



Southwest Gas[™]
HOLDINGS

2017 Mid-Year Earnings Conference Call

August 9, 2017



Participants



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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 2017 expectations for our construction services and natural gas operations segments, as well as statements regarding our expansion projects and other 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;
- 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.

2017 Second Quarter Highlights



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Consolidated Results

- Consolidated earnings of \$0.38 per basic share
- Paid out quarterly dividend of \$0.495 per share (\$1.98 annually), a 10% increase over March 2017 quarterly dividend of \$0.45

Natural Gas Segment

- Arizona rate case decision effective April 1
- Added 32,000 customers over the twelve months ended June 30
- Nevada GIR application proposing \$66 million of 2018 replacements
- CPUC approved extension of next California rate case until September 2019 (2.75% annual attrition increase continues through 2020)

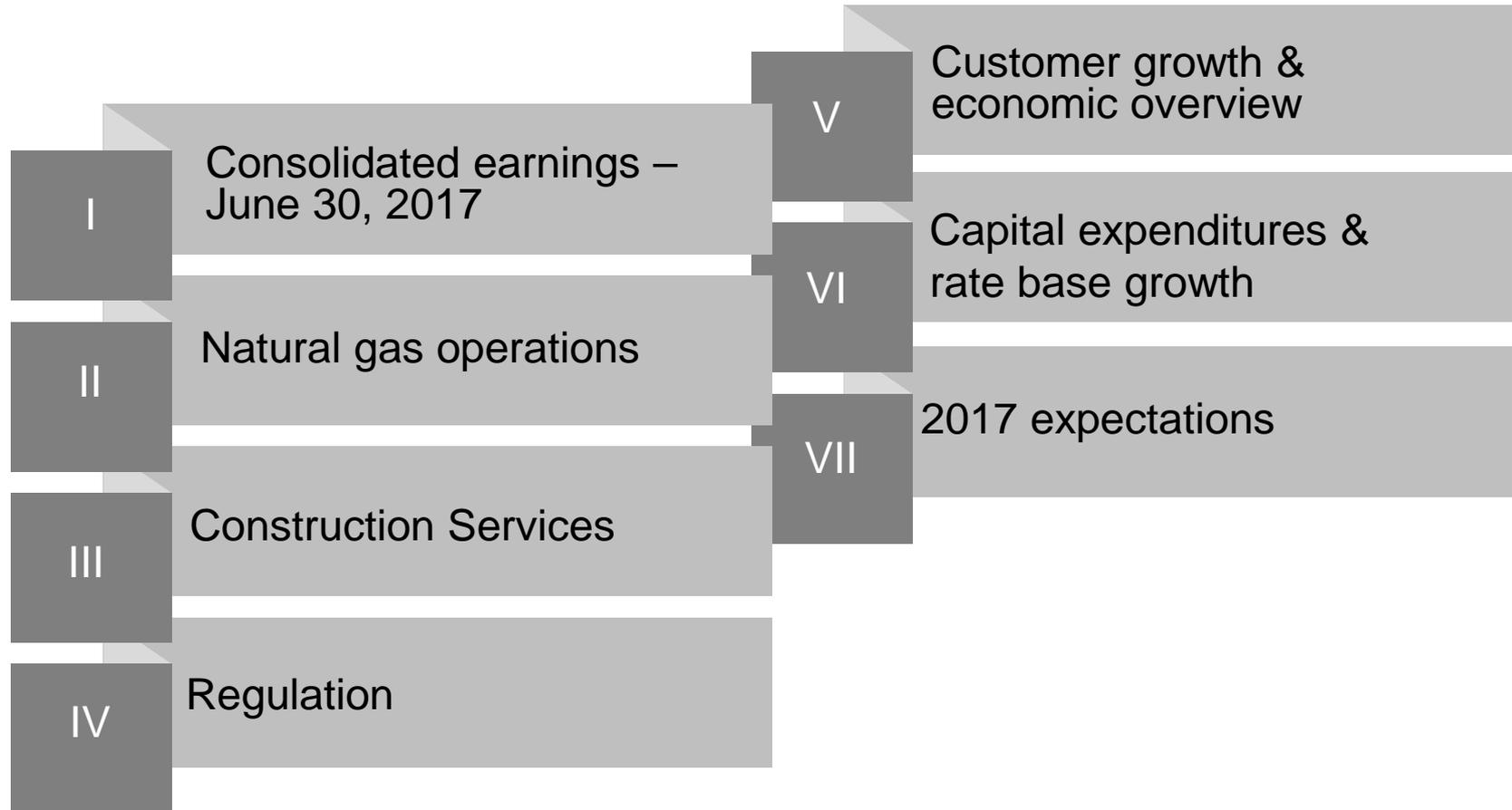
Construction Services Segment

- Completed requalification of employees affected by temporary work stoppage
- Revenue and contribution to net income increased over second quarter 2016
- Reaffirm full-year expectations

Call Outline



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Summary Operating Results

(In thousands, except per share amounts)



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	THREE MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2017	2016	2017	2016
Results of Consolidated Operations				
Gas operations income	\$ 9,522	\$ 2,358	\$ 125,942	\$ 113,302
Construction services income	8,716	6,585	29,552	32,472
Other - corporate and administrative	(374)	-	(670)	-
Net income	<u>\$ 17,864</u>	<u>\$ 8,943</u>	<u>\$ 154,824</u>	<u>\$ 145,774</u>
Basic earnings per share	<u>\$ 0.38</u>	<u>\$ 0.19</u>	<u>\$ 3.26</u>	<u>\$ 3.08</u>
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.19</u>	<u>\$ 3.24</u>	<u>\$ 3.06</u>
Average shares outstanding	47,571	47,473	47,516	47,347
Average shares outstanding (assuming dilution)	47,884	47,811	47,857	47,693

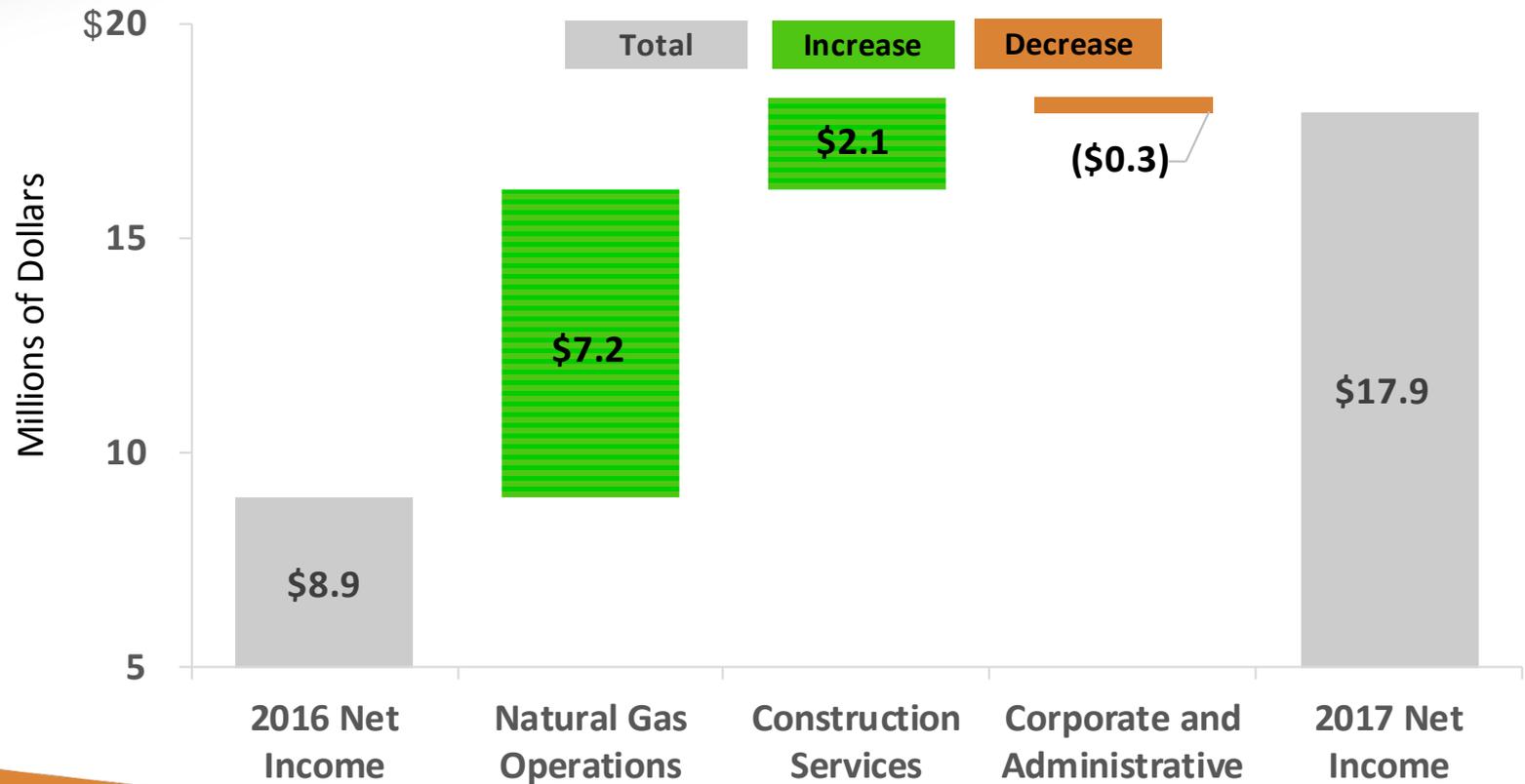
Consolidated Net Income

Three Months Ended June 30, 2017



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Total Increase - \$9.0 million



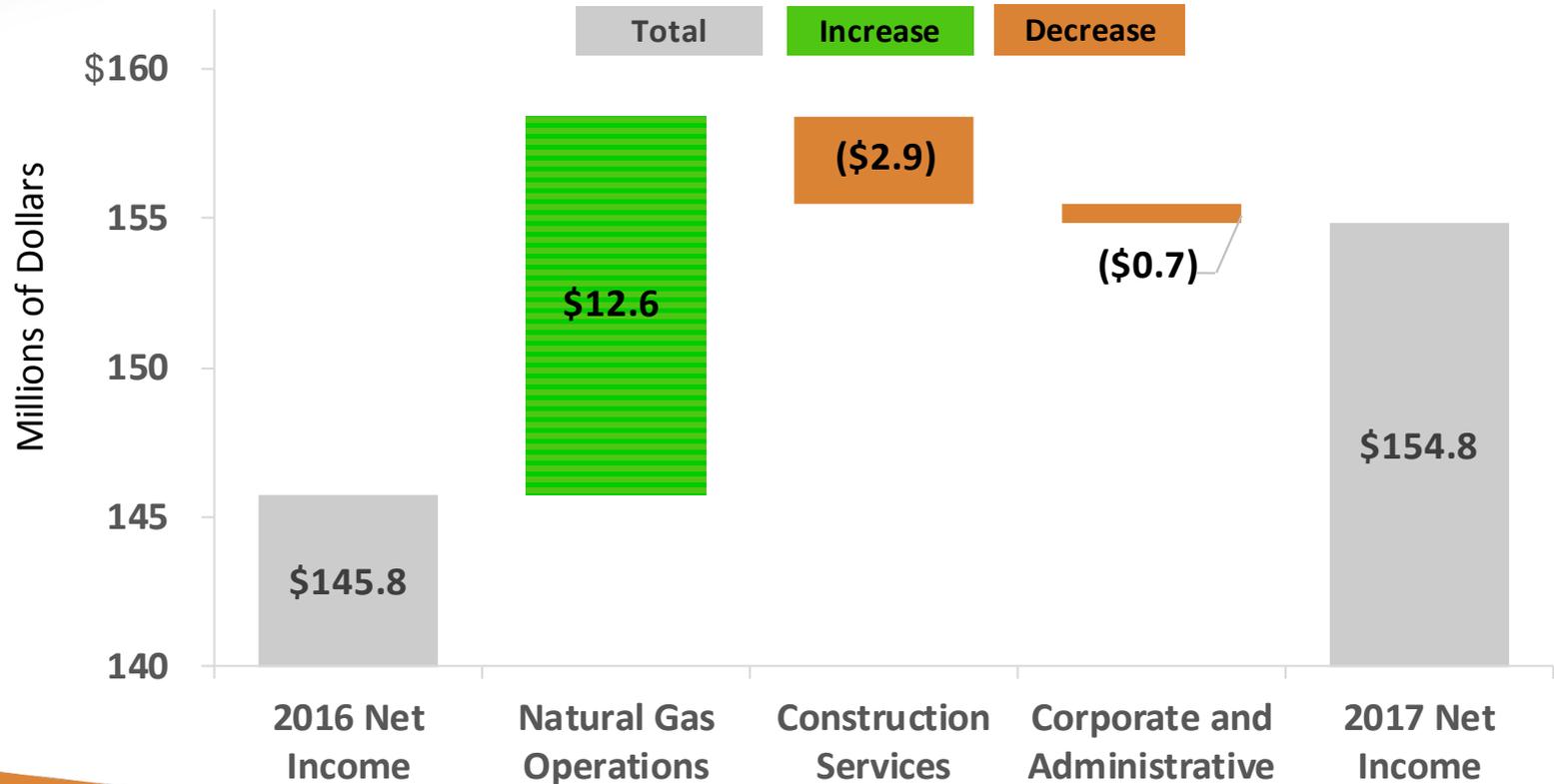
Consolidated Net Income

Twelve Months Ended June 30, 2017



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Total Increase - \$9.0 million



Net Income

Three Months Ended June 30, 2017

Natural Gas Operations



Total Increase - \$7.2 million



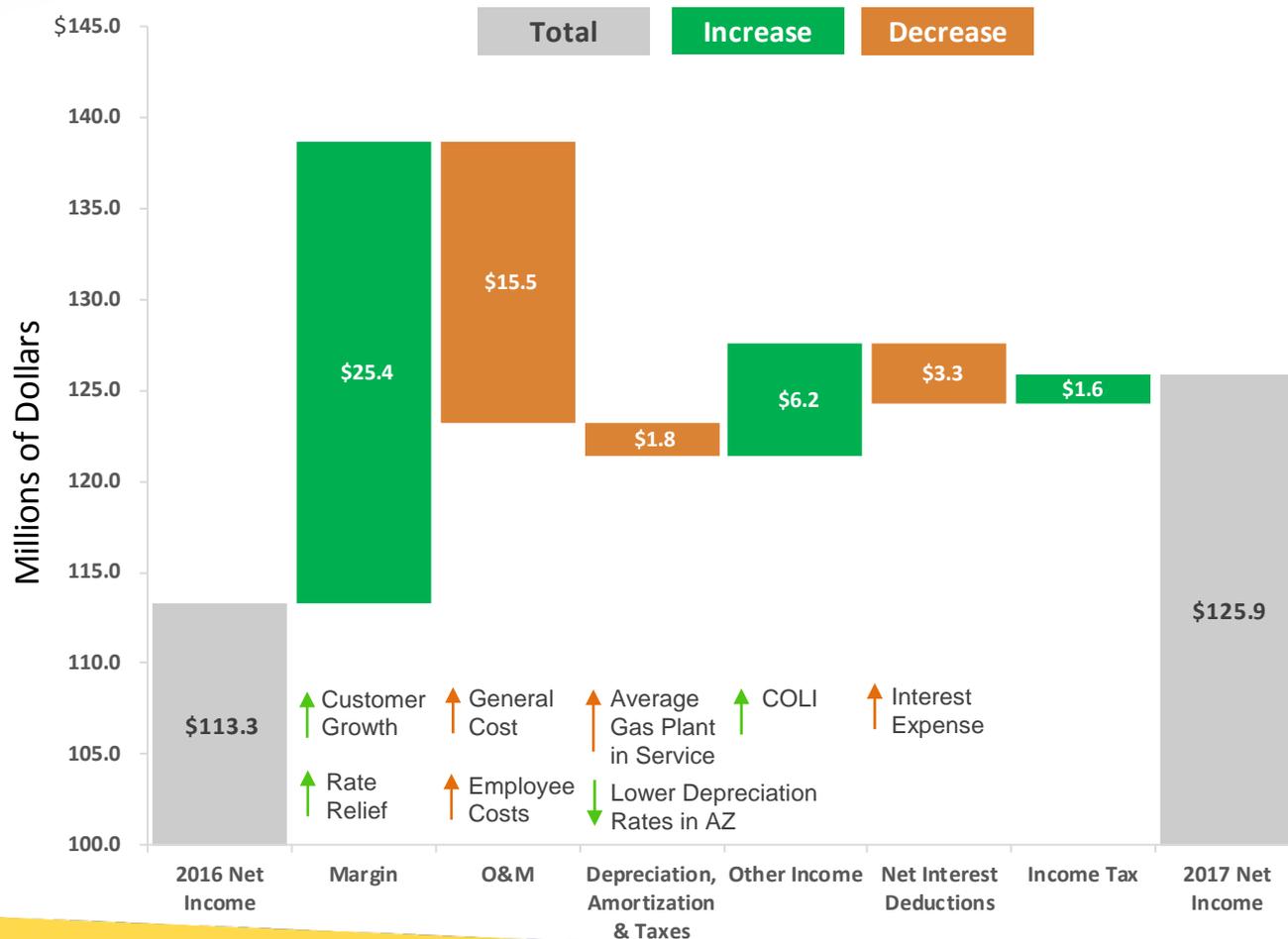
Net Income

Twelve Months Ended June 30, 2017

Natural Gas Operations



Total Increase - \$12.6 million



Net Income

Three Months Ended June 30, 2017

Construction Services



Total Increase - \$2.1 million



Net Income

Twelve Months Ended June 30, 2017

Construction Services



Total Decrease - \$2.9 million



Regulation Key Highlights

Natural Gas Operations



Rate Relief

- Arizona Rate Case Settlement
- Next California Rate Case
- Next Nevada Rate Case

Infrastructure Replacement Programs

- Arizona Customer-Owned Yard Line (COYL) program
- Arizona Vintage Steel Pipe Replacement (VSP) program
- Nevada Gas Infrastructure Replacement (GIR) program

Expansion Projects

- Liquefied Natural Gas (LNG) facility in Arizona
- 2018 expansion project – Paiute Pipeline Company (FERC regulated)

Regulation – Rate Relief

Natural Gas Operations



Arizona Rate Case Settlement

- New rates effective April 1, 2017
- Projected impact to operating income:
 - 2017 - \$45 million
 - 2018 - \$16 million
- Rate case moratorium until May 2019

Next Nevada Rate Case

- Commitment to file before June 2018

Next California Rate Case

- CPUC approved Southwest's request to extend rate case cycle
- Expected to file next rate case by September 2019
- Continuation of post test year annual attrition increases of 2.75% through 2020

Regulation - Infrastructure Replacement Programs



Natural Gas Operations

Arizona COYL

- \$35.2 million of cumulative expenditures as of December 31, 2016
 - \$23.1 million included in authorized rate base with recovery embedded in the new rates
 - \$12.1 million included as part of current mechanism (2016 expenditures)
- ACC approved surcharge revenue of \$1.8 million effective June 2017 (\$12.1 million of expenditures)

Arizona VSP

- Approved in general rate case and targeting partial year expenditures of \$27 million in 2017

Regulation - Infrastructure Replacement Programs



Natural Gas Operations

Nevada GIR

- PUCN authorized \$57.3 million replacement work for 2017
- PUCN approved surcharge revenue of approximately \$4.5 million effective January 2017
- Cumulative net plant of \$76.3 million as of August 31, 2016
- In May 2017 Southwest Gas filed a GIR Advance Application
 - Proposed approximately \$66 million of replacement work for 2018
 - Stipulation agreement with PUCN Staff
 - Expect PUCN approval prior to fourth quarter

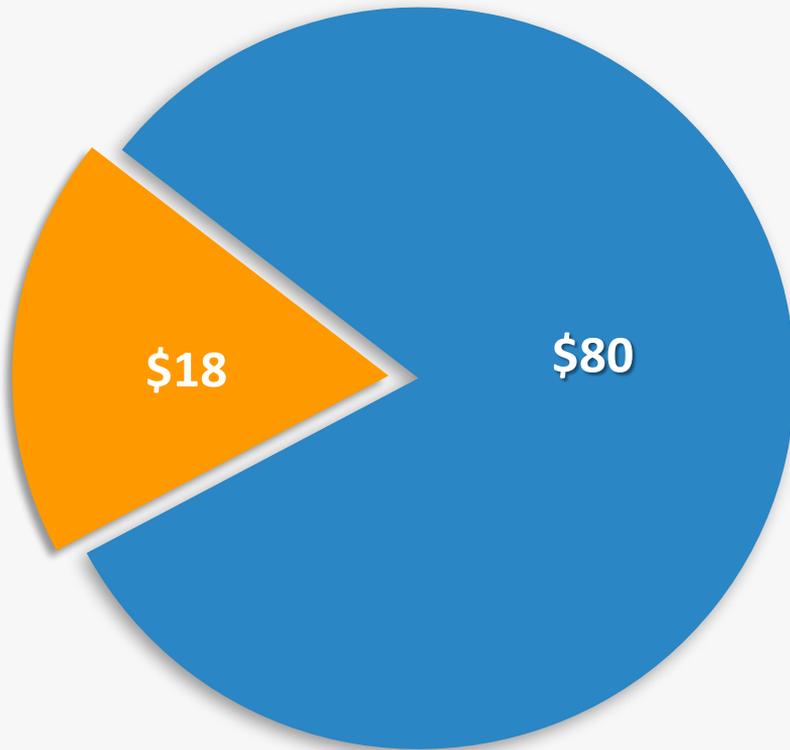
Regulation – Expansion Projects

Natural Gas Operations



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\$ in millions



PAIUTE PIPELINE COMPANY EXPANSION

- Proposed \$18 million project consists of approximately 8.4 miles of additional pipeline infrastructure
- Paiute filed a formal FERC certificate application in July 2017
- The new facility is expected to be in place by the end of 2018

ARIZONA LNG FACILITY

- Proposed \$80 million, 233,000 dekatherm LNG facility
- Site preparation underway
- Construction expected to be completed by end of 2019

Customer Growth Breakdown

Natural Gas Operations
(In thousands)



Twelve Months Ended June 30,

2016

2017

Beginning period

1,938

1,962

Net Customer Adds

24

32

Ending period

1,962

1,994

Economic Overview – Service Area

Natural Gas Operations



	<u>Unemployment Rate</u>		<u>Employment Growth</u>	
	<u>June 2016</u>	<u>June 2017</u>	<u>June 2016</u>	<u>June 2017</u>
Southern California	6.6%	5.5%	3.3%	3.4%
Southern Nevada	6.9%	5.1%	2.8%	2.7%
Northern Nevada	6.7%	4.4%	-0.3%	-0.1%
Southern Arizona	5.8%	4.9%	3.5%	0.5%
Central Arizona	5.4%	4.5%	3.6%	3.0%

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>]

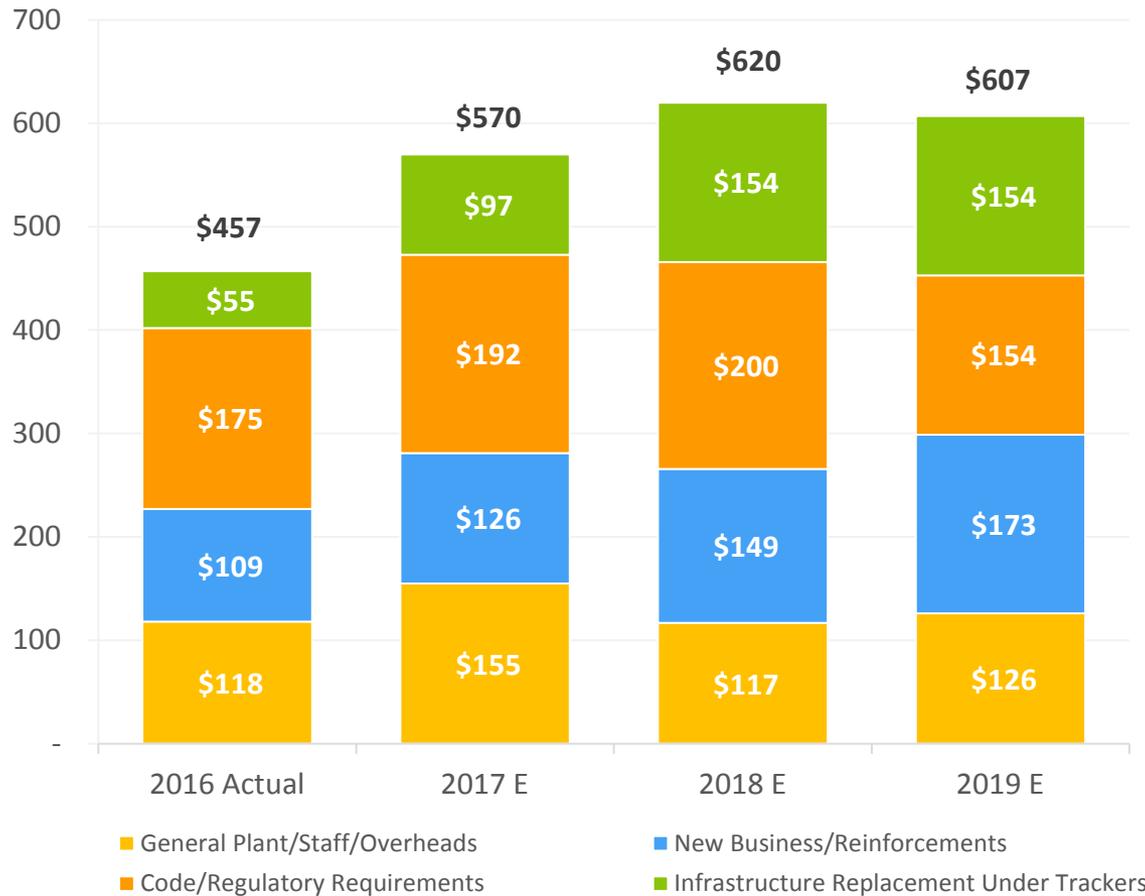
³ [Source: Nevada DETR, Data Search: Total Employment (Carson City, Churchill, Douglas, Elko, Humbolt, Lyon, and Pershing Counties, <http://nevadaworkforce.com>]

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

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

Projected Rate Base Growth

Natural Gas Operations

(In billions)



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- Projecting 9% CAGR in rate base over next 3 years
- The midpoint of the estimated range of the capital expenditures over this period is \$1.7 billion

Rate base amounts reflect estimated total investment in facilities necessary to provide utility service. This is different than our authorized rate base, which is the rate base investment that has been approved by our regulatory bodies and that is reflected in rates.

2017 Expectations Update



Natural Gas Operations



- Operating income expected to increase by 11% – 13%
 - (Previously 10% - 12%)
- Interest expense expected to increase by approximately \$2 million compared to 2016
 - (Previously interest expense relatively flat compared to 2016)
- Other previous expectations are reaffirmed

Construction Services



- Reaffirm previous expectations

APPENDIX



Business Segments & Net Income

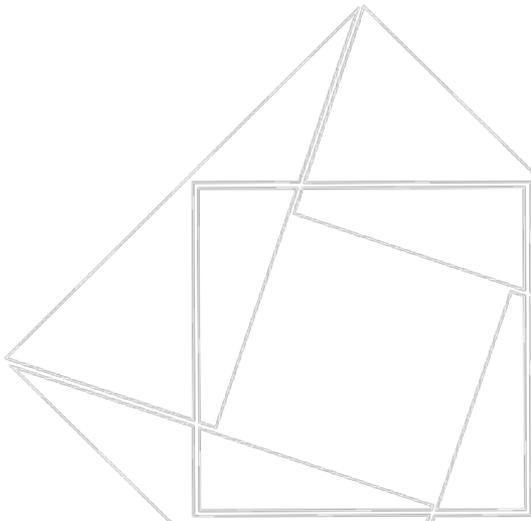
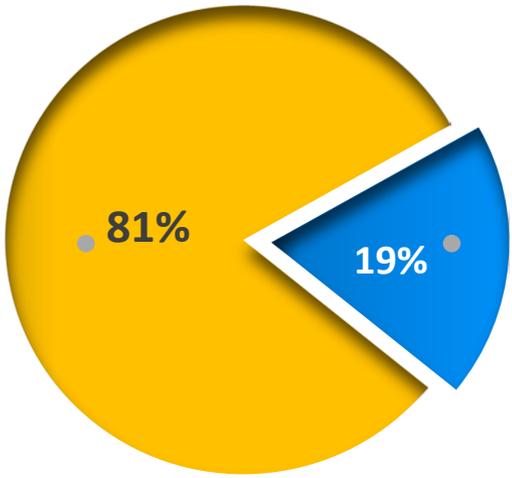


Natural gas operations

Construction services



\$155MM
TMTD 6/30/17 Net Income



Regional Leader in Natural Gas Distribution



Headquartered in
Las Vegas, NV

Largest distributor of natural gas in **Arizona** and **Nevada**; Distributes and transports natural gas in parts of **California**



1,994,000 customers in service territory at 6/30/2017

Over **99%** of customers are residential and small commercial



Centuri Construction Group

Construction Services



Headquartered in
Phoenix, AZ

Operates in several
major markets across
U.S. and **Canada**



One of North America's
largest providers of
utility and **energy**
construction services



Stable Customer Base

Natural Gas Operations

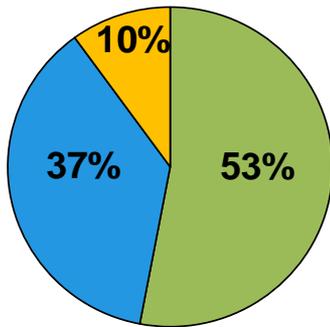


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TMTD June 30, 2017 Customer & Operating Margin Distribution

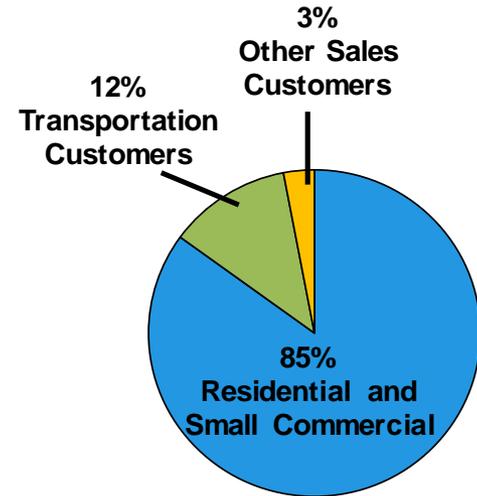
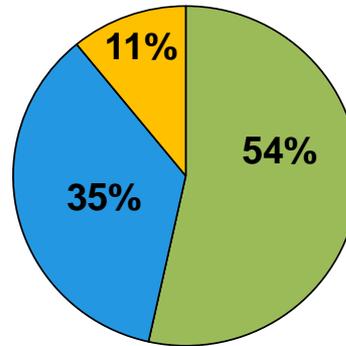
By State

Customers



- Arizona
- Nevada
- California

Margin



Consistent trends year over year

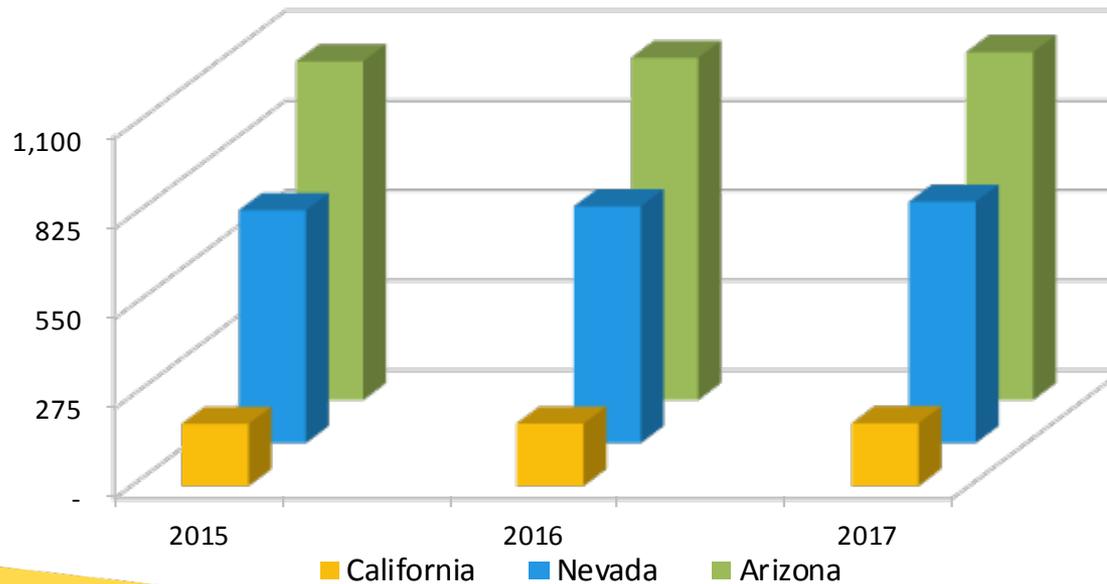
Customers by State

Natural Gas Operations
(In thousands)



As of June 30,

	2015	2016	2017
Arizona	1,036	1,047	1,063
Nevada	713	724	738
California	189	191	193
Total	1,938	1,962	1,994



Summary Operating Results

Natural Gas Operations

(In thousands)



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Results of Natural Gas Operations

	THREE MONTHS ENDED JUNE 30,	
	2017	2016
Gas operating revenues	\$ 260,162	\$ 255,648
Net cost of gas sold	69,421	71,416
Operating margin	190,741	184,232
Operations and maintenance expense	102,501	98,744
Depreciation and amortization	46,254	57,232
Taxes other than income taxes	14,497	12,987
Operating income	27,489	15,269
Other income (deductions)	2,052	2,436
Net interest deductions	16,991	16,561
Income before income taxes	12,550	1,144
Income tax expense (benefit)	3,028	(1,214)
Segment net income	\$ 9,522	\$ 2,358

Summary Operating Results

Natural Gas Operations (In thousands)



TWELVE MONTHS ENDED JUNE 30,

2017

2016

Results of Natural Gas Operations

Gas operating revenues	\$ 1,263,428	\$ 1,395,629
Net cost of gas sold	328,405	486,048
Operating margin	935,023	909,581
Operations and maintenance expense	413,363	397,886
Depreciation and amortization	222,935	224,845
Taxes other than income taxes	54,655	50,982
Operating income	244,070	235,868
Other income (deductions)	9,748	3,569
Net interest deductions	68,407	65,041
Income before income taxes	185,411	174,396
Income tax expense	59,469	61,094
Segment net income	\$ 125,942	\$ 113,302

Summary Operating Results

Construction Services

(In thousands)



	THREE MONTHS ENDED JUNE 30,	
	2017	2016
Construction revenues	\$ 300,307	\$ 292,100
Construction expenses	272,001	263,926
Depreciation and amortization	11,828	15,327
Operating income (loss)	16,478	12,847
Other income (deductions)	(6)	34
Net interest deductions	1,629	1,660
Income taxes	5,870	4,480
Noncontrolling interests	257	156
Segment net income	\$ 8,716	\$ 6,585

Summary Operating Results

Construction Services

(In thousands)



	TWELVE MONTHS ENDED JUNE 30,	
	2017	2016
Construction revenues	\$ 1,133,272	\$ 1,074,168
Construction expenses	1,031,072	955,332
Depreciation and amortization	48,838	58,763
Operating income	53,362	60,073
Other income (deductions)	1,441	1,067
Net interest deductions	6,645	7,086
Income taxes	17,703	20,414
Noncontrolling interests	903	1,168
Segment net income	\$ 29,552	\$ 32,472

Purchased Gas Adjustment (PGA) Balances



Natural Gas Operations
(In thousands)

	June 30, 2017	December 31, 2016	June 30, 2016
Arizona	\$ 4,822	\$ (20,349)	\$ (33,941)
Northern Nevada	1,134	(3,339)	(14,380)
Southern Nevada	(17,741)	(66,788)	(75,440)
California	(2,887)	2,608	(2,538)
Total Receivable/(Payable)	<u>\$ (14,672)</u>	<u>\$ (87,868)</u>	<u>\$ (126,299)</u>

Regulation – AZ Rate Case

Natural Gas Operations



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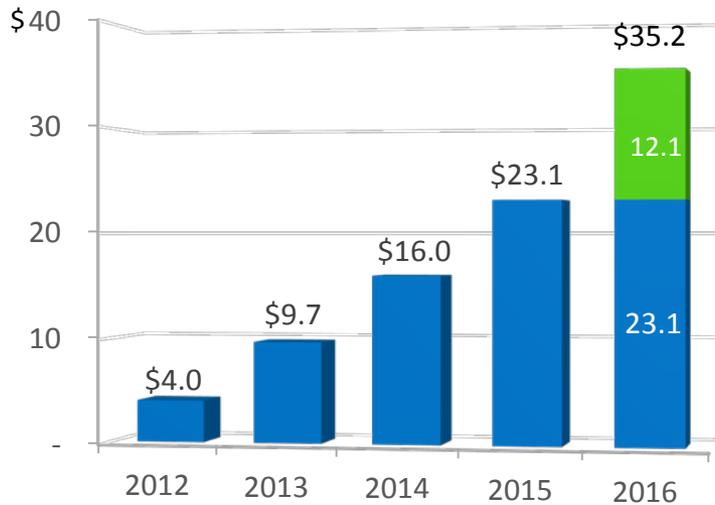
Arizona General Rate Case	Requested	Settlement
Rate Relief	\$32 Million	\$16 Million
Depreciation Expense	(\$42 Million)	(\$45 Million)
Rate Base	\$1.34 Billion	\$1.32 Billion
Return on Equity	10.25%	9.50%
Capital Structure - Equity Ratio	51.7%	51.7%
Rate Case Moratorium		May 1, 2019
Full Revenue Decoupling	✓	✓
Expanded Customer-Owned Yard Line Program	✓	✓
Vintage Steel Pipe Replacement Program	✓	✓
Property Tax Tracker	✓	✓
LNG Facility Cost Recovery	✓	✓

Regulation – Infrastructure Replacement Programs

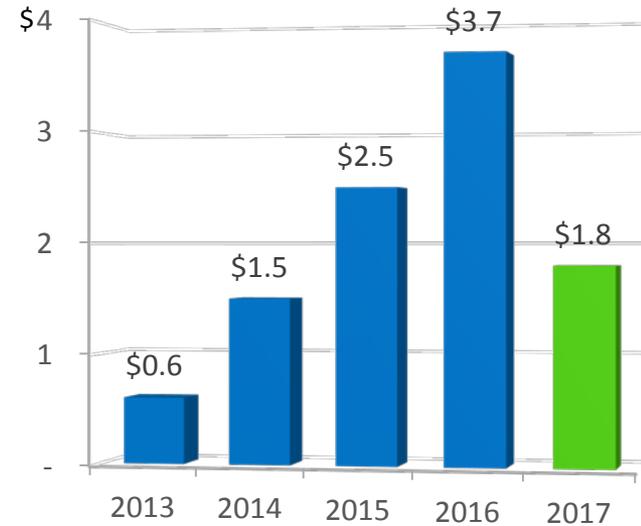


Arizona COYL program first began in 2012, was continued and expanded with rate case, and reset as of January 1, 2016

Cumulative COYL Capital Expenditures
As of December 31
(\$ in millions)



Annual COYL Surcharge
As of June 1
(\$ in millions)

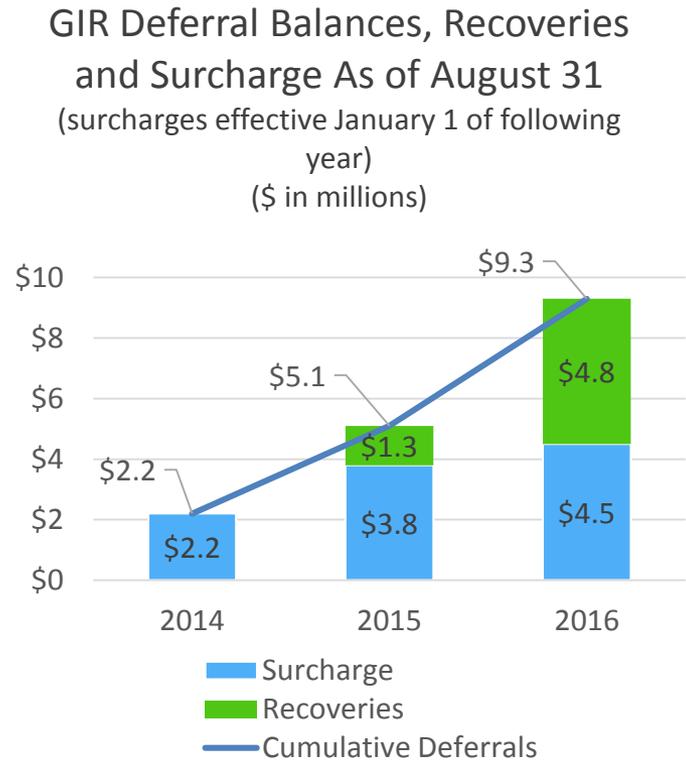
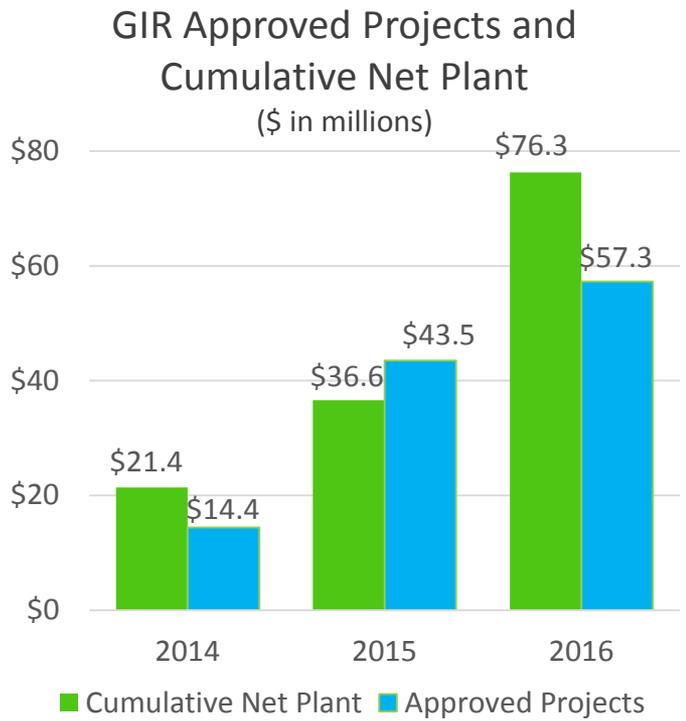


- Expenditures included in authorized rate base and recovery embedded in new rates
- Current COYL program

Regulation – Infrastructure Replacement Programs



Nevada Gas Infrastructure Replacement (GIR)



Authorized Rate Base and Rates of Return

Natural Gas Operations



<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	\$ 1,324,902	7.42 %	9.50 %
Southern Nevada	825,190	6.46	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

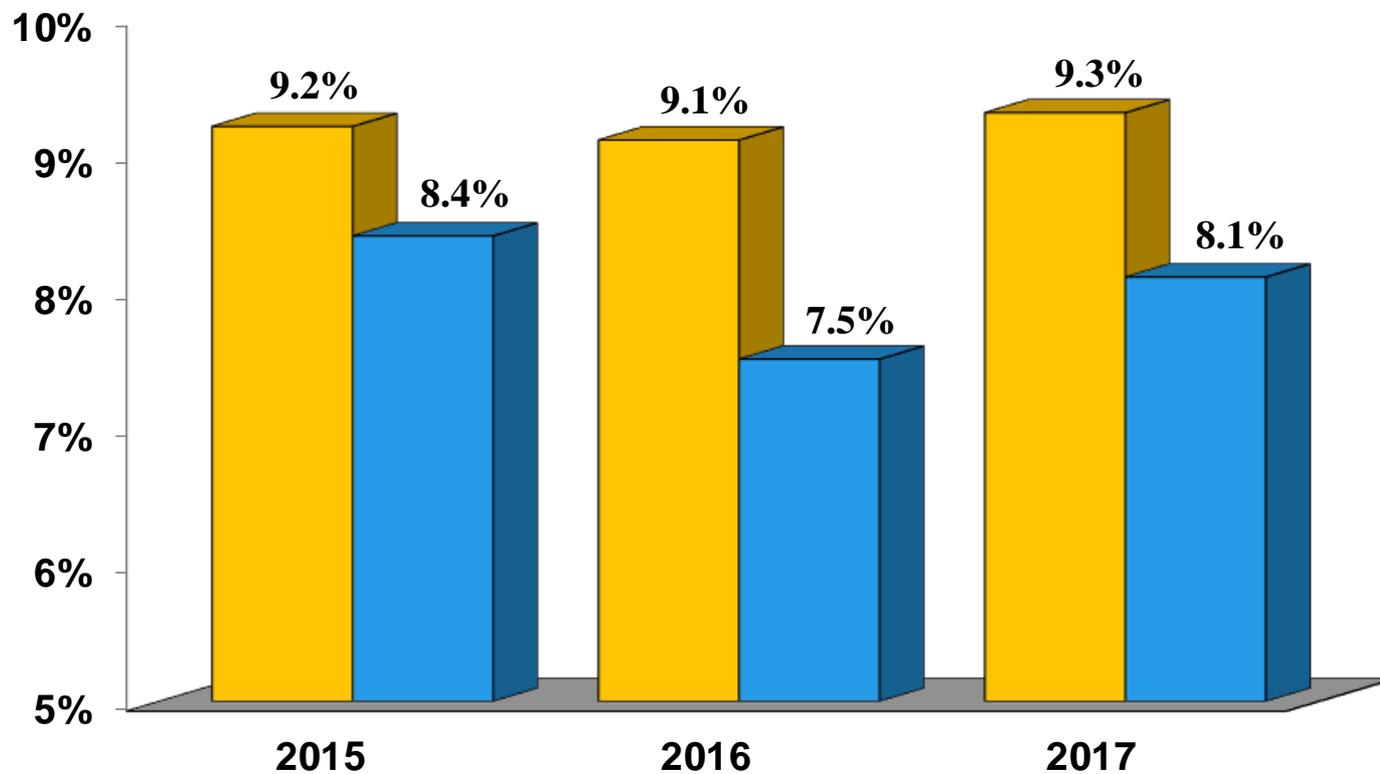
(1) Estimated amounts based on rate case settlement.

Return on Common Equity

Twelve months ended June 30,



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

Consolidated Capital Structure

(In millions)

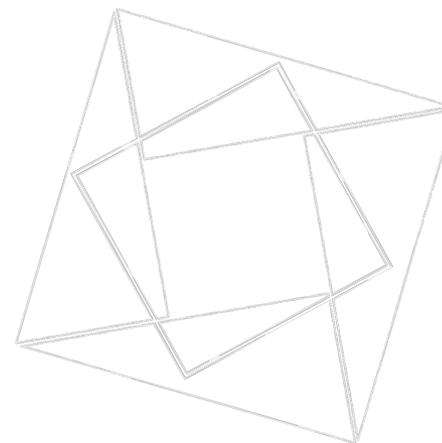
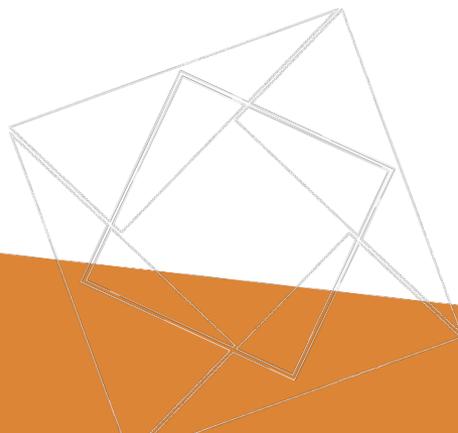


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Capitalization at June 30,	2013	2014	2015	2016	2017
Equity ¹	\$ 1,376	\$ 1,465	\$ 1,569	\$ 1,657	\$ 1,734
Long-Term Debt ²	1,268	1,390	1,542	1,478	1,713
Total Permanent Capital	\$ 2,644	\$ 2,855	\$ 3,111	\$ 3,135	\$ 3,447
Capitalization ratios					
Equity ¹	52.1%	51.3%	50.4%	52.9%	50.3%
Long-Term Debt ²	47.9%	48.7%	49.6%	47.1%	49.7%
Total Permanent Capital	100.0%	100.0%	100.0%	100.0%	100.0%

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

Dividend Growth



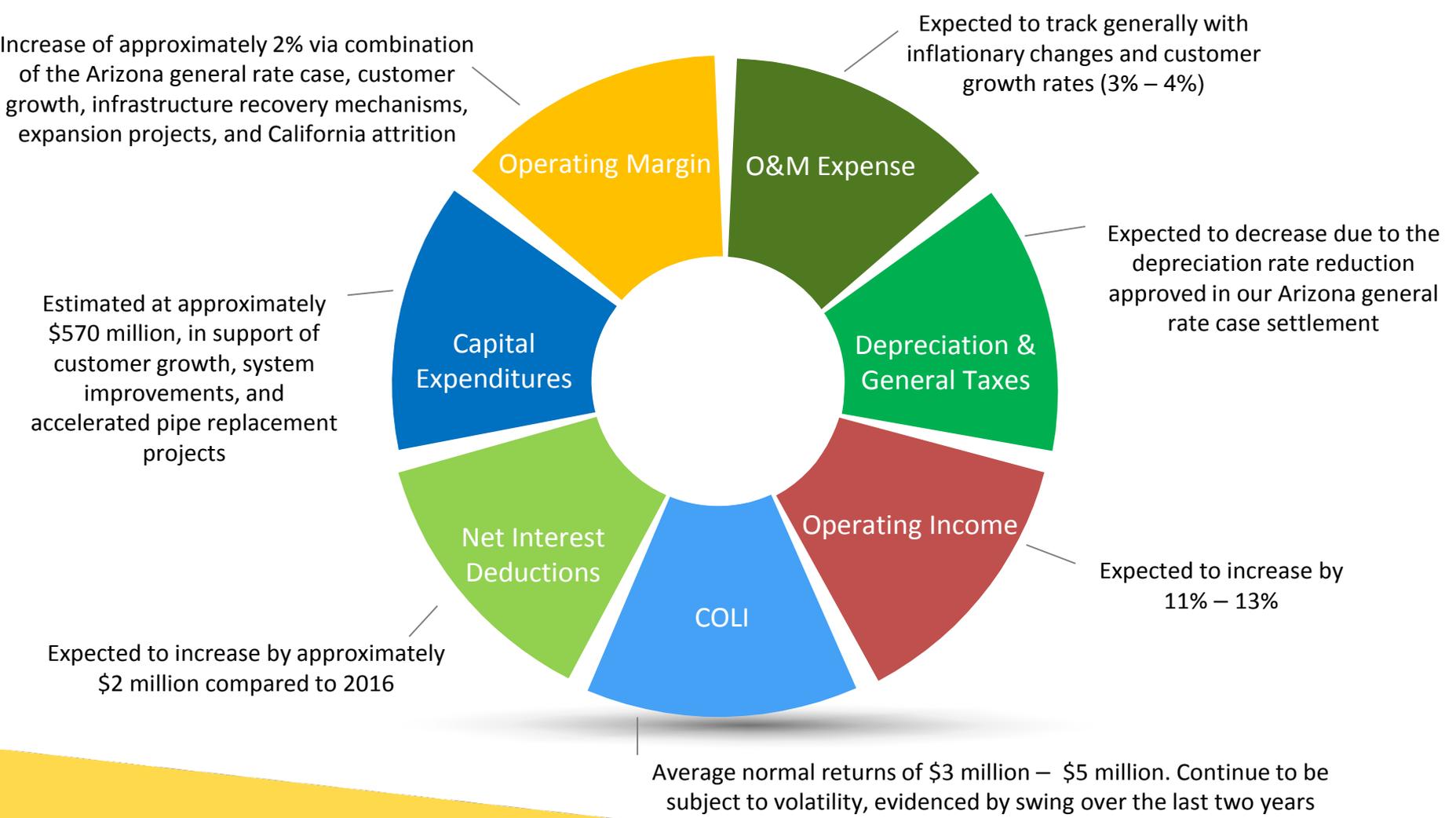
CAGR = compound annual growth rate

2017 Expectations

Natural Gas Operations



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2017 Expectations

Construction Services

