This Settlement Agreement (Agreement) is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (ARB) 1001 I Street, Sacramento, California 95814, and SOUTHWEST GAS CORPORATION (SOUTHWEST GAS), 5241 Spring Mountain Road, Las Vegas, Nevada 89150-0002.

RECITALS

1. The Global Warming Solutions Act of 2006 authorized ARB to adopt regulations requiring the reporting and verification of greenhouse gas emissions. (Health & Saf. Code §38530.) Pursuant to that authority, ARB adopted the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR), California Code of Regulations (CCR), title 17, §95100 et seq.

2. The MRR is crucial to the development of the greenhouse gas (GHG) inventory, and supports other regulatory programs, including the cap on GHG emissions established by CCR, title 17, §95801 et seq., known as the Cap-and-Trade Regulation. The MRR requires most reporting entities to submit, by April 10 of each year, an emissions data report containing emissions and product data that is certified to be complete and accurate within stated standards. (CCR, tit. 17, §95103.) The April 10 deadline is intended to precede other regulatory events later in the year, such as verification under the MRR, and the distribution of allowances and surrender of compliance instruments under the Cap-and-Trade Regulation.

3. Where a report required under the MRR is late or does not meet the regulation's standards for accuracy, completeness, or third-party verification, the MRR provides that each day a report remains unsubmitted, incomplete or inaccurate constitutes a separate violation. (CCR, tit. 17, §95107.)

4. California Health & Safety Code sections 38580 and 42402 provide that one who violates the MRR or related regulations is strictly liable for a penalty of up to $10,000 for each violation.

5. ARB contends that for the reporting period 2011 SOUTHWEST GAS failed to comply with the MRR by submitting its emissions data report 320 days late.

6. In reaching this settlement, ARB considered a variety of circumstances, including the size and complexity of the company's operations, the nature, magnitude, and duration of the violation, any harm to the environment or the regulatory program, efforts the company took to prevent the violation and to correct it, and the financial burden to the company.

7. In this matter, there were a number of mitigating factors, including that this is the first time ARB has noted the company as being in violation, the company did report its 2011emissions under the AB 32 Cost of Implementation Fee regulation, and, when it learned of its additional reporting obligation under MRR, the company came forward then promptly completed and submitted its report for 2011, and submitted its report for 2012 early.

8. In order to resolve these alleged violations, SOUTHWEST GAS has taken, or agreed to take, the actions enumerated below. Further, ARB accepts this Agreement in termination and full and final settlement of this matter.

9. In consideration of the foregoing, and of the promises and facts set forth herein, the parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed violations, and voluntarily agree to resolve this matter by means of this Agreement. Specifically, ARB and SOUTHWEST GAS agree as follows.

TERMS

10. Within 15 business days following execution of this agreement, SOUTHWEST GAS shall deliver the sum of $300,000.00 made payable to the "Air Pollution Control Fund."

The check should note "SOUTHWEST GAS 2011 MRR settlement" in the memo section. Please submit the signed settlement agreement and check to:

Mr. Will Brieger
Air Resources Board, Office of Legal Affairs
P.O. Box 2815
Sacramento, CA 95812

11. SOUTHWEST GAS is subject to the MRR, title 17 CCR section 95100 *et seq.*, and acknowledges its obligations thereunder.

12. This Agreement shall apply to and be binding upon SOUTHWEST GAS, and its officers, directors, receivers, trustees, employees, successors and assignees, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

13. This Agreement constitutes the entire agreement and understanding between ARB and SOUTHWEST GAS concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and SOUTHWEST GAS concerning the subject matter hereof.

14. No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all parties to this Agreement.

15. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.

16. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.

17. This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.

18. Health & Safety Code section 39619.7 requires ARB to explain the manner in which the penalty was determined, the law on which it is based, and whether that law prohibits emissions at a specified level. SOUTHWEST GAS acknowledges that ARB has complied with section 39619.7 in investigating, prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health & Safety Code section 42403, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty is being assessed, which provision does not prohibit the emission of pollutants at a specified level. That information, some of which is also elsewhere in this settlement agreement, is summarized here.

The manner in which the penalty was determined. Penalties must be set at levels sufficient to deter violations. The penalties in this matter were determined based on all relevant circumstances, including the unique circumstances of this case, giving consideration to the eight factors specified in Health & Safety Code section 42403. Consideration was given to the reporting entity's size and complexity, the extent to which the reporting deviated from MRR requirements, and the cause of any errors and omissions. Those circumstances were considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, penalties sought in other cases, and the potential costs and risk associated with litigating these particular violations. Penalties in future cases might be smaller or larger.

In this matter the penalty equates to $937.50 per day, and was discounted based on the fact that the violation was a first-time violation for this company, the violation was self-disclosed, emissions were not under reported, circumstances suggest that the reporting error may have resulted from a misunderstanding, and the company made diligent efforts to comply and to cooperate with ARB's investigation.

The legal provisions under which the penalty was assessed. The penalty is based on Health & Safety Code section 42402 and CCR, title 17, section 95107, the provisions intended to govern MRR violations.

Whether the governing provisions prohibit emissions at a specified level. The MRR does not prohibit emissions above a stated level, but Health & Safety Code section 38580(b)(2) specifies that violations of any regulation under the Global Warming Solutions Act of 2006 shall be deemed to result in an emission for purposes of the governing penalty statutes.

19. The penalty was based on confidential settlement communications between ARB and SOUTHWEST GAS. The penalty is the product of an arms length negotiation between ARB and SOUTHWEST GAS and reflects ARB's assessment of the relative strength of its case against SOUTHWEST GAS, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that SOUTHWEST GAS may have secured from its actions.

20. In consideration of the penalty payment, ARB hereby releases SOUTHWEST GAS and its officers, directors, receivers, trustees, employees, successors and assignees, from any claims the ARB may have based on the circumstances described in paragraph 5, above, including but not limited to claims regarding the company's 2011 emissions data report and its 2011 verification report.

21. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board

By: _____
Richard W. Corey
Executive Officer

Date: 11/15/2013

Southwest Gas Corporation

By: _____
Karen S. Haller
Senior Vice President/General Counsel and Corporate Secretary

Date: 11/1/13