



SOUTHWEST GAS CORPORATION

**Third Quarter Earnings
Conference Call
November 7, 2012**

Safe Harbor Statement

Statements contained in this presentation that may include Company expectations or predictions of the future 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 our business and financial results 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.



Call Outline

- I. Consolidated earnings – September 30, 2012
- II. Natural gas segment
- III. NPL Construction Co.
- IV. Nevada rate case
- V. California rate case
- VI. Full year 2012 outlook

Summary Operating Results

Periods Ended September 30,

(In thousands, except per share amounts)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	2012	2011	2012	2011
Results of Consolidated Operations				
Gas operations income (loss)	\$ (11,389)	\$ (25,566)	\$ 113,381	\$ 81,627
Construction services income	7,084	9,925	12,881	20,321
Net income (loss)	<u>\$ (4,305)</u>	<u>\$ (15,641)</u>	<u>\$ 126,262</u>	<u>\$ 101,948</u>
Basic earnings (loss) per share	<u>\$ (0.09)</u>	<u>\$ (0.34)</u>	<u>\$ 2.74</u>	<u>\$ 2.23</u>
Diluted earnings (loss) per share	<u>\$ (0.09)</u>	<u>\$ (0.34)</u>	<u>\$ 2.72</u>	<u>\$ 2.21</u>
Average shares	46,134	45,881	46,059	45,766
Average diluted shares	-	-	46,493	46,203

Results of Natural Gas Operations

Periods Ended September 30,

(In thousands)

THREE MONTHS ENDED

2012

2011

Results of Natural Gas Operations

Gas operating revenues	\$ 195,573	\$ 195,647
Net cost of gas sold	53,277	67,165
Operating margin	142,296	128,482
Operations and maintenance expense	90,627	89,087
Depreciation and amortization	46,763	43,640
Taxes other than income taxes	10,600	10,585
Operating income (loss)	(5,694)	(14,830)
Other income (deductions)	1,631	(8,093)
Net interest deductions	16,074	17,116
Income (loss) before income taxes	(20,137)	(40,039)
Income tax expense (benefit)	(8,748)	(14,473)
Net income (loss) - gas operations	\$ (11,389)	\$ (25,566)

Results of Natural Gas Operations

Periods Ended September 30,

(In thousands)

TWELVE MONTHS ENDED

2012

2011

Results of Natural Gas Operations

Gas operating revenues	\$ 1,362,655	\$ 1,401,150
Net cost of gas sold	533,446	622,907
Operating margin	829,209	778,243
Operations and maintenance expense	368,114	363,302
Depreciation and amortization	183,684	174,037
Taxes other than income taxes	41,264	40,231
Operating income	236,147	200,673
Other income (deductions)	5,717	(3,785)
Net interest deductions	67,757	71,209
Income before income taxes	174,107	125,679
Income tax expense	60,726	44,052
Contribution to net income - gas operations	\$ 113,381	\$ 81,627

Twelve Months Ended September 30, 2012

Increase in Operating Margin

Natural Gas Operations

(In millions)

Rate relief	\$ 36
Weather/Other¹	10
Customer growth	5
Increase	<u>\$ 51</u>

¹Beginning January 2012, all of Southwest's service territories have decoupled rate structures. As a result, weather is no longer expected to be a significant factor in operating margin. However, weather remains an explanatory factor for volatility in operating margin for periods prior to January 2012.

Twelve Months Ended September 30, 2012

Operating Expenses & Net Financing Costs

Natural Gas Operations

- O&M expense increased \$4.8 million or 1% due to higher general costs and employee-related costs, including pension expense
- Depreciation expense increased \$9.6 million or 6% consistent with growth in gas plant
- General taxes increased \$1.0 million or 3% primarily due to changes in Arizona property taxes
- Net interest expense decreased \$3.5 million primarily due to savings from debt refinancing

Other Income and Deductions

Periods Ended September 30,

Natural Gas Operations

(In thousands)

	TWELVE MONTHS ENDED	
	2012	2011
Change in COLI policies	\$ 8,100	\$ 2,250
Pipe replacement costs	(3,663)	(4,218)
Miscellaneous income and (expense)	1,280	(1,817)
Total other income (deductions)	<u>\$ 5,717</u>	<u>\$ (3,785)</u>



Results of Construction Services Periods Ended September 30,

(In thousands)



	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	2012	2011	2012	2011
Results of Construction Services				
Construction revenues	\$ 176,226	\$ 156,945	\$ 594,208	\$ 436,499
Operating expenses:				
Construction expenses	154,267	134,161	537,533	380,240
Depreciation and amortization	9,955	6,701	34,585	22,606
Operating income	12,004	16,083	22,090	33,653
Other income (deductions)	5	6	259	(217)
Net interest deductions	336	191	1,045	645
Income tax expense	4,698	6,079	9,009	12,848
Noncontrolling interest	(109)	(106)	(586)	(378)
Contribution to net income	<u>\$ 7,084</u>	<u>\$ 9,925</u>	<u>\$ 12,881</u>	<u>\$ 20,321</u>



Three Months Ended September 30, 2012 Construction Services



- Second highest quarterly earnings contribution, trailing only last year's third quarter
- Revenue growth of \$19 million between quarterly periods, but an operating income decline of \$4 million
- Prior-year quarter included \$2 million of gross profit on a fixed-price contract started in 2011
 - Current-year quarter recognized no profit as the entire estimated loss on contract was recognized as of the second quarter of 2012



Loss on Contract Construction Services



- 2nd Quarter 2012 included the recognition of a \$13 million loss associated with a large fixed-price pipe replacement contract
 - Since inception of contract in 2011, NPL has recognized \$70 million of revenue while recording construction costs of \$83 million
 - At September 30, 2012, the contract was over 90% complete
 - No additional losses are anticipated on the remaining work



Twelve Months Ended September 30, 2012 Construction Services



- Revenue increased \$158 million between periods due to increased volumes of replacement work across NPL's service areas
- Operating income declined \$11 million due primarily to the fixed-price contract noted previously
 - The current-year period included \$16 million of losses on this contract
- Other operating areas experienced net profitable growth

Regulation - Nevada

Rate Case Decision

- Public Utilities Commission of Nevada (PUCN) rate case vote held October 31, 2012
- Decision is estimated to provide a margin increase of \$7 million
- Operating income is expected to increase by \$11.4 million, due to depreciation and tax rate changes
- New rates effective early November 2012
- Basic service charge increased under (continued) decoupled rate design
- Expedited rulemaking ordered for proposed infrastructure recovery mechanism

Regulation - Nevada

Rate Case Decision - continued

- Authorized ROE and common equity ratio:
 - Southern Nevada ROE of 9.85% on 42.6% common equity
 - Northern Nevada ROE of 9.20% on 65.6% common equity
 - Capital structure not sponsored by any intervening party

- Southwest may file a Petition for Reconsideration:
 - Request adoption of the capital structure supported by all parties
 - Request recovery of a variety of disallowed costs
 - PUCN action, if any, would be expected by year-end

Regulation - California

General Rate Case

- Submitted a Notice of Intent (NOI) to File with the Division of Ratepayer Advocates on October 2, 2012
- Anticipated filing with the California Public Utilities Commission prior to December 31, 2012
- Future 2014 Test Year
- Anticipate new rates effective January 1, 2014

Regulation - California

General Rate Case - continued

- NOI Rate Case Key Parameters:
 - Common equity ratio of 57 percent
 - Requested return on common equity of 10.7 percent
 - Rate base of approximately \$262 million
 - Revenue deficiency of approximately \$12 million
- Final application subject to change

Full Year Outlook 2012

- Nevada rate case decision, new rates effective early November 2012
- California general rate case filed by December 2012 for new rates effective January 2014
- Net customer growth consistent with 1% plus expectation
- Operating costs increase assumption narrowed to approximately 4% for the full year
- Arizona rate relief tracking year-end assumption
- Financing costs should improve
- Outlook for NPL remains favorable

APPENDIX

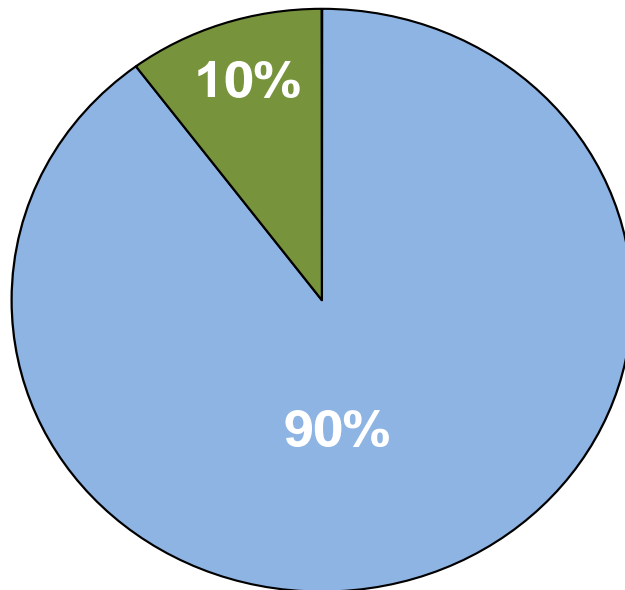


Two Business Segments

Southwest Gas consists of two business segments

- Natural gas operations
- Construction services (NPL)

TMTD 9/30/12 Net Income
\$126MM



■ **Natural gas operations**

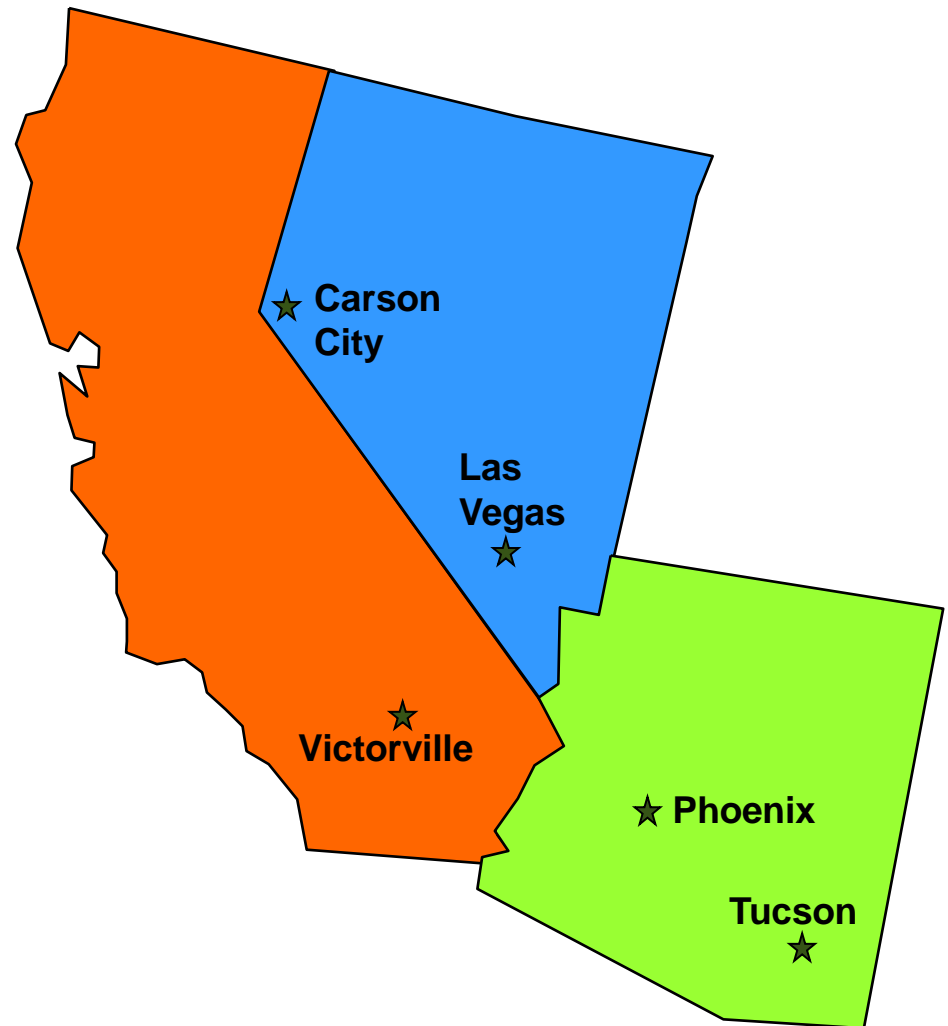
\$113MM net income

■ **Construction services**

\$13MM 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
- **1,858,000** customers in service territory at 9/30/2012
- Over **99%** of customers are residential and commercial

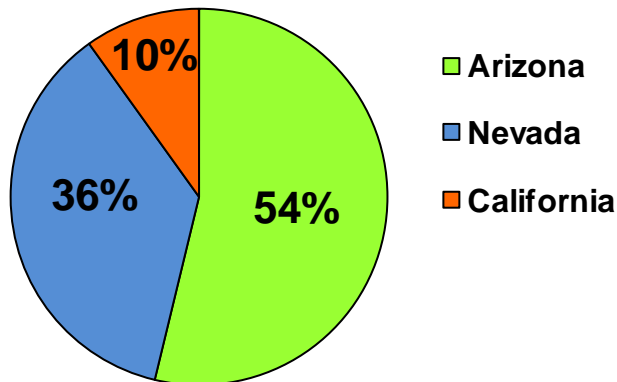


Stable Customer Base

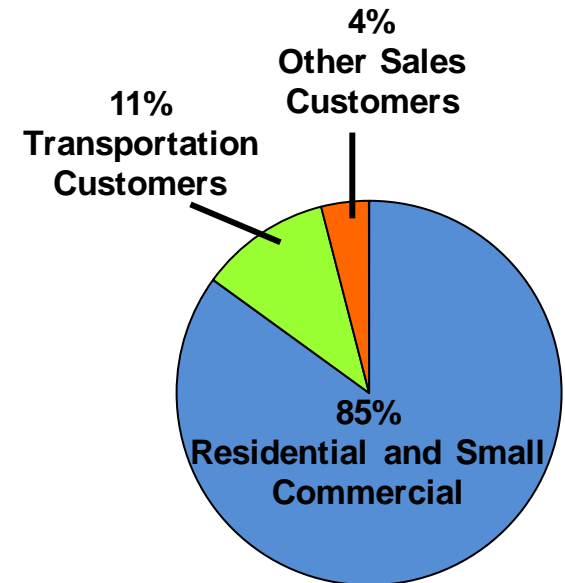
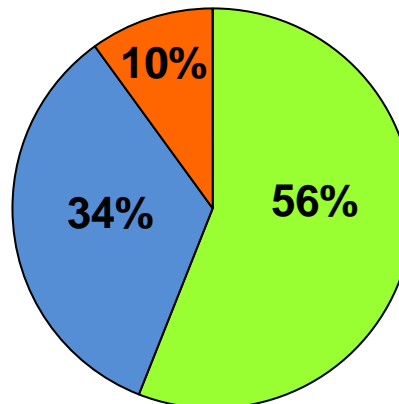
TMTD September 30, 2012 Customer & Operating Margin Distribution

By State

Customers



Margin

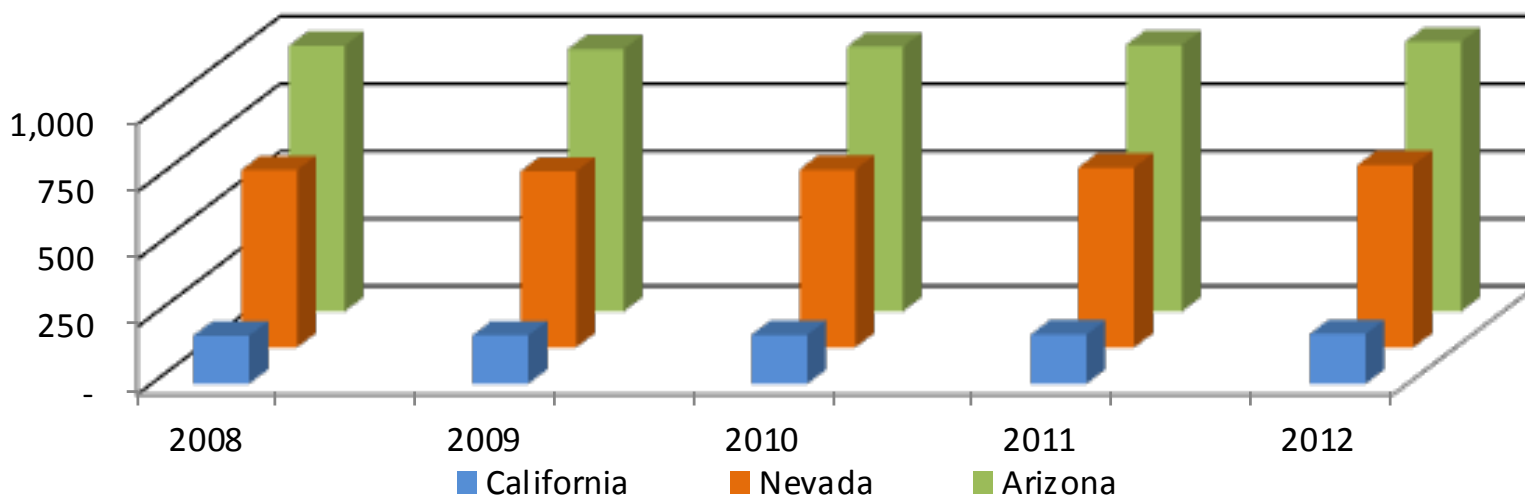


➤ Consistent trends year over year

Natural Gas Operations

Customers by State (In Thousands)

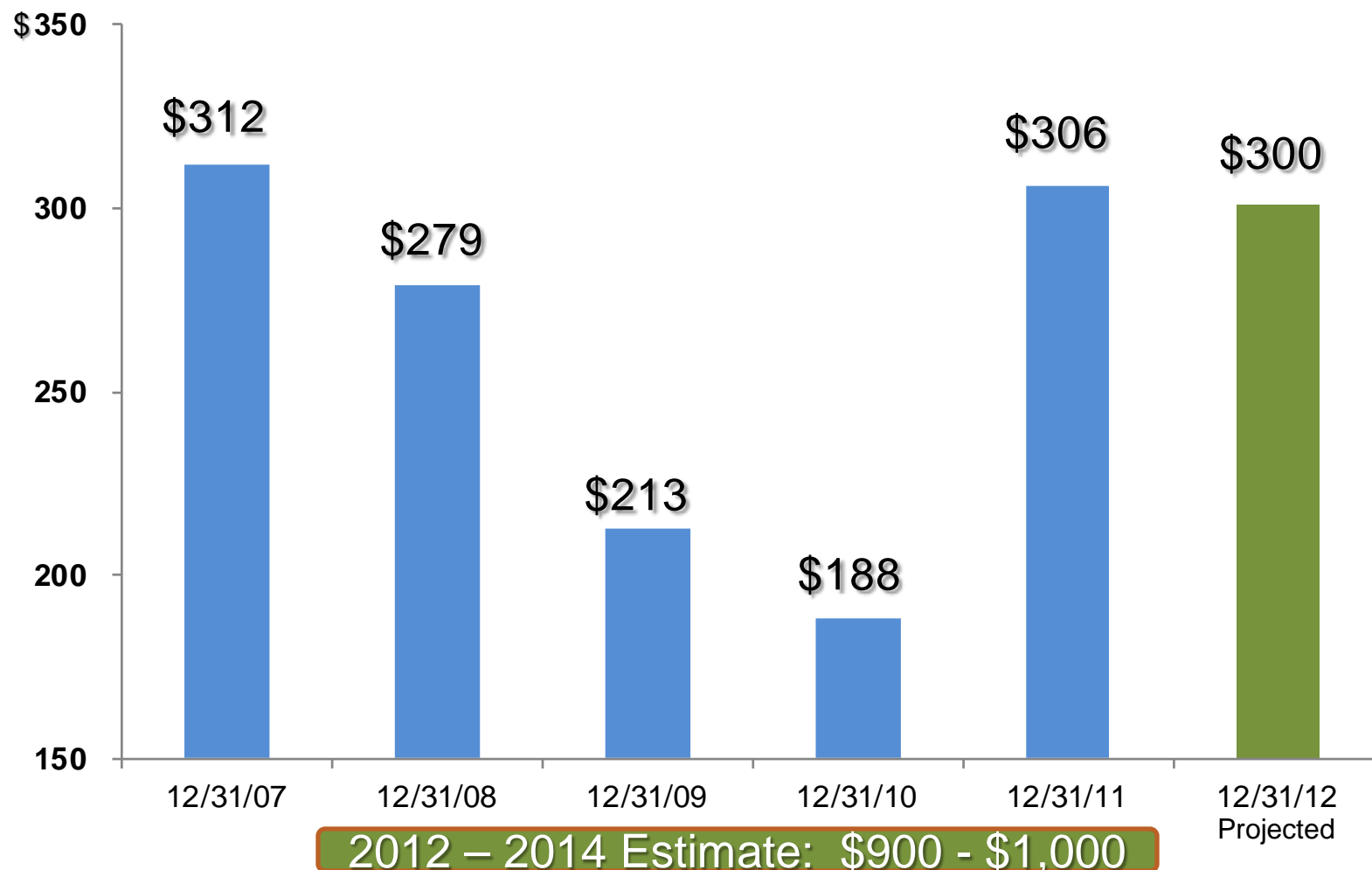
	AS OF SEPTEMBER 30,				
	2008	2009	2010	2011	2012
Arizona	984	972	980	987	998
Nevada	657	652	659	667	676
California	178	179	181	182	184
Total	1,819	1,803	1,820	1,836	1,858



TMTD Capital Expenditures

Natural Gas Operations

(In millions)



TMTD – Twelve Months to Date



SOUTHWEST GAS

Investment Grade Credit Ratings

Fitch

- Senior Unsecured Debt:
- Outlook:

Rating

A- (May 2012)

Positive

Moody's

- Senior Unsecured Debt:
- Outlook:

Baa1 (March 2012)

Stable

Standard & Poor's

- Senior Unsecured Debt:
- Outlook:

BBB+ (April 2011)

Stable



Capital Structure

(In thousands)

Capitalization at September 30,	2008	2009	2010	2011	2012
Common Equity	\$ 1,010,951	\$ 1,064,993	\$ 1,118,661	\$ 1,187,446	\$ 1,264,858
Subordinated Debentures	100,000	100,000	-	-	-
Long-Term Debt ¹	1,225,604	1,127,882	1,075,606	1,157,959	1,261,112
Total Permanent Capital	<u>\$ 2,336,555</u>	<u>\$ 2,292,875</u>	<u>\$ 2,194,267</u>	<u>\$ 2,345,405</u>	<u>\$ 2,525,970</u>
Capitalization ratios					
Common Equity	43.3%	46.4%	51.0%	50.6%	50.1%
Subordinated Debentures	4.3%	4.4%	0.0%	0.0%	0.0%
Long-Term Debt ¹	52.4%	49.2%	49.0%	49.4%	49.9%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

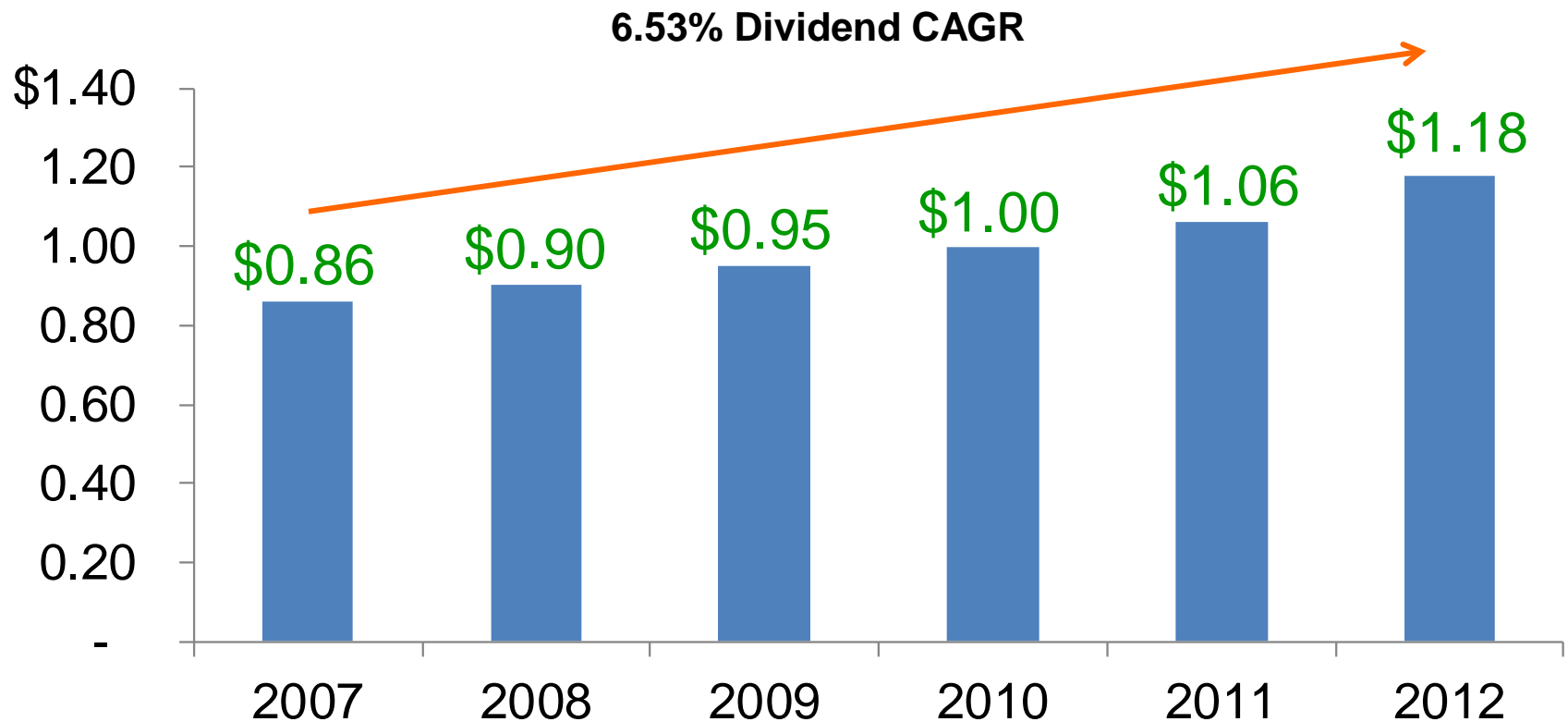
¹Includes current maturities of long-term debt

Stock Performance

NYSE: SWX
Common Stock Closing Price
September 30, 2002 – September 30, 2012



Dividend Growth



CAGR = compound annual growth rate

Comparative Total Returns

Total Returns for Periods Ended September 30, 2012

	1-Year	3-Year	5-Year	10-Year
Southwest Gas	25.57%	23.58%	12.86%	10.55%
S&P 600 Small Gas Index	15.86%	15.65%	9.08%	12.64%
Dow Jones Utilities	14.08%	12.70%	3.09%	12.51%
S&P 500 Index	30.27%	13.21%	1.05%	8.01%

Total Return = Price appreciation plus gross dividends reinvested

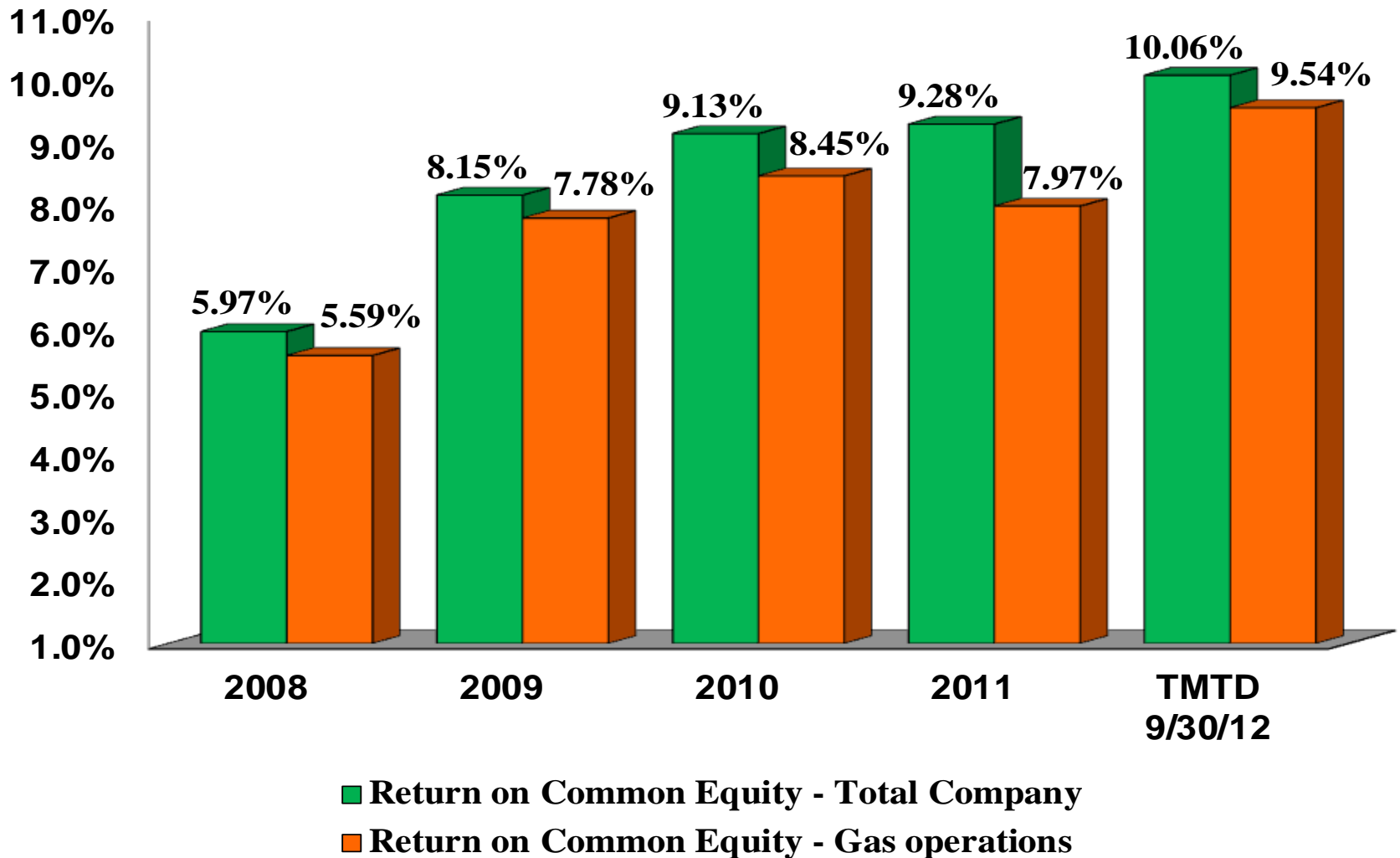
Authorized Rate Base and Rates of Return

As of September 30, 2012

<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	\$ 1,070,116	8.95 %	9.50 %
Southern Nevada	819,717	7.40 %	10.15 %
Northern Nevada	116,584	8.29 %	10.15 %
Southern California	143,851	6.42 %	9.88 %
Northern California	52,285	8.50 %	9.88 %
South Lake Tahoe	11,815	8.50 %	9.88 %
Paiute Pipeline Company (1)	84,717	9.47 %	12.00 %

(1) Estimated amounts based on rate case settlement.

Return on Common Equity



TMTD – Twelve Months to Date