

**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, 2020
OR**

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

<i>Commission File Number</i>	<i>Exact name of registrant as specified in its charter and principal office address and telephone number</i>	<i>State of Incorporation</i>	<i>I.R.S. Employer Identification No.</i>
001-37976	Southwest Gas Holdings, Inc. 8360 S. Durango Drive Post Office Box 98510 Las Vegas, Nevada 89193-8510 (702) 876-7237	Delaware	81-3881866
1-7850	Southwest Gas Corporation 8360 S. Durango Drive Post Office Box 98510 Las Vegas, Nevada 89193-8510 (702) 876-7237	California	88-0085720

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

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

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

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

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

Southwest Gas Holdings, Inc.:

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

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

Southwest Gas Corporation:

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

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

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

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

Southwest Gas Holdings, Inc. Common Stock, \$1 Par Value, 56,464,880 shares as of October 30, 2020.

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

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

FILING FORMAT

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

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2020	December 31, 2019
ASSETS		
Utility plant:		
Gas plant	\$ 8,219,196	\$ 7,813,221
Less: accumulated depreciation	(2,394,730)	(2,313,050)
Construction work in progress	231,219	185,026
Net utility plant	6,055,685	5,685,197
Other property and investments	825,069	784,173
Current assets:		
Cash and cash equivalents	23,945	49,539
Accounts receivable, net of allowances	513,017	474,097
Accrued utility revenue	36,500	79,100
Income taxes receivable, net	7,934	31,751
Deferred purchased gas costs	—	44,412
Prepaid and other current assets	151,432	180,957
Total current assets	732,828	859,856
Noncurrent assets:		
Goodwill	340,197	343,023
Deferred income taxes	841	856
Deferred charges and other assets	475,037	496,943
Total noncurrent assets	816,075	840,822
Total assets	\$ 8,429,657	\$ 8,170,048
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$1 par (authorized - 120,000,000 shares; issued and outstanding - 56,459,346 and 55,007,433 shares)	\$ 58,089	\$ 56,637
Additional paid-in capital	1,559,814	1,466,937
Accumulated other comprehensive loss, net	(52,783)	(56,732)
Retained earnings	1,054,118	1,039,072
Total equity	2,619,238	2,505,914
Redeemable noncontrolling interest	107,284	84,542
Long-term debt, less current maturities	2,685,722	2,300,482
Total capitalization	5,412,244	4,890,938
Current liabilities:		
Current maturities of long-term debt	44,903	163,512
Short-term debt	54,000	211,000
Accounts payable	175,507	238,921
Customer deposits	69,122	69,165
Income taxes payable, net	1,084	2,069
Accrued general taxes	59,958	48,160
Accrued interest	35,478	21,329
Deferred purchased gas costs	76,242	60,755
Other current liabilities	322,928	264,950
Total current liabilities	839,222	1,079,861
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits, net	639,002	599,840
Accumulated removal costs	401,000	395,000
Other deferred credits and other long-term liabilities	1,138,189	1,204,409
Total deferred income taxes and other credits	2,178,191	2,199,249
Total capitalization and liabilities	\$ 8,429,657	\$ 8,170,048

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Operating revenues:						
Gas operating revenues	\$ 210,834	\$ 209,980	\$ 976,095	\$ 989,368	\$ 1,355,666	\$ 1,359,581
Utility infrastructure services revenues	580,392	515,250	1,408,698	1,282,412	1,877,264	1,698,853
Total operating revenues	791,226	725,230	2,384,793	2,271,780	3,232,930	3,058,434
Operating expenses:						
Net cost of gas sold	36,321	35,068	264,615	292,854	356,925	393,141
Operations and maintenance	101,764	109,652	304,964	321,190	407,924	414,289
Depreciation and amortization	80,139	75,370	245,009	223,251	324,995	286,522
Taxes other than income taxes	15,787	15,308	47,507	46,640	63,195	61,579
Utility infrastructure services expenses	502,951	451,574	1,252,489	1,154,238	1,671,478	1,534,442
Total operating expenses	736,962	686,972	2,114,584	2,038,173	2,824,517	2,689,973
Operating income	54,264	38,258	270,209	233,607	408,413	368,461
Other income and (expenses):						
Net interest deductions	(28,311)	(27,434)	(83,141)	(80,662)	(111,705)	(106,502)
Other income (deductions)	1,799	(1,158)	(11,046)	6,827	(7,788)	(4,448)
Total other income and (expenses)	(26,512)	(28,592)	(94,187)	(73,835)	(119,493)	(110,950)
Income before income taxes	27,752	9,666	176,022	159,772	288,920	257,511
Income tax expense	6,689	3,141	42,073	35,031	63,065	63,294
Net income	21,063	6,525	133,949	124,741	225,855	194,217
Net income attributable to noncontrolling interest	2,790	1,172	5,169	2,523	5,357	2,695
Net income attributable to Southwest Gas Holdings, Inc.	\$ 18,273	\$ 5,353	\$ 128,780	\$ 122,218	\$ 220,498	\$ 191,522
Earnings per share:						
Basic	\$ 0.32	\$ 0.10	\$ 2.31	\$ 2.26	\$ 3.97	\$ 3.60
Diluted	\$ 0.32	\$ 0.10	\$ 2.31	\$ 2.26	\$ 3.97	\$ 3.59
Weighted average shares:						
Basic	56,271	54,670	55,683	53,996	55,508	53,219
Diluted	56,357	54,748	55,753	54,063	55,577	53,287

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,	
	2020	2019	2020	2019	2020	2019
Net income	\$ 21,063	\$ 6,525	\$ 133,949	\$ 124,741	\$ 225,855	\$ 194,217
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial loss	—	—	—	—	(54,026)	(15,524)
Amortization of prior service cost	220	241	659	724	901	977
Amortization of net actuarial loss	7,187	4,442	21,563	13,325	26,004	19,713
Prior service cost	—	—	—	—	(1,426)	—
Regulatory adjustment	(6,380)	(4,065)	(19,140)	(12,193)	21,130	(1,214)
Net defined benefit pension plans	1,027	618	3,082	1,856	(7,417)	3,952
Forward-starting interest rate swaps ("FSIRS"):						
Amounts reclassified into net income	783	635	2,054	1,906	2,689	2,540
Net forward-starting interest rate swaps	783	635	2,054	1,906	2,689	2,540
Foreign currency translation adjustments	1,024	(447)	(1,187)	1,131	(280)	(877)
Total other comprehensive income (loss), net of tax	2,834	806	3,949	4,893	(5,008)	5,615
Comprehensive income	23,897	7,331	137,898	129,634	220,847	199,832
Comprehensive income attributable to noncontrolling interest	2,790	1,172	5,169	2,523	5,357	2,695
Comprehensive income attributable to Southwest Gas Holdings, Inc.	\$ 21,107	\$ 6,159	\$ 132,729	\$ 127,111	\$ 215,490	\$ 197,137

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,	
	2020	2019	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	\$ 133,949	\$ 124,741	\$ 225,855	\$ 194,217
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	245,009	223,251	324,995	286,522
Deferred income taxes	37,752	46,099	45,815	60,930
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	(42,139)	(19,615)	(76,769)	(33,818)
Accrued utility revenue	42,600	41,400	(700)	(1,200)
Deferred purchased gas costs	59,899	(36,608)	38,016	(54,797)
Accounts payable	(59,031)	(46,079)	(14,817)	14,317
Accrued taxes	17,991	(2,841)	26,075	(4,956)
Other current assets and liabilities	121,185	74,048	121,274	18,730
Gains on sale of equipment	(581)	(3,157)	(2,897)	(3,863)
Changes in undistributed stock compensation	5,789	6,067	6,618	7,492
Equity AFUDC	(3,413)	(3,179)	(4,395)	(5,772)
Changes in deferred charges and other assets	(19,174)	(15,855)	(24,370)	(11,096)
Changes in other liabilities and deferred credits	(52,018)	(9,786)	(54,996)	33,243
Net cash provided by operating activities	<u>487,818</u>	<u>378,486</u>	<u>609,704</u>	<u>499,949</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(632,474)	(719,386)	(851,236)	(925,135)
Acquisition of businesses, net of cash acquired	(250)	(19,533)	(28,355)	(266,697)
Changes in customer advances	7,691	15,049	11,643	17,461
Other	6,520	12,862	8,811	13,376
Net cash used in investing activities	<u>(618,513)</u>	<u>(711,008)</u>	<u>(859,137)</u>	<u>(1,160,995)</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	90,635	129,341	119,240	391,509
Dividends paid	(93,317)	(86,345)	(123,099)	(112,050)
Issuance of long-term debt, net	650,619	482,614	699,601	566,793
Retirement of long-term debt	(289,295)	(127,175)	(375,909)	(221,176)
Change in credit facility and commercial paper	(92,000)	—	(92,000)	—
Change in short-term debt	(157,000)	(122,000)	24,000	(1,500)
Principal payments on finance lease obligations	(151)	(161)	(202)	(387)
Withholding remittance - share-based compensation	(2,736)	(1,858)	(2,736)	(2,088)
Other	(1,445)	1,167	(3,888)	(456)
Net cash provided by financing activities	<u>105,310</u>	<u>275,583</u>	<u>245,007</u>	<u>620,645</u>
Effects of currency translation on cash and cash equivalents	(209)	58	(109)	(289)
Change in cash and cash equivalents	(25,594)	(56,881)	(4,535)	(40,690)
Cash and cash equivalents at beginning of period	49,539	85,361	28,480	69,170
Cash and cash equivalents at end of period	<u>\$ 23,945</u>	<u>\$ 28,480</u>	<u>\$ 23,945</u>	<u>\$ 28,480</u>
SUPPLEMENTAL INFORMATION:				
Interest paid, net of amounts capitalized	<u>\$ 63,743</u>	<u>\$ 62,165</u>	<u>\$ 103,836</u>	<u>\$ 99,159</u>
Income taxes paid (received), net	<u>\$ (16,006)</u>	<u>\$ 371</u>	<u>\$ (13,625)</u>	<u>\$ (16,669)</u>

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Common stock shares				
Beginning balances	55,910	54,321	55,007	53,026
Common stock issuances	549	303	1,452	1,598
Ending balances	56,459	54,624	56,459	54,624
Common stock amount				
Beginning balances	\$ 57,540	\$ 55,951	\$ 56,637	\$ 54,656
Common stock issuances	549	303	1,452	1,598
Ending balances	58,089	56,254	58,089	56,254
Additional paid-in capital				
Beginning balances	1,523,630	1,409,923	1,466,937	1,305,769
Common stock issuances	36,184	27,810	92,877	132,416
Change in ownership of noncontrolling interest	—	—	—	(452)
Ending balances	1,559,814	1,437,733	1,559,814	1,437,733
Accumulated other comprehensive loss				
Beginning balances	(55,617)	(48,581)	(56,732)	(52,668)
Foreign currency exchange translation adjustment	1,024	(447)	(1,187)	1,131
Net actuarial gain arising during period, less amortization of unamortized benefit plan cost, net of tax	1,027	618	3,082	1,856
FSIRS amounts reclassified to net income, net of tax	783	635	2,054	1,906
Ending balances	(52,783)	(47,775)	(52,783)	(47,775)
Retained earnings				
Beginning balances	1,085,742	1,002,070	1,039,072	944,285
Net income	18,273	5,353	128,780	122,218
Dividends declared	(32,324)	(29,925)	(96,161)	(89,005)
Redemption value adjustments	(17,573)	—	(17,573)	—
Ending balances	1,054,118	977,498	1,054,118	977,498
Total Southwest Gas Holdings, Inc. equity ending balances	2,619,238	2,423,710	2,619,238	2,423,710
Noncontrolling interest				
Beginning balances	—	—	—	(452)
Change in ownership of noncontrolling interest	—	—	—	452
Ending balances	—	—	—	—
Total equity ending balances	\$ 2,619,238	\$ 2,423,710	\$ 2,619,238	\$ 2,423,710
Dividends declared per common share	\$ 0.57	\$ 0.545	\$ 1.71	\$ 1.635

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, 2020	December 31, 2019
ASSETS		
Utility plant:		
Gas plant	\$ 8,219,196	\$ 7,813,221
Less: accumulated depreciation	(2,394,730)	(2,313,050)
Construction work in progress	231,219	185,026
Net utility plant	6,055,685	5,685,197
Other property and investments	135,734	133,787
Current assets:		
Cash and cash equivalents	22,234	40,489
Accounts receivable, net of allowance	80,665	150,793
Accrued utility revenue	36,500	79,100
Income taxes receivable, net	5,032	25,901
Deferred purchased gas costs	—	44,412
Prepaid and other current assets	130,191	165,639
Total current assets	274,622	506,334
Noncurrent assets:		
Goodwill	10,095	10,095
Deferred charges and other assets	455,434	463,333
Total noncurrent assets	465,529	473,428
Total assets	\$ 6,931,570	\$ 6,798,746
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock	\$ 49,112	\$ 49,112
Additional paid-in capital	1,363,441	1,229,083
Accumulated other comprehensive loss, net	(50,015)	(55,151)
Retained earnings	781,735	782,108
Total equity	2,144,273	2,005,152
Long-term debt, less current maturities	2,345,876	1,991,333
Total capitalization	4,490,149	3,996,485
Current liabilities:		
Current maturities of long-term debt	—	125,000
Short-term debt	—	194,000
Accounts payable	97,354	149,368
Customer deposits	69,122	69,165
Accrued general taxes	59,958	48,160
Accrued interest	35,247	21,256
Deferred purchased gas costs	76,242	60,755
Payable to parent	64	844
Other current liabilities	137,968	126,573
Total current liabilities	475,955	795,121
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits, net	566,305	539,050
Accumulated removal costs	401,000	395,000
Other deferred credits and other long-term liabilities	998,161	1,073,090
Total deferred income taxes and other credits	1,965,466	2,007,140
Total capitalization and liabilities	\$ 6,931,570	\$ 6,798,746

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Gas operating revenues	\$ 210,834	\$ 209,980	\$ 976,095	\$ 989,368	\$ 1,355,666	\$ 1,359,581
Operating expenses:						
Net cost of gas sold	36,321	35,068	264,615	292,854	356,925	393,141
Operations and maintenance	101,159	109,039	303,567	319,572	406,169	412,330
Depreciation and amortization	55,942	52,372	173,865	159,327	230,158	205,594
Taxes other than income taxes	15,787	15,308	47,507	46,640	63,195	61,579
Total operating expenses	209,209	211,787	789,554	818,393	1,056,447	1,072,644
Operating income (loss)	1,625	(1,807)	186,541	170,975	299,219	286,937
Other income and (expenses):						
Net interest deductions	(26,103)	(23,619)	(75,152)	(70,063)	(100,115)	(92,000)
Other income (deductions)	1,751	(1,353)	(10,947)	6,185	(7,615)	(5,194)
Total other income and (expenses)	(24,352)	(24,972)	(86,099)	(63,878)	(107,730)	(97,194)
Income (loss) before income taxes	(22,727)	(26,779)	100,442	107,097	191,489	189,743
Income tax expense (benefit)	(6,754)	(6,767)	20,874	20,351	35,496	43,456
Net income (loss)	\$ (15,973)	\$ (20,012)	\$ 79,568	\$ 86,746	\$ 155,993	\$ 146,287

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Net income (loss)	\$ (15,973)	\$ (20,012)	\$ 79,568	\$ 86,746	\$ 155,993	\$ 146,287
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial loss	—	—	—	—	(54,026)	(15,524)
Amortization of prior service cost	220	241	659	724	901	977
Prior service cost	—	—	—	—	(1,426)	—
Amortization of net actuarial loss	7,187	4,442	21,563	13,325	26,004	19,713
Regulatory adjustment	(6,380)	(4,065)	(19,140)	(12,193)	21,130	(1,214)
Net defined benefit pension plans	1,027	618	3,082	1,856	(7,417)	3,952
Forward-starting interest rate swaps ("FSIRS"):						
Amounts reclassified into net income (loss)	783	635	2,054	1,906	2,689	2,540
Net forward-starting interest rate swaps	783	635	2,054	1,906	2,689	2,540
Total other comprehensive income (loss), net of tax	1,810	1,253	5,136	3,762	(4,728)	6,492
Comprehensive income (loss)	\$ (14,163)	\$ (18,759)	\$ 84,704	\$ 90,508	\$ 151,265	\$ 152,779

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,	
	2020	2019	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	\$ 79,568	\$ 86,746	\$ 155,993	\$ 146,287
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	173,865	159,327	230,158	205,594
Deferred income taxes	25,633	35,899	23,415	45,659
Changes in current assets and liabilities:				
Accounts receivable, net of allowance	70,129	66,527	(7,135)	(3,436)
Accrued utility revenue	42,600	41,400	(700)	(1,200)
Deferred purchased gas costs	59,899	(36,608)	38,016	(54,797)
Accounts payable	(50,314)	(77,311)	(476)	(686)
Accrued taxes	15,914	(4,419)	29,228	(7,125)
Other current assets and liabilities	74,892	87,869	76,194	31,579
Changes in undistributed stock compensation	4,492	4,710	4,928	5,796
Equity AFUDC	(3,413)	(3,179)	(4,395)	(5,772)
Changes in deferred charges and other assets	(27,688)	(21,098)	(38,357)	(17,122)
Changes in other liabilities and deferred credits	(52,532)	(10,357)	(55,536)	19,762
Net cash provided by operating activities	<u>413,045</u>	<u>329,506</u>	<u>451,333</u>	<u>364,539</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(525,221)	(587,405)	(716,564)	(784,237)
Changes in customer advances	7,691	15,049	11,643	17,461
Other	183	(51)	139	(1,353)
Net cash used in investing activities	<u>(517,347)</u>	<u>(572,407)</u>	<u>(704,782)</u>	<u>(768,129)</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Contributions from parent	131,961	126,186	165,711	149,091
Dividends paid	(77,500)	(71,000)	(102,400)	(93,000)
Issuance of long-term debt, net	446,508	297,222	446,508	297,222
Retirement of long-term debt	(125,000)	—	(125,000)	—
Change in credit facility and commercial paper	(92,000)	—	(92,000)	—
Change in short-term debt	(194,000)	(122,000)	(30,000)	21,000
Withholding remittance - share-based compensation	(2,736)	(1,857)	(2,737)	(2,087)
Other	(1,186)	(801)	(1,210)	(890)
Net cash provided by financing activities	<u>86,047</u>	<u>227,750</u>	<u>258,872</u>	<u>371,336</u>
Change in cash and cash equivalents	(18,255)	(15,151)	5,423	(32,254)
Cash and cash equivalents at beginning of period	40,489	31,962	16,811	49,065
Cash and cash equivalents at end of period	<u>\$ 22,234</u>	<u>\$ 16,811</u>	<u>\$ 22,234</u>	<u>\$ 16,811</u>
SUPPLEMENTAL INFORMATION:				
Interest paid, net of amounts capitalized	\$ 57,168	\$ 51,720	\$ 94,106	\$ 82,539
Income taxes paid (received), net	<u>\$ (22,962)</u>	<u>\$ (22)</u>	<u>\$ (22,262)</u>	<u>\$ (17,164)</u>

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Common stock shares				
Beginning and ending balances	47,482	47,482	47,482	47,482
Common stock amount				
Beginning and ending balances	\$ 49,112	\$ 49,112	\$ 49,112	\$ 49,112
Additional paid-in capital				
Beginning balances	1,329,843	1,169,549	1,229,083	1,065,242
Share-based compensation	1,137	1,102	2,397	3,317
Contributions from Southwest Gas Holdings, Inc.	32,461	24,094	131,961	126,186
Ending balances	1,363,441	1,194,745	1,363,441	1,194,745
Accumulated other comprehensive loss				
Beginning balances	(51,825)	(46,540)	(55,151)	(49,049)
Net actuarial gain arising during period, less amortization of unamortized benefit plan cost, net of tax	1,027	618	3,082	1,856
FSIRS amounts reclassified to net income, net of tax	783	635	2,054	1,906
Ending balances	(50,015)	(45,287)	(50,015)	(45,287)
Retained earnings				
Beginning balances	824,847	776,101	782,108	717,155
Net income (loss)	(15,973)	(20,012)	79,568	86,746
Share-based compensation	(139)	(153)	(641)	(465)
Dividends declared to Southwest Gas Holdings, Inc.	(27,000)	(24,900)	(79,300)	(72,400)
Ending balances	781,735	731,036	781,735	731,036
Total Southwest Gas Corporation equity ending balances	\$ 2,144,273	\$ 1,929,606	\$ 2,144,273	\$ 1,929,606

The accompanying notes are an integral part of these statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Thousands of dollars)	September 30, 2020	December 31, 2019
Southwest Gas Corporation:		
Net cash surrender value of COLI policies	\$ 133,761	\$ 132,072
Other property	1,973	1,715
Total Southwest Gas Corporation	135,734	133,787
Centuri property, equipment, and intangibles	1,073,092	983,905
Centuri accumulated provision for depreciation and amortization	(406,590)	(352,333)
Other property	22,833	18,814
Total Southwest Gas Holdings, Inc.	\$ 825,069	\$ 784,173

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

Cash and Cash Equivalents. For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and financial instruments with original maturities of three months or less. Such investments are carried at cost, which approximates market value. Cash and cash equivalents of Southwest and the Company include money market fund investments totaling approximately \$40,000 for both entities at September 30, 2020, and \$23.5 million and \$26.7 million, for each, respectively, at December 31, 2019, which fall within Level 2 of the fair value hierarchy, due to the asset valuation methods used by money market funds.

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

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

Accounts Receivable, net of allowances. Business activity with respect to natural gas utility operations is conducted with customers located within the three-state region of Arizona, Nevada, and California. Southwest’s accounts receivable are short-term in nature with no billing due dates customarily extending beyond one month, with customers’ credit worthiness assessed upon account creation by evaluation of other utility service and related payment history. Although Southwest seeks to minimize its credit risk related to utility operations by requiring security deposits from new customers, imposing late fees, and actively pursuing collection on overdue accounts, some accounts are ultimately not collected. Customer accounts are subject to collection procedures that vary by jurisdiction (late fee assessment, noticing requirements for disconnection of service, and procedures for actual disconnection and/or reestablishment of service). After disconnection of service, accounts are customarily written off approximately two months after inactivation. Dependent upon the jurisdiction, reestablishment of service requires both payment of previously unpaid balances and additional deposit requirements. Provisions for uncollectible accounts are recorded monthly based on experience, consideration of current and expected future conditions, customer and rate composition, and write-off processes. They are included in the ratemaking process as a cost of service. The Nevada jurisdictions have a regulatory mechanism associated with the gas-cost-related portion of uncollectible accounts. Such amounts are deferred and collected through a surcharge in the ratemaking process. Due to the ongoing COVID-19 pandemic, Southwest continued the moratorium initiated in March 2020 on disconnection of natural gas service for non-payment and also ceased charging late fees until further notice. While the moratorium continues to be in place, Southwest is actively working with customers experiencing financial hardship by means of flexible payment options. Management continues to monitor expected credit losses in light of the evolving financial impact of COVID-19. The allowance as of September 30, 2020 reflects the expected impact from the pandemic on balances as of that date, including consideration of customers’ ability to pay currently and once the moratorium is lifted.

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

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

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

Prepaid and other current assets. Prepaid and other current assets includes gas pipe materials and operating supplies of \$55 million at September 30, 2020 and \$57 million at December 31, 2019 (carried at weighted average cost), in addition to \$33 million at December 31, 2019 related to a regulatory asset associated with the Arizona decoupling mechanism (an alternative revenue program), with no corresponding asset balance at September 30, 2020.

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

(Thousands of dollars)	Natural Gas Operations	Utility Infrastructure Services	Total Company
December 31, 2019	\$ 10,095	\$ 332,928	\$ 343,023
Foreign currency translation adjustment	—	(2,826)	(2,826)
September 30, 2020	<u>\$ 10,095</u>	<u>\$ 330,102</u>	<u>\$ 340,197</u>

Other Current Liabilities. Management recognizes in its balance sheets various liabilities that are expected to be settled through future cash payment within the next twelve months, including amounts payable under regulatory mechanisms, customary accrued expenses for employee compensation and benefits, declared but unpaid dividends, and miscellaneous other accrued liabilities. Other current liabilities for Southwest includes \$27 million and \$25.2 million of dividends declared by Southwest Gas Corporation, but not yet paid to Southwest Gas Holdings, Inc. as of September 30, 2020 and December 31, 2019, respectively.

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

(Thousands of dollars)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Southwest Gas Corporation - natural gas operations segment:						
Change in COLI policies	\$ 4,500	\$ 200	\$ 1,000	\$ 11,200	\$ 7,200	\$ 2,000
Interest income	1,412	1,521	3,214	4,940	4,630	6,659
Equity AFUDC	1,232	1,212	3,413	3,179	4,395	5,772
Other components of net periodic benefit cost	(5,005)	(3,765)	(15,016)	(11,295)	(18,780)	(16,560)
Miscellaneous income and (expense)	(388)	(521)	(3,558)	(1,839)	(5,060)	(3,065)
Southwest Gas Corporation - total other income (deductions)	1,751	(1,353)	(10,947)	6,185	(7,615)	(5,194)
Utility infrastructure services segment:						
Interest income	—	—	—	—	—	82
Foreign transaction gain (loss)	—	(6)	(16)	546	(16)	66
Miscellaneous income and (expense)	48	177	(91)	23	(194)	514
Centuri - total other income (deductions)	48	171	(107)	569	(210)	662
Corporate and administrative	—	24	8	73	37	84
Consolidated Southwest Gas Holdings, Inc. - total other income (deductions)	\$ 1,799	\$ (1,158)	\$ (11,046)	\$ 6,827	\$ (7,788)	\$ (4,448)

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

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

Management does not currently anticipate entering into new Swaps in the near term; the remaining Swaps as of September 30, 2020 matured in October 2020.

Previously, Southwest entered into two forward-starting interest rate swaps (“FSIRS”). One of the FSIRS became fully amortized in the current quarter with one FSIRS remaining to be amortized through 2022. The settled position for the remaining FSIRS is immaterial and will continue to be amortized from Accumulated other comprehensive income (loss) into interest expense.

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

Significant changes in the value of the redeemable noncontrolling interest, above a floor established at the acquisition date, are recognized as they occur, and the carrying value is adjusted as necessary at each reporting date. The fair value is estimated using a market approach that utilizes certain financial metrics from guideline public companies of similar industry and operating characteristics. Based on the fair value model employed, the estimated redemption value of the redeemable noncontrolling interest increased by approximately \$17.6 million during the third quarter of 2020. Adjustment to the redemption value also impacts retained earnings, as reflected in the Company's Condensed Consolidated Statement of Equity, but does not impact net income. The following depicts the change to the balance of the redeemable noncontrolling interest:

(Thousands of dollars):	Redeemable Noncontrolling Interest
Balance, December 31, 2019	\$ 84,542
Net income attributable to redeemable noncontrolling interest	5,169
Redemption value adjustment	17,573
Balance, September 30, 2020	<u>\$ 107,284</u>

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Weighted average basic shares	56,271	54,670	55,683	53,996	55,508	53,219
Effect of dilutive securities:						
Management Incentive Plan shares	—	12	—	11	3	15
Restricted stock units (1)	86	66	70	56	66	53
Weighted average diluted shares	<u>56,357</u>	<u>54,748</u>	<u>55,753</u>	<u>54,063</u>	<u>55,577</u>	<u>53,287</u>

(1) The number of securities included 76,000 and 55,000 performance shares during the three months ending September 30, 2020 and 2019, 63,000 and 48,000 performance shares during the nine months ending September 30, 2020 and 2019, and 57,000 and 44,000 performance shares during the twelve months ending September 30, 2020 and 2019, respectively, the total of which was derived by assuming that target performance will be achieved during the relevant performance period.

Recent Accounting Standards Updates.

Accounting pronouncements adopted in 2020:

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

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

In August 2018, the FASB issued ASU 2018-15 "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The update generally aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement (that is a service contract) with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use

software, with the exception that such costs are to be included in the same line item in the balance sheet that a prepayment of the fees associated with the arrangement would be presented. Once capitalized, the update requires the entity to expense the amount capitalized over the term of the hosting arrangement, including reasonably certain renewal periods. The Company and Southwest adopted the update in the first quarter of 2020 using the prospective transition method, which did not result in a material impact to the Company's or Southwest's consolidated financial statements.

Recently issued accounting pronouncements that will be effective after 2020:

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

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The update provides optional guidance for a limited time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting, including when modifying a contract (during the eligibility period covered by the update to Topic 848) to replace a reference rate affected by reference rate reform. The update applies only to contracts and hedging relationships that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The guidance was eligible to be applied upon issuance on March 12, 2020, and can generally be applied through December 31, 2022. Management will monitor the impacts this update might have on the Company's and Southwest's consolidated financial statements and disclosures, and will reflect such appropriately, in the event that the optional guidance is elected. See also LIBOR discussion in **Note 5 – Debt**.

In August 2020, the FASB issued ASU 2020-06 "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity." The update, amongst other amendments, improves the guidance related to the disclosures and earnings-per-share for convertible instruments and contracts in an entity's own equity. The update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years; early adoption is permitted. Management is evaluating the impacts this update might have on the Company's consolidated financial statements and disclosures.

Note 2 – Components of Net Periodic Benefit Cost

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

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

	Qualified Retirement Plan					
	September 30,					
	Three Months		Nine Months		Twelve Months	
	2020	2019	2020	2019	2020	2019
(Thousands of dollars)						
Service cost	\$ 8,576	\$ 6,466	\$ 25,725	\$ 19,398	\$ 32,191	\$ 26,536
Interest cost	11,388	12,252	34,165	36,755	46,416	47,799
Expected return on plan assets	(16,324)	(15,061)	(48,972)	(45,183)	(64,033)	(59,872)
Amortization of net actuarial loss	9,006	5,589	27,019	16,767	32,608	24,796
Net periodic benefit cost	\$ 12,646	\$ 9,246	\$ 37,937	\$ 27,737	\$ 47,182	\$ 39,259

	SERP					
	September 30,					
	Three Months		Nine Months		Twelve Months	
	2020	2019	2020	2019	2020	2019
(Thousands of dollars)						
Service cost	\$ 97	\$ 66	\$ 292	\$ 199	\$ 359	\$ 261
Interest cost	401	440	1,204	1,320	1,644	1,734
Amortization of net actuarial loss	451	255	1,353	765	1,608	1,141
Net periodic benefit cost	\$ 949	\$ 761	\$ 2,849	\$ 2,284	\$ 3,611	\$ 3,136

	PBOP					
	September 30,					
	Three Months		Nine Months		Twelve Months	
	2020	2019	2020	2019	2020	2019
(Thousands of dollars)						
Service cost	\$ 395	\$ 319	\$ 1,186	\$ 957	\$ 1,505	\$ 1,325
Interest cost	646	761	1,936	2,285	2,697	2,972
Expected return on plan assets	(852)	(789)	(2,556)	(2,367)	(3,345)	(3,296)
Amortization of prior service costs	289	318	867	953	1,185	1,286
Net periodic benefit cost	\$ 478	\$ 609	\$ 1,433	\$ 1,828	\$ 2,042	\$ 2,287

Note 3 – Revenue

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

Natural Gas Operations Segment:

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

(Thousands of dollars)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Residential	\$ 131,008	\$ 124,169	\$ 690,861	\$ 706,270	\$ 957,379	\$ 961,928
Small commercial	35,204	39,725	159,122	179,519	228,720	250,986
Large commercial	9,942	10,945	32,588	36,030	45,493	49,288
Industrial/other	5,888	3,837	19,089	15,728	25,435	21,826
Transportation	21,040	21,580	65,281	68,297	89,364	90,696
Revenue from contracts with customers	203,082	200,256	966,941	1,005,844	1,346,391	1,374,724
Alternative revenue program revenues (deferrals)	9,199	7,957	9,545	(23,196)	7,629	(23,913)
Other revenues (1)	(1,447)	1,767	(391)	6,720	1,646	8,770
Total Gas operating revenues	\$ 210,834	\$ 209,980	\$ 976,095	\$ 989,368	\$ 1,355,666	\$ 1,359,581

(1) Amounts include late fees and other miscellaneous revenues, and may also include the impact of certain regulatory mechanisms, such as cost-of-service components in current customer rates that are expected to be returned to customers in future periods.

Utility Infrastructure Services Segment:

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

(Thousands of dollars)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Service Types:						
Gas infrastructure services	\$ 387,578	\$ 364,241	\$ 935,444	\$ 885,950	\$ 1,288,468	\$ 1,160,017
Electric power infrastructure services	115,386	70,610	282,992	184,277	346,432	202,844
Other	77,428	80,399	190,262	212,185	242,364	335,992
Total Utility infrastructure services revenues	\$ 580,392	\$ 515,250	\$ 1,408,698	\$ 1,282,412	\$ 1,877,264	\$ 1,698,853

(Thousands of dollars)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2020	2019	2020	2019	2020	2019
Contract Types:						
Master services agreement	\$ 437,914	\$ 410,283	\$ 1,076,961	\$ 1,021,798	\$ 1,438,540	\$ 1,291,397
Bid contract	142,478	104,967	331,737	260,614	438,724	407,456
Total Utility infrastructure services revenues	\$ 580,392	\$ 515,250	\$ 1,408,698	\$ 1,282,412	\$ 1,877,264	\$ 1,698,853
Unit price contracts	\$ 377,284	\$ 415,404	\$ 985,673	\$ 1,006,577	\$ 1,359,352	\$ 1,316,404
Fixed price contracts	46,379	37,539	109,935	80,503	142,356	152,890
Time and materials contracts	156,729	62,307	313,090	195,332	375,556	229,559
Total Utility infrastructure services revenues	\$ 580,392	\$ 515,250	\$ 1,408,698	\$ 1,282,412	\$ 1,877,264	\$ 1,698,853

The following table provides information about contracts receivable and revenue earned on contracts in progress in excess of billings (contract asset), which are both included within Accounts receivable, net of allowances, as well as amounts billed in excess of revenue earned on contracts (contract liability), which are included in Other current liabilities as of September 30, 2020 and December 31, 2019 on the Company's Condensed Consolidated Balance Sheets:

(Thousands of dollars)	September 30, 2020	December 31, 2019
Contracts receivable, net	\$ 275,598	\$ 223,904
Revenue earned on contracts in progress in excess of billings	156,754	99,399
Amounts billed in excess of revenue earned on contracts	5,522	4,525

The revenue earned on contracts in progress in excess of billings (contract asset) primarily relates to Centuri's rights to consideration for work completed but not billed and/or approved for billing at the reporting date. These contract assets are transferred to contracts receivable when the rights become unconditional. The amounts billed in excess of revenue earned (contract liability) primarily relate to the advance consideration received from customers for which work has not yet been completed. The change in this contract liability balance from December 31, 2019 to September 30, 2020 is due to revenue recognized of \$4.5 million that was included in this item as of January 1, 2020, after which time it became earned and the balance was reduced, and to increases due to cash received, net of revenue recognized during the period related to contracts that commenced during the period.

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

As of September 30, 2020, Centuri had 23 contracts with an original duration of more than one year. The aggregate amount of the transaction price allocated to the unsatisfied performance obligations of these contracts as of September 30, 2020 was \$55.3 million. Centuri expects to recognize the remaining performance obligations over approximately the next year; however, the timing of that recognition is largely within the control of the customer, including when the necessary equipment and materials required to complete the work are provided by the customer.

Utility infrastructure services contracts receivable consists of the following:

(Thousands of dollars)	September 30, 2020	December 31, 2019
Billed on completed contracts and contracts in progress	\$ 271,872	\$ 216,268
Other receivables	5,214	8,456
Contracts receivable, gross	277,086	224,724
Allowance for doubtful accounts	(1,488)	(820)
Contracts receivable, net	\$ 275,598	\$ 223,904

Note 4 – Common Stock

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

On May 8, 2019, the Company filed with the SEC an automatic shelf registration statement on Form S-3 (File No. 333-231297), which became effective upon filing, for the offer and sale of up to \$300 million of common stock from time to time in at-the-market offerings under the prospectus included therein and in accordance with the Sales Agency Agreement, dated May 8, 2019, between the Company and BNY Mellon Capital Markets, LLC (the “Equity Shelf Program”). The following table provides the activity under the Equity Shelf Program for the three-month and life-to-date periods ended September 30, 2020:

	Three Months Ended	Life-To-Date Ended
	September 30, 2020	
Gross proceeds	\$ 32,788,633	\$ 207,125,867
Less: agent commissions	(327,886)	(2,071,259)
Net proceeds	<u>\$ 32,460,747</u>	<u>\$ 205,054,608</u>
Number of shares sold	506,219	2,705,376
Weighted average price per share	\$ 64.77	\$ 76.56

As of September 30, 2020, the Company had up to \$92,874,133 of common stock available for sale under the program. Net proceeds from the sale of shares of common stock under the Equity Shelf Program are intended for general corporate purposes, including the acquisition of property for the construction, completion, extension, or improvement of pipeline systems and facilities located in and around the communities served by Southwest.

During the nine months ended September 30, 2020, the Company issued approximately 96,000 shares of common stock through the Restricted Stock/Unit Plan and Management Incentive Plan.

Additionally, during the nine months ended September 30, 2020, the Company issued 130,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan, raising approximately \$9 million.

Note 5 – Debt

Long-Term Debt

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

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

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

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

	September 30, 2020		December 31, 2019	
	Carrying Amount	Market Value	Carrying Amount	Market Value
(Thousands of dollars)				
Southwest Gas Corporation:				
Debtures:				
Notes, 4.45%, due 2020	\$ —	\$ —	\$ 125,000	\$ 126,673
Notes, 6.1%, due 2041	125,000	172,353	125,000	162,666
Notes, 3.875%, due 2022	250,000	260,388	250,000	258,550
Notes, 4.875%, due 2043	250,000	317,325	250,000	291,928
Notes, 3.8%, due 2046	300,000	335,970	300,000	308,307
Notes, 3.7%, due 2028	300,000	341,388	300,000	320,685
Notes, 4.15%, due 2049	300,000	361,053	300,000	330,138
Notes, 2.2%, due 2030	450,000	471,227	—	—
8% Series, due 2026	75,000	99,423	75,000	96,905
Medium-term notes, 7.78% series, due 2022	25,000	26,944	25,000	27,500
Medium-term notes, 7.92% series, due 2027	25,000	33,716	25,000	32,543
Medium-term notes, 6.76% series, due 2027	7,500	9,569	7,500	9,156
Unamortized discount and debt issuance costs	(18,091)		(14,450)	
	<u>2,089,409</u>		<u>1,768,050</u>	
Revolving credit facility and commercial paper	58,000	58,000	150,000	150,000
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	(1,533)		(1,717)	
	<u>198,467</u>		<u>198,283</u>	
Less: current maturities	—		(125,000)	
Long-term debt, less current maturities - Southwest Gas Corporation	<u>\$ 2,345,876</u>		<u>\$ 1,991,333</u>	
Centuri:				
Centuri term loan facility	\$ 231,010	\$ 236,477	\$ 244,812	\$ 252,182
Unamortized debt issuance costs	(890)		(1,101)	
	<u>230,120</u>		<u>243,711</u>	
Centuri secured revolving credit facility	59,908	59,950	60,021	60,057
Centuri other debt obligations	94,721	97,120	43,929	44,787
Less: current maturities	(44,903)		(38,512)	
Long-term debt, less current maturities - Centuri	<u>\$ 339,846</u>		<u>\$ 309,149</u>	
Consolidated Southwest Gas Holdings, Inc.:				
Southwest Gas Corporation long-term debt	\$ 2,345,876		\$ 2,116,333	
Centuri long-term debt	384,749		347,661	
Less: current maturities	(44,903)		(163,512)	
Long-term debt, less current maturities - Southwest Gas Holdings, Inc.	<u>\$ 2,685,722</u>		<u>\$ 2,300,482</u>	

Southwest has a \$400 million credit facility, for which it has designated \$150 million of associated capacity as long-term debt and the remaining \$250 million, for working capital purposes. Interest rates for the credit facility are calculated at either LIBOR or an "alternate base rate," plus in each case an applicable margin that is determined based on Southwest's senior unsecured debt rating. At September 30, 2020, the applicable margin is 1% for loans bearing interest with reference to LIBOR and 0% for

loans bearing interest with reference to the alternative base rate. At September 30, 2020, \$58 million was outstanding on the long-term portion (including \$50 million under the commercial paper program, discussed below) of the facility.

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

Southwest has a \$50 million commercial paper program. Issuances under the commercial paper program are supported by Southwest's revolving credit facility and, therefore, do not represent additional borrowing capacity under the credit facility. Borrowings under the commercial paper program are designated as long-term debt. Interest rates for the program are calculated at the then current commercial paper rate. At September 30, 2020, as noted above, \$50 million of borrowings were outstanding under the commercial paper program.

In June 2020, Southwest issued \$450 million aggregate principal amount of 2.20% Senior Notes at a discount of 0.126%. The notes will mature in June 2030. A portion of the net proceeds was used to reduce borrowings under Southwest's credit facility and to redeem the 4.45% \$125 million Notes due in December 2020, which were redeemed in September 2020 after Southwest provided advance notice to the holders of its intention to redeem the notes in full at a redemption price of 100% plus accrued and unpaid interest.

Centuri has a \$590 million senior secured revolving credit and term loan facility, scheduled to expire in November 2023. The capacity of the line of credit portion of the facility is \$325 million; related amounts borrowed and repaid are available to be re-borrowed. The term loan portion of the facility has a limit of approximately \$265 million. The \$590 million facility is secured by substantially all of Centuri's assets except those explicitly excluded under the terms of the agreement (including owned real estate and certain certificated vehicles). Centuri's assets securing the facility at September 30, 2020 totaled \$1.4 billion. At September 30, 2020, \$291 million in borrowings were outstanding under Centuri's combined secured revolving credit and term loan facility. During 2020, Centuri also received proceeds of \$70 million in equipment loans, which were used for repayment of outstanding borrowings on the line of credit.

Short-Term Debt

Southwest Gas Holdings, Inc. has a \$100 million credit facility that is primarily used for short-term financing needs. There was \$54 million outstanding under this credit facility as of September 30, 2020.

Similar to Southwest amending its credit facility agreement, on April 10, 2020, Southwest Gas Holdings, Inc. also amended its existing credit facility, extending the maturity date to April 2025. The revolving borrowing capacity under the amended agreement remained at \$100 million, the same as before the amendment. Interest rate benchmarks (LIBOR or an alternative) as well as related ranges, including with regard to the applicable margin, largely mirror those included in Southwest's amended facility agreement noted above, determined in this case based on Southwest Gas Holdings, Inc.'s senior unsecured long-term debt rating. Similar to the Southwest facility amendment, upon the occurrence of certain events providing for a transition away from LIBOR, or if LIBOR is no longer a widely recognized benchmark rate, Southwest Gas Holdings, Inc. may amend its credit facility agreement with a replacement rate, as set forth in the amended agreement. The commitment fee rates, terms, and covenants, noted above for Southwest are also applicable to Southwest Gas Holdings, Inc. in its amended credit facility, including the noted ratio of funded debt to total capitalization as of the end of any quarter of any fiscal year.

As discussed previously, under Southwest's \$400 million credit facility, \$250 million has been designated by management for working capital purposes. Southwest had no short-term borrowings outstanding at September 30, 2020 under this facility.

LIBOR

It is currently anticipated that LIBOR may be discontinued as a benchmark or reference rate after 2021. As of September 30, 2020, \$54 million, \$8 million and \$172 million, respectively, for the holding company, Southwest, and Centuri, were outstanding under credit facilities whereby interest was with reference to LIBOR and for which facility maturity dates extend beyond 2021. As of September 30, 2020, these LIBOR-based borrowings represent approximately 0.3% of Southwest's total debt, and 8% of total debt (including current maturities) for the Company overall. Southwest and Southwest Gas Holdings, Inc., in accordance with the April 2020 amendments to their respective facilities, may make further amendments with replacement rates if LIBOR is discontinued. However, replacement rates are not currently determinable. In order to mitigate the impact of a discontinuance on the Company's and Southwest's financial condition and results of operations, management will continue to monitor developments and work with lenders to determine the appropriate replacement/alternative reference rate for variable rate debt. At this time the Company and Southwest can provide no assurances as to the impact a LIBOR discontinuance will have on their financial condition or results of operations. Any alternative rate may be less predictable or less attractive than LIBOR.

Note 6 – Other Comprehensive Income and Accumulated Other Comprehensive Income

The following information presents the Company’s Other comprehensive income (loss), both before and after-tax impacts, within the Condensed Consolidated Statements of Comprehensive Income, which also impact Accumulated other comprehensive income (“AOCI”) in the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Equity.

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

(Thousands of dollars)	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Amortization of prior service cost	\$ 289	\$ (69)	\$ 220	\$ 318	\$ (77)	\$ 241
Amortization of net actuarial (gain)/loss	9,457	(2,270)	7,187	5,844	(1,402)	4,442
Regulatory adjustment	(8,394)	2,014	(6,380)	(5,348)	1,283	(4,065)
Pension plans other comprehensive income (loss)	1,352	(325)	1,027	814	(196)	618
FSIRS (designated hedging activities):						
Amounts reclassified into net income	1,030	(247)	783	836	(201)	635
FSIRS other comprehensive income (loss)	1,030	(247)	783	836	(201)	635
Total other comprehensive income (loss) - Southwest Gas Corporation	2,382	(572)	1,810	1,650	(397)	1,253
Foreign currency translation adjustments:						
Translation adjustments	1,024	—	1,024	(447)	—	(447)
Foreign currency other comprehensive income (loss)	1,024	—	1,024	(447)	—	(447)
Total other comprehensive income (loss) - Southwest Gas Holdings, Inc.	\$ 3,406	\$ (572)	\$ 2,834	\$ 1,203	\$ (397)	\$ 806

(Thousands of dollars)	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Amortization of prior service cost	\$ 867	\$ (208)	\$ 659	\$ 953	\$ (229)	\$ 724
Amortization of net actuarial (gain)/loss	28,372	(6,809)	21,563	17,532	(4,207)	13,325
Regulatory adjustment	(25,184)	6,044	(19,140)	(16,043)	3,850	(12,193)
Pension plans other comprehensive income (loss)	4,055	(973)	3,082	2,442	(586)	1,856
FSIRS (designated hedging activities):						
Amounts reclassified into net income	2,703	(649)	2,054	2,508	(602)	1,906
FSIRS other comprehensive income (loss)	2,703	(649)	2,054	2,508	(602)	1,906
Total other comprehensive income (loss) - Southwest Gas Corporation	6,758	(1,622)	5,136	4,950	(1,188)	3,762
Foreign currency translation adjustments:						
Translation adjustments	(1,187)	—	(1,187)	1,131	—	1,131
Foreign currency other comprehensive income (loss)	(1,187)	—	(1,187)	1,131	—	1,131
Total other comprehensive income (loss) - Southwest Gas Holdings, Inc.	\$ 5,571	\$ (1,622)	\$ 3,949	\$ 6,081	\$ (1,188)	\$ 4,893

(Thousands of dollars)	Twelve Months Ended September 30, 2020			Twelve Months Ended September 30, 2019		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Net actuarial gain/(loss)	\$ (71,087)	\$ 17,061	\$ (54,026)	\$ (20,426)	\$ 4,902	\$ (15,524)
Amortization of prior service cost	1,185	(284)	901	1,286	(309)	977
Amortization of net actuarial (gain)/loss	34,216	(8,212)	26,004	25,937	(6,224)	19,713
Prior service cost	(1,878)	452	(1,426)	—	—	—
Regulatory adjustment	27,803	(6,673)	21,130	(1,597)	383	(1,214)
Pension plans other comprehensive income (loss)	(9,761)	2,344	(7,417)	5,200	(1,248)	3,952
FSIRS (designated hedging activities):						
Amounts reclassified into net income	3,539	(850)	2,689	3,344	(804)	2,540
FSIRS other comprehensive income (loss)	3,539	(850)	2,689	3,344	(804)	2,540
Total other comprehensive income (loss) - Southwest Gas Corporation	(6,222)	1,494	(4,728)	8,544	(2,052)	6,492
Foreign currency translation adjustments:						
Translation adjustments	(280)	—	(280)	(877)	—	(877)
Foreign currency other comprehensive income (loss)	(280)	—	(280)	(877)	—	(877)
Total other comprehensive income (loss) - Southwest Gas Holdings, Inc.	\$ (6,502)	\$ 1,494	\$ (5,008)	\$ 7,667	\$ (2,052)	\$ 5,615

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

Approximately \$1.7 million of realized losses (net of tax) related to the remaining balance of Southwest's forward-starting interest rate swaps ("FSIRS"), included in AOCI at September 30, 2020, will be reclassified into interest expense within the next 12 months as the related interest payments on long-term debt occur.

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

(Thousands of dollars)	Defined Benefit Plans			FSIRS			Foreign Currency Items			AOCI
	Before-Tax	Tax (Expense) Benefit (4)	After-Tax	Before-Tax	Tax (Expense) Benefit (4)	After-Tax	Before-Tax	Tax (Expense) Benefit	After-Tax	
Beginning Balance AOCI December 31, 2019	\$ (66,601)	\$ 15,985	\$ (50,616)	\$ (5,966)	\$ 1,431	\$ (4,535)	\$ (1,581)	\$ —	\$ (1,581)	\$ (56,732)
Translation adjustments	—	—	—	—	—	—	(1,187)	—	(1,187)	(1,187)
Other comprehensive income (loss) before reclassifications	—	—	—	—	—	—	(1,187)	—	(1,187)	(1,187)
FSIRS amounts reclassified from AOCI (1)	—	—	—	2,703	(649)	2,054	—	—	—	2,054
Amortization of prior service cost (2)	867	(208)	659	—	—	—	—	—	—	659
Amortization of net actuarial loss (2)	28,372	(6,809)	21,563	—	—	—	—	—	—	21,563
Regulatory adjustment (3)	(25,184)	6,044	(19,140)	—	—	—	—	—	—	(19,140)
Net current period other comprehensive income (loss) attributable to Southwest Gas Holdings, Inc.	4,055	(973)	3,082	2,703	(649)	2,054	(1,187)	—	(1,187)	3,949
Ending Balance AOCI September 30, 2020	\$ (62,546)	\$ 15,012	\$ (47,534)	\$ (3,263)	\$ 782	\$ (2,481)	\$ (2,768)	\$ —	\$ (2,768)	\$ (52,783)

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

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

(Thousands of dollars)	Defined Benefit Plans			FSIRS			AOCI
	Before-Tax	Tax (Expense) Benefit (8)	After-Tax	Before-Tax	Tax (Expense) Benefit (8)	After-Tax	
Beginning Balance AOCI December 31, 2019	\$ (66,601)	\$ 15,985	\$ (50,616)	\$ (5,966)	\$ 1,431	\$ (4,535)	\$ (55,151)
FSIRS amounts reclassified from AOCI (5)	—	—	—	2,703	(649)	2,054	2,054
Amortization of prior service cost (6)	867	(208)	659	—	—	—	659
Amortization of net actuarial loss (6)	28,372	(6,809)	21,563	—	—	—	21,563
Regulatory adjustment (7)	(25,184)	6,044	(19,140)	—	—	—	(19,140)
Net current period other comprehensive income attributable to Southwest Gas Corporation	4,055	(973)	3,082	2,703	(649)	2,054	5,136
Ending Balance AOCI September 30, 2020	\$ (62,546)	\$ 15,012	\$ (47,534)	\$ (3,263)	\$ 782	\$ (2,481)	\$ (50,015)

(5) The FSIRS reclassification amounts are included in Net interest deductions on Southwest's Condensed Consolidated Statements of Income.

(6) These AOCI components are included in the computation of net periodic benefit cost (see **Note 2 – Components of Net Periodic Benefit Cost** for additional details).

(7) The regulatory adjustment represents the portion of the activity above that is expected to be recovered through rates in the future (the related regulatory asset is included in Deferred charges and other assets on Southwest's Condensed Consolidated Balance Sheets).

(8) Tax amounts are calculated using a 24% rate.

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

(Thousands of dollars)	September 30, 2020	December 31, 2019
Net actuarial loss	\$ (454,702)	\$ (483,074)
Prior service cost	(2,774)	(3,641)
Less: amount recognized in regulatory assets	394,930	420,114
Recognized in AOCI	\$ (62,546)	\$ (66,601)

Note 7 – Segment Information

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

(Thousands of dollars)	September 30, 2020	December 31, 2019
Centuri accounts receivable for services provided to Southwest	\$ 15,102	\$ 15,235

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

(Thousands of dollars)	Natural Gas Operations	Utility Infrastructure Services	Other	Total
Three Months Ended September 30, 2020				
Revenues from external customers	\$ 210,834	\$ 548,300	\$ —	\$ 759,134
Intersegment revenues	—	32,092	—	32,092
Total	\$ 210,834	\$ 580,392	\$ —	\$ 791,226
Segment net income (loss)	\$ (15,973)	\$ 34,873	\$ (627)	\$ 18,273

Three Months Ended September 30, 2019				
Revenues from external customers	\$ 209,980	\$ 480,896	\$ —	\$ 690,876
Intersegment revenues	—	34,354	—	34,354
Total	\$ 209,980	\$ 515,250	\$ —	\$ 725,230
Segment net income (loss)	\$ (20,012)	\$ 25,838	\$ (473)	\$ 5,353

(Thousands of dollars)	Natural Gas Operations	Utility Infrastructure Services	Other	Total
Nine Months Ended September 30, 2020				
Revenues from external customers	\$ 976,095	\$ 1,306,481	\$ —	\$ 2,282,576
Intersegment revenues	—	102,217	—	102,217
Total	\$ 976,095	\$ 1,408,698	\$ —	\$ 2,384,793
Segment net income (loss)	\$ 79,568	\$ 50,936	\$ (1,724)	\$ 128,780

Nine Months Ended September 30, 2019				
Revenues from external customers	\$ 989,368	\$ 1,160,303	\$ —	\$ 2,149,671
Intersegment revenues	—	122,109	—	122,109
Total	\$ 989,368	\$ 1,282,412	\$ —	\$ 2,271,780
Segment net income (loss)	\$ 86,746	\$ 36,725	\$ (1,253)	\$ 122,218

(Thousands of dollars)	Natural Gas Operations	Utility Infrastructure Services	Other	Total
Twelve Months Ended September 30, 2020				
Revenues from external customers	\$ 1,355,666	\$ 1,738,430	\$ —	\$ 3,094,096
Intersegment revenues	—	138,834	—	138,834
Total	\$ 1,355,666	\$ 1,877,264	\$ —	\$ 3,232,930
Segment net income (loss)	\$ 155,993	\$ 66,615	\$ (2,110)	\$ 220,498
Twelve Months Ended September 30, 2019				
Revenues from external customers	\$ 1,359,581	\$ 1,537,508	\$ —	\$ 2,897,089
Intersegment revenues	—	161,345	—	161,345
Total	\$ 1,359,581	\$ 1,698,853	\$ —	\$ 3,058,434
Segment net income (loss)	\$ 146,287	\$ 46,668	\$ (1,433)	\$ 191,522

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

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

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

As of September 30, 2020, Southwest had 2,112,000 residential, commercial, industrial, and other natural gas customers, of which 1,126,000 customers were located in Arizona, 786,000 in Nevada, and 200,000 in California. Over the past twelve months, first time meter sets were approximately 37,000, compared to 34,000 for the twelve months ending September 2019. The remaining increase in active customer accounts compared to the September 30, 2019 total of 2,066,000 was primarily due to a management-initiated moratorium on disconnections as a result of the COVID-19 pandemic. As utility service is an essential service to the residents in the states in which Southwest operates, it implemented the moratorium in March 2020 and also ceased charging late fees until further notice. The duration of our moratorium is currently uncertain. Residential and small commercial customers represented over 99% of the total customer base. During the twelve months ended September 30, 2020, 53% of operating margin (gas operating revenues less the net cost of gas sold) was earned in Arizona, 36% in Nevada, and 11% in California. During this same period, Southwest earned 85% of its operating margin from residential and small commercial customers, 3% from other sales customers, and 12% from transportation customers. While these general patterns are expected to remain materially consistent for the foreseeable future, the global COVID-19 pandemic, as discussed further below, could impact these statistics and associated patterns in the short term.

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

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

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

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

COVID-19 Pandemic

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

Our utility operations, as essential services, have been ongoing during this time and Southwest has continued to provide services to meet the demand of its customers. Consistent with federal and state guidelines and protocols, Southwest has continued to operate across its territories. Similarly, the majority of Centuri’s largest clients issued essential service letters to Centuri businesses in keeping with the federal definition of “essential” set out by the Department of Homeland Security. This allowed Centuri to similarly continue nearly all operations from the outset of the pandemic in the U.S., and demand has not significantly diminished. The ability to work may be impacted by individuals contracting or being exposed to COVID-19, governmental requirements to postpone certain non-essential services in some of the Company’s jurisdictions, or by management imposed restrictions for safety precautions; to date, these factors have not had a significant impact on the Company’s ability to maintain operations. The Company has instructed employees at many offices (including corporate headquarters) to work from home on a temporary basis and implemented travel restrictions. Both segments implemented business continuity plans, including the deployment of technology to conduct administrative and critical functions remotely, where possible, and employees and management teams have been in place to communicate and respond to changes quickly and effectively. To date, there has not been a significant disruption in the Company’s supply chains, transportation network, or ability to serve customers.

As an essential service provider, Southwest implemented several important measures with regard to its customers. As noted above, it initiated a moratorium on natural gas disconnections for non-payment; it is working with customers who are experiencing financial hardship through flexible payment arrangements; it is coordinating with certain governmental and nonprofit entities for customer payment assistance; and it also ceased charging late fees until further notice. Management has increased the allowance for uncollectibles; however, neither this nor other measures associated with the moratorium have had a material impact on our financial position overall. As the pandemic continues into the winter season when monthly utility bills are typically higher, we expect the seasonal pattern of change in the allowance to be generally in line with historical patterns; however, the potential impact could be more significant given the pandemic. See *Accounts receivable, net of allowances* in **Note 1 – Background, Organization, and Summary of Significant Accounting Policies**. In the utility infrastructure services segment, a limited number of Centuri customers delayed some projects, notably during the second quarter, and primarily in response to local governmental restrictions. Project delays, whether due to governmental restrictions or reassessments of timing by Centuri’s customers, resulted in temporary reductions of workforce crews; such impacts were primarily limited to the second quarter of 2020. Some crew reductions are ongoing in specific areas and the associated revenue impacts have not been significant. Management is monitoring the dynamic nature of these circumstances, the full future impacts of which are not currently known, including the impact from business curtailments, weak market conditions, or governmental restrictions, including any restrictions which could limit the fulfillment by Centuri of its contractual obligations.

The Company has incurred additional expenses in connection with its response to these conditions, including costs of disinfecting work locations and equipment, costs related to enabling employees to support customers while working remotely, and impacts on earnings and cash flows from the moratorium on customer disconnection and late fee assessment. These additional costs were not material to the Company’s fiscal 2020 results to date, and were mitigated by reduced training and travel costs, as important training and business meetings were held virtually, rather than in person. Appropriate access to cash exists and certain of Southwest’s regulatory commissions have implemented measures to further mitigate impacts of these conditions on Southwest. See *Rates and Regulatory Proceedings* below for additional detail.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was enacted, as discussed in **Note 1 – Background, Organization, and Summary of Significant Accounting Policies**. The CARES Act to date has not, and management anticipates that it will not, have a material effect on the Company’s or Southwest’s results of operations, financial position, or liquidity. In Canada, Centuri received \$4.1 million of wage subsidies (through September 30, 2020) from the Canadian government as part of a COVID-19 relief program. Management does not expect these subsidies, if any, to be significant in future periods.

The extent to which COVID-19 may adversely impact the Company’s business depends on future developments, including the timing of the resumption of commerce across our service territories, the magnitude of further spread of the virus, impacts of these conditions on our customers, the state of the North American economy, and possibly other unmitigated effects related to the virus. Management does not currently expect the impact of these conditions to be material to the Company’s liquidity and financial position; however, the continued level of uncertainty over the economic and operational impacts of COVID-19 means management cannot predict whether the related financial impact in future periods will be any different from the impacts reflected for the nine months ended September 30, 2020. In anticipation of a redeployment of employees to their normal work locations, management has created a multi-phase reintegration plan to safeguard the well-being of our teams, including hygiene, sanitization, and social distancing practices, as well as the use of personal protective equipment for employees and visitors. Management will continue to monitor developments affecting the Company’s employees, customers, and operations, and take additional steps to address the COVID-19 pandemic and its impacts, as necessary. Events and changes in circumstances arising after September 30, 2020, including those resulting from the impacts of COVID-19, will be reflected in management’s estimates for future periods.

This Management’s Discussion and Analysis (“MD&A”) of Financial Condition and Results of Operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q and the audited financial statements and the notes thereto, as well as MD&A, included in the 2019 Annual Report to Shareholders, which is incorporated by reference into the 2019 Form 10-K.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's and Southwest's operations. As needed, certain items are covered in greater detail in later sections of MD&A. As reflected in the table below, the natural gas operations segment accounted for an average of 73% of twelve-month-to-date consolidated net income over the past two years. As such, MD&A is primarily focused on that segment. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of results for a full year.

Summary Operating Results

(In thousands, except per share amounts)	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2020	2019	2020	2019	2020	2019
Contribution to net income						
Natural gas operations	\$ (15,973)	\$ (20,012)	\$ 79,568	\$ 86,746	\$ 155,993	\$ 146,287
Utility infrastructure services	34,873	25,838	50,936	36,725	66,615	46,668
Corporate and administrative	(627)	(473)	(1,724)	(1,253)	(2,110)	(1,433)
Net income	\$ 18,273	\$ 5,353	\$ 128,780	\$ 122,218	\$ 220,498	\$ 191,522
Weighted average common shares	56,271	54,670	55,683	53,996	55,508	53,219
Basic earnings per share						
Consolidated	\$ 0.32	\$ 0.10	\$ 2.31	\$ 2.26	\$ 3.97	\$ 3.60
Natural Gas Operations						
Reconciliation of Revenue to Operating Margin (Non-GAAP measure)						
Gas operating revenues	\$ 210,834	\$ 209,980	\$ 976,095	\$ 989,368	\$ 1,355,666	\$ 1,359,581
Less: Net cost of gas sold	36,321	35,068	264,615	292,854	356,925	393,141
Operating margin	\$ 174,513	\$ 174,912	\$ 711,480	\$ 696,514	\$ 998,741	\$ 966,440

3rd Quarter 2020 Overview

Natural gas operations highlights include the following:

- 37,000 first-time meters sets (1.8% growth rate) occurred over the past 12 months
- Operations and maintenance expense decreased \$7.9 million
- Company-Owned Life Insurance ("COLI") income increased \$4.3 million between quarters
- Nevada general rate case finalized with rate relief effective October 2020

Utility infrastructure services highlights include the following:

- Record third quarter revenues of \$580.4 million and net income of \$34.9 million
- Emergency restoration services provided following Hurricanes Hanna, Isaias, and Laura
- Approximately 90% of trailing twelve-month revenues were from regulated utilities

Southwest Gas Holdings highlights include the following:

- In September, S&P upgraded the outlook for Southwest Gas Holdings, Inc. and Southwest Gas Corporation from negative to stable (credit ratings unchanged)

Results of Natural Gas Operations

Quarterly Analysis

(Thousands of dollars)	Three Months Ended September 30,	
	2020	2019
Gas operating revenues	\$ 210,834	\$ 209,980
Net cost of gas sold	36,321	35,068
Operating margin	174,513	174,912
Operations and maintenance expense	101,159	109,039
Depreciation and amortization	55,942	52,372
Taxes other than income taxes	15,787	15,308
Operating income (loss)	1,625	(1,807)
Other income (deductions)	1,751	(1,353)
Net interest deductions	26,103	23,619
Loss before income taxes	(22,727)	(26,779)
Income tax benefit	(6,754)	(6,767)
Contribution to consolidated net income	\$ (15,973)	\$ (20,012)

Improvements from natural gas operations to consolidated net income of \$4 million occurred between the third quarters of 2020 and 2019. The improvement was primarily due to lower Operations and maintenance expense and an increase in Other income, offset by increases in Depreciation and amortization and Net interest deductions.

Operating margin was slightly below the same quarter in the previous year. Customer growth provided approximately \$2.6 million of incremental margin from 37,000 first-time meter sets during the last twelve months, while rate relief added \$400,000 of margin. Offsetting these increases were other items, including impacts from a temporary moratorium on late fees and lower connection/re-connection charges during the COVID-19 pandemic. A reduction in amounts associated with regulatory account balances also impacted operating margin; however, effects of program recoveries are primarily offset in amortization expense (below).

Operations and maintenance expense decreased \$7.9 million between quarters primarily due to the impacts of COVID-19 on training and travel costs and reductions in other service and maintenance costs. Additionally, lower legal claims-related costs contributed to the decrease between quarters. Overall, operations and maintenance expenses are expected to increase in the fourth quarter of 2020.

Depreciation and amortization expense increased \$3.6 million, or 7%, between quarters, primarily due to a \$678 million, or 9%, increase in average gas plant in service compared to the corresponding quarter a year ago, offset by a decrease of \$1.1 million associated with regulatory program balances. The increase in gas plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled pipe replacement activities, and new infrastructure.

Other income improved \$3.1 million between quarters primarily due to an increase in income from COLI policies. The current quarter reflects \$4.5 million in income from increases in COLI policy cash surrender values, while the prior-year quarter reflected \$200,000 in related income. These values are significantly impacted by fluctuations in the values of equity securities associated with the cash surrender values, and values in both quarters were impacted consistent with the broader securities markets. Offsetting these impacts were higher non-service-related costs associated with employee pension and other postretirement benefits.

Net interest deductions increased \$2.5 million in the third quarter of 2020, as compared to the prior-year quarter, primarily due to the issuance of \$450 million of Senior Notes in June 2020, offset by lower borrowings under Southwest's credit facility. Refer to **Note 5 - Debt** in Notes to Financial Statements in this Form 10-Q for the use of proceeds, including the ultimate redemption of maturing debt in September 2020. Increased carrying costs on PGA balances, primarily in Nevada, also contributed to the increase.

Results of Natural Gas Operations

Nine-Months Analysis

(Thousands of dollars)	Nine Months Ended September 30,	
	2020	2019
Gas operating revenues	\$ 976,095	\$ 989,368
Net cost of gas sold	264,615	292,854
Operating margin	711,480	696,514
Operations and maintenance expense	303,567	319,572
Depreciation and amortization	173,865	159,327
Taxes other than income taxes	47,507	46,640
Operating income	186,541	170,975
Other income (deductions)	(10,947)	6,185
Net interest deductions	75,152	70,063
Income before income taxes	100,442	107,097
Income tax expense	20,874	20,351
Contribution to consolidated net income	\$ 79,568	\$ 86,746

Contribution from natural gas operations to consolidated net income decreased \$7.2 million between the first nine months of 2020 and 2019. The decline was primarily due to a decrease in Other income and increases in Depreciation and amortization and Net interest deductions, partially offset by an increase in Operating margin and lower Operations and maintenance expense.

Operating margin increased \$15 million, including \$11 million attributable to customer growth. Rate relief, primarily in California, contributed an additional \$2 million in operating margin. The prior-year period included an approximate \$5 million reduction in margin resulting from a one-time adjustment by the Arizona Corporation Commission to reflect the impacts of U.S. tax reform on the Arizona decoupling mechanism. Offsetting these impacts are lower late fees and connect/re-connect charges during the current moratorium discussed earlier. Residual impacts include those related to regulatory mechanisms, including recovery/return of regulatory program balances (primarily offset in amortization expense), in addition to margin from customers outside the decoupling mechanisms.

Operations and maintenance expense decreased \$16 million, or 5%, between periods. Reductions in training and travel costs due to the COVID-19 environment, as well as lower legal claims-related costs, and decreases in other service and maintenance costs contributed to the decline between periods.

Depreciation and amortization expense increased \$15 million, or 9%, between periods primarily due to a \$682 million, or 9%, increase in average gas plant in service between periods. The increase in gas plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled pipe replacement activities, and new infrastructure. Amortization associated with regulatory account balances, as noted above, also resulted in increases in expense in the current period.

Other income decreased \$17.1 million overall between periods. The current period reflects \$1 million of COLI-related income, while the prior-year period reflected \$11.2 million of COLI-related income. The non-service cost components of employee pension and other postretirement benefits were \$3.7 million higher between periods. Lower interest income on regulatory account balances also contributed to the decrease between periods.

Net interest deductions increased \$5.1 million between periods, primarily due to interest associated with the issuance of \$300 million of Senior Notes in May 2019 and \$450 million of Senior Notes in June 2020, partially offset by reduced interest rates and lower outstanding balances under Southwest's credit facility.

Results of Natural Gas Operations

Twelve-Month Analysis

(Thousands of dollars)	Twelve Months Ended September 30,	
	2020	2019
Gas operating revenues	\$ 1,355,666	\$ 1,359,581
Net cost of gas sold	356,925	393,141
Operating margin	998,741	966,440
Operations and maintenance expense	406,169	412,330
Depreciation and amortization	230,158	205,594
Taxes other than income taxes	63,195	61,579
Operating income	299,219	286,937
Other income (deductions)	(7,615)	(5,194)
Net interest deductions	100,115	92,000
Income before income taxes	191,489	189,743
Income tax expense	35,496	43,456
Contribution to consolidated net income	\$ 155,993	\$ 146,287

Contribution to consolidated net income from natural gas operations increased \$10 million between the twelve-month periods ended September 2020 and 2019. The increase was primarily due to an increase in Operating margin and lower Operations and maintenance expense and Income tax expense, partially offset by higher Depreciation and amortization expense, Net interest deductions, and lower Other income.

Operating margin increased \$32 million between periods. Customer growth provided \$14 million, and combined rate relief, primarily in Nevada and California, provided \$5 million of incremental operating margin. The prior-year period included an approximate \$5 million reduction in margin resulting from a one-time adjustment to reflect the impacts of U.S. tax reform on the Arizona decoupling mechanism. The remaining net increase primarily resulted from regulatory mechanisms, notably an increase in regulatory asset recoveries (see discussion of amortization expense below).

Operations and maintenance expense decreased \$6.2 million (or 1%) between periods primarily due to lower training and travel costs due to the current COVID-19 environment, as well as decreases in other service and maintenance costs, offset by incremental expenditures for pipeline damage prevention programs and increases in employee pension and other postretirement benefits.

Depreciation and amortization expense increased \$24.6 million, or 12%, between periods primarily due to a \$670 million, or 9%, increase in average gas plant in service since the corresponding period in the prior year. Amounts associated with regulatory program balances increased approximately \$8 million between periods.

Other income decreased \$2.4 million between the twelve-month periods of 2020 and 2019 primarily due to lower interest on regulatory account balances, a decrease in amounts associated with the allowance for equity funds applied to projects during construction, and higher non-service cost components of employee pension and other postretirement benefits. Offsetting these impacts was an increase between periods in COLI policy cash surrender values. The current twelve-month period reflects a \$7.2 million increase in COLI cash surrender values, while the prior-year period reflected a \$2 million increase.

Net interest deductions increased \$8.1 million between periods primarily due to interest associated with the issuance of \$300 million of Senior Notes in May 2019 and \$450 million of Senior Notes in June 2020, offset by a reduction in outstanding borrowings under the credit facility.

The reduction in income taxes between periods reflects lower state income taxes (due to apportionment changes) and an additional \$1.2 million in amortization of excess accumulated deferred income taxes following U.S. tax reform, which reduces tax expense.

Results of Utility Infrastructure Services

Quarterly Analysis

(Thousands of dollars)	Three Months Ended September 30,	
	2020	2019
Utility infrastructure services revenues	\$ 580,392	\$ 515,250
Operating expenses:		
Utility infrastructure services expenses	502,951	451,574
Depreciation and amortization	24,197	22,998
Operating income	53,244	40,678
Other income (deductions)	48	171
Net interest deductions	2,000	3,788
Income before income taxes	51,292	37,061
Income tax expense	13,629	10,051
Net income	37,663	27,010
Net income attributable to noncontrolling interest	2,790	1,172
Contribution to consolidated net income attributable to Centuri	\$ 34,873	\$ 25,838

Utility infrastructure services revenues increased \$65.1 million in the third quarter of 2020 when compared to the prior-year quarter. Approximately \$48.7 million in revenue was recognized during the third quarter from emergency restoration services related to hurricane damage in the Gulf Coast and eastern regions of the U.S. Storm restoration revenues during the same quarter in 2019 totaled \$6.3 million. Restoration revenues are contracted under time-and-material rates and generally involve a higher number of hours worked per day given the emergency response nature of the work performed. Centuri's revenues derived from these services vary from period to period due to the unpredictable nature of weather-related events, and can also vary greatly depending on the geographic area, customer mix, and rate of compensation under the contract. Higher volumes of gas and electric infrastructure work under blanket and bid contracts were also realized during the third quarter of 2020.

Utility infrastructure services expenses increased \$51.4 million in the third quarter of 2020 when compared to the prior-year quarter, due primarily to increased costs associated with storm restoration services, as well as costs to complete additional gas and electric infrastructure work. Existing crews are diverted from other work to perform storm restoration work, which typically generates a higher profit margin than other core infrastructure services due to improved operating efficiencies related to equipment utilization and absorption of fixed costs. Such profit margins can vary greatly depending on the geographic area, customer mix, and contract terms as noted above. Also included in total Utility infrastructure services expenses were general and administrative costs, which increased \$6.7 million in the current quarter when compared to the corresponding quarter in 2019 due to higher payroll and operating costs associated with continued growth of the business and higher profit-based incentive compensation costs.

Depreciation and amortization expense increased \$1.2 million between quarters attributable to additional equipment purchased to support the growing volume of work being performed.

Net interest deductions decreased \$1.8 million between periods due primarily to lower rates associated with outstanding borrowings under Centuri's \$590 million secured revolving credit and term loan facility.

Results of Utility Infrastructure Services

Nine-Month Analysis

(Thousands of dollars)	Nine Months Ended September 30,	
	2020	2019
Utility infrastructure services revenues	\$ 1,408,698	\$ 1,282,412
Operating expenses:		
Utility infrastructure services expenses	1,252,489	1,154,238
Depreciation and amortization	71,144	63,924
Operating income	85,065	64,250
Other income (deductions)	(107)	569
Net interest deductions	7,138	10,514
Income before income taxes	77,820	54,305
Income tax expense	21,715	15,057
Net income	56,105	39,248
Net income attributable to noncontrolling interest	5,169	2,523
Contribution to consolidated net income attributable to Centuri	\$ 50,936	\$ 36,725

Utility infrastructure services revenues increased \$126.3 million during the first nine months of 2020 when compared to the same period in the prior year, primarily due to a higher volume of gas and electric infrastructure work under blanket and bid contracts. For the first nine months of 2020, \$56 million of revenues were from emergency restoration services related to hurricane and tornado damage in the Gulf Coast and eastern regions of the U.S. as compared to \$13.2 million during the same period in 2019. As noted earlier, Centuri's revenues derived from storm restoration services vary from period to period due to the unpredictable nature of weather-related events, and the contract terms for the emergency response, as discussed earlier. Also, during the first nine months of 2020, Centuri earned incremental revenues of approximately \$25 million related to a new bid job with an existing gas infrastructure customer in Canada that commenced during the current year. Centuri achieved these increases despite a temporary shut-down of certain crews, primarily in the second quarter of 2020, in response to local government requirements to postpone non-essential business services and precautions to ensure employee safety during the COVID-19 outbreak.

Utility infrastructure services expenses increased \$98.3 million during the first nine months of 2020 when compared to the same period in the prior year, due primarily to costs to complete additional gas and electric infrastructure work as well as increased costs associated with storm restoration revenues, partially offset by increased productivity and efficiencies on electrical infrastructure projects and lower fuel costs as a percentage of revenues. Storm restoration work typically generates a higher profit margin than core infrastructure services due to improved operating efficiencies related to equipment utilization and absorption of fixed costs. Offsetting these favorable impacts were certain increased costs and workforce inefficiencies, primarily in the second quarter of 2020, associated with the impact of the COVID-19 pandemic. During the first nine months of 2020, Centuri received \$4.1 million in wage subsidies from the Canadian government associated with COVID-19. These funds were recorded as a reduction to wage expense. Also included in total Utility infrastructure services expenses were general and administrative costs, which increased \$15.8 million in the first nine months of 2020 when compared to the corresponding period during 2019 due to higher payroll and operating costs associated with continued growth of the business and higher profit-based incentive compensation costs.

Depreciation and amortization expense increased approximately \$7 million between periods, attributable to additional equipment purchased to support the growing volume of work being performed.

Net interest deductions decreased \$3.4 million during the first nine months of 2020 due primarily to lower rates associated with outstanding borrowings under Centuri's \$590 million secured revolving credit and term loan facility.

Results of Utility Infrastructure Services

Twelve-Month Analysis

(Thousands of dollars)	Twelve Months Ended September 30,	
	2020	2019
Utility infrastructure services revenues	\$ 1,877,264	\$ 1,698,853
Operating expenses:		
Utility infrastructure services expenses	1,671,478	1,534,442
Depreciation and amortization	94,837	80,928
Operating income	110,949	83,483
Other income (deductions)	(210)	662
Net interest deductions	10,710	14,256
Income before income taxes	100,029	69,889
Income tax expense	28,057	20,526
Net income	71,972	49,363
Net income attributable to noncontrolling interest	5,357	2,695
Contribution to consolidated net income attributable to Centuri	\$ 66,615	\$ 46,668

Utility infrastructure services revenues increased \$178.4 million overall in the current twelve-month period compared to the corresponding period of 2019, primarily due to incremental electric infrastructure revenues from Linetec (acquired in November 2018) of \$132.5 million, as well as continued growth with existing gas infrastructure customers under master service and bid agreements. Of the incremental Linetec revenues, \$56 million was from emergency restoration services related to hurricane and tornado damage in the Gulf Coast and eastern regions of the U.S. as compared to \$13.2 million during the same period in 2019. Centuri achieved increases in revenues despite the temporary shut-down of certain crews and postponement of certain work (due to COVID-19) noted earlier as occurring primarily in the second quarter of 2020. Results during the twelve-month period of 2019 reflected revenues and incremental profits from customer-requested strike support that did not recur in 2020.

Utility infrastructure services expenses increased \$137 million between periods, primarily due to incremental expenses related to Linetec's electric infrastructure work of \$102.1 million (including increased costs associated with storm restoration work) and additional gas infrastructure work, and due to higher labor-related operating expenses to support growth in operations. Also included in total Utility infrastructure services expenses were general and administrative costs, which increased \$11.4 million in the twelve-month period ended September 2020 when compared to the corresponding period ended September 2019, resulting from higher payroll and operating costs associated with continued growth of the business and higher profit-based incentive compensation costs. Net gains on sale of equipment (reflected as an offset to Utility infrastructure services expenses) were \$2.9 million and \$3.9 million for the twelve-month periods of 2020 and 2019, respectively.

Depreciation and amortization expense increased \$13.9 million between the current and prior-year period. The increase was primarily attributable to the incremental costs related to Linetec depreciation of \$10.4 million, and to additional property and equipment purchased to support the growing volume of work being performed.

Net interest deductions decreased \$3.5 million between periods due primarily to lower rates associated with outstanding borrowings under Centuri's \$590 million secured revolving credit and term loan facility.

Rates and Regulatory Proceedings

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

General Rate Relief and Rate Design

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

Arizona Jurisdiction

Arizona General Rate Case. On May 1, 2019, Southwest filed a general rate case application requesting to increase revenue by approximately \$57 million to update the cost of service to reflect recent U.S. tax reform changes, including the return of excess deferred income taxes to customers, and to reflect capital investments of approximately \$670 million, including certain post-test year additions, including the southern Arizona LNG facility discussed below. The application also included a proposed 10.3% return on equity (“ROE”) relative to a capital structure of 51.1% equity. At the time of the original filing, the Company estimated the return of approximately \$20.6 million of excess accumulated deferred income taxes (“EADIT”), which was updated through an amended filing in October 2019 to \$5.7 million in actual amortization of EADIT, known after the Company’s 2018 federal income tax return was filed in 2019. The actual amount, determined based on a prescribed methodology, is the amount that may be returned to customers. The difference of \$14.9 million would result in an increase in revenue and income tax expense, thereby having no impact on earnings overall. In association with the amendment, Southwest also included additional post-test year plant in the amount of \$124.5 million associated with its COYL and VSP programs, discussed further below. The amendment overall increased the deficiency by \$36 million, to \$93 million. Through the discovery and testimony exchanges, Southwest updated certain aspects of its cost of service, including a revised proposed ROE of 10.15%, resulting in an updated proposed increase of \$90.6 million. The updated request includes the retention of a fully decoupled rate design, other previously approved regulatory mechanisms, and a new infrastructure tracking mechanism for specific plastic pipe. It also includes a proposal for a renewable natural gas program that authorizes Southwest to purchase renewable natural gas for its customers and to recover the cost as part of its purchased gas adjustment mechanism. The original hearing date was postponed due to the COVID-19 pandemic and was convened in June and July. Prior to the start of the hearing, Southwest entered into a stipulation with the parties to the case on a number of issues. As part of the stipulation, the parties agreed to continue the COYL program; to establish a Tax Expense Adjustor Mechanism to track annual changes in the amortization of EADIT, as well as any future changes in the federal tax rate; to incorporate various tariff proposals; and to include a resolution for a 10-year amortization period for EADIT associated with deemed “unprotected” plant. EADIT associated with “protected” plant relates to timing differences from using accelerated depreciation for tax purposes and another method for book purposes, and “unprotected” amounts relate to all other timing differences. The legal briefing was completed in mid-September, with a Commission decision expected during the fourth quarter.

Delivery Charge Adjustment. The annual Delivery Charge Adjustment (“DCA”) is filed each April, which along with other reporting requirements, contemplates a rate to recover the over- or under-collected margin tracker amounts based on the balance at the end of the preceding calendar year. In the process to address the 2019 activity, in April 2020, Southwest filed a request to adjust the existing rate to consider the 14-month period of January 1, 2019 through February 29, 2020, proposing a rate of \$0.00655 per therm based on an ending balance of approximately \$3.5 million. Although Commission Staff concurred with Southwest’s proposed rate, the ACC ultimately elected to reduce the rate to zero in an effort to provide some measure of customer relief in light of current issues related to the COVID-19 pandemic, and at the time of both the April filing and the ACC decision, the balance was a liability (in an over-recovered status). Any over-or under-collection will be addressed in Southwest’s next annual filing.

Tax Reform. In February 2018, the ACC directed all Arizona utilities to address tax savings from the enactment of U.S. tax reform beginning January 1, 2018, through one of various means. In April 2018, Southwest filed an application with the ACC, requesting approval for a tax refund process or, in the alternative, the authority to file a general rate case to reflect the impacts of tax reform. Ultimately, Southwest was instructed to refund customers \$20 million annually, as compared to rate levels

established in the previously concluded general rate case, until cost-of-service rates are updated in association with the pending general rate case. The current method to return this amount (in advance of the conclusion of the current general rate proceeding) is through a per-term surcredit. Southwest has been tracking monthly differences between amounts expected to be returned and amounts actually returned to customers during 2018 and 2019, and continuing in 2020, which has resulted in an asset balance of \$2 million as of September 30, 2020.

Liquefied Natural Gas (“LNG”) Facility. In 2014, Southwest sought ACC preapproval to construct, operate, and maintain a 233,000 dekatherm LNG facility in southern Arizona. This facility is intended to enhance service reliability and flexibility related to natural gas deliveries in the southern Arizona area by providing a local storage option, to be operated by Southwest, and connected directly to its distribution system. Southwest was ultimately granted approval for construction and deferral of costs not to exceed \$80 million. The facility was placed in service in December 2019 at a capital expenditure cost of approximately \$75.3 million (including land acquisition costs), considered as part of Southwest’s pending rate case. In addition to tracking the revenue requirement associated with the capital investment in a regulatory asset, operating expenses associated with the plant are also authorized to be included in a regulatory asset, which is also being addressed as part of the pending general rate case.

Customer-Owned Yard Line (“COYL”) Program. Southwest received approval, in connection with its 2010 Arizona general rate case, to implement a program to conduct leak surveys, and if leaks were present, to replace and relocate service lines and meters for Arizona customers whose meters were set off from the customer’s home, representing a non-traditional configuration. In 2014, the ACC approved a “Phase II” of the COYL program, which included the replacement of non-leaking COYLs. The surcharge is designed to collect the annual revenue requirement as the program progresses. In the filing made in February 2019, Southwest requested to increase its surcharge to recover a revenue requirement of \$6.7 million (an increase of \$3.2 million) associated with \$26.6 million in capital projects completed in 2018. The ACC ultimately issued an Order in October 2019 authorizing Southwest to retain the existing annual surcharge of \$3.5 million, indicating it would review the program as part of the pending general rate case. As discussed above, the parties to the pending rate case stipulated to continue the COYL program. Southwest also proposed to have the ACC review an estimated \$21.1 million of 2019 COYL capital projects, and if authorized, to also render a decision regarding cost recovery as part of the pending rate case. As part of their filed testimony in the current case, the ACC Staff and the consumer advocate recommended recovery of this plant as part of Southwest’s filed post-test year plant adjustment, with inclusion of related amounts in base rates, and also expressed support for the continuation of the COYL program.

Vintage Steel Pipe (“VSP”) Program. Southwest received approval, in connection with its 2016 Arizona general rate case, to implement a VSP replacement program. Southwest currently has a substantial amount of pre-1970s vintage steel pipe in Arizona. As part of the program, Southwest proposed to start replacing the pipe on an accelerated basis and to recover the costs through an annual surcharge filing. A surcharge related thereto has been customarily designed to be revised annually as the program progresses to collect the annual revenue requirement associated with the related capital expenditures. In the most recent VSP filing, in February 2019, Southwest requested to increase its surcharge revenue by \$9.5 million (to \$11.9 million) associated with the replacement of approximately \$100 million in 2018 VSP capital projects. The ACC issued an Order in October 2019 authorizing Southwest to retain the current annual surcharge of \$2.4 million and indicated it would review the program as part of the pending rate general case. Southwest also proposed to have the ACC review an estimated \$103.4 million of 2019 VSP capital projects, and if authorized, to also render a decision regarding cost recovery as part of the pending rate case. As part of their filed testimony in the current case, the ACC Staff and the consumer advocate recommended recovery of this plant as part of Southwest’s filed post-test year plan adjustment, with inclusion of related amounts in base rates. The further continuation of the VSP is pending a decision in the current general rate proceeding.

Customer Data Modernization Initiative. Southwest has embarked on an initiative to replace its customer service system and gas transaction systems, each of which is utilized to support all Southwest service territories. Combined, these undertakings are referred to as the Customer Data Modernization Initiative (the “CDMI”). In March 2019, Southwest filed an application with the ACC seeking an accounting order which, if approved, would authorize Southwest to track and defer all costs associated with the CDMI to mitigate adverse financial implications associated with this multi-year initiative. The total cost for the CDMI is estimated at \$174 million, approximately \$96 million of which would be allocable to the Arizona rate jurisdiction. The initiative is currently expected to be completed in the first half of 2021. A hearing in this matter was held in June 2020. The legal briefing was completed in mid-September, with a Commission decision expected in the fourth quarter.

California Jurisdiction

California General Rate Case. Southwest’s existing rates became effective June 2014, and included a Post-Test Year (“PTY”) Ratemaking Mechanism, which allowed for attrition increases of 2.75% annually for 2015 through 2018, after which time new rates from a subsequent rate case cycle would have been expected to be in effect. In December 2016, Southwest filed to modify

the earlier (2014) general rate case decision to extend the rate case cycle by two years, and received CPUC approval in June 2017, including extension of the annual 2.75% PTY attrition adjustments for 2019 and 2020.

On August 30, 2019, Southwest filed the previously deferred general rate case, based on a test year of 2021, seeking authority to increase rates in its California rate jurisdictions. The proposed combined revenue increase of \$12.8 million was net of a \$10.9 million revenue reduction associated with changes from U.S. tax reform, which included the amortization of \$9.8 million (approximately \$2 million annually over five years) associated with the difference in authorized income tax expense and actual incurred income tax expense for years 2019 and 2020, which when returned will impact cash flows, but would not be expected to have an impact on earnings. Southwest has been tracking those amounts, as directed, and reserving them for return to customers. The overall revenue request also included \$1.6 million of EADIT proposed to be returned to customers each year until the amount is reset as part of a future rate case. Southwest's proposal included an ROE of 10.5%, relative to a 53% equity ratio; continuation of annual post-test year margin adjustments of 2.75%; implementation of various safety-related programs, including a targeted pipe replacement program and a meter protection program (with a combination of measures, such as snow sheds, excess flow valves, upgraded meter set piping and upgraded Encoder Receiver Transmitter protocol); as well as an expansion of the school COYL replacement program. Ahead of hearings scheduled to begin in late June, Southwest reached an agreement in principle with the Public Advocate's Office for settlement of the pending general rate case.

The agreement in principle includes a \$6.4 million total combined revenue increase with a 10% ROE, relative to a 52% equity ratio. Approximately \$4 million of the original proposed increase of \$12.8 million is associated with a North Lake Tahoe project that will not be completed by the beginning of 2021; consequently, the parties agreed to remove it from the base rate increase and instead Southwest will recover the cost of the project through a surcharge as described below. The agreement also maintains Southwest's existing 2.75% annual attrition adjustments, the continuation of the pension balancing account, and approves the proposed increase in the residential basic service charge from the existing \$5.00 to \$5.75 per month. The parties also agreed to a cumulative total of \$119 million over the five-year rate cycle to implement proposed risk-informed decision making proposals, consisting of the school COYL replacement, meter protection, and pipe replacement programs. Southwest is also authorized to implement a surcharge annually to recover the cost of these programs. The agreement in principle was filed in early August 2020, and if approved, new rates would be expected to become effective in January 2021.

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

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

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

Customer Data Modernization Initiative. On April 26, 2019, Southwest filed an application with the CPUC seeking authority to establish a two-way, interest bearing balancing account to record costs associated with the CDMI to mitigate adverse financial implications associated with this multi-year project. Approximately \$19 million of the estimated \$174 million total for the CDMI would be allocable to the California rate jurisdiction. Southwest filed a separate request to establish a memorandum account while the CPUC considered its application request to establish the two-way balancing account. Effective October 2019, the CPUC granted Southwest's memorandum account request, which would allow Southwest to track costs, including operations and maintenance costs and capital-related costs, such as depreciation, taxes, and return associated with California's portion of the CDMI. The balance tracked in the memorandum account would be transferred to the two-way balancing account, if approved. In January 2020, Southwest and the Public Advocates Office reached a settlement agreement to adopt Southwest's

Application for Authority to Implement the CDMI. The CPUC issued a final decision approving the settlement agreement as filed in July 2020. A rate to begin recovering the balance accumulated through June 30 was established and made effective September 1, 2020. This rate will be updated annually thereafter each January, beginning January 2021.

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

Nevada Jurisdiction

Nevada General Rate Case. Southwest filed a general rate case application with the PUCN in February 2020, which requested a statewide overall general rate increase of approximately \$38.3 million. The request sought an ROE of 10% relative to a proposed capital structure of 50% equity and continuation of the General Revenues Adjustment (“GRA”) mechanism (full revenue decoupling). The request also proposed the recovery of previously excluded costs attributable to several software applications. In June 2020, Southwest submitted its certification filing to update certain balances through May 31, 2020, which increased its overall proposed rate increase to \$38.5 million. Commission Staff and the Bureau of Consumer Protection filed testimony in July, recommending an overall increase of approximately \$21.6 million and approximately \$20 million, respectively. A hearing in this matter was held in August 2020, with the Commission issuing its final order on September 25, 2020. The final order provides for an authorized combined revenue increase of approximately \$23 million for northern and southern Nevada and continuation of the currently authorized 9.25% ROE with a capital structure of 49.26% equity and 50.74% debt. Southwest’s existing GRA was authorized to continue without modification. Full cost recovery of the unamortized balance of previously excluded software projects was authorized, along with the inclusion of all proposed Gas Infrastructure Replacement (“GIR”) and Mesquite Expansion projects in rate base, and full recovery of test year and certification operations and maintenance expenses associated with the CDMI project. Rates became effective in October 2020.

The previous general rate case decision, in December 2018, authorized an ROE of 9.25% relative to Southwest’s proposed capital structure of 49.66% equity applicable to both southern and northern Nevada. Rates from this earlier proceeding originally became effective in January 2019. As part of that proceeding, management filed a request for reconsideration of several rate case issues during the same month of effective rates; however, the PUCN ultimately granted no further rate relief. A modified final decision, following certain technical clarifications to calculations of the decision, resulted in a final revenue increase of \$9.2 million in southern Nevada and a revenue decrease in northern Nevada of \$2.1 million. The modified rates became effective in March 2019. Management decided to seek judicial review of the PUCN’s rate order, which was considered in January 2020. The District Court Judge deferred to the PUCN’s original findings. In March 2020, Southwest filed an appeal with the Nevada Supreme Court, which remains active; the resolution will likely take 12-24 months.

General Revenues Adjustment. The continuation of the GRA was affirmed as part of Southwest’s recently concluded general rate case, effective October 2020. Southwest makes Annual Rate Adjustment (“ARA”) filings to update rates to recover or return amounts associated with various regulatory mechanism, including the GRA. In June 2019, Southwest made its annual filing, requesting to update the GRA to reflect then existing balances in both southern and northern Nevada. This filing provided for a decrease of approximately \$8 million for an over-collected balance in southern Nevada and an increase of approximately \$2 million in northern Nevada. The proposed changes were approved, with rates effective January 2020. In May 2020, Southwest made its latest ARA filing, which proposes annualized margin decreases of \$5.3 million in southern Nevada and an increase of \$1.6 million in northern Nevada. While there is no impact to net income overall from adjustments to recovery rates associated with the related regulatory balances, operating cash flows are impacted by such changes.

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

Furthermore, a GIR rate application is generally filed each October to reset the GIR recovery surcharge rate related to previously approved and completed projects, with new rates typically becoming effective each January. On October 1, 2019, Southwest filed a rate application to reset the recovery surcharge to include cumulative deferrals through August 31, 2019. This surcharge rate became effective February 1, 2020 and is expected to result in a reduction in annual revenue of approximately \$5.3 million in southern Nevada and no incremental revenue in northern Nevada. On September 30, 2020, Southwest filed its latest rate application to reset the recovery surcharge to include cumulative deferrals through August 31, 2020. The surcharge rate is expected to result in a reduction in annual revenue of approximately \$11.8 million effective January 1, 2021.

Conservation and Energy Efficiency. The PUCN allows deferral (and later recovery) of approved conservation and energy efficiency costs, recovery rates for which are adjusted in association with ARA filings. In its June 2019 ARA filing, Southwest proposed annualized margin increases of \$3.2 million and \$880,000 in southern and northern Nevada, respectively. However, Southwest entered into a stipulation and agreement to modify these amounts to \$6.2 million and \$1.1 million in southern and northern Nevada, respectively, which reflected the recovery of a related but separate program balance to be rolled into customer rates with the same effective date. The modification was approved, and rates became effective January 2020. In its May 2020 ARA filing, Southwest proposed annualized margin decreases of \$313,000 and \$55,000 for southern and northern Nevada, respectively.

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

In November 2017, Southwest filed for preapproval of a project to extend service to Mesquite, Nevada, in accordance with the SB 151 regulations. Ultimately, the PUCN issued an order approving Southwest’s proposal for the expansion. The order approved a capital investment of approximately \$28 million and the construction of approximately 37 miles of distribution pipeline (including the approach main). The annual revenue requirement associated with the project is \$2.8 million. A volumetric rate, applicable to all southern Nevada customers (including new customers in Mesquite), was implemented in October 2019 to recover the cost. Southwest’s May 2020 ARA filing, which proposes an annualized margin increase of \$185,000, reflects the cumulative deferred revenue requirement associated with the Mesquite facilities that have been placed in service through April 30, 2020. During 2020, Southwest continued serving certain customers in Mesquite from an approved virtual pipeline network, providing temporary natural gas supply using portions of the approved distribution system and compressed natural gas. Construction of the remaining approved distribution system to bring the permanent natural gas supply to Mesquite has continued throughout 2020 and is planned to be placed in service in the fourth quarter of 2020.

In June 2019, Southwest filed for preapproval to construct the infrastructure necessary to expand natural gas service to Spring Creek, Nevada, and to implement a cost recovery methodology to timely recover the associated revenue requirement consistent with the SB 151 regulations. Expansion to the Spring Creek area near Elko, Nevada consists of a high-pressure approach main and associated regulator stations, an interior backbone, and the extension of the distribution system from the interior backbone system. The total capital investment is estimated to be \$61.9 million. A stipulation in this matter was reached with the parties and approved by the PUCN in December 2019, which largely accepted Southwest’s proposal with modifications reflected in the rate recovery allocations split amongst northern Nevada, Elko, and Spring Creek expansion customers. Construction of the initial phase of the expansion began in the third quarter of 2020, with certain customers expected to be served by the end of the fourth quarter of 2020.

Customer Data Modernization Initiative. In March 2019, Southwest filed a request seeking authority to establish a regulatory asset to defer the revenue requirement related to the CDMI to mitigate the financial attrition associated with this multi-year project. Approximately \$59 million of the estimated \$174 million cost of the CDMI would be allocable to the Nevada rate jurisdictions. A hearing on this matter was held in August 2019 and the PUCN issued its decision in September 2019, denying Southwest’s request for regulatory asset treatment, finding that a general rate case is the most appropriate venue to address such costs. In response to the PUCN’s decision, Southwest filed a Petition for Reconsideration in October 2019, which was denied. As part of Southwest’s recently approved general rate case filing, Southwest was authorized to include CDMI costs since the beginning of the test year as part of its revenue requirement in the case. The project is expected to be moved to production in 2021.

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

FERC Jurisdiction

General Rate Case. Paiute Pipeline Company (“Paiute”), a wholly owned subsidiary of Southwest, filed a general rate case with the FERC in May 2019. The filing fulfilled an obligation from the settlement agreement reached in the 2014 Paiute general rate case. In January 2020, Paiute reached an agreement in principle with the FERC Staff and intervenors to settle its general rate case. In addition to continuing the term-differentiated rate structures with its shippers, the agreement requires Paiute’s three largest transportation customers and all of its storage customers to extend their service agreements to have primary terms of at least five years. The settlement resulted in a revenue reduction of approximately \$700,000 and is based on a 9.90% pre-tax rate of return. Also, as part of this agreement, Paiute agreed not to file a rate case prior to January 1, 2022, but no later than May 31, 2025.

In January 2020, Paiute requested, and was granted, the authority to place the settlement rates into effect on an interim basis, effective February 2020. On March 30, 2020, Paiute filed the proposed settlement agreement with the FERC for review and approval. On July 6, 2020, the FERC issued a letter order approving the settlement, and the order became final on August 5, 2020.

PGA Filings

The rate schedules in all of Southwest’s service territories contain provisions that permit adjustment to rates as the cost of purchased gas changes. These deferred energy provisions and purchased gas adjustment clauses are collectively referred to as “PGA” clauses. Differences between gas costs recovered from customers and amounts paid for gas by Southwest result in over- or under-collections. As of September 30, 2020, over-collections in each of Southwest’s service territories resulted in a liability of \$76.2 million on the Company’s and Southwest’s Condensed Consolidated Balance Sheets.

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, 2020	December 31, 2019	September 30, 2019
Arizona	\$ (14,674)	\$ (59,259)	\$ (84,438)
Northern Nevada	(12,724)	11,894	11,909
Southern Nevada	(45,506)	32,518	37,895
California	(3,338)	(1,496)	(3,592)
	<u>\$ (76,242)</u>	<u>\$ (16,343)</u>	<u>\$ (38,226)</u>

Capital Resources and Liquidity

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

Cash Flows

Southwest Gas Holdings, Inc.:

Operating Cash Flows. Cash flows provided by consolidated operating activities increased \$109 million in the first nine months of 2020 as compared to the same period of 2019. The improvement in cash flows primarily resulted from collections of amounts under purchased gas adjustment mechanisms (compared to amounts refunded in the prior year), an increase in recoveries (\$45 million) related to the Arizona decoupling mechanism balance between nine-month periods, as well as an increase in net income (including giving effect to depreciation and amortization). These impacts were partially offset by a \$50 million supplemental contribution for pension funding made in January 2020 (included in Changes in other liabilities and deferred credits in the Condensed Consolidated Statements of Cash Flows of both the Company and Southwest). Utility accounts receivable collections generally are lower in the current year in light of Southwest's temporary moratorium on disconnection of service amidst the COVID-19 environment, while improvement in cash flows resulted from changes in other working capital components. Customarily, differences between amounts Southwest pays to gas suppliers and amounts included in customer rates to recover the cost of purchased gas under the purchased gas cost mechanisms have provided significant variability in operating cash flows between periods.

Investing Cash Flows. Cash used in consolidated investing activities decreased \$92 million in the first nine months of 2020 as compared to the same period of 2019. The change was primarily due to a decrease in capital expenditures in both reportable segments partly offset by a decrease in customer advances for Southwest in the first nine months of 2020. See also *Gas Segment Construction Expenditures and Financing* below. Additionally, the prior-year period included \$19.5 million for the remittance of purchase consideration previously held back in association with the 2018 Linetec acquisition.

Financing Cash Flows. Net cash provided by consolidated financing activities decreased \$170 million in the first nine months of 2020 as compared to the same period of 2019. The change was primarily due to a reduction in borrowings, and outstanding amounts, under the Company's credit facility and Southwest's long-term portion of the credit facility. Part of the net proceeds from the issuance of \$450 million in Senior Notes in June 2020 by Southwest were used to pay down its credit facility and redeem \$125 million of 4.45% Notes in September 2020. In the prior year, Southwest used a portion of the net proceeds from the \$300 million Senior Notes issued in May 2019 to reduce amounts then outstanding under its credit facility and commercial paper program. Additionally, the Company issued \$39 million more in common stock under its Equity Shelf Program in the first nine months of 2019 compared to the current period; however, dividends were higher in the current period. See **Note 4 – Common Stock** and **Note 5 – Debt**. Other outflows include the combined impacts of repayment and borrowings by Centuri under its secured credit and revolving credit facility, offset by \$70 million in equipment loan proceeds.

During the nine months ended September 30, 2020, the Company issued 130,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan, raising approximately \$9 million, similar to amounts raised in the prior year period.

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

Southwest Gas Corporation:

Operating Cash Flows. Cash flows provided by operating activities increased \$84 million in the first nine months of 2020 as compared to the same period of 2019. The improvement in operating cash flows was attributable to collections of deferred purchased gas costs and recoveries related to the Arizona decoupling mechanism noted above, as well as other working capital components overall, partially offset by the supplemental contribution for pension funding described earlier.

Investing Cash Flows. Cash used in investing activities decreased \$55 million in the first nine months of 2020 as compared to the same period of 2019. The change was primarily due to a decrease in capital expenditures in 2020 offset by a decrease in utility customer advances toward capital projects. See also *Gas Segment Construction Expenditures and Financing* below.

Financing Cash Flows. Net cash provided by financing activities decreased \$142 million in the first nine months of 2020 as compared to the same period of 2019. The decline was primarily due to the combined effects of the repayment of previously accumulated outstanding balances under Southwest's credit facility and the redemption of the \$125 million in maturing Notes; and proceeds received from the issuance of \$450 million Senior Notes in the current period, compared to the prior year issuance of \$300 million in Senior Notes and repayment activity associated with the credit facility and commercial paper program. See **Note 5 – Debt**.

Gas Segment Construction Expenditures and Financing

During the twelve-month period ended September 30, 2020, construction expenditures for the natural gas operations segment were \$717 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 \$451 million during this time, and provided approximately 55% of construction expenditures and dividend requirements.

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

As noted earlier, in June 2020, Southwest issued \$450 million aggregate principal amount of 2.20% Senior Notes at a discount of 0.126%. The notes will mature in June 2030. A portion of the net proceeds was used to reduce borrowings under Southwest's credit facility and to redeem the 4.45% \$125 million Notes that were maturing.

In May 2019, the Company filed with the SEC an automatic shelf registration statement for the offer and sale of up to \$300 million of common stock from time to time in at-the-market offerings under the prospectus included therein in accordance with the Sales Agency Agreement, dated May 8, 2019, between the Company and BNY Mellon Capital Markets, LLC (the "Equity Shelf Program"). The Company issued \$33 million under this multi-year program during the third quarter of 2020; approximately \$93 million remains available for issuance under the program as of September 30, 2020. Net proceeds from the sales of common stock under the Equity Shelf Program are intended for general corporate purposes, including the acquisition of property for the construction, completion, extension or improvement of pipeline systems and facilities located in and around the communities served by Southwest.

During the twelve months ended September 30, 2020, 1,558,421 shares were issued in at-the-market offerings at an average price of \$69.17 per share with gross proceeds of \$107.8 million, agent commissions of \$1.1 million, and net proceeds of \$106.7 million under the Company's Equity Shelf Program.

Bonus Depreciation

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

Dividend Policy

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

Liquidity

Liquidity refers to the ability of an enterprise to generate sufficient amounts of cash through its operating activities and external financing to meet its cash requirements. Several factors (some of which are out of the control of the Company) that could significantly affect liquidity in the future include: variability of natural gas prices, changes in ratemaking policies of regulatory commissions, regulatory lag, customer growth in the natural gas segment, the ability to access and obtain capital from external sources, interest rates, changes in income tax laws, pension funding requirements, inflation, and the level of earnings. Natural

gas prices and related gas cost recovery rates, as well as plant investment, have historically had the most significant impact on liquidity.

The Company remains focused on the safety and well-being of our employees and on service to our customers. The Company continues to review and assess the ongoing impacts of the COVID-19 pandemic, including those on our customers, suppliers, and business. As of September 30, 2020, the Company's Cash and cash equivalents were \$24 million, and the Company had access to \$628 million of borrowing capacity under the Company's various credit facilities, which management believes will help manage the impacts of the COVID-19 pandemic on its business and address related liquidity needs if they should arise.

On an interim basis, Southwest defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At September 30, 2020, the combined balance in the PGA accounts totaled an over-collection of \$76 million. See **PGA Filings** for more information.

Southwest Gas Holdings, Inc. has a credit facility with a borrowing capacity of \$100 million; in April 2020, the existing credit facility was amended to extend the maturity date to April 2025, while maintaining the borrowing capacity at \$100 million. This facility is intended for short-term financing needs. At September 30, 2020, \$54 million was outstanding under this facility.

Southwest has a credit facility with a borrowing capacity of \$400 million; in April 2020, Southwest amended the credit facility agreement which extended the maturity date to April 2025. The revolving borrowing capacity under the amended credit facility agreement remains at \$400 million following that amendment. Southwest designated \$150 million of the facility for long-term borrowing needs and the remaining \$250 million for working capital purposes. The maximum amount outstanding on the long-term portion of the credit facility (including a commercial paper program, as noted below) during the first nine months of 2020 was \$150 million. As of September 30, 2020, \$58 million was outstanding under the long-term portion of the facility. The maximum amount outstanding on the short-term portion of the credit facility during the first nine months of 2020 was \$194 million. As of September 30, 2020, no amount 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. It has been adequate for Southwest's working capital needs outside of funds raised through operations and other types of external financing. As indicated, any additional cash requirements would include the existing credit facility, equity contributions from the Company, and/or other external financing sources.

Southwest has a \$50 million commercial paper program. Any issuance under the commercial paper program is supported by Southwest's current revolving credit facility and, therefore, does not represent additional borrowing capacity. Any borrowing under the commercial paper program during 2020 will be designated as long-term debt. Interest rates for the commercial paper program are calculated at the current commercial paper rate during the borrowing term. At September 30, 2020, there was \$50 million outstanding under this program.

Centuri has a senior secured revolving credit and term loan facility with borrowing capacity of \$590 million (refer to **Note 5 – Debt**). The line of credit portion comprises \$325 million; associated amounts borrowed and repaid are available to be re-borrowed. The term loan facility portion has a limit of approximately \$265 million. The \$590 million credit and term loan facility expires in November 2023. It is secured by substantially all of Centuri's assets except those explicitly excluded under the terms of the agreement (including owned real estate and certain certificated vehicles). Centuri assets securing the facility at September 30, 2020 totaled \$1.4 billion. The maximum amount outstanding on the facility during the first nine months of 2020 was \$312 million, at which point \$235 million was outstanding on the term portion. As of September 30, 2020, \$60 million was outstanding on the revolving credit facility and \$231 million was outstanding on the term loan portion of the facility. Also at September 30, 2020, there was approximately \$240 million, net of letters of credit, available under the line of credit.

Interest rates for the amended credit facilities of the holding company and Southwest are calculated at either LIBOR or an "alternate base rate," plus in each case an applicable margin determined based on each entities' respective senior unsecured long-term debt rating. Upon the occurrence of certain events providing for a transition away from LIBOR, or if LIBOR is no longer a widely recognized benchmark rate, each entity may amend their respective credit facility with a replacement rate as set forth in the amended credit facility agreement. It is currently anticipated that LIBOR may be discontinued as a benchmark or reference rate after 2021. As of September 30, 2020, \$54 million, \$8 million, and \$172 million, respectively, for the holding company, Southwest, and Centuri were outstanding under credit facility arrangements with interest rates in reference to LIBOR and maturity dates extending beyond 2021. Combined, these reflect approximately 0.3% of Southwest's total debt, and 8% of total Company debt overall. In order to mitigate the impact of the discontinuation on the Company's financial condition and results of operations, management will continue to monitor developments with respect to alternative rates and work with lenders to determine the appropriate alternative reference rate for variable rate indebtedness. However, at this time the Company and Southwest can provide no assurances as to the impact a LIBOR discontinuation will have on their financial condition or results of operations. Any alternative rate may be less predictable or less attractive than LIBOR.

Forward-Looking Statements

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

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

stoppages or reduction, the result of productivity inefficiencies from regulatory requirements or otherwise, delays in commissioning individual projects, acquisitions, and management's plans related thereto, competition, our ability to raise capital in external financings, our ability to continue to remain within the ratios and other limits subject to our debt covenants, and ongoing evaluations in regard to goodwill and other intangible assets. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing and operating expenses will continue or cease to continue in future periods. For additional information on the risks associated with the Company's business, see **Item 1A. Risk Factors and Item 7A. Quantitative and Qualitative Disclosures About Market Risk** in the Annual Report on Form 10-K for the year ended December 31, 2019, and **Item 1A. Risk Factors**, as updated in association with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

Based on the most recent evaluation, as of September 30, 2020, management of Southwest Gas Holdings, Inc., including the Chief Executive Officer and Chief Financial Officer, believes the Company's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

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

Based on the most recent evaluation, as of September 30, 2020, management of Southwest Gas Corporation, including the Chief Executive Officer and Chief Financial Officer, believes Southwest's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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 10.01 - [Southwest Gas Corporation 1986 Executive Deferral Plan, amended and restated August 3, 2020.](#)
- Exhibit 10.02 - [Southwest Gas Corporation 2005 Executive Deferral Plan, amended and restated August 3, 2020.](#)
- Exhibit 10.03 - [Southwest Gas Corporation Supplemental Executive Retirement Plan, amended and restated August 3, 2020.](#)
- Exhibit 10.04 - [Southwest Gas Holdings, Inc. Management Incentive Plan, amended and and restated August 3, 2020.](#)
- Exhibit 31.01 - [Section 302 Certifications–Southwest Gas Holdings, Inc.](#)
- Exhibit 31.02 - [Section 302 Certifications–Southwest Gas Corporation](#)
- Exhibit 32.01 - [Section 906 Certifications–Southwest Gas Holdings, Inc.](#)
- Exhibit 32.02 - [Section 906 Certifications–Southwest Gas Corporation](#)
- Exhibit 101.INS - XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- Exhibit 101SCH - XBRL Schema Document
- Exhibit 101.CAL - XBRL Calculation Linkbase Document
- Exhibit 101.DEF - XBRL Definition Linkbase Document
- Exhibit 101.LAB - XBRL Label Linkbase Document
- Exhibit 101.PRE - XBRL Presentation Linkbase Document
- Exhibit 104 - Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

Southwest Gas Holdings, Inc.

(Registrant)

Date: November 5, 2020

/s/ LORI L. COLVIN

Lori L. Colvin

Vice President/Controller and Chief Accounting Officer

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

Southwest Gas Corporation

(Registrant)

Date: November 5, 2020

/s/ LORI L. COLVIN

Lori L. Colvin

Vice President/Controller and Chief Accounting Officer

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN

Effective March 1, 1986

Amended and Restated March 1, 1988

Amended and Restated March 1, 1989

Amended and Restated March 1, 1990

Amended and Restated October 29, 1992

Amended and Restated May 10, 1994

Amended and Restated Effective March 1, 1999

Amended and Restated November 19, 2002

Amended and Restated Effective December 31, 2004

Amended and Restated Effective January 1, 2009

Amended and Restated Effective December 28, 2016

Amended and Restated Effective August 3, 2020

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of key employees who contribute materially to the continued growth, development and future business success of Southwest Gas Corporation. As amended and restated herein, this Plan document applies to Account Balances (inclusive of earnings) maintained under the Plan as of December 31, 2004, all of which were fully earned and vested as of such date.

No amendment to the Plan as in effect on October 3, 2004 that would constitute a “material modification” as defined within Internal Revenue Code (“IRC” or “Code”) Section 409A and related Treasury regulations, shall be effective with respect to amounts that were deferred in taxable years beginning before January 1, 2005 (inclusive of any earnings on such deferred amounts). With the exception of earnings on Account Balances which may accrue on or after January 1, 2005 as provided in Article 4 below, and any Excess Earnings accruing on or after January 1, 2009, no further Deferrals or other contributions of any kind shall be accepted under this Plan after December 31, 2004.

ARTICLE 1.

DEFINITIONS

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- a. **“Account Balance”** means a Participant’s individual fund comprised of Deferrals, Company Contributions and interest earnings credited thereon up to the time of Benefit Distribution exclusive of Excess Earnings.
- b. **“Base Annual Salary”** means the yearly compensation paid to an Executive, excluding bonuses, commissions, overtime, and non-monetary awards for employment services to the Company.
- c. **“Beneficiary”** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A Participant may designate primary and contingent Beneficiaries.
- d. **“Benefit Account Balance”** shall have the meaning set forth in Article 5.3.
- e. **“Benefit Distribution”** means the date benefits under the Plan commence or are paid in full to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.
- f. **“Board of Directors”** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.

- g. **“Bonus”** means the portion of actual awards, if any, paid in cash under the terms of Southwest Gas Corporation’s 1993 Management Incentive Plan, as amended (“Management Incentive Plan”).
- h. **“Change in Control”** means the first to occur of any of the following events:
 - (i) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or
 - (ii) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

Notwithstanding the foregoing, any transaction immediately after which more than fifty percent (50%) of the outstanding voting securities of the Company (or the surviving or resulting entity immediately after such transaction) is, or will be, owned, directly or indirectly, by shareholders of the Company or an affiliate of the Company who own, directly or indirectly, more than fifty percent (50%) of the outstanding voting securities of the Company, determined immediately before such transaction, will not constitute a “Change in Control”. In addition, effective January 1, 2017, “Change in Control” shall, in addition to the enumerated events contained above involving the Company, the capital stock of the Company, or the board of directors of the Company, include all such enumerated events with respect to Southwest Gas Holdings, Inc., a Delaware Corporation.

- i. **“Committee”** unless and until another committee is appointed by the Board of Directors, the term “Committee” means the Southwest Gas Corporation Benefits Committee. The Committee shall manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third-Party Fiduciary.
- j. **“Company”** means Southwest Gas Corporation and such of its Subsidiaries as the Board of Directors may select to become parties to the Plan. The term “Company” shall also include any Successor Corporation.

- k. **“Company Contributions”** means the amount added, if any, to a Participant’s Account Balance in accordance with Article 3.2.
- l. **“Deferral(s)”** means the amount of Base Annual Salary and Bonus transferred to the Plan accounts. No Deferrals will be accepted into this Plan after December 31, 2004.
- m. **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.
- n. **“Excess Earnings”** means any interest accruing on a Participant’s Account Balance on or after January 1, 2009 that would itself be considered to be a right to deferred compensation (within the meaning of Code Section 409A and related Treasury regulations) rather than a right to earnings on Deferrals of compensation. For purposes of clarification, Excess Earnings shall include any earnings in excess of 100 percent of the Moody’s Rate credited to Participant Accounts on or after January 1, 2009. For purposes of Plan accounting, Excess Earnings shall be segregated from interest credited on Account Balances under Article 4 and credited to Participant Excess Earnings Accounts.
- o. **“Excess Earnings Account”** means the separate account to which a Participant’s Excess Earnings are credited.
- p. **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.
- q. **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.
- r. **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.
- s. **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to Benefit Distribution.
- t. **“Participant”** means any Executive who executes a Plan Agreement or an Employee who has been selected to participate in the Plan and who executes a Plan Agreement. No new Participants will be accepted into this Plan after December 31, 2004.
- u. **“Plan”** means the Executive Deferral Plan of the Company evidenced by this Master Plan Document.
- v. **“Plan Agreement”** means the form of written agreement which is entered into from time to time, by and between the Company and a Participant.

- w. **“Plan Year”** means the year beginning on March 1 of each year.
- x. **“Retire”** or **“Retirement”** means the severance from employment with the Company on or after attaining age 55, other than by death, disability or Termination of Employment.
- y. **“Subsidiary”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.
- z. **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- aa. **“Terminates Employment”** or **“Termination of Employment”** means the ceasing of employment with the Company, either voluntarily or involuntarily, excluding Retirement, disability or death.
- ab. **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third-Party Fiduciary Services Agreement.
- ac. **“Third Party Fiduciary Services Agreement”** means the agreement with the Third-Party Fiduciary to perform services with respect to the Plan.
- ad. **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- ae. **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- af. **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.
- ag. **“Years of Service”** means a Participant’s Benefit Service as defined in the Retirement Plan for Employees of Southwest Gas Corporation, plus service with a Successor Corporation which is not taken into account for such plan.

ARTICLE 2.

ELIGIBILITY

- a. **Selection of Participants** An Executive shall become eligible to participate in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company (unless the Board of Directors determines, at that time, that such Executive will not become eligible to participate in the Plan). The Committee in its sole discretion may select any other Employee to become eligible to participate in the Plan.

- b. **Continued Eligibility** If a Participant ceases to be an Executive and he continues as an Employee, the Committee in its sole discretion will determine whether such Employee will continue to be eligible to participate in the Plan. Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will continue to participate in the Plan.
- c. **Participant Acceptance** Once eligible to participate in the Plan, an Executive or an Employee has to complete, execute and return to the Committee a Plan Agreement to become a Participant in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee. Notwithstanding the foregoing and upon the occurrence of a Change in Control, no additional conditions regarding continued participation in the Plan may be established by the Committee or any Successor Corporation.

ARTICLE 3.

DEFERRAL COMMITMENT AND COMPANY CONTRIBUTION

- a. **Deferrals** A Participant may defer up to 100 percent of his Base Annual Salary and Bonus received during a Plan Year; provided that such Deferral exceeds \$2,000 per Plan Year. Notwithstanding the foregoing, no election shall be effective to reduce the Base Annual Salary and Bonus paid to a Participant for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Participant's Base Annual Salary and Bonus for the calendar year for (a) applicable income and employment taxes (including Federal Insurance Contributions Act tax), (b) contributions to any employee benefit plan (other than this Plan), and (c) payroll transfers, in place, prior to such elections.
- b. **Company Matching Contributions** If a Participant makes a Deferral commitment with respect to Base Annual Salary and/or Bonus, the Company will contribute an amount equal to 50 percent of such Deferral, up to a maximum of three percent of the Participant's Base Annual Salary, to the Participant's Account Balance.
- c. **Timing of Deferral Election** Prior to the commencement of each Plan Year, a Participant will (a) advise the Committee, in writing, of his Base Annual Salary Deferral commitment for the upcoming Plan Year and (b) make his Deferral commitment for any Bonus earned during the calendar year ending in such Plan Year. If a Participant fails to so advise the Committee, through no fault of the Company, he will not be permitted to defer any of his Base Annual Salary or Bonus during the upcoming Plan Year.
- d. **Exercise of Deferral Commitment** A Participant's Deferral commitment will be exercised on a per pay period basis for the portion of his Base Annual Salary that is deferred. The exercise of a Participant's Deferral commitment with respect to his Bonus will occur at the time the Bonus is paid.

- e. **Adjustment to Deferral Commitment** The Committee reserves the right to adjust any Participant's Deferral commitment during a Plan Year to ensure that a Participant's actual Deferral does not exceed the maximum allowable amount.
- f. **Deferral Elections by New Participants** In the event an Executive or an Employee becomes a Participant in the Plan during a Plan Year, such Participant may defer up to 100 percent of the remaining portion of his Base Annual Salary for the current Plan Year. Such Participant must make his Deferral commitment by advising the Committee, in writing, at the time he elects to become a Participant in the Plan.
- g. **Deferral Commitment Default** In the event a Participant defaults on his Base Annual Salary Deferral commitment, the Participant will not be allowed to make any further Deferrals during the current Plan Year and may not make any Deferrals for the subsequent Plan Year. In the event a Participant defaults on his Bonus Deferral commitment for a particular Plan Year, the Participant will not be able to defer any of his Bonus for that Plan Year or the subsequent Plan Year.
- h. **Waiver of Deferral Commitment Default** The Committee may waive for good cause the default penalty specified in Article 3.7 upon the request of the Participant.
- i. **Deferrals after December 31, 2004** Notwithstanding any provision herein to the contrary, no Deferrals or Company matching contributions will be accepted into this Plan after December 31, 2004, and no new Participants will be admitted hereunder after December 31, 2004. Excess Earnings shall continue to be credited under the Plan.

ARTICLE 4.

INTEREST, CREDITING AND VESTING

- a. **Interest Rate** A Participant's Account Balance at the start of a Plan Year and any Deferrals and Company contributions made during a Plan Year will earn, except as provided for in Article 4.2, interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's account for Deferrals and Company contributions made during the Plan Year, as if all Deferrals and contributions were made on the first day of the Plan Year.
- b. **Adjustment to Interest Rate** If a Participant Terminates Employment prior to completing five Years of Service with the Company, interest credited for all Deferrals and vested Company contributions to a Participant's Account Balance will be adjusted based on the Moody's Rate during the period he participated in the Plan.
- c. **Vesting of Company Contributions** Company contributions and interest earned on such contributions will vest to a Participant at the rate of 20 percent per Year of Service and will vest completely once a Participant has five Years of Service with the Company.
- d. **Interest Earned after December 31, 2004** Interest earned on Deferrals made on or before December 31, 2004 will be credited to the Participant's Account Balance in

accordance with this Article 4. Any such interest, exclusive of Excess Earnings, is intended to be regarded as attributable to amounts deferred under the Plan as of December 31, 2004.

ARTICLE 5.

PLAN BENEFIT PAYMENTS

- a. **Lump-Sum Payment** A Participant's Account Balance will be paid to the Participant in a lump-sum payment at the time of Benefit Distribution, unless the Participant qualifies to receive benefit payments over a specific benefit payment period.
- b. **Interest prior to Benefit Distribution** A Participant's Account Balance will earn interest under the provisions of Article 4.1 or, if applicable, Article 4.2 until the time of Benefit Distribution.
- c. **Benefit Payment Periods** If a Participant is entitled to receive Plan benefit payments over a specific benefit payment period, his Account Balance at the commencement of Benefit Distribution will be credited with an amount equal to the interest such balance would have earned assuming distribution in equal monthly installments over the specific benefit payment period, at a specified interest rate, thereby creating a Benefit Account Balance. Such Benefit Account Balance shall exclude any amounts credited to a Participant's Excess Earnings Account. The Benefit Account Balance will then be paid to the Participant in equal monthly installments over the specific benefit payment period.
- d. **Payment Prior to Benefit Distribution** If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balance shall be reduced accordingly.
- e. **Six Month Delay for Excess Earnings Account** In the case of a Retirement or Termination of Employment, Benefit Distributions from the Participant's Excess Earnings Account cannot commence until at least six months after the date of Participant's Retirement or Termination of Employment.

ARTICLE 6.

RETIREMENT AND TERMINATION BENEFIT PAYMENTS

- a. **Benefit Payment Periods; Elections** A Participant who Retires or Terminates Employment with more than five Years of Service qualifies to receive his Account Balance over a period of 120, 180 or 240 months. The Participant shall elect the payment period; provided that written notice of such election is filed with the Committee at least one year prior to his Retirement or Termination of Employment. If a Participant fails to make such election prior to the time specified, the payment period will be 240 months. A Participant will be deemed to have elected to receive his Excess Earnings Account

balance upon his Retirement or Termination of Service on the same payment schedule that is applicable to his Account Balance; provided, however, that a Participant's Excess Earnings Account shall not commence to be distributed upon a Retirement or Termination of Service that is not also a "separation from service" within the meaning of Code Section 409A of the Treasury regulations.

- b. **Changing Elections** A Participant who has made an election under this Article may subsequently revoke such election and make another election under this Article by providing written notice to the Committee; provided, however, that only the last such election or revocation in effect on the date which is one year prior to the date on which the Participant Retires or Terminates Employment shall be effective. Notwithstanding the foregoing, if a Participant Terminates Employment or Retires as a result of a Change in Control, the foregoing provisions of this Article 6 shall be applied by substituting "six months" for "one year." In the event of any such amended election, the Participant's election in effect at January 1, 2009 shall remain in effect without modification for the Excess Earnings Account.
- c. **Interest on Benefit Payments** The interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant's Excess Earnings Account.

ARTICLE 7.

PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS

- a. **Benefit Payments** Notwithstanding any elections made pursuant to Article 6, if a Participant dies while he is an employee of the Company, both his Account Balance and his Excess Earnings Account balance will be paid to his Beneficiary in equal monthly installments over the 180-month survivor benefit payment period.
- b. **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3 following the Participant's death, will be 150 percent of the Moody's Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant's Excess Earnings Account.

ARTICLE 8.

POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS

- a. **Benefit Payments** If a Participant dies after the commencement of Retirement, Termination of Employment or disability benefit payments under Articles 6 or 9 but prior to such benefits having been paid in full, the Participant's benefit payments will continue to be paid to the Participant's Beneficiary through the end of the originally awarded benefit payment period, except as provided for in Article 10.7.

ARTICLE 9.

DISABILITY BENEFIT PAYMENTS

- a. **Disability** A Participant shall be considered disabled in any of the following circumstances, as determined by the Committee in its sole discretion: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; (b) the Participant is, by any reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Company; (c) the Participant is determined to be totally disabled by the Social Security Administration; or (d) the Participant becomes eligible for and is receiving disability benefits under a long-term disability plan or program maintained by the Company, provided that the definition of “disability” applicable under such plan or program complies with the applicable requirements of the IRC.
- b. **Vesting of Company Contributions** Notwithstanding the provisions of Article 4.3, Company contributions and interest earned on such contributions will be fully vested to the Participant at the time he is determined to be disabled under this Article.
- c. **Benefit Payments During First Five Years of Service** If a Participant is disabled within the first five Years of Service with the Company, he will receive his Account Balance and Excess Earnings Account balance in a lump sum payment at Benefit Distribution.
- d. **Benefit Payments After Five Years of Service** Notwithstanding any elections made pursuant to Article 6, if a Participant is disabled after five Years of Service with the Company, his Account Balance and Excess Earnings Account balance will be paid to him in equal monthly installments over the 180-month disability payment period.
- e. **Interest on Benefit Payments** If a Participant qualifies to receive his Account Balance and Excess Earnings Account balance over the disability benefit payment period, the interest rate used to calculate the amount that will be credited to a Participant’s Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody’s Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant’s Excess Earnings Account.

ARTICLE 10.

BENEFICIARIES

- a. **Designation of Beneficiaries** A Participant shall have the right to designate any Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant’s death prior to the total distribution of his Benefit Account Balance under the Plan. If greater than 50 percent of the Benefit Account Balance is designated to a

Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Committee and will be effective only when filed with the Committee during the Participant's lifetime.

- b. **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.
- c. **Acknowledgment** The Committee shall acknowledge, in writing, receipt of each Beneficiary designation form.
- d. **Discharge of Company Obligation** The Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.
- e. **Minor or Incompetent Beneficiaries** If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- f. **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.
- g. **Payment to Beneficiary's Beneficiary** If a Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment period, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the Beneficiary's Beneficiary, if any, or to the applicable estate. The payment of the Participant's Excess Earnings Account balance shall continue to be paid through the end of the benefit payment period previously elected by the Participant or specified by the Plan. The present value of the remaining benefit payments will be calculated using the same methodology, including the same interest rate, as was used to calculate the Participant's annuity payment calculation, under Article 5.3.

ARTICLE 11.

LEAVE OF ABSENCE

- a. **Continuation of Deferral Commitment** If a Participant is authorized by the Company for any reason to take a paid leave of absence, the Participant's Deferral commitment shall remain in full force and effect.
- b. **Suspension of Deferral Commitment** If a Participant is authorized by the Company for any reason to take an unpaid leave of absence, the Participant's Deferral commitment shall be suspended until the leave of absence ends and the Participant's employment resumes.

ARTICLE 12.

GENERAL

- a. **Payment Obligation** Amounts payable to a Participant or Beneficiary shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."
- b. **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.
- c. **Furnishing Information** The Participant or Beneficiary must cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balance. Such information may include the results of a physical examination if any is required for participation in the Plan.
- d. **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 14.1) be unfunded for purposes of the Code and for the purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").
- e. **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant or Beneficiary all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

ARTICLE 13.

NO GUARANTEE OF CONTINUING EMPLOYMENT

- a. **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

ARTICLE 14.

TRUSTS

- a. **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Article 14.1 will cease upon the occurrence of a Change in Control.

ARTICLE 15.

TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- a. **Plan Amendments** The Board of Directors may, at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balance under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective March 1, 1999, no amendment or modification of this Article 15, Article 17, or Article 18 of the Plan shall be effective except to the extent the Board of Directors deems necessary or appropriate to comply with applicable law.
- b. **Plan Termination** The Board of Directors shall not terminate the Plan until all accrued benefits have been paid in full under the provisions of the Plan to the Participants and Beneficiaries.
- c. **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Committee not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to

operate and be effective for all Participants in the Plan, as of the date of such partial termination.

- d. **Change of Control** In the event of a hostile or non-negotiated Change of Control of the Company, the benefits of this Plan will become 100 percent vested for all Participants and the interest credited to a Participant's Account Balance under any provision of this Plan will be adjusted, retroactively to the date an individual became a Participant and prospectively thereafter, to 200 percent of the Moody's Rate; provided, however, that any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant's Excess Earnings Account.

ARTICLE 16.

RESTRICTIONS ON ALIENATION OF BENEFITS

- a. **Alienation of Benefits** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

ARTICLE 17.

ADMINISTRATION OF THE PLAN

- a. **Committee Duties** Except as otherwise provided in this Article 17, and subject to Article 18, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.
- b. **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third-Party Fiduciary, as provided for herein and pursuant to the terms of a Third-Party Fiduciary Services Agreement. Any Third-Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third-Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third-Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third-Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 18. The Third-Party Fiduciary may not be terminated by the Company without the consent of 50 percent of the Participants in the Plan.

- c. **Agents** In the administration of the Plan, the Committee or the Third-Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- d. **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 17.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- e. **Indemnity by Company**. The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- f. **Employer Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.
- g. **Manner and Timing of Benefit Payments** The Committee or the Third Party Fiduciary, as the case may be, may alter, at or after Benefit Distribution, the manner and time of payments to be made to a Participant or Beneficiary from that set forth herein, if requested to do so by such Participant or Beneficiary to meet existing financial hardships, which the Committee or the Third Party Fiduciary, as the case may be, determine are the same as or similar in nature to those identified in Section 1.401(k)-1(d)(2)(iv) of the Treasury regulations.

ARTICLE 18.

CLAIMS PROCEDURE

- a. **Presentation of Claims** Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a “Claimant”) may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.
- b. **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:

- (i) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (ii) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 18.3.
- c. **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third-Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third-Party Fiduciary, in its sole discretion, may grant.
- d. **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (b) such other matters as the Third Party Fiduciary deems relevant.
- e. **Claims relating to whether a Participant has incurred a Disability** Notwithstanding any other provision in Article 18, this Section 18.5 shall apply to claims made on or after April 1, 2018, the adjudication of which revolves around whether a Participant has incurred a Disability within the meaning of such term in Article 9 Section 1, "Disability". In the event a claim involves the issue of whether a Participant is Disabled, the Committee shall ensure that all claims and appeals relating to such issue are adjudicated in a manner designed to ensure the independence and impartiality of the persons involved in making the decision.
- (i) **Disability.** If a claim relates to a determination of whether a Participant is Disabled, and the claim requires an independent determination by the Committee, the Committee shall notify the Claimant of the Plan's adverse benefit determination within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim. If, due to matters beyond the control of the Plan, the Committee needs additional time to process a claim, the Claimant will be notified, within forty-five (45) days after the Committee receives the claim, of

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

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

- (1) The specific reasons for the denial;
- (2) A reference to the specific provisions of the Plan or insurance contract on which the denial is based;
- (3) Notice that the Claimant has a right to request a review of the claim denial and an explanation of the Plan's review procedures and the time limits applicable to such procedures;
- (4) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review, and a description of any time limit that applies under the Plan for bringing such an action;
- (5) A discussion of the decision, including an explanation of the basis for disagreeing with or not following
 - (a) The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
 - (b) The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and

- (c) A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.
 - (6) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;
 - (7) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
 - (8) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by Department of Labor Regulation Section 2560.503-1(m)(8)
- (iii) **Review Procedure.** If the initial claim relates to whether a Participant is Disabled, the claim requires an independent determination by the Committee, and the Committee denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Committee of the denial, as follows:
- (1) Prior to such review of the denied claim, the Claimant shall be given, free of charge, any new or additional evidence considered, relied upon, or generated by the Plan, insurer, or other person making the benefit determination in connection with the claim, or any new or additional rationale, as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give the Claimant a reasonable opportunity to respond prior to that date.
 - (2) The Committee shall respond in writing to such Claimant within forty-five (45) days after receiving the request for review. If the Committee determines that special circumstances require additional time for processing the claim, the Committee can extend the response period by an additional forty-five (45) days by notifying the Claimant in writing, prior to the end of the initial 45-day period that an additional period is required. The notice of extension must set

forth the special circumstances and the date by which the Committee expects to render its decision.

- (3) The Claimant shall be given the opportunity to submit issues and written comments to the Committee, as well as to review and receive, without charge, all relevant (as defined in applicable ERISA regulations) documents, records and other information relating to the claim. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.
- (4) In considering the review, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed by an individual or committee who did not make the initial determination that is subject of the appeal, nor by a subordinate of the individual who made the determination, and the review shall be made without deference to the initial adverse benefit determination.
- (5) If the initial adverse benefit determination was based in whole or in part on a medical judgment, the Committee will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Committee obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Committee will identify such experts.

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

- (1) The Committee's decision;
- (2) The specific reasons for the denial;
- (3) A reference to the specific provisions of the Plan or insurance contract on which the

decision is based;

- (4) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits;
- (5) A statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures;
- (6) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) which shall describe any applicable contractual limitations period that applies to the Claimant's right to bring such an action, including the calendar date on which the contractual limitations period expires for the claim;
- (7) A discussion of the decision, including an explanation of the basis for disagreeing with or not following:
 - (a) The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
 - (b) The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
 - (c) A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.
- (8) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and
- (9) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

- (v) **Exhaustion of Remedies.** A Claimant must follow the claims review procedures under this Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.
 - (vi) **Failure of Plan to Follow Procedures.** In the case of a claim with respect to whether a Participant is Disabled, if the Plan fails to strictly adhere to all the requirements of this claims procedure with respect to whether a Participant is Disabled, the Claimant is deemed to have exhausted the administrative remedies available under the Plan, and shall be entitled to pursue any available remedies under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim, except where the violation was: (i) de minimis; (ii) non-prejudicial; (iii) attributable to good cause or matters beyond the Plan's control; (iv) in the context of an ongoing good-faith exchange of information; and (v) not reflective of a pattern or practice of non-compliance. The Claimant may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its basis, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the Claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan's receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the Claimant with notice of the resubmission.
- f. **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 18 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 19.

MISCELLANEOUS

- a. **Notice** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Executive Deferral Plan
Administrative Committee (LVB-283)
P.O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street

Winston-Salem, NC 27101

- b. **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, a Participant's Beneficiary, and their assigns, heirs, executors and administrators.
- c. **Governing Laws** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- d. **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- e. **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- f. **Effect of Illegality or Invalidity** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective August 3, 2020.

SOUTHWEST GAS CORPORATION

By _____
John P. Hester
President and Chief Executive Officer

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN

Effective January 1, 2005

Amended and Restated March 1, 2008

Amended and Restated December 28, 2016

Amended and Restated August 3, 2020

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of key employees who contribute materially to the continued growth, development and future business success of Southwest Gas Corporation. The Plan is designed to comply with and shall be administered in a manner consistent with the applicable requirements of Internal Revenue Code (“IRC” or “Code”) Section 409A and related Treasury regulations. This Plan document applies to any compensation first earned and deferred on or after January 1, 2005 (inclusive of any earnings on such amounts).

ARTICLE 1.

DEFINITIONS

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- a. **“Account Balances”** means a Participant’s individual fund comprised of Deferrals, Company Contributions and interest earnings credited thereon up to the applicable Benefit Distribution Date.
- b. **“Base Annual Salary”** means the yearly compensation paid to an Executive, excluding bonuses, commissions, overtime, and non-monetary awards for employment services to the Company.
- c. **“Beneficiary”** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A participant may designate primary and contingent Beneficiaries.
- d. **“Benefit Account Balances”** shall have the meaning set forth in Article 5.1.
- e. **“Benefit Distribution Date”** means the date benefits under the Plan are first paid to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution. In the case of a Retirement or Termination of Employment, Benefit Distributions cannot commence until at least six months after the date of Participant’s Retirement or Termination of Employment.
- f. **“Board of Directors”** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.
- g. **“Bonus”** means the portion of actual awards, if any, paid in cash under the terms of the Southwest Gas Corporation 1993 Management Incentive Plan, as amended and restated (“Management Incentive Plan”).

- h. **“Change in Control”** means the first to occur of any of the following events:
- (i) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or
 - (ii) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

Notwithstanding the foregoing, any transaction immediately after which more than fifty percent (50%) of the outstanding voting securities of the Company (or the surviving or resulting entity immediately after such transaction) is, or will be, owned, directly or indirectly, by shareholders of the Company or an affiliate of the Company who own, directly or indirectly, more than fifty percent (50%) of the outstanding voting securities of the Company, determined immediately before such transaction, will not constitute a “Change in Control”. In addition, effective January 1, 2017, “Change in Control” shall, in addition to the enumerated events contained above involving the Company, the capital stock of the Company, or the board of directors of the Company, include all such enumerated events with respect to Southwest Gas Holdings, Inc., a Delaware Corporation.

- i. **“Committee”** unless and until another committee is appointed by the Board of Directors, the term “Committee” means the Southwest Gas Corporation Benefits Committee. The Committee shall manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- j. **“Company”** means Southwest Gas Corporation and such of its Subsidiaries as the Board of Directors may select to become parties to the Plan. The term “Company” shall also include any Successor Corporation.
- k. **“Company Contributions”** means the amount added, if any, to a Participant’s Account Balance in accordance with Article 3.2.

- l. **“Deferral(s)”** means the amount of Base Annual Salary and Bonus earned and deferred in accordance with the provisions of the Plan.
- m. **“Deferral Election Form”** means the form of written agreement specifying deferral elections and a payout option which is completed and executed by the Participant and submitted to the Company in a timely manner.
- n. **“Disability”** means any of the following circumstances, as determined by the Committee in its sole discretion: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; (b) the Participant is, by any reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Company; (c) the Participant is determined to be totally disabled by the Social Security Administration; or (d) the Participant becomes eligible for and is receiving disability benefits under a long-term disability plan or program maintained by the Company, provided that the definition of “disability” applicable under such plan or program complies with the applicable requirements of the IRC.
- o. **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.
- p. **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.
- q. **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.
- r. **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.
- s. **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to the Participant’s Disability, death, Retirement or Termination of Employment, whichever event is applicable.
- t. **“Participant”** means any Executive who executes a Plan Agreement or Deferral Election Form or an Employee who has been selected to participate in the Plan and who executes a Plan Agreement or Deferral Election Form.

- u. **“Plan”** means the Executive Deferral Plan of the Company evidenced by this Master Plan Document.
- v. **“Plan Agreement”** means the form of written agreement which is entered into by and between the Company and a Participant.
- w. **“Plan Year”** means the annual period beginning on March 1 of each calendar year and ending on the last day of February of the following calendar year.
- x. **“Retire”** or **“Retirement”** means a Participant’s separation from service with the Company on or after attaining age 55, other than by death, Disability or Termination of Employment.
- y. **“Subsidiary”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.
- z. **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- aa. **“Terminates Employment”** or **“Termination of Employment”** means a Participant’s voluntary or involuntary separation from service with the Company, excluding Retirement, Disability or death.
- ab. **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third-Party Fiduciary Services Agreement.
- ac. **“Third Party Fiduciary Services Agreement”** means the agreement with the Third-Party Fiduciary to perform services with respect to the Plan.
- ad. **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- ae. **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- af. **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.
- ag. **“Unforeseeable Emergency”** means an unforeseeable emergency as defined in the Code and related Treasury regulations.

- ah. **“Years of Service”** means a Participant’s Benefit Service as defined in the Retirement Plan for Employees of Southwest Gas Corporation, plus service with a Successor Corporation which is not taken into account for such plan.

ARTICLE 2.

ELIGIBILITY

- a. **Selection of Participants** An Executive shall become eligible to participate in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company, unless the Board of Directors determines, at that time, that such Executive will not be eligible to participate in the Plan. The Committee in its sole discretion may select any other Employee to become eligible to participate in the Plan. Notwithstanding the foregoing, no Executive or Employee shall be eligible to participate if he is not considered to be member of a “select group of management or highly compensated employees” as defined in the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).
- b. **Continued Eligibility** If a Participant ceases to be an Executive and he continues as an Employee, the Committee in its sole discretion will determine whether such Employee will continue to be eligible to participate in the Plan; provided, however, that any such Employee must be determined by the Committee to be a member of a “select group of management or highly compensated employees” under ERISA as a condition of his continuing eligibility to participate in the Plan. Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will continue to participate in the Plan.
- c. **Commencement of Participation; Conditions to Participation** Once eligible to participate in the Plan, an Executive or an Employee must complete, execute and return to the Company a Plan Agreement in order to commence participation in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee. Notwithstanding the foregoing and upon the occurrence of a Change in Control, no additional conditions regarding continued participation in the Plan may be established by the Committee or any Successor Corporation.

ARTICLE 3.

PARTICIPANT ELECTIONS AND COMPANY CONTRIBUTIONS

- a. **Deferrals** A Participant may defer up to 100 percent of his Base Annual Salary and Bonus received during a Plan Year; provided, that such Deferral exceeds \$2,000 per Plan Year. Notwithstanding the foregoing, no election shall be effective to reduce the Base Annual Salary and Bonus paid to a Participant for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Participant’s Base Annual Salary and Bonus for the calendar year for (a) any income and employment taxes (including Federal Insurance Contributions Act tax), (b) contributions to any

employee benefit plan (other than this Plan), and (c) payroll transfers, in place, prior to such elections.

- b. **Company Matching Contributions** If a Participant makes a Deferral election with respect to Base Annual Salary and/or Bonus, the Company will contribute an amount equal to 50 percent of such Deferral, up to a maximum of three percent of the Participant's Base Annual Salary, to the Participant's Account Balance and, effective March 1, 2008, up to a maximum of three and one-half percent of the Participant's Base Annual Salary, to the Participant's Account Balance.
- c. **Benefit Payment Periods; Irrevocable Elections** A Participant shall elect the period over which the amounts deferred under such election will be distributed to him commencing at the applicable Benefit Distribution Date. A Participant's Account Balances shall be distributed in the form of substantially-equal installment payments over a period of 120, 180 or 240 months, as elected by the Participant in accordance with this Article 3.3. Only one payout option is permitted for each Plan Year. However, a Participant is free to choose any available payout option for each subsequent Plan Year. If a Participant fails to make a valid election as to the period over which his Deferrals for a particular Plan Year will be distributed, the default distribution period for such Deferrals shall be 240 months. Payout elections are irrevocable once made.
- d. **Deadline for Deferral Elections** By December 31st of each calendar year, a Participant must submit to the Company his completed and executed Deferral Election Form for the upcoming Plan year. If a Participant fails to timely submit his Deferral Election Form, he will not be permitted to defer any of his Base Annual Salary or Bonus during the upcoming Plan Year.
- e. **Exercise of Deferral Election** A Participant's Deferral election will be exercised on a per pay period basis for the portion of his Base Annual Salary that is deferred. The exercise of a Participant's Deferral election with respect to his Bonus will occur at the time the Bonus is paid.
- f. **Deferral Elections by New Participants** When an Executive or an Employee first becomes eligible to participate in the Plan, initial Deferral elections will be permitted with respect to services performed after the elections, as long as such elections are made within 30 days after the date on which the Executive or Employee became eligible to participate in the Plan. Such Participant may defer up to 100 percent of the remaining portion of his Base Annual Salary for the current Plan year. Such Participant must submit his Plan Agreement to the Company, in writing, at the time he elects to become a Participant in the Plan. Thereafter, in the event an Executive or an Employee becomes a Participant in the Plan, such Participant may defer compensation only in accordance with Article 3.3.
- g. **Ineffective Elections** If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to

defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balances shall be reduced accordingly.

- h. **Continuation of Deferral Election** If a Participant is authorized by the Company for any reason to take a paid leave of absence, the Participant's Deferral election shall remain in full force and effect.
- i. **Suspension of Deferral Election** If a Participant is authorized by the Company for any reason to take an unpaid leave of absence, the Participant's current Deferral election shall be terminated.

ARTICLE 4.

INTEREST, CREDITING AND VESTING

- a. **Interest Rate** A Participant's Account Balances at the start of a Plan Year and any Deferrals and Company Contributions made during a Plan Year will earn, except as provided for in Article 4.2, interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's accounts for Deferrals and Company contributions made during the Plan Year, as if all Deferrals and contributions were made on the first day of the Plan Year.
- b. **Adjustment to Interest Rate** If a Participant experiences a Termination of Employment prior to completing five Years of Service with the Company, interest credited for all Deferrals and vested Company Contributions to a Participant's Account Balances will be adjusted based on the Moody's Rate during the period he participated in the Plan.
- c. **Vesting of Company Contributions** Company Contributions and interest earned on such contributions will vest to a Participant at the rate of 20 percent per Year of Service and will vest completely once a Participant has completed five Years of Service with the Company.
- d. **Interest prior to Benefit Distribution Date** A Participant's Account Balances will earn interest under the provisions of Article 4.1 or, if applicable, Article 4.2 until the applicable Benefit Distribution Date.
- e. **Interest Rate for Benefit Payment Calculation** The interest rate used to calculate the amount that will be credited to a Participant's Account Balances to determine his Benefit Account Balances under the provisions of Article 5.1, will be 150 percent of the Moody's Composite Rate.

ARTICLE 5.

PLAN BENEFIT PAYMENTS

- a. **Benefit Account Balances** A Participant's Account Balances, at the applicable Benefit Distribution Date, will be credited with an amount equal to the interest such balances

would have earned assuming distribution in equal monthly installments over the specific benefit payment periods, at a specified interest rate, thereby creating Benefit Account Balances. The Benefit Account Balances will then be paid to the Participant in equal monthly installments over the benefit payment periods previously elected by the Participant or specified by the Plan.

ARTICLE 6.

PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS

- a. **Pre-Retirement Death of Participant** Notwithstanding any elections made pursuant to Article 3.3 if a Participant dies while he is an employee of the Company, his Account Balances will be paid to his Beneficiary in equal monthly installments over the 180-month survivor benefit payment period commencing as of the applicable benefit commencement date.
- b. **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1 following the Participant's death, will be 150 percent of the Moody's Composite Rate.

ARTICLE 7.

POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS

- a. **Post-Retirement Death of Participant** If a Participant dies after the commencement of benefit payments under this Plan but prior to such benefits having been paid in full, the Participant's benefit payments will continue to be paid to the Participant's Beneficiary through the end of the benefit payment periods previously elected by the Participant.

ARTICLE 8.

DISABILITY BENEFIT PAYMENTS

- a. **Payment Following Disability** Notwithstanding any elections made pursuant to Article 3.3, if a Participant becomes Disabled within the first five Years of Service with the Company, he will receive his Benefit Account Balances in a lump sum payment on the applicable Benefit Distribution Date. If a Participant becomes Disabled after having completed five or more Years of Service with the Company, the Benefit Account Balances will be paid consistent with the benefit payout periods previously elected.
- b. **Vesting of Company Contributions** Notwithstanding the provisions of Article 4.3, Company contributions and interest earned on such contributions will be fully vested to the Participant at the time he is determined to be Disabled.
- c. **Interest on Benefit Payments** If a Participant qualifies to receive benefits due to a Disability, the interest rate used to calculate the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1, will be 150 percent of the Moody's Composite Rate.

ARTICLE 9.

BENEFICIARIES

- a. **Designation of Beneficiaries** A Participant shall have the right to designate any Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant's death prior to the total distribution of his Benefit Account Balances under the Plan. If the Participant is married and greater than 50 percent of the Benefit Account Balances is designated to a Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Company and will be effective only when filed with the Company during the Participant's lifetime. The Company shall acknowledge, in writing, receipt of each Beneficiary designation form.
- b. **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 9.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Company. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.
- c. **Discharge of Company Obligation** Both the Company and the Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company and the Committee from all further obligations with respect to the Participant's rights in the Plan.
- d. **Minor or Incompetent Beneficiaries** If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- e. **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.
- f. **Beneficiary's Beneficiaries** If a Participant's Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment periods, the Participant's benefit payments will continue to be paid through the end of the benefit payment periods previously elected by the Participant, to the Beneficiary's Beneficiary, if any, or the applicable estate.

ARTICLE 10.

GENERAL

- a. **Payment Obligation** Amounts payable to a Participant or Beneficiary shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a “rabbi trust.”
- b. **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant’s Beneficiary, except as provided in this Master Plan Document.
- c. **Furnishing Information** The Participant or Beneficiary shall cooperate in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balances.
- d. **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 10.7) be unfunded for purposes of the Code and for the purposes of Title I of ERISA.
- e. **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment under this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.
- f. **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.
- g. **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The

Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. Committee and the Board of Directors authority under the provisions of this Article 10.7 will cease upon the occurrence of a Change in Control.

- h. **No Assignment** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

ARTICLE 11.

TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- a. **Plan Amendment** To the extent permitted by the IRC and related regulations, the Board of Directors may, at any time, and without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balances under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective January 1, 2005, no amendment or modification of this Article 11, Article 12, or Article 13 of the Plan shall be effective except to the extent both the Committee and the Board of Directors deems necessary to comply with applicable law.
- b. **Plan Termination** The Board of Directors shall not terminate the Plan until all benefits owed to the Participants and Beneficiaries have been paid in full.
- c. **Bankruptcy** To the extent permitted under Code Section 409A and its related Treasury regulations, the Board of Directors shall have the authority, in its sole discretion, to terminate the Plan and distribute each Participant's Account Balances to the Participant or, if applicable, his or her Beneficiary within twelve months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(a) The total accelerated distribution under this Article 11.3 must be included in a Participant's gross income in the latest of:
 - (i) The calendar year in which the Plan is terminated;
 - (ii) The calendar year in which the Participant's Account Balances are no longer subject to a substantial risk of forfeiture; or
 - (iii) The calendar year in which distribution of the Participant's Account Balances is administratively practicable.

- d. **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Company not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination. Any such instructions and any reinstatement of the Plan shall be implemented in accordance with the IRC and related regulations.
- e. **Change in Control** Notwithstanding any provisions herein to the contrary, in the event of a hostile or non-negotiated Change in Control (as determined by the Third Party Fiduciary, in its sole discretion), the benefits of this Plan will become 100 percent vested for all Participants and the interest credited to a Participant's Account Balances under any provision of this Plan will be adjusted, retroactively to the date an individual became a Participant and prospectively thereafter, to 200 percent of the Moody's Rate.

ARTICLE 12.

ADMINISTRATION OF THE PLAN

- a. **Committee Duties** Except as otherwise provided in this Article 12, and subject to Article 13, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.
- b. **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third-Party Fiduciary, as provided for herein and pursuant to the terms of a Third-Party Fiduciary Services Agreement. Any Third-Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third-Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third-Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third-Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 13. The Third-Party Fiduciary may not be terminated by the Company without the consent of at least 50 percent of the Participants in the Plan.
- c. **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including

acting through a duly authorized representative) and may from time to time consult with counsel to the Company.

- d. **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 12.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons or entities having any interest in the Plan.
- e. **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- f. **Cooperation – Providing Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death, Disability or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.
- g. **Unforeseeable Emergencies** In the event of an Unforeseeable Emergency, the Committee or the Third Party Fiduciary, as the case may be, may in its sole discretion, permit distribution to a Participant or Beneficiary from this Plan an amount no greater than the amount necessary to satisfy the Unforeseeable Emergency plus any taxes reasonably anticipated as a result of the distribution; or permit a Participant to cancel his or her Deferral election for the applicable Plan Year in accordance with applicable Treasury regulations without an accompanying distribution from his or her Account Balances. A Participant’s current Deferral election, if any, shall automatically terminate upon such Participant’s receipt of a withdrawal under this Article 12.7 or upon such Participant’s receipt of a “hardship distribution” (within the meaning of Code Section 401(k)(2)(B)(IV) and the related Treasury regulations) under any of the Company tax-qualified retirement plans. To the extent such a Participant again becomes eligible to elect Deferrals in accordance with the terms of the Plan, any subsequent Deferral elections made by the Participant must be made in accordance with the provisions of Article 3.

ARTICLE 13.

CLAIMS PROCEDURE

- a. **Presentation of Claims** Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a “Claimant”) may deliver to the Committee a written claim for determination with respect to benefits available to such

Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.

- b. **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (i) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (ii) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 13.3.
- c. **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third-Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third-Party Fiduciary, in its sole discretion, may grant.
- d. **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.
- e. **Claims relating to whether a Participant has incurred a Disability** Notwithstanding any other provision in Article 13, this Section 13.5 shall apply to claims made on or after April 1, 2018, the adjudication of which revolves around whether a Participant has incurred a Disability within the meaning of such term in Article 1 Section 1.14, i.e., is "Disabled". In the event a claim involves the issue of whether a Participant is Disabled, the Committee shall ensure that all claims and appeals relating to such issue are adjudicated in a manner designed to ensure the independence and impartiality of the persons involved in making the decision.

(1) **Disability** If a claim relates to a determination of whether a Participant is Disabled, and the claim requires an independent determination by the Committee, the Committee shall notify the Claimant of the Plan's adverse benefit determination within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim. If, due to matters beyond the control of the Plan, the Committee needs additional time to process a claim, the Claimant will be notified, within forty-five (45) days after the Committee receives the claim, of those circumstances and of when the Committee expects to make its decision, but not beyond seventy-five (75) days. If, prior to the end of the extension period, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to one hundred five (105) days, provided that the Committee notifies the Claimant of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. The extension notice shall specifically explain the standards on which entitlement to a disability benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed from the Claimant to resolve those issues, and the Claimant shall be afforded at least forty-five (45) days within which to provide the specified information.

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

- (1) The specific reasons for the denial;
- (2) A reference to the specific provisions of the Plan or insurance contract on which the denial is based;
- (3) Notice that the Claimant has a right to request a review of the claim denial and an explanation of the Plan's review procedures and the time limits applicable to such procedures;
- (4) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review, and a description of any time limit that applies under the Plan for bringing such an action;
- (5) A discussion of the decision, including an explanation of the basis for disagreeing with or not following

- (a) The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
 - (b) The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
 - (c) A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.
- (6) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;
 - (7) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
 - (8) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by Department of Labor Regulation Section 2560.503-1(m)(8)
- (ii) **Review Procedure** If the initial claim relates to whether a Participant is Disabled, the claim requires an independent determination by the Committee, and the Committee denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Committee of the denial, as follows:
- (1) Prior to such review of the denied claim, the Claimant shall be given, free of charge, any new or additional evidence considered, relied upon, or generated by the Plan, insurer, or other person making the benefit determination in connection with the claim, or any new or additional rationale, as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit

determination on review is required to be provided, to give the Claimant a reasonable opportunity to respond prior to that date.

- (2) The Committee shall respond in writing to such Claimant within forty-five (45) days after receiving the request for review. If the Committee determines that special circumstances require additional time for processing the claim, the Committee can extend the response period by an additional forty-five (45) days by notifying the Claimant in writing, prior to the end of the initial 45-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Committee expects to render its decision.
- (3) The Claimant shall be given the opportunity to submit issues and written comments to the Committee, as well as to review and receive, without charge, all relevant (as defined in applicable ERISA regulations) documents, records and other information relating to the claim. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.
- (4) In considering the review, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed by an individual or committee who did not make the initial determination that is subject of the appeal, nor by a subordinate of the individual who made the determination, and the review shall be made without deference to the initial adverse benefit determination.
- (5) If the initial adverse benefit determination was based in whole or in part on a medical judgment, the Committee will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Committee obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Committee will identify such experts.

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

decision is based;

- (1) The Committee's decision;
- (2) The specific reasons for the denial;
- (3) A reference to the specific provisions of the Plan or insurance contract on which the
- (4) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits;
- (5) A statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures;
- (6) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) which shall describe any applicable contractual limitations period that applies to the Claimant's right to bring such an action, including the calendar date on which the contractual limitations period expires for the claim;
- (7) A discussion of the decision, including an explanation of the basis for disagreeing with or not following:
 - (a) The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
 - (b) The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
 - (c) A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.
- (8) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's

medical circumstances, or a statement that such explanation will be provided free of charge upon request; and

- (9) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

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

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

- f. **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 18 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 14.

MISCELLANEOUS

- a. **Notices** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Executive Deferral Plan
Administrative Committee (LVB-283)

P.O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street
Winston-Salem, NC 27101

- b. **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, a Participant's Beneficiary, and their assigns, heirs, executors and administrators.
- c. **Governing Law** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- d. **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- e. **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- f. **Severability** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document effective August 3, 2020.

SOUTHWEST GAS CORPORATION

By _____
John P. Hester
President and Chief Executive Officer

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective October 7, 1980

Amended March 1, 1986

Amended December 7, 1987

Amended and Restated Effective January 1, 1989

Amended January 1, 1990

Amended and Restated Effective March 5, 1991

Amended and Restated Effective March 2, 1993

Amended and Restated Effective May 10, 1994

Amended and Restated Effective March 1, 1999

Amended and Restated Effective January 1, 2005

Amended and Restated Effective December 28, 2016

Amended and Restated Effective August 3, 2020

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MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of key Employees who contribute materially to the continued growth, development and future business success of Southwest Gas Corporation. The Plan is designed to comply with and shall be administered in a manner consistent with the applicable requirements of Internal Revenue Code (“IRC” or “Code”) Section 409A and related Treasury regulations.

The plan is intended and designed to be an unfunded benefit for a select group of highly compensated key Employees and, as such, to be exempt from the fiduciary, funding, vesting and plan termination insurance provisions of the Employee Retirement Income Security Act (“ERISA”).

The Plan is also designed to eliminate reductions in benefits under the Basic Plan for those Employees who have participated in the Company’s Executive Deferral Plans and do not qualify for the full scope of benefits under the Basic Plan.

ARTICLE 1.

DEFINITIONS

In the event there is a conflict in the meaning of any defined terms used in this Plan because of the reference to the Basic Plan, the definition contained in the Basic Plan shall prevail. For purposes hereof, unless otherwise clearly apparent from the context, the following words and phrases listed below shall be defined as follows:

- a. **“Affiliate”** means any corporation, partnership, or other organization which, during any period of a Participant’s employment, was at least 50 percent controlled by the Company or an affiliate of the Company.
- b. **“Average Earnings”** means the twelve-month average of the highest consecutive 36 months of Earnings with the Company and its successors and assigns.
- c. **“Basic Plan”** means the qualified defined benefit retirement plans of the Company and/or PriMerit Bank, its former Affiliate, in effect prior to a Change in Control, whether maintained by the Company, PriMerit Bank or their successor or assigns.
- d. **“Basic Plan Benefits”** means the amount of benefit payable from the Basic Plan to a Participant, including benefits payable from any employer funded defined benefit plan of any of the Company’s successors or assigns, in the form of a straight life annuity.

e. **“Board of Directors”** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.

f. **“Change in Control”** means the first to occur of any of the following events:

(1) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or

(2) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this definition) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

Notwithstanding the foregoing, any transaction immediately after which more than fifty percent (50%) of the outstanding voting securities of the Company (or the surviving or resulting entity immediately after such transaction) is, or will be, owned, directly or indirectly, by shareholders of the Company or an affiliate of the Company who own, directly or indirectly, more than fifty percent (50%) of the outstanding voting securities of the Company, determined immediately before such transaction, will not constitute a “Change in Control”. In addition, effective January 1, 2017, “Change in Control” shall, in addition to the enumerated events contained above involving the Company, the capital stock of the Company, or the board of directors of the Company, include all such enumerated events with respect to Southwest Gas Holdings, Inc., a Delaware Corporation.

g. **“Committee”** unless and until the Board of Directors appoints a different committee, the term “Committee” means the Southwest Gas Corporation Benefits Committee. The Committee shall manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third-Party Fiduciary.

h. **“Company”** means Southwest Gas Corporation and such of its Affiliates as the Board of Directors may select to become parties to the Plan. The term “Company” shall also include any Successor Corporation.

i. **“Continuous Service”** means a Participant’s Benefit Service with the Company as defined in the Basic Plan.

j. **“Disability”** means any of the following circumstances, as determined by the Committee in its sole discretion: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; (b) the Participant is, by any reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Company; (c) the Participant is determined to be totally disabled by the Social Security Administration; or (d) the Participant becomes eligible for and is receiving disability benefits under a long-term disability plan or program maintained by the Company, provided that the definition of “disability” applicable under such plan or program complies with the applicable requirements of the IRC.

k. **“Earnings”** means the yearly compensation paid to a Participant, including salary deferrals, but excluding bonuses, commissions, overtime, and nonmonetary awards for employment services to the Company.

l. **“Eligible Spouse”** means the surviving spouse of a Participant as defined in the Basic Plan.

m. **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.

n. **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.

o. **“Executive Deferral Plan”** or “Executive Deferral Plans” means either or both of the Southwest Gas Corporation Executive Deferral Plans as effective January 1, 2005 and as they may be amended from time to time thereafter.

p. **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.

q. **“Participant”** means any Executive or any Employee who is a participant in the Executive Deferral Plan prior to the occurrence of a Change in Control.

r. **“Plan”** means the Supplemental Retirement Plan of the Company evidenced by this Master Plan Document.

s. **“Retire” or “Retirement”** means a Participant’s separation from service with the Company on or after attaining age 55, other than by death, Disability or Termination of Employment.

t. **“Senior Officer”** means an officer of the Company with the title “Senior Vice President” or an officer of equivalent or higher rank.

u. **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.

v. **“Termination of Employment”** means a Participant’s voluntary or involuntary separation from service with the Company, excluding Retirement, Disability or death.

w. **“Third Party Fiduciary”** means an independent third party selected by the Committee, to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third-Party Fiduciary Services Agreement.

x. **“Third Party Fiduciary Services Agreement”** means the agreement with the Third-Party Fiduciary to perform services with respect to the Plan.

y. **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.

z. **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.

aa. **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.

ARTICLE 2.

ELIGIBILITY FOR PARTICIPATION AND BENEFITS

a. **Selection of Participants – Executives** An Executive shall become a Participant in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company (unless the Board of Directors determines, at that time, that such Executive will not be eligible to participate in the Plan).

b. **Selection of Participants – Employees** Any Employee who is a participant in the Executive Deferral Plan shall also be a Participant in this Plan as of the effective date of his selection to participate in the Executive Deferral Plan.

c. **Normal Retirement – Any Participant** A Participant with 20 or more years of Continuous Service will be eligible to Retire and receive benefits under the Plan upon and after attaining age 55.

d. **Senior Officers – Less Than 20 Years of Service** A Senior Officer with ten or more years of Continuous Service will be eligible to Retire and receive benefits under the Plan upon and after attaining age 65.

e. **Limited Benefit** A Participant who is vested under the Basic Plan, but who fails to satisfy the requirements of Articles 2.3 or 2.4, is eligible to receive benefits only under the provisions of Article 3.3 of the Plan.

f. **Forfeiture** Notwithstanding any provision herein to the contrary, if a Participant or Eligible Spouse who is receiving, or may be entitled to receive, a benefit hereunder engages in competition with the Company (without the Board of Directors' prior written authorization), or is discharged for cause, or performs acts of willful malfeasance or gross negligence in a matter of material importance to the Company, payments thereafter payable hereunder to such Participant or such Eligible Spouse will, at the Board of Directors' discretion, be forfeited and the Company will have no further obligation to such Participant or Eligible Spouse. This Article 2.6 shall not apply after a Change in Control.

ARTICLE 3.

AMOUNT AND FORM OF RETIREMENT BENEFIT

a. **Amount of Normal Benefit** The annual normal benefit payable to a Participant upon his Retirement will be equal to 50 percent (60 percent for Senior Officers) of the Participant's Average Earnings, less any Basic Plan Benefits.

b. **Early Retirement** If a Participant qualifies for benefits under Article 2.3 of the Plan and retires before age 60, the benefits he receives under the provisions of Article 3.1 will be reduced in the same manner as the benefits under the Basic Plan are adjusted for early retirement.

c. **Limited Benefit** The annual limited benefit payable to a Participant who only satisfies the provisions of Article 2.5 of the Plan will be the benefit payable under the Basic Plan as if compensation, as defined in the Basic Plan, includes compensation deferred under the Executive Deferral Plans (excluding any incentive or bonus) and without regard to any statutory limitation on the compensation that can be considered under the Basic Plan, less any Basic Plan Benefits.

d. **Single Life Annuity** The benefits determined under this Plan will be payable in the form of a single life annuity except as Article 5 otherwise provides.

ARTICLE 4.

PAYMENT OF RETIREMENT BENEFITS

a. **Timing of Payment** One-half of the annual benefit determined in accordance with Article 3, plus interest, will be payable on the first day of the month following the six-month anniversary of the Participant's Retirement. Thereafter, one-twelfth of the annual benefit determined in accordance with Article 3 will be paid on the first day of each succeeding month.

The last benefit payment will be paid on the first day of the month in which the retired Participant dies unless otherwise provided in accordance with Article 5 of the Plan.

For those Participants terminating employment after January 1, 2005 who only qualify for limited benefits under Article 3.3, annual benefits will commence at age 65, or six months after Termination of Service, whichever is later.

b. **Interest Rate** For purposes of this Article 4, interest shall be calculated using the “Moody’s Rate” as defined the Executive Deferral Plan Master Plan Document.

ARTICLE 5.

DEATH BENEFITS PAYABLE

a. **Pre-Retirement Death of Participant** If a Participant dies before Retirement, the Eligible Spouse will receive a death benefit equal to 50 percent of the amount of the Participant’s benefit under the Plan, determined in accordance with Article 3 as if the Participant had retired and begun receiving a benefit in accordance with Article 4 on the first day of the month before the date of his death. Payment of the death benefit to an Eligible Spouse will commence on the first day of the month next following the month during which the Participant dies.

b. **Post-Retirement Death of Participant** If a Participant dies after Retirement, the Eligible Spouse will receive a benefit equal to 50 percent of the benefit the Participant was otherwise eligible to receive under the Plan.

If a Participant dies during the six month period following Retirement and prior to receiving any benefits under the Plan, the Eligible Spouse (or, if there is no Eligible Spouse, the Participant’s estate or an alternate recipient, as directed by the Participant) will also receive the accrued but unpaid portion of the delayed six month payment plus interest determined in accordance with Article 4.2 above.

c. **Other Death Benefits** If a Participant dies before becoming eligible for Retirement as provided for in Articles 2.3 or 2.4 of the Plan, any benefits available to the Eligible Spouse under this Plan will be determined using compensation as defined in Article 3.3 of the Plan less any Basic Plan Benefits. Payment of the death benefit to an Eligible Spouse will commence on the first day of the month next following the month during which the Participant dies.

d. **Death Benefits – Disabled Participant** If a disabled Participant should die while receiving benefits in accordance with Article 6, such Participant’s Eligible Spouse will receive a benefit equal to 50 percent of the benefit the Participant was receiving under the Plan at the time of his death.

e. **Adjustments** If an Eligible Spouse is less than age 50 and is more than five years younger than the Participant at the time of the Participant’s death, the Eligible Spouse benefit described in this Article 5, will be reduced by two percent for each full year over the five years by which such Eligible Spouse is younger than the Participant.

f. **Payment of Death Benefits** Eligible Spouse benefits described in this Article 5 will commence on the first day of the month following the Participant's death and continue on the first of each succeeding month, and end on the first day of the month in which the Eligible Spouse dies. No further benefits under this Plan will be payable after the deaths of both the Participant and the Eligible Spouse.

g. **No Eligible Spouse** If, on the date of death, a Participant has no Eligible Spouse, no benefits will be payable after the death of the Participant.

ARTICLE 6.

DISABILITY BENEFITS

a. **Eligibility for Disability** Notwithstanding the provisions of Articles 2.3 or 2.4, if the Committee determines that a Participant has become Disabled before attaining age 65, the Participant shall be entitled to receive a Disability benefit under this Plan.

b. **Disability Benefit** A Participant's annual Disability benefit will be equal to 50 percent (60 percent for Senior Officers) of the Participant's Average Earnings less any benefits payable under the Company's salary continuation and long-term disability plans and less any Basic Plan Benefits.

c. **Benefit Payment** Disability benefits will be payable on the same basis as Retirement benefits under Article 4 of the Plan. The last payment will occur on the earlier of the first day of the month during which the Participant ceases to be Disabled, as determined solely by the Committee, or the Participant dies.

d. **Death Benefit** If a Disabled Participant dies, a death benefit will be paid to the Eligible Spouse as provided in Article 5.4.

e. **Supporting Documentation** The Committee may require, no more frequently than once in any calendar year, that a disabled Participant submit medical evidence of continuing Disability satisfactory to the Committee. The Committee may discontinue a Disability benefit after considering such evidence or lack thereof.

f. **Determination of Continuous Service While Disabled** If a Participant is determined to no longer be Disabled, the period of time he was Disabled will be added to his continuous service for the purpose of determining further benefit eligibility under the Plan.

ARTICLE 7.

GENERAL

a. **Payment Obligation** Amounts payable to a Participant or Eligible Spouse shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."

b. **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or Eligible Spouse, except as provided in this Master Plan Document.

c. **Furnishing Information** The Participant or Eligible Spouse must cooperate in furnishing all information requested by the Company to facilitate the payment of Plan benefits.

d. **Unsecured General Creditor** Participants and Eligible Spouses, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company assets, shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company obligations under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Eligible Spouses shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 8) be unfunded for purposes of the Code and for the purposes of ERISA.

e. **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant or Eligible Spouse all taxes which are required to be withheld by the Company in respect to such payment under this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

f. **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

g. **No Assignment** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment, or encumbrances of any kind.

ARTICLE 8.

TRUSTS

a. **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA), the power to manage and

control the Trust Fund. The Committee and the Board of Directors authority under the provisions of this Article 8 will cease upon the occurrence of a Change in Control.

ARTICLE 9.

TERMINATION, SUSPENSION OR AMENDMENT

a. **Plan Amendment** Subject to the limits in this Section 9.1(b), to the extent permitted by the IRC and related regulations, the Board of Directors may, at any time and without notice, amend or modify the Plan or by resolution reduce the eligibility requirements or increase the benefits for an individual Participant at any time or from time to time, in whole or in part; provided, however, that no amendment or modification will affect or reduce (i) the rights and benefits available to Participants under terms of the Plan as in effect at the time of their selection and during their participation in the Plan, (ii) the rights of an Eligible Spouse to receive death benefits in accordance with this Plan, (iii) the continued accrual of benefits under the Plan on terms at least as favorable as the terms of the Plan applicable to each Participant in effect immediately prior to a Change in Control, taking into account Earnings and employment service after such an event, or (iv) a retired Participant's right or the right of an Eligible Spouse to continue to receive a benefit in accordance with this Plan as in effect on the date such Participant began to receive a benefit under this Plan; and (b) effective January 1, 2005, no amendment or modification of this Article 9, Article 10 or Article 11 of the Plan shall be effective except to the extent both the Committee and the Board of Directors deem necessary to comply with applicable law.

b. **Plan Termination** The Board of Directors shall not terminate the Plan until all benefits have been paid in full under the provisions of the Plan to the Participants and Eligible Spouses.

c. **Bankruptcy** To the extent permitted under Code Section 409A and its related Treasury regulations, the Board of Directors shall have the authority, in its sole discretion, to terminate the Plan and distribute each Participant's benefits to the Participant or, if applicable, the Eligible Spouse, within twelve months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(a). The total accelerated distribution under this Article 9.3 must be included in a Participant's gross income in the latest of:

- (1) The calendar year in which the Plan is terminated;
- (2) The calendar year in which the amount of the benefits are no longer subject to a substantial risk of forfeiture; or
- (3) The calendar year in which distribution of the benefits is administratively practicable.

ARTICLE 10.

ADMINISTRATION OF THE PLAN

a. **Committee Duties** Except as otherwise provided in this Article 10, and subject to Article 11, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

b. **Administration after a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third-Party Fiduciary, as provided for herein and pursuant to the terms of a Third-Party Fiduciary Services Agreement. Any Third-Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third-Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third-Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third-Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 11. The Third-Party Fiduciary may not be terminated by the Company without the consent of at least 50 percent of the Participants in the Plan.

c. **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.

d. **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 10.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

e. **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.

f. **Cooperation – Providing Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Service, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

ARTICLE 11.

CLAIMS PROCEDURE

a. **Presentation of Claims** Any Participant or Eligible Spouse (such being referred to below as a “Claimant”) may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.

b. **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:

(1) That the Claimant’s requested determination has been made, and that the claim has been allowed in full; or

(2) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant’s requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 11.3.

c. **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant’s duly authorized representative) may file with the Third-Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant’s duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third-Party Fiduciary, in its sole discretion, may grant.

d. **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary’s decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.

e. **Claims relating to whether a Participant has incurred a Disability** Notwithstanding any other provision in Article 11, this Section 11.6 shall apply to claims made on or after April 1, 2018, the adjudication of which revolves around whether a Participant has incurred a Disability within the meaning of such term in Article 1 Section 1.10, i.e., is “Disabled”. In the event a claim involves the issue of whether a Participant is Disabled, the Committee shall ensure that all claims and appeals relating to such issue are adjudicated in a manner designed to ensure the independence and impartiality of the persons involved in making the decision.

(1) **Disability** If a claim relates to a determination of whether a Participant is Disabled, and the claim requires an independent determination by the Committee, the Committee shall notify the Claimant of the Plan’s adverse benefit determination within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim. If, due to matters beyond the control of the Plan, the Committee needs additional time to process a claim, the Claimant will be notified, within forty-five (45) days after the Committee receives the claim, of those circumstances and of when the Committee expects to make its decision, but not beyond seventy-five (75) days. If, prior to the end of the extension period, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to one hundred five (105) days, provided that the Committee notifies the Claimant of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. The extension notice shall specifically explain the standards on which entitlement to a disability benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed from the Claimant to resolve those issues, and the Claimant shall be afforded at least forty-five (45) days within which to provide the specified information.

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

- (a) The specific reasons for the denial;
- (b) A reference to the specific provisions of the Plan or insurance contract on which the denial is based;
- (c) Notice that the Claimant has a right to request a review of the claim denial and an explanation of the Plan’s review procedures and the time limits applicable to such procedures;
- (d) A statement of the Claimant’s right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review, and a description of any time limit that applies under the Plan for bringing such an action;
- (e) A discussion of the decision, including an explanation of the basis for disagreeing with or not following:

(i) The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;

(ii) The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and

(iii) A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.

(f) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;

(g) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and

(h) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by Department of Labor Regulation Section 2560.503-1(m)(8).

(3) **Review Procedure** If the initial claim relates to whether a Participant is Disabled, the claim requires an independent determination by the Committee, and the Committee denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Committee of the denial, as follows:

(a) Prior to such review of the denied claim, the Claimant shall be given, free of charge, any new or additional evidence considered, relied upon, or generated by the Plan, insurer, or other person making the benefit determination in connection with the claim, or any new or additional rationale, as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give the Claimant a reasonable opportunity to respond prior to that date.

(b) The Committee shall respond in writing to such Claimant within forty-five (45) days after receiving the request for review. If the Committee determines that special circumstances require additional time for processing the claim, the Committee can extend the response period by an additional forty-five (45) days by notifying the Claimant in writing, prior to the end of the initial 45-day period that an additional period is required. The

notice of extension must set forth the special circumstances and the date by which the Committee expects to render its decision.

(c) The Claimant shall be given the opportunity to submit issues and written comments to the Committee, as well as to review and receive, without charge, all relevant (as defined in applicable ERISA regulations) documents, records and other information relating to the claim. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.

(d) In considering the review, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed by an individual or committee who did not make the initial determination that is subject of the appeal, nor by a subordinate of the individual who made the determination, and the review shall be made without deference to the initial adverse benefit determination.

(e) If the initial adverse benefit determination was based in whole or in part on a medical judgment, the Committee will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Committee obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Committee will identify such experts.

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

- (a) The Committee's decision;
- (b) The specific reasons for the denial;
- (c) A reference to the specific provisions of the Plan or insurance contract on which the decision is based;
- (d) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits;

(e) A statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures;

(f) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) which shall describe any applicable contractual limitations period that applies to the Claimant's right to bring such an action, including the calendar date on which the contractual limitations period expires for the claim;

(g) A discussion of the decision, including an explanation of the basis for disagreeing with or not following:

(i) The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;

(ii) The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and

(iii) A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.

(h) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and

(i) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

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

(6) **Failure of Plan to Follow Procedures** In the case of a claim with respect to whether a Participant is Disabled, if the Plan fails to strictly adhere to all the requirements of this claims procedure with respect to whether a Participant is Disabled, the Claimant is deemed to have exhausted the administrative remedies available under the Plan, and shall be entitled to pursue any available remedies under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim, except where the violation was: (i) de minimis; (ii) non-prejudicial; (iii) attributable to good cause or matters beyond the Plan's control; (iv) in the context of an ongoing good-faith exchange of information; and (v) not reflective of a pattern or practice of non-compliance. The Claimant

may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its basis, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the Claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan's receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the Claimant with notice of the resubmission.

f. **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 11 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 12.

MISCELLANEOUS

a. **Conflicts of Interest** No Participant will participate in an action of the Committee or the Board of Directors on a matter that solely applies to that Participant. Such matters will be determined by a majority of the rest of the Committee or the Board of Directors.

b. **Plan Documents** Each Participant will receive a copy of this Plan and the Company will make available for any Participant's inspection a copy of the rules and regulations used in administering the Plan.

c. **Governing Law** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.

d. **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, the Eligible Spouse, and their assigns, heirs, executors, and administrators.

e. **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.

f. **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.

g. **Severability** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

h. **Notices** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Supplemental Retirement Plan

Compensation Committee (LVB-283)
P.O. Box 98510
Las Vegas, NV 89193-8510
and

Wachovia Bank, N.A.

One West Fourth Street
Winston-Salem, NC 27101

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective August 3, 2020.

SOUTHWEST GAS CORPORATION

By _____
John P. Hester
President and Chief Executive Officer

SOUTHWEST GAS HOLDINGS, INC.
MANAGEMENT INCENTIVE PLAN

Effective May 12, 1993
Amended and Restated May 10, 1994
Amended and Restated January 1, 1995
Amended and Restated January 1, 2002
Amended and Restated January 1, 2004
Amended and Restated Effective January 1, 2009
Amended and Restated Effective January 20, 2009
Amended and Restated Effective May 6, 2009
Amended and Restated Effective February 26, 2014
Amended and Restated Effective February 23, 2017
Amended and Restated Effective August 3, 2020

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SOUTHWEST GAS HOLDINGS, INC.

Management Incentive Plan

1. Purpose of the Plan.

This Management Incentive Plan, revised and restated effective August 3, 2020, is intended to replace the existing Southwest Gas Holdings, Inc. Management Incentive Plan and encourage a selected group of highly compensated or management employees of the Company to remain in its employment and to put forth maximum efforts to achieve the Company's short- and long-term performance goals. Beginning with performance periods beginning on and after January 1, 2018, the Plan shall be a subplan of the Omnibus Plan.

2. Definitions.

(a) "Actual Award" means the dollar amount earned by a Participant on the basis of the performance of the Company during the annual Performance Period.

(b) "Annual Base Salary" means the calendar year-end rate of compensation paid to a Key Employee, including salary deferrals, but excluding bonuses, incentives, commissions, overtime, monetary and nonmonetary awards for employment service to the Company or payments or Company contributions to or from this Plan or any other Company retirement or deferred compensation, or similar plans.

(c) "Annual Performance Measures" shall mean the performance criteria used by the Committee in determining the performance of the Company for the purpose of calculating Actual Awards for Participants earned under the Plan during a Performance Period.

(d) "Award Conversion" means the division of Actual Awards earned into two portions:

(i) A portion payable in cash as soon as the Committee deems practicable following the end of the annual Performance Period.

(ii) A portion converted into Performance Shares and subject to a Restriction Period.

(e) "Award Conversion Date" means the day that occurs in the first two and one-half calendar months following the end of a Performance Period on which the Committee performs the Award Conversion on Actual Awards for such Performance Period.

(f) "Beneficiary" means the person or persons designated pursuant to Section 8(g) as eligible to receive a Participant's unpaid Plan benefits in the event of the Participant's death.

(g) "Benefits Committee" means the committee serving as the plan administrator of the Southwest Gas Corporation Employees' Investment Plan, or any successor thereto.

(h) "Board" or "Board of Directors" means the Board of Directors of Southwest Gas Holdings, Inc.

(i) "Code" means the Internal Revenue Code of 1986, as amended.

(j) "Committee" means the Compensation Committee of the Board of Directors, or any successor thereto.

(k) "Common Stock" means the common stock of Southwest Gas Holdings, Inc.

(l) "Company" means Southwest Gas Holdings, Inc. and its present and future subsidiaries and any successors thereto (including, as applicable, Southwest Gas Corporation).

(m) "Determination Date" means as to any Performance Period: (i) the first day of the Performance Period; or (ii) if later, the latest date possible which will not jeopardize the Plan's qualification as performance-based compensation under Code Section 162(m).

(n) "Disability" or "Disabled". A Participant shall be considered to be "Disabled" or to have incurred a "Disability" if he or she qualifies for a disability benefit from the entity employing the Participant or the entity to which the Participant provides services group long-term disability plan and incurs a Separation From Service. The Committee, in its sole and absolute discretion, may determine that a Participant is Disabled for purposes of this Plan.

(o) "Dividend Credits" means the additional Performance Shares determined as set forth in Plan Section 7(d) calculated for each Restriction Period for the Participant's Performance Shares subject to such period.

(p) "Employee" means any person who is a regular full-time employee of the Company, including those who are officers or Board Members.

(q) "Fiscal Year" means the Fiscal Year of the Company beginning each January 1 and ending the following December 31.

(r) "Incentive Award Opportunity" means the range of an Actual Award available to each Participant in this Plan for a given Performance Period.

(s) "Involuntary Termination Without Cause" means a Participant's Separation From Service (i) due to reorganization, downsizing, restructuring or layoff, and (ii) not due to what the Committee determines was, in its sole and absolute discretion, either the Participant's inability to adequately perform his or her job, a violation of Company work rules or policies, or misconduct that the Committee determines is detrimental to the Company's best interests.

(t) "Key Employee" means a management or highly compensated Employee of the Company who the Committee determines to (i) have a direct and significant impact on the performance of the Company, and (ii) has a position or compensation that allows him or her to affect or influence, through negotiation or otherwise, the design or operation of this Plan so as to eliminate the Employee's need for the substantive rights and protections of Title I of the Employee Retirement Income Security Act of 1974.

(u) "Omnibus Plan" means the Southwest Gas Holdings, Inc. Omnibus Incentive Plan.

(v) "Participant" means a Key Employee who, in the Committee's sole and absolute discretion, is determined to be eligible to receive an Incentive Award Opportunity under this Plan.

(w) "Payment Period" means the first two and one-half months following the end of a Performance Period.

(x) "Peer Group" means the companies comprising the group against which the Committee assesses the performance of the company for the purposes of determining Actual Awards earned, or for modifying the number of shares of Common Stock that are payable to Participants following the end of a Restriction Period.

(y) "Performance Period" means a period of twelve (12) months corresponding to the Company's Fiscal Year and for which the Company's performance is assessed by the Committee for the purpose of determining Actual Awards earned.

(z) "Performance Share" means a hypothetical share of Common Stock that will be converted into, and paid out, as a share of Common Stock only if all restrictions and conditions set forth in this Plan have been satisfied. The Performance Share carries no voting rights but does entitle the Participant to receive Dividend Credits determinable under Plan Section 7(d).

(aa) "Performance Shares Payment Period" means the first two and one-half months following the end of a Restriction Period.

(ab) "Plan" means the Southwest Gas Holdings, Inc. Management Incentive Plan as set forth herein and as amended from time to time.

(ac) "Restriction Period" means, with respect to each grant of Performance Shares to a Participant, a period set by the Committee prior to the beginning of the Performance Period or otherwise of at least thirty-six (36) consecutive calendar months beginning with the Award Conversion Date applicable to such shares.

(ad) "Retire" or "Retirement" means a Participant's Separation From Service on or after the Participant has attained his or her early retirement date, normal retirement date, or deferred retirement date as defined in the Retirement Plan for Employees of Southwest Gas Corporation (or such other Retirement Plan applicable to a Participant if the Participant is providing services to a subsidiary other than Southwest Gas Corporation and the Participant does not participate in the Retirement Plan for Employees of Southwest Gas Corporation), as amended and in effect from time to time.

(ae) "Section 409A" or "Code Section 409A" means Section 409A of the Internal Revenue Code and the rules and regulations with respect thereto.

(af) "Section 162(m)" or "Code Section 162(m)" means Section 162(m) of the Internal Revenue Code and the rules and regulations with respect thereto.

(ag) "Separation From Service" means the termination of a Participant's employment by the Company if the Participant dies, retires, or otherwise has a termination of employment with the Company; provided, that Participant's employment relationship is treated as continuing intact while on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months or longer, and if Participant's right to reemployment is provided either by statute or by contract. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for the Company. If the period of leave exceeds six months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment, or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. For purposes of this paragraph, the term "Company" includes all other organizations that together with the Company are part of the Code Section 414(b-c) control group of organizations. Whether a Participant has incurred a Separation From Service shall be determined based in accordance with the Code Section 409A. Additionally, if a Participant ceases to work as an

Employee, but is retained to provide services as an independent contractor of the Company, the determination of whether the Participant has incurred a Separation From Service shall be determined based in accordance with Code Section 409A.

(ah) "Target Award" means the Incentive Award Opportunity available to each Participant if all Performance Measures for a Performance Period are fully met but not exceeded.

3. Administration.

(a) The Plan shall be administered by non-Employee members of the Committee, which shall be composed of not less than three members of the Board of Directors. The non-Employee members of the Committee chosen to administer the Plan shall not have received an award under this Plan or any plan preceding this Plan within the last calendar year. The Board of Directors may designate alternate members of the Committee from non-Employee Board members who satisfy the above criteria to act in the place and stead of any absent member of the Committee.

(b) The Committee shall have full and final authority to operate, manage, and administer the Plan on behalf of the Company. This authority includes but is not limited to the following:

- (i) Determination of eligibility for participation in the Plan;
- (ii) Determination of Actual Awards earned and the Award Conversion of the Actual Awards;
- (iii) Payment of Actual Awards that have become nonforfeitable;
- (iv) Directing the Company to make the accruals and payments provided for by the Plan;
- (v) Interpretation of the Plan and the resolution of any inconsistent or conflicting Plan language as well as factual or nonfactual questions regarding a Participant's eligibility for, and the amount of, benefits payable under the Plan;
- (vi) Power to prescribe, amend, or rescind rules and regulations relating to the Plan;
- (vii) Power to determine the vesting schedules, if any, for all awards;
- (viii) Powers prescribed to the Committee elsewhere in the Plan; and
- (ix) Power to construe and interpret the Plan to the maximum extent possible to comply with applicable law, including Code Sections 162(m) and 409A.

(c) With respect to Incentive Award Opportunities and Actual Awards earned, the Committee shall have full and final authority in its sole and absolute discretion to determine the Incentive Award Opportunities for individual Participants; determine the time or times at which Actual Awards may be calculated; determine the length of all applicable Performance Periods and/or Restriction Periods; determine the award schedule and the Annual Performance Measures (and the Company's satisfaction or failure to satisfy such measures) that will be used in calculating Actual Awards and the division of such awards between cash and performance shares.

(d) Notwithstanding the foregoing, the Benefits Committee, and not the Committee, shall be responsible for (1) determining whether a Participant is Disabled, and (2) resolving issues and matters not specifically allocated to the Committee in Section 3(b-c) above; in performing such actions, the Benefits Committee shall have the power and authority specified in Section 3(b)(v),(vi), and (ix).

(e) As to the Committee or the Benefits Committee, a majority of such committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members in the absence of a meeting, shall be the acts of such committee. All interpretations, determinations, and actions of either committee will be final, conclusive, and binding on all parties.

(f) No member of the Board, the Committee, or the Benefits Committee will be liable for any action taken or determination made in good faith by the Board, the Committee, or the Benefits Committee with respect to the Plan or any Actual Award calculated and paid hereunder.

4. Eligibility.

(a) In determining the Key Employees that will be Participants and the Incentive Award Opportunity for each Participant, the Committee shall take into account the duties of the respective Participant, their present and potential contributions to the success of the Company, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

(b) No Incentive Award Opportunity will be available to any person who, at the beginning of the applicable Performance Period, is a member of the Committee responsible for the administration of the Plan.

5. Incentive Award Opportunities.

(a) By the Determination Date, the Committee will, in its discretion, establish, in writing, the Incentive Award Opportunity for the Performance Period for each Participant or class of Participants designated by the Committee. The Incentive

Award Opportunity will be expressed as percentages of the Participant's Annual Base Salary.

(b) An Incentive Award Opportunity may be based on a dollar amount or a percentage of the Participant's Annual Base Salary related to a range of the foregoing. The maximum dollar amount of any Actual Award will not exceed for any one Participant Three Million Dollars (\$3,000,000) for any Fiscal Year.

(c) By the Determination Date, the Committee will assign to a Participant an Incentive Award Opportunity which will be assigned a specific Target Award that will fall within the range of the Participant's Incentive Award Opportunity. The Target Award will be awarded to the Participant if, in the discretion and judgment of the Committee, applicable Annual Performance Measures for the applicable Performance Period are met.

(d) Actual Awards for each Participant in the Plan shall be determined by the Committee following the end of the applicable Performance Period, taking into account how the Company performed on the basis of the Annual Performance Measures developed and utilized by the Committee for the Performance Period.

6. Procedures for Calculating and Paying Actual Awards.

(a) The Committee shall establish the Annual Performance Measures that will be utilized for one or more Performance Periods in assessing the performance of the Company for the purpose of determining the Actual Awards earned under this Plan. As determined by the Committee, the Annual Performance Measures applicable to each Participant shall provide for a targeted level or levels of achievement using one or more of the measures pursuant to Section 7 of the Omnibus Plan. The Annual Performance Measures may be applicable to the Company and/or any of its individual business units or affiliates and may differ from Participant to Participant. In addition and to the extent applicable, the Annual Performance Measures will be calculated in accordance with generally accepted accounting principles, but excluding the effect (whether positive or negative) of any change in accounting standards and any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the Annual Performance Measures applicable to the Actual Award intended to be performance-based compensation. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Annual Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to an Actual Award intended to be performance-based compensation; provided, however, that certain categories or types of such adjustments can be specifically included (rather than excluded) at the time the Annual Performance Measures are established if so determined by the Committee. These measures and the standards of performance associated with them may change from year to year and may receive different emphasis or weight according to the changing priorities of the Company.

(b) During the Payment Period, the Committee will compare the Company's actual performance during such period with the Annual Performance Measures it established for the period, and the Actual Award for such period, if any, for a Participant will be calculated. For each Performance Period, the Committee will utilize an award schedule for calculating the Actual Awards earned on the basis of the Company's performance. The award schedule may be modified by the Committee from year to year as Annual Performance Measures or the standards of performance associated with such measures change.

(c) The Committee retains the discretion to reduce a Participant's Actual Award (including a reduction to zero).

(d) For Performance Periods ending on or before December 31, 2016, during the Payment Period, an Award Conversion will be made whereby the Actual Awards for each Participant for the Performance Period will be split into two components. The first component will be a dollar amount that shall be paid during the Payment Period to the Participant in a lump sum cash payment. The second component will be a dollar amount that is converted into whole or partial Performance Shares, which shall be subject to a substantial risk of forfeiture and thereby restricted for a specified period of at least thirty-six (36) consecutive calendar months beginning on the Award Conversion Date applicable to such shares. The number of Performance Shares allocable to each Participant shall be determined by dividing (i) the dollar amount available for the Participant's Performance Shares (determined by the Award Conversion), by (ii) the average of the closing prices of the Common Stock on the New York Stock Exchange for the first five trading days of the month before the Award Conversion Date. Payment of Performance Shares shall occur at the time provided in Plan Section 7(c). For Participants who die, become Disabled, Retire or have his or her employment Involuntarily Terminated Without Cause prior to the Award Conversion Date, the Actual Awards will be paid in cash.

(e) For Performance Periods beginning on or after January 1, 2017, Actual Awards for each Participant for the Performance Period will be paid during the Payment Period to the Participant in a lump sum cash payment.

(f) The Committee shall have the sole and absolute responsibility for determining Actual Awards of Participants. The Actual Awards generated by application of the award schedule established by the Committee for one or more Performance Periods will be the actual awards that will be payable to each Participant; provided, however, that the Committee may, prior to the Award Conversion Date, unilaterally reduce the Actual Awards generated by the awards schedule if, in the opinion of the Committee, there have been exceptional circumstances that have either created inappropriate windfalls in the Company's performance, which, in turn, have resulted in inappropriately large awards.

(g) Notwithstanding any other provision of this Section 6, a Participant shall receive no Actual Award for a Performance Period unless at least 80% of target

performance is achieved under the primary financial Performance Measure applicable to such Performance Period.

(h) If, during a Performance Period, the Committee determines that the established Annual Performance Measures are no longer suitable due to a change in control of the Company, as defined in Code Section 409A, the Committee may accelerate payment of the Actual Award.

7. Performance Shares.

(a) On the Award Conversion Date, Participants who earned an Actual Award paid in Performance Shares during the preceding Performance Period will have an entry made on the Company's books reflecting the Performance Shares allocable to them as determined pursuant to Plan Section 6(d).

(b) A Participant's Performance Shares earned in a given Performance Period will be subject to a specified Restriction Period of at least thirty-six (36) consecutive calendar months beginning on the Award Conversion Date applicable to such shares. During the Restriction Period, the Participant may not, except as provided in Plan Section 8, receive payment for his or her Performance Shares.

(c) During the Restriction Period, a Participant will receive Dividend Credits equal to the quarterly dividend paid per share of Common Stock, multiplied by the number of Performance Shares then credited to the Participant on the Company's records, and divided by the closing per share value of the Common Stock on the New York Stock Exchange on the date such dividends are paid or the last trading day on the Exchange before such payment. These additional Performance Shares will be subject to the same restrictions as the Performance Shares that generated the Dividend Credits, and such restrictions will lapse at the same time as the restrictions lapse on such Performance Shares.

(d) During the Performance Shares Payment Period, the Participant shall receive a specific number of shares of Common Stock equal to the total number of Performance Shares allocated to the Participant at the beginning of such Restriction Period plus the Performance Shares credited quarterly through Dividend Credits during the Restriction Period. In no event will Dividend Credits be paid with respect to any Performance Shares until the Participant has satisfied all of the requirements for payment and issuance of the underlying Performance Shares.

8. Participant Terminations and Transfers.

(a) Should a Participant incur a Separation From Service for any reason other than death, Disability, Retirement, or Involuntary Termination Without Cause during a Performance Period, the Participant's right to receive an Actual Award for such period will be forfeited by the Participant.

(b) Should a Participant incur a Separation From Service for any reason other than death, Disability, Retirement, or Involuntary Termination Without Cause during a Restriction Period, the Participant's right to receive payments of his or her outstanding Performance Shares will be forfeited by the Participant.

(c) Should a Participant incur a Separation From Service during the Performance Period due to death, becoming Disabled, Retirement, or having his or her employment Involuntarily Terminated Without Cause, the Participant (or the Participant's Beneficiary if the Participant dies before receiving payment) will be entitled to receive the Participant's Actual Award for the Performance Period determined on a pro rata basis according to the number of months of the Performance Period actually worked while being a Participant in the Plan. Payment of the Actual Award shall be made in a lump sum cash payment and shall occur during the Payment Period following the end of the applicable Performance Period.

(d) Should a Participant incur a Separation From Service due to death during a Restriction Period, the Participant's Beneficiary will be entitled to receive a distribution of Common Stock equal to the total number of Performance Shares then credited to the Participant. Payment of Common Stock shall occur during the first two and one-half calendar months following the Participant's death.

(e) Should a Participant incur a Separation From Service during the Restriction Period due to becoming Disabled, Retirement, or having his or her employment Involuntarily Terminated Without Cause during a Restriction Period, the Participant (or the Participant's Beneficiary in the case the Participant dies before receiving payment) will receive a distribution of Common Stock equal to the total number of Performance Shares then credited to the Participant. Payment of Common Stock shall occur during the first two and one-half calendar months following the date of the Participant's Separation From Service; provided, however, that if the Participant is a "specified employee," within the meaning of Code Section 409A, in no event shall payment occur before the day after the last day of the six month period that begins with the date of the Participant's Separation From Service.

(f) A Participant shall have the right to designate any person as his or her Beneficiary to whom benefits determined under this Section 8 ("Death Benefits") shall be paid in the event of the Participant's death prior to the total distribution of his/her Death Benefits. If greater than fifty percent (50%) of the Death Benefits are designated to a beneficiary other than the Participant's lawful spouse, such beneficiary designation must be consented to by the Participant's lawful spouse. Each beneficiary designation must be in written form prescribed by the Committee and will be effective only when filed with the Committee, or its designee, during the Participant's lifetime.

A Participant may change a beneficiary designation, subject to spousal consent under the preceding paragraph, by filing a new beneficiary designation form with the Committee or its designee. The filing of a new beneficiary designation form will cancel

all beneficiary designations previously filed. The Committee shall be entitled to rely on the beneficiary designation form last filed by the Participant prior to his/her death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.

If a beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Death Benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.

If no beneficiary designation is in effect at the time of the Participant's death, or if the named beneficiary predeceased the Participant, then the beneficiary shall be: (1) the surviving lawful spouse; (2) if there is no surviving lawful spouse, then Participant's issue per stirpes; or (3) if no surviving lawful spouse or issue, then Participant's estate.

(g) If a Participant changes jobs with the Company during the course of a Performance Period and his or her new job has a different Incentive Award Opportunity under the Plan, the Participant's Incentive Award Opportunity for the Performance Period shall be the sum of the products obtained by multiplying (i) the percentage of the full Performance Period spent in each job by (ii) the Incentive Award Opportunity for each such job. In special circumstances, which the Committee may identify from time to time, the Participant may be assigned for the full Performance Period the Incentive Award Opportunity that corresponds to any one of the jobs held by the Participant during the Performance Period rather than combining partial Incentive Award Opportunities for the jobs.

(h) Should a Key Employee become eligible to participate in the Plan after the beginning of a Performance Period, the Participant will be entitled to an Incentive Award Opportunity on the basis of the number of months of the full Performance Period the Key Employee is a Participant in the Plan.

(i) Notwithstanding any other provision of the Plan, to the extent that (i) one or more of the payments in connection with the Participant's Separation From Service would constitute deferred compensation subject to the requirements of Code Section 409A, and (ii) the Participant is a "specified employee" within the meaning of Code Section 409A, then such payment or benefit (or portion thereof) will be delayed until the earliest date following the Participant's Separation From Service on which the Company can provide such payment or benefit to the Participant without the Participant's incurrence of any additional tax or interest pursuant to Code Section 409A, with all remaining payments or benefits due thereafter occurring in accordance with the original schedule. In addition, this Plan and the payments and benefits to be provided hereunder are intended to comply in all respects with the applicable provision of Code Section 409A.

9. Changes in Capital Structure and Other Events.

(a) Notwithstanding anything in the Plan to the contrary, the Board may terminate the Plan and liquidate “deferred compensation” payable under the Plan as permitted pursuant to Code Section 409A.

(b) All determinations, decisions, and adjustments made by the Committee as a result of the Board’s action pursuant to Plan Section 9(a) will be final, binding, and conclusive. No fractional interest will be issued under the Plan on account of such adjustments.

(c) For purposes of the Plan, “Transaction” means any of the following events: (i) a report on Schedule 13D is filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (referred to as the “Act”) disclosing that any “person” (as defined in Section 13(d) of the Act) other than the Company or one of its subsidiaries or an employee benefit plan sponsored by the Company or one of its subsidiaries is the beneficial owner, directly or indirectly, of fifty percent (50%) or more of the combined voting power of the then outstanding securities of the Company; (ii) any “person” (as defined in Section 13(d) of the Act) other than the Company or one of its subsidiaries, or an employee benefit plan sponsored by the Company or one of its subsidiaries, shall purchase securities pursuant to a tender offer or exchange offer to acquire any Common Stock of the Company (or securities convertible in Common Stock) for cash, securities, or any other consideration, provided that after the consummation of the offer, the person in question is the “beneficial owner” (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of fifty percent (50%) or more of the combined voting power of the then outstanding securities of the Company (as determined under paragraph (d) of Rule 13d-3 under the Act, in the case of rights to acquire Common Stock); (iii) the consummation of (a) any consolidation or merger of the Company (1) in which the Company is not the continuing or surviving corporation, (2) pursuant to which shares of Common Stock of the Company would be converted into cash, securities, or other property, and (3) with a corporation that prior to such consolidation or merger owned fifty percent (50%) or more of the cumulative voting power of the then outstanding securities of the corporation; or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Company; (iv) a change in the majority of the Board of the Company within a 12-month period, unless the election or nomination for election by the Company’s stockholders of each director during the 12-month period was approved by the vote of two-thirds (2/3) of the directors then in office who were directors at the beginning of such 12-month period; or (v) any transaction (a) involving a subsidiary of the Company, (b) to which the holder of an outstanding Incentive Award Opportunity or Performance Share is then providing services, and (c) immediately after which the shareholders of the Company who own, directly or indirectly, more than fifty percent (50%) of the outstanding voting securities of such subsidiary, determined immediately prior to such transaction, do not own, directly or

indirectly, more than fifty percent (50%) of the outstanding voting securities of such subsidiary (or the surviving or resulting entity immediately after such transaction), provided that such transaction shall constitute a Transaction only with respect to such Incentive Award Opportunity or such Performance Shares. Notwithstanding the foregoing, any transaction immediately after which more than fifty percent (50%) of the outstanding voting securities of the Company (or the surviving or resulting entity immediately after such transaction) is, or will be, owned, directly or indirectly, by shareholders of the Company or an affiliate of the Company who own, directly or indirectly, more than fifty percent (50%) of the outstanding voting securities of the Company, determined immediately before such transaction, shall not constitute a Transaction. In the event of a Transaction, the Committee may in its sole and absolute discretion, without obtaining stockholder approval, at the time of any one or more of the foregoing actions, to the extent permitted in Plan Section 7, with respect to all Participants:

- (i) Make adjustments or amendments to the Plan and outstanding Incentive Award Opportunities and Performance Shares that are consistent with applicable law, including Code Section 162(m) and the terms of the transaction; or
- (ii) Consistent with applicable law, including Code Section 162(m), substitute new Incentive Award Opportunities.

To the extent Performance Shares credited to a Participant constitute “deferred compensation” within the meaning of Code Section 409A at the time of a Change in Control, Performance Shares shall be paid out upon a Change in Control that also constitutes a “change in ownership or effective control” of the Company or a “change in the ownership of a substantial portion of the assets” of the Company, as those terms are defined under Code Section 409A (each such transaction, a “409A Change in Control”). To the extent a Change in Control that is not a 409A Change in Control occurs, Performance Shares constituting deferred compensation shall be paid out at the end of the Restriction Period or upon the Participant’s earlier “Separation from Service” from the Company under Code Section 409A, subject to the delay applicable to “specified employees” described in Section 8.

To the extent Performance Shares credited to a Participant do not constitute “deferred compensation” within the meaning of Code Section 409A at the time of a Change in Control, the Committee may vest such Performance Shares and shall, in that event, settle the Performance Shares within 2½ months of the calendar year in which they vest.

10. Provisions Regarding Withholding Taxes.

(a) The Committee may require a Participant receiving Common Stock upon conversion of Performance Shares awarded hereunder to reimburse the Company for any taxes required by any government to be withheld or otherwise deducted and paid by the Company in respect of the issuance to or disposition of shares by the

Participant (a "Taxable Event"). Any payment on account of a tax obligation shall be in a form acceptable to the Committee. If upon the occurrence of a Taxable Event the Participant does not, in the time required by law or designated by the Committee, reimburse the Company for taxes as provided for above: (i) the Company shall have the right to withhold some or all of the amount of such taxes from any other sums due or to become due from the Company to the Participant upon such terms and conditions as the Committee shall prescribe, and (ii) the Company may satisfy some or all of the tax obligation of such Participant by withholding shares of Common Stock acquired by the Participant in the conversion of any Performance Shares and may in the same manner satisfy some or all of any additional tax obligation resulting from such withholding.

(b) At any time that the Company becomes subject to a withholding obligation under applicable law with respect to the conversion of Performance Shares, a Participant may elect to satisfy, in whole or in part, the Participant's related estimated personal tax liabilities by directing the Company to withhold from the shares of Common Stock issuable in the related conversion of Performance Shares either (i) a specific percentage of shares, (ii) a specific number of shares, or (iii) shares having a specific value, in each case with a value not in excess of such estimated tax liabilities. Such an election shall be irrevocable. The shares of Common Stock withheld in payment shall be valued at their fair market value on the date that the withholding obligation arises (the "Tax Date"). The Committee may disapprove any election, suspend or terminate the right to make elections or provide that the right to make elections shall not apply to particular conversions. The Committee may impose any other conditions or restrictions on the right to make an election as it shall deem appropriate.

11. Provisions Applicable to Common Stock.

(a) If at any time the Board shall determine in its discretion that the listing, registration or qualification upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the sale, purchase, issuance or delivery of Common Stock under the Plan, no Common Stock shall be sold, purchased, issued or delivered, as the case may be, unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

(b) Except as hereafter provided and if so required by the Committee, the recipient of any Performance Share award shall, upon receipt of any shares of Common Stock due to the Award Conversion of Performance Shares represented by the award, execute and deliver to the Company a written statement, in form satisfactory to the Company, in which such Participant represents and warrants that such Participant is acquiring the shares for such Participant's own account, for

investment only and not with a view to the resale or distribution thereof, and agrees that any subsequent offer for sale or distribution of any such shares of Common Stock shall be made only pursuant to either (a) a Registration Statement on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), which Registration Statement has become effective and is current with regard to the shares of Common Stock being offered or sold, or (b) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the holder or recipient shall, if required by the Company, prior to any offer for sale or sale of such shares, obtain a favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto. The foregoing restriction shall not apply to (i) issuances by the Company so long as the shares being acquired are registered under the Securities Act and a prospectus in respect thereof is current or (ii) reofferings of shares by affiliates of the Company (as defined in Rule 405 or any successor rule or regulation promulgated under the Securities Act) if the shares being reoffered are registered under the Securities Act and a prospectus in respect thereof is current.

(c) The Company may endorse such legend or legends upon the certificates for shares of Common Stock issued upon conversion of Performance Shares made hereunder and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as, in its discretion, it determines to be necessary or appropriate to (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act, or (ii) implement the provisions of the Plan and any agreement between the Company and the Participant.

(d) The Company shall pay issue taxes with respect to the issuance of shares of Common Stock upon conversion of Performance Shares, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance.

(e) The maximum number of shares of Common Stock that may be issued pursuant to the Plan shall not exceed a total of 2,450,000 shares, without further shareholder approval.

12. Effective Date; Stockholder Approval.

The Plan became effective upon adoption by the Board of Directors of Southwest Gas Corporation in 1993 and was approved by its shareholders at the 1994, 2002, 2004, 2009 and 2014 Annual Meetings.

13. Amendment and Termination of the Plan.

The Board at any time and from time to time may, without prior notice to Participants, suspend, terminate, modify, or amend the Plan. Except as otherwise provided for in Plan Sections 5, 6, 7, 8 and 9, no suspension, termination, modification, or amendment of the plan may adversely affect any award previously granted, unless

the written consent of the Participant is obtained. No amendment to the provisions of this Plan shall become effective without shareholder approval to the extent required by applicable law indemnifying Code Section 162(m).

14. Benefit Claims Procedure.

(a) Any claim for money or stock awards under the Plan shall be made in writing to the Committee. If such claim is wholly or partially denied, the Committee shall, within a reasonable period of time not to exceed ninety (90) days after receipt of the claim, notify the Participant, Beneficiary or other party making the claim (the "Claimant") of the denial of the claim. Such notice of denial shall (i) be in writing, (ii) be written in a manner calculated to be understood by the Claimant, and (iii) contain the specific reason or reasons for denial of the claim, a specific reference to the pertinent Plan provisions upon which the denial is based, a description of any additional material or information necessary to perfect the claim, along with an explanation of why such material or information is necessary, and an explanation of the claim review procedure. The ninety (90) day period may, under special circumstances, be extended up to an additional ninety (90) days upon written notice of such extension to the Claimant which notice shall specify the special circumstances and the extended date of the decision, the time limits applicable to such procedures and a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination upon review. Notice of extension must be given prior to expiration of the initial ninety (90) day period. The extension notice shall indicate the special circumstances that require an extension of time and the date by which the Committee expects to render a decision on the claim. If the claim is denied, the Claimant may file a request for review as provided in the next paragraph.

(b) Within sixty (60) days after the receipt of the decision denying a claim by the Claimant, the Claimant may file a written request with the Committee that it conduct a full and fair review of the denial of the claim. The Claimant or his or her duly authorized representative may review pertinent documents and submit issues and comments in writing to the Committee in connection with the review.

(c) The Committee shall deliver to the Claimant a written decision on the review of the denial within sixty (60) days after receipt of the aforesaid request for review, except that if there are special circumstances (such as the need to hold a hearing, if necessary) which require an extension of time for processing, the aforesaid sixty (60) day period shall, upon written notice to the Claimant be extended an additional sixty (60) days. Upon review the Claimant shall be given the opportunity to (i) submit written comments, documents, records, and other information relating to its claim and (ii) request and receive, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by reference to

applicable ERISA regulations, if any. The review of a denied claim shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision on review shall be written in a manner calculated to be understood by the Claimant and, if adverse, shall (i) include the specific reason or reasons for the decision, (ii) contain a specific reference to the pertinent Plan provisions upon which the decision is based, (iii) contain a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits (whether a document, record, or other information is relevant to a claim for benefits shall be determined by reference to applicable ERISA Regulations), and (iv) contain a statement describing the Claimant's right, if any, to bring an action under ERISA Section 502(a).

(d) Claims Relating to Whether a Participant is Disabled. This Section 14(d), and not Section 14(a) to (c), shall apply to claims made on or after April 1, 2018, the adjudication of which revolves around whether a Participant is Disabled. In the event a claim involves the issue of whether a Participant is Disabled, the Benefits Committee shall ensure that all claims and appeals relating to such issue are adjudicated in a manner designed to ensure the independence and impartiality of the persons involved in making the decision.

(i) Disability. If a claim relates to a determination of whether a Participant is Disabled, and the claim requires an independent determination by the Benefits Committee, the Benefits Committee shall notify the Claimant of the Plan's adverse benefit determination within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim. If, due to matters beyond the control of the Plan, the Benefits Committee needs additional time to process a claim, the Claimant will be notified, within forty-five (45) days after the Benefits Committee receives the claim, of those circumstances and of when the Benefits Committee expects to make its decision, but not beyond seventy-five (75) days. If, prior to the end of the extension period, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to one hundred five (105) days, provided that the Benefits Committee notifies the Claimant of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. The extension notice shall specifically explain the standards on which entitlement to a disability benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed from the Claimant to resolve those issues, and the Claimant shall be afforded at least forty-five (45) days within which to provide the specified information.

(ii) Notice of Decision. In the case of an adverse benefit determination by the Benefits Committee with respect to whether a Participant is Disabled, the Benefits Committee will provide a notification in a culturally and linguistically

appropriate manner (as described in Department of Labor Regulation Section 2560.503-1(o)) that shall set forth:

- (1) The specific reasons for the denial;
- (2) A reference to the specific provisions of the Plan or insurance contract on which the denial is based;
- (3) Notice that the Claimant has a right to request a review of the claim denial and an explanation of the Plan's review procedures and the time limits applicable to such procedures;
- (4) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review, and a description of any time limit that applies under the Plan for bringing such an action;
- (5) A discussion of the decision, including an explanation of the basis for disagreeing with or not following:
 - a. The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
 - b. The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
 - c. A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration
- (6) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- (7) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and
- (8) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by Department of Labor Regulation Section 2560.503-1(m)(8).

(iii) Review Procedure. If the initial claim relates to whether a Participant is Disabled, the claim requires an independent determination by the Benefits Committee, and the Benefits Committee denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Benefits Committee of the denial, as follows:

(1) Prior to such review of the denied claim, the Claimant shall be given, free of charge, any new or additional evidence considered, relied upon, or generated by the Plan, insurer, or other person making the benefit determination in connection with the claim, or any new or additional rationale, as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided, to give the Claimant a reasonable opportunity to respond prior to that date.

(2) The Benefits Committee shall respond in writing to such Claimant within forty-five (45) days after receiving the request for review. If the Benefits Committee determines that special circumstances require additional time for processing the claim, the Benefits Committee can extend the response period by an additional forty-five (45) days by notifying the Claimant in writing, prior to the end of the initial 45-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Benefits Committee expects to render its decision.

(3) The Claimant shall be given the opportunity to submit issues and written comments to the Benefits Committee, as well as to review and receive, without charge, all relevant (as defined in applicable ERISA regulations) documents, records and other information relating to the claim. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.

(4) In considering the review, the Benefits Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed by an individual or committee who did not make the initial determination that is subject of the appeal, nor by a subordinate of the individual who made the determination, and the review shall be made without deference to the initial adverse benefit determination. If the initial adverse benefit determination was based in whole or in part on a medical judgment, the Benefits Committee will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Benefits Committee obtained the advice of medical

or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Benefits Committee will identify such experts.

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

- a. The Benefits Committee's decision;
- b. The specific reasons for the denial;
- c. A reference to the specific provisions of the Plan or insurance contract on which the decision is based;
- d. A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits;
- e. A statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures;
- f. A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) which shall describe any applicable contractual limitations period that applies to the Claimant's right to bring such an action, including the calendar date on which the contractual limitations period expires for the claim;
- g. A discussion of the decision, including an explanation of the basis for disagreeing with or not following:
 - i. The views presented by the Claimant of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;
 - ii. The views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and
 - iii. A disability determination regarding the Claimant presented by the Claimant made by the Social Security Administration.

h. If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request; and

i. Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

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

(f) Failure of Plan to Follow Procedures. In the case of a claim with respect to whether a Participant is Disabled, if the Plan fails to strictly adhere to all the requirements of this claims procedure with respect to whether a Participant is Disabled, the Claimant is deemed to have exhausted the administrative remedies available under the Plan, and shall be entitled to pursue any available remedies under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim, except where the violation was: (1) de minimis; (2) non-prejudicial; (3) attributable to good cause or matters beyond the Plan's control; (4) in the context of an ongoing good-faith exchange of information; and (5) not reflective of a pattern or practice of non-compliance. The Claimant may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its basis, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the Claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan's receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the claimant with notice of the resubmission.

15. General Provisions.

(a) Nothing in this Plan or in any award granted pursuant hereto shall confer on an individual any right to continue in the employ of the company or any of its subsidiaries or interfere in any way with the right of the Company or any such subsidiary to terminate any employment.

(b) Upon its adoption by the Board, this Plan shall replace the existing Southwest Gas Holdings, Inc. Management Incentive Plan with respect to periods commencing effective August 3, 2020.

(c) Awards granted under the Plan shall not be transferable otherwise than as provided for in Plan Section 8(d), by will or by the laws of descent and distribution, and awards may be realized during the lifetime of the Participant only by the Participant or by his guardian or legal representative.

(d) The section and subsection heading are contained herein for convenience only and shall not affect the construction hereof.

(e) A Participant's rights to Performance Shares and other Plan benefits represent rights to merely an unfunded and unsecured promise of a future payment of money or property. A participant shall look only to the Company for the payment of Performance Shares and other Plan benefits and such shares and benefits shall, until paid, be subject to the claims of Company creditors. A Participant's rights under the Plan shall be only that of an unsecured general creditor of the Company.

IN WITNESS WHEREOF Southwest Gas Holdings, Inc. has executed this Plan to be effective August 3, 2020.

SOUTHWEST GAS HOLDINGS, INC.

By _____

John P. Hester
President and
Chief Executive Officer

Certification of Southwest Gas Holdings, Inc.

I, John P. Hester, certify that:

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

Dated: November 5, 2020

/s/ JOHN P. HESTER

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

Certification of Southwest Gas Holdings, Inc.

I, Gregory J. Peterson, certify that:

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

Dated: November 5, 2020

/s/ GREGORY J. PETERSON

Gregory J. Peterson

Senior Vice President/Chief Financial Officer

Southwest Gas Holdings, Inc.

Certification of Southwest Gas Corporation

I, John P. Hester, certify that:

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

Dated: November 5, 2020

/s/ JOHN P. HESTER

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

Certification of Southwest Gas Corporation

I, Gregory J. Peterson, certify that:

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

Dated: November 5, 2020

/s/ GREGORY J. PETERSON

Gregory J. Peterson
Senior Vice President/Chief Financial Officer
Southwest Gas Corporation

SOUTHWEST GAS HOLDINGS, INC.

CERTIFICATION

In connection with the periodic report of Southwest Gas Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, John P. Hester, the President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

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

Dated: November 5, 2020

/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, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Gregory J. Peterson, Senior Vice President/Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

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

Dated: November 5, 2020

/s/ Gregory J. Peterson

Gregory J. Peterson
Senior Vice President/Chief Financial Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, John P. Hester, the President and Chief Executive Officer of Southwest Gas Corporation, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

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

Dated: November 5, 2020

/s/ John P. Hester

John P. Hester
President and Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Gregory J. Peterson, Senior Vice President/Chief Financial Officer of Southwest Gas Corporation, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

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

Dated: November 5, 2020

/s/ Gregory J. Peterson

Gregory J. Peterson
Senior Vice President/Chief Financial Officer