

SOUTHWEST GAS CORP  
Form DEF 14A  
March 26, 2014  
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## SCHEDULE 14A INFORMATION

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant                       Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

## Southwest Gas Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:



(4) Date Filed:

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Notice of 2014 Annual Meeting of Shareholders  
and Proxy Statement

**Annual Meeting 2014**

May 8, 2014 Las Vegas, Nevada

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**SOUTHWEST GAS CORPORATION**

**5241 Spring Mountain Road**

**Las Vegas, Nevada 89150**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To be Held Thursday, May 8, 2014**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Southwest Gas Corporation (the Company) will be held on Thursday, May 8, 2014, at 10:00 a.m. PDT, at Cili Restaurant at Bali Hai Golf Club, 5160 Las Vegas Blvd. South, Las Vegas, Nevada 89119, for the following purposes:

- (1) To elect 12 directors of the Company;
- (2) To approve, on an advisory basis, the Company's executive compensation;
- (3) To reapprove and amend the Company's Management Incentive Plan;
- (4) To consider and act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for fiscal year 2014; and
- (5) To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors of the Company established March 11, 2014, as the record date for the determination of shareholders entitled to vote at the Annual Meeting and to receive notice thereof.

Shareholders are cordially invited to attend the Annual Meeting in person. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE THE ACCOMPANYING PROXY BY TELEPHONE, INTERNET OR MAIL AT YOUR EARLIEST CONVENIENCE. IF YOU MAIL IN YOUR PROXY, PLEASE USE THE ENCLOSED POSTAGE-PAID ENVELOPE ACCOMPANYING YOUR PROXY CARD.

The Securities and Exchange Commission rules allow the Company to furnish its proxy materials via the internet. This process reduces the costs of printing and distributing our proxy materials. Therefore, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of this Proxy Statement and our 2013 Annual Report to Shareholders. The Notice contains instructions on how

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to access those documents via the internet. The Notice also contains instructions on how to request a paper or e-mail copy of our proxy materials, including this Proxy Statement, our Annual Report to Shareholders and a Proxy Card. All shareholders who do not receive a Notice of Internet Availability of Proxy Materials will receive a paper copy of the proxy materials by mail.

The Annual Report to Shareholders for the year ended December 31, 2013, is either enclosed or available at <http://www.swgas.com/proxymaterials>.

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

March 26, 2014

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**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS**

**SOUTHWEST GAS CORPORATION**

**5241 Spring Mountain Road**

**Las Vegas, Nevada 89150**

**Important Notice Regarding the Availability of Proxy Materials for the  
Shareholder Meeting to Be Held on May 8, 2014**

**The Proxy Statement and Annual Report to Shareholders are available at**

*<http://www.swgas.com/proxymaterials>*

The Annual Meeting of Shareholders of Southwest Gas Corporation (the Company) will be held on Thursday, May 8, 2014, at 10:00 a.m. PDT, at Cili Restaurant at Bali Hai Golf Club, 5160 Las Vegas Blvd. South, Las Vegas, Nevada 89119.

At the meeting you will be asked to elect 12 directors, to approve, on an advisory basis, the Company's executive compensation, to reapprove and amend the Company's Management Incentive Plan, to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014 and to transact such other business as may properly come before the meeting or any adjournment thereof. The Company's Board of Directors is asking for your support of the director nominees, the advisory approval of executive compensation, the reapproval and amendment of the Management Incentive Plan and the selection of PricewaterhouseCoopers LLP.

The following materials are available at the web address provided above.

- \* Notice of 2014 Annual Meeting of Shareholders, Proxy Statement and Proxy Card, and
  
- \* 2013 Annual Report to Shareholders.

Directions to attend the Annual Meeting and vote in person are included on the map on page M-1 of the Notice of 2014 Annual Meeting of Shareholders and Proxy Statement.

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Jeffrey W. Shaw, President and Chief Executive Officer

March 26, 2014

Dear Shareholders:

You are cordially invited to the Annual Meeting of Shareholders of Southwest Gas Corporation (the Company) scheduled to be held on Thursday, May 8, 2014, at Cili Restaurant at Bali Hai Golf Club, 5160 Las Vegas Blvd. South, Las Vegas, Nevada 89119, commencing at 10:00 a.m. PDT. Your Board of Directors looks forward to greeting personally those shareholders able to attend.

At the meeting you will be asked to elect 12 directors, to approve, on a non-binding advisory basis, the Company's executive compensation, to reapprove and amend the Company's Management Incentive Plan, to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014, and to transact such other business as may properly come before the meeting or any adjournment thereof. Your Board of Directors asks you to support the director nominees, cast an affirmative vote to approve executive compensation, reapprove and amend the Management Incentive Plan and ratify the selection of PricewaterhouseCoopers LLP.

It is important that your shares are represented and voted at the meeting regardless of the number of shares you own and whether or not you plan to attend. Accordingly, we request you vote the accompanying proxy by telephone, internet or mail at your earliest convenience.

Your interest and participation in the affairs of the Company are greatly appreciated.

Sincerely,

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**SOUTHWEST GAS CORPORATION**

**5241 Spring Mountain Road P.O. Box 98510**

**· Las Vegas, Nevada 89193-8510 ·**

**PROXY STATEMENT**

**March 26, 2014**

**GENERAL INFORMATION**

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors (the **Board**) of Southwest Gas Corporation (the **Company**) for the 2014 Annual Meeting of Shareholders and for any adjournment or postponement of the Annual Meeting.

We intend to mail a Notice of Internet Availability and make this Proxy Statement and a Proxy Card available to shareholders on our website at <http://www.swgas.com/proxymaterials> on or about March 26, 2014. We also will be mailing the materials to certain shareholders on or about March 26, 2014, and to those shareholders who request paper or e-mail copies of the proxy materials.

**What is the purpose of the Annual Meeting?**

At the Annual Meeting, shareholders will act upon the matters outlined in the notice of meeting and described in these materials, including the election of directors, the advisory approval of executive compensation, the reapproval and amendment of the Management Incentive Plan, the ratification of the selection of our independent registered public accounting firm and the transaction of other business, if properly presented at the meeting.

**Who is entitled to vote at the Annual Meeting?**

Only shareholders of record at the close of business on March 11, 2014, the record date for the Annual Meeting, are entitled to receive notice of and vote at the meeting. If you were a shareholder of record on that date, you are entitled to vote all of the shares that you held on that date at the meeting, or any adjournment or postponement of the meeting.

If your shares are registered directly in your name, you are the holder of record of those shares. As the holder of record, you are receiving these proxy materials directly from us and have the right to vote by mailing your Proxy Card directly to us, submitting your voting instructions via the Internet or by telephone or voting in person at the Annual Meeting. If you wish to vote in person at the Annual Meeting, you must provide proof of identification, e.g., driver's license, state picture identification or passport.

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If you hold your shares in a brokerage account or through a bank or other holder of record, you are the beneficial owner of the shares, and the shares are held in street name. Your broker, bank or other holder of record (collectively referred to as broker) is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker how to vote by following the instructions that accompany these proxy materials or to vote in person at the Annual Meeting. If you wish to vote in person at the Annual Meeting, you must provide proof of identification, e.g., driver's license, state picture identification or passport, and proof that you were the owner of the shares on March 11, 2014, e.g., original brokerage statement.

If you hold your shares indirectly in the Southwest Gas Corporation Employees Investment Plan (the EIP), you have the right to direct the EIP trustee how to vote your shares by following the instructions from the EIP trustee accompanying the Proxy Statement. If you do not direct the EIP trustee how to vote your shares, then the EIP trustee will vote your shares in the same proportion as the shares for which timely instructions were received from other EIP participants.

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### **How many votes do I have?**

You have one vote for each share of the Company's common stock ( Common Stock ) you owned as of the record date for the Annual Meeting.

### **How do I vote?**

If you are a registered shareholder, you can vote either in person at the Annual Meeting or by proxy whether or not you attend the meeting. To vote by proxy, you must either:

- \* Vote over the Internet at our Internet address: *www.proxypush.com/swx* by following the instructions on the enclosed Proxy Card;
- \* Vote by telephone by calling toll-free 1-800-883-3382 on a touch-tone telephone and following the instructions on the enclosed Proxy Card; or
- \* Complete the enclosed Proxy Card, sign it and return it in the enclosed postage-paid envelope.

If your shares are held in street name, you should follow the voting instructions provided by your bank or broker.

### **Can I revoke or change my vote?**

Yes, you can revoke or change your vote at any time prior to the voting of your shares at the Annual Meeting by (a) casting a new vote by telephone or over the internet; (b) sending a new Proxy Card with a later date; (c) sending a written notice of revocation that is received on or prior to May 7, 2014 by mail to Wells Fargo Shareowner Services, Southwest Gas Corporation, P.O. Box 64873, Saint Paul, MN 55164-9397, or by facsimile at 651-450-4026; or (d) voting by ballot at the Annual Meeting.

### **What are the Board's recommendations?**

The Board's recommendations are set forth with the description of each proposal in this Proxy Statement. In summary, the Board recommends a vote:

- \* FOR election of the nominated slate of directors (see Proposal 1);
- \* FOR approval, on an advisory basis, of executive compensation (see Proposal 2);

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- \* FOR reapproval and amendment of the Management Incentive Plan (see Proposal 3); and
  
- \* FOR ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014 (see Proposal 4).

With respect to any other matter that properly comes before the Annual Meeting, LeRoy C. Hanneman, Jr. and Michael J. Melarkey, the proxies designated by the Board and identified in the accompanying Proxy Card, will vote all proxies granted to them at their discretion.

### **How many votes must be present to hold the Annual Meeting?**

We will have a quorum, and will be able to conduct the business of the Annual Meeting, if the holders of a majority of the shares entitled to vote are represented in person or by proxy at the meeting. As of the record date, 46,492,910 shares of Common Stock were outstanding and the

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presence, in person or by proxy, of the holders of at least 23,246,456 shares of Common Stock will be required to establish a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the votes considered being present at the meeting.

A broker non-vote occurs when a broker lacks discretionary voting power to vote on a non-routine proposal and a beneficial owner fails to give the broker voting instructions on that matter. The rules of the New York Stock Exchange (the NYSE) determine whether matters presented at the Annual Meeting are routine or non-routine in nature. The election of directors is not considered a routine matter. Similarly, the advisory vote to approve executive compensation and the vote on reapproval and amendment of the Management Incentive Plan are not considered routine matters. Therefore, beneficial owners that hold in street name will have to give voting instructions to their brokers in order for a broker to vote on the election of directors, the advisory vote to approve executive compensation and the reapproval and amendment of the Management Incentive Plan. The ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014 is considered a routine matter, and brokers have the discretionary voting power to vote on this matter without any instructions from the beneficial owners.

### **What vote is required to approve each Proposal?**

Directors are elected by a plurality of the votes cast. The affirmative vote of a majority of shares of Common Stock represented and voting at a duly held Annual Meeting at which a quorum is present (which shares of Common Stock voting affirmatively also constitute at least a majority of the required quorum) is necessary to reapprove and amend the Management Incentive Plan, to ratify PricewaterhouseCoopers LLP's selection as the independent registered public accounting firm for the Company for fiscal year 2014 and to approve, on an advisory basis, the Company's executive compensation. Although the result of the vote to approve executive compensation is non-binding, the Board will consider the outcome of the vote when making future executive compensation decisions.

### **Do I have an opportunity to cumulate my votes for director nominees?**

Shareholders have cumulative voting rights for the election of directors, if certain conditions are met. Shareholders entitled to vote may cumulate their votes for a candidate or candidates placed in nomination at the meeting if, prior to the voting at the meeting, notice has been given that a shareholder intends to cumulate his or her votes. A shareholder deciding to cumulate his or her votes may cast as many votes as there are directors to be elected, multiplied by the number of shares of Common Stock held by such shareholder on the record date. The votes may be cast for one candidate or allocated among two or more candidates in any manner the shareholders choose. If any shareholder has given notice of cumulative voting, all shareholders may cumulate their votes for candidates in nomination. Note, however, that cumulative voting will have no impact on the result of the election of directors at the Annual Meeting because there is only one nominee for each of the 12 seats on the Board.

If our proxies determine that a sufficient number of shareholders exercise cumulative voting rights to elect one or more candidates, our proxies will:

- \* determine the number of directors they can elect;
- \* select such number from among the named candidates;
- \* cumulate their votes; and



\* cast their votes for each candidate among the number they can elect.

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### How are my votes counted?

- \* **Election of Directors:** You may vote FOR ALL, FOR ALL EXCEPT or WITHHOLD AUTHORITY FOR ALL of the director nominees. If you mark FOR ALL EXCEPT, your votes will be counted for each of the other director nominees you do not list. Abstentions and broker non-votes shall have no effect on the election of directors.
- \* **Advisory Vote To Approve Executive Compensation:** You may vote FOR, AGAINST or ABSTAIN with respect to the advisory vote to approve executive compensation. The result of the vote to approve executive compensation is non-binding, and the Board will consider the outcome of the vote when making future executive compensation decisions. If you ABSTAIN or if your shares are treated as a broker non-vote, your votes will be counted for purposes of establishing a quorum and will have no effect on the approval of the proposal.
- \* **Reapproval and Amendment of Management Incentive Plan:** You may vote FOR, AGAINST, or ABSTAIN with respect to the reapproval and amendment of the Management Incentive Plan. If you ABSTAIN or if your shares are treated as a broker non-vote, your votes will be counted for purposes of establishing a quorum and will have no effect on the approval of the proposal.
- \* **Ratification of the selection of PricewaterhouseCoopers LLP:** You may vote FOR, AGAINST or ABSTAIN with respect to the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014. If you ABSTAIN or if your shares are treated as a broker non-vote, your votes will be counted for purposes of establishing a quorum and will have no effect on the ratification of the proposal.

We will appoint either one or three inspectors of election in advance of the meeting to tabulate votes, to ascertain whether a quorum is present and to determine the voting results on all matters presented to Company shareholders.

### What if I do not vote for any or all of the matters listed on my Proxy Card?

If you return a signed Proxy Card without indicating your vote on any or all of the matters to be considered at the Annual Meeting, your shares will be voted FOR the director nominees listed on the Proxy Card, FOR the advisory vote to approve executive compensation, FOR the reapproval and amendment of the Management Incentive Plan and FOR the ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014. If you hold your shares in street name and do not provide instructions to your broker, your shares will not be voted in the election of directors, in the advisory vote to approve executive compensation or with respect to the Management Incentive Plan and will be voted in your broker's discretion on the ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014.

### Are proxy materials available on the Internet?

The Notice of 2014 Annual Meeting of Shareholders and Proxy Statement and the 2013 Annual Report to Shareholders are available at <http://www.swgas.com/proxymaterials>.

### Why did I receive a Notice of Internet Availability of Proxy Materials instead of a full set of the proxy materials?

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The Securities and Exchange Commission ( SEC ) rules allow us to furnish our proxy materials via the internet. Accordingly, we sent to the majority of our shareholders a Notice of Internet Availability of

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Proxy Materials for this year's Annual Meeting of Shareholders. Instructions on how to access the proxy materials via the internet or to request a paper or e-mail copy can be found in the Notice of Internet Availability of Proxy Materials at <http://www.swgas.com/proxymaterials>. In addition, shareholders may request to receive proxy materials in printed form by mail or e-mail on an ongoing basis by submitting a request to us at either [www.investorelections.com/swx](http://www.investorelections.com/swx) or <http://www.swgas.com/proxymaterials>. A shareholder's election to receive proxy materials by mail or e-mail will remain in effect until the shareholder terminates it.

### **Why didn't I receive a Notice of Internet Availability of Proxy Materials?**

We are providing certain shareholders, including shareholders who have requested to receive paper copies of proxy materials, with paper copies of the proxy materials instead of, or in addition to, a Notice of Internet Availability of Proxy Materials.

### **Can I vote my shares by completing and returning the Notice of Internet Availability of Proxy Materials?**

No. The Notice of Internet Availability of Proxy Materials does, however, provide instructions on how to vote your shares.

### **Can the shares that I hold in a brokerage account or the EIP be voted if I do not instruct my broker or the EIP trustee?**

- \* **Shares held in street name:** If you do not instruct your broker to vote your shares of Common Stock held in street name, your broker has the discretion to vote your shares on all routine matters scheduled to come before the Annual Meeting. If any matters to be considered at the meeting are viewed as non-routine, your broker does not have discretion to vote your shares and, if you do not give your broker voting instructions, your broker will vote your shares as broker non-votes. The election of directors, the advisory vote to approve executive compensation and the reapproval and amendment of the Management Incentive Plan are not considered routine matters, and in order to vote on these matters, you will need to instruct your broker on how to vote your shares. The ratification of the selection of the Company's independent registered public accounting firm is routine, and your broker will have the discretion to vote your shares unless you provide voting instructions.
  
- \* **Shares held in the EIP:** If you do not provide instructions to the EIP trustee for the shares of Common Stock that you hold in the EIP, then the EIP trustee will vote your shares in the same proportion as the shares for which timely instructions were received from other EIP participants.

### **Could other matters be decided at the Annual Meeting?**

We do not know of any other matters that will be considered at the Annual Meeting. However, if you give your proxy and other matters are properly brought before the meeting, your shares will be voted at the discretion of the proxies, unless otherwise instructed.

### **What Rules of Conduct will govern the Annual Meeting?**

To ensure that our Annual Meeting is conducted in an orderly fashion and the shareholders wishing to speak at the meeting have a fair opportunity to do so, we will have certain guidelines and rules for the conduct of the meeting, which we will provide to those attending the meeting.

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### **What happens if the Annual Meeting is postponed or adjourned?**

If the Annual Meeting is postponed or adjourned, your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

### **Who is soliciting my proxy?**

Your proxy is being solicited by the Board, and the Company will bear the entire cost of the proxy solicitation. Morrow & Co., LLC ( Morrow ), 470 West Avenue, Stamford, CT 06902 has been employed to assist in obtaining proxies from certain shareholders at an estimated cost of \$8,500, plus certain expenses. Arrangements have also been made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy materials to you, if your shares are held in street name. Morrow will reimburse them for their expenses in providing the materials to you. In addition, solicitation by our directors, officers or employees in person or by telephone, e-mail or facsimile may supplement solicitation of proxies. No additional compensation will be paid for such services.

## **GOVERNANCE OF THE COMPANY**

### **Board of Directors**

Under the provisions of the California Corporations Code and the Company's Bylaws, the Company's business, property and affairs are managed by or under the direction of the Board. The Board is kept informed of the Company's business through discussions with the Chief Executive Officer and other officers, by reviewing materials provided by management and by participating in Board and committee meetings.

### *Independence*

The Board has determined that directors Boughner, Cárdenas, Chestnut, Comer, Hanneman, Maffie, Mariucci, Melarkey, Thoman, Thomas and Wright have no material relationships with the Company and are independent ( Independent Directors ). The Board has also determined that all of the members of the Audit, Compensation and Nominating and Corporate Governance Committees are independent.

In making these determinations, the Board reviewed all transactions or relationships with the Company using a definition of material relationships that (i) includes the criteria listed in Section 303A of the listing requirements of the NYSE and (ii) presumes that matters not subject to disclosure pursuant to Item 404 of Regulation S-K of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and matters above the Item 404 threshold which are authorized by the Company's regulatory tariffs, are not material relationships. The definition of material relationships for directors on the Audit Committee also includes the criteria listed in Section 10A(m)(3) of the Exchange Act. The definition of material relationships for directors serving on the Compensation Committee also includes the criteria listed in Section 16(b) of the Exchange Act and Section 162(m) of the Internal Revenue Code (the Code ). The independence criteria used are included in the Company's Corporate Governance Guidelines, which are available on the Company's website at: <http://www.swgas.com>.

The Board based its independence determination primarily on a review of the responses of the directors and officers to questions regarding employment and compensation history, affiliations and family relationships and on discussions with directors. In concluding that the directors listed above are independent, the Board reviewed transactions involving director Thomas and reviewed director Maffie's status as a retired executive officer of the Company.

- \* In 2009, the Company entered into a five-year lease with an entity in which Mr. Thomas has an interest. The commercial lease is for a payment center, with a monthly rental rate of

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approximately \$7,500. The total lease payments over the life of the lease will be approximately \$450,000, plus a pro-rata share of operating and other expenses. This lease transaction terminates in May 2014. In 2011, we began purchasing communications-related products and services from Switch Communications Group, LLC ( SCG ) and its majority-owned subsidiary, Switch Business Solutions, LLC ( SBS ) and, together with SCG, Switch ). The contract with Switch, a company in which Mr. Thomas also has an interest, has an annual cost estimated to be approximately \$525,000 in 2014. The Nominating and Corporate Governance Committee has determined that neither the lease nor the Switch transaction is material and that Mr. Thomas' ownership interests in the leasing entity and Switch would not result in a material relationship between Mr. Thomas and the Company. However, because of such interests, Mr. Thomas does not satisfy the criteria to serve on the Compensation Committee or to vote as a director on matters involving awarding equity-based compensation under the provisions of Section 16(b) of the Exchange Act or performance-based compensation that would trigger limitations under the provisions of Section 162(m) of the Code. For additional information, see Transactions with Related Persons below.

- \* Mr. Maffie, because he was an executive officer of the Company, does not satisfy the criteria to serve on the Compensation Committee or to vote as a director on matters involving performance-based compensation that would trigger limitations under the provisions of Section 162(m) of the Code.

### *Board Meetings*

Regular Board meetings for 2014 are scheduled for the fifth Friday of January, the fourth Wednesday of February, the first Friday of August, the third Tuesday of September, the second Friday of November, and the Wednesday before the Annual Meeting of Shareholders in May. Additional meetings are called on an as-needed basis and the Board sometimes acts by written consent without a meeting. An organizational meeting is also held immediately following the Annual Meeting of Shareholders. The Board held six regular meetings, one special meeting and one organizational meeting in 2013. Each incumbent director attended more than 75% of the Board and committee meetings on which he or she served during 2013. Non-management directors are expected to meet in an executive session at least four times a year, and the Independent Directors are expected to meet at least once a year. These sessions are presided over by Michael J. Melarkey, Chairman of the Board (the Chair ), who is the current Presiding Director.

### **Board Leadership Structure**

The policy of the Board is that the role of Chair should be separate from that of the Chief Executive Officer ( CEO ). The Chair is elected annually, at the organizational meeting, by the full Board. Every three years or upon a Chair's resignation, retirement, or failure to be re-elected to the Board by shareholders, the Board does an in-depth assessment of potential candidates for that position. The Board believes that this leadership structure is the appropriate structure for the Company, since it allows the Board to exercise true independent oversight of management. It is the Board's intention to reelect Mr. Melarkey as Chair, subject to his reelection as a director at the Annual Meeting of Shareholders.

### **Risk Oversight**

The entire Board is responsible for reviewing and overseeing the Company's internal risk management processes and policies to help ensure that the Company's corporate strategy is functioning as directed and that necessary steps are taken to foster a culture of risk-aware and risk-adjusted decision making throughout the Company.





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Regulation by various state and federal regulatory commissions is one of the key risks that is accepted as a part of being a public utility. The limits imposed on the Company as a public utility permeate its business operating model (including the pricing of services, the authorized areas of service, and the obligations to serve the public). Other risks are associated with credit, liquidity and operational matters and have evolved with changes in the natural gas industry.

The nature of these risks and the continuing obligations imposed on the Company, as a public utility, resulted in the integration of risk assessment in the normal business oversight process. The Board receives regular reports from management in areas of material risk to the Company, including credit risk, liquidity risk and operational risk. Credit and liquidity risks are addressed in the review of capital budgets and