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 September 30, 2017

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	California	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

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 the 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☐		

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, 47,731,840 shares as of October 27, 2017.

All of the outstanding shares of common stock ($1 par value) of Southwest Gas Corporation were held by Southwest Gas Holdings, Inc. as of January 1, 2017.

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, and statements of cash flows) for Southwest Gas Holdings, Inc. and Southwest Gas Corporation, in that order. The Notes to 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)

	SEPTEMBER 30, 2017	DECEMBER 31, 2016
ASSETS		
Utility plant:		
Gas plant	$ 6,440,547	$ 6,193,564
Less: accumulated depreciation	(2,218,796)	(2,172,966)
Acquisition adjustments, net	81	196
Construction work in progress	164,030	111,177
Net utility plant	4,385,862	4,131,971
Other property and investments	369,303	342,343
Current assets:		
Cash and cash equivalents	59,152	28,066
Accounts receivable, net of allowances	301,792	285,145
Accrued utility revenue	34,100	76,200
Income taxes receivable, net	5,462	4,455
Deferred purchased gas costs	6,230	2,608
Prepaids and other current assets	132,182	136,833
Total current assets	538,918	533,307
Noncurrent assets:		
Goodwill	147,865	139,983
Deferred income taxes	1,467	1,288
Deferred charges and other assets	411,655	432,234
Total noncurrent assets	560,987	573,505
Total assets	$ 5,855,070	$ 5,581,126
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par (authorized—60,000,000 shares; issued and outstanding—47,731,840 and 47,482,068 shares)	$ 49,362	$ 49,112
Additional paid-in capital	924,213	903,123
Accumulated other comprehensive income (loss), net	(42,818)	(48,008)
Retained earnings	784,934	759,263
Total Southwest Gas Holdings, Inc. equity	1,715,691	1,663,490
Noncontrolling interest	(2,295)	(2,217)
Total equity	1,713,396	1,661,273
Redeemable noncontrolling interest	—	22,590
Long-term debt, less current maturities	1,731,981	1,549,983
Total capitalization	3,445,377	3,233,846
Current liabilities:		
Current maturities of long-term debt	28,453	50,101
Short-term debt	110,500	—
Accounts payable	159,382	184,669
Customer deposits	70,162	72,296
Income taxes payable	1,543	1,909
Accrued general taxes	48,998	42,921
Accrued interest	24,543	17,939
Deferred purchased gas costs	14,971	90,476
Other current liabilities	197,854	168,064
Total current liabilities	656,406	628,375
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	894,011	840,653
Accumulated removal costs	312,000	308,000
Other deferred credits and other long-term liabilities	547,276	570,252
Total deferred income taxes and other credits	1,753,287	1,718,905
Total capitalization and liabilities	$ 5,855,070	$ 5,581,126

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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2017	2016	2017	2016	2017	2016
Operating revenues:						
Gas operating revenues	$ 213,059	$ 200,179	$ 935,823	$ 980,927	$1,276,308	$1,376,388
Construction revenues	380,094	339,790	872,536	838,038	1,173,576	1,127,982
Total operating revenues	593,153	539,969	1,808,359	1,818,965	2,449,884	2,504,370
Operating expenses:						
Net cost of gas sold	45,539	39,056	261,839	324,072	334,888	460,836
Operations and maintenance	102,278	102,438	314,488	301,979	414,233	400,222
Depreciation and amortization	58,529	69,845	189,089	217,764	260,457	286,977
Taxes other than income taxes	14,046	12,480	43,325	39,480	56,221	51,810
Construction expenses	342,629	300,611	806,586	757,919	1,073,090	1,009,188
Total operating expenses	563,021	524,430	1,615,327	1,641,214	2,138,889	2,209,033
Operating income	30,132	15,539	193,032	177,751	310,995	295,337
Other income and (expenses):						
Net interest deductions	(19,494)	(18,158)	(56,863)	(54,100)	(76,423)	(71,884)
Other income (deductions)	2,876	2,565	8,788	6,756	11,501	10,861
Total other income and (expenses)	(16,618)	(15,593)	(48,075)	(47,344)	(64,922)	(61,023)
Income (loss) before income taxes	13,514	(54)	144,957	130,407	246,073	234,314
Income tax expense (benefit)	3,094	(2,961)	47,411	43,046	82,833	80,255
Net income	10,420	2,907	97,546	87,361	163,240	154,059
Net income attributable to noncontrolling interests	216	435	170	500	684	1,079
Net income attributable to Southwest Gas Holdings, Inc.	$ 10,204	$ 2,472	$ 97,376	$ 86,861	$ 162,556	$ 152,980
Basic earnings per share	$ 0.21	$ 0.05	$ 2.05	$ 1.83	$ 3.42	$ 3.22
Diluted earnings per share	$ 0.21	$ 0.05	$ 2.03	$ 1.82	$ 3.39	$ 3.20
Dividends declared per share	$ 0.495	$ 0.450	$ 1.485	$ 1.350	$ 1.935	$ 1.755
Average number of common shares outstanding	47,628	47,481	47,577	47,464	47,553	47,442
Average shares outstanding (assuming dilution)	47,986	47,830	47,912	47,802	47,896	47,787

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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2017	2016	2017	2016	2017	2016
Net income	$ 10,420	$ 2,907	$ 97,546	$ 87,361	$ 163,240	$ 154,059
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial gain (loss)	—	—	—	—	(14,118)	(18,922)
Amortization of prior service cost	207	207	621	621	828	828
Amortization of net actuarial loss	3,944	4,196	11,832	12,586	16,027	17,915
Regulatory adjustment	(3,555)	(3,796)	(10,667)	(11,388)	(2,741)	(404)
Net defined benefit pension plans	596	607	1,786	1,819	(4)	(583)
Forward-starting interest rate swaps:						
Amounts reclassified into net income	518	518	1,554	1,556	2,073	2,073
Net forward-starting interest rate swaps	518	518	1,554	1,556	2,073	2,073
Foreign currency translation adjustments	1,012	(238)	1,861	614	1,408	233
Total other comprehensive income, net of tax	2,126	887	5,201	3,989	3,477	1,723
Comprehensive income	12,546	3,794	102,747	91,350	166,717	155,782
Comprehensive income attributable to noncontrolling interests	198	427	181	521	679	1,089
Comprehensive income attributable to Southwest Gas Holdings, Inc.	$ 12,348	$ 3,367	$102,566	$ 90,829	$ 166,038	$ 154,693

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)

	NINE MONTHS ENDED SEPTEMBER 30		TWELVE MONTHS ENDED SEPTEMBER 30	
	2017	2016	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	$ 97,546	$ 87,361	$ 163,240	$ 154,059
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	189,089	217,764	260,457	286,977
Deferred income taxes	49,409	43,702	74,439	86,526
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	(15,330)	28,531	(13,765)	(17,889)
Accrued utility revenue	42,100	41,700	(1,100)	(800)
Deferred purchased gas costs	(79,127)	81,389	(114,658)	79,460
Accounts payable	(26,771)	(24,942)	19,866	10,445
Accrued taxes	4,689	(7,055)	38,084	(11,033)
Other current assets and liabilities	43,044	12,022	3,590	22,034
Gains on sale	(1,452)	(4,117)	(4,483)	(4,200)
Changes in undistributed stock compensation	9,199	4,347	10,308	5,142
AFUDC	(2,077)	(1,893)	(2,473)	(2,890)
Changes in other assets and deferred charges	(14,470)	3,926	(1,436)	4,183
Changes in other liabilities and deferred credits	3,395	(4,813)	(10,239)	702
Net cash provided by operating activities	299,244	477,922	421,830	612,716
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(449,998)	(404,388)	(575,141)	(555,819)
Acquisition of businesses, net of cash acquired	—	(17,000)	—	(17,000)
Changes in customer advances	(1,951)	5,445	504	9,445
Miscellaneous inflows	9,160	7,965	14,234	4,726
Net cash used in investing activities	(442,789)	(407,978)	(560,403)	(558,648)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	11,563	530	11,505	507
Dividends paid	(68,503)	(61,950)	(89,870)	(81,138)
Centuri distribution to redeemable noncontrolling interest	(204)	(99)	(544)	(198)
Issuance of long-term debt, net	104,308	408,946	119,308	420,946
Retirement of long-term debt	(100,240)	(196,351)	(159,162)	(240,999)
Change in credit facility and commercial paper	145,000	(150,000)	150,000	(97,000)
Change in short-term debt	110,500	(18,000)	110,500	—
Principal payments on capital lease obligations	(796)	(1,125)	(1,025)	(1,449)
Redemption of Centuri shares from noncontrolling parties	(23,000)	—	(23,000)	—
Withholding remittance—share-based compensation	(3,176)	(2,119)	(3,176)	(2,164)
Other	(1,104)	(605)	(2,068)	(60)
Net cash provided by (used in) financing activities	174,348	(20,773)	112,468	(1,555)
Effects of currency translation on cash and cash equivalents	283	(14)	103	(318)
Change in cash and cash equivalents	31,086	49,157	(26,002)	52,195
Cash and cash equivalents at beginning of period	28,066	35,997	85,154	32,959
Cash and cash equivalents at end of period	$ 59,152	$ 85,154	$ 59,152	$ 85,154
Supplemental information:				
Interest paid, net of amounts capitalized	$ 45,771	$ 47,134	$ 66,077	$ 68,445
Income taxes paid (received)	3,687	6,530	(21,875)	9,899

The accompanying notes are an integral part of these statements.

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

	SEPTEMBER 30, 2017	DECEMBER 31, 2016
ASSETS		
Utility plant:		
Gas plant	$ 6,440,547	$ 6,193,564
Less: accumulated depreciation	(2,218,796)	(2,172,966)
Acquisition adjustments, net	81	196
Construction work in progress	164,030	111,177
Net utility plant	4,385,862	4,131,971
Other property and investments	115,841	108,569
Current assets:		
Cash and cash equivalents	46,467	19,024
Accounts receivable, net of allowances	68,028	111,845
Accrued utility revenue	34,100	76,200
Income taxes receivable, net	6,440	4,455
Deferred purchased gas costs	6,230	2,608
Prepaids and other current assets	118,587	126,363
Total current assets	279,852	340,495
Noncurrent assets:		
Goodwill	10,095	10,095
Deferred charges and other assets	393,942	410,625
Discontinued operations—construction services—assets	—	579,371
Total noncurrent assets	404,037	1,000,091
Total assets	$ 5,185,592	$ 5,581,126
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock	$ 49,112	$ 49,112
Additional paid-in capital	917,581	897,346
Accumulated other comprehensive income (loss), net	(42,299)	(45,639)
Retained earnings	606,007	767,061
Total Southwest Gas Corporation equity	1,530,401	1,667,880
Discontinued operations—construction services non-owner equity	—	15,983
Long-term debt, less current maturities	1,520,790	1,375,080
Total capitalization	3,051,191	3,058,943
Current liabilities:		
Current maturities of long-term debt	—	25,000
Short-term debt	83,000	—
Accounts payable	92,257	138,229
Customer deposits	70,162	72,296
Accrued general taxes	48,998	42,921
Accrued interest	24,406	17,395
Deferred purchased gas costs	14,971	90,476
Payable to parent	2,560	—
Other current liabilities	109,705	95,999
Total current liabilities	446,059	482,316
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits, net	853,682	806,109
Accumulated removal costs	312,000	308,000
Other deferred credits and other long-term liabilities	522,660	545,143
Discontinued operations—construction services—liabilities	—	380,615
Total deferred income taxes and other credits	1,688,342	2,039,867
Total capitalization and liabilities	$ 5,185,592	$ 5,581,126

The accompanying notes are an integral part of these statements.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2017	2016	2017	2016	2017	2016
Continuing operations:						
Gas operating revenues	$ 213,059	$ 200,179	$935,823	$980,927	$1,276,308	$1,376,388
Operating expenses:						
Net cost of gas sold	45,539	39,056	261,839	324,072	334,888	460,836
Operations and maintenance	102,215	102,438	313,395	301,979	413,140	400,222
Depreciation and amortization	46,194	56,436	153,643	174,413	212,693	228,609
Taxes other than income taxes	14,046	12,480	43,325	39,480	56,221	51,810
Total operating expenses	207,994	210,410	772,202	839,944	1,016,942	1,141,477
Operating income (loss)	5,065	(10,231)	163,621	140,983	259,366	234,911
Other income and (expenses):						
Net interest deductions	(17,421)	(16,364)	(51,622)	(49,155)	(69,464)	(65,146)
Other income (deductions)	3,081	2,521	8,744	6,712	10,308	9,615
Total other income and (expenses)	(14,340)	(13,843)	(42,878)	(42,443)	(59,156)	(55,531)
Income (loss) from continuing operations before income taxes	(9,275)	(24,074)	120,743	98,540	200,210	179,380
Income tax expense (benefit)	(5,251)	(11,669)	38,307	31,004	65,887	59,544
Income (loss) from continuing operations	(4,024)	(12,405)	82,436	67,536	134,323	119,836
Discontinued operations—construction services:						
Income before income taxes	—	24,020	—	31,867	21,649	54,934
Income tax expense	—	8,708	—	12,042	7,842	20,711
Income	—	15,312	—	19,825	13,807	34,223
Noncontrolling interests	—	435	—	500	514	1,079
Income—discontinued operations	—	14,877	—	19,325	13,293	33,144
Net income (loss)	$ (4,024)	$ 2,472	$ 82,436	$ 86,861	$ 147,616	$ 152,980

The accompanying notes are an integral part of these statements.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2017	2016	2017	2016	2017	2016
Continuing operations:						
Net income (loss) from continuing operations	$ (4,024)	$ (12,405)	$ 82,436	$ 67,536	$ 134,323	$ 119,836
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial gain (loss)	—	—	—	—	(14,118)	(18,922)
Amortization of prior service cost	207	207	621	621	828	828
Amortization of net actuarial loss	3,944	4,196	11,832	12,586	16,027	17,915
Regulatory adjustment	(3,555)	(3,796)	(10,667)	(11,388)	(2,741)	(404)
Net defined benefit pension plans	596	607	1,786	1,819	(4)	(583)
Forward-starting interest rate swaps:						
Amounts reclassified into net income	518	518	1,554	1,556	2,073	2,073
Net forward-starting interest rate swaps	518	518	1,554	1,556	2,073	2,073
Total other comprehensive income, net of tax from continuing operations	1,114	1,125	3,340	3,375	2,069	1,490
Comprehensive income (loss) from continuing operations	(2,910)	(11,280)	85,776	70,911	136,392	121,326
Discontinued operations—construction services:						
Net income	—	14,877	—	19,325	13,293	33,144
Foreign currency translation adjustments	—	(238)	—	614	(453)	233
Comprehensive income	—	14,639	—	19,939	12,840	33,377
Comprehensive income (loss) attributable to noncontrolling interests	—	(8)	—	21	(16)	10
Comprehensive income attributable to discontinued operations—construction services	—	14,647	—	19,918	12,856	33,367
Comprehensive income (loss)	$ (2,910)	$ 3,367	$ 85,776	$ 90,829	$ 149,248	$ 154,693

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)

	NINE MONTHS ENDED SEPTEMBER 30		TWELVE MONTHS ENDED SEPTEMBER 30	
	2017	2016	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:				
Net Income	$ 82,436	$ 87,361	$ 148,130	$ 154,059
Income (loss) from discontinued operations	—	19,825	13,807	34,223
Income from continuing operations	82,436	67,536	134,323	119,836
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	153,643	174,413	212,693	228,609
Deferred income taxes	44,621	39,953	72,627	76,837
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	43,818	91,680	(7,131)	8,543
Accrued utility revenue	42,100	41,700	(1,100)	(800)
Deferred purchased gas costs	(79,127)	81,389	(114,658)	79,460
Accounts payable	(45,972)	(47,060)	17,271	1,467
Accrued taxes	4,092	(5,660)	29,143	4,567
Other current assets and liabilities	32,453	(819)	(224)	9,135
Changes in undistributed stock compensation	7,999	4,347	9,108	5,142
AFUDC	(2,077)	(1,893)	(2,473)	(2,890)
Changes in other assets and deferred charges	(14,861)	3,664	(1,914)	3,834
Changes in other liabilities and deferred credits	2,883	(4,813)	(10,751)	702
Net cash provided by operating activities	272,008	444,437	336,914	534,442
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(395,463)	(337,921)	(514,661)	(485,665)
Changes in customer advances	(1,951)	5,445	504	9,445
Miscellaneous inflows	2,407	2,464	2,925	3,506
Dividends received	—	2,801	9,660	5,602
Net cash used in investing activities	(395,007)	(327,211)	(501,572)	(467,112)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	—	530	(58)	507
Contributions from parent	11,659	—	11,659	—
Dividends paid	(60,497)	(61,950)	(81,864)	(81,138)
Issuance of long-term debt, net	—	296,469	—	296,469
Retirement of long-term debt	(25,000)	(124,855)	(25,000)	(124,855)
Change in credit facility and commercial paper	145,000	(150,000)	150,000	(97,000)
Change in short-term debt	83,000	(18,000)	83,000	—
Withholding remittance—share-based compensation	(3,176)	(2,119)	(3,176)	(2,164)
Other	(544)	(605)	(1,508)	(9)
Net cash provided by (used in) financing activities	150,442	(60,530)	133,053	(8,190)
Net cash provided by discontinued operating activities	—	33,485	57,680	78,274
Net cash used in discontinued investing activities	—	(80,767)	(11,049)	(91,536)
Net cash provided by (used in) discontinued financing activities	—	39,757	(44,491)	6,635
Effects of currency translation on cash and cash equivalents	—	(14)	(180)	(318)
Change in cash and cash equivalents	27,443	49,157	(29,645)	52,195
Change in cash and cash equivalents of discontinued operations included in discontinued operations construction services assets	—	7,539	(1,960)	6,945
Change in cash and cash equivalents of continuing operations	27,443	56,696	(31,605)	59,140
Cash and cash equivalents at beginning of period	19,024	21,376	78,072	18,932
Cash and cash equivalents at end of period	$ 46,467	$ 78,072	$ 46,467	$ 78,072
Supplemental information:				
Interest paid, net of amounts capitalized	$ 40,751	$ 42,804	$ 59,448	$ 63,031
Income taxes paid (received)	$ 4	$ (3,055)	$ (27,952)	$ (16,600)

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Operations and Basis of Presentation

Nature of Operations. Southwest Gas Holdings, Inc. is a holding company, owning all of the shares of common stock of Southwest Gas Corporation and, prior to August 2017, 96.6% of the shares of common stock of Centuri Construction Group, Inc. During August 2017, Southwest Gas Holdings, Inc. acquired the remaining 3.4% equity interest in Centuri Construction Group, Inc. that was held by the previous owners (and was previously reflected as a redeemable noncontrolling interest). Refer to **Note 9 – Construction Services Redeemable Noncontrolling Interest** for additional information.

In January 2017, a previously contemplated and approved reorganization under a holding company structure was made effective. The reorganization was designed to provide further separation between regulated and unregulated businesses, and to provide additional financing flexibility. Coincident with the effective date of the reorganization, existing shareholders of Southwest Gas Corporation became shareholders of Southwest Gas Holdings, Inc., on a one-for-one basis, with the same number of shares and same ownership percentage as they held immediately prior to the reorganization. At the same time, Southwest Gas Corporation and Centuri Construction Group, Inc. ("Centuri" or the "construction services" segment) each became subsidiaries of the publicly traded holding company; whereas, historically, Centuri had been a direct subsidiary of Southwest Gas Corporation.

Southwest Gas Corporation ("Southwest" or the "natural gas operations segment") 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 construction services enterprise dedicated to meeting the growing demands of North American utilities, energy and industrial markets. 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", formerly Link-Line Contractors Ltd.), W.S. Nicholls Construction, Inc. ("W.S. Nicholls"), and Brigadier Pipelines Inc. ("Brigadier"). Typically, Centuri revenues are lowest during the first quarter of the year due to unfavorable winter weather conditions. Operating revenues typically improve as more favorable weather conditions occur during the summer and fall months.

Basis of Presentation. The condensed consolidated financial statements for 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"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. As indicated above, in connection with the holding company reorganization, Centuri ceased to be a subsidiary of Southwest and became a subsidiary of Southwest Gas Holdings, Inc. To give effect to this change, the separate condensed consolidated financial statements related to Southwest Gas Corporation, which are included in this Form 10-Q, depict Centuri-related amounts for periods prior to January 1, 2017 as discontinued operations. Because the transfer of Centuri from Southwest Gas Corporation to Southwest Gas Holdings, Inc. was effectuated as an equity transaction and not a sale, assets and liabilities subject to the discontinued operations presentation have been reflected as noncurrent on the Southwest Gas Corporation Condensed Consolidated Balance Sheet. Those assets and liabilities are detailed in **Note 10 – Reorganization Impacts – Discontinued Operations Solely Related to Southwest Gas Corporation**, and include both current and non-current amounts.

No substantive change has occurred with regard to the Company's business segments on the whole, or in the primary businesses comprising those segments as a result of the foregoing organizational changes. Centuri operations continue to be part of continuing operations and included in the consolidated financial statements of Southwest Gas Holdings, Inc.

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 statement of results for the interim periods, have been made. 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 2016 Annual Report to Shareholders, which is incorporated by reference into the 2016 Form 10-K.

Prepaids and other current assets. Prepaids and other current assets includes gas pipe materials and operating supplies of $36 million at September 30, 2017 and $30 million at December 31, 2016 (carried at weighted average cost) and $24 million at September 30, 2017 and $953,000 at December 31, 2016 related to a regulatory asset associated with the Arizona decoupling mechanism (an alternative revenue program).

Other current liabilities. Other current liabilities of Southwest Gas Corporation include $21 million of dividends declared but not yet paid to Southwest Gas Holdings, Inc. at September 30, 2017.

Cash and Cash Equivalents. For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and financial instruments with a purchase-date maturity of three months or less. In general, cash and cash equivalents fall within Level 1 (quoted prices for identical financial instruments) of the three-level fair value hierarchy that ranks the inputs, used to measure fair value, by their reliability. However, cash and cash equivalents at September 30, 2017 and December 31, 2016 also includes money market fund investments of approximately $19.8 million and $5.3 million, respectively, which fall within Level 2 (significant other observable inputs) of the fair value hierarchy, due to the asset valuation methods used by money market funds.

Significant non-cash investing and financing activities included the following: Upon contract expiration, customer advances of approximately $1.9 million and $3.6 million, during the first nine months of 2017 and 2016, respectively, were applied as contributions toward utility construction activity and represent non-cash investing activity.

Adoption of Accounting Standards Update (“ASU”) No. 2016-09. As of January 1, 2017, the Company adopted Financial Accounting Standards Board (“FASB”) ASU No. 2016-09 “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” The adoption of this update is considered a change in accounting principle. Among other things, the update clarifies that all cash payments made to taxing authorities on the employees’ behalf for withheld shares should be presented as financing activities on the statement of cash flows. This change is required to be presented in the cash flow statement retrospectively. A new category, Withholding remittance – share-based compensation has been added to the Cash Flow from Financing Activities section of the Condensed Consolidated Statements of Cash Flows for both Southwest Gas Holdings, Inc. and Southwest Gas Corporation. The withheld taxes were included in the Other current assets and liabilities line item of the Condensed Consolidated Statements of Cash Flows in previous periods. Therefore, upon adoption, amounts presented as cash inflows from Other current assets and liabilities under the Cash Flow from Operating Activities section of the Southwest Gas Holdings, Inc. Condensed Consolidated Statements of Cash Flows were revised from $9.9 million to $12 million for the nine months ended September 30, 2016 and inflows in the same category for the twelve months ended September 30, 2016 were revised from $19.9 million to $22 million. In addition, while standalone financial statements were not previously presented for natural gas operations, for reasons related to the holding company reorganization discussed above, they are now presented. Therefore, upon adoption of this standard, the Cash Flow from Operating Activities section of the Southwest Gas Corporation Condensed Consolidated Statements of Cash Flows reflects a reclassification of cash outflows from Other current assets and liabilities from $2.9 million to $819,000 for the nine months ended September 30, 2016 and cash inflows in the same category were revised from $7 million to $9.1 million for the twelve months ended September 30, 2016.

Under the new guidance, the Company can withhold any amount between the minimum and maximum individual statutory tax rates and still treat the entire award as equity. The Company intends to administer withholding such that awards under stock compensation programs will continue to be treated as equity awards.

In addition to the above, the update requires all income tax-related cash flows resulting from share-based payments (unrelated to employee withholding) be reported as operating activities on the statement of cash flows, a change from the previous requirement to present windfall tax benefits as an inflow from financing activities and an outflow from operating activities. The Company chose to apply this presentation requirement of the update prospectively as permitted. Therefore, prior periods were not impacted in implementing this provision of the update.

Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value are required to be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. The Company had no previously unrecognized tax benefits as a result of these changes; therefore, no cumulative effect adjustment to the Company's opening retained earnings was required.

Goodwill. Goodwill is assessed as of October each year for impairment (required annually by U.S. GAAP), or otherwise, if circumstances indicate impairment to the carrying value of goodwill may have occurred. In consideration of the holding company reorganization, management of the Company considered its reporting units and segments and determined that historic judgments regarding its segments and reporting units continue to apply, and that no change was necessary with regard to the level at which goodwill is assessed for impairment. No impairment was deemed to have occurred in the first nine months of 2017.

(In thousands of dollars)	Natural Gas Operations	Construction Services	Consolidated
December 31, 2016	$ 10,095	$ 129,888	$ 139,983
Foreign currency translation adjustment	—	7,882	7,882
September 30, 2017	$ 10,095	$ 137,770	$ 147,865

Intercompany Transactions. Centuri recognizes revenues generated from contracts with Southwest (see **Note 3—Segment Information**). Centuri's accounts receivable for these services are presented in the table below (thousands of dollars):

	September 30, 2017	December 31, 2016
Centuri accounts receivable for services provided to Southwest	$ 11,486	$ 10,585

The accounts receivable balance, revenues, and associated profits are included in the condensed consolidated financial statements of the Company and were not eliminated during consolidation in accordance with accounting treatment for rate-regulated entities.

Other Property and Investments. Other property and investments on the Southwest Gas Holdings, Inc. Condensed Consolidated Balance Sheets includes (thousands of dollars):

	September 30, 2017	December 31, 2016
Centuri property and equipment	$ 493,599	$ 451,114
Centuri accumulated provision for depreciation and amortization	(251,831)	(228,374)
Net cash surrender value of COLI policies	114,052	106,744
Other property	13,483	12,859
Total	$ 369,303	$ 342,343

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 September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2017	2016	2017	2016	2017	2016
Southwest Gas Corporation—natural gas operations segment:						
Change in COLI policies	$ 2,100	$ 2,300	$ 6,800	$ 5,400	$ 8,800	$ 7,500
Interest income	670	522	1,848	1,279	2,417	1,664
Equity AFUDC	968	611	2,077	1,893	2,473	2,890
Miscellaneous income and (expense)	(657)	(912)	(1,981)	(1,860)	(3,382)	(2,439)
Southwest Gas Corporation—total other income (deductions)	3,081	2,521	8,744	6,712	10,308	9,615
Construction services segment:						
Interest income	1	—	2	1	2	414
Foreign transaction gain (loss)	(442)	(3)	(640)	(22)	(640)	28
Miscellaneous income and (expense)	231	47	676	65	1,825	804
Centuri—total other income (deductions)	(210)	44	38	44	1,187	1,246
Corporate and administrative	5	—	6	—	6	—
Consolidated Southwest Gas Holdings, Inc.—total other income (deductions)	$ 2,876	$ 2,565	$ 8,788	$ 6,756	$11,501	$ 10,861

Included in the table above is the change in cash surrender values of company-owned life insurance ("COLI") policies (including net death benefits recognized). 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. 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.

Recently Issued Accounting Standards Updates. In May 2014, the FASB issued the update "Revenue from Contracts with Customers (Topic 606)." The update replaces much of the current guidance regarding revenue recognition including most industry-specific guidance. In accordance with the update, an entity will be required to identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies a performance obligation. In addition to the new revenue recognition requirements, entities will be required to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Entities may choose between two retrospective transition methods when applying the update. In July 2015, the FASB approved a one-year deferral of the effective date (annual periods beginning after December 15, 2017). In March, April, May, and December of 2016, the FASB issued updates to Topic 606 related to "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", "Identifying Performance Obligations and Licensing," "Narrow-Scope Improvements and Practical Expedients", and certain "Technical Corrections and Improvements." The amendments in the first two updates, respectively, provide guidance when another party, along with the entity, is involved in providing a good or service to a customer, and provide clarification with regard to identifying performance obligations and of the licensing implementation guidance in Topic 606. The third update includes improvements to the guidance on collectibility, noncash consideration, and completed contracts at transition. In addition, a practical expedient is provided for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The fourth update affects narrow aspects of the guidance as issued to date. Management plans to adopt all of these updates at the required adoption date, which is for interim and annual reporting periods commencing January 2018.

Deliberations have been ongoing by the utility industry, notably in connection with efforts to produce an accounting guide intended to be developed by the American Institute of Certified Public Accountants ("AICPA"). In association with this undertaking, the AICPA formed a number of industry task forces, including a Power & Utilities ("P&U") Task Force, on which Company personnel actively participate via formal membership. Industry representatives and organizations, the largest auditing firms, the AICPA's Revenue Recognition Working Group and its Financial Reporting Executive Committee have undertaken, and continue to undertake, consideration of several items relevant to the utility industry. Where applicable or necessary, the FASB's Transition Resource Group ("TRG") has also participated. Through the P&U Task Force undertakings, general determinations were made that contributions received in aid of construction ("CIAC") efforts related to the industry's pipe distribution and transmission systems are reimbursements of expenditures rather than revenue (consistent with current accounting practices). Furthermore, regarding the "collectibility" criterion in the update that must be met for revenue recognition, general determinations have been made that contracts for utility service (including service to lower income or lower credit quality customers) represent genuine and valid contracts for which revenue is able to be recognized when service is rendered (consistent with current accounting practices). These determinations by the P&U industry are based on the various measures the industry takes to help ensure collectibility (e.g., proof of creditworthiness, customer deposits, late fee assessment, disconnection, service re-establishment fees, collection processes, etc.), in addition to the regulatory mechanisms established under rate regulation to mitigate the impacts of individual customer nonpayment. Southwest has also actively worked with its peers in the rate-regulated natural gas industry and with the public accounting profession to finalize the accounting treatment for several other issues not separately addressed by the P&U Task Force.

With regard to the construction services segment, the principles of the new revenue recognition guidance are very similar to existing guidance for construction contractors. Similar to the P&U Task Force noted above, the AICPA formed the Engineering and Construction Contractors Task Force to assist the construction industry with implementing the new guidance. The accounting guide the AICPA intends to release is expected to provide implementation guidance related to several issues including 1) combining contracts and separating performance obligations; 2) estimating change orders, incentives, penalties, liquidated damages and other variable consideration items and 3) acceptable measures of progress when recognizing revenue over time.

Management of both segments of the Company has substantially completed assessments of sources of revenue and the effects that adoption of the new guidance will have on the Company's (and Southwest's in the case of utility operations) financial position, results of operations, and cash flows. Based on assessments completed to date, management believes that such impacts will not be material overall. Presentation and disclosure requirements of the new guidance will have the most impact on the Company's financial statements and note disclosures. The Company is currently planning to adopt the new guidance in 2018 under the modified retrospective transition method, as permissible.

In January 2016, the FASB issued the update "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" in order to improve the recognition and measurement of financial instruments. The update makes targeted improvements to existing U.S. GAAP by: 1) requiring equity investments to be measured at fair value with changes in fair value recognized in net income; 2) requiring the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes; 3) requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; 4) eliminating the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and 5) requiring a reporting entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in instrument-specific credit risk when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. All entities can early adopt the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. Management believes this update will not have a material impact on its consolidated financial statements and disclosures.

In February 2016, the FASB issued the update "Leases (Topic 842)." Under the update, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. Though companies have historically been required to make disclosures regarding leases and of associated contractual obligations, leases (with terms longer than a year) will no longer exist off-balance sheet. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Early application is permitted. Management currently plans to adopt the update at the required adoption date, which is for interim and annual reporting periods commencing January 1, 2019. Existing leases have been historically documented under traditional leasing arrangements by both segments. Management is in the process of evaluating other types of arrangements that have the potential to meet the definition of a lease under the new standard, and is also in the process of selecting software to efficiently implement the standard for its natural gas operations segment. The FASB recently issued proposed guidance that will allow the election of a practical expedient to not apply the new standard to existing easement contracts that were not previously assessed as leases under historic guidance. However, the Company would still be required to evaluate any new easements entered into after the effective date of the standard to determine if the arrangements should be accounted for as leases. Management is currently evaluating the new and proposed guidance in light of its customary leasing arrangements (and other arrangements in association with the new guidance) to determine the effect the new standard will have on its financial position, results of operations, cash flows, and business processes.

In June 2016, the FASB issued the update “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The update amends guidance on reporting credit losses for financial assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the update eliminates the “probable” threshold for initial recognition of credit losses in current U.S. GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current U.S. GAAP, however the update will require that credit losses be presented as an allowance rather than as a write-down. This update affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The update affects loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt the amendments in this update earlier as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is evaluating what impact, if any, this update might have on its consolidated financial statements and disclosures.

In August 2016, the FASB issued the update “Classification of Certain Cash Receipts and Cash Payments.” This update addresses the following specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance (“COLI”) policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows, including identification of the predominant nature in cases where cash receipts and payments have aspects of more than one class of cash flows. The update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. Management believes this update will not have a material impact on its consolidated cash flow statements and disclosures.

In October 2016, the FASB issued the update “Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory.” This update eliminates the current U.S. GAAP exception for all intra-entity sales of assets other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller’s tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer’s jurisdiction would also be recognized at the time of the transfer. The update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted; however, the guidance can only be adopted in the first interim period of a fiscal year. No such election to adopt early was made by management. The modified retrospective approach will be required for transition to the new guidance, with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. Management believes this update will not have a material impact on its consolidated financial statements and disclosures.

In January 2017, the FASB issued the update “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The update eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The update also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments should be applied on a prospective basis. The update is effective for fiscal and interim periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Management has determined that this update would have had no impact on the consolidated financial statements for the periods presented if it had been effective during those periods.

In March 2017, the FASB issued the update “Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” The update applies to all employers that offer employee benefits under defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715, Compensation – Retirement Benefits. The update requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, and be appropriately described. The update also allows only the service cost component (and not the other components of periodic benefit costs) to be eligible for capitalization when applicable, making no exception for specialized industries, including rate-regulated industries.

Southwest is a rate-regulated utility offering pension and postretirement benefits to retired employees. It is anticipated that Southwest would continue to request recovery of the total costs of defined benefit plans in rate applications filed with its various regulatory bodies. Rate-regulated entities providing utility and transmission services have historically capitalized a portion of periodic benefit costs (including non-service cost components) in utility infrastructure (for instance, when productive labor is also charged to capital work orders). The portion capitalized has historically been a component of depreciation and related rate development through efforts of companies and their regulatory commissions. The Federal Energy Regulatory Commission (“FERC”) regulates interstate transmission pipelines and also establishes, via its Uniform System of Accounts, accounting practices of rate-regulated entities. Accounting guidelines by the FERC are typically also upheld by state commissions. Historically, those guidelines have been generally consistent with guidance in U.S. GAAP (including U.S. GAAP for rate-regulated entities). While formal guidance has not yet been published by the FERC, it is currently believed that the FERC will permit an election to either continue to capitalize non-service benefit costs for regulatory reporting purposes or to cease capitalizing such costs and implement the Topic 715 update capitalization provisions “as is,” for regulatory purposes. Assuming the FERC formalizes the above elections, Southwest currently anticipates adopting the provisions of Topic 715 for both SEC reporting and regulatory purposes. Industry deliberations continue and management will be evaluating the various impacts this update will have on its consolidated financial statements and disclosures. It is estimated that approximately $3 million in non-service costs were capitalized as a component of gas plant during 2016. Total non-service costs were approximately $20 million in 2016.

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.

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 net periodic benefit costs to the same accounts to which productive labor is charged. As a result, net periodic benefit 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.

	Qualified Retirement Plan					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2017	2016	2017	2016	2017	2016
(Thousands of dollars)						
Service cost	$ 5,848	$ 5,708	$ 17,544	$ 17,125	$ 23,252	$ 23,406
Interest cost	11,520	11,507	34,561	34,520	46,068	45,577
Expected return on plan assets	(13,799)	(14,140)	(41,397)	(42,419)	(55,536)	(56,871)
Amortization of net actuarial loss	6,001	6,317	18,003	18,950	24,319	27,136
Net periodic benefit cost	$ 9,570	$ 9,392	$ 28,711	$ 28,176	$ 38,103	$ 39,248

	SERP					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2017	2016	2017	2016	2017	2016
(Thousands of dollars)						
Service cost	$ 77	$ 83	$ 232	$ 248	$ 315	$ 328
Interest cost	471	464	1,413	1,394	1,878	1,818
Amortization of net actuarial loss	361	346	1,081	1,038	1,426	1,361
Net periodic benefit cost	$ 909	$ 893	$ 2,726	$ 2,680	$ 3,619	$ 3,507

	PBOP					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2017	2016	2017	2016	2017	2016
(Thousands of dollars)						
Service cost	$ 367	$ 375	$ 1,101	$ 1,124	$ 1,476	$ 1,534
Interest cost	808	795	2,424	2,386	3,218	3,136
Expected return on plan assets	(839)	(787)	(2,518)	(2,362)	(3,305)	(3,228)
Amortization of prior service costs	333	333	1,001	1,001	1,335	1,335
Amortization of net actuarial loss	—	104	—	312	105	398
Net periodic benefit cost	$ 669	$ 820	$ 2,008	$ 2,461	$ 2,829	$ 3,175

Note 3 – Segment Information

The Company has two reportable segments: natural gas operations and construction 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 related to corporate and administrative activities related to Southwest Gas Holdings, Inc. The following tables present revenues from external customers, intersegment revenues, and segment net income for the two reportable segments (thousands of dollars):

	Natural Gas Operations	Construction Services	Other	Total
Three months ended September 30, 2017				
Revenues from external customers	$ 213,059	$ 351,850	$ —	$ 564,909
Intersegment revenues	—	28,244	—	28,244
Total	$ 213,059	$ 380,094	$ —	$ 593,153
Segment net income (loss)	$ (4,024)	$ 14,335	$(107)	$ 10,204
Three months ended September 30, 2016				
Revenues from external customers	$ 200,179	$ 312,531	$ —	$ 512,710
Intersegment revenues	—	27,259	—	27,259
Total	$ 200,179	$ 339,790	$ —	$ 539,969
Segment net income (loss)	$ (12,405)	$ 14,877	$ —	$ 2,472

	Natural Gas Operations	Construction Services	Other	Total
Nine months ended September 30, 2017				
Revenues from external customers	$ 935,823	$ 800,073	$ —	$1,735,896
Intersegment revenues	—	72,463	—	72,463
Total	$ 935,823	$ 872,536	$ —	$1,808,359
Segment net income (loss)	$ 82,436	$ 15,717	$(777)	$ 97,376
Nine months ended September 30, 2016				
Revenues from external customers	$ 980,927	$ 762,835	$ —	$1,743,762
Intersegment revenues	—	75,203	—	75,203
Total	$ 980,927	$ 838,038	$ —	$1,818,965
Segment net income	$ 67,536	$ 19,325	$ —	$ 86,861

	Natural Gas Operations	Construction Services	Other	Total
Twelve months ended September 30, 2017				
Revenues from external customers	$1,276,308	$1,078,195	$ —	$2,354,503
Intersegment revenues	—	95,381	—	95,381
Total	$1,276,308	$1,173,576	$ —	$2,449,884
Segment net income (loss)	$ 134,323	$ 29,010	$(777)	$ 162,556
Twelve months ended September 30, 2016				
Revenues from external customers	$1,376,388	$1,022,416	$ —	$2,398,804
Intersegment revenues	—	105,566	—	105,566
Total	$1,376,388	$1,127,982	$ —	$2,504,370
Segment net income	$ 119,836	$ 33,144	$ —	$ 152,980

Note 4 – Derivatives and Fair Value Measurements

Derivatives. In managing its natural gas supply portfolios, Southwest has historically entered into fixed- and variable-price contracts, which qualify as derivatives. Additionally, Southwest utilizes 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 have no significant market value. The Swaps are recorded at fair value.

The fixed-price contracts and Swaps are utilized by Southwest under its volatility mitigation programs to effectively fix the price on a portion (up to 25% in the Arizona and California jurisdictions) of its natural gas supply portfolios. The maturities of the Swaps highly correlate to forecasted purchases of natural gas, during time frames ranging from October 2017 through March 2019. Under such contracts, Southwest pays the counterparty a fixed rate and receives from the counterparty a floating rate per MMBtu ("dekatherm") of natural gas. Only the net differential is actually paid or received. The differential is calculated based on the notional amounts under the contracts, which are detailed in the table below (thousands of dekatherms):

	September 30, 2017	December 31, 2016
Contract notional amounts	10,936	10,543

Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

The following table sets forth the gains and (losses) recognized on the Swaps (derivatives) for the three-, nine-, and twelve-month periods ended September 30, 2017 and 2016 and their location in the Condensed Consolidated Statements of Income for both the Company and Southwest:

Gains (losses) recognized in income for derivatives not designated as hedging instruments:
(Thousands of dollars)

		Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
Instrument	Location of Gain or (Loss) Recognized in Income on Derivative	2017	2016	2017	2016	2017	2016
Swaps	Net cost of gas sold	$ (546)	$ (2,072)	$(6,851)	$ 2,253	$ (4,098)	$ (656)
Swaps	Net cost of gas sold	546*	2,072*	6,851*	(2,253)*	4,098*	656*
Total		$ —	$ —	$ —	$ —	$ —	$ —

* Represents the impact of regulatory deferral accounting treatment under U.S. GAAP for rate-regulated entities.

No gains (losses) were recognized in net income or other comprehensive income during the periods presented for derivatives designated as cash flow hedging instruments. Previously, Southwest entered into two forward-starting interest rate swaps ("FSIRS"), both of which were designated cash flow hedges, to partially hedge the risk of interest rate variability during the period leading up to the planned issuance of debt. The first FSIRS terminated in December 2010. The second FSIRS terminated in March 2012. Losses on both FSIRS are being amortized over ten-year periods from Accumulated other comprehensive income (loss) into interest expense.

The following table sets forth the fair values of the Swaps and their location in the Condensed Consolidated Balance Sheets for both the Company and Southwest (thousands of dollars):

Fair values of derivatives not designated as hedging instruments:

September 30, 2017 Instrument	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Net Total
Swaps	Prepaids and other current assets	$ 56	$ (22)	$ 34
Swaps	Other current liabilities	27	(1,899)	(1,872)
Swaps	Other deferred credits	1	(768)	(767)
Total		$ 84	$ (2,689)	$(2,605)

December 31, 2016 Instrument	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Net Total
Swaps	Deferred charges and other assets	$ 899	$ (54)	$ 845
Swaps	Prepaids and other current assets	3,551	(19)	3,532
Total		$ 4,450	$ (73)	$ 4,377

The estimated fair values of the natural gas derivatives were determined using future natural gas index prices (as more fully described below). 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. There was no outstanding collateral associated with the Swaps during either period shown in the above table.

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 purchased gas adjustment ("PGA") mechanism in determining its deferred PGA balances. Neither changes in fair value, nor settled amounts, of Swaps have a direct effect on earnings or other comprehensive income.

The following table shows the amounts Southwest paid to and received from counterparties for settlements of matured Swaps.

(Thousands of dollars)	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Twelve Months Ended September 30, 2017
Paid to counterparties	$ 143	$ 1,555	$ 2,655
Received from counterparties	$ —	$ 1,685	$ 2,060

The following table details the regulatory assets/(liabilities) offsetting the derivatives at fair value in the Condensed Consolidated Balance Sheets for both the Company and Southwest (thousands of dollars).

September 30, 2017

Instrument	Balance Sheet Location	Net Total
Swaps	Other current liabilities	$ (34)
Swaps	Prepaids and other current assets	1,872
Swaps	Deferred charges and other assets	767

December 31, 2016

Instrument	Balance Sheet Location	Net Total
Swaps	Other deferred credits	$ (845)
Swaps	Other current liabilities	(3,532)

Fair Value Measurements. The estimated fair values of Southwest's Swaps were determined at September 30, 2017 and December 31, 2016 using New York Mercantile Exchange ("NYMEX") futures settlement prices for delivery of natural gas at Henry Hub adjusted by the price of NYMEX ClearPort basis Swaps, which reflect the difference between the price of natural gas at a given delivery basin and the Henry Hub pricing points. These Level 2 inputs (inputs, other than quoted prices, for similar assets or liabilities) are observable in the marketplace throughout the full term of the Swaps, but have been credit-risk adjusted with no significant impact to the overall fair value measurement.

The following table sets forth, by level within the three-level fair value hierarchy that ranks the inputs used to measure fair value by their reliability, the financial assets and liabilities that were accounted for at fair value by both the Company and Southwest:

Level 2—Significant other observable inputs

(Thousands of dollars)	September 30, 2017	December 31, 2016
Assets at fair value:		
Prepaids and other current assets—Swaps	$ 34	$ 3,532
Deferred charges and other assets—Swaps	—	845
Liabilities at fair value:		
Other current liabilities—Swaps	(1,872)	—
Other deferred credits—Swaps	(767)	—
Net Assets (Liabilities)	$ (2,605)	$ 4,377

No financial assets or liabilities associated with the Swaps, which were accounted for at fair value, fell within Level 1 (quoted prices in active markets for identical financial assets) or Level 3 (significant unobservable inputs) of the fair value hierarchy.

With regard to the fair values of assets associated with pension and postretirement benefit plans, asset values were last updated as required as of December 2016. Refer to Note 10 – Pension and Other Post Retirement Benefits in the 2016 Annual Report to Shareholders on Form 10-K.

Note 5 – Common Stock

In January 2017, the holding company reorganization was made effective and each outstanding share of Southwest Gas Corporation common stock was converted into a share of common stock in Southwest Gas Holdings, Inc., on a one-for-one basis. The ticker symbol of the stock, “SWX,” remained unchanged, and Southwest Gas Corporation became a wholly owned subsidiary of Southwest Gas Holdings, Inc.

On March 29, 2017, the Company filed with the Securities Exchange Commission (“SEC”) an automatic shelf registration statement on Form S-3 (File No. 333-217018), which became effective upon filing, for the offer and sale of up to $150 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 March 29, 2017, between the Company and BNY Mellon Capital Markets, LLC (the “Equity Shelf Program”). During the three months and nine months ending September 30, 2017, the Company sold, through the continuous equity offering program with BNY Mellon Capital Markets, LLC as agent, an aggregate of 147,077 shares of the Company’s common stock in the open market at a weighted average price of $80.07 per share, resulting in proceeds to the Company of $11,659,104, net of $117,769 in agent commissions. As of September 30, 2017, the Company had up to $138,223,127 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. Commensurate with these intentions, proceeds during the 3rd quarter of 2017 were contributed to, and reflected in the records of, Southwest (as a capital contribution from the parent holding company).

During the nine months ended September 30, 2017, the Company issued approximately 103,000 shares of common stock through the Restricted Stock/Unit Plan and Management Incentive Plan.

Note 6 – Long-Term Debt

Carrying amounts of long-term debt and related estimated fair values as of September 30, 2017 and December 31, 2016 are disclosed in the following table. Southwest’s revolving credit facility (including commercial paper) and the variable-rate Industrial Development Revenue Bonds (“IDRBs”) approximate their carrying values, as they are repaid quickly (in the case of credit facility borrowings) and have interest rates that reset frequently. These are categorized as Level 1 due to Southwest’s ability to access similar debt arrangements at measurement dates with comparable terms, including variable/market rates. The fair values of Southwest’s debentures, senior notes, and fixed-rate IDRBs 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 and fixed-rate IDRBs are categorized as Level 2 (observable market inputs based on market prices of similar securities). The Centuri secured revolving credit and term loan facility and Centuri other debt obligations (not actively traded) are categorized as Level 3, based on significant unobservable inputs to their fair values. Because Centuri's debt is not publicly traded, fair values for the secured revolving credit and term loan facility and other debt obligations were based on a conventional discounted cash flow methodology and utilized 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.

	September 30, 2017		December 31, 2016	
	Carrying Amount	Market Value	Carrying Amount	Market Value
(Thousands of dollars)				
Southwest Gas Corporation:				
Debentures:				
Notes, 4.45%, due 2020	$ 125,000	$130,325	$ 125,000	$129,703
Notes, 6.1%, due 2041	125,000	154,434	125,000	149,734
Notes, 3.875%, due 2022	250,000	258,943	250,000	254,900
Notes, 4.875%, due 2043	250,000	275,168	250,000	266,793
Notes, 3.8%, due 2046	300,000	292,578	300,000	283,029
8% Series, due 2026	75,000	97,218	75,000	94,691
Medium-term notes, 7.59% series, due 2017	—	—	25,000	25,040
Medium-term notes, 7.78% series, due 2022	25,000	29,174	25,000	29,290
Medium-term notes, 7.92% series, due 2027	25,000	31,964	25,000	31,905
Medium-term notes, 6.76% series, due 2027	7,500	8,920	7,500	8,769
Unamortized discount and debt issuance costs	(9,498)		(9,931)	
	1,173,002		1,197,569	
Revolving credit facility and commercial paper	150,000	150,000	5,000	5,000
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	(2,212)		(2,489)	
	197,788		197,511	
Less: current maturities	—		(25,000)	
Long-term debt, less current maturities - Southwest Gas Corporation	$1,520,790		$1,375,080	
Centuri:				
Centuri term loan facility	$ 107,250	107,403	$ 106,700	106,819
Unamortized debt issuance costs	(383)		(516)	
	106,867		106,184	
Centuri secured revolving credit facility	81,250	81,402	41,185	41,292
Centuri other debt obligations	51,527	51,978	52,635	52,840
Less: current maturities	(28,453)		(25,101)	
Long-term debt, less current maturities - Centuri	$ 211,191		$ 174,903	
Consolidated Southwest Gas Holdings, Inc.:				
Southwest Gas Corporation long-term debt	$1,520,790		$1,400,080	
Centuri long-term debt	239,644		200,004	
Less: current maturities	(28,453)		(50,101)	
Long-term debt, less current maturities - Southwest Gas Holdings, Inc.	$1,731,981		$1,549,983	

In March 2017, Southwest amended its credit facility, increasing the borrowing capacity from $300 million to $400 million. Also, the facility was previously scheduled to expire in March 2021 and was extended to March 2022. Southwest continues to designate $150 million of capacity related to the facility as long-term debt and with the total capacity now available, has designated 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 the Southwest's senior unsecured debt rating. At September 30, 2017, 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 September 30, 2017, $150 million was outstanding on the long-term portion and $83 million was outstanding on the short-term portion of this credit facility (See **Note 7 – Short-Term Debt**).

At September 30, 2017, Centuri has a $300 million secured revolving credit and term loan facility that is scheduled to expire in October 2019. This facility includes a revolving credit facility and a term loan facility. The term loan facility portion had an initial limit of approximately $150 million, which was reached in 2014 and had $107 million outstanding (after repayments) at September 30, 2017. The $300 million revolving credit and term loan 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 assets securing the facility at September 30, 2017 totaled $526 million. At September 30, 2017, $189 million in borrowings were outstanding under the Centuri facility.

Note 7 – Short-Term Debt

In March 2017, Southwest Gas Holdings, Inc. entered into a credit facility with a borrowing capacity of $100 million that expires in March 2022. The Company intends to utilize this facility for short-term financing needs. Interest rates for this facility are calculated at either the LIBOR or the "alternate base rate," plus in each case an applicable margin that is determined based on the Company's senior unsecured debt rating. The applicable margin ranges from 0.75% to 1.50% for loans bearing interest with reference to LIBOR and from 0% to 0.5% for loans bearing interest with reference to the alternative base rate. The Company 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. At September 30, 2017, $27.5 million was outstanding under this facility.

As discussed in **Note 6 – Long-Term Debt**, Southwest has a $400 million credit facility that is scheduled to expire in March 2022, of which $250 million has been designated by management for working capital purposes. Southwest had $83 million in short-term borrowings outstanding at September 30, 2017 under this facility.

Note 8 – Equity, Other Comprehensive Income, and Accumulated Other Comprehensive Income

The table below provides details of activity in equity and the redeemable noncontrolling interest for Southwest Gas Holdings, Inc. on a consolidated basis during the nine months ended September 30, 2017.

	Southwest Gas Holdings, Inc. Equity							
	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained	Non-controlling		Redeemable Noncontrolling Interest (Temporary Equity)
(In thousands, except per share amounts)	Shares	Amount	Capital	Income (Loss)	Earnings	Interest	Total	
DECEMBER 31, 2016	47,482	$ 49,112	$ 903,123	$ (48,008)	$ 759,263	$ (2,217)	$1,661,273	$ 22,590
Common stock issuances	250	250	21,090				21,340	
Net income (loss)					97,376	(78)	97,298	248
Redemption value adjustments					(355)		(355)	355
Foreign currency exchange translation adj.				1,850			1,850	11
Redemption of Centuri shares from noncontrolling parties								(23,000)
Other comprehensive income (loss):								
Net actuarial gain (loss) arising during period, less amortization of unamortized benefit plan cost, net of tax				1,786			1,786	
Amounts reclassified to net income, net of tax (FSIRS)				1,554			1,554	
Centuri dividend to redeemable noncontrolling interest								(204)
Dividends declared								
Common: $1.485 per share					(71,350)		(71,350)	
SEPTEMBER 30, 2017	47,732	$ 49,362	$ 924,213	$ (42,818)	$ 784,934	$ (2,295)	$1,713,396	$ —

The table below provides details of activity in equity for Southwest Gas Corporation during the nine months ended September 30, 2017. Effective in January 2017, Southwest became a subsidiary of Southwest Gas Holdings, Inc., and only equity shares of the latter are publicly traded, under the ticker symbol "SWX."

	Southwest Gas Corporation Equity					
	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained	
(In thousands, except per share amounts)	Shares	Amount	Capital	Income (Loss)	Earnings	Total
DECEMBER 31, 2016	47,482	$49,112	$ 897,346	$ (45,639)	$ 767,061	$1,667,880
Net income					82,436	82,436
Other comprehensive income (loss):						
Net actuarial gain (loss) arising during period, less amortization of unamortized benefit plan cost, net of tax				1,786		1,786
Amounts reclassified to net income, net of tax (FSIRS)				1,554		1,554
Distribution to Southwest Gas Holdings, Inc. investment in discontinued operations					(182,773)	(182,773)
Stock-based compensation (a)			8,576		(587)	7,989
Dividends declared to Southwest Gas Holdings, Inc.					(60,130)	(60,130)
Contributions from Southwest Gas Holdings, Inc.			11,659			11,659
SEPTEMBER 30, 2017	47,482	$49,112	$ 917,581	$ (42,299)	$ 606,007	$1,530,401

(a) Stock-based compensation is based on stock awards of Southwest Gas Corporation to be issued in shares of Southwest Gas Holdings, Inc. The table above gives effect to the holding company reorganization whereby Southwest and Centuri became subsidiaries of the Company. The historic investment in Centuri was distributed to the parent holding company. This presentation is only applicable to Southwest and not to the Company overall, as Centuri continues to be included in the continuing operations of the Company. Also in connection with the holding company creation, compensation plans of Southwest include programs that will be settled with equity shares issued by Southwest Gas Holdings, Inc. Management has determined that when no consideration is directly exchanged for these programs between Southwest and the Company, the accounting impact at Southwest for these programs is reflected both as compensation expense and as an equity contribution (of the parent) in Southwest.

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 in the Condensed Consolidated Balance Sheets and the associated column in the equity table above, as well as the Redeemable Noncontrolling Interest. See **Note 4 – Derivatives and Fair Value Measurements** for additional information on the FSIRS.

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

(Thousands of dollars)

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Amortization of prior service cost	$ 333	$ (126)	$ 207	$ 333	$ (126)	$ 207
Amortization of net actuarial (gain)/loss	6,362	(2,418)	3,944	6,767	(2,571)	4,196
Regulatory adjustment	(5,734)	2,179	(3,555)	(6,122)	2,326	(3,796)
Pension plans other comprehensive income (loss)	961	(365)	596	978	(371)	607
FSIRS (designated hedging activities):						
Amounts reclassifed into net income	835	(317)	518	835	(317)	518
FSIRS other comprehensive income	835	(317)	518	835	(317)	518
Total other comprehensive income (loss) - Southwest Gas Corporation	1,796	(682)	1,114	1,813	(688)	1,125
Foreign currency translation adjustments:						
Translation adjustments	1,012	—	1,012	(238)	—	(238)
Foreign currency other comprehensive income (loss)	1,012	—	1,012	(238)	—	(238)
Total other comprehensive income (loss) - Southwest Gas Holdings, Inc.	$ 2,808	$ (682)	$ 2,126	$ 1,575	$ (688)	$ 887

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Amortization of prior service cost	$ 1,001	$ (380)	$ 621	$ 1,001	$ (380)	$ 621
Amortization of net actuarial (gain)/loss	19,084	(7,252)	11,832	20,300	(7,714)	12,586
Regulatory adjustment	(17,204)	6,537	(10,667)	(18,368)	6,980	(11,388)
Pension plans other comprehensive income (loss)	2,881	(1,095)	1,786	2,933	(1,114)	1,819
FSIRS (designated hedging activities):						
Amounts reclassifed into net income	2,507	(953)	1,554	2,508	(952)	1,556
FSIRS other comprehensive income	2,507	(953)	1,554	2,508	(952)	1,556
Total other comprehensive income (loss)—Southwest Gas Corporation	5,388	(2,048)	3,340	5,441	(2,066)	3,375
Foreign currency translation adjustments:						
Translation adjustments	1,861	—	1,861	614	—	614
Foreign currency other comprehensive income (loss)	1,861	—	1,861	614	—	614
Total other comprehensive income (loss)	$ 7,249	$ (2,048)	$ 5,201	$ 6,055	$ (2,066)	$ 3,989

	Twelve Months Ended September 30, 2017			Twelve Months Ended September 30, 2016		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Net actuarial gain/(loss)	$(22,770)	$ 8,652	$(14,118)	$(30,519)	$ 11,597	$(18,922)
Amortization of prior service cost	1,335	(507)	828	1,335	(507)	828
Amortization of net actuarial (gain)/loss	25,850	(9,823)	16,027	28,895	(10,980)	17,915
Regulatory adjustment	(4,420)	1,679	(2,741)	(653)	249	(404)
Pension plans other comprehensive income (loss)	(5)	1	(4)	(942)	359	(583)
FSIRS (designated hedging activities):						
Amounts reclassifed into net income	3,344	(1,271)	2,073	3,344	(1,271)	2,073
FSIRS other comprehensive income (loss)	3,344	(1,271)	2,073	3,344	(1,271)	2,073
Total other comprehensive income (loss)—Southwest Gas Corporation	3,339	(1,270)	2,069	2,402	(912)	1,490
Foreign currency translation adjustments:						
Translation adjustments	1,408	—	1,408	233	—	233
Foreign currency other comprehensive income (loss)	1,408	—	1,408	233	—	233
Total other comprehensive income (loss)—Southwest Gas Holdings, Inc.	$ 4,747	$ (1,270)	$ 3,477	$ 2,635	$ (912)	$ 1,723

(1) Tax amounts are calculated using a 38% rate. The Company has elected to indefinitely reinvest the earnings of Centuri's Canadian subsidiaries in Canada, thus preventing deferred taxes on such earnings. As a result of this assertion, the Company is not recognizing any tax effect or presenting a tax expense or benefit for the currency translation adjustment amount reported in Other Comprehensive Income, as repatriation of earnings is not anticipated.

Approximately $2.1 million of realized losses (net of tax) related to the FSIRS, reported in Accumulated other comprehensive income ("AOCI") at September 30, 2017, 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:

AOCI—Rollforward
(Thousands of dollars)

	Defined Benefit Plans			FSIRS			Foreign Currency Items			
	Before-Tax	Tax (Expense) Benefit (4)	After-Tax	Before-Tax	Tax (Expense) Benefit (4)	After-Tax	Before-Tax	Tax (Expense) Benefit	After-Tax	AOCI
Beginning Balance AOCI December 31, 2016	$ (57,613)	$ 21,893	$(35,720)	$ (15,999)	$ 6,080	$ (9,919)	$ (2,369)	$ —	$ (2,369)	$(48,008)
Translation adjustments	—	—	—	—	—	—	1,861	—	1,861	1,861
Other comprehensive income before reclassifications	—	—	—	—	—	—	1,861	—	1,861	1,861
FSIRS amounts reclassified from AOCI (1)	—	—	—	2,507	(953)	1,554	—	—	—	1,554
Amortization of prior service cost (2)	1,001	(380)	621	—	—	—	—	—	—	621
Amortization of net actuarial loss (2)	19,084	(7,252)	11,832	—	—	—	—	—	—	11,832
Regulatory adjustment (3)	(17,204)	6,537	(10,667)	—	—	—	—	—	—	(10,667)
Net current period other comprehensive income (loss)	2,881	(1,095)	1,786	2,507	(953)	1,554	1,861	—	1,861	5,201
Less: Translation adjustment attributable to redeemable noncontrolling interest	—	—	—	—	—	—	11	—	11	11
Net current period other comprehensive income (loss) attributable to Southwest Gas Holdings, Inc.	2,881	(1,095)	1,786	2,507	(953)	1,554	1,850	—	1,850	5,190
Ending Balance AOCI September 30, 2017	$ (54,732)	$ 20,798	$(33,934)	$ (13,492)	$ 5,127	$ (8,365)	$ (519)	$ —	$ (519)	$(42,818)

(1) The FSIRS reclassification amounts are included in the Net interest deductions line item 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 the Deferred charges and other assets line item on the Company's Condensed Consolidated Balance Sheets).
(4) Tax amounts are calculated using a 38% rate.

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

AOCI—Rollforward
(Thousands of dollars)

	Defined Benefit Plans			FSIRS			
	Before-Tax	Tax (Expense) Benefit (8)	After-Tax	Before-Tax	Tax (Expense) Benefit (8)	After-Tax	AOCI
Beginning Balance AOCI December 31, 2016	$ (57,613)	$ 21,893	$ (35,720)	$ (15,999)	$ 6,080	$ (9,919)	$ (45,639)
FSIRS amounts reclassified from AOCI (5)	—	—	—	2,507	(953)	1,554	1,554
Amortization of prior service cost (6)	1,001	(380)	621	—	—	—	621
Amortization of net actuarial loss (6)	19,084	(7,252)	11,832	—	—	—	11,832
Regulatory adjustment (7)	(17,204)	6,537	(10,667)	—	—	—	(10,667)
Net current period other comprehensive income (loss) attributable to Southwest Gas Corporation	2,881	(1,095)	1,786	2,507	(953)	1,554	3,340
Ending Balance AOCI September 30, 2017	$ (54,732)	$ 20,798	$ (33,934)	$ (13,492)	$ 5,127	$ (8,365)	$ (42,299)

(5) The FSIRS reclassification amounts are included in the Net interest deductions line item 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 the Deferred charges and other assets line item on Southwest's Condensed Consolidated Balance Sheets).
(8) Tax amounts are calculated using a 38% 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:

Amounts Recognized in AOCI (Before Tax)
(Thousands of dollars)

	September 30, 2017	December 31, 2016
Net actuarial (loss) gain	$ (411,889)	$ (430,973)
Prior service cost	(4,702)	(5,703)
Less: amount recognized in regulatory assets	361,859	379,063
Recognized in AOCI	$ (54,732)	$ (57,613)

Note 9 – Construction Services Redeemable Noncontrolling Interest

In conjunction with the acquisition of the Canadian construction businesses in October 2014, the previous owners of the acquired companies retained a 3.4% equity interest in Centuri, which, subject to an eligibility timeline, would have been redeemable at the election of the noncontrolling parties (in its entirety) beginning in July 2022. In August 2017, in advance of when otherwise eligible, the parties agreed to a current redemption. Southwest Gas Holdings, Inc. paid $23 million to the previous owners, thereby acquiring the remaining 3.4% equity interest in Centuri in accordance with an early redemption agreement. Accordingly, Centuri is now a wholly owned subsidiary of the Company.

The following depicts changes to the balance of the redeemable noncontrolling interest between the indicated periods.

(Thousands of dollars):	Redeemable Noncontrolling Interest
Balance, December 31, 2016	$ 22,590
Net income attributable to redeemable noncontrolling interest	248
Foreign currency exchange translation adjustment	11
Centuri dividend to redeemable noncontrolling interest	(204)
Adjustment to redemption value	355
Redemption of Centuri shares from noncontrolling parties	(23,000)
Balance, September 30, 2017	$ —

Note 10 – Reorganization Impacts – Discontinued Operations Solely Related to Southwest Gas Corporation

No substantive change has occurred with regard to the Company's business segments on the whole, or in the primary businesses comprising those segments (Centuri operations continue to be part of continuing operations of the controlled group of companies), and financial information related to Centuri continues to be included in condensed consolidated financial statements of Southwest Gas Holdings, Inc.

However, as part of the holding company reorganization effective January 2017, Centuri is no longer a subsidiary of Southwest; whereas historically, Centuri had been a direct subsidiary of Southwest. To give effect to this change, the condensed consolidated financial statements related to Southwest Gas Corporation, which are separately included in this Form 10-Q, depict Centuri-related amounts as discontinued operations for periods prior to January 2017.

Due to the discontinued operations accounting reflection, the following disclosures provide additional information regarding the assets, liabilities, equity, revenues, and expenses of Centuri which are shown as discontinued operations on the condensed consolidated financial statements of Southwest Gas Corporation for periods prior to the beginning of 2017.

The following table presents the major categories of assets and liabilities within the amounts reported as discontinued operations – construction services in the Condensed Consolidated Balance Sheet of Southwest Gas Corporation:

(Thousands of dollars)	December 31, 2016
Assets:	
Other property and investments	$ 233,774
Cash and cash equivalents	9,042
Accounts receivable, net of allowances	173,300
Prepaids and other current assets	10,470
Goodwill	129,888
Other noncurrent assets	22,897
Discontinued operations - construction services - assets	$ 579,371
Liabilities:	
Current maturities of long-term debt	$ 25,101
Accounts payable	46,440
Other current liabilities	74,518
Long-term debt, less current maturities	174,903
Deferred income taxes and other deferred credits	59,653
Discontinued operations—construction services—liabilities	$ 380,615

The following table presents the components of the Discontinued operations – construction services non-owner equity amount shown in the Southwest Gas Corporation Condensed Consolidated Balance Sheet:

(Thousands of dollars)	December 31, 2016
Construction services equity	$ (4,390)
Construction services noncontrolling interest	(2,217)
Construction services redeemable noncontrolling interest	22,590
Discontinued operations - construction services non-owner equity	$ 15,983

The following table presents the major income statement components of discontinued operations – construction services reported in the Condensed Consolidated Income Statements of Southwest Gas Corporation:

Results of Construction Services

(Thousands of dollars)	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016	Twelve Months Ended September 30, 2017	Twelve Months Ended September 30, 2016
Construction revenues	$ 339,790	$ 838,038	$ 301,040	$ 1,127,982
Operating expenses:				
Construction expenses	300,611	757,919	266,504	1,009,188
Depreciation and amortization	13,409	43,351	12,318	58,368
Operating income	25,770	36,768	22,218	60,426
Other income (deductions)	44	44	1,149	1,246
Net interest deductions	1,794	4,945	1,718	6,738
Income before income taxes	24,020	31,867	21,649	54,934
Income tax expense	8,708	12,042	7,842	20,711
Net income	15,312	19,825	13,807	34,223
Net income attributable to noncontrolling interests	435	500	514	1,079
Discontinued operations - construction services - net income	$ 14,877	$ 19,325	$ 13,293	$ 33,144

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 prior to August 2017, 96.6% of the shares of common stock of Centuri Construction Group Inc. ("Centuri" or the "construction services" segment). During August 2017, Southwest Gas Holdings, Inc. acquired the remaining 3.4% equity interest in Centuri that was held by the previous owners (and reflected as a redeemable noncontrolling interest). Therefore, Centuri is now a wholly owned subsidiary of Southwest Gas Holdings, Inc. Also, as part of the holding company reorganization effective January 2017, Centuri and Southwest are now subsidiaries of Southwest Gas Holdings, Inc.; whereas historically, Centuri had been a direct subsidiary of Southwest. Southwest Gas Holdings, Inc. and its subsidiaries (the "Company") have two business segments (natural gas operations and construction services), which are discussed below.

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 Las Vegas metropolitan area and 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 September 30, 2017 (on a seasonally adjusted basis), Southwest had 1,999,000 residential, commercial, industrial, and other natural gas customers, of which 1,065,000 customers were located in Arizona, 741,000 in Nevada, and 193,000 in California. Residential and commercial customers represented over 99% of the total customer base. During the twelve months ended September 30, 2017, 54% of operating margin was earned in Arizona, 35% in Nevada, and 11% in California. During this same period, Southwest earned 85% of its operating margin (gas operating revenues less the net cost of gas sold) from residential and small commercial customers, 3% from other sales customers, and 12% from transportation customers. These general patterns are expected to remain materially consistent for the foreseeable future.

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.

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 weather variability and conservation on operating margin, allowing Southwest to pursue energy efficiency initiatives.

Centuri is a comprehensive construction services enterprise dedicated to meeting the growing demands of North American utilities, energy and industrial markets. Centuri derives revenue from installation, replacement, repair, and maintenance of energy distribution systems, and developing industrial construction solutions. Centuri operates in 24 major markets in the United States (primarily as NPL) and in 3 major markets in Canada (as NPL Canada (formerly Link-Line Contractors Ltd.), and W.S. Nicholls).

Construction activity is cyclical and can be significantly impacted by changes in weather, general and local economic conditions (including the housing market), interest rates, employment levels, job growth, pipe replacement programs of utilities, and local and federal regulation (including tax rates and incentives). During the past few years, utilities have implemented or modified pipeline integrity management programs to enhance safety pursuant to federal and state mandates. These programs, coupled with recent bonus depreciation tax deduction incentives, have resulted in a significant increase in multi-year pipeline 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. This is expected in both the U.S. and Canadian markets. 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 impact operating results.

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and the notes thereto, as well as MD&A included in the 2016 Annual Report to Shareholders, which is incorporated by reference into the 2016 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 operations. As needed, certain items are covered in greater detail in later sections of management's discussion and analysis. As reflected in the table below, the natural gas operations segment accounted for an average of 81% of twelve-month-to-date consolidated net income over the past two years. As such, management's discussion and analysis 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

	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2017	2016	2017	2016	2017	2016
	(In thousands, except per share amounts)					
Contribution to net income						
Natural gas operations	$ (4,024)	$ (12,405)	$ 82,436	$ 67,536	$ 134,323	$ 119,836
Construction services	14,335	14,877	15,717	19,325	29,010	33,144
Corporate and administrative	(107)	—	(777)	—	(777)	—
Net income	$ 10,204	$ 2,472	$ 97,376	$ 86,861	$ 162,556	$ 152,980
Average number of common shares outstanding	47,628	47,481	47,577	47,464	47,553	47,442
Basic earnings per share						
Consolidated	$ 0.21	$ 0.05	$ 2.05	$ 1.83	$ 3.42	$ 3.22
Natural Gas Operations						
Gas operating revenues	$213,059	$200,179	$935,823	$980,927	$1,276,308	$1,376,388
Net cost of gas sold	45,539	39,056	261,839	324,072	334,888	460,836
Operating margin	$167,520	$161,123	$673,984	$656,855	$ 941,420	$ 915,552

3rd Quarter 2017 Overview

Natural gas operations highlights:

- Benefits of Arizona rate case reflected in quarterly operating results
- 32,000 net new customers in last 12 months (1.6% growth rate)
- Depreciation and amortization expense declined $10 million compared to the prior-year quarter
- Operating income increased $15.3 million compared to the prior-year quarter
- Targeting $27 million of vintage steel pipe replacement in Arizona during 2017
- Achieved 2 million natural gas utility customers in early November 2017

Construction services highlights:

- Revenues increased $40.3 million compared to the prior-year quarter
- Construction expenses increased $42 million compared to the prior-year quarter
- Depreciation and amortization expense declined $1.1 million compared to the prior-year quarter
- The Company acquired the residual 3.4% interest in Centuri in August 2017

Southwest Gas Holdings highlights:

- Amended and restated bylaws to eliminate cumulative voting and enact majority voting

Results of Natural Gas Operations

	Three Months Ended September 30,	
	2017	2016
	(Thousands of dollars)	
Gas operating revenues	$213,059	$200,179
Net cost of gas sold	45,539	39,056
Operating margin	167,520	161,123
Operations and maintenance expense	102,215	102,438
Depreciation and amortization	46,194	56,436
Taxes other than income taxes	14,046	12,480
Operating income (loss)	5,065	(10,231)
Other income (deductions)	3,081	2,521
Net interest deductions	17,421	16,364
Income (loss) before income taxes	(9,275)	(24,074)
Income tax expense (benefit)	(5,251)	(11,669)
Contribution to consolidated net income (loss)	$ (4,024)	$ (12,405)

Operating margin increased $6 million between quarters. Rate relief in Arizona (effective April 2017) and California provided $4 million in operating margin (see **Rates and Regulatory Proceedings**). Approximately $2 million in increased operating margin was attributable to customer growth, as 32,000 net new customers were added during the last twelve months.

Operations and maintenance expense was relatively flat between quarters. Decreases in employee-related benefit costs more than offset increases in other general costs.

Depreciation and amortization expense decreased $10 million between quarters primarily due to reduced depreciation rates in Arizona, a result of the recent Arizona general rate case decision. Partially offsetting the decline was increased depreciation associated with a $317 million, or 5%, increase in average gas plant in service for the current quarter as compared to the corresponding quarter a year ago. The increase in gas plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled and accelerated pipe replacement activities, and new infrastructure.

Taxes other than income taxes increased $1.6 million between quarters primarily due to higher property taxes associated with net plant additions and increased property taxes in Arizona, including the impact of a property tax tracking mechanism enacted as part of the recently settled Arizona general rate case.

Other income increased $560,000 between quarters primarily due to an increase in the equity portion of the allowance for funds used during construction (“AFUDC”) associated with higher construction expenditures. The equity portion of AFUDC represents the cost of equity funds used to finance utility construction. The equity AFUDC improvement was partially offset by a decline between quarters in income from company-owned life insurance (“COLI”) policies. The current quarter reflects $2.1 million of income associated with COLI policy cash surrender value increases, while the prior-year quarter reflected $2.3 million of COLI-related income. COLI amounts in each quarter were greater than expected.

Net interest deductions increased $1.1 million between quarters, primarily due to the September 2016 issuance of $300 million of senior notes, partially offset by reductions associated with the redemption of debt ($24.9 million of 4.75% IDRBs in September 2016) and lower interest expense associated with PGA balances as compared to the prior-year quarter.

Results of Natural Gas Operations

Nine-Month Analysis

	Nine Months Ended September 30, 2017	2016
	(Thousands of dollars)	
Gas operating revenues	$ 935,823	$ 980,927
Net cost of gas sold	261,839	324,072
Operating margin	673,984	656,855
Operations and maintenance expense	313,395	301,979
Depreciation and amortization	153,643	174,413
Taxes other than income taxes	43,325	39,480
Operating income	163,621	140,983
Other income (deductions)	8,744	6,712
Net interest deductions	51,622	49,155
Income before income taxes	120,743	98,540
Income tax expense	38,307	31,004
Contribution to consolidated net income	$ 82,436	$ 67,536

The contribution to consolidated net income from natural gas operations increased $14.9 million between the first nine months of 2017 and 2016. The improvement was primarily due to higher operating margin and lower depreciation expense, partially offset by an increase in operations and maintenance expenses.

Operating margin increased $17 million between the comparative nine-month periods. Rate relief in the Arizona and California jurisdictions provided $10 million in operating margin (see **Rates and Regulatory Proceedings**). The remaining $7 million increase was attributable to customer growth.

Operations and maintenance expense increased $11.4 million, or 4%, between periods due primarily to higher general cost increases. Approximately $5 million of the incremental costs recognized were associated with the amount and timing of employee incentive plan grants (including accelerated recognition for retirement eligible employees).

Depreciation and amortization expense decreased $20.8 million between periods primarily due to reduced depreciation rates in Arizona, a result of the recent Arizona general rate case decision. The depreciation decrease also included a decline of approximately $3.7 million in amortization related to the recovery of regulatory assets. Partially offsetting these declines was depreciation associated with a $325 million, or 5%, increase in average gas plant in service for the current period as compared to the prior period. The increase in gas plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled and accelerated pipe replacement activities, and new infrastructure.

Taxes other than income taxes increased $3.8 million between periods primarily due to higher property taxes associated with net plant additions and increased property taxes in Arizona, including the impact of the Arizona property tax tracking mechanism.

Other income, which principally includes returns on COLI policies and non-utility expenses, increased $2 million between periods. The current period reflects $6.8 million of income associated with COLI policy cash surrender value increases, while the prior-year period reflected $5.4 million of COLI-related income. COLI amounts in each period were greater than expected.

Net interest deductions increased $2.5 million between periods, primarily due to the September 2016 issuance of $300 million of senior notes, partially offset by reductions associated with debt redemptions ($100 million of 4.85% IDRBs in July 2016 and $24.9 million of 4.75% IDRBs in September 2016) and lower interest expense associated with PGA balances as compared to the prior-year period.

Results of Natural Gas Operations

Twelve-Month Analysis

	Twelve Months Ended September 30,	
	2017	2016
	(Thousands of dollars)	
Gas operating revenues	$ 1,276,308	$ 1,376,388
Net cost of gas sold	334,888	460,836
Operating margin	941,420	915,552
Operations and maintenance expense	413,140	400,222
Depreciation and amortization	212,693	228,609
Taxes other than income taxes	56,221	51,810
Operating income	259,366	234,911
Other income (deductions)	10,308	9,615
Net interest deductions	69,464	65,146
Income before income taxes	200,210	179,380
Income tax expense	65,887	59,544
Contribution to consolidated net income	$ 134,323	$ 119,836

Contribution to consolidated net income from natural gas operations increased by $14.5 million between the twelve-month periods of 2017 and 2016. The improvement was primarily due to higher operating margin and lower depreciation expense, partially offset by an increase in operations and maintenance expenses and interest expense.

Operating margin increased $26 million between periods including a combined $13 million of rate relief in the Arizona and California jurisdictions, as well as Paiute Pipeline Company. Customer growth provided $9 million in operating margin, while operating margin associated with recoveries of regulatory assets, infrastructure replacement mechanisms, customers outside the decoupling mechanisms, and other miscellaneous revenues improved $4 million.

Operations and maintenance expense increased $12.9 million, or 3%, between periods primarily due to general cost increases, partially offset by lower pension expense. Approximately $5.6 million of the incremental costs recognized were associated with the amount and timing of employee incentive plan grants (including accelerated recognition for retirement-eligible employees). Pipeline integrity management and damage prevention programs collectively increased $500,000.

Depreciation and amortization expense decreased $15.9 million between periods primarily due to reduced depreciation rates in Arizona, a result of the recent Arizona general rate case decision. Partially offsetting the decline was depreciation associated with a $335 million, or 6%, increase in average gas plant in service for the current period as compared to the prior period. The increase in gas plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled and accelerated pipe replacement activities, and new infrastructure.

Taxes other than income taxes increased $4.4 million between periods primarily due to higher property taxes associated primarily with net plant additions and increased property taxes in Arizona, including the impact of a property tax regulatory tracking mechanism resulting from the recent Arizona general rate case.

Other income increased $693,000 between the twelve-month periods of 2017 and 2016. The current period reflects an $8.8 million increase in COLI policy cash surrender values, while the prior-year period reflected $7.5 million of combined COLI-related income and recognized death benefits. COLI amounts in each period were greater than expected.

Net interest deductions increased $4.3 million between periods, primarily due to the September 2016 issuance of $300 million of senior notes. The increase was partially offset by reductions associated with the redemption of debt ($100 million of 4.85% IDRBs in July 2016 and $24.9 million of 4.75% IDRBs in September 2016) and lower interest expense associated with PGA balances as compared to the prior-year period.

Results of Construction Services

Quarterly Analysis

	Three Months Ended September 30,	
	2017	2016
	(Thousands of dollars)	
Construction revenues	$380,094	$339,790
Operating expenses:		
Construction expenses	342,629	300,611
Depreciation and amortization	12,335	13,409
Operating income	25,130	25,770
Other income (deductions)	(210)	44
Net interest deductions	1,962	1,794
Income before income taxes	22,958	24,020
Income tax expense	8,407	8,708
Net income	14,551	15,312
Net income attributable to noncontrolling interests	216	435
Contribution to consolidated net income attributable to Centuri	$ 14,335	$ 14,877

Contribution to consolidated net income from construction services in the current quarter decreased by $542,000 when compared to the prior-year quarter. The decrease is primarily due to higher construction costs relative to increased revenues, resulting from a pre-tax loss on a project described below, partially offset by a decline in depreciation and amortization.

Revenues increased $40.3 million, or 12%, between quarters primarily due to an increase in pipe replacement work with existing customers. A significant portion of the increase relates to bid jobs that are expected to be substantially complete by year end.

Construction expenses increased $42 million, or 14%, between quarters due to additional pipe replacement work. Results were negatively impacted by higher construction costs for a water pipe replacement project, for which Centuri has requested increased cost recovery. No additional work orders will be accepted on the project pending resolution of Centuri's request. Gains on sale of equipment (reflected as an offset to construction expenses) were approximately $25,000 and $1.4 million for the third quarters of 2017 and 2016, respectively.

Depreciation and amortization decreased $1.1 million between quarters, primarily due to a $2 million reduction associated with the extension of the estimated useful lives of certain depreciable equipment during the past 12 months, partially offset by an increase in depreciation for additional equipment purchased to support the growing volume of work being performed.

Results of Construction Services

Nine-Month Analysis

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
	(Thousands of dollars)	
Construction revenues	$872,536	$838,038
Operating expenses:		
Construction expenses	806,586	757,919
Depreciation and amortization	35,446	43,351
Operating income	30,504	36,768
Other income (deductions)	38	44
Net interest deductions	5,095	4,945
Income before income taxes	25,447	31,867
Income tax expense	9,560	12,042
Net income	15,887	19,825
Net income attributable to noncontrolling interests	170	500
Contribution to consolidated net income attributable to Centuri	$ 15,717	$ 19,325

Contribution to consolidated net income from construction services for the first nine months of 2017 declined by $3.6 million when compared to the prior-year period. The decrease is primarily due to higher construction costs relative to increased revenues, partially offset by a decline in depreciation and amortization.

Revenues increased $34.5 million, or 4%, in the first nine months of 2017 when compared to the prior-year period primarily due to increased pipe replacement work. Partially offsetting increases in revenues was a temporary work stoppage by a significant customer that began in the first quarter of 2017 and continued through part of the second quarter of 2017 resulting in a $26.3 million reduction in revenues, compared to the prior-year period, and a $3.7 million pre-tax loss in the current nine-month period. The temporary work stoppage was initiated due to state-mandated requalification of employees of all contractors working within the jurisdictional boundary of one state. Operations resumed gradually following the requalification of Centuri's employees during the second quarter of 2017. Additionally, inclement weather in several operating areas negatively impacted revenues and reduced productivity in the first quarter of 2017.

Construction expenses increased $48.7 million, or 6%, between periods. The increase in construction expenses is disproportionate to revenues noted above due in part to logistics surrounding the timing and length of the temporary work stoppage with the significant customer and to higher labor costs incurred to complete work during inclement weather conditions in the first quarter. In addition, results were negatively impacted by higher construction and start-up costs related to the water pipe replacement project, for which Centuri is pursuing cost recovery. Gains on sale of equipment (reflected as an offset to construction expenses) were approximately $1.5 million and $4.1 million for the first nine months of 2017 and 2016, respectively.

Depreciation and amortization decreased $7.9 million between periods, primarily due to an $8.2 million reduction in depreciation associated with the extension of the estimated useful lives of certain depreciable equipment during the past 12 months, partially offset by an increase in depreciation for additional equipment purchased to support the growing volume of work being performed.

Results of Construction Services

Twelve-Month Analysis

	Twelve Months Ended September 30,	
	2017	2016
	(Thousands of dollars)	
Construction revenues	$1,173,576	$1,127,982
Operating expenses:		
Construction expenses	1,073,090	1,009,188
Depreciation and amortization	47,764	58,368
Operating income	52,722	60,426
Other income (deductions)	1,187	1,246
Net interest deductions	6,813	6,738
Income before income taxes	47,096	54,934
Income tax expense	17,402	20,711
Net income	29,694	34,223
Net income attributable to noncontrolling interests	684	1,079
Contribution to consolidated net income attributable to Centuri	$ 29,010	$ 33,144

Contribution to consolidated net income from construction services for the twelve-month period ended September 30, 2017 decreased $4.1 million compared to the same period of 2016. The decrease is primarily due to higher construction costs relative to increased revenues, resulting in pre-tax losses on certain projects, partially offset by a decline in depreciation and amortization.

Revenues increased $45.6 million, or 4%, in the current twelve-month period compared to the same period of 2016 primarily due to additional pipe replacement work for existing natural gas distribution customers. During the past several years, Centuri has focused its efforts on obtaining replacement work under both blanket contracts and incremental bid projects. For both twelve-month periods ended September 30, 2017 and 2016, revenues from replacement work provided over 60% of total revenues.

Construction expenses increased $63.9 million, or 6%, between periods, due to additional pipe replacement work, higher labor costs experienced due to changes in the mix of work with existing customers, and higher operating expenses to support increased growth in operations. The logistics surrounding the timing and length of a temporary work stoppage with a significant customer during the first six months of 2017 and higher labor costs incurred to complete work during inclement weather conditions in the first quarter of 2017 resulted in costs disproportionate to revenues. Results were negatively impacted by higher start-up and construction costs for a water pipe replacement project, for which Centuri has requested increased cost recovery. No additional work orders will be accepted on the project pending resolution of Centuri’s request. Gains on sale of equipment (reflected as an offset to construction expenses) were $4.5 million and $4.2 million for the twelve-month periods ended September 30, 2017 and 2016, respectively.

Depreciation and amortization decreased $10.6 million between the current and prior-year periods primarily due to an $11.1 million reduction associated with the extension of the estimated useful lives of certain depreciable equipment over the last twelve months, partially offset by an increase in depreciation for additional equipment purchased to support the growing volume of work being performed.

Rates and Regulatory Proceedings

Arizona Jurisdiction

Arizona General Rate Case. Southwest filed a general rate application with the Arizona Corporation Commission ("ACC") in May 2016 requesting an increase in authorized annual operating revenues of approximately $32 million, or 4.2%, to reflect existing levels of expense and requested returns, in addition to reflecting capital investments made by Southwest since June 2010. The application requested an overall rate of return of 7.82% on an original cost rate base of $1.336 billion, a 10.25% return on common equity, and a capital structure utilizing 52% common equity. The filing included a depreciation study that supported a proposal to reduce currently effective depreciation expense by approximately $42 million, which was considered in the overall requested amount. This expense reduction coupled with the requested revenue increase, resulted in a net annual operating income increase request of $74 million. A settlement was reached among several parties in December 2016 and a formal draft settlement was filed in January 2017. Hearings were held in February 2017, and the ACC approved the settlement agreement in April 2017. The settlement provides for an overall operating revenue increase of $16 million and the capital structure and cost of capital as proposed by Southwest, with the exception of the return on common equity, which was set at 9.50%. Depreciation expense is expected to be reduced by $44.7 million, for a combined net annual operating income increase of $60.7 million. Other key elements of the settlement include approval of the continuation and expansion of the current Customer-Owned Yard Line ("COYL") program (adding the ability to seek out COYLs through a targeted approach and mobilization of work crews for replacement), implementation of a vintage steel pipe replacement program, and a continuation of the current decoupled rate design, excluding a winter-period adjustment to rates, making the mechanism fundamentally similar to that which exists in Nevada. The settlement also included a property tax tracking mechanism to defer changes in property tax expense for recovery or return in the next general rate case. New rates were effective April 2017. The settlement also includes a three-year rate case moratorium prohibiting a new application to adjust base rates from being filed prior to May 2019.

LNG ("Liquefied Natural Gas") 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 in 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. In December 2014, Southwest received an order from the ACC granting pre-approval of Southwest's application to construct the LNG facility and the deferral of costs, up to $50 million. Following the December 2014 preapproval, Southwest purchased the site for the facility and completed detailed engineering design specifications for the purpose of soliciting bids for the engineering, procurement and construction ("EPC") of the facility. Southwest solicited requests for proposals for the EPC phase of the project, and in October 2016 made a filing with the ACC to modify the previously issued Order to update the pre-approved costs to reflect a not-to-exceed amount of $80 million, which was approved by the ACC in December 2016. Through September 2017, Southwest has incurred approximately $21.7 million in capital expenditures toward the project (including land acquisition costs). Construction commenced during the third quarter of 2017 and is expected to be completed by the end of 2019.

COYL Program. Southwest received approval, in connection with an earlier 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, which is not a traditional configuration. Customers with this configuration were previously responsible for the cost of maintaining these lines and were subject to the immediate cessation of natural gas service if low-pressure leaks occurred. Effective June 2013, the ACC authorized a surcharge to recover the costs of depreciation and pre-tax return on the costs incurred to replace and relocate service lines and meters. The surcharge is revised annually as the program progresses. In 2014, Southwest received approval to add a "Phase II" component to the COYL program to include the replacement of non-leaking COYLs. In the most recent annual COYL filing made in February 2017, Southwest requested to establish an annual surcharge to collect $1.8 million related to the revenue requirement associated with $12.1 million in capital projects completed under both Phase I and Phase II during 2016. In June 2017, the ACC issued a decision approving the surcharge application. All capital work completed in earlier years was incorporated in Southwest's Arizona rate base in connection with the recently completed general rate case proceeding, as discussed above.

Vintage Steel Pipe Program. Southwest received approval, in connection with its most recent Arizona general rate case, to implement a vintage steel pipe ("VSP") replacement program. Southwest currently has approximately 6,000 miles of pre-1970s vintage steel pipe in Arizona. Southwest proposed to start replacing the pipe on an accelerated basis and to recover the costs through an annual surcharge filing that will be made in February of each year. The surcharge is designed to be revised annually as the program progresses. A Plan of Administration ("POA"), which was filed in March of 2017 and was approved in conjunction with the general rate case, outlined the VSP program requirements and established the timeline for future project plans and surcharge requests. Southwest is currently targeting the replacement of nearly 40 miles of VSP during 2017 totaling approximately $27 million and replacement projects during 2018 of approximately $100 million.

California Jurisdiction

Attrition Filing. In November 2016, Southwest made its latest annual post-test year ("PTY") attrition filing with the California Public Utilities Commission ("CPUC"), requesting annual revenue increases of $2.1 million in southern California, $513,000 in northern California, and $256,000 for South Lake Tahoe. This filing was approved in December 2016 and rates were made effective in January 2017. At the same time, rates were updated to recover the regulatory asset associated with the revenue decoupling mechanism, or margin tracker.

California General Rate Case. In December 2016, Southwest filed to modify the most recent general rate case decision to extend the current rate case cycle by two years, including extension of the annual PTY attrition adjustments through 2020 from 2018. That latest rate case decision would have required Southwest to file its next general rate application by September 2017. Expedited consideration was requested and in June 2017, the CPUC approved the request, thereby extending the rate case filing deadline. Southwest believes this extension is in the public interest as it provides rate stability to customers for two additional years consistent with the current reasonable rates approved as part of the last general rate case, and the current revenue requirement and rate of return are not in need of adjustment (with the continuation of the currently approved 2.75% PTY attrition adjustment for the two additional years).

Nevada Jurisdiction

General Revenues Adjustment. In June 2016, Southwest requested authorization from the Public Utilities Commission of Nevada ("PUCN") to adjust rates associated with its revenue decoupling mechanism (General Revenues Adjustment, or "GRA"). The filing was approved in December 2016, with rates effective January 2017. The rate adjustment is expected to refund approximately $16.7 million during 2017. In June 2017, Southwest filed to adjust the GRA surcharge effective January 2018, which was approved by the PUCN during the third quarter of 2017. This will result in a decrease in collections from customers of $15.4 million, based on the over-recovered balance in the account at the end of April 2017. While there is no impact to net income overall from this rate adjustment, operating cash flows will be reduced as the regulatory liability balance is refunded.

Infrastructure Replacement Mechanisms. In January 2014, the PUCN approved final rules for a mechanism to defer and recover certain costs associated with accelerated replacement of infrastructure that does not otherwise currently provide incremental revenues. Associated with such mechanism, each year, Southwest files a Gas Infrastructure Replacement ("GIR") Advance Application requesting authority to replace qualifying infrastructure and files separately as part of an annual GIR filing to reset the recovery surcharge, related to previously approved and completed projects. For projects approved in 2015 and completed in 2016, the annualized revenue was approximately $4.5 million. In September 2016, Southwest filed to adjust the GIR surcharge to recover the annual revenue requirement for amounts previously deferred. This filing was approved in December 2016 and new rates became effective January 2017. In June 2016, Southwest filed an Advance Application for projects expected to be completed during 2017, proposing approximately $60 million of accelerated pipe replacement to include early vintage plastic, early vintage steel, and a COYL program. The COYL program, while not large in magnitude, represents the first of its kind in Nevada, modeled after the program in place for several years in Southwest's Arizona jurisdiction. The PUCN issued an Order on the Advance Application in October 2016, approving approximately $57.3 million of replacement work with an annualized revenue requirement estimated at approximately $5.3 million. With regard to the proposed COYL program, approval was granted for the northern Nevada rate jurisdiction, but consideration for the southern Nevada rate jurisdiction was deferred until 2020, at which time certain early vintage plastic pipe programs are expected to be completed. In September 2017, Southwest filed to adjust the GIR surcharge to recover the annual revenue requirement for amounts previously deferred. For projects approved in 2016 and completed by July of 2017

, the deferred annualized revenue requirement is approximately $8.7 million. This filing is expected to be approved in December 2017 with rates becoming effective January 2018.

In May 2017, Southwest filed a GIR Advance Application with the PUCN for projects totaling approximately $66 million that are expected to be completed during 2018. Similar to previous years, the proposed projects consist of early vintage plastic and early vintage steel pipe, as well as the continuation of the previously approved COYL program in northern Nevada. Southwest entered into a settlement agreement with the intervening parties and filed a proposed stipulation requesting the Commission approve the settlement agreement. The settlement agreement proposed that the request be approved as filed and that Southwest be authorized to start replacing COYLs in southern Nevada in certain situations, and to recover costs through the GIR mechanism. The PUCN issued an Order on the GIR Advance Application in September 2017, approving approximately $65.7 million of replacement work (with an annualized revenue requirement estimated at approximately $6 million) and the COYL provisions in southern Nevada.

Subsequent to three GIR rate applications, the GIR regulations require Southwest to either file a general rate case or a request for waiver before it can file another GIR advance application. The October 2016 approved rate application was the third such filing by Southwest subject to these regulations, necessitating a request for waiver to permit Southwest to proceed with the GIR program without filing a general rate case in 2017. This waiver was approved by the PUCN in January 2017; however, in order to continue the GIR program in 2018 (for projects recommended for completion under the program after 2018), a general rate case will need to be filed before June 2018.

Conservation and Energy Efficiency ("CEE"). In June 2015, Southwest requested recovery of energy efficiency and conservation development and implementation costs, including promotions and incentives for various programs, as originally approved for deferral by the PUCN effective November 2009. While recovery of initial program costs was approved as part of the most recent general rate case, amounts incurred subsequent to May 2012 (the certification period) continued to be deferred. Approved rates for the post-May 2012 costs deferred (including previously expected program expenditures for 2016) became effective January 2016 and resulted in annualized margin increases of $2 million in northern Nevada and $8.5 million in southern Nevada. Then, as part of the ARA filing approved in December 2016, Southwest modified rates, effective January 2017, expected to result in annualized margin decreases of $1.4 million in northern Nevada and $1.3 million in southern Nevada to return over-collected balances. There is, however, no anticipated impact to net income overall from these decreases as amortization expense will also be reduced.

Expansion and Economic Development Legislation. In February 2015, legislation ("SB 151") was introduced in Nevada directing the PUCN to adopt regulations authorizing natural gas utilities to expand their infrastructure consistent with a program of economic development. This includes providing gas service to unserved and underserved areas in Nevada, as well as attracting and retaining utility customers and accommodating the expansion of existing business customers. SB 151 was signed into law in May 2015. The draft regulations were reviewed by the Legislative Council Bureau and final regulations were approved by the PUCN in January 2016.

In November 2017, Southwest filed for preapproval of a project to extend service to include the service territory of Mesquite, Nevada, in accordance with the SB 151 regulations. This project proposes the extension of existing facilities to Mesquite at an estimated cost of approximately $30 million. The cost is proposed to be recovered through a volumetric surcharge on all southern Nevada customers. A second phase is then proposed to convert existing homes to natural gas service, which will be charged as a separate surcharge to Mesquite customers only. A decision on this proposal is expected within the required 210-day time period for filings of this type.

Federal Energy Regulatory Commission ("FERC") Jurisdiction

2018 Expansion. In response to growing demand in the Carson City and South Lake Tahoe areas of northern California and northern Nevada, Paiute Pipeline Company ("Paiute") evaluated shipper interest in acquiring additional transportation capacity and executed precedent agreements for incremental transportation capacity with Southwest during the third quarter of 2016. In October 2016, Paiute initiated a pre-filing review process with the FERC for an expansion project, which was approved during the same month. In July 2017, a certificate application was filed, which included an applicant environmental assessment. The project is anticipated to consist of 8.5 miles of additional transmission pipeline infrastructure at an approximate cost of $18 million. If the process progresses as planned, a decision should be received by April 2018 and the additional facilities could be in place by the end of 2018.

PGA Filings

The rate schedules in all of Southwest's service territories contain provisions that permit adjustments 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. At September 30, 2017, under-collections in Arizona and Northern Nevada resulted in an asset of approximately $6.2 million and over-collections in Southern Nevada and California resulted in a liability of $15 million on the Company's and Southwest's condensed consolidated balance sheets. Gas cost rates paid to suppliers have been higher than amounts recovered from customers during the first nine months of 2017, resulting in fluctuations since December 31, 2016. Tariff rates have been adjusted in all jurisdictions during this period. 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):

	September 30, 2017	December 31, 2016	September 30, 2016
Arizona	$ 1,324	$ (20,349)	$ (34,425)
Northern Nevada	4,906	(3,339)	(10,326)
Southern Nevada	(13,711)	(66,788)	(77,402)
California	(1,260)	2,608	(1,246)
	$ (8,741)	$ (87,868)	$ (123,399)

Capital Resources and Liquidity

Cash on hand and cash flows from operations in the past twelve months have generally provided the majority of cash used in investing activities (primarily for construction expenditures and property additions). In recent years, certain pipe replacement has been accelerated to take advantage of bonus depreciation tax incentives and to fortify system integrity and reliability, notably in association with new gas infrastructure replacement programs as discussed above. During this same time, benefits were derived from debt refinancing and strategic debt redemptions. The Company's capitalization strategy is 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 decreased $179 million in the first nine months of 2017 as compared to the same period of 2016. The decline in operating cash flows was primarily attributable to the change in deferred purchased gas costs noted above. Refer to **Results of Natural Gas Operations** and **Rates and Regulatory Proceedings**.

Investing Cash Flows. Cash used in consolidated investing activities increased $35 million in the first nine months of 2017 as compared to the same period of 2016. The change was primarily due to increased construction expenditures in the natural gas operations segment, including scheduled and accelerated replacement activity. The prior period included an outflow of $17 million to facilitate a construction services acquisition.

Financing Cash Flows. Net cash provided by consolidated financing activities increased $195 million in the first nine months of 2017 as compared to the same period of 2016. The increase was primarily due to activity under the credit facility and commercial paper program (an increase in borrowings in the current-year nine-month period and the repayment of borrowings in the prior-year nine-month period). The prior period included proceeds in utility operations from the issuance of $300 million in senior notes. The Company also issued approximately $12 million during 2017 in stock under its Equity Shelf Program. See also **Note 5 – Common Stock**, and the discussion below. The first nine months of 2017 includes the August 2017 $23 million purchase of the previous owners' interest in Centuri. See also **Note 9 – Construction Services Redeemable Noncontrolling Interest** for additional information.

Dividends paid increased in the first nine months of 2017 as compared to the same period of 2016 as a result of an increase in the quarterly dividend rate and an increase in the number of shares outstanding.

The Company issued approximately 103,000 additional shares of common stock collectively through the Restricted Stock/Unit Plan and the Management Incentive Plan.

Southwest Gas Corporation:

Operating Cash Flows. Cash flows provided by operating activities decreased $172 million in the first nine months of 2017 as compared to the same period of 2016. The decline in operating cash flows was primarily attributable to the change in deferred purchased gas costs as discussed above. Refer to **Results of Natural Gas Operations** and **Rates and Regulatory Proceedings**.

Investing Cash Flows. Cash used in investing activities increased $68 million in the first nine months of 2017 as compared to the same period of 2016. The change was primarily due to additional construction expenditures, as indicated above.

Financing Cash Flows. Net cash provided by financing activities increased $211 million in the first nine months of 2017 as compared to the same period of 2016. The increase was primarily due to activity under the credit facility and commercial paper program (an increase in borrowings in the current-year nine-month period and the repayment of borrowings in the prior-year nine-month period). The prior period included proceeds from the issuance of $300 million in senior notes as discussed above. The current period included capital contributions from Southwest Gas Holdings, Inc.

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and construction services segments. Each business activity is generally responsible for securing its own financing sources.

Gas Segment Construction Expenditures and Financing

During the twelve-month period ended September 30, 2017, construction expenditures for the natural gas operations segment were $515 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 $337 million during this time and provided approximately 57% of construction expenditures and dividend requirements.

Southwest estimates natural gas segment construction expenditures during the three-year period ending December 31, 2019 will be between $1.6 billion and $1.8 billion. Of this amount, approximately $570 million is expected to be incurred in 2017. Southwest plans to continue, as appropriate, to request regulatory support to accelerate projects that improve system flexibility and reliability (including replacement of early vintage plastic and steel pipe). This includes the recent approval to complete accelerated replacement projects in Nevada of $57.3 million and $65.7 million in 2017 and 2018, respectively. It also incorporates programs included in the recently approved Arizona general rate case settlement (the continuation of the COYL program and implementation of a vintage steel pipe replacement program). Southwest may expand existing, or initiate new, programs. If efforts continue to be successful, significant replacement activities are expected to continue well beyond the next few years. See also **Rates and Regulatory Proceedings** for discussion of Nevada infrastructure, Arizona COYL, and an LNG facility. During the three-year period, cash flows from operating activities of Southwest are expected to provide approximately 60% to 70% 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 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, 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 March 2017, the Company filed with the Securities Exchange Commission ("SEC") an automatic shelf registration statement for the offer and sale of up to $150 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 March 29, 2017, between the Company and BNY Mellon Capital Markets, LLC (the "Equity Shelf Program"). Sales of the shares will continue to be made at market prices prevailing at the time of sale. 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 Southwest serves.

During the nine months ended September 30, 2017, 147,077 shares were issued in at-the-market offerings at an average price of $80.07 per share with gross proceeds of $11.8 million, agent commissions of $118,000, and net proceeds of $11.7 million. See **Note 5 – Common Stock** for more information.

Bonus Depreciation

In December 2015, the Protecting Americans from Tax Hikes Act of 2015 ("PATH Act") was enacted extending the 50% bonus depreciation tax deduction for qualified property acquired or constructed and placed in-service during 2015 (and additional years as noted below) as well as other tax deductions, credits, and incentives. The bonus depreciation tax deduction will be phased out over five years. The PATH Act provides for a 50% bonus depreciation tax deduction in 2015 through 2017, 40% in 2018, 30% in 2019, and no deduction after 2019. Based on forecasted qualifying construction expenditures, Southwest estimates the bonus depreciation provision of the PATH Act will defer the payment of approximately $29 million of federal income taxes for 2017, resulting in a minimal amount of federal income tax being paid.

Dividend Policy

Dividends are payable on the Company's common stock at the discretion of the Board of Directors ("Board"). In setting the dividend rate, the Board considers, among other factors, current and expected future earnings levels, our ongoing capital expenditure plans and expected external funding needs, our payout ratio, and 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 2017, the Board elected to increase the quarterly dividend from $0.45 to $0.495 per share, representing a 10% increase, effective with the June 2017 payment. The Board currently targets a payout ratio of 55% to 65% of consolidated earnings per share.

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 have historically had the most significant impact on liquidity.

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 September 30, 2017, the combined balance in the PGA accounts totaled an over-collection of $8.7 million. See **PGA Filings** for more information.

In March 2017, Southwest Gas Holdings, Inc. entered into a credit facility with a borrowing capacity of $100 million that expires in March 2022. The Company intends to utilize this facility for short-term financing needs. At September 30, 2017, $27.5 million was outstanding on this facility.

In March 2017, Southwest Gas Corporation amended its credit facility, increasing the borrowing capacity from $300 million to $400 million, and extended the term of the facility from March 2021 to March 2022. Southwest continues to designate $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 credit facility (including a commercial paper program, as noted below) during the first nine months of 2017 was $150 million. At September 30, 2017, $150 million was outstanding on the long-term and $83 million was 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. This credit facility has been adequate for Southwest's working capital needs outside of funds raised through operations and other types of external financing.

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 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 September 30, 2017, no borrowings were outstanding under this program.

Centuri has a $300 million secured revolving credit and term loan facility that is scheduled to expire in October 2019. The term loan facility portion had an initial limit of approximately $150 million, which was reached in 2014 and; $107 million was outstanding (after repayments) at September 30, 2017. The secured revolving credit facility portion also has a limit of $150 million; amounts borrowed and repaid under this portion of the facility are available to be re-borrowed. The maximum amount outstanding on the credit facility during the first nine months of 2017 was $104 million. At September 30, 2017, $81.3 million was outstanding on the secured revolving credit facility. Also at September 30, 2017, there was approximately $52 million, net of letters of credit, available under the line of credit.

The following table sets forth the ratios of earnings to fixed charges for the Company. Due to the seasonal nature of the Company's business, these ratios are computed on a twelve-month basis:

	For the Twelve Months Ended	
	September 30, 2017	December 31, 2016
Ratio of earnings to fixed charges	3.50	3.46

Earnings are defined as the sum of pretax income plus fixed charges. Fixed charges consist of all interest expense including capitalized interest, one-third of rent expense (that approximates the interest component of such expense), and net amortized debt costs.

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," "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, interest savings, the Company's COLI strategy, replacement market and new construction market, bonus depreciation tax deductions, amount and timing for completion of estimated future construction expenditures, including the LNG facility in southern Arizona, the cost of the 2018 Paiute expansion project in northern Nevada and northern California, 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 2017 or future period revenues from regulatory rate proceedings including amounts resulting from the settled Arizona general 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 common stock under the Equity Shelf Program, future dividend increases and the Board's current target dividend payout ratio, pension and post-retirement benefits, certain benefits 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 the COYL program, 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 and 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 ability to recover costs through the PGA mechanisms or other regulatory assets, the effects of regulation/deregulation, the timing and amount of rate relief, 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, changes in construction expenditures and financing, changes in operations and maintenance expenses, effects of pension expense forecasts, accounting changes and regulatory treatment related thereto, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, results of Centuri bid work, Centuri construction expenses, differences between actual and originally expected outcomes of Centuri bid or other fixed-price construction agreements, outcomes from contract and change order negotiations, and 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 the recent work stoppage, 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 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, 2016.

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 2016 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 September 30, 2017, management of Southwest Gas Holdings, Inc., including the Chief Executive Officer and Chief Financial Officer, believe 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 controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the third quarter of 2017 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Based on the most recent evaluation, as of September 30, 2017, management of Southwest Gas Corporation, including the Chief Executive Officer and Chief Financial Officer, believe 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 controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the third quarter of 2017 that have materially affected, or are likely to materially affect Southwest's internal controls 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.

ITEMS 1A 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 3(i)	—	Amendment to Articles of Incorporation of Southwest Gas Holdings, Inc.
Exhibit 3(ii)	—	Amended and Restated Bylaws of Southwest Gas Holdings, Inc.
Exhibit 10.01*	—	Centuri 2017 Short-Term Incentive Plan.
Exhibit 12.01	—	Computation of Ratios of Earnings to Fixed Charges – Southwest Gas Holdings, Inc.
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
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
Exhibit101.PRE	—	XBRL Presentation Linkbase Document

* Management Incentive Plan

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: November 7, 2017

/s/ GREGORY J. PETERSON
Gregory J. Peterson
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: November 7, 2017

/s/ GREGORY J. PETERSON
Gregory J. Peterson
Vice President/Controller and Chief Accounting Officer

Exhibit 3(i)

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
SOUTHWEST GAS HOLDINGS, INC.

John P. Hester and Karen S. Haller certify that:

1. They are the President and Chief Executive Officer and the Senior Vice President/General Counsel and Corporate Secretary, respectively, of Southwest Gas Holdings, Inc., a California corporation.

2. Article VIII of the Articles of Incorporation of this corporation is added to read in its entirety as follows:

“**VIII.**

No shareholder shall be entitled to cumulative voting rights as to any election of directors.”

3. The foregoing amendment has been approved by the board of directors.

4. The amendment has been approved by the required vote of shareholders in accordance with Sections 301.5, 902 and 903 of the California Corporations Code. The total number of outstanding shares of the corporation entitled to vote on the amendment was 47,607,819 shares of Common Stock. There are no outstanding shares of Preferred Stock of the corporation. There are no outstanding shares of Preference Stock of the corporation. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was a majority of the outstanding shares of Common Stock entitled to vote.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: October 17, 2017

/s/ John P. Hester
John P. Hester
President and Chief Executive Officer

/s/ Karen S. Haller
Karen S. Haller
Senior Vice President/General Counsel and
Corporate Secretary

BYLAWS

Southwest Gas Holdings, Inc.

Amended and Restated
as of October 17, 2017

BYLAWS OF
SOUTHWEST GAS HOLDINGS, INC.

ARTICLE I

OFFICES

Section 1. Principal Office

The principal office for the transaction of the business of the Corporation is hereby fixed and located at 5241 Spring Mountain Road, in the City of Las Vegas, County of Clark, State of Nevada.

Section 2. Other Offices

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

Section 3. Terminology

All personal pronouns used herein are employed in a generic sense and are intended and deemed to be neutral in gender.

ARTICLE II

MEETING OF SHAREHOLDERS

Section 1. Regular Meeting

Commencing in May 2017, the regular annual meeting of shareholders shall be held at the principal office of the Corporation, or at such other place within or without the State of California as the officers of the Corporation may deem convenient and appropriate, at 10:00 a.m. on the first Thursday after the third day of May of each year, if not a legal holiday, and if a legal holiday, then at 10:00 a.m. on the next succeeding business day, for the purpose of electing a Board of Directors and transacting such other business as properly may come before the meeting; provided, however, that the Board of Directors may, by resolution, establish a different date not more than 120 days thereafter if, in its sole discretion, it deems such postponement appropriate.

Section 2. Special Meetings

Except in those instances where a particular manner of calling a meeting of the shareholders is prescribed by law or elsewhere in these Bylaws, a special meeting of the shareholders may be called at any time by the Chief Executive Officer or other officers acting for him or by the Board of Directors, or by the holders of not less than one-third of the voting shares then issued and outstanding. Each call for a special meeting of the shareholders shall state the time, place, and the purpose of such meeting; if made by the Board of Directors, it shall be by resolution duly adopted by a majority vote and entered in the minutes; if made by an authorized officer or by the shareholders, it shall be in writing and signed by the person or persons making the same, and unless the office of Secretary be vacant, delivered to the Secretary. No business shall be transacted at a special meeting other than as is stated in the call and the notice based thereon.

Section 3. Notice of Regular and Special Meetings of the Shareholders

Notice of each regular and special meeting of the shareholders of the Corporation shall be given by mailing to each shareholder a notice of the time, place, and purpose of such meeting addressed to him at his address as it appears upon the books of the Corporation. Each such notice shall be deposited in the United States Mail with the postage thereon prepaid at least 10 days prior to the time fixed for such meeting. If the address of any such shareholder does not appear on the books of the Corporation and his post office address is unknown to the person mailing such notices, the notice shall be addressed to him at the principal office of the Corporation.

Without limiting the manner by which notice otherwise may be given effectively to shareholders, any notice to shareholders given by the Corporation shall also be effective if given by a form of electronic transmission consented to by the shareholder to whom the notice is given. Any such consent shall be revocable by the shareholder by written notice to the Corporation. Any such consent shall be deemed revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent, and (ii) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of this Section 3, “electronic transmission” means a communication (i) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that shareholder on record with the Corporation, (2) posting on an electronic message board or network which the Corporation has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof, or (3) other means of electronic communication, (ii) to a shareholder who has provided an unrevoked consent to the use of those means of transmission for such communications and (iii) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form. In addition, the consent to an electronic transmission by the Corporation to an individual shareholder shall be preceded by or include a clear written statement to the shareholder as to: (a) any right of the recipient to have the record provided or made available on paper or in non-electronic form; (b) whether the consent applies only to that transmission, to specified categories of communications, or to all communications from the Corporation; and (c) the procedures the recipient must use to withdraw consent.

Section 4. Quorum

At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business, except when it is otherwise provided by law. Any regular or special meeting of the shareholders, whether or not a quorum is present, may be adjourned from day to day or from time to time by the chairman of the meeting or by the vote of the holders of a majority of the shares entitled to vote at said meeting. Such adjournment and the reasons therefor shall be recorded in the minutes of the proceedings.

Section 5. Waiver of Notice

When all the shareholders of the Corporation are present at any meeting, or when the shareholders not represented thereat give their written consent to the holding thereof at the time and place the meeting is held, and such written consent is made a part of the records of such meeting, the proceedings had at such meeting are valid, irrespective of the manner in which the meeting is called or the place where it is held.

Section 6. Proper Business for Shareholder Meetings

1. At a meeting of the shareholders, only such business shall be proper as shall be brought before the meeting: (i) pursuant to the Corporation’s notice of meeting; (ii) by or at the direction of the Board of Directors of the Corporation; or (iii) by any shareholder of the Corporation who is a shareholder of record at the time of giving the notice provided for herein, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth herein.

2. For business to be properly brought before a meeting by a shareholder pursuant to clause (iii) above, the shareholder must have given timely notice thereof in writing to the Secretary. To be timely as to an annual meeting of shareholders, a shareholder’s notice must be received at the principal executive office of the Corporation not less than 120 calendar days before the date of the Corporation’s proxy statement released to shareholders in connection with the previous year’s annual meeting; provided however, that if the date of the meeting is changed by more than 30 days from the date of the previous year’s meeting, notice by shareholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting of shareholders, a shareholder notice must be received not later than the call of the meeting as provided for in Section 2 of this Article II. Such shareholder notice (whether for an annual meeting or a special meeting) shall set forth as to each matter the shareholder proposes to bring before the meeting: (a) a brief description of and the reasons for proposing such matter at the meeting; (b) the name and address, as they appear on the Corporation’s books, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (c) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder of record and by the beneficial owner, if any, on whose behalf the proposal is made; (d) any material interest of such shareholder of record and the beneficial owner, if any, on whose behalf the proposal is made, in such proposal, (e) as to the shareholder giving the notice and any Shareholder Associated Person (as defined below) or any member of such shareholder’s immediate family sharing the same household, whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement, or understanding (including, but not limited to, any short position or any borrowing or lending of shares of stock) has been made, the effect or intent of which is to mitigate loss or increase profit to or manage the risk or benefit of stock price changes for, or to increase or decrease the voting power of, such shareholder, such Shareholder Associated Person, or family member with respect to any share of stock of the Corporation (each, a “Relevant Hedge Transaction”), and (f) as to the shareholder giving the notice and any Shareholder Associated Person or any member of such shareholder’s immediate family sharing the same household, to the extent not set forth pursuant to the immediately preceding clause, (1) whether and the extent to which such shareholder, Shareholder Associated Person, or family

member has direct or indirect beneficial ownership of any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation (a "Derivative Instrument"), (2) any rights to dividends on the shares of the Corporation owned beneficially by such shareholder, Shareholder Associated Person, or family member that are separated or separable from the underlying shares of the Corporation, (3) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder, Shareholder Associated Person, or family member is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (4) any performance-related fees (other than an asset-based fee) that such shareholder, Shareholder Associated Person, or family member is entitled to, based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice (which information shall be supplemented by such shareholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date).

With respect to shareholder proposals relating to director nominations, in addition to the information above, the shareholder's notice shall set forth as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address, and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of the Corporation which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

For purposes of this Section 6 "Shareholder Associated Person" of any shareholder shall mean (i) any person controlling or controlled by, directly or indirectly, or acting in concert with, such shareholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such shareholder, and (iii) any person controlling, controlled by, or under common control with such Shareholder Associated Person.

Notwithstanding anything in these Bylaws to the contrary, no business shall be proper at a meeting unless brought before it in accordance with the procedures set forth herein. Further, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth herein.

The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures proscribed herein, and if the chairman should so determine, that any such business not properly brought before the meeting shall not be transacted.

Notwithstanding anything provided herein to the contrary, the procedures for submission of shareholder proposals have not expended, altered, or affected in any manner, whatever rights or limitations may exist regarding the ability of a shareholder of the Corporation to submit to a proposal for consideration by shareholders of the Corporation under California or federal law.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number – Quorum

The business of the Corporation shall be managed by a Board of Directors, whose number shall be not fewer than nine (9) nor greater than thirteen (13), as the Board of Directors by resolution or the shareholders by amendment of these Bylaws may establish, provided, however, that a reduction in the authorized number of directors shall not remove any director prior to the expiration of his term of office, and provided further that the shareholders may, pursuant to law, establish a different and definite number of directors or different maximum and minimum numbers of directors by amendment of the Articles of Incorporation or by a duly adopted amendment to these Bylaws. A majority of the prescribed number of directors shall be necessary to constitute a quorum for the transaction of business. At a meeting at which a quorum is present, every decision or act of a majority of the directors present made or done when duly assembled shall be valid as the act of the Board of Directors, provided that a minority of the directors, in the absence of a quorum, may adjourn from day to day but may transact no business.

Section 2. Exact Number of Directors

The number of Directors of the Corporation shall be fixed from time to time, within the range set forth in Section 1 of this Article III, by resolution of the Board or otherwise pursuant to the provisions of Section 1 of this Article III.

Section 3. Director Nominating Procedure

1. Except for the filling of vacancies, as provided for in Section 6 of this Article III, only persons who are nominated in accordance with the procedures set forth herein shall be qualified to serve as directors. Nominations of persons for election to the Board may be made at a meeting of shareholders: (a) by or at the direction of the Board or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw.

2. Nominations by shareholders shall be made pursuant to timely notice in writing to the Secretary. To be timely as to an annual meeting, a shareholder's notice must be received at the principal executive offices of the Corporation not less than 120 days before the date of the Corporation's proxy statement released to shareholders in connection with the prior year's annual meeting; provided, however, that if the date of the meeting is changed by more than 30 days from the date of the previous year's meeting, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting at which directors are to be elected, a shareholder's notice must be received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. Such shareholder's notice shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed

in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the Corporation's books, of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder and also which are owned of record by such shareholder; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in the shareholder's notice of nomination which pertains to the nominee.

3. Except for the filling of vacancies, as provided for in Section 6 of this Article III, no person shall be qualified to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Bylaw. The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if the chairman should so determine, that the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

Section 4. Qualification of Directors

The majority of directors of the Board of Directors shall not be officers or employees of the Corporation or any of its subsidiaries and shall not have held such positions at any time during the three years prior to election or selection to the Board of Directors. Whether an individual, who is an officer or employee of the Corporation or any of its subsidiaries, satisfies this qualification requirement will be determined at the time of his or her election or selection.

Section 5. Election and Term of Office

The directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. All directors shall hold office until their respective successors are elected and qualified.

Section 6. Vacancies

Vacancies on the Board of Directors may be filled by a majority of the remaining directors, though they be less than a quorum, and each director so elected shall hold office until his successor is qualified following the election at the next annual meeting of the shareholders or at any special meeting of shareholders duly called for that purpose prior to such annual meeting. A vacancy shall be deemed to exist in case the shareholders (or the Board of Directors, within the provisions of Section 1 of this Article III) shall increase the authorized number of directors, but shall fail, for a period of thirty days from the effective date of such increase, to elect the additional directors so provided for, or in case the shareholders fail at any time to elect the full number of authorized directors. When one or more of the directors shall give notice to the Board of Directors of his or their resignation from said Board, effective at a future date, the Board of Directors shall have the power to fill such vacancy or vacancies to take effect when such resignation or resignations become effective. Each director so appointed shall hold office during the remainder of the term of office of the resigning director or directors or until their successors are appointed and qualify.

Section 7. First Meeting of Directors

Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 8. Regular Meetings

Commencing in January 2017, the time for other regular meetings of the Board of Directors, when held, shall be 8:00 a.m. on the third Tuesday of January, September, and November, the first Tuesday of March, the first Wednesday of May, and fourth Tuesday of July, unless a different schedule is established by a resolution of the Board. If any regular meeting date shall fall on a legal holiday, then the regular meeting date shall be the business day next following.

Section 9. Special Meetings

A special meeting of the Board of Directors shall be held whenever called by the Chief Executive Officer or other officer acting for him, or by three directors. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the time and place of such meeting.

Section 10. Notice of Regular and Special Meetings of the Directors

No notice shall be required to be given of any regular meeting of the Board of Directors, but each director shall take notice thereof. Notice of each special meeting of the Board of Directors shall be given to each of the directors by: (i) mailing to each of them a copy of such notice at least five days; or (ii) delivering personally or by telephone, including voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means such notice at least 48 hours, prior to the time affixed for such meeting to the address of such director as shown on the books of the Corporation. If his address does not appear on the books of the Corporation, then such notice shall be addressed to him at the principal office of the Corporation.

Section 11. Waiver of Notice

When all the directors of the Corporation are present at any meeting of the Board of Directors, however called or noticed, and sign a written consent thereto on the record of such meeting, or if the majority of the directors are present, and if those not present sign in writing a waiver of notice of such meeting, whether prior to or after the holding of such meeting, which waiver shall be filed with the Secretary of the Corporation, the transactions of such meeting are as valid as if had at a meeting regularly called and noticed.

Section 12. Action by Unanimous Consent of Directors

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and such action by written consent shall have the same force and effect as if approved or taken at a regular meeting duly held. Any certificate or other document which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting, and that these Bylaws authorize the directors to so act.

Section 13. Telephonic Participation in Meetings

Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE IV

POWERS OF DIRECTORS

Section 1. The directors shall have power:

1. To call special meetings of the shareholders when they deem it necessary, and they shall call a meeting at any time upon the written request of shareholders holding one-third of all the voting shares;

2. To appoint and remove at pleasure all officers and agents of the Corporation, prescribe their duties, fix their compensation, and require from them as necessary security for faithful service;

3. To create and appoint committees, offices, officers, and agents of the Corporation, and to prescribe and from time to time change their duties and compensation, but no committee shall be created and no member appointed thereto except upon approval of a majority of the whole Board of Directors; and

4. To conduct, manage, and control the affairs and business of the Corporation and to make rules and regulations not inconsistent with the laws of the State of California, or the Bylaws of the Corporation, for the guidance of the officers and management of the affairs of the Corporation.

ARTICLE V

DUTIES OF DIRECTORS

Section 1. It shall be the duty of the directors:

1. To cause to be kept a complete record of all their minutes and acts, and of the proceedings of the shareholders, and present a full statement at the regular annual meeting of the shareholders, showing in detail the assets and liabilities of the Corporation, and generally the condition of its affairs. A similar statement shall be presented at any other meeting of the shareholders when theretofore required by persons holding at least one-half of the voting shares of the Corporation;

2. To declare dividends out of the profits arising from the conduct of the business, whenever such profits shall, in the opinion of the directors, warrant the same;

3. To oversee the actions of all officers and agents of the Corporation, see that their duties are properly performed; and

4. To cause to be issued to the shareholders, in proportion to their several interests, certificates of stock.

ARTICLE VI

OFFICERS

Section 1. The officers shall include a Chairman of the Board of Directors, a Chief Executive Officer, who may be designated Chairman, a President, a Secretary, a Treasurer, a Controller, and may include one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, and Assistant Treasurers. All such officers shall be elected by and hold office at the pleasure of the Board of Directors, provided that the Chief Executive Officer shall have authority to dismiss any other officer. Any director shall be eligible to be the Chairman of the Board of Directors and any two or more of such offices may be held by the same person, except that the Chief Executive Officer or President may not also hold the office of Secretary. Any officer may exercise any of the powers of any other officer in the manner specified in these Bylaws, as specified from time to time by the Board of Directors, and/or as specified from time to time by the Chief Executive Officer or senior officer acting in his or her absence or incapacity, and any such acting officer shall perform such duties as may be assigned to him or her.

ARTICLE VII

FEES AND COMPENSATION

Section 1. Directors shall be reimbursed for their expenses, and shall be compensated for their services as directors in such amounts as the Board may fix by resolution. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

ARTICLE VIII

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the Corporation or otherwise and whether of a civil, criminal, administrative, or investigative nature (hereinafter a “proceeding”), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another Corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity, or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permissible under California law and the Corporation’s Articles of Incorporation, against all costs, charges, expenses, liabilities, and losses (including attorneys’ fees, judgments, fines, ERISA excise tax or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors, and administrators; provided, however, that: (a) the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of the Corporation, (b) the Corporation shall indemnify such person seeking indemnification in connection with a proceeding (or part thereof) other than a proceeding by or in the name of the Corporation to procure a judgment in its favor only if any settlement of such a proceeding is approved in writing by the Corporation, and (c) that no such person shall be indemnified (i) on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase or sale by such person of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state, or local statutory law; (ii) if a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful; (iii) for acts or omissions involving intentional misconduct or knowing and culpable violation of law; (iv) for acts or omissions that the director or officer believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of the director or officer; (v) for any transaction for which the director or officer derived an improper personal benefit; (vi) for acts or omissions that show a reckless disregard for the director’s or officer’s duty to the Corporation or its shareholders in circumstances in which the director or officer was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the Corporation or its shareholders; (vii) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director’s or officer’s duties to the Corporation or its shareholders; (viii) for costs, charges, expenses, liabilities, and losses arising under Section 310 or 316 of the California General Corporation Law (the “General Corporation Law”); and (ix) as to circumstances in which indemnity is expressly prohibited by Section 317 of the General Corporation Law. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that if the General Corporation Law requires the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, such advances shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts to the Corporation if it shall be ultimately determined that such person is not entitled to be indemnified.

Section 2. Indemnification of Employees and Agents

A person who was or is a party or is threatened to be made a party to or is involved in any proceedings by reason of the fact that he or she is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as an employee or agent of another enterprise, including service with respect to employee benefit plans, whether the basis of such action is an alleged action or inaction in an official capacity or in any other capacity while serving as an employee or agent, may, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permitted by California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities, losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement), reasonably incurred or suffered by such person in connection therewith. The immediately preceding sentence is not intended to be and shall not be considered to confer a contract right on any employee or agent (other than directors and officers) of the Corporation.

Section 3. Right of Directors and Officers to Bring Suit

If a claim under Section 1 of this Article is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. Neither the failure of the Corporation (including its Board, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met the applicable standard of conduct, if any, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its shareholders) that the claimant has not met the applicable standard of conduct, shall be a defense to the action or create a presumption for the purpose of an action that the claimant has not met the applicable standard of conduct.

Section 4. Successful Defense

Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of a proceeding or action without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. Non-Exclusivity of Rights

The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders, disinterested directors, or otherwise.

Section 6. Insurance

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, or agent of the Corporation or another Corporation, partnership, joint venture, trust, or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the General Corporation Law.

Section 7. Expenses as a Witness

To the extent that any director, officer, employee, or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit, or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

Section 8. Indemnity Agreements

The Corporation may enter into agreements with any director, officer, employee, or agent of the Corporation providing for indemnification to the fullest extent permissible under the General Corporation Law and the Corporation's Articles of Incorporation.

Section 9. Separability

Each and every paragraph, sentence, term, and provision of this Article is separate and distinct so that if any paragraph, sentence, term, or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or unenforceability of any other paragraph, sentence, term, or provision hereof. To the extent required, any paragraph, sentence, term, or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the Corporation and claimant, the broadest possible indemnification permitted under applicable law.

Section 10. Effect of Repeal or Modification

Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director or officer existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE IX

CHAIRMAN OF THE BOARD

Section 1. If there shall be a Chairman of the Board of Directors, he shall, when present, preside at all meetings of the shareholders and the Board of Directors, and perform such other duties as the Bylaws or the Board of Directors shall require of him.

ARTICLE X

CHIEF EXECUTIVE OFFICER; OTHER EXECUTIVE OFFICERS

Section 1. The Board of Directors shall, at their first regular meeting, elect such officers as are required by Article VI hereof and such additional officers authorized by Article VI hereof as the Board, in its discretion, may choose to elect. If at any time the Chief Executive Officer shall be unable to act, the President (if there shall be one who is not also the Chief Executive Officer) shall act in his place and perform his duties; if the President or next most senior officer is unable to perform such duties, then the vice presidents, in such sequence as the Board of Directors may specify, shall act. If all the foregoing shall be unable to act, the senior officer among them shall appoint some other person in whom shall be vested, for the time being, all the duties and functions of Chief Executive Officer, to act until the Board of Directors can be convened and elect appropriate officers. The Chief Executive Officer (or person acting as such) shall:

1. Preside (if there shall be no Chairman of the Board of Directors or in his absence) over all meetings of the shareholders and directors;

2. Sign on behalf of the Corporation contracts and other instruments in writing within the scope of his authority or if, when, and as directed to do so by the Board of Directors, but nothing herein shall limit the power of the Board of Directors to authorize such contracts and other instruments in writing to be signed by any other officer or person or limit the power of the Chief Executive Officer to delegate his authority in any such matter to another officer or other officers of the Corporation. The Chief Executive Officer or any other officer specified by the Board of Directors may sign certificates of stock as provided in Article XIII hereof;

3. Delegate duties and responsibilities to any other officers and/or employees of the Corporation in any manner not prohibited by these Bylaws or by the Board of Directors, and change such duties and responsibilities so delegated from time to time at will;

4. Call the directors together when he deems it necessary, and have, subject to the advice of the directors, direction of the affairs of the Corporation; and

5. Generally discharge such other duties as may be required of him by the Bylaws of the Corporation.

ARTICLE XI

SECRETARY

Section 1. The Board of Directors shall elect a Secretary:

1. It shall be the duty of the Secretary to keep a record of proceedings of the Board of Directors and of the shareholders, and to keep the corporate seal of the Corporation. He shall be responsible for maintaining proper records showing the number of shares of stock of all classes and series issued and transferred by any shareholder, and the dates of such issuance and transfer;

2. Whenever it is provided in these Bylaws that notice shall be given either of regular or special meetings of the shareholders, regular or special meetings of the directors, or otherwise, such notice shall be given by the Secretary or by the Chief Executive Officer or by any person designated by either of them, or by any authorized person who shall have signed the call for such meeting. Any notice which the Secretary may give or serve, or act required to be done by him, may with like effect be given or served or done by or under the direction of an Assistant Secretary;

3. The Secretary shall discharge such other duties as pertain to his office or which may be prescribed by the Board of Directors.

ARTICLE XII

TREASURER

Section 1. The Treasurer shall receive and keep all the funds of the Corporation and pay them out only on checks or otherwise, as directed by the Board of Directors; provided, however, that the Board of Directors may provide for a depository of the funds of the Corporation, and may by resolution prescribe the manner in which said funds shall be drawn from said depository.

ARTICLE XIII

CERTIFICATES OF STOCK

Section 1. Certificates of stock shall be of such form and device as the Board of Directors may lawfully direct, and shall be entitled to have a certificate signed by the genuine or facsimile signatures of the Chairman and Chief Executive Officer or the President or any authorized Vice President and the Secretary or an Assistant Secretary. Each certificate shall express on its face its number, date of issuance, the number of shares for which and the person to whom it is issued, the kind of shares represented by said certificate, and such other matters as may be required by law. Certificates of stock may be issued prior to full payment, in harmony with all permits issued by regulatory authorities having jurisdiction in the premises, or as is otherwise allowed by law, but any certificate issued prior to full payment must show on its face what amount has been paid thereon.

ARTICLE XIV

TRANSFER OF STOCK

Section 1. Shares of stock of the Corporation may be transferred at any time by the holders, or by power of attorney, or by their legal representative, by endorsement on the certificate of stock, but no transfer is valid until the surrender of the endorsed certificate. A surrendered certificate shall be delivered up for cancellation before a new one is issued in lieu thereof, and the Secretary shall preserve the certificate so canceled or a suitable record thereof. If, however, a certificate is lost or destroyed, the Board of Directors may order a new certificate issued as is by law required or permitted.

ARTICLE XV

VOTING

Section 1. At all corporate meetings, each shareholder, either in person or by proxy, shall be entitled to as many votes as such shareholder owns shares of stock. No shareholder shall be entitled to cumulative voting rights as to any election of directors.

Section 2. Proxies

Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Corporation; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specifies therein the length of time for which such proxy is to continue in force, which in no case shall exceed seven (7) years from the date of its execution.

ARTICLE XVI

INDEBTEDNESS

Section 1. The Board of Directors shall have power to incur indebtedness, and the terms and amount thereof shall be entered in the minutes. The Board of Directors shall have the power to secure said indebtedness, or any obligation or obligations of the Corporation, by pledge, mortgage, deed of trust, or other security given upon any property owned by it or in which it has any interest.

ARTICLE XVII

REGISTRAR AND/OR TRANSFER AGENT

Section 1. The Board of Directors may designate and appoint one or more registrars and/or transfer agents for the registration of the stock of the Corporation, and make such rules and regulations for the registrations of stock at the office of such registrars and/or transfer agents as may to the Board of Directors seem desirable. The Corporation may act as its own transfer agent, at the direction of the Board of Directors. The Board of Directors may, in its discretion, fix a transfer fee for transfer of stock certificates.

ARTICLE XVIII

MISCELLANEOUS

Section 1. Meetings. Notice. When Conclusive.

An entry made in the minutes of the directors or shareholders, pursuant to resolution or recital, to the effect that the notice of such meeting required by these Bylaws to be given has been given, shall be conclusive upon the Corporation, its directors, shareholders, and all other persons that such notice has been duly given in proper form and substance to the proper persons and for the requisite length of time.

ARTICLE XIX

SEAL

Section 1. The Board of Directors shall provide a suitable seal containing the name of the Corporation, the year of its creation, and other appropriate words, and may alter the same at pleasure.

ARTICLE XX

AMENDMENTS TO BYLAWS

Section 1. Power of Shareholders

New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of shareholders entitled to exercise a majority of the voting power of the Corporation or by the written assent of such shareholders, except as otherwise provided by law or by the Articles of Incorporation.

Section 2. Power of Directors

Subject to the right of the shareholders as provided in Section 1 of this Article XX to adopt, amend, or repeal Bylaws, the Board of Directors may adopt, amend, or repeal any of the Bylaws of this Corporation, except that the powers of the Board of Directors to change, and/or establish the authorized number of directors of this Corporation shall be as set forth in Article III of these Bylaws.

I hereby certify that the foregoing is a full, true, and correct copy of the Bylaws of Southwest Gas Holdings, Inc., a California Corporation, as in effect on the date hereof.

WITNESS my hand this 17th day of October, 2017.

/s/ Karen S. Haller
Karen S. Haller
Senior Vice President/General Counsel and
Corporate Secretary

Exhibit 10.01

2017 Short-Term Incentive Plan
Centuri Construction Group

Short Term Incentive Plan ("Plan") Objectives

- Attract, motivate and retain top talent
- Align incentives with short-term business strategies and priorities
- Energize employees to achieve company objectives
- Provide an adequate financial return at reasonable cost

Plan Status

The Plan is a bonus plan and has been designed to fit into the Department of Labor Regulation Section 2510.3-2(c) bonus program exception to an employee pension benefit plan status under the Employee Retirement Income Security Act of 1974, as amended. The Plan pays bonus compensation shortly after the year in which it is earned and is not intended to systematically defer the receipt of compensation until termination of employment or to provide retirement income. The Plan is also designed to not be subject to Section 409A of the Internal Revenue Code of 1986, (the "**Code**") as amended, because the Plan fits into the Treasury Regulation Section 1.409A-1(b)(4) short term deferral exception to the application of Code Section 409A. For purposes of this Plan, the rules, regulations, and published guidance of the Internal Revenue Service promulgated for Code Section 409A are hereinafter collectively referred to as "**Section 409A**."

Eligibility and Incentive Opportunity

This Plan applies to Centuri Construction Group, Inc. ("**Centuri**") and its subsidiaries. As used herein: a "Plan Year" means the calendar year; the term "**CEO**" means Centuri's President & CEO; "**Company**" means Centuri and any of its subsidiaries and, unless the context clearly indicates otherwise, refers to each in the singular and not collectively; and "**Committee**" means Centuri's Compensation Steering Committee, which group shall be comprised of the CEO, Centuri's Executive Vice-President/Chief Financial Officer, and Centuri's Senior Vice-President of Human Resources (SVPHR) , along with such others as the CEO may appoint as Committee members from time to time. The CEO may remove one or more Committee members at any time.

Employees eligible for participation under this Plan are those whose jobs are deemed to be exempt positions as defined by the Fair Labor Standards Act (FSLA) and so designated by the Committee; eligibility starts upon hire or promotion into a Plan-designated position (subject to written confirmation by the SVPHR or his/her designee, by way of an offer letter or notice of such Plan eligibility to the newly promoted). Regarding any partial year (meaning an employee with a hire date or promotion date that is other than January 1), Plan participation will be proportionately based on a ratio of days in the Plan-designated position to 365 days for the Plan Year. A Company employee shall not be eligible to receive a Plan bonus for a Plan Year under this Plan if the employee is eligible for a bonus for such Plan Year under any other Company short term incentive plan. A Plan bonus earned by an eligible employee/participant in one Plan Year will be paid in the following Plan Year to such eligible employee/participant only if employee *remains actively employed by the Company at time of payout unless*, in the Plan Year to which a Plan bonus is earned, the employee's Company employment terminates due to the employee's death, or his or her total and permanent disability. For purposes of this Plan, an employee will not be considered to have terminated employment due to a total and permanently disability unless, by no later than two months after the end of the Plan Year in which the employee's employment terminates, the employee has been determined to be totally and permanently disabled by the Company's long term disability insurer.

Plan bonus payouts are salary-based (and subject to the goals attainment, measures and weightings discussed elsewhere in this Plan), and the salary used for such shall be pegged to the employee's base salary, as well as the percentage associated with their position, as of October 1 of the Plan Year at issue.

Fail Safe

If Centuri does not achieve a minimum threshold of its annual net profit before incentives and taxes goal for a Plan Year, the Plan will not pay any bonuses for such Plan Year.

Performance Measures, Weights, and Goals

The calculation of bonuses payable under this Plan is based on four performance measures or components:

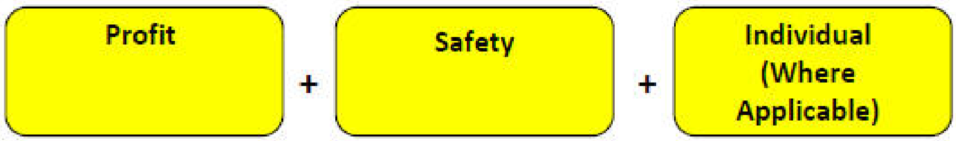
1. Corporate annual pre-tax profit (Appendix I);
2. Safety DART (Appendix II);
3. Area, Region, and Division Level Targets (Appendix III);
4. Individual goals

At or near the beginning of the Plan Year, or as soon thereafter as practicable, the Centuri executive team will set a Plan Year corporate profitability goal (on a consolidated basis), as reviewed and approved by the CEO, representing the aggregate pre-tax profit at the Area, Regional and Division levels (Division targets will be set by Division management, subject to review and approval by the CEO), each of which shall be used for measuring and calculating payout of the profits component for each level depicted on the appendices (as amended from time to time with regard to any particular Plan Year).

The safety goal will be based on the American Gas Association (“**AGA**”) industry days away from work, restricted or transferred (“**DART**”) incident rate standard measurement for safety.

Attainment of targeted goals from each component comprises one-hundred percent (100%) of the total target incentive opportunity. Metrics and weighting are amended from time to time with regard to any particular Plan Year.

Plan Description and Template



Performance		Award
Excellence	125%	170%
Target	100%	100%
Threshold	70%	65%
Not Qual.	<70%	0%
Fail Safe	TBD: 50%	No Bonus

Performance		Award
Excellence	TBD	170%
Target	1.0	100%
Threshold	TBD	65%

Performance		Award
Excellence	5 of 5	170%
Good	4 of 5	120%
Target	3 of 5	100%
OK	2 of 5	80%
Threshold	1 of 5	65%

Pre-tax Profit Performance Incentive

Subject to the above-referenced **Fail Safe**, the Plan pays for profit achievement if, for the participating employee, no less than 70% of the profit goal is met at the level applicable to that employee. At 70% achievement, the payout would be 65% of the participant's target award. Excellence is defined as achievement of 125% of the pre-tax profit goal with payouts of 170% of the target award. Awards for levels of performance between threshold and excellence are enumerated in the payout tables in this Plan document.

Safety or Area Performance Index Incentive

The safety goal will be based on DART. The peer group data will be used as a benchmark for establishing this goal. The target is consistent annually at 1.0, representing a significantly lower score than the industry peer group. The threshold is set at the 3-year median of scores and the maximum is set at the 3-year average minimum score reported to the AGA by the industry peer group.

Individual Goals Incentives. Individual components of the Plan pay for employee achievement of individual goals set by supervision, ranging from 65% attainment of the individual component if one goal is achieved to 170% if all are successfully achieved. Individual goals are equally weighted.

Payout Table

Payout Schedule Based on Achievement Level

Level	Achievement	Award
Excellence	125%+	170.00%
	124%	167.20%
	123%	164.40%
	122%	161.60%
	121%	158.80%
	120%	156.00%
	119%	153.20%
	118%	150.40%
	117%	147.60%
	116%	144.80%
	115%	142.00%
	114%	139.20%
	113%	136.40%
	112%	133.60%
	111%	130.80%
	110%	128.00%
	109%	125.20%
	108%	122.40%
	107%	119.60%
	106%	116.80%

Level	Achievement	Award
Target	100%	100.00%
	99%	98.83%
	98%	97.67%
	97%	96.50%
	96%	95.33%
	95%	94.17%
	94%	93.00%
	93%	91.83%
	92%	90.67%
	91%	89.50%
	90%	88.33%
	89%	87.17%
	88%	86.00%
	87%	84.83%
	86%	83.67%
	85%	82.50%
	84%	81.33%
	83%	80.17%
	82%	79.00%
	81%	77.83%

	105%	114.00%
	104%	111.20%
	103%	108.40%
	102%	105.60%
	101%	102.80%
Target	100%	100.00%

	80%	76.67%
	79%	75.50%
	78%	74.33%
	77%	73.17%
	76%	72.00%
	75%	70.83%
	74%	69.67%
	73%	68.50%
	72%	67.33%
	71%	66.17%
Threshold	70%	65.00%

Incentive Calculation Example for Area Employees

Example:

A Plan participant has a Salary of $50,000 and an incentive target of ten percent (10%). Profit achievement was 110% of its net profit goal. Safety achievement was 135% of the goal, and the participant achieved 4 out of 5 individual goals.

Step One:	Calculate target incentive opportunity		
	Opportunity	$50,000 x 10%	= **$5,000**
Step Two:	Calculate amount for each component		
	Profit	$5,000 x 60% Weight	= $3,000
	Safety	$5,000 x 20% Weight	= $1,000
	Individual	$5,000 x 20% Weight	= $1,000
Step Three:	See achievement and award percentages on payout tables, given the following results:		
	Profit	110% Achievement	= 128% Award
	Safety	135% Achievement	= 170% Award
	Individual	4 out of 5	= 120% Award

Step Four:	Calculate total incentive award		
	Profit	\$3,000 x 128%	= \$3,840.00
	Safety	\$1,000 x 170%	= \$1,700.00
	Individual	\$1,000 x 120%	= \$1,200.00
	Total earned		**= \$6,740.00**
	Incentive earned as % of Base Pay		= 13.48%

Terms and Conditions

The following Terms and Conditions are applicable to all Company employees who for a given Plan Year are eligible to receive a Plan bonus payment. This document supersedes any and all prior or existing Company short term incentive bonus plans, programs, agreements, or contracts.

This Plan is a statement of compensation guidelines and is not a guarantee to any particular employee that any amount of Plan bonus will be paid out for any given Plan Year.

Expression of Salary or any other form of compensation in terms of an annual period or any other period shall not be construed as a contract of employment for the duration of the annual period or any other period.

TIMING AND FORM OF PLAN PAYMENTS

Plan bonus payments for a given Plan Year will in all events be paid in a one-time lump sum payment by the Company, through payroll and subject to all legally-required payroll withholdings, on or before March 15th of the calendar year following the Plan Year in which the Plan bonus payment is earned. Any Plan bonus payment that is payable with respect to a deceased employee shall be paid to the deceased employee's estate and/or survivors within thirty (30) days of notice to Centuri of both the death of the employee and the legally-appropriate payee.

ENTRY, TRANSFER, AND EXIT FROM THE INCENTIVE PLAN

If an employee is not eligible at the start of a Plan Year but becomes eligible later, employee will be eligible to receive a prorated portion of any incentive Plan bonus payment that employee would otherwise earn for the Plan Year, based on the number of days worked while eligible.

When a Plan participant changes jobs to a position with a different target incentive opportunity, the participant's incentive opportunities will be proportionately determined (in a manner determined by the Committee in its discretion) on the basis of days worked in the different positions. However, if an employee is hired into a Plan-eligible position after October 1 of a given Plan Year, or otherwise becomes eligible to participate in the Plan after October 1 of a given Plan Year, the employee will not be eligible to receive a Plan bonus for the current Plan Year.

Claims or disputes are time-barred under this Plan if not raised within thirty (30) days immediately following termination of Company employment.

NON-PAYMENT AND RECOVERY OF INCENTIVES

The Company reserves the right to recover, through whatever means it deems appropriate, part or all of any Plan bonus payment that Company subsequently determines was paid in error.

PLAN AMENDMENT AND ADMINISTRATION

Centuri's Board of Directors (the "**Board**") may, at any time, and in its discretion, alter, amend, modify, suspend or terminate the Plan or any portion thereof, provided that no such amendment, modification, suspension or termination may be retroactive with regard to any Plan Year.

The Plan shall be administered by the "Committee" or its express delegate, which shall have the authority to:

(a) designate such job positions as may be eligible for participation in the Plan;

(b) construe and interpret the Plan and apply its provisions;

(c) promulgate, amend, and rescind rules and regulations relating to administration of the Plan; and

(d) exercise discretion to make any and all other determinations deemed by the Committee as necessary or advisable for administration of the Plan.

Board/Committee determinations need not be uniform and any such determinations may be made selectively among participants.

All decisions by the Board or Committee shall be final and binding upon any participating company or employee.

SECTION 409A

It is intended that the time and form of Plan payments will fit into the short term deferral exception to the application of Code Section 409A. In the event that one or more Plan payments are determined to be subject to Section 409A:

(a) Neither Centuri nor any of its affiliates shall be liable for any additional tax, interest or penalties that may be imposed on a participant as a result of Section 409A or any damages for failing to comply with Section 409A (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A); and

(b) Notwithstanding any provision in this Plan to the contrary, (i) the Plan shall be interpreted and administered such that such payment(s) comply(ies) to the fullest extent possible with Section 409A, and (ii) each Plan payment shall be deemed to be a separate and distinct payment for purposes of Section 409A.

—- END OF PLAN DOCUMENT —-

Exhibit 12.1

SOUTHWEST GAS HOLDINGS, INC.
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Thousands of dollars)

	For the Twelve Months Ended					
	Sep 30, 2017	December 31, 2016	2015	2014	2013	2012
1. Fixed charges:						
A) Interest expense	$ 75,930	$ 73,000	$ 71,661	$ 71,234	$ 62,958	$ 67,148
B) Amortization	1,839	1,835	1,884	2,063	2,002	2,001
C) Interest portion of rentals	20,718	19,438	16,678	11,802	11,809	10,605
Total fixed charges	$ 98,487	$ 94,273	$ 90,223	$ 85,099	$ 76,769	$ 79,754
2. Earnings (as defined):						
D) Pretax income from continuing operations	$246,073	$231,523	$219,332	$219,521	$222,815	$207,915
Fixed Charges (1. above)	98,487	94,273	90,223	85,099	76,769	79,754
Total earnings as defined	$344,560	$325,796	$309,555	$304,620	$299,584	$287,669
	3.50	3.46	3.43	3.58	3.90	3.61

Exhibit 31.01

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.

Date: November 7, 2017

/s/ JOHN P. HESTER

John P. Hester
President and Chief Executive Officer
Southwest Gas Holdings, Inc.

Certification of Southwest Gas Holdings, Inc.

I, Roy R. Centrella, 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.

Date: November 7, 2017

/s/ ROY R. CENTRELLA

Roy R. Centrella
Senior Vice President/Chief Financial Officer
Southwest Gas Holdings, Inc.

Exhibit 31.02

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.

Date: November 7, 2017

/s/ JOHN P. HESTER
John P. Hester
President and Chief Executive Officer
Southwest Gas Corporation

Certification of Southwest Gas Corporation

I, Roy R. Centrella, 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.

Date: November 7, 2017

/s/ ROY R. CENTRELLA
Roy R. Centrella
Senior Vice President/Chief Financial Officer
Southwest Gas Corporation

Exhibit 32.01

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 September 30, 2017 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: November 7, 2017

/s/ John P. Hester
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 September 30, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Roy R. Centrella, 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: November 7, 2017

/s/ Roy R. Centrella

Roy R. Centrella
Senior Vice President/Chief Financial Officer

Exhibit 32.02

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation on Form 10-Q for the period ended September 30, 2017 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: November 7, 2017

/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 September 30, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Roy R. Centrella, 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: November 7, 2017

/s/ Roy R. Centrella
Roy R. Centrella
Senior Vice President/Chief Financial Officer