Risk Factors Comparison 2024-02-28 to 2023-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

In particular, the productivity of Centuri' s labor force and its ongoing relationship with clients is largely dependent on those serving in foreman, general foreman, regional, and executive level management positions. The ability to retain these individuals, due in large part to the competitive nature of the utility infrastructure service business, is necessary for the ongoing success and growth of Centuri. Further, the competitive environment within which Centuri performs work creates pricing pressures, specifically when its unionized business segment is bidding against non- union competitors. This workforce competition, including that which exists for resources across our businesses, could adversely impact our business, financial condition, results of operations, and cash flows. **Our collective businesses have recently experienced turnover, including at the executive ranks at Centuri in 2024. Turnover at these ranks can limit or delay our ability to deploy on plans, including strategic plans, which could adversely impact our business, stock price, financial condition, results of operations, and cash flows. In addition, executive leadership transition periods can often be difficult and may result in changes in leadership strategy and style. We can provide no assurances that any associated organizational change or changes in business strategy will be beneficial or have the desired impact on the Company.** Loss of **, or a reduction in business from,** one or more significant customers at Centuri could adversely affect results. During ~~2022~~ **2023** , over half of **our** utility infrastructure services revenues were generated from ~~ten~~ **eleven** customers. This concentration of risk could impact operating results if construction work slowed or halted with one or more of these customers, if competition for work increased, or if existing contracts were not ~~replaced~~ **renewed** or extended. Certain of our costs, such as operating expenses (including labor, fuel, and materials) at Southwest and Centuri, and interest and general and administrative expenses at both segments and the Company could be adversely impacted by periods of heightened inflation, which could have an adverse impact on our results of operations. **Recently** ~~Throughout 2022~~ , the consumer price index increased substantially and may continue to remain at elevated levels for an extended period of time. Federal policies and recent global events, such as the volatility in prices of oil and natural gas, and the ~~conflict~~ **conflicts** between Russia ~~and~~ **-** Ukraine **and Israel- Hamas** , may have exacerbated, and may continue to exacerbate, increases in the consumer price index. In addition, during periods of rising inflation **, including by government action** , variable interest rates and the interest rates of any debt securities we, Southwest, or Centuri issue will likely be higher than ~~more recent~~ **earlier periods or than for earlier fixed- rate** debt issuances, which will ~~further tend to~~ reduce ~~returns to~~ our ~~stockholders~~ **earnings** . A sustained or further increase in inflation could have a material adverse impact on ~~our operating~~ expenses incurred in connection with **our labor force** , ~~among others~~ **general and administrative expenses** , ~~the cost~~ **operating supplies and expenses, and maintenance** of ~~natural~~ **our system, as well increasing outlays for** gas supply **passed on to customers** ~~, labor, products,~~ and **the cost of** ~~services required for operations, maintenance and~~ capital improvements at Southwest, **in addition to requiring us to borrow amounts to fund the incremental outlays** ~~and fuel, labor, and materials costs at Centuri, as well as general administrative expenses for both segments~~ . With regard to Southwest, rate schedules in each of its service territories contain purchased gas adjustment clauses which permit Southwest to file for rate adjustments to recover increases in the cost of purchased gas. Increases in the cost of purchased gas have no direct impact on our profit margins **,** but do affect cash flows and can therefore impact the amount of our capital resources. In order to help cope with the effects of inflation on its operations, Southwest **has filed and** may file requests for rate increases to cover the increased cost of purchased gas **included in a regulatory asset** or **expense items** ~~other types of expenditures~~ noted above. However, there can be no assurance that Southwest will be able to obtain ~~adequate and~~ timely rate relief to offset the effects of inflation **or to timely or adequately cover borrowing costs to fund the increased cost of purchased gas and capital expenditures;** and any non- recovery of costs or regulatory lag will reduce our cash flows and earnings. As a result, during periods in which the inflation rate exceeds ~~the~~ **customer** rate increases ~~applicable to purchased gas, or other types of expenditures~~ , we may not adequately mitigate the impact of inflation, which may adversely affect our business, financial condition, results of operations, and cash flows. Additionally, inflationary pricing has had and may continue to have a negative effect on the construction costs necessary to complete projects at Centuri, particularly with respect to fuel, labor, and subcontractor costs ~~discussed above~~ **, in addition to increasing other operating and general and administrative expenses** . Centuri ~~is~~ **has experienced and continues to** ~~experiencing~~ **experience** pressures on fuel, materials, and certain labor costs as a result of the inflationary environment and ~~current~~ **recent** general labor shortage, which has resulted in increased competition for skilled labor and wage inflation. Centuri has not been able to (except in limited circumstances), and may not be able to, fully adjust its contract pricing to compensate for these cost increases, which has **adversely** affected, and may continue to **adversely** affect, Centuri' s profitability and cash flows. Inflationary pressures and related recessionary concerns in light of governmental and central bank efforts to mitigate inflation could also ~~cause~~ **impact our customers, causing** uncertainty for Centuri' s customers and ~~affect~~ **affecting** the level of their project activity, which could also adversely affect Centuri' s profitability and cash flows. ~~Furthermore, inflationary~~ **Inflationary** pressures **on customers of both Southwest and Centuri** may ~~also~~ influence ~~Southwest' s~~ **the timely remittance (or any remittance) of** ~~customers~~ - **customer** ~~in remitting~~ payments **for service** ~~on their utility bills~~ , which may adversely affect **our** ~~Southwest' s~~ cash flows and associated reserves for uncollectible accounts ~~in~~ **and** earnings. As inflation persists, the Board of Governors of the United States Federal Reserve Bank has raised **during 2023** and **may** ~~has indicated that it intends to~~ continue to raise benchmark interest rates **during** ~~into 2023 and~~ 2024, which likely will cause ~~our~~ **Centuri' s** borrowing costs to increase over time. As a result of the inflationary factors discussed above affecting the Company, Southwest, and Centuri, our business, financial condition, results of operations, cash flows, and liquidity could be adversely affected over time. **Certain** ~~Fixed- price~~

contracts at Centuri are subject to potential losses that could adversely affect results of operations. Centuri enters into a variety of types of contracts customary in the underground utility construction industry. These contracts include unit- priced contracts (including unit- priced contracts with revenue caps), time and material (cost plus) contracts, and fixed- price (lump sum) contracts. Contracts with caps and fixed- price arrangements can be susceptible to constrained profits, or even losses, especially those contracts that cover an extended- duration performance period. This is due, in part, to the necessity of estimating costs far in advance of the completion date (at bid inception). Unforeseen inflation, or other costs unanticipated at inception, can detrimentally impact profitability for these types of contracts **, which could have an adverse impact on Centuri' s financial condition, results of operations, and cash flows** . The nature of our operations presents inherent risks of loss that could adversely affect our results of operations. Our natural gas distribution ~~and pipeline and storage~~ operations are subject to inherent hazards and risks such as gas leaks, fires, natural disasters, catastrophic accidents, explosions, pipeline ruptures, and other hazards and risks that may cause unforeseen interruptions, personal injury, or property damage. Our utility infrastructure services operations are reliant on skilled personnel who are trained and qualified to install utility infrastructure under established safety protocols and operator qualification programs, and in conformance with mandated engineering design specifications. Lapses in judgment or failure to follow protocol could lead to warranty and indemnification liabilities or catastrophic accidents, causing property damage or personal injury. Additionally, our facilities, machinery, and equipment, including our pipelines, are subject to third- party damage from construction activities, vandalism, or acts of terrorism. Such incidents could result in severe business disruptions, significant decreases in revenues, and / or significant additional costs to us. Any such incident could have an adverse effect on our financial condition, earnings, and cash flows. In addition, any of these or similar events could result in legal claims against us, cause environmental pollution, personal injury or death claims, damage to our properties or the properties of others, or loss of revenue by us or others. The Company maintains liability insurance that covers Southwest for some, but not all, risks associated with the operation of our natural gas pipelines and facilities, and the utility infrastructure services ~~we provide~~ **of Centuri** . In connection with these liability insurance policies, each entity is responsible for an initial deductible or self- insured retention amount per incident, after which the insurance carriers would be responsible for amounts up to the policy limits. Liability insurance policies at Southwest require us to be responsible for the first $ 1 million (self- insured retention) of each incident plus the first $ 4 million in total claims above our self- insured retention in the policy year; while Centuri' s self- insured retention amount is $ 750, 000 per occurrence. We cannot predict the likelihood that any future event will occur which will result in a claim exceeding these amounts; however, a large claim for which we were deemed liable would reduce our earnings up to and including these self- insurance maximums **, and uninsured claims for which we were deemed liable would reduce our earnings in the amount of the claim** . Weather conditions in our operating areas can adversely affect operations, financial position, and cash flows. Centuri' s results of operations, financial position, and cash flows can be significantly impacted by changes in weather that affect the ability of Centuri to provide utility companies with contracted- for trenching, installation, and replacement of underground pipes, as well as maintenance services for energy distribution systems. Generally, Centuri' s revenues are lowest during the first quarter of the year due to less favorable winter weather conditions. These conditions also require certain areas to scale back their workforce at times during the winter season, presenting challenges associated with maintaining an adequately skilled labor force when it comes time to re- staff its work crews following the winter layoffs. ~~Conversely,~~ Southwest' s revenues are highest during the first and fourth quarters of the year ~~during the winter months~~ as customer consumption increases **during the winter months** . While Southwest has decoupling mechanisms in place in all three states in which it operates, warmer than normal weather can reduce the amount of billed revenue, as well as amounts collected or returned related to regulatory tracking mechanisms under various programs, thereby impacting cash flows. **Deviations from normal weather conditions, as well as the seasonal nature of our businesses, can create fluctuations in short- term cash requirements of both Southwest and Centuri, and earnings, primarily related to Centuri. Regulatory and legislative developments related to climate change may adversely affect our operations and financial results. While natural gas can be more environmentally friendly than many other fuels currently available, and its use has assisted energy users to comply with stricter environmental air quality standards, there have been several federal and state legislative and regulatory initiatives proposed and implemented in recent years attempting to control or limit the effects of global warming and overall climate change, including focus on GHGs, such as carbon dioxide or methane. The adoption of this type of legislation by Congress or similar legislation by state governments mandating a substantial reduction in GHGs, or decarbonization generally, could have significant impacts on the utility industry. Any resulting legislation or regulations could result in increased compliance costs or additional operating restrictions on our business, affect the demand for natural gas and utility infrastructure services, or impact the prices we charge our customers. At this time, we cannot predict the potential impact of such laws or regulations, if adopted, on our future business, financial condition, or results. Southwest and Centuri may be impacted by the effects of weather and climate change, including physical and transition risks. Extreme weather events and climate change could adversely impact our businesses. To the extent climate change or extreme weather events materially increase temperatures, financial results or our financial position could be adversely affected through lower gas volumes and revenues. While Southwest has in place decoupling mechanisms to guard against weather and volume variability in all three states, lower volumes could protract the period of recovery of certain regulatory mechanisms, and, for jurisdictions in which decoupling benchmarks are designed on a per- customer basis, earnings may deteriorate if climate change causes shifts in population, notably, customers moving away from our service territories. While Centuri is at times able to benefit by providing storm- restoration services in regard to its customers' above- ground utility infrastructure, and this type of work generates a higher profit margin than core infrastructure services (due to improved operating efficiencies related to equipment utilization and absorption of fixed costs), climate change could detrimentally result in more frequent and more severe weather events, such as hurricanes, tornadoes, extreme precipitation / flooding, and extreme snow events, increasing the**

cost of supporting restoration or limiting access to perform the necessary work efficiently or at all. Weather extremes such as drought and high temperature variations are common occurrences in the ~~southwest~~ **southwestern** U. S. and could impact ~~our~~ **Southwest' s** growth and results of operations. **In addition** ~~Deviations from normal weather conditions~~ , **if we were unable** ~~even those occurring outside of our service territories, as well as the seasonal nature of our businesses can create fluctuations in short- term cash requirements of both Southwest and Centuri, and earnings, primarily related~~ to **obtain a sufficient supply** ~~Centuri. For example, the market price~~ of natural gas ~~spiked as a result of cold weather conditions across the central United States in December 2022 and regional pricing dislocation on the west coast in January 2023. As a result of this increase in pricing, Southwest entered into a $ 450 million term loan in January 2023 in order to fund the incremental cost. Southwest may be required to incur additional indebtedness in connection with future spikes in natural gas prices~~ as a result of extreme weather events **impacting our suppliers, or if extreme weather events impact our ability to deliver natural gas to our customers, our reputation may suffer, and financial results could be impacted by insufficient cash flows from lower billed revenues and higher borrowing costs, even if decoupling mechanisms permit recognition of revenues for later cash collection under the mechanisms. Additionally, if the Company does not evolve its business practices to participate in a lower- carbon economy, its business and reputation may be negatively impacted. Although the number of renewable energy sources is growing, it will take time for North America to transition to a lower- carbon economy and will require innovation and technological advancements that result in new low- and no- carbon energy options. As a builder of both energy and renewable energy infrastructure, and as a natural gas service provider, the Company plays a vital role in this transition. Transition activities, such as reducing GHG emissions; investing in RNG, hydrogen, and other sustainable sources of energy; increasing customer participation in energy efficiency programs; displacing higher carbon intensive fuels with natural gas and reducing carbon intensity of fuels we deliver; working with upstream suppliers on certified or responsibly sourced gas; and, taking additional measures by offering and using carbon offset purchases, could result in significant capital outlays and increased expenses** . A cybersecurity incident has the potential to disrupt normal business operations, expose sensitive information, and / or lead to physical damages, and may result in legal claims or damage to our reputation. As a utility provider ~~, midstream service provider,~~ and infrastructure services provider, maintaining business operations is critical for our customers, business partners, suppliers, and ~~our~~ employees. ~~A~~ **Our operations and information technology systems may be vulnerable to an attack by individuals or organizations intending to** ~~disruption~~ --- **disrupt** ~~in~~ **our business operations and information technology systems, even though the Company has implemented policies, procedures, and controls to prevent and detect these activities. Third- party** service **providers, including those in our supply chain or who have access to customer and employee data or our systems, can also be the target of cyber attacks. We use our information technology systems to manage our intrastate and interstate pipeline and storage operations and other business processes. Disruption of those systems** could adversely impact our **ability to safely deliver natural gas to our customers and operate our pipeline and storage systems, result in harm to our** reputation, ~~ability to provide services for our customers,~~ and **result in adverse financial impacts, including possible legal claims** ~~the media used to communicate and exchange information both internally and externally~~ . We process and store sensitive information, including **certain** personal identifiable information (" PII "), intellectual property, and business proprietary information as part of normal business operations. A cybersecurity breach of this information could expose us to monetary and other damages from customers, suppliers, business partners, government agencies, and others. The federal and state legislative and regulatory environment surrounding PII, information security, and data privacy is evolving and is likely to become increasingly demanding. ~~For example, California enacted the California Consumer Privacy Act, which became effective on January 1, 2020 and requires covered businesses to, among other things, provide disclosures to California consumers regarding the collection, use, and disclosure of such consumers' PII and afford such consumers new rights, including the right to opt out of certain sales of PII. Additional states are also considering new laws and regulations that further protect the confidentiality, privacy, and security of personal information.~~ Should the Company experience a **material** breach and / or become subject to additional regulation, it could face substantial compliance costs, reputational damage, and uncertain litigation risks. Physical damage due to a cybersecurity incident or acts of cyber terrorism could impact **our** utility **sales** , ~~transmission~~ **transportation** , storage, and related services provided to customers and could lead to material liabilities. The Company has taken the initiative in fortifying the core infrastructure that supports the provision of these services. While these measures provide layers of defense to mitigate these risks, there can be no assurance that the measures will be effective against any particular cyber attack. Even though we have insurance coverage in place for cyber- related risks, if such an attack or act of terrorism were to occur, the Company' s operations and financial results could be adversely affected to the extent not fully covered by such insurance. Reliance on third- party suppliers and subcontractors. While Centuri maintains oversight of ~~those~~ third- party suppliers and subcontractors it utilizes to assist with certain aspects of the work it performs for clients, any delay or failure by these parties in the completion of their portion of a given project may result in delays in the overall progress of the project or cause us to incur additional costs, thereby potentially impacting Centuri' s overall profitability. Furthermore, if Centuri' s relationship with its third- party suppliers and subcontractors were to be damaged, it may be difficult to replace them in a cost- effective manner. Reliance on similar services, and their availability, may also impact the ability of Southwest to execute on its objectives for projects undertaken. Challenges ~~relating~~ **related** to ~~current~~ supply chain constraints have negatively ~~impacted~~ **affected, and may in the future negatively affect,** Centuri' s work mix and volumes and could adversely impact our results of operations overall. **The** ~~Due to increased demand across a range of industries, the~~ global supply market for certain customer- provided components, including, but not limited to, electric transformers and gas risers needed to complete customer projects at Centuri, ~~has~~ **can** ~~experienced~~ - **experience** isolated performance ~~constraint~~ **constraints** and ~~disruption~~ **disruptions** ~~in recent periods in support of a few customers~~ . This constrained supply environment has adversely affected, and could further **adversely** affect, customer- provided component availability, lead times and ~~cost~~ **costs** , and could increase the likelihood of unexpected cancellations or delays of supply of key components to customers, thereby leading to delays in Centuri' s ability to timely deliver projects to customers. **To** ~~In an effort to~~ mitigate ~~these~~ **such** risks, Centuri has redirected efforts to projects ~~whereby~~ **for which** the customer has provided necessary materials **. However** , ~~but~~ delays in **obtaining necessary** materials and redirecting workforces can lead to inefficiencies in absorption of fixed costs, higher labor costs for teams waiting to be deployed, and delays in pivoting to projects where necessary materials are available. Centuri' s efforts to adapt quickly or redeploy to other projects may fail to reduce the impact of these adverse supply chain conditions on Centuri' s business. Despite ~~these~~ **such** mitigation efforts, ~~the~~ constrained supply conditions may **materially and** adversely impact Centuri' s revenues and results of operations. **Inflationary pressure** ~~The COVID- 19 pandemic~~ , **the** labor market, and **the** conflict in Ukraine have also contributed to and exacerbated this strain within and outside the U. S., and there can be no assurance that these impacts on the supply chain will not ~~continue, or~~ worsen ~~,~~ in the future, negatively impacting any of ~~our~~ **Centuri' s operating** business ~~segments~~ **lines** and their results. ~~The current supply~~ **Supply** chain challenges could also result in increased use of cash, engineering design changes, and delays in the completion of customer or other capital projects, each of which could adversely impact our business and results of operations for ~~Centuri or Southwest. In the event these~~ -- **the Company** ~~supply chain challenges persist for the foreseeable future, these conditions could adversely impact our results of operations and financial condition~~ over an extended period. Disruptions in labor relations with Centuri' s employees could adversely affect results of operations. The majority of Centuri' s labor force is covered by collective bargaining agreements with labor unions, which is typical of the utility infrastructure services industry. Labor disruptions, boycotts, strikes, or significant negotiated wage and benefit increases at Centuri, whether due to employee turnover or otherwise, could have a material adverse effect on Centuri' s business and results of operations and cash flows. Changing and uncertain work environment and conditions at Centuri. Centuri performs work in a variety of geographic locations, each presenting unique environmental, surface, and subsurface conditions. As a consequence of work being performed under change orders when unexpected conditions are encountered, Centuri periodically experiences delays relating to billing and payment under these altered conditions. Risks Related to Previously Announced Strategic Transactions **Our options for separating Centuri may be limited by market conditions and tax considerations. Any separation transaction of Centuri may not occur on the anticipated timeline and may not have the anticipated benefits. On December 15, 2022, we announced our intention to pursue a separation of Centuri into an independent publicly- traded company, subject to the satisfaction of certain conditions, including receipt of favorable rulings from the IRS and receipt of other regulatory approvals. On September 22, 2023, we announced that Centuri Holdings had confidentially submitted a draft registration statement with respect to an initial public offering of its shares of common stock (the " Centuri Holdings IPO "). On November 6, 2023, we announced that the IRS had advised us that it had exercised its discretion not to rule on certain tax questions related to a potential separation of Centuri due to the fact- intensive nature of the questions presented.** We **remain committed to separating Centuri and continue to assess the value of a potential tax- free separation of Centuri, either following, or in lieu of, a potential initial public offering by Centuri. Following the Centuri Holdings IPO, the Company intends to reduce its ownership in Centuri Holdings in one or more disposition transactions, including by way of distributions to Company stockholders, one or more distributions in exchange for Company shares or other securities, a sell- down of its remaining owned shares of Centuri Holdings common stock or any combination thereof. The Centuri Holdings IPO** may ~~encounter challenges in executing~~ **not occur for a number of reasons, including, but not limited to, adverse market conditions, negative investor feedback** ~~our~~ - **or** ~~plan~~ **declines in business performance. If the Centuri Holdings IPO does not occur, our options for separating Centuri will be limited, and we may be forced** to **pursue a separation of Centuri even if such separation may be taxable to us. While we currently intend a** spin- off **transaction, if effected, to qualify as a tax- free transaction to our stockholders and the Company, the availability of a tax- free spin- off will depend on the continuing satisfaction of a number of requirements, including a requirement that we own, and distribute in the spin- off, at least 80 % of the outstanding voting stock of** Centuri ~~into~~ **and at least 80 % of any non- voting stock of Centuri. Although the agreements implementing the spin- off contain** a **number of provisions intended to ensure** ~~standalone, independent public company, or in completing~~ this **" control " requirement and other tax- free spin- off requirements will be met, we cannot provide assurances that ultimately be the case. For example, an issuance of additional equity by Centuri prior to a spin- off could mean that a tax- free separation would no longer be possible. In addition, the ability to effect a tax- free separation to the Company (as opposed to our stockholders) could be lost if certain stock purchases (including by existing or new holders in the open market) are treated as part of a plan pursuant to which one or more persons directly or indirectly acquire a 50 % or greater interest in the Company (a " 355 Ownership Change ") occurs within applicable time periods for purposes of Section 355 (e) of the Internal Revenue Code. We have taken certain actions, including the adoption of a plan to help preserve the tax- free nature of any separation** transaction ~~within the timeframe~~ **. However,** we ~~anticipate~~ **can provide no assurance that such actions will ultimately permit us to complete a separation that is tax- free to us or that our existing net operating losses will fully offset the impact of any separation that is taxable to us. In addition** , ~~and~~ **a separation transaction other than a spin- off, such as a sell- down, would be taxable, causing substantial taxes to be paid or exhaust other tax net operating loss benefits otherwise available to the Company. In addition, if** we **pursue a separation of Centuri without the Centuri Holdings IPO, we or Centuri** may not realize **any cash proceeds** ~~some or all of the expected benefits of the Separation Transactions. In December 2022, we announced the Separation Transactions in order to better position MountainWest, Centuri, and Southwest to deliver long- term growth and create value for customers, investors, and employees. The MountainWest Sale closed on February 14, 2023. The Centuri Spin- Off will be subject to the satisfaction of a number of customary conditions, including, among others, final approvals by the Board, approval by the ACC, receipt of tax rulings in certain jurisdictions and / or tax opinions~~ from ~~external counsel,~~ the **separation** ~~filing with the SEC and effectiveness of a Form 10 registration statement and satisfactory completion of financing. The failure to satisfy all of the required conditions for the Centuri Spin- Off could~~

~~delay the completion of the Centuri Spin- Off for a significant period of time or prevent it from occurring at all. Additionally~~ , **which** ~~the Centuri Spin- Off is complex in nature, and unanticipated developments or changes~~ may ~~affect our ability to complete the Centuri Spin- Off as currently expected, within the anticipated timeframe or at all. These or other developments could~~ cause us ~~not~~ to **pay** ~~realize some or all of the expected benefits of the Separation Transactions~~ - **transaction expenses and taxes** , ~~or to realize them~~ **if applicable, out of cash** on ~~a different timeline than~~ - **hand** ~~expected~~ **, to the extent available, or to incur additional indebtedness, and would likely cause Centuri to continue to have significant outstanding indebtedness** . If we are ~~unable~~ **required** to ~~complete the~~ **seek additional third- party financing either for us or for** Centuri ~~Spin- Off, we will have incurred costs without realizing the anticipated benefits of such transaction. In addition, the terms and conditions of the required regulatory authorizations and consents that are granted, if any, may impose requirements, limitations or costs, or place restrictions on the conduct of Centuri following the spin- off. Although we intend for the Centuri Spin- Off to be tax- free for U. S. federal income tax purposes to both the Company and its stockholders, there can be no assurance that the transaction will qualify as tax- free for U. S. purposes. If the Centuri Spin- Off were ultimately determined to be taxable, we would incur a significant tax liability for which the newly independent Centuri may, depending on the circumstances, be required to indemnify us. In certain circumstances the distributions to the Company' s stockholders also could become taxable. Furthermore, if the Centuri Spin- Off is completed, it cannot be assured that we and Centuri will be successful as separate companies. Whether or not both Separation Transactions are completed, our business may face material challenges~~ in connection with **a separation it may delay** ~~these~~ -- **the timing of the** ~~transactions~~ - **transaction. Executing** ~~, including, without limitation,~~ the ~~diversion of management' s~~ **proposed separation also requires significant time and** attention from ~~ongoing~~ **management, which could distract them from other tasks in operating our** business ~~concerns~~ and ~~impact on~~ **disrupt our operations. We cannot provide assurances that the Centuri Holdings IPO and the** ~~the~~ **other transactions described above, if consummated, will yield greater net benefits to the Company and its shareholders than if the Centuri Holdings IPO and / or other transactions described above do not occur. If we fail to achieve some or all of the benefits expected to result from the Centuri Holdings IPO and / or other potential separation transactions described above, or if such benefits are delayed, our** business **, operating results** ~~of the Company; maintaining employee morale~~ and ~~retaining key management~~ **financial condition could be materially** and **adversely affected. If** ~~other~~ -- **the separation of** ~~employees at Southwest and~~ Centuri ~~; retaining existing or attracting new business and operational relationships, including with customers, suppliers, employees, and other counterparties; and potential negative reactions from the financial markets. Each of Southwest and Centuri will also incur ongoing costs, including costs of operating as separate companies, that the separated businesses will no longer be able to share. Additionally, we cannot predict whether the market value of our common stock and the common stock of Centuri after the Centuri Spin- Off will be, in the aggregate, less than, equal to, or greater than the market value of our common stock prior to the Separation Transactions. If the Centuri Spin- Off is completed, investors holding our common stock may sell the common stock of Centuri if it does not match their investment strategies, which may cause a decline in the market price of such common stock. If the Centuri Spin- Off~~ is completed, our and Centuri' s operational and financial profiles will change and each will be a less diversified company than Southwest Gas Holdings as it exists today. The Centuri ~~Spin- Off~~ **separation, if effected,** will result in us and Centuri being less diversified companies with more limited businesses concentrated in their respective industries. As a result, each company may be more vulnerable to changing market conditions, which could have a material adverse effect on its business, financial condition, and results of operations. In addition, the diversification of revenues, costs, and cash flows will diminish, such that each company' s results of operations, cash flows, working capital, effective tax rate, and financing requirements may be subject to increased volatility and its ability to fund capital expenditures and investments, pay dividends **,** and service debt may be diminished. It is anticipated that the effective tax rate for each separate company will differ from the Southwest Gas Holdings consolidated effective tax rate. If the **separation of** Centuri ~~Spin- Off~~ is completed, there may be changes in our stockholder base, which may cause the price of our common stock to fluctuate. Investors holding our common stock may hold our common stock because of a decision to invest in a company that operates in multiple markets with a diversified portfolio. If the Centuri **separation** ~~Spin- Off~~ is completed, shares of our common stock will represent an investment in a business concentrated in the natural gas distribution industry, and shares of the common stock of Centuri will represent an investment in the ~~strategic~~ utility infrastructure **services** business. This change may not ~~match~~ **align with** some stockholders' investment strategies, which could cause them to sell their shares of our common stock or the common stock of Centuri, and excessive selling pressure could cause the market price to decrease following the consummation of the Centuri **separation** ~~Spin- Off~~ . Additionally, we cannot predict whether the market value of our common stock and the common stock of Centuri after the Centuri **separation** ~~Spin- Off~~ will be, in the aggregate, less than, equal to, or greater than the market value of our common stock prior to the Centuri **separation** ~~Spin- Off~~ . Our goodwill and other assets have been subject to impairment and may be subject to further impairment in the future ~~. The Company recorded a goodwill impairment loss in connection with the MountainWest Sale of $ 449. 6 million, plus an additional loss on sale of $ 5. 8 million for estimated costs to sell~~ . We assess long- lived assets, including intangible assets associated with acquisitions, for impairment whenever events or circumstances indicate that an asset' s carrying amount may not be recoverable. To the extent that circumstances change, there may be additional goodwill impairment ~~and losses on sale~~ that could have a material impact on our results of operations. We cannot predict the amount and timing of any future impairments, if any. Any future impairment of our goodwill or intangible assets could have an adverse effect on results of operations, as well as the trading price of our common stock. Financial, Economic, and Market Risks As a holding company, Southwest Gas Holdings, Inc. depends on operating subsidiaries to meet financial obligations. Southwest Gas Holdings, Inc. has no significant assets other than the stock of operating subsidiaries and is not expected to have significant operations on its own. Southwest Gas Holdings' ability to pay dividends to stockholders is dependent on the ability of its subsidiaries to generate sufficient net income and cash flows to service debt and pay upstream dividends. Because of the relative size of subsidiary operations, and their relative impacts to net income and cash flows, substantial dependency on the utility operations of Southwest ~~Gas Corporation~~ and the infrastructure services of Centuri ~~Group, Inc.~~ exists. The ability of Southwest Gas Holdings' subsidiaries to pay upstream dividends and make other distributions are subject to relevant debt covenant restrictions of subsidiaries and applicable state law. ~~Utility infrastructure segment~~ **Centuri' s** clients' budgetary constraints, regulatory support or decisions, and financial condition could adversely impact work awarded. The majority of Centuri' s clients are regulated utilities, whose capital budgets are influenced significantly by the various public utility commissions. As a result, the timing and volume of work performed by Centuri is largely dependent on the regulatory environment in its operating areas and related client capital constraints. If budgets of Centuri' s clients are reduced, or regulatory support for capital projects and programs is diminished, it could have a material adverse effect on our business, results of operations, and cash flows. Additionally, the impact of new regulatory and compliance requirements could result in productivity inefficiencies and adversely impact Centuri' s results of operations and cash flows, or timing delays in their realization. Southwest' s liquidity, and in certain circumstances ~~our~~ **its** earnings, may be reduced from historical amounts or expectations during periods in which natural gas prices are rising significantly or are more volatile. Increases in the cost of natural gas may arise from a variety of factors, including weather, changes in demand, the level of production and availability of natural gas, transportation constraints, transportation capacity cost increases, federal and state energy and environmental regulation and legislation, the degree of market liquidity, natural disasters, wars and other catastrophic events, national and worldwide economic and political conditions, the price and availability of alternative fuels, and the success of our strategies in managing price risk. Rate schedules in each of Southwest' s service territories contain purchased gas adjustment clauses which permit Southwest to file for rate adjustments to recover increases in the cost of purchased gas. Increases in the cost of purchased gas have no direct impact on our profit margins, but do affect cash flows and can therefore impact the amount of our capital resources. Southwest has used short- term borrowings in the past to temporarily finance increases in purchased gas costs, and ~~we~~ **would** expect to do so **again** ~~during 2023,~~ if the need ~~again~~ arises. Southwest may file requests for rate increases to cover the rise in the cost of purchased gas. Due to the nature of the regulatory process, there is a risk of disallowance of full recovery of these costs during any period in which there has been a substantial run- up of these costs or our costs are more volatile. Any disallowance of purchased gas costs would reduce cash flows and earnings. Southwest' s earnings may be materially impacted due to volatility in the cash surrender value of our company- owned life insurance policies during periods in which stock market changes are significant. Southwest has life insurance policies on members of management and other key employees to indemnify ~~ourselves~~ against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. Cash surrender values are directly influenced by the investment portfolio underlying the insurance policies. This portfolio includes both equity and fixed income (mutual fund) investments. As a result, the cash surrender value (but not the net death benefits) moves up and down consistent with the movements in the broader stock and bond markets. Current tax regulations provide for tax- free treatment of life insurance (death benefit) proceeds. Therefore, changes in the cash surrender value components of company- owned life insurance policies, as they progress towards the ultimate death benefits, are also recorded without tax consequences. Currently, we intend to hold the company- owned life insurance policies for their duration. Changes in the cash surrender value of company- owned life insurance policies, except as related to the purchase of additional policies, affect our earnings but not our cash flows. The cost of providing pension and postretirement benefits is subject to changes in pension asset values, changing demographics, and actuarial assumptions which may have an adverse effect on our financial results. Southwest provides pension and postretirement benefits to eligible employees. The costs of providing such benefits are subject to changes in the market value of our pension fund assets, changing demographics, life expectancies of beneficiaries, current and future legislative changes, and various actuarial calculations and assumptions. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, withdrawal rates, interest rates, and other factors. These differences may result in a significant impact on the amount of pension expense or other postretirement benefit costs recorded in future periods. For example, lower than assumed returns on investments and / or reductions in bond yields could result in increased contributions and higher pension expense which would have a negative impact on our cash flows and reduce net income. **While a treasury futures overlay is part of the pension plan starting in 2024 to provide protection, notably with regard to changes in discount rates in order to help maintain a strong funded ratio and reduce costs, there is no assurance that intended results will sufficiently materialize.** Uncertain economic conditions may affect Southwest' s ability to finance capital expenditures. Southwest' s business is capital intensive. Our ability to finance capital expenditures and other matters will depend upon general economic conditions in the capital markets. Declining interest rates are generally believed to be favorable to utilities while rising interest rates are believed to be unfavorable because of the high capital costs of utilities. In addition, our authorized rate of return is based upon certain assumptions regarding interest rates. If interest rates are lower than assumed rates, our authorized rate of return in the future could be reduced. If interest rates are higher than assumed rates, it will be more difficult for us to earn our currently authorized rate of return. Furthermore, declines in our stock price resulting from economic downturns or otherwise could impact our ability to finance our operations as planned. Historically, we have frequently used ~~our~~ **an** at- the- market equity offering program (" ATM Program ") to fund certain liquidity requirements. During ~~2022~~ **2023** , we did not use our ATM **Program. We intend to establish a new ATM** program **in 2024. If** ~~at the same levels that~~ we ~~have in prior years. As a result~~ **are unable to execute under an ATM Program** , we ~~have been~~ **may be** required to ~~find alternative sources of capital primarily through the issuance~~ --- **issue** ~~of~~ additional debt at the Company and Southwest **; and, if necessary** ~~. We do not expect our ATM program to be sufficient to meet all of our capital needs in 2023. As a result~~ , we ~~will continue~~ **may have** to explore alternative financing sources, which may not be available to us on attractive terms or at all. Future issuances of securities could be more expensive than ATM issuances and may dilute **our existing** stockholders **' percentage of ownership** . Continued increases in market interest rates may have an adverse effect on the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our dividend yield, which is our dividend rate as a percentage of the share price of our common stock, relative to market interest rates. If market interest rates continue to increase, prospective investors may desire a higher dividend yield on our common stock or may seek securities paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions may affect the market price of our common stock and such effects could be significant. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common stock could decrease because potential investors may require a higher dividend yield on our common stock as market rates on interest- bearing securities, such as bonds, rise. Regulatory, Legislative, and Legal Risks The Company is currently subject to, and may in the future be subject to, litigation or threatened litigation, which may result in liability exposure that could have a material adverse effect on its business and results of operations. We are currently subject ~~to~~ , and may be subject in the future, to litigation or threatened litigation, including claims brought by stockholders and otherwise in the ordinary course of business ~~. In particular, we are subject to ongoing stockholder litigation and are subject to a risk of additional stockholder litigation in the future~~ . Although we believe that adequate insurance coverage is maintained to protect against risk exposure, it is difficult to predict with absolute certainty the costs associated with litigation, indemnity obligations, or other claims asserted in any given year. Moreover, it is possible that not all liabilities and costs experienced will be covered by third- party insurance and potential further claims against us may result in significant additional defense costs and potentially significant judgments against us, some of which may not be, or cannot be, insured against. Additionally, whether or not any dispute actually proceeds to litigation, we may be required to pay damages or expenses, which may be significant, or involve our agreement with terms that restrict the operation of our business. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if in excess of insured levels, could **have** ~~adversely impact our earnings and cash flows, thereby having~~ an adverse effect on our financial condition, results of operations, cash flows and our ability to pay dividends on, and the per share trading price of, our common stock. As a consequence, liability exposure could materially and adversely affect our business and results of operations to the extent it is not fully mitigated by such insurance coverage. ~~For more information about our ongoing legal proceedings, see Note 10- Commitments and Contingencies included in the consolidated financial statements of the 2022 Annual Report to Stockholders.~~ Governmental policies and regulatory actions can reduce Southwest' s earnings or cash flows. Regulatory commissions set our utility customer rates and determine what we can charge for our rate- regulated services. Our ability to obtain timely future rate increases depends on regulatory discretion. Governmental policies and regulatory actions, including those of the ACC, CPUC, PUCN, and FERC relating to allowed rates of return **, allowable rate base** , rate structure, purchased gas and investment recovery, operation and construction of facilities, present or prospective wholesale and retail competition including electrification or decarbonization policies or proposed policies by governmental entities or other parties, changes in tax laws and policies (including regulatory recovery or refunds thereof), and changes in and compliance with environmental and safety laws, including state or federal EPA or PHMSA regulations, and regulations placed on us or our customers regarding the product we deliver in meeting customer energy needs could reduce our earnings. Risks and uncertainties relating to delays in obtaining, or failure to obtain, regulatory approvals, conditions imposed in regulatory approvals, and determinations in regulatory investigations can also impact financial performance. The timing and amount of rate relief can materially impact results of operations. The timing and amount associated with the recovery of regulatory assets and associated with the return of regulatory liabilities can materially impact cash flows. In general, we are unable to predict what types of conditions might be imposed on Southwest or what types of determinations might be made in pending or future regulatory proceedings or investigations. We nevertheless believe that it is not uncommon for conditions to be imposed in regulatory proceedings, for our regulated operations to agree to conditions as part of a settlement of a regulatory proceeding, or for determinations to be made in regulatory investigations that reduce our earnings and liquidity. For example, we may request recovery of a particular operating expense in a general rate case filing that a regulator disallows, negatively impacting our earnings if the expense continues to be incurred. Southwest records regulatory assets in the consolidated financial statements to reflect the ratemaking and regulatory decision- making authority of the regulators, or expected ratemaking treatment to be upheld, as allowed by U. S. GAAP. The creation of a regulatory asset allows for the deferral of costs which, absent a mechanism to recover such costs from customers in rates approved by regulators, would be charged to expense in the consolidated income statement in the period incurred. If there was a change in regulatory positions surrounding the collection of these deferred costs, there could be a material impact on financial position, results of operations, and cash flows. Southwest may not be able to rely on rate decoupling to maintain stable financial position, results of operations, and cash flows. Management has worked with regulatory commissions in designing rate structures that strive to provide affordable and reliable service to our customers while mitigating the volatility in prices to customers and stabilizing returns to investors. Rate structures in all service territories allow Southwest to separate or " decouple " the recovery of operating margin from natural gas consumption, though decoupled structures vary by state. In California, authorized operating margin levels vary by month. In Nevada and Arizona, the decoupled rate structures apply to most customer classes on the basis of margin per customer, which varies by month. Collectively, these mechanisms provide stability in annual operating margin. Significantly warmer- than- normal weather conditions in our service territories and other factors, such as climate change and alternative energy sources, may result in decreased cash flows attributable to lower natural gas sales and delays in recovering regulatory asset balances. Furthermore, continuation of the decoupled rate designs currently in place is subject to regulatory discretion, and if unfavorably modified or discontinued, could adversely impact Southwest' s financial position and results of operations. Southwest may be subject to increased costs related to the operation of natural gas pipelines under recent regulations concerning natural gas pipeline safety, which could have an adverse effect on our results of operations, financial condition, and / or cash flows. We are committed to consistently monitoring and maintaining our distribution and transmission systems and storage operations to ensure that natural gas is acquired, stored, and / or delivered safely, reliably, and efficiently. Due to the combustible nature of our (or our customers') product, we anticipate that the natural gas industry could be the subject of increased federal, state, and local regulatory oversight over time. We continue to work diligently with industry associations and federal, state, and local regulators to ensure compliance with any applicable laws. We expect there to be increased costs associated with compliance (and potential penalties for any non- compliance) with applicable laws **over time** . If these costs are not recoverable in our customer rates, or if there are delays in recoverability due to regulatory lag, they could have a negative impact on our operating costs and financial results ~~, including against our expectations~~ . Our delivery and related systems require numerous permits and other approvals from various federal, state, and local governmental agencies, and others to operate its business, including for pipeline expansion or infrastructure development; any failure to obtain or maintain required permits or approvals, or other factors that could prevent or delay planned development, could negatively affect our business and results of operations. Southwest' s existing and planned development projects require multiple permits and approvals. The acquisition, ownership and operation of natural gas pipelines and storage facilities require numerous permits, rights- of- way, approvals and certificates from federal, state, and local governmental agencies or others. Various factors may prevent or delay us from completing such projects or may make completion more costly, including the inability to obtain approval, public opposition to the project, regulatory opposition to one or more projects or related programs or their delayed recovery and returns thereon, inability to obtain adequate financing, competition for labor and materials, construction delays, cost overruns, and inability to negotiate acceptable agreements relating to rights- of- way, construction, or other material development components. Once received, approvals may be subject to litigation, and projects may be delayed or approvals reversed. If there is a delay in obtaining any required approvals, or if we fail to obtain or maintain any required approvals, easements or rights of way, or to comply with any applicable laws or regulations, we may not be able to construct or operate our facilities, may not be able to adequately service existing customers or support customer growth, or such conditions could cause us to incur additional costs. These circumstances could negatively impact our earnings. General Risks The Company' s operating results may be adversely impacted by an economic downturn. If an economic slowdown occurs, our financial condition, results of operations, and cash flows could be adversely affected. Fluctuations and uncertainties in the economy make it challenging for us to accurately forecast and plan future business activities and to identify risks that may affect our business, financial condition, and operating results. However, current global economic events such as the war in Ukraine **and Israel** , rising inflation, and increasing interest rates may cause the global economy to enter a period of economic slowdown or recession. We cannot predict the timing, strength, or duration of any future economic slowdown or recession. If the economy or the markets in which we operate decline from present levels, it may have an adverse effect on our business, financial condition, and results of operations. A significant reduction in Southwest Gas Holdings, Inc. **, Centuri' s,** and Southwest' s credit ratings could materially and adversely affect our business, financial condition, and results of operations. We cannot be certain that any of our current credit ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Our credit ratings are subject to change at any time ~~in~~ **at** the discretion of the applicable ratings agencies. Numerous factors, including many which are not within our control, are considered by the ratings agencies in connection with assigning credit ratings. Any downgrade could increase our future borrowing costs, which would diminish our financial results. We would likely be required to pay a higher interest rate in certain current, as well as future, financings, and our potential pool of investors and funding sources could decrease. A downgrade could require additional support in the form of letters of credit or cash or other collateral and otherwise adversely affect our business, financial condition, and results of operations. We may be unable to successfully integrate business acquisitions into our business and realize the anticipated benefits of ~~the~~ **such** acquisitions. Business acquisitions are expected to result in various benefits, including, among other things, being accretive to earnings in future periods. The achievement of the anticipated benefits of such acquisitions is subject to a number of uncertainties, including whether the businesses are integrated efficiently and effectively. Failure to achieve the anticipated benefits of acquisitions could result in increased costs, decreases in the amount of expected revenues generated, and the potential diversion of management' s time and energy, all of which could have an adverse effect on the consolidated financial position, results of operations, cash flows, credit ratings, or market price of our common stock. Acquisitions may also cause us to issue equity securities which would dilute our existing stockholders' percentage of ownership. Natural disasters, public health crises and epidemic or pandemic related illness (including COVID- 19), war, or terrorist activities and other extreme events could adversely affect the Companies' business, results of operations, financial condition, liquidity and / or cash flows. Local or national natural disasters, pandemic **, or epidemic** illness (including COVID- 19), actual or threatened acts of war or terrorist activities, including the political and economic disruption and uncertainty related to Russia' s military invasion of Ukraine **and the conflict in Israel** , catastrophic failure of pipeline systems and other extreme events are a threat to our assets and operations. Our service territories may face a heightened risk due to exposure to acts of terrorism that could target or impact our natural gas distribution, transmission, and storage facilities and disrupt our operations and ability to meet customer requirements. In addition, the threat of terrorist activities could lead to increased economic instability and volatility in the price of natural gas that could affect our operations. Natural disasters, political unrest or actual or threatened terrorist activities may also disrupt capital markets and our ability to raise capital or may impact our suppliers or our customers directly. A local disaster ~~or~~ **,** pandemic **, or epidemic** illness (including COVID- 19) could result in part of our workforce being unable to operate or maintain our infrastructure or perform other tasks necessary to conduct our business. In addition, these risks could result in loss of human life, significant damage to property, environmental damage, impairment of our operations and substantial loss to the Company. Our regulators may not allow us to recover from our customers part or all of the increased cost related to the foregoing events, which could negatively affect our financial condition, results of operations, and cash flows. A slow or inadequate response to events that could cause business interruption may have an adverse impact on operations and earnings. We may be unable to obtain sufficient insurance to cover all risks associated with local and national disasters, pandemic **or epidemic** illness, terrorist activities, catastrophic failure of the pipeline system and other events, which could increase the risk that an event adversely affects our financial condition, results of operations and cash flows. Item 1B. UNRESOLVED STAFF COMMENTS