

2016 Year End Earnings Conference Call

March 1, 2017



Southwest Gas™
HOLDINGS

Participants

John Hester
President and CEO
Southwest Gas Holdings



Roy Centrella
SVP/CFO
Southwest Gas Holdings



Justin Brown
VP/Regulation & Public Affairs
Southwest Gas Corporation



Ken Kenny
VP/Finance/Treasurer
Southwest Gas Holdings



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 strategic 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, including the proposed Arizona rate case settlement;
- 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.

2016 Highlights

Consolidated Results

- Dividend increased for the 11th straight year (10%)
- Achieved record EPS of \$3.20
- 2016 Total Shareholder Return of 42.5%
- Holding Company effective January 2017

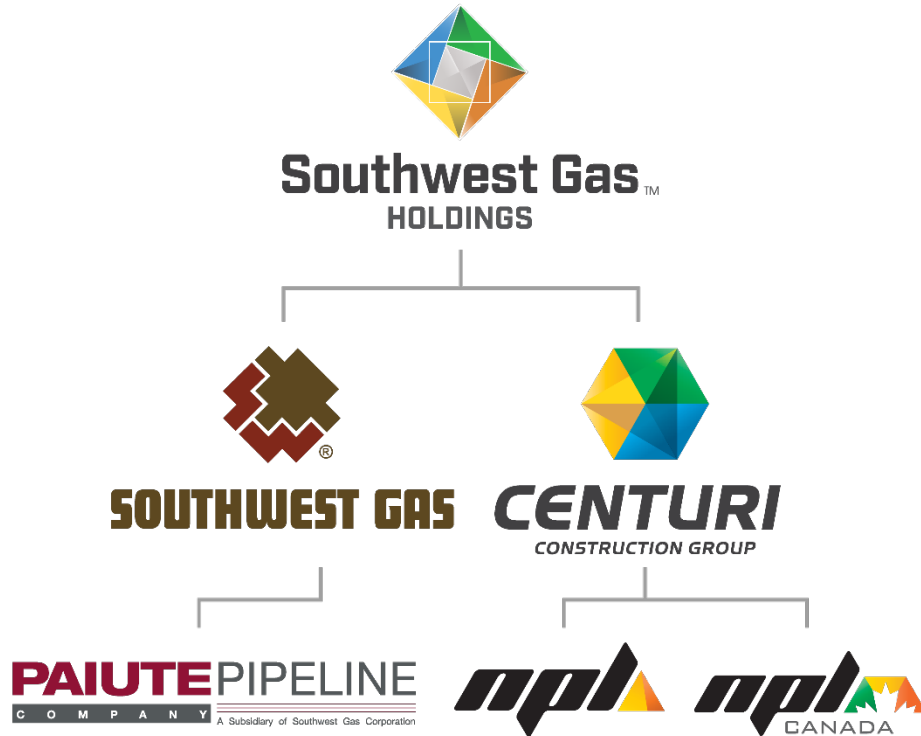
Natural Gas Segment

- Arizona rate case proposed settlement
- Operating margin of \$924 million
- Added 28,000 customers
- Invested \$457 million in the gas system

Construction Services Segment

- Paul Daily appointed new CEO of Centuri Construction Group
- Contributed record net income of \$32.6 million
- 4th consecutive year of increased earnings contribution
- NPL celebrating 50th anniversary in 2017

New 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

Call Outline

I	2016 consolidated earnings	V	Customer growth & economic overview
II	Natural gas operations	VI	Capital expenditures
III	Centuri Construction Group	VII	Dividend growth
IV	Regulation	VIII	2017 expectations & focus

Summary Operating Results

(In thousands, except per share amounts)



TWELVE MONTHS ENDED DECEMBER 31,

2014

2015

2016

Results of Consolidated Operations

Contribution to net income - natural gas operations

\$ 116,872 \$ 111,625 \$ 119,423

Contribution to net income - construction services

24,254 26,692 32,618

Net income

\$ 141,126 \$ 138,317 \$ 152,041

Basic earnings per share

\$ 3.04 \$ 2.94 \$ 3.20

Diluted earnings per share

\$ 3.01 \$ 2.92 \$ 3.18

Average outstanding common shares

46,494 46,992 47,469

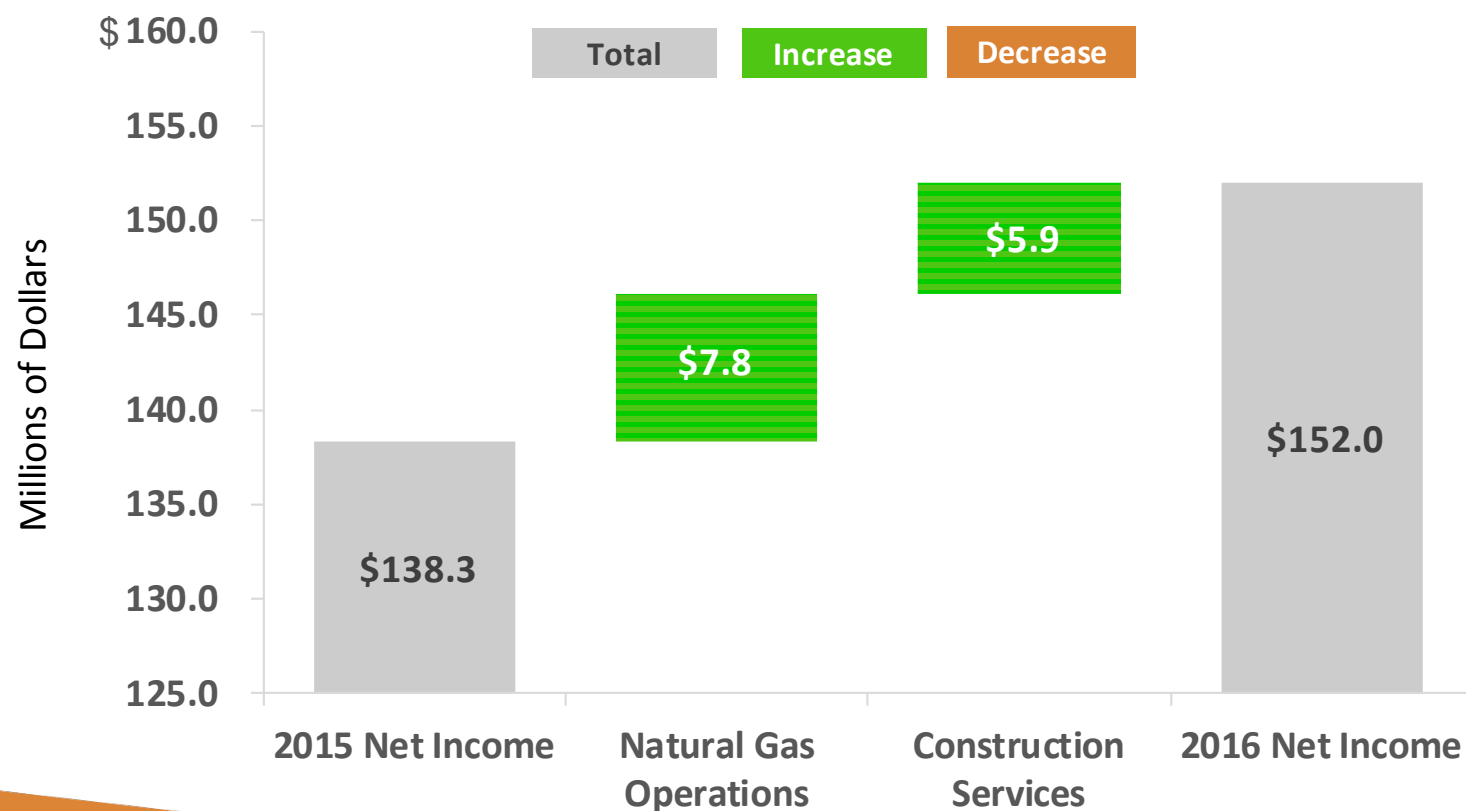
Average shares outstanding (assuming dilution)

46,944 47,383 47,814



Consolidated Net Income

Total Increase - \$13.7 million



Natural Gas Operations Highlights



Settlement reached in Arizona general rate case (subject to ACC approval)

Operating margin increased 4% compared to prior year

Realized 28,000 net new customers, an increase of 1.43%

1

2

3

4

5

6

COLI income was \$7.4 million in 2016 versus a loss of \$500,000 in 2015

Issued \$300 million of 3.8% senior notes in September 2016

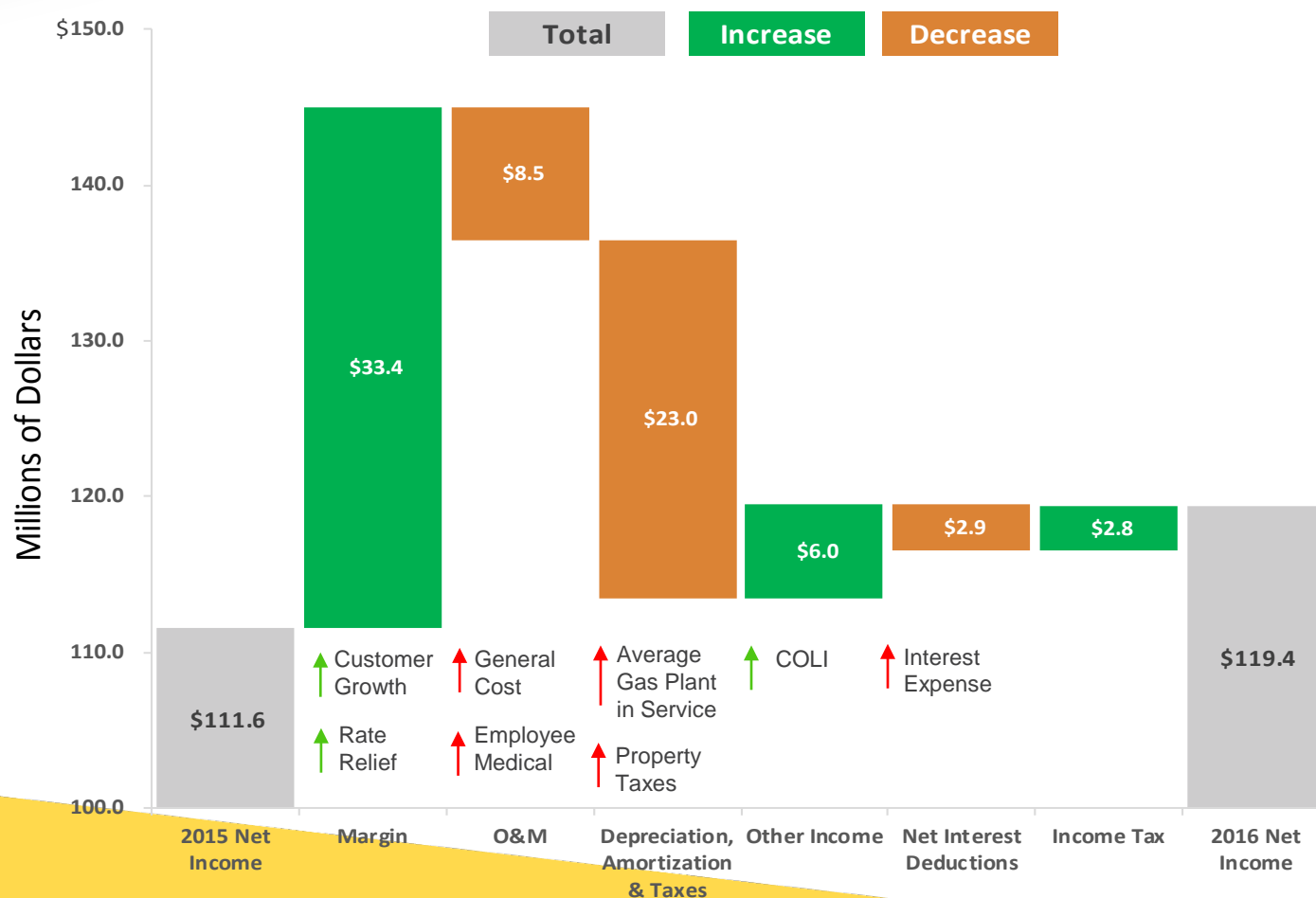
Approved for \$57.3 million of replacement capital expenditures in 2017 under the Nevada Gas Infrastructure Replacement (GIR) mechanism

Net Income

Natural Gas Operations



Total Increase - \$7.8 million



Construction Services Highlights



Revenues increased \$130 million, or 13%, compared to 2015

Primarily due to work performed on certain large bid projects and additional pipe replacement work

Completed bolt-on acquisition of ETTI construction businesses in May (\$17.9 million purchase price)

1

2

3

Contribution to net income increased \$5.9 million



Net Income

Construction Services



Total Increase - \$5.9 million



Regulation Key Highlights

Natural Gas Operations



Rate Relief

- Arizona General Rate Case
- California Post Test Year (PTY) Attrition
- Next California Rate Case

Infrastructure Replacement Programs

- Arizona COYL program
- Nevada GIR program

Expansion Projects

- LNG facility in Arizona
- 2018 expansion project – Paiute Pipeline Company (FERC)

Regulation – Arizona GRC

Natural Gas Operations



Arizona General Rate Case	Southwest Gas Requested	Proposed 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	✓	✓

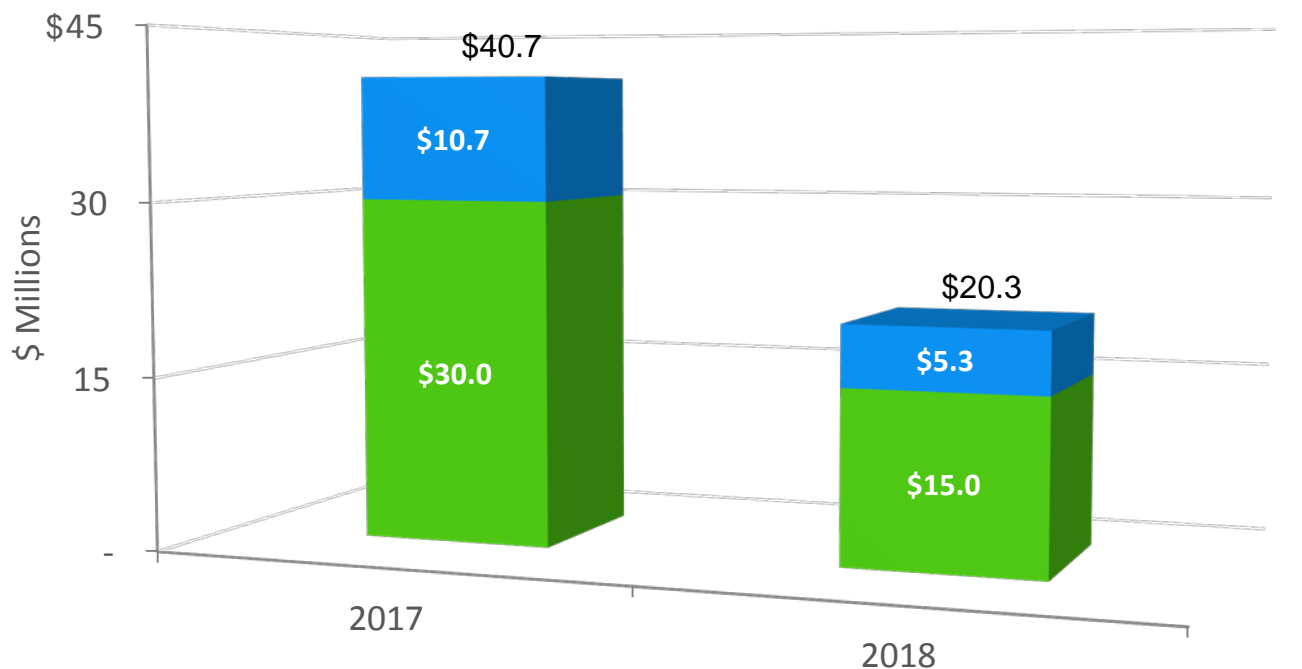
*Proposed settlement is subject to final approval by the Arizona Corporation Commission

Regulation – Arizona GRC

Natural Gas Operations



Operating Income Increase – Proposed Settlement*

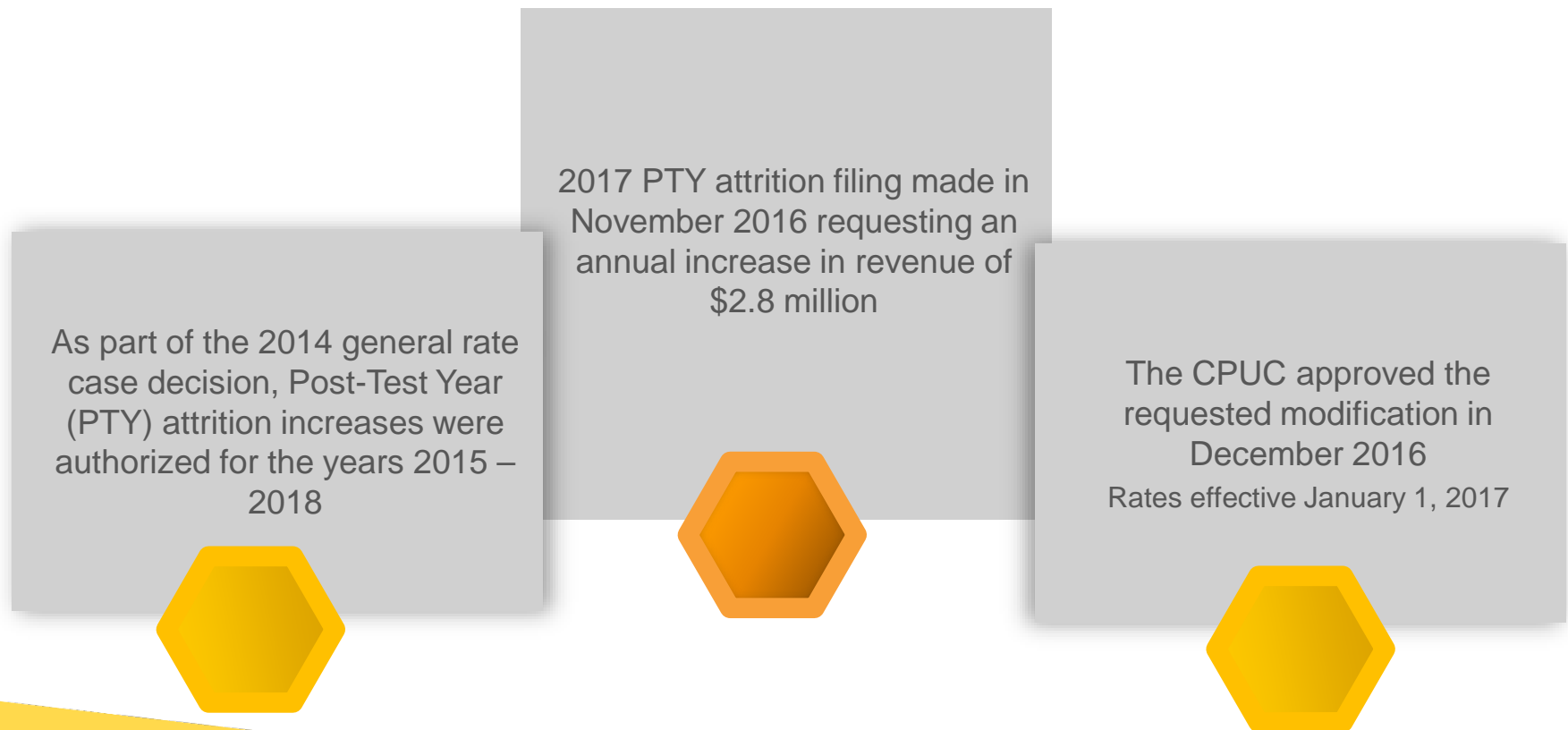


* Assumes new rates effective May 1, 2017

■ Depreciation expense reduction
■ Margin

Regulation-California Attrition

Natural Gas Operations



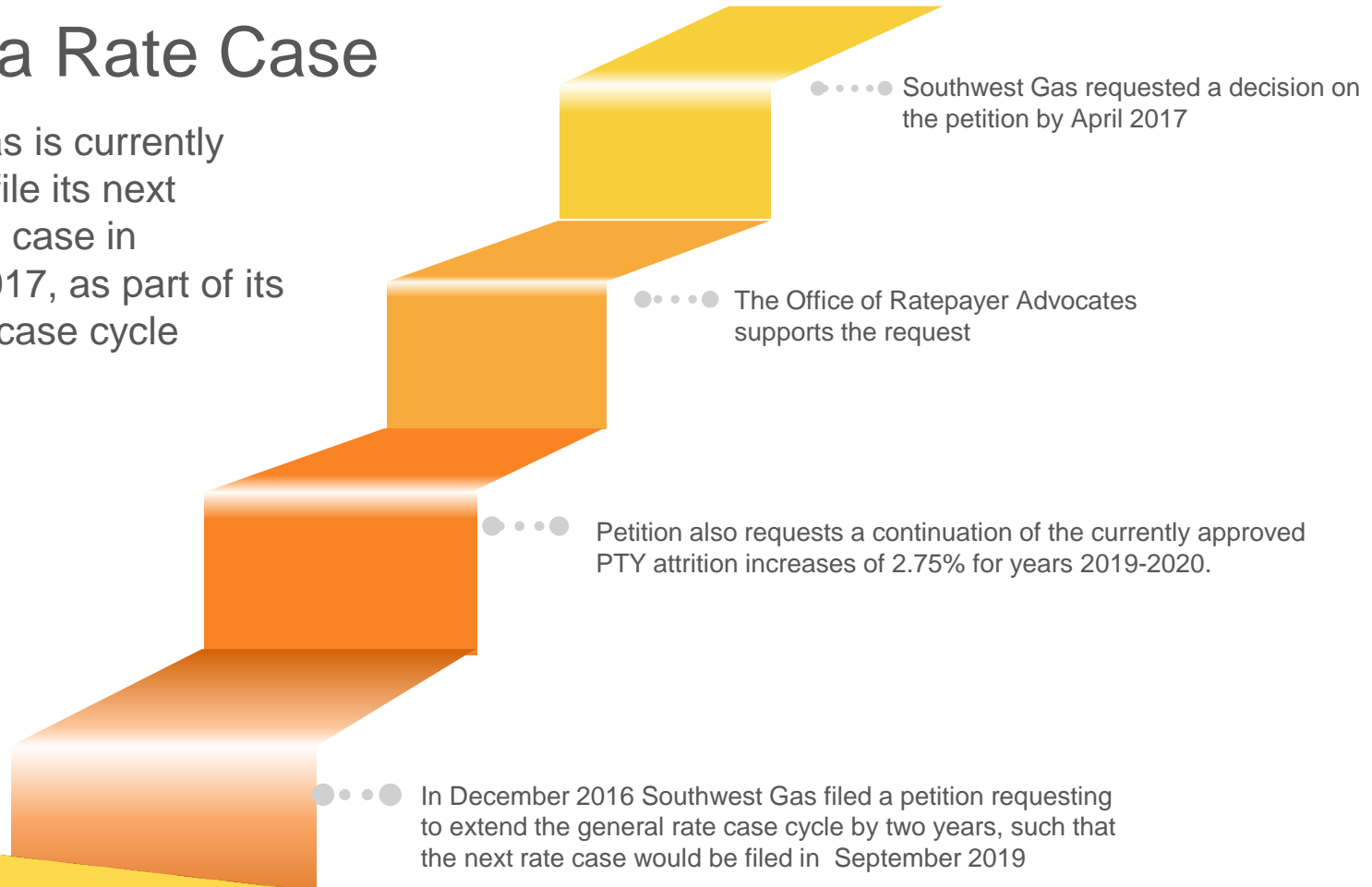
Regulation-Next California Rate Case

Natural Gas Operations



California Rate Case

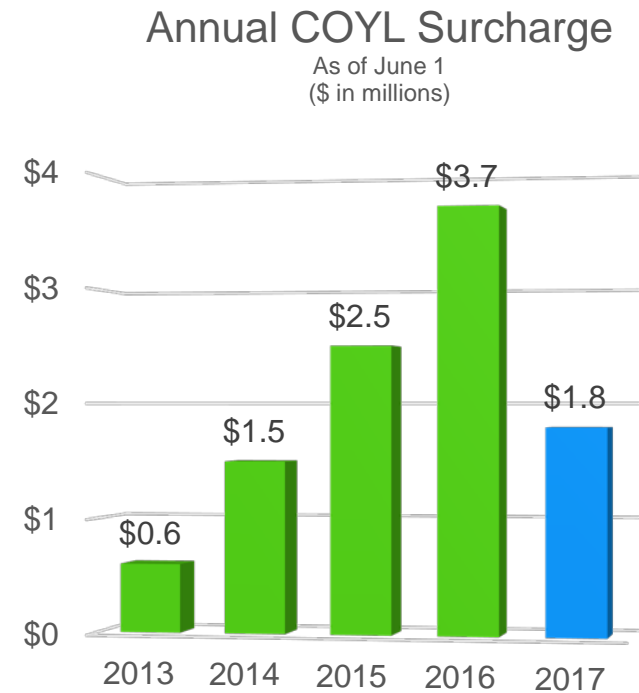
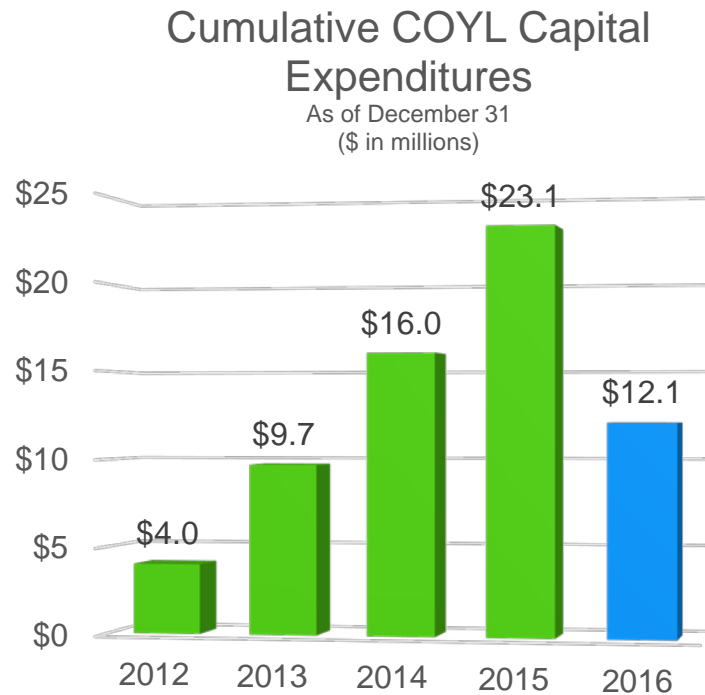
Southwest Gas is currently scheduled to file its next California rate case in September 2017, as part of its five year rate case cycle



Regulation-Infrastructure Recovery Mechanisms



Arizona Customer Owned Yard Line (COYL) program approved as part of last rate case decision, continued with proposed settlement, and reset as of January 1, 2016

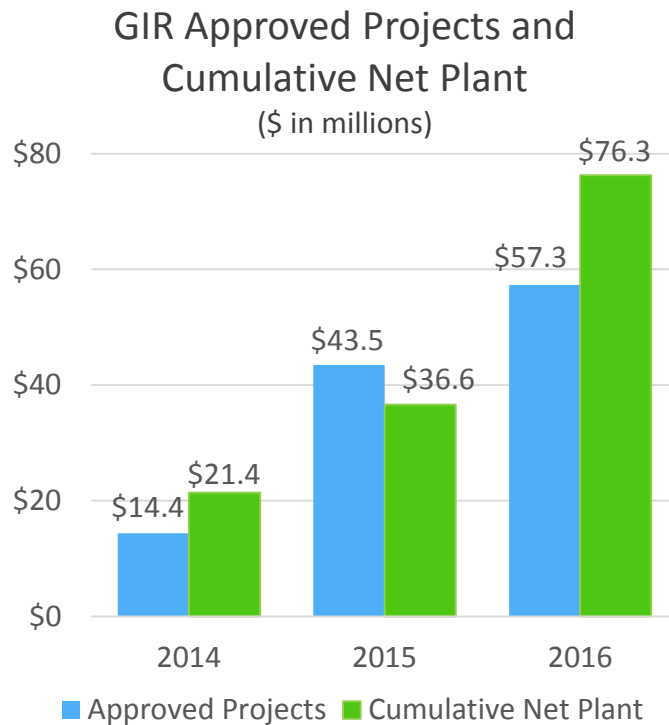


 - Requested

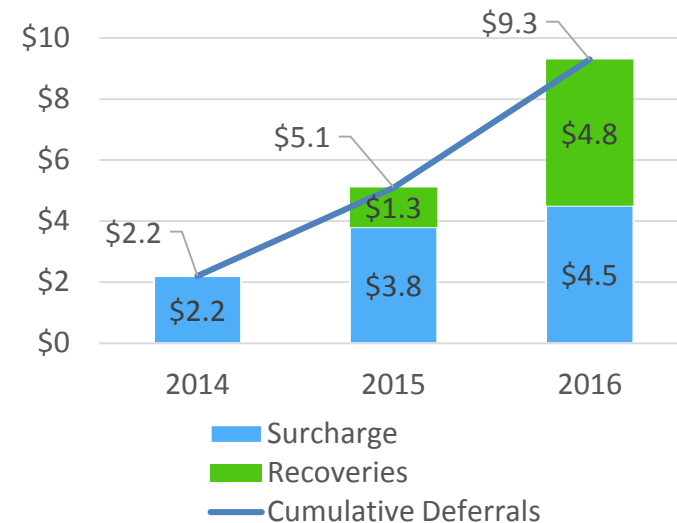
Regulation-Infrastructure Recovery Mechanisms



Nevada Gas Infrastructure Replacement (GIR)



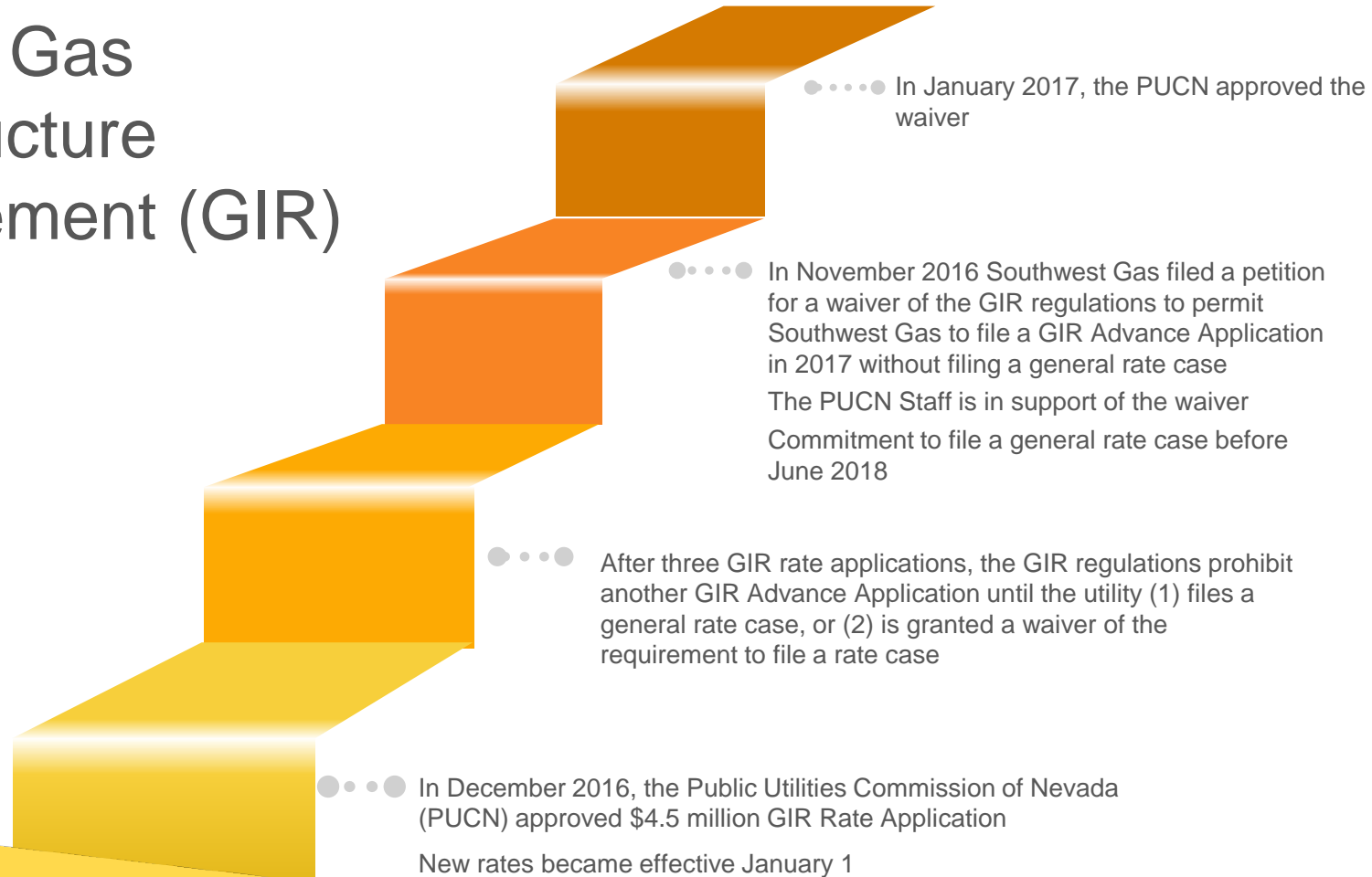
GIR Deferral Balances, Recoveries and Surcharge As of August 31
(surcharges effective January 1 of following year)
(\$ in millions)



Regulation-Infrastructure Recovery Mechanisms



Nevada Gas Infrastructure Replacement (GIR)

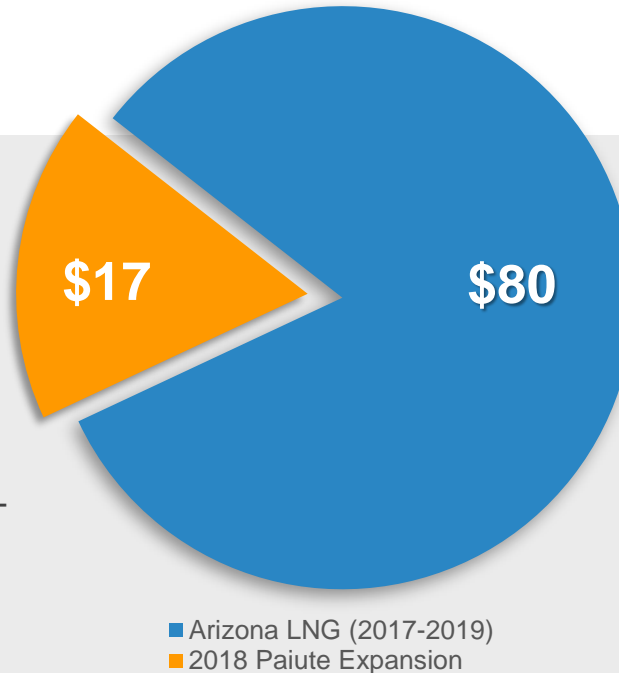


Regulation - Expansion Projects

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 December 2016 of \$4.1 million, including land for the project
- Construction expected to be completed by end of 2019

Customer Growth

Natural Gas Operations

(In Thousands)



	Twelve Months Ended December 31,			Projected Customer Growth		
	2014	2015	2016	2017*	2018	2019
Beginning period	1,904	1,930	1,956			
Net Customer Adds	26	26	28	30-32	31-33	32-34
Ending period	<u>1,930</u>	<u>1,956</u>	<u>1,984</u>			

*Total customers expected to exceed 2 million for the first time



Economic Overview

Service Area

Natural Gas Operations



	<u>Unemployment Rate</u>		<u>Employment Growth</u>	
	<u>December 2015</u>	<u>December 2016</u>	<u>December 2015</u>	<u>December 2016</u>
Southern California ¹	5.9%	5.2%	3.6%	2.9%
Southern Nevada ²	6.2%	5.0%	2.0%	2.6%
Northern Nevada ³	6.5%	5.0%	-2.4%	-0.4%
Southern Arizona ⁴	5.0%	4.3%	2.4%	0.4%
Central Arizona ⁴	4.7%	4.1%	2.9%	1.4%

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>]

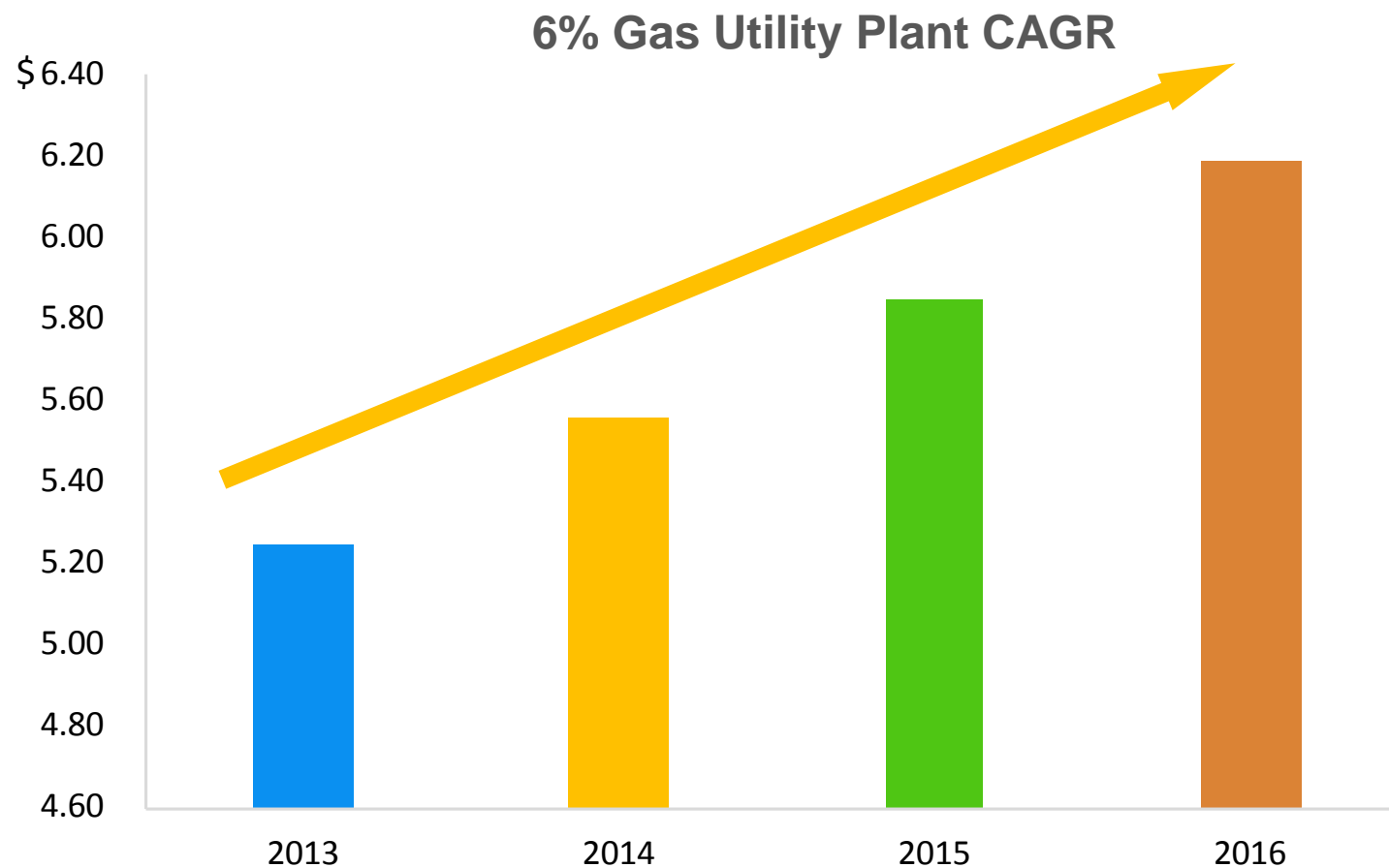
³ [Source: Nevada DETR, Data Search: Total Employment (Carson City, Churchill, Douglas, Elko, Humbolt, Lyon, and Pershing Counties, <http://nevadaworkforce.com>]

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

Gas Utility Plant - Growth

Natural Gas Operations

(In billions)

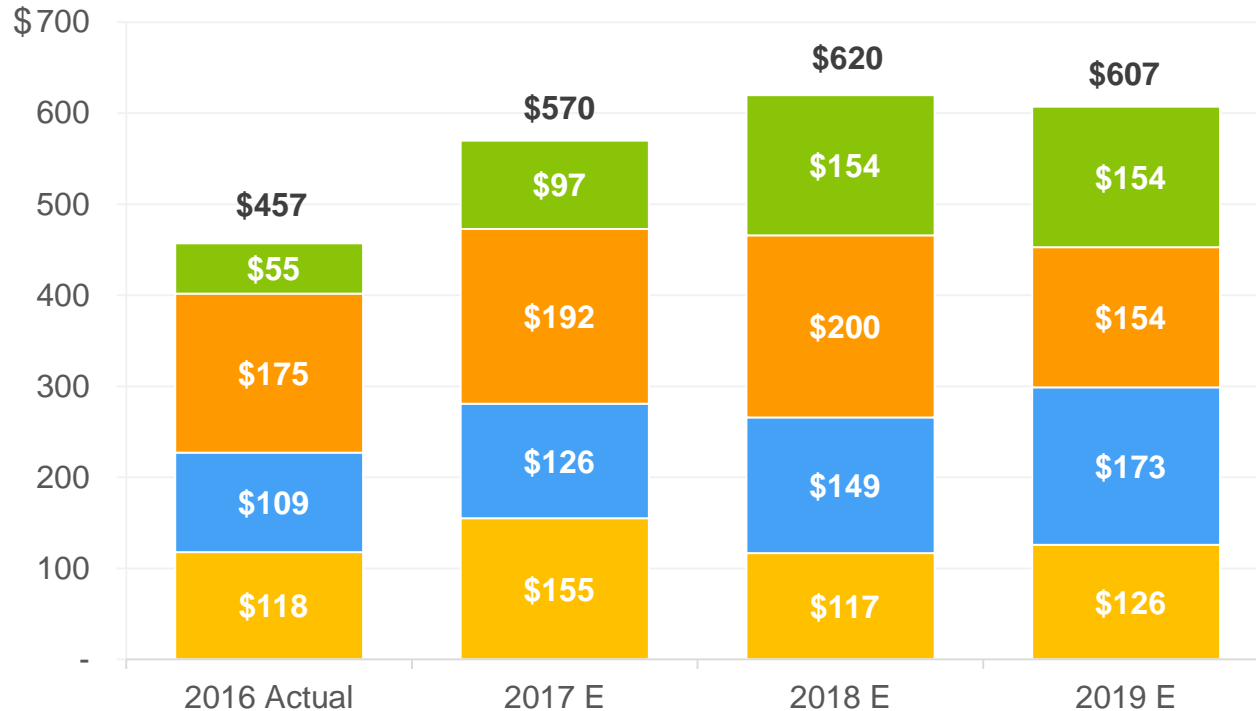


CAGR = compound annual growth rate

Capital Expenditures

Natural Gas Operations

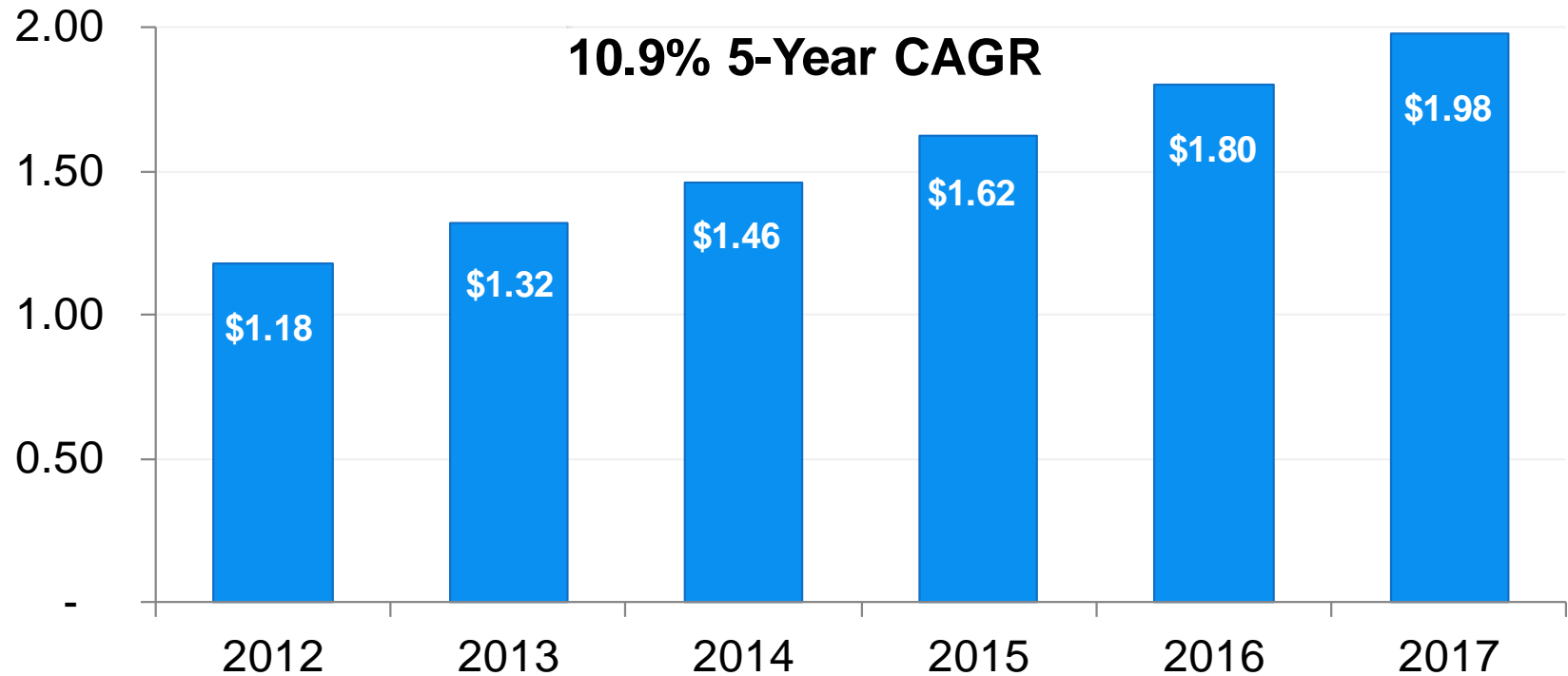
(In millions)



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

- General Plant/Staff/Overheads
- New Business/Reinforcements
- Code/Regulatory Requirements
- Infrastructure Replacement Under Trackers

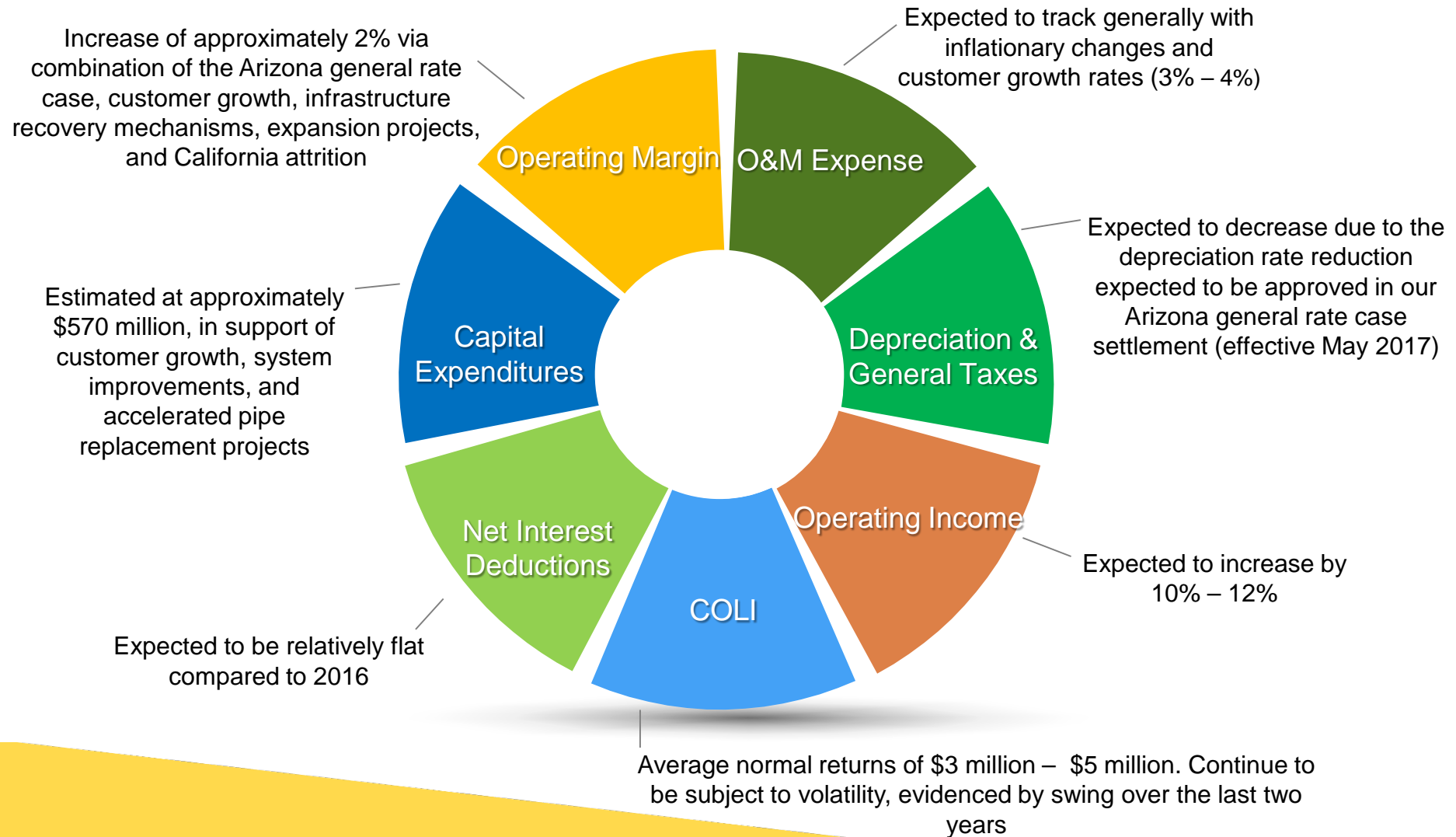
Dividend Growth



CAGR = compound annual growth rate

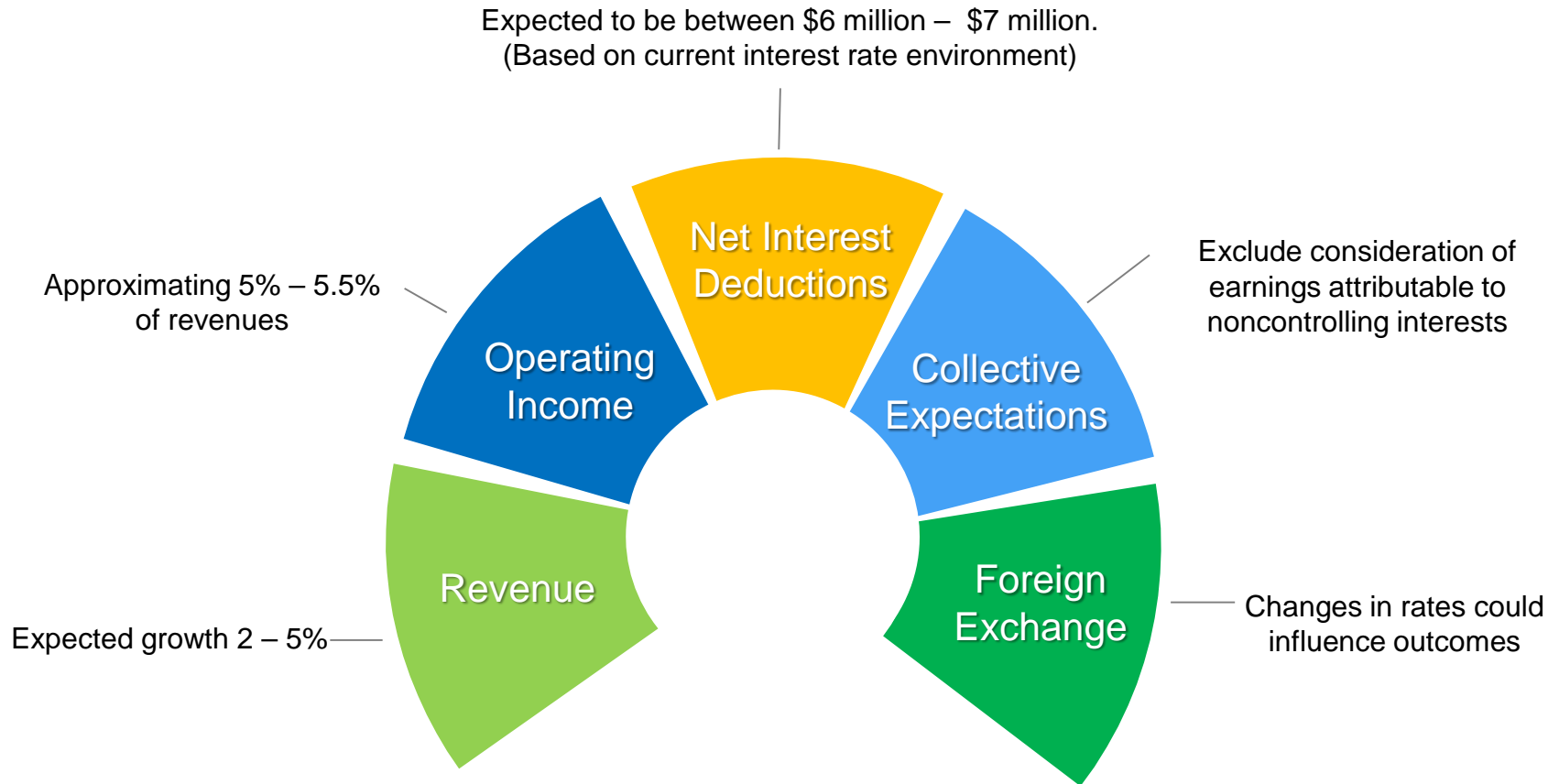
2017 Expectations

Natural Gas Operations



2017 Expectations

Construction Services



Strategic Investment Opportunities



Natural Gas Operations

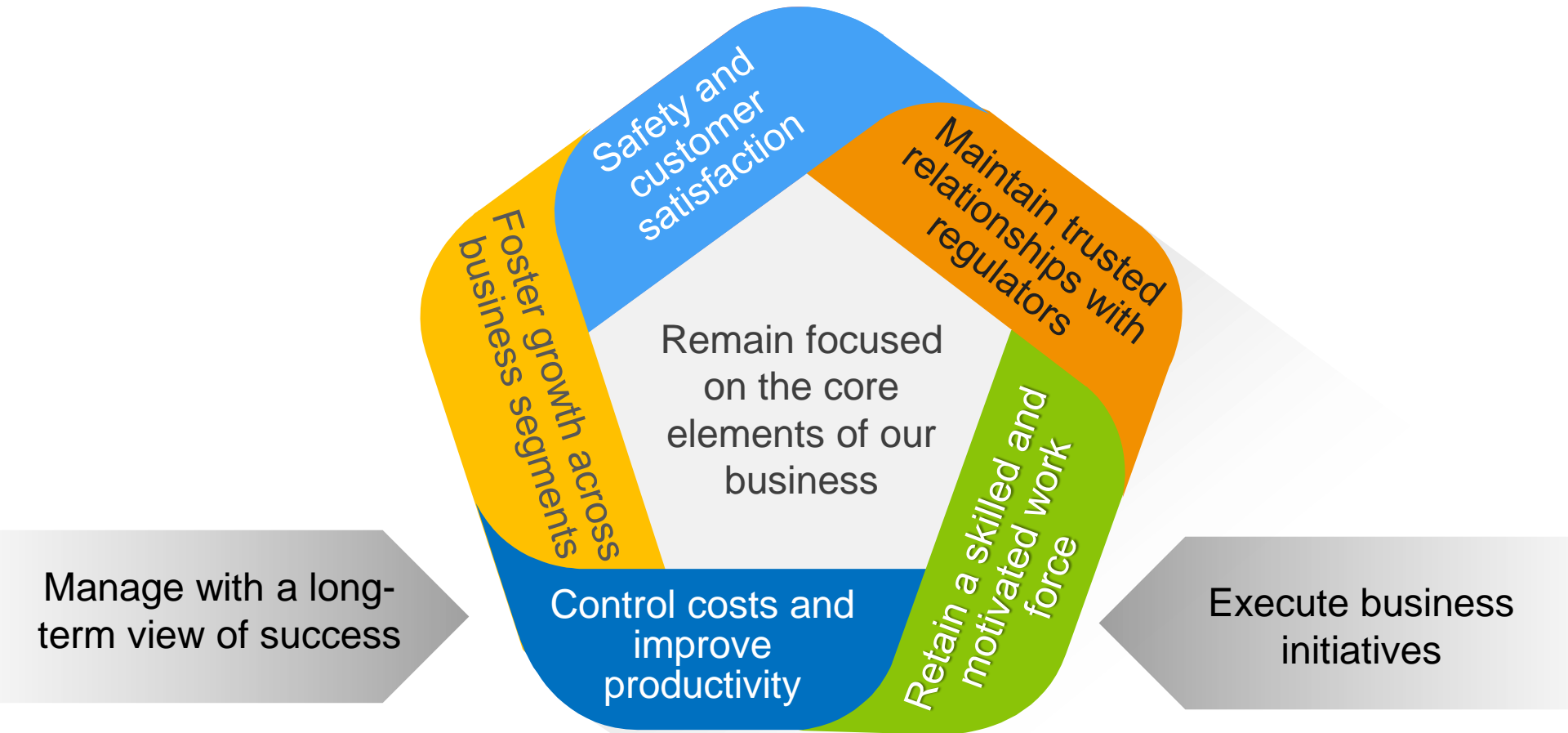
- Underground gas storage assets
- Gas reserves
- Unserved or underserved areas of Nevada (SB151)
- Southern Nevada transmission replacement
- Customer Management System replacement



Construction Services

- Add-on acquisitions
- Water distribution replacement
- Other utility infrastructure replacement/repair work

Strategic Focus





APPENDIX

Stable Customer Base

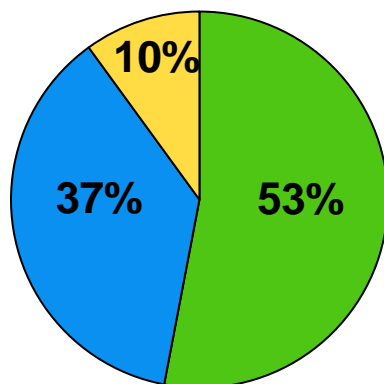
Natural Gas Operations



TMTD December 31, 2016 Customer & Operating Margin Distribution

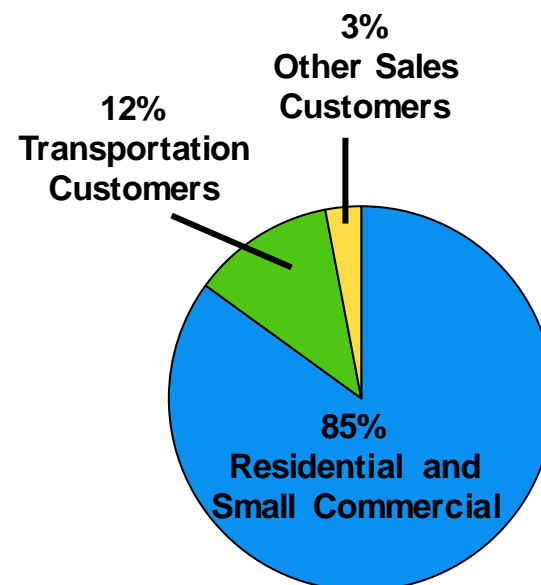
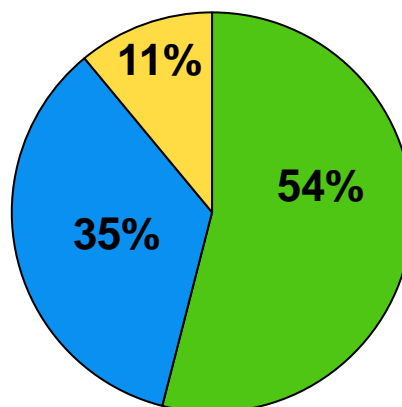
By State

Customers



■ Arizona
■ Nevada
■ California

Margin



❖ Consistent trends year over year

Customers by State

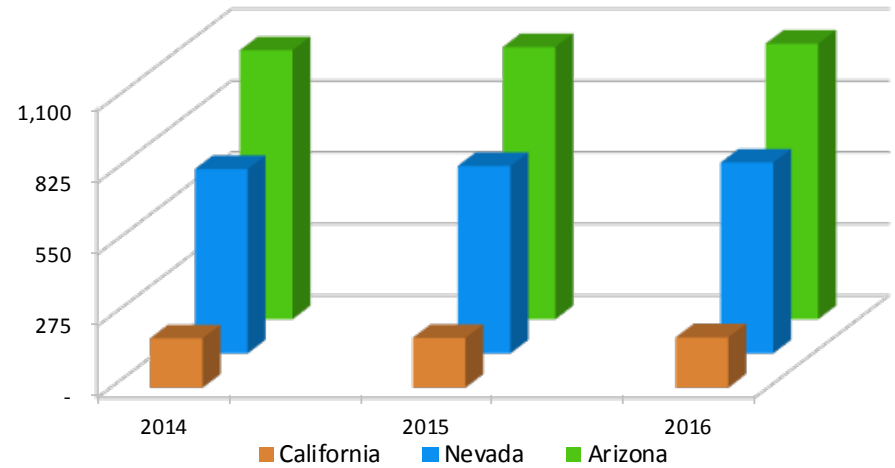
Natural Gas Operations

(In thousands)



As of December 31,

	2014	2015	2016
Arizona	1,033	1,045	1,058
Nevada	708	720	733
California	189	191	193
Total	1,930	1,956	1,984



Summary Operating Results

Natural Gas Operations

(In thousands)



TWELVE MONTHS ENDED DECEMBER 31,

2014

2015

2016

Results of Natural Gas Operations

Gas operating revenues	\$ 1,382,087	\$ 1,454,639	\$ 1,321,412
Net cost of gas sold	505,356	563,809	397,121
Operating margin	876,731	890,830	924,291
Operations and maintenance expense	383,732	393,199	401,724
Depreciation and amortization	204,144	213,455	233,463
Taxes other than income taxes	47,252	49,393	52,376
Operating income	241,603	234,783	236,728
Other income	7,165	2,292	8,276
Net interest deductions	68,299	64,095	66,997
Income before income taxes	180,469	172,980	178,007
Income tax expense	63,597	61,355	58,584
Contribution to net income - gas operations	\$ 116,872	\$ 111,625	\$ 119,423

2016 Increase in Operating Margin

Natural Gas Operations

(In millions)



Rate relief (CA, Paiute)	\$ 10
Conservation and energy efficiency (NV)	11
Customer growth	8
Other	4
Increase	<u>\$ 33</u>

Other Income and Deductions

Natural Gas Operations

(In thousands)



	TWELVE MONTHS ENDED DECEMBER 31,		
	2014	2015	2016
Change in COLI policies	\$ 5,300	\$ (500)	\$ 7,400
Miscellaneous income and (expense)	1,865	2,792	876
Total other income (deductions)	<u>\$ 7,165</u>	<u>\$ 2,292</u>	<u>\$ 8,276</u>

Operating Expense

Natural Gas Operations



Operating expenses increased \$31.5 million or 5%

- O&M expense increased 2.2%
 - General cost increases
 - Higher employee medical costs
 - Lower pension expense
- Depreciation and amortization expense increased 9%
 - Driven by 6% increase in average plant and an increase in regulatory amortizations
- General taxes increased 6%
 - Primarily due to higher property taxes associated with plant additions

Net Financing Costs

Natural Gas Operations



Increased \$3 million from \$64.1 million in 2015 to \$67 million in 2016

- Primarily due to the higher interest expense associated with deferred PGA balances and the issuance of \$300 million senior notes
- Increase partially offset by reductions associated with the redemption of debt (\$20 million 5.25% 2003 Series D IDRBs in September 2015, \$100 million 4.85% 2005 Series A IDRBs in July 2016, and \$24.9 million 4.75% 2006 Series A in September 2016)

Purchased Gas Adjustment (PGA) Balances

Natural Gas Operations

(In millions)



SOUTHWEST GAS

	As of December 31,	
	2015	2016
Arizona	\$ (3.5)	\$ (20.3)
Northern Nevada	(2.3)	(3.3)
Southern Nevada	(39.8)	(66.8)
California	3.6	2.6
Total Receivable/(Payable)	<u>\$ (42.0)</u>	<u>\$ (87.9)</u>

Liquidity Profile

Natural Gas Operations

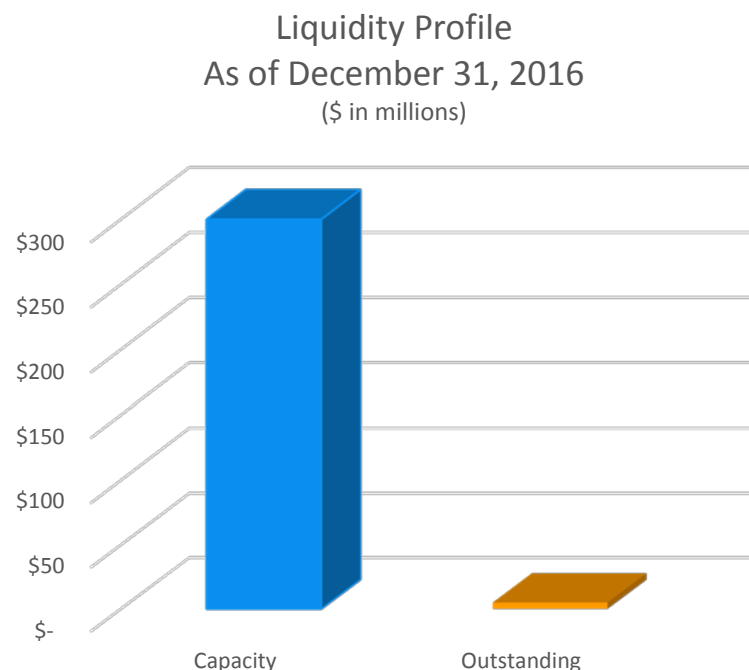


Strong liquidity will support capital expenditure and working capital needs

- Stable operating cash flows
- \$300 million revolving credit facility
 - Expires in March 2021
 - \$150 million of the facility designated long-term debt and remaining \$150 million as working capital
- \$50 million uncommitted commercial paper program

As of December 31, 2016

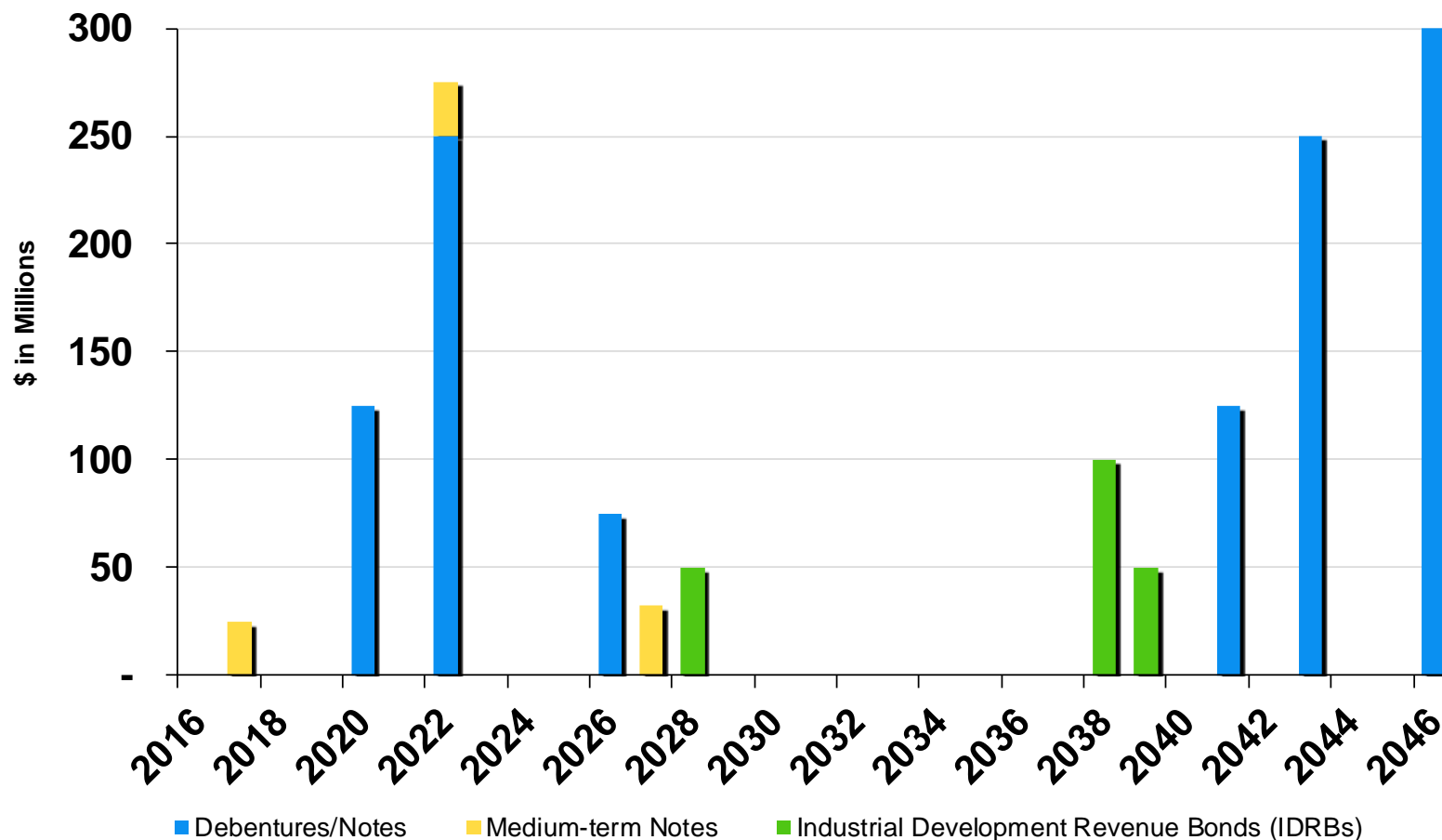
- \$5 million of LIBOR loans
- Available borrowing capacity of \$295 million



Long-Term Debt Maturity Schedule^[1] at December 31, 2016



SOUTHWEST GAS



[1] Does not include the long-term portion of the \$300 million Revolving Credit Facility, due March 2021

Authorized Rate Base and Rates of Return

Natural Gas Operations



SOUTHWEST GAS

<u>Rate Jurisdiction</u>	<u>Commission</u>	<u>Authorized Rate Base (In thousands)</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity</u>	<u>Decoupled</u>	<u>Authorized Common Equity Ratio</u>
Arizona	ACC	\$ 1,070,117	8.95 %	9.50 %	✓	52.30 %
Southern Nevada	PUCN	825,190	6.46	10.00	✓	42.74
Northern Nevada	PUCN	115,933	7.88	9.30	✓	59.06
Southern California	CPUC	159,277	6.83	10.10	✓	55.00
Northern California	CPUC	67,620	8.18	10.10	✓	55.00
South Lake Tahoe	CPUC	25,389	8.18	10.10	✓	55.00
Paiute Pipeline Company (1)	FERC	87,158	8.46	11.00	✓	51.75

(1) Estimated amounts based on rate case settlement.

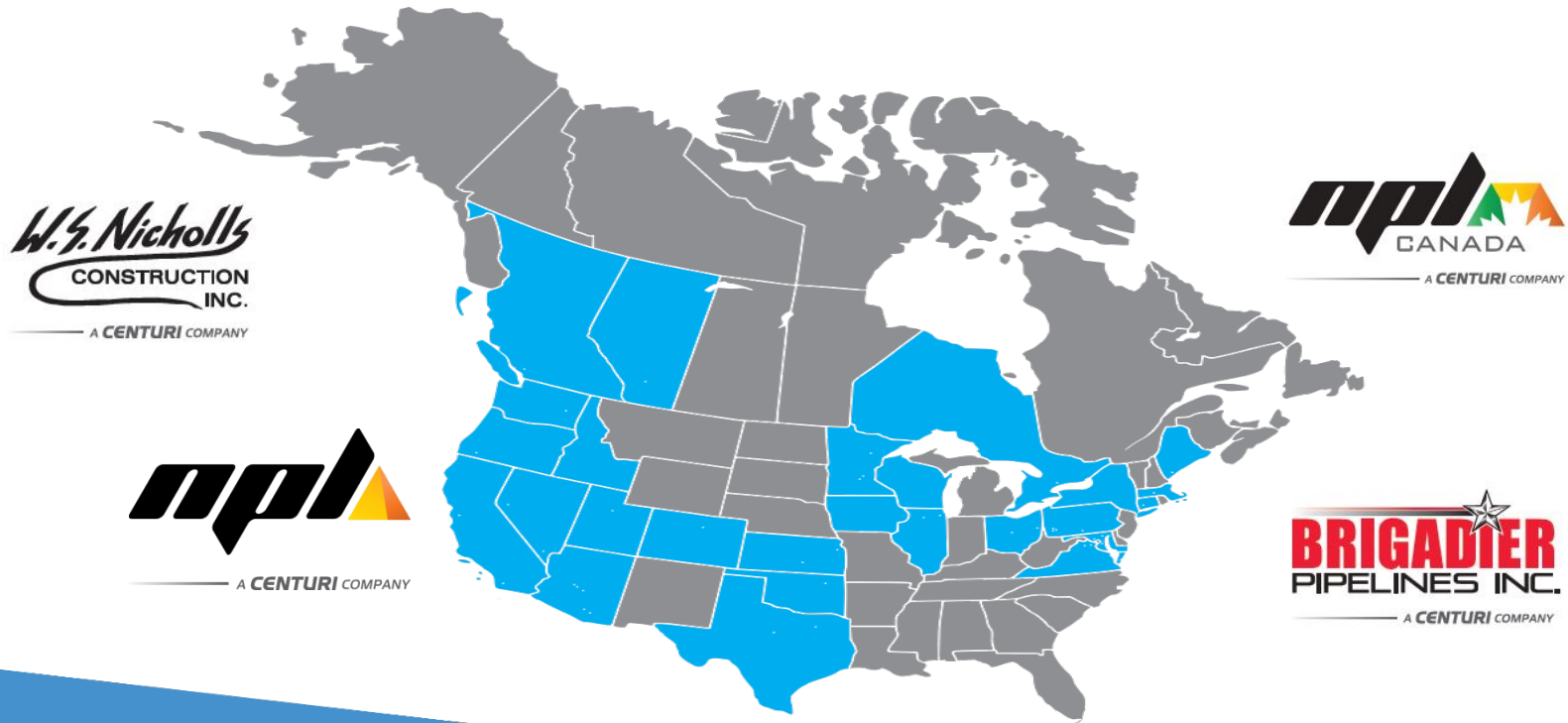
ACC – Arizona Corporation Commission
PUCN - Public Utilities Commission of Nevada
CPUC - California Public Utilities Commission
FERC - Federal Energy Regulatory Commission

Centuri Construction Group

Construction Services



- Headquartered in Phoenix, Arizona
- Operates in 22 markets across U.S. and Canada
- One of North America's largest full-service underground pipeline contractors



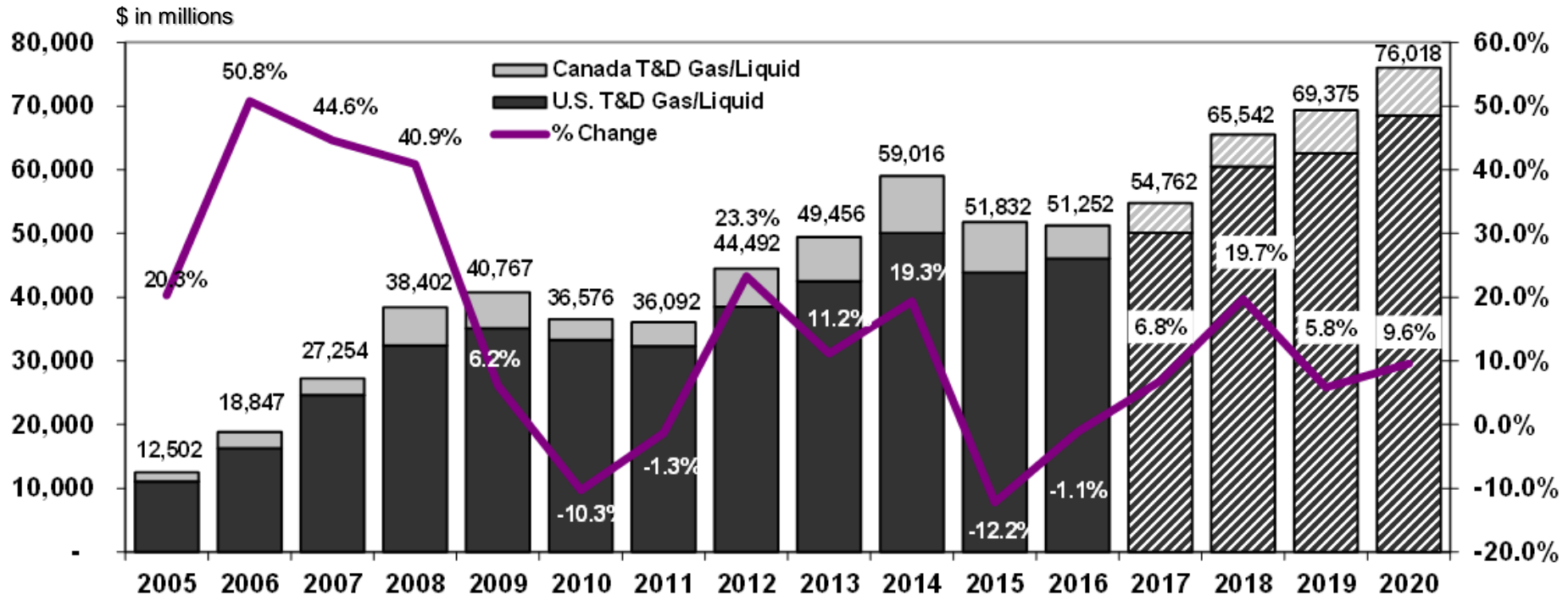
Centuri Construction Group

Construction Services



Gas/Liquid T&D Capex Outlook

Construction Services



Source: **Used with permission. Continuum Capital**, P.O. Box 31026, Raleigh, NC 27622. For additional information or use, please contact Mark Bridgers, Principal of Continuum Capital at (919) 345-0403, MBridgers@ContinuumCapital.net.

Summary Operating Results

Construction Services

(In thousands)



TWELVE MONTHS ENDED DECEMBER 31,

2014	2015	2016
------	------	------

Results of Construction Services

Construction revenues	\$ 739,620	\$ 1,008,986	\$ 1,139,078
Operating expenses:			
Construction expenses	647,857	898,781	1,024,423
Depreciation and amortization	48,883	56,656	55,669
Operating income	42,880	53,549	58,986
Other income (deductions)	(58)	587	1,193
Net interest deductions	3,770	7,784	6,663
Income before income taxes	39,052	46,352	53,516
Income tax expense	14,776	18,547	19,884
Net income	24,276	27,805	33,632
Net income attributable to noncontrolling interest	22	1,113	1,014
Contribution to consolidated net income attributable to Centuri	\$ 24,254	\$ 26,692	\$ 32,618

Operating Revenues

Construction Services



Increased by \$130 million compared to 2015

Primarily due to certain large bid projects and additional pipe replacement work

- Favorable weather conditions extended the construction season
- Governmental-mandated pipeline safety-related programs resulted in multi-year distribution of pipe replacement projects

Operating Expenses

Construction Services



- **Construction expense increased by \$125.6 million**

- Additional pipe replacement work
- Higher labor costs
- General and administrative expense increased approximately \$1.6 million
- Gain on sales of equipment were \$7.1 million

- **Depreciation expense decreased by \$1 million**

- \$4 million reduction in depreciation associated with an extension of the estimated useful lives of certain depreciable equipment
- Decline in amortization of certain finite-lived intangible assets recognized from the October 2014 acquisition

- **Net Interest Deductions**

- Lower interest rates on outstanding borrowings
- Decrease in the average line of credit balance outstanding

Capital Structure

(In millions, except ratios)



Capitalization at December 31,	2012	2013	2014	2015	2016
Equity ¹	\$ 1,308	\$ 1,412	\$ 1,506	\$ 1,608	\$ 1,684
Long-Term Debt ²	1,319	1,393	1,651	1,571	1,600
Total Permanent Capital	<u>\$ 2,627</u>	<u>\$ 2,805</u>	<u>\$ 3,157</u>	<u>\$ 3,179</u>	<u>\$ 3,284</u>
Capitalization ratios					
Equity ¹	49.8%	50.4%	47.7%	50.6%	51.3%
Long-Term Debt ²	<u>50.2%</u>	<u>49.6%</u>	<u>52.3%</u>	<u>49.4%</u>	<u>48.7%</u>
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

Investment Grade Credit Ratings

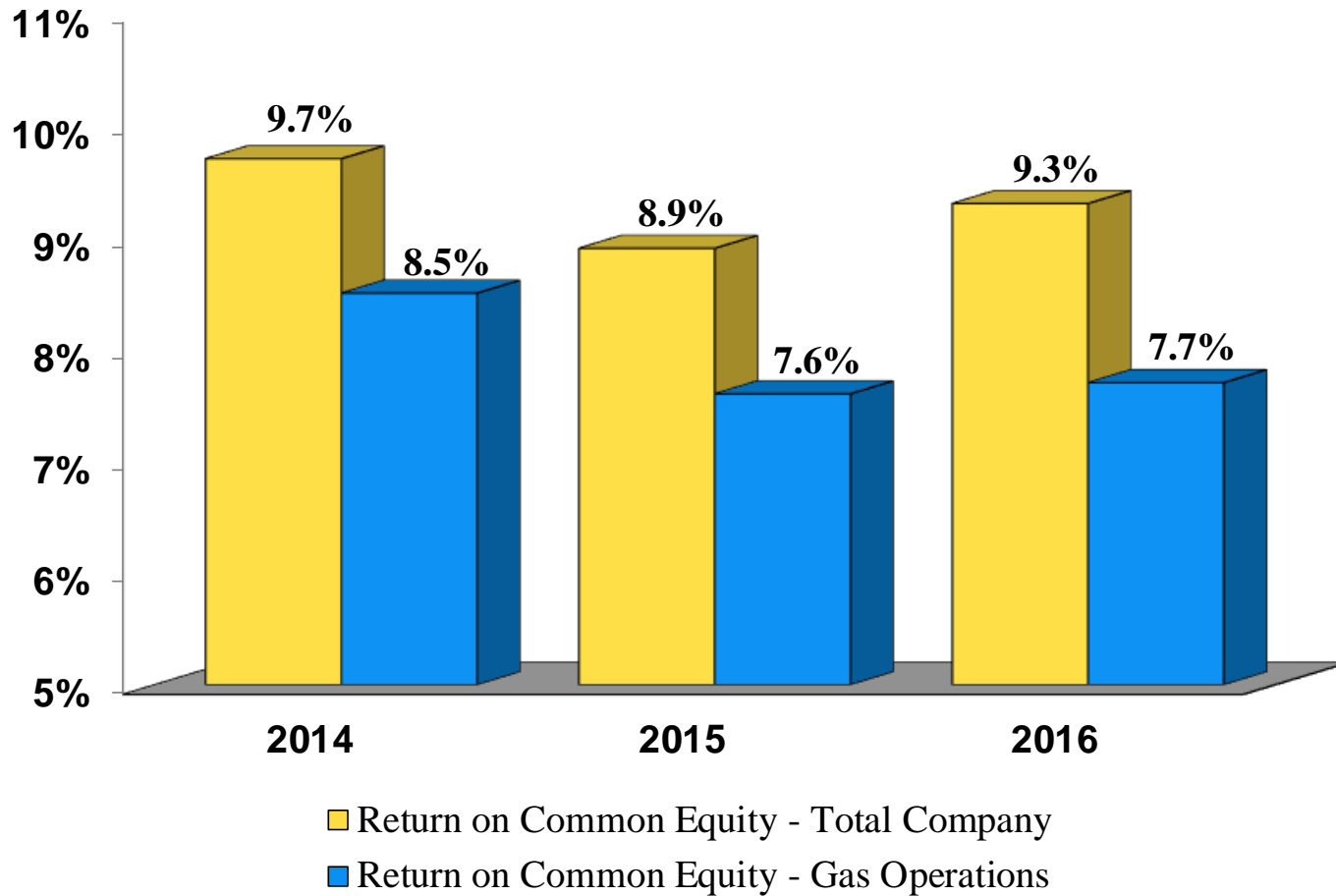
SOUTHWEST GAS HOLDINGS, INC.

	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

Return on Common Equity

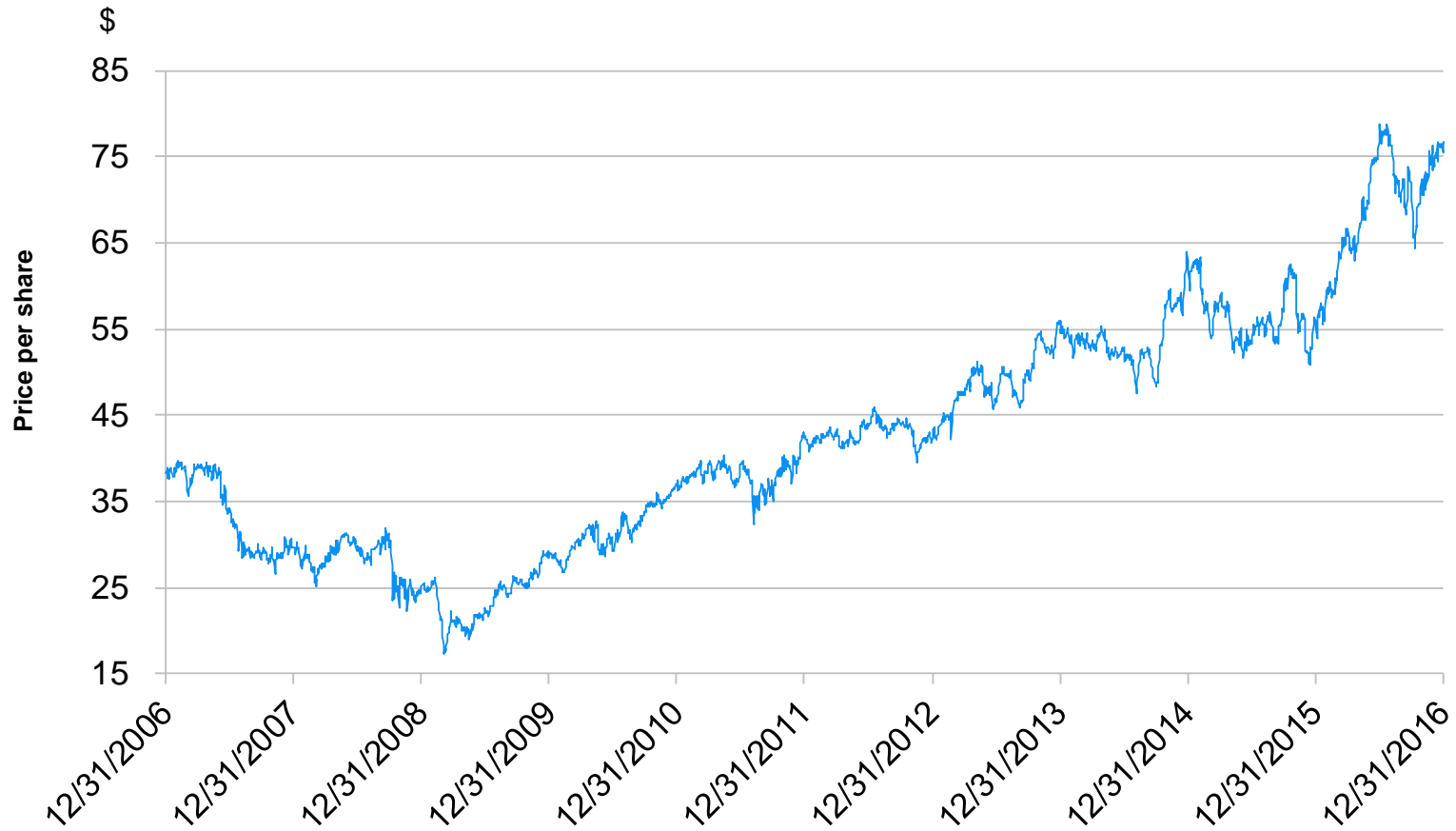


Stock Performance



Southwest Gas
HOLDINGS

Southwest Gas Holdings, Inc.
Common Stock Closing Price
December 31, 2006 – December 31, 2016



Comparative Total Returns

Total Returns for Periods Ended December 31, 2016

	1-Year	3-Year	5-Year	10-Year
Southwest Gas Holdings	42.50%	14.08%	15.55%	10.32%
S&P 400 MidCap Gas Index	30.61%	14.31%	14.68%	10.64%
S&P Utilities Index	17.60%	12.62%	10.79%	7.43%
S&P 500 Index	11.93%	8.85%	14.62%	6.93%

Total Return = Price appreciation plus gross dividends reinvested