



SOUTHWEST GAS CORPORATION

Investor Meetings

Dallas and San Antonio, TX

April 9, 2015

Safe Harbor Statement

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.

Strategic Focus

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

Presentation Outline

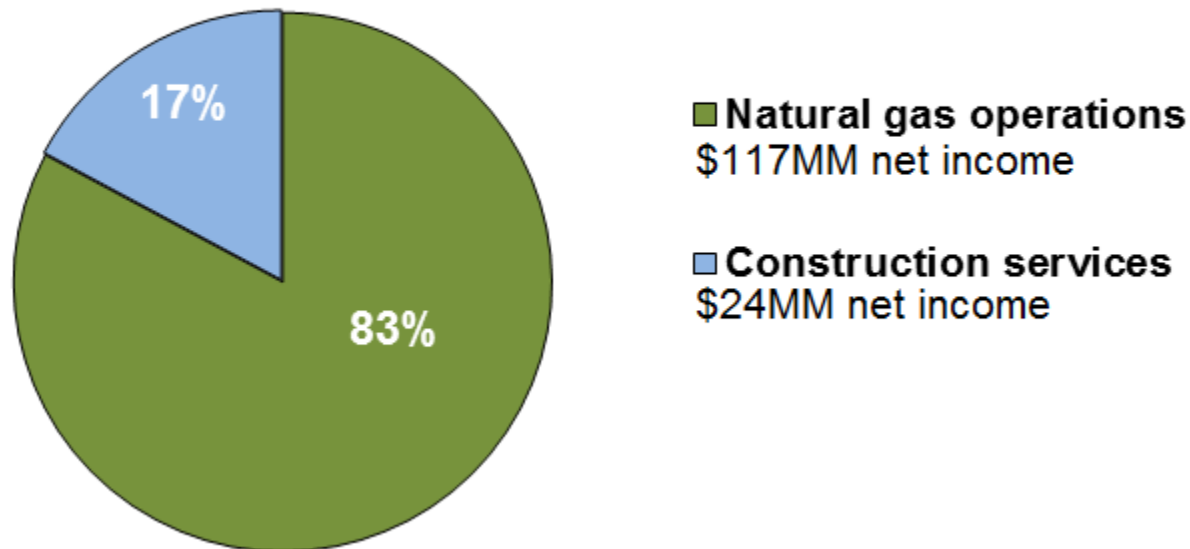
- I. Company overview and financial highlights
- II. Earnings
- III. Regulation
- IV. Economic overview and customer growth
- V. Capital expenditures
- VI. Dividends
- VII. 2015 expectations

Two Business Segments

Southwest Gas consists of two business segments

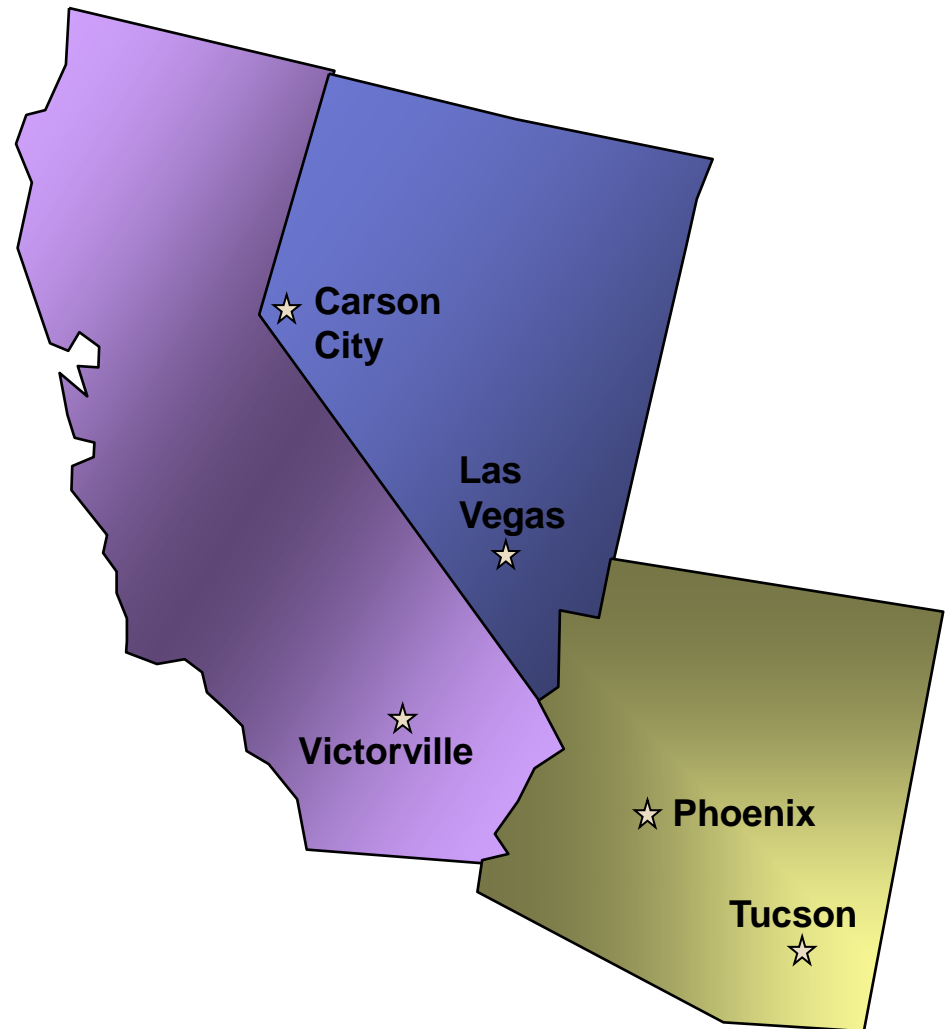
- Natural gas operations
- Construction services (Centuri)

TMTD 12/31/14 Net Income
\$141MM



Southwest Gas is a Regional Leader in Natural Gas Distribution

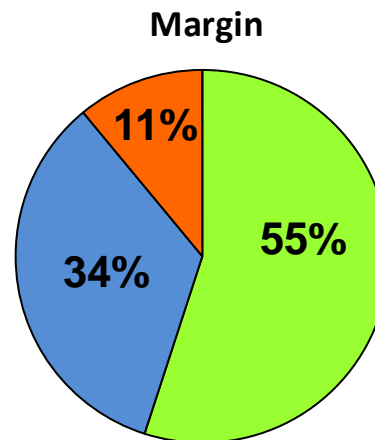
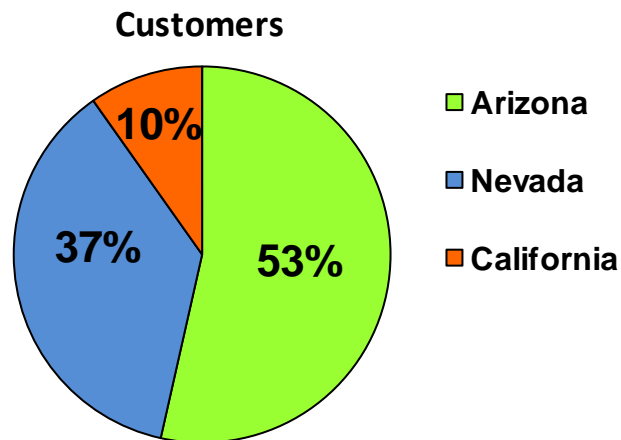
- Headquartered in Las Vegas
- Largest distributor of natural gas in Arizona and Nevada
- Distributes and transports natural gas in parts of California
- **1,930,000** customers in service territory at 12/31/2014
- Over **99%** of customers are residential and small commercial



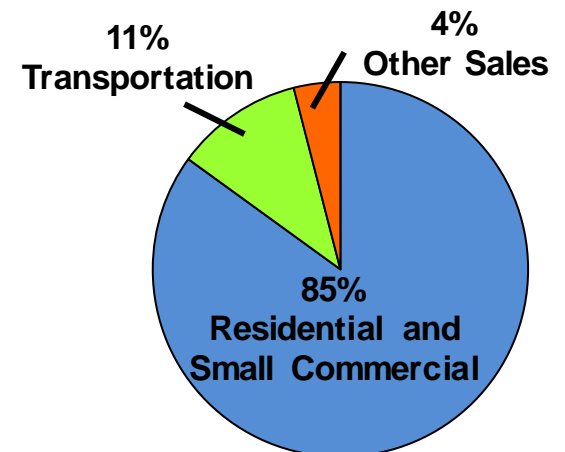
Stable Customer Base

TMTD December 31, 2014 Customer & Operating Margin Distribution

By State



Margin by Customer Class



➤ Consistent trends year over year

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



➤ W.S. Nicholls Construction

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



➤ Brigadier Pipelines

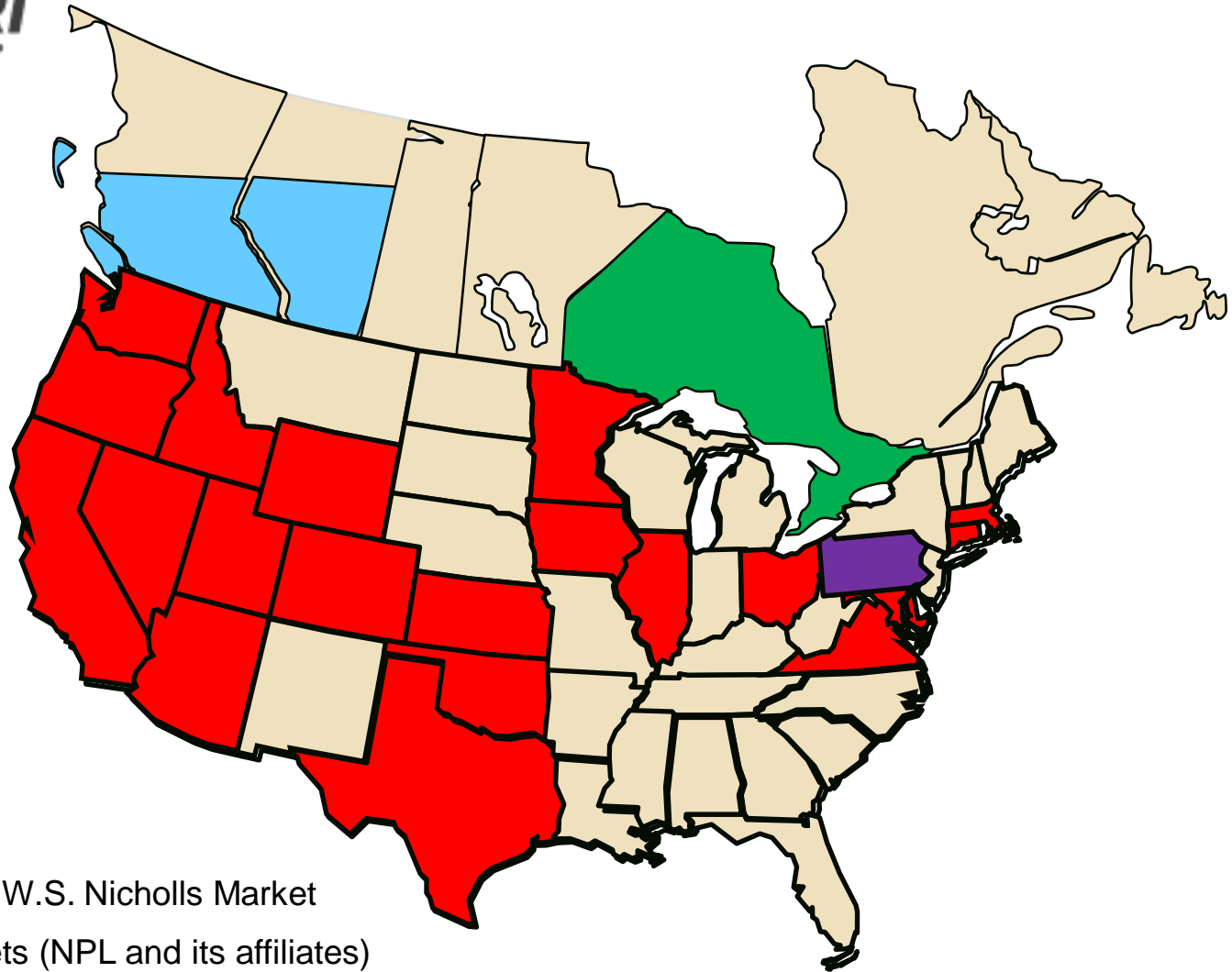
- Performs midstream construction in the United States, primarily in Pennsylvania
- Founded in 2012





CENTURI
CONSTRUCTION GROUP

Locations



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



High Quality Customer Base



Consolidated Financial Highlights

- Achieved second highest EPS
- Dividend increase for ninth consecutive year
- Successfully concluded two general rate cases
- Received approval in Arizona to construct an LNG facility
- Highest earnings year for construction services
- 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

Summary Operating Results

(In thousands, except per share amounts)

TWELVE MONTHS ENDED DECEMBER 31,		
2012	2013	2014

Results of Consolidated Operations

Contribution to net income - natural gas operations

Contribution to net income - construction services

Net income

\$ 116,619	\$ 124,169	\$ 116,872
16,712	21,151	24,254
<u>\$ 133,331</u>	<u>\$ 145,320</u>	<u>\$ 141,126</u>

Basic earnings per share

Diluted earnings per share

\$ 2.89	\$ 3.14	\$ 3.04
<u>\$ 2.86</u>	<u>\$ 3.11</u>	<u>\$ 3.01</u>

Construction Services Highlights



- Completed acquisition of Link-Line Group of Companies
- Newly formed Centuri Construction Group now comprises construction services segment
- Revenues increased 14% compared to 2013
- Construction expenses increased 13% over prior year
- Contribution to net income increased \$3.1 million to a record \$24.3 million

Summary Operating Results

Construction Services

(In thousands)



TWELVE MONTHS ENDED DECEMBER 31,

2012

2013

2014

Results of Construction Services

Construction revenues	\$ 606,050	\$ 650,628	\$ 739,620
Operating expenses:			
Construction expenses	541,523	573,284	647,857
Depreciation and amortization	37,387	42,969	48,883
Operating income	27,140	34,375	42,880
Other income (deductions)	246	39	(58)
Net interest deductions	1,063	1,145	3,770
Income tax expense	10,303	12,565	14,776
Net income	16,020	20,704	24,276
Noncontrolling interests	(692)	(447)	22
Contribution to net income	\$ 16,712	\$ 21,151	\$ 24,254

Natural Gas Operations Highlights

- Operating margin increased 1.5% compared to prior year
- 26,000 net new customers (1.4% growth rate)
- Net financing costs increased \$6 million between 2014 and 2013
- Decision approved in California general rate case
- Infrastructure recovery mechanism filings in both Nevada and Arizona approved
- Settlement reached in Paiute Pipeline Company general rate case

Summary Operating Results

Natural Gas Operations

(In thousands)

TWELVE MONTHS ENDED DECEMBER 31,

2012 2013 2014

Results of Natural Gas Operations

Gas operating revenues	\$ 1,321,728	\$ 1,300,154	\$ 1,382,087
Net cost of gas sold	479,602	436,001	505,356
Operating margin	842,126	864,153	876,731
Operations and maintenance expense	369,979	384,914	383,732
Depreciation and amortization	186,035	193,848	204,144
Taxes other than income taxes	41,728	45,551	47,252
Operating income	244,384	239,840	241,603
Other income	4,165	12,261	7,165
Net interest deductions	66,957	62,555	68,299
Income before income taxes	181,592	189,546	180,469
Income tax expense	64,973	65,377	63,597
Contribution to net income - gas operations	\$ 116,619	\$ 124,169	\$ 116,872



2014 Increase in Operating Margin

Natural Gas Operations

(In millions)

Rate relief	\$	8
Customer growth		8
Other		(3)
Increase	\$	13

Operating Expense

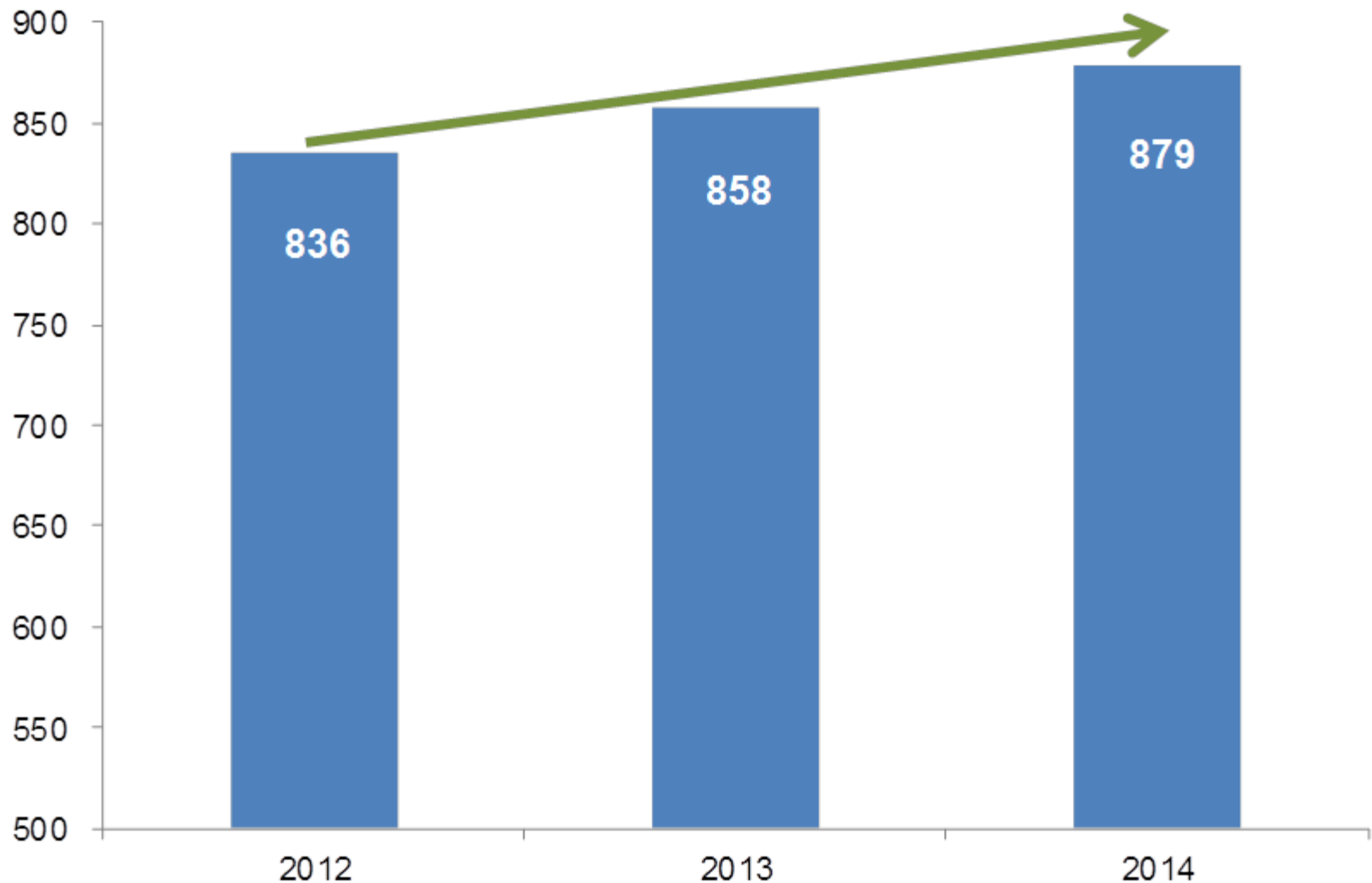
Natural Gas Operations

Operating expenses increased \$10.8 million or 1.7%

- O&M expense decreased nearly 1%
 - Pension and employer-sponsored medical costs resulted in a \$9.5 million decrease
 - Reductions offset by higher general costs
- Depreciation and amortization expense increased 5%
 - Driven by 6% increase in average plant and an increase in regulatory amortizations partially offset by lower depreciation rates from the California general rate case decision
- General taxes increased 4%
 - Primarily due to higher property taxes in Arizona and Nevada

Customer to Employee Ratio

Natural Gas Operations



Other Income and Deductions

Natural Gas Operations

(In thousands)

	TWELVE MONTHS ENDED DECEMBER 31,		
	2012	2013	2014
Change in COLI policies	\$ 6,600	\$ 12,400	\$ 5,300
Pipe replacement costs	(2,680)	(132)	-
Miscellaneous income and (expense)	245	(7)	1,865
Total other income (deductions)	<u>\$ 4,165</u>	<u>\$ 12,261</u>	<u>\$ 7,165</u>

* The Arizona replacement program work subject to non-recoverability was substantially completed in 2012

Net Financing Costs

Natural Gas Operations

Increased by \$5.7 million from \$62.6 million in 2013 to \$68.3 million in 2014

- Primarily due to October 2013 issuance of \$250 million of 4.875% senior notes
- Increase mitigated by lower interest expense associated with deferred PGA balances payable

Regulation Key Highlights

Natural Gas Operations

➤ **General rate cases**

- California general rate case decision
- California 2015 post-test year attrition filing
- Paiute Pipeline Company general rate case settlement
- Next Arizona general rate case

➤ **Infrastructure mechanisms**

- Arizona COYL program
- Nevada GIR mechanism

➤ **Infrastructure/expansion projects**

- Pre-approval for Arizona LNG facility
- Paiute Pipeline Company - Elko County expansion project



Regulation - California

General Rate Case & Annual Attrition

Natural Gas Operations

In June 2014, the California Public Utilities Commission (CPUC) issued a final decision in Southwest's general rate case based on a 2014 future test period

- Decision provides for an operating revenue increase of \$7.1 million, plus a \$3.1 million depreciation reduction

As part of the 2014 general rate case decision by the CPUC, Post-Test Year (PTY) attrition increases were authorized for the years 2015 – 2018

- 2015 PTY attrition filing made in November 2014 requesting an annual increase in revenue of \$2.5 million
- Approved by CPUC in December 2014
- Rates effective January 2015

Regulation – Paiute Pipeline Company

General Rate Case Natural Gas Operations



Filed a rate case with FERC on February 28, 2014

- Requested a \$9 million increase in operating revenues
- Settlement agreement in principle reached in September 2014
- Settlement approved by FERC in February 2015
 - Provides for an operating revenue increase of \$2.4 million, plus a \$1.3 million depreciation reduction
 - Settlement rates were effective September 2014
 - Rate design changes encourage longer-term contracts
 - Next general rate case no earlier than May 2016 and no later than May 2019

Regulation – Arizona

Next General Rate Case

Natural Gas Operations

Rate case moratorium:

- Next earliest general rate case application – April 30, 2016
- Next earliest test year – November 30, 2015
- Required depreciation study
- New rates earliest effective – May 1, 2017

Regulation - Infrastructure Mechanisms

Natural Gas Operations

Arizona customer-owned yard line (COYL) program

- Initial program (Phase I) completed in 2014
- In January 2014, the ACC approved Southwest's request to modify the COYL program to include non-leaking COYLs (Phase II)
- Effective June 2014, the ACC authorized a revised surcharge to collect \$1.5 million to recover program capital costs through 2013
- In March 2015 submitted a filing with the ACC to update the surcharge to \$2.5 million and expect it to become effective midyear

Nevada gas infrastructure recovery (GIR) mechanism

- January 2014 PUCN approves GIR regulations
- 2014 GIR advance application authorized \$14.4 million replacement work for 2015
- 2014 GIR rate application
 - Authorizes a surcharge to recover cumulative infrastructure replacement deferrals through August 2014
 - Surcharge margin of \$2 million effective January 2015



Regulation - Infrastructure/Expansion Projects

Proposed LNG Facility - Arizona

Natural Gas Operations

Southwest filed an application with the ACC seeking pre-approval of LNG facility in southern Arizona

- January 2014 filing seeks recovery of actual costs, not to exceed \$55 million
- December 2014 ACC decision granting pre-approval
 - Deferral cost limited to \$50 million
 - Authorization to defer costs expires on November 1, 2017
 - Gas costs to be recovered through the PGA mechanism
 - Construction expected to take 24 to 30 months

Regulation -Infrastructure/Expansion Projects

Elko County Expansion - Paiute

Natural Gas Operations



Project to provide additional firm transportation-service capacity in Elko County Nevada

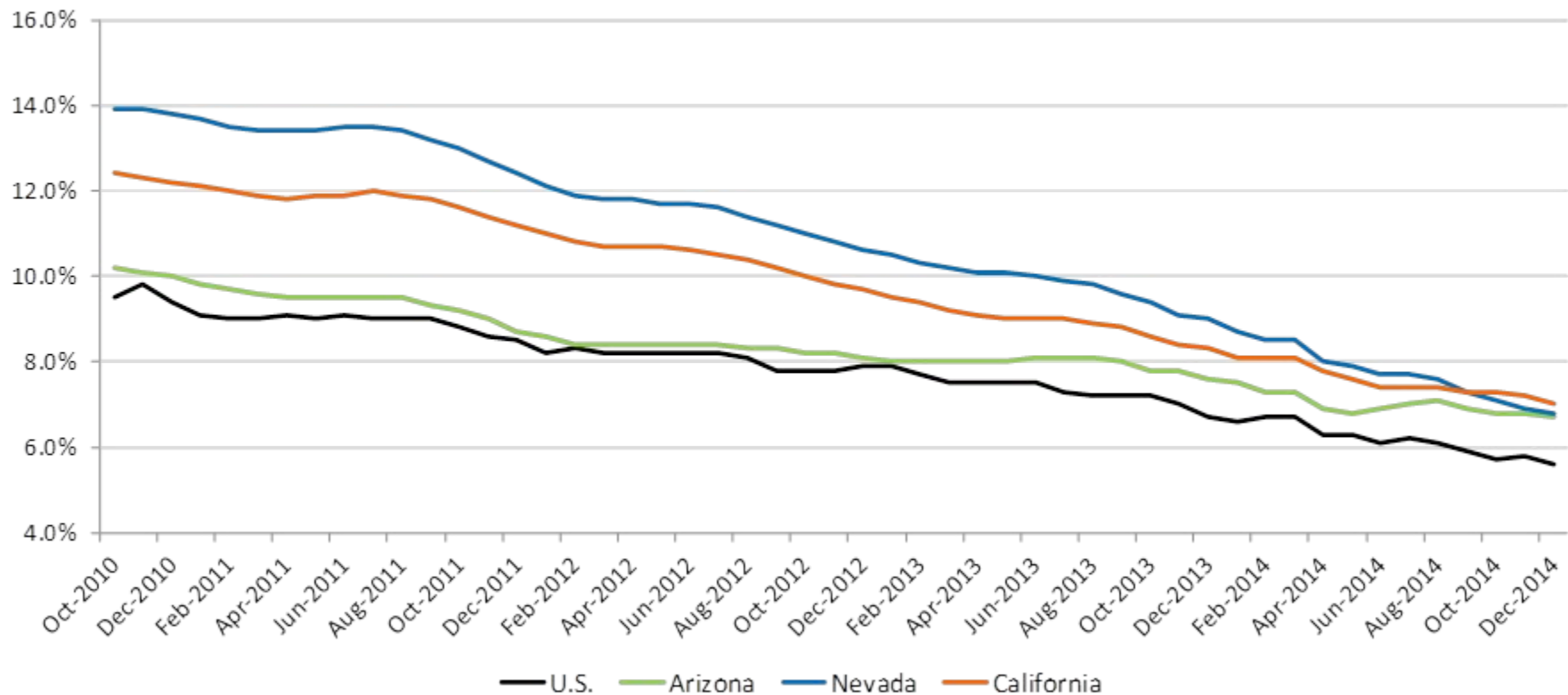
- “Open season” conducted in 2013 indicated substantial interest
- Certificate application filed with FERC in June 2014
- Estimated cost of the project is \$35 million
- Targeted in-service date of November 2015
- Preliminary favorable environmental assessment issued by the FERC
- FERC decision expected in the first half of 2015

Economic Overview

Service Area

Natural Gas Operations

Unemployment Rate
Seasonally Adjusted Data



Economic Overview

Service Area

Natural Gas Operations

Employment Growth

As of December

2013

2014

Southern California

1.2%

2.0%

Nevada

1.8%

2.3%

Arizona

2.0%

2.6%



Customer Growth Breakdown

Service Area

Natural Gas Operations

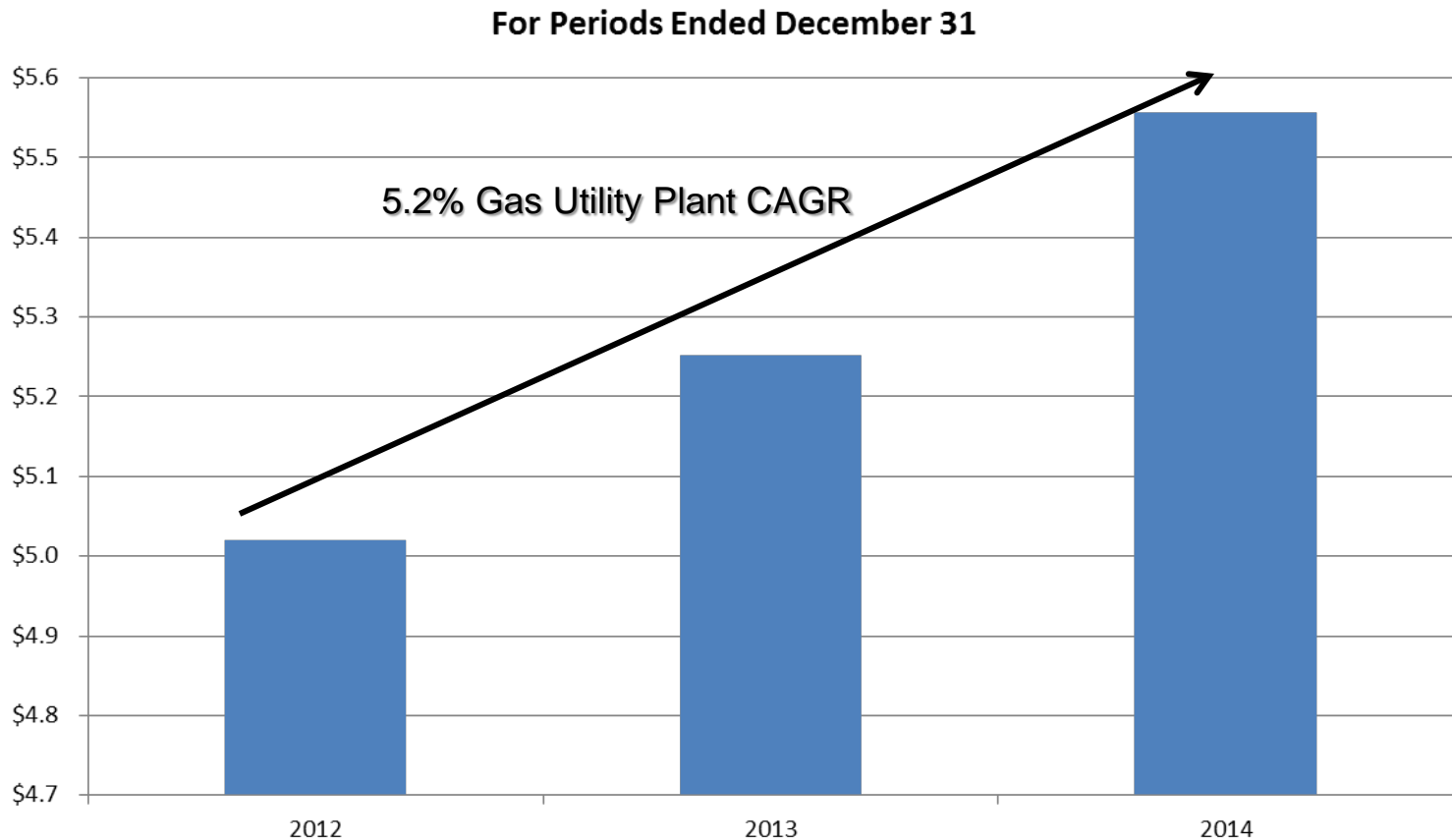
	Twelve Months Ended December 31,		
	2012	2013	2014
Beginning period	1,859	1,876	1,904
New meter sets	17	21	20
Meter turn-on/turn-offs	-	7	6
Ending period	<u>1,876</u>	<u>1,904</u>	<u>1,930</u>

- For 2015, Company is projecting net customer growth of about 1.5%

Gas Utility Plant - Growth

Natural Gas Operations

(In billions)

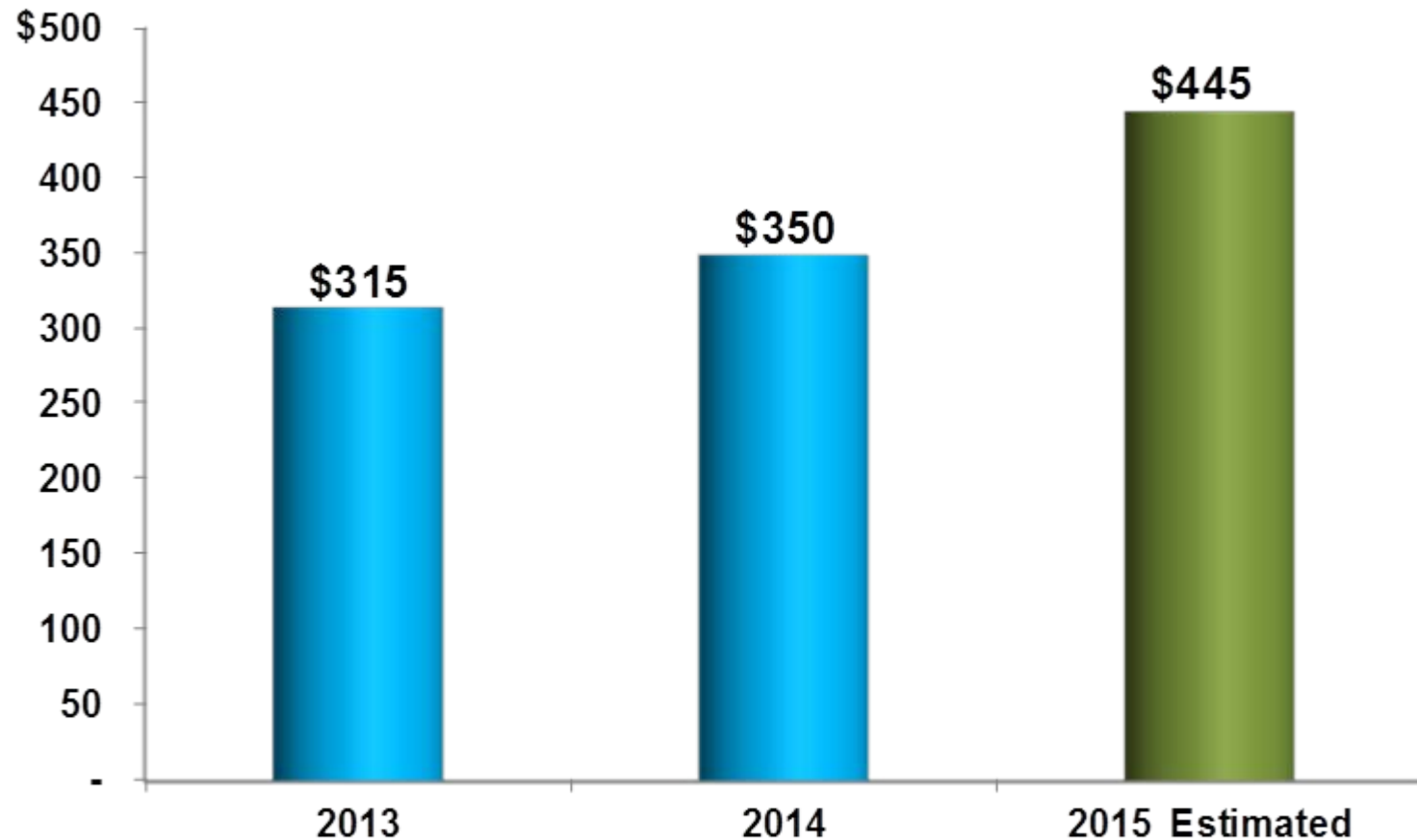


CAGR = compound annual growth rate

Capital Expenditures

Natural Gas Operations

(In millions)



2015 - 2017 Estimate: \$1.3 billion



SOUTHWEST GAS

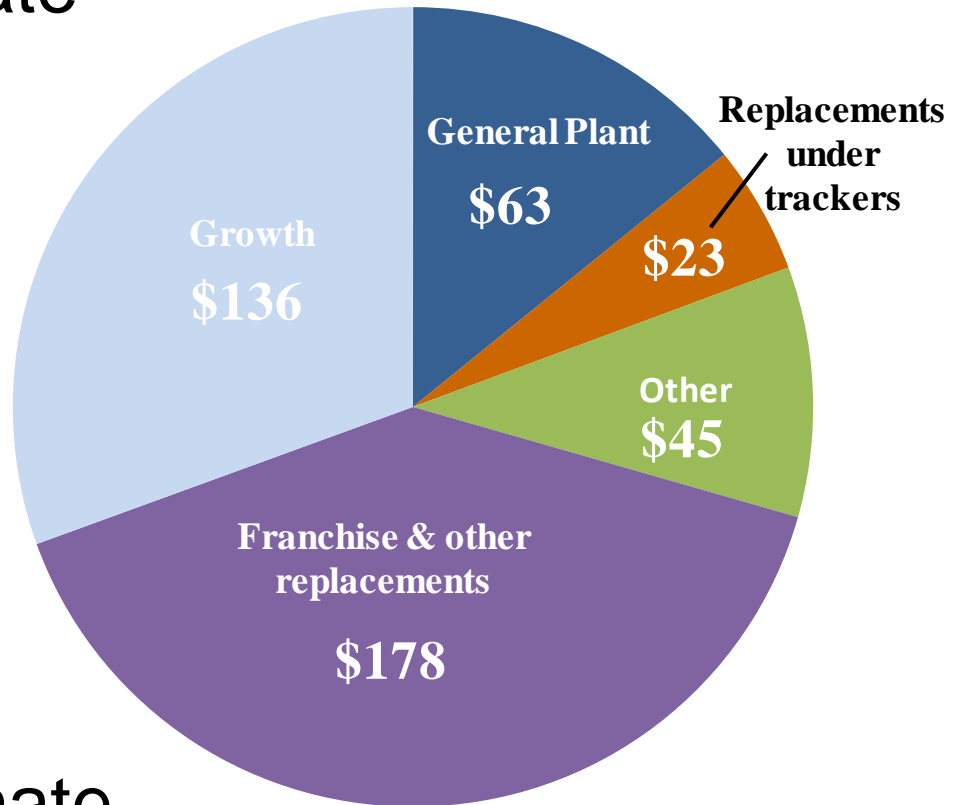
Capital Expenditures

Natural Gas Operations

(In millions)

➤ 2015 total estimate

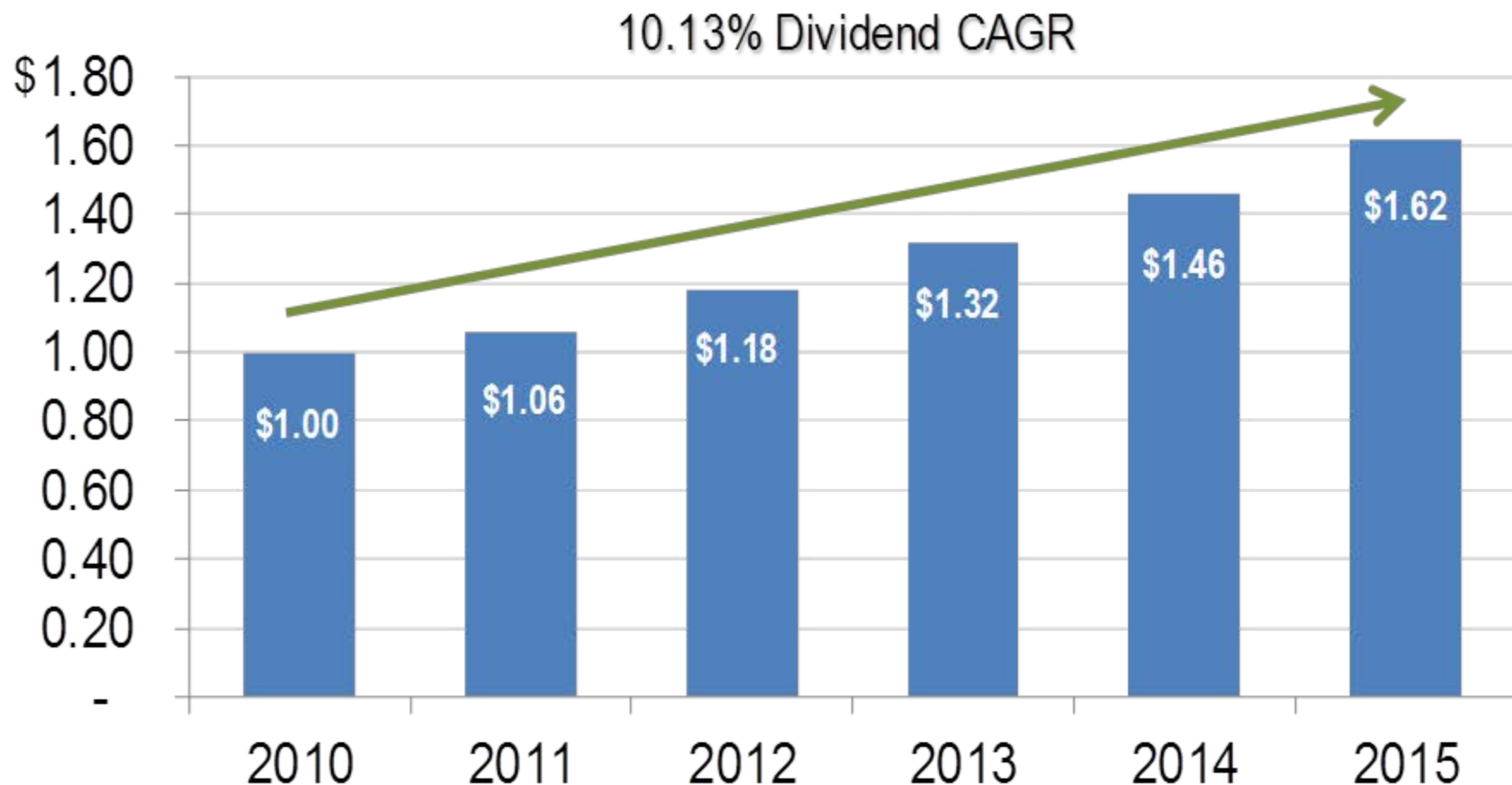
– \$445 million



➤ 2015-2017 estimate

– \$1.3 billion

Dividend Growth



CAGR = compound annual growth rate

2015 Expectations

Construction Services

- Strong emphasis on integration efforts
- Revenues expected to range between \$950 million and \$1 billion
- Operating income to approximate 6% of revenues
- Net interest deductions to be between \$6.5 million and \$7.5 million
- Collective expectations are before consideration of noncontrolling interest of 3.4%
- Foreign exchange rate and interest rate environment could influence their achievement

2015 Expectations

Natural Gas Operations

- Net customer growth of 1.5%
- Operating margin is estimated to increase nearly 2%
- Operating costs increase assumption of 3% – 4%
 - Includes net pension expense increase of \$8 million reflecting updated mortality tables
- Net interest deductions for 2015 will approximate 2014 results
- Average normal annual COLI returns of \$3 million – \$5 million
- Capital expenditures of \$445 million reflecting pipe replacement activity, customer growth and expansion projects

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

APPENDIX



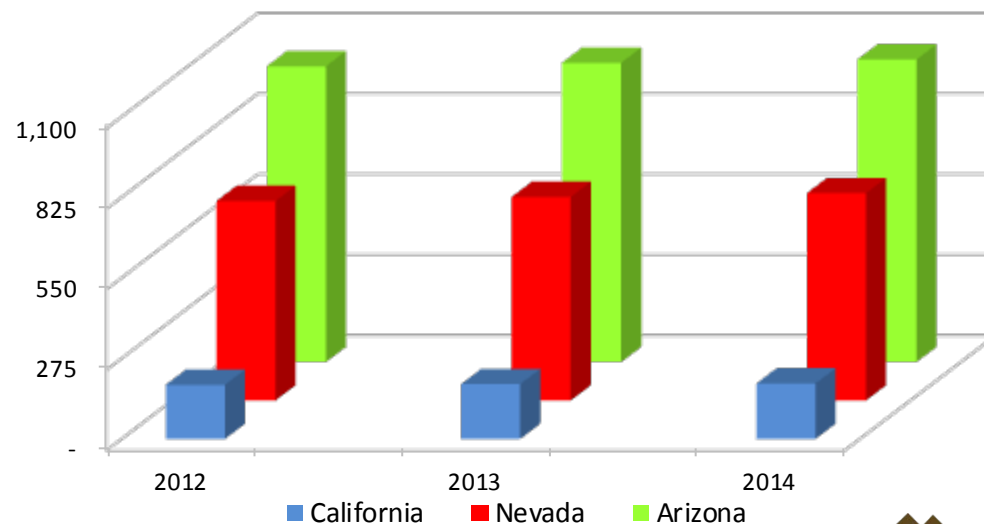
Customers by State

Natural Gas Operations

(In thousands)

As of December 31,

	2012	2013	2014
Arizona	1,010	1,022	1,033
Nevada	681	695	708
California	185	187	189
Total	1,876	1,904	1,930



SOUTHWEST GAS

Customers by Class

Natural Gas Operations

(In thousands)

CUSTOMER COUNTS BY CLASS

AT DECEMBER 31,

	2012	2013	2014
Residential	1,797	1,824	1,850
Commercial	78	79	79
Other	1	1	1
Total	1,876	1,904	1,930



Purchased Gas Adjustment (PGA) Balances

Natural Gas Operations
(In millions)

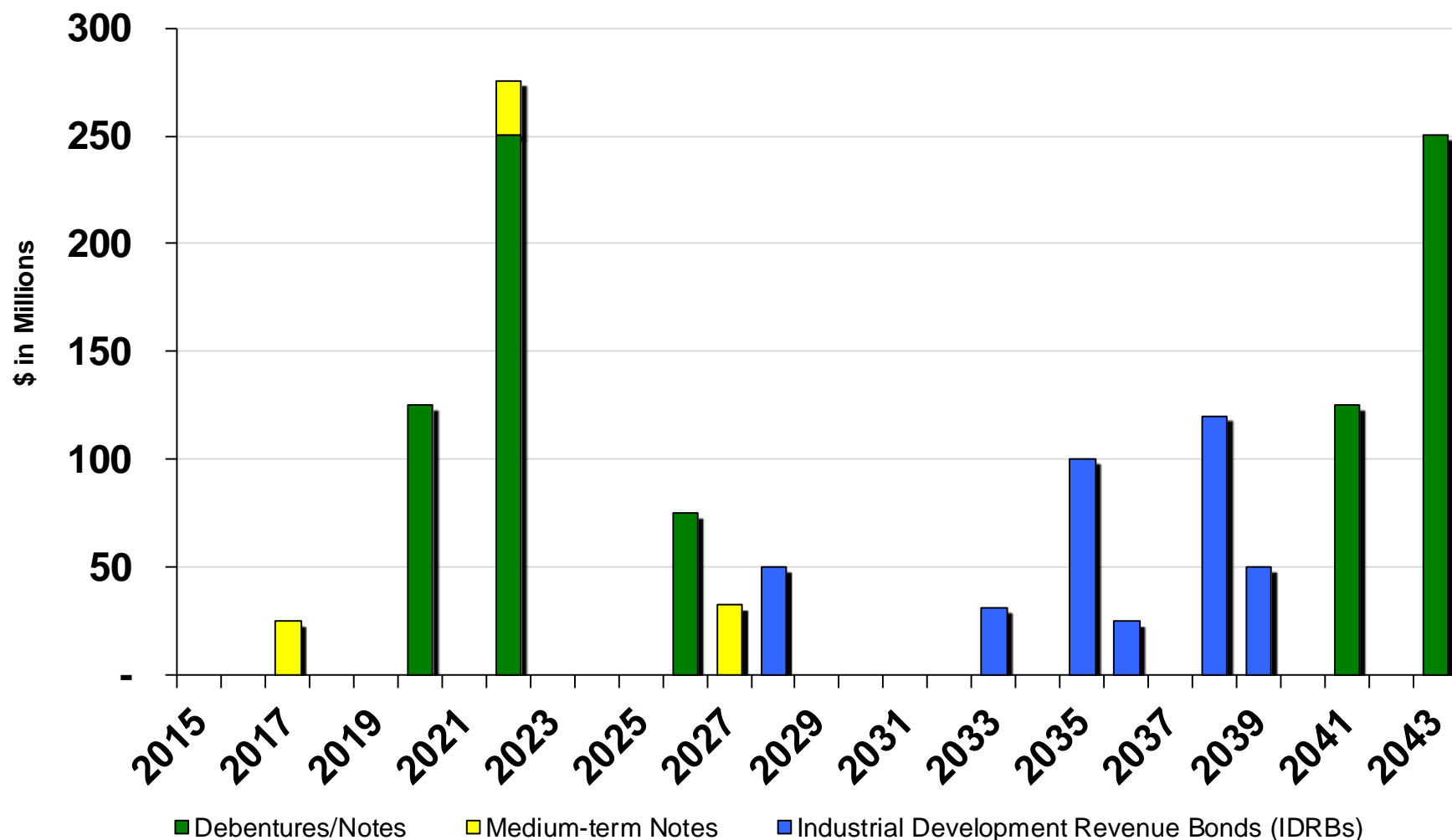
	AS OF DECEMBER 31,	
	2013	2014
Arizona	\$ 3.2	\$ 48.4
Northern Nevada	4.4	10.2
Southern Nevada	4.1	20.4
California	6.5	8.6
Total Receivable	<u>\$ 18.2</u>	<u>\$ 87.6</u>

Liquidity

Natural Gas Operations

- \$300 million revolving credit facility which expires in March 2019
 - \$150 million of the facility designated long-term debt and remaining \$150 million as working capital
- \$50 million commercial paper program supported by revolving credit facility
- At December 31, 2014
 - \$50 million of commercial paper and \$105 million of LIBOR loans were outstanding
 - Available borrowing capacity of \$145 million
- Management believes the facility size is adequate

Long-Term Debt Maturity Schedule^[1] at December 31, 2014



[1] Does not include the long-term portion of the \$300 million Revolving Credit Facility, due March 2019, or debt outstanding of Centuri Construction Group subsidiary.

Authorized Rate Base and Rates of Return

Rate Jurisdiction	Authorized Rate Base (In thousands)	Authorized Rate of Return	Authorized Return on Common Equity
Arizona	\$ 1,070,117	8.95 %	9.50 %
Southern Nevada	825,190	6.47 %	10.00 %
Northern Nevada	115,933	7.88 %	9.30 %
Southern California	159,277	6.83 %	10.10 %
Northern California	67,620	8.18 %	10.10 %
South Lake Tahoe	25,389	8.18 %	10.10 %
Paiute Pipeline Company (1)	84,717	9.47 %	12.00 %

(1) Estimated amounts based on 2010 rate case settlement.

Consolidated Capital Structure

(In millions)

Capitalization at December 31,	2010	2011	2012	2013	2014
Equity ¹	\$ 1,167	\$ 1,225	\$ 1,308	\$ 1,412	\$ 1,506
Long-Term Debt ²	1,200	1,254	1,319	1,393	1,657
Total Permanent Capital	<u>\$ 2,367</u>	<u>\$ 2,479</u>	<u>\$ 2,627</u>	<u>\$ 2,805</u>	<u>\$ 3,163</u>
Capitalization ratios					
Equity ¹	49.3%	49.4%	49.8%	50.4%	47.6%
Long-Term Debt ²	50.7%	50.6%	50.2%	49.6%	52.4%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

¹Includes redeemable noncontrolling interest

²Includes current maturities of long-term debt

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

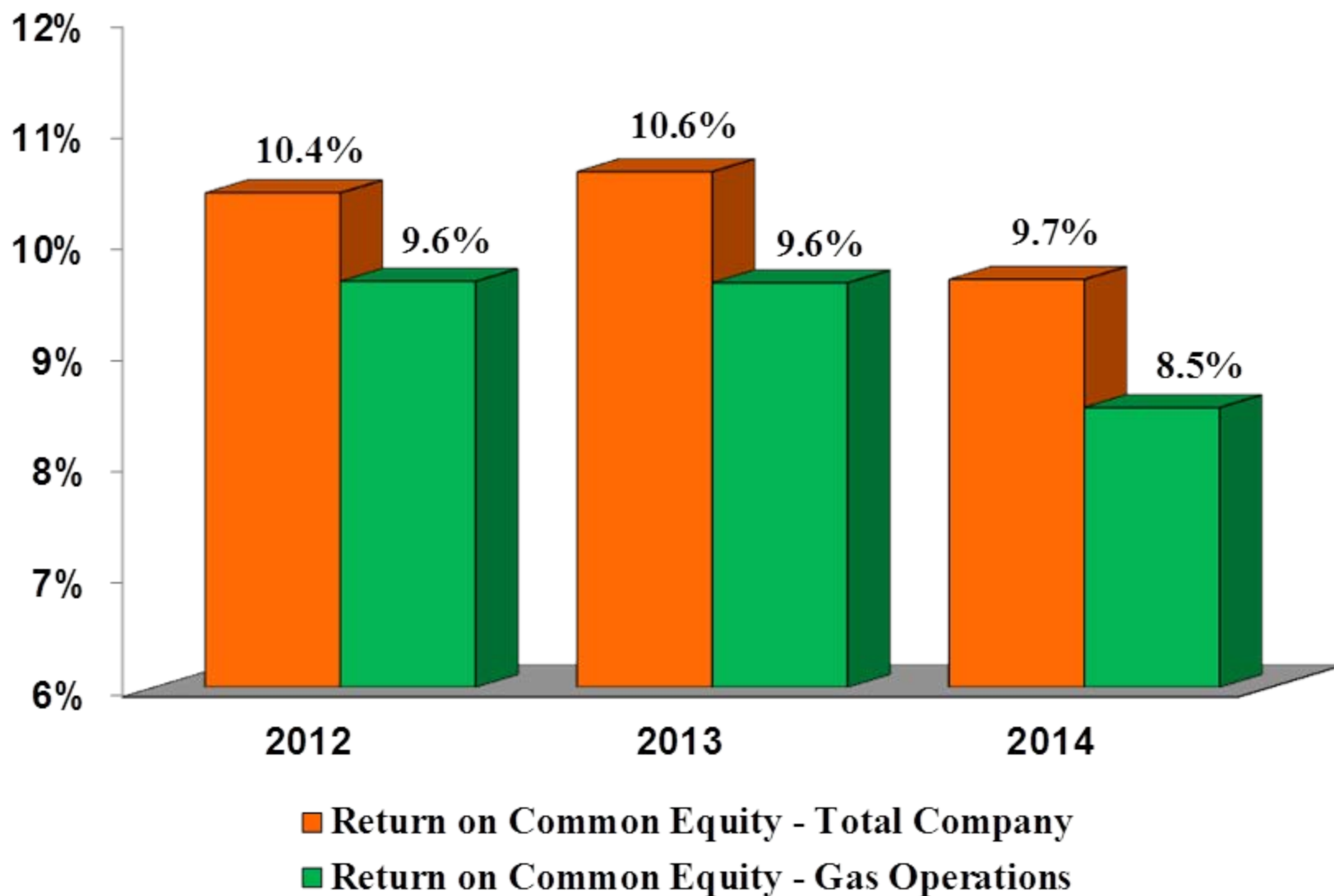
- Senior Unsecured Debt:
- Outlook:

A (May 2013)
Stable

Dividend Growth Policy

Over time, the Board intends to increase the dividend such that our payout ratio approaches our local distribution company peer group average while maintaining our strong credit ratings and our ability to effectively fund future rate base growth. The timing and amount of any increases would be based upon the Board's continual review of our dividend rate in the context of the performance of the Company's two operating segments and their future growth prospects.

Return on Common Equity



Stock Price Graph

Southwest Gas Corporation
Common Stock Closing Price
December 31, 2004 – December 31, 2014



Comparative Total Returns

Total Returns for Periods Ended December 31, 2014

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Southwest Gas	13.50%	16.34%	19.99%	12.56%
S&P 600 Small Gas Index	20.71%	10.23%	13.44%	10.92%
Dow Jones Utilities	30.58%	14.35%	13.77%	10.48%
S&P 500 Index	13.66%	20.34%	15.42%	7.66%

Total Return = Price appreciation plus gross dividends reinvested