



Midwest Investor Meetings

June 10-12, 2015





SOUTHWEST GAS

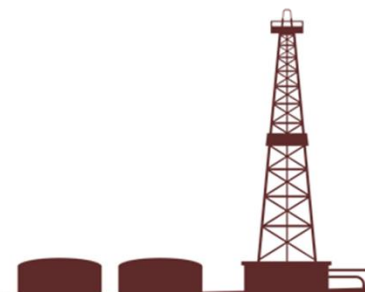
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Safe Harbor Statement



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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 2015 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 2014 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 rate design;
- Customer growth rates;
- Conditions in housing markets;
- The effects of regulation/deregulation;
- The impacts of construction activity at in 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
- 2015 expectations & going forward



Two Business Segments

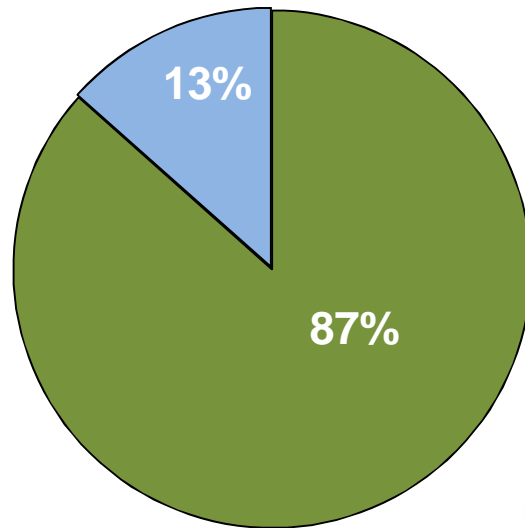


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Southwest Gas consists of two business segments

- Natural gas operations
- Construction services (Centuri)

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



■ **Natural gas operations**

\$123MM net income

■ **Construction services**

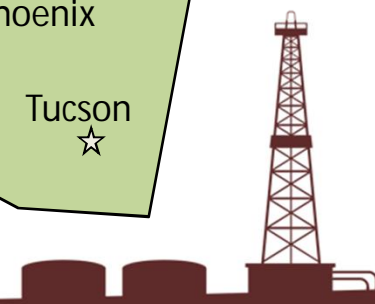
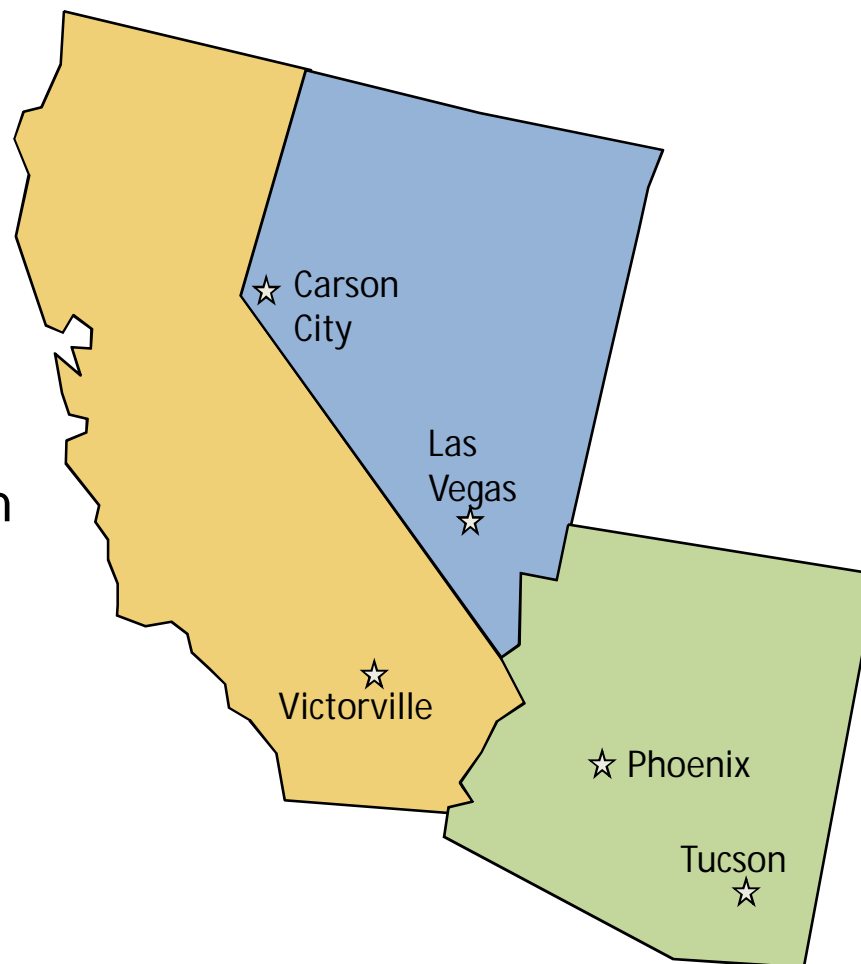
\$19MM net income



Southwest Gas is a Regional Leader in Natural Gas Distribution



- 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

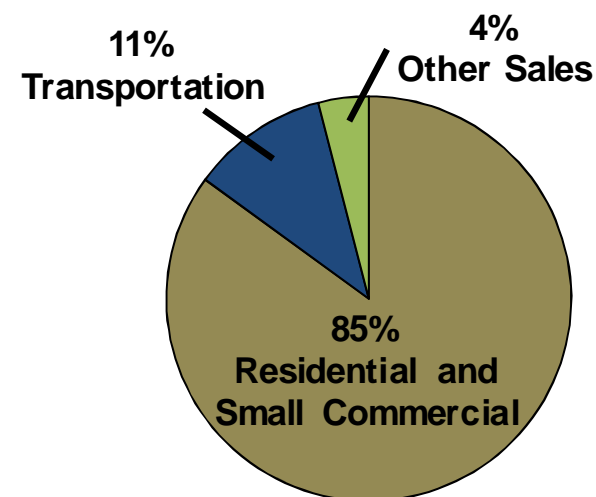
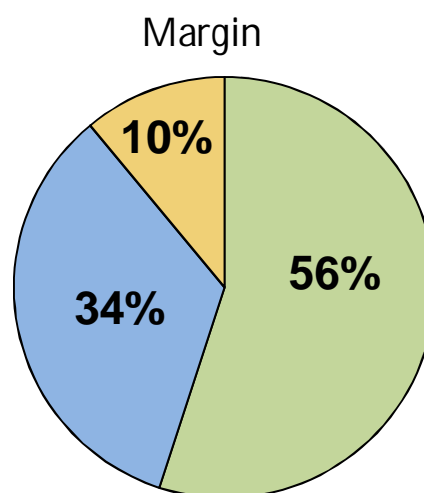
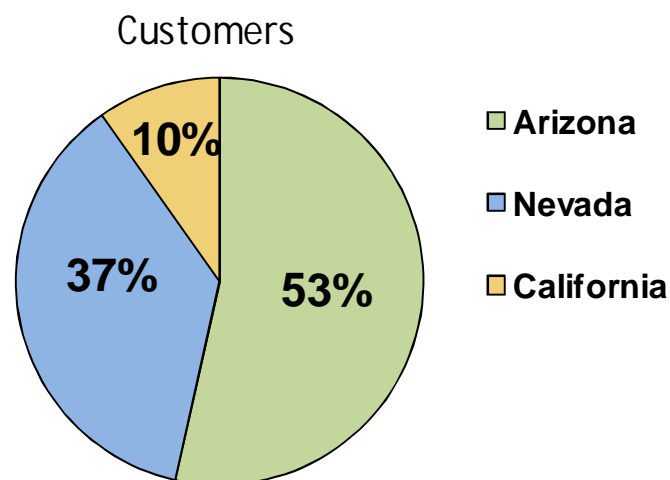


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TMTD March 31, 2015 Customer & Operating Margin Distribution

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

➤ W.S. Nicholls Construction

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

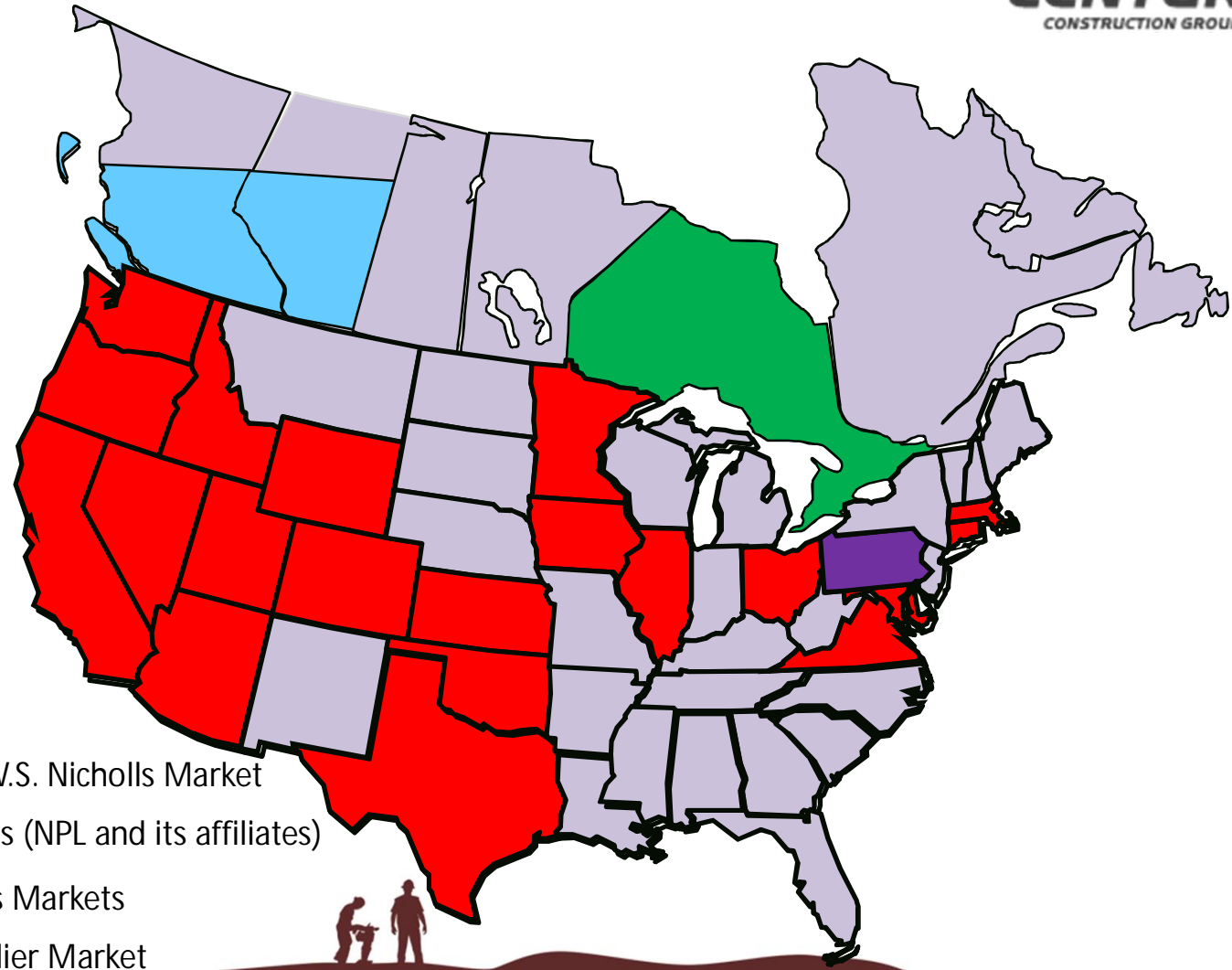
➤ Brigadier Pipelines

- 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



Company Highlights



- 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



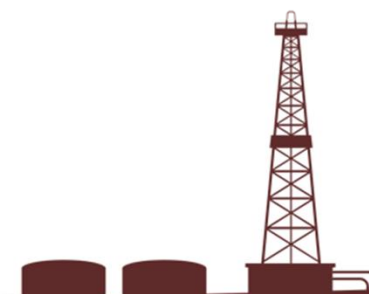
Twelve Months Ended March 31,

(In thousands except per share amounts)



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



Summary Operating Results

Natural Gas Operations

(In thousands)



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TWELVE MONTHS ENDED MARCH 31,

2015

2014

Results of Natural Gas Operations

Gas operating revenues	\$ 1,448,709	\$ 1,293,047
Net cost of gas sold	567,741	426,770
Operating margin	880,968	866,277
Operations and maintenance expense	376,834	390,235
Depreciation and amortization	206,336	197,012
Taxes other than income taxes	48,793	45,212
Operating income	249,005	233,818
Other income	8,155	9,810
Net interest deductions	67,168	64,104
Income before income taxes	189,992	179,524
Income tax expense	66,798	62,048
Net income - gas operations	\$ 123,194	\$ 117,476



Twelve Months Ended March 31, 2015

Natural Gas Operations



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- Operating income increased \$15.2 million between periods due to growth in operating margin and flat operating costs
 - Operating margin increased \$15 million including combined rate relief of \$10 million in the California jurisdiction and Paiute Pipeline Company
 - Legal expenses in the prior period (including a \$5 million legal accrual in the first quarter of 2014) were \$6.8 million higher than the current period
- Net interest costs increased \$3.1 million primarily due to increased borrowings on the credit facility and the issuance of \$250 million of long-term debt in the fourth quarter of 2013
 - Increase mitigated by higher interest expense in the prior period associated with PGA balances and by the redemption of \$65 million of 5.25% 2004 Series A IDRBs in November 2014



Summary Operating Results

Construction Services

(In thousands)



TWELVE MONTHS ENDED MARCH 31,

	<u>2015</u>	<u>2014</u>
Construction revenues	\$ 798,822	\$ 652,626
Construction expenses	709,586	579,795
Depreciation and amortization	<u>51,267</u>	<u>43,763</u>
Operating income	37,969	29,068
Net interest deductions	5,359	1,237
Income taxes	13,086	10,444
Other	(392)	467
Net income	<u><u>\$ 19,132</u></u>	<u><u>\$ 17,854</u></u>



Twelve Months Ended March 31, 2015

Construction Services



- Revenues increased \$146 million
 - Additional pipe replacement work
 - Inclusion of the acquired companies beginning fourth quarter 2014 (\$96.5 million)
- Construction expenses increased \$130 million
 - Primarily due to additional pipe replacement work at NPL and construction costs associated with the acquired companies (\$98.4 million)
 - Included in the acquired companies construction costs was a \$5.6 million loss reserve for an industrial construction project
 - General & Administrative expense increased \$13.2 million due primarily to recently acquired companies, acquisition costs, and changes implemented to match increased size and complexity of business
- Depreciation expense increased \$7.5 million
 - Amortization of finite-lived intangible assets recognized from acquisition (\$2.9 million)
 - Additional equipment purchased to support growth and volume of work being performed



Twelve Months Ended March 31, 2015

Construction Services



Loss reserve of \$5.6 million:

- Short duration fixed-price contract started earlier this year and is over 90% complete
- Delays resulting in production inefficiencies increasing the estimated project costs not caused by Centuri's actions
- Management is negotiating change orders which may narrow or reverse the loss in future periods
- Resolution expected by third quarter to determine final net profit or loss on the project



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



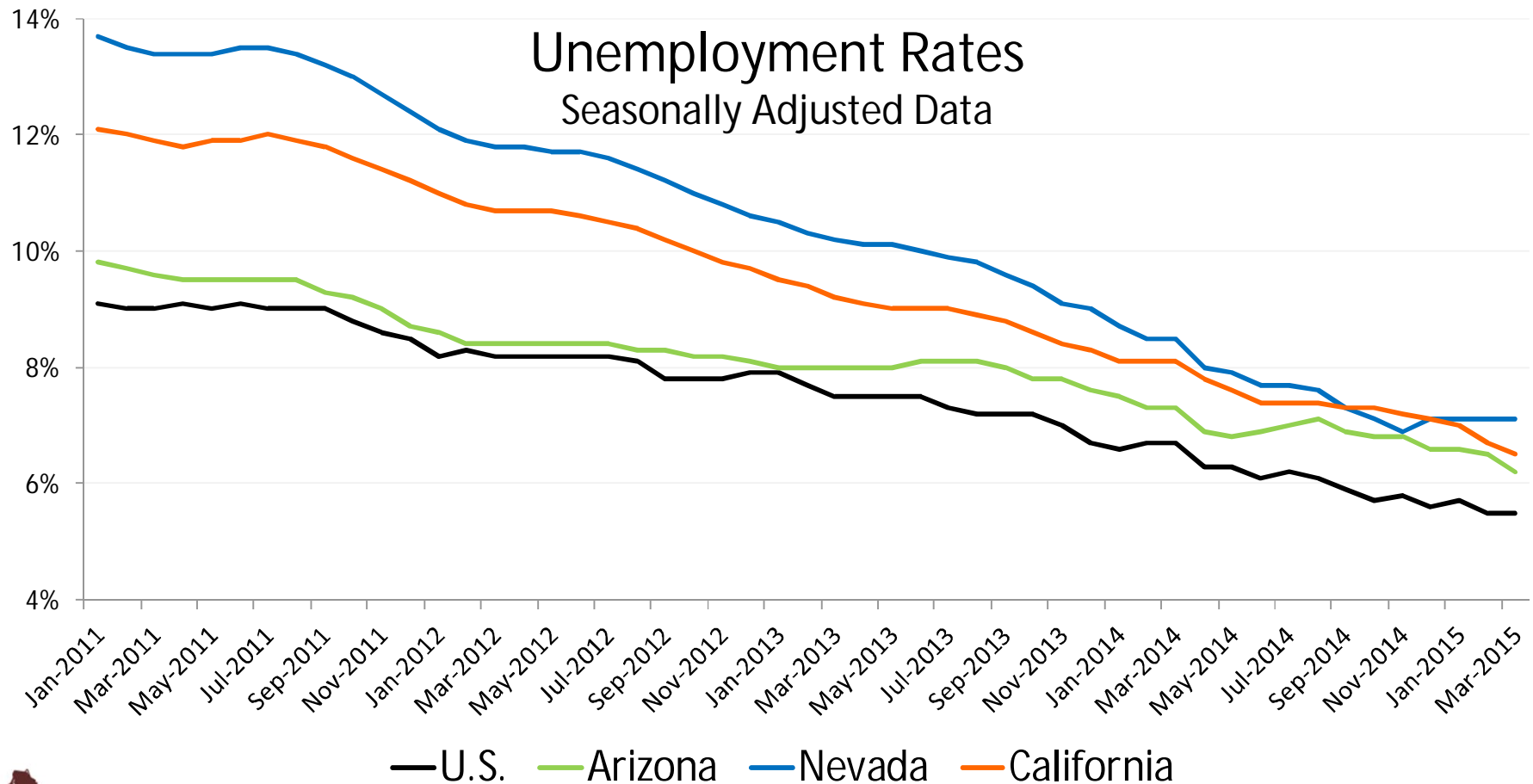
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- Growth
- Regulation
- Cost controls
- Safety
- Capital expenditures and credit ratings
- Dividends



Economic Overview – Service Area

Natural Gas Operations



Economic Overview – Service Area

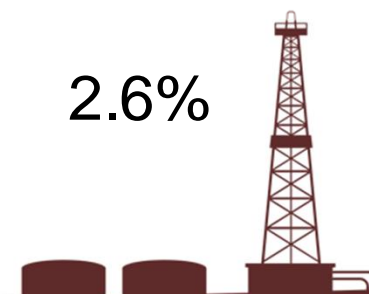
Natural Gas Operations



Employment Growth

As of March

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



Customer Growth Breakdown

Natural Gas Operations

(In thousands)



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	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>

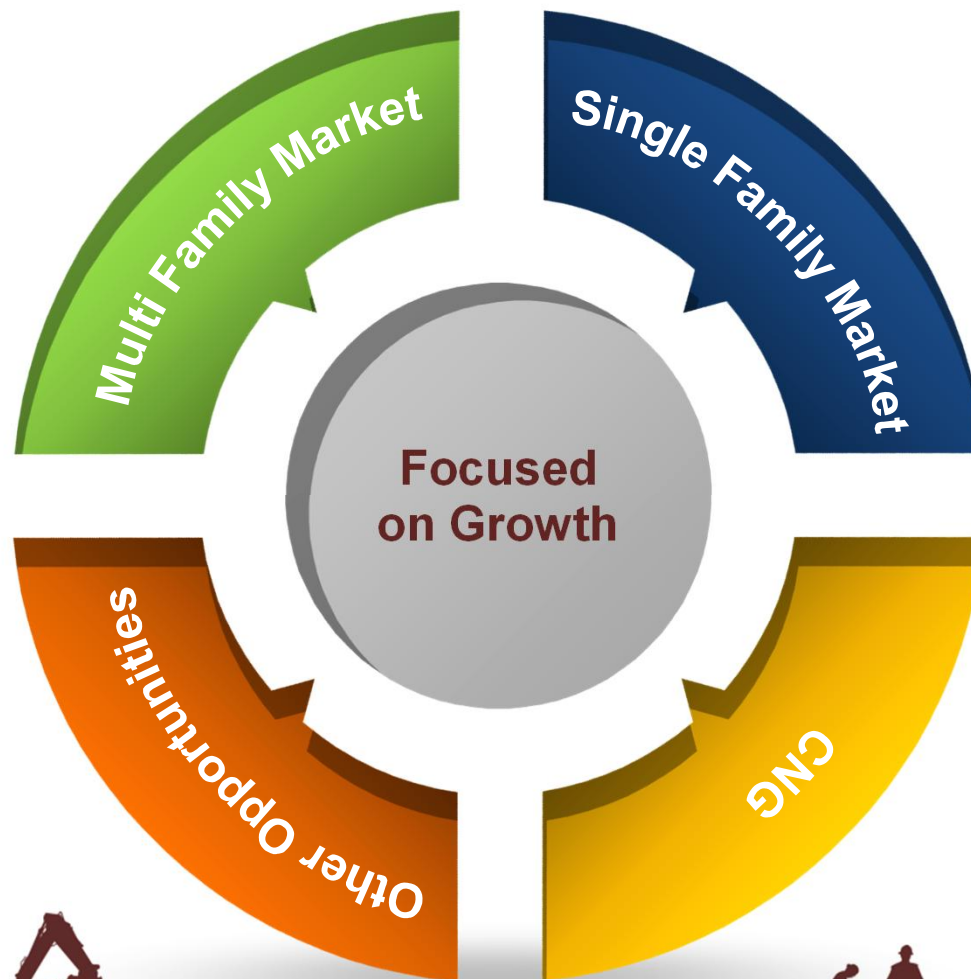
- For 2015, Company is projecting net customer growth of about 1.5%
 - Slowly improving economic conditions provide organic growth opportunities



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.

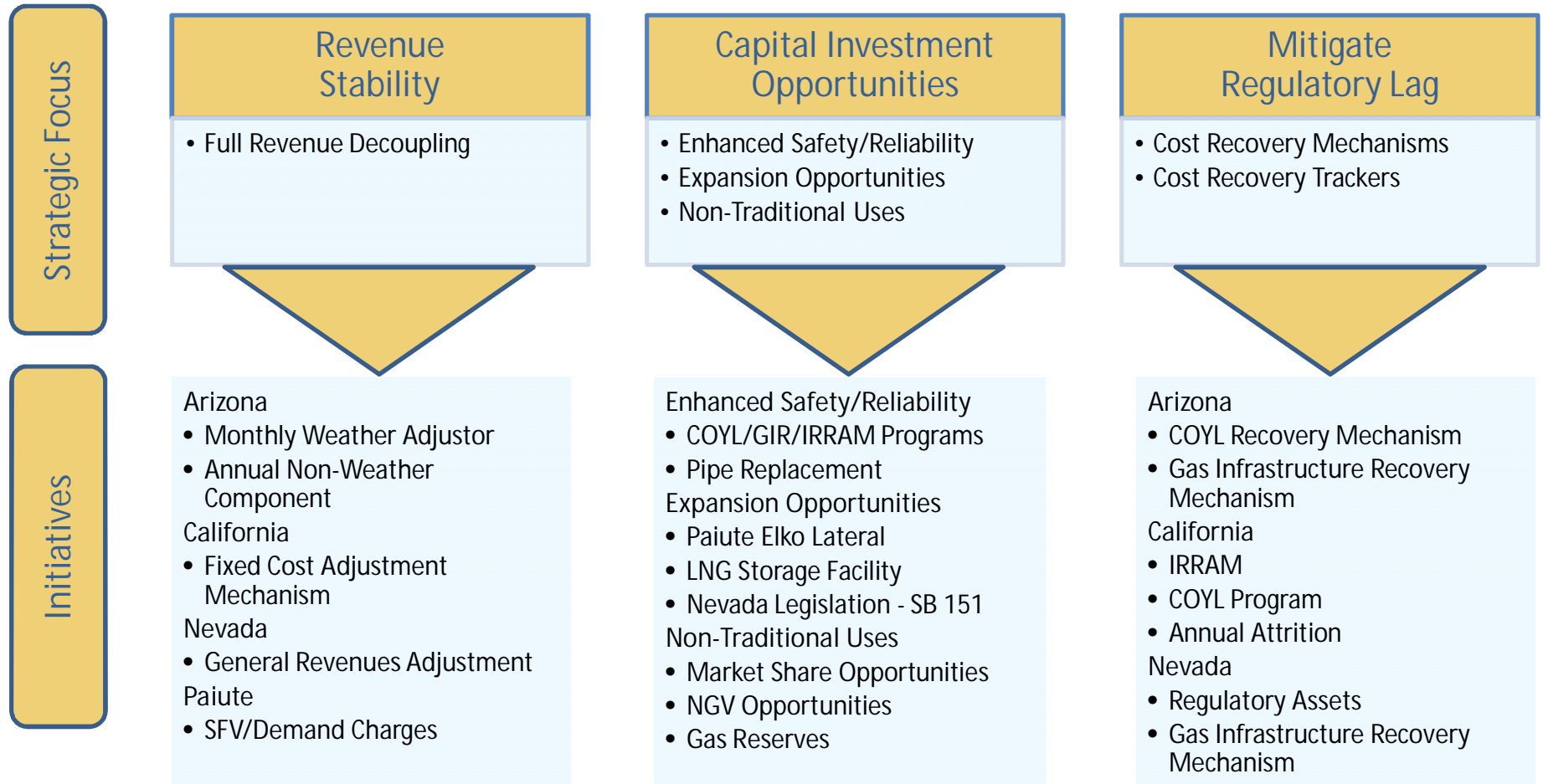


Regulation - Regulatory Focus

Natural Gas Operations



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Regulation – Annual Attrition

Natural Gas Operations



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As part of the 2014 general rate case decision by the California Public Utility Commission, 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 - Infrastructure Mechanisms

Natural Gas Operations



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Arizona customer-owned yard line (COYL) program

- Initial program (Phase I) approved in December 2011
- In January 2014, the ACC approved Southwest's request to modify the COYL program to include certain non-leaking COYLs (Phase II)
- Effective June 2015, the ACC authorized a revised surcharge to collect \$2.5 million to recover program capital costs incurred through 2014
- Cumulative program capital expenditures of approximately \$16 million



Regulation - Infrastructure Mechanisms

Natural Gas Operations



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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 \$2.2 million effective January 2015
- 2015 GIR advance application requests \$43.5 million replacement work for 2016



Regulation – LNG Facility

Natural Gas Operations



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- Arizona LNG Storage Facility
 - ACC pre-approval granted December 2014
 - Authorizes deferrals up to \$50 million
 - Authorization to defer costs through November 1, 2017
 - Gas costs recovered through the PGA mechanism
 - Construction expected to take 24 to 30 months from date of approval



Regulation – Elko Expansion Project

Natural Gas Operations



➤ Paiute Elko Lateral

- Certificate application filed with FERC June 2014
- FERC approval received May 14, 2015
- Estimated cost of the project is \$35 million
- Targeted in-service date of November 2015



Regulation – Next Arizona GRC

Natural Gas Operations



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Rate case moratorium:

- Next earliest general rate case application – April 30, 2016
- Next earliest test year – November 30, 2015
- Required depreciation study
- New rates effective no earlier than May 1, 2017



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

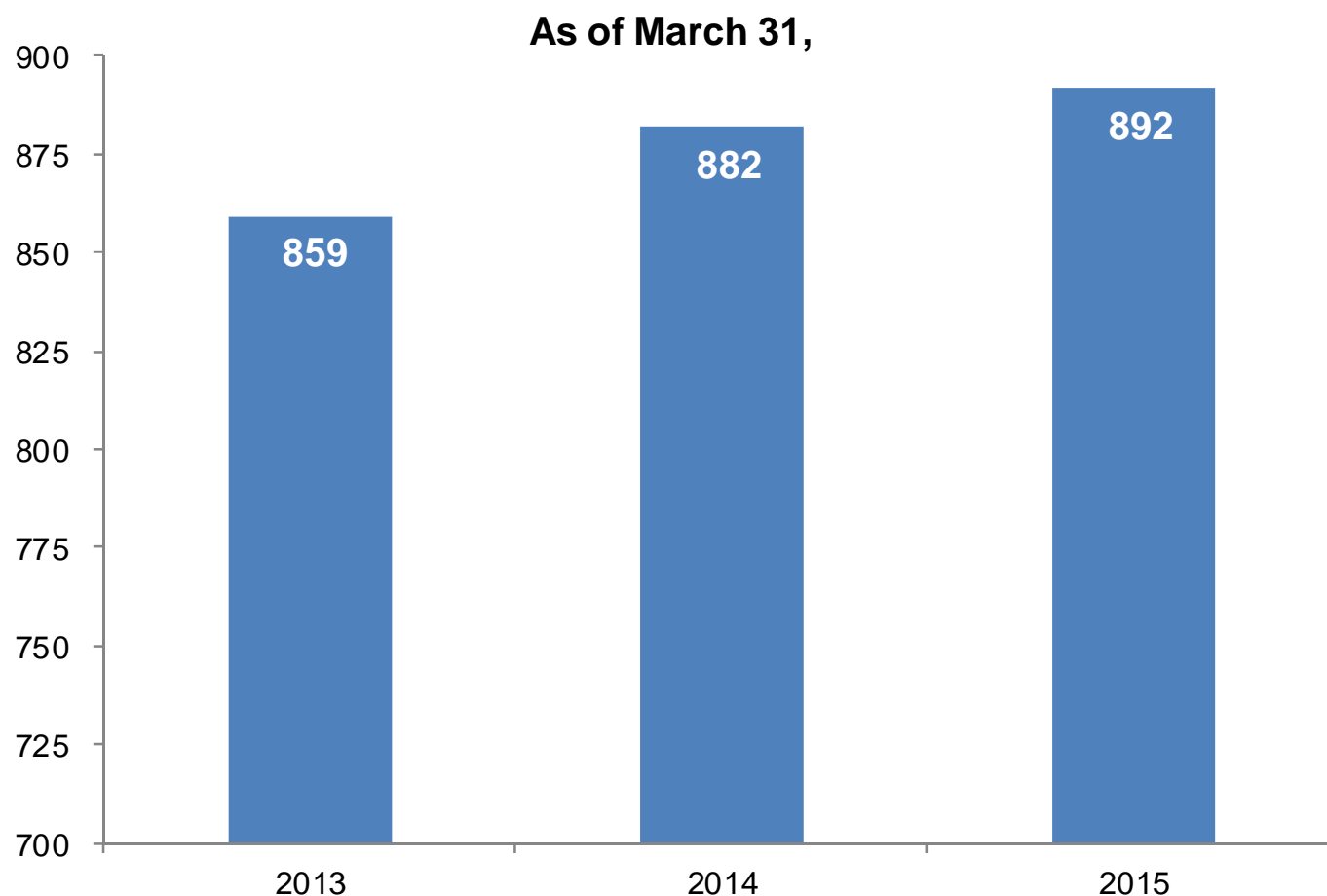


Customer to Employee Ratio

Natural Gas Operations



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Safety - Metrics

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 - Recognition

Natural Gas Operations



Recognition

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

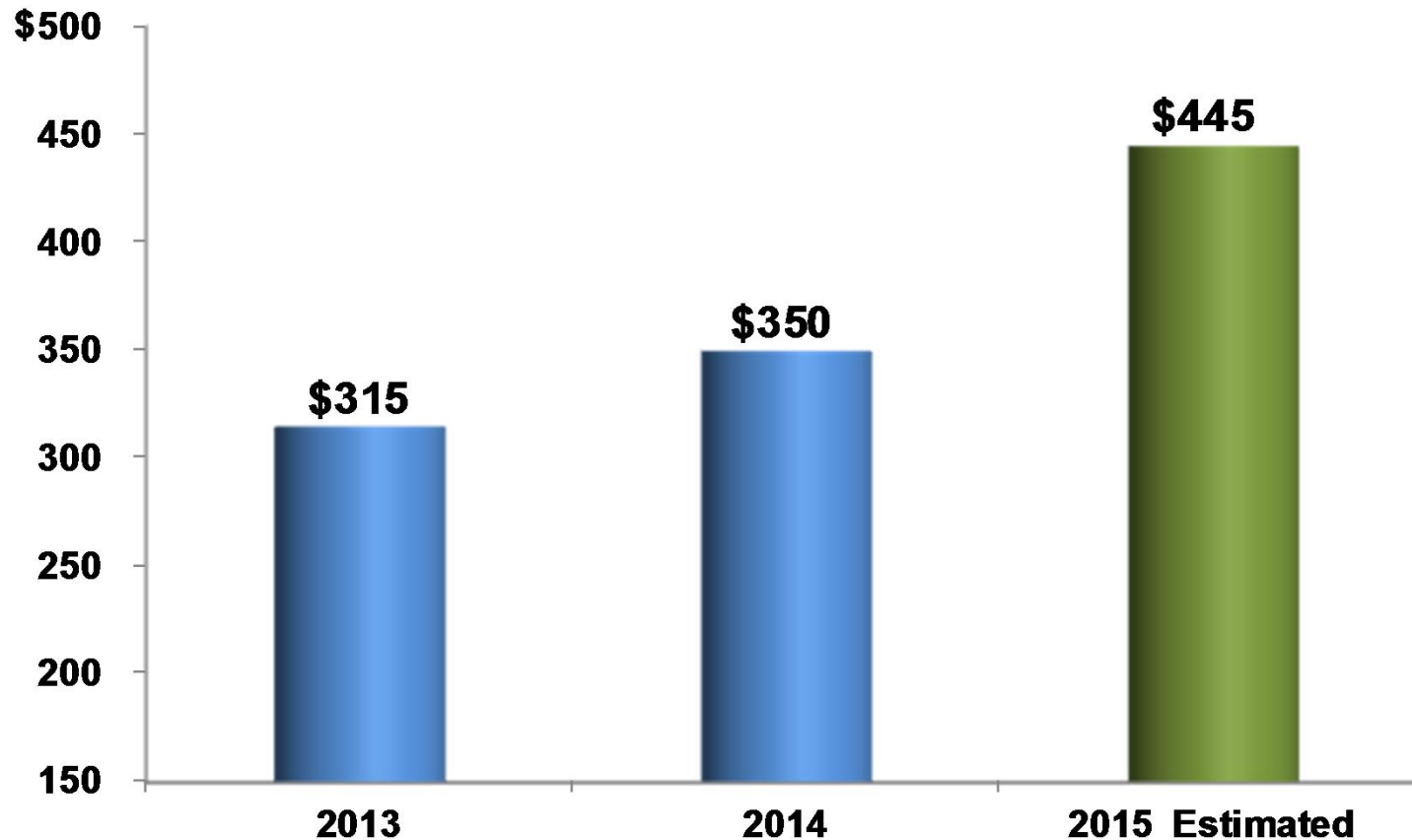


Capital Expenditures Natural Gas Operations

(In millions)



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2015 - 2017 Estimate: \$1.3 billion



Capital Expenditures

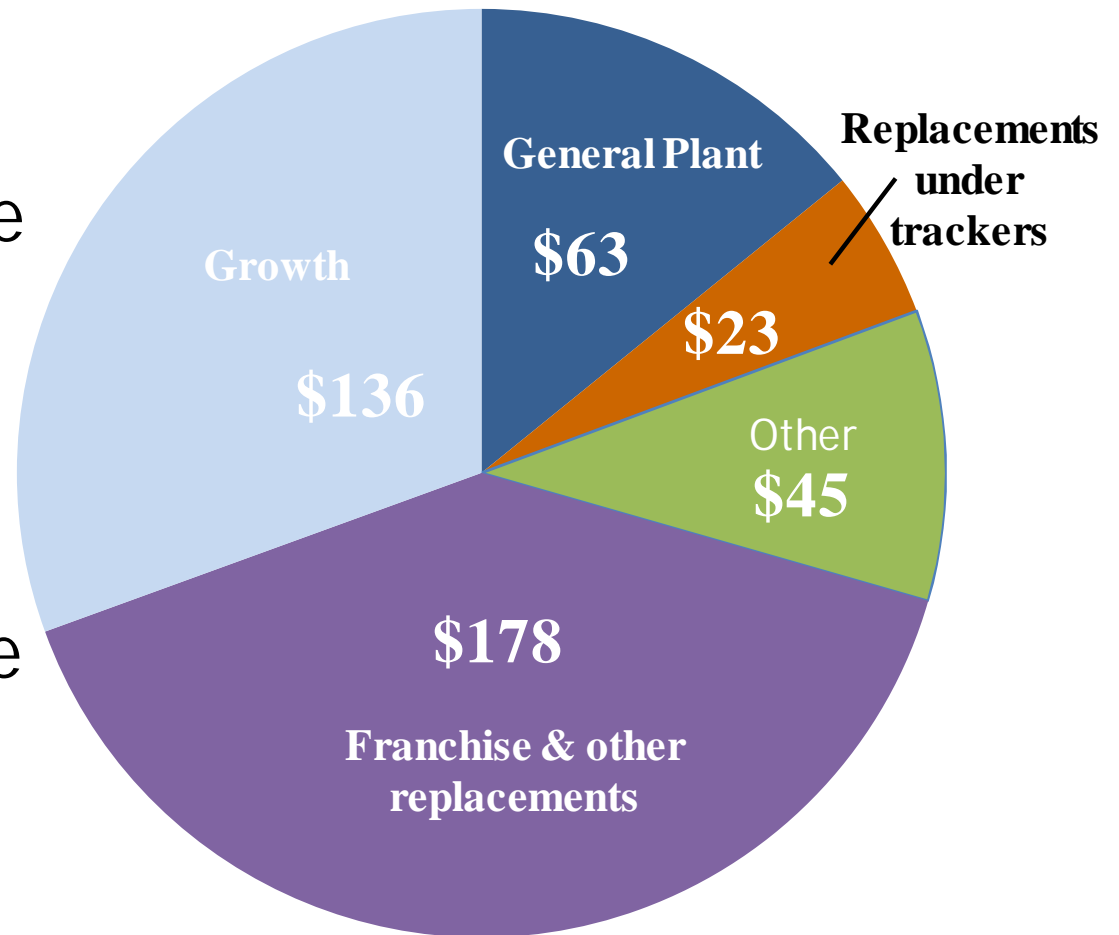
Natural Gas Operations

(In millions)



- 2015 total estimate
 - \$445 million

- 2015-2017 estimate
 - \$1.3 billion



Credit Ratings - Investment Grade



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:

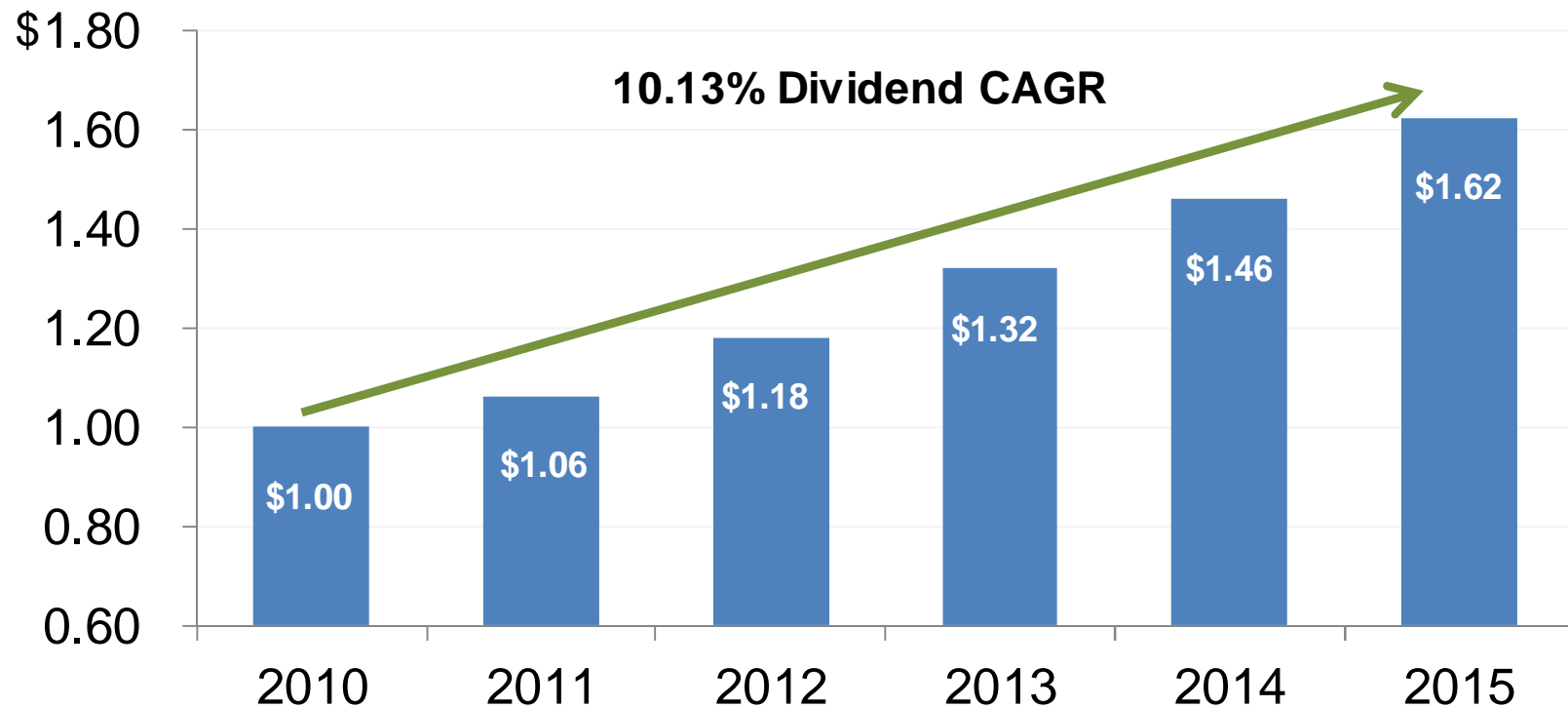
A (May 2013)
Stable



Annualized Dividend Growth



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CAGR = compound annual growth rate

February 2015, Board increased annual dividend \$0.16



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



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- 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 or be lower than 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



Going Forward

Longer-Term Value Drivers



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- 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



Consolidated Capital Structure

(In millions)



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Capitalization at March 31,	2011	2012	2013	2014	2015
Common Equity ¹	\$ 1,231	\$ 1,295	\$ 1,379	\$ 1,470	\$ 1,571
Long-Term Debt ²	1,123	1,393	1,256	1,380	1,525
Total Permanent Capital	<u>\$ 2,354</u>	<u>\$ 2,688</u>	<u>\$ 2,635</u>	<u>\$ 2,850</u>	<u>\$ 3,096</u>
Capitalization ratios					
Common Equity ¹	52.3%	48.2%	52.3%	51.6%	50.7%
Long-Term Debt ²	47.7%	51.8%	47.7%	48.4%	49.3%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

¹ Includes redeemable noncontrolling interest

² Includes current maturities of long-term debt



Authorized Rate Base and Rates of Return



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Natural Gas Operations

Authorized

Return on

Common

Equity

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)	87,158	8.46	11.00

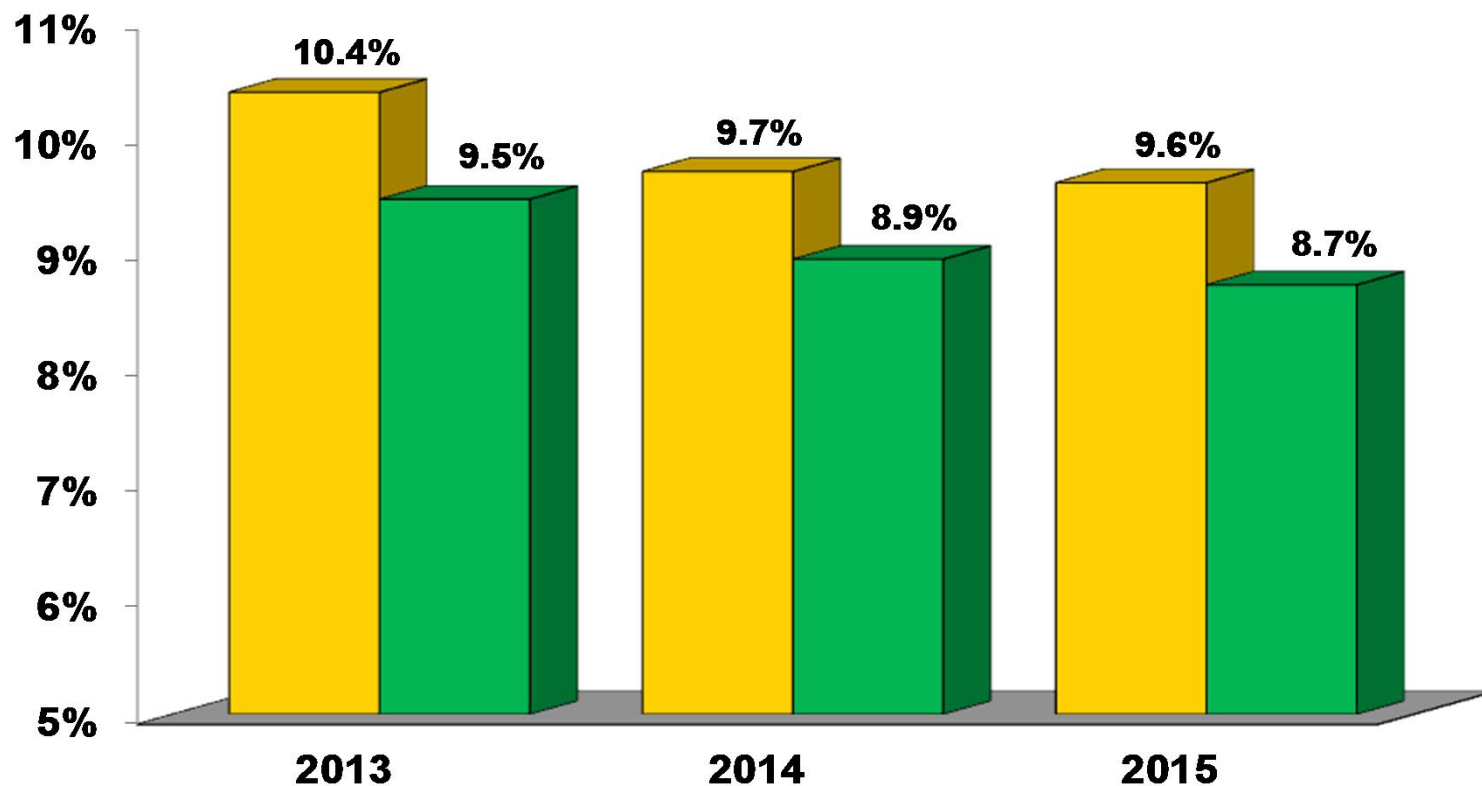
(1) Estimated amounts based on rate case settlement.

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



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

