FRANCHISE AGREEMENT

between

CITY OF NORTH LAS VEGAS

and

SOUTHWEST GAS CORPORATION

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NATURAL GAS FRANCHISE AGREEMENT

This Franchise is granted this **September 4, 2024** by the City of North Las Vegas, Nevada, a municipal corporation ("City") to Southwest Gas Corporation, a California corporation ("Franchisee"). This Natural Gas Franchise Agreement is hereinafter referred to as the "Agreement".

WHEREAS, the City is a municipal corporation duly incorporated within the State of Nevada and authorized, pursuant to the City Charter and applicable provisions of the general laws of the State of Nevada, to enter into this Agreement; and

WHEREAS, Franchisee is engaged in the business of operating a Gas Distribution System in the Rights-of-Way within the corporate limits of the City, to provide Natural Gas Services; and

WHEREAS, on April 7, 2004, the City and Franchisee entered into a Natural Gas Franchisee Agreement whereby the City granted Franchisee a franchise for the operation and maintenance of a natural gas distribution system and all necessary appurtenances in the incorporated limits of the City of North Las Vegas for a term of ten (10) years, beginning retroactively on March 1, 2003, and with the option for two five-year term extensions ("2004 Agreement"); and

WHEREAS, on July 6, 2011, the City approved a five-year term extension of the 2004 Agreement, extending the term to February 28, 2018; and

WHEREAS, Franchisee has applied for the continuation of the natural gas franchise; and

WHEREAS, the City and Franchisee agree that the terms and provisions in the 2004 Agreement govern the relationship between the City and Franchisee until this Agreement becomes effective; and

WHEREAS, the City Council, in the exercise of its lawful power has determined that it is in the best interests of the residents of the City that a continued franchise be granted, subject to the terms and conditions hereafter set forth.

NOW THEREFORE, in consideration of the promises, covenants and conditions herein contained, the parties hereby agree as follows:

Section 1. Definitions.

For purposes of this Agreement, the following terms, phrases, words and their derivations shall have the meanings set forth herein, unless the context clearly indicates that another meaning is intended. Words used in the present tense include the future tense, words in the plural sense include the singular sense and words in the singular sense include the plural sense. The words "shall" and "will" are mandatory, and "may" is permissive.

"ADA" means the Federal Americans with Disabilities Act, as amended from time to time.

"Affiliate" means: (a) any Person having, directly or indirectly, a controlling interest in Franchisee; or (b) any Person in which Franchisee has, directly or indirectly, a controlling interest; provided that "Affiliate" shall not mean any creditor of Franchisee solely by virtue of its status as a creditor but which is not otherwise affiliated by reason of owning a controlling interest in, being owned by, or being under common ownership or control with Franchisee.

"Business License" or "License" means the written authorization of the City to engage in the business for which the license was issued.

"City" means the City of North Las Vegas, Nevada, a municipal corporation of the State of Nevada in its incorporated form or in any subsequent consolidated, reorganized, enlarged or reincorporated form.

"City Council" means the elected governing body of the City.

"City Manager" means the person appointed by the City Council to perform such administrative functions of the City government as may be required of him or her by the City Council or City Charter, or his or her designee.

"Code" or "City Code" means the North Las Vegas Municipal Code, as amended from time to time.

"CPI-U" means the Consumer Price Index, All Urban Consumers, and U.S. City Average, as published by the U.S. Department of Labor, Bureau of Labor Statistics, and Washington, D.C.

"Director" means the Director of the City's Public Works Department or any successor department, or his or her designee.

"Easement" means an interest in and the right to use the real property of another, but not including licenses or leases.

"Effective Date" means the date set forth in the first paragraph of this Agreement.

"Emergency'' means an immediate threat to the public safety, health or welfare as reasonably determined by Franchisee or the City Manager or the Director.

"Facility" or "Facilities" means all transmission and distribution systems and equipment associated with or related to providing Natural Gas Service, including but not limited to gas mains, gas lines, laterals, pipes, pumps, compressors, regulators, meters, vaults, valves, manholes, towers, wires, supports, conductors, cables, instruments, equipment, appliances, attachments, fixtures, appurtenances, communication circuits and any other property to be located in, upon, along, across, under or over the Rights-of-Way for purposes of providing Natural Gas Service.

"Franchise" means the nonexclusive privilege granted by the City to Franchisee to construct, operate and maintain its Gas Distribution System in the Rights-of-Way in accordance with the terms and conditions set forth in both the City Code and this Agreement.

"Franchise Area" means the area within the jurisdictional boundaries of the City and any area annexed by the City during the term of this Agreement.

"Franchisee" means Southwest Gas Corporation, a California corporation, and its permitted successors or assigns. "Franchisee" does not include Affiliates.

"Gas Distribution System" means any Facilities in the Rights-of-Way, in whole or in part used to provide Natural Gas Service.

"Gas Service" or "Natural Gas Service" means the transmission, distribution, provision and sale of natural gas, renewable natural gas and/or artificial gas, including gas manufactured by any method whatsoever, and/or gas containing a mixture of natural gas, renewable natural gas, hydrogen and/or such artificial gas in the Franchise Area through a Gas Distribution System.

"Gross Revenues" means the gross receipts of the Franchisee from natural gas services within the City, excluding (i) receipts from the interstate sale of natural gas to a provider of electric energy that holds a certificate of public convenience and necessity issued by the Public Utilities Commission and (ii) the Franchisee and Business/Utility License fee receipts collected pursuant to this Franchise or any applicable Business/Utilities License fees.

"NRS" means the Nevada Revised Statutes, as amended from time to time.

"Person" means a natural person or any form of business or social organization, including but not limited to an estate of a natural person, corporation, limited liability company, general partnership, limited partnership, trust or any other form of legal entity.

"Public Improvement" means any improvements for roadways, pavement, sidewalks, curbs, gutters, landscaping, streetlights, foundations, poles, traffic signals, conduits, water mains, sanitary and storm sewers, tunnels, subways, people movers, viaducts, bridges, underpasses, overpasses, public buildings or structures, roadway striping, signs, or other public installations or improvements which are to be used by or for the benefit of the general public.

"PUC" means the Nevada Public Utilities Commission, and its predecessors and successors.

"Rights-of-Way" means the surface of, and the space above and below, any and all public highways, streets, roads, alleys, avenues, tunnels and parkways (including Easements created or reserved in favor of the City for road, public sewer, drainage, traffic control, street lighting and trail purposes in any patent granted by the United States of America, or in any other recorded map, plat or recorded document), as the same now or may hereafter exist within the City, including State highways now or hereafter established within the City to whatever extent the City may have jurisdiction to authorize the use of same for the purposes herein specified.

"Transfer" or "Assignment" means any transaction in which: (a) any ownership or other right, title or interest of more than 5% in Franchisee or its Facilities is transferred, sold, assigned, leased or sublet, directly or indirectly, in whole or in part; (b) there is any change or transfer of control of Franchisee or its Facilities; or (c) the rights or obligations held by Franchisee under this Agreement are transferred, directly or indirectly, to another party. A "Transfer" or "Assignment" shall not include a mortgage, pledge or other encumbrance as security for money owed.

Section 2. Term.

This Agreement shall commence on September 4, 2024 and shall supersede all prior franchise agreements between the parties, and all subsequent extensions thereto. This Agreement shall continue in full force and effect through September 3, 2034, or until the earliest date on which any of the following occurs: (a) Franchisee surrenders or abandons its Franchise; (b) This Agreement is terminated for noncompliance by Franchisee with the terms and conditions imposed herein or with such reasonable restrictions, limitations and regulations as the City may from time to time impose by ordinance; or (c) Franchisee's corporate existence expires without renewal. This Agreement shall not terminate solely by reason of a merger, sale or other consolidation if the PUC approves such merger, sale or other consolidation and a successor to Franchisee assumes the obligations of Franchisee hereunder pursuant to Section 21 below. This term is subject to the renewal provisions of North Las Vegas Municipal Code 12.20.070(C), as it existed on September 4, 2024. Specifically, if Franchisee notifies the city manager twenty-four (24) months before the expiration of a franchise that it wishes to extend the franchise, the city manager shall, within twelve (12) months of the expiration of the franchise, grant two (2) extension of five years under the same terms and conditions, unless the franchisee has not substantially complied with the terms and conditions of the franchise agreement or this code.

Section 3. Non-Exclusivity; Reservation of Rights by City.

The Franchise granted by this Agreement is not exclusive, and the City hereby reserves the right, power and authority to exercise or grant similar rights, privileges, permission and authority to any person at any time.

Section 4. Grant of Franchise.

Subject to the terms and conditions of this Agreement and applicable City ordinances, the City hereby grants Franchisee the right to own, construct, operate and maintain a Gas Distribution System along the Rights-of-Way within the Franchise Area, for the sole purpose of providing Gas Service for which it holds a certificate of public convenience and necessity issued by the PUC.

Section 5. Limitations on Grant of Franchise.

5.1 Gas Service Only. No privilege or exemption is granted by or to be inferred from this Agreement except those specifically described herein. Nothing in this Agreement shall be construed as authorizing Franchisee to use, or permit the use of, any portion of its Gas Distribution System for any purpose other than those reasonably necessary for the provision of Gas Service.

5.2 No Acquisition of Property Rights. Subject to Section 13.2 below, Franchisee shall not acquire any vested right or interest in any particular Rights-of-Way location for its Facilities, regardless of whether the location of any such Facilities was approved by the City.

Section 6. ADA Requirements.

Any of Franchisee's Facilities that are installed in the Rights-of-Way after the Effective Date or that are altered after the Effective Date, such that application of the ADA is triggered, shall comply with the requirements of the ADA, as amended from time to time, as well as all City-adopted ADA criteria. With respect to any of Franchisee's existing Facilities located in Rights-of-Way that prevent disabled persons' use of and access to buildings, structures, sidewalks, streets, alleys or other paths of travel in violation of ADA requirements, Franchisee shall, upon the City's request, meet with the City to coordinate and establish plans and time frames for removal of access barriers caused by such Facilities. Within 30 days of the Franchisee's receipt of a complaint from the City identifying Facilities that may cause access barriers in violation of the ADA, Franchisee and the City shall meet to review the complaint and determine an appropriate response and required repair, if any. If repair is required, the parties shall establish plans and time frames for the repair, which shall be at Franchisee's sole cost. Franchisee's scope of work shall consist of the removal and/or relocation of Facilities.

Section 7. Franchisee's Use of City Property.

Nothing in this Agreement authorizes Franchisee to attach any part of its Facilities to any City property, or otherwise use any City property, located within or outside of the Rights-of- Way, until and unless Franchisee enters into a separate written agreement with the City for such use.

Section 8. Third Parties' Use of Franchisee's Facilities.

Franchisee shall, if applicable, promptly provide the City with a list of all third parties, if any, currently authorized by Franchisee to independently use any of Franchisee's Facilities in the Rights-of-Way and with copies of all agreements concerning the use of Franchisee's Facilities by third parties. For the avoidance of doubt; third party use does not include any activities, work or operations performed on Franchisee's Facilities by Franchisee's contractors, subcontractors, agents or representatives.

Section 9. Construction Requirements; Permits; Emergencies; Restoration.

9.1 Permits Required; Fees. Subject to Section 9.2 below, prior to the installation, construction, reconstruction, maintenance, replacement, extension or relocation of any portion of its Gas Distribution System, Franchisee shall apply for and obtain from the City all applicable permits including, without limitation, permits for offsite construction. Franchisee shall pay all applicable fees required for such permits. The City shall issue such permits to Franchisee on such conditions as are

reasonable and necessary to ensure compliance with the terms and conditions of this Agreement.

9.2 Emergency Work. If there is an Emergency requiring immediate work relating to Franchisee's Facilities in the Rights-of-Way, Franchisee may begin such work without first obtaining all applicable permits, provided that Franchisee shall: (a) contact the Director as promptly as is reasonably possible to advise or confirm that an Emergency exists requiring Emergency work; (b) subsequently apply for all permits that otherwise would have been required for non-Emergency work no later than 10 days after commencing the Emergency work; (c) pay all applicable fees for such permits; and (d) restrict any work performed in the Rights-of-Way prior to obtaining all permits to Emergency work.

9.3 Construction Hours. The Director may require, through any permitting process, specific construction hours for any construction work relating to Franchisee's Facilities in the Rights-of-Way.

9.4 Pre-Construction Requirements. Prior to performing any construction work in the Rights-of-Way, Franchisee shall: (a) obtain all applicable permits as set forth in Section 9.1 above; (b) notify the Director and comply with any special conditions relating to location, scheduling, coordination and public safety; (c) submit and obtain approval of a traffic barricade plan, and pay all applicable fees for plan approval or renewal, if any motor vehicle traffic lane, paved shoulder, parking lane, or sidewalk area will be obstructed; (d) file drawings showing existing construction and the location of any new construction or extension of Facilities, including, for conduit, showing its size, location, and configuration, the trench backfill material and width, and the method of pavement restoration; (e) participate in the USA North 811 "Call Before You Dig" program set forth in NRS Chapter 455; and (f) conduct Public Improvement in accordance with the City's five year no cut policy such that Franchisee is responsible for planning Public Improvement coincident with City projects to ensure that City roads are not cut within five years of being paved unless otherwise approved by the City.

9.5 Limitations on Use of Medians and Sidewalks. Franchisee shall use transverse cuts when operating within a median portion of any roadway or sidewalk area. All other issues concerning the use of such area will be handled through the permitting process.

9.6 Workmanlike Manner. Franchisee shall install, use and maintain all of its Gas Distribution System in a good, workmanlike manner and in accordance with good engineering practices, and in compliance with all applicable Federal, State and local laws, ordinances, rules and regulations from time to time in effect, including but not limited to the "Uniform Standard Specifications for Public Works Construction Off-Site Improvements, Clark County Area" and "Uniform Standard Drawings for Public Works Construction Improvements, Clark County Area."

9.7 Safety and Quiet Enjoyment of Property. Franchisee shall install, use and maintain all of its Gas Distribution System in such a manner as to avoid unreasonable danger to persons and property and as to cause minimum interference with the proper use of public roads or adjacent property by owners.

9.8 Interference with Public Improvements. The installation, use and maintenance of Franchisee's Gas Distribution System in the Rights-of-Way shall be in a manner so as not to interfere with the placement, construction, use and maintenance of any Public Improvements located in the Rights-of-Way.

9.9 Interference with Other Utilities' Facilities. Franchisee shall not install, use or maintain any of its Gas Distribution System in such a manner as to damage or interfere with any existing facilities (including non-Gas Service facilities) of another utility, or any traffic, water, fiber, sewer or drainage facilities, located in the Rights-of-Way.

9.10 Trenchless Technology. Franchisee shall comply with permit requirements pursuant to Section 9.1 above for any work involving trenchless technology.

9.11 Notice to Adjoining Property Owners. Except in the case of an Emergency, and to the extent practicable, Franchisee will provide a minimum of five-day advanced notice to businesses and residents prior to beginning scheduled construction activities adjacent to the businesses' and residents' property. Franchisee shall comply with permit conditions for work in the City's Rights-of-Way. Reasonable access to properties adjacent to the work area shall be maintained at all times.

9.12 Restoration of Rights-of-Way. After the installation, construction, relocation, maintenance, removal or repair of any of Franchisee's Facilities in the Rights-of-Way, Franchisee shall, at its own expense, restore the surface of the Rights-of-Way and other City property which may be disturbed or damaged by such work to a substantially similar condition as it was immediately prior to construction, subject to applicable construction standards in effect at that time. Quality Control ("QC") inspection and testing must be performed by the Franchisee or their third-party firm and the inspection and test data must be supplied to the City for approval. In addition, City inspections shall be scheduled throughout the course of construction. The City shall have the final approval of the condition of the Rights-of-Way and any other City property after restoration pursuant to the provisions of applicable City Codes, ordinances, regulations, standards and procedures, including the "Uniform Standard Specifications for Public Works Construction Off-Site Improvements, Clark County Area" and "Uniform Standard Drawings for Public Works Construction Improvements, Clark County Area", as amended. If Franchisee's restoration work is not completed within a reasonable time, or if such work does not meet the then effective construction standards, the City shall have the right to perform the necessary restoration work, through its own forces or through a contractor, and Franchisee shall reimburse the City for its reasonable

expenses in so doing no later than 30 days after Franchisee's receipt of the City's invoice for such work.

9.13 Temporary Asphalt. Franchisee may use temporary asphalt in connection with any restoration work performed pursuant to Section 9.12 above, provided that such asphalt shall not remain in place any longer than 14 days following the installation of the temporary asphalt, unless otherwise approved by the Director in his or her reasonable discretion. Franchisee shall be responsible for maintaining the grade and integrity of such temporary asphalt. If any temporary asphalt remains in place longer than such 14-day period, the City shall have the right to replace the temporary asphalt with permanent asphalt, through its own forces or through a contractor, and Franchisee shall reimburse the City for its reasonable expenses in so doing no later than 30 days after Franchisee's receipt of the City's billing for such expenses.

9.14 Survey Monuments. All survey monuments which are disturbed or displaced by Franchisee in its performance of any work under this Agreement shall be referenced and restored by Franchisee no later than 30 days after such disturbance or disruption in accordance with all pertinent Federal, State and local standards and specifications. Franchisee shall notify the Director no later than seven days after such restoration work is completed in order to allow verification of the new monument by the City.

Section 10. Work by Others; Adjacent Property Owners.

10.1 City and Other Utilities. Subject to the grant to Franchisee hereunder, the City reserves the right to lay and permit to be laid sewer, drainage, gas, water, electrical, telecommunications, video service and other pipe lines, cables and conduits, and to do and permit to be done any underground and overhead work, and any attachment, restructuring or changes in aerial facilities that the City requires in, across, along, over or under any Rights-of-Way occupied by Franchisee, and to change any curb or sidewalk or the grade of any street. The City also reserves the right to lay, construct, erect, install, use, operate, repair, remove, relocate, re-grade, widen, realign or maintain any public roads or any surfaces or subsurface improvements, subject to the grant to Franchisee hereunder. In allowing work to be performed, the City shall not be liable to Franchisee for any damages, except those caused by the willful misconduct or negligence of the City; provided, however, nothing herein shall relieve any other person or entity, including any contractor, subcontractor or agent of the City, from liability for damages to Franchisee.

10.2 Adjacent Property Owners' Use. If the City authorizes an adjacent landowner to occupy space under the surface of any Rights-of-Way, such grant to the landowner shall be subject to the rights herein granted to Franchisee.

Section 11. Undergrounding of Facilities.

Franchisee acknowledges that the City desires to promote a policy of undergrounding of Facilities within the Franchise Area. Franchisee shall comply with the City's Undergrounding Ordinance (City Code Chapter 13.36) and shall cooperate and participate with the City in the formulation of policy and development of an underground management plan with respect to any of Franchisee's Facilities in the City.

Section 12. Relocation of Facilities.

12.1 The City reserves its prior right to use the Public Rights-of-Way and City property, including the surface areas. Franchisee shall, upon written request by City, relocate, without expense to the City, any of Franchisee's Facilities that are in direct, physical conflict with City facilities that will be installed as part of a City governmental function project. Franchisee's Facilities will be considered to be in direct, physical conflict with City facilities to be installed as part of a City governmental function project if they are located within one (1) foot vertically or one (1) foot horizontally from the location of the City facilities to be installed as part of the City governmental project as identified in the final approved design plans, unless additional/more stringent standard separation requirements exist.

12.2 City will bear the reasonable cost of relocating any of Franchisee's Facilities (a) that are not in direct, physical conflict, or within the standard separation requirements, with any City facilities that will be installed as part of a City governmental function project as outlined in the design plans for the project or (b) the relocation of which is necessitated by the construction of improvements by or on behalf of City in furtherance of any project other than a governmental function project funded with City funds.

12.3 If Franchisee is required by City to relocate any Facilities within one year of construction or relocation of such facilities paid for by Franchisee, the costs of relocation shall be borne by City.

12.4 If City requires Franchisee to relocate Franchisee's Facilities that are located in a private easement then the costs and expenditures associated with purchasing a new private easement and relocating Franchisee's Facilities shall be paid by City.

12.5 If relocation of any Facilities is required or requested due to the actions or inactions of any party other than the City, the third party shall be responsible for the cost of such relocation and Franchisee shall not be required to commence such work until such time that the third party compensates Franchisee for the relocation costs in cash or other manner acceptable to Franchisee.

12.6 All underground abandoned lines shall continue to remain the property of the Franchisee, unless the Franchisee specifically acknowledges otherwise to the Director and such is accepted by the City. Franchisee shall notify Director if Franchisee intends to abandon any facilities and Franchisee shall remove, at Franchisee's sole cost, abandoned

lines at the request of the City when Franchisee's Facilities are in direct, physical conflict with City facilities that will be installed as part of a City government project funded with City funds.

12.7 Notice to Relocate: Scheduling of Work.

(A) Upon initiation of a new Public Improvement project (the "Project"), the City shall notify Franchisee in a timely manner of the general scope of the Project and the general requirement to remove, relocate or reconstruct its Facilities. Within 30 calendar days after receiving the 30% design phase plans, Franchisee shall identify all known utilities on the plans and provide supporting documentation for any prior-rights claims subject to Section 13 below.

(B) At approximately 60% or more comprehensive design phase, the City shall provide Franchisee with plans for the project, including but not limited to applicable current and future grades, channel and storm drainage, current and future utility locations and depths, trails, bridges, walls, and other designs and construction plans for the Project. Within 30 days after receiving the 60% or more comprehensive design phase plans, Franchisee shall meet with the City and establish a time schedule (the "Schedule"), mutually agreeable to the parties and reasonable in the circumstances, given the nature and scope of the work required for removal, relocation or reconstruction of said Facilities and based on standard practices in the construction industry. The City shall reduce the Schedule to writing and shall provide Franchisee with a copy thereof.

(C) Upon completing approximately 90% design phase, the City shall notify Franchisee of the requirement to commence removal, relocation or reconstruction of its Facilities ("Notice"). Franchisee shall complete all removal, relocation and reconstruction work required by this Section 12 as soon as is reasonably possible, but in any event no later than 180 calendar days after receiving the Notice, unless the Director, in his or her reasonable discretion, determines that a longer Schedule is required.

(D) If Franchisee identifies a recommended location for its relocated Facilities within the Rights-of-Way, the Director shall provide that location or a reasonable alternate location within the Rights-of-Way, if sufficient space is available.

12.8 Revisions in Scope of Work: Extensions of Time. If, following the delivery of the Plans for a Project in equivalent to 100% of final design, there is a substantial change in the scope of the removal, relocation or reconstruction work related to the Project, or other circumstances beyond the control and without the fault or negligence of Franchisee, including but not limited to changes in elevation or changes affecting Rights-of-Way alignment and widths of alignment, the City shall

notify Franchisee of the substantial changes within 14 days of such substantial change. Based on the substantial changes, the City will approve an extension of time for the relocation.

12.9 Relocation Upon Third Party Request. The City shall not require Franchisee to relocate any of Franchisee's Facilities for the benefit of a third party, or in an unreasonable or arbitrary manner; provided that the City may require Franchisee to relocate Franchisee's Facilities pursuant to interlocal agreements with other governmental entities for purposes of Public Improvement projects that have direct benefits to the City. The City agrees to provide Franchisee with a copy of the interlocal agreement. The City and Franchisee shall cooperate on the planning for the relocation and selection of a new location for any Facilities to reasonably minimize the costs of such relocation.

12.10 Costs of Relocation at Third-Party's Request. Whenever any third party other than a governmental entity or agency that is a party to an interlocal agreement with the City covered by Section 12.9 above (hereafter referred to as a "Non-Governmental Third Party" in this subsection) requires the relocation of Franchisee's Facilities to accommodate work of the Non-Governmental Third Party within the Franchise Area, Franchisee shall have the right as a condition of any such relocation to require payment by the Non-Governmental Third Party to Franchisee, at times and upon terms acceptable to Franchisee, for any and all costs and expenses incurred by Franchisee in the relocation of its Facilities. This Section 12.10 shall apply to any request by the City on behalf of or for the benefit of a Non-Governmental Third Party, including but not limited to any condition or requirement imposed by the City pursuant to any contract or in conjunction with approvals or permits obtained pursuant to any zoning, land use, construction or other development regulation.

12.11 Removal by City; Damages. If Franchisee fails to remove or relocate its Facilities as required by this Section 12, the City may charge the cost of removal or relocation to Franchisee. The City may recover from Franchisee actual third-party damages incurred by the City if Franchisee fails to complete the reconstruction, removal or relocation of its Facilities within the Schedule established pursuant to Section 12.7 and 12.8 above and provided such delays are caused by reasons solely within Franchisee's reasonable discretion and control.

12.12 Cooperation. The City and Franchisee will cooperate whenever possible on the planning for the relocation and selection of a new location for any of Franchisee's Facilities to minimize the cost of such relocation.

12.13 State Contributions Not Affected. Nothing in this Agreement shall be construed to prohibit or restrict payment to Franchisee from the State of Nevada from Federal funds for relocation of any portion of Franchisee's Gas Distribution System pursuant to the provisions of NRS 408.407.

Section 13. Franchisee's Prior Rights.

13.1 Relocation Costs. Notwithstanding any other provision of this Agreement to the contrary, if the City requires Franchisee to relocate any Facilities that are located in the Rights-of-Way and (a) Franchisee holds an Easement on which such Facilities are located, including but not limited to an Easement or a patent for utility use granted by the United States Bureau of Land Management, or (b) the Facilities were installed in such location prior to the time at which such location was dedicated to or otherwise acquired by the City as Rights-of-Way, the City shall be responsible for Franchisee's actual costs of relocating such Facilities pursuant to Section 12 above. Franchisee shall not be required to relocate such Facilities until such time as the City Council has approved the expenditures for such relocation, and the City shall pay Franchisee's actual costs of relocation no later than 60 days after receipt of Franchisee's invoice for such costs.

13.2 Replacement Easements. If the City requires Franchisee to relocate any Facilities that are located in the Rights-of-Way on an Easement held by Franchisee, the City shall grant Franchisee a replacement Easement within the Rights-of-Way or acquire on Franchisee's behalf a replacement Easement outside the Rights-of-Way if there is not space within the Rights-of-Way for relocation. If the Facilities are not located on an Easement held by Franchisee but Franchisee has prior rights pursuant to clause (b) in Section 13.1 above, the City shall not be required to grant or acquire a replacement Easement on behalf of Franchisee as a condition of Franchisee's relocation pursuant to this Section 13. If, at the City's request, Franchisee relinquishes an Easement it holds in the Rights-of-Way which does not have Franchisee's Facilities located thereon, Franchisee shall not be required to relinquish such Easement until the City has either granted Franchisee an acceptable replacement Easement within the Rights-of-Way or has compensated Franchisee the fair market value for its Easement. All other provisions of Section 12 above shall apply to Franchisee's work in performing the relocation of any Facilities covered by this Section 13.

Section 14. Coordination of Excavations.

Franchisee and the City shall make reasonable, good faith efforts to coordinate any construction work that either may undertake in the Rights-of-Way so as to promote the orderly and expeditious performance and completion of such work as a whole. Such efforts shall include, at a minimum, reasonable and diligent efforts to keep the other party and other utilities within the Franchise Area informed of its intent to undertake such construction work. Franchisee and the City shall exercise reasonable efforts to minimize any delay or hindrance to any construction work undertaken by the other party or other utilities in the Right-of-Way.

Section 15. Noncompliant; Correction, Removal or Abandonment.

15.1 Noncompliant Facilities. If Franchisee installs any Facilities in the Rights-of-Way without complying with the terms of this Agreement, the Director may (a) allow

Franchisee to maintain such Facilities in the Rights-of-Way by correcting any noncompliance issues with regard to their installation; (b) require such Facilities to be removed; or (c) require such Facilities to be abandoned in place. If the Director requires the removal or abandonment of noncompliant Facilities, Franchisee shall, no later than six months after receiving notice requiring the removal or abandonment, and subject to standard permitting requirements, complete such removal or abandonment. If the Director does not require noncompliant Facilities to be abandoned, Franchisee shall be required to pay all applicable permit fees for such Facilities in accordance with the City's standard fee schedules in effect at such time as Franchisee corrects its noncompliance or removes such Facilities; provided that such fee requirements apply only to permit fees applicable to construction work in the Rights-of-Way. This subsection does not create, or authorize the Director to establish, any new linear-foot or other Rights-of-Way occupancy fee for Franchisee's Facilities.

Section 16. Business License; License Fees and Franchise Fees.

16.1 Franchisee, its successors and assigns, shall pay a Franchise fee to the City throughout the term of this Agreement of five percent (5%) of Franchisee's Gross Revenue as defined in this Agreement. Such fees shall be collected as provided in NRS 354.59881 to NRS 354.59889 (as amended). The City agrees to reduce, as necessary, the Franchise fee charged to the Franchisee so that the combined License fees and Franchise fee do not exceed the maximum combined fee permitted by law. The Franchisee shall, commencing upon the date of the City's approval of the Franchise, pay the Franchise fee to the City within thirty (30) days following the end of each calendar quarter throughout the term in the Franchise. Nothing in this Agreement will limit the City's ability to impose additional fees on Franchisee to the extent permitted by law, so long as such fees are applied in a uniform manner to similarly situated entities operating within the City.

16.2 No Waiver or Release**.** No acceptance of any payment shall be construed as an accord that the payment made is in fact the correct amount, nor shall such acceptance of the payment be construed as a release of any claim that the City may have for further fees payable under the provisions of this Franchise Agreement. All amounts paid shall be subject to audit by the City pursuant to Section 26.

Section 17. Conflicts between City Code and Agreement.

The provisions of this Agreement and the City Code are intended to be and shall be construed, to the maximum extent possible, to be consistent with and/or supplemental to each other. In the event of any irreconcilable conflict between any provisions of this Agreement and the Code, the Code provisions shall control, provided that Franchisee receives notice and an opportunity to be heard. Franchisee reserves all of its rights to participate in the process of any future City Code amendments that may affect this Agreement, and the right to challenge the legality of any City Code provisions on the grounds that such amendments were adopted in

violation of applicable laws. No amendment or City Council action is effective to change the term of this Agreement specified in Section 2 above without Franchisee's consent.

Section 18. Public Records.

Franchisee acknowledges that information submitted to the City is open to public inspection and copying under Nevada Public Records Law, Chapter 239 of the NRS; provided, however, Franchisee's Facilities are defined as critical infrastructure by the federal government and as such, City acknowledges and agrees that records of the location or design of natural gas facilities (including drawings and maps of Franchisee's Facilities made available to the City) are proprietary to Franchisee and City shall not release nor make available any records to any outside party without the express, written permission of Franchisee. Franchisee further reserves all of its rights to take legal action to prevent the public disclosure of such information as provided hereunder and pursuant to the Public Records Law or other applicable laws.

Section 19. Records of Installation and Planning.

19.1 Potential New Facilities. Upon the City's reasonable request, Franchisee shall provide to the City copies of any plans prepared by Franchisee for potential improvements, relocations and conversions of its Facilities within the Franchise Area. Any such plans so submitted shall be for informational purposes only and shall not obligate Franchisee to undertake any new Facilities in the Franchise Area.

19.2 "As-Built" Drawings. Upon reasonable notice and at the request of the City, the City may inspect Franchisee's drawings and maps. At no cost to the City, Franchisee shall supply the City with a set of "as-built" drawings of its Facilities related to the City's proposed Public Improvement project. Such drawings remain the property of Franchisee and City will use best efforts to ensure they are held confidential for public safety and security concerns, are only for the internal use of the City and shall not be provided to third parties unless the third party is working for the City on related matters and the third party signs a confidentiality and non-disclosure agreement, subject to the requirements of public records disclosure laws.

19.3 Location Drawings. Upon the City's request, Franchisee shall provide to the City copies of available drawings in use by Franchisee showing the location of its Facilities at specific locations within the Franchise Area. As to any such drawings so provided, Franchisee does not warrant the accuracy thereof and, to the extent the locations of Facilities are shown, such Facilities are shown in their approximate location.

19.4 Public Improvement Projects. Upon the City's request, in connection with the design of any Public Improvement project, Franchisee shall verify the location of its underground Facilities in the Franchise Area in accordance with the requirements of applicable law, and Franchisee may, in the City's discretion, excavate (e.g. pothole) to locate such Facilities, at no expense to the City, except where required by PUC tariffs. If Franchisee performs such excavation, the City

shall not require any restoration of the disturbed area in excess of restoration to the same condition as existed prior to the excavation.

19.5 Use of Drawings. Any drawings or information concerning the location of Franchisee's Facilities provided by Franchisee shall be used by the City solely for management of the Franchise Area, exercising due care for Franchisee's safety and security concerns and shall be subject to the limitations and requirements set forth in Section 18, above.

19.6 Disclosure of Location of Utility Facilities. Notwithstanding the foregoing, nothing in this Section 19 shall be construed to relieve either party of its obligations arising under applicable law with respect to determining the location of utility facilities.

Section 20. Right of Acquisition of Facilities.

This Agreement shall in no way impair or affect the right of the City to acquire the property of Franchisee, either by purchase or through the exercise of eminent domain, and nothing herein contained shall be construed to contract away, modify or abridge the City's right to exercise the power of eminent domain.

Section 21. Transfers and Assignments.

The following conditions shall apply for any Transfer or Assignment of this Agreement or Franchisee's Facilities:

(A) Franchisee shall give written notice to the City of its intent to sell, transfer, assign, lease or otherwise dispose of, in whole or in part, voluntary or involuntary, any of the rights, privileges, permission or authority granted pursuant to the provisions of this Agreement

(B) The intended buyer, transferee, assignee or lessee must hold a valid, unexpired City Business License and furnish the same information required of other franchise applicants pursuant to the City Charter and City Code.

(C) If Franchisee holds a certificate of convenience and necessity issued by the PUC, and a transfer of such certificate has been approved by the PUC, this Agreement may be transferred or assigned to the same person to whom such certificate was transferred by the PUC without the prior approval of the City, provided that: (l) the transferee must obtain a valid City Business License within 30 days of the transfer by the PUC; and (2) Franchisee and its transferee must provide a notarized document to the City acknowledging a Transfer or Assignment for purposes of this Agreement and the assumption by the transferee of all terms and conditions of this Agreement, including all obligations and defaults under this Agreement occurring prior to the Transfer or Assignment (whether known or unknown), signed by

Franchisee's and its transferee's duly authorized officers, on a form approved by the City Manager.

Section 22. Default; Liquidated Damages; Revocation and Other Remedies.

22.1 In General. Except for causes beyond the reasonable control of Franchisee in which case Franchisee shall not be deemed in default or noncompliance hereunder, if Franchisee fails to comply with any of the conditions and obligations imposed hereunder, the City shall deliver to Franchisee a reasonably detailed written notice describing the default on the part of Franchisee. If Franchisee fails to correct such default within 30 days or such other period as may be applicable pursuant to Section 22.2 below, the City shall have the right to assess liquidated damages pursuant to Section 22.3 below or to revoke the Franchise pursuant to Section 22.4 below.

22.2 Extension of Period to Cure Default. If the nature of a violation is such that it cannot be fully cured within 30 days, the period of time for Franchisee to cure the violation shall be extended for such additional time as is reasonably necessary to complete the cure, provided that Franchisee promptly begins its efforts to cure and diligently pursues such efforts to cure.

22.3 Liquidated Damages. If a violation has not been cured within the time allowed under this Section 22, Franchisee shall be liable for liquidated damages as follows:

(A) Failure to comply with the requirements of the City Code, the provisions of this Agreement, or any valid construction permits concerning the Franchisee's usage of the City's Rights-of-Way, resulting in actual impediments to use of the Rights-of-Way for construction work, vehicular traffic, pedestrian traffic or other lawful uses, including but not limited to failure to complete any removal, relocation or reconstruction of Franchisee's Facilities within the time limits specified by Section 12 above: Five Hundred Dollars ($500.00) per day for each day such failure continues but not to exceed a total amount of Fifteen Thousand Dollars ($15,000.00).

(B) Failure to comply with any other provisions of this Agreement, including but not limited to failure to promptly provide data, documents, reports or information to the City, or to provide insurance or security for the performance of Franchisee's obligations hereunder: Two Hundred and Fifty Dollars ($250.00) per day for each day such failure continues but not to exceed a total amount of Fifteen Thousand Dollars ($15,000.00).

22.4 Revocation. After providing notice and an opportunity for Franchisee to be heard, and a reasonable opportunity to cure any default pursuant to Sections 22.l and 22.2 above, the City Council may terminate this Agreement if it determines that Franchisee:

(A) Has not maintained the insurance required by Section 24 below;

(B) Has not maintained the security required by Section 25 below;

(C) Has failed to pay any License fees due under the City Code;

(D) Has failed to comply with the City's request for inspection pursuant to Section 26;

(D) No longer holds a Business License;

(E) No longer holds a certificate of public convenience and necessity from the PUC, or any successor agency, if such certificate is required by State law;

(F) Has used a contractor that is not licensed by the State Contractors Board, or any successor agency, in performing any of its construction, installation or maintenance services on Franchisee's Facilities; or

G Has materially defaulted on its obligations under this Agreement.

22.5 Nonexclusive Remedies. No provision in this Agreement made for the purpose of securing enforcement of the terms and conditions of this Agreement shall be deemed an exclusive remedy or to afford the exclusive procedure for the enforcement of said terms and conditions, but the remedies herein provided are deemed to be cumulative.

22.6 Waiver. Each party reserves its rights to waive any specific breach of the terms and conditions imposed by this Agreement, and such waiver shall not be deemed to be continuous with respect to any future breaches on the part of the other party.

22.7 Denial of Permits. When in material default of this Agreement after notice and a reasonable opportunity to cure, Franchisee may be denied further encroachment, excavation or similar permits until such time as Franchisee comes in compliance.

Section 23. Indemnification.

23.1 In General. To the maximum extent permitted by law, Franchisee, for itself and its agents, employees and subcontractors, and the agents and employees of any subcontractors, shall, at all times and its own expense, indemnify, hold harmless and defend the City and any of its elected or appointed officers and employees from all claims, demands, actions, damages, decrees, judgments, attorney fees, costs and expenses which the City or such elected or appointed officers or employees may suffer, or which may be recovered from or obtainable against the City or such elected or appointed officers or employees as a result of or arising out of the negligence, default or misconduct of Franchisee in the exercise of this Franchise; provided that Franchisee shall not be liable and shall not be required to indemnify,

defend or hold harmless the City for any claims or damages caused by or arising from the negligence or intentional misconduct of the City or any of its any agents, servants, employees or subcontractors, and Franchisee shall receive from City full, complete and prompt notice of any and all such claims and demand as are hereby indemnified.

23.2 Liability Not Limited. The amounts and types of required insurance coverage and security for performance specified in Sections 24 and 25 below shall in no way be construed as limiting the scope of indemnity or liability set forth in this Section 23.

23.3 No Recourse for City's Enforcement Actions. Franchisee shall have no recourse whatsoever against the City for any loss, cost, expense or damage arising out of the enforcement or lack of enforcement of any provision or requirement of any agreements with third parties concerning such parties' use of the Rights-of-Way unless resulting from the City's negligence or willful misconduct. The City does not waive and intends to assert all available NRS Chapter 41 liability limitations in all cases.

23.4 Untimely Relocation of Facilities. Franchisee shall indemnify, hold harmless and defend the City and its elected or appointed officers and employees from claims for damages asserted by third parties against the City, including but not limited to costs, expenses, fees and the actual amount of damage asserted by third parties, arising from delays of construction, removal or relocation work of Franchisee beyond the time period provided for completion of such work by this Agreement, unless such delays are caused by the negligence or intentional misconduct of third parties, the City, its employees, or its elected or appointed officials or any other causes beyond the reasonable control of Franchisee.

23.5 Notice and Termination of Claim. If a claim covered by this Section 23 is received first by the City, the City shall promptly notify Franchisee of such claim. The parties will fully cooperate with each other in defense of such claim. The City shall not settle or otherwise compromise such claim without Franchisee's written consent. Any claim against the City that is settled or compromised by Franchisee shall contain written provisions in such settlement or compromise terminating with prejudice such claim against the City.

23.6 Procedures. The following procedures shall apply to all claims for indemnification under this Section 23:

(A) If the City receives notice of or has actual knowledge of a claim that it believes is covered by this Section 23, it shall by writing as soon as practicable:

(1) Inform Franchisee of such claim;

(2) Send to Franchisee a copy of all written materials the City has received asserting such claim; and

(3) Notify Franchisee that either the defense of such claim is being tendered to Franchisee or the City has elected to conduct its own defense for a reason set forth in Section 23.6(E) below.

(B) If the insurer under any applicable insurance policy accepts tender of defense, Franchisee and the City shall cooperate in the defense as required by the insurance policy. If no defense is provided by insurers under potentially applicable insurance policies, then Sections 23.6(C), (D), (E) and (F) below shall apply.

(C) If the defense is tendered to Franchisee, it shall, within 45 days of said tender, deliver to the City a written notice stating that Franchisee:

(1) Accepts the tender of defense and confirms that the claims are subject to full indemnification hereunder without any "reservation of rights" to deny or disclaim full indemnification thereafter;

(2) Accepts the tender of defense but with a "reservation of rights" in whole or in part; or

(3) Rejects the tender of defense if it reasonably determines it is not required to indemnify against the claim under this Section 23.

If such notice is not delivered within 45 days, the tender of defense shall be deemed rejected.

(D) If the City gives notice that a claim is being tendered to Franchisee under Section 23.6(A)(3) above, Franchisee shall have the right to select legal counsel for the City, and Franchisee shall otherwise control the defense of such claims, including settlement, and bear the fees and costs of defending and settling such claims. During such defense:

(1) Franchisee shall, at its own expense, fully and regularly inform the City of the progress of the defense and of any settlement discussions; and

(2) The City shall, at Franchisee's expense: (a) fully cooperate in said defense; (b) provide to Franchisee all materials and access to personnel it requests as necessary for defense, preparation and trial and which or who are under the control of or reasonably available to the City; and (c) maintain the confidentiality of all communications between it and Franchisee concerning such defense.

(E) The City shall be entitled to select its own legal counsel and otherwise control the defense of such claims if:

(1) The defense is tendered to Franchisee, and it refuses such tender, fails to accept such tender within 45 days, or reserves any right to deny or disclaim such full indemnification thereafter; or

(2) The City at any time reasonably determines that: (a) a conflict exists between it and Franchisee which prevents or potentially prevents Franchisee from presenting a full and effective defense; (b) Franchisee is otherwise not providing an effective defense in connection with the claims; or (c) Franchisee lacks the financial capacity to satisfy potential liability or to provide an effective defense.

(3) The City may assume its own defense pursuant to this Section 23.6(E) by delivering to Franchisee written notice of such election and the reasons therefor. A refusal of or failure to accept a tender of defense may be treated by the City as a claim against Franchisee.

(F) If the City is entitled and elects to conduct its own defense pursuant hereto:

(1) All reasonable costs and expenses it incurs in investigating and defending claims for which it is entitled to indemnification hereunder shall be reimbursed by Franchisee; and

(2) The City shall have the right to settle or compromise any claims with Franchisee's prior written consent, which shall not be unreasonably withheld or delayed, or with approval of the court, and with the full benefit of Franchisee's indemnity.

Section 24. <u>Insurance</u>.

24.1 <u>General Requirements and Policy Limits</u>. Franchisee shall at all times maintain insurance in the form of self-insurance, insurance policies or a combination thereof, against all claims for injuries to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges and authority granted hereunder to Franchisee, its agents, representatives or employees. Franchisee shall provide evidence of an insurance certificate or letter of self-insurance, that includes the City and its elected and appointed officers and employees as additional insureds, to the City for its inspection prior to the commencement of any work or installation of any Facilities pursuant to this Agreement or not later than 10 days after approval of this Agreement by the City Council, whichever comes sooner, and such insurance certificate shall evidence the following minimum coverages:

(A) General liability insurance, with minimum limits of Five Million Dollars ($5,000,000.00) per occurrence, which includes coverage for products liability, completed operations, blanket contractual liability and broad form property damage, including but not limited to coverage for explosion, collapse and underground hazard;

(B) Automobile liability insurance, with a minimum combined single limit occurrence of Five Million Dollars ($5,000,000.00), and which includes coverage for non-owned and hired automobile liability. Automobile liability insurance may be included as part of the general liability insurance; and

(C) Workers' compensation insurance in accordance with NRS Chapters 616A, 616B, 616C, 616D and 617.

24.2 Primary Insurance; Umbrella Policy. The minimum limits may be provided for through self-insurance, primary, general liability and automobile liability insurance policies, through the addition of an umbrella policy written in excess of such liability policies, or a combination thereof.

24.3 Certificate of Insurance. Any certificate of insurance or letter of self-insurance required by this Section 24 shall provide that the policies and coverages will not be canceled or modified before the expiration without giving 60 days prior written notice to the City.

In the event of such cancellation or modification, Franchisee shall obtain and furnish to the City evidence of replacement insurance coverage meeting the requirements of this Section 24 by the cancellation or modification date.

24.4 Form of Policies. Franchisee's insurance shall be provided by "occurrence", or "claims made," policies. If insurance coverage is provided by a claims-made policy, the policy shall provide a retroactive date as of the Effective Date of this Franchise.

24.5 Policy Limit Increases. The insurance policy limits required by this Section 24 may be adjusted following the tenth anniversary date of this Agreement upon mutual agreement of the parties. Any such adjustment may be requested in writing by either party after which both parties shall negotiate in good faith on any appropriate adjustments in insurance policy limits based on then current industry standards.

24.6 State Requirements. All primary and excess insurance obtained for meeting the requirements of this Section 24 must be provided in compliance with NRS Title 57, and any commercial insurance carrier providing any required coverage must have an A.M. Best rating of A-VII or higher.

Section 25. Security for Performance.

25.1 General Requirements. Franchisee shall at all times, as security for compliance with the terms of this Agreement and the City Code, provide security to the City in the form of either cash deposited with the City Manager, or an irrevocable pledge of certificate of deposit, an irrevocable letter of credit, or a performance bond, payable in each instance to the City in an amount of Five Hundred Thousand Dollars ($500,000.00), any or all of which may be claimed by the City as payment for fees, liquidated damages and penalties, and to recover losses resulting to the City from Franchisee's failure to perform its duties pursuant to this Agreement.

25.2 Bond Requirements. If bonds are used to satisfy these security requirements, they shall be in accordance with the following:

(A) All bonds shall, in addition to all other costs, provide for payment of reasonable attorneys' fees.

(B) All bonds shall be issued by a surety company authorized to do business in the State of Nevada, and which is listed in the U.S. Department of the Treasury Fiscal Service (Department Circular 570, Current Revision): companies holding certificates of authority as acceptable sureties on federal bonds and as acceptable reinsuring companies.

(C) Franchisee shall require the attorney-in-fact who executes the bonds on behalf of the surety to affix thereto a certified and current copy of his or her power of attorney.

(D) All bonds shall guarantee the performance of all of Franchisee's obligations under this Agreement and all applicable laws.

25.3 Replenishing Security. If at any time the City draws upon the security required by this Section 25, Franchisee shall, within 30 days of notice from the City, replenish such security to the original minimum amount required above.

25.4 Security Amount Increases. The security amount required by this Section 25 shall be adjusted after the Effective Date based upon the percentage of change in the CPI-U. Security amount changes shall be effective as of March 1 following the fifth anniversary date of this Agreement and shall be based upon the percentage change in the CPI-U for the preceding five calendar years, provided that any change in amounts shall be rounded to the nearest $100,000.

Section 26. Books and Records; Gross Revenue Reports; Inspections and Audits.

26.1 City's Right to Audit. City shall have access after giving reasonable advance notice of not less than forty-five (45) days to inspect, examine or audit all books, receipts, as-built maps, financial statements, contracts, records of requests for service,

workpapers, legends, or any other records used in the normal course of business, for the sole purpose and to the extent required to monitor compliance with the terms of this Agreement for the previous five-year period.

Franchisee shall not deny the City access to records covered by this Section 26 for any reason, including any allegedly proprietary information or personally identifiable information of customers not protected pursuant to federal law.

26.2 Record Keeping and Retention.
Franchisee shall at all times maintain complete and accurate books of account and records regarding Franchisee and the complete operation of its Gas Distribution System, including but not limited to charts of accounts, account summary detail, books of account, and other records reasonably required for Franchisee to demonstrate that it has been in compliance under this Agreement. Franchisee shall maintain all records required in order to monitor Franchisee's calculation and payment of Business License fees or franchise fees for a period of five (5) years. To the extent that such records or information are unavailable for the full audit period, the parties agree to extrapolate information based on the period for which such data is available.

26.3 Gross Revenue Reports. Franchisee shall submit quarterly reports of its Gross Revenue in such form as may be agreed to by City and Franchisee.

26.4 Records Request by City. Franchisee shall provide records in accordance with Section 26.2 within forty-five (45) business days of a request by the City for production of the same unless the City, in its reasonable discretion, agrees to additional time. If any person other than Franchisee maintains records on Franchisee's behalf, Franchisee shall be responsible for making such records available to the City for auditing purposes pursuant to this Section 26.

26.5 Failure to Comply with Inspection. If the Franchisee refuses to provide all requested records for the inspection, the fee liability will be calculated using the best and most accurate information reasonably available, for the withheld portions using the most accurate information and available records for the period subject to audit. If the Franchisee refuses to allow inspection, the City may invoke the provisions of City Code § 12.20.130 regarding revocation of the Franchise.

26.6 Penalties. Any fees found to be delinquent to the City shall be subject to a penalty of 2% per month on the unpaid balance, computed from the date the fees were delinquent until the fees are paid to the City, in accordance with NRS 354.59887 (2)(c).

26.7 Audit Findings and Expenses. The City's audit expenses shall be borne by the City unless the audit discloses an underpayment equal to or in excess of 5% of the amount paid during the audit period, in which case the costs of the audit shall be

borne by Franchisee as a cost incidental to the enforcement of this Agreement. The City may recompute any amounts determined to be payable under this Agreement based upon the audit findings. Any additional amount due to the City shall be paid within forty-five (45) days following written notice to Franchisee by the City pursuant to City Code § 5.02.75, and such delinquent amount shall be subject to a penalty of 2% simple interest per month on the unpaid balance, computed from the date the fees were originally due. Penalties and interest shall not be included in the determination of the Franchisee's responsibility for audit costs.

26.8 Request for Additional Information. The City may request such additional information, records, and documents from Franchisee from time to time as are appropriate and reasonable in order to monitor compliance with the terms of this Agreement.

Section 27. Severability.

If any provision of this Agreement is for any reason determined to be invalid or unenforceable, such provision shall be deemed a separate, distinct and independent provision, and such determination shall not affect the validity or enforceability of the remaining provisions hereof, which shall continue in full force and effect. With respect to any provision of this Agreement determined to be invalid or unenforceable, the parties shall promptly use their best reasonable efforts to negotiate an amendment to this Agreement that is valid and enforceable and that is consistent with the parties' original intent. The City hereby declares that it would have approved this Agreement and each provision hereof irrespective of any provision being declared invalid or unenforceable.

Section 28. No Third Party Beneficiary.

It is not intended by any of the provisions of this Agreement to create for the public, or any member thereof, a third-party beneficiary right or remedy, or to authorize anyone to maintain a suit for personal injuries or property damage pursuant to the provisions of this Agreement. The duties, obligations and responsibilities of the City with respect to third parties shall remain as imposed by Nevada law.

Section 29. Effect of Compliance Inspections.

Any inspections or subsequent approvals undertaken by the City pursuant to this Agreement are undertaken solely to ensure compliance with this Agreement and are not undertaken for the safety or other benefit of any individual or group of individuals as members of the public. Provisions of the City Code dealing with inspection or approval by the City do not expand the City's general law duties, nor does any inspection or approval by the City reduce or eliminate any liability of Franchisee.

Section 30. Notices.

Any notice required or permitted to be given under this Agreement shall be in writing and shall be personally delivered, or delivered by certified mail, return receipt requested, and deposited in the U.S. mail, postage prepaid. Such notice shall be deemed received on the earlier of the date of actual receipt or three days after mailing, and shall be directed to the parties at their respective addresses shown below, or such other addresses as either party may from time to time specify in writing to the other party, in the manner described above.

FRANCHISING AUTHORITY:	City of North Las Vegas City Manager's Office 2250 Las Vegas Boulevard North Suite 900 North Las Vegas, Nevada 89030
With Copy to:	City of North Las Vegas City Attorney's Office 2250 Las Vegas Boulevard North, Suite 810 North Las Vegas, Nevada 89030
FRANCHISEE:	Southwest Gas Corporation Attn: Public Affairs 8360 South Durango Drive Las Vegas, NV 89113
With Copy to:	Southwest Gas Corporation Attn: Legal Affairs 8360 South Durango Drive Las Vegas, NV 89113

Section 31. Force Majeure.

The time within which Franchisee shall be required to perform any act under this Agreement shall be extended by a period of time equal to the number of days performance is delayed due to force majeure, and Franchisee shall not be subject to any penalty hereunder because of acts or failure to act due to force majeure. The term force majeure shall mean delays due to acts of God, fire, unavoidable casualty, construction delays due to weather, failure of suppliers, or for other similar causes beyond the control of Franchisee, but does not include civil disturbances.

Section 32. Construction of Agreement.

The terms and provisions of this Agreement shall not be construed strictly in favor of or against either party, regardless of which party drafted any of its provisions. This Agreement shall be construed in accordance with the fair meaning of its terms.

Section 33. Governing Law; Jurisdiction; Attorney's Fees.

This Agreement and the Franchise granted herein shall be governed by the laws of the State of Nevada with respect to both their interpretation and performance. If legal action is initiated relating to this Agreement, such action must be initiated and maintained in Clark County, Nevada. In the event of any litigation or arbitration arising out of this Agreement, the substantially prevailing party shall be entitled to recover all of its costs incurred in such litigation or arbitration, including all court costs, expert witness fees and reasonable attorney's fees.

Section 34. Binding Effect.

All of the rights and obligations under this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, transferees and assigns.

Section 35. Compliance with Federal. State and Local Laws; PUC Tariffs.

Franchisee shall at all times comply with all applicable federal, state and local laws, rules and regulations, including all City ordinances, rules or regulations adopted in the future by the City, provided that this Agreement does not abrogate or modify the parties' responsibilities to comply with applicable PUC tariffs with respect to services provided by Franchisee to the City or materially impair any contract rights, privileges, claims or benefits granted to Franchisee in this Agreement.

Section 36. Survival of Provisions.

All provisions, conditions and requirements of this Agreement that may be reasonably construed to survive the termination or expiration of this Agreement shall survive such termination or expiration, including but not limited to all of Franchisee's indemnification obligations under Section 23 above.

Section 37. Time of the Essence.

The parties agree that time is of the essence with regard to the performance of Franchisee's obligations under this Agreement.

Section 38. Complete Agreement; Modification.

This Agreement constitutes the entire agreement of the parties with regard to the matters contained herein and supersedes all prior representations, understandings and agreements between the parties concerning Franchisee's Gas Distribution System in the City, except as expressly referenced herein or as may exist solely in the City's capacity as a Gas Service customer of Franchisee. This Agreement shall not be modified unless such modification is in writing and signed by an authorized representative of the party against whom such modification is sought to be enforced.

Section 39. Additional Representations and Warranties.

In addition to any other representations, warranties and covenants of Franchisee to the City set forth herein, Franchisee represents and warrants to the City and agrees (which representations, warranties and agreements shall not be affected or waived by any inspection or examinations made by or on behalf of the City) that as of the Effective Date:

(A) Franchisee is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and is duly authorized to do business in the State of Nevada and in the Franchise Area.

(B) Franchisee is in substantial compliance with all laws, ordinances, decrees and governmental rules and regulations applicable to its Gas Distribution System and has obtained all government licenses, permits and authorizations necessary for the operation and maintenance of its Facilities.

EXECUTED to be effective on the Effective Date specified above.

CITY OF NORTH LAS VEGAS

_____

Pamela A. Goynes Brown Date
Mayor

ATTEST:

_____

Jackie Rodgers Date
City Clerk

APPROVED AS TO FORM:

_____

Andy Moore Date
Acting City Attorney

SOUTHWEST GAS CORPORATION
a California corporation

By:_____
Date

Its: _____