



SOUTHWEST GAS

Annual Shareholders Meeting May 7, 2015

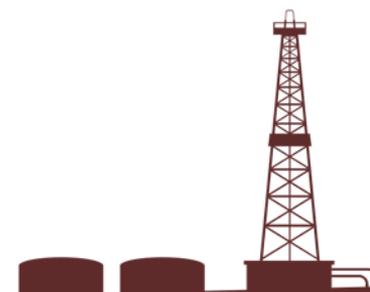




SOUTHWEST GAS



Presented by: John Hester President and CEO



Safe Harbor Statement



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Statements contained in this presentation that may include Company expectations or predictions of the future, including statements regarding future results at Centuri Construction Group, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All such statements are intended to be subject to the safe harbor protection provided by the Reform Act. In this respect, the words “may,” “will,” “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All forward-looking statements included herein are made as of the date hereof. A number of important factors affecting the business and financial results of Southwest Gas, including subsidiaries, could cause actual results to differ materially from those stated in the forward-looking statements. For additional factors that could affect the validity of our forward-looking statements, you should read the section of our periodic reports filed from time to time with the Securities and Exchange Commission, entitled “Risk Factors” therein.





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Presentation Agenda

- Overview
- Summary financial results
- Our focus
- Video
- 2015 expectations & going forward





Overview





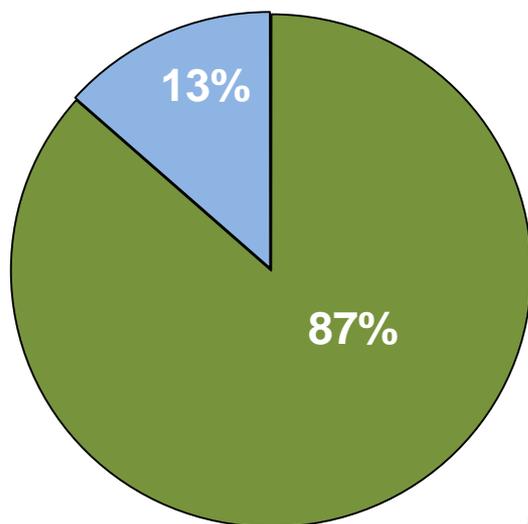
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Two Business Segments

Southwest Gas consists of two business segments

- Natural gas operations
- Construction services (Centuri)

**TMTD 3/31/15 Net Income
\$142MM**



■ **Natural gas operations**

\$123MM net income

■ **Construction services**

\$19MM net income

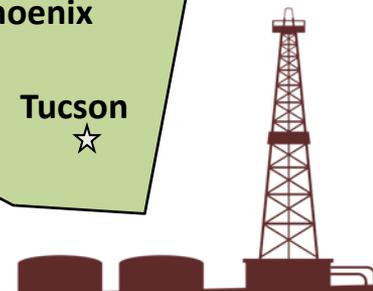


Southwest Gas is a Regional Leader in Natural Gas Distribution



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- Headquartered in Las Vegas
- Largest distributor of natural gas in Arizona and Nevada
- Distributes and transports natural gas in parts of California
- **1,938,000** customers in service territory at 3/31/2015
- Over **99%** of customers are residential and commercial



Stable Customer Base

Natural Gas Operations

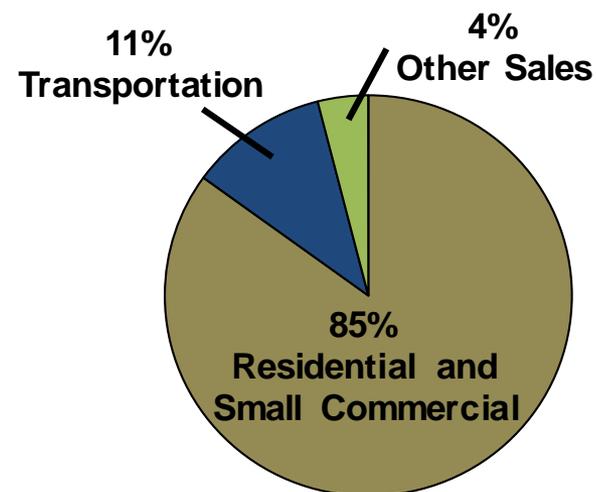
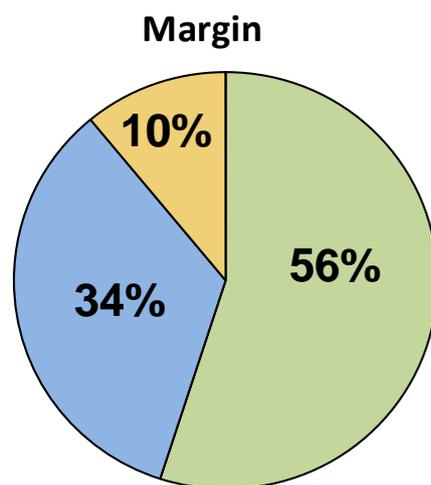
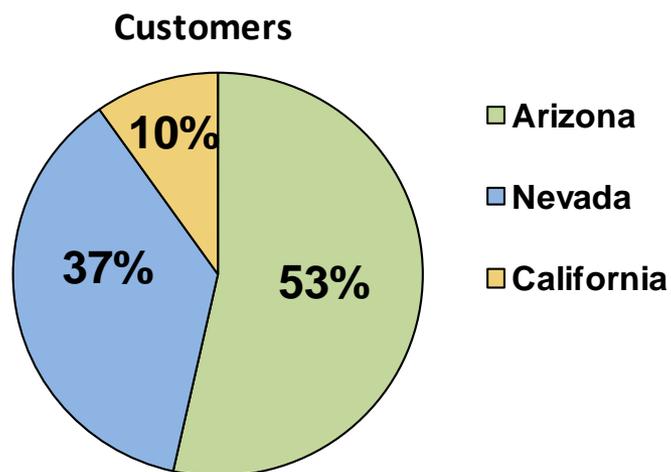


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TMTD March 31, 2015 Customer & Operating Margin Distribution

Margin by Customer Class

By State



Centuri Construction Group

Construction Services



➤ NPL Construction Company

- Full-service underground piping contractor
- Operates in 20 major markets in the U.S.



➤ Link-Line Contractors

- Largest natural gas distribution contractor in Canada with approximately 700 employees
- Primarily operates in Ontario province
- Founded in 1994



Centuri Construction Group

Construction Services



CENTURI
CONSTRUCTION GROUP

➤ W.S. Nicholls Construction

- Provides fabrication and multi-trade operations for industrial projects
- Operations in Ontario province and western Canada
- Founded in 1996

W.S. Nicholls
CONSTRUCTION
INC.

➤ Brigadier Pipelines

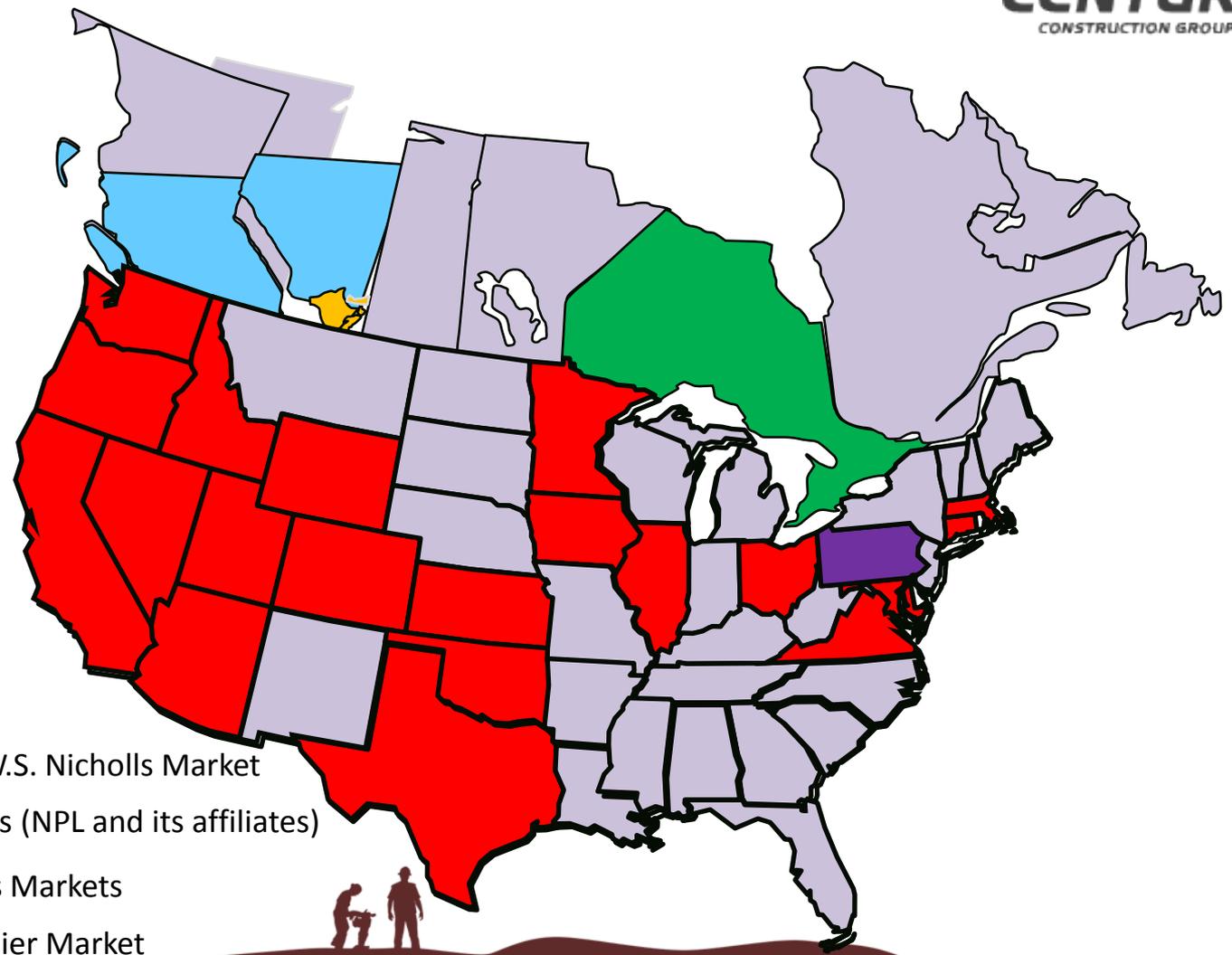
- Performs midstream construction in the United States, primarily in Pennsylvania
- Founded in 2012

BRIGADIER
PIPELINES INC.



Centuri Construction Group

Construction Services – Markets



-  Link-Line / W.S. Nicholls Market
-  NPL Markets (NPL and its affiliates)
-  W.S. Nicholls Markets
-  NPL / Brigadier Market



Centuri Construction Group Construction Services - High Quality Customers





Summary

Financial Results



Company Highlights



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- Achieved second highest EPS in 2014
- Highest earnings year for construction services in 2014
- Dividend increase for ninth consecutive year
- Successfully concluded two general rate cases
- Received approval in Arizona to construct an LNG facility
- Successful acquisition of Link-Line Group of Companies
- Integration of Link-Line Group of Companies with NPL led to the formation of the Centuri Construction Group





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Twelve Months Ended March 31,

(In thousands except per share amounts)

<u>Contribution to net income</u>	<u>2015</u>	<u>2014</u>	<u>Over/(Under) Prior Year</u>
Natural gas operations	\$ 123,194	\$ 117,476	\$ 5,718
Construction services	19,132	17,854	1,278
Consolidated	<u>\$ 142,326</u>	<u>\$ 135,330</u>	<u>\$ 6,996</u>
Basic EPS - total company	<u>\$ 3.06</u>	<u>\$ 2.92</u>	<u>\$ 0.14</u>





Our Focus



Strategic Focus



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- Long-term view with proven track record of execution
- Commitment to integrity has created value for investors, customers, employees and regulators
- Investment in safety, service and reliability
- Regulatory initiatives
- Capitalize on growing opportunities in both regulated and non-regulated business segments
- Capital structure and credit ratings
- Dividend policy



Core Fundamentals



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- Growth
- Regulation
- Cost controls
- Safety
- Capital expenditures and credit ratings
- Dividends and shareholder returns





Growth

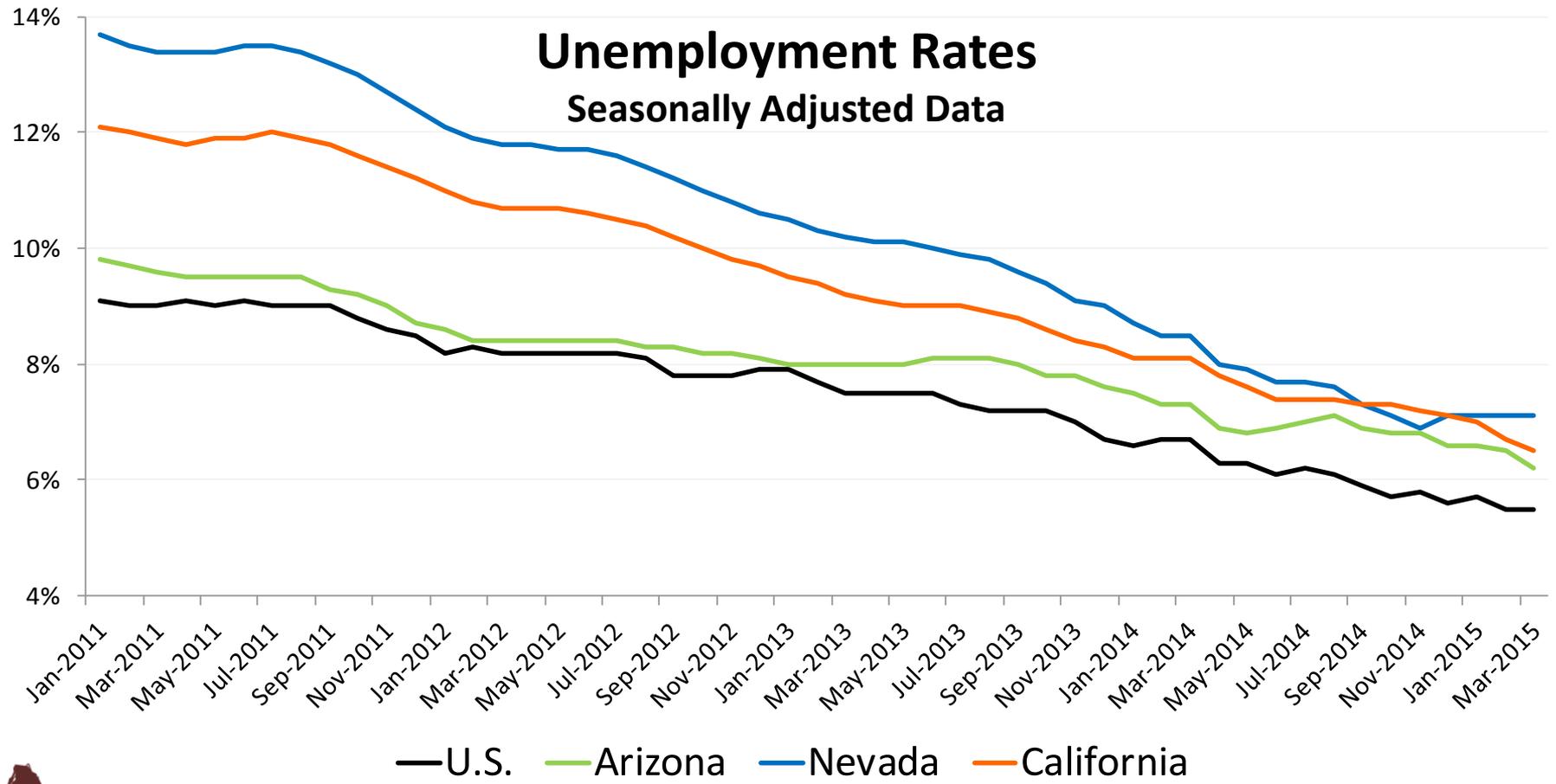


Economic Overview – Service Area

Natural Gas Operations



Unemployment Rates
Seasonally Adjusted Data



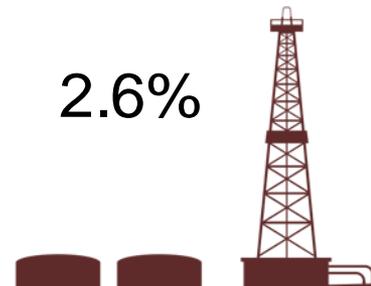
Economic Overview – Service Area

Natural Gas Operations



Employment Growth

	As of March	
	2014	2015
Southern California	2.7%	4.2%
Nevada	3.8%	2.8%
Arizona	1.9%	2.6%





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Customer Growth Breakdown

Natural Gas Operations

(In thousands)

	Twelve Months Ended March 31,		
	2013	2014	2015
Beginning period	1,866	1,886	1,912
New meter sets	19	21	21
Meter turn-on/turn-offs	1	5	5
Ending period	<u>1,886</u>	<u>1,912</u>	<u>1,938</u>

- For 2015, Company is projecting net customer growth of about 1.5%
 - Slowly improving economic conditions provide organic growth opportunities



Focused on Growth



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Multi Family Market

Capitalize on bullish growth in the multi family building sector to capture new construction market share.

Single Family Market

Continue to capture new construction market share by leveraging upswing in home construction activities.

CNG

Facilitate the growth of CNG adoption by partnering fleets with station builders and owners.

Other Opportunities

Continue to explore opportunities such as combined heat and power, micro-turbines, and virtual pipeline systems.





Regulation





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Regulation

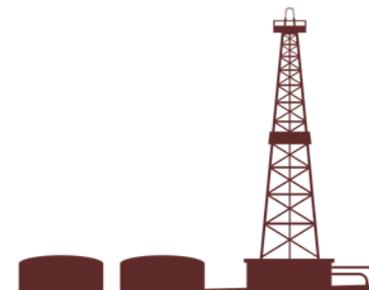
Natural Gas Operations

- Infrastructure replacement mechanisms
 - Nevada Gas Infrastructure Recovery (GIR) Mechanism
 - Arizona Customer Owned Yard Line (COYL) Mechanism
 - California Infrastructure and Reliability Adjustment Mechanism (COYL Program)

- LNG facility in Arizona

- Elko expansion project - Paiute Pipeline Company (FERC)

- Next Arizona general rate case





Cost Controls



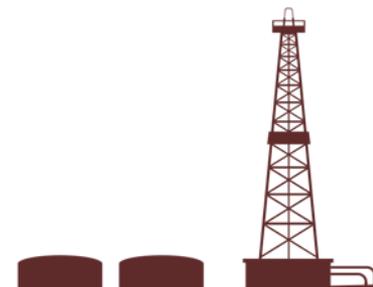
Cost Controls

Natural Gas Operations



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- Company expects to experience operating cost increase pressures
 - Heightened pipeline safety and system reliability mandates
 - Will not trade-off higher risk for lower costs
- We will look to mitigate these cost increases through continued focus on technological advances
- Goal to keep operating cost increases within combined rate of inflation and customer growth

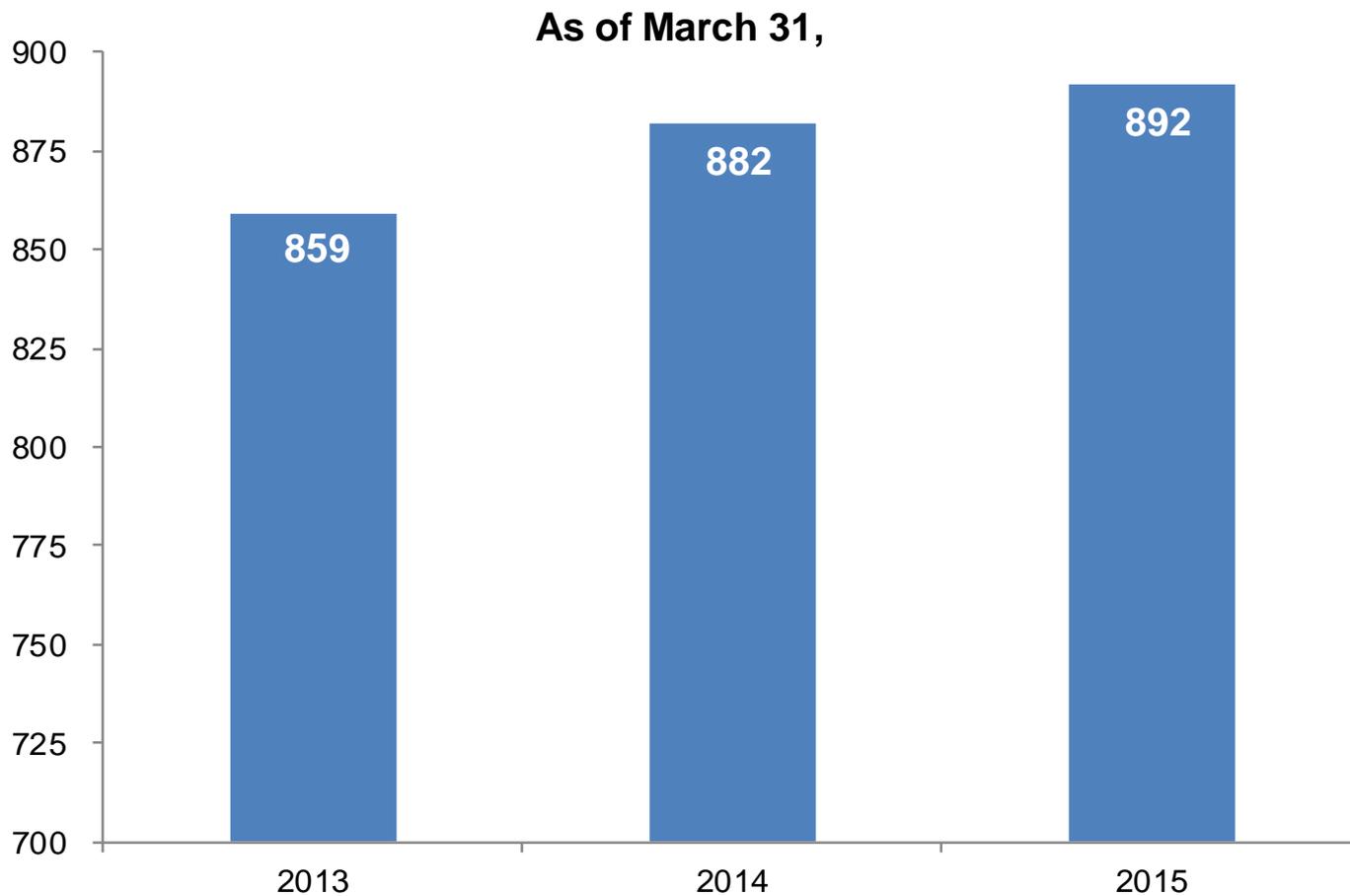


Customer to Employee Ratio

Natural Gas Operations



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Safety



Safety Measures

Natural Gas Operations



Key metrics

- Pipeline damages per 1,000 line locates
 - A 5.8% improvement over two years
 - One of the lowest rates in the industry
- Emergency response times improved 6.1% over two years



Safety Measures

Natural Gas Operations



Recognition

- 2014 AGA Industry Leader Employee Accident Prevention Certificate
- 2014 AGA Best Practice for Public Awareness





Capital Expenditures and Credit Ratings



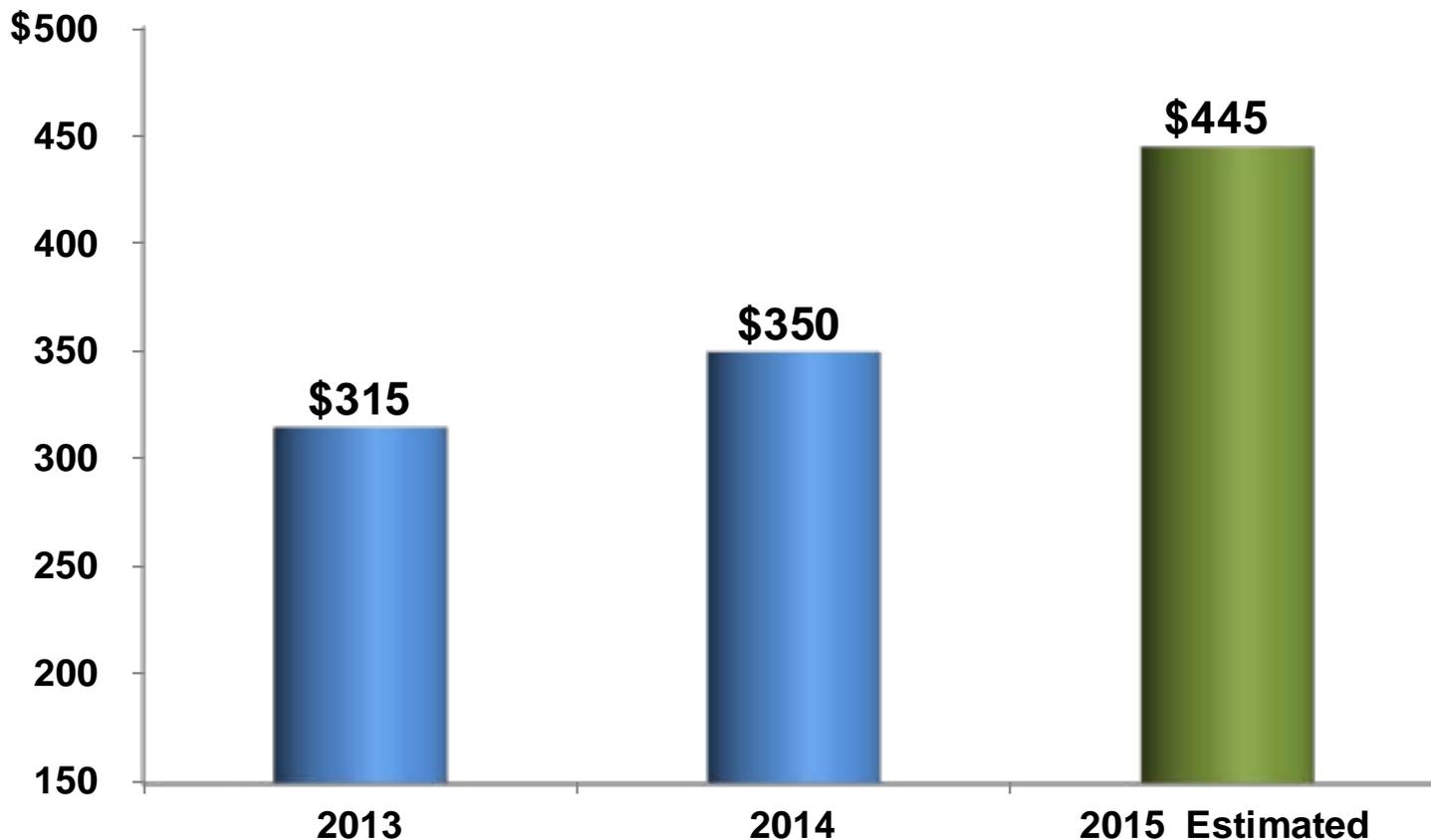


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Capital Expenditures

Natural Gas Operations

(In millions)



2015 - 2017 Estimate: \$1.3 billion





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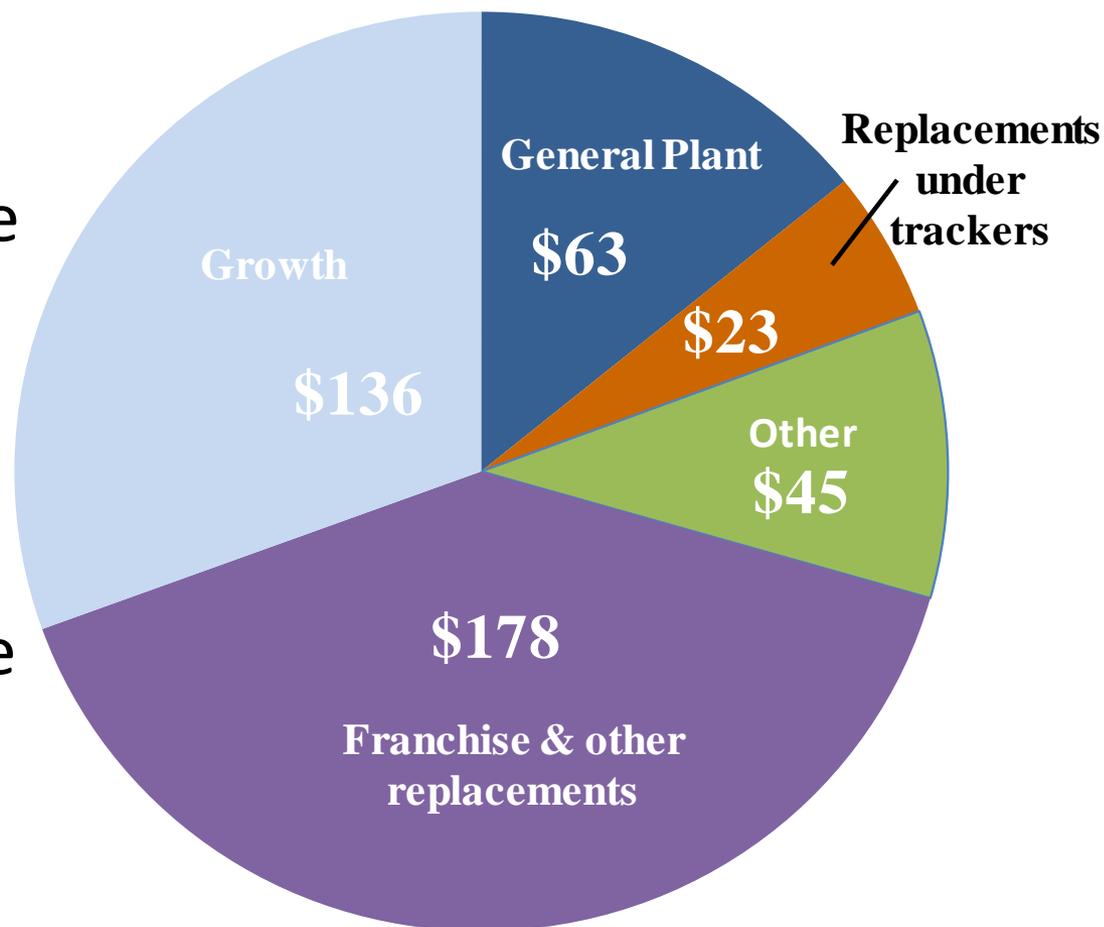
Capital Expenditures

Natural Gas Operations

(In millions)

- 2015 total estimate
 - \$445 million

- 2015-2017 estimate
 - \$1.3 billion





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Investment Grade Credit Ratings

Moody's

- Senior Unsecured Debt:
- Outlook:

Rating

A3 (January 2014)

Stable

Standard & Poor's

- Senior Unsecured Debt:
- Outlook:

BBB+ (October 2014)

Stable

Fitch

- Senior Unsecured Debt:
- Outlook:

A (May 2013)

Stable





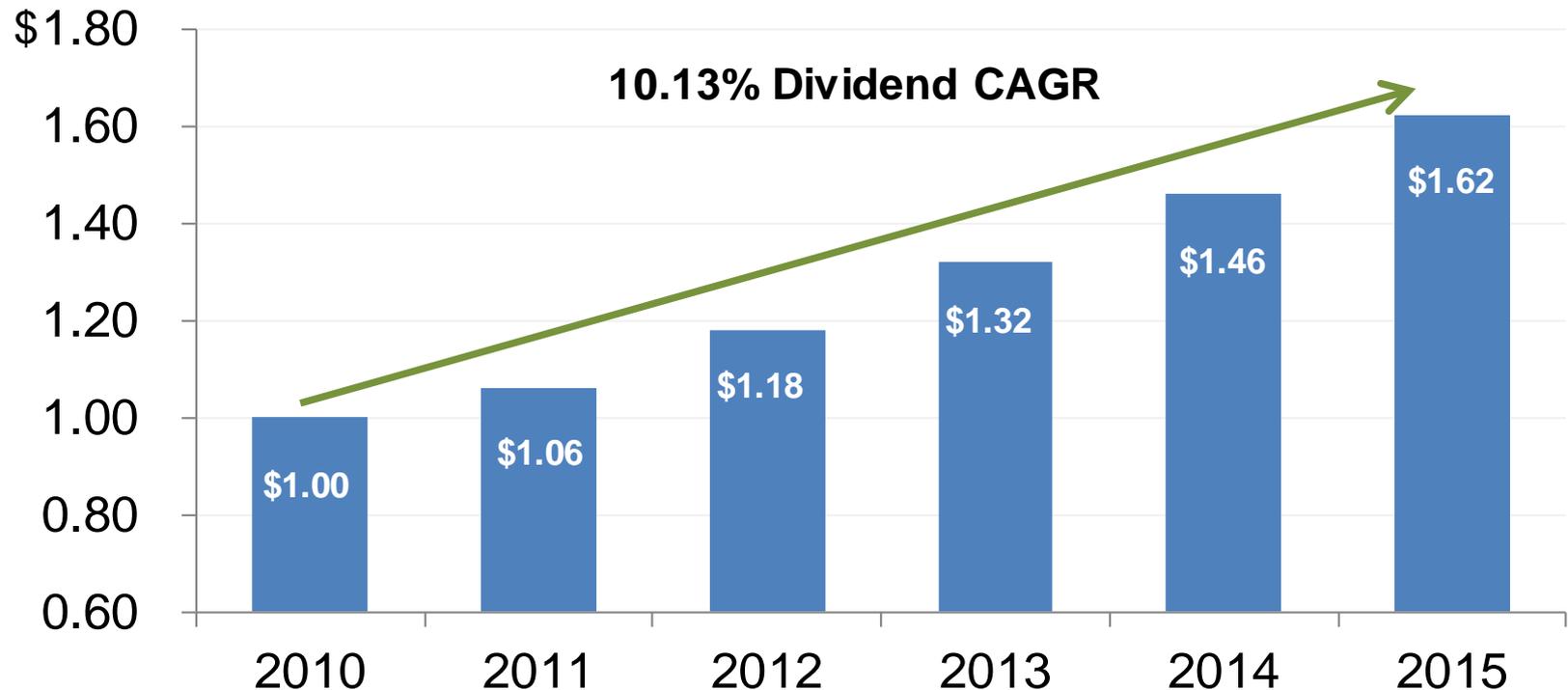
Dividends and Shareholder Returns



Annualized Dividend Growth



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CAGR = compound annual growth rate

February 2015, Board increased annual dividend \$0.16



Comparative Total Returns



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Total Returns for Periods Ended March 31, 2015

	1-Year	3-Year	5-Year	10-Year
Southwest Gas	11.76%	13.81%	17.38%	12.42%
S&P 600 Small Gas Index	12.51%	11.14%	11.61%	10.19%
Dow Jones Utilities	14.25%	12.81%	13.65%	9.17%
S&P 500 Index	12.70%	16.07%	14.44%	8.00%

Total Return = Price appreciation plus gross dividends reinvested





Video





2015 Expectations and Going Forward



2015 Expectations



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Construction Services

- Strong emphasis on integration efforts
- Revenues expected to range between \$950 million and \$1 billion
- The regulatory environment supporting the natural gas industry to replace aging pipeline infrastructure continues to positively influence construction revenues

Natural Gas Operations

- Net customer growth of 1.5%
- Continued focus on infrastructure mechanisms to support pipe replacement programs
- Capital expenditures of \$445 million reflecting pipe replacement activity, customer growth and expansion projects





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Longer-Term Value Drivers

- Location, location, location
- Rate base growth opportunities
 - \$1.3 billion capital expenditures over the next three years (\$700 million net) is significant compared to current authorized rate base of approximately \$2.3 billion
- High profile projects plus infrastructure tracker mechanisms
- Arizona general rate filing expected in 2016
- Centuri growth prospects in U.S. and Canada – pipe replacement efforts are a multi-decade proposition
- Continue to move dividend payment ratio towards industry average





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