

2014 Year End Earnings Conference Call

February 26, 2015



SOUTHWEST GAS CORPORATION

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 Co., 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.

2014 Highlights

➤ **Consolidated Results**

- Achieved second highest EPS of \$3.04
- Dividend increased for the ninth straight year (11%)

➤ **Natural Gas Segment**

- Realized almost \$117 million of net income
- Added 26,000 customers
- Successfully concluded two general rate cases
- Invested \$350 million in the distribution system
- Received approval in Arizona to construct an LNG facility

➤ **Construction Services Segment**

- Contributed a record \$24.3 million of net income
- 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

CEO Succession

- Jeff Shaw retirement effective March 1, 2015
- John Hester, new President and CEO

Call Outline

- I. 2014 consolidated earnings
- II. Natural gas operations
- III. Centuri Construction Group
- IV. Regulation
- V. Customer growth and economic overview
- VI. Capital expenditures
- VII. Dividend growth
- VIII. 2015 expectations and focus

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

\$ 116,619	\$ 124,169	\$ 116,872
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Contribution to net income - construction services

16,712	21,151	24,254
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Net income

\$ 133,331	\$ 145,320	\$ 141,126
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Basic earnings per share

\$ 2.89	\$ 3.14	\$ 3.04
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Diluted earnings per share

\$ 2.86	\$ 3.11	\$ 3.01
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Average outstanding common shares

46,115	46,318	46,494
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Average shares outstanding (assuming dilution)

46,555	46,758	46,944
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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,

Results of Natural Gas Operations

	2012	2013	2014
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

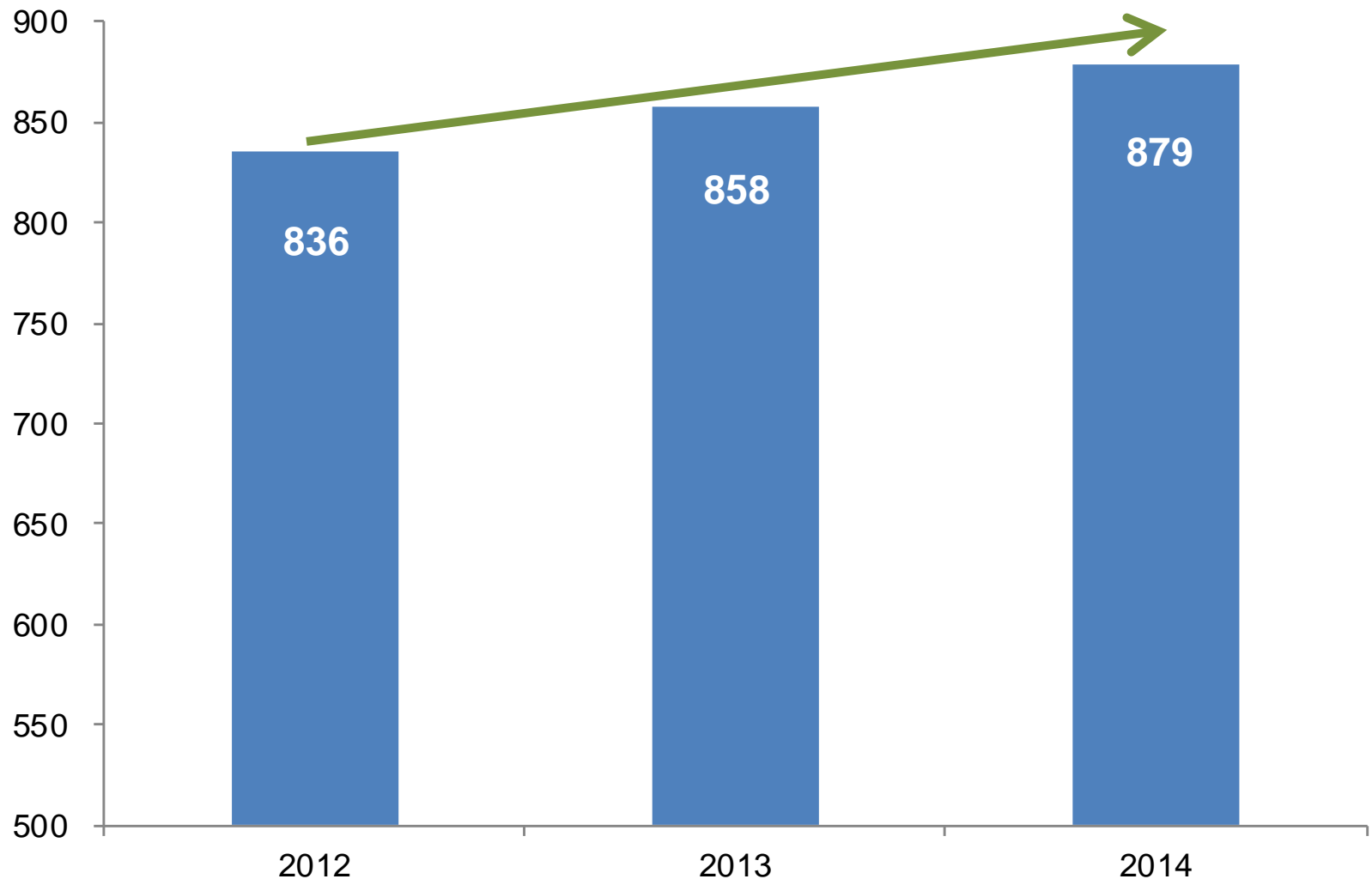
Natural Gas Operations

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

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

Operating Revenues

Construction Services



Operating revenues increased by \$89 million or 14%

- Acquired companies' revenues during the fourth quarter totaled \$54.3 million
- Remaining \$34.7 million primarily reflects growth in pipe replacement activity from existing customers

Operating Expenses

Construction Services



Construction expense increased by \$74.6 million or 13%

- Primarily due to additional pipe replacement work and the inclusion of the acquired companies' construction costs of \$49.4 million
- General and administrative expense increased approximately \$9.5 million
 - Recently acquired companies'- \$3.7 million
 - Acquisition costs- \$5 million
- Construction services recorded a \$4 million legal settlement from 2013 which was resolved in February 2014
- Gain on sales of equipment increased approximately \$2.1 million (offset to construction expense)

Depreciation expense increased by \$5.9 million, or 14%, due to the amortization of finite-lived intangible assets recognized from the acquisition (\$1.5 million) and additional equipment purchased to support growth in volume of work

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

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

Customer Growth Breakdown

Natural Gas Operations

(In Thousands)

	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>

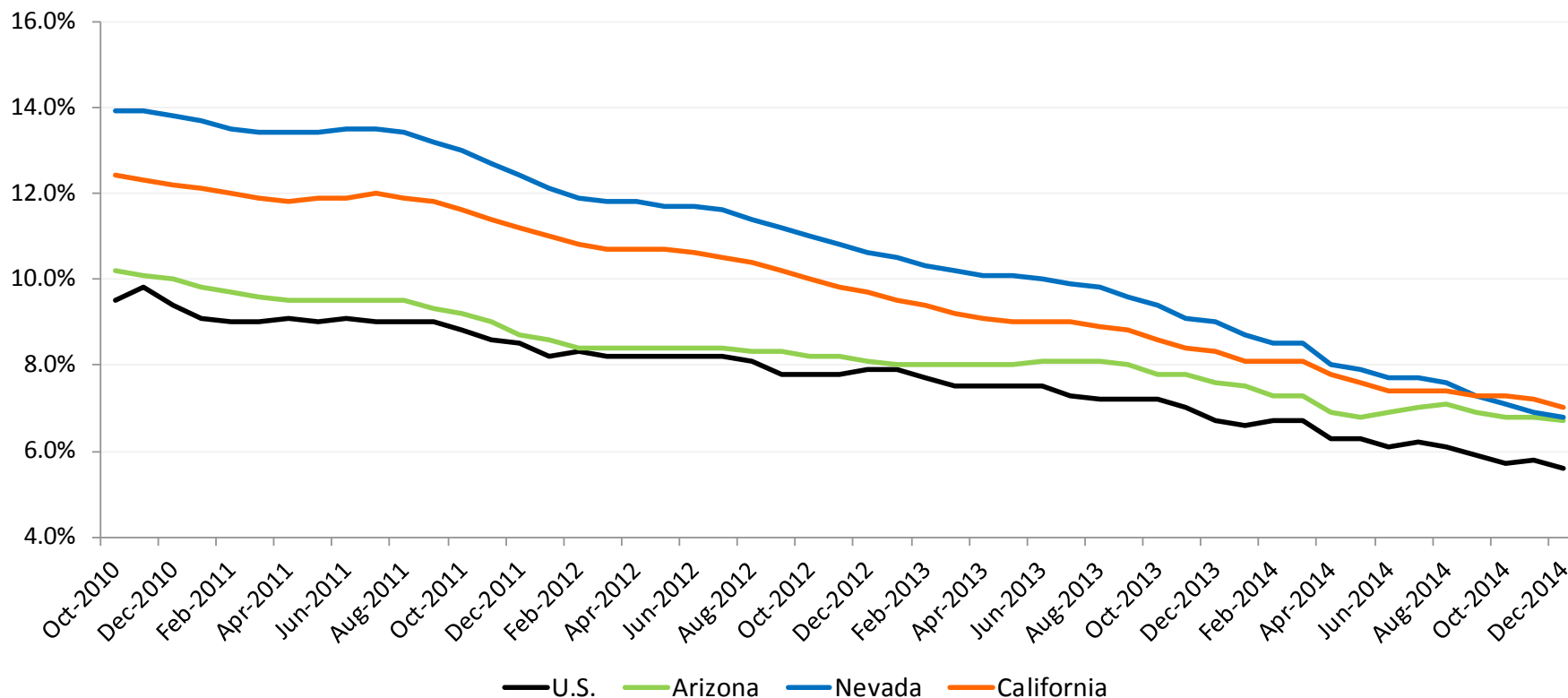
- For 2015, Company is projecting net customer growth of about 1.5%

Economic Overview

Service Area

Natural Gas Operations

Unemployment Rate
Seasonally Adjusted Data



Economic Overview

Service Area

Natural Gas Operations

Employment Growth

As of December

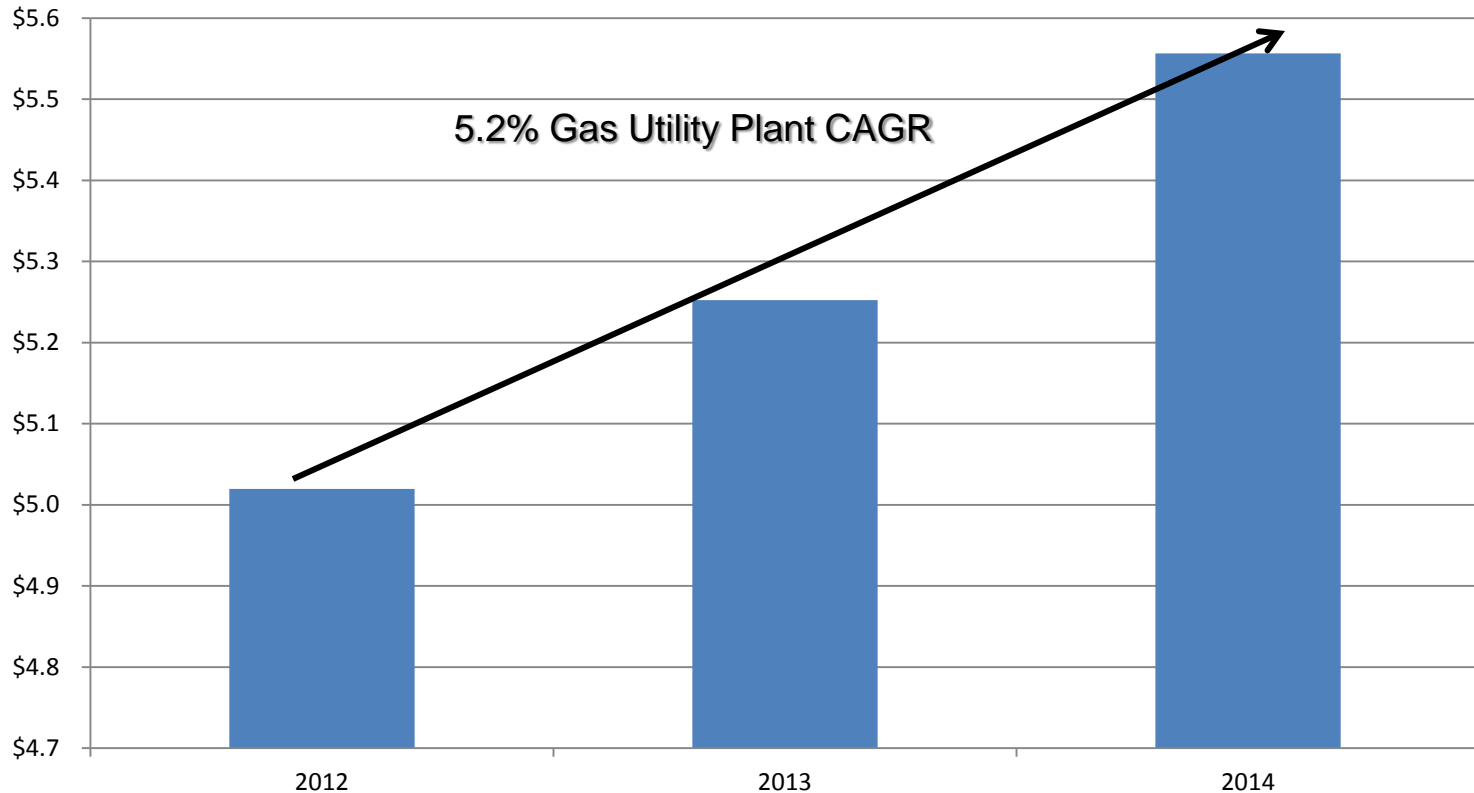
	2013	2014
Southern California	1.2%	2.0%
Nevada	1.8%	2.3%
Arizona	2.0%	2.6%

Gas Utility Plant - Growth

Natural Gas Operations

(In billions)

For Periods Ended December 31

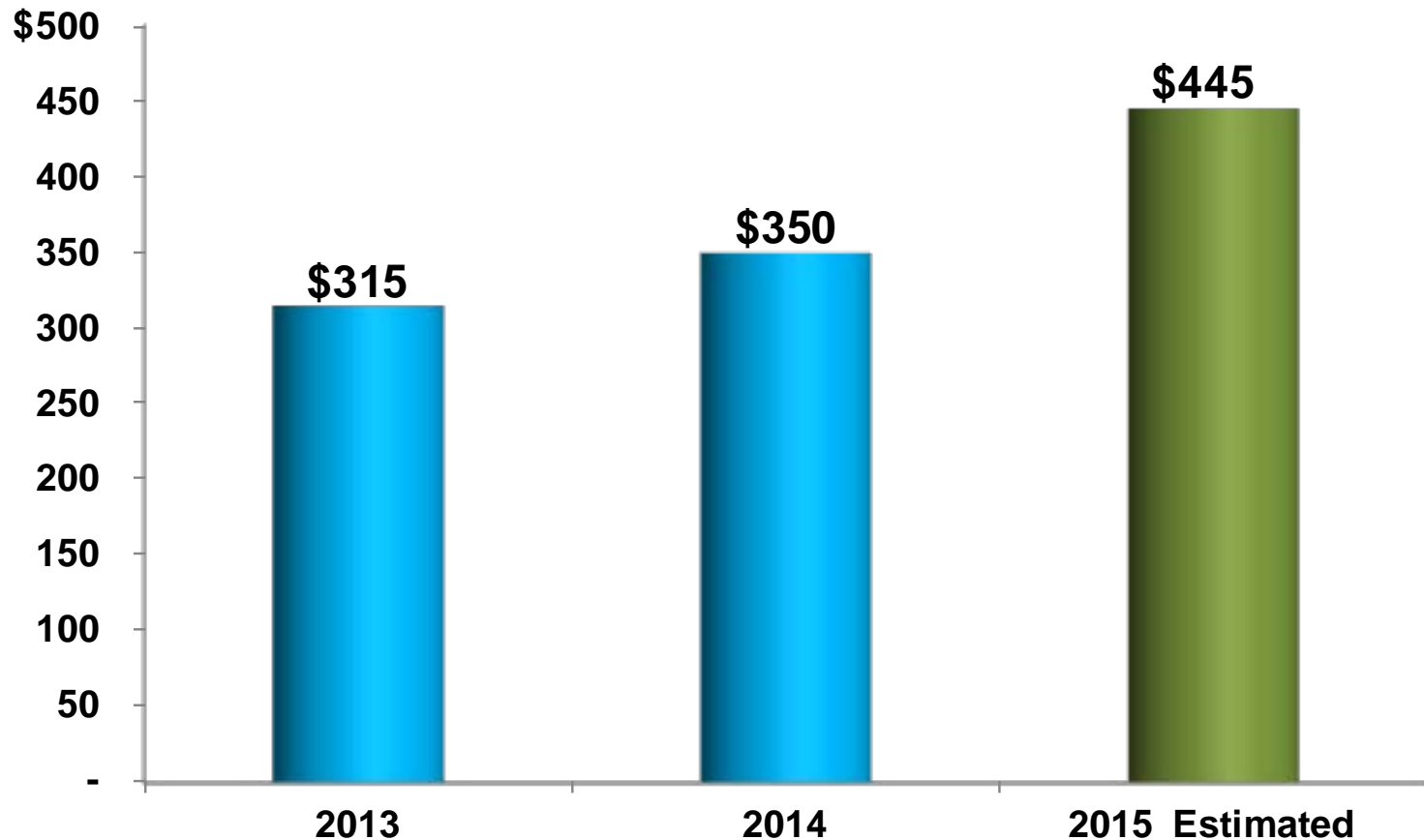


CAGR = compound annual growth rate

Capital Expenditures

Natural Gas Operations

(In millions)



2015 - 2017 Estimate: \$1.3 billion



SOUTHWEST GAS

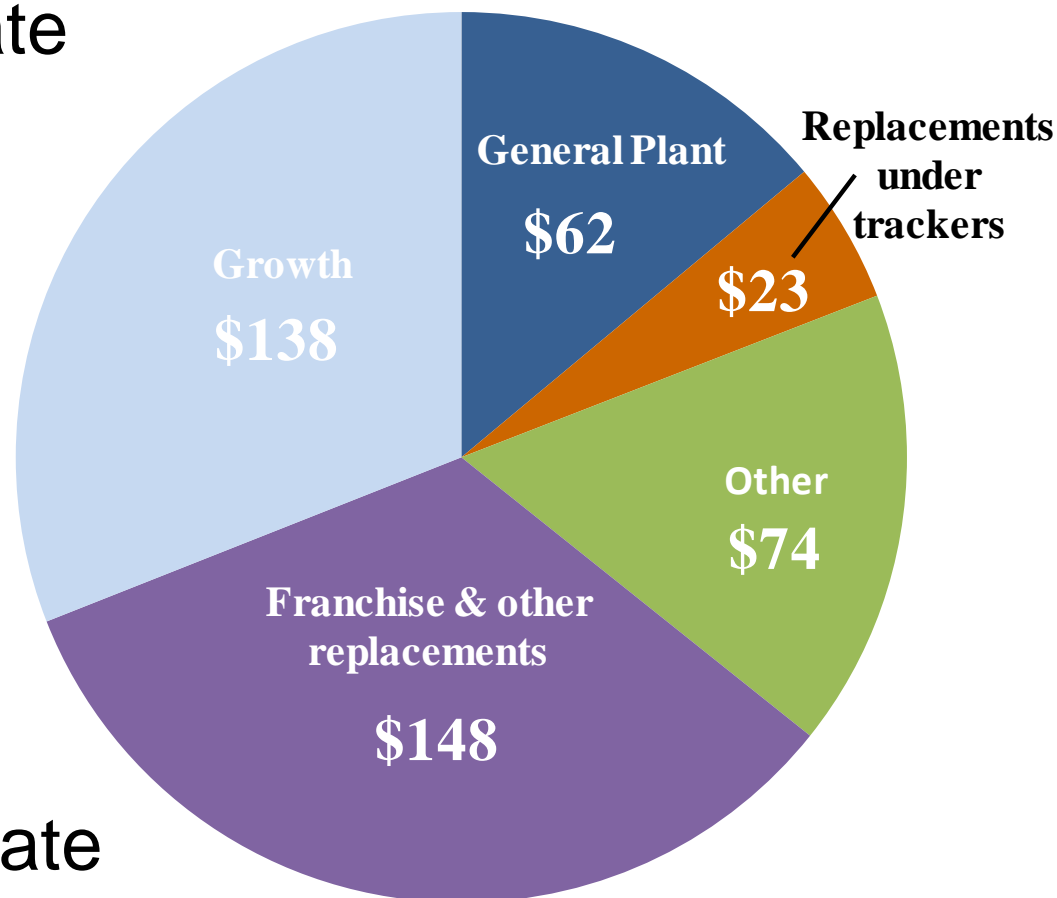
Capital Expenditures

Natural Gas Operations

(In millions)

➤ 2015 total estimate

– \$445 million

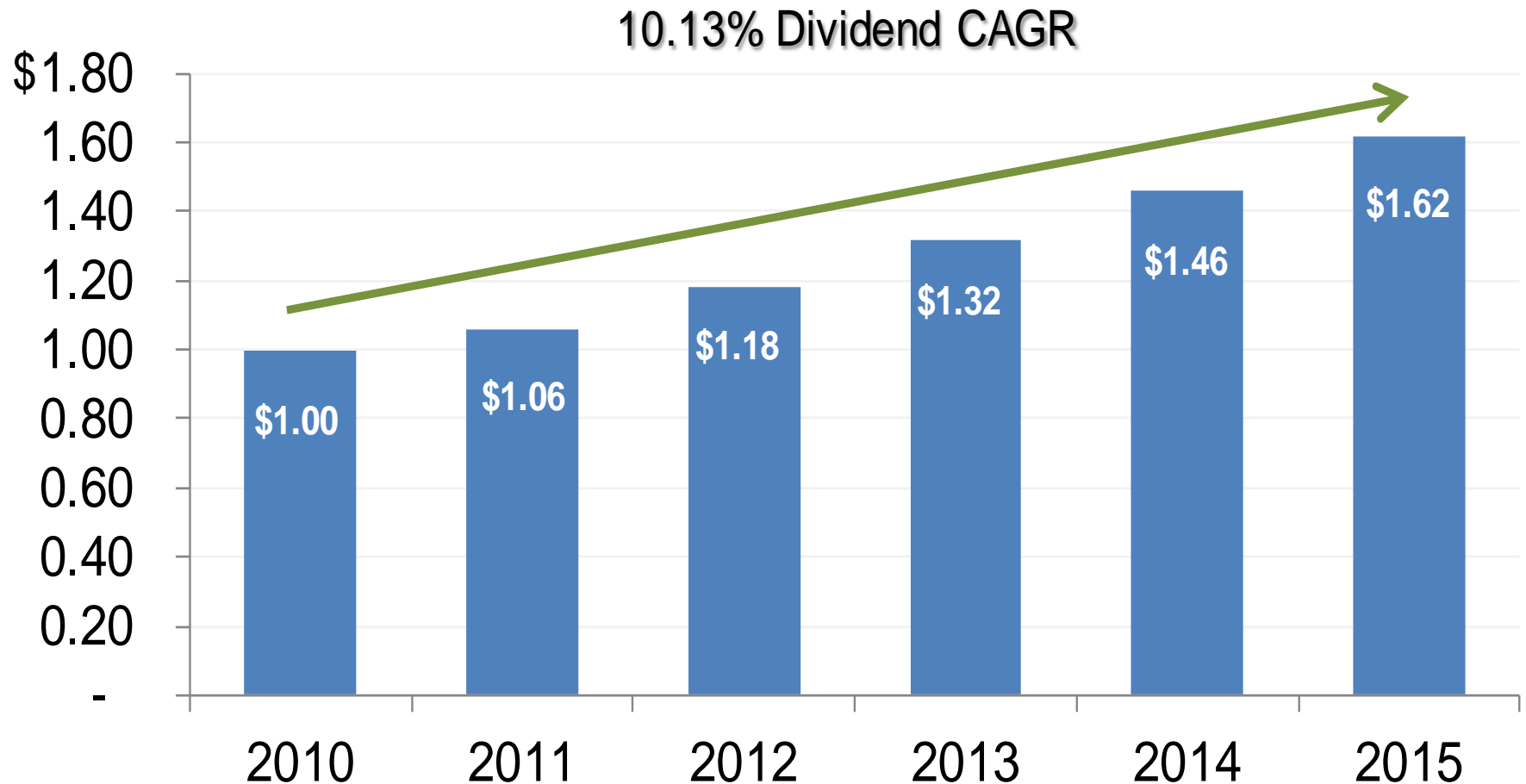


➤ 2015-2017 estimate

– \$1.3 billion



Dividend Growth



CAGR = compound annual growth rate

2015 Expectations

Construction Services

- 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



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

APPENDIX



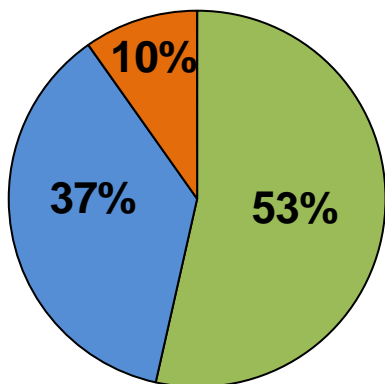
Stable Customer Base

Natural Gas Operations

TMTD December 31, 2014 Customer & Operating Margin Distribution

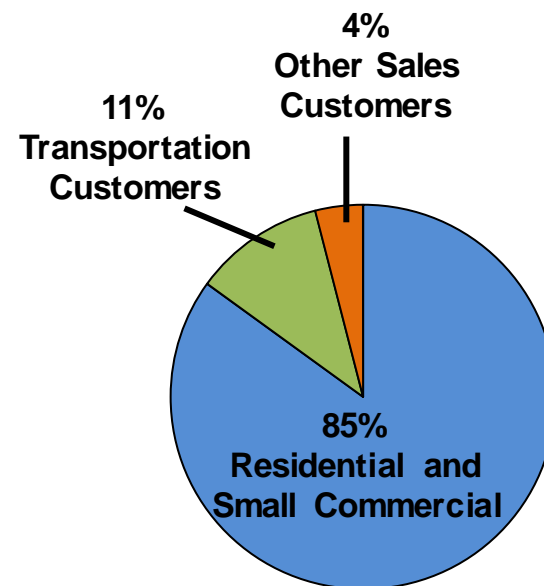
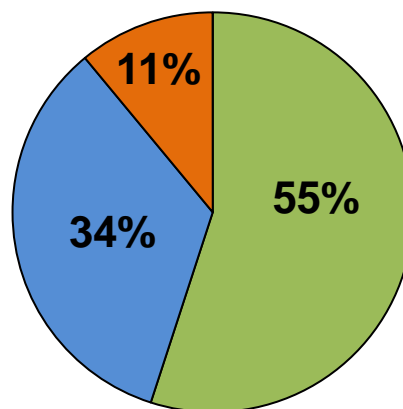
By State

Customers



■ Arizona
■ Nevada
■ California

Margin



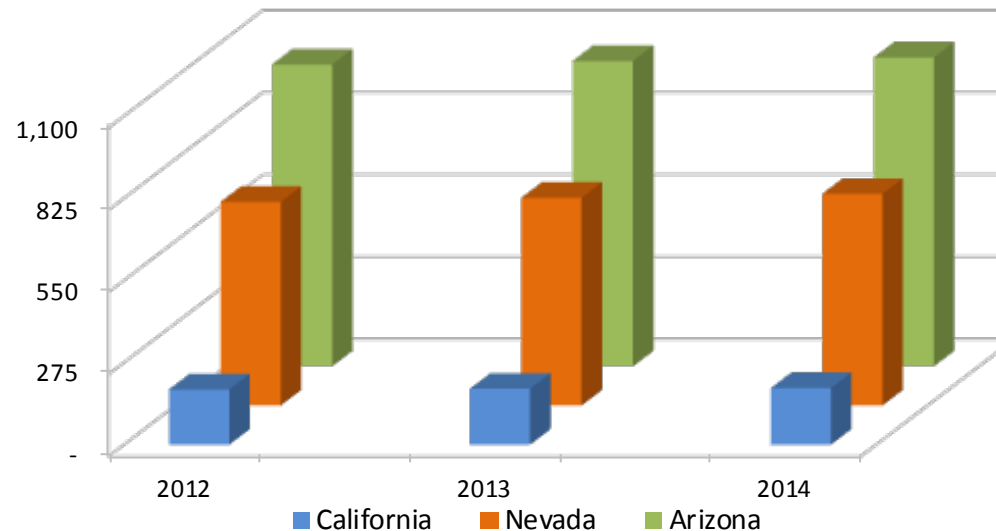
➤ Consistent trends year over year

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



Purchased Gas Adjustment (PGA) Balances

Natural Gas Operations
(In millions)

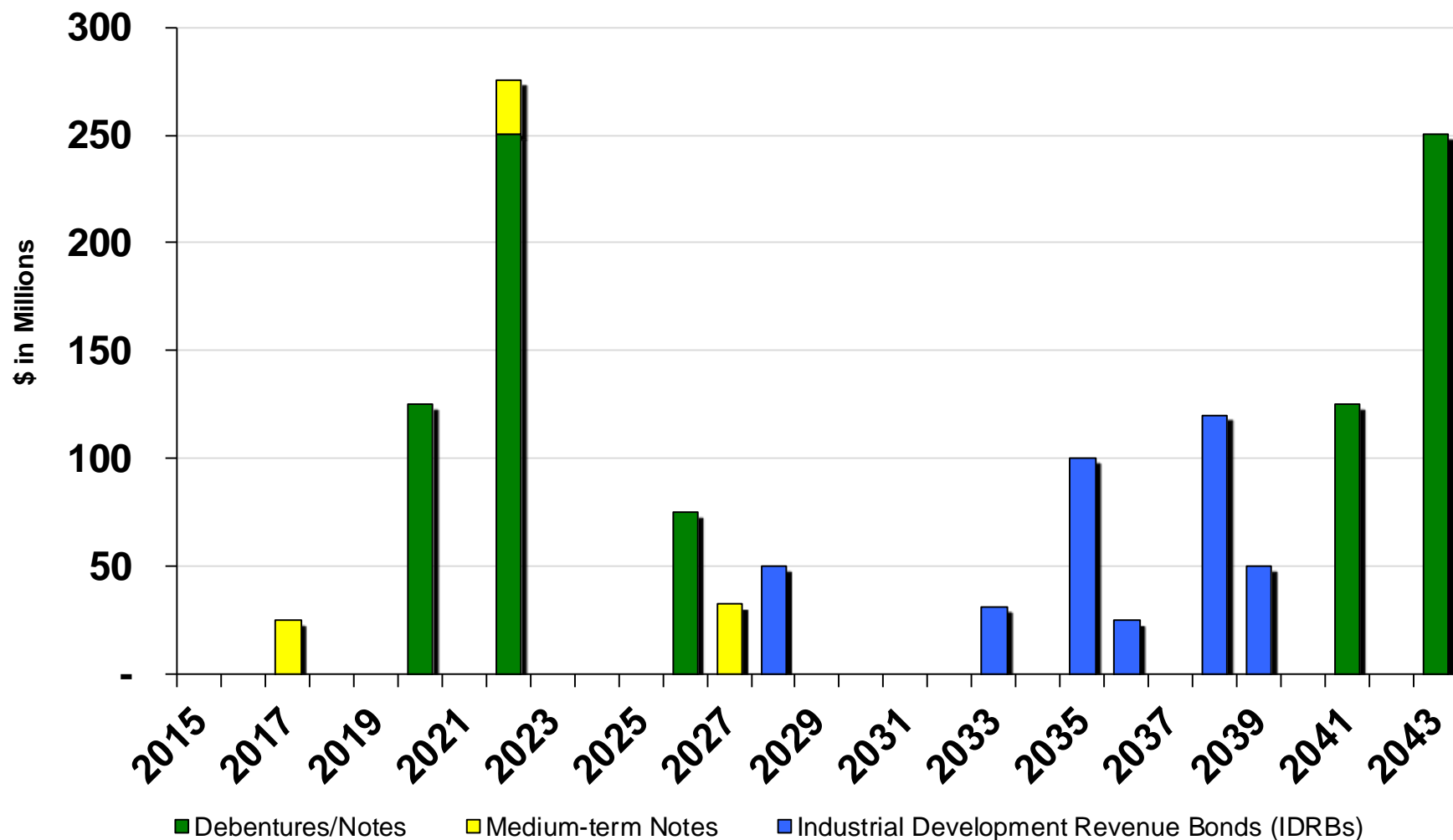
	AS OF DECEMBER 31,	
	2013	2014
Arizona	\$ 3.2	\$ 48.4
Northern Nevada	4.4	10.2
Southern Nevada	4.1	20.4
California	6.5	8.6
Total Receivable	<u>\$ 18.2</u>	<u>\$ 87.6</u>

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 at December 31, 2014

<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	\$ 1,070,117	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.

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



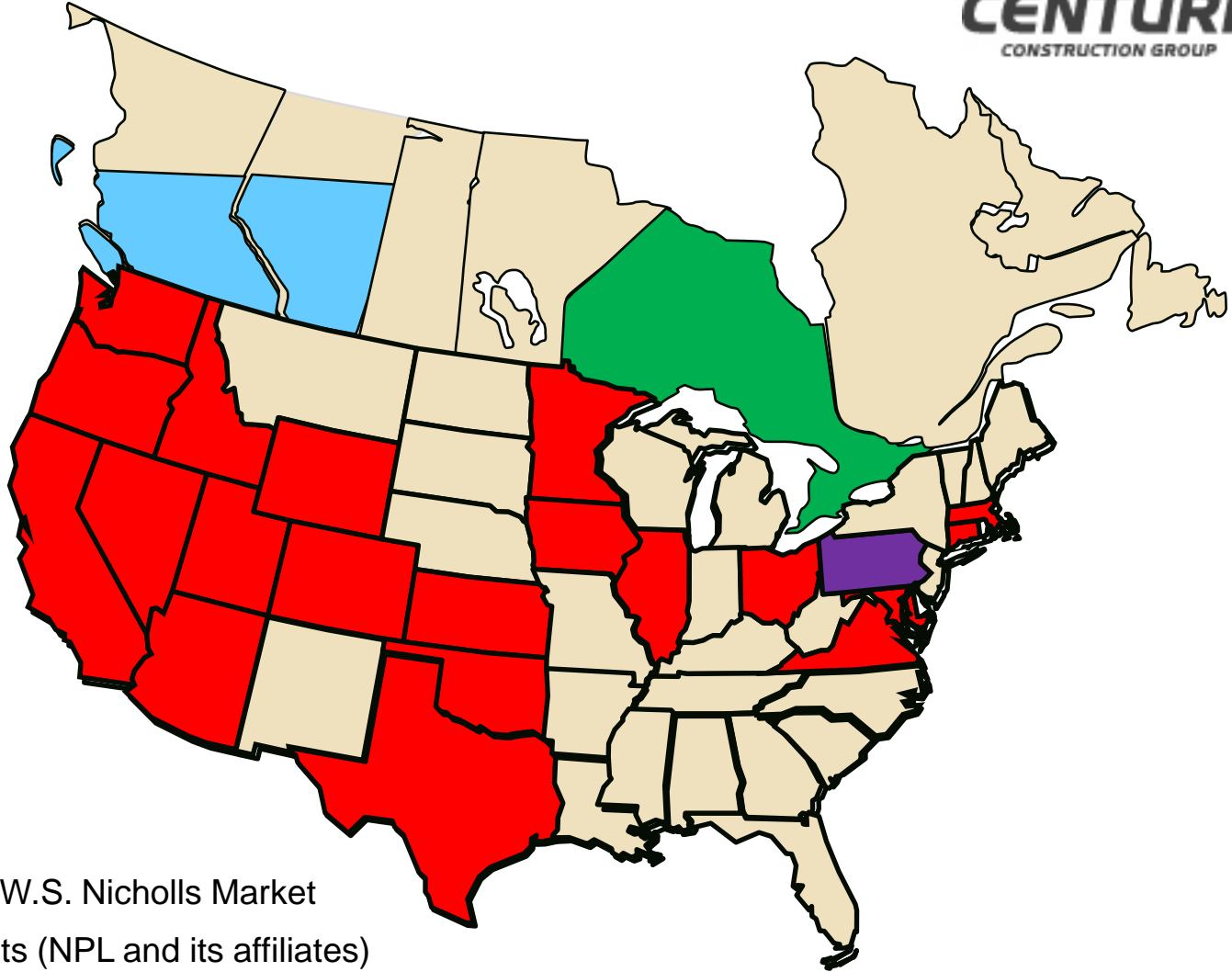
➤ Brigadier Pipelines





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



Centuri Construction Group

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



Capital Structure

(In millions, except ratios)

Capitalization at December 31,	2010	2011	2012	2013	2014
Common Equity	\$ 1,167	\$ 1,225	\$ 1,308	\$ 1,412	\$ 1,486
Long-Term Debt ¹	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>\$ 3,143</u>
Capitalization ratios					
Common Equity	49.3%	49.4%	49.8%	50.4%	47.3%
Long-Term Debt ¹	50.7%	50.6%	50.2%	49.6%	52.7%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

¹Includes 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:

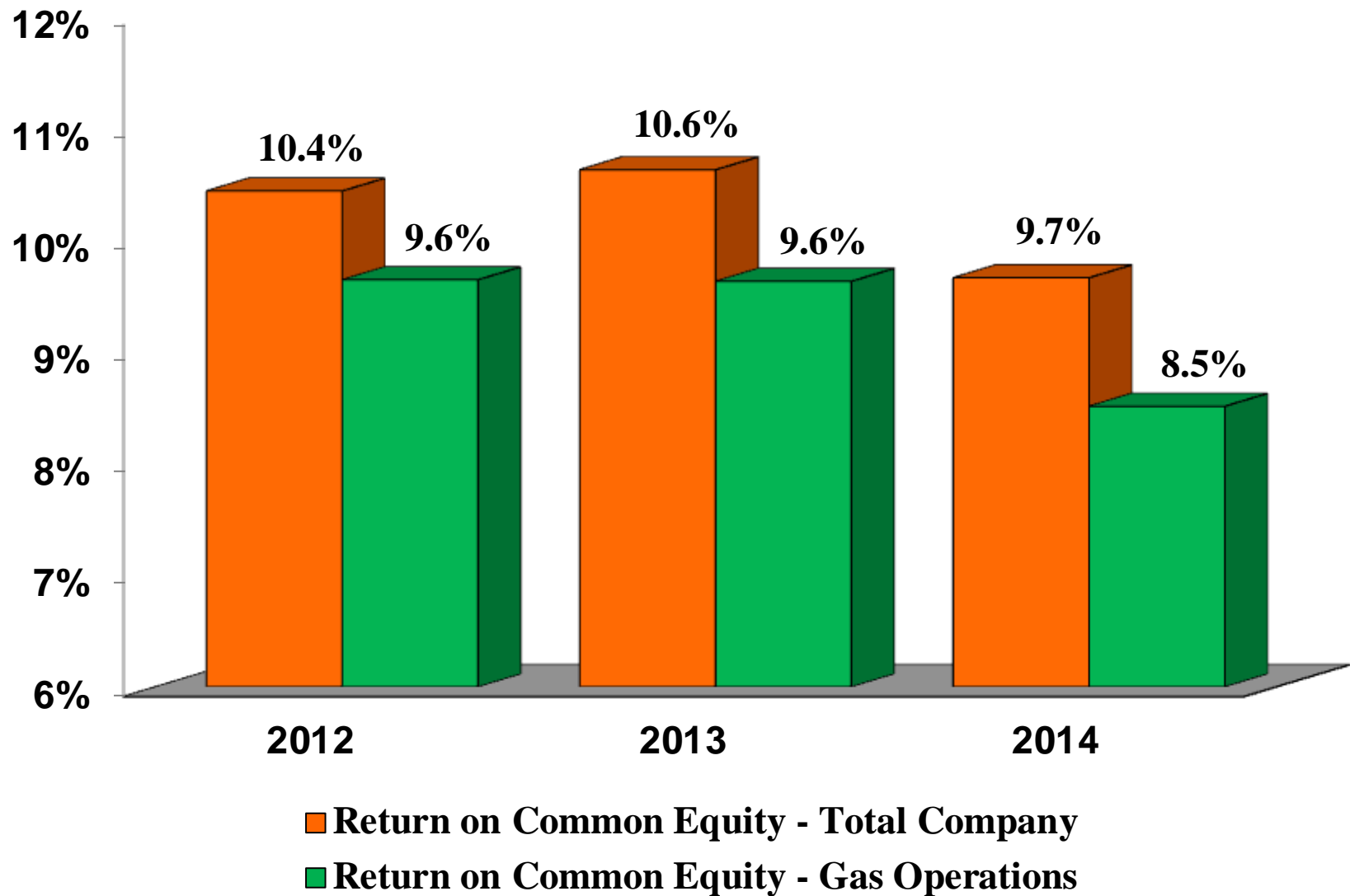
A (May 2013)
Stable

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.

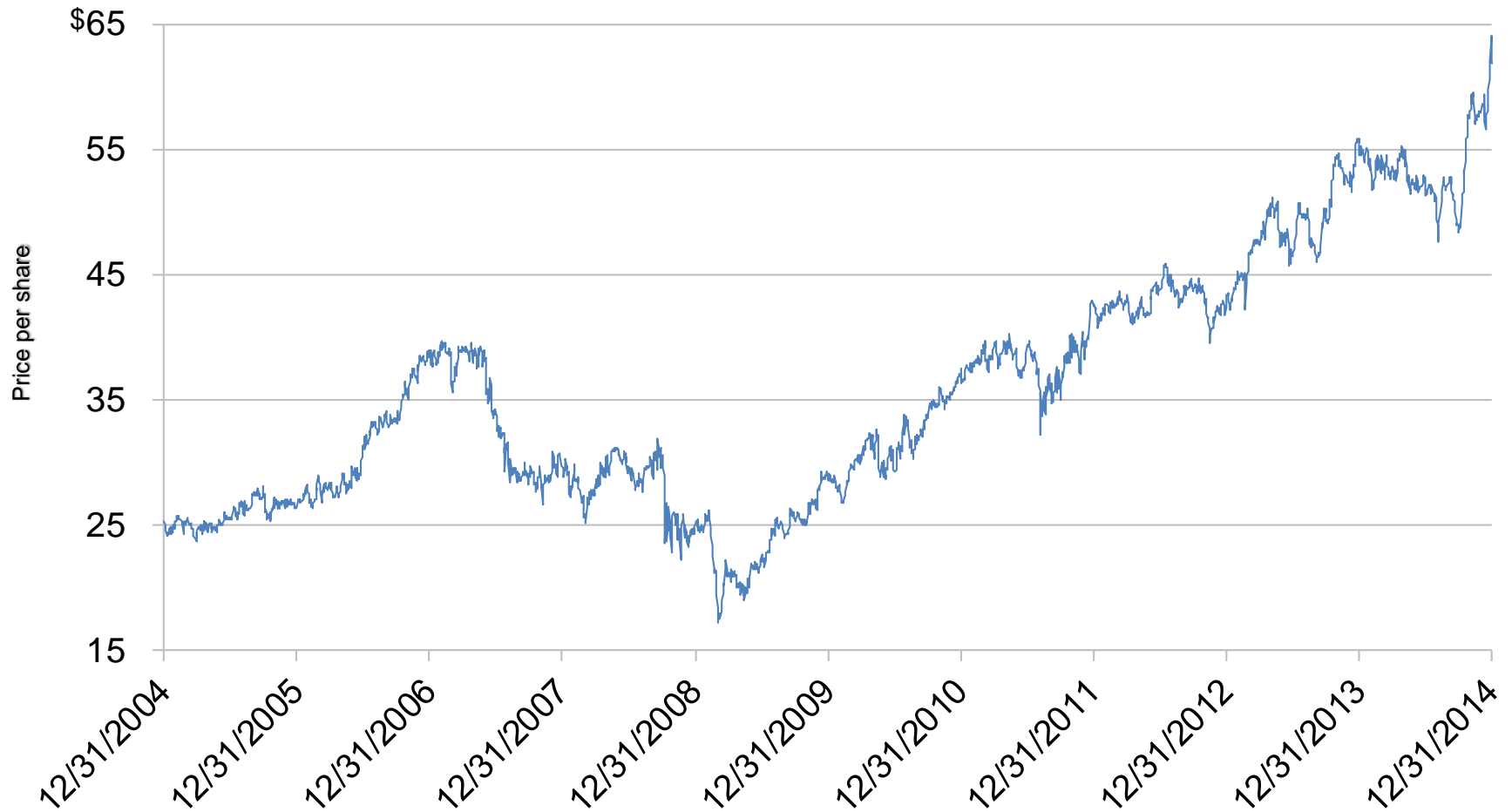


Return on Common Equity



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

	1-Year	3-Year	5-Year	10-Year
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