Southwest Gas Holdings, Inc.
Form 10-Q
November 07, 2018
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, 2018

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

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

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

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

Southwest Gas Holdings, Inc.:

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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

Southwest Gas Corporation:

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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

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

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

Southwest Gas Holdings, Inc. Common Stock, $1 Par Value, 49,431,933 shares as of October 31, 2018.

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

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

FILING FORMAT

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

Part I—Financial information in this Quarterly Report on Form 10-Q includes separate financial statements (i.e., balance sheets, statements of income, statements of comprehensive income, and statements of cash flows) for Southwest Gas Holdings, Inc. and Southwest Gas Corporation, in that order. The Notes to 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.

SOUTHWEST GAS HOLDINGS, INC. Form 10-Q
SOUTHWEST GAS CORPORATION September 30, 2018

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, 2018	December 31, 2017
ASSETS		
Utility plant:		
Gas plant	$6,928,471	$6,629,644
Less: accumulated depreciation	(2,275,376)	(2,231,242)
Construction work in progress	216,735	125,248
Net utility plant	4,869,830	4,523,650
Other property and investments	466,500	428,180
Current assets:		
Cash and cash equivalents	69,170	43,622
Accounts receivable, net of allowances	347,571	347,375
Accrued utility revenue	34,600	78,200
Income taxes receivable	49,603	7,960
Deferred purchased gas costs	—	14,581
Prepaids and other current assets	220,249	165,294
Total current assets	721,193	657,032
Noncurrent assets:		
Goodwill	176,059	179,314
Deferred income taxes	1,185	1,480
Deferred charges and other assets	419,829	447,410
Total noncurrent assets	597,073	628,204
Total assets	$6,654,596	$6,237,066
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par (authorized - 60,000,000 shares; issued and outstanding - 49,422,938 and 48,090,470 shares)	$51,053	$49,720
Additional paid-in capital	1,045,840	955,332
Accumulated other comprehensive income (loss), net	(53,390)	(47,682)
Retained earnings	902,730	857,398
Total Southwest Gas Holdings, Inc. equity	1,946,233	1,814,768
Noncontrolling interest	(452)	(2,365)
Total equity	1,945,781	1,812,403
Long-term debt, less current maturities	2,123,641	1,798,576
Total capitalization	4,069,422	3,610,979
Current liabilities:		
Current maturities of long-term debt	33,429	25,346
Short-term debt	31,500	214,500
Accounts payable	172,237	228,315
Customer deposits	68,100	69,781
Income taxes payable	2,572	5,946

Accrued general taxes	51,734	43,879
Accrued interest	30,594	17,870
Deferred purchased gas costs	93,023	6,841
Other current liabilities	229,521	203,403
Total current liabilities	712,710	815,881
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	519,146	476,960
Accumulated removal costs	322,000	315,000
Other deferred credits and other long-term liabilities	1,031,318	1,018,246
Total deferred income taxes and other credits	1,872,464	1,810,206
Total capitalization and liabilities	$6,654,596	$6,237,066

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS HOLDINGS, INC. Form 10-Q
SOUTHWEST GAS CORPORATION September 30, 2018

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,	
	2018	2017	2018	2017	2018	2017
Operating revenues:						
Gas operating revenues	$217,523	$213,059	$987,515	$935,823	$1,354,000	$1,276,308
Construction revenues	450,623	380,094	1,105,844	872,536	1,479,792	1,173,576
Total operating revenues	668,146	593,153	2,093,359	1,808,359	2,833,792	2,449,884
Operating expenses:						
Net cost of gas sold	49,903	45,539	319,101	261,839	412,307	334,888
Operations and maintenance	105,508	97,422	313,294	299,920	406,137	394,725
Depreciation and amortization	62,156	58,529	185,941	189,089	247,803	260,457
Taxes other than income taxes	15,036	14,046	44,959	43,325	59,580	56,221
Construction expenses	395,862	342,629	1,007,485	806,586	1,349,862	1,073,090
Total operating expenses	628,465	558,165	1,870,780	1,600,759	2,475,689	2,119,381
Operating income	39,681	34,988	222,579	207,600	358,103	330,503
Other income and (expenses):						
Net interest deductions	(24,548)	(19,494)	(70,831)	(56,863)	(92,032)	(76,423)
Other income (deductions)	889	(1,980)	(6,151)	(5,780)	(6,401)	(8,007)
Total other income and (expenses)	(23,659)	(21,474)	(76,982)	(62,643)	(98,433)	(84,430)
Income before income taxes	16,022	13,514	145,597	144,957	259,670	246,073
Income tax expense	3,691	3,094	33,421	47,411	51,098	82,833
Net income	12,331	10,420	112,176	97,546	208,572	163,240
Net income (loss) attributable to noncontrolling interest	—	216	(797)	170	(866)	684
Net income attributable to Southwest Gas Holdings, Inc.	$12,331	$10,204	$112,973	$97,376	$209,438	$162,556
Basic earnings per share	$0.25	$0.21	$2.31	$2.05	$4.30	$3.42
Diluted earnings per share	$0.25	$0.21	$2.31	$2.03	$4.29	$3.39
Dividends declared per share	$0.520	$0.495	$1.560	$1.485	$2.055	$1.935
Average number of common shares	49,493	47,628	48,916	47,577	48,728	47,553
Average shares (assuming dilution)	49,553	47,986	48,968	47,912	48,781	47,896

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,	
	2018	2017	2018	2017	2018	2017
Net income	$12,331	$10,420	$112,176	$97,546	$208,572	$163,240
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial gain (loss)	—	—	—	—	(32,701)	(14,118)
Amortization of prior service cost	254	207	762	621	969	828
Amortization of net actuarial loss	6,387	3,944	19,161	11,832	23,105	16,027
Regulatory adjustment	(5,746)	(3,555)	(17,236)	(10,667)	6,021	(2,741)
Net defined benefit pension plans	895	596	2,687	1,786	(2,606)	(4)
Forward-starting interest rate swaps:						
Amounts reclassified into net income	636	518	1,907	1,554	2,426	2,073
Net forward-starting interest rate swaps	636	518	1,907	1,554	2,426	2,073
Foreign currency translation adjustments	599	1,012	(1,002)	1,861	(1,092)	1,408
Total other comprehensive income (loss), net of tax	2,130	2,126	3,592	5,201	(1,272)	3,477
Comprehensive income	14,461	12,546	115,768	102,747	207,300	166,717
Comprehensive income (loss) attributable to noncontrolling interests	—	198	(797)	181	(866)	679
Comprehensive income attributable to Southwest Gas Holdings, Inc.	$14,461	$12,348	$116,565	$102,566	$208,166	$166,038

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS HOLDINGS, INC. Form 10-Q
SOUTHWEST GAS CORPORATION September 30, 2018

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,	
	2018	2017	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	$112,176	$97,546	$208,572	$163,240
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	185,941	189,089	247,803	260,457
Deferred income taxes	36,210	49,409	50,190	74,439
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	(1,659)	(15,330)	(27,276)	(13,765)
Accrued utility revenue	43,600	42,100	(500)	(1,100)
Deferred purchased gas costs	100,763	(79,127)	84,282	(114,658)
Accounts payable	(48,618)	(26,771)	(1,886)	19,866
Accrued taxes	(9,840)	4,689	(12,417)	38,084
Other current assets and liabilities	1,245	43,044	(50,002)	3,590
Gains on sale	(997)	(1,452)	(3,741)	(4,483)
Changes in undistributed stock compensation	4,686	9,199	6,375	10,308
AFUDC	(1,034)	(2,077)	(1,253)	(2,473)
Changes in other assets and deferred charges	(10,497)	(14,470)	(18,296)	(1,436)
Changes in other liabilities and deferred credits	(4,583)	3,395	(3,747)	(10,239)
Net cash provided by operating activities	407,393	299,244	478,104	421,830
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(560,165)	(449,998)	(733,816)	(575,141)
Acquisition of businesses, net of cash acquired	(4,209)	—	(98,413)	—
Changes in customer advances	11,051	(1,951)	13,325	504
Miscellaneous inflows	3,827	9,160	11,312	14,234
Net cash used in investing activities	(549,496)	(442,789)	(807,592)	(560,403)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	92,234	11,563	121,826	11,505
Dividends paid	(74,535)	(68,503)	(98,162)	(89,870)
Centuri distribution to redeemable noncontrolling interest	—	(204)	—	(544)
Issuance of long-term debt, net	480,993	104,308	783,748	119,308
Retirement of long-term debt	(143,757)	(100,240)	(382,486)	(159,162)
Change in credit facility and commercial paper	—	145,000	—	150,000
Change in short-term debt	(183,000)	110,500	(79,000)	110,500
Principal payments on capital lease obligations	(422)	(796)	(606)	(1,025)
Redemption of Centuri shares from noncontrolling parties	—	(23,000)	—	(23,000)
Withholding remittance - share-based compensation	(2,880)	(3,176)	(2,880)	(3,176)
Other	(1,121)	(1,104)	(3,091)	(2,068)
Net cash provided by financing activities	167,512	174,348	339,349	112,468
Effects of currency translation on cash and cash equivalents	139	283	157	103

Change in cash and cash equivalents	25,548	31,086	10,018	(26,002)
Cash and cash equivalents at beginning of period	43,622	28,066	59,152	85,154
Cash and cash equivalents at end of period	$69,170	$59,152	$69,170	$59,152
Supplemental information:				
Interest paid, net of amounts capitalized	$49,568	$45,771	$75,740	$66,077
Income taxes paid (received)	$18,261	$3,687	$20,247	$(21,875)

The accompanying notes are an integral part of these statements.

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

	September 30, 2018	December 31, 2017
ASSETS		
Utility plant:		
Gas plant	$6,928,471	$6,629,644
Less: accumulated depreciation	(2,275,376)	(2,231,242)
Construction work in progress	216,735	125,248
Net utility plant	4,869,830	4,523,650
Other property and investments	125,204	119,114
Current assets:		
Cash and cash equivalents	49,065	37,946
Accounts receivable, net of allowances	70,094	119,748
Accrued utility revenue	34,600	78,200
Income taxes receivable	46,250	—
Deferred purchased gas costs	—	14,581
Prepaids and other current assets	202,705	153,771
Total current assets	402,714	404,246
Noncurrent assets:		
Goodwill	10,095	10,095
Deferred charges and other assets	403,505	425,564
Total noncurrent assets	413,600	435,659
Total assets	$5,811,348	$5,482,669
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock	$49,112	$49,112
Additional paid-in capital	1,041,310	948,767
Accumulated other comprehensive income (loss), net	(51,779)	(47,073)
Retained earnings	681,284	659,193
Total Southwest Gas Corporation equity	1,719,927	1,609,999
Long-term debt, less current maturities	1,818,621	1,521,031
Total capitalization	3,538,548	3,131,030
Current liabilities:		
Short-term debt	9,000	191,000
Accounts payable	98,956	158,474
Customer deposits	68,100	69,781
Income taxes payable	—	4,971
Accrued general taxes	51,734	43,879
Accrued interest	30,481	17,171
Deferred purchased gas costs	93,023	6,841
Payable to parent	380	194
Other current liabilities	111,658	108,785
Total current liabilities	463,332	601,096
Deferred income taxes and other credits:		

Deferred income taxes and investment tax credits, net	485,072	445,243
Accumulated removal costs	322,000	315,000
Other deferred credits and other long-term liabilities	1,002,396	990,300
Total deferred income taxes and other credits	1,809,468	1,750,543
Total capitalization and liabilities	$5,811,348	$5,482,669

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,	
	2018	2017	2018	2017	2018	2017
Continuing operations:						
Gas operating revenues	$217,523	$213,059	$987,515	$935,823	$1,354,000	$1,276,308
Operating expenses:						
Net cost of gas sold	49,903	45,539	319,101	261,839	412,307	334,888
Operations and maintenance	104,657	97,359	312,055	298,827	404,549	393,632
Depreciation and amortization	47,924	46,194	145,549	153,643	193,828	212,693
Taxes other than income taxes	15,036	14,046	44,959	43,325	59,580	56,221
Total operating expenses	217,520	203,138	821,664	757,634	1,070,264	997,434
Operating income	3	9,921	165,851	178,189	283,736	278,874
Other income and (expenses):						
Net interest deductions	(20,399)	(17,421)	(59,803)	(51,622)	(77,914)	(69,464)
Other income (deductions)	836	(1,775)	(5,861)	(5,824)	(6,425)	(9,200)
Total other income and (expenses)	(19,563)	(19,196)	(65,664)	(57,446)	(84,339)	(78,664)
Income (loss) from continuing operations before income taxes	(19,560)	(9,275)	100,187	120,743	199,397	200,210
Income tax expense (benefit)	(5,890)	(5,251)	20,886	38,307	45,714	65,887
Income (loss) from continuing operations	(13,670)	(4,024)	79,301	82,436	153,683	134,323
Discontinued operations - construction services:						
Income before income taxes	—	—	—	—	—	21,649
Income tax expense	—	—	—	—	—	7,842
Income	—	—	—	—	—	13,807
Noncontrolling interests	—	—	—	—	—	514
Income - discontinued operations	—	—	—	—	—	13,293
Net income (loss)	$(13,670)	$(4,024)	$79,301	$82,436	$153,683	$147,616

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,	
	2018	2017	2018	2017	2018	2017
Continuing operations:						
Net income (loss) from continuing operations	$(13,670)	$(4,024)	$79,301	$82,436	$153,683	$134,323
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial gain (loss)	—	—	—	—	(32,701)	(14,118)
Amortization of prior service cost	254	207	762	621	969	828
Amortization of net actuarial loss	6,387	3,944	19,161	11,832	23,105	16,027
Regulatory adjustment	(5,746)	(3,555)	(17,236)	(10,667)	6,021	(2,741)
Net defined benefit pension plans	895	596	2,687	1,786	(2,606)	(4)
Forward-starting interest rate swaps:						
Amounts reclassified into net income	636	518	1,907	1,554	2,426	2,073
Net forward-starting interest rate swaps	636	518	1,907	1,554	2,426	2,073
Total other comprehensive income (loss), net of tax from continuing operations	1,531	1,114	4,594	3,340	(180)	2,069
Comprehensive income (loss) from continuing operations	(12,139)	(2,910)	83,895	85,776	153,503	136,392
Discontinued operations - construction services:						
Net income	—	—	—	—	—	13,293
Foreign currency translation adjustments	—	—	—	—	—	(453)
Comprehensive income	—	—	—	—	—	12,840
Comprehensive income (loss) attributable to noncontrolling interests	—	—	—	—	—	(16)
Comprehensive income attributable to discontinued operations - construction services	—	—	—	—	—	12,856
Comprehensive income (loss)	$(12,139)	$(2,910)	$83,895	$85,776	$153,503	$149,248

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS HOLDINGS, INC. Form 10-Q
SOUTHWEST GAS CORPORATION September 30, 2018

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,	
	2018	2017	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:				
Net Income	$79,301	$82,436	$153,683	$148,130
Income from discontinued operations	—	—	—	13,807
Income from continuing operations	79,301	82,436	153,683	134,323
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	145,549	153,643	193,828	212,693
Deferred income taxes	33,239	44,621	55,787	72,627
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	49,654	43,818	(2,066)	(7,131)
Accrued utility revenue	43,600	42,100	(500)	(1,100)
Deferred purchased gas costs	100,763	(79,127)	84,282	(114,658)
Accounts payable	(53,217)	(45,972)	(2,700)	17,271
Accrued taxes	(16,026)	4,092	(9,735)	29,143
Other current assets and liabilities	(35,154)	32,453	(81,333)	(224)
Changes in undistributed stock compensation	4,269	7,999	5,558	9,108
AFUDC	(1,034)	(2,077)	(1,253)	(2,473)
Changes in other assets and deferred charges	(11,025)	(14,861)	(19,082)	(1,914)
Changes in other liabilities and deferred credits	7,550	2,883	8,208	(10,751)
Net cash provided by operating activities	347,469	272,008	384,677	336,914
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(486,037)	(395,463)	(651,022)	(514,661)
Changes in customer advances	11,051	(1,951)	13,325	504
Miscellaneous inflows	1,316	2,407	1,650	2,925
Dividends received	—	—	—	9,660
Net cash used in investing activities	(473,670)	(395,007)	(636,047)	(501,572)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	—	—	—	(58)
Contributions from parent	90,644	11,659	120,344	11,659
Dividends paid	(65,000)	(60,497)	(86,000)	(81,864)
Issuance of long-term debt, net	297,495	—	297,495	—
Retirement of long-term debt	—	(25,000)	—	(25,000)
Change in credit facility and commercial paper	—	145,000	—	150,000
Change in short-term debt	(182,000)	83,000	(74,000)	83,000
Withholding remittance - share-based compensation	(2,880)	(3,176)	(2,880)	(3,176)
Other	(939)	(544)	(991)	(1,508)
Net cash provided by financing activities	137,320	150,442	253,968	133,053
Net cash provided by discontinued operating activities	—	—	—	57,680
Net cash used in discontinued investing activities	—	—	—	(11,049)

Net cash used in discontinued financing activities	—	—	—	(44,491)
Effects of currency translation on cash and cash equivalents	—	—	—	(180)
Change in cash and cash equivalents	11,119	27,443	2,598	(29,645)
Change in cash and cash equivalents of discontinued operations included in discontinued operations construction services assets	—	—	—	(1,960)
Change in cash and cash equivalents of continuing operations	11,119	27,443	2,598	(31,605)
Cash and cash equivalents at beginning of period	37,946	19,024	46,467	78,072
Cash and cash equivalents at end of period	$49,065	$46,467	$49,065	$46,467
Supplemental information:				
Interest paid, net of amounts capitalized	$42,986	$40,751	$67,025	$59,448
Income taxes paid (received)	$11,286	$4	$3,428	$(27,952)

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Operations and Basis of Presentation

Nature of Operations. Southwest Gas Holdings, Inc. is a holding company, owning all of the shares of common stock of Southwest Gas Corporation ("Southwest" or the "natural gas operations segment") and all of the shares of common stock of Centuri Construction Group, Inc. ("Centuri," the "construction services" or "infrastructure services" segment). Prior to August 2017, only 96.6% of Centuri shares were owned by Southwest Gas Holdings, Inc. During August 2017, Southwest Gas Holdings, Inc. acquired the remaining 3.4% equity interest in Centuri that was held by the previous owners.

Southwest Gas Corporation 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 infrastructure services enterprise dedicated to meeting the growing demands of North American utilities, energy, and industrial markets. Centuri derives revenue from installation, replacement, repair, and maintenance of energy distribution systems, and developing industrial infrastructure solutions. Centuri operations are generally conducted under the business names of NPL Construction Co. ("NPL"), Canyon Pipeline Construction, Inc. ("Canyon"), NPL Canada Ltd. ("NPL Canada"), W.S. Nicholls Construction, Inc. ("W.S. Nicholls"), and Canyon Special Projects, Inc. ("Special Projects," formerly Brigadier Pipelines Inc.). Typically, Centuri revenues are lowest during the first quarter of the year due to unfavorable winter weather conditions. Operating revenues typically improve as more favorable weather conditions occur during the summer and fall months. In November 2017, Centuri acquired New England Utility Constructors, Inc. ("Neuco") for $99 million, less assumed debt, thereby expanding its core services in the Northeast region of the United States. See the Southwest Gas Holdings, Inc. March 31, 2018 Form 10-Q for additional information about this acquisition, including final purchase accounting.

Basis of Presentation. The condensed consolidated financial statements for Southwest Gas Holdings, Inc. and subsidiaries (the "Company") and Southwest included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. In connection with a holding company reorganization in January 2017, Centuri ceased to be a subsidiary of Southwest and became a subsidiary of Southwest Gas Holdings, Inc. To give effect to this change, the separate condensed consolidated financial statements related to Southwest Gas Corporation, which are included in this Form 10-Q, depict Centuri-related amounts for periods prior to January 1, 2017 as discontinued operations.

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

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair statement of results for the interim periods, have been made. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the 2017 Annual Report to Shareholders, which is incorporated by reference into the 2017 Form 10-K.

Early Adoption of Accounting Standards Update ("ASU") No. 2018-02. In January 2018, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2018-02 "Income Statement—Reporting Comprehensive Income—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." Early adoption of the amendments in this update was permitted, including adoption in any interim period. Therefore, the Company and Southwest chose to adopt the update early, as permitted, as of January 1, 2018. The adoption of this update is considered a change in accounting principle. The update addressed issues resulting from the December 22, 2017 enactment of the Tax Cuts and Jobs Act (the "TCJA"). Stakeholders raised a narrow-scope financial reporting issue that arose as a consequence of the TCJA related to the fact that when deferred tax balances were remeasured in December 2017, those deferred tax balances were to be reduced, but related amounts historically accumulated in Accumulated other comprehensive income ("AOCI") prior to the enactment of the TCJA, were required to be recognized as income tax expense rather than being relieved from AOCI. The amendments in this update allowed a reclassification from AOCI to retained earnings for those otherwise "stranded" tax effects in AOCI following enactment of the TCJA. Accordingly, approximately $9.3 million of previously stranded tax effects resulting from the TCJA were reclassified to retained earnings from AOCI on the Condensed Consolidated Balance Sheets of Southwest and the Company effective with the early adoption date. Also in association with the adoption, the Company and Southwest elected an accounting policy for releasing income tax effects from AOCI, such that the release of any income tax effects from AOCI will occur as individual items in AOCI are sold or liquidated, to the extent that the related income tax effects are material. See Note 9 – Equity, Other Comprehensive Income, and Accumulated Other Comprehensive Income for more information.

Prepaids and other current assets. Prepaids and other current assets includes gas pipe materials and operating supplies of $53 million at September 30, 2018 and $33 million at December 31, 2017 (carried at weighted average cost), as well as $73 million at September 30, 2018 and $40 million at December 31, 2017 related to a regulatory asset associated with the Arizona decoupling mechanism (an alternative revenue program).

Income Taxes. On December 22, 2017, as indicated above, the TCJA legislation was enacted. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA includes extensive changes which significantly impact the taxation of business entities, including specific provisions related to regulated public utilities. A significant change that impacts the Company and Southwest includes the reduction in the corporate federal income tax rate from 35% to 21%. The tax rate reduction created excess deferred taxes, resulting in the required remeasurement of deferred tax balances, which when remeasured during the fourth quarter of 2017, reduced income tax expense. The regulated operations of Southwest experienced other impacts due to the applicable rate-regulation and the accounting treatment prescribed by U.S. GAAP to reflect the economics of that regulation. The remeasurement for Southwest reduced the net deferred income tax liability and caused the creation of a regulatory liability with appropriate tax gross-up. Both the deferred tax liabilities and excess deferred tax liabilities (included within regulatory liabilities) reduce utility rate base. The TCJA includes provisions that stipulate how these excess deferred taxes are to be passed back to customers, and ultimate facilitation will occur in conjunction with appropriate regulatory commissions. During the nine months ended September 30, 2018, tax expense for the Company and Southwest reflects the lower U.S. federal income tax rate now in effect (as applicable to earnings in 2018). Amounts recorded by the Company and Southwest associated with the measurement and accounting for the effects of the TCJA are provisional reasonable estimates. Management is continuing to evaluate and finalize all provisional items during the measurement period permitted by the SEC and the FASB, and will complete its assessment in the fourth quarter of 2018.

In July 2018, the Arizona Corporation Commission (the "ACC") staff issued a recommended opinion and order, and the ACC issued a decision (the "Decision") based on the staff recommendation, requiring Southwest to return the difference in excess cost-of-service rates due to tax reform. The Decision required Southwest to provide a bill credit in August 2018 for excess taxes collected from January through July 2018. Also as required by the Decision, Southwest began tracking, in a regulatory account, the difference between amounts expected to be returned and the actual amounts returned by these means. As of September 30, 2018, this difference of $2.4 million is reflected in Other current liabilities on the balance sheets of both Southwest and the Company.

Other current liabilities. Other current liabilities for Southwest include $22 million of dividends declared by Southwest Gas Corporation, but not yet paid to Southwest Gas Holdings, Inc. at September 30, 2018.

Cash and Cash Equivalents. For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and financial instruments with a purchase-date maturity of three months or less. In general, cash and cash equivalents fall within Level 1 (quoted prices for identical financial instruments) of the three-level fair value hierarchy that ranks the inputs used to measure fair value by their reliability. However, cash and cash equivalents for Southwest and the Company also include money market fund investments totaling approximately $38.8 million and $39.6 million, respectively, which fall within Level 2 (significant other observable inputs) of the fair value hierarchy, due to the asset valuation methods used by money market funds.

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. In consideration of the holding company reorganization, management of the Company considered its reporting units and segments and determined that historic judgments regarding its segments and reporting units continue to apply, and that no change was necessary with regard to the level at which goodwill is assessed for impairment. No impairment was deemed to have occurred in the first nine months of 2018.

(Thousands of dollars)	Natural Gas Operations	Infrastructure Services	Consolidated
December 31, 2017	$ 10,095	$ 169,219	$ 179,314
Additional goodwill from Neuco acquisition	—	182	182
Foreign currency translation adjustment	—	(3,437)	(3,437)
September 30, 2018	$ 10,095	$ 165,964	$ 176,059

Intercompany Transactions. Centuri recognizes revenues generated from contracts with Southwest (see Note 4 – Segment Information). Centuri's accounts receivable for these services are presented in the table below (thousands of dollars):

	September 30, 2018	December 31, 2017
Centuri accounts receivable for services provided to Southwest	$ 13,566	$ 12,987

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

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

	September 30, 2018	December 31, 2017
Southwest Gas Corporation:		
Net cash surrender value of COLI policies	$123,476	$117,341
Other property	1,728	1,773
Total Southwest Gas Corporation	125,204	119,114
Centuri property, equipment, and intangibles	613,365	554,730
Centuri accumulated depreciation/amortization	(287,396)	(258,906)
Other property	15,327	13,242
Total Southwest Gas Holdings, Inc.	$466,500	$428,180

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,	
	2018	2017	2018	2017	2018	2017
Southwest Gas Corporation - natural gas operations segment:						
Change in COLI policies	$4,700	$2,100	$6,000	$6,800	$9,500	$8,800
Interest income	1,506	670	4,301	1,848	5,237	2,417
Equity AFUDC	448	968	1,034	2,077	1,253	2,473
Other components of net periodic benefit cost	(5,265)	(4,856)	(15,794)	(14,568)	(20,650)	(19,508)
Miscellaneous income and (expense)	(553)	(657)	(1,402)	(1,981)	(1,765)	(3,382)
Southwest Gas Corporation - total other income (deductions)	836	(1,775)	(5,861)	(5,824)	(6,425)	(9,200)
Infrastructure services segment:						
Interest income	4	1	6	2	7	2
Foreign transaction gain (loss)	(91)	(442)	258	(640)	144	(640)
Miscellaneous income and (expense)	125	231	(595)	676	(175)	1,825
Centuri - total other income (deductions)	38	(210)	(331)	38	(24)	1,187
Corporate and administrative	15	5	41	6	48	6
Consolidated Southwest Gas Holdings, Inc. - total other income (deductions)	$889	$(1,980)	$(6,151)	$(5,780)	$(6,401)	$(8,007)

Included in the table above is the change in cash surrender values of company-owned life insurance ("COLI") policies (including net death benefits recognized). These life insurance policies on members of management and other key employees are used by Southwest to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, changes in the cash surrender values of COLI policies, as they progress towards the ultimate death benefits, are also recorded without tax consequences. Refer also to Note 2 – Components of Net Periodic Benefit Cost.

Recently Issued Accounting Standards Updates.

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

- A lease liability for the obligation to make lease payments, measured on a discounted basis; and
- A right-of-use asset for the right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, “Revenue from Contracts with Customers.” Though companies have historically been required to make disclosures regarding leases and associated contractual obligations, leases with terms longer than a year will no longer exist off-balance sheet. Early application of the update is permitted. Management will adopt the update for interim and annual reporting periods commencing January 1, 2019 (the required adoption date). In July 2018, the FASB issued narrow-scope improvements to the standard, which include, among other things, guidance on lease classification reassessment and certain circumstances surrounding remeasurement. Also included was clarification that lessor-controlled options to terminate a lease are considered in the lease term.

Management expects to elect various practical expedients and accounting policies regarding the transition method used to implement Topic 842. The Company and Southwest plan to elect the new optional transition method included within the recent FASB update "Leases—Targeted Improvements", also issued in July 2018, which allows for comparative periods not to be restated. In conjunction with this decision, management currently expects that no retained earnings adjustment will be necessary due to the adoption of Topic 842. At a minimum, management expects the following regarding Topic 842 practical expedients and accounting policy elections:

- To elect to use the "package", which is a set of three practical expedients that must be elected as a package and applied consistently to all of the Company's and Southwest's leases. These include: not reassessing whether any expired or existing contracts are or contain leases; not reassessing the lease classification for expired or existing leases (that is, existing operating and capital leases in accordance with current lease guidance will in each case be classified as operating and finance leases, respectively, under the updated guidance); and not reassessing initial direct costs for any existing leases.
- To elect to adopt the practical expedient to exclude all easements in place prior to January 1, 2019 from treatment under Topic 842. However, the Company and Southwest will evaluate any new easements entered into after the effective date of the standard to determine if the arrangements should be accounted for as leases.
- To make an accounting policy election by asset class to include both the lease and non-lease components (as defined in the guidance) as a single component.
- To make an accounting policy election to not apply Topic 842 to short-term leases, as permitted.

Management is continuing to implement new software systems (one for Southwest and one for Centuri) to facilitate compliance with Topic 842. Management continues to evaluate the guidance in light of its customary leasing arrangements (and other arrangements in association with the new guidance) to determine the effect the new standard, and amendments, will have on its financial position, results of operations, cash flows, and business processes.

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

In August 2018, the FASB issued the update "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. The update also requires the entity to expense the capitalized implementation costs of such hosting arrangements over the term of the hosting arrangement, including reasonably certain renewal periods. The update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption of the amendments in this update is permitted for interim and related annual fiscal periods after December 15, 2018. Management is evaluating the impacts this update might have on its consolidated financial statements and disclosures.

In August 2018, the FASB issued the update “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” This update removes disclosures that are no longer considered cost-beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. The update applies to all employers that sponsor defined benefit pension or other post-retirement plans. The update is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. Management is evaluating the impacts this update might have on its disclosures.

In August 2018, the FASB issued the update “Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.” The update is intended to improve the effectiveness of fair value measurement disclosures and removes the following disclosure requirements: the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. The update also modifies or clarifies for investments in certain entities that calculate net asset value, a requirement to disclose the timing of liquidation of an investee’s assets and the date when restrictions from redemption might lapse (in cases when the timing has been communicated or announced publicly). It also clarifies communication requirements about measurement uncertainty as of the reporting date. Furthermore, the update added requirements to disclose changes in unrealized gains/losses included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period, as well as the range and weighted average value of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information in lieu of the weighted average if it would be a more reasonable and rational method to reflect the distribution of inputs to the measurements. Management is evaluating the impacts this update might have on its disclosures.

Note 2 – Components of Net Periodic Benefit Cost

As of January 1, 2018, the Company and Southwest adopted "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The update requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations and be appropriately described. The update also allows only the service cost component (and not the other components of periodic benefit costs) to be eligible for capitalization when applicable, making no exception for specialized industries, including rate-regulated industries. This guidance is required to be applied on a retrospective basis for the presentation of the service cost and other components of net benefit cost, and on a prospective basis for the capitalization of only the service cost component of net benefit cost. Amounts capitalized as part of assets prior to the date of adoption were not adjusted through a cumulative effect adjustment. The guidance allows a practical expedient for the retrospective application that permits use of the amounts disclosed for the various components of net benefit cost in the pension and other postretirement benefit plans footnote as the basis for the retrospective application. This is in lieu of determining how much of the various components of net benefit cost were actually reflected in the income statement each period as a result of capitalization of certain costs into assets and their subsequent amortization. The Company and Southwest have elected to utilize the practical expedient.

Therefore, upon adoption, amounts presented in the Condensed Consolidated Statements of Income for operations and maintenance for the three-, nine-, and twelve-month periods ended September 30, 2017 were reclassified. The Operations and maintenance line item of the Company's Condensed Consolidated Statements of Income was revised from $102.3 million to $97.4 million for the three months ended September 30, 2017, from $314.5 million to $299.9 million for the nine months ended September 30, 2017, and from $414.2 million to $394.7 million for the twelve months ended September 30, 2017. The Operations and maintenance line item of Southwest's Condensed Consolidated Statements of Income was revised from $102.2 million to $97.4 million for the three months ended September 30, 2017, from $313.4 million to $298.8 million for the nine months ended September 30, 2017, and from $413.1 million to $393.6 million for the twelve months ended September 30, 2017. The Other income (deductions) line item of the Company's Condensed Consolidated Statements of Income was revised from $2.9 million to $(2.0) million for the three months ended September 30, 2017, from $8.8 million to $(5.8) million for the nine months ended September 30, 2017, and from $11.5 million to $(8.0) million for the twelve months ended September 30, 2017. The Other income (deductions) line item of Southwest's Condensed Consolidated Statements of Income was revised from $3.1 million to $(1.8) million for the three months ended September 30, 2017, from $8.7 million to $(5.8) million for the nine months ended September 30, 2017, and from $10.3 million to $(9.2) million for the twelve months ended September 30, 2017. Net income overall was not impacted by this reclassification for either the Company or Southwest.

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. During the first quarter of 2018, qualifying "term-vested" participants were offered a lump-sum present value payout of their pensions. The offer was primarily intended to reduce insurance and ongoing maintenance costs associated with qualifying participant balances. About one-quarter of the approximate 385 eligible participants accepted the offer, resulting in an approximate $6.8 million payment from pension assets in the third quarter of 2018. The lump sum payout will have no impact on net periodic benefit cost or pension funding requirements during 2018.

The service cost component of net periodic benefit costs included in the table below are components of an overhead loading process associated with the cost of labor (refer to discussion above related to the update to Topic 715). 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. Refer also to the practical expedient elected related to amounts capitalized as part of assets prior to the adoption date.

	Qualified Retirement Plan					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2018	2017	2018	2017	2018	2017
(Thousands of dollars)						
Service cost	$7,139	$5,848	$21,417	$17,544	$27,265	$23,252
Interest cost	11,043	11,520	33,130	34,561	44,652	46,068
Expected return on plan assets	(14,689)	(13,799)	(44,066)	(41,397)	(57,865)	(55,536)
Amortization of net actuarial loss	8,029	6,001	24,086	18,003	30,087	24,319
Net periodic benefit cost	$11,522	$9,570	$34,567	$28,711	$44,139	$38,103

	SERP					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2018	2017	2018	2017	2018	2017
(Thousands of dollars)						
Service cost	$61	$77	$183	$232	$260	$315
Interest cost	415	471	1,244	1,413	1,714	1,878
Amortization of net actuarial loss	375	361	1,126	1,081	1,486	1,426
Net periodic benefit cost	$851	$909	$2,553	$2,726	$3,460	$3,619

	PBOP					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2018	2017	2018	2017	2018	2017
(Thousands of dollars)						
Service cost	$368	$367	$1,105	$1,101	$1,472	$1,476
Interest cost	687	808	2,061	2,424	2,869	3,218
Expected return on plan assets	(929)	(839)	(2,789)	(2,518)	(3,629)	(3,305)
Amortization of prior service costs	334	333	1,002	1,001	1,336	1,335
Amortization of net actuarial loss	—	—	—	—	—	105
Net periodic benefit cost	$460	$669	$1,379	$2,008	$2,048	$2,829

Note 3 – Revenue

Effective January 2018, the Company and Southwest adopted the FASB Accounting Standards Codification update, Topic 606, “Revenue from Contracts with Customers”, using the modified retrospective transition method. Under the modified retrospective approach, the information for periods prior to the adoption date has not been restated and continues to be reported under the accounting standards in effect for those periods. As permitted under the standard, the Company and Southwest have elected to apply the guidance retrospectively only to those contracts that were not completed at January 1, 2018. Management assessed the effects the new guidance has on the Company’s (and Southwest’s, in the case of utility operations) financial position, results of operations, and cash flows. Based on these assessments, the adoption of Topic 606 had no material impact on any of the financial statements of Southwest or the Company.

The following information about the Company’s revenues is presented by segment. Southwest encompasses one segment – natural gas operations.

Natural Gas Operations 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. Southwest recognizes revenue when it satisfies its performance by transferring gas to the customer. Revenues also include the net impacts of margin tracker/decoupling accruals based on criteria in U.S. GAAP for rate-regulated entities associated with alternative revenue programs. Revenues from customer arrangements and from alternative revenue programs are described below.

Southwest acts as an agent for state and local taxing authorities in the collection and remission of a variety of taxes, including sales and use taxes and surcharges. These taxes are not included in Gas operating revenues. Management uses the net classification method to report taxes collected from customers to be remitted to governmental authorities.
Southwest generally offers two types of services to its customers: tariff sales and transportation–only service. Tariff sales encompass sales to many types of customers (primarily residential) under various rate schedules, subject to cost-of-service ratemaking, which is based on the rate-regulation of state commissions and the FERC. Southwest provides both the commodity and the related distribution service to nearly all of its approximate 2 million customers, and only several hundred customers (who are eligible to secure their own gas) subscribe to transportation-only service. Also, only a few hundred customers have contracts with stated periods. Southwest recognizes revenue when it satisfies its performance requirement by transferring volumes of gas to the customer. Natural gas is delivered and consumed by the customer simultaneously. The provision of service is represented by the turn of the meter dial and is the primary representation of the satisfaction of performance obligations of Southwest. The amount billable via regulated rates (both volumetric and fixed monthly rates as part of rate design) corresponds to the value to the customer, and management believes that the amount billable under the "invoice practical expedient" (amount Southwest has the right to invoice) is appropriate to utilize for purposes of recognizing revenue. Estimated amounts remaining unbilled since the last meter read date are restricted from being billed due only to the passage of time and therefore are also recognized for service provided through the balance sheet date. While natural gas service is typically recurring, there is generally not a contract term for utility service. Therefore, the contract term is not generally viewed to extend beyond the service provided to date, and customers can generally terminate service at will.
Transportation-only service is also governed by tariff rate provisions. Transportation-only service is generally only available to very large customers under requirements of Southwest's various tariffs. With this service, customers secure their own gas supply and Southwest provides transportation services to move the customer-supplied gas to the intended location. Southwest concluded that transportation/transmission service is suitable to an "over time" model. Rate structures under Southwest's regulation for transportation customers include a combination of volumetric charges and monthly "fixed" charges (including charges commonly referred to as capacity charges, demand charges, or reservation charges) as part of the rate design of regulated jurisdictions. These types of fixed charges represent a separate performance obligation associated with standing ready over the period of the month to deliver quantities of gas, regardless of whether the customer takes delivery of any quantity of gas. The performance obligations under these circumstances are satisfied over the course of the month under an output measure of progress based on time, which correlates to the period for which the charges are eligible to be invoiced.
Under its regulation, Southwest enters into negotiated rate contracts for those customers located in proximity to another pipeline, which pose a threat of bypassing its distribution system. Southwest may also enter into similar contracts for customers otherwise able to satisfy their energy needs by means of alternative fuel to natural gas. Less than two dozen customers are party to contracts with rate components subject to negotiation. Many rate provisions and terms of service for these less common types of contracts are also subject to regulatory oversight and tariff provisions. The performance obligations for these customers are satisfied similarly to those for other customers by means of transporting/delivering natural gas to the customer. Many or most of the rate components, and structures, for these types of customers are the same as those for similar customers without negotiated rate components; and the negotiated rates are within the parameters of the tariff guidelines. Management determined that these arrangements qualify for the invoice practical expedient for recognizing revenue. Furthermore, while some of these contracts include contract periods extending over time, including multiple years, as amounts billable under the contract are based on rates in effect for the customer for service provided to date, no significant financing component is deemed to exist.
As indicated above, revenues also include the net impacts of margin tracker/decoupling accruals. All of Southwest's service territories have decoupled rate structures (also referred to as alternative revenue programs) that are designed to eliminate the direct link between volumetric sales and revenue, thereby mitigating the impacts of unusual weather variability and conservation on margin. The primary alternative revenue programs involve permissible adjustments for differences between stated tariff benchmarks and amounts billable through revenue from contracts with customers via

existing rates. Such adjustments are recognized monthly in revenue and in the associated regulatory asset/liability accounts in advance of rate adjustments intended to collect or return amounts recognized. Revenues recognized for the adjustment to the benchmarks noted are required to be presented separately from revenues from contracts from customers, and as such, are provided below and identified as alternative revenue program revenue.

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:

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	September 30,		September 30,		September 30,	
(Thousands of dollars)	2018	2017	2018	2017	2018	2017
Residential	$120,249	$123,459	$631,562	$624,638	$864,128	$854,840
Small commercial	40,020	41,656	183,616	173,799	253,330	237,430
Large commercial	11,360	11,475	39,934	37,851	54,462	50,397
Industrial/other	5,390	5,024	17,391	15,518	23,899	20,946
Transportation	19,818	20,545	64,591	64,235	88,115	86,528
Revenue from contracts with customers	196,837	202,159	937,094	916,041	1,283,934	1,250,141
Alternative revenue program revenues (deferrals)	9,094	9,123	46,696	15,026	67,017	21,300
Other revenues (a)	11,592	1,777	3,725	4,756	3,049	4,867
Total Gas operating revenues	$217,523	$213,059	$987,515	$935,823	$1,354,000	$1,276,308

(a) Includes various other revenues, and during the first six months of 2018, included $12.5 million as a reserve against revenue associated with a tax reform savings adjustment. During the third quarter of 2018, amounts previously recognized were reclassified to the various categories of revenue from contracts with customers when incorporated in tariff rates. Refer to Income Taxes in Note 1 – Nature of Operations and Basis of Presentation.

Infrastructure Services Segment:

The majority of Centuri contracts are performed under unit-price contracts. Generally, these contracts state prices per unit of installation. Typical installations are accomplished in a few weeks or less. Revenues are recorded as installations are completed. Revenues are recorded for long-term fixed-price contracts in a pattern that reflects the transfer of control of promised goods and services to the customer over time. The amount of revenue recognized on fixed-price contracts is based on costs expended to date relative to anticipated final contract costs. Some unit-price contracts contain caps that if encroached, trigger revenue and loss recognition similar to a fixed-price contract model. Centuri is required to collect taxes imposed by various governmental agencies on the work performed by Centuri for its customers. These taxes are not included in Construction revenues. Management uses the net classification method to report taxes collected from customers to be remitted to governmental authorities.

Centuri derives revenue from the installation, replacement, repair, and maintenance of energy distribution systems, and in developing industrial construction solutions. Centuri has operations in the U.S. and Canada. The majority of Centuri's revenues are related to contracts for natural gas pipeline replacement and installation work for natural gas utilities. In addition, Centuri performs certain industrial construction activities for various customers and industries. Centuri has two types of agreements with its customers: master services agreements ("MSAs") and bid contracts. Most of Centuri's customers supply many of their own materials in order for Centuri to complete its work under the contracts.

An MSA identifies most of the terms describing each party's rights and obligations that will govern future work authorizations. An MSA is often effective for multiple years. A work authorization is issued by the customer to describe the location, timing, and any additional information necessary to complete the work for the customer. The combination of the MSA and the work authorization determines when a contract exists and revenue recognition may begin. Each work authorization is generally a single performance obligation as Centuri is performing a significant integration service. Centuri has elected to use the portfolio method practical expedient at the customer level as the terms and conditions of the work performed under MSAs are similar in nature with each customer but vary significantly between customers.

A bid contract is typically a one-time agreement for a specific project that has all necessary terms defining each party's rights and obligations. Each bid contract is evaluated for revenue recognition individually. Control of assets created under bid contracts generally passes to the customer over time. Bid contracts often have a single performance obligation as Centuri is providing a significant integration service.

Centuri's MSA and bid contracts are characterized as either fixed-price contracts or unit-price contracts for revenue recognition purposes. The cost-to-cost input method is used to measure progress towards the satisfaction of a performance obligation for fixed-price contracts. Input methods result in the recognition of revenue based on the entity's effort to satisfy the performance obligation relative to the total expected effort to satisfy the performance obligation. For unit-price contracts, an output method is used to measure progress towards satisfaction of a performance obligation. Also with regard to unit-price contracts, the output measurement will be the completion of each unit that is required under the contract.

Actual revenues and project costs can vary, sometimes substantially, from previous estimates due to changes in a variety of factors, including unforeseen circumstances not originally contemplated. These factors, along with other risks inherent in performing fixed-price contracts may cause actual revenues and gross profit for a project to differ from previous estimates and could result in reduced profitability or losses on projects. Changes in these factors may result in revisions to costs and earnings, the impacts for which are recognized in the period in which the changes are identified. Once identified, these types of conditions continue to be evaluated for each project throughout the project term and ongoing revisions in management's estimates of contract value, contract cost, and contract profit are recognized as necessary in the period determined.

Centuri categorizes work performed under MSAs and bid contracts into three primary service types: replacement gas construction, new gas construction, and other construction. Replacement gas construction includes work involving previously existing gas pipelines. New gas construction involves the installation of new pipelines or service lines to areas that do not already have gas services. Other construction includes all other work and can include industrial installation, water infrastructure installation, electric infrastructure installation, etc.

Contracts can have consideration that is variable. For MSAs, variable consideration is evaluated at the customer level as the terms creating variability in pricing are included within the MSA and are not specific to a work authorization. For multi-year MSAs, variable consideration items are typically determined for each year of the contract and not for the full contract term. For bid contracts, variable consideration is evaluated at the individual contract level. The expected value method or most likely amount method is used based on the nature of the variable consideration. Types of variable consideration include liquidated damages, delay penalties, performance incentives, safety bonuses, payment discounts, and volume rebates. Centuri will typically estimate variable consideration and adjust financial information, as necessary.

Change orders involve the modification in scope, price, or both to the current contract, requiring approval by both parties. The existing terms of the contract continue to be accounted for under the current contract until such time as a change order is approved. Once approved, the change order is either treated as a separate contract or as part of the existing contract, as appropriate, under the circumstances. When the scope is agreed upon in the change order but not the price, Centuri estimates the change to the transaction price.

The following tables display Centuri's revenue from contracts with customers disaggregated by service type and contract type:

(Thousands of dollars)	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	September 30,		September 30,		September 30,	
	2018	2017	2018	2017	2018	2017
Service Types:						
Replacement gas construction	$305,177	$238,957	$718,598	$540,907	$965,757	$765,068
New gas construction	50,544	43,216	131,017	116,521	179,872	180,093
Other construction	94,902	97,921	256,229	215,108	334,163	228,415
Total Construction revenues	$450,623	$380,094	$1,105,844	$872,536	$1,479,792	$1,173,576

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(Thousands of dollars)	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	September 30,		September 30,		September 30,	
	2018	2017	2018	2017	2018	2017
Contract Types:						
Master services agreement	$348,274	$261,576	$832,813	$617,129	$1,101,216	$831,465
Bid contract	102,349	118,518	273,031	255,407	378,576	342,111
Total Construction revenues	$450,623	$380,094	$1,105,844	$872,536	$1,479,792	$1,173,576
Unit priced contracts	$368,918	$332,462	$948,593	$782,560	$1,286,059	$993,294
Fixed priced contracts	81,705	47,632	157,251	89,976	193,733	180,282
Total Construction revenues	$450,623	$380,094	$1,105,844	$872,536	$1,479,792	$1,173,576

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, and amounts billed in excess of revenue earned on contracts (contract liability), which are included in Other current liabilities as of September 30, 2018 and December 31, 2017 on the Company's Condensed Consolidated Balance Sheets:

(Thousands of dollars)	September 30, 2018	December 31, 2017
Contracts receivable, net	$191,923	$ 221,859
Revenue earned on contracts in progress in excess of billings	85,554	5,768
Amounts billed in excess of revenue earned on contracts	7,192	9,602

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 at the reporting date. These contract assets are transferred to contracts receivable when the rights become unconditional. Upon adoption of Topic 606, the Company reclassified $51.7 million to revenue earned on contracts in progress in excess of billings, and during the nine months ended September 30, 2018, recognized an increase of $33.8 million, excluding the impact from the adoption, primarily related to normal operating and billing activities. The amounts billed in excess of revenue earned (contract liability) primarily relates to the advance consideration received from customers for which work has not yet been completed. The change in this contract liability balance from January 1, 2018 to September 30, 2018 is due to revenue recognized of $9.6 million that was included in this item as of January 1, 2018, and to increases due to cash received, net of revenue recognized during the period related to contracts that commenced during the period.

Prior to the adoption of Topic 606, revenue earned on contracts in progress in excess of billings was only used to recognize contract assets related to fixed-price contracts under previous accounting guidance. This balance now includes any conditional contract assets for both fixed-price contracts and unit-price contracts. Centuri considers retention and unbilled amounts to customers to be conditional contract assets, as payment is contingent on the occurrence of a future event. Contracts receivable, net, includes only amounts that are unconditional in nature, which means only the passage of time remains and Centuri has invoiced the customer. Similarly, amounts billed in excess of revenue earned on contracts was only used to recognize contract liabilities related to fixed-price contracts under previous accounting guidance. This line item now includes contract liabilities related to both fixed-price contracts and unit-price contracts. In the event a contract asset or contract liability is expected to be recognized for greater than one year from the financial statement date, Centuri classifies those amounts as long-term contract assets or contract liabilities, included in Deferred charges and other assets or Other deferred credits and other long-term liabilities on the Company's Condensed Consolidated Balance Sheets.

For Centuri's contracts that have an original duration of one year or less, Centuri uses the practical expedient applicable to such contracts and does not consider 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.

Centuri has sixteen contracts that had 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, 2018 is $71 million. Centuri expects to recognize the remaining performance obligations over the next four years; however, the timing of that recognition is largely within the control of the customer, including when the necessary equipment and materials required to complete the work are provided by the customer.

Construction services contracts receivable consists of the following:

(Thousands of dollars)	September 30, 2018
Billed on completed contracts and contracts in progress	$189,619
Other receivables	2,424
Contracts receivable, gross	192,043
Allowance for doubtful accounts	(120)
Contracts receivable, net	$191,923

Note 4 – Segment Information

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

	Natural Gas Operations	Infrastructure Services	Other	Total
Three Months Ended September 30, 2018				
Revenues from external customers	$217,523	$ 414,175	$—	$631,698
Intersegment revenues	—	36,448	—	36,448
Total	$217,523	$ 450,623	$—	$668,146
Segment net income (loss)	$(13,670)	$ 26,798	$(797)	$12,331
Three Months Ended September 30, 2017				
Revenues from external customers	$213,059	$ 351,850	$—	$564,909
Intersegment revenues	—	28,244	—	28,244
Total	$213,059	$ 380,094	$—	$593,153
Segment net income (loss)	$(4,024)	$ 14,335	$(107)	$10,204

	Natural Gas Operations	Infrastructure Services	Other	Total
Nine Months Ended September 30, 2018				
Revenues from external customers	$987,515	$ 1,009,166	$—	$1,996,681
Intersegment revenues	—	96,678	—	96,678
Total	$987,515	$ 1,105,844	$—	$2,093,359
Segment net income (loss)	$79,301	$ 35,034	$(1,362)	$112,973
Nine Months Ended September 30, 2017				
Revenues from external customers	$935,823	$ 800,073	$—	$1,735,896
Intersegment revenues	—	72,463	—	72,463
Total	$935,823	$ 872,536	$—	$1,808,359
Segment net income (loss)	$82,436	$ 15,717	$(777)	$97,376

	Natural Gas Operations	Infrastructure Services	Other	Total
Twelve Months Ended September 30, 2018				
Revenues from external customers	$1,354,000	$ 1,358,418	$—	$2,712,418
Intersegment revenues	—	121,374	—	121,374
Total	$1,354,000	$ 1,479,792	$—	$2,833,792
Segment net income (loss)	$153,683	$ 57,677	$(1,922)	$209,438
Twelve Months Ended September 30, 2017				
Revenues from external customers	$1,276,308	$ 1,078,195	$—	$2,354,503
Intersegment revenues	—	95,381	—	95,381
Total	$1,276,308	$ 1,173,576	$—	$2,449,884
Segment net income (loss)	$134,323	$ 29,010	$(777)	$162,556

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Note 5 – Derivatives and Fair Value Measurements

Derivatives. In managing its natural gas supply portfolios, Southwest has historically entered into fixed- and variable-price contracts, which qualify as derivatives. Additionally, Southwest utilizes fixed-for-floating swap contracts ("Swaps") to supplement its fixed-price contracts. The fixed-price contracts, firm commitments to purchase a fixed amount of gas in the future at a fixed price, qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business, and are exempt from fair value reporting. The variable-price contracts qualify as derivative instruments; however, because the contract price is the prevailing price at the future transaction date, the contract has no determinable fair value. The Swaps' 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. Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

The fixed-price contracts and Swaps are utilized by Southwest under its volatility mitigation programs to effectively fix the price on a portion (up to 25% in the Arizona and California jurisdictions) of its natural gas supply portfolios. The maturities of the Swaps highly correlate to forecasted purchases of natural gas, during time frames ranging from October 31, 2018 through October 31, 2019. Under such contracts, Southwest pays the counterparty a fixed rate and receives from the counterparty a floating rate per MMBtu ("dekatherm") of natural gas. Only the net differential is actually paid or received. The differential is calculated based on the notional amounts under the contracts, which are detailed in the table below (thousands of dekatherms):

	September 30, 2018	December 31, 2017
Contract notional amounts	14,157	10,929

The following table sets forth the gains and (losses) recognized on the Swaps (derivatives) for the three-, nine-, and twelve-month periods ended September 30, 2018 and 2017 and their location in the Condensed Consolidated Statements of Income for both the Company and Southwest:

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

		Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
Instrument	Location of Gain or (Loss) Recognized in Income on Derivative	2018	2017	2018	2017	2018	2017
Swaps	Net cost of gas sold	$511	$(546)	$(3,815)	$(6,851)	$(8,536)	$(4,098)
Swaps	Net cost of gas sold	(511)*	546 *	3,815 *	6,851 *	8,536 *	4,098 *
Total		$—	$—	$—	$—	$—	$—

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

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

The following table sets forth the fair values of the Swaps and their location in the Condensed Consolidated Balance Sheets for both the Company and Southwest (thousands of dollars):
Fair values of derivatives not designated as hedging instruments:

September 30, 2018		Asset	Liability	
Instrument	Balance Sheet Location	Derivatives	Derivatives	Net Total
Swaps	Deferred charges and other assets	$ 24	$ —	$ 24
Swaps	Other current liabilities	1,038	(5,735)	(4,697)
Swaps	Other deferred credits and other long-term liabilities	57	(188)	(131)
Total		$ 1,119	$ (5,923)	$ (4,804)

December 31, 2017		Asset	Liability	
Instrument	Balance Sheet Location	Derivatives	Derivatives	Net Total
Swaps	Other current liabilities	$ 11	$ (4,468)	$ (4,457)
Swaps	Other deferred credits and other long-term liabilities	19	(1,342)	(1,323)
Total		$ 30	$ (5,810)	$ (5,780)

The estimated fair values of the natural gas derivatives were determined using future natural gas index prices (as more fully described below). Master netting arrangements exist with each counterparty that provide for the net settlement (in the settlement month) of all contracts through a single payment. As applicable, management has elected to reflect the net amounts in its balance sheets. There was no outstanding collateral associated with the Swaps during either period shown in the above table.
Pursuant to regulatory deferral accounting treatment for rate-regulated entities, unrealized gains and losses in fair value of the Swaps are recorded as a regulatory asset and/or liability. When the Swaps mature, any prior positions held are reversed and the settled position is recorded as an increase or decrease of purchased gas under the related purchase gas adjustment ("PGA") mechanism in determining the deferred PGA balances. Neither changes in fair value nor settled amounts of Swaps have a direct effect on earnings or other comprehensive income.
The following table shows the amounts Southwest paid to and received from counterparties for settlements of matured Swaps.

(Thousands of dollars)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018	Twelve Months Ended September 30, 2018
Paid to counterparties	$ 866	$ 4,797	$ 6,343
Received from counterparties	$ —	$ 6	$ 6

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

September 30, 2018		
Instrument	Balance Sheet Location	Net Total
Swaps	Other deferred credits and other long-term liabilities	$ (24)
Swaps	Prepaids and other current assets	4,697
Swaps	Deferred charges and other assets	131

December 31, 2017		
Instrument	Balance Sheet Location	Net Total

Swaps	Prepaids and other current assets	$ 4,457
Swaps	Deferred charges and other assets	1,323

Fair Value Measurements. The estimated fair values of Southwest's Swaps were determined at September 30, 2018 and December 31, 2017 using futures settlement prices, published by the CME Group, for the delivery of natural gas at Henry Hub adjusted by the price of future settlement bases, which reflect the difference between the price of natural gas at a given delivery basin and the Henry Hub pricing points. These Level 2 inputs (inputs, other than quoted prices, for similar assets or liabilities) are observable in the marketplace throughout the full term of the Swaps, but have been credit-risk adjusted with no significant impact to the overall fair value measurement.

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

Level 2 - Significant other observable inputs

(Thousands of dollars)	September 30, 2018	December 31, 2017
Assets at fair value:		
Deferred charges and other assets - Swaps	$ 24	$ —
Liabilities at fair value:		
Other current liabilities - Swaps	(4,697)	(4,457)
Other deferred credits and other long-term liabilities - Swaps	(131)	(1,323)
Net Assets (Liabilities)	$ (4,804)	$ (5,780)

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

With regard to the fair values of assets associated with pension and postretirement benefit plans, asset values were last updated as required as of December 2017. Refer to Note 11 – Pension and Other Post Retirement Benefits in the 2017 Annual Report to Shareholders, which is incorporated by reference into the 2017 Form 10-K.

Note 6 – Common Stock

On March 29, 2017, the Company filed with the SEC an automatic shelf registration statement on Form S-3 (File No. 333-217018), which became effective upon filing, for the offer and sale of up to $150 million of common stock from time to time in at-the-market offerings under the prospectus included therein and in accordance with the Sales Agency Agreement, dated March 29, 2017, between the Company and BNY Mellon Capital Markets, LLC (the "Equity Shelf Program"). During the three months ended September 30, 2018, the Company sold, through the Equity Shelf Program, an aggregate of 259,473 shares of the Company's common stock in the open market at a weighted average price of $78.83 per share, resulting in proceeds to the Company of $20,250,309 net of $204,549 in agent commissions. During the nine months ended September 30, 2018, the Company sold, through the Equity Shelf Program, an aggregate of 1,145,705 shares of the Company's common stock in the open market at a weighted average price of $74.32 per share, resulting in proceeds to the Company of $84,298,476 net of $851,500 in agent commissions. During the twelve months ended September 30, 2018, the Company sold, through the Equity Shelf Program, an aggregate of 1,504,335 shares of the Company's common stock in the open market at a weighted average price of $76.55 per share, resulting in proceeds to the Company of $113,998,400, net of $1,151,499 in agent commissions. As of September 30, 2018, the Company had up to $23,073,229 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, 2018, the Company issued approximately 78,000 shares of common stock through the Restricted Stock/Unit Plan and Management Incentive Plan.

Also during the nine months ended September 30, 2018, the Company issued 109,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan ("DRSPP"), raising approximately $7.8 million.

Note 7 – Long-Term Debt

Carrying amounts of long-term debt and related estimated fair values as of September 30, 2018 and December 31, 2017 are disclosed in the following table. Southwest's revolving credit facility (including commercial paper) and the variable-rate Industrial Development Revenue Bonds ("IDRBs") approximate their carrying values, as they are repaid quickly (in the case of credit facility borrowings) and have interest rates that reset frequently. These are categorized as Level 1 due to Southwest's ability to access similar debt arrangements at measurement dates with comparable terms, including variable/market rates. The fair values of Southwest's debentures, senior notes, and fixed-rate IDRBs were determined utilizing a market-based valuation approach, where fair values are determined based on evaluated pricing data, such as broker quotes and yields for similar securities adjusted for observable differences. Significant inputs used in the valuation generally include benchmark yield curves, credit ratings and issuer spreads. The external credit rating, coupon rate, and maturity of each security are considered in the valuation, as applicable. The fair values of debentures and fixed-rate IDRBs are categorized as Level 2 (observable market inputs based on market prices of similar securities). The Centuri secured revolving credit and term loan facility and Centuri other debt obligations (not actively traded) are categorized as Level 3, based on significant unobservable inputs to their fair values. Because Centuri's debt is not publicly traded, fair values for the secured revolving credit and term loan facility and other debt obligations were based on a conventional discounted cash flow methodology and utilized current market pricing yield curves, across Centuri's debt maturity spectrum, of other industrial bonds with an assumed credit rating comparable to the Company's.

	September 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Thousands of dollars)				
Southwest Gas Corporation:				
Debentures:				
Notes, 4.45%, due 2020	$125,000	$126,808	$125,000	$129,273
Notes, 6.1%, due 2041	125,000	147,874	125,000	158,304
Notes, 3.875%, due 2022	250,000	251,003	250,000	256,163
Notes, 4.875%, due 2043	250,000	262,023	250,000	283,243
Notes, 3.8%, due 2046	300,000	273,843	300,000	302,970
Notes, 3.7%, due 2028	300,000	293,304	—	—
8% Series, due 2026	75,000	93,836	75,000	96,063
Medium-term notes, 7.78% series, due 2022	25,000	27,686	25,000	28,714
Medium-term notes, 7.92% series, due 2027	25,000	29,693	25,000	31,542
Medium-term notes, 6.76% series, due 2027	7,500	8,596	7,500	8,882
Unamortized discount and debt issuance costs	(12,037)		(9,350)	
	1,470,463		1,173,150	
Revolving credit facility and commercial paper	150,000	150,000	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	(1,842)		(2,119)	
	198,158		197,881	
Less: current maturities	—		—	
Long-term debt, less current maturities - Southwest Gas Corporation	$1,818,621		$1,521,031	
Centuri:				
Centuri term loan facility	$189,002	$195,247	$199,578	$207,588
Unamortized debt issuance costs	(941)		(1,111)	
	188,061		198,467	
Centuri secured revolving credit facility	78,217	78,277	56,472	56,525
Centuri other debt obligations	72,171	71,966	47,952	48,183
Less: current maturities	(33,429)		(25,346)	
Long-term debt, less current maturities - Centuri	$305,020		$277,545	
Consolidated Southwest Gas Holdings, Inc.:				
Southwest Gas Corporation long-term debt	$1,818,621		$1,521,031	
Centuri long-term debt	338,449		302,891	
Less: current maturities	(33,429)		(25,346)	
Long-term debt, less current maturities - Southwest Gas Holdings, Inc.	$2,123,641		$1,798,576	

Southwest has a $400 million credit facility that is scheduled to expire in March 2022. Southwest designates $150 million of capacity related to the facility as long-term debt and has designated the remaining $250 million for working capital purposes. Interest rates for the credit facility are calculated at either the London Interbank Offered Rate ("LIBOR") or an "alternate base rate," plus in each case an applicable margin that is determined based on Southwest's senior unsecured debt rating. At September 30, 2018, 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, 2018, $150 million was outstanding on the long-term portion (including the commercial paper program, discussed below) and $9 million was outstanding on the short-term portion of this credit facility (see Note 8 – Short-Term Debt).

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. 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, 2018, as noted above, $50 million was outstanding under the commercial paper program.

In March 2018, Southwest issued $300 million in 3.7% Senior Notes at a discount of 0.185%. The notes will mature in April 2028. A portion of the proceeds were used to repay amounts then outstanding under the revolving portion of the credit facility and the remainder to repay amounts then outstanding under the commercial paper program.

Centuri has a $450 million senior secured revolving credit and term loan facility that is scheduled to expire in November 2022. This facility includes a revolving credit facility and a term loan facility. The line of credit portion of the facility is $250 million; amounts borrowed and repaid under the revolving credit facility are available to be re-borrowed. The term loan facility portion has a limit of approximately $200 million. The limit on the term loan facility was reached in November 2017; therefore, no further borrowing is permitted under this term loan facility. The $450 million revolving credit and term loan facility is secured by substantially all of Centuri's assets except those explicitly excluded under the terms of the agreement (including owned real estate and certain certificated vehicles). Centuri assets securing the facility at September 30, 2018 totaled $675 million. At September 30, 2018, $267 million in borrowings were outstanding under the Centuri facility. Additionally, for the nine months ended September 30, 2018, Centuri entered into equipment loans for approximately $40 million with a maturity date of May 2023 under an existing agreement.

Note 8 – Short-Term Debt

The Company has a $100 million credit facility that is scheduled to expire in March 2022. The Company had $22.5 million in short-term borrowings outstanding at September 30, 2018 under this facility.

As discussed in Note 7 – Long-Term Debt, Southwest has a $400 million credit facility that is scheduled to expire in March 2022, of which $250 million has been designated by management for working capital purposes. Southwest had $9 million in short-term borrowings outstanding at September 30, 2018 under this facility.

Note 9 – Equity, Other Comprehensive Income, and Accumulated Other Comprehensive Income

The table below provides details of activity in equity and the noncontrolling interest for the Company on a consolidated basis during the nine months ended September 30, 2018.

	Southwest Gas Holdings, Inc. Equity						
	Common Stock						
(In thousands, except per share amounts)	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-controlling Interest	Total
December 31, 2017	48,090	$49,720	$955,332	$ (47,682)	$857,398	$ (2,365)	$1,812,403
Common stock issuances	1,333	1,333	93,218	—	—	—	94,551
Net income (loss)	—	—	—	—	112,973	(797)	112,176
Foreign currency exchange translation adjustment	—	—	—	(1,002)	—	—	(1,002)
Other comprehensive income (loss):							
Net actuarial gain (loss) arising during period, less amortization of unamortized benefit plan cost, net of tax	—	—	—	2,687	—	—	2,687
Amounts reclassified to net income, net of tax (FSIRS)	—	—	—	1,907	—	—	1,907
Reclassification of excess deferred taxes (a)	—	—	—	(9,300)	9,300	—	—
Change in ownership of noncontrolling interest (b)	—	—	(2,710)	—	—	2,710	—
Dividends declared							
Common: $1.56 per share	—	—	—	—	(76,941)	—	(76,941)
September 30, 2018	49,423	$51,053	$1,045,840	$ (53,390)	$902,730	$ (452)	$1,945,781

(a) Release of excess deferred taxes accumulated prior to December 22, 2017 (date of enactment of the TCJA), as a result of the adoption of ASU 2018-02, which permitted such release.

(b) Centuri, through its subsidiary, NPL, has historically held a 65% ownership interest in IntelliChoice Energy, LLC ("ICE"). A residual interest of 35% has been held by a third party. During the second quarter of 2018, an additional $1 million of capital was contributed by NPL, thereby increasing NPL's ownership interest to 95%. The carrying amount of the noncontrolling interest has been adjusted with a corresponding charge to Additional paid-in capital on the Company's Condensed Consolidated Balance Sheet.

The table below provides details of activity in equity for Southwest during the nine months ended September 30, 2018. Only equity shares of the Company are publicly traded, under the ticker symbol "SWX."

	Southwest Gas Corporation Equity					
	Common Stock					
(In thousands)	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
December 31, 2017	47,482	$49,112	$948,767	$ (47,073)	$659,193	$1,609,999
Net income	—	—	—	—	79,301	79,301
Other comprehensive income (loss):						
Net actuarial gain (loss) arising during period, less amortization of unamortized benefit plan	—	—	—	2,687	—	2,687

cost, net of tax						
Amounts reclassified to net income, net of tax (FSIRS)	—	—	—	1,907	—	1,907
Reclassification of excess deferred taxes (a)	—	—	—	(9,300)	9,300	—
Stock-based compensation (b)	—	—	1,899	—	(510)	1,389