:				
Management Incentive Plan shares	—	11	9	22
Restricted stock units (1)	53	44	57	39
Average diluted shares	<u>55,363</u>	<u>53,424</u>	<u>54,792</u>	<u>50,701</u>

(1) The number of securities granted included 50,000 and 40,000 performance shares during the three months ending March 31, 2020 and 2019 and 48,000 and 29,000 performance shares during the twelve months ending March 31, 2020 and 2019, respectively, the total of which was derived by assuming that target performance will be achieved during the relevant performance period.

*Recent Accounting Standards Updates.*

Accounting pronouncements adopted in 2020:

In June 2016, the FASB issued ASU 2016-13 update “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The update requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Company and Southwest adopted the update in the first quarter of 2020, and concluded the impact was not material to the condensed consolidated financial statements of the Company or Southwest. See *Accounts receivable, net of allowances* above.

In January 2017, the FASB issued ASU 2017-04 “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” Under the update, an entity will apply a one-step quantitative test as opposed to a two-step test as currently required, and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment. The Company and Southwest adopted the update in the first quarter of 2020 and will apply the update prospectively in any future goodwill impairment tests.

In August 2018, the FASB issued ASU 2018-15 “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” The update generally aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement (that is a service contract) with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, with the exception that such costs are to be included in the same line item in the balance sheet that a prepayment of the fees associated with the arrangement would be presented. Once capitalized, the update requires the entity to expense the amount capitalized over the term of the hosting arrangement, including reasonably certain renewal periods. The Company and Southwest adopted the update in the first quarter of 2020 using the prospective transition method. There were no material implementation costs related to cloud computing arrangements for the Company and Southwest in the first quarter of 2020.

Recently issued accounting pronouncements that will be effective after 2020:

In August 2018, the FASB issued ASU 2018-14 “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” This update removes disclosures that are no longer considered cost-beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. The update applies to all employers that sponsor defined benefit pension or other postretirement plans. The update is effective for fiscal years ending after December 15, 2020. Upon adoption, the Company and Southwest will modify their disclosures to conform to the requirements of the update.

In December 2019, the FASB issued ASU 2019-12 “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” The update simplifies the accounting for income taxes by removing certain exceptions to the general principles, as well as improving consistent application in Topic 740 by clarifying and amending existing guidance. The update is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted for periods for which financial statements have not yet been made available for issuance. Management is evaluating the impacts this update might have on the Company’s and Southwest’s consolidated financial statements and disclosures.

In March 2020, the FASB issued ASU 2020-04 “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The update provides optional guidance for a limited time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. The update applies only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made or entered into after December 31, 2022. Management is evaluating the impacts this update might have on the Company’s and Southwest’s consolidated financial statements and disclosures. See also LIBOR discussion in **Note 5 – Debt**.

**Note 2 – Components of Net Periodic Benefit Cost**

Southwest has a noncontributory qualified retirement plan with defined benefits covering substantially all employees and a separate unfunded supplemental retirement plan (“SERP”) which is limited to officers. Southwest also provides postretirement benefits other than pensions (“PBOP”) to its qualified retirees for health care, dental, and life insurance.

The service cost component of net periodic benefit costs included in the table below are components of an overhead loading process associated with the cost of labor. The overhead process ultimately results in allocation of that portion of overall net periodic benefit costs to the same accounts to which productive labor is charged. As a result, service costs become components of various accounts, primarily operations and maintenance expense, net utility plant, and deferred charges and other assets for both the Company and Southwest. The other components of net periodic benefit cost are reflected in Other income (deductions) on the Condensed Consolidated Statements of Income of each entity.

	Qualified Retirement Plan			
	March 31,			
	Three Months		Twelve Months	
	2020	2019	2020	2019
(Thousands of dollars)				
Service cost	\$ 8,574	\$ 6,466	\$ 27,972	\$ 27,882
Interest cost	11,388	12,252	48,142	45,383
Expected return on plan assets	(16,324)	(15,061)	(61,507)	(59,127)
Amortization of net actuarial loss	9,007	5,589	25,774	29,675
Net periodic benefit cost	\$ 12,645	\$ 9,246	\$ 40,381	\$ 43,813
	SERP			
	March 31,			
	Three Months		Twelve Months	
	2020	2019	2020	2019
(Thousands of dollars)				
Service cost	\$ 98	\$ 66	\$ 298	\$ 250
Interest cost	401	440	1,721	1,683
Amortization of net actuarial loss	451	255	1,216	1,382
Net periodic benefit cost	\$ 950	\$ 761	\$ 3,235	\$ 3,315
	PBOP			
	March 31,			
	Three Months		Twelve Months	
	2020	2019	2020	2019
(Thousands of dollars)				
Service cost	\$ 396	\$ 319	\$ 1,353	\$ 1,424
Interest cost	645	762	2,929	2,823
Expected return on plan assets	(852)	(789)	(3,219)	(3,577)
Amortization of prior service costs	289	317	1,243	1,318
Net periodic benefit cost	\$ 478	\$ 609	\$ 2,306	\$ 1,988

**Note 3 – Revenue**

The following information about the Company’s revenues is presented by segment. Southwest encompasses the natural gas operations segment and Centuri encompasses the utility infrastructure services segment.

*Natural Gas Operations Segment:*

Gas operating revenues on the Condensed Consolidated Statements of Income of both the Company and Southwest include revenue from contracts with customers, which is shown below, disaggregated by customer type, and various categories of revenue:

(Thousands of dollars)	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
Residential	\$ 378,555	\$ 417,228	\$ 934,115	\$ 959,837
Small commercial	82,463	89,610	241,970	256,750
Large commercial	12,667	13,962	47,640	51,714
Industrial/other	6,702	6,478	22,298	23,457
Transportation	24,406	24,902	91,884	87,838
Revenue from contracts with customers	504,793	552,180	1,337,907	1,379,596
Alternative revenue program revenues (deferrals)	(3,765)	(34,545)	5,668	(15,775)
Other revenues	1,799	3,042	7,514	20,271
Total Gas operating revenues	\$ 502,827	\$ 520,677	\$ 1,351,089	\$ 1,384,092

*Utility Infrastructure Services Segment:*

The following tables display Centuri’s revenue, reflected as Utility infrastructure services revenues on the Condensed Consolidated Statements of Income of the Company, representing revenue from contracts with customers disaggregated by service and contract types:

(Thousands of dollars)	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
<b>Service Types:</b>				
Gas infrastructure services	\$ 217,709	\$ 197,893	\$ 1,258,790	\$ 1,128,048
Electric power infrastructure services	72,320	52,301	267,736	79,528
Other	43,464	62,668	245,083	367,554
Total Utility infrastructure services revenues	\$ 333,493	\$ 312,862	\$ 1,771,609	\$ 1,575,130

(Thousands of dollars)	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2020	2019	2020	2019
<b>Contract Types:</b>				
Master services agreement	\$ 263,545	\$ 235,655	\$ 1,411,267	\$ 1,143,603
Bid contract	69,948	77,207	360,342	431,527
Total Utility infrastructure services revenues	\$ 333,493	\$ 312,862	\$ 1,771,609	\$ 1,575,130
Unit price contracts	\$ 243,136	\$ 235,686	\$ 1,387,706	\$ 1,296,783
Fixed price contracts	27,545	38,538	101,931	130,295
Time and materials contracts	62,812	38,638	281,972	148,052
Total Utility infrastructure services revenues	\$ 333,493	\$ 312,862	\$ 1,771,609	\$ 1,575,130

The following table provides information about contracts receivable and revenue earned on contracts in progress in excess of billings (contract asset), which are both included within Accounts receivable, net of allowances, as well as amounts billed in excess of revenue earned on contracts (contract liability), which are included in Other current liabilities as of March 31, 2020 and December 31, 2019 on the Company's Condensed Consolidated Balance Sheets:

(Thousands of dollars)	March 31, 2020	December 31, 2019
Contracts receivable, net	\$ 174,228	\$ 223,904
Revenue earned on contracts in progress in excess of billings	99,967	99,399
Amounts billed in excess of revenue earned on contracts	4,716	4,525

The revenue earned on contracts in progress in excess of billings (contract asset) primarily relates to Centuri's rights to consideration for work completed but not billed and/or approved for billing at the reporting date. These contract assets are transferred to contracts receivable when the rights become unconditional. The amounts billed in excess of revenue earned (contract liability) primarily relate to the advance consideration received from customers for which work has not yet been completed. The change in this contract liability balance from December 31, 2019 to March 31, 2020 is due to revenue recognized of \$4.5 million that was included in this item as of January 1, 2020, after which time it became earned and the balance was reduced, and to increases due to cash received, net of revenue recognized during the period related to contracts that commenced during the period.

For contracts that have an original duration of one year or less, Centuri uses the practical expedient applicable to such contracts and does not consider/compute an interest component based on the time value of money. Further, because of the short duration of these contracts, Centuri has not disclosed the transaction price for the remaining performance obligations as of the end of each reporting period or when the Company expects to recognize the revenue.

As of March 31, 2020, Centuri had 23 contracts with an original duration of more than one year. The aggregate amount of the transaction price allocated to the unsatisfied performance obligations of these contracts as of March 31, 2020 was \$68.2 million. Centuri expects to recognize the remaining performance obligations over approximately the next two years; however, the timing of that recognition is largely within the control of the customer, including when the necessary equipment and materials required to complete the work are provided by the customer.

Utility infrastructure services contracts receivable consists of the following:

(Thousands of dollars)	March 31, 2020	December 31, 2019
Billed on completed contracts and contracts in progress	\$ 169,023	\$ 216,268
Other receivables	5,644	8,456
Contracts receivable, gross	174,667	224,724
Allowance for doubtful accounts	(439)	(820)
Contracts receivable, net	\$ 174,228	\$ 223,904

**Note 4 – Common Stock**

Only shares of the Company’s common stock are publicly traded on the New York Stock Exchange, under the ticker symbol “SWX.” Share-based compensation related to Southwest and Centuri is based on stock awards to be issued in shares of Southwest Gas Holdings, Inc.

On May 8, 2019, the Company filed with the SEC an automatic shelf registration statement on Form S-3 (File No. 333-231297), which became effective upon filing, for the offer and sale of up to \$300 million of common stock from time to time in at-the-market offerings under the prospectus included therein and in accordance with the Sales Agency Agreement, dated May 8, 2019, between the Company and BNY Mellon Capital Markets, LLC (the “Equity Shelf Program”). The Company sold no shares under the Equity Shelf Program during the three months ended March 31, 2020. The following table provides the activity under the Equity Shelf Program for the life-to-date period ended March 31, 2020:

	Life-To-Date Ended March 31, 2020
Gross proceeds	\$ 124,337,247
Less: agent commissions	(1,243,372)
Net proceeds	<u>\$ 123,093,875</u>
Number of shares sold	1,478,945
Weighted average price per share	\$ 84.07

As of March 31, 2020, the Company had up to \$175,662,753 of common stock available for sale under the program. Net proceeds from the sale of shares of common stock under the Equity Shelf Program are intended for general corporate purposes, including the acquisition of property for the construction, completion, extension, or improvement of pipeline systems and facilities located in and around the communities served by Southwest.

During the three months ended March 31, 2020, the Company issued approximately 72,000 shares of common stock through the Restricted Stock/Unit Plan and Management Incentive Plan.

Additionally, during the three months ended March 31, 2020, the Company issued 47,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan, raising approximately \$3.1 million.

**Note 5 – Debt**

*Long-Term Debt*

Long-term debt is recognized in the Company’s and Southwest’s Condensed Consolidated Balance Sheets generally at the carrying value of the obligations outstanding. However, details surrounding the fair value and individual carrying values of instruments are discussed below or provided in the table that follows.

Southwest’s revolving credit facility (including commercial paper) and the variable-rate Industrial Development Revenue Bonds (“IDRBs”) approximate their carrying values. The fair values of the revolving credit facility and IDRBs are categorized as Level 1 based on the FASB’s fair value hierarchy, due to Southwest’s ability to access similar debt arrangements at measurement dates with comparable terms, including variable/market rates. Additionally, the borrowings by Southwest under its revolving credit facility are generally repaid quickly and the IDRBs have interest rates that reset frequently.

The fair values of Southwest’s debentures (which include senior and medium-term notes) were determined utilizing a market-based valuation approach, where fair values are determined based on evaluated pricing data, such as broker quotes and yields for similar securities adjusted for observable differences. Significant inputs used in the valuation generally include benchmark yield curves, credit ratings, and issuer spreads. The external credit rating, coupon rate, and maturity of each security are considered in the valuation, as applicable. The fair values of debentures are categorized as Level 2.

The Centuri secured revolving credit and term loan facility and Centuri’s other debt obligations (not actively traded) are categorized as Level 3. Because Centuri’s debt is not publicly traded, fair values for its secured revolving credit and term loan facility and other debt obligations were based on a conventional discounted cash flow methodology utilizing current market pricing yield curves, across Centuri’s debt maturity spectrum, of other industrial bonds with an assumed credit rating comparable to the Company’s.

	March 31, 2020		December 31, 2019	
	Carrying Amount	Market Value	Carrying Amount	Market Value
(Thousands of dollars)				
Southwest Gas Corporation:				
Debtentures:				
Notes, 4.45%, due 2020	\$ 125,000	\$ 125,975	\$ 125,000	\$ 126,673
Notes, 6.1%, due 2041	125,000	178,950	125,000	162,666
Notes, 3.875%, due 2022	250,000	252,688	250,000	258,550
Notes, 4.875%, due 2043	250,000	290,645	250,000	291,928
Notes, 3.8%, due 2046	300,000	278,106	300,000	308,307
Notes, 3.7%, due 2028	300,000	311,565	300,000	320,685
Notes, 4.15%, due 2049	300,000	297,987	300,000	330,138
8% Series, due 2026	75,000	96,435	75,000	96,905
Medium-term notes, 7.78% series, due 2022	25,000	27,293	25,000	27,500
Medium-term notes, 7.92% series, due 2027	25,000	32,621	25,000	32,543
Medium-term notes, 6.76% series, due 2027	7,500	9,185	7,500	9,156
Unamortized discount and debt issuance costs	(14,220)		(14,450)	
	<u>1,768,280</u>		<u>1,768,050</u>	
Revolving credit facility and commercial paper	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Industrial development revenue bonds:				
Variable-rate bonds:				
Tax-exempt Series A, due 2028	50,000	50,000	50,000	50,000
2003 Series A, due 2038	50,000	50,000	50,000	50,000
2008 Series A, due 2038	50,000	50,000	50,000	50,000
2009 Series A, due 2039	50,000	50,000	50,000	50,000
Unamortized discount and debt issuance costs	(1,656)		(1,717)	
	<u>198,344</u>		<u>198,283</u>	
Less: current maturities	<u>(125,000)</u>		<u>(125,000)</u>	
Long-term debt, less current maturities - Southwest Gas Corporation	<u>\$ 1,991,624</u>		<u>\$ 1,991,333</u>	
Centuri:				
Centuri term loan facility	\$ 232,642	\$ 228,304	\$ 244,812	\$ 252,182
Unamortized debt issuance costs	(1,031)		(1,101)	
	<u>231,611</u>		<u>243,711</u>	
Centuri secured revolving credit facility	42,666	42,658	60,021	60,057
Centuri other debt obligations	88,757	87,758	43,929	44,787
Less: current maturities	<u>(44,574)</u>		<u>(38,512)</u>	
Long-term debt, less current maturities - Centuri	<u>\$ 318,460</u>		<u>\$ 309,149</u>	
Consolidated Southwest Gas Holdings, Inc.:				
Southwest Gas Corporation long-term debt	\$ 2,116,624		\$ 2,116,333	
Centuri long-term debt	363,034		347,661	
Less: current maturities	<u>(169,574)</u>		<u>(163,512)</u>	
Long-term debt, less current maturities - Southwest Gas Holdings, Inc.	<u>\$ 2,310,084</u>		<u>\$ 2,300,482</u>	

Southwest has a \$400 million credit facility, for which it has designated \$150 million of associated capacity as long-term debt and the remaining \$250 million, for working capital purposes. Interest rates for the credit facility are calculated at either the London Interbank Offered Rate ("LIBOR") or an "alternate base rate," plus in each case an applicable margin that is determined based on Southwest's senior unsecured debt rating. At March 31, 2020, the applicable margin is 1% for loans bearing interest with reference to LIBOR and 0% for loans bearing interest with reference to the alternative base rate. At March 31, 2020, the full \$150 million was outstanding on the long-term portion of the facility.



On April 10, 2020, Southwest amended its credit facility agreement; total borrowing capacity under the amended agreement remains \$400 million. The amended agreement extends the maturity date from March 2022 to April 2025. Interest rates for the facility are calculated at either LIBOR or an “alternate base rate,” plus in each case an applicable margin determined based on Southwest’s senior unsecured long-term debt rating. The applicable margin ranges from 0.750% to 1.500% for loans bearing interest with reference to LIBOR and from 0.000% to 0.500% for loans bearing interest with reference to an alternate base rate. Upon the occurrence of certain events providing for a transition away from LIBOR, or if LIBOR is no longer a widely recognized benchmark rate, Southwest may amend the credit facility with a replacement rate as set forth in the amended agreement. Southwest is also required to pay a commitment fee on the unfunded portion of the commitments based on its senior unsecured long-term debt rating. The commitment fee ranges from 0.075% to 0.200% per annum. The amended agreement contains certain representations and warranties and affirmative and negative covenants similar to those contained in the previous agreement. In addition, the amended agreement contains a financial covenant requiring Southwest to maintain a ratio of funded debt to total capitalization not to exceed 0.70 to 1.00 as of the end of any quarter of any fiscal year.

Southwest has a \$50 million commercial paper program. Issuances under the commercial paper program are supported by Southwest’s revolving credit facility and, therefore, do not represent additional borrowing capacity under the credit facility. Borrowings under the commercial paper program are designated as long-term debt. Interest rates for the program are calculated at the then current commercial paper rate. At March 31, 2020, no borrowings were outstanding under the commercial paper program.

Centuri has a \$590 million senior secured revolving credit and term loan facility, scheduled to expire in November 2023. The capacity of the line of credit portion of the facility is \$325 million; amounts borrowed and repaid are available to be re-borrowed. The term loan portion of the facility has a limit of approximately \$265 million. The \$590 million facility is secured by substantially all of Centuri’s assets except those explicitly excluded under the terms of the agreement (including owned real estate and certain certificated vehicles). Centuri’s assets securing the facility at March 31, 2020 totaled \$1.2 billion. At March 31, 2020, \$275 million in borrowings were outstanding under the Centuri’s combined secured revolving credit and term loan facility. Centuri also received proceeds of \$50 million in equipment loans in 2020, which were used for repayment of outstanding borrowings on the line of credit.

#### *Short-Term Debt*

Southwest Gas Holdings, Inc. has a \$100 million credit facility that is primarily used for short-term financing needs. There was \$60 million outstanding under this credit facility as of March 31, 2020.

On April 10, 2020, Southwest Gas Holdings, Inc. amended its existing credit facility, extending the maturity date to April 2025. The revolving borrowing capacity under the amended agreement remains at \$100 million. Interest rates for the amended facility are calculated at either LIBOR or an “alternate base rate,” plus in each case an applicable margin that is determined based on Southwest Gas Holdings, Inc.’s senior unsecured long-term debt rating. The applicable margin ranges from 0.750% to 1.500% for loans bearing interest with reference to LIBOR and from 0.000% to 0.500% for loans bearing interest with reference to the alternate base rate. Upon the occurrence of certain events providing for a transition away from LIBOR, or if LIBOR is no longer a widely recognized benchmark rate, Southwest Gas Holdings, Inc. may amend the credit facility agreement with a replacement rate, as set forth in the amended agreement. Southwest Gas Holdings, Inc. is also required to pay a commitment fee on the unfunded portion of the commitments based on its senior unsecured long-term debt rating. The commitment fee ranges from 0.075% to 0.200% per annum. The amended agreement contains certain representations and warranties and affirmative and negative covenants similar to those contained in the previous agreement. In addition, the amended agreement contains a financial covenant requiring Southwest Gas Holdings, Inc. to maintain a ratio of funded debt to total capitalization not to exceed 0.70 to 1.00 as of the end of any quarter of any fiscal year.

As discussed previously, under Southwest’s \$400 million credit facility, \$250 million has been designated by management for working capital purposes. Southwest had \$97 million of short-term borrowings outstanding at March 31, 2020 under this facility.

#### *LIBOR*

It is currently anticipated that LIBOR may be discontinued as a benchmark or reference rate after 2021. As of March 31, 2020, \$60 million, \$247 million, and \$177 million, respectively, for the holding company, Southwest, and Centuri was outstanding under their credit facilities whereby interest was with reference to LIBOR and for which maturity dates extend beyond 2021. These amounts reflect approximately 11% of Southwest’s total debt, and 18% of total debt (including current maturities) for the Company overall. Southwest and Southwest Gas Holdings, Inc. (see above) in amending their respective facilities in April 2020 may make further amendments with replacement rates if LIBOR is discontinued. However, replacement rates are not currently determinable. In order to mitigate the impact of a discontinuance on the Company’s and Southwest’s financial condition and results of operations, management will continue to monitor developments and work with lenders to determine the appropriate replacement/alternative reference rate for variable rate debt. At this time the Company and Southwest can provide no assurances as to the impact a LIBOR

discontinuance will have on their financial condition or results of operations. Any alternative rate may be less predictable or less attractive than LIBOR.

**Note 6 – Other Comprehensive Income and Accumulated Other Comprehensive Income**

The following information provides insight into amounts impacting the Company's Other comprehensive income (loss), both before and after-tax impacts, within the Condensed Consolidated Statements of Comprehensive Income, which also impact Accumulated other comprehensive income ("AOCI") in the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Equity.

**Related Tax Effects Allocated to Each Component of Other Comprehensive Income (Loss)**

(Thousands of dollars)	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
<b>Defined benefit pension plans:</b>						
Amortization of prior service cost	\$ 289	\$ (69)	\$ 220	\$ 317	\$ (76)	\$ 241
Amortization of net actuarial (gain)/loss	9,458	(2,270)	7,188	5,844	(1,403)	4,441
Regulatory adjustment	(8,395)	2,015	(6,380)	(5,347)	1,284	(4,063)
Pension plans other comprehensive income (loss)	1,352	(324)	1,028	814	(195)	619
<b>FSIRS (designated hedging activities):</b>						
Amounts reclassified into net income	837	(201)	636	836	(201)	635
FSIRS other comprehensive income (loss)	837	(201)	636	836	(201)	635
Total other comprehensive income (loss) - Southwest Gas Corporation	2,189	(525)	1,664	1,650	(396)	1,254
<b>Foreign currency translation adjustments:</b>						
Translation adjustments	(4,005)	—	(4,005)	791	—	791
Foreign currency other comprehensive income (loss)	(4,005)	—	(4,005)	791	—	791
Total other comprehensive income (loss) - Southwest Gas Holdings, Inc.	\$ (1,816)	\$ (525)	\$ (2,341)	\$ 2,441	\$ (396)	\$ 2,045

(Thousands of dollars)	Twelve Months Ended March 31, 2020			Twelve Months Ended March 31, 2019		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
<b>Defined benefit pension plans:</b>						
Net actuarial gain/(loss)	\$ (71,087)	\$ 17,061	\$ (54,026)	\$ (20,426)	\$ 4,902	\$ (15,524)
Amortization of prior service cost	1,243	(298)	945	1,318	(316)	1,002
Amortization of net actuarial (gain)/loss	26,990	(6,477)	20,513	31,057	(7,454)	23,603
Prior service cost	(1,878)	452	(1,426)	—	—	—
Regulatory adjustment	33,896	(8,136)	25,760	(6,020)	1,446	(4,574)
Pension plans other comprehensive income (loss)	(10,836)	2,602	(8,234)	5,929	(1,422)	4,507
<b>FSIRS (designated hedging activities):</b>						
Amounts reclassified into net income	3,345	(803)	2,542	3,344	(803)	2,541
FSIRS other comprehensive income (loss)	3,345	(803)	2,542	3,344	(803)	2,541
Total other comprehensive income (loss) - Southwest Gas Corporation	(7,491)	1,799	(5,692)	9,273	(2,225)	7,048
<b>Foreign currency translation adjustments:</b>						
Translation adjustments	(2,758)	—	(2,758)	(1,308)	—	(1,308)
Foreign currency other comprehensive income (loss)	(2,758)	—	(2,758)	(1,308)	—	(1,308)
Total other comprehensive income (loss) - Southwest Gas Holdings, Inc.	\$ (10,249)	\$ 1,799	\$ (8,450)	\$ 7,965	\$ (2,225)	\$ 5,740

(1) Tax amounts are calculated using a 24% rate. The Company has elected to indefinitely reinvest the earnings of Centuri's Canadian subsidiaries in Canada, thus precluding deferred taxes on such earnings. As a result of this assertion, and no repatriation of earnings anticipated, the Company is not recognizing a tax effect or presenting a tax expense or benefit for currency translation adjustments reported in Other comprehensive income (loss).

Approximately \$2.2 million of realized losses (net of tax) related to Southwest's forward-starting interest rate swaps ("FSIRS"), included in AOCI at March 31, 2020, will be reclassified into interest expense within the next 12 months as the related interest payments on long-term debt occur.

The following table represents a rollforward of AOCI, presented on the Company's Condensed Consolidated Balance Sheets and its Condensed Consolidated Statements of Equity:

(Thousands of dollars)	Defined Benefit Plans			FSIRS			Foreign Currency Items			AOCI
	Before-Tax	Tax (Expense) Benefit (4)	After-Tax	Before-Tax	Tax (Expense) Benefit (4)	After-Tax	Before-Tax	Tax (Expense) Benefit	After-Tax	
Beginning Balance AOCI December 31, 2019	\$ (66,601)	\$ 15,985	\$ (50,616)	\$ (5,966)	\$ 1,431	\$ (4,535)	\$ (1,581)	\$ —	\$ (1,581)	\$ (56,732)
Translation adjustments	—	—	—	—	—	—	(4,005)	—	(4,005)	(4,005)
Other comprehensive income (loss) before reclassifications	—	—	—	—	—	—	(4,005)	—	(4,005)	(4,005)
FSIRS amounts reclassified from AOCI (1)	—	—	—	837	(201)	636	—	—	—	636
Amortization of prior service cost (2)	289	(69)	220	—	—	—	—	—	—	220
Amortization of net actuarial loss (2)	9,458	(2,270)	7,188	—	—	—	—	—	—	7,188
Regulatory adjustment (3)	(8,395)	2,015	(6,380)	—	—	—	—	—	—	(6,380)
Net current period other comprehensive income (loss) attributable to Southwest Gas Holdings, Inc.	1,352	(324)	1,028	837	(201)	636	(4,005)	—	(4,005)	(2,341)
Ending Balance AOCI March 31, 2020	\$ (65,249)	\$ 15,661	\$ (49,588)	\$ (5,129)	\$ 1,230	\$ (3,899)	\$ (5,586)	\$ —	\$ (5,586)	\$ (59,073)

- (1) The FSIRS reclassification amounts are included in Net interest deductions on the Company's Condensed Consolidated Statements of Income.
- (2) These AOCI components are included in the computation of net periodic benefit cost (see **Note 2 – Components of Net Periodic Benefit Cost** for additional details).
- (3) The regulatory adjustment represents the portion of the activity above that is expected to be recovered through rates in the future (the related regulatory asset is included in Deferred charges and other assets on the Company's Condensed Consolidated Balance Sheets).
- (4) Tax amounts are calculated using a 24% rate.

The following table represents a rollforward of AOCI, presented on Southwest's Condensed Consolidated Balance Sheets:

(Thousands of dollars)	Defined Benefit Plans			FSIRS			AOCI
	Before-Tax	Tax (Expense) Benefit (8)	After-Tax	Before-Tax	Tax (Expense) Benefit (8)	After-Tax	
Beginning Balance AOCI December 31, 2019	\$ (66,601)	\$ 15,985	\$ (50,616)	\$ (5,966)	\$ 1,431	\$ (4,535)	\$ (55,151)
FSIRS amounts reclassified from AOCI (5)	—	—	—	837	(201)	636	636
Amortization of prior service cost (6)	289	(69)	220	—	—	—	220
Amortization of net actuarial loss (6)	9,458	(2,270)	7,188	—	—	—	7,188
Regulatory adjustment (7)	(8,395)	2,015	(6,380)	—	—	—	(6,380)
Net current period other comprehensive income attributable to Southwest Gas Corporation	1,352	(324)	1,028	837	(201)	636	1,664
Ending Balance AOCI March 31, 2020	\$ (65,249)	\$ 15,661	\$ (49,588)	\$ (5,129)	\$ 1,230	\$ (3,899)	\$ (53,487)

- (5) The FSIRS reclassification amounts are included in Net interest deductions on Southwest's Condensed Consolidated Statements of Income.
- (6) These AOCI components are included in the computation of net periodic benefit cost (see **Note 2 – Components of Net Periodic Benefit Cost** for additional details).
- (7) The regulatory adjustment represents the portion of the activity above that is expected to be recovered through rates in the future (the related regulatory asset is included in Deferred charges and other assets on Southwest's Condensed Consolidated Balance Sheets).
- (8) Tax amounts are calculated using a 24% rate.

The following table represents amounts (before income tax impacts) included in AOCI (in the tables above), that have not yet been recognized in net periodic benefit cost:

(Thousands of dollars)	March 31, 2020	December 31, 2019
Net actuarial (loss) gain	\$ (473,616)	\$ (483,074)
Prior service cost	(3,352)	(3,641)
Less: amount recognized in regulatory assets	411,719	420,114
Recognized in AOCI	\$ (65,249)	\$ (66,601)

**Note 7 – Segment Information**

Centuri accounts for the services provided to Southwest at contractual prices at contract inception. Accounts receivable for these services, which are not eliminated during consolidation, are presented in the table below:

(Thousands of dollars)	March 31, 2020	December 31, 2019
Centuri accounts receivable for services provided to Southwest	\$ 16,263	\$ 15,235

The Company has two reportable segments: natural gas operations and utility infrastructure services. Southwest has a single reportable segment that is referred to herein as the natural gas operations segment of the Company. In order to reconcile to net income as disclosed in the Condensed Consolidated Statements of Income, an Other column is included associated with impacts of corporate and administrative activities related to Southwest Gas Holdings, Inc. The financial information pertaining to the natural gas operations and utility infrastructure services segments is as follows:

(Thousands of dollars)	Natural Gas Operations	Utility Infrastructure Services	Other	Total
<b>Three Months Ended March 31, 2020</b>				
Revenues from external customers	\$ 502,827	\$ 300,291	\$ —	\$ 803,118
Intersegment revenues	—	33,202	—	33,202
Total	\$ 502,827	\$ 333,493	\$ —	\$ 836,320
Segment net income (loss)	\$ 83,599	\$ (10,204)	\$ (853)	\$ 72,542

<b>Three Months Ended March 31, 2019</b>				
Revenues from external customers	\$ 520,677	\$ 274,189	\$ —	\$ 794,866
Intersegment revenues	—	38,673	—	38,673
Total	\$ 520,677	\$ 312,862	\$ —	\$ 833,539
Segment net income (loss)	\$ 103,389	\$ (8,031)	\$ (549)	\$ 94,809

(Thousands of dollars)	Natural Gas Operations	Utility Infrastructure Services	Other	Total
<b>Twelve Months Ended March 31, 2020</b>				
Revenues from external customers	\$ 1,351,089	\$ 1,618,354	\$ —	\$ 2,969,443
Intersegment revenues	—	153,255	—	153,255
Total	\$ 1,351,089	\$ 1,771,609	\$ —	\$ 3,122,698
Segment net income (loss)	\$ 143,381	\$ 50,231	\$ (1,943)	\$ 191,669

<b>Twelve Months Ended March 31, 2019</b>				
Revenues from external customers	\$ 1,384,092	\$ 1,427,701	\$ —	\$ 2,811,793
Intersegment revenues	—	147,429	—	147,429
Total	\$ 1,384,092	\$ 1,575,130	\$ —	\$ 2,959,222
Segment net income (loss)	\$ 151,882	\$ 47,947	\$ (1,834)	\$ 197,995

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Southwest Gas Holdings, Inc. is a holding company that owns all of the shares of common stock of Southwest Gas Corporation ("Southwest" or the "natural gas operations" segment) and all of the shares of common stock of Centuri Group, Inc. ("Centuri," or the "utility infrastructure services" segment). Southwest Gas Holdings, Inc. and its subsidiaries are collectively referred to as the "Company."

Southwest is engaged in the business of purchasing, distributing, and transporting natural gas for customers in portions of Arizona, Nevada, and California. Southwest is the largest distributor of natural gas in Arizona, selling and transporting natural gas in most of central and southern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor of natural gas in Nevada, serving the majority of southern Nevada, including the Las Vegas metropolitan area, and portions of northern Nevada. In addition, Southwest distributes and transports natural gas for customers in portions of California, including the Lake Tahoe area and the high desert and mountain areas in San Bernardino County.

As of March 31, 2020, Southwest had 2,091,000 residential, commercial, industrial, and other natural gas customers, of which 1,115,000 customers were located in Arizona, 777,000 in Nevada, and 199,000 in California. Residential and small commercial customers represented over 99% of the total customer base. During the twelve months ended March 31, 2020, 53% of operating margin (gas operating revenues less the net cost of gas sold) was earned in Arizona, 36% in Nevada, and 11% in California. During this same period, Southwest earned 85% of its operating margin from residential and small commercial customers, 3% from other sales customers, and 12% from transportation customers. While these general patterns are expected to remain materially consistent for the foreseeable future, the global COVID-19 pandemic, as discussed below, could impact these patterns in the short term.

Southwest recognizes operating revenues from the distribution and transportation of natural gas (and related services) to customers. Operating margin is a financial measure defined by management as gas operating revenues less the net cost of gas sold. However, operating margin is not specifically defined in accounting principles generally accepted in the United States ("U.S. GAAP"). Thus operating margin is considered a non-GAAP measure. Management uses this financial measure because natural gas operating revenues include the net cost of gas sold, which is a tracked cost that is passed through to customers without markup under purchased gas adjustment ("PGA") mechanisms. Fluctuations in the net cost of gas sold impact revenues on a dollar-for-dollar basis, but do not impact operating margin or operating income. Therefore, management believes operating margin provides investors and other interested parties with useful and relevant information to analyze Southwest's financial performance in a rate-regulated environment. The principal factors affecting changes in operating margin are general rate relief (including impacts of infrastructure trackers) and customer growth. Commission decisions on the amount and timing of such relief may impact our earnings, such as with the current Arizona general rate case, for which hearings have been deferred amidst the current pandemic environment, discussed below. Refer to the Summary Operating Results table for a reconciliation of revenues to operating margin, and refer to *Arizona Jurisdiction* under Rates and Regulatory Proceedings in this Management's Discussion and Analysis.

The demand for natural gas is seasonal, with greater demand in the colder winter months and decreased demand in the warmer summer months. All of Southwest's service territories have decoupled rate structures (alternative revenue programs), which are designed to eliminate the direct link between volumetric sales and revenue, thereby mitigating the impacts of unusual weather variability and conservation on operating margin, allowing Southwest to pursue energy efficiency initiatives.

Centuri is a comprehensive utility infrastructure services enterprise dedicated to delivering a diverse array of solutions to North America's gas and electric providers. Centuri derives revenue from installation, replacement, repair, and maintenance of energy distribution systems, and developing industrial construction solutions. Centuri operates in 54 primary locations across 40 states and provinces in the United States ("U.S.") and Canada. Centuri operates in the U.S. primarily as NPL, Neuco, and Linetec, and in Canada primarily as NPL Canada.

Utility infrastructure services activity can be impacted by changes in infrastructure replacement programs of utilities, weather, and local and federal regulation (including tax rates and incentives). During the past few years, utilities have implemented or modified system integrity management programs to enhance safety pursuant to federal and state mandates. These programs have resulted in a significant increase in multi-year utility system replacement projects throughout the U.S. Generally, Centuri revenues are lowest during the first quarter of the year due to less favorable winter weather conditions. Revenues typically improve as more favorable weather conditions occur during the summer and fall months. In certain circumstances, such as with large bid contracts (especially those of a longer duration), or unit-price contracts with revenue caps, results may be impacted by differences between costs incurred and those anticipated when the work was originally bid. Work awarded, or failing to be awarded, by individual large customers can significantly impact operating results.

## COVID-19 Pandemic

In March 2020, the World Health Organization categorized the novel coronavirus (“COVID-19”) as a pandemic, and President Donald Trump declared the COVID-19 outbreak a national emergency. The outbreak has resulted in government officials implementing increasingly stringent measures to help control the spread of the virus, including quarantines, “shelter in place” and “stay at home” orders, travel restrictions, business curtailments, school closures, and other measures. In addition, governments and central banks in several parts of the world have enacted fiscal and monetary stimulus measures to mitigate financial impacts of COVID-19 on individuals and businesses.

Our utility operations are considered an essential service and Southwest continues to provide services to meet the demand of its customers. Consistent with federal and state guidelines, Southwest continues to operate across its territories. Similarly, the majority of Centuri’s largest clients have issued essential service letters to Centuri companies in keeping with the federal definition of “essential” set out by the Department of Homeland Security. This has allowed Centuri to continue nearly all operations, and demand has not significantly diminished. While the ability of employees to work has been and may continue to be impacted by individuals contracting or being exposed to COVID-19, it has not had a significant impact on the Company’s ability to maintain operations. The Company has instructed employees at many offices (including corporate headquarters) to work from home on a temporary basis and implemented travel restrictions. Both segments have implemented business continuity plans, including the deployment of technology to conduct administrative and critical functions remotely, where possible, and employees and management teams are in place to communicate and respond to changes quickly and effectively. To date, there has not been a significant disruption in the Company’s supply chains, transportation network, or ability to serve customers.

As an essential service provider, Southwest implemented several important measures with regard to its customers. It initiated a temporary moratorium on natural gas disconnections for non-payment; it is working with customers who are experiencing financial hardship through flexible payment arrangements; and it also ceased charging late fees until further notice. See *Accounts receivable, net of allowances* in **Note 1 – Background, Organization, and Summary of Significant Accounting Policies**. In the utility infrastructure services segment, a limited number of Centuri customers have delayed some projects primarily in response to local governmental restrictions. Project delays, whether due to governmental restrictions or reassessments of timing by Centuri’s customers, have resulted in temporary reductions of workforce crews. Some crew reductions are ongoing and the associated revenue impacts are expected to be more pronounced in the second quarter of 2020. Management is monitoring the dynamic nature of these circumstances, the full impacts of which are not currently known, including the impact from business curtailments, weak market conditions, or governmental restrictions, including any restrictions which could limit the fulfillment by Centuri of its contractual obligations.

The Company has incurred additional expenses in connection with its response to these conditions, including costs of disinfecting work locations and equipment, costs related to enabling employees to support customers while working remotely, and impacts from the moratorium on customer disconnection and late fee assessment. These additional costs were not material to the Company’s first quarter fiscal 2020 results, and certain of Southwest’s regulatory commissions have implemented measures to mitigate impacts of these conditions on Southwest, and we are in discussion with others to explore options for relief. See *Rates and Regulatory Proceedings* below for additional detail.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was enacted, as discussed in **Note 1 – Background, Organization, and Summary of Significant Accounting Policies** of this Quarterly Report on Form 10-Q. Management does not anticipate the impacts, if any, related to the CARES Act to have a material effect on the Company’s or Southwest’s results of operations, financial position, or liquidity.

The extent to which COVID-19 may adversely impact the Company’s business depends on future developments, which are highly uncertain and unpredictable, including the timing of, or continued deferment by government officials related to, the resumption of commerce across the service territories of all our businesses, the magnitude of further spread of the virus in advance of and following such resumption, impacts of these conditions on our customers, the state of the North American economy following that resumption, and possible other unmitigated effects related to the virus. While management does not currently expect the impact of these conditions to be material to its liquidity and financial position, the current level of uncertainty over the economic and operational impacts of COVID-19 means the related financial impact cannot be fully estimated at this time. In anticipation of a redeployment of employees to their normal work locations, management has created a multi-phase reintegration plan to safeguard the wellbeing of our teams, including hygiene, sanitization, and social distancing practices, as well as the use of personal protective equipment for employees and visitors. Events and changes in circumstances arising after March 31, 2020, including those resulting from the impacts of COVID-19, will be reflected in management’s estimates for future periods. For further discussion of this matter, refer to “Item 1A. Risk Factors” in Part II of this report.

This Management’s Discussion and Analysis (“MD&A”) of Financial Condition and Results of Operations should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in this Quarterly Report on Form

10-Q and the audited financial statements and the notes thereto, as well as MD&A, included in the 2019 Annual Report to Shareholders, which is incorporated by reference into the 2019 Form 10-K.

Executive Summary

**The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's and Southwest's operations. As needed, certain items are covered in greater detail in later sections of MD&A.** As reflected in the table below, the natural gas operations segment accounted for an average of 76% of twelve-month-to-date consolidated net income over the past two years. As such, MD&A is primarily focused on that segment. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of results for a full year.

Summary Operating Results

(In thousands, except per share amounts)	Period Ended March 31,			
	Three Months		Twelve Months	
	2020	2019	2020	2019
<b>Contribution to net income</b>				
Natural gas operations	\$ 83,599	\$ 103,389	\$ 143,381	\$ 151,882
Utility infrastructure services	(10,204)	(8,031)	50,231	47,947
Corporate and administrative	(853)	(549)	(1,943)	(1,834)
<b>Net income</b>	<b>\$ 72,542</b>	<b>\$ 94,809</b>	<b>\$ 191,669</b>	<b>\$ 197,995</b>
<b>Weighted average common shares</b>	<b>55,310</b>	<b>53,369</b>	<b>54,726</b>	<b>50,640</b>
<b>Basic earnings per share</b>				
<b>Consolidated</b>	<b>\$ 1.31</b>	<b>\$ 1.78</b>	<b>\$ 3.50</b>	<b>\$ 3.91</b>
<b>Natural Gas Operations</b>				
<b>Reconciliation of Revenue to Operating Margin (Non-GAAP measure)</b>				
Gas operating revenues	\$ 502,827	\$ 520,677	\$ 1,351,089	\$ 1,384,092
Less: Net cost of gas sold	160,821	192,604	353,381	426,260
<b>Operating margin</b>	<b>\$ 342,006</b>	<b>\$ 328,073</b>	<b>\$ 997,708</b>	<b>\$ 957,832</b>

1st Quarter 2020 Overview

Natural gas operations highlights include the following:

- 33,000 net new customers (1.6% growth rate) during the last 12 months
- Operating margin increased \$14 million
- Company-Owned Life Insurance ("COLI") income decreased \$23 million between quarters
- Filed general rate case in Nevada

Utility infrastructure services highlights include the following:

- Utility infrastructure services revenues increased \$21 million, or 6.6%
- Utility infrastructure services expenses increased \$19 million, or 6.3%
- Equipment purchases during the past 12 months resulted in a \$3 million increase in depreciation

Results of Natural Gas Operations

Quarterly Analysis

(Thousands of dollars)	Three Months Ended March 31,	
	2020	2019
Gas operating revenues	\$ 502,827	\$ 520,677
Net cost of gas sold	160,821	192,604
Operating margin	342,006	328,073
Operations and maintenance expense	103,088	105,542
Depreciation and amortization	64,725	57,612
Taxes other than income taxes	16,378	16,206
Operating income	157,815	148,713
Other income (deductions)	(20,536)	5,946
Net interest deductions	25,058	23,099
Income before income taxes	112,221	131,560
Income tax expense	28,622	28,171
Contribution to consolidated net income	\$ 83,599	\$ 103,389

Contribution from natural gas operations to consolidated net income decreased \$19.8 million between the first quarters of 2020 and 2019. The decline was primarily due to decreases in Other income and increases in Depreciation and amortization and Net interest deductions, partially offset by an increase in rate relief and customer growth and lower Operations and maintenance expense.

Operating margin increased \$14 million. Approximately \$5 million of incremental margin was attributable to customer growth, as 33,000 net new customers were added during the last twelve months. Rate relief, primarily in California, contributed \$1 million in incremental operating margin in the current quarter. The prior-year quarter included an approximate \$5 million reduction in margin resulting from a one-time adjustment by the Arizona Corporation Commission (the "ACC") to reflect the impacts of U.S. tax reform on the Arizona decoupling mechanism. The remaining increase primarily resulted from the net recovery of regulatory program balances (collectively, having an offsetting impact in amortization expense), in addition to margin from customers outside the decoupling mechanisms and other miscellaneous revenues.

Operations and maintenance expense decreased \$2.5 million between quarters. Lower pipeline integrity management costs and legal claims experience contributed to the decline between periods.

Depreciation and amortization expense increased \$7.1 million, or 12%, between quarters, primarily due to a \$684 million, or 10%, increase in average gas plant in service compared to the corresponding quarter a year ago, and to an increase in regulatory account amortization, as discussed above. The increase in gas plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled and accelerated pipe replacement activities, and new infrastructure.

Other income decreased \$26.5 million between quarters primarily due to a decline in income from company-owned life insurance ("COLI") policies. The current quarter reflects a \$15.5 million decline in COLI policy cash surrender values, while the prior-year quarter reflected a \$7.6 million increase in COLI policy cash surrender values. These values are significantly impacted by fluctuations in equity securities associated with the cash surrender values, and values in both periods were impacted directionally consistent with the broader securities markets. Additionally, the non-service-related components of employee pension and other postretirement benefit costs were \$1.2 million higher between quarters.

Net interest deductions increased \$2 million in the first quarter of 2020, as compared to the prior-year quarter, primarily due to the issuance of \$300 million of Senior Notes in May 2019.



Results of Natural Gas Operations

Twelve-Month Analysis

(Thousands of dollars)	Twelve Months Ended March 31,	
	2020	2019
Gas operating revenues	\$ 1,351,089	\$ 1,384,092
Net cost of gas sold	353,381	426,260
Operating margin	997,708	957,832
Operations and maintenance expense	419,720	408,165
Depreciation and amortization	222,733	199,467
Taxes other than income taxes	62,500	60,847
Operating income	292,755	289,353
Other income (deductions)	(16,965)	(6,691)
Net interest deductions	96,985	85,584
Income before income taxes	178,805	197,078
Income tax expense	35,424	45,196
Contribution to consolidated net income	\$ 143,381	\$ 151,882

Contribution to consolidated net income from natural gas operations decreased by \$8.5 million between the twelve-month periods ended March 2020 and 2019. The decline was primarily due to higher Operations and maintenance expense, Depreciation and amortization expense, and Net interest deductions, and lower Other income, partially offset by an increase in operating margin and lower Income tax expense.

Operating margin increased \$40 million between periods. Customer growth provided \$12 million, and combined rate relief, primarily in Nevada and California, provided \$9 million of incremental operating margin. The prior-year period included an approximate \$5 million reduction in margin resulting from the one-time adjustment by the ACC to reflect the impacts of U.S. tax reform on the Arizona decoupling mechanism. The remaining net increase resulted from recoveries of regulatory assets (see corresponding \$9.2 million increase in amortization below), infrastructure replacement mechanisms, customers outside the decoupling mechanisms, and other miscellaneous revenues.

Operations and maintenance expense increased \$11.6 million, or 3%, between periods primarily due to general cost increases, expenditures for pipeline damage prevention programs, and higher legal claims experience. Incremental information technology costs also contributed to the increase.

Depreciation and amortization expense increased \$23.3 million, or 12%, between periods primarily due to a \$625 million, or 9%, increase in average gas plant in service for the current period as compared to the prior period. Amortization related to regulatory account recoveries increased \$9.2 million between periods.

Taxes other than income taxes increased \$1.7 million, or 3%, between periods primarily due to higher property balances (and rates, in the case of California and Nevada) and higher Nevada Commerce Tax.

Other income decreased \$10.3 million between the twelve-month periods of 2020 and 2019 primarily due to a decline in COLI policy values. The current period reflects a \$5.7 million decline in COLI policy cash surrender values, while the prior year period reflected a \$5.1 million increase.

Net interest deductions increased \$11.4 million between periods primarily due to higher interest associated with the issuance of \$300 million of Senior Notes in May 2019.

The reduction in income taxes between periods was partially due to lower state income taxes (due to apportionment changes) and \$2.6 million in amortization of excess deferred income taxes following U.S. tax reform.

Results of Utility Infrastructure Services

Quarterly Analysis

(Thousands of dollars)	Three Months Ended March 31,	
	2020	2019
Utility infrastructure services revenues	\$ 333,493	\$ 312,862
Operating expenses:		
Utility infrastructure services expenses	319,314	300,465
Depreciation and amortization	22,928	19,927
Operating loss	(8,749)	(7,530)
Other income (deductions)	(242)	875
Net interest deductions	2,899	3,269
Loss before income taxes	(11,890)	(9,924)
Income tax benefit	(2,149)	(2,468)
Net loss	(9,741)	(7,456)
Net income attributable to noncontrolling interest	463	575
Contribution to consolidated net income (loss) attributable to Centuri	\$ (10,204)	\$ (8,031)

Utility infrastructure services revenues increased \$20.6 million in the first quarter of 2020 when compared to the prior-year quarter, due to a higher volume of electric infrastructure and pipe replacement work under blanket and bid contracts. Centuri achieved this increase in revenues despite a shut-down of certain crews in response to local government requirements to postpone some business services and precautions to ensure employee safety during the COVID-19 outbreak.

Utility infrastructure services expenses increased \$18.8 million in the first quarter of 2020 when compared to the prior-year quarter, due primarily to costs to complete additional electric infrastructure and pipe replacement work. Expenses were also affected by increased costs and workforce inefficiencies associated with the implementation of new safety standards in response to the COVID-19 pandemic. Results during the first quarter of 2019 reflect incremental profit from customer requested strike support that did not recur in 2020. Included in total Utility infrastructure services expenses were general and administrative costs, which increased \$1.6 million in 2020 compared to 2019, associated primarily with growth of the business.

Depreciation and amortization expense increased \$3 million between quarters attributable to additional equipment purchased to support the growing volume of work being performed, primarily at Linetec. Depreciation expense was higher, relative to the revenues recorded, during the first quarter of 2020 compared to the prior-year quarter as a result of some equipment being idle while certain crews were shut-down during the COVID-19 outbreak.

Other income (deductions) decreased \$1.1 million in the first quarter of 2020 when compared to the prior-year quarter, due to a realized gain on foreign exchange recognized in 2019 and lower equity earnings from W.S. Nicholls Western, an equity method investee.

Results of Utility Infrastructure Services

Twelve-Month Analysis

(Thousands of dollars)	Twelve Months Ended March 31,	
	2020	2019
Utility infrastructure services revenues	\$ 1,771,609	\$ 1,575,130
Operating expenses:		
Utility infrastructure services expenses	1,592,076	1,429,202
Depreciation and amortization	90,618	64,806
Operating income	88,915	81,122
Other income (deductions)	(651)	374
Net interest deductions	13,716	14,263
Income before income taxes	74,548	67,233
Income tax expense	21,718	18,539
Net income	52,830	48,694
Net income attributable to noncontrolling interest	2,599	747
Contribution to consolidated net income attributable to Centuri	\$ 50,231	\$ 47,947

Utility infrastructure services revenues increased \$196.5 million overall in the current twelve-month period compared to the corresponding period of 2019, primarily due to incremental revenues from Linetec (acquired in November 2018) of \$192.2 million as well as continued growth with existing customers under master service and bid agreements. Partially offsetting these increases were decreased revenues from certain non-routine projects, including customer-requested support in 2018 and early 2019 during strike-related and emergency response situations, in addition to a multi-year water pipe replacement project that expired in July 2019 and was not renewed. The prior-year period also included the settlement of an earlier contract dispute related to that project (\$9 million). Implementation of new regulatory requirements for operating locations within certain eastern states in the U.S. resulted in lower revenues during the current period as Centuri worked with customers to adopt the new requirements.

Utility infrastructure services expenses increased \$162.9 million between periods, primarily due to incremental expenses related to Linetec of \$157.6 million along with additional electric infrastructure and pipe replacement work and higher labor-related operating expenses to support growth in operations. Additionally, efforts to complete an industrial construction project in Canada resulted in additional losses of approximately \$4 million during the current twelve-month period as a result of delays in commissioning the project. Included in total Utility infrastructure services expenses were general and administrative costs, which decreased \$4.4 million in the twelve-month period ended March 2020 when compared to the corresponding period ended March 2019, due primarily to the impact of deal costs from the acquisition of Linetec during 2018 (\$6.9 million). The 2020 period included higher operating costs overall, associated with the growth of the business. Net gains on sale of equipment (reflected as an offset to Utility infrastructure services expenses) were \$5.3 million and \$1.7 million for the twelve-month periods of 2020 and 2019, respectively.

Depreciation and amortization expense increased \$25.8 million between the current and prior-year period. The increase was primarily attributable to the incremental costs related to Linetec of \$17.7 million as well as depreciation on additional property and equipment purchased to support the growing volume of work being performed.

Net interest deductions decreased \$547,000 between periods due primarily to lower rates associated with outstanding borrowings under the \$590 million secured revolving credit and term loan facility.

## Rates and Regulatory Proceedings

Southwest is subject to the regulation of the Arizona Corporation Commission (the “ACC”), the Public Utilities Commission of Nevada (the “PUCN”), the California Public Utilities Commission (the “CPUC”), and the Federal Energy Regulatory Commission (the “FERC”).

### *General Rate Relief and Rate Design*

Rates charged to customers vary according to customer class and rate jurisdiction and are set by the individual state and federal regulatory commissions that govern Southwest’s service territories. Southwest makes periodic filings for rate adjustments as the cost of providing service (including the cost of natural gas purchased) changes, and as additional investments in new or replacement pipeline and related facilities are made. Rates are intended to provide for recovery of all commission-approved costs and a reasonable return on investment. The mix of fixed and variable components in rates assigned to various customer classes (rate design) can significantly impact the operating margin actually realized by Southwest. Management has worked with its regulatory commissions in designing rate structures that strive to provide affordable and reliable service to its customers while mitigating the volatility in prices to customers and stabilizing returns to investors. Such rate structures were in place in all of Southwest’s operating areas during all periods for which results of natural gas operations are disclosed above.

### *Arizona Jurisdiction*

*Arizona General Rate Case.* On May 1, 2019, Southwest filed a general rate case application requesting to increase revenue by approximately \$57 million to update the cost of service to reflect recent U.S. tax reform changes, including the return of excess deferred income taxes to customers, and to reflect capital investments of approximately \$670 million, including certain post-test year additions, which include the southern Arizona LNG facility discussed below. The application also includes a proposed 10.3% return on equity (“ROE”) relative to a capital structure of 51.1% equity. At the time of the filing, the Company estimated the return of approximately \$20.6 million of excess deferred income taxes. Following the original filing, in October 2019, Southwest filed an amendment to its application, updating for \$5.7 million in actual amortization of excess deferred income taxes known after the Company’s 2018 federal income tax return was filed in 2019, at which point, the actual amount could be computed based on the prescribed methodology for computing the amount that could be returned to customers. The difference of \$14.9 million would result in an increase in revenue and income tax expense, thereby having no impact on earnings overall. In association with the amendment, Southwest also included additional post-test year plant in the amount of \$124.5 million associated with its COYL and VSP programs, discussed further below. The amendment overall increased the deficiency by \$36 million, to \$93 million. Through the exchange of discovery and following the exchange of testimony, Southwest updated certain aspects of its cost of service, including a revised proposed ROE of 10.15%, to reflect an updated proposed increase of \$90.6 million. It also includes the retention of a fully decoupled rate design, other previously approved regulatory mechanisms, and a new infrastructure tracking mechanism for specific plastic pipe. The request also includes a proposal for a renewable natural gas program that authorizes Southwest to purchase renewable natural gas for its customers and to recover the cost as part of its PGA mechanism. A hearing in this matter was previously scheduled for April 2020; however, due to the current status of the COVID-19 pandemic, the hearing will be reset at a later date.

*Delivery Charge Adjustment.* The annual Delivery Charge Adjustment (“DCA”) is filed each April, which along with other reporting requirements, contemplates a rate to recover the over- or under-collected margin tracker amounts based on the balance at the end of the preceding calendar year. The DCA rate adjustment request filed in April 2018 reflected the December 31, 2017 balance, but was later updated to include the balance at December 31, 2018; after a one-time modification to reflect benefits attributable to the impact of U.S. tax reform on the balance then existing, the ACC approved an annualized recovery of \$69 million, with the associated rate effective in May 2019. In the process to address the 2019 activity, in April 2020, Southwest filed a request to adjust the existing rate to consider the 14-month period of January 1, 2019 through February 29, 2020.

*Tax Reform.* In February 2018, the ACC directed all Arizona utilities to address tax savings from the enactment of U.S. tax reform beginning January 1, 2018, through one of various means. In April 2018, Southwest filed an application with the ACC, requesting approval for a tax refund process or, in the alternative, the authority to file a general rate case to reflect the impacts of tax reform. Ultimately, Southwest was instructed to refund customers \$20 million annually, as compared to rate levels established in the previously concluded general rate case, until cost-of-service rates are updated in association with the pending general rate case. The current method to return this amount (in advance of the conclusion of the current general rate proceeding) is through a per-therm surcredit. Southwest has been tracking monthly differences between amounts expected to be returned and amounts actually returned to customers during 2018 and 2019, and continuing in 2020, which has resulted in an asset balance of \$1.5 million as of March 31, 2020.

*Liquefied Natural Gas (“LNG”) Facility.* In January 2014, Southwest filed an application with the ACC seeking preapproval to construct, operate, and maintain a 233,000 dekatherm LNG facility in southern Arizona. This facility is intended to enhance service reliability and flexibility related to natural gas deliveries in the southern Arizona area by providing a local storage option, to be

operated by Southwest and connected directly to its distribution system. Southwest was ultimately granted approval for construction and deferral of costs not to exceed \$80 million. Construction began during the third quarter of 2017 and the facility was placed in service in December 2019. Southwest incurred approximately \$75.3 million in capital expenditures toward the project (including land acquisition costs), which will be considered as part of Southwest's pending rate case. In addition to tracking the revenue requirement associated with the capital investment in a regulatory asset, operating expenses associated with the plant are also authorized to be included in a regulatory asset, to be addressed as part of the pending general rate case.

*Customer-Owned Yard Line ("COYL") Program.* Southwest received approval, in connection with its 2010 Arizona general rate case, to implement a program to conduct leak surveys, and if leaks were present, to replace and relocate service lines and meters for Arizona customers whose meters were set off from the customer's home, representing a non-traditional configuration. "Phase II" of the COYL program included the replacement of non-leaking COYLs. The surcharge is designed to collect the annual revenue requirement as the program progresses. In the filing made in February 2019, Southwest requested to increase its surcharge to recover a revenue requirement of \$6.7 million (an increase of \$3.2 million) related to the revenue requirement associated with \$26.6 million in capital projects completed in 2018. The ACC ultimately issued an Order in October 2019 authorizing Southwest to retain the existing annual surcharge of \$3.5 million and indicating it would review the program as part of the pending general rate case. Neither the ACC Staff nor the consumer advocate oppose the continuation of the COYL program. Southwest also proposed to have the ACC review an estimated \$21.1 million of 2019 COYL capital projects, and if authorized, to also render a decision regarding cost recovery as part of the pending rate case.

*Vintage Steel Pipe ("VSP") Program.* Southwest received approval, in connection with its 2016 Arizona general rate case, to implement a VSP replacement program. Southwest currently has a substantial amount of pre-1970s vintage steel pipe in Arizona. As part of the program, Southwest proposed to start replacing the pipe on an accelerated basis and to recover the costs through an annual surcharge filing. A surcharge related thereto has been customarily designed to be revised annually as the program progresses to collect the annual revenue requirement associated with the related capital expenditures. In the most recent VSP filing, in February 2019, Southwest requested to increase its surcharge revenue by \$9.5 million (to \$11.9 million) related to 2018 expenditures; Southwest replaced approximately \$100 million of VSP in connection with 2018 VSP capital projects. The ACC issued an Order in October 2019 authorizing Southwest to retain the current annual surcharge of \$2.4 million and indicated it would review the program as part of the pending rate general case. Southwest also proposed to have the ACC review an estimated \$103.4 million of 2019 VSP capital projects, and if authorized, to also render a decision regarding cost recovery as part of the pending rate case.

*Customer Data Modernization Initiative.* Southwest has embarked on an initiative to replace its customer service system and its gas transaction system, each of which is utilized to support all Southwest service territories. Combined, these undertakings are referred to as the Customer Data Modernization Initiative (the "CDMI"). In March 2019, Southwest filed an application with the ACC seeking an accounting order which, if approved, would authorize Southwest to track and defer all costs associated with the CDMI to mitigate adverse financial implications associated with this multi-year initiative. The total cost for the CDMI is estimated at \$174 million, approximately \$96 million of which would be allocable to the Arizona rate jurisdiction. The initiative is currently expected to be completed in the first half of 2021. A hearing in this matter was previously scheduled for April 2020; however, due to the current status of the COVID-19 pandemic, a hearing in this matter will be reset at a later date.

#### *California Jurisdiction*

*California General Rate Case.* Southwest's existing rates became effective June 2014, and included a Post-Test Year ("PTY") Ratemaking Mechanism, which allowed for attrition increases of 2.75% annually for 2015 through 2018, after which new rates from a subsequent rate case cycle would have been expected to be in effect. In December 2016, Southwest filed to modify the earlier (2014) general rate case decision to extend the rate case cycle by two years, and received CPUC approval in June 2017, including extension of the annual 2.75% PTY attrition adjustments for 2019 and 2020.

On August 30, 2019, Southwest filed the previously deferred California general rate case, based on a test year of 2021, seeking authority to increase rates in its California rate jurisdictions. The proposed combined revenue increase of \$12.8 million is net of a \$10.9 million revenue reduction associated with changes from U.S. tax reform, which includes the amortization of \$9.8 million (approximately \$2 million annually over five years) associated with the difference in authorized income tax expense and actual incurred income tax expense for years 2019 and 2020 (as discussed below), which when returned will impact cash flows but is not expected to have an impact on earnings overall. The overall revenue request also includes \$1.6 million of excess accumulated deferred income taxes that are proposed to be returned to customers each year until the amount is reset as part of a future rate case. Southwest's proposal includes a return on common equity of 10.5%, relative to a 53% equity ratio; continuation of the post-test year margin adjustments of 2.75%; implementation of various safety-related programs, including a targeted pipe replacement program and a meter protection program (which includes a combination of measures, such as snow sheds, excess flow valves, upgraded meter set piping and upgraded Encoder Receiver Transmitter protocol); as well as an expansion of the COYL replacement program. The case will be processed throughout 2020, including scheduled hearings in June, with rates requested to be effective January 2021.

*Tax Reform.* In its 2017 decision approving Southwest's request to extend the filing date of its next general rate case, the CPUC also directed Southwest to track income tax expense resulting from mandatory or elective changes in tax law, procedure, or policy. The purpose is to identify differences between Southwest's authorized income tax expense and its actual incurred income tax expense, the result of which would be reviewed in Southwest's now currently applicable general rate case application. Through the first quarter of 2020, Southwest reflected \$6.7 million as a reserve for amounts attributable to the impact of U.S. tax reform on the ratemaking revenue requirement, and expects to reserve an additional approximate \$3 million during the remainder of 2020.

*Attrition Filing.* In November 2019, Southwest made its latest annual PTY attrition filing, requesting annual revenue increases of \$2.06 million in southern California, \$556,000 in northern California, and \$278,000 for South Lake Tahoe. This filing was approved in December 2019 and rates were made effective in January 2020. At the same time, rates were updated to recover the regulatory asset associated with the revenue decoupling mechanism, or margin tracker.

*Greenhouse Gas ("GHG") Compliance.* California Assembly Bill Number 32 and the regulations promulgated by the California Air Resources Board, require Southwest, as a covered entity, to comply with all applicable requirements associated with California GHG emissions reporting and the California Cap and Trade Program. The CPUC issued a decision in March 2018 adopting an allocation methodology to distribute the net revenues or costs for years 2015-2017 beginning in the second quarter of 2018. Southwest began amortizing its then existing net cost balance over a 12-month period with recovery rates effective July 2018 for all applicable rate schedules. In addition, for years 2019-2020, the decision adopted an allocation methodology to distribute the revenue proceeds through a California Climate Credit to active residential customers in April of each year, following initial required credits in October 2018. GHG compliance costs recovered through rates (including transportation customer rates) have no impact on earnings.

*Renewable Natural Gas.* In February 2019, Southwest filed an application that, among other provisions, seeks to formally allow the inclusion of renewable natural gas (or biomethane) as a potential component of Southwest's gas supply portfolio through the Biomethane Gas Program ("BGP"). This proposal is designed to further the goals of the California Global Warming Solutions Act of 2006, the California Low Carbon Fuel Standard, Senate Bills 1383 and 1440, as well as current or future legislative or regulatory efforts to reduce greenhouse gas emissions. Implementation of the BGP addresses cost recovery as part of Southwest's existing Gas Cost Incentive Mechanism related to the purchase or sale of biomethane. The CPUC issued a final decision approving the proposal the end of March 2020.

*Customer Data Modernization Initiative.* On April 26, 2019, Southwest filed an application with the CPUC seeking authority to establish a two-way, interest bearing balancing account to record costs associated with the CDMI to mitigate adverse financial implications associated with this multi-year project. Approximately \$19 million of the total cost for the CDMI would be allocable to the California rate jurisdiction. Southwest filed a separate request to establish a memorandum account while the CPUC considers its application request to establish a two-way balancing account. Effective October 2019, the CPUC granted Southwest's memorandum account request, which will allow Southwest to track costs, including operations and maintenance costs and capital-related costs, such as depreciation, taxes, and return associated with California's portion of the CDMI. The balance tracked in the memorandum account will be transferred to the two-way balancing account, if approved. In January 2020, Southwest and the Public Advocates Office reached a settlement agreement to adopt Southwest's Application for Authority to Implement the CDMI. The proposed decision approving the settlement agreement is expected in the second quarter 2020.

*Emergency Relief Program Related to COVID-19.* On March 25, 2020, Southwest filed an Advice Letter to establish a memorandum account to track costs related to the implementation of customer protections under Emergency Relief regulations implemented in 2019 in the event of a state or federal declared emergency or disaster. The CPUC passed an emergency resolution April 16, 2020 authorizing and directing utilities to implement customer protections and to establish memorandum accounts to track the financial impacts associated with complying with the resolution. On May 1, 2020, Southwest filed an Advice Letter to establish a COVID-19 Pandemic Protections Memorandum Account ("CPPMA") to record all incremental costs and lost revenues incurred by Southwest associated with its implementation of the COVID-19 customer protections as outlined in the CPUC resolution. The customer protections were retroactively applied to March 4, 2020, the date Governor Gavin Newsom declared a state of emergency related to COVID-19. The CPPMA is effective March 4, 2020 through April 16, 2021. These customer protections focus on flexible payment plan options, additional protections for income-qualified customers, as well as the suspension of disconnections for non-payment and the waiver of deposit and late fee requirements. These costs will be considered by the CPUC for future recovery.

#### *Nevada Jurisdiction*

*Nevada General Rate Case.* Southwest filed a general rate case application with the PUCN on February 28, 2020. The filing requests a statewide overall general rate increase of approximately \$38.3 million. The request seeks an ROE of 10% relative to a proposed capital structure of 50% equity and continuation of the General Revenues Adjustment ("GRA") mechanism (full revenue decoupling). The request also proposes the recovery of previously excluded costs attributable to several software applications. A hearing in this matter is scheduled for August 2020.

In December 2018, the PUCN issued a rate case decision in the previous general rate case application, which authorized an ROE of 9.25% relative to the Company's proposed capital structure of 49.66% equity applicable to both southern and northern Nevada and provided for an overall revenue increase of \$9.5 million in southern Nevada and a revenue decrease in northern Nevada of \$2 million. Rates from this proceeding originally became effective in January 2019.

As part of that proceeding, management filed a request for reconsideration of several rate case issues during the same month of effective rates. The PUCN Staff also filed a Petition for Reconsideration requesting several technical clarifications on the rate case decision with respect to how to calculate the intended results of the decision. The PUCN, in turn, issued a decision regarding both petitions in February 2019 that modified certain parts of the original order, but granted no further rate relief. The modified final decision resulted in a revenue increase of \$9.2 million in southern Nevada and a revenue decrease in northern Nevada of \$2.1 million. The decision included a reduction in depreciation expense of \$800,000 and overall, resulted in a net increase in revenues of \$7.1 million and an increase in operating income of \$7.9 million. The modified rates became effective March 2019. Management decided to seek judicial review of the PUCN's rate order, which was considered in January 2020. The District Court Judge deferred to the PUCN's original findings. In March 2020, Southwest filed an appeal with the Nevada Supreme Court, the resolution of which will likely take 12-24 months. Southwest expects consideration of the appeal to occur concurrently with the proceedings of the 2020 general rate case that was filed in February 2020.

*General Revenues Adjustment.* The continuation of the GRA was affirmed as part of the December 2018 rate case decision and is again being requested as part of Southwest's pending general rate case application filed in February 2020. In June 2019, Southwest made its 2019 Annual Rate Adjustment ("ARA") filing in which it requested to update the GRA to reflect the current balances in both southern and northern Nevada. This most recent filing provided for a decrease of approximately \$8 million for an over-collected balance in southern Nevada and an increase of approximately \$2 million in northern Nevada. The proposed changes were approved, with rates effective January 2020. While there is no impact to net income overall from adjustments to recovery rates associated with the related regulatory balances, operating cash flows are impacted by such changes.

*Infrastructure Replacement Mechanism.* In 2014, the PUCN approved final rules for the GIR mechanism which defers and recovers certain costs associated with accelerated replacement of qualifying infrastructure that would not otherwise currently provide incremental revenues. Associated with the replacement of various types of pipe infrastructure under the mechanism (Early Vintage Plastic Pipe, COYL, and VSP), the related regulations provide Southwest with the opportunity to file a GIR "Advance Application" annually, generally in May, to seek preapproval of qualifying replacement projects.

Furthermore, a GIR Rate Application is generally filed each October to reset the GIR recovery surcharge rate related to previously approved and completed projects, with new rates typically becoming effective each January. On October 1, 2019, Southwest filed a Rate Application to reset the recovery surcharge to include cumulative deferrals through August 31, 2019. This surcharge rate became effective February 1, 2020 and is expected to result in a reduction in annual revenue of approximately \$5.3 million in southern Nevada and no incremental revenue in northern Nevada.

*Conservation and Energy Efficiency ("CEE").* The PUCN allows deferral (and later recovery) of approved conservation and energy efficiency costs, recovery rates for which are adjusted in association with ARA filings. In June 2019, Southwest made its 2019 ARA filing, which proposed annualized margin increases of \$3.2 million and \$880,000 in southern and northern Nevada, respectively. However, Southwest entered into a stipulation and agreement to modify these amounts to \$6.2 million and \$1.1 million in southern and northern Nevada, respectively, which reflected the recovery of a related but separate program balance to be rolled into customer rates with the same effective date. The modification was approved, and rates became effective January 2020.

*Expansion and Economic Development Legislation.* In January 2016, final regulations were approved by the PUCN associated with legislation ("SB 151") previously introduced and signed into law in Nevada. The legislation authorized natural gas utilities to expand their infrastructure to provide service to unserved and underserved areas in Nevada.

In November 2017, Southwest filed for preapproval of a project to extend service to Mesquite, Nevada, in accordance with the SB 151 regulations. Ultimately, the PUCN issued an order approving Southwest's proposal to expand natural gas infrastructure to Mesquite. The order approved a capital investment of approximately \$28 million and the construction of approximately 37 miles of distribution pipeline (including the approach main). A volumetric rate was implemented October 1, 2019, to recover the cost and is applicable to all southern Nevada customers (including new customers in Mesquite). The annual revenue requirement associated with the project is \$2.8 million. Following preliminary design, Southwest began serving certain customers with an approved virtual pipeline network in February 2019, providing temporary natural gas supply using portions of the approved distribution system and compressed natural gas. It is estimated that permitting and construction of the approach main to bring the permanent supply to Mesquite and construction of the remaining approved distribution system will be placed in service in the first quarter of 2021.

In June 2019, Southwest filed for preapproval to construct the infrastructure necessary to expand natural gas service to Spring Creek, Nevada, and to implement a cost recovery methodology to timely recover the associated revenue requirement consistent

with the SB 151 regulations. Expansion to the Spring Creek area near Elko, Nevada, consists of a high-pressure approach main and associated regulator stations, an interior backbone, and the extension of the distribution system from the interior backbone system. The total capital investment is estimated to be \$61.9 million. A stipulation in this matter was reached with the parties and approved by the PUCN in December 2019, which largely accepted Southwest's proposal with modifications reflected in the rate recovery allocations split amongst northern Nevada, Elko, and Spring Creek expansion customers. Initial ground-breaking is expected in the summer of 2020.

*Customer Data Modernization Initiative.* In March 2019, Southwest filed a request seeking authority to establish a regulatory asset to defer the revenue requirement related to the CDMI to mitigate the financial attrition associated with this multi-year project. Of the total estimated cost of the CDMI, approximately \$59 million would be allocable to the Nevada rate jurisdictions. A hearing on this matter was held in August 2019 and the PUCN issued its decision in September 2019, denying the Southwest's request for regulatory asset treatment, finding that a general rate case is the most appropriate venue to address such costs. In response to the PUCN's decision, Southwest filed a Petition for Reconsideration in October 2019, which was denied. Southwest proposed to establish a level of expense of approximately \$1.2 million in rates as part of its pending general rate case filing. The project is expected to be moved to production in 2021.

*Regulatory Asset Related to COVID-19.* The PUCN issued an order directing utilities within the state to establish regulatory asset accounts to track the financial impacts associated with maintaining service for customers affected by COVID-19, including those whose service would have been otherwise terminated/disconnected, effective March 12, 2020, the date Governor Steve Sisolak declared a state of emergency related to COVID-19. These costs will be considered by the PUCN for future recovery.

#### *FERC Jurisdiction*

*General Rate Case.* Paiute Pipeline Company ("Paiute"), a wholly owned subsidiary of Southwest, filed a general rate case with the FERC in May 2019. The filing fulfilled an obligation from the settlement agreement reached in the 2014 Paiute general rate case. The application requested an increase in operating revenues of approximately \$7 million, and included the continuation of term-differentiated rates.

In January 2020, Paiute reached an agreement in principle with the FERC Staff and intervenors to settle its general rate case. In addition to continuing the rate structures with its shippers, the settlement, which was filed in March 2020, would result in a revenue reduction of approximately \$700,000. The agreement-in-principle is based on a 9.90% pre-tax rate of return. Also, as part of this agreement, Paiute agreed not to file a rate case prior to January 1, 2022, but no later than May 31, 2025.

In January 2020, Paiute requested, and was granted, the authority to place the settlement rates into effect on an interim basis effective February 2020. These rates will remain in effect, subject to final FERC approval. Should the proceeding not be resolved by the agreement in principle, or if the settlement proceeds as a contested settlement, Paiute is authorized to receive the difference between the interim settlement rates and the separately filed motion rates from affected customers, retroactive to February 2020. On March 30, 2020, Paiute filed a proposed settlement agreement with the FERC for review and approval, which is expected later this year.

#### *PGA Filings*

The rate schedules in all of Southwest's service territories contain provisions that permit adjustment to rates as the cost of purchased gas changes. These deferred energy provisions and purchased gas adjustment clauses are collectively referred to as "PGA" clauses. Differences between gas costs recovered from customers and amounts paid for gas by Southwest result in over- or under-collections. As of March 31, 2020, over-collections in each of Southwest's service territories resulted in a liability of \$26.5 million on the Company's and Southwest's Condensed Consolidated Balance Sheets. The balance in Arizona includes approximately \$1.2 million related to excess amounts returned to Arizona customers that originated with a refund received by Southwest during the third quarter of 2018 from a rate case settlement associated with El Paso Natural Gas, L.L.C. ("El Paso"). Effective April 2020, the special per-term PGA credit associated with the return of the El Paso refund to Southwest's Arizona customers was terminated.

Filings to change rates in accordance with PGA clauses are subject to audit by state regulatory commission staffs. PGA changes impact cash flows but have no direct impact on profit margin. However, gas cost deferrals and recoveries can impact comparisons between periods of individual consolidated income statement components. These include Gas operating revenues, Net cost of gas sold, Net interest deductions, and Other income (deductions).



The following table presents Southwest's outstanding PGA balances receivable/(payable):

(Thousands of dollars)	March 31, 2020	December 31, 2019	March 31, 2019
Arizona	\$ (17,538)	\$ (59,259)	\$ (72,213)
Northern Nevada	(3,154)	11,894	12,962
Southern Nevada	(2,585)	32,518	51,221
California	(3,221)	(1,496)	1,059
	<u>\$ (26,498)</u>	<u>\$ (16,343)</u>	<u>\$ (6,971)</u>

#### Capital Resources and Liquidity

Historically, cash on hand and cash flows from operations have provided a substantial portion of cash used in investing activities (primarily for construction expenditures and property additions). In recent years, the Company has accelerated pipe replacement activities to fortify system integrity and reliability, notably in association with gas infrastructure replacement programs as discussed previously. This accelerated activity has necessitated the issuance of both debt and equity securities to supplement cash flows from operations. The Company endeavors to maintain an appropriate balance of equity and debt to maintain strong investment-grade credit ratings, which should minimize interest costs.

#### Cash Flows

Southwest Gas Holdings, Inc.:

*Operating Cash Flows.* Cash flows provided by consolidated operating activities increased \$83 million in the first three months of 2020 as compared to the same period of 2019. The improvement in cash flows primarily resulted from collections of amounts under purchased gas adjustment mechanisms, collection of the remaining half (\$35 million) of the Arizona decoupling mechanism balance that was outstanding as of the end of 2018, as well as benefits from depreciation and impacts of other working capital components overall. These impacts were offset by a decrease in net income and a \$50 million supplemental contribution for pension funding made in January 2020 (reflected as a Changes in other liabilities and deferred credits in the Condensed Consolidated Statements of Cash Flows of both the Company and Southwest).

*Investing Cash Flows.* Cash used in consolidated investing activities decreased \$7 million in the first three months of 2020 as compared to the same period of 2019. The change was primarily due to an increase in utility customer advances and proceeds from sales of equipment at the utility infrastructure services segment.

*Financing Cash Flows.* Net cash used in consolidated financing activities increased \$90 million in the first three months of 2020 as compared to the same period of 2019. The change was primarily due to payments related to the portion of the credit facility utilized for working capital purposes at Southwest (\$133 million) offset by higher borrowings at Southwest Gas Holdings, Inc. (\$43 million) and a decrease of issuances of common stock under the Company's Equity Shelf Program, as there were none during the first three months of 2020 as compared to \$23 million during the first quarter of 2019. Additionally, Centuri received a net \$26 million in additional proceeds between a \$50 million equipment loan in 2020 and a net paydown of credit facility and long-term debt borrowings as compared to the same period in the prior year. See **Note 4 – Common Stock** and **Note 5 – Debt**.

During the three months ended March 31, 2020, the Company issued 47,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan, raising approximately \$3.1 million.

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and utility infrastructure services segments. Each business activity is generally responsible for securing its own external debt financing sources. However, the holding company may raise funds through stock issuance or other external financing sources in support of each business segment, as discussed in **Note 4 – Common Stock**.

Southwest Gas Corporation:

*Operating Cash Flows.* Cash flows provided by operating activities increased \$89 million in the first three months of 2020 as compared to the same period of 2019. The improvement in operating cash flows was attributable to impacts related to deferred purchased gas costs and recoveries related to the Arizona decoupling mechanism noted above, as well as other working capital components overall, and benefits from depreciation, offset by a decrease in net income and the supplemental contribution for pension funding in 2020.

*Investing Cash Flows.* Cash used in investing activities increased \$7 million in the first three months of 2020 as compared to the same period of 2019. The change was primarily due to additional capital expenditures in 2020.

*Financing Cash Flows.* Net cash used in financing activities increased \$109 million in the first three months of 2020 as compared to the same period of 2019. The increase was primarily due to payments in the current period related to the portion of Southwest's revolving credit facility designated for working capital purposes, offset by an increase in capital contributions from Southwest Gas Holdings, Inc.

#### *Gas Segment Construction Expenditures and Financing*

During the twelve-month period ended March 31, 2020, construction expenditures for the natural gas operations segment were \$788 million. The majority of these expenditures represented costs associated with scheduled and accelerated replacement of existing transmission, distribution, and general plant. Cash flows from operating activities of Southwest were \$456 million during this time, and provided approximately 52% of construction expenditures and dividend requirements.

Management estimates natural gas segment construction expenditures during the three-year period ending December 31, 2022 will be approximately \$2.1 billion. Of this amount, approximately \$650 million to \$700 million is scheduled to be incurred in 2020. Southwest plans to continue to request regulatory support as necessary and appropriate to accelerate projects that improve system flexibility and reliability (including replacement of early vintage plastic and steel pipe). Southwest may expand existing, or initiate new, programs. Significant replacement activities are currently expected to continue well beyond the next few years. See also **Rates and Regulatory Proceedings** for discussion of Nevada infrastructure, Arizona COYL and VSP programs, and Spring Creek in Nevada. During the three-year period, cash flows from operating activities of Southwest are expected to provide approximately 50% of the funding for gas operations total construction expenditures and dividend requirements. Any additional cash requirements are expected to be provided by existing credit facilities, equity contributions from the Company, and/or other external financing sources. The timing, types, and amounts of any additional external financings will be dependent on a number of factors, including the cost of gas purchases, conditions in the capital markets, timing and amounts of rate relief, timing differences between U.S. federal taxes embedded in customer rates and amounts implemented under tax reform, as well as growth levels in Southwest's service areas and earnings. External financings could include the issuance of debt securities, bank and other short-term borrowings, and other forms of financing.

In May 2019, the Company filed with the SEC an automatic shelf registration statement for the offer and sale of up to \$300 million of common stock from time to time in at-the-market offerings under the prospectus included therein in accordance with the Sales Agency Agreement, dated May 8, 2019, between the Company and BNY Mellon Capital Markets, LLC (the Equity Shelf Program). The Company issued no stock under this multi-year program during the first quarter of 2020; approximately \$176 million is available under the program as of March 31, 2020. Net proceeds from the sales of shares of common stock under the Equity Shelf Program are intended for general corporate purposes, including the acquisition of property for the construction, completion, extension or improvement of pipeline systems and facilities located in and around the communities served by Southwest.

During the twelve months ended March 31, 2020, 1,478,945 shares were issued in at-the-market offerings at an average price of \$84.07 per share with gross proceeds of \$124.3 million, agent commissions of \$1.2 million, and net proceeds of \$123.1 million under the Company's equity shelf program noted above.

#### *Bonus Depreciation*

In 2017, with the enactment of U.S. tax reform, the bonus depreciation deduction percentage changed from 50% to 100% for "qualified property" placed in service after September 27, 2017 and before 2023. The bonus depreciation tax deduction phases out starting in 2023, by 20% for each of the five following years. Qualified property excludes most public utility property. The Company estimates bonus depreciation will defer the payment of approximately \$10 million of federal income taxes for 2020, none of which relates to utility operations.

#### *Dividend Policy*

Dividends are payable on the Company's common stock at the discretion of the Board of Directors (the "Board"). In setting the dividend rate, the Board currently targets a payout ratio of 55% to 65% of consolidated earnings per share and considers, among other factors, current and expected future earnings levels, our ongoing capital expenditure plans and expected external funding needs, in addition to our ability to maintain strong credit ratings and liquidity. The Company has paid dividends on its common stock since 1956 and has increased that dividend each year since 2007. In February 2020, the Board elected to increase the quarterly dividend from \$0.545 to \$0.570 per share, representing a 4.6% increase, effective with the June 2020 payment.

#### *Liquidity*

Liquidity refers to the ability of an enterprise to generate sufficient amounts of cash through its operating activities and external financing to meet its cash requirements. Several general factors (some of which are out of the control of the Company) that could significantly affect liquidity in future years include: variability of natural gas prices, changes in the ratemaking policies of regulatory commissions, regulatory lag, customer growth in the natural gas segment's service territories, the ability to access and obtain

capital from external sources, interest rates, changes in income tax laws, pension funding requirements, inflation, and the level of earnings. Natural gas prices and related gas cost recovery rates, as well as plant investment, have historically had the most significant impact on liquidity.

The Company remains focused on the safety and well-being of our employees and on the service of our customers. The Company will continuously review and assess the ongoing impacts of the COVID-19 pandemic, including those on our customers, suppliers, and business. As of March 31, 2020, the Company's Cash and cash equivalents were \$61 million, and the Company had access to \$454 million of borrowing capacity under the Company's various credit facilities, which management believes will help manage the impacts of the COVID-19 pandemic on its business and address related liquidity needs if they should arise.

On an interim basis, Southwest defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At March 31, 2020, the combined balance in the PGA accounts totaled an over-collection of \$26 million. See **PGA Filings** for more information.

Southwest Gas Holdings, Inc. has a credit facility with a borrowing capacity of \$100 million; on April 10, 2020, the existing credit facility was amended to extend the maturity date to April 10, 2025, while maintaining the borrowing capacity at \$100 million. The Company intends to utilize this facility for short-term financing needs. At March 31, 2020, \$60 million was outstanding under this facility.

Southwest has a credit facility, with a borrowing capacity of \$400 million; on April 10, 2020, Southwest amended the credit facility agreement which extended the maturity date to April 10, 2025. The revolving borrowing capacity under the amended credit facility agreement remains at \$400 million. Southwest designated \$150 million of the facility for long-term borrowing needs and the remaining \$250 million for working capital purposes. The maximum amount outstanding on the long-term portion of the credit facility (including a commercial paper program, as noted below) during the first three months of 2020 was \$150 million, the same amount which was outstanding as of March 31, 2020. Additionally, the maximum amount outstanding on the short-term portion of the credit facility during the first three months of 2020 was \$194 million. As of March 31, 2020, \$97 million of borrowings were outstanding on the short-term portion of this credit facility. The credit facility can be used as necessary to meet liquidity requirements, including temporarily financing under-collected PGA balances, if any, or meeting the refund needs of over-collected balances. It has been adequate for Southwest's working capital needs outside of funds raised through operations and other types of external financing. As indicated, any additional cash requirements would include the existing credit facility, equity contributions from the Company, and/or other external financing sources.

Southwest has a \$50 million commercial paper program. Any issuance under the commercial paper program is supported by Southwest's current revolving credit facility and, therefore, does not represent additional borrowing capacity. Any borrowing under the commercial paper program during 2020 will be designated as long-term debt. Interest rates for the commercial paper program are calculated at the current commercial paper rate during the borrowing term. At March 31, 2020, there were no borrowings outstanding under this program.

Centuri has a senior secured revolving credit and term loan facility with borrowing capacity of \$590 million (refer to **Note 5 – Debt**). The line of credit portion of the facility is \$325 million; amounts borrowed and repaid under the revolving credit facility are available to be re-borrowed. The term loan facility portion has a limit of approximately \$265 million. The \$590 million credit and term loan facility expires in November 30, 2023. It is secured by substantially all of Centuri's assets except those explicitly excluded under the terms of the agreement (including owned real estate and certain certificated vehicles). Centuri assets securing the facility at March 31, 2020 totaled \$1.2 billion. The maximum amount outstanding on the facility during the first three months of 2020 was \$286 million; of which \$242 million was outstanding on the term portion. As of March 31, 2020, \$43 million was outstanding on the revolving credit facility. As of March 31, 2020, there was \$233 million outstanding on the term loan portion of the facility. Also at March 31, 2020, there was approximately \$261 million, net of letters of credit, available under the line of credit.

On April 10, 2020, the holding company and Southwest amended their respective credit facility agreements, see above. Interest rates for the amended credit facilities are calculated at either LIBOR or an "alternate base rate," plus in each case an applicable margin that is determined based on each entities respective senior unsecured long-term debt rating. Upon the occurrence of certain events providing for a transition away from LIBOR, or if LIBOR is no longer a widely recognized benchmark rate, each entity may amend their respective credit facility with a replacement rate as set forth in the amended credit facility agreement. It is currently anticipated that LIBOR may be discontinued as a benchmark or reference rate after 2021. As of March 31, 2020, \$60 million borrowings were outstanding for the holding company under its credit facility (see **Note 5 – Debt**), all of Southwest's outstanding borrowings of \$247 million under its credit facility (other than from its commercial paper program), and \$177 million of Centuri's indebtedness under its facility have interest rates with reference to LIBOR and maturity dates that extend beyond 2021. The outstanding amounts reflect approximately 11% of Southwest's total debt and 18% of total debt (including current maturities) for

the Company overall. In order to mitigate the impact of the discontinuation on the Company's financial condition and results of operations, Southwest and Centuri will continue to monitor developments with respect to alternative rates and work with lenders to determine the appropriate alternative reference rate for variable rate indebtedness. However, at this time the Company and Southwest can provide no assurances as to the impact a LIBOR discontinuation will have on their financial condition or results of operations. Any alternative rate may be less predictable or less attractive than LIBOR.

## Forward-Looking Statements

This quarterly report contains statements which constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (“Reform Act”). All statements other than statements of historical fact included or incorporated by reference in this quarterly report are forward-looking statements, including, without limitation, statements regarding the Company’s plans, objectives, goals, intentions, projections, strategies, future events or performance, negotiations, and underlying assumptions. The words “may,” “if,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “continue,” “forecast,” “intend,” “endeavor,” “promote,” “seek,” and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding operating margin patterns, customer growth, the composition of our customer base, price volatility, seasonal patterns, payment of debt, the Company’s COLI strategy, replacement market and new construction market, impacts from the novel Coronavirus (COVID-19), including on our employees, customers, supply chain, transportation network, our financial position, revenue, earnings, cash flows, debt covenants, operations, regulatory recovery, work deployment or resumption and related uncertainties stemming from this pandemic, expected impacts of valuation adjustments associated with the redeemable noncontrolling interest in Linetec, the impacts of the U.S. tax reform including disposition in regulatory proceedings and bonus depreciation tax deductions, the impact of recent PHMSA rulemaking, the amounts and timing for completion of estimated future construction expenditures, plans to pursue infrastructure programs or programs under SB151 legislation, forecasted operating cash flows and results of operations, net earnings impacts from gas infrastructure replacement surcharges, funding sources of cash requirements, amounts generally expected to be reflected in 2020 or future period revenues from regulatory rate proceedings including amounts requested from the recently filed and ongoing general rate cases, the outcome of judicial review of the recently concluded Nevada rate case, rates and surcharges, PGA, and other rate adjustments, sufficiency of working capital and current credit facilities, bank lending practices, the Company’s views regarding its liquidity position, ability to raise funds and receive external financing capacity and the intent and ability to issue various financing instruments and stock under the Equity Shelf Program or otherwise, future dividend increases and the Board’s current target dividend payout ratio, pension and postretirement benefits, certain impacts of tax acts, the effect of any rate changes or regulatory proceedings, contract or construction change order negotiations, impacts of accounting standard updates, infrastructure replacement mechanisms and COYL programs, statements regarding future gas prices, gas purchase contracts and derivative financial instruments, recoverability of regulatory assets, the impact of certain legal proceedings, and the timing and results of future rate hearings, including the ongoing general rate cases and the final resolution for recovery of the CDMI in all jurisdictions, and statements regarding approvals are forward-looking statements. All forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act.

A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, customer growth rates, conditions in the housing market, the impacts of COVID-19 including that which may result from a sustained restriction on commerce by government officials, including impacts on employment in our territories, the health impacts to our customers and employees due to the persistence of the virus, the ability to collect on customer accounts due to the current or an extended moratorium on late fees or service disconnection, the ability to obtain regulatory recovery of all costs and financial impacts resulting from this pandemic, the ability of infrastructure services business to resume work with all customers and the impact of a delay or termination of work as a result thereof, the impacts of future restrictions placed on our business by government regulation including related to personnel distancing, investment in personal protective equipment and other protocols, the impact of a resurgence of the virus following the resumption of commerce in our territories, and decisions of Centuri customers as to whether to pursue capital projects due to economic impacts resulting from the pandemic, the ability to recover costs through the PGA mechanisms or other regulatory assets, the effects of regulation/deregulation, governmental or regulatory policy regarding natural gas or alternative energy, the regulatory support for ongoing infrastructure programs, the timing and amount of rate relief, the timing and methods determined by regulators to refund amounts to customers resulting from U.S. tax reform, changes in rate design, variability in volume of gas or transportation service sold to customers, changes in gas procurement practices, changes in capital requirements and funding, the impact of conditions in the capital markets on financing costs, the impact of variable rate indebtedness associated with a discontinuance of LIBOR including in relation to amounts of indebtedness then outstanding, changes in construction expenditures and financing, changes in operations and maintenance expenses, effects of pension expense forecasts, accounting changes and regulatory treatment related thereto, currently unresolved and future liability claims, changes in pipeline capacity for the transportation of gas and related costs, results of Centuri bid work, the impact of weather on Centuri’s operations, future acquisition-related costs, impacts of changes in value of the redeemable noncontrolling interest if at other than fair value, Centuri utility infrastructure expenses, differences between actual and originally expected outcomes of Centuri bid or other fixed-price construction agreements, outcomes from contract and change order negotiations, ability to successfully procure new work, impacts from work awarded or failing to be awarded from significant customers, the mix of work awarded, the amount of work awarded to Centuri following the lifting of work stoppages or reduction, the result of productivity inefficiencies from regulatory requirements or otherwise, delays in commissioning individual projects, acquisitions, and management’s plans related thereto, competition, our ability to raise capital in external financings, our ability to continue to remain within the ratios and other limits subject to our debt

covenants, and ongoing evaluations in regard to goodwill and other intangible assets. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing and operating expenses will continue or cease to continue in future periods. For additional information on the risks associated with the Company's business, see **Item 1A. Risk Factors and Item 7A. Quantitative and Qualitative Disclosures About Market Risk** in the Annual Report on Form 10-K for the year ended December 31, 2019, and **Item 1A. Risk Factors**, as updated in association with this Quarterly Report on Form 10-Q.

All forward-looking statements in this quarterly report are made as of the date hereof, based on information available to the Company as of the date hereof, and the Company assumes no obligation to update or revise any of its forward-looking statements even if experience or future changes show that the indicated results or events will not be realized. **We caution you not to unduly rely on any forward-looking statement(s).**

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See **Item 7A. Quantitative and Qualitative Disclosures about Market Risk** in the 2019 Annual Report on Form 10-K filed with the SEC. No material changes have occurred related to the disclosures about market risk.

### **ITEM 4. CONTROLS AND PROCEDURES**

Management of Southwest Gas Holdings, Inc. and Southwest Gas Corporation has established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in their respective reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to management of each company, including each respective Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and benefits of controls must be considered relative to their costs. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the control. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Based on the most recent evaluation, as of March 31, 2020, management of Southwest Gas Holdings, Inc., including the Chief Executive Officer and Chief Financial Officer, believes the Company's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the first quarter of 2020 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Based on the most recent evaluation, as of March 31, 2020, management of Southwest Gas Corporation, including the Chief Executive Officer and Chief Financial Officer, believes Southwest's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

There have been no changes in Southwest's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the first quarter of 2020 that have materially affected, or are likely to materially affect Southwest's internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The Company is named as a defendant in various legal proceedings. The ultimate dispositions of these proceedings are not presently determinable; however, it is the opinion of management that none of this litigation individually or in the aggregate will have a material adverse impact on the Company's financial position or results of operations.

**ITEM 1A.** Part I, Item IA, "Risk Factors" of our most recently filed Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the Securities and Exchange Commission on March 2, 2020, sets forth information relating to important risks and uncertainties that could materially adversely affect our business, financial condition and operating results and, accordingly, you should review and consider such risk factors in making any investment decision with respect to our securities. The following risk factor is being provided to supplement and update the risk factors set forth in Part I, Item IA, "Risk Factors" of our most recently filed Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

**Risk Factor that applies to Southwest Gas Holdings, Inc., Natural Gas Operations, and Utility Infrastructure Services**

**The Ongoing COVID-19 Pandemic and Measures Intended to Prevent its Spread Could Have a Material Adverse Effect on our Business, Results of Operations, Cash Flows and Financial Condition.**

Since being first reported in December 2019, COVID-19 has spread globally, including to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The pandemic has led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. Substantially all of our properties are located in areas that are or have been subject to shelter-in-place orders and restrictions on the types of businesses that may continue to operate.

Although our utility operations and, to a large extent, our utility infrastructure services segment have been deemed “essential services,” our business may be materially and adversely impacted by the COVID-19 pandemic and measures to prevent its spread in a number of ways. The COVID-19 pandemic has resulted in significant unemployment, which may impact our customers’ ability to timely pay their bills. We have implemented flexible payment plan options, additional protections for income-qualified customers, as well as the suspension of disconnections for non-payment and the waiver of deposit and late fee requirements. As a result, we have continued providing services even in scenarios where payment is not guaranteed. Although we may be able to seek recovery of some losses through the regulatory process, we can provide no assurances that we will be able to recover such losses in full or at all. In addition, our supply chain related to necessary equipment and materials may be significantly disrupted if the current crisis continues for an extended period of time.

Furthermore, the COVID-19 pandemic has delayed certain construction projects in our utility infrastructure services segment. We can provide no assurances as to whether future delays will occur or as to the impact of such delays. In addition, there may be disruptions in the amount or timing of work awarded to our utility infrastructure services business. Our ability to perform work for which we are contracted could also be impacted by the pandemic if our workforce experiences significant infection. Any of the foregoing could have an adverse impact on our results of operations and financial condition.

The uncertainties have resulted in significant volatility in securities markets. If these disruptions were to continue, they may prevent us from accessing the equity or debt capital markets on attractive terms or at all for a period of time, which would have an adverse effect on our liquidity position.

The extent of the COVID-19 pandemic’s effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic and the duration of government measures to mitigate the pandemic, all of which are uncertain and difficult to predict. Due to the speed with which the situation is developing, we are not able at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material.

**ITEMS 2 through 3**

None.

**ITEM 4. MINE SAFETY DISCLOSURES** Not applicable.

**ITEM 5. OTHER INFORMATION** None.

**ITEM 6. EXHIBITS**

The following documents are filed, or furnished, as applicable, as part of this report on Form 10-Q:

- Exhibit 10.01 - [Amendment to the Centuri Group, Inc. Executive Deferred Compensation Plan.](#)
- Exhibit 31.01 - [Section 302 Certifications–Southwest Gas Holdings, Inc.](#)
- Exhibit 31.02 - [Section 302 Certifications–Southwest Gas Corporation](#)
- Exhibit 32.01 - [Section 906 Certifications–Southwest Gas Holdings, Inc.](#)
- Exhibit 32.02 - [Section 906 Certifications–Southwest Gas Corporation](#)
- Exhibit 101.INS - XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- Exhibit 101SCH - XBRL Schema Document
- Exhibit 101.CAL - XBRL Calculation Linkbase Document
- Exhibit 101.DEF - XBRL Definition Linkbase Document
- Exhibit 101.LAB - XBRL Label Linkbase Document
- Exhibit 101.PRE - XBRL Presentation Linkbase Document
- Exhibit 104 - Cover Page Interactive Data File (embedded within the Inline XBRL document).



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Southwest Gas Holdings, Inc.

\_\_\_\_\_  
(Registrant)

Date: May 7, 2020

/s/ LORI L. COLVIN

\_\_\_\_\_  
Lori L. Colvin

Vice President/Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Southwest Gas Corporation

\_\_\_\_\_  
(Registrant)

Date: May 7, 2020

/s/ LORI L. COLVIN

\_\_\_\_\_  
Lori L. Colvin

Vice President/Controller and Chief Accounting Officer

AMENDMENT NO. 06 RESTATING THE CENTURI GROUP, INC.  
EXECUTIVE DEFERRED COMPENSATION PLAN

AMENDED AND RESTATED, EFFECTIVE JANUARY 01, 2020

## ARTICLE I

### *Establishment and Purpose*

Centuri Group, Inc., a Nevada corporation ("Centuri") (the "Company"), hereby amends and restates the Centuri Group, Inc. Executive Deferred Compensation Plan (the "Plan") in its entirety, effective January 1, 2020, (the "Restatement Effective Date"). The Plan was originally adopted, effective June 27, 2002, and was most recently amended and restated effective January 1, 2012. The Plan has been amended by the following amendments: Amendment No.1 effective January 1, 2013, Amendment No. 2 effective July 01, 2015, Amendment No. 3 effective April 1, 2018, Amendment No. 4 effective January 1, 2019, and Amendment No. 5 effective January 1, 2020. The Plan was assigned to Centuri Construction Group, Inc. effective as of July 1, 2015, as a result of a reorganization of the subsidiary structure of Southwest Gas Corporation (formerly the direct parent of NPL Construction Co.), whereupon NPL Construction Co. became an operating subsidiary of Centuri Construction Group, Inc. The name of Centuri Construction Group Inc. was changed to Centuri Group, Inc. by Amendment No. 5 to the Plan. This Plan restatement also merges into the Plan the terms of the Centuri Group, Inc. Long Term Capital Investment Plan.

The purpose of the Plan is to attract and retain key employees by providing Participants with an opportunity to defer receipt of a portion of their Salary, Bonus and other specified compensation. The Plan is not intended to meet the qualification requirements of Code Section 401 (a), but is intended to meet the requirements of Code Section 409A, and shall be operated and interpreted consistent with that intent.

The Plan constitutes an unsecured promise by each Participating Employer to pay Plan benefits in the future. Participants in the Plan shall have the status of general unsecured creditors of the Company or the Adopting Employer, as applicable. Each Participating Employer shall be solely responsible for the payment of the Plan benefits of its employees and their beneficiaries. The Plan is unfunded for federal tax purposes, and is intended to be an unfunded arrangement for eligible employees who are part of a select group of management or highly compensated employees of the Employer within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. Any amounts set aside to defray the liabilities assumed by the Company or an Adopting Employer will remain the general assets of the Company or the Adopting Employer, and shall remain subject to the claims of the Company's or the Adopting Employer's creditors, until such amounts are distributed to the Participants.

## ARTICLE II

### *Definitions*

- 2.1 Account. Account means a bookkeeping account maintained by the Committee to record the payment obligation of a Participating Employer to a Participant as determined under the terms of the Plan. The Committee may maintain an Account to record the total obligation to a Participant, and component Accounts to reflect amounts payable at different times and in different forms. Reference to an Account means any such Account established by the Committee, as the context requires. Accounts are intended to constitute unfunded obligations within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.
- 2.2 Account Balance. Account Balance means, with respect to any Account, the total payment obligation owed to a Participant from such Account as of the most recent Valuation Date.

- 2.3 Adopting Employer. Adopting Employer means an Affiliate of the Company who, with the consent of the Company, has adopted the Plan for the benefit of its eligible employees.
- 2.4 Affiliate. Affiliate of an Employer means any corporation, trade or business that, together with such Employer, is treated as a single employer under Code Section 414(b) or (c). As of the Restatement Effective Date the following Affiliates are Adopting Employers: Linetec Services, LLC; NPL Construction Co.; Centuri U.S. Division, Inc.; National Powerline LLC, Meritus Oil & Gas Division LLC; Canyon Pipeline Construction, Inc.; New England Utility Constructors, Inc.; and Centuri Power Group LLC.
- 2.5 Annual Deferral Amount. Annual Deferral Amount means that portion of a Participant's Compensation that a Participant elects to have, and is deferred for any one Plan Year, including, in the event of a Participant's Separation from Service, amounts withheld pursuant to the election of the Participant at any time after such event. The Annual Deferral Amount for any Plan Year during or after which a Participant dies shall include the amounts that would have been so withheld had the Participant not died, except to the extent Code Section 409A requires otherwise. Unless the context of the Plan clearly indicates otherwise, a reference to Annual Deferral Amount includes Earnings attributable to such Deferrals.
- 2.6 Bonus. Bonus means any cash compensation, in addition to Salary, for services performed by a Participant for a Service Recipient during the applicable Plan Year (or applicable Plan Years), whether or not paid in such Plan Year or included on such Participant's federal income tax form W-2 for such Plan Year (or Plan Years), payable to a Participant under any Employer's Central Leadership, Operations Leadership, Senior Management, or any other bonus plans deemed eligible by the Company for deferral under this Plan, excluding any cash that may be payable with respect to any long-term incentive plans, stock options, stock appreciation rights, and/or restricted stock. Bonus shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or nonqualified plans of any Employer.
- 2.7 Beneficiary. Beneficiary means a natural person, estate, or trust designated by a Participant to receive payments to which a Beneficiary is entitled upon the death of a Participant in accordance with the provisions of the Plan.
- 2.8 Board of Directors or Board. Board of Directors or Board means the board of directors of the Company.
- 2.9 Business Day. Business Day means each day on which the New York Stock Exchange is open for business.
- 2.10 Change in Control. Change in Control means the occurrence of a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of a corporation, as determined in accordance with this Section and which, in the determination of the Committee, is not due to, caused by, or resulting from, the internal restructuring of the Company or one or more Affiliates. In order for an event described below to constitute a Change in Control with respect to a Participant, except as otherwise provided in part (b)(ii) of this Section, the applicable event must relate to the corporation for which the Participant is providing services, the corporation that is liable for payment of the Participant's

Account Balance (or all corporations liable for payment if more than one), as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(ii)(A)(2), or such other corporation as is determined in accordance with Treas. Reg. §1.409A-3(i)(5)(ii)(A)(3).

In determining whether an event shall be considered a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of a corporation, the following provisions shall apply:

- (a) A "change in the ownership" of the applicable corporation shall occur on the date on which any one person, or more than one person acting as a group, acquires ownership of stock of such corporation that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of such corporation, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(v). If a person or group is considered either to own more than 50% of the total fair market value or total voting power of the stock of such corporation, or to have effective control of such corporation within the meaning of part (b) of this Section, and such person or group acquires additional stock of such corporation, the acquisition of additional stock by such person or group shall not be considered to cause a "change in the ownership" of such corporation.
- (b) A "change in the effective control" of the applicable corporation shall occur on either of the following dates:
- (i) The date on which any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of such corporation possessing 30% or more of the total voting power of the stock of such corporation, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vi). If a person or group is considered to possess 30% or more of the total voting power of the stock of a corporation, and such person or group acquires additional stock of such corporation, the acquisition of additional stock by such person or group shall not be considered to cause a "change in the effective control" of such corporation; or

- (ii) The date on which a majority of the members of the applicable corporation's board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of such corporation's board of directors before the date of the appointment or election, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vi). In determining whether the event described in the preceding sentence has occurred, the applicable corporation to which the event must relate shall only include a corporation identified in accordance with Treas. Reg. §1.409A-3(i)(5)(ii) for which no other corporation is a majority shareholder.
  - (c) A "change in the ownership of a substantial portion of the assets" of the applicable corporation shall occur on the date on which any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the corporation immediately before such acquisition or acquisitions, as determined in accordance with Treas. Reg. §1.409A-3(i)(S)(vii). A transfer of assets shall not be treated as a "change in the ownership of a substantial portion of the assets" when such transfer is made to an entity that is controlled by the shareholders of the transferor corporation, as determined in accordance with Treas. Reg. §1.409A-3(i)(S)(vii)(B).
  - (d) The determination of whether an event constitutes a Change in Control shall be made in compliance with Treas. Reg. §1.409A-3(i)(S). Additionally, for purposes of this Plan, an event shall not constitute a Change in Control if, in the determination of the Committee, such event is due to, caused by, or resulting from, the internal restructuring of the Company or one or more Affiliates.
- 2.11 Change in Control Benefit. Change in Control Benefit means the benefit payable to a Participant under the Plan in the event of a Change in Control, as provided herein.
- 2.12 Claimant. Claimant means a Participant or Beneficiary filing a claim under Article XII of this Plan.
- 2.13 Code. Code means the Internal Revenue Code of 1986, as amended from time to time.
- 2.14 Code Section 409A. Code Section 409A means Section 409A of the Code, and regulations and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.
- 2.15 Committee. Committee means the committee appointed by the Compensation Committee to administer the Plan. If no designation is made, the Chief Executive Officer of the Company, or his or her delegate, shall have and exercise the powers of the Committee.
- 2.16 Company. Company means Centuri Group, Inc., a Nevada corporation.
- 2.17 Compensation. Compensation means a Participant's Salary, Bonus, and such other cash or equity-based compensation (if any) approved by the Committee as Compensation that may be deferred under this Plan. Compensation shall not include any compensation that has been previously deferred under this Plan or any other arrangement subject to Code Section 409A.
- 2.18 Compensation Committee. Compensation Committee means the Compensation Committee of the Board of Directors.
- 2.19 Compensation Deferral Agreement. Compensation Deferral Agreement means one or more agreements between a Participant and a Participating Employer that specifies: (a) the amount of each component of Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV, and (b) the Payment Schedule applicable to one or more Accounts. The Committee may permit different deferral amounts for each component of Compensation and may establish a maximum deferral amount for each such component. Unless otherwise specified by the Committee in the Compensation Deferral Agreement, Participants may defer up to: (i) 80% of Salary for a Plan Year and/ or (ii) 80% of Bonus for a Plan Year. A Compensation Deferral Agreement may also specify the investment allocation described in Section 8.4.
- 2.20 Death Benefit. Death Benefit means the benefit payable to a Participant's Beneficiary(ies) upon the Participant's death as provided herein.
- 2.21 Deferral. Deferral means a credit to a Participant's Account(s) that records that portion of the Participant's Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV. Unless the context of the Plan clearly indicates otherwise, a reference to Deferrals includes Earnings attributable to such Deferrals. Deferrals shall be calculated with respect to the gross cash Compensation payable to the Participant prior to any deductions or withholdings.
- 2.22 Disability Benefit. Disability Benefit means the benefit payable to a Participant in the event such Participant is determined to be Disabled as provided herein.

- 2.23 Disabled. Disabled means that a Participant is, by reason of any medically-determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months: (a) unable to engage in any substantial gainful activity, or (b) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's Employer. The Committee shall determine whether a Participant is Disabled in accordance with Code Section 409A, provided, however, that a Participant shall be deemed to be Disabled if determined to be totally disabled by the Social Security Administration. The determination of whether a Participant is Disabled shall be made on compliance with Treas. Reg. §1.409A-3(i)(4).
- 2.24 Discretionary Contribution. Discretionary Contribution means a credit by a Participating Employer to a Participant's Account(s) in accordance with the provisions of Article V of the Plan. Discretionary Contributions are credited at the sole discretion of the Participating Employer, and the fact that a Discretionary Contribution is credited in one year shall not obligate the Participating Employer to continue to make such Discretionary Contributions in subsequent years. Unless the context clearly indicates otherwise, a reference to a Discretionary Contribution shall include Earnings attributable to such a contribution.
- 2.25 Earnings. Earnings mean a positive or negative adjustment to the value of an Account, based upon the allocation of the Account by the Participant among deemed investment options in accordance with Article VIII.
- 2.26 EDCP Performance Fund or Performance Fund f.k.a. the NPL Growth Rate Fund. Pursuant to its authority under Section 8.3, the Company shall establish an investment option called the Performance Fund f.k.a. the Company Growth Rate Fund, effective January 1, 2013.
- 2.27 EBITDA. EBITDA means the Company's earnings before interest, taxes, depreciation, and amortization.
- 2.28 Eligible Employee. Eligible Employee means a member of a "select group of management or highly compensated employees" of a Participating Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, as determined by the Committee from time to time in its sole discretion, who meets eligibility requirements set by the Committee for participation in the Plan.
- 2.29 Employee. Employee means a common-law employee of an Employer.
- 2.30 Employer. Employer means, with respect to Employees it employs, the Company or any Adopting Employer.
- 2.31 ERISA. ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.
- 2.32 LTCIP. LTCIP means the Centuri Group, Inc. Long Term Capital Investment Plan effective January 1, 2013, as amended from time to time, and merged into this Plan effective January 01, 2020.
- 2.33 Participant. Participant means an Eligible Employee who: (a) has received written notification of his or her eligibility to defer Compensation under the Plan, and (b) submits a Compensation Deferral Agreement pursuant to Article IV of the Plan. A Participant's continued participation in the Plan shall be governed by Section 3.2 of the Plan.
- 2.34 Participating Employer. Participating Employer means the Company and each Adopting Employer.
- 2.35 Payment Schedule. Payment Schedule means the date as of which payment of one or more Accounts under the Plan will commence and the form in which payment of such Account(s) will be made.
- 2.36 Performance-Based Compensation. Performance-Based Compensation means any Bonus or other compensation amount to the extent that it is: (a) contingent on the satisfaction of pre established organizational or individual performance criteria, (b) not readily ascertainable at the time the deferral election is made, and (c) based on services performed over a period of at least 12 months. For this purpose, performance criteria are "pre-established" if they are established in writing no later than 90 days after the commencement of the service period to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. Performance-Based Compensation shall not include any Bonus or other compensation that is paid due to the Participant's death, or because the Participant becomes Disabled, without regard to the satisfaction of the performance criteria. The determination of whether compensation is Performance Based Compensation shall be made in compliance with Treas. Reg. §1.409A-1(e).
- 2.37 Plan. Generally, the term Plan means the "Centuri Group, Inc. Executive Deferred Compensation Plan" as documented herein, and as may be amended from time to time hereafter. However, to the extent permitted or required under Code Section 409A, the term Plan may in the appropriate context also mean a portion of the Plan that

is treated as a single plan under Treas. Reg. §1.409A-1(c), or the Plan or portion of the Plan and any other nonqualified deferred compensation plan or portion thereof that is treated as a single plan under such section.

- 2.38 Plan Year. Plan Year means a period beginning on January 1 and ending on December 31 of the same calendar year.
- 2.39 Retirement. Retirement means a Separation from Service of a Participant on or after attaining age 59 1/2.
- 2.40 Salary. Salary means the Participant's annual cash compensation for services performed for a Service Recipient during the applicable Plan Year, whether or not paid in such Plan Year, or included on the federal income tax form W-2 for such year, excluding Bonuses, commissions, stock options, stock appreciation rights, restricted stock, relocation expenses, payments of unused vacation days, long term or other incentive payments, non-monetary awards, other non-monetary compensation, severance pay, and other allowances paid to the Participant. Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by Participant pursuant to all qualified or nonqualified plans of any Employer.
- 2.41 Separation from Service. With respect to a Service Provider who is an Employee, Separation from Service means either (i) termination of the Employee's employment with the Company and all Affiliates due to death, Retirement, Termination or other reasons, or (ii) a permanent reduction in the level of bona fide services the Employee provides to the Company and all Affiliates to an amount that is 20% or less of the average level of bona fide services the Employee provided to the Company in the immediately preceding 36 months, with the level of bona fide service calculated in accordance with Treasury Regulations Section 1.409A- 1(h)(1)(ii). For purposes of determining whether a Separation from Service has occurred, "Employer" is defined in accordance with Section 2.28 hereof, and the definition of "Affiliate" shall be modified by substituting 50% for 80% each place it appears in Code Section 1563(a)(1), (2) and (3), for purposes of Code Section 414(b), and each place it appears in Treasury Regulations Section 1.414(c)-2, for purposes of Code Section 414(c).

The Employee's employment relationship is treated as continuing while the Employee is on military leave, sick leave, or other bona fide leave of absence (if the period of such leave does not exceed six months, or if longer, so long as the Employee's right to reemployment with the Company or an Affiliate is provided either by statute or contract). If the Employee's period of leave exceeds six months and the Employee's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first day immediately following the expiration of such six-month period. Whether a termination of employment has occurred will be determined based on all of the facts and circumstances and in accordance with regulations issued by the United States Treasury Department pursuant to Code Section 409A.

The determination of whether a Service Provider has had a Separation from Service shall be made in compliance with Treas. Reg. §1.409A-1(h).

- 2.42 Separation from Service Account. Separation from Service Account means an Account established by the Committee with respect to a portion or all of an Annual Deferral Amount to record the amounts payable to a Participant upon Separation from Service in accordance with the Plan. On the Compensation Deferral Agreement, a Participant shall make alternative elections for Retirement and Termination for each Separation from Service Account. In the absence of an election, or in the absence of a complete election as to the time and form of payment applicable to an Annual Deferral Amount, a Participant shall be deemed to have allocated to a Separation from Service Account to that extent.
- 2.43 Separation from Service Benefit. Separation from Service Benefit means the benefit payable to a Participant under the Plan following the Participant's Separation from Service. To the extent a Participant experiences a Separation from Service prior to age 59 1/2, the election(s) made on his/her Compensation Deferral Agreement(s) with respect to Termination shall govern the time and form of payment on his/her Separation from Service Benefit. To the extent a Participant experiences a Separation from Service on or after age 59 1/2, the election(s) made on his/her Compensation Deferral Agreement(s) with respect to Retirement shall govern the time and form of payment on his/her Separation from Service Benefit.
- 2.44 Service Provider. Service Provider means a Participant or any other "service provider," as defined in Treasury Regulations Section 1.409A-1(f).
- 2.45 Service Recipient. Service Recipient means, with respect to a Participant, the Employer and all Participating Employers and Affiliates.
- 2.46 Specified Date Account. Specified Date Account means an Account established by the Committee with respect to an Annual Deferral Amount to record the amounts payable at a future date as specified in the Participant's Compensation Deferral Agreement. A Specified Date Account may be identified in enrollment materials as an "In-Service Account" or "Short Term Account" or such other name as established by the Committee without affecting the meaning thereof.
- 2.47 Specified Date Benefit. Specified Date Benefit means the benefit payable to a Participant under the Plan in accordance with Section 6.1(b).

- 2.48 Specified Employee. Specified Employee means certain officers and highly compensated employees of the Company as defined in Treasury Regulations Section 1.409A-1(i). The identification date for determining whether any Employee is a Specified Employee during any Plan Year shall be January 1.
- 2.49 STIP or Executive STIP. STIP or Executive STIP means the Centuri Group, Inc. Short Term Incentive Plan for Exempt Executive Employees for a particular calendar year.
- 2.50 Substantial Risk of Forfeiture. Substantial Risk of Forfeiture means the description specified in Treasury Regulations Section 1.409A-1(d).
- 2.51 Termination. Termination means a Separation from Service of a Participant prior to age 59 1/2.
- 2.52 Unforeseeable Emergency. Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), or the Participant's Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Committee.
- The determination of whether a Participant has had an Unforeseeable Emergency shall be made in compliance with Treas. Reg. §1.409A-3(i)(3).
- 2.53 Valuation Date. Valuation Date means each Business Day.

### **ARTICLE III**

#### *Eligibility and Participation*

- 3.1 Eligibility and Participation. The Committee shall designate the eligibility requirements for participation in the Plan in accordance with Section 2.28. An Eligible Employee shall become a Participant upon the earlier to occur of: (a) the participation date for such Eligible Employee designated by the Committee or (b) a credit of Discretionary Contributions on behalf of such Eligible Employee. An Eligible Employee shall become eligible to accrue deferred compensation under the Plan on the date such Eligible Employee becomes a Participant.
- 3.2 Duration. A Participant shall continue to be eligible to make Deferrals of Compensation and receive allocations of Discretionary Contributions, subject to the terms of the Plan, for as long as such Participant remains an Eligible Employee or until the Committee in its discretion decides the Participant no longer is entitled to participate in the Plan. A Participant who ceases to be an Eligible Employee or who no longer is entitled to participate in the Plan but who has not Separated from Service or otherwise qualified for and received (or has had a Beneficiary receive) a complete distribution of his or her Account Balance from the Plan, shall not make further deferrals of Compensation effective as of the first day of the Plan Year following the Plan Year in which the Participant ceases to be an Eligible Employee. Such individual may otherwise exercise all of the rights of a Participant under the Plan with respect to his or her Account(s). On and after a Separation from Service, a Participant shall remain a Participant as long as his or her Account Balance is greater than zero, and during such time may continue to make allocation elections as provided in Section 8.4. An individual shall cease being a Participant in the Plan when all benefits under the Plan to which he or she is entitled have been paid.
- 3.3 Reemployment. If a former Eligible Employee is rehired by an Employer and is again selected as eligible to participate in the Plan, he or she shall reenter the Plan on the first day of any Plan Year commencing after the date he or she is selected in accordance with the provisions of Section 3.1. If such individual meets the requirements of Treasury Regulations Section 1.409A-2(a)(7) as of such reentry date, he or she will be treated as initially eligible to participate in the Plan for purposes of Section 4.2(a). Such Eligible Employee's reentry into the Plan shall have no impact on any distributions that have been made or are being made in accordance with Article VI. Any amounts previously forfeited from the Participant's Accounts pursuant to this Plan shall not be restored or reinstated upon the Participant's subsequent reentry into the Plan.
- 3.4 Adoption by Affiliates. An employee of an Affiliate may not become a Participant in the Plan unless the Affiliate has previously adopted the Plan and thereby becomes a Participating Employer. An Affiliate of the Company may become a Participating Employer only with the approval of the Board of Directors or its designee. By adopting this Plan, a Participating Employer shall be deemed to have agreed to assume the obligations and liabilities imposed

upon it by this Plan, agreed to comply with all of the other terms and provisions of this Plan, delegated to the Committee the power and responsibility to administer this Plan with respect to the Participating Employer's Employees, and delegated to the Company the full power to amend or terminate this Plan with respect to the Participating Employer's Employees.



ARTICLE IV

Deferrals

4.1 Deferral Elections, Generally.

- (a) A Participant may elect to make Deferrals of Compensation by submitting a Compensation Deferral Agreement during the enrollment periods established by the Committee and in the manner specified by the Committee, but in any event, in accordance with Section 4.2. A Compensation Deferral Agreement that is not timely filed with respect to a service period or component of Compensation shall be considered void, and shall have no effect with respect to such service period or Compensation. The Committee may accept or reject any Compensation Deferral Agreement and may modify it as necessary to comply with Section 2.19 prior to the date the election becomes irrevocable under the rules of Section 4.2.
- (b) For each Plan Year, the Participant shall specify on his or her Compensation Deferral Agreement the time and form of payment for the Annual Deferral Amount. A Participant shall make an election to receive a portion or all of each Annual Deferral Amount as a Specified Date Account(s) or as a Separation from Service Account (to be paid pursuant to the Participant's alternative Retirement and Termination election(s), as applicable), or both. If no allocation is indicated, or if an invalid allocation is made with respect to a portion or all of an Annual Deferral Amount, the Participant shall be deemed to have elected a lump sum distribution upon Separation from Service for the absent allocation, or to the extent of the invalid allocation.

Notwithstanding the foregoing, to the extent that a portion of a Participant's Annual Deferral Amount was (1) before 2020 (under the terms of the LTCIP), or (2) pursuant to 4.1(c) below (mandatory STIP Deferrals), deferred and credited with Performance Fund investment returns, the Participant may only elect to receive such portion as a Separation From Service Account.

- (c) This Section 4.1(c) applies on and after January 01, 2020, due to the merger of the LTCIP into this Plan.

Twenty-five percent (25%) of a STIP award bonus otherwise payable to Participant in a calendar year shall be automatically deferred under the Plan and credited to the Participant's Account and the Performance Fund provided that the Committee has determined, prior to the award date that (1) a deferral election may be made pursuant to the Plan and Section 409A with respect to such award, and (2) all or part of such credit can be made to the Participant's Account without causing all of the amount to be credited to the Performance Fund to exceed the Participant's applicable target amount (the "Participant's Target Amount") set forth below.

Participant Target Amounts

**Participant Title    Target Amount**

Centuri Chief Executive Officer and President    400% base salary Centuri Executive Vice President-CFO  
 /Treasurer    200% base salary Centuri Executive Vice President-Power Group    200% base salary Centuri  
 Executive Vice President-General Counsel/Secretary 200% base salary Centuri Executive Vice President-  
 CAO    200% base salary

Centuri Executive Vice President-

COO Centuri Executive Vice

President-CCO NPL President

Meritus Oil and Gas Division

President Centuri Senior Vice

President-HR

200% base salary

200% base salary

200% base salary

200% base salary

100% base salary

#### 4.2 Timing Requirements for Compensation Deferral Agreements.

- (a) *First Year of Eligibility.* In the case of the first year in which an Eligible Employee becomes eligible to participate in the Plan, he or she shall have up to 30 days following the date on which he or she becomes eligible to participate in the Plan to submit a Compensation Deferral Agreement with respect to Compensation to be earned during such Plan Year. A completed Compensation Deferral Agreement described in this paragraph shall become irrevocable upon the end of such 30-day period, except as otherwise provided in this Section 4.2. The determination of whether an Eligible Employee may file a Compensation Deferral Agreement under this paragraph shall be determined in accordance with the rules of Code Section 409A, including the provisions of Treas. Reg. §1.409A-2(a)(7).

A Compensation Deferral Agreement filed under this paragraph applies to Compensation earned for services performed after the date the Compensation Deferral Agreement becomes irrevocable. Any Compensation Deferral Agreement under this subsection (a) shall satisfy the requirements of Treas. Reg. §1.409A-2(a)(7).

- (b) *Prior Year Election.* Except as otherwise provided in this Section 4.2, Participants may defer Compensation by filing a Compensation Deferral Agreement no later than December 31st of the calendar year prior to the calendar year in which the Compensation to be deferred is earned, or by such earlier deadline as announced by the Committee in its sole discretion. A Compensation Deferral Agreement described in this paragraph shall become irrevocable with respect to such Compensation no later than December 31st of the calendar year prior to the calendar year in which such

Compensation is earned, or by such earlier deadline announced by the Committee in its sole discretion.

- (c) *Performance-Based Compensation.* Participants may file a Compensation Deferral Agreement with respect to Performance-Based Compensation no later than the date that is six months before the end of the performance period, provided that:
- (i) the Participant performs services continuously from the later of the beginning of the performance period or the date the criteria are established through the date the Compensation Deferral Agreement is submitted; and
  - (ii) the Compensation is not readily ascertainable as of the date the Compensation Deferral Agreement is filed.

A Compensation Deferral Agreement becomes irrevocable with respect to Performance-Based Compensation as of the date on which the deadline for filing such election occurs. The Committee shall determine the deadline for filing such an election in compliance with Code Section 409A. Any Compensation Deferral Agreement under this subsection (c) shall satisfy the requirements of Treas. Reg. §1.409A-2(a)(8).

- (d) *Short-Term Deferrals.* Compensation that meets the definition of a "short-term deferral" described in Treas. Reg. §1.409A-1(b)(4) may be deferred in accordance with the rules of Article VII, applied as if the date the Substantial Risk of Forfeiture lapses is the date payments were originally scheduled to commence. Any Compensation Deferral Agreement under this subsection (d) shall satisfy the requirements of Treas. Reg. §1.409A-2(a)(4).

(e) *Evergreen Deferral Elections.* Deferral elections under the Plan are effective for a single Plan Year; new elections must be made in order to defer Compensation during the following Plan Year. However, the Committee, in its discretion, may change this protocol by providing in the Compensation Deferral Agreement that such Compensation Deferral Agreement will continue in effect for each subsequent Plan Year or performance period, as applicable. In such event, such "evergreen" Compensation Deferral Agreements will become effective with respect to an item of Compensation on the date such election becomes irrevocable under this Section 4.2. An evergreen Compensation Deferral Agreement may be terminated or modified prospectively with respect to Compensation for which such election remains revocable under this Section 4.2. A Participant whose Compensation Deferral Agreement is cancelled in accordance with Section 4.6 will be required to file a new Compensation Deferral Agreement under this Article IV in order to recommence Deferrals under the Plan.

(f) *Company Deferrals.* The Company, in its sole and absolute discretion, may require that a Participant defer one or more elements of Compensation by notifying the Participant in writing of such required deferral and the amount of such required deferral no later than the applicable time for making deferral elections under the rules set forth in Sections 4.2(a) through (e), above. In addition, the Company may make a unilateral election to defer any compensation for which a Participant does not have the

opportunity to make a deferral election under the rules set forth in Sections 4.2(a) through (e) above, provided the election of the amount, time and form of payment is made no later than the time the Participant first has a legally binding right to such compensation. The Company may mandate a distribution election for amounts deferred pursuant to this Section 4.2(f) by allocating the amount deferred to an existing Account, or by establishing a new Account and by making a distribution election for such Account consistent with the Payment Schedules available under the Plan with respect to such Account.

4.3 Allocation of Deferrals. A Compensation Deferral Agreement may allocate each Annual Deferral Amount to a Specified Date Account or to a Separation from Service Account (for which the Participant shall make alternative elections with respect to Retirement and Termination); provided, however, the Committee, in its discretion, may allow a Participant to allocate an Annual Deferral Amount to multiple Specified Date Accounts and/ or to a Separation from Service Account. The Committee may, in its discretion, establish a minimum deferral period for the establishment of a Specified Date Account.

4.4 Deductions from Pay. The Committee has the authority to determine the payroll practices under which any component of Compensation subject to a Compensation Deferral Agreement will be deducted from a Participant's Compensation.

4.5 Vesting. Participant Deferrals shall be 100% vested at all times.

4.6 Cancellation of Deferrals. The Committee may cancel a Participant's Deferral election: (a) for the balance of the Plan Year in which an Unforeseeable Emergency (as defined in Section 2.52) occurs in accordance with Treas. Reg. §1.409A-3G(4)(viii), (b) if the Participant receives a hardship distribution under the Employer's qualified 401(k) plan under Treas. Reg.

§1.401(k)-1(d)(3) (relating to in-service distributions of 401(k) plan elective contributions as a result of an immediate and heavy financial need), in accordance with Treas. Reg. §1.409A- 3G(4)(viii), or (c) during periods in which the Participant is unable to perform the duties of his or her position or any substantially similar position due to a mental or physical impairment that can be expected to result in death or last for a continuous period of at least six months, provided cancellation occurs by the later of the end of the taxable year of the Participant or the 15th day of the third month following the date the Participant incurs the disability (as defined in this paragraph) in accordance with Treas. Reg. §1.409A-3G(4)(xii).

4.7 Benefits Not Contingent. Deferrals and credits for any Participants under this Plan are not conditioned (directly or indirectly) upon the Participant's election to make (or not to make) deferrals under the 401 (k) plan sponsored by the Company.

## **ARTICLE V**

### *Employer Contributions*

5.1 Discretionary Contributions. A Participating Employer may credit one or more Discretionary Contributions to a Participant in such amounts and at such times as are determined by the Committee from time to time in its sole discretion. Any such amounts are credited at the sole discretion of the Committee, and the fact that a Discretionary Contribution is credited to one

Participant, in one year shall not obligate the Participating Employer or the Committee to continue to make such Discretionary Contributions to all Participants in all subsequent years. Any such Discretionary Contributions shall be subject to the approval of the Board or the Compensation Committee to the extent required by applicable law. Neither the Participating Employer nor the Committee shall have any obligation to make any such Discretionary Contributions or to

make them on a consistent basis among similarly-situated Eligible Employees. Any Discretionary Contributions credited to a Participant's Account pursuant to this Section 5.1 shall be credited on a date or dates to be determined by the Committee in its sole and absolute discretion, and the crediting date or dates may be different for different Participants. Unless the context clearly indicates otherwise, a reference to Discretionary Contributions shall include Earnings attributable to such contributions. Discretionary Contributions will be credited to a Participant's Separation from Service Account and shall be distributed according to the Participant's "Retirement" elections associated with the Bonus deferral for the associated Plan Year, unless the Committee, in its sole discretion, elects in writing on or before the date on which the Participant obtains a legally binding right to such Discretionary Contribution (which election shall be irrevocable on such date) to credit the Discretionary Contribution to a different Account.

- 5.2 Vesting. Except as expressly provided in this Section 5.2, a Participant shall be 100% vested in his/her Plan Accounts. A Participant shall be vested in his or her Discretionary Contributions described in Section 5.1 above in accordance with the vesting schedules established by the Committee, at the time such amount is first credited to the Participant's Account under this Plan. The Committee may, at any time, in its sole and absolute discretion (subject to any approval by the Board or the Compensation Committee required by applicable law), increase a Participant's vested interest in a Discretionary Contribution. Notwithstanding the foregoing, all Discretionary Contributions shall become 100% vested upon the occurrence of the earliest of: (i) the death of the Participant while actively employed by a Participating Employer, (ii) the Disability of the Participant, or (iii) a Change in Control. The portion of a Participant's Accounts that remains unvested upon his or her Separation from Service after the application of the terms of this Section 5.2 shall be forfeited.

## ARTICLE VI

### *Benefits*

- 6.1 Benefits, Generally. A Participant shall be entitled to the following benefits under the Plan:

- (a) *Separation from Service Benefit*. Upon the Participant's Separation from Service, he or she shall be entitled to a Separation from Service Benefit. The Separation from Service Benefit shall be equal to the vested portion of all of the Participant's Separation from Service Accounts and any Specified Date Accounts with respect to which payments have not yet commenced. The Separation from Service Benefit shall be based on the value of that/those Account(s) as of the last day of the month in which the Participant's Separation from Service occurs, or, in the case of a Specified Employee, as of the first day of the seventh month following the month in which the Separation from Service occurs, or such later date as the Committee, in its sole discretion, shall determine. Payment of the Separation from Service Benefit will be made (or begin in the case of installments) on (i) the first day of the month following the month in which

the Separation from Service occurs; or (ii) in the case of a Participant who is a Specified Employee, on the first day of the seventh month following the month in which the Separation from Service occurs. If the Separation from Service Benefit is to be paid in the form of installments, any subsequent installment payments will be paid on or around the anniversary of the date such payments commence and shall be valued on/around the date of distribution. Notwithstanding the foregoing, the form of the Separation from Service Benefit shall be distributed pursuant to the election made by the Participant with respect to Termination or Retirement, as applicable, depending on the age of the Participant at Separation from Service.

- (b) *Specified Date Benefit*. To the extent a Participant allocates his/her Annual Deferral Amount to a Specified Date Account, and to the extent the Participant has not experienced a Separation from Service prior to the date designated for distribution for such Specified Date Account(s), he or she shall be entitled to receive a Specified Date Benefit with respect to each such Specified Date Account. The Specified Date Benefit shall be equal to the vested portion of the Specified Date Account, based on the value of that Account as of the end of the calendar month of distribution designated by the Participant at the time the Account was established. Payment of the Specified Date Benefit will be made in the calendar month next following the designated calendar month of distribution.
- (c) *Disability Benefit*. To the extent a Participant becomes Disabled, he/ she shall be entitled to a Disability Benefit. The payment date for the Disability Benefit shall be on or around the first Business Day of the calendar month next following the calendar month in which the Participant became Disabled. The Disability Benefit shall be based on the value of all Accounts as of the last day of the calendar month in which the Disability occurs, and will be paid in the next following calendar month. The Disability Benefit shall be paid according the Participant's applicable Disability Benefit election.
- (d) *Death Benefit*. In the event of the Participant's death, his or her designated Beneficiary(ies) shall be entitled to a Death Benefit. The payment date for the Death Benefit shall be on or around the first Business Day of the calendar month next following the calendar month in which the Committee is provided with proof that is satisfactory to the Committee of the Participant's death. The Death Benefit shall be based on the value of all

Accounts as of the last day of the calendar month in which the Committee is provided with such satisfactory proof of death. The Death Benefit shall be paid according to the Participant's applicable Death Benefit election.

Each Participant may, pursuant to such procedures as the Committee may specify, designate one or more Beneficiaries in connection with the Plan. The Beneficiary(ies) designated under this Plan may be the same as or different from the Beneficiary designation under any other plan in which the Participant participates. If a Participant names someone other than his or her spouse as a primary Beneficiary with respect to any portion of his or her Accounts, spousal consent shall be required to be provided in a form designated by the Committee, executed by such Participant's spouse and returned to the Committee. A Participant may change or revoke a Beneficiary designation by delivering to the Committee a new designation (or revocation). Any designation or revocation shall be effective only if it is received by the Committee.

However, when so received, the designation or revocation shall be effective as of the date the notice is executed (whether or not the Participant still is living), but without prejudice to any Employer on account of any payment made before the change is recorded. The last effective designation received by the Committee shall supersede all prior designations. If a Participant dies without having effectively designated a Beneficiary, or if no Beneficiary survives the Participant, the Participant's Account shall be payable (i) to his or her surviving spouse, or (ii) if the Participant is not survived by his or her spouse, to his or her estate. A former spouse shall have no interest under the Plan, as Beneficiary or otherwise, unless the Participant designates such person as a Beneficiary after dissolution of the marriage, except to the extent provided under the terms of a domestic relations order as described in Code Section 414(p)(1)(B).

- (e) *Change in Control Benefit.* Notwithstanding anything in this Plan to the contrary, in the event of a Change in Control, the Participant shall be entitled to a Change in Control Benefit. The payment date for the Change in Control Benefit shall be on or around the first Business Day of the calendar month next following the calendar month in which the Change in Control occurs. The Change in Control Benefit shall be based on the value of all Accounts as of the last day of the calendar month in which the Change in Control occurs. The Change in Control Benefit shall be paid according to the Participant's applicable Change in Control Benefit election.
- (f) *Unforeseeable Emergency Payments.* A Participant who experiences an Unforeseeable Emergency may submit a written request to the Committee to receive payment of all or any portion of his or her vested Accounts. Whether a Participant or Beneficiary is faced with an Unforeseeable Emergency permitting an emergency payment shall be determined by the Committee based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be reimbursed through insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Deferrals under this Plan. If an emergency payment is approved by the Committee, the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted first from the vested portion of the Participant's Separation from Service Account until depleted and then from the vested Specified Date Accounts, beginning with the Specified Date Account with the latest payment commencement date. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by the Committee. No Participant may receive more than one distribution on account of an Unforeseeable Emergency in any Plan Year. A Participant who receives a distribution on account of an Unforeseeable Emergency, and who is still employed by an Employer, shall be prohibited from making Deferrals for the remainder of the Plan Year in which the distribution is made.
- (g) *Code Section 409A.* Notwithstanding anything to the contrary contained in this Plan,
  - (i) a Participant shall have no legally-enforceable right to, and a Participating Employer shall have no obligation to make, any payment to a Participant if having such a right or obligation would result in the imposition of additional taxes under Code Section 409A, and (ii) any provision that would cause the Plan to fail to satisfy Code Section 409A will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Code Section 409A). If any payment is not made under the terms of this subsection (g), it is the Participating Employers' present intention to make a similar payment to the Participant in a manner that will not result in the imposition of additional taxes under Code Section 409A, to the extent feasible.

## 6.2 Form of Payment.

- (a) *Separation from Service Benefit.*

- (i) For each Annual Deferral Amount, a Participant may make a distribution election with respect to a Separation from Service Benefit upon Termination or Retirement (as applicable), and shall receive payment of such amount in a single lump sum, unless the Participant elects an alternate form of payment upon Termination or Retirement.
  - (ii) Permissible alternate forms of payment for the Separation from Service Benefit upon Termination or Retirement (as applicable) are annual installments over a period of two to ten years, as elected by the Participant.
- (b) *Specified Date Benefit.* A Participant who elects to receive an Annual Deferral Amount in the form of a Specified Date Benefit shall receive payment of such amount in a single lump sum.

Notwithstanding any Specified Date election of a Participant, if a Participant dies, experiences a Disability, or Separates from Service before distributions with respect to a Specified Date Account have commenced, such amounts shall be paid in accordance with the time and form of payment applicable to the Participant's Separation from Service Benefit, Disability Benefit or Death Benefit (as applicable).

- (c) *Disability Benefit.* For each Annual Deferral Amount, a Participant may make a distribution election with respect to the applicable Disability Benefit. Permissible forms of payment are a single lump sum, or annual installments over a period of two to ten years. In the absence of a Disability Benefit election for an Annual Deferral Amount, or in the event of an invalid election, the Participant shall be deemed to have elected to receive payment of such amount in a single lump sum.
- (d) *Death Benefit.* For each Annual Deferral Amount, a Participant may make a distribution election with respect to the applicable Death Benefit. Permissible forms of payment are a single lump sum, or annual installments over a period of two to ten years. In the absence of a Death Benefit election for an Annual Deferral Amount, or in the event

of an invalid election, the Participant shall be deemed to have elected to receive payment of such amount in a single lump sum.

- (e) *Change in Control Benefit.* For each Annual Deferral Amount, a Participant may make a distribution election with respect to the applicable Change in Control Benefit. Permissible forms of payment are a single lump sum, or annual installments over a period of two to ten years. In the absence of a Change in Control Benefit election for an Annual Deferral Amount, or in the event of an invalid election, the Participant shall be deemed to have elected to receive payment of such amount in a single lump sum.
- (f) *Small Account Balances.* The Committee shall pay the value of the Participant's Accounts upon a Separation from Service in a single lump sum if the balance of such Accounts (together with any amounts deferred under any other nonqualified deferred compensation plan that must be aggregated with the Plan Accounts pursuant to Treasury Regulations Section 1.409A-1(c)) is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Participant's interest in the Plan together with any plan with which the Plan Accounts must be aggregated as described above.
- (g) *Rules Applicable to Installment Payments.* If a Payment Schedule specifies installment payments, annual payments will be made beginning as of the payment commencement date for such installments, and shall continue on each anniversary thereof until the number of installment payments specified in the Payment Schedule has been paid. If a lump sum equal to less than 100% of the Separation from Service Account is paid, the payment commencement date for the installment form of payment will be the first anniversary of the payment of the lump sum. The amount of each installment payment shall be determined by dividing (i) by (ii), where (i) equals the Account Balance as of the Valuation Date and (ii) equals the remaining number of installment payments. For purposes of this subsection (g), the term "Valuation Date" means a date that is on the payment commencement date and each subsequent anniversary thereof, as applicable, or such other date as the Committee, in its sole discretion, shall determine in a manner consistent with Code Section 409A.

For purposes of Article VI, installment payments will be treated as a single form of payment; provided, however, that in the event a Participant elects a lump sum payment equal to less than 100% of his or her Separation from Service Benefit (Retirement or Termination, as applicable) or Specified Date Account, the partial lump sum payment shall at all times with respect to the amounts deferred be treated as a separate payment, and the installment payments for the balance of the Account shall, at all times with respect to the amounts deferred, be treated as a single payment.

- 6.3 Acceleration of or Delay in Payments. The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treasury Regulations Section 1.409A-3G(4). The Committee may also, in its sole and absolute discretion, delay the time for

payment of a benefit owed to the Participant hereunder, to the extent permitted under Treasury Regulations Section 1.409A-2(b)(7). If the Plan receives a domestic relations order (within the meaning of Code Section 414(p)(1)(B)) directing that all or a portion of a

Participant's Accounts be paid to an "alternate payee," any amounts to be paid to the alternate payee(s) shall be paid in a single lump sum, and such amounts will be subtracted from the Participant's Accounts as specified in the Plan.

- 6.4 Distributions Treated as Made Upon a Designated Event. If the Company fails to make any distribution on account of any of the events listed in Section 6.1, either intentionally or unintentionally, within the time period specified in Section 6.2, but the payment is made within the same calendar year, such distribution will be treated as made within the time period specified in Section 6.2 pursuant to Treasury Regulations Section 1.409A-3(d). In addition, if a distribution is not made due to a dispute with respect to such distribution, the distribution may be delayed in accordance with Treasury Regulations Section 1.409A-3(g).
- 6.5 Deductibility. All amounts distributed from the Plan are intended to be deductible by the Company or a Participating Employer. If the Committee determines in good faith that all or a portion of any distribution will not be deductible by the Company or a Participating Employer solely by reason of the limitation under Section 162(m) of the Code, then such distribution to the Participant will be delayed until the first year in which it is deductible.

## **ARTICLE VII**

### *Modifications to Payment Schedules*

- 7.1 Participant's Right to Modify. A Participant may modify any or all of the Payment Schedules with respect to one or more Separation from Service Benefit (e.g., to be paid at Retirement or Termination), Specified Date Benefit, Death Benefit, Change in Control Benefit or Disability Benefit, consistent with the permissible Payment Schedules available under the Plan, provided such modification complies with the requirements of this Article VII and Code Section 409A and Treas. Reg. §1.409A-2(b), and are authorized by the Committee. Modifications of Payment Schedules with respect to Accounts not explicitly identified in the immediately preceding sentence are not permissible under the Plan.
- 7.2 Time of Election. In the case of any modification to any Payment Schedule authorized by Section 7.1, the date on which a modification election is submitted to the Committee must be at least 12 months prior to the date on which payment of such Account is scheduled to commence under the Payment Schedule in effect prior to the modification in accordance with Treas. Reg. §1.409A-2(b)(1)(iii).
- 7.3 Date of Payment under Modified Payment Schedule. Except in the case of the Disability Benefit, the Death Benefit and Unforeseeable Emergency Payments, the date payments are to commence under the modified Payment Schedule must be no earlier than five years after the date payment would have commenced under the previous Payment Schedule (or, in the case of installment payments treated as a single payment, five years after the first amount was scheduled to be paid) in accordance with Treas. Reg. §1.409A-2(b)(1)(ii). Under no circumstances may a modification election result in an acceleration of payments in violation of Code Section 409A.
- 7.4 Effective Date. A modification election submitted in accordance with this Article VII is irrevocable upon receipt by the Committee and shall not become effective until 12 months after such date in accordance with Treas. Reg. §1.409A-2(b)(1)(i).
- 7.5 Effect on Accounts. An election to modify a Payment Schedule is specific to the Account or payment event to which it applies, and shall not be construed to affect the Payment Schedules of any other Accounts.

## **ARTICLE VIII**

### *Valuation of Account Balances; Investments*

- 8.1 Valuation. Deferrals shall be credited to appropriate Accounts on or about the date such Compensation would have been paid to the Participant absent the Compensation Deferral Agreement. Discretionary Contributions shall be credited at the time or times determined by the Committee in its sole discretion. Valuation of Accounts shall be performed under procedures approved by the Committee.
- 8.2 Adjustment for Earnings. Each Account will be adjusted to reflect Earnings on each Business Day. Adjustments shall reflect the net earnings, gains, losses, expenses, appreciation and depreciation associated with an investment option for each portion of the Account allocated to such option ("investment allocation").
- 8.3 Investment Options. Investment options will be determined by the Committee. The Committee, in its sole discretion, shall be permitted to add, remove or substitute investment options from the Plan from time to time; provided however, any decision to add, remove or substitute an investment option shall be made in good faith, and there shall at all times be a minimum of eight investment options of materially different risk and return characteristics. Any additions, removals or substitutions of investment options shall not be effective with respect to any period prior to the effective date of such change.

- 8.4 Investment Allocations. Notwithstanding anything else in this Plan to the contrary, a Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Participating Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's investment allocation shall be used solely for purposes of adjusting the value of a Participant's Account Balances.

A Participant shall specify an investment allocation for each of his or her Accounts in accordance with procedures established by the Committee. Allocation among the investment options must be designated in increments of 1%. The Participant's investment allocation will become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day.

A Participant may change an investment allocation on any Business Day, both with respect to future credits to the Plan and with respect to existing Account Balances, in accordance with procedures adopted by the Committee. Changes shall become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day, and shall be applied prospectively.

- 8.5 Unallocated Deferrals and Accounts. If the Participant fails to make an investment allocation with respect to an Account, such Account shall be invested in an investment option, the primary objective of which is the preservation of capital, as determined by the Committee in its reasonable discretion.

- 8.6 Performance Fund f.k.a. the NPL Growth Rate Fund and Limits on Amount Credited to Performance Fund. Unless indicated otherwise herein, the Performance Fund investment option shall only be made available in certain years and to certain Participants, in the sole and absolute discretion of the Company. The returns of the Performance Fund shall be based on the Company Growth Rate, which shall be credited to the applicable Accounts on or around each December 31st. The Company Growth Rate shall be determined by the Company in good faith, and consistent with the following:

- (a) For the Plan Year ending on December 31, 2013, the Company Growth Rate shall be the December 2012 average Moody's Corporate Bond Index rate.
- (b) For the Plan Year ending on December 31, 2014, the Company Growth Rate will be the two-year average of NPL Construction Co.'s EBITDA growth rate, determined as of September 30, 2014.
- (c) For the Plan Year ending on December 31, 2015, and each subsequent Plan Year ending before January 1, 2019, the Company Growth Rate for such year will be the three-year average of the Company's period to period EBITDA growth rate for each of the three preceding twelve-month periods ending as of the previous September 30.
- (d) For the Plan Year ending on December 31, 2019, and each subsequent Plan Year, the Company Growth Rate for such year will be determined using the following Company enterprise value formula:

$$(\text{EBITDA} \times \text{multiplier}) - \text{Net Debt} = \text{Rate of Return (subject to a floor minimum return of a negative five percent (-5\%) and a maximum return ceiling of a positive fifteen percent (15\%))}.$$

The Board of Directors shall in its discretion determine the EBITDA, multiplier, and Net Debt numbers to be utilized in determining the Company Growth Rate for a Plan Year.

- (e) Notwithstanding anything else in this Plan to the contrary, for Plan Years starting on or after January 1, 2014, the maximum Company Growth Rate loss shall be -5% (i.e., negative five percent), and the maximum Company Growth Rate gain shall be 15% (i.e., positive fifteen percent).

*Allocations to the Performance Fund*. The Company, in its sole and absolute discretion, may permit a Participant to allocate an existing Account to the Performance Fund as follows:

- (a) A Participant may make a one-time allocation of the balance of any or all Separation from Service Accounts to the Performance Fund, provided such transfer is completed no later than March 13, 2013.
- (b) Mandatory and discretionary deferrals of Compensation earned in 2013 and subsequent years before 2020 will be allocated to the Performance Fund under the terms of the LTCIP pursuant to the rules of the LTCIP that existed in each such year.

*Allocations from the Performance Fund*. If the Participant's allocation to the Performance Fund as of January 1 of a Plan Year (after Company Growth Rate credits/ debits are applied on or around December 31 for the immediately preceding Plan Year) exceeds a multiple of the Participant's salary as determined by the Company in its sole and absolute discretion and as communicated to the Participant, the excess amount will be initially transferred from the Performance Fund to the



default investment fund under Section 8.5, after which the Participant can allocate to one or more of the investment options then available under Section 8.3. Allocations from the Performance Fund will be made from the most recent bonus class year allocated to the Performance Fund, followed by the most recent salary class year allocated to the Performance Fund, and then from the next most recent bonus class year, followed by the next most recent salary class year.

Notwithstanding the foregoing, effective January 01, 2019, there shall be a limit on the amount of a Participant's Plan Account that can be credited to the Performance Fund. To the extent that at the beginning of a Plan Year the portion of the Participant's Account that is credited to the Performance Fund investment option exceeds the Maximum Amount, the excess shall be debited from such option and credited to a default EDCP investment option selected by the Committee; the amount credited to the default fund shall remain credited to such fund until the Participant, in accordance with Section 8.4, makes a new investment election with respect to such excess. In the Plan Years beginning before January 1, 2019, the term "Maximum Amount" shall mean an amount equal to the Participant's Section 4.1(c) Target Amount. In the Plan Year beginning January 1, 2019, the term "Maximum Amount" shall mean one hundred fifty percent (150%) of the Participant's Section 4.1 (c) Target Amount. In the Plan Year beginning on or after January 01, 2020, the term "Maximum Amount" shall mean one-half (1/2) of one hundred fifty percent (150%) of the Participant's Target Amount; provided, however, that the January 01, 2020, change to the Maximum Amount will not apply to a Participant with a Performance Fund balance on December 31, 2019, that exceeds the otherwise applicable Maximum Amount for the Participant on January 01, 2020.

*Allocations from the Performance Fund Upon Separation from Service.*

Notwithstanding any other provision in this Plan to the contrary, in the calendar year in which a Participant incurs a Separation From Service (the "Termination Year"), the portion of the Participant's Account that is credited to the Performance Fund shall, within 30 days of the Participant's date of termination, be debited from such option and credited to another Plan investment option selected by the Committee and shall remain credited to such option until the Participant, in accordance with Plan Section 8.4, makes an election to have such amount credited to another Plan investment option. For the segment of the Termination Year that all or part of the terminating Participant's Account is credited to the Performance Fund, the amount so credited will be deemed to have solely earned a rate of return equal to the average Moody's Corporate Bond Index rate of return as of the immediately preceding December.

## **ARTICLE IX**

### *Administration*

- 9.1 Plan Administration. The Plan shall be administered by the Committee. The Committee shall have the authority to control and manage the operation and administration of the Plan, including the authority and ability to delegate administrative functions to a third party. Claims for benefits shall be filed with the Committee and resolved in accordance with the claims procedures in Article XII.
- 9.2 Actions by Committee. Each decision of a majority of the members of the Committee then in office shall constitute the final and binding act of the Committee. The Committee may act with or without a meeting being called or held and shall keep minutes of all meetings held and a record of all actions taken by written consent.
- 9.3 Powers of Committee. The Committee shall have all powers and discretionary authority necessary or appropriate to supervise the administration of the Plan and to control its operation in accordance with its terms, including, but not by way of limitation, the following powers and discretionary authority:
- (a) To interpret and determine the meaning and validity of the provisions of the Plan, and to determine any question arising under, or in connection with, the administration, operation or validity of the Plan, or any amendment thereto;
  - (b) To determine any and all considerations affecting the eligibility of any employee to become a Participant or remain a Participant in the Plan;
  - (c) To maintain one or more separate Accounts for each Participant;
  - (d) To credit Compensation Deferrals and deemed interest to Participants' Accounts;
  - (e) To establish and revise an accounting method or formula for the Plan;
  - (f) To determine the status and rights of Participants and their spouses, Beneficiaries or estates;
  - (g) To employ such counsel, agents, and advisers, and to obtain such legal, clerical and other services, as it may deem necessary or appropriate in carrying out the provisions of the Plan;
  - (h) To establish, from time to time, rules for the performance of its powers and duties and for the administration of the Plan;
  - (i) To arrange for periodic distribution to each Participant of a statement of benefits accrued under the Plan;

- (j) To publish a claims and appeal procedure satisfying the minimum standards of Section 503 of ERISA pursuant to which individuals or estates may claim Plan benefits and appeal denials of such claims;
  - (k) To delegate to any one or more of its members or to any other person, severally or jointly, the authority to perform for and on behalf of the Committee one or more of the functions of the Committee under the Plan; and
  - (l) To decide all issues and questions regarding Account balances and the time, form, manner, and amount of distributions to Participants.
- 9.4 Administration Upon Change in Control. Upon a Change in Control, the Committee, as constituted immediately prior to such Change in Control, shall continue to act as the Committee. The individual who was the Chief Executive Officer of the Company immediately prior to the Change in Control (the "Ex-CEO") shall have the authority (but shall not be obligated) to appoint an independent third party to act as the Committee.

After a Change in Control, no member of the Committee may be removed (and/ or replaced) by the Company without the consent of either (a) 2/3 of the members of the Board of Directors of the Company and a majority of Participants and Beneficiaries with Account Balances or (b) the Ex-CEO or, in the event the Ex-CEO is no longer a Plan Participant, his or her appointee who is a Plan Participant.

The Participating Employers shall, with respect to the Committee identified under this Section:

- (a) pay all reasonable expenses and fees of the Committee, (b) indemnify the Committee (including individuals serving as Committee members) in accordance with Section 9.6, and (c) supply full and timely information to the Committee on all matters related to the Plan, Participants, Beneficiaries and Accounts as the Committee may reasonably require.
- 9.5 Withholding. The Participating Employer shall have the right to withhold from any payment due under the Plan (or with respect to any amounts credited to the Plan) any taxes required by law to be withheld in respect of such payment (or credit). Withholdings with respect to amounts credited to the Plan shall be deducted from Compensation that has not been deferred to the Plan.
- 9.6 Indemnification. The Participating Employer shall indemnify and hold harmless each employee, officer, director, agent or organization, to whom or to which are delegated duties, responsibilities, and authority under the Plan or otherwise with respect to administration of the Plan, including, without limitation, the Committee and its agents, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or her or it (including but not limited to reasonable attorneys' fees) which arise as a result of his or her or its actions or failure to act in connection with the operation and administration of the Plan to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Participating Employer. Notwithstanding the foregoing, the Participating Employer shall not indemnify any person or organization if his or her or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Participating Employer consents in writing to such settlement or compromise.
- 9.7 Delegation of Authority. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be legal counsel to the Company.
- 9.8 Binding Decisions or Actions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

## **ARTICLE X**

### *Amendment and Termination*

- 10.1 Termination. The Company and each other Participating Employer intend to continue the Plan indefinitely, and to maintain each Participant's Account until it is scheduled to be paid to him or her in accordance with the provisions of the Plan. However, the Plan is voluntary on the part of the Company and the other Participating Employers, and the Participating Employers do not guarantee to continue the Plan. Accordingly, the Company reserves the right to discontinue its sponsorship of the Plan (or the sponsorship of another Participating Employer) and/ or to terminate the Plan at any time with respect to any or all of its participating Eligible Employees (or all of another Participating Employer's Eligible Employees), by action of the Board of Directors. Upon the termination of the Plan with respect to any Participating Employer, the participation of the affected Participants who are employed by that Participating Employer shall terminate. However, after the Plan termination, the Account Balances of such Participants shall continue to be credited with Deferrals attributable to a deferral election that was in effect prior to the Plan termination to the extent deemed necessary to comply with Code Section 409A and related Treasury Regulations, and additional amounts shall continue to be credited or debited to such Participants' Account Balances pursuant to Article VIII. The investment options available to Participants following the termination of the Plan shall, subject to the rules in Article VIII, be comparable in number and type to those investment options available to Participants in the Plan Year preceding the Plan Year in which the Plan termination is effective. In addition, following a Plan

termination, Participant Account Balances shall remain in the Plan and shall not be distributed until such amounts become eligible for distribution in accordance with the other applicable provisions of the Plan. Notwithstanding the preceding sentence, to the extent permitted by Treasury Regulations Section 1.409A-3(j)(4)(ix), the Company may provide that, upon termination of the Plan, all Account Balances of the Participants shall be distributed, subject to and in accordance with any rules established by the Company deemed necessary to comply with the applicable requirements and limitations of Treasury Regulations Section 1.409A-3(j)(4)(ix).

## 10.2 Amendments.

- (a) The Company, by action taken by the Board of Directors, may amend the Plan at any time and for any reason, provided that any such amendment shall not reduce the vested Account Balances of any Participant accrued as of the date of any such amendment or restatement (as if the Participant had incurred a Separation from Service on such date). The Compensation Committee shall have the authority to amend the Plan for the purpose of: (i) conforming the Plan to the requirements of law (which amendments, notwithstanding any provisions in this Section 10.2 to the contrary, may also be made

without the consent of any Participant), (ii) facilitating the administration of the Plan,

- (iii) clarifying provisions based on the Compensation Committee's interpretation of the document, and  
(iv) making such other amendments as the Board of Directors may authorize.

- (b) Notwithstanding anything to the contrary in the Plan, if and to the extent the Compensation Committee shall determine that the terms of the Plan may result in the failure of the Plan, or amounts deferred by or for any Participant under the Plan, to comply with the requirements of Code Section 409A, or any applicable regulations or guidance promulgated by the Secretary of the Treasury in connection therewith, the Compensation Committee shall have authority to take such action to amend, modify, cancel or terminate the Plan (effective with respect to all Employers) or distribute any or all of the amounts deferred by or for a Participant, as it deems necessary or advisable, including without limitation:

- (i) Any amendment or modification of the Plan to conform the Plan to the requirements of Code Section 409A or any regulations or other guidance thereunder (including, without limitation, any amendment or modification of the terms of any applicable to any Participant's Accounts regarding the timing or form of payment).
- (ii) Any cancellation or termination of any unvested interest in a Participant's Accounts without any payment to the Participant.
- (iii) Any cancellation or termination of any vested interest in any Participant's Accounts, with immediate payment to the Participant of the amount otherwise payable to such Participant.
- (iv) Any such amendment, modification, cancellation, or termination of the Plan that may adversely affect the rights of a Participant without the Participant's consent.

## **ARTICLE XI**

### *Informal Funding*

- 11.1 General Assets. Obligations established under the terms of the Plan may be satisfied from the general funds of the Participating Employers, or a trust described in this Article XI. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in any assets of the Participating Employers. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Participating Employers and any Employee, Director, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments hereunder, such rights are no greater than the right of an unsecured general creditor of the Participating Employers.

- 11.2 Rabbi Trust. A Participating Employer may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under

the Plan. Payments under the Plan may be paid from the general assets of the Participating Employers or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Participant or Beneficiary under the Plan.

## **ARTICLE XII**

## Claims

- 12.1 Claim Procedure. A Participant or a beneficiary (the "Claimant") must file with the Committee a written claim for benefits if the Claimant believes he or she has not received the benefits he or she is entitled to receive. Any such claim must be filed within 90 days after the first date the Claimant knew or should have known of such a failure. Any claim filed after such time will be untimely.
- (a) *In General*. The Committee must render a decision on the claim within 90 days of the Claimant's written claim for benefits, provided that the Committee, in its discretion, may determine that an additional 90-day extension is warranted if it needs additional time to review the claim due to matters beyond the control of the Committee. In such event, the Committee shall notify the Claimant prior to the end of the initial period that an extension is needed, the reason therefore and the date by which the Committee expects to render a decision.
  - (b) *Disability Benefits*. Notice of denial of a Disability Benefit will be provided within 45 days of the Committee's receipt of the Claimant's claim for a Disability Benefit. If the Committee determines that it needs additional time to review the Disability claim, the Committee will provide the Claimant with a notice of the extension before the end of the initial 45 day period. Such extension period may not exceed 30 days. If the Committee determines that a decision cannot be made within the first extension period due to matters beyond the control of the Committee, the time period for making a determination may be further extended for an additional 30 days. If such an additional extension is necessary, the Committee shall notify the Claimant prior to the expiration of the initial 30 day extension. Any notice of extension shall indicate the circumstances necessitating the extension of time, the date by which the Committee expects to furnish a notice of decision, the specific standards on which such entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and any additional information needed to resolve those issues. A Claimant will be provided a minimum of 45 days to submit any necessary additional information to the Committee. In the event that a 30 day extension is necessary due to a Claimant's failure to submit information necessary to decide a claim, the period for furnishing a notice of decision shall be tolled from the date on which the notice of the extension is sent to the Claimant until the earlier of the date the Claimant responds to the request for additional information or the response deadline.
  - (c) *Contents of Notice*. If a Claimant's request for benefits is denied, the notice of denial shall be in writing and shall contain the following information:
    - (i) The specific reason or reasons for the denial in plain language;
    - (ii) A specific reference to the pertinent Plan provisions on which the denial is based;
    - (iii) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary;
    - (iv) An explanation of the claims review procedures and the time limits applicable to such procedures; and
    - (v) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination upon review.
    - (vi) In the case of a complete or partial denial of a Disability benefit claim, the notice shall provide a statement that the Committee will provide to the Claimant, upon request and free of charge, a copy of any internal rule, guideline, protocol or other similar criterion that was relied upon in making the decision.
- 12.2 Appeal.
- (a) *In General*. A Claimant dissatisfied with the Committee's decision must file a written appeal to the Committee within 60 days after Claimant's receipt of the decision or deemed denial. Any claim filed more than 60 days after Claimant's receipt of the decision will be untimely. The Claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the Claimant's appeal. The Claimant may submit written comments, documents, records and other information relating to his or her claim with the appeal. The Committee will review all comments, documents, records and other information submitted by the Claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Committee shall make a determination on the appeal within 60 days after receiving the Claimant's written appeal, provided that the Committee may determine that an additional 60-day extension is necessary due to circumstances beyond the Committee's control, in which event the Committee shall notify the Claimant prior to the end of the initial period that an extension is needed, the reason therefore and the date by which the Committee expects to render a decision.
  - (b) *Disability Benefits*. Appeal of a denied Disability benefits claim must be filed in writing with the Committee no later than 180 days after receipt of the written notification of such claim denial. The review shall be conducted by the Committee (exclusive of the person who made the initial adverse decision or such person's subordinate). In

reviewing the appeal, the Committee shall: (i) not afford deference to the initial denial of the claim, (ii) consult a medical professional who has appropriate training and experience in the field of medicine relating to the Claimant's disability and who was neither consulted as part of the initial denial nor is the subordinate of such individual and (iii) identify the medical or vocational experts whose advice was obtained with respect to the initial benefit denial, without regard to whether the advice was relied

upon in making the decision. The Committee shall make its decision regarding the merits of the denied claim within 45 days following receipt of the appeal (or within 90 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Committee expects to render the determination on review. Following its review of any additional information submitted by the Claimant, the Committee shall render a decision on its review of the denied claim.

- (c) *Contents of Notice.* If the Claimant's appeal is denied in whole or part, the Committee shall provide written notice to the Claimant of such denial. The written notice shall include the following information:
- (i) The specific reason or reasons for the denial;
  - (ii) A specific reference to the pertinent Plan provisions on which the denial is based;
  - (iii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the Claimant's claim; and
  - (iv) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.
  - (v) For the denial of a Disability benefit, the notice will also include a statement that the Committee will provide, upon request and free of charge, (A) any internal rule, guideline, protocol or other similar criterion relied upon in making the decision, (B) any medical opinion relied upon to make the decision and (C) the required statement under Section 2560.503-1 G) (5)(iii) of the Department of Labor regulations.

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12.3 Disability benefit claims. Notwithstanding any other provision in Article XII, this Section

12.3 shall apply to claims made on or after April 1, 2018, the adjudication of which revolves around whether a Participant is Disabled. In the event a claim involves the issue of whether a Participant is Disabled, the Committee shall ensure that all claims and appeals relating to such issue are adjudicated in a manner designed to ensure the independence and impartiality of the persons involved in making the decision.

- (a) Disabled. If a claim relates to a determination of whether a Participant is Disabled, and the claim requires an independent determination by the Committee, the Committee shall notify the Claimant of the Plan's adverse benefit determination within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim. If, due to matters beyond the control of the Plan, the Committee needs additional time to process a claim, the Claimant will be notified, within forty-five (45) days after the

Committee receives the claim, of those circumstances and of when the Committee expects to make its decision, but not beyond seventy-five (75) days. If, prior to the end of the extension period, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to one hundred five (105) days, provided that the Committee notifies the Claimant of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. The extension notice shall specifically explain the standards on which entitlement to a Disability Benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed from the Claimant to resolve those issues, and the Claimant shall be afforded at least forty-five (45) days within which to provide the specified information.

- (b) Notice of Decision. In the case of an adverse benefit determination by the Committee with respect to whether a Participant is Disabled, the Committee will provide a notification in a culturally and linguistically appropriate manner (as described in Department of Labor Regulation Section 2560.503-1(o)) that shall set forth:
- (i) The specific reasons for the denial;
  - (ii) A reference to the specific provisions of the Plan or insurance contract on which the denial is based;
  - (iii) Notice that the Claimant has a right to request a review of the claim denial and an explanation of the Plan's review

procedures and the time limits applicable to such procedures;

- (iv) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review, and a description of any time limit that applies under the Plan for bringing such an action;
- (v) A discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - a. The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
  - b. The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - c. A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.
    - (vi) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;
    - (vii) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
    - (viii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by Department of Labor Regulation Section 2560.503-1(m)(8).
- (c) Review Procedure. If the initial claim relates to whether a Participant is Disabled, the claim requires an independent determination by the Committee, and the Committee denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Committee of the denial, as follows:
  - (i) Prior to such review of the denied claim, the Claimant shall be given, free of charge, any new or additional evidence considered, relied upon, or generated by the Plan, insurer, or other person making the benefit determination in connection with the claim, or any new or additional rationale, as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give the Claimant a reasonable opportunity to respond prior to that date.
  - (ii) The Committee shall respond in writing to such Claimant within forty-five (45) days after receiving the request for review. If the Committee determines that special circumstances require additional time for processing the claim, the Committee can extend the response period by an additional forty-five (45) days by notifying the Claimant in writing, prior to the end of the initial 45-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Committee expects to render its decision.
  - (iii) The Claimant shall be given the opportunity to submit issues and written comments to the Committee, as well as to review and receive, without charge, all relevant (as defined in applicable ERISA regulations) documents, records and other information relating to the claim. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant
    - relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.
  - (iv) In considering the review, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations

shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed by an individual or committee who did not make the initial determination that is subject of the appeal, nor by a subordinate of the individual who made the determination, and the review shall be made without deference to the initial adverse benefit determination. If the initial adverse benefit determination was based in whole or in part on a medical judgment, the Committee will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Committee obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Committee will identify such experts.

(d) Notice Of Decision after Review. In the case of an adverse benefit determination with respect to whether a Participant is Disabled, the Committee will provide a notification in a culturally and linguistically appropriate manner (as described in Department of Labor Regulation Section 2560.503-1(o)) that shall set forth:

- (i) The Committee's decision;
- (ii) The specific reasons for the denial;
- (iii) A reference to the specific provisions of the Plan or insurance contract on which the decision is based;
- (iv) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits;
- (v) A statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures;
- (vi) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) which shall describe any applicable contractual limitations period (such as that in Section 12.6) that applies to the Claimant's right to bring such an action,

including the calendar date on which the contractual limitations period expires for the claim;

- (vii) A discussion of the decision, including an explanation of the basis for disagreeing with or not following:
  - a. The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
  - b. The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
  - c. A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.
- (viii) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- (ix) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

(e) Exhaustion of Remedies. A Claimant must follow the claims review procedures under this Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

Failure of Plan to Follow Procedures. In the case of a claim with respect to whether a Participant is Disabled, if the Plan fails to strictly adhere to all the requirements of this claims procedure with respect to whether a Participant is Disabled, the Claimant is deemed to have exhausted the administrative remedies available under the Plan, and shall be entitled to

pursue any available remedies under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim, except where the violation was: (i) de minimis; (ii) non-prejudicial; (iii) attributable to good cause or matters beyond the Plan's control; (iv) in the context of an ongoing good-faith exchange of information; and (v) not reflective of a pattern or practice of non-compliance. The Claimant may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its basis, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the Claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan's receipt of the

decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the claimant with notice of the resubmission.

- 12.4 Relevance. For purposes of Section 12.1, Section 12.2, and 12.3, documents, records, or other information shall be considered "relevant" to a Claimant's claim for benefits if such documents, records or other information:
- (a) Were relied upon in making the benefit determination;
  - (b) Were submitted, considered, or generated in the course of making the benefit determination, without regard to whether such documents, records or other information were relied upon in making the benefit determination; or
  - (c) Demonstrate compliance with the administrative processes and safeguards required pursuant to Section 12.1, Section 12.2. and Section 12.3 regarding the making of the benefit determination.
- 12.5 Claims Appeals Upon Change in Control. Upon a Change in Control, the Committee, as constituted immediately prior to such Change in Control, shall continue to act as the Committee. After a Change in Control, no member of the Committee may be removed (and/or replaced) by the Company without the consent of either (a) 2/3 of the members of the Board of Directors of the Company and a majority of Participants and Beneficiaries with Account Balances or (b) the Ex-CEO or, in the event the Ex-CEO is no longer a Plan Participant, his or her appointee who is a Plan Participant.
- 12.6 Constructive Denial. If the Claimant does not receive a written decision within the time period(s) described above, the claim shall be deemed denied on the last day of such period(s).
- 12.7 Six Month Deadline for Filing Suit. No Claimant may institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan until he first has exhausted the procedures set forth in Sections 12.1, 12.2 and 12.3. A claimant dissatisfied with the Committee's decision upon appeal under Sections 12.2 or 12.3 must file any lawsuit challenging that decision no later than six months after the Committee mails the notice of denial or a Constructive Denial occurs. Any suit brought more than six months after the denial on appeal or Constructive Denial shall be deemed untimely. In ruling on any timely-filed suit, the Court shall uphold the Committee's determinations unless they constitute an abuse of discretion or fraud.
- 12.8 Decisions of Committee. All actions, interpretations, and decisions of the Committee shall be conclusive and binding on all persons, and shall be given the maximum deference permitted by law.
- 12.9 Administrative expenses. All expenses incurred in the administration of the Plan by the Committee, or otherwise, including legal fees and expenses, shall be paid and borne by the Participating Employers.
- 12.10 Eligibility to Participate. No member of the Committee who also is an Eligible Employee shall be excluded from participating in the Plan, but as a member of the Committee, he or she
- shall not be entitled to act or pass upon any matters pertaining specifically to his or her own Account.
- 12.11 Indemnification. Each of the Participating Employers shall, and hereby does, indemnify and hold harmless the members of the Committee, from and against any and all losses, claims, damages or liabilities (including attorneys' fees and amounts paid, with the approval of the Board of Directors, in settlement of any claim) arising out of or resulting from the implementation of a duty, act or decision with respect to the Plan, so long as such duty, act or decision does not involve gross negligence or willful misconduct on the part of any such individual.

### **ARTICLE XIII**

#### *General Provisions*

- 13.1 Assignment. No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary. Notwithstanding anything to



the contrary herein, however, the Committee has the discretion to make payments to an alternate payee in accordance with the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)).

A Participating Employer may assign any or all of its liabilities under this Plan in connection with any restructuring, recapitalization, sale of assets or other similar transactions affecting such Participating Employer without the consent of the Participant.

- 13.2 No Legal or Equitable Rights or Interest. No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of a Participating Employer. The right and power of a Participating Employer to dismiss or discharge an Employee is expressly reserved.
- 13.3 No Guarantee of Tax Consequences. While the Plan is intended to provide tax deferral for Participants, the Plan is not a guarantee that the intended tax deferral will be achieved. Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with this Plan (including any taxes arising under Code Section 409A). No Participating Employer or any of their directors, officers or employees shall have any obligation to indemnify or otherwise hold any Participant harmless from any such taxes. No Participating Employer makes any representations or warranties as to the tax consequences to a Participant or a Participant's Beneficiary(ies) resulting from a deferral of income pursuant to the Plan.
- 13.4 Rights and Duties. Under no circumstances will any Participating Employer, the Compensation Committee or the members of the Compensation Committee, the Committee or the members of the Committee be subject to any liability or duty under the Plan except as expressly provided in the Plan, or for any action taken, omitted or suffered in good faith.
- 13.5 No Effect on Service. Neither the establishment or maintenance of the Plan, the making of any Compensation Deferrals nor any action of a Participating Employer or the Committee, shall be held or construed to confer upon any individual: (a) any right to be continued as an employee or (b) upon dismissal, any right or interest in any specific assets of any Participating Employer or the Committee other than as provided in the Plan. Each Participating Employer expressly reserves the right to discharge any employee at any time, with or without cause. Nothing contained herein shall be construed to constitute a contract of employment between an Employee and any Participating Employer.
- 13.6 Notice. Any notice or filing required or permitted to be delivered to the Committee under this Plan shall be delivered in writing, in person, or through such electronic means as is established by the Committee. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Written transmission shall be sent by certified mail to:
- CENTURI GROUP, INC.  
ATTENTION: SENIOR VICE PRESIDENT - HR 19820 N 7T<sup>11</sup> AVENUE, SUITE 120  
PHOENIX, AZ 850274739
- Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing or hand-delivered, or sent by mail to the last known address of the Participant.
- 13.7 Headings. The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.
- 13.8 Invalid or Unenforceable Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Committee may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.
- 13.9 Lost Participants or Beneficiaries. Any Participant or Beneficiary who is entitled to a benefit from the Plan has the duty to keep the Committee advised of his or her current mailing address. If benefit payments are returned to the Plan or are not presented for payment after a reasonable amount of time, the Committee shall presume that the payee is missing. The Committee, after making such efforts as in its discretion it deems reasonable and appropriate to locate the payee, shall stop payment on any uncashed checks and may discontinue making future payments until contact with the payee is restored to the extent permitted by Code Section 409A.
- 13.10 Facility of Payment to a Minor. If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Committee may, in its discretion, make such distribution:
- (a) to the legal guardian, or if none, to a parent of a minor payee with whom the payee maintains his or her residence, or
- (b) to the conservator or committee or, if none, to the person having custody of an incompetent payee. Any such distribution shall fully discharge the


Committee, the Participating Employers, and the Plan from further liability on account thereof.

13.11 Governing Law. To the extent applicable, ERISA shall govern the construction and administration of the Plan.

13.12 Compliance with Code Section 409A. This Plan is intended to be administered in compliance with Code Section 409A and each provision of the Plan shall be interpreted, to the extent possible, to comply with Code Section 409A.

IN WITNESS WHEREOF, the undersigned executed this Plan as of the 26<sup>th</sup> day of February, 2020.

**Centuri Group, Inc.**



By: Paul M. Daily (Print Name) Its: President and CEO (Title)

(Signature)

**Certification of Southwest Gas Holdings, Inc.**

I, John P. Hester, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2020

/s/ JOHN P. HESTER

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John P. Hester

President and Chief Executive Officer

Southwest Gas Holdings, Inc.

**Certification of Southwest Gas Holdings, Inc.**

I, Gregory J. Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2020

/s/ GREGORY J. PETERSON

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Gregory J. Peterson

Senior Vice President/Chief Financial Officer

Southwest Gas Holdings, Inc.

**Certification of Southwest Gas Corporation**

I, John P. Hester, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2020

/s/ JOHN P. HESTER

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John P. Hester  
President and Chief Executive Officer  
Southwest Gas Corporation

## Certification of Southwest Gas Corporation

I, Gregory J. Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c.) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d.) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2020

/s/ GREGORY J. PETERSON

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Gregory J. Peterson

Senior Vice President/Chief Financial Officer  
Southwest Gas Corporation

## SOUTHWEST GAS HOLDINGS, INC.

CERTIFICATION

In connection with the periodic report of Southwest Gas Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, John P. Hester, the President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: May 7, 2020

/s/ John P. Hester

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John P. Hester  
President and Chief Executive Officer

## SOUTHWEST GAS HOLDINGS, INC.

CERTIFICATION

In connection with the periodic report of Southwest Gas Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Gregory J. Peterson, Senior Vice President/Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: May 7, 2020

/s/ Gregory J. Peterson

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Gregory J. Peterson  
Senior Vice President/Chief Financial Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, John P. Hester, the President and Chief Executive Officer of Southwest Gas Corporation, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Southwest Gas Corporation at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: May 7, 2020

/s/ John P. Hester

---

John P. Hester  
President and Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Gregory J. Peterson, Senior Vice President/Chief Financial Officer of Southwest Gas Corporation, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Southwest Gas Corporation at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: May 7, 2020

/s/ Gregory J. Peterson

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Gregory J. Peterson  
Senior Vice President/Chief Financial Officer