



Southwest Gas
HOLDINGS

AGA Financial Forum May 21-23, 2017





Presented by

JOHN HESTER
PRESIDENT AND CEO



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 2017 expectations for our construction services and natural gas operations segments, as well as statements regarding our expansion projects and other investment opportunities.

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 2016 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, infrastructure tracking mechanisms;
- 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.

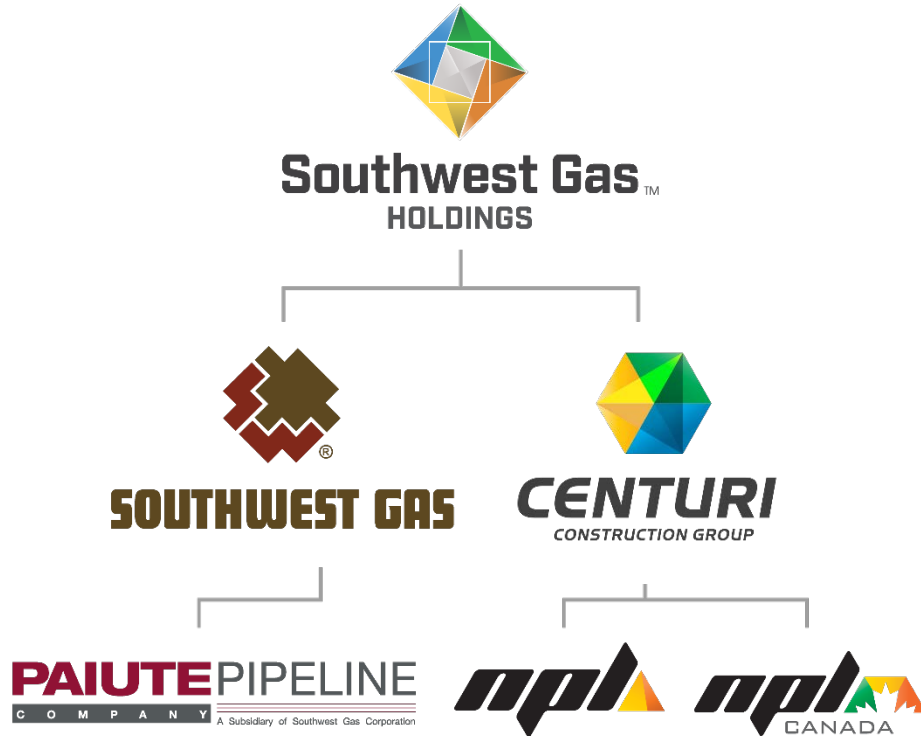
Presentation Agenda

- Overview
- Summary financial results
- Our focus
- Strategic focus

Overview



Holding Company Structure



- Became fully effective on January 4, 2017
- Creates further legal and financial separation between regulated utility and unregulated construction services businesses
- Provides financing flexibility

Note: rights, preferences and relative ownership of shareholders unchanged with reorganization

Business Segments & Net Income

Natural gas operations

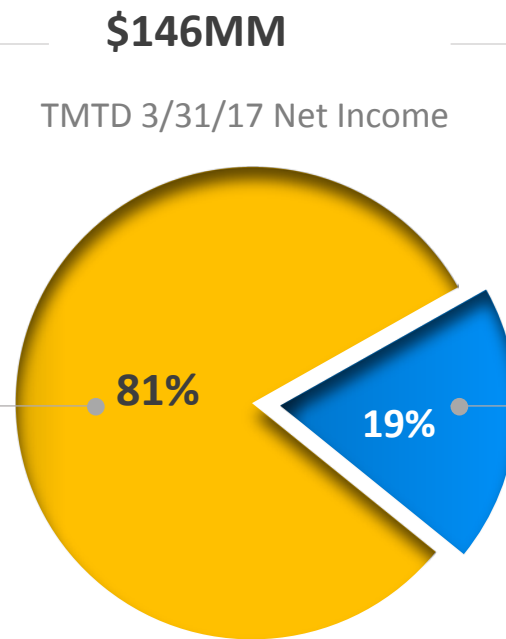


\$119MM net income

Construction services



\$27MM net income



Regional Leader in Natural Gas Distribution



Headquartered in
Las Vegas, NV

Largest distributor of natural gas in **Arizona** and **Nevada**; Distributes and transports natural gas in parts of **California**



1,994,000 customers in service territory at 3/31/2017

Over **99%** of customers are residential and small commercial



Centuri Construction Group

Construction Services



Headquartered in
Phoenix, AZ

Operates in several
major markets across
U.S. and **Canada**

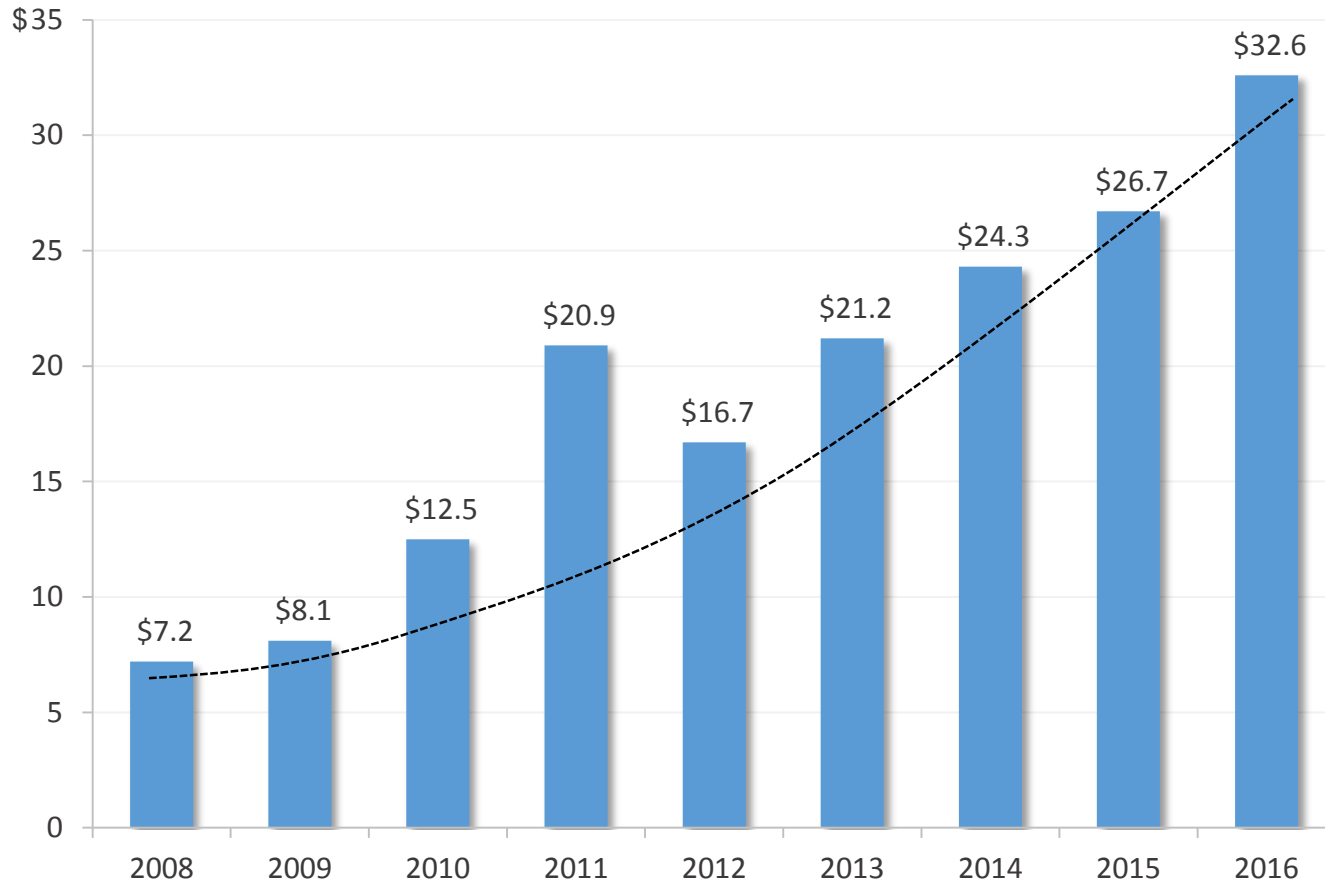


One of North America's
largest providers of
utility and **energy**
construction services



Centuri Construction Group

Historical Long-Term Profitability
(\$ in millions)



Centuri Construction Group

Construction Services



Summary Financial Results



2017 Highlights

Consolidated Results

- Dividend increased for the 11th straight year (10% increase)
- Entered into a \$100 million credit facility that expires in March 2022
- Established a \$150 million equity shelf program

Natural Gas Segment

- Arizona rate case decision effective April 1st
- Added 30,000 customers over the past twelve months
- Amended credit facility borrowing capacity from \$300 million to \$400 million

Construction Services Segment

- Unfavorable weather conditions and significant customer temporary work stoppage
- Remain optimistic about full year prospects

Summary Operating Results

(In thousands, except per share amounts)



	THREE MONTHS ENDED MARCH 31,		TWELVE MONTHS ENDED MARCH 31,	
	2017	2016	2017	2016
Results of Consolidated Operations				
Gas operations income	\$ 76,938	\$ 77,583	\$ 118,778	\$ 110,287
Construction services income (loss)	(7,334)	(2,137)	27,421	31,493
Other - corporate and administrative	(296)	-	(296)	-
Net income	<u>\$ 69,308</u>	<u>\$ 75,446</u>	<u>\$ 145,903</u>	<u>\$ 141,780</u>
Basic earnings per share	<u>\$ 1.46</u>	<u>\$ 1.59</u>	<u>\$ 3.07</u>	<u>\$ 3.00</u>
Diluted earnings per share	<u>\$ 1.45</u>	<u>\$ 1.58</u>	<u>\$ 3.05</u>	<u>\$ 2.98</u>
Average shares outstanding	47,530	47,437	47,492	47,196
Average shares outstanding (assuming dilution)	47,864	47,763	47,839	47,562

Our Focus



Core Fundamentals

- Growth
- Regulation
- Customer Satisfaction
- Safety
- Capital expenditures and credit ratings
- Shareholder returns

Growth



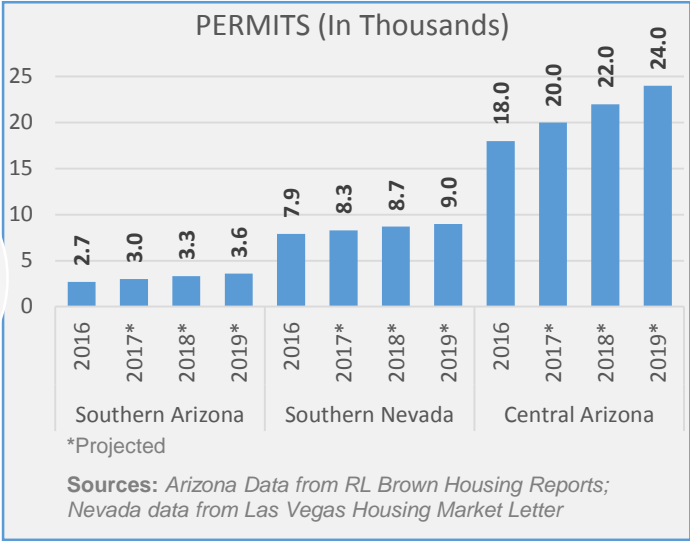
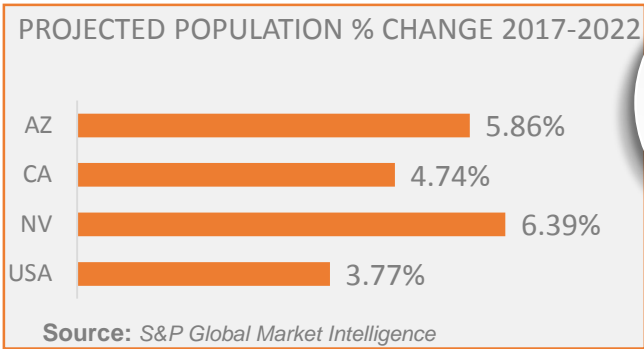
Customer Growth Breakdown

Natural Gas Operations
(In thousands)



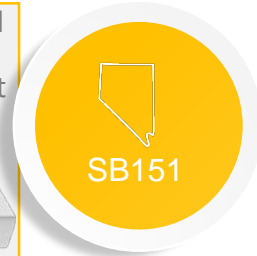
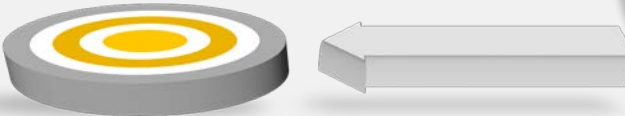
	Twelve Months Ended March 31,		
	2015	2016	2017
Beginning period	1,912	1,938	1,964
Net Customer Adds	26	26	30
Ending period	<u>1,938</u>	<u>1,964</u>	<u>1,994</u>

Growth

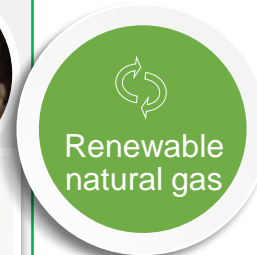


Mesquite

- Residential & commercial conversion opportunities
- Infrastructure investment opportunities



HOMES MANUFACTURING VEHICLES



	Unemployment Rate		Employment Growth	
	2016	2017	2016	2017
Southern California	5.8%	5.3%	3.4%	3.8%
Southern Nevada	6.1%	4.8%	1.8%	2.4%
Northern Nevada	6.4%	4.7%	1.6%	2.1%
Southern Arizona	4.7%	4.4%	3.1%	0.6%
Central Arizona	4.5%	4.1%	3.7%	2.7%

Regulation



Regulatory Collaboration

Natural Gas Operations



Decoupling

- All three of the company's state regulatory jurisdictions have implemented a decoupling mechanism

Infrastructure Recovery Mechanisms

- Arizona COYL & VSP Programs
- Nevada GIR Mechanism
- California IRRAM/COYL

Major Infrastructure Projects

- Paiute Pipeline Company 2018 Expansion Project
- Nevada SB 151 – Expansion/Economic Development Legislation
- Arizona LNG Facility

Regulation – AZ Rate Case

Natural Gas Operations



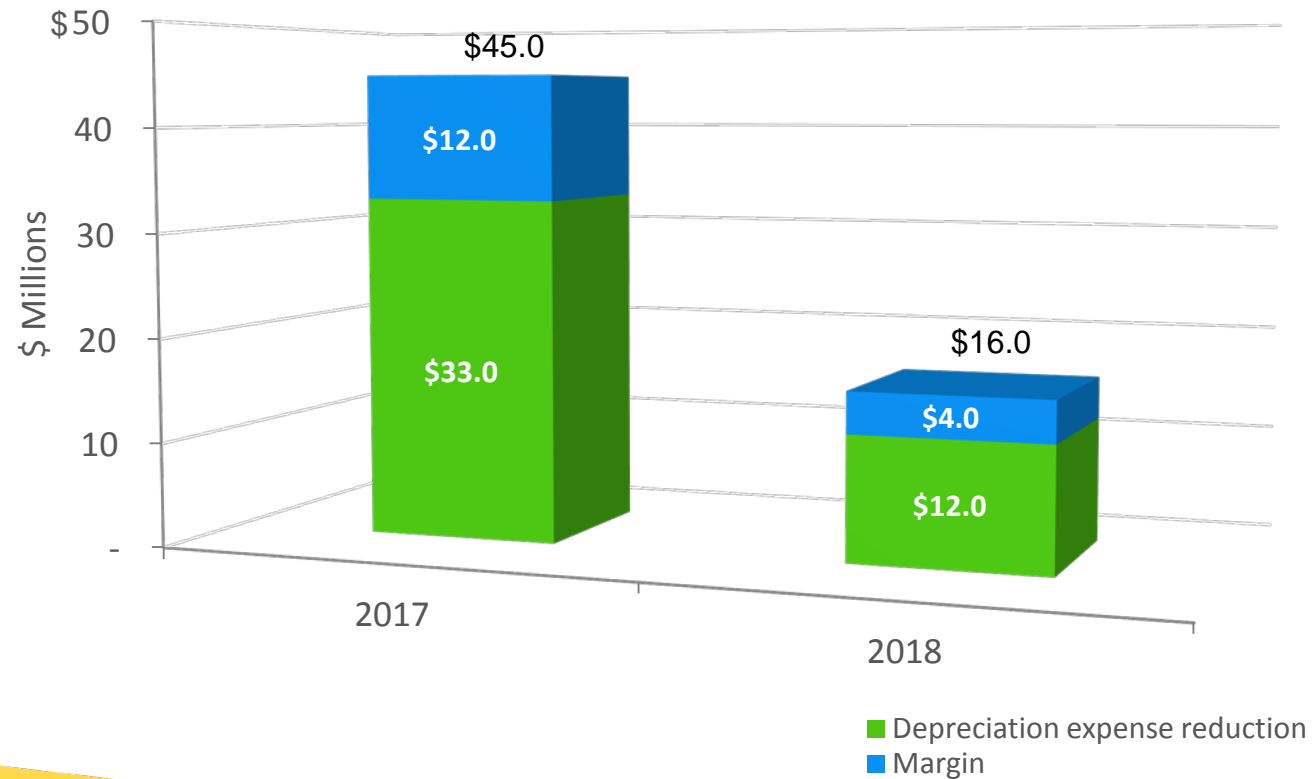
Arizona General Rate Case	Requested	Settlement
Rate Relief	\$32 Million	\$16 Million
Depreciation Expense	(\$42 Million)	(\$45 Million)
Rate Base	\$1.34 Billion	\$1.32 Billion
Return on Equity	10.25%	9.50%
Capital Structure - Equity Ratio	51.7%	51.7%
Rate Case Moratorium		May 1, 2019
Full Revenue Decoupling	✓	✓
Expanded Customer-Owned Yard Line Program	✓	✓
Vintage Steel Pipe Replacement Program	✓	✓
Property Tax Tracker	✓	✓
LNG Facility Cost Recovery	✓	✓

Regulation – Arizona Rate Case

Natural Gas Operations



Projected Operating Income Increase – New rates effective April 1, 2017



Regulation – CA Rate Case

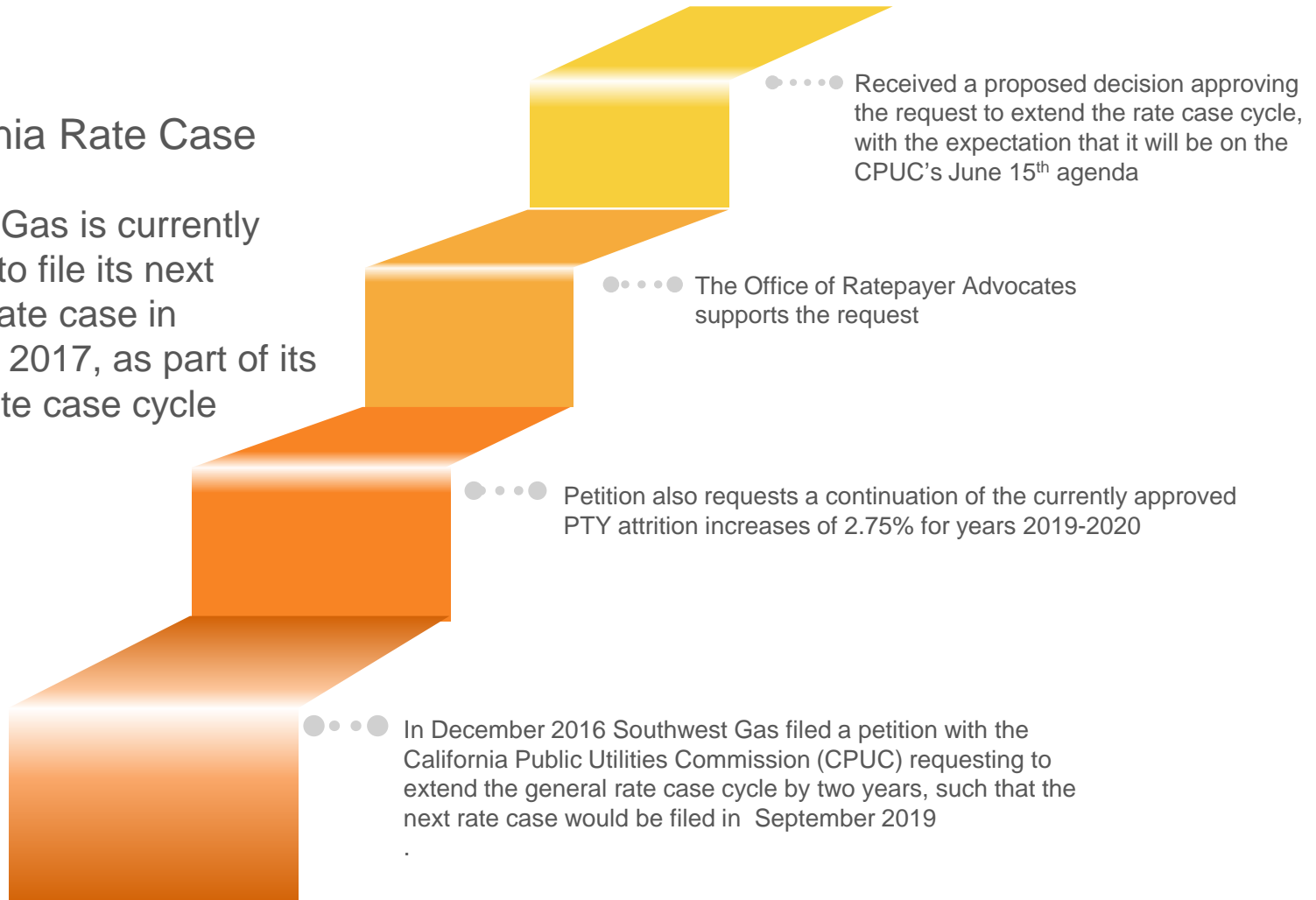
Natural Gas Operations



SOUTHWEST GAS

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

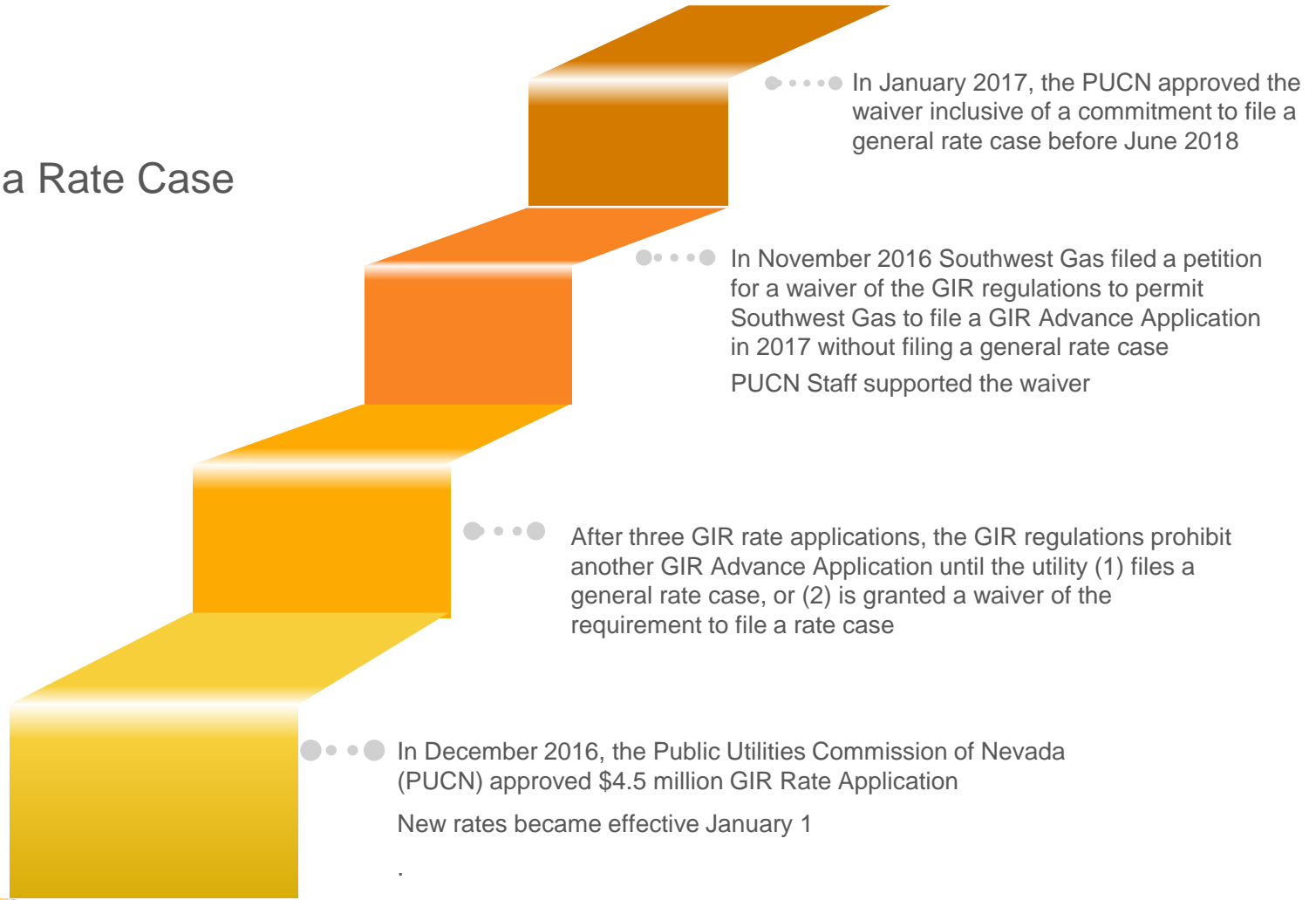


Regulation – NV Rate Case

Natural Gas Operations



Nevada Rate Case

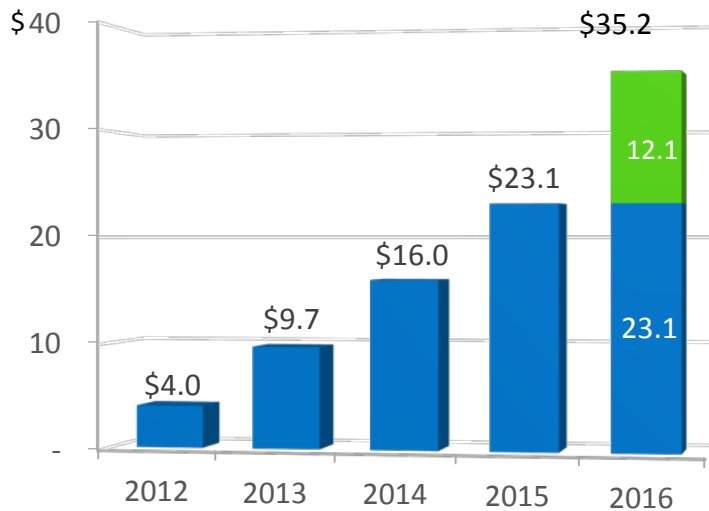


Regulation – Infrastructure Replacement Programs

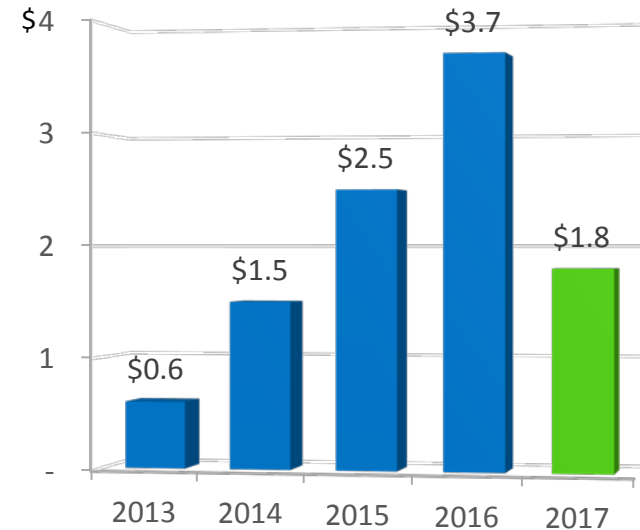


Arizona COYL program first began in 2012, was continued and expanded with rate case, and reset as of January 1, 2016

Cumulative COYL Capital Expenditures
As of December 31
(\$ in millions)



Annual COYL Surcharge
As of June 1
(\$ in millions)



- Expenditures included in authorized rate base and recovery embedded in new rates
- Current COYL program

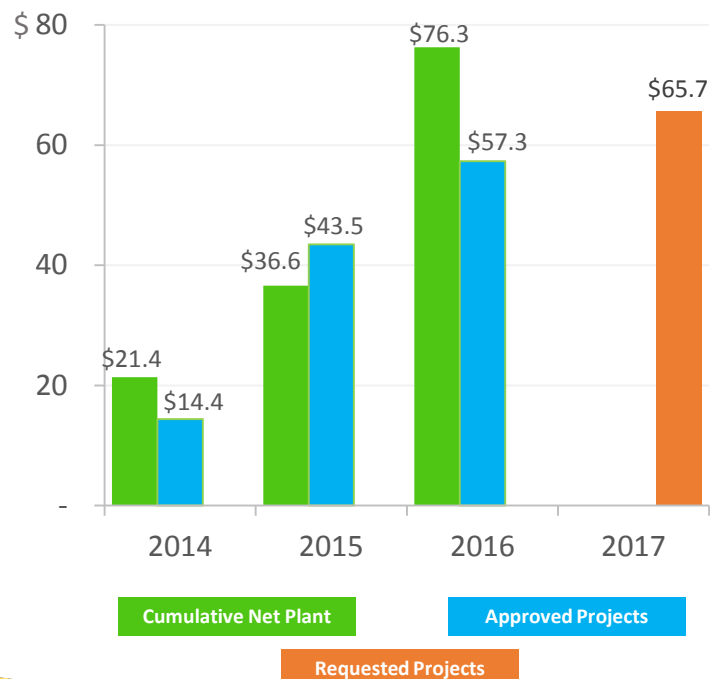
Regulation – Infrastructure Replacement Programs



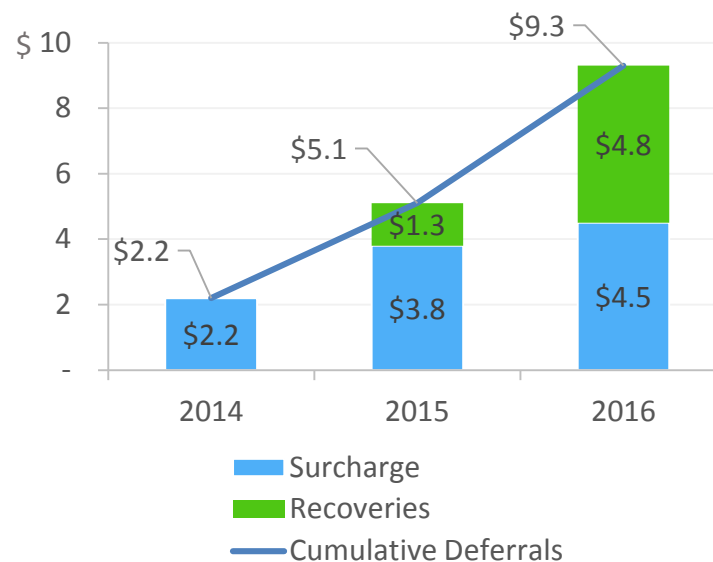
Nevada Gas Infrastructure Replacement (GIR)

(\$ in millions)

GIR Approved/Requested Projects and Cumulative Net Plant



GIR Deferral Balances, Recoveries and Surcharges As of August 31 (surcharges effective January 1 of following year)



Regulation – Expansion Projects

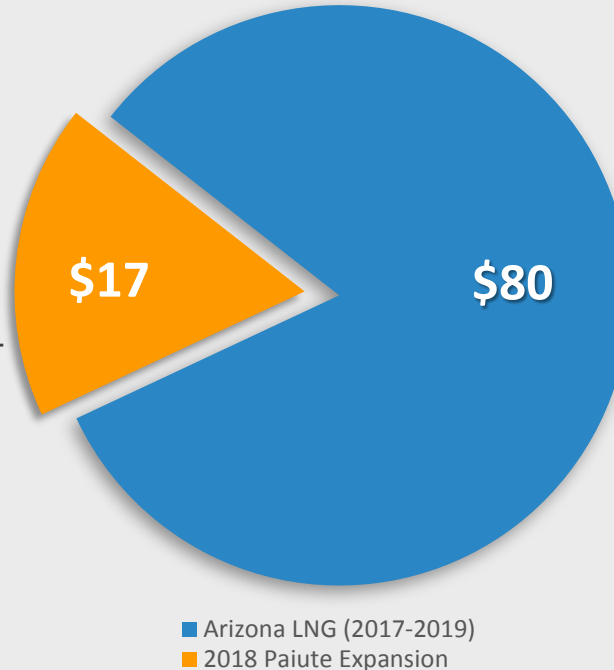
Natural Gas Operations



Expansion Projects (\$ in millions)

PAIUTE PIPELINE COMPANY EXPANSION

- Proposed project consists of approximately 8.4 miles of additional pipeline infrastructure and the estimated project cost is \$17 million
- In October 2016 Paiute initiated a pre-filing review process with the FERC for the expansion project and expects to file a formal certificate application by mid-2017
- If all proceeds as planned, the new facilities could be in place by the end of 2018



ARIZONA LNG FACILITY

- On December 19, 2016, the ACC approved the requested modification for the 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
- Rate case settlement includes an agreement to defer revenue requirements incurred before December 31, 2020 to next rate case
- Total project capital expenditures through March 2017 of \$5.3 million, including land for the project
- Construction expected to be completed by end of 2019

Customer Satisfaction



Customer Satisfaction

Natural Gas Operations



Cogent Report Residential Customer Champion Award



Top scoring utility in our service area in the *Utility Trusted Brand & Customer Engagement* study by Cogent Report

93% Customer Satisfaction

Southwest Gas continues to maintain a high level of customer satisfaction over the years

J.D. Power™ Ranked Us Second in the West for Customer Satisfaction

Southwest Gas ranked second in the west region amongst gas utilities in the J.D. Power™ *Gas Utility Customer Satisfaction Study*SM

Customer Experience Committee

Strategy and tactics dedicated to enhancing the customer experience

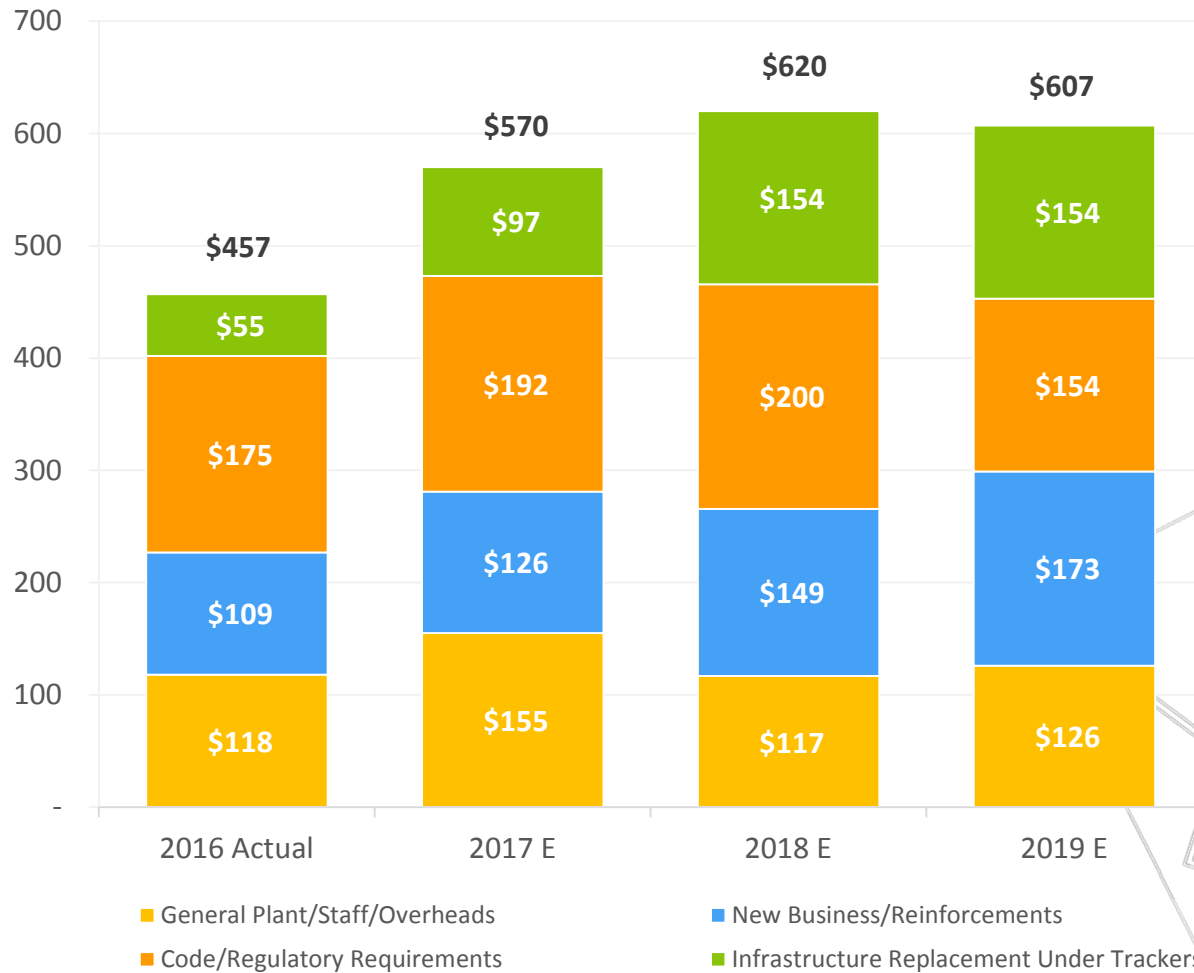


Capital Expenditures and Credit Ratings



Capital Expenditures

Natural Gas Operations (In Millions)



- 2017-2019 Estimate \$1.6 - \$1.8 billion
- Chart reflects upper end of estimated range of capital expenditures for 2017 -2019

Investment Grade Credit Ratings

Southwest Gas Holdings, Inc.

	Moody's	S&P	Fitch
Issuer Rating	Baa1	BBB+	BBB+
Outlook	Stable	Stable	Stable

Southwest Gas Corporation

	Moody's	S&P	Fitch
Issuer Rating	A3	BBB+	A-
Senior Unsecured	A3	BBB+	A
Outlook	Stable	Stable	Stable



Safety

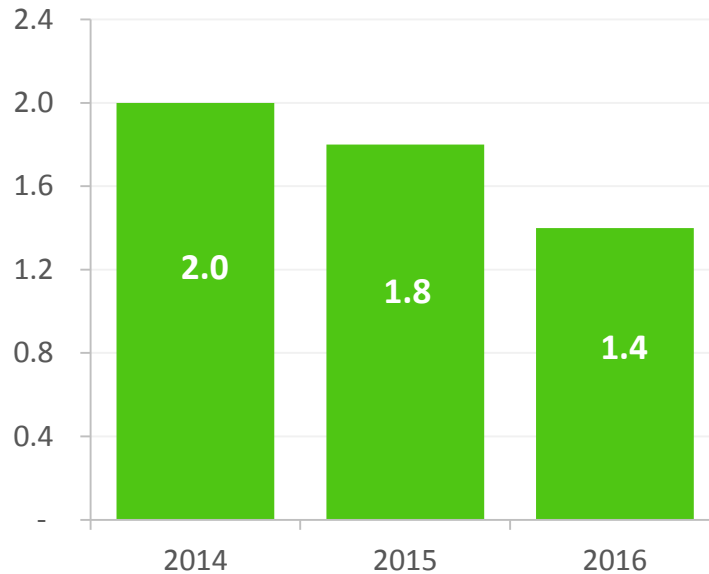


Safety Measures

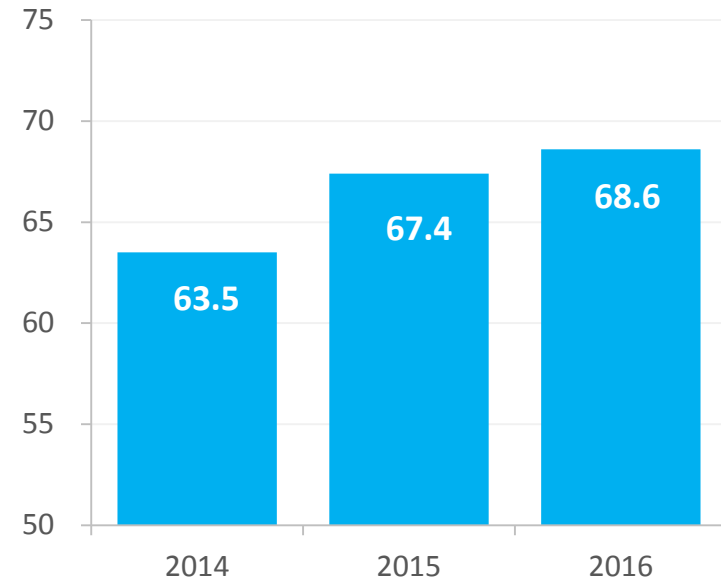
Natural Gas Operations



Damages per 1,000 Locate Tickets



Emergency Response
Percentage within 30 Minutes



Selected as a Leading Practice Company in the AGA 2017 Best Practices Program

Shareholder Returns



Comparative Total Returns



Total Returns for Periods Ended March 31, 2017

	1-Year	3-Year	5-Year	10-Year
Southwest Gas Holdings	28.99%	17.23%	11.04%	16.74%
S&P 400 MidCap Gas Index	16.74%	15.59%	18.14%	10.39%
S&P Utilities Index	8.22%	11.55%	12.61%	7.29%
S&P 500 Index	17.15%	10.34%	13.26%	7.49%

Total Return = Price appreciation plus gross dividends reinvested

Governance

Long-term focus on shareholder value, with “pay for performance” compensation program structured to mitigate excessive short-term risk-taking.



Nine of ten directors are independent. The Board of Directors brings deep and diverse management, financial and operational experience, significant expertise in the industries that matter most to our business and important ties to our key service territories.



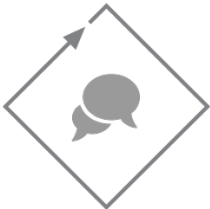
Corporate governance practices that align with shareholder interests and support our core values, including robust stock ownership guidelines, annual election of all directors and the ability for shareholders to call special meetings and act by written consent



We value input from shareholders and maintain a robust program of shareholder engagement on a range of topics, including our financial performance and matters of corporate governance.



Sustainable and responsible business practices that protect the environment, preserve natural resources and support our local communities

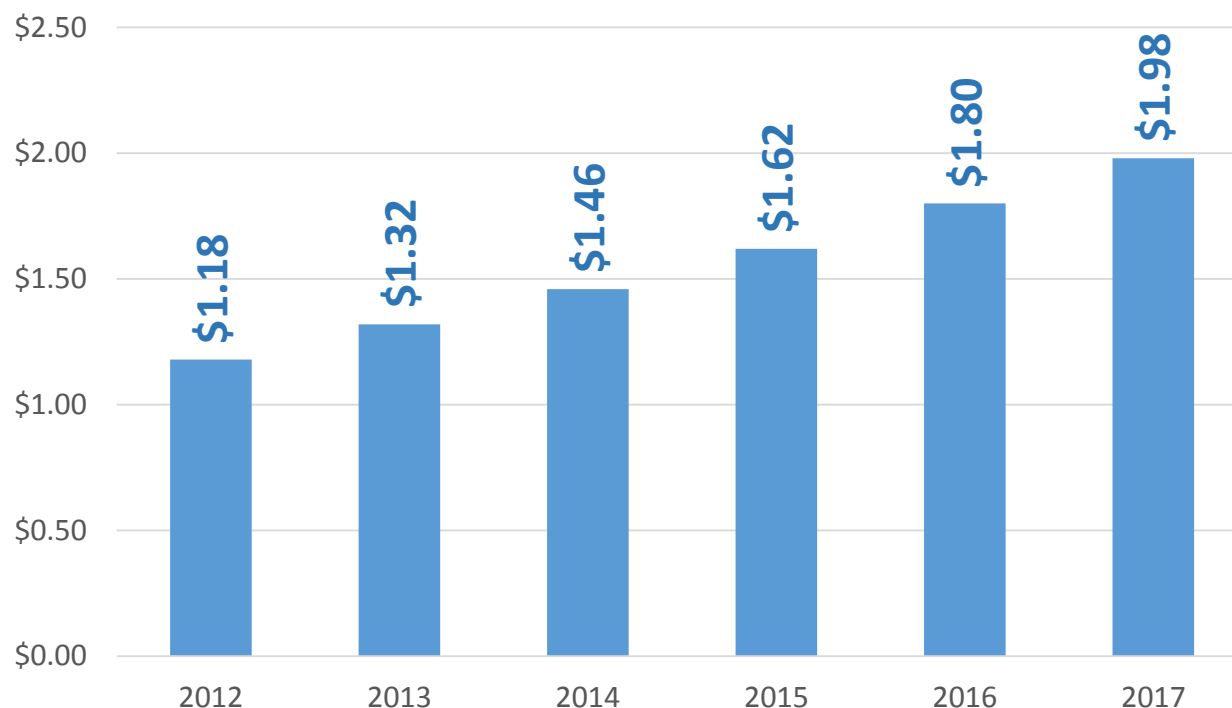


Dividend Growth

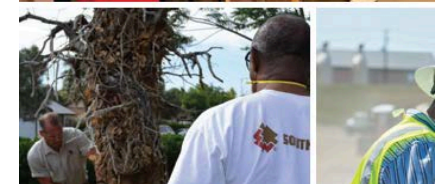
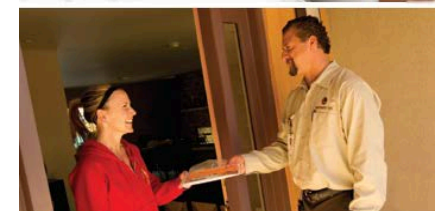
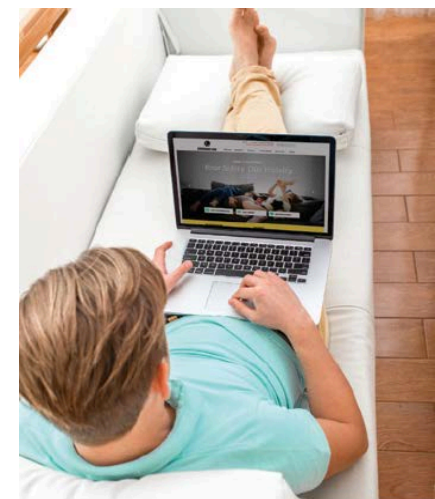


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10.9% 5-Year CAGR



CAGR = compound annual growth rate



Stock Price Graph



Southwest Gas Corporation
Common Stock Closing Price
March 31, 2007 – March 31, 2017



Strategic Focus



Longer-Term Value Drivers

- Above average population growth in service territories
- Infrastructure investment opportunities
 - \$1.6 to \$1.8 billion in capital expenditures over the next three years is significant compared to current authorized rate base of approximately \$2.6 billion
- High profile projects plus infrastructure tracker mechanisms
- Centuri growth prospects in U.S. and Canada – pipe replacement efforts are a multi-decade proposition
- Holding company structure provides additional financial flexibility and optionality in managing business mix
- Dividend payout ratio within industry average range

Strategic Investment Opportunities

Natural Gas Operations

- Underground gas storage assets
- Gas reserves
- Unserved or underserved areas of Nevada (SB151)
- Southern Nevada transmission replacement
- Customer Management System replacement

Construction Services

- Organic growth opportunities
- Acquisitions
 - Geographic diversification
 - Line of service diversification
- Other infrastructure work
 - Electric distribution
 - Pipeline integrity & maintenance
 - Natural gas compressor & pumping stations
 - Mid-stream gathering lines
 - Urban transmission
 - Water & sewer pipelines

Building on the past. Shaping the future.





Southwest Gas™
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APPENDIX



Summary Operating Results

Natural Gas Operations

(In thousands)



Results of Natural Gas Operations

	THREE MONTHS ENDED MARCH 31,	
	2017	2016
Gas operating revenues	\$ 462,602	\$ 525,100
Net cost of gas sold	146,879	213,600
Operating margin	315,723	311,500
Operations and maintenance expense	108,679	100,797
Depreciation and amortization	61,195	60,745
Taxes other than income taxes	14,782	14,013
Operating income	131,067	135,945
Other income (deductions)	3,611	1,755
Net interest deductions	17,210	16,230
Income before income taxes	117,468	121,470
Income tax expense	40,530	43,887
Contribution to net income - gas operations	\$ 76,938	\$ 77,583

Net Income

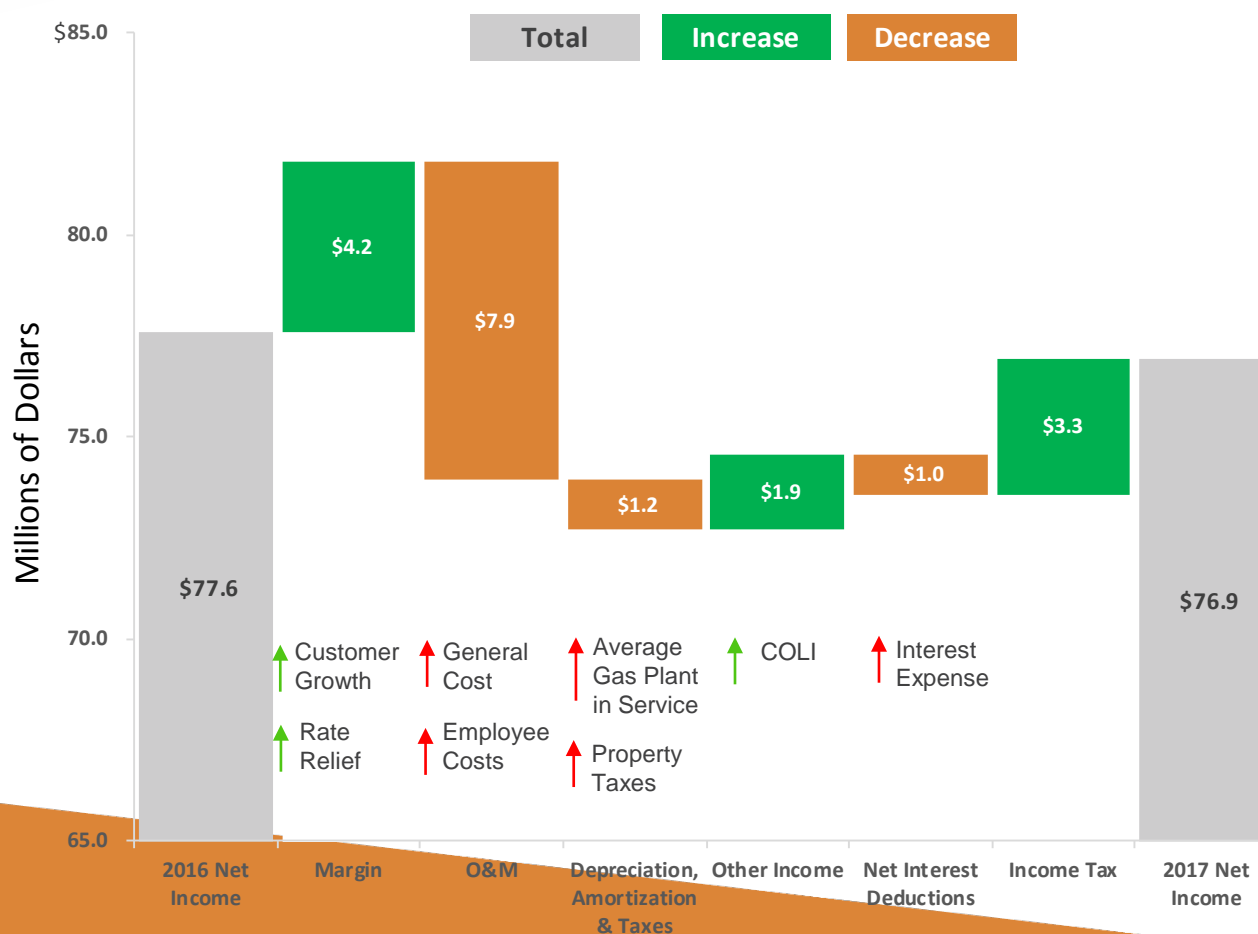
Three Months Ended March 31, 2017

Natural Gas Operations



Southwest Gas
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Total Decrease - \$645,000



Summary Operating Results

Natural Gas Operations

(In thousands)



TWELVE MONTHS ENDED MARCH 31,

	2017	2016
Gas operating revenues	\$ 1,258,914	\$ 1,426,624
Net cost of gas sold	330,400	523,647
Operating margin	928,514	902,977
Operations and maintenance expense	409,606	398,486
Depreciation and amortization	233,913	220,525
Taxes other than income taxes	53,145	50,409
Operating income	231,850	233,557
Other income (deductions)	10,132	1,445
Net interest deductions	67,977	64,229
Income before income taxes	174,005	170,773
Income tax expense	55,227	60,486
Contribution to net income - gas operations	\$ 118,778	\$ 110,287

Results of Natural Gas Operations

Gas operating revenues
Net cost of gas sold
Operating margin
Operations and maintenance expense
Depreciation and amortization
Taxes other than income taxes
Operating income
Other income (deductions)
Net interest deductions
Income before income taxes
Income tax expense
Contribution to net income - gas operations

Net Income

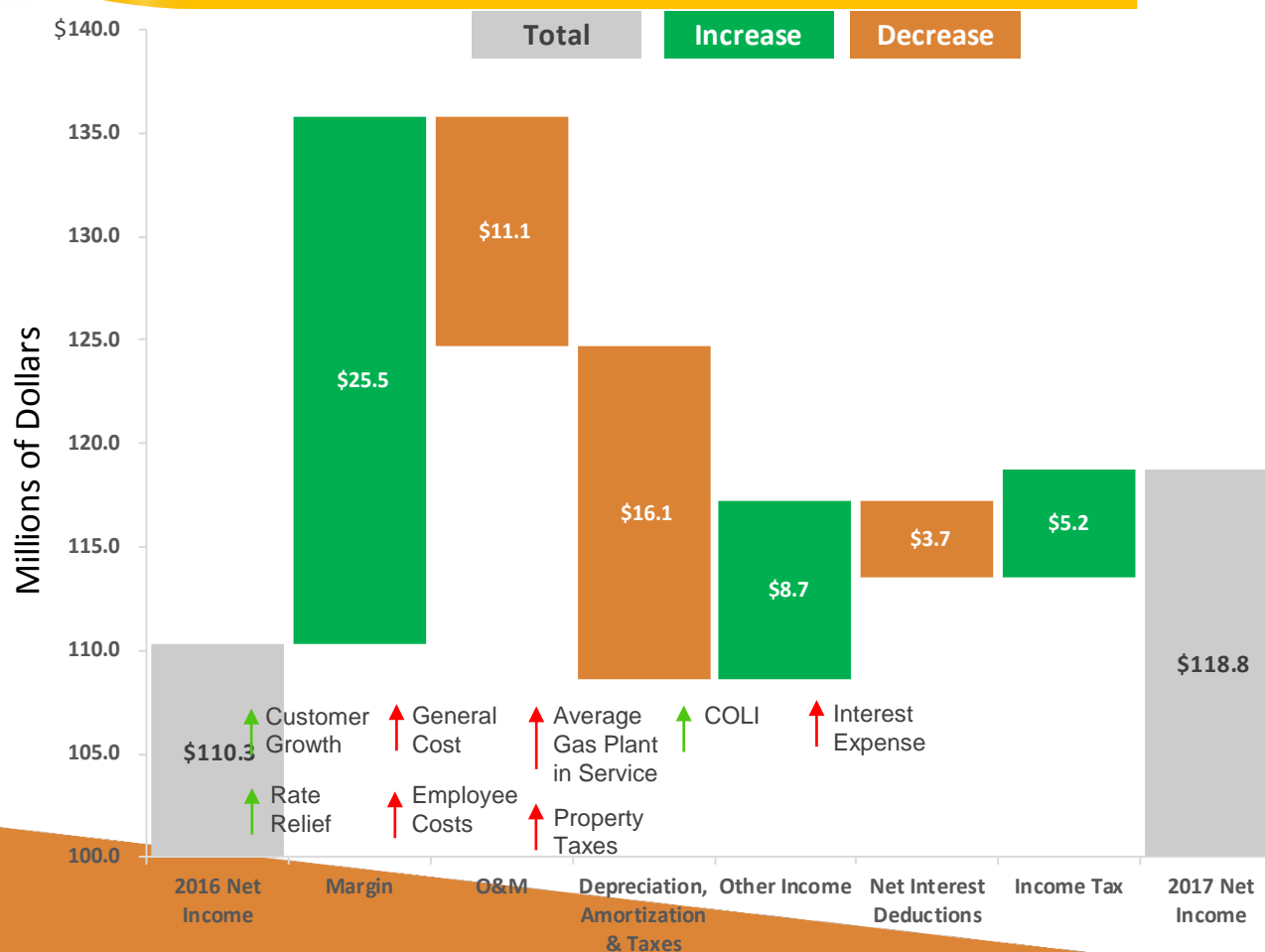
Twelve Months Ended March 31, 2017

Natural Gas Operations



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Total Increase - \$8.5 million



Summary Operating Results

Construction Services

(In thousands)



	THREE MONTHS ENDED MARCH 31,	
	2017	2016
Construction revenues	\$ 192,135	\$ 206,148
Construction expenses	191,956	193,382
Depreciation and amortization	11,283	14,615
Operating income (loss)	(11,104)	(1,849)
Other income (deductions)	254	(34)
Net interest deductions	1,504	1,491
Income taxes	(4,717)	(1,146)
Noncontrolling interests	(303)	(91)
Net income (loss)	\$ (7,334)	\$ (2,137)

Net Income (Loss)

Three Months Ended March 31, 2017

Construction Services

Total Decrease - \$5.2 million



Summary Operating Results

Construction Services

(In thousands)



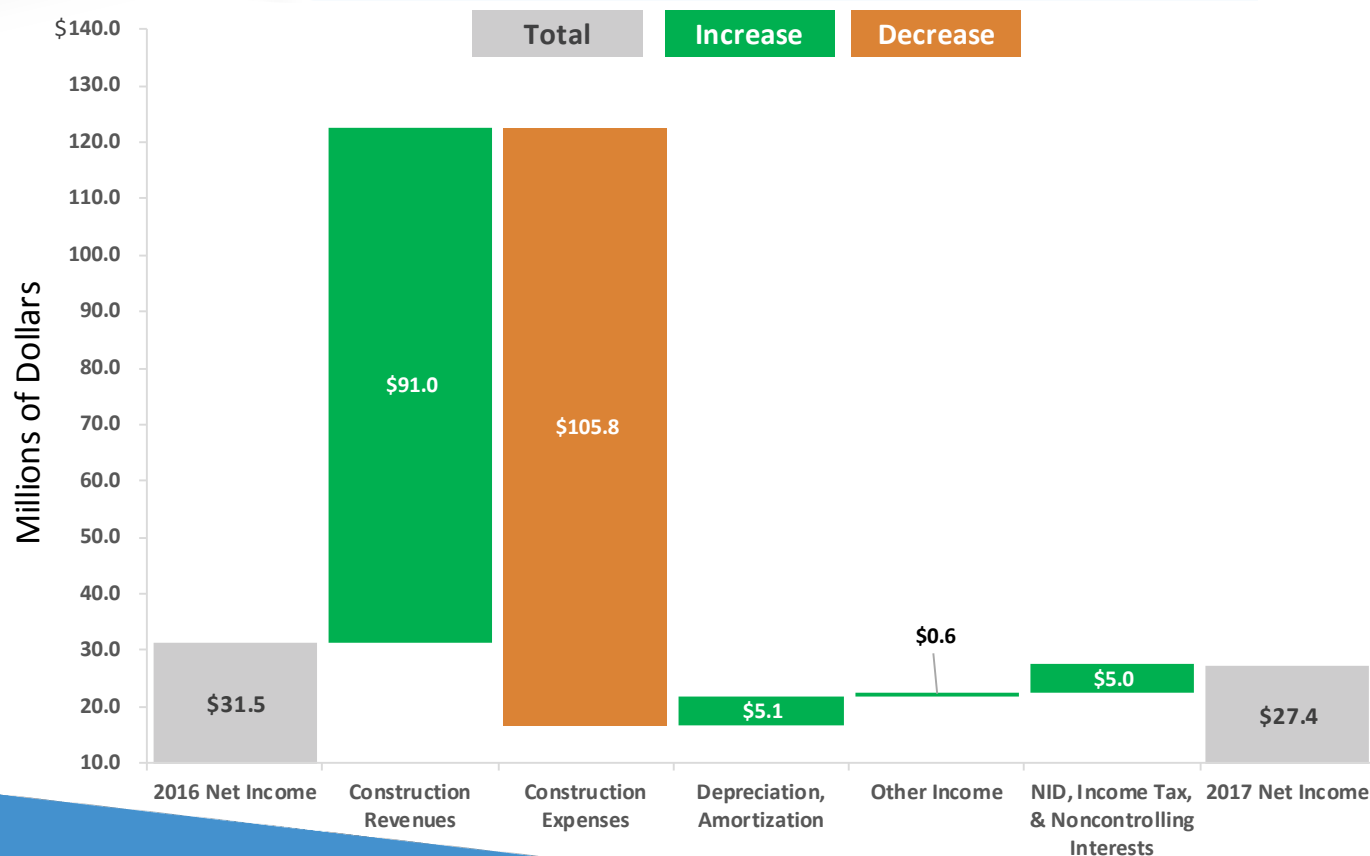
	TWELVE MONTHS ENDED MARCH 31,	
	2017	2016
Construction revenues	\$ 1,125,065	\$ 1,034,029
Construction expenses	1,022,997	917,235
Depreciation and amortization	52,337	57,479
Operating income	49,731	59,315
Other income (deductions)	1,481	883
Net interest deductions	6,676	7,394
Income taxes	16,313	20,185
Noncontrolling interests	802	1,126
Net income	<u>\$ 27,421</u>	<u>\$ 31,493</u>

Net Income

Twelve Months Ended March 31, 2017
Construction Services



Total Decrease - \$4.1 million



Stable Customer Base

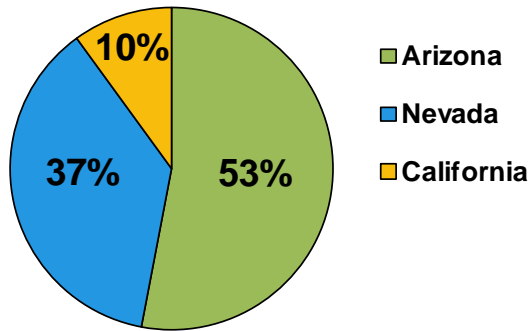
Natural Gas Operations



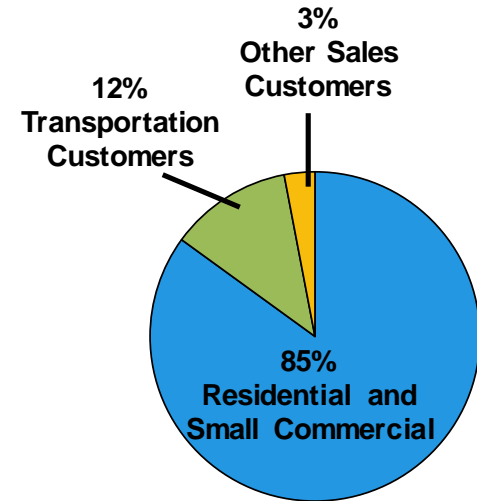
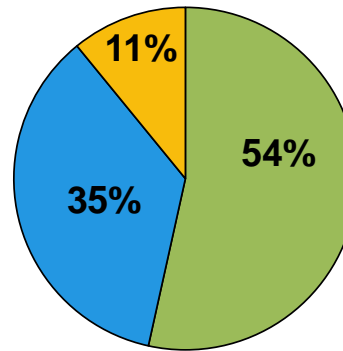
TMTD March 31, 2017 Customer & Operating Margin Distribution

By State

Customers



Margin



Consistent trends year over year

Authorized Rate Base and Rates of Return



Natural Gas Operations
(As of April 1, 2017)

<u>Rate Jurisdiction</u>	<u>Authorized Rate Base (In thousands)</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity</u>
Arizona	\$ 1,324,902	7.42 %	9.50 %
Southern Nevada	825,190	6.46	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)	87,158	8.46	11.00

(1) Estimated amounts based on rate case settlement.

Economic Overview – Service Area

Natural Gas Operations



	<u>Unemployment Rate</u>		<u>Employment Growth</u>	
	<u>March 2016</u>	<u>March 2017</u>	<u>March 2016</u>	<u>March 2017</u>
Southern California	5.8%	5.3%	3.4%	3.8%
Southern Nevada	6.1%	4.8%	1.8%	2.4%
Northern Nevada	6.4%	4.7%	1.6%	2.1%
Southern Arizona	4.7%	4.4%	3.1%	0.6%
Central Arizona	4.5%	4.1%	3.7%	2.7%

¹ [Source: State of California Employment Development Department, California Labor Market Review, <http://www.labormarketinfo.edd.ca.gov>]

² [Source: Nevada Department of Employment, Training and Rehabilitation (DETR), Economy In Brief, <http://nevadaworkforce.com>]

³ [Source: Nevada DETR, Data Search: Total Employment (Carson City, Churchill, Douglas, Elko, Humboldt, Lyon, and Pershing Counties, <http://nevadaworkforce.com>]

⁴ [Source: Arizona Office of Employment & Population Statistics, Employment Report, <https://laborstats.az.gov/>]

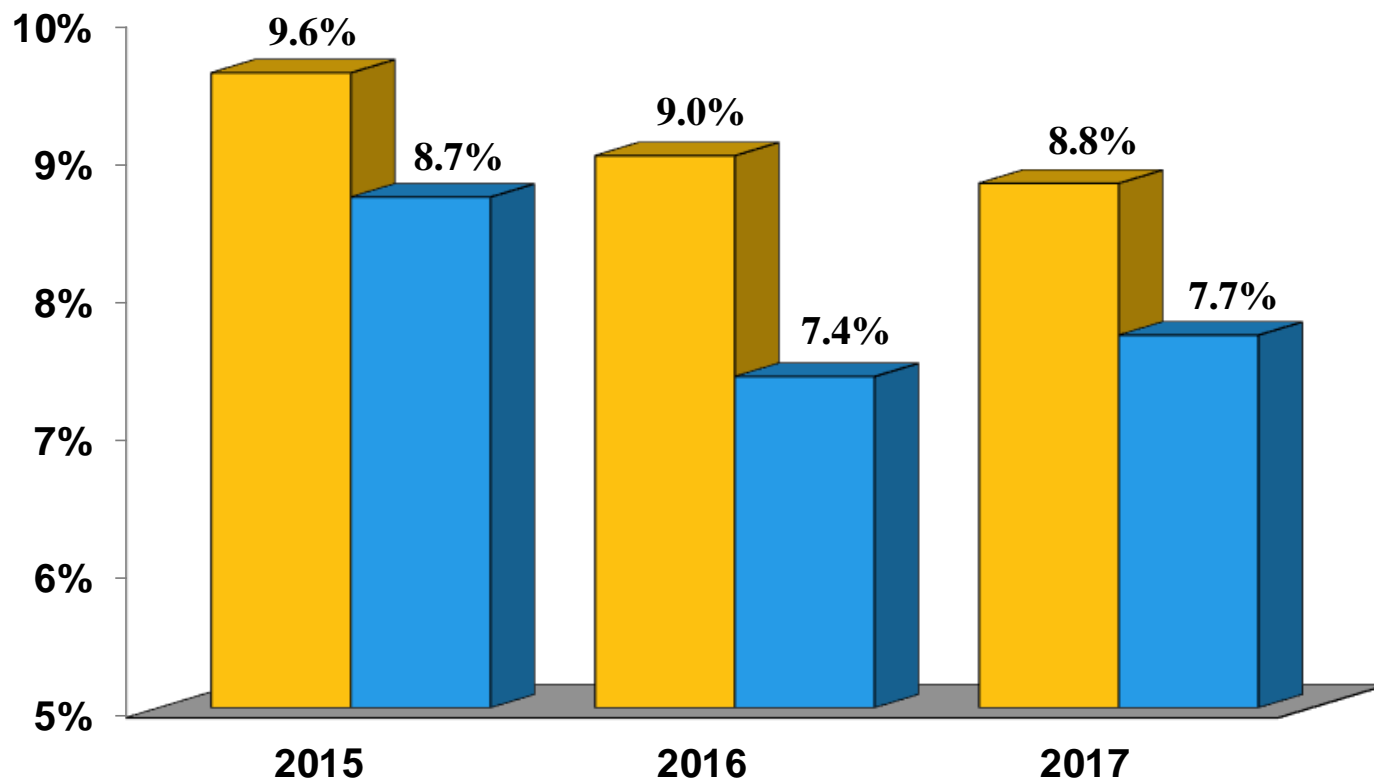


Return on Common Equity

Twelve months ended March 31,



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

Consolidated Capital Structure

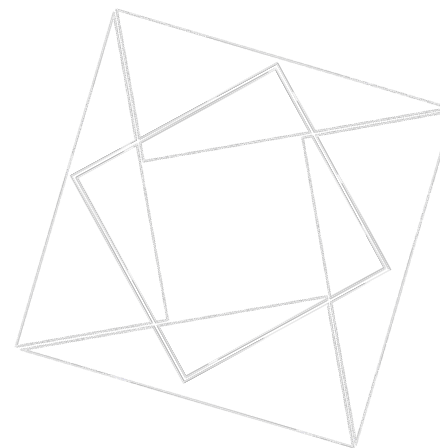
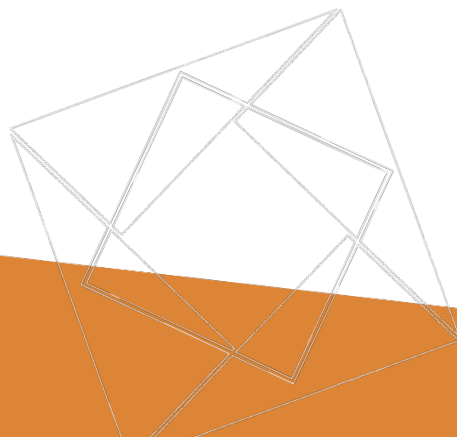
(In millions)



Capitalization at March 31,	2013	2014	2015	2016	2017
Equity ¹	\$ 1,379	\$ 1,470	\$ 1,571	\$ 1,666	\$ 1,737
Long-Term Debt ²	1,256	1,380	1,525	1,438	1,590
Total Permanent Capital	<u>\$ 2,635</u>	<u>\$ 2,850</u>	<u>\$ 3,096</u>	<u>\$ 3,104</u>	<u>\$ 3,327</u>
Capitalization ratios					
Equity ¹	52.3%	51.6%	50.7%	53.7%	52.2%
Long-Term Debt ²	47.7%	48.4%	49.3%	46.3%	47.8%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

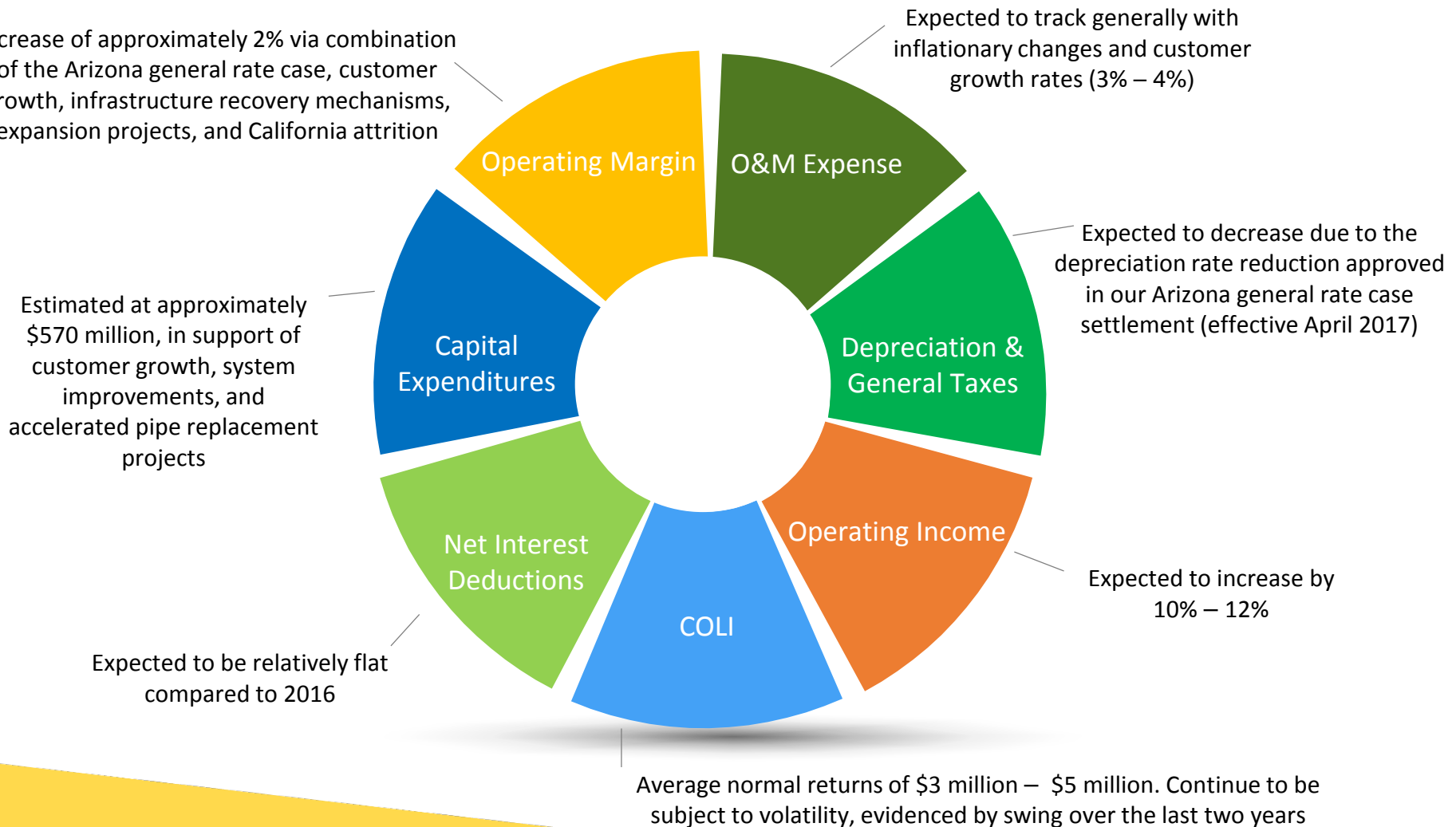
¹Includes redeemable noncontrolling interest

²Includes current maturities of long-term debt



2017 Expectations

Natural Gas Operations



2017 Expectations

Construction Services

