

2015 Mid-Year Earnings Conference Call August 6, 2015



SOUTHWEST GAS



Safe Harbor Statement



SOUTHWEST GAS

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.



2015 Second Quarter Highlights



Natural Gas Operations

- Added 28,000 net new customers
- Initiated construction on Paiute Pipeline Elko Expansion Project
- Filed Nevada GIR advance application for \$43.5 million of infrastructure replacement projects in 2016

Construction Services

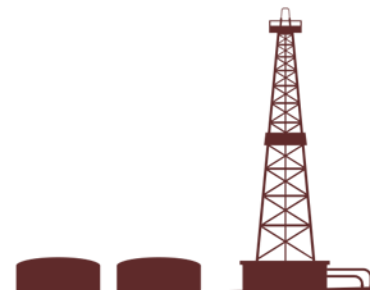
- Integration efforts progressing positively
- Strong revenue growth both organically and from acquired companies
- Continuing negotiations associated with Canadian industrial project
- Poised for strong second half



Call Outline



- I. Consolidated earnings – June 30, 2015
- II. Natural gas segment
- III. Centuri Construction Group
- IV. Regulation
- V. Customer growth
- VI. Capital expenditures
- VII. 2015 outlook update



Summary Operating Results

(In thousands, except per share amounts)



	THREE MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2015	2014	2015	2014
Results of Consolidated Operations				
Gas operations income (loss)	\$ (657)	\$ 1,798	\$ 120,739	\$ 117,310
Construction services income	5,606	7,829	16,909	17,539
Net income	<u>\$ 4,949</u>	<u>\$ 9,627</u>	<u>\$ 137,648</u>	<u>\$ 134,849</u>
Basic earnings per share	<u>\$ 0.11</u>	<u>\$ 0.21</u>	<u>\$ 2.95</u>	<u>\$ 2.91</u>
Diluted earnings per share	<u>\$ 0.10</u>	<u>\$ 0.21</u>	<u>\$ 2.92</u>	<u>\$ 2.88</u>
Ave. shares outstanding	46,869	46,502	46,628	46,407
Ave. shares outstanding (assuming dilution)	47,290	46,948	47,070	46,860



Summary Operating Results

Natural Gas Operations

(In thousands)



SOUTHWEST GAS

Results of Natural Gas Operations

	THREE MONTHS ENDED JUNE 30,	
	2015	2014
Gas operating revenues	\$ 286,643	\$ 271,479
Net cost of gas sold	109,015	97,985
Operating margin	177,628	173,494
Operations and maintenance expense	99,344	97,620
Depreciation and amortization	52,912	50,524
Taxes other than income taxes	12,414	10,965
Operating income	12,958	14,385
Other income (deductions)	312	2,848
Net interest deductions	15,749	17,059
Income (loss) before income taxes	(2,479)	174
Income tax expense	(1,822)	(1,624)
Net income (loss) - gas operations	\$ (657)	\$ 1,798



Three Months Ended June 30, 2015



SOUTHWEST GAS

Increase in Operating Margin

Natural Gas Operations

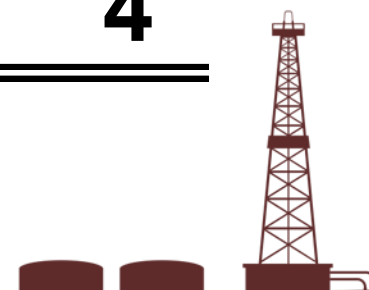
(In millions)

Customer growth	\$	2
------------------------	-----------	----------

Rate relief (CA, Paiute)		1
---------------------------------	--	----------

Other		1
--------------	--	----------

Increase	\$	4
-----------------	-----------	----------



Three Months Ended June 30, 2015

Operating Expenses and Net Financing Costs

Natural Gas Operations



Operating expenses increased \$5.6 million

- O&M expense increased 2%
 - General cost increases and higher pension expense, partially offset by \$500,000 reduction in rent expense associated with the corporate headquarters complex purchased by the Company in July 2014
- Depreciation and amortization expense increased 5%
 - Average gas plant in service increased \$279 million

Net financing costs decreased by \$1.3 million due primarily to debt redemptions

- \$65 million 5.25% Series A IDRBs in November 2014
- \$31.2 million 5.00% Series B IDRBs in May 2015



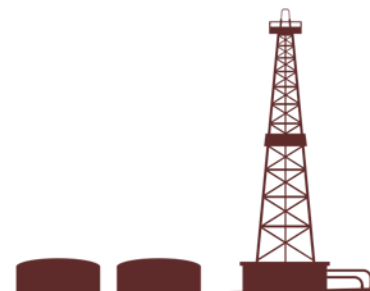
Other Income and Deductions

Natural Gas Operations

(In thousands)



	THREE MONTHS ENDED JUNE 30,	
	2015	2014
Change in COLI policies	\$ -	\$ 2,300
Miscellaneous income and (expense)	312	548
Total other income (deductions)	<u>\$ 312</u>	<u>\$ 2,848</u>



Summary Operating Results

Natural Gas Operations

(In thousands)



SOUTHWEST GAS

TWELVE MONTHS ENDED JUNE 30,

2015

2014

Results of Natural Gas Operations

Gas operating revenues	\$ 1,463,873	\$ 1,325,657
Net cost of gas sold	578,771	455,367
Operating margin	885,102	870,290
Operations and maintenance expense	378,558	392,920
Depreciation and amortization	208,724	199,790
Taxes other than income taxes	50,242	45,104
Operating income	247,578	232,476
Other income (deductions)	5,619	11,210
Net interest deductions	65,858	66,277
Income before income taxes	187,339	177,409
Income tax expense	66,600	60,099
Net income - gas operations	\$ 120,739	\$ 117,310



Twelve Months Ended June 30, 2015



Increase in Operating Margin Natural Gas Operations (In thousands)

Customer growth	\$	8
Rate relief (CA, Paiute)		9
Other		(2)
Increase	\$	15



Twelve Months Ended June 30, 2015

Natural Gas Operations



- Operations and maintenance expense decreased \$14.4 million between periods
 - Legal expenses declined \$5.6 million between periods as the prior period included a \$5 million legal accrual recognized during the first quarter of 2014
 - Rent expense associated with the corporate headquarters complex declined \$2.2 million between periods
 - General cost increases were more than offset by reductions in other costs, including impacts of lower employee counts



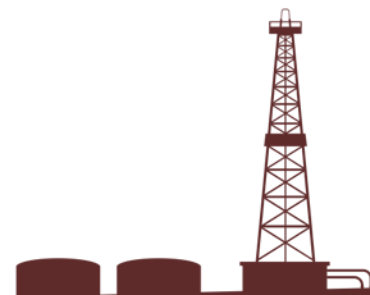
Other Income and Deductions

Natural Gas Operations

(In thousands)



	TWELVE MONTHS ENDED JUNE 30,	
	2015	2014
Change in COLI policies	\$ 3,400	\$ 10,000
Pipe replacement costs	-	(11)
Miscellaneous income and (expense)	2,219	1,221
Total other income (deductions)	<u>\$ 5,619</u>	<u>\$ 11,210</u>



Summary Operating Results

Construction Services

(In thousands)



SOUTHWEST GAS

	THREE MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2015	2014	2015	2014
Results of Construction Services				
Construction revenues	\$ 251,961	\$ 181,674	\$ 869,109	\$ 661,595
Operating expenses:				
Construction expenses	225,829	157,642	777,773	588,737
Depreciation and amortization	14,043	11,662	53,648	44,601
Operating income	12,089	12,370	37,688	28,257
Other income (deductions)	(150)	15	(553)	44
Net interest deductions	1,968	246	7,081	1,079
Income tax expense	4,251	4,310	13,027	10,076
Noncontrolling interests	114	-	118	(393)
Contribution to net income	<u>\$ 5,606</u>	<u>\$ 7,829</u>	<u>\$ 16,909</u>	<u>\$ 17,539</u>



Three Months Ended June 30, 2015

Construction Services



- Revenues increased \$70.3 million
 - Revenues of recently acquired companies (\$37.9 million) and additional pipe replacement work at NPL
- Construction expenses increased \$68.2 million
 - Costs associated with the acquired companies (\$38.2 million), including an additional \$2 million loss reserve for an industrial construction project in Canada
 - Additional pipe replacement work, as noted above
- Depreciation & amortization increased \$2.4 million
 - Amortization of finite-lived intangible assets recognized from the acquisition (\$1.4 million)
 - Additional equipment purchases
- Net interest deductions increased \$1.7 million



Twelve Months Ended June 30, 2015

Construction Services



- Revenues increased \$207.5 million
 - Additional pipe replacement work
 - Inclusion of the acquired companies beginning fourth quarter 2014 (\$134.5 million)
- Construction expenses increased \$189 million
 - Additional NPL pipe replacement work
 - Acquired companies costs of \$136.6 million, which contained a cumulative \$7.6 million loss reserve (including \$5.6 million from the first quarter of 2015)
 - General & Administrative expense increased \$15.3 million including \$8.3 million from recently acquired companies and \$5 million acquisition costs
- Depreciation expense increased \$9 million
 - Amortization of finite-lived intangible assets recognized from acquisition (\$4.3 million)
 - Additional equipment purchased to support growth and volume of work being performed





SOUTHWEST GAS

Regulation

Natural Gas Operations

- California attrition
- Infrastructure replacement mechanisms
 - Nevada Gas Infrastructure Recovery (GIR) Mechanism
 - Arizona Customer Owned Yard Line (COYL) Mechanism
 - California Infrastructure Reliability and Replacement Adjustment Mechanism (COYL program)
- LNG facility in Arizona
- Elko expansion project - Paiute Pipeline Company (FERC)
- Next Arizona general rate case



Purchased Gas Adjustment (PGA)

Balances



Natural Gas Operations

(In millions)

	<u>6/30/2014</u>	<u>12/31/2014</u>	<u>6/30/2015</u>
Arizona	\$ 47.9	\$ 48.4	\$ 3.5
Northern Nevada	3.7	10.2	(5.5)
Southern Nevada	24.5	20.4	(21.7)
California	4.3	8.6	0.2
Total Receivable/(Payable)	<u>\$ 80.4</u>	<u>\$ 87.6</u>	<u>\$ (23.5)</u>

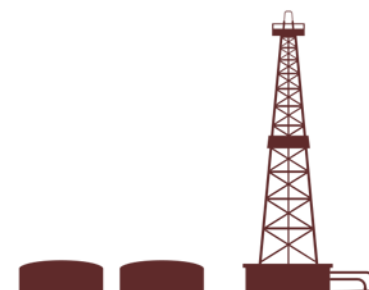


Customer Growth Breakdown



Natural Gas Operations (In millions)

	Twelve Months Ended June 30,		
	2013	2014	2015
Beginning period	1,858	1,882	1,910
New meter sets	20	21	22
Meter turn-on/turn-offs	4	7	6
Ending period	<u>1,882</u>	<u>1,910</u>	<u>1,938</u>



Economic Overview

Service Area

Natural Gas Operations



Unemployment Rate

June 2015

June 2014

Employment Growth

June 2015

June 2014

Southern California	6.5%	8.4%	3.7%	2.8%
Southern Nevada	7.0%	7.9%	3.8%	3.1%
Northern Nevada	6.9%	7.7%	-0.3%	0.4%
Southern Arizona	5.9%	6.9%	-0.1%	1.5%
Central Arizona	5.4%	6.5%	2.8%	2.1%



2015 Capital Expenditures

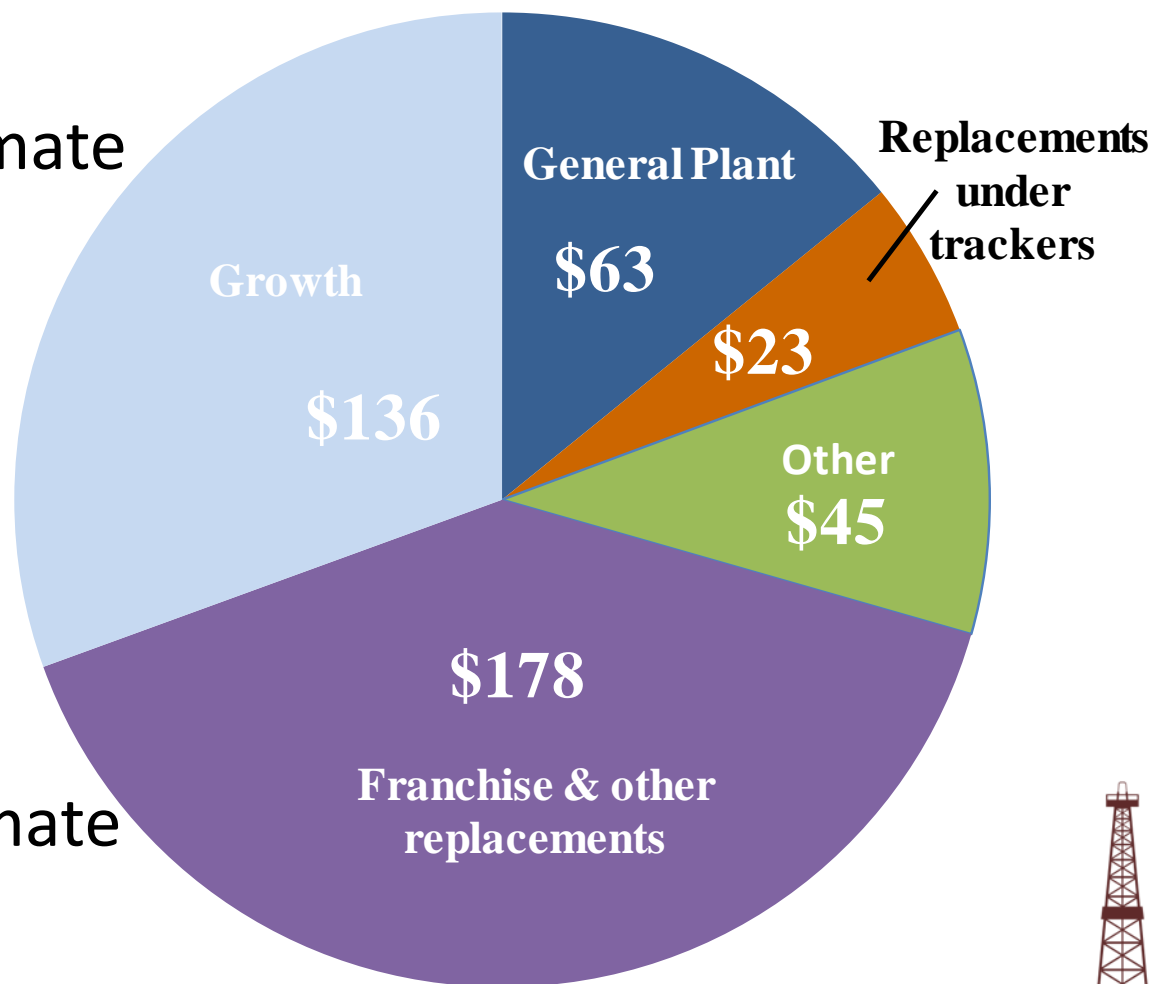
Natural Gas Operations

(In millions)



SOUTHWEST GAS

- 2015 total estimate
 - \$445 million



- 2015-2017 estimate
 - \$1.3 billion



2015 Outlook Update

Construction Services



- Strong emphasis on integration efforts
- Revenues expected to range between \$950 million and \$1 billion
- Operating income to approximate 6% of revenues, depending on the final impacts from the Canadian project loss reserves
- Net interest deductions to be between \$7 million and \$8 million
- Collective expectations are before consideration of noncontrolling interests
- Foreign exchange rate and interest rate environment could influence results



2015 Outlook Update

Natural Gas Operations



SOUTHWEST GAS

- Operating margin is estimated to increase nearly 2%
 - Margin from net customer growth should be similar to 2014
 - Incremental margin from rate case decisions and regulatory initiatives should approximate the customer growth amount
- Operating costs increase assumption of 3% – 4%
 - Includes net pension expense increase of \$8 million reflecting updated mortality tables
- Net interest deductions for 2015 are expected to be \$3 to \$5 million lower than the \$68 million recorded in 2014
- Capital expenditures of \$445 million reflecting pipe replacement activity, customer growth and expansion projects





APPENDIX



Two Business Segments

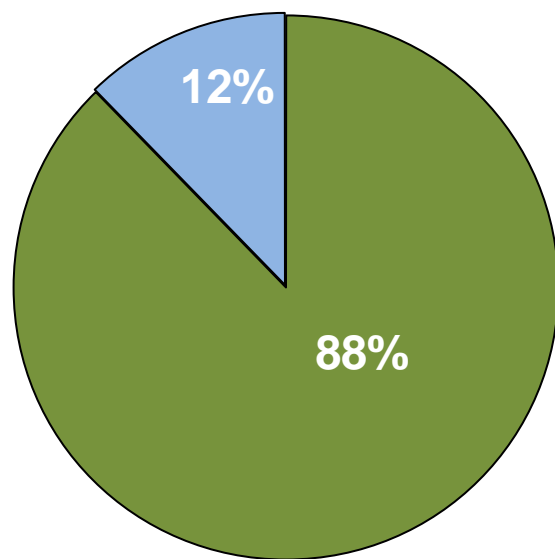


SOUTHWEST GAS

Southwest Gas consists of two business segments

- Natural gas operations
- Construction services (Centuri)

**TMTD 6/30/15 Net Income
\$138MM**



■ **Natural gas operations**

\$121MM net income

■ **Construction services**

\$17MM net income



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

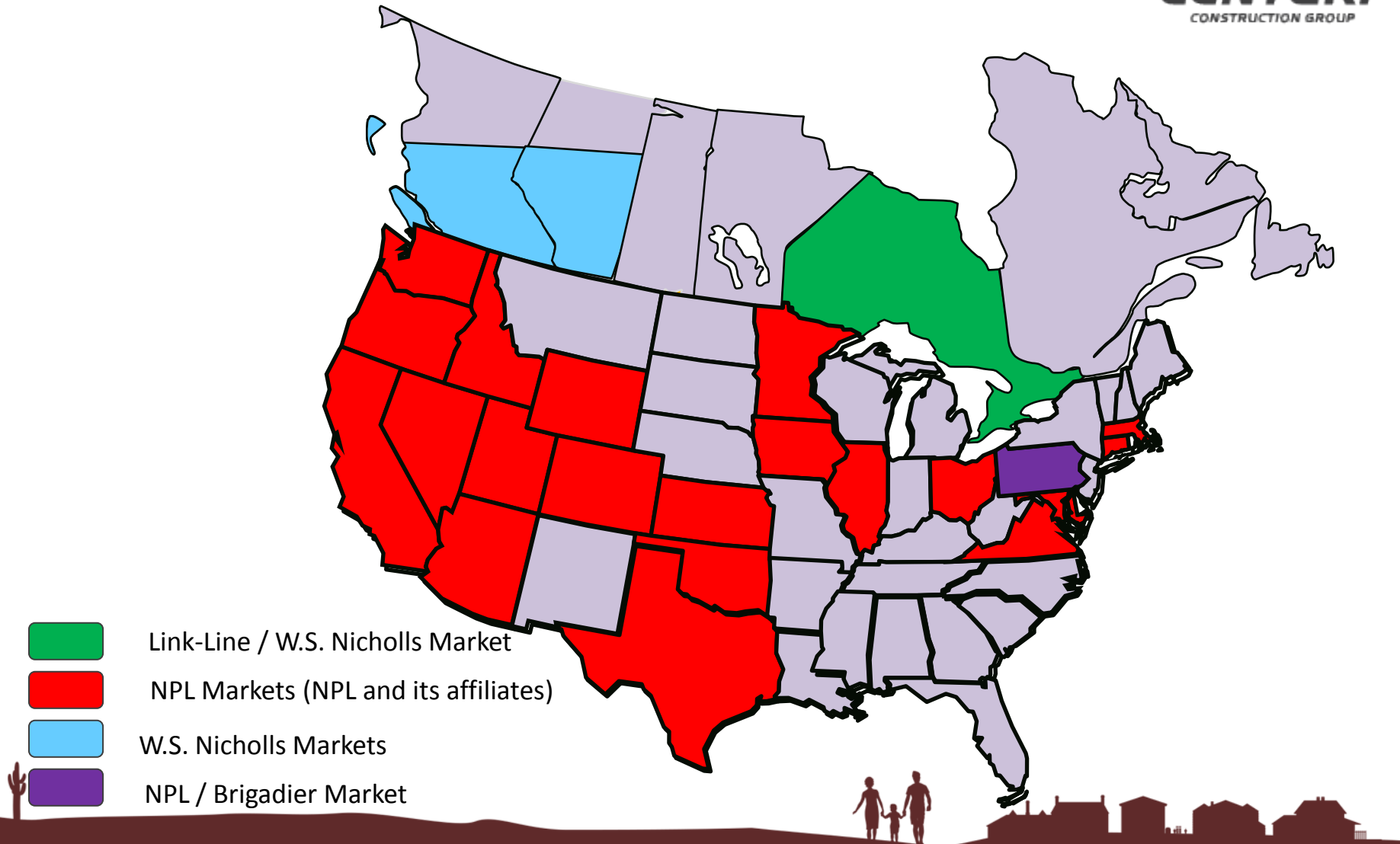


- **Brigadier Pipelines**
 - Performs midstream construction in the United States, primarily in Pennsylvania
 - Founded in 2012



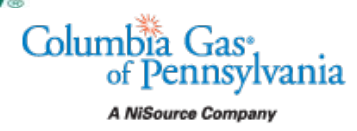
Centuri Construction Group

Construction Services



Centuri Construction Group

Construction Services



Southwest Gas is a Regional Leader in Natural Gas Distribution



SOUTHWEST GAS

- 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 6/30/2015
- Over **99%** of customers are residential and commercial



Stable Customer Base

Natural Gas Operations



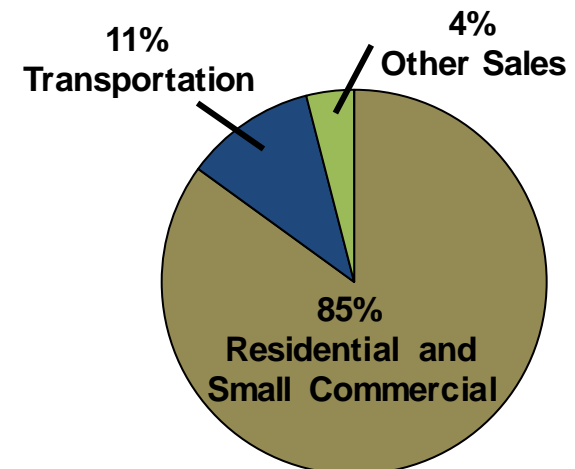
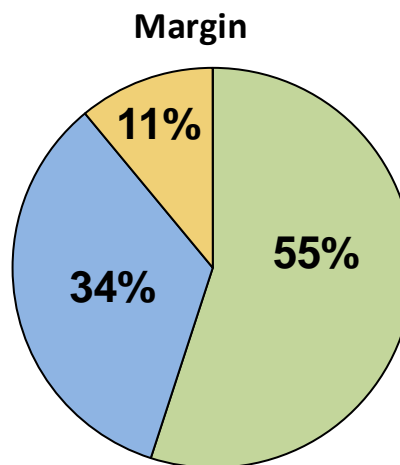
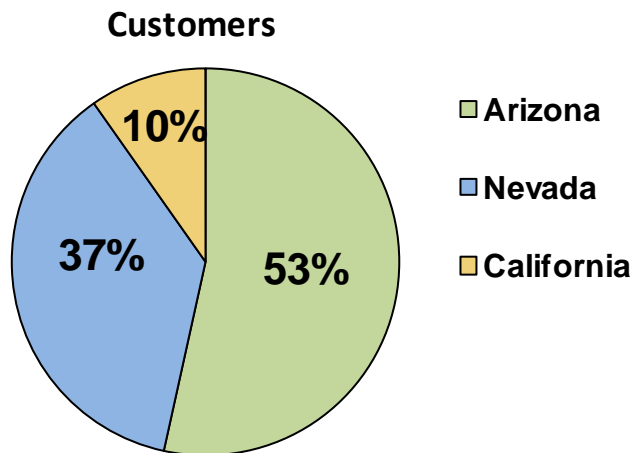
SOUTHWEST GAS

TMTD June 30, 2015 Customer & Operating Margin Distribution

Margin by Customer

By State

Class



➤ Consistent trends year over year

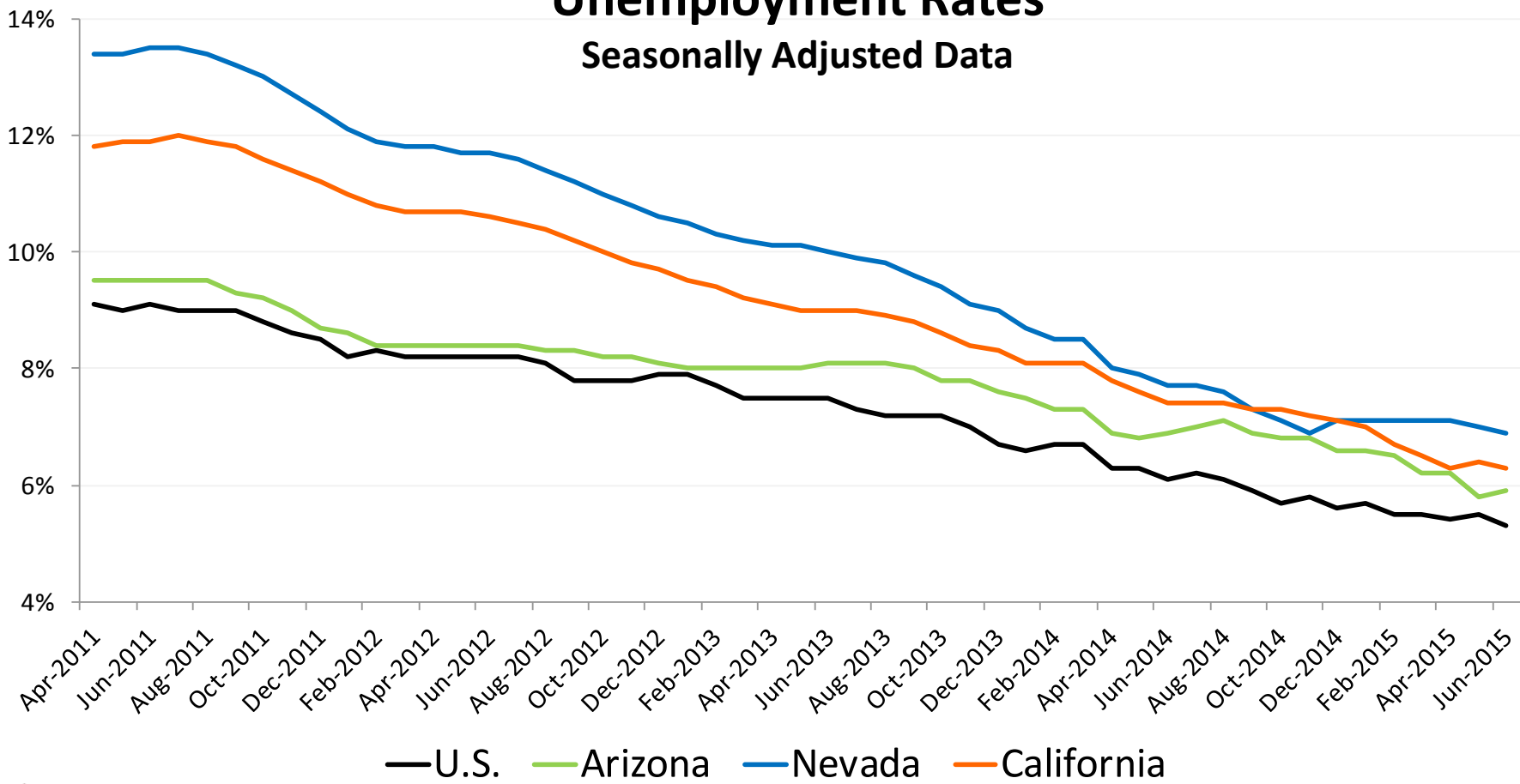


Economic Overview – Service Area

Natural Gas Operations



Unemployment Rates
Seasonally Adjusted Data



Customers by State

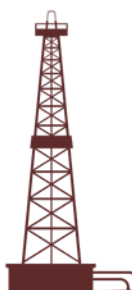
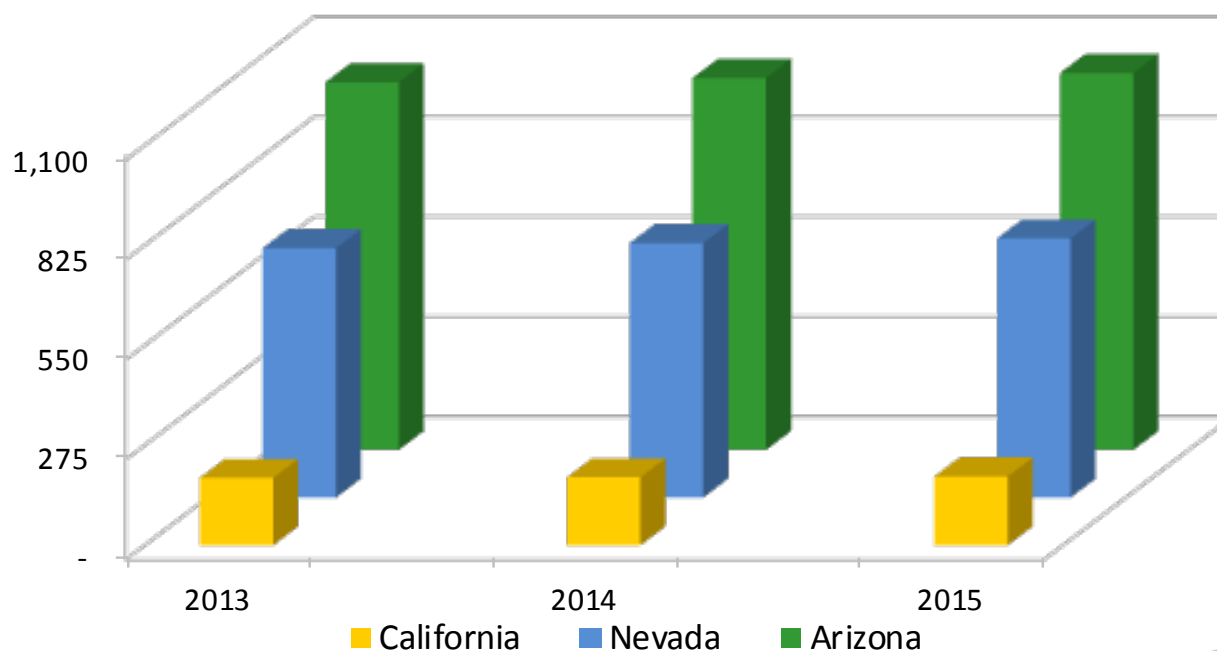
Natural Gas Operations



SOUTHWEST GAS

As of June 30,

	2013	2014	2015
Arizona	1,011	1,023	1,036
Nevada	685	699	713
California	186	188	189
Total	1,882	1,910	1,938



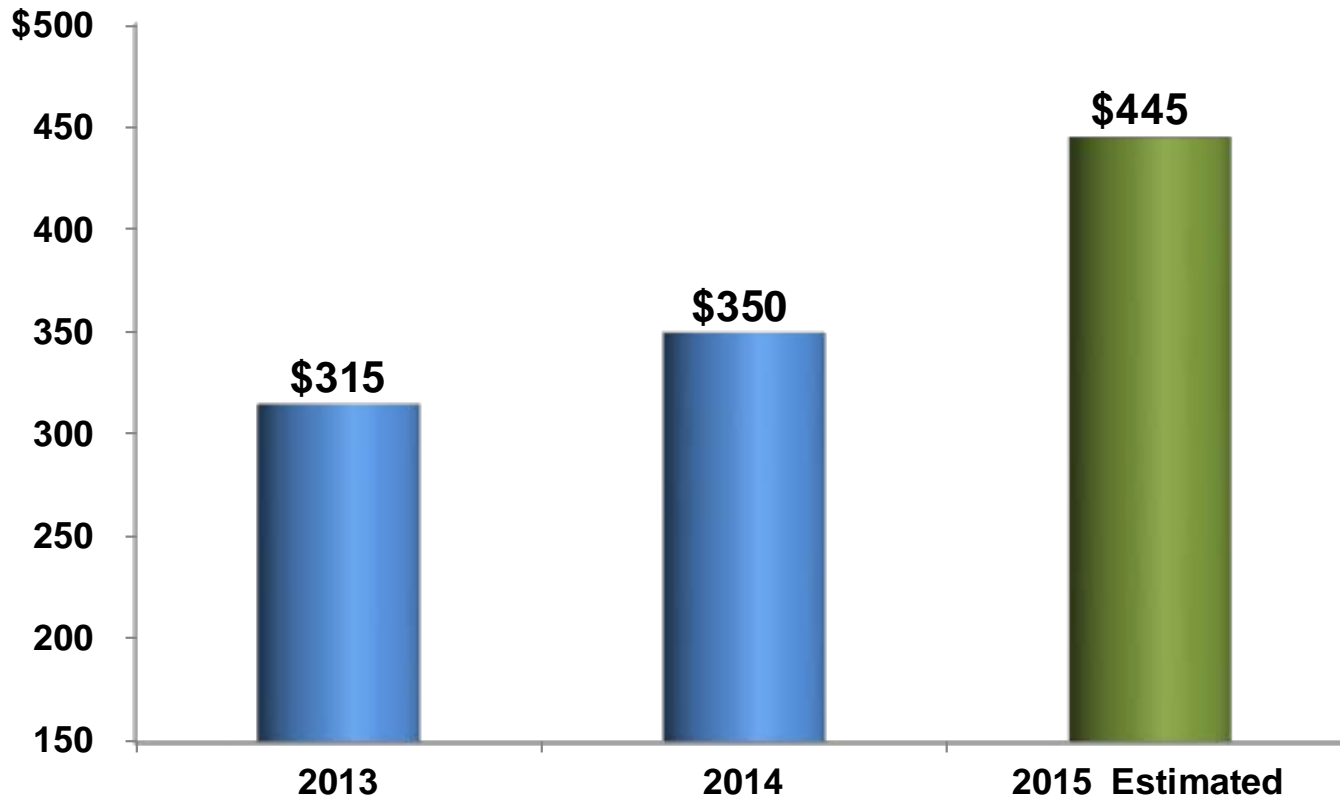
Capital Expenditures

Natural Gas Operations

(In millions)



SOUTHWEST GAS



2015 - 2017 Estimate: \$1.3 billion



Authorized Rate Base and Rates of Return



SOUTHWEST GAS

Natural Gas Operations

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.

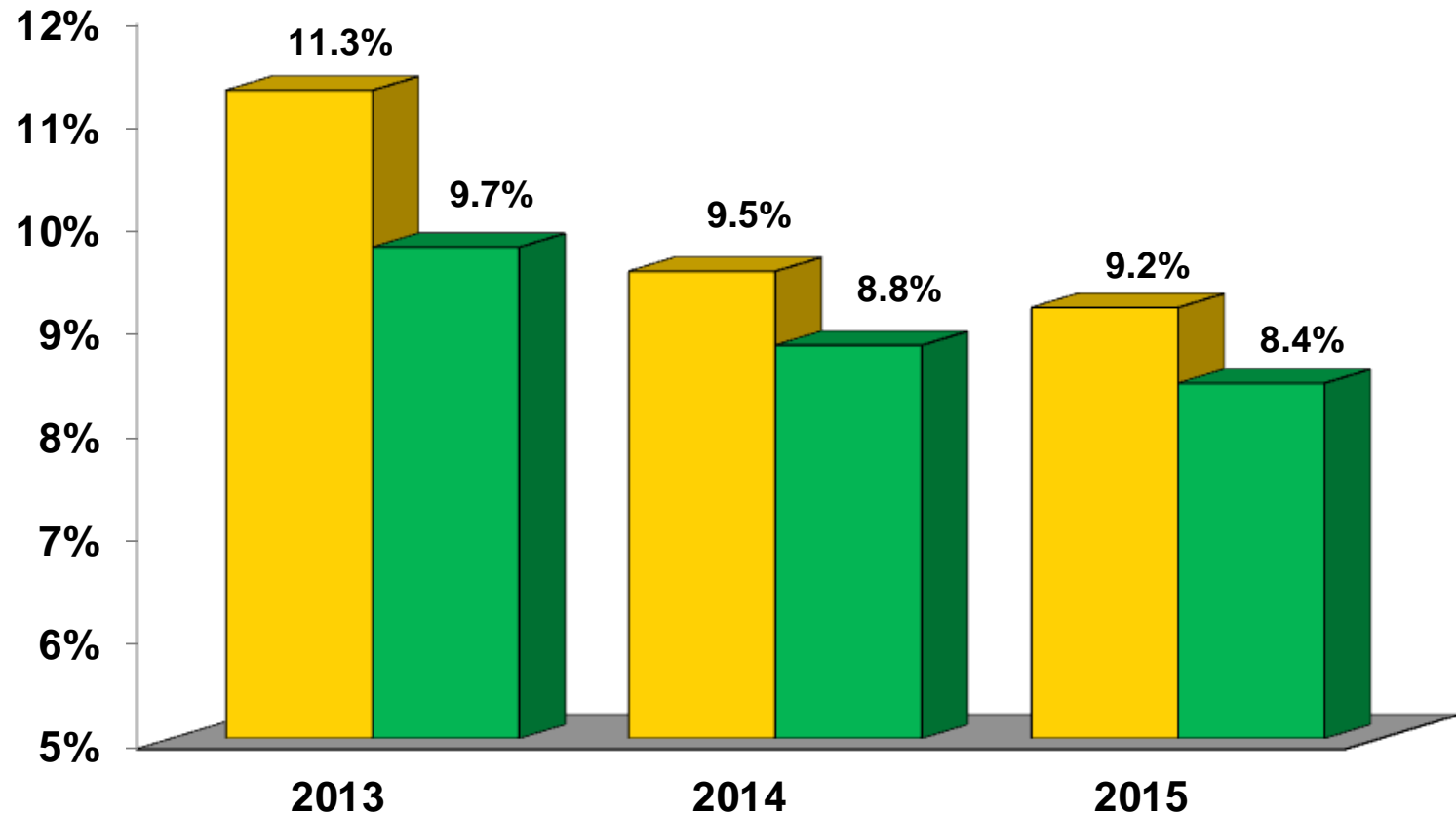


Return on Common Equity

Twelve months ended June 30,



SOUTHWEST GAS



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



Consolidated Capital Structure

(In millions)



Capitalization at June 30,	2011	2012	2013	2014	2015
Common Equity ¹	\$ 1,222	\$ 1,281	\$ 1,376	\$ 1,465	\$ 1,569
Long-Term Debt ²	1,142	1,222	1,268	1,390	1,542
Total Permanent Capital	<u>\$ 2,364</u>	<u>\$ 2,503</u>	<u>\$ 2,644</u>	<u>\$ 2,855</u>	<u>\$ 3,111</u>
Capitalization ratios					
Common Equity ¹	51.7%	51.2%	52.1%	51.3%	50.4%
Long-Term Debt ²	48.3%	48.8%	47.9%	48.7%	49.6%
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 interests

² Includes current maturities of long-term debt



Investment Grade Credit Ratings



Moody's

Rating

- Senior Unsecured Debt: A3 (January 2014)
- Outlook: Stable

Standard & Poor's

- Senior Unsecured Debt: BBB+ (October 2014)
- Outlook: Stable

Fitch

- Senior Unsecured Debt: A (May 2013)
- Outlook: Stable

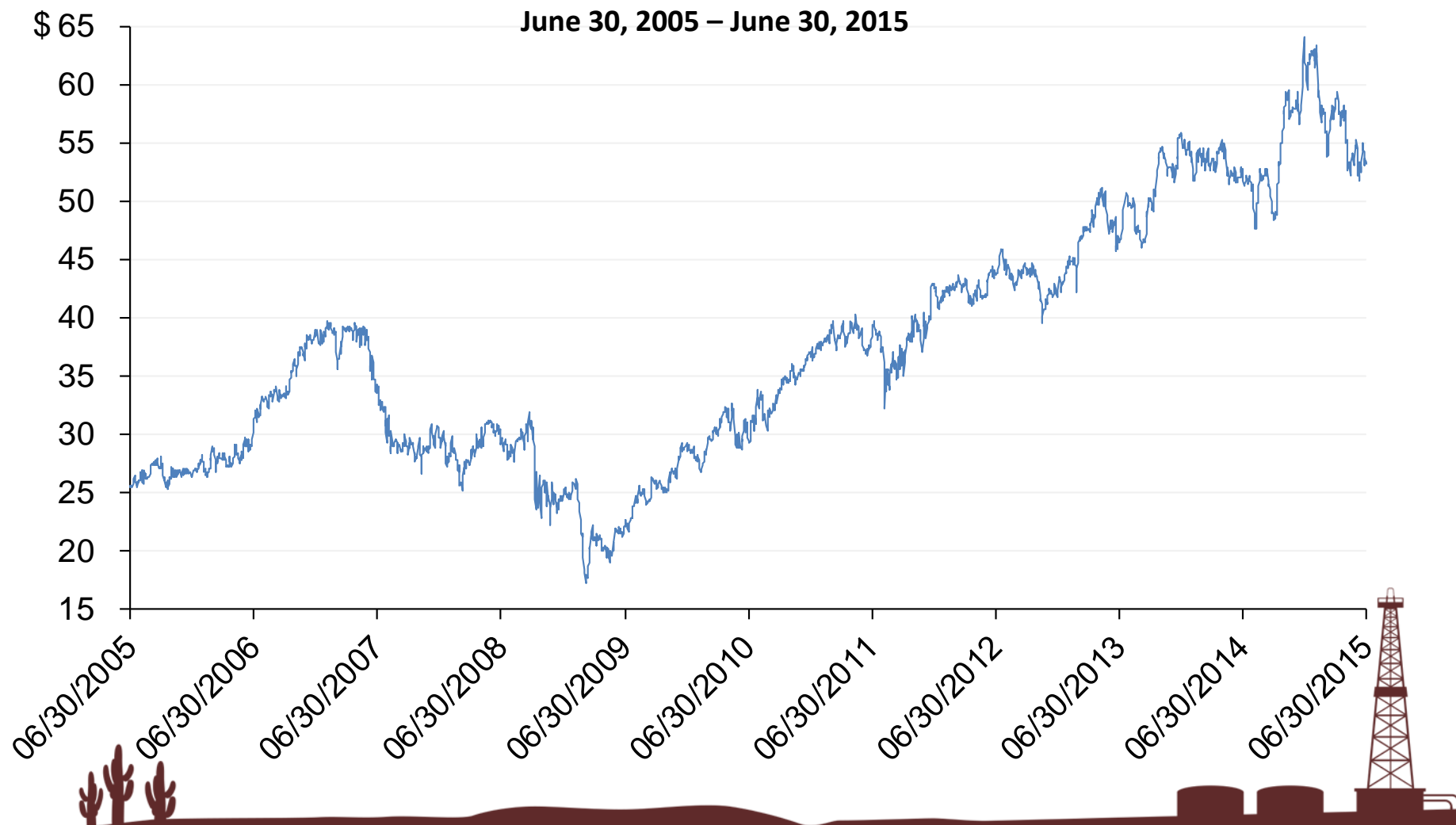


Stock Performance



SOUTHWEST GAS

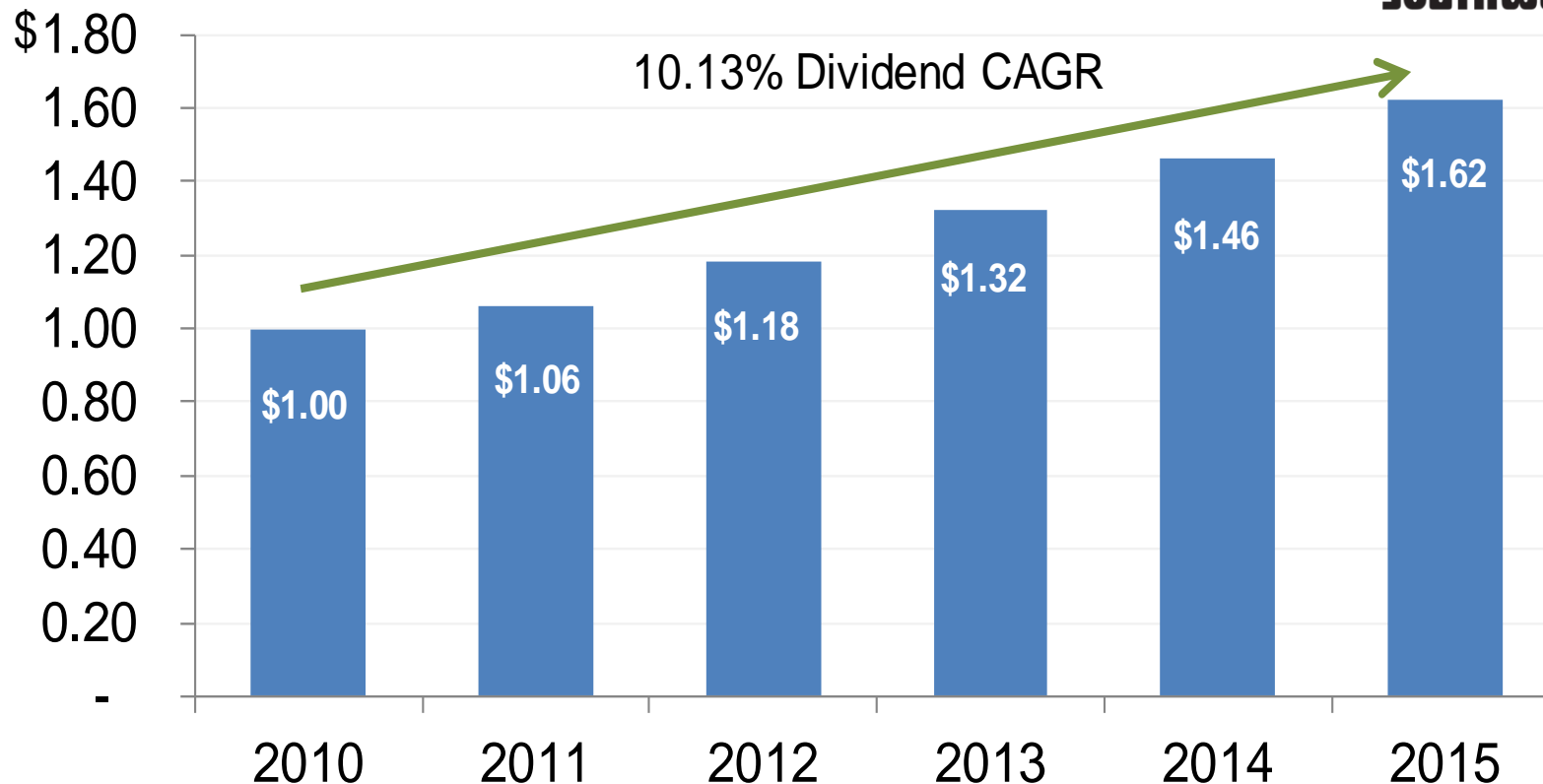
NYSE: SWX
Common Stock Closing Price
June 30, 2005 – June 30, 2015



Annualized Dividend Growth



SOUTHWEST GAS



CAGR = compound annual growth rate

February 2015, Board increased annual dividend \$0.16



Comparative Total Returns



SOUTHWEST GAS

Total Returns for Periods Ended June 30, 2015

	1-Year	3-Year	5-Year	10-Year
Southwest Gas	3.56%	9.72%	15.61%	10.81%
S&P 600 Small Gas Index	(1.16%)	7.84%	10.97%	8.65%
Dow Jones Utilities	(1.06%)	8.63%	13.42%	7.65%
S&P 500 Index	7.41%	17.27%	17.31%	7.88%

Total Return = Price appreciation plus gross dividends reinvested

