

Equity Analyst Meetings New York, NY January 4-5, 2017



Southwest Gas
HOLDINGS



Presented by:

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Safe Harbor Statement

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission (SEC). We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These include, without limitation, our 2016 expectations for our construction services and natural gas operations segments.

Forward-looking statements are based on assumptions which we believe are reasonable, based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” of our 2015 Annual Report on Form 10-K filed with the SEC, and other reports that we file with the SEC from time to time, and the following:

- The timing and amount of rate relief;
- Changes in operating expenses;
- Changes in rate design;
- Customer growth rates;
- Conditions in housing markets;
- The effects of regulation/deregulation;
- The impacts of construction activity at our construction services segment;
- The impacts of stock market volatility; and
- Other factors discussed from time to time in our filings with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. The statements in this presentation are made as of the date hereof, even if subsequently made available on our Web site or otherwise. We do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

Topical Summary

- I. Holding Company Reorganization
- II. Update on Regulation – Southwest Gas
 - a) Arizona General Case
 - b) Arizona LNG Facility
 - c) Nevada GIR Mechanism
 - d) California Rate Case
 - e) Commissioner Update
- III. Upcoming Activities



Holding Company Reorganization

Effective January 1, 2017



New Holding Company Structure



Fully effective January 4, 2017

Holding Company Reorganization

Key Benefits:

- Creates further legal and financial separation between regulated utility and unregulated construction services businesses
- Provides financing flexibility



Southwest Gas Holdings at a Glance

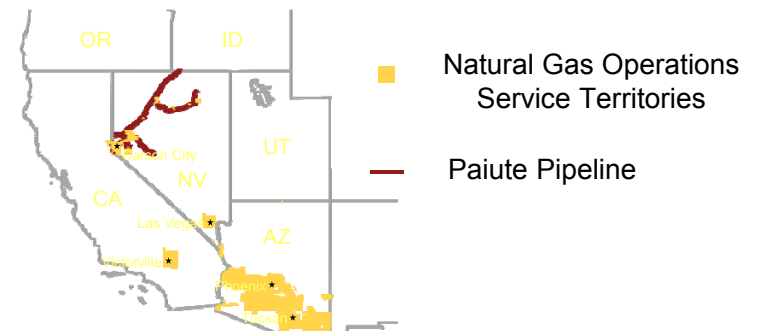
QUICK FACTS

- **Southwest Gas Holdings consists of two business segments:**
 - **Natural Gas Operations – Southwest Gas Corporation**
 - **Construction Services – Centuri Construction Group**
- **Southwest Gas Corporation:**
 - Largest distributor of natural gas in Arizona (including Phoenix and Tucson metropolitan areas) and Nevada (including Las Vegas), and also distributes and transports gas in parts of California (including the Lake Tahoe area)
 - Operates a pipeline transmission system (including an LNG storage facility) through Paiute Pipeline Company (“Paiute”), a wholly-owned subsidiary
 - Headquartered in Las Vegas
 - As of September 30, 2016, 1,967,000 customers, 99% of which are residential and small commercial, and total authorized rate base of approximately \$2.4 billion
- **Centuri Construction Group:**
 - Centuri is a full-service underground piping contractor (one of North America’s largest) that primarily provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems, and industrial construction solutions
 - Headquartered in Phoenix
 - 96.6% owned subsidiary
 - Operates in several major markets across the U.S. and Canada, generally conducted under the business names of NPL Construction, NPL Canada, W.S. Nicholls Construction and Brigadier Pipelines

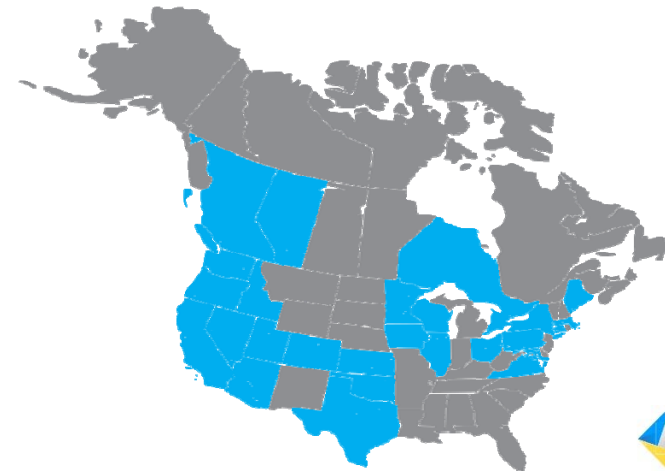
BUSINESS MIX— SEPTEMBER 30, 2016 TMTD NET INCOME



NATURAL GAS OPERATIONS—SERVICE TERRITORIES



CENTURI—MARKETS



Southwest Gas Holdings

Investment Grade Credit Ratings

Initial credit ratings

Rating Agency	Rating	Outlook	Initial Rating
Moody's	Baa1	Stable	December 2016
S&P	BBB+	Stable	December 2016
Fitch	BBB+	Stable	December 2016



Update on Regulation Southwest Gas Corporation



Update on Regulation

Arizona General Rate Case

Natural Gas Operations – Southwest Gas Corporation

Rate Case Filed May 2016

	Southwest Gas Requested	Proposed Settlement*
Rate Relief	\$32 Million	\$16 Million
Depreciation study	(\$42 Million)	(\$45 Million)
Rate Base	\$1.3 Billion	\$1.3 Billion
ROE	10.25%	9.50%
Capital Structure - Equity	52%	52%
Estimated Effective Date	May 2017	May 2017

* Proposed settlement is subject to final approval by the Arizona Corporation Commission



Update on Regulation

Arizona General Rate Case

Natural Gas Operations – Southwest Gas Corporation

Other Key Provisions*

- Continuation of fully decoupled rate design
- Implementation of a property tax tracker
- Expansion of customer owned yard line (COYL) replacement program
- Implementation of a vintage steel pipe (VSP) replacement program
- Extension of the deferral account for the LNG facility, permitted to defer the revenue requirement associated with all costs incurred before December 31, 2020 for recovery in a future rate case
- Implementation of a new compressed natural gas tariff that will provide an opportunity to facilitate growth in this market by investing in CNG facilities
- Agreement not to file another rate case sooner than May 1, 2019

* Proposed settlement is subject to final approval by the Arizona Corporation Commission



Update on Regulation

Arizona LNG Facility

Natural Gas Operations – Southwest Gas Corporation

Arizona LNG Facility

- In December 2014 ACC authorized preapproval to construct and operate an LNG facility and to defer costs up to \$50 million
- Southwest Gas made a filing in October 2016 to modify the previous decision granting preapproval to reflect a new not to exceed amount of \$80 million, reflective of current market pricing to construct the proposed 233,000 dekatherm LNG facility
- On December 19, 2016, the ACC approved the requested modification
- Construction expected to be completed by end of 2019



Update on Regulation

Nevada GIR Mechanism

Natural Gas Operations – Southwest Gas Corporation

Nevada Gas Infrastructure Replacement (GIR)

- In December 2016, the Public Utilities Commission of Nevada (PUCN) approved \$4.5 million GIR Rate Application
 - New rates became effective January 1
- After three GIR rate applications, the GIR regulations prohibit another GIR Advance Application until the utility (1) files a general rate case, or (2) is granted a waiver of the requirement to file a rate case
- In November 2016 Southwest Gas filed a petition for a waiver of the GIR regulations to permit Southwest Gas to file a GIR Advance Application in 2017 without filing a general rate case
 - The PUCN Staff is in support of the waiver
 - Commitment to file a general rate case before June 2018
- Expect a decision on waiver before the end of February 2017



Update on Regulation

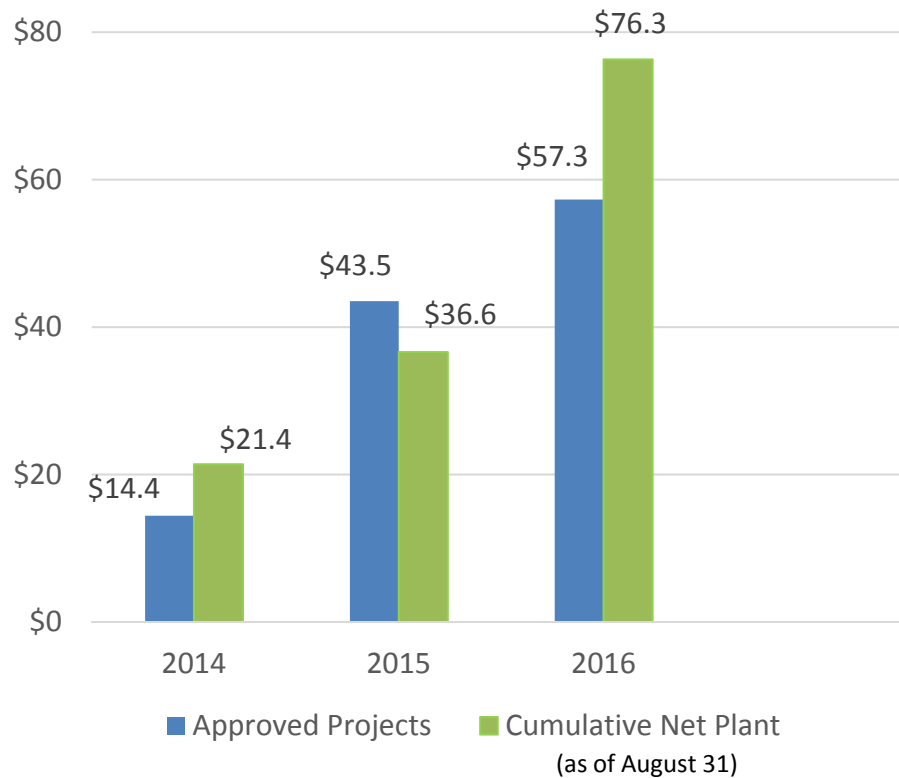
Nevada GIR Mechanism

Natural Gas Operations – Southwest Gas Corporation

Nevada Gas Infrastructure Replacement (GIR)

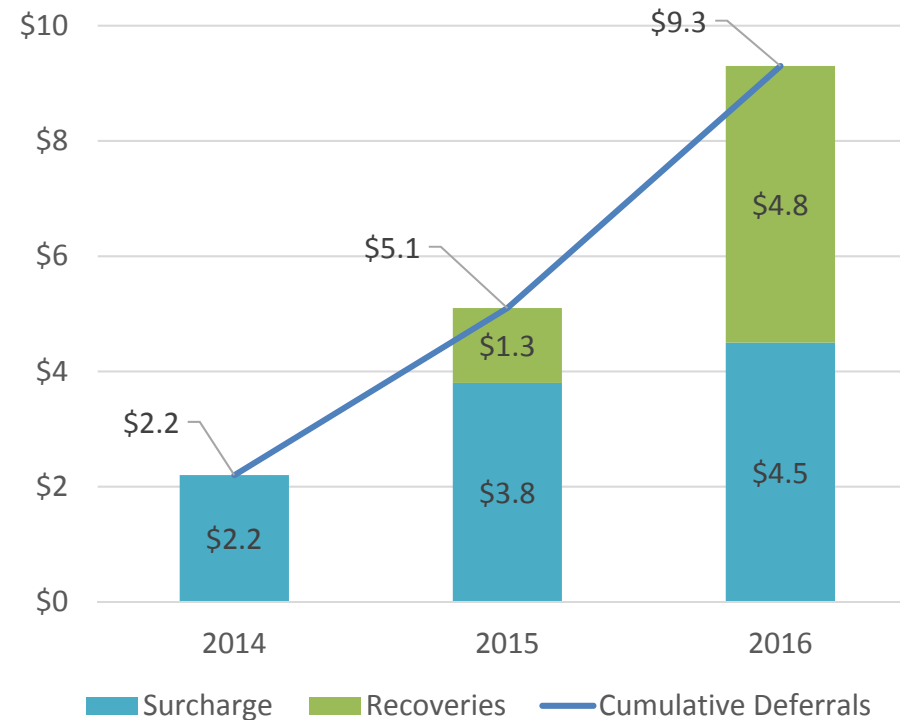
GIR Approved Projects and Cumulative Net Plant

(\$ in millions)



GIR Deferral Balances, Recoveries and Surcharge

As of August 31 (surcharges effective January 1 of following year)
(\$ in millions)



Update on Regulation

California Rate Case

Natural Gas Operations – Southwest Gas Corporation

California Rate Case

- As part of the 2014 general rate case decision, Post-Test Year (PTY) attrition increases were authorized for the years 2015 – 2018
- 2017 PTY attrition filing made in November 2016 requesting an annual increase in revenue of \$2.8 million
 - Includes final costs (\$176,000) associated with the Victor Valley replacement project
- The CPUC approved the requested modification in December 2016
 - Rates effective January 1, 2017



Update on Regulation

California Rate Case

Natural Gas Operations – Southwest Gas Corporation

California Rate Case

- Southwest Gas is currently scheduled to file its next California rate case in September 2017, as part of its five year rate case cycle
- In December 2016 Southwest Gas filed a petition requesting to extend the general rate case cycle by two years, such that the next rate case would be filed in September 2019
 - Petition also requests a continuation of the currently approved PTY attrition increases of 2.75% for years 2019-2020
- The Office of Ratepayer Advocates supports the request
- Southwest Gas requested a decision on the petition by April 2017



Update on Regulation

Commissioner Update

Natural Gas Operations – Southwest Gas Corporation

Arizona Commissioners	Party Affiliation	Term Ends
Doug Little (Chairman)	R	Jan. 2019
Bob Burns	R	Jan. 2021
Tom Forese	R	Jan. 2019
Andy Tobin	R	Jan. 2021
Boyd Dunn	R	Jan. 2021

Nevada Commissioners	Party Affiliation	Term Ends
Joe Reynolds (Chairman)	R	Sept. 2020
Paul Thomsen	D	Sept. 2019
Ann Pongracz	D	Sept. 2017

California Commissioners	Party Affiliation	Term Ends
Michael Picker (President)	D	Jan. 2021
Carla Peterman	D	Jan. 2019
Liane Randolph	D	Jan. 2021
Clifford Rechtschaffen	D	Jan. 2023
Martha Guzman Aceves	D	Jan. 2023





Upcoming Activities



Upcoming Activities

- Southwest Gas Holdings board meeting
- Earnings release in late February
- 2016 Southwest Gas Holdings Year-End Earnings Conference Call to follow earnings release
 - Provide 2017 expectations by segment





APPENDIX



Summary Operating Results

(In thousands, except per share amounts)

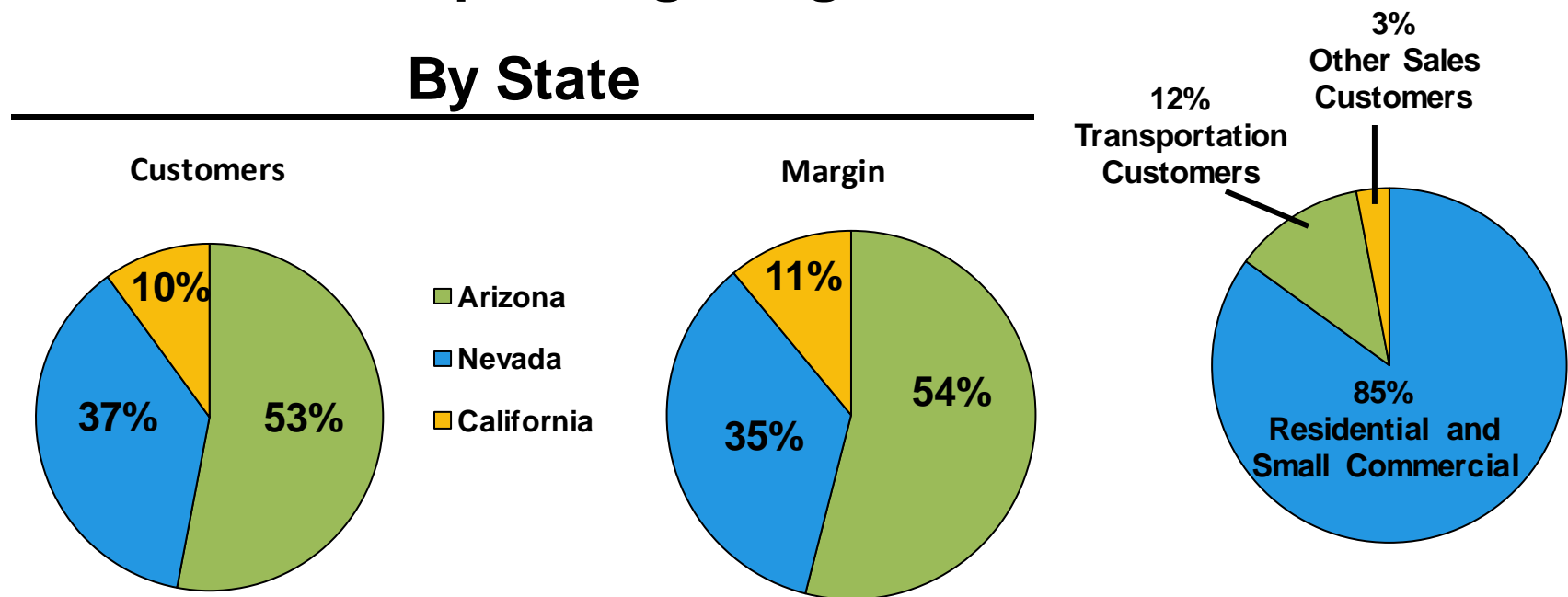
	THREE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2016	2015	2016	2015
Results of Consolidated Operations				
Gas operations income (loss)	\$ (12,405)	\$ (18,939)	\$ 119,836	\$ 113,252
Construction services income	14,877	14,205	33,144	17,692
Net income (loss)	<u>\$ 2,472</u>	<u>\$ (4,734)</u>	<u>\$ 152,980</u>	<u>\$ 130,944</u>
Basic earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ 3.22</u>	<u>\$ 2.80</u>
Diluted earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ 3.20</u>	<u>\$ 2.77</u>
Average shares outstanding	47,481	47,102	47,442	46,777
Average shares outstanding (assuming dilution)	47,830	-	47,787	47,194

Stable Customer Base

Natural Gas Operations – Southwest Gas Corporation

TMTD September 30, 2016 Customer & Operating Margin Distribution

By State



➤ Consistent trends year over year



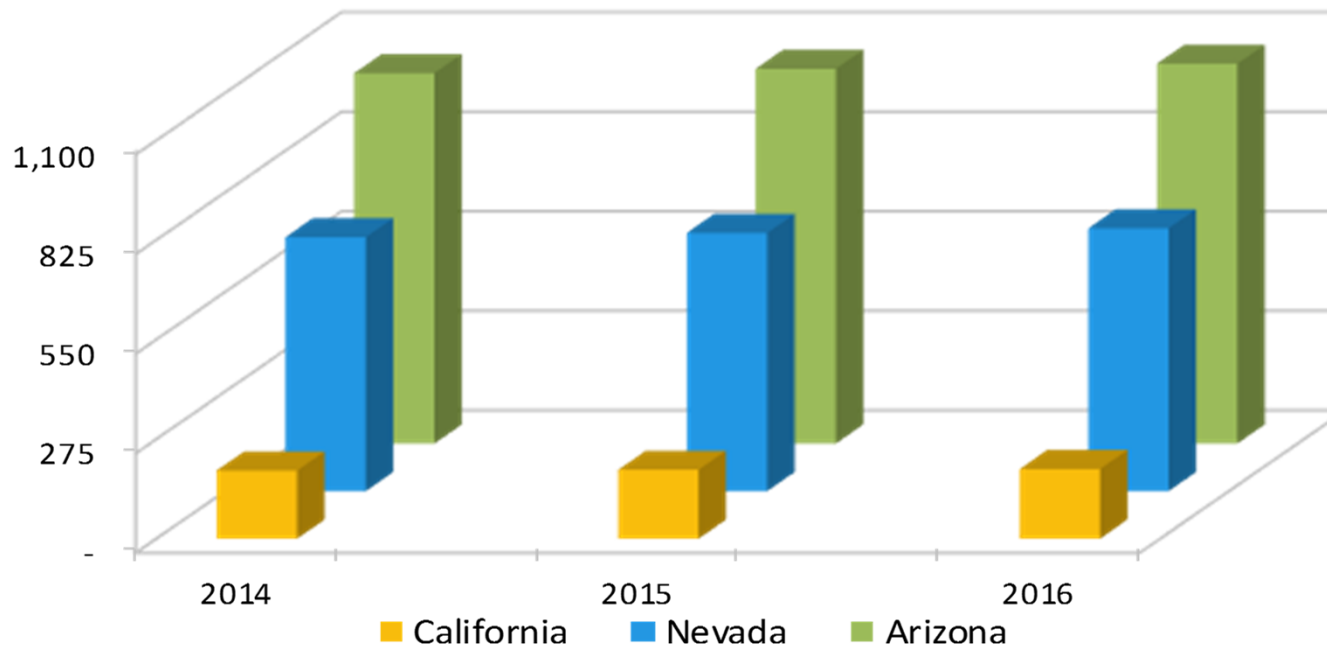
Customers by State

Natural Gas Operations –Southwest Gas Corporation

(In thousands)

As of September 30,

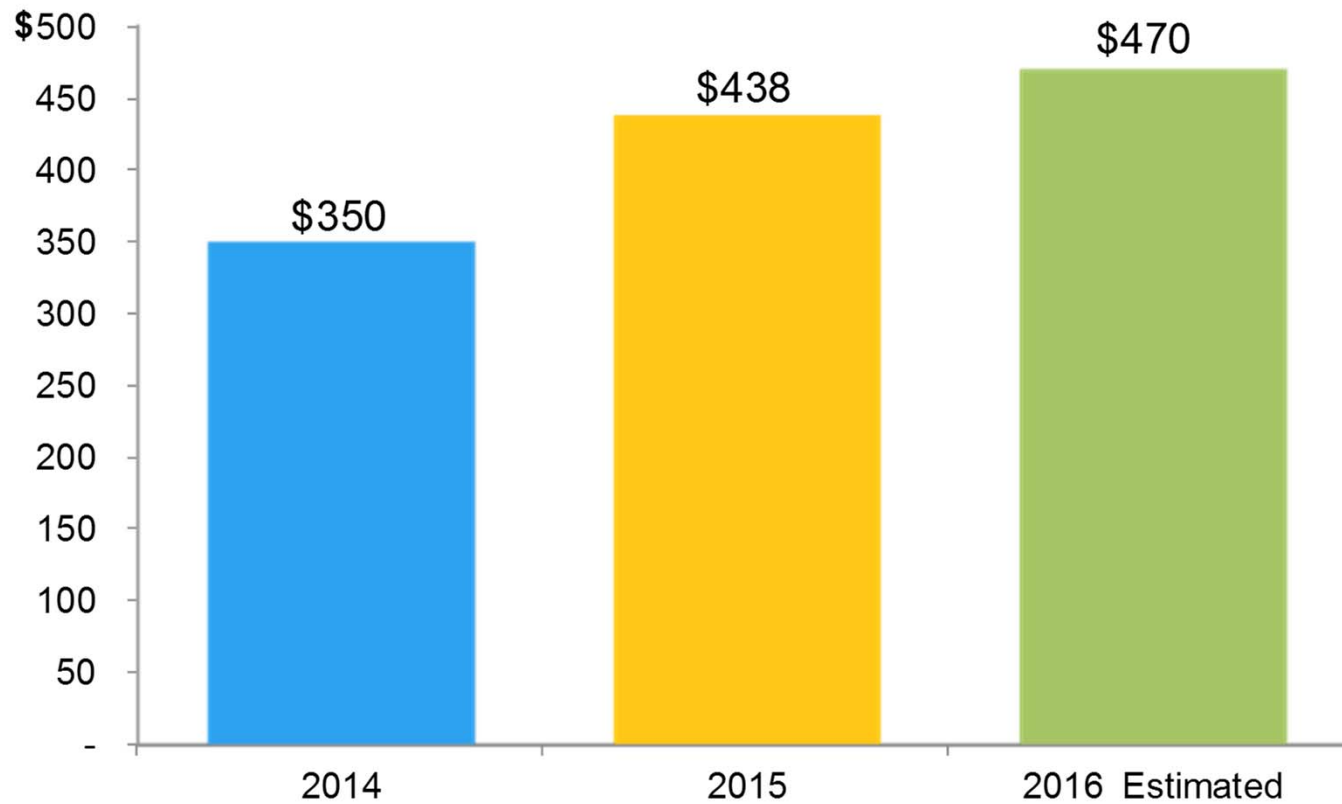
	2014	2015	2016
Arizona	1,023	1,035	1,049
Nevada	701	713	726
California	188	190	192
Total	1,912	1,938	1,967



Capital Expenditures

Natural Gas Operations –Southwest Gas Corporation

(In millions)



2016 - 2018 Estimate: \$1.4 billion - \$1.6 billion



Authorized Rate Base and Rates of Return

Natural Gas Operations – Southwest Gas Corporation

<u>Rate Jurisdiction</u>	<u>Commission</u>	<u>Authorized Rate Base (In thousands)</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity</u>	<u>Decoupled</u>	<u>Authorized Common Equity Ratio</u>
Arizona	ACC	\$ 1,070,117	8.95 %	9.50 %	✓	52.30 %
Southern Nevada	PUCN	825,190	6.46	10.00	✓	42.74
Northern Nevada	PUCN	115,933	7.88	9.30	✓	59.06
Southern California	CPUC	159,277	6.83	10.10	✓	55.00
Northern California	CPUC	67,620	8.18	10.10	✓	55.00
South Lake Tahoe	CPUC	25,389	8.18	10.10	✓	55.00
Paiute Pipeline Company (1)	FERC	87,158	8.46	11.00	✓	51.75

(1) Estimated amounts based on rate case settlement.

<p>ACC – Arizona Corporation Commission PUCN - Public Utilities Commission of Nevada CPUC - California Public Utilities Commission FERC - Federal Energy Regulatory Commission</p>



Investment Grade Credit Ratings

Natural Gas Operations – Southwest Gas Corporation

Strong liquidity will support capital expenditure and working capital needs

- Stable operating cash flows
- \$300 million revolving credit facility
- Uncommitted commercial paper program

Strong investment-grade credit ratings

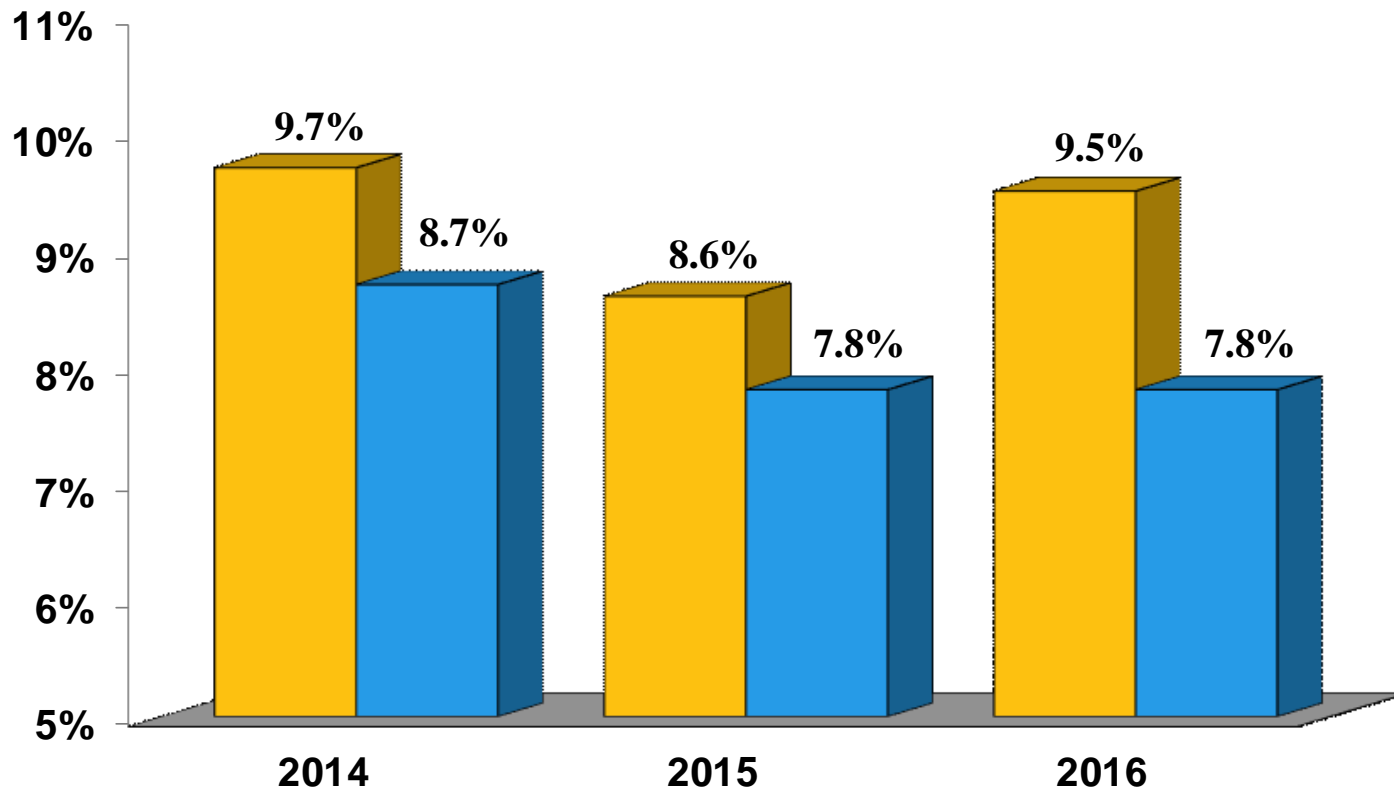
Rating Agency	Rating[1]	Outlook	Reaffirmed
Moody's	A3	Stable	December 2016
S&P	BBB+	Stable	December 2016
Fitch	A	Stable	December 2016

[1] Senior unsecured debt rating



Return on Common Equity

Twelve months ended September 30,



- Return on Common Equity - Total Company
- Return on Common Equity - Gas Operations

Consolidated Capital Structure

(\$ in millions)

Capitalization at September 30,	2012	2013	2014	2015	2016
Equity ¹	\$ 1,265	\$ 1,361	\$ 1,452	\$ 1,562	\$ 1,640
Long-Term Debt ²	1,261	1,291	1,449	1,560	1,643
Total Permanent Capital	<u>\$ 2,526</u>	<u>\$ 2,652</u>	<u>\$ 2,901</u>	<u>\$ 3,122</u>	<u>\$ 3,283</u>
Capitalization ratios					
Equity ¹	50.1%	51.3%	50.1%	50.0%	50.0%
Long-Term Debt ²	49.9%	48.7%	49.9%	50.0%	50.0%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

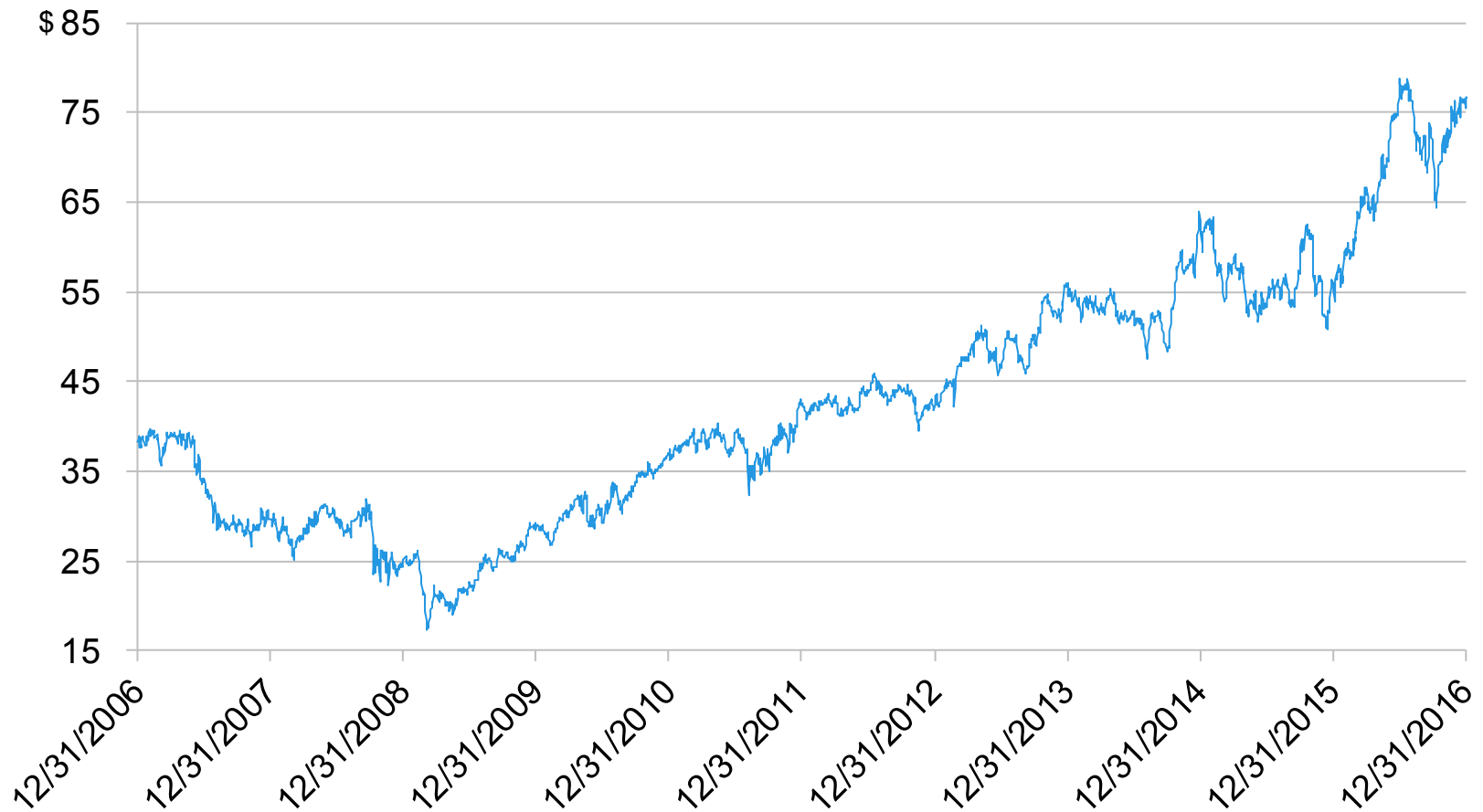
¹Includes redeemable noncontrolling interest

²Includes current maturities of long-term debt

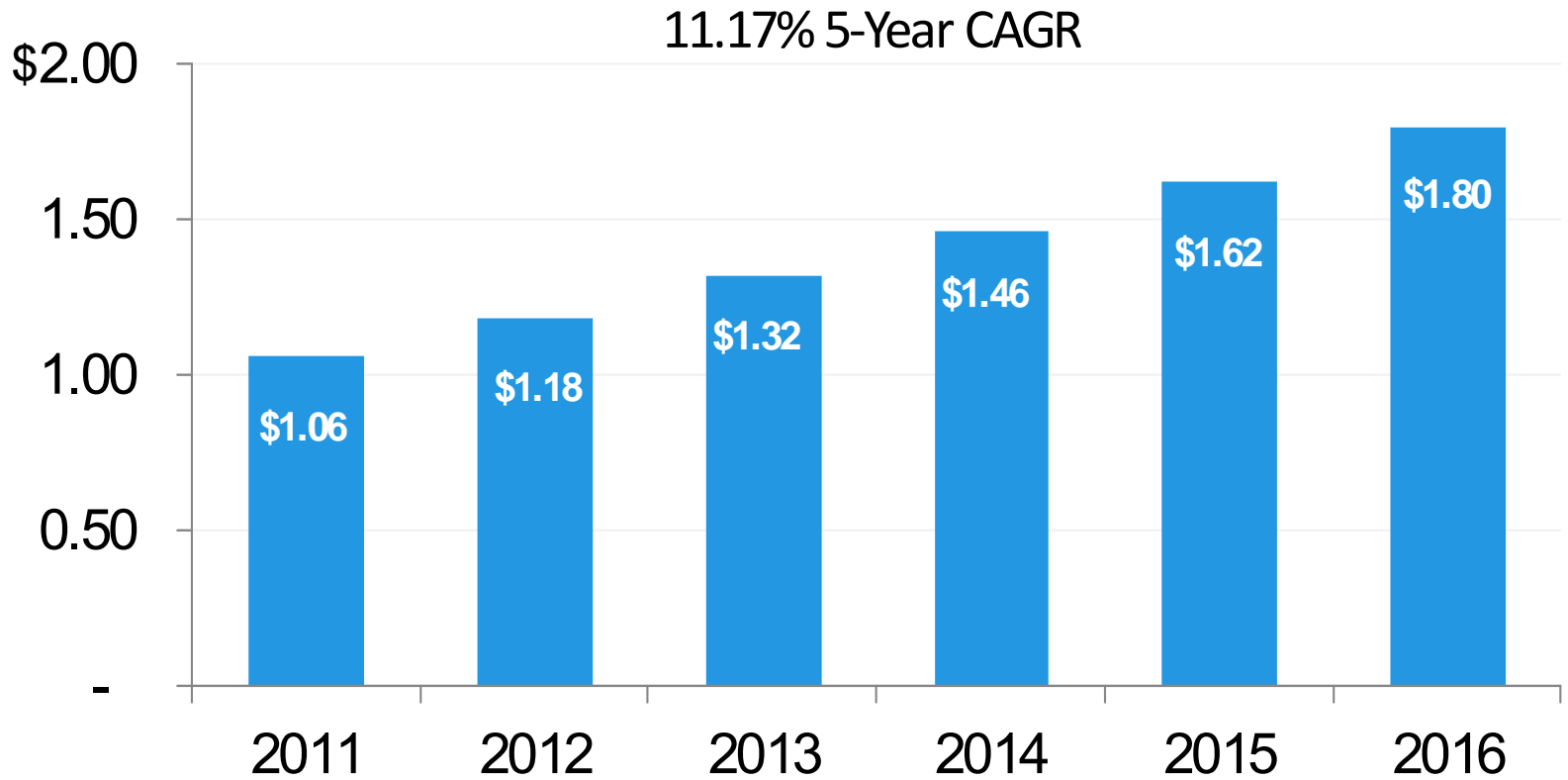


Stock Performance

NYSE: SWX
Common Stock Closing Price
December 31, 2006 – December 31, 2016



Annualized Dividend Growth



CAGR = compound annual growth rate

February 2016, Board increased annual dividend \$0.18



Comparative Total Returns

Total Returns for Periods Ended November 30, 2016

	1-Year	3-Year	5-Year	10-Year
Southwest Gas	35.49%	14.79%	15.94%	10.20%
S&P 400 MidCap Gas Index	25.62%	14.18%	13.68%	10.16%
Dow Jones Utilities	16.26%	13.09%	11.23%	7.42%
S&P 500 Index	8.00%	9.03%	14.41%	6.87%

Total Return = Price appreciation plus gross dividends reinvested