

Southwest Gas Holdings, Inc.
 Form 10-Q
 May 08, 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 March 31, 2018

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

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

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

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

Southwest Gas Holdings, Inc.:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Southwest Gas Corporation:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Southwest Gas Holdings, Inc. Common Stock, \$1 Par Value, 48,355,558 shares as of April 30, 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).

SOUTHWEST GAS HOLDINGS, INC.
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FILING FORMAT

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

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

SOUTHWEST GAS HOLDINGS, INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except par value)

(Unaudited)

	MARCH 31, 2018	DECEMBER 31, 2017
ASSETS		
Utility plant:		
Gas plant	\$ 6,709,858	\$ 6,629,644
Less: accumulated depreciation	(2,248,307)	(2,231,242)
Construction work in progress	142,840	125,248
Net utility plant	4,604,391	4,523,650
Other property and investments	442,771	428,180
Current assets:		
Cash and cash equivalents	65,115	43,622
Accounts receivable, net of allowances	335,982	347,375
Accrued utility revenue	47,300	78,200
Income taxes receivable, net	15,549	7,960
Deferred purchased gas costs	18,739	14,581
Prepays and other current assets	181,248	165,294
Total current assets	663,933	657,032
Noncurrent assets:		
Goodwill	176,485	179,314
Deferred income taxes	1,371	1,480
Deferred charges and other assets	438,682	447,410
Total noncurrent assets	616,538	628,204
Total assets	\$ 6,327,633	\$ 6,237,066

CAPITALIZATION AND LIABILITIES

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Capitalization:		
Common stock, \$1 par (authorized - 60,000,000 shares; issued and outstanding - 48,336,922 and 48,090,470 shares)	\$ 49,967	\$ 49,720
Additional paid-in capital	965,480	955,332
Accumulated other comprehensive income (loss), net	(56,363)	(47,682)
Retained earnings	920,454	857,398
Total Southwest Gas Holdings, Inc. equity	1,879,538	1,814,768
Noncontrolling interest	(3,162)	(2,365)
Total equity	1,876,376	1,812,403
Long-term debt, less current maturities	1,998,127	1,798,576
Total capitalization	3,874,503	3,610,979
Current liabilities:		
Current maturities of long-term debt	24,867	25,346
Short-term debt	22,500	214,500
Accounts payable	175,905	228,315
Customer deposits	69,610	69,781
Income taxes payable	12,906	5,946
Accrued general taxes	63,307	43,879
Accrued interest	24,906	17,870
Deferred purchased gas costs	371	6,841
Other current liabilities	208,479	203,403
Total current liabilities	602,851	815,881
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	500,289	476,960
Accumulated removal costs	317,000	315,000
Other deferred credits and other long-term liabilities	1,032,990	1,018,246
Total deferred income taxes and other credits	1,850,279	1,810,206
Total capitalization and liabilities	\$ 6,327,633	\$ 6,237,066

The accompanying notes are an integral part of these statements.

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SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MARCH 31,		MARCH 31,	
	2018	2017	2018	2017
Operating revenues:				
Gas operating revenues	\$ 494,313	\$ 462,602	\$ 1,334,019	\$ 1,258,914
Construction revenues	260,017	192,135	1,314,366	1,125,065
Total operating revenues	754,330	654,737	2,648,385	2,383,979
Operating expenses:				
Net cost of gas sold	185,732	146,879	393,898	330,400
Operations and maintenance	102,351	104,295	390,819	390,402
Depreciation and amortization	62,478	72,478	240,951	286,250
Taxes other than income taxes	15,257	14,782	58,421	53,145
Construction expenses	258,952	191,956	1,215,959	1,022,997
Total operating expenses	624,770	530,390	2,300,048	2,083,194
Operating income	129,560	124,347	348,337	300,785
Other income and (expenses):				
Net interest deductions	(22,631)	(18,714)	(81,981)	(74,653)
Other income (deductions)	(4,334)	(990)	(9,374)	(8,062)
Total other income and (expenses)	(26,965)	(19,704)	(91,355)	(82,715)
Income before income taxes	102,595	104,643	256,982	218,070
Income tax expense	24,301	35,638	53,751	71,365
Net income	78,294	69,005	203,231	146,705
Net income (loss) attributable to noncontrolling interests	(797)	(303)	(393)	802
Net income attributable to Southwest Gas Holdings, Inc.	\$ 79,091	\$ 69,308	\$ 203,624	\$ 145,903
Basic earnings per share	\$ 1.63	\$ 1.46	\$ 4.23	\$ 3.07

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Diluted earnings per share	\$ 1.63	\$ 1.45	\$ 4.23	\$ 3.05
Dividends declared per share	\$ 0.52	\$ 0.495	\$ 2.005	\$ 1.845
Average number of common shares	48,416	47,530	48,105	47,492
Average shares (assuming dilution)	48,459	47,864	48,139	47,839

The accompanying notes are an integral part of these statements.

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SOUTHWEST GAS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Thousands of dollars)

(Unaudited)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MARCH 31,		MARCH 31,	
	2018	2017	2018	2017
Net income	\$ 78,294	\$ 69,005	\$ 203,231	\$ 146,705
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	875	828
Amortization of net actuarial loss	6,387	3,944	18,219	16,529
Regulatory adjustment	(5,746)	(3,556)	10,400	(3,222)
Net defined benefit pension plans	895	595	(3,207)	17
Forward-starting interest rate swaps:				
Amounts reclassified into net income	635	518	2,190	2,074
Net forward-starting interest rate swaps	635	518	2,190	2,074
Foreign currency translation adjustments	(911)	220	640	(401)
Total other comprehensive income, net of tax	619	1,333	(377)	1,690
Comprehensive income	78,913	70,338	202,854	148,395
Comprehensive income attributable to noncontrolling interests	(797)	(296)	(389)	788
Comprehensive income attributable to Southwest Gas Holdings, Inc.	\$ 79,710	\$ 70,634	\$ 203,243	\$ 147,607