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, 2012

Commission File Number 1-7850

SOUTHWEST GAS CORPORATION

(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	88-0085720 (I.R.S. Employer Identification No.)
5241 Spring Mountain Road Post Office Box 98510 Las Vegas, Nevada (Address of principal executive offices)	89193-8510 (Zip Code)

Registrant's telephone number, including area code: (702) 876-7237

Indicate by check mark whether the 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 X No __

Indicate by check mark whether the 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 X No __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer X Accelerated filer __ Non-accelerated filer __ Smaller reporting company __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes __ No X

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

Common Stock, $1 Par Value, 46,140,788 shares as of October 26, 2012.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Thousands of dollars, except par value)
(Unaudited)

	SEPTEMBER 30, 2012	DECEMBER 31, 2011
ASSETS		
Utility plant:		
Gas plant	$ 4,931,339	$ 4,811,050
Less: accumulated depreciation	(1,728,501)	(1,638,091)
Acquisition adjustments, net	955	1,091
Construction work in progress	95,837	44,894
Net utility plant	3,299,630	3,218,944
Other property and investments	240,583	192,004
Restricted cash	-	12,785
Current assets:		
Cash and cash equivalents	22,079	21,937
Accounts receivable, net of allowances	151,748	209,246
Accrued utility revenue	30,200	70,300
Income taxes receivable, net	5,605	7,793
Deferred income taxes	57,276	53,435
Deferred purchased gas costs	-	2,323
Prepaids and other current assets	82,908	96,598
Total current assets	349,816	461,632
Deferred charges and other assets	381,220	390,642
Total assets	$ 4,271,249	$ 4,276,007
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par (authorized - 60,000,000 shares; issued and outstanding - 46,140,788 and 45,956,088 shares)	$ 47,771	$ 47,586
Additional paid-in capital	827,586	821,640
Accumulated other comprehensive income (loss), net	(44,851)	(49,331)
Retained earnings	435,746	406,125
Total Southwest Gas Corporation equity	1,266,252	1,226,020
Noncontrolling interest	(1,394)	(989)
Total equity	1,264,858	1,225,031
Long-term debt, less current maturities	1,256,002	930,858
Total capitalization	2,520,860	2,155,889
Current liabilities:		
Current maturities of long-term debt	5,110	322,618
Accounts payable	90,567	186,755
Customer deposits	78,080	83,839
Accrued general taxes	39,183	42,102
Accrued interest	18,096	16,699
Deferred purchased gas costs	122,953	72,426
Other current liabilities	111,164	123,129
Total current liabilities	465,153	847,568
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	597,049	557,118
Taxes payable	621	828
Accumulated removal costs	250,000	233,000
Other deferred credits	437,566	481,604
Total deferred income taxes and other credits	1,285,236	1,272,550
Total capitalization and liabilities	$ 4,271,249	$ 4,276,007

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION 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,	
	2012	2011	2012	2011	2012	2011
Operating revenues:						
Gas operating revenues	$ 195,573	$ 195,647	$ 982,203	$1,022,914	$ 1,362,655	$ 1,401,150
Construction revenues	176,226	156,945	457,009	346,623	594,208	436,499
Total operating revenues	371,799	352,592	1,439,212	1,369,537	1,956,863	1,837,649
Operating expenses:						
Net cost of gas sold	53,277	67,165	387,983	468,026	533,446	622,907
Operations and maintenance	90,627	89,087	278,361	268,745	368,114	363,302
Depreciation and amortization	56,718	50,341	166,418	148,618	218,269	196,643
Taxes other than income taxes	10,600	10,585	31,065	30,750	41,264	40,231
Construction expenses	154,267	134,161	419,072	305,242	537,533	380,240
Total operating expenses	365,489	351,339	1,282,899	1,221,381	1,698,626	1,603,323
Operating income	6,310	1,253	156,313	148,156	258,237	234,326
Other income and (expenses):						
Net interest deductions	(16,410)	(17,307)	(51,821)	(52,621)	(68,802)	(71,854)
Other income (deductions)	1,636	(8,087)	4,574	(6,814)	5,976	(4,002)
Total other income and (expenses)	(14,774)	(25,394)	(47,247)	(59,435)	(62,826)	(75,856)
Income (loss) before income taxes	(8,464)	(24,141)	109,066	88,721	195,411	158,470
Income tax expense (benefit)	(4,050)	(8,394)	38,533	32,101	69,735	56,900
Net income (loss)	(4,414)	(15,747)	70,533	56,620	125,676	101,570
Net income (loss) attributable to noncontrolling interest	(109)	(106)	(405)	(343)	(586)	(378)
Net income (loss) attributable to Southwest Gas Corporation	$ (4,305)	$ (15,641)	$ 70,938	$ 56,963	$ 126,262	$ 101,948
Basic earnings (loss) per share	$ (0.09)	$ (0.34)	$ 1.54	$ 1.24	$ 2.74	$ 2.23
Diluted earnings (loss) per share	$ (0.09)	$ (0.34)	$ 1.52	$ 1.23	$ 2.72	$ 2.21
Dividends declared per share	$ 0.295	$ 0.265	$ 0.885	$ 0.795	$ 1.150	$ 1.045
Average number of common shares outstanding	46,134	45,881	46,106	45,837	46,059	45,766
Average shares outstanding (assuming dilution)	-	-	46,534	46,264	46,493	46,203

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,	
	2012	2011	2012	2011	2012	2011
Net income (loss)	$ (4,414)	$ (15,747)	$ 70,533	$ 56,620	$ 125,676	$ 101,570
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial gain (loss)	-	-	-	-	(84,005)	(5,616)
Amortization of transition obligation	135	134	403	403	537	537
Amortization of net loss	3,966	2,413	11,902	7,239	14,316	9,118
Regulatory adjustment	(3,625)	(2,227)	(10,877)	(6,682)	61,482	(1,262)
Net defined benefit pension plans	476	320	1,428	960	(7,670)	2,777
Forward-starting interest rate swaps:						
Unrealized/realized gain (loss)	-	(8,207)	1,834	(10,157)	857	(1,418)
Amounts reclassified into net income	518	181	1,218	544	1,399	604
Net forward-starting interest rate swaps	518	(8,026)	3,052	(9,613)	2,256	(814)
Total other comprehensive income (loss), net of tax	994	(7,706)	4,480	(8,653)	(5,414)	1,963
Comprehensive income (loss)	(3,420)	(23,453)	75,013	47,967	120,262	103,533
Comprehensive income (loss) attributable to noncontrolling interest	(109)	(106)	(405)	(343)	(586)	(378)
Comprehensive income (loss) attributable to Southwest Gas Corporation	$ (3,311)	$ (23,347)	$ 75,418	$ 48,310	$ 120,848	$ 103,911

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of dollars)
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2012	2011	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	$ 70,533	$ 56,620	$ 125,676	$ 101,570
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	166,418	148,618	218,269	196,643
Deferred income taxes	33,343	27,490	62,320	58,655
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	57,498	28,029	(32,172)	(34,859)
Accrued utility revenue	40,100	33,100	1,100	300
Deferred purchased gas costs	52,850	(29,336)	29,301	(58,866)
Accounts payable	(93,608)	(65,937)	(11,845)	28,939
Accrued taxes	(938)	13,396	645	6,800
Other current assets and liabilities	20,785	14,829	2,609	14,917
Gains on sale	(4,506)	(1,960)	(5,853)	(2,813)
Changes in undistributed stock compensation	4,215	4,278	6,062	4,844
AFUDC and property-related changes	(1,289)	(619)	(1,824)	(871)
Changes in other assets and deferred charges	(12,733)	7,534	(9,242)	210
Changes in other liabilities and deferred credits	(2,352)	8,291	(47,021)	(15,969)
Net cash provided by operating activities	330,316	244,333	338,025	299,500
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(275,970)	(263,626)	(393,335)	(327,648)
Change in restricted cash	12,785	(2)	37,783	(4)
Changes in customer advances	(21,210)	(4,764)	(24,217)	(5,911)
Miscellaneous inflows	8,767	3,803	12,650	5,574
Miscellaneous outflows	(2,004)	(2,719)	(2,004)	(2,719)
Net cash used in investing activities	(277,632)	(267,308)	(369,123)	(330,708)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	1,459	4,728	4,133	8,351
Dividends paid	(39,428)	(35,760)	(51,597)	(47,151)
Interest rate swap settlement	(21,754)	-	(21,754)	(11,691)
Issuance of long-term debt	453,638	212,812	515,424	336,772
Retirement of long-term debt	(377,457)	(275,065)	(432,865)	(275,091)
Change in credit facility	(69,000)	20,000	20,000	20,000
Net cash provided by (used in) financing activities	(52,542)	(73,285)	33,341	31,190
Change in cash and cash equivalents	142	(96,260)	2,243	(18)
Cash and cash equivalents at beginning of period	21,937	116,096	19,836	19,854
Cash and cash equivalents at end of period	$ 22,079	$ 19,836	$ 22,079	$ 19,836
Supplemental information:				
Interest paid, net of amounts capitalized	$ 70,522	$ 50,809	$ 89,555	$ 80,355
Income taxes paid (received)	1,971	(13,714)	2,050	(13,019)

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Operations and Basis of Presentation

Nature of Operations. Southwest Gas Corporation and its subsidiaries (the "Company") consist of two segments: natural gas operations ("Southwest" or the "natural gas operations" segment) and construction services. Southwest is engaged in the business of purchasing, distributing, and transporting natural gas for customers in portions of Arizona, Nevada, and California. The 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 sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of results for a full year. Natural gas purchases and the timing of related recoveries can materially impact liquidity. NPL Construction Co. ("NPL" or the "construction services" segment), a wholly owned subsidiary, is a full-service underground piping contractor that primarily provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. Typically, NPL 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 connection with previous significant changes in estimated costs to complete a large fixed-price contract, NPL results reflect pretax losses on the contract of $13 million on a contract-to-date basis (with after-tax earnings per share impacts) including $18 million ($0.24 per share), and $16 million ($0.22 per share) during the nine- and twelve-month periods ended September 30, 2012, respectively. The estimated cost changes that resulted in the losses previously recognized included reductions in projected productivity and higher costs of restoration work. No significant changes in estimates or losses were recognized on the contract during the third quarter of 2012.

Basis of Presentation. The condensed consolidated financial statements included herein have been prepared by the Company, without audit, 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 generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. 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 revenue and expense 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 presentation 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 2011 Annual Report to Shareholders, which is incorporated by reference into the 2011 Form 10-K, and the first and second quarter 2012 reports on Form 10-Q.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand and financial instruments with a purchase-date maturity of three months or less. 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.

Intercompany Transactions. NPL recognizes revenues generated from contracts with Southwest (see **Note 3 – Segment Information** below). Accounts receivable for these services are presented in the table below (thousands of dollars):

	September 30, 2012	December 31, 2011
Accounts receivable for NPL services	$ 8,372	$ 6,205

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 Income (Deductions). The following table provides the composition of significant items included in Other income (deductions) on the consolidated statements of income (thousands of dollars):

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Change in COLI policies	$ 2,200	$ (6,700)	$ 5,500	$ (1,900)	$ 8,100	$ 2,250
Interest income	280	118	785	308	962	375
Pipe replacement costs	(973)	(1,266)	(2,015)	(3,113)	(3,663)	(4,218)
Miscellaneous income and (expense)	129	(239)	304	(2,109)	577	(2,409)
Total other income (deductions)	$ 1,636	$ (8,087)	$ 4,574	$ (6,814)	$ 5,976	$ (4,002)

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, the change in the cash surrender value components of COLI policies, as they progress towards the ultimate death benefits, is also recorded without tax consequences. Pipe replacement costs include amounts associated with certain Arizona non-recoverable pipe replacement work.

Recently Issued Accounting Standards Updates. In October 2012, the Financial Accounting Standards Board ("FASB") issued the update "Technical Corrections and Improvements" which clarifies or corrects unintended application of accounting guidance. Many of these changes are not expected to have a significant effect on current accounting practice but some improvements are more substantive and are not technical corrections. Amendments included in the update without transition guidance were effective upon its issuance. Amendments subject to transition guidance will be effective for the Company on January 1, 2013 for interim and annual reporting periods. The Company is evaluating what impact, if any, this update might have on its disclosures, financial position, or results of operations.

In July 2012, the FASB issued the update "Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment," which provides that an entity has the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If, in electing the qualitative evaluation step, there is no indication of impairment, quantitative impairment testing would not be required to be performed. The update would provide consistency in evaluation for goodwill and indefinite-lived intangibles other than goodwill. The Company plans to adopt this update, as required, on January 1, 2013. Early adoption is permitted. The adoption of the update is not expected to have a material impact on the financial position or results of operations of the Company.

In December 2011, the FASB issued the update "Balance Sheet (Topic 210)." The update requires an entity to disclose information about financial instruments and derivative instruments that are either offset or subject to an enforceable master netting arrangement or similar agreement. This information is intended to enable users of an entity's financial statements to understand the effect of those arrangements on the entity's financial position. The Company will adopt this update, as required, on January 1, 2013 for interim and annual reporting periods. All disclosures are required to be provided retrospectively for all periods presented. This update is not expected to have a material impact on the Company's disclosures.

Note 2 – Components of Net Periodic Benefit Cost

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

	Qualified Retirement Plan					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2012	2011	2012	2011	2012	2011
(Thousands of dollars)						
Service cost	$ 5,080	$ 4,431	$ 15,239	$ 13,293	$ 19,671	$ 17,526
Interest cost	9,567	9,319	28,700	27,957	38,019	36,860
Expected return on plan assets	(11,445)	(10,028)	(34,335)	(30,085)	(44,364)	(39,219)
Amortization of net loss	5,970	3,587	17,912	10,761	21,499	13,380
Net periodic benefit cost	$ 9,172	$ 7,309	$ 27,516	$ 21,926	$ 34,825	$ 28,547

	SERP					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2012	2011	2012	2011	2012	2011
(Thousands of dollars)						
Service cost	$ 69	$ 54	$ 206	$ 163	$ 260	$ 256
Interest cost	407	441	1,221	1,324	1,663	1,836
Amortization of net loss	171	158	513	473	671	761
Net periodic benefit cost	$ 647	$ 653	$ 1,940	$ 1,960	$ 2,594	$ 2,853

	PBOP					
	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2012	2011	2012	2011	2012	2011
(Thousands of dollars)						
Service cost	$ 244	$ 215	$ 733	$ 644	$ 947	$ 858
Interest cost	637	658	1,910	1,974	2,567	2,596
Expected return on plan assets	(601)	(595)	(1,803)	(1,785)	(2,397)	(2,309)
Amortization of transition obligation	217	217	650	650	867	867
Amortization of net loss	257	147	773	442	921	565
Net periodic benefit cost	$ 754	$ 642	$ 2,263	$ 1,925	$ 2,905	$ 2,577

Note 3 – Segment Information

The following tables present revenues from external customers, intersegment revenues, and segment net income (thousands of dollars):

	Natural Gas Operations	Construction Services	Total
Three months ended September 30, 2012			
Revenues from external customers	$ 195,573	$ 148,855	$344,428
Intersegment revenues	-	27,371	27,371
Total	$ 195,573	$ 176,226	$371,799
Segment net income (loss)	$ (11,389)	$ 7,084	$ (4,305)
Three months ended September 30, 2011			
Revenues from external customers	$ 195,647	$ 122,696	$318,343
Intersegment revenues	-	34,249	34,249
Total	$ 195,647	$ 156,945	$352,592
Segment net income (loss)	$ (25,566)	$ 9,925	$ (15,641)

	Natural Gas Operations	Construction Services	Total
Nine months ended September 30, 2012			
Revenues from external customers	$ 982,203	$ 394,144	$1,376,347
Intersegment revenues	-	62,865	62,865
Total	$ 982,203	$ 457,009	$1,439,212
Segment net income	$ 64,609	$ 6,329	$ 70,938
Nine months ended September 30, 2011			
Revenues from external customers	$1,022,914	$ 280,635	$1,303,549
Intersegment revenues	-	65,988	65,988
Total	$1,022,914	$ 346,623	$1,369,537
Segment net income	$ 42,648	$ 14,315	$ 56,963
Twelve months ended September 30, 2012			
Revenues from external customers	$1,362,655	$ 505,210	$1,867,865
Intersegment revenues	-	88,998	88,998
Total	$1,362,655	$ 594,208	$1,956,863
Segment net income	$ 113,381	$ 12,881	$ 126,262
Twelve months ended September 30, 2011			
Revenues from external customers	$1,401,150	$ 353,973	$1,755,123
Intersegment revenues	-	82,526	82,526
Total	$1,401,150	$ 436,499	$1,837,649
Segment net income	$ 81,627	$ 20,321	$ 101,948

Note 4 – 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 have no significant market value. The Swaps are recorded at fair value.

The fixed-price contracts and Swaps are utilized by Southwest under its volatility mitigation programs to effectively fix the price on a portion (currently ranging from 25% to 35%, depending on the jurisdiction) 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 2012 through March 2014. Under such contracts, Southwest pays the counterparty at 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, 2012	December 31, 2011
Swaps contracts	13,806	10,827

Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

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

Instrument	Location of Gain or (Loss) Recognized in Income on Derivative	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011	Twelve Months Ended September 30 2012	Twelve Months Ended September 30 2011
Swaps	Net cost of gas sold	$ 3,617	$ (7,570)	$ (945)	$ (9,539)	$ (9,607)	$ (7,216)
Swaps	Net cost of gas sold	(3,617)*	7,570*	945*	9,539*	9,607*	7,216*
Total		$ -	$ -	$ -	$ -	$ -	$ -

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

In January 2010, Southwest entered into two forward-starting interest rate swaps ("FSIRS") to hedge the risk of interest rate variability during the period leading up to the planned issuance of fixed-rate debt to replace $200 million of debt that matured in February 2011 and $200 million that matured in May 2012. The counterparties to each agreement were four major banking institutions. The first FSIRS was a designated cash flow hedge and terminated in December 2010 concurrent with the related issuance of $125 million 4.45% 10-year Senior Notes. The second FSIRS was also a designated cash flow hedge and had a notional amount of $100 million. It terminated in March 2012 concurrent with the related issuance of $250 million 3.875% 10-year Senior Notes. At settlement of the second FSIRS, Southwest paid an aggregate $21.8 million to the counterparties. No gain or loss was recognized in income (ineffective portion) for either FSIRS during any period, including the periods presented in the following table. See **Note 6 – Equity, Other Comprehensive Income, and Accumulated Other Comprehensive Income** for additional information on both FSIRS contracts.

Gains (losses) recognized in other comprehensive income for derivatives designated as cash flow hedging instruments:
(Thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Amount of gain/(loss) realized/unrealized on FSIRS recognized in other comprehensive income on derivative	$ -	$ (13,237)	$ 2,959	$ (16,382)	$ 1,383	$ (2,288)

The following table sets forth the fair values of the Company's Swaps and FSIRS and their location in the balance sheets (thousands of dollars):

Fair values of derivatives not designated as hedging instruments:

September 30, 2012 **Instrument**	**Balance Sheet Location**	**Asset Derivatives**	**Liability Derivatives**	**Net Total**
Swaps	Deferred charges and other assets	$ 662	$ -	$ 662
Swaps	Prepaids and other current assets	1,783	(880)	903
Swaps	Other current liabilities	429	(738)	(309)
Swaps	Other deferred credits	87	(235)	(148)
Total		$ 2,961	$ (1,853)	$ 1,108

December 31, 2011 **Instrument**	**Balance Sheet Location**	**Asset Derivatives**	**Liability Derivatives**	**Net Total**
Swaps	Other current liabilities	$ -	$ (11,122)	$ (11,122)
Swaps	Other deferred credits	-	(621)	(621)
Total		$ -	$ (11,743)	$ (11,743)

Fair values of derivatives designated as hedging instruments:

December 31, 2011 **Instrument**	**Balance Sheet Location**	**Asset Derivatives**	**Liability Derivatives**	**Net Total**
FSIRS	Other current liabilities	$ -	$ (24,713)	$ (24,713)

As noted above, the FSIRS that remained at December 31, 2011 terminated in March 2012.

The estimated fair values of the natural gas derivatives were determined using future natural gas index prices (as more fully described below). The Company has master netting arrangements with each counterparty that provide for the net settlement of all contracts through a single payment. As applicable, the Company has elected to reflect the net amounts in its balance sheets.

Pursuant to regulatory deferral accounting treatment for rate-regulated entities, Southwest records the unrealized gains and losses in fair value of the Swaps as a regulatory asset and/or liability. When the Swaps mature, Southwest reverses any prior positions held and records the settled position as an increase or decrease of purchased gas under the related purchased gas adjustment ("PGA") mechanism in determining its 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 counterparties for settlements of matured Swaps.

(Thousands of dollars)	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012	Twelve Months Ended September 30, 2012
Paid to counterparties	$ 2,628	$ 13,797	$ 19,385

No amounts were received from counterparties for settlements of matured Swaps during any of the periods above ended September 30, 2012.

The following table details the regulatory assets/(liabilities) offsetting the derivatives at fair value in the balance sheets (thousands of dollars).

September 30, 2012

Instrument	Balance Sheet Location	Net Total
Swaps	Other deferred credits	$ (662)
Swaps	Other current liabilities	(903)
Swaps	Prepaids and other current assets	309
Swaps	Deferred charges and other assets	148

December 31, 2011

Instrument	Balance Sheet Location	Net Total
Swaps	Prepaids and other current assets	$ 11,122
Swaps	Deferred charges and other assets	621

Fair Value Measurements. The estimated fair values of Southwest's Swaps were determined at September 30, 2012 and December 31, 2011 using New York Mercantile Exchange ("NYMEX") futures settlement prices for delivery of natural gas at Henry Hub adjusted by the price of NYMEX ClearPort basis Swaps, 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 measure.

The estimated fair value of Southwest's FSIRS at December 31, 2011 was determined using a discounted cash flow model that utilized forward interest rate curves. The inputs to the model were the terms of the FSIRS. These Level 2 inputs were observable in the marketplace throughout the full term of the FSIRS, but were credit-risk adjusted with no significant impact to the overall fair value measure. See **Note 6 – Equity, Other Comprehensive Income, and Accumulated Other Comprehensive Income** for more information on the FSIRS.

The following table sets forth the Company's Level 2 financial assets and liabilities recorded at fair value:

(Thousands of dollars)	September 30, 2012	December 31, 2011
Assets at fair value:		
Prepaids and other current assets - Swaps	$ 903	$ -
Deferred charges and other assets - Swaps	662	-
Liabilities at fair value:		
Other current liabilities - Swaps	(309)	(11,122)
Other deferred credits - Swaps	(148)	(621)
Other current liabilities - FSIRS	-	(24,713)
Net Assets (Liabilities)	$ 1,108	$ (36,456)

No financial assets or liabilities accounted for at fair value fell within Level 1 or Level 3 of the fair value hierarchy.

Note 5 – Long-Term Debt

Carrying amounts of the Company's long-term debt and their related estimated fair values as of September 30, 2012 and December 31, 2011 are disclosed in the following table. The fair values of the revolving credit facility, the NPL revolving credit facility, and the variable-rate Industrial Development Revenue Bonds ("IDRBs") approximate carrying value and are categorized as Level 1 (quoted prices for identical financial instruments) within the three-level fair value hierarchy that ranks the inputs used to measure fair value by their reliability. The market values of debentures (except the 4.45% Notes) and fixed-rate IDRBs are categorized as Level 2. The 4.45% Notes and NPL other debt obligations are categorized as Level 3 (based on significant unobservable inputs to their fair values). Fair values for the debentures, fixed-rate IDRBs, and NPL other debt obligations were determined through a market-based valuation approach, where fair market 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 and issuer spreads. The external credit rating, coupon rate, and maturity of each security are considered in the valuation, as applicable.

	September 30, 2012		December 31, 2011	
	Carrying Amount	Market Value	Carrying Amount	Market Value
(Thousands of dollars)				
Debentures:				
Notes, 7.625%, due 2012	$ -	$ -	$ 200,000	$204,312
Notes, 4.45%, due 2020	125,000	139,776	125,000	128,673
Notes, 6.1%, due 2041	125,000	165,838	125,000	143,074
Notes, 3.875%, due 2022	250,000	277,308	-	-
8% Series, due 2026	75,000	110,209	75,000	96,340
Medium-term notes, 7.59% series, due 2017	25,000	30,856	25,000	30,199
Medium-term notes, 7.78% series, due 2022	25,000	34,252	25,000	31,932
Medium-term notes, 7.92% series, due 2027	25,000	36,593	25,000	31,648
Medium-term notes, 6.76% series, due 2027	7,500	9,958	7,500	8,510
Unamortized discount	(3,472)		(2,087)	
	654,028		605,413	
Revolving credit facility and commercial paper	40,000	40,000	109,000	109,000
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
Fixed-rate bonds:				
6.10% 1999 Series A, due 2038	-	-	12,410	12,410
5.95% 1999 Series C, due 2038	-	-	14,320	14,449
5.55% 1999 Series D, due 2038	8,270	8,367	8,270	8,253
5.45% 2003 Series C, due 2038 (rate resets in 2013)	30,000	30,552	30,000	31,332
5.25% 2003 Series D, due 2038	20,000	20,303	20,000	19,583
5.80% 2003 Series E, due 2038 (rate resets in 2013)	15,000	15,020	15,000	15,634
5.25% 2004 Series A, due 2034	65,000	65,943	65,000	64,291
5.00% 2004 Series B, due 2033	31,200	31,305	31,200	30,283
4.85% 2005 Series A, due 2035	100,000	99,351	100,000	94,836
4.75% 2006 Series A, due 2036	24,855	24,465	24,855	23,179
Unamortized discount	(3,229)		(3,360)	
	491,096		517,695	
NPL credit facility	54,000	54,000	16,566	16,566
NPL other debt obligations	21,988	22,222	4,802	4,814
	1,261,112		1,253,476	
Less: current maturities	(5,110)		(322,618)	
Long-term debt, less current maturities	$1,256,002		$ 930,858	

In August 2012, the Company redeemed at par its $14.3 million 1999 5.95% Series C fixed-rate IDRBs (originally due in 2038).

In March 2012, the Company replaced the existing $300 million revolving credit facility that was to expire in May 2012 with a $300 million facility that is scheduled to expire in March 2017. 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 the Company's senior unsecured debt rating. At the Company's current unsecured debt rating, the applicable margin is 1.125% for loans bearing interest with reference to LIBOR and 0.125% for loans bearing interest with reference to the alternative base rate. Southwest has designated $150 million of the $300 million facility for long-term purposes and the remaining $150 million for working capital purposes.

In March 2012, the Company issued $250 million in 3.875% Senior Notes at a 0.034% discount. The notes will mature on April 1, 2022. Management used approximately $200 million of the net proceeds in connection with the repayment of the $200 million 7.625% Senior Notes that matured in May 2012. The remaining net proceeds were used for general corporate purposes.

In January 2012, the Company redeemed at par its $12.4 million 1999 6.1% Series A fixed-rate IDRBs (originally due in 2038).

In June 2012, NPL replaced its existing $30 million revolving credit facility that was to expire in June 2013 with a $75 million facility that is scheduled to expire in June 2015. The credit facility was amended in October 2012 to temporarily increase the facility from $75 million to $85 million until December 29, 2012. Interest rates for the credit facility were also amended in October 2012 and are now calculated at either LIBOR or a base rate, plus, in each case, 1.00% or 0.75% depending on NPL's leverage ratio at the end of each quarter.

Note 6 – Equity, Other Comprehensive Income, and Accumulated Other Comprehensive Income

The table below provides details of activity in equity during the nine months ended September 30, 2012.

	Southwest Gas Corporation 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, 2011	45,956	$47,586	$ 821,640	$ (49,331)	$406,125	$ (989)	$1,225,031
Common stock issuances	185	185	5,946				6,131
Net income (loss)					70,938	(405)	70,533
Other comprehensive income (loss):							
Net actuarial gain (loss) arising during period, less amortization of unamortized benefit plan cost, net of tax				1,428			1,428
FSIRS realized and unrealized gain (loss), net of tax (Note 4)				1,834			1,834
Amounts reclassified to net income, net of tax (Note 4)				1,218			1,218
Dividends declared							
Common: $0.885 per share					(41,317)		(41,317)
SEPTEMBER 30, 2012	46,141	$47,771	$ 827,586	$ (44,851)	$435,746	$ (1,394)	$1,264,858

The following information provides insight into amounts impacting Other Comprehensive Income (Loss), before and after-tax impacts, within the Condensed Consolidated Statements of Comprehensive Income, which also impact Accumulated Other Comprehensive Income in the Company's Condensed Consolidated Balance Sheets and the associated column in the equity table above. See **Note 4 – Derivatives and Fair Value Measurements** for additional information on the FSIRS.

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

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Amortization of transition obligation	$ 217	$ (82)	$ 135	$ 217	$ (83)	$ 134
Amortization of net loss	6,398	(2,432)	3,966	3,892	(1,479)	2,413
Regulatory adjustment	(5,847)	2,222	(3,625)	(3,592)	1,365	(2,227)
Pension plans other comprehensive income (loss)	768	(292)	476	517	(197)	320
FSIRS (designated hedging activities):						
Unrealized/realized loss	-	-	-	(13,237)	5,030	(8,207)
Amounts reclassifed into net income	836	(318)	518	292	(111)	181
FSIRS other comprehensive income (loss)	836	(318)	518	(12,945)	4,919	(8,026)
Total other comprehensive income (loss)	$ 1,604	$ (610)	$ 994	$ (12,428)	$ 4,722	$ (7,706)

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Amortization of transition obligation	$ 650	$ (247)	$ 403	$ 650	$ (247)	$ 403
Amortization of net loss	19,198	(7,296)	11,902	11,676	(4,437)	7,239
Regulatory adjustment	(17,544)	6,667	(10,877)	(10,777)	4,095	(6,682)
Pension plans other comprehensive income (loss)	2,304	(876)	1,428	1,549	(589)	960
FSIRS (designated hedging activities):						
Unrealized/realized gain/(loss)	2,959	(1,125)	1,834	(16,382)	6,225	(10,157)
Amounts reclassifed into net income	1,965	(747)	1,218	877	(333)	544
FSIRS other comprehensive income (loss)	4,924	(1,872)	3,052	(15,505)	5,892	(9,613)
Total other comprehensive income (loss)	$ 7,228	$ (2,748)	$ 4,480	$ (13,956)	$ 5,303	$ (8,653)

	Twelve Months Ended September 30, 2012			Twelve Months Ended September 30, 2011		
	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (1)	Net-of-Tax Amount
Defined benefit pension plans:						
Net actuarial gain/(loss)	$ (135,492)	$ 51,487	$ (84,005)	$ (9,058)	$ 3,442	$ (5,616)
Amortization of transition obligation	867	(330)	537	867	(330)	537
Amortization of net loss	23,091	(8,775)	14,316	14,706	(5,588)	9,118
Regulatory adjustment	99,164	(37,682)	61,482	(2,036)	774	(1,262)
Pension plans other comprehensive income (loss)	(12,370)	4,700	(7,670)	4,479	(1,702)	2,777
FSIRS (designated hedging activities):						
Unrealized/realized loss	1,383	(526)	857	(2,288)	870	(1,418)
Amounts reclassifed into net income	2,257	(858)	1,399	974	(370)	604
FSIRS other comprehensive income (loss)	3,640	(1,384)	2,256	(1,314)	500	(814)
Total other comprehensive income (loss)	$ (8,730)	$ 3,316	$ (5,414)	$ 3,165	$ (1,202)	$ 1,963

(1) Tax amounts are calculated using a 38% rate.

Approximately $2.1 million (net of tax) of realized losses on FSIRS will be reclassified out of Accumulated other comprehensive income ("AOCI") into interest expense within the next 12 months, as interest payments on the related long-term debt occur.

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

AOCI - Rollforward
(Thousands of dollars)

	Defined Benefit Plans			FSIRS			
	Before-Tax	Tax (Expense) Benefit	After-Tax	Before-Tax	Tax (Expense) Benefit	After-Tax	AOCI
Beginning Balance AOCI December 31, 2011	$(44,429)	$ 16,883	$(27,546)	$(35,138)	$ 13,353	$(21,785)	$(49,331)
Current period change	2,304	(876)	1,428	4,924	(1,872)	3,052	4,480
Ending Balance AOCI September 30, 2012	$(42,125)	$ 16,007	$(26,118)	$(30,214)	$ 11,481	$(18,733)	$(44,851)

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

Southwest Gas Corporation and its subsidiaries (the "Company") consist of two business segments: natural gas operations ("Southwest" or the "natural gas operations" segment) and construction services.

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

On a seasonally adjusted basis as of September 30, 2012, Southwest had 1,858,000 residential, commercial, industrial, and other natural gas customers, of which 998,000 customers were located in Arizona, 676,000 in Nevada, and 184,000 in California. Residential and commercial customers represented over 99% of the total customer base. During the twelve months ended September 30, 2012, 56% of operating margin was earned in Arizona, 34% in Nevada, and 10% in California. During this same period, Southwest earned 85% of its operating margin from residential and small commercial customers, 4% from other sales customers, and 11% from transportation customers. These general patterns are expected to remain materially consistent for the foreseeable future.

Southwest recognizes operating revenues from the distribution and transportation of natural gas (and related services) to customers. Operating margin is the measure of gas operating revenues less the net cost of gas sold. Management uses operating margin as a main benchmark in comparing operating results from period to period. The principal factors affecting operating margin changes are general rate relief, weather, conservation and efficiencies, and customer growth. Weather has traditionally been the primary reason for volatility in margin, which continued throughout 2011 with respect to Southwest's Arizona service territories. In January 2012, however, a full revenue decoupling mechanism, which includes a monthly weather adjuster, was implemented in the Arizona service territories. With this change, all of Southwest's service territories now have decoupled rate structures, which are designed to mitigate the impacts of weather variability and conservation on margin and allow the Company to aggressively pursue energy efficiency initiatives.

NPL Construction Co. ("NPL" or the "construction services" segment), a wholly owned subsidiary, is a full-service underground piping contractor that primarily provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL operates in 18 major markets nationwide. Construction activity is cyclical and can be significantly impacted by changes in weather, general and local economic conditions (including the housing market), interest rates, employment levels, job growth, the equipment resale market, pipe replacement programs of utilities, and local and federal regulation (including tax rates and incentives). During the past few years, utilities have implemented pipeline integrity management programs to enhance safety pursuant to federal and state mandates. These programs, coupled with bonus depreciation tax deduction incentives, have resulted in a significant increase in multi-year pipeline replacement projects throughout the country. Generally, revenues are lowest during the first quarter of the year due to less favorable winter weather conditions. Revenues typically improve as more favorable weather conditions occur during the summer and fall months. In certain circumstances, such as with large, longer duration bid contracts, results may be impacted by differences between costs incurred and those anticipated when the work was originally bid.

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and the notes thereto, as well as the MD&A, included in the 2011 Annual Report to Shareholders, which is incorporated by reference into the 2011 Form 10-K, and the first and second quarter 2012 reports on Form 10-Q.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's operations. As needed, certain items are covered in greater detail in later sections of management's discussion and analysis. As reflected in the table below, the natural gas operations segment accounted for an average of 85% of twelve-month-to-date consolidated net income over the past two years. As such, management's discussion and analysis is primarily focused on that segment. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year.

Summary Operating Results

	Period Ended September 30,					
	Three Months		Nine Months		Twelve Months	
	2012	2011	2012	2011	2012	2011
	(In thousands, except per share amounts)					
Contribution to net income (loss)						
Natural gas operations	$ (11,389)	$ (25,566)	$ 64,609	$ 42,648	$113,381	$ 81,627
Construction services	7,084	9,925	6,329	14,315	12,881	20,321
Net income (loss)	$ (4,305)	$ (15,641)	$ 70,938	$ 56,963	$126,262	$101,948
Average number of common shares outstanding	46,134	45,881	46,106	45,837	46,059	45,766
Basic earnings (loss) per share						
Consolidated	$ (0.09)	$ (0.34)	$ 1.54	$ 1.24	$ 2.74	$ 2.23
Natural Gas Operations						
Operating margin	$142,296	$128,482	$594,220	$554,888	$829,209	$778,243

3rd Quarter 2012 Overview

Natural gas operations highlights include the following:

- Operating margin increased approximately $14 million compared to the prior-year quarter
- Operating expenses increased $4.7 million, or 3%, compared to the prior-year quarter
- Other income increased $9.7 million between quarters
- Decision reached in the Nevada general rate case
- Redemption of the $14.3 million 1999 5.95% Series C fixed-rate IDRBs (originally due in 2038)

Construction services highlights include the following:

- Revenues increased $19.3 million, or 12%, compared to the prior-year quarter
- Construction expenses increased $20.1 million, or 15%, compared to the prior-year quarter

Nevada General Rate Case. In the fourth quarter of 2012, a decision was reached at a public hearing (the "Decision") in the general rate application Southwest filed with the Public Utilities Commission of Nevada ("PUCN") with rates to be effective November 2012. The Decision is estimated to provide a revenue increase of $5.8 million in southern Nevada based on an overall rate of return of 6.49% and a 9.85% return on 42.6% common equity. For northern Nevada, the Decision is estimated to provide a revenue increase of $1.2 million with an overall rate of return of 8.01% and a 9.20% return on 65.6% common equity. Factoring in other aspects of the Decision, including lower depreciation rates, the Decision is expected to increase operating income by $11.4 million. See **Rates and Regulatory Proceedings** for more information.

Weather and Conservation. Weather has traditionally been the primary reason for volatility in margin, which continued throughout 2011 with respect to Southwest's Arizona service territories. In January 2012, however, a full revenue decoupling mechanism, which includes a winter-period monthly weather adjuster, was implemented in the Arizona service territories. With this change, all of Southwest's service territories now have decoupled rate structures, which are designed to mitigate the impacts of weather variability and conservation on margin and allow the Company to aggressively pursue energy efficiency initiatives.

Customer Growth. Southwest completed 16,000 first-time meter sets, but realized 22,000 net new customers over the last twelve months. The incremental additions reflect a return to service of customer meters on previously vacant homes. Southwest estimates the number of excess inactive meters is approximately 36,000 at September 30, 2012. Southwest projects customer growth associated with new meter sets of 1% or less for 2012, along with the gradual return of customers associated with previously vacant homes.

Company-Owned Life Insurance ("COLI"). Southwest has life insurance policies on members of management and other key employees to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. The COLI policies have a combined net death benefit value of approximately $229 million at September 30, 2012. The net cash surrender value of these policies (which is the cash amount that would be received if Southwest voluntarily terminated the policies) is approximately $79 million at September 30, 2012 and is included in the caption "Other property and investments" on the balance sheet. 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, generally the cash surrender value (but not the net death benefit) moves up and down consistent with movements in the broader stock and bond markets. As indicated in Note 1, cash surrender values of COLI policies increased $2.2 million in the third quarter of 2012. In the same period of 2011, cash surrender values of COLI policies (net of recognized death benefits) decreased $6.7 million. Management currently expects average returns of $2 million to $4 million annually on the COLI policies, excluding any net death benefits recognized. Based on the current investment mix, both positive and negative deviations from expected levels are likely to continue.

Liquidity. Southwest believes its liquidity position is solid. Southwest has a $300 million credit facility maturing in March 2017. The facility is provided through a consortium of eight major banking institutions. Historically, usage of the credit facility has been low and concentrated in the first half of the winter heating period when gas purchases require temporary financing. The credit facility borrowings outstanding at December 31, 2011 along with borrowings after that date were repaid during the first quarter of 2012, and no borrowing took place under the facility during the second quarter, primarily due to existing cash reserves and natural gas prices that were relatively stable. The maximum amount outstanding on the credit facility during the third quarter was $40 million at September 30, 2012, leaving $110 million available for long-term borrowing and $150 million available for working capital needs. The effective interest rate on the long-term portion of the credit facility was 2.08% at September 30, 2012. Southwest has no significant debt maturities prior to 2017.

Loss on NPL Contract. In the second quarter of 2012, NPL recorded a $13 million loss on a large fixed-price pipe replacement contract in a single geographic location. A number of factors contributed to the loss on the contract, which was the largest fixed-price contract ever undertaken by NPL. Revenues and construction costs of approximately $8 million were recognized on the contract during the current quarter. At September 30, 2012, work on the contract is estimated to be over 90% complete. Since inception in 2011, NPL has recognized approximately $70 million of revenues on this contract, including $37 million in 2011. Construction costs recorded to date total approximately $83 million, including $32 million during 2011. No additional losses are anticipated on the remaining work to be performed, although no assurances can be provided that additional losses on this contract will not occur.

NPL has another contract in the same geographical area, the fixed-price component of which is approximately $28 million. Work began in the middle of 2012 and will continue into 2013. Based on the progress to date and review of estimated costs to complete, management expects this contract to be marginally profitable overall. Other operating areas are expected to continue to remain profitable.

Results of Natural Gas Operations

Quarterly Analysis

	Three Months Ended September 30,	
	2012	2011
	(Thousands of dollars)	
Gas operating revenues	$ 195,573	$ 195,647
Net cost of gas sold	53,277	67,165
Operating margin	142,296	128,482
Operations and maintenance expense	90,627	89,087
Depreciation and amortization	46,763	43,640
Taxes other than income taxes	10,600	10,585
Operating income (loss)	(5,694)	(14,830)
Other income (deductions)	1,631	(8,093)
Net interest deductions	16,074	17,116
Income (loss) before income taxes	(20,137)	(40,039)
Income tax expense (benefit)	(8,748)	(14,473)
Contribution to consolidated net income (loss)	$ (11,389)	$ (25,566)

Contribution to consolidated net income from natural gas operations improved by $14.2 million in the third quarter of 2012 compared to the same period a year ago. The improvement was primarily due to increases in operating margin and other income, partially offset by higher operating expenses.

Operating margin increased $14 million in the third quarter of 2012 compared to the third quarter of 2011. Rate relief in Arizona provided $9 million of the increase in operating margin. New customers contributed an incremental $1 million in operating margin during the third quarter of 2012, as approximately 22,000 net new customers were added during the last twelve months. In addition, a $4 million out-of-period adjustment (related to a regulatory deferral mechanism) that decreased operating margin was included in the prior-year quarter.

Operations and maintenance expense increased $1.5 million, or 2%, between quarters primarily due to higher general costs and employee-related costs including pension expense.

Depreciation expense increased $3.1 million, or 7%, as a result of additional plant in service. Average gas plant in service for the current quarter increased $260 million, or 6%, compared to the corresponding quarter a year ago. This was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled and accelerated pipe replacement activities, and new business.

Other income, which principally includes returns on COLI policies (including recognized net death benefits) and non-utility expenses, increased $9.7 million between quarters. In the current quarter, cash surrender values of COLI policies increased $2.2 million, while the prior-year quarter included a net $6.7 million decrease in other income associated with COLI cash surrender value changes (net of death benefits recognized).

Net interest deductions decreased $1 million between quarters primarily due to cost savings from refinancing, partially offset by additional interest on higher deferred PGA balances.

Nine-Month Analysis

	Nine Months Ended September 30, 2012	2011
	(Thousands of dollars)	
Gas operating revenues	$ 982,203	$ 1,022,914
Net cost of gas sold	387,983	468,026
Operating margin	594,220	554,888
Operations and maintenance expense	278,361	268,745
Depreciation and amortization	139,428	130,997
Taxes other than income taxes	31,065	30,750
Operating income	145,366	124,396
Other income (deductions)	4,317	(6,804)
Net interest deductions	51,077	52,097
Income before income taxes	98,606	65,495
Income tax expense	33,997	22,847
Contribution to consolidated net income	$ 64,609	$ 42,648

Contribution to consolidated net income from natural gas operations increased by $22 million in the first nine months of 2012 compared to the same period a year ago. The improvement was primarily due to increases in operating margin and other income, partially offset by higher operating expenses.

Operating margin increased $39 million between periods. Rate relief in Arizona provided an approximate $35 million increase in operating margin. New customers contributed an incremental $4 million in operating margin during the first nine months of 2012. Offsetting these increases was a reduction of $4 million in operating margin between periods primarily due to moderately cold weather experienced in Arizona in the first half of 2011. With a new rate decoupling mechanism in Arizona, effective January 2012, weather is not expected to be a significant factor in operating margin overall. The remaining $4 million of the increase was due to an out-of-period adjustment that decreased operating margin in the prior-year period.

Operations and maintenance expense increased $9.6 million, or 4%, between periods primarily due to higher general costs and employee-related costs including pension expense.

Depreciation expense increased $8.4 million, or 6%, as a result of additional plant in service. Average gas plant in service for the current period increased $251 million, or 5%, compared to the corresponding period a year ago. This was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled and accelerated pipe replacement activities, and new business.

Other income increased $11.1 million between the nine-month periods of 2012 and 2011. Cash surrender values of COLI policies increased $5.5 million in the current-year period, while values of COLI policies (net of recognized death benefits) decreased $1.9 million during the nine-month period of 2011. In addition, Arizona non-recoverable pipe replacement and other non-utility costs were lower in 2012, especially during the first quarter, as compared to 2011. This pipe replacement activity is expected to be substantially complete by the end of 2012.

Net interest deductions decreased $1 million between periods primarily due to cost savings from refinancing, partially offset by a temporary increase in debt outstanding for approximately two months associated with the issuance of $250 million 3.875% Senior Notes in March 2012 to repay $200 million 7.625% Senior Notes that matured in May 2012.

Twelve-Month Analysis

	Twelve Months Ended September 30,	
	2012	2011
	(Thousands of dollars)	
Gas operating revenues	$1,362,655	$1,401,150
Net cost of gas sold	533,446	622,907
Operating margin	829,209	778,243
Operations and maintenance expense	368,114	363,302
Depreciation and amortization	183,684	174,037
Taxes other than income taxes	41,264	40,231
Operating income	236,147	200,673
Other income (deductions)	5,717	(3,785)
Net interest deductions	67,757	71,209
Income before income taxes	174,107	125,679
Income tax expense	60,726	44,052
Contribution to consolidated net income	$ 113,381	$ 81,627

The contribution to consolidated net income from natural gas operations increased $31.8 million between the twelve-month periods of 2012 and 2011. The improvement was primarily due to increases in operating margin and other income, partially offset by higher operating expenses.

Operating margin increased $51 million between periods primarily due to $36 million of rate relief in Arizona. Differences in heating demand, caused primarily by weather variations, accounted for $6 million of the increase. With a new rate decoupling mechanism in Arizona, effective January 2012, weather is not expected to be a significant factor in operating margin overall. Customer growth contributed $5 million toward the increase. The remaining $4 million of the increase was due to an out-of-period adjustment that decreased operating margin in the prior-year period.

Operations and maintenance expense increased $4.8 million, or 1%, between periods primarily due to higher general costs and employee-related costs including pension expense. These cost increases were partially offset by favorable claims experience under Southwest's self-insured medical plan during the fourth quarter of 2011.

Depreciation expense increased $9.6 million, or 6%, as a result of additional plant in service. Average gas plant in service for the current period increased $230 million, or 5%, as compared to the prior-year period. This was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled and accelerated pipe replacement activities, and new business.

Taxes other than income taxes increased $1 million primarily due to higher property taxes in Arizona.

Other income increased $9.5 million between the twelve-month periods of 2012 and 2011. The current period reflects an $8.1 million increase in COLI policy cash surrender values and recognized death benefits, while the prior twelve-month period reflected a net COLI-related increase (including recognized death benefits) of $2.3 million.

Net interest deductions decreased $3.5 million between the twelve-month periods of 2012 and 2011 primarily due to cost savings from debt refinancing.

Outlook for Full-Year 2012 – 3rd Quarter Update

Operating margin for 2012 is expected to increase primarily due to the additional revenue authorized in the Arizona rate case effective January 2012. However, the incremental margin in 2012 compared to 2011 is expected to be about 10% lower than the $52.6 million approved because the average usage and margin per Arizona customer in 2011 were higher than the amounts used in calculating the deficiency when the rate case was filed in 2010. In April 2012, Southwest filed a general rate case in Nevada requesting a $27 million increase in revenue. In October, a decision was received from the PUCN which approved a $7 million annualized increase in rates effective November 2012. The margin projection above does not reflect any incremental margin associated with the Nevada rate case.

Operating expenses for full-year 2012 compared to 2011 will continue to be impacted by inflation, general cost increases, and depreciation expense on plant additions. Incremental costs, including a $7.5 million increase in pension expense for 2012 and additional depreciation on accelerated pipe replacement activities, are expected to result in a higher level of expense increase (approximately 4%) than has been experienced over the past two calendar years.

Southwest expects to realize approximately $5 million in interest savings on an annualized basis due to debt refinancings and redemptions. These savings relate to the March 2012 issuance of $250 million in 3.875% Senior Notes and the repayment of the $200 million of 7.625% debt that occurred in May 2012, as well as the January 2012 redemption of the $12.4 million 1999 6.1% Series A IDRBs and the August 2012 redemption of the $14.3 million 1999 5.95% Series C IDRBs. A portion of these savings will not be realized until 2013.

Results of Construction Services

Results of Construction Services

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
(Thousands of dollars)						
Construction revenues	$176,226	$156,945	$457,009	$346,623	$ 594,208	$ 436,499
Operating expenses:						
Construction expenses	154,267	134,161	419,072	305,242	537,533	380,240
Depreciation and amortization	9,955	6,701	26,990	17,621	34,585	22,606
Operating income	12,004	16,083	10,947	23,760	22,090	33,653
Other income (deductions)	5	6	257	(10)	259	(217)
Net interest deductions	336	191	744	524	1,045	645
Income before income taxes	11,673	15,898	10,460	23,226	21,304	32,791
Income tax expense	4,698	6,079	4,536	9,254	9,009	12,848
Net income	6,975	9,819	5,924	13,972	12,295	19,943
Net income (loss) attributable to noncontrolling interest	(109)	(106)	(405)	(343)	(586)	(378)
Contribution to consolidated net income attributable to NPL	$ 7,084	$ 9,925	$ 6,329	$ 14,315	$ 12,881	$ 20,321

Quarterly Analysis. Contribution to consolidated net income from construction services for the three months ended September 30, 2012 decreased $2.8 million compared to the same period of 2011.

Revenues increased $19.3 million when compared to the same period of 2011. Revenue from replacement construction continues to be strong. Construction expenses increased $20.1 million due to the increase in construction work and a slight increase in labor costs. Depreciation expense increased $3.3 million due to additional equipment purchases. Gains on sale of equipment (reflected as an offset to construction expenses) were $1.2 million and $657,000 for the third quarters of 2012 and 2011, respectively. The prior-year quarter included approximately $2 million in profit associated with the large fixed-price pipeline project that started in 2011. During the current-year quarter revenues and costs on that contract each approximated $8 million as the total estimated loss on the contract was previously recognized as of the second quarter of 2012 (see *Loss on NPL Contract* on page 19 for additional information).

Nine-Month Analysis. Contribution to consolidated net income from construction services for the nine months ended September 30, 2012 decreased $8 million compared to the same period of 2011.

Revenues increased $110 million, or 32%, when compared to the same period of 2011 due primarily to an increase in the volume of replacement work. Construction expenses increased $114 million, or 37%, due to the increase in replacement construction work (including recognition of $18 million in losses in 2012 associated with the large pipeline project that started in 2011). Depreciation expense increased $9.4 million between the current period and the prior-year period due to an increase in equipment purchases. Gains on sale of equipment were $4.5 million and $2 million for the first nine months of 2012 and 2011, respectively.

Twelve-Month Analysis. The contribution to consolidated net income from construction services for the twelve-month period ended September 30, 2012 decreased $7.4 million compared to the same period of 2011.

Revenues increased $158 million due primarily to an increase in the volume of replacement work. Construction expenses increased $157 million between the twelve-month periods due primarily to costs associated with the increase in replacement construction work including a $16 million loss associated with the large pipeline project. Depreciation expense rose $12 million due to an increase in new equipment purchases. Gains on sale of equipment were $5.9 million and $2.8 million for the twelve-month periods of 2012 and 2011, respectively.

NPL's revenues and operating profits are influenced by weather, customer requirements, mix of work, local economic conditions, bidding results, the equipment resale market, and the credit market. Typically, revenues are lowest during the first quarter of the year due to unfavorable winter weather conditions. Revenues typically improve as more favorable weather conditions occur during the summer and fall months. The current low interest rate environment, the impact of bonus depreciation legislation, and the regulatory environment (encouraging the natural gas industry to replace aging pipeline infrastructure) are having a positive influence on NPL's revenue growth.

During the past two years, NPL has focused its efforts on obtaining pipe replacement work under both blanket contracts and incremental bid projects. For the twelve months ended September 30, 2012, approximately 76% of revenues were from replacement work compared to 73% for the twelve months ended September 30, 2011. Federal and state pipeline safety-related programs and bonus depreciation incentives have resulted in many utilities undertaking multi-year distribution pipe replacement projects. NPL continues to bid on pipe replacement projects throughout the country and has made structural and transitional changes to match the increased size and complexity of the business, including the appointment of a new chief executive officer at NPL in July 2012 and other management changes.

Rates and Regulatory Proceedings

Nevada General Rate Case. Southwest filed a general rate application with the PUCN in April 2012 to recover increased costs for operations in northern and southern Nevada. In addition, the filing reflects additional investments in infrastructure and includes changes in depreciation, cost of service, and cost of capital. Southwest requested an increase in revenue of $1.5 million, or 1.41%, in northern Nevada and $25.4 million, or 6.15%, in southern Nevada. In the application, Southwest requested an overall rate of return of 8.45% on original cost rate base of $115 million for northern Nevada and an overall rate of return of 7.44% on original cost rate base of $821 million for southern Nevada, a return on common equity of 10.65%, and a capital structure utilizing 54% common equity. Southwest also requested to implement an infrastructure replacement mechanism to defer and recover certain costs associated with up to $40 million annually of proposed accelerated replacement of early vintage plastic and steel pipe.

The PUCN reached a decision in this proceeding in the fourth quarter of 2012 with rates to be effective November 2012. The Decision is estimated to provide a revenue increase of $5.8 million in southern Nevada based on an overall rate of return of 6.49% and a 9.85% return on 42.6% common equity on original cost rate base of $825 million. For northern Nevada, the Decision is estimated to provide a revenue increase of $1.2 million with an overall rate of return of 8.01% and a 9.20% return on 65.6% common equity on original cost rate base of $116 million. The Decision also includes a reduction in annualized depreciation expense of $5.2 million and $1.7 million in southern and northern Nevada, respectively (lower depreciation rates result in lower operating margin and lower depreciation expense, with no impact to earnings overall). Factoring in other aspects of the Decision, on a combined basis, the Decision is expected to increase annual operating income by $11.4 million. As it relates to the proposed infrastructure replacement mechanism, the PUCN indicated a separate rulemaking docket will be needed to address the regulatory issues necessary to implement such a mechanism.

The Company is reviewing the Decision and has identified certain items that the Company may submit to the PUCN for reconsideration. Notably, the PUCN employed alternative capital structures for northern and southern Nevada instead of the actual capital structure of the Company that was supported by all parties in the proceeding. Such a request for formal reconsideration would not be filed with the PUCN until after the PUCN issues its order in this proceeding.

California Annual Attrition. As part of the 2009 rate decision by the California Public Utilities Commission ("CPUC") in Southwest's last California general rate case, attrition increases were authorized for the years 2010-2013. The level of increase authorized for 2013 was 2.95% in southern and northern California, and $100,000 in South Lake Tahoe. The collective total of attrition adjustments expected for 2013 is approximately $2.4 million. However, the continued low interest rate environment has triggered an automatic rate of return adjustment mechanism, which will result in an estimated offsetting decrease of between $1.3 million and $1.7 million in 2013.

California Planned General Rate Case. In October 2012, Southwest submitted a Notice of Intent ("NOI") to the Division of Ratepayer Advocates of the CPUC to file a general rate application. The NOI is subject to change and could be rejected altogether. The key provisions of the NOI include an annual revenue increase of $12 million, a return on common equity of 10.7%, a capital structure utilizing a common equity ratio of 57%, and original cost rate base of approximately $262 million. If the NOI is accepted, Southwest intends to proceed with its formal application with the CPUC by December 2012, with a requested effective date of January 2014 for new rates.

PGA Filings

The rate schedules in all of Southwest's service territories contain provisions that permit adjustments to rates as the cost of purchased gas changes. These deferred energy provisions and purchased gas adjustment clauses are collectively referred to as "PGA" clauses. Differences between gas costs recovered from customers and amounts paid for gas by Southwest result in over- or under-collections. At September 30, 2012, over-collections in all service territories resulted in a liability of $123 million on the Company's balance sheet. Filings to change rates in accordance with PGA clauses are subject to audit by state regulatory commission staffs. PGA changes impact cash flows but have no direct impact on profit margin. However, gas cost deferrals and recoveries can impact comparisons between periods of individual income statement components. These include Gas operating revenues, Net cost of gas sold, Net interest deductions, and Other income (deductions).

As of September 30, 2012, December 31, 2011, and September 30, 2011, Southwest had the following outstanding PGA balances receivable/(payable) (millions of dollars):

	September 30, 2012	December 31, 2011	September 30, 2011
Arizona	$ (57.5)	$ (28.4)	$ (35.2)
Northern Nevada	(12.9)	(7.9)	(12.8)
Southern Nevada	(52.0)	(36.1)	(43.9)
California	(0.6)	2.3	(1.8)
	$ (123.0)	$ (70.1)	$ (93.7)

Capital Resources and Liquidity

Cash on hand and cash flows from operations in the past twelve months provided the majority of cash used in investing activities (primarily for construction expenditures and property additions). Certain pipe replacement work was accelerated during 2011 to take advantage of bonus depreciation tax incentives. This acceleration has continued in 2012. In 2010 and 2011, cash on hand and cash flows from operations were generally sufficient to provide for net investing activities and the Company was able to reduce the net amount of debt outstanding (including subordinated debentures and short-term borrowings) from the 2009 level. The Company's capitalization strategy is to maintain an appropriate balance of equity and debt.

Cash Flows

Operating Cash Flows. Cash flows provided by consolidated operating activities increased $86 million in the first nine months of 2012 as compared to the same period of 2011. The improvement in operating cash flows was attributable to greater net income and non-cash depreciation expense and temporary net cash flow increases in working capital components overall.

Investing Cash Flows. Cash used in consolidated investing activities increased $10.3 million in the first nine months of 2012 as compared to the same period of 2011. The increase was primarily due to equipment purchases by NPL due to the increased replacement construction work of its customers and a decrease in Southwest's customer advances for construction. Offsetting these cash outflows in the current-year period were draw-downs of funds, restricted to utilization for construction activities, associated with an industrial development revenue bond issuance in 2009.

Financing Cash Flows. Net cash used in consolidated financing activities decreased $20.7 million in the first nine months of 2012 as compared to the same period of 2011. Debt repayments including the $12.4 million 1999 6.1% Series A fixed-rate IDRBs repaid in January 2012, the $200 million 7.625% IDRBs repaid in May 2012, the $14.3 million 1999 5.95% Series C fixed-rate IDRBs (originally due in 2038) repaid in August 2012, and the repayment of outstanding borrowings on the credit facility were partially offset by the issuance of new debt including the $250 million 3.875% Senior Notes. The remaining issuance amounts and retirements of long-term debt primarily relate to borrowings and repayments under NPL's line of credit. The prior-year period included the repayment of the $200 million 8.375% Notes and the issuance of the $125 million 6.1% Notes. The second FSIRS contract was settled by paying $21.8 million during the first quarter of 2012 (at maturity). Dividends paid increased in the first nine months of 2012 as compared to the first nine months of 2011 as a result of an increase in the quarterly dividend and an increase in the number of shares outstanding.

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and construction services segments. Each business activity is generally responsible for securing its own financing sources.

Gas Segment Construction Expenditures, Debt Maturities, and Financing

During the twelve-month period ended September 30, 2012, construction expenditures for the natural gas operations segment were $306 million. The majority of these expenditures represented costs associated with scheduled and accelerated replacement of existing transmission, distribution, and general plant (see also *Bonus Depreciation* below). Cash flows from operating activities of Southwest were $307 million and provided approximately 86% of construction expenditures and dividend requirements. Other necessary funding was provided by cash on hand and external financing activities.

Southwest estimates natural gas segment construction expenditures during the three-year period ending December 31, 2014 will range from approximately $900 million to $1 billion. Of this amount, approximately $300 million are expected to be incurred in 2012. Southwest has taken advantage of bonus depreciation to accelerate projects that improve system flexibility and enhance safety (including replacement of early vintage plastic and steel pipe). Significant replacement projects are expected to continue during the next several years. During the three-year period, cash flows from operating activities of Southwest (including the bonus depreciation benefits) are expected to provide a substantial majority of the funding for the gas operations total construction expenditures and dividend requirements. Some additional funds are expected from employee exercises of outstanding stock options. Any additional cash requirements are expected to be provided by existing credit facilities and/or other external financing sources. The timing, types, and amounts of these additional external financings will be dependent on a number of factors, including conditions in the capital markets, timing and amounts of rate relief, growth levels in Southwest's service areas, and earnings. These external financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing.

In January 2012, the Company redeemed at par its $12.4 million 1999 6.1% Series A fixed-rate IDRBs. The IDRBs were originally due in 2038. In February 2012 the Company drew down $12.8 million in restricted cash from a 2009 IDRB offering.

In March 2012, the Company issued $250 million in 3.875% Senior Notes. The notes will mature on April 1, 2022. Management used approximately $200 million of the net proceeds in connection with the repayment of the $200 million 7.625% Senior Notes that matured in May 2012. The remaining net proceeds were used for general corporate purposes.

In August 2012, the Company redeemed at par its $14.3 million 1999 5.95% Series C fixed-rate IDRBs (originally due in 2038).

During the nine months ended September 30, 2012, the Company issued shares of common stock through the Stock Incentive Plan, raising approximately $1.5 million.

Bonus Depreciation. In September 2010, the Small Business Jobs Act of 2010 ("Act") was signed into law. The Act provided a 50% bonus tax depreciation deduction for qualified property acquired or constructed and placed in service in 2010. In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 ("Tax Relief Act") was signed into law. The Tax Relief Act provided for a temporary 100% bonus tax depreciation deduction for qualified property acquired or constructed and placed in service after September 8, 2010 and before January 1, 2012 and extended the availability of the 50% bonus tax depreciation deduction through December 31, 2012. Based on forecasted qualifying construction expenditures, Southwest estimates the bonus depreciation provisions of the Tax Relief Act will defer the payment of approximately $28 million of federal income taxes during 2012.

Dividend Policy

In reviewing dividend policy, the Board of Directors ("Board") considers the adequacy and sustainability of earnings and cash flows of the Company and its subsidiaries; the strength of the Company's capital structure; the sustainability of the dividend through all business cycles; and whether the dividend is within a normal payout range for its respective businesses. In February 2012, the Board increased the quarterly dividend payout from 26.5 cents to 29.5 cents per share, effective with the June 2012 payment. Over time, the Board intends to increase the dividend such that the payout ratio approaches a local distribution company peer group average, while maintaining the Company's stable and strong credit ratings and the ability to effectively fund future rate base growth. The timing and amount of any future increases will be based upon the Board's review of the Company's dividend rate in the context of the performance of the Company's two operating segments and their future growth prospects.

Liquidity

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

On an interim basis, Southwest generally defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At September 30, 2012, the combined balance in the PGA accounts totaled an over-collection of $123 million. See **PGA Filings** for more information.

In March 2012, the Company replaced a $300 million revolving credit facility that was to expire in May 2012 with a $300 million facility that is scheduled to expire in March 2017. 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 the Company's senior unsecured debt rating. At the Company's current unsecured debt rating, the applicable margin is 1.125% for loans bearing interest with reference to LIBOR and 0.125% for loans bearing interest with reference to the alternative base rate. Southwest has designated $150 million of the $300 million facility for long-term borrowing needs and the remaining $150 million for working capital purposes. The borrowings at December 31, 2011 (and additional borrowings which resulted in a maximum outstanding balance of $128 million during the first quarter) under the predecessor facility were repaid during the first quarter of 2012. At September 30, 2012, $40 million was outstanding on the long-term portion of the new credit facility, and no borrowings were outstanding on the short-term portion. No borrowings occurred under the new facility during the second quarter of 2012, and the maximum amount outstanding during the third quarter of 2012 was $40 million. The credit facility can be used as necessary to meet liquidity requirements, including temporarily financing under-collected PGA balances, if any, or meeting the refund needs of over-collected balances. This credit facility has been, and is expected to continue to be, adequate for Southwest's working capital needs outside of funds raised through operations and other types of external financing.

In June 2012, NPL replaced its existing $30 million revolving credit facility that was to expire in June 2013 with a $75 million facility that is scheduled to expire in June 2015. The credit facility was amended in October 2012 to temporarily increase the facility from $75 million to $85 million until December 29, 2012. Interest rates for the credit facility were also amended in October 2012 and are now calculated at either LIBOR or a base rate, plus, in each case, 1.00% or 0.75% depending on NPL's leverage ratio at the end of each quarter. At September 30, 2012, $54 million was outstanding on the NPL credit facility.

The following table sets forth the ratios of earnings to fixed charges for the Company. Due to the seasonal nature of the Company's business, these ratios are computed on a twelve-month basis:

	For the Twelve Months Ended	
	September 30, 2012	December 31, 2011
Ratio of earnings to fixed charges	3.42	3.21

Earnings are defined as the sum of pretax income plus fixed charges. Fixed charges consist of all interest expense including capitalized interest, one-third of rent expense (which approximates the interest component of such expense), and net amortized debt costs.

Credit Rating Upgrades. In March 2012, Moody's Investors Service, Inc. ("Moody's) upgraded the Company's senior unsecured debt rating to Baa1 from Baa2 (the outlook remains stable). Moody's cited the Company's prospects for continued strong financial results and credit metrics, as well as the resolution of the Arizona rate case as factors in its decision. Moody's applies a Baa rating to obligations which are considered medium grade obligations with adequate security. A numerical modifier of 1 (high end of the category) through 3 (low end of the category) is included with the Baa rating to indicate the approximate rank of a company within the range.

In May 2012, Fitch Ratings ("Fitch") upgraded the Company's senior unsecured rating to A- from BBB+ (the outlook has been revised to positive from stable). Fitch cited the Company's strong operational performance for 2011 and expectations for continued strong performance for 2012, due in part to the recent rate design changes adopted in Arizona. Fitch debt ratings range from AAA (highest credit quality) to D (defaulted debt obligation). The Fitch rating of A- indicates low credit risk and a strong ability to pay financial commitments.

Forward-Looking Statements

This quarterly report contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("Reform Act"). All statements other than statements of historical fact included or incorporated by reference in this quarterly report are forward-looking statements, including, without limitation, statements regarding the Company's plans, objectives, goals, intentions, projections, strategies, future events or performance, and underlying assumptions. The words "may," "if," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "continue," "forecast," "intend," and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding operating margin patterns, customer growth, the composition of our customer base, price volatility, seasonal patterns, payment of debt, interest savings, use of proceeds, the Company's COLI strategy, annual COLI returns, replacement market and new construction market, bonus tax depreciation deductions, amount and timing for completion of estimated future construction expenditures, forecasted operating cash flows and results of operations, incremental operating margin in 2012, operating expense increases in 2012, funding sources of cash requirements, sufficiency of working capital, bank lending practices, the Company's views regarding its liquidity position, ability to raise funds and receive external financing capacity, future dividend increases, earnings trends, NPL's projected financial performance and related market growth potential, NPL's bid contracts and results thereunder, including expectations regarding estimates of costs and revenues, pension and post-retirement benefits, certain benefits of tax acts, the effect of rate decoupling in Arizona, the effect of any rate changes or regulatory proceedings, including the Decision from the PUCN, statements regarding future gas prices, gas purchase contracts and derivative financial instruments, the impact of certain legal proceedings, and the timing and results of future rate hearings and approvals are forward-looking statements. All forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act.

A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, customer growth rates, conditions in the housing market, the ability to recover costs through the PGA mechanisms, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, changes in gas procurement practices, changes in capital requirements and funding, the impact of conditions in the capital markets on financing costs, changes in construction expenditures and financing, changes in operations and maintenance expenses, effects of pension expense forecasts, accounting changes, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, results of NPL bid work, acquisitions and management's plans related thereto, competition, and our ability to raise capital in external financings. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing and operations and maintenance expenses will continue in future periods. For additional information on the risks associated with the Company's business, see **Item 1A. Risk Factors** and **Item 7A. Quantitative and Qualitative Disclosures About Market Risk** in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See **Item 7A. Quantitative and Qualitative Disclosures about Market Risk** in the Company's 2011 Annual Report on Form 10-K filed with the SEC. No material changes have occurred related to the Company's disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

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

Based on the most recent evaluation, as of September 30, 2012, management of the Company, including the Chief Executive Officer and Chief Financial Officer, believe the Company's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

There have been no changes in the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the third quarter of 2012 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEMS 1A. through 3. None**.**

ITEM 4. MINE SAFETY DISCLOSURES Not applicable.

ITEM 5. OTHER INFORMATION None.

ITEM 6. EXHIBITS

The following documents are filed, or furnished, as applicable, as part of this report on Form 10-Q:

Exhibit 12.01	-	Computation of Ratios of Earnings to Fixed Charges.
Exhibit 31.01	-	Section 302 Certifications.
Exhibit 32.01	-	Section 906 Certifications.
Exhibit 99.01	-	NPL Credit Facility Agreement – First Amendment
Exhibit 99.02	-	NPL Credit Facility Agreement – Second Amendment
Exhibit 101	-	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in Extensible Business Reporting Language ("XBRL"): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to the Condensed Consolidated Financial Statements.

SIGNATURES

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

Southwest Gas Corporation
(Registrant)

Date: November 7, 2012

/ s/ GREGORY J. PETERSON
Gregory J. Peterson
Vice President/Controller and Chief Accounting Officer

Exhibit 12.01

SOUTHWEST GAS CORPORATION
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Thousands of dollars)

	For the Twelve Months Ended					
	Sep 30,	December 31,				
	2012	2011	2010	2009	2008	2007
1. Fixed charges:						
A) Interest expense	$ 67,879	$ 68,183	$ 75,481	$ 81,861	$ 90,403	$ 94,035
B) Amortization	2,004	2,137	2,620	2,097	2,880	2,783
C) Interest portion of rentals	10,702	8,943	6,455	6,644	7,802	7,952
Total fixed charges	$ 80,585	$ 79,263	$ 84,556	$ 90,602	$101,085	$104,770
2. Earnings (as defined):						
D) Pretax income from continuing operations	$195,411	$175,066	$158,378	$132,035	$101,808	$131,024
Fixed Charges (1. above)	80,585	79,263	84,556	90,602	101,085	104,770
Total earnings as defined	$275,996	$254,329	$242,934	$222,637	$202,893	$235,794
	3.42	3.21	2.87	2.46	2.01	2.25

Exhibit 31.01

Certification

I, Jeffrey W. Shaw, certify that:

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

Date: November 7, 2012

/s/ JEFFREY W. SHAW
Jeffrey W. Shaw
President and Chief Executive Officer
Southwest Gas Corporation

Certification

I, Roy R. Centrella, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2012

/s/ ROY R. CENTRELLA

Roy R. Centrella
Senior Vice President/Chief Financial Officer
Southwest Gas Corporation

Exhibit 32.01

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended September 30, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Jeffrey W. Shaw, the President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: November 7, 2012

/s/ Jeffrey W. Shaw

Jeffrey W. Shaw
President and Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended September 30, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Roy R. Centrella, Senior Vice President/Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Dated: November 7, 2012

/s/ Roy R. Centrella

Roy R. Centrella
Senior Vice President/Chief Financial Officer

Exhibit 99.01

AMENDMENT NUMBER ONE TO CREDIT AGREEMENT

dated as of August 6, 2012

among

NPL CONSTRUCTION CO.
as Borrower,

THE FINANCIAL INSTITUTIONS PARTY HERETO,
as Lenders,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Swingline Lender and Issuing Lender

and

WELLS FARGO SECURITIES, LLC,
As Sole Lead Arranger and Sole Book Manager

AMENDMENT NUMBER ONE TO CREDIT AGREEMENT

This **AMENDMENT NUMBER ONE TO CREDIT AGREEMENT** (this "***Amendment***"), dated as of August 6, 2012 is among **NPL CONSTRUCTION CO.,** a Nevada corporation ("***Borrower***"), the financial institutions party to the Credit Agreement (defined below) as Lenders, and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Administrative Agent for the Lenders, Swingline Lender and Issuing Lender. Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Credit Agreement.

RECITALS

WHEREAS Borrower, Administrative Agent, Lenders, Swingline Lender and Issuing Lender are parties to that certain Credit Agreement dated June 4, 2012 (the "***Credit Agreement***") and, as applicable, the other Loan Documents, pursuant to which, Lenders have made available to Borrower certain extensions of credit referenced therein on the terms and conditions contained therein; and

WHEREAS Borrower, Administrative Agent, Lenders, Swingline Lender and Issuing Lender desire to revise and clarify the Consolidated Leverage Ratio to be consistent with past practices and consistent with the parties' original intent; and

NOW, THEREFORE, in consideration of the mutual agreements and provisions contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

AGREEMENT

ARTICLE I – MODIFICATIONS

SECTION 1.1 MODIFICATIONS TO CREDIT AGREEMENT

As of the Amendment Effective Date (defined below), the following section and exhibit of the Credit Agreement are hereby revised, clarified and modified to be consistent with past practices and the parties' original intent:

1.1.1 Section 1.1, "Definitions," is hereby supplemented with the following additional definition in proper alphabetical order therein:

"Consolidated Total Liabilities" means, as of any date of determination with respect to the Borrower and its Subsidiaries on a Consolidated basis without duplication, the sum of aggregate current and non-current liabilities all determined in accordance with GAAP.

1.1.2 Section 1.1, "Definitions," is hereby amended by amending and restating the following definitions:

"Consolidated Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Total Liabilities on such date, minus Subordinated Indebtedness to (b) Consolidated Tangible Net Worth on such date, plus Subordinated Indebtedness.

"Officer's Compliance Certificate" means a certificate of the chief executive officer, chief financial officer, treasurer or controller of the Borrower substantially in the form attached as **Exhibit F**.

1.1.3 Section 1.1, "Definitions," is hereby amended by deleting, in its entirety, the definition of "Consolidated Total Indebtedness."

1.1.4 Exhibit F to the Credit Agreement is hereby replaced with the corresponding Exhibit attached to this Amendment.

ARTICLE II – CONDITIONS TO AMENDMENT; GENERAL PROVISIONS

SECTION 2.1 CONDITIONS PRECEDENT

2.1.1 This Amendment is expressly conditioned upon the satisfaction by Borrower of the conditions contained in Section 6.2 of the Credit Agreement, as applicable.

2.1.2 Without limiting the foregoing, the effectiveness of this Amendment shall be conditioned on receipt by Administrative Agent of the consent of all Lenders as evidenced by their signatures on this Amendment.

SECTION 2.2 EFFECTIVE DATE; RATIFICATION; ESTOPPEL; REAFFIRMATION

2.2.1 As the parties hereto agree that this Amendment clarifies and modifies the Credit Agreement to be consistent with past practices and with the parties' intent as of the closing of the Credit Agreement, the parties further agree that upon the satisfaction of the conditions precedent, this Amendment shall be effective concurrently with the date of the Credit Agreement ("***Amendment Effective Date***").

2.2.2 Borrower hereby reaffirms and ratifies the Credit Agreement and other Loan Documents, as amended, modified and supplemented hereby.

2.2.3 Borrower represents and warrants that, as of the date hereof, they have no counterclaims, defenses or offsets of any nature whatsoever to the Obligations or any of the Loan Documents and that as of the date hereof no unwaived Default or Event of Default by Borrower, Administrative Agent or any Lender has occurred or exists under any of the Loan Documents.

2.2.4 Borrower hereby ratifies, affirms, reaffirms, acknowledges, confirms and agrees that the Credit Agreement and the other Loan Documents, as amended, modified and supplemented by this Amendment, represent the legal, valid, and binding obligations of Borrower, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

2.2.5 Borrower hereby affirms, acknowledges and confirms that the provisions of this Amendment shall be a part of the Credit Agreement and Loan Documents for all purposes.

SECTION 2.3 GOVERNING LAW.

THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

SECTION 2.4 COUNTERPARTS; SEVERABILITY

2.4.1 This Amendment may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument.

2.4.2 If any term or provision of this Amendment, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Amendment, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Amendment shall be valid and shall be enforced to the fullest extent permitted by law.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first written above.

BORROWER:

NPL CONSTRUCTION CO.
A NEVADA CORPORATION

BY:	/S/ ROCK L. MCHENRY
NAME:	ROCK L. MCHENRY
TITLE:	CFO/VP

ADMINISTRATIVE AGENT, SWINGLINE LENDER AND ISSUING LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association, as Administrative Agent,
Swingline Lender and Issuing Lender

By:	/s/ Brenda K. Robinson
Name:	Brenda K. Robinson
Title:	Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association, as a Lender

By:	/s/ Brenda K. Robinson
Name:	Brenda K. Robinson
Title:	Senior Vice President

LENDER:

UMB BANK ARIZONA, N.A.

By:	/s/ Robert Faver
Name:	Robert Faver
Title:	Chief Lending Officer

CONSENT AND APPROVAL OF GUARANTOR

The undersigned acknowledges that no Lender has any obligation to provide it with notice of, or to obtain its consent to, the terms of the foregoing Amendment. The undersigned further agrees that its consent to the Amendment and any previous amendments will expressly not create any expectation of course of dealing which would require the Administrative Agent or any Lender to either notify or seek the consent of the undersigned to any subsequent amendment. Notwithstanding the foregoing, the undersigned hereby consents to and approves of the terms and conditions of this Amendment and any previous amendments and the undersigned hereby reaffirms and agrees to the terms and conditions of the Unconditional Continuing Guaranty dated July 2, 2012, executed by the undersigned (the "**Guaranty**").

SOUTHWEST ADMINISTRATORS, INC.

By:	/s/ Rock L. McHenry
Print Name:	Rock L. McHenry
Title:	Treasurer

EXHIBIT 1—REVISED EXHIBIT TO CREDIT AGREEMENT

EXHIBIT F

OFFICER'S COMPLIANCE CERTIFICATE

To: Wells Fargo Bank, National Association, as the Administrative Agent
Date: , 20

The undersigned, on behalf of NPL Construction Co., a Nevada corporation (the "Borrower"), hereby certifies to the Administrative Agent and the Lenders, each as defined in the Credit Agreement referred to below, as follows:

1. This certificate is delivered to you pursuant to Section 8.2 of the Credit Agreement dated as of (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the lenders who are or may become party thereto, as Lenders, and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender. Capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Credit Agreement.

2. The undersigned has reviewed the financial statements of the Borrower and its Subsidiaries dated as of and for the period[s] then ended and such statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and cash flows for the period[s] indicated.

3. The undersigned has reviewed the terms of the Credit Agreement, and the related Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the transactions and the condition of the Borrower and its Subsidiaries during the accounting period covered by the financial statements referred to in Paragraph 2 above. Such review has not disclosed the existence during or at the end of such accounting period of any condition or event that constitutes a Default or an Event of Default, nor does the undersigned have any knowledge of the existence of any such condition or event as at the date of this certificate [except, if such condition or event existed or exists, describe the nature and period of existence thereof and what action the Borrower has taken, is taking and proposes to take with respect thereto].

4. The Borrower and its Subsidiaries are in compliance with the financial covenants contained in Section 9.15 of the Credit Agreement and the Borrower and its Subsidiaries are in compliance with the other covenants and restrictions contained in the Credit Agreement.

[*signature page to follow*]

WITNESS the following signature as of the day and year first written above.

NPL CONSTRUCTION CO., a Nevada corporation

By: ____________________________
Name: ____________________________
Title: ____________________________

Schedule 1
to
Officer's Compliance Certificate

Section 9.15 (a) Consolidated Interest Coverage Ratio

For the Trailing Four Fiscal Quarters ended	
Consolidated EBIT	$
Consolidated Interest Expense	$
Consolidated Interest Coverage Ratio (Line (1) divided by Line (2))	**to 1.00**
Minimum Permitted Consolidated Interest Coverage Ratio	1.50 to 1.00
In Compliance?	Yes/No

Section 9.15 (b) Consolidated Leverage Ratio

For the Quarter/Year ended		
(1)	Consolidated Total Liabilities	$
(2)	Less: Subordinated Indebtedness	$
(3)	Total	$
(4)	Consolidated Tangible Net Worth	$
(5)	Plus: Subordinated Indebtedness	$
(6)	Total	$
	Consolidated Leverage Ratio (Line (3) divided by Line (6))	**to 1.00**
	Maximum Permitted Consolidated Total Leverage Ratio	2.25 to 1.00
	In Compliance?	Yes/No

Exhibit 99.02

AMENDMENT NUMBER TWO TO CREDIT AGREEMENT

dated as of October 9, 2012

among

NPL CONSTRUCTION CO.
as Borrower,

THE FINANCIAL INSTITUTIONS PARTY HERETO,
as Lenders,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Swingline Lender and Issuing Lender

and

WELLS FARGO SECURITIES, LLC,
As Sole Lead Arranger and Sole Book Manager

AMENDMENT NUMBER TWO TO CREDIT AGREEMENT

This **AMENDMENT NUMBER TWO TO CREDIT AGREEMENT** (this "Second Amendment"), dated as of October 9, 2012 is among **NPL CONSTRUCTION CO.,** a Nevada corporation ("Borrower"), the financial institutions party to the Credit Agreement (defined below) as Lenders, and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Administrative Agent for the Lenders, Swingline Lender and Issuing Lender. Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Credit Agreement.

RECITALS

WHEREAS Borrower, Administrative Agent, Lenders, Swingline Lender and Issuing Lender are parties to that certain Credit Agreement dated June 4, 2012, as amended by an Amendment Number One to Credit Agreement dated August 6, 2012 (the "Credit Agreement") and, as applicable, the other Loan Documents, pursuant to which, Lenders have made available to Borrower certain extensions of credit referenced therein on the terms and conditions contained therein; and

WHEREAS Borrower, Administrative Agent, Lenders, Swingline Lender and Issuing Lender desire to amend the Credit Agreement to: (a) provide a temporary increase to the amount of the Revolving Credit Commitment; (b) add a pricing grid tied to the Consolidated Leverage Ratio for the Applicable Margin and the Commitment Fee; (c) provide a temporary increase to the Consolidated Leverage Ratio; (d) modify certain financial reporting covenants; (e) charge additional fees associated with this Second Amendment; and (f) make certain other changes agreed to the parties all pursuant to the terms of this Second Amendment; and

NOW, THEREFORE, in consideration of the mutual agreements and provisions contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

AGREEMENT

ARTICLE I – MODIFICATIONS

SECTION 1.1 MODIFICATIONS TO CREDIT AGREEMENT

As of the Second Amendment Effective Date (defined below), the following sections, exhibits and schedules of the Credit Agreement are hereby amended as follows:

1.1.1 The definition of "Applicable Margin" in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced with the following definition:

"Applicable Margin" means the corresponding percentages per annum as set forth below based on the Consolidated Leverage Ratio:

Pricing Level	Consolidated Leverage Ratio	Commitment Fee	Revolving Credit Loans	
			LIBOR +	Base Rate +
I	Greater than or equal to 2.00 to 1.00	0.20%	1.00%	1.00%
II	Less than 2.00 to 1.00	0.15%	0.75%	0.75%

The Applicable Margin shall be determined and adjusted quarterly on the date (each a "Calculation Date") ten (10) Business Days after the day by which the Borrower is required to provide an Officer's Compliance Certificate pursuant to Section 8.2(a) for the most recently ended fiscal quarter of the Borrower (commencing with the quarter ended September 30, 2012); provided that if the Borrower fails to provide the Officer's Compliance Certificate as required by Section 8.2(a) for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Applicable Margin from such Calculation Date shall be based on Pricing Level I until such time as an appropriate Officer's Compliance Certificate is delivered, at which time the Pricing Level shall be determined by reference to the Consolidated Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. The Applicable Margin shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Extensions of Credit then existing or subsequently made or issued.

Notwithstanding the foregoing, in the event that any financial statement or Officer's Compliance Certificate delivered pursuant to Section 8.1 or 8.2(a) is shown to be inaccurate (regardless of whether (i) this Agreement is in effect, (ii) the Revolving Credit Commitments are in effect, or (iii) any Extension of Credit is outstanding when such inaccuracy is discovered or such financial statement or Officer's Compliance Certificate was delivered), and such inaccuracy, if corrected, would have led to the application of Pricing Level I for any quarterly period (an "Applicable Period"), then (A) the Borrower shall immediately deliver to the Administrative Agent a corrected Officer's Compliance Certificate for such Applicable Period, (B) the Applicable Margin for such Applicable Period shall be determined as if the Consolidated Leverage Ratio in the corrected Officer's Compliance Certificate were applicable for such Applicable Period, and (C) the Borrower shall promptly pay to the Administrative Agent the accrued additional interest and fees owing as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly applied by the Administrative Agent in accordance with Section 5.4. Nothing in this paragraph shall limit the rights of the Administrative Agent and Lenders with respect to Sections 5.1(c) and 10.2 nor any of their other rights under this Agreement. The Borrower's obligations under this paragraph shall survive the termination of the Commitments and the repayment of all other Obligations for the applicable statutory limitations period under Applicable Law.

1.1.2 The parties have agreed to provide a temporary increase to the Revolving Credit Commitment in the amount of Ten Million Dollars ($10,000,000), which temporary increase will begin on the date of the Second Amendment Effective Date and terminate on the day immediately before

Borrower's 2012 fiscal year end (i.e. December 29, 2012). As such, Schedule 1 to the Credit Agreement is hereby replaced with the corresponding schedule attached to this Second Amendment.

1.1.3 Section 5.3(a) of the Credit Agreement, "Commitment Fee," is hereby amended and restated to read as follows:

> Section 5.3(a) Commitment Fee. Subject to Section 5.15, the Borrower shall pay to the Administrative Agent, for the account of the Revolving Credit Lenders, a non-refundable commitment fee (the "Commitment Fee") at a rate per annum equal to the Applicable Margin on the average daily unused portion of the Revolving Credit Commitment of the Revolving Credit Lenders (other than the Defaulting Lenders, if any); provided, that the amount of outstanding Swingline Loans shall not be considered usage of the Revolving Credit Commitment for the purpose of calculating the Commitment Fee. The Commitment Fee shall be payable in arrears on the last Business Day of each calendar quarter during the term of this Agreement commencing June 30, 2012 and ending on the date upon which all Obligations (other than contingent indemnification obligations not then due) arising under the Revolving Credit Facility shall have been indefeasibly and irrevocably paid and satisfied in full, all Letters of Credit have been terminated or expired (or been Cash Collateralized) and the Revolving Credit Commitment has been terminated. The Commitment Fee shall be distributed by the Administrative Agent to the Revolving Credit Lenders (other than any Defaulting Lender) pro rata in accordance with such Revolving Credit Lenders' respective Revolving Credit Commitment Percentages.

1.1.4 Section 5.13 of the Credit Agreement, "Incremental Loans," is hereby amended to provide that Borrower shall not be entitled to provide a notice of an Incremental Revolving Credit Commitment until after the expiration of the temporary increase to the Revolving Credit Commitment set forth in Section 1.1.2 of this Second Amendment. The temporary increase to the Revolving Credit Commitment set forth in Section 1.1.2 of this Second Amendment shall not constitute an Incremental Revolving Credit Commitment.

1.1.5 Section 8.1 of the Credit Agreement, "Financial Statements and Budgets," is hereby amended and supplemented with the following section to be inserted into the Credit Agreement as Section 8.1(d):

> Section 8.1(d) Monthly Financial Statements. As soon as practicable and in any event within thirty (30) days after the end of each fiscal month in which a quarterly financial statement is not due pursuant to Section 8.1(b) or in which an annual financial statement is not due pursuant to Section 8.1(a), an unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such fiscal month and unaudited Consolidated statements of income, retained earnings and cash flows for the fiscal month then ended prepared by the Borrower in accordance with GAAP; provided, that such balance sheets and statements will be consolidated using the equity method.

1.1.6 Section 8.2 of the Credit Agreement, "Certificates; Other Reports," is hereby amended and supplemented with the following section to be inserted into the Credit Agreement as Section 8.2(j):

Section 8.2(j) at each time financial statements are delivered pursuant to Sections 8.1(a) or (b), a quarterly project billing report.

1.1.7 Section 9.15(b) of the Credit Agreement, "Consolidated Leverage Ratio" is hereby amended and restated to read as follows:

Consolidated Leverage Ratio. As of the last day of any fiscal quarter ending during the periods specified below, permit the Consolidated Leverage Ratio to be greater than the corresponding ratio set forth below:

Period	Maximum Ratio
July 2, 2012 through December 29, 2012	2.50 to 1.00
December 30, 2012 and thereafter	2.25 to 1.00

1.1.8 Exhibit F to the Credit Agreement is hereby replaced with the corresponding Exhibit attached to this Second Amendment.

ARTICLE II – FEES AND EXPENSES

SECTION 2.1 FEE

Borrower shall pay to Administrative Agent, for the account of each Lender under the Credit Agreement who executes this Amendment, an upfront fee in an amount equal to one-tenth of one percent (0.1%) of the temporary Ten Million Dollar ($10,000,000) increase to the Revolving Credit Commitment granted pursuant to the terms of this Second Amendment (i.e. Ten Thousand Dollars ($10,000)), due and payable as of the Second Amendment Effective Date. Such fees shall be paid pro rata to the Lenders in accordance with the Revolving Credit Commitment Percentages that are attributed to the temporary Ten Million Dollar ($10,000,000) increase to the Revolving Credit Commitment granted pursuant to the terms of this Second Amendment.

SECTION 2.2 EXPENSES

Borrower shall pay all reasonable expenses and costs of Administrative Agent (including, without limitation, the attorney fees and expenses of counsel for Administrative Agent) incurred in connection with the preparation, negotiation, execution and approval of this Second Amendment and any and all other documents, instruments and things contemplated hereby, whether or not such transactions are consummated, together with all other expenses and costs incurred by Administrative Agent chargeable to Borrower pursuant to the terms of the Credit Agreement which are unpaid, if any, as of the Second Amendment Effective Date.

ARTICLE III – CONDITIONS TO SECOND AMENDMENT; GENERAL PROVISIONS

SECTION 3.1 CONDITIONS PRECEDENT

3.1.1 This Second Amendment and the transactions contemplated herein are expressly conditioned upon the satisfaction by Borrower of the following conditions precedent, all in the sole but reasonable discretion of the Administrative Agent:

(a) All conditions contained in Section 6.2 of the Credit Agreement, as applicable, shall have been satisfied.

(b) Administrative Agent shall have received an amended and restated Revolving Credit Note in favor of each Lender requesting a Revolving Credit Note.

(c) Borrower's and Guarantor's delivery of such certificates of resolutions or other action, incumbency certificates or other certificates of Responsible Officers of each of Borrower and Guarantor as Lender may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with the Second Amendment and related documents to which such is a party.

(d) The delivery of favorable opinions of counsel to Borrower and Guarantor reasonably acceptable to Administrative Agent addressed to Lenders, as to such matters as are reasonably required by Administrative Agent with respect to Borrower, Guarantor and this Second Amendment.

(e) The payment of the fees and expenses required by Article II of this Second Amendment as well as any other fees due and owing to Administrative Agent, Arranger and the Lenders.

3.1.2 Without limiting the foregoing, the effectiveness of this Second Amendment shall be conditioned on receipt by Administrative Agent of the consent of all Lenders as evidenced by their signatures on this Second Amendment.

SECTION 3.2 EFFECTIVE DATE; RATIFICATION; ESTOPPEL; REAFFIRMATION

3.2.1 The parties hereby agree that this Second Amendment shall be effective concurrently with the satisfaction of the conditions precedent set forth in Section 3.1 of this Second Amendment ("Second Amendment Effective Date").

3.2.2 Borrower hereby reaffirms and ratifies the Credit Agreement and other Loan Documents, as amended, modified and supplemented hereby.

3.2.3 Borrower represents and warrants that, as of the date hereof, it has no counterclaims, defenses or offsets of any nature whatsoever to the Obligations or any of the Loan Documents and that as of the date hereof no unwaived Default or Event of Default by Borrower, Administrative Agent or any Lender has occurred or exists under any of the Loan Documents.

3.2.4 Borrower hereby ratifies, affirms, reaffirms, acknowledges, confirms and agrees that the Credit Agreement and the other Loan Documents, as amended, modified and supplemented by this Second Amendment, represents the legal, valid, and binding obligations of Borrower, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

3.2.5 Borrower hereby affirms, acknowledges and confirms that the provisions of this Second Amendment shall be a part of the Credit Agreement and Loan Documents for all purposes.

SECTION 3.3 RELEASE

Borrower and each Subsidiary hereby release, remise, acquit and forever discharge Administrative Agent and Lenders and Administrative Agent and Lenders' employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporation, and related corporate divisions (all of the foregoing hereinafter called the "Released Parties"), from any and all action and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of or in any way connected to this Second Amendment, the Credit Agreement and the other Loan Documents (all of the foregoing hereinafter called the "Released Matters"). Borrower and each Subsidiary acknowledge that the agreements in this paragraph are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters. Borrower and each Subsidiary represent and warrant to Administrative Agent and the Lenders that it has not purported to transfer, assign or otherwise convey any right, title or interest of Borrower or any Subsidiary in any Released Matter to any other Person and that the foregoing constitutes a full and complete release of all Released Matters.

SECTION 3.4 GOVERNING LAW.

This Second Amendment and the other Loan Documents and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Second Amendment or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 3.5 SUBMISSION TO JURISDICTION.

Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Administrative Agent, any Lender, the Issuing Lender, the Swingline Lender, or any Related Party of the foregoing in any way relating to this Second Amendment or any other Loan

Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Second Amendment or in any other Loan Document shall affect any right that the Administrative Agent, any Lender, the Issuing Lender or the Swingline Lender may otherwise have to bring any action or proceeding relating to this Second Amendment or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

SECTION 3.6 WAIVER OF VENUE.

Borrower irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Second Amendment or any other Loan Document in any court referred to in Section 3.5 of this Second Amendment. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 3.7 COUNTERPARTS; SEVERABILITY

3.7.1 This Second Amendment may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument.

3.7.2 If any term or provision of this Second Amendment, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Second Amendment, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Second Amendment shall be valid and shall be enforced to the fullest extent permitted by law.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed as of the date first written above.

BORROWER:

NPL CONSTRUCTION CO.,
A NEVADA CORPORATION

BY:	/S/ KEVIN NEILL
NAME:	KEVIN NEILL
TITLE:	CFO/SVP

ADMINISTRATIVE AGENT, SWINGLINE LENDER AND ISSUING LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association, as Administrative Agent,
Swingline Lender and Issuing Lender

By: /s/ Brenda K. Robinson
Name: Brenda K. Robinson
Title: Sr. Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association, as a Lender

By: /s/ Brenda K. Robinson
Name: Brenda K. Robinson
Title: Sr. Vice President

LENDER:

UMB BANK ARIZONA, N.A.

By:	/s/ James S. Patterson
Name:	James S. Patterson
Title:	CEO

CONSENT AND APPROVAL OF GUARANTOR

Without waiving or modifying the terms set forth in Section 2.6 of the Unconditional Continuing Guaranty dated July 2, 2012, executed by the undersigned (the "Guaranty"), either explicitly or implicitly by course of dealing or any other expectation, the undersigned hereby consents to and approves of the terms and conditions of this Second Amendment and any previous amendments and the undersigned hereby reaffirms and agrees to the terms and conditions of the Guaranty.

SOUTHWEST ADMINISTRATORS, INC.

By:	/s/ Rock L. McHenry
Print Name:	Rock L. McHenry
Title:	Treasurer

SCHEDULE 1—REVISED SCHEDULE 1 TO CREDIT AGREEMENT

Lenders

Lender	Revolving Credit Commitment From the Second Amendment Effective Date Through December 29, 2012	Revolving Credit Commitment From December 30, 2012, Through Revolving Credit Maturity Date	Revolving Credit Commitment Percentage
Wells Fargo Bank, NA	$51,000,000.00	$45,000,000.00	60.00000000%
UMB Bank Arizona, n.a.	$34,000,000.00	$30,000,000.00	40.00000000%
Totals:	**$85,000,000.00**	**$75,000,000.00**	**100.00000000%**

EXHIBIT F

OFFICER'S COMPLIANCE CERTIFICATE

To: Wells Fargo Bank, National Association, as the Administrative Agent
Date: , 20

The undersigned, on behalf of NPL Construction Co., a Nevada corporation (the "Borrower"), hereby certifies to the Administrative Agent and the Lenders, each as defined in the Credit Agreement referred to below, as follows:

1. This certificate is delivered to you pursuant to Section 8.2 of the Credit Agreement dated as of June 4, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the lenders who are or may become party thereto, as Lenders, and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender. Capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Credit Agreement.

2. The undersigned has reviewed the financial statements of the Borrower and its Subsidiaries dated as of and for the period[s] then ended and such statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and cash flows for the period[s] indicated.

3. The undersigned has reviewed the terms of the Credit Agreement, and the related Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the transactions and the condition of the Borrower and its Subsidiaries during the accounting period covered by the financial statements referred to in Paragraph 2 above. Such review has not disclosed the existence during or at the end of such accounting period of any condition or event that constitutes a Default or an Event of Default, nor does the undersigned have any knowledge of the existence of any such condition or event as at the date of this certificate [except, if such condition or event existed or exists, describe the nature and period of existence thereof and what action the Borrower has taken, is taking and proposes to take with respect thereto].

4. The Borrower and its Subsidiaries are in compliance with the financial covenants contained in Section 9.15 of the Credit Agreement and the Borrower and its Subsidiaries are in compliance with the other covenants and restrictions contained in the Credit Agreement.

[*signature page to follow*]

WITNESS the following signature as of the day and year first written above.

NPL CONSTRUCTION CO., a Nevada corporation

By: ____________________
Name: ____________________
Title: ____________________

Schedule 1
to
Officer's Compliance Certificate

Section 9.15 (a) Consolidated Interest Coverage Ratio

For the Trailing Four Fiscal Quarters ended	
Consolidated EBIT	$
Consolidated Interest Expense	$
Consolidated Interest Coverage Ratio (Line (1) divided by Line (2))	**to 1.00**
Minimum Permitted Consolidated Interest Coverage Ratio	1.50 to 1.00
In Compliance?	Yes/No

Section 9.15 (b) Consolidated Leverage Ratio

For the Quarter/Year ended		
(1)	Consolidated Total Liabilities	$
(2)	Less: Subordinated Indebtedness	$
(3)	Total	$
(4)	Consolidated Tangible Net Worth	$
(5)	Plus: Subordinated Indebtedness	$
(6)	Total	$
	Consolidated Leverage Ratio (Line (3) divided by Line (6))	**to 1.00**
	Maximum Permitted Consolidated Total Leverage Ratio	2.50/2.25 to 1.00
	In Compliance?	Yes/No