

**Southwest Gas™**  
HOLDINGS

# 2020 First Quarter Earnings Conference Call

May 8, 2020



# PARTICIPANTS



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# 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 2020 expectations for our utility infrastructure services and natural gas operations segments, projected natural gas operations customer growth through 2022, estimated natural gas operations capital expenditures through 2022, our 2020 EPS guidance and expected long-term value drivers, 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 most recent Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the three months ended March 31, 2020 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 utility infrastructure services segment;
- The impacts from acquisitions;
- The impacts of the ongoing COVID-19 pandemic and efforts to prevent its spread on our business;
- 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.

# 2020 HIGHLIGHTS



**Southwest Gas**<sup>™</sup>  
HOLDINGS

- Quarterly EPS of \$1.31
- EPS impact of COLI loss \$0.28
- Dividend increase for the 14<sup>th</sup> straight year



**SOUTHWEST GAS**

- 33,000 net new customers during the last 12 months (1.6% growth rate)
- \$14 million increase in operating margin
- Nevada general rate case filed
- COVID-19 regulatory treatment



**CENTURI**

- Revenues increased \$21 million
- Expenses increased \$19 million
- COVID-19 safety practices and policies embraced



**COVID-19 Update**



**Financial Results – March 31, 2020**



**Regulation**



**Stable and Growing Customer Base**



**Capital and Rate Base Growth**



**Dividend Growth**



**Sustainability Efforts**



**2020 Expectations**

# COVID-19 UPDATE

**Focused on health and safety of our customers, employees, contractors and the communities in which we live and work**

## **Employees**

- Business continuity plan in place
- Work from home deployment (89% of corporate and 37% divisions)
- Utilize personal protective equipment and practice social distancing
- Restrict travel

## **Customers**

- Temporarily suspended disconnections for non-payment
- Continue to provide essential services
- Abundant customer assistance programs

# COVID-19 UPDATE (CONT'D)

**Focused on health and safety of our customers, employees, contractors and the communities in which we live and work.**

## **Contractors**

- Frequent communications with operational partners
- Sharing “Best Practices”
- Utilize personal protective equipment and practice social distancing

## **Communities in which we serve**

- Constant communications
- Increased charitable contributions to organizations supporting COVID-19 needs

# COVID-19 UPDATE (CONT'D)

## Monitoring Financial Impacts

- Utility margin under decoupled rate structures
- Infrastructure segment continuing to work with added safety protocols designed to safeguard the health of employees
- Adequate liquidity – In April 2020, extended parent and utility credit facilities to April 2025
- Closely monitoring utility bad debt, but don't expect material change due to seasonally lower bills, abundant customer bill payment resources and constructive regulatory treatment
- Pension plan funding – No expected changes to funding

Will continue to monitor for financial impacts



# SUMMARY OF OPERATING RESULTS

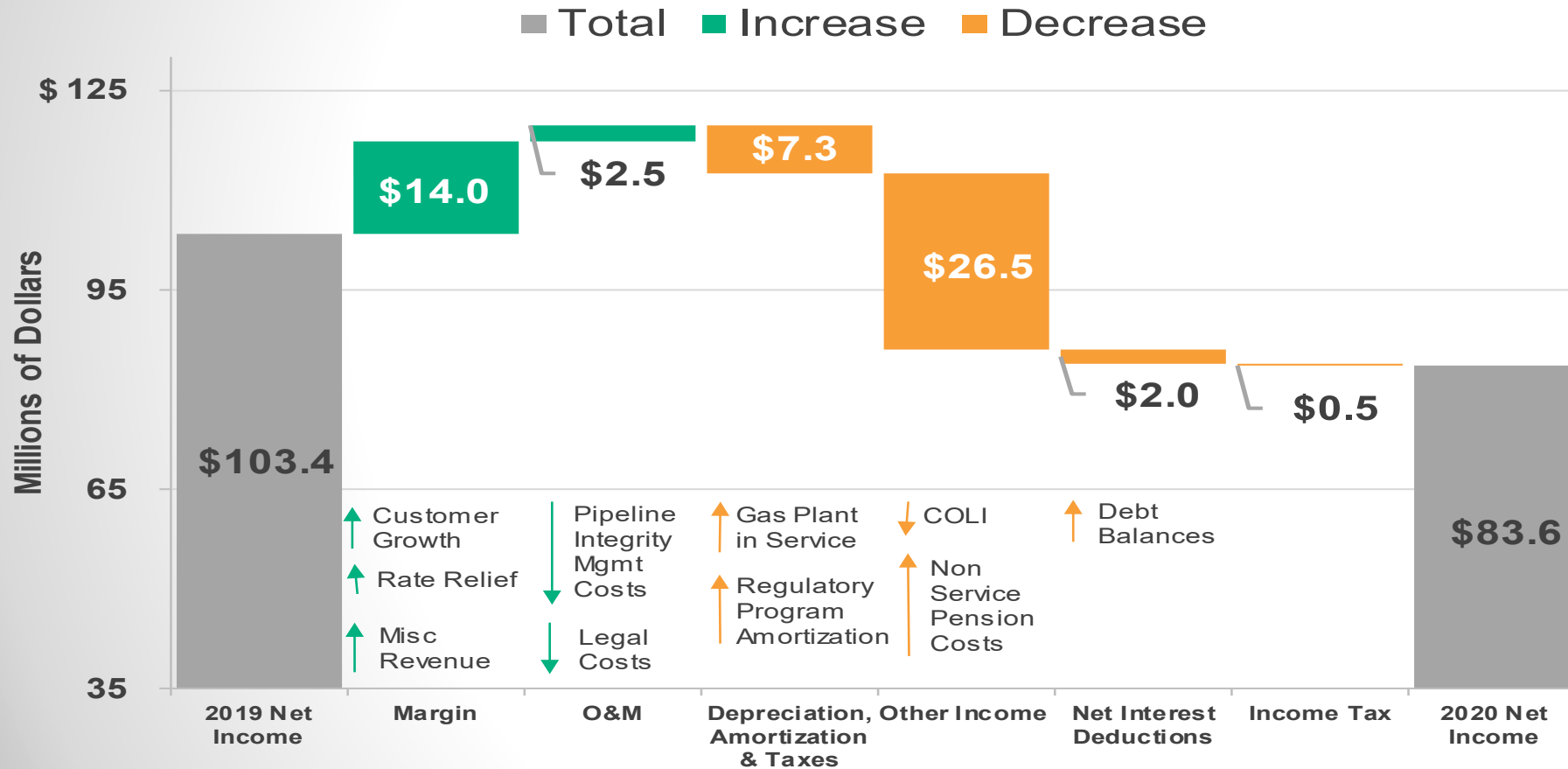
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended March 31,		Twelve months ended March 31,	
	2020	2019	2020	2019
<b>Results of Consolidated Operations</b>				
Natural gas operations income	\$ 83,599	\$ 103,389	\$ 143,381	\$ 151,882
Utility infrastructure services income (loss)	(10,204)	(8,031)	50,231	47,947
Other - corporate and administrative	(853)	(549)	(1,943)	(1,834)
Net income	<u>\$ 72,542</u>	<u>\$ 94,809</u>	<u>\$ 191,669</u>	<u>\$ 197,995</u>
Basic earnings per share	<u>\$ 1.31</u>	<u>\$ 1.78</u>	<u>\$ 3.50</u>	<u>\$ 3.91</u>
Diluted earnings per share	<u>\$ 1.31</u>	<u>\$ 1.77</u>	<u>\$ 3.50</u>	<u>\$ 3.91</u>
Weighted average common shares	55,310	53,369	54,726	50,640
Weighted average diluted shares	55,363	53,424	54,792	50,701

# NET INCOME

THREE MONTHS ENDED MARCH 31, 2020  
NATURAL GAS OPERATIONS

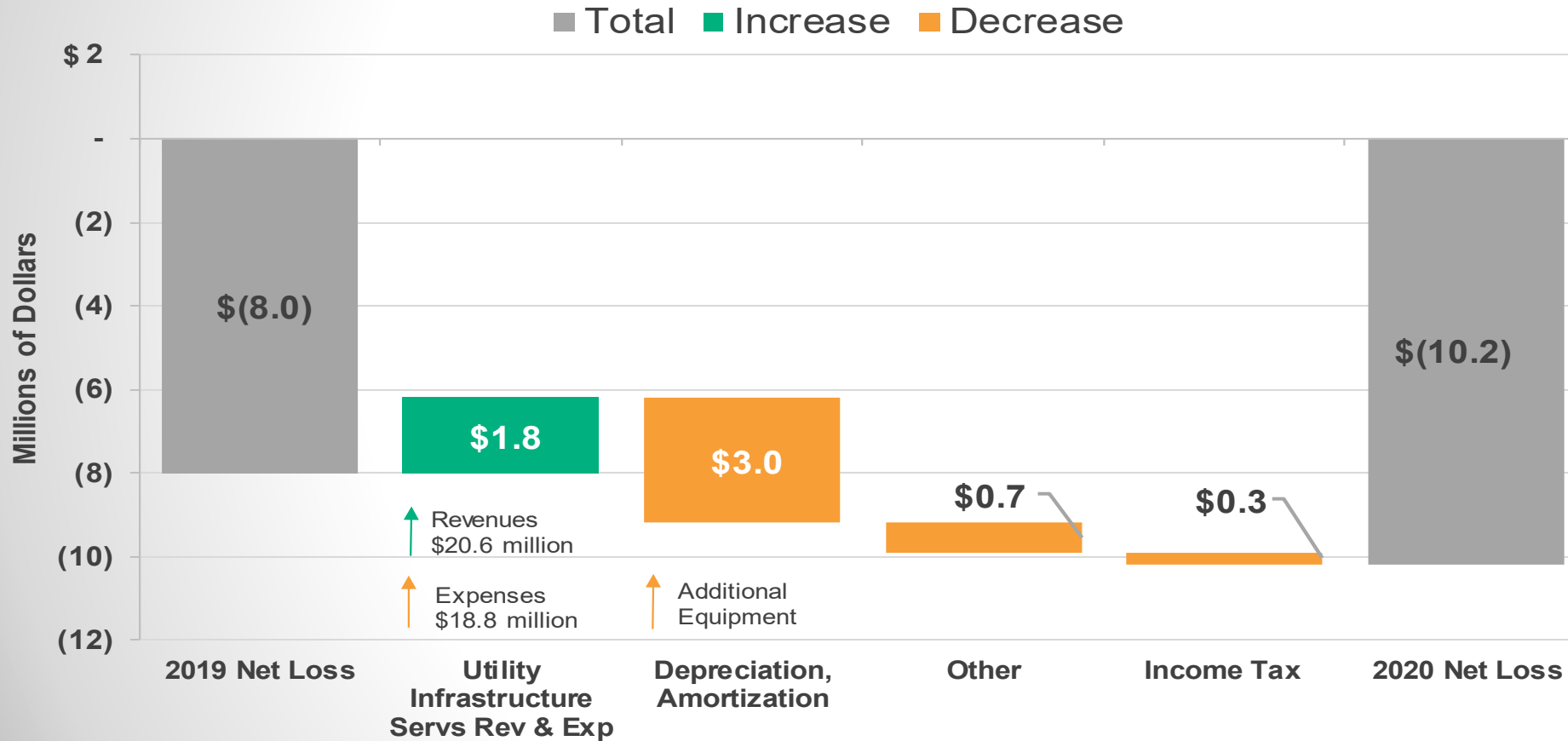
**Total  
Decrease  
\$19.8 million**



# NET INCOME (LOSS)

THREE MONTHS ENDED MARCH 31, 2020  
UTILITY INFRASTRUCTURE SERVICES

**Total  
Decrease**  
\$2.2 million



# BUSINESS SEGMENTS

Natural Gas Operations

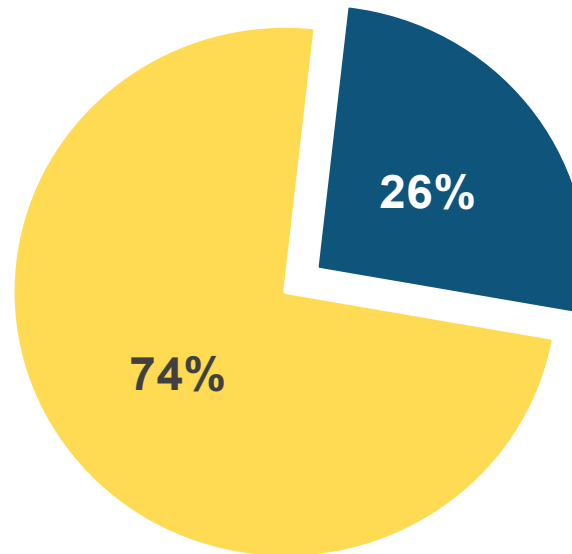


Utility Infrastructure Services



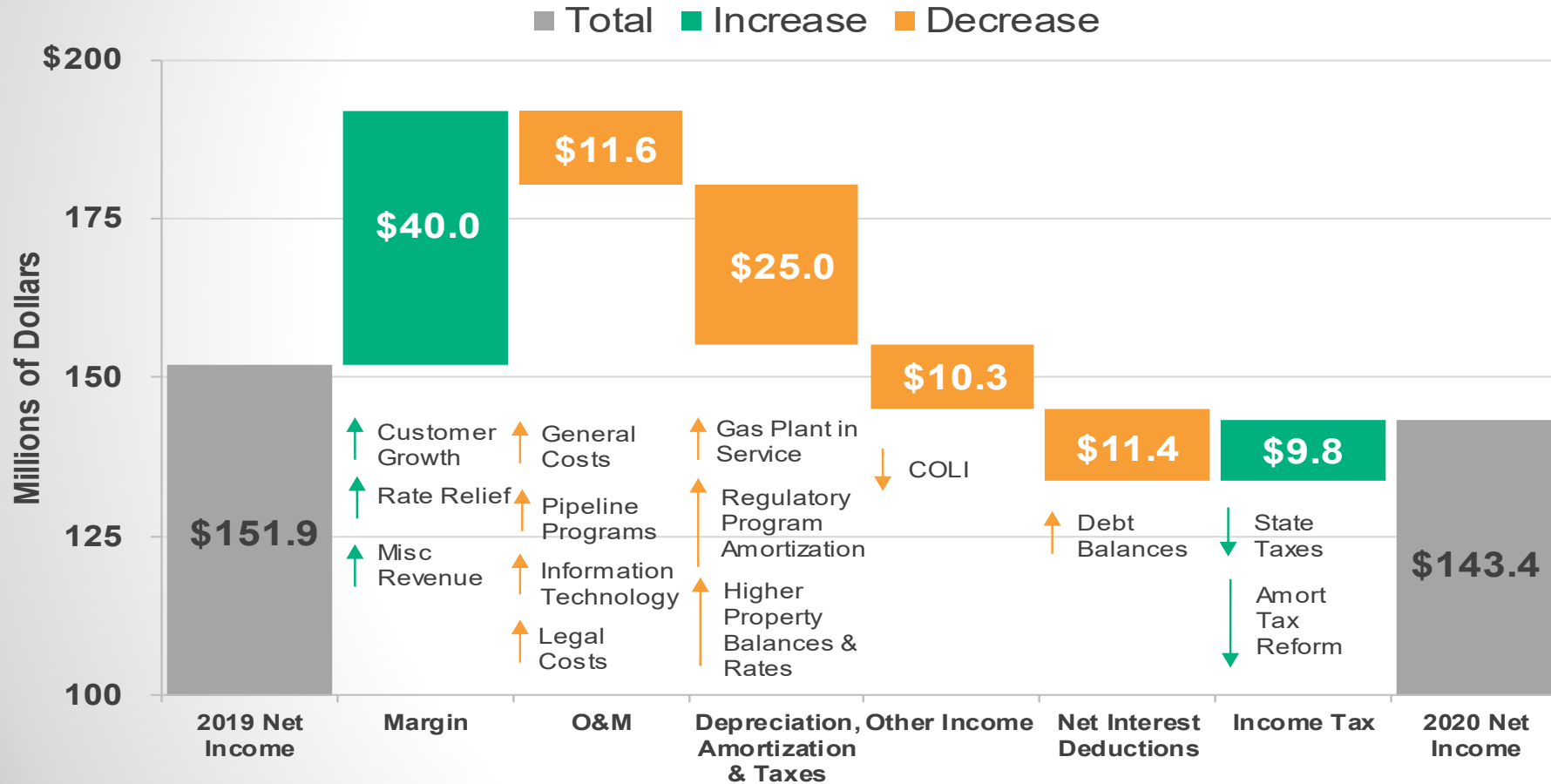
\$192 million

Twelve months ended 3/31/20 Net Income



# NET INCOME

TWELVE MONTHS ENDED MARCH 31, 2020  
NATURAL GAS OPERATIONS

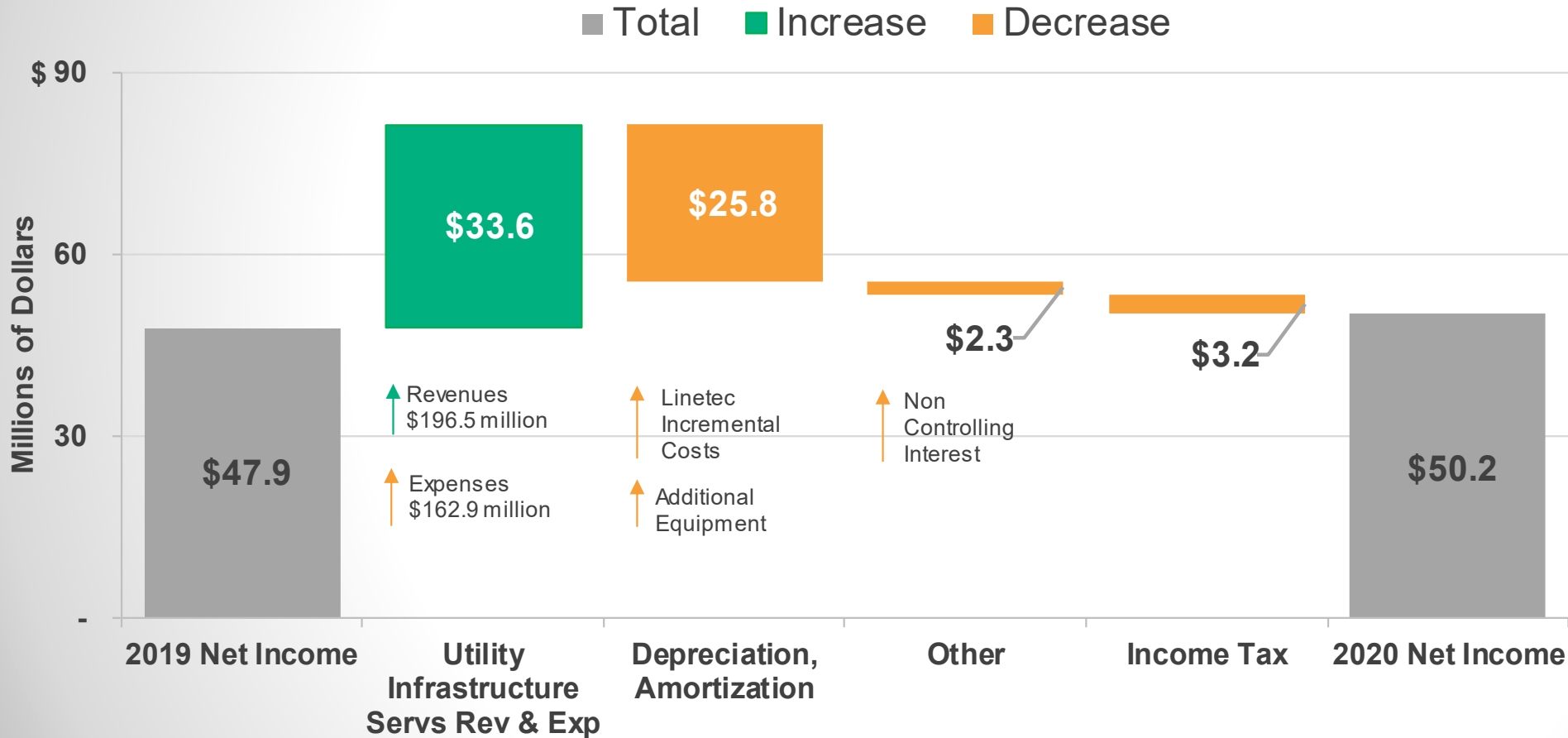


**Total Decrease**  
\$8.5 million

# NET INCOME

TWELVE MONTHS ENDED MARCH 31, 2020  
UTILITY INFRASTRUCTURE SERVICES

**Total Increase**  
\$2.3 million



# REGULATION - RATE CASE ACTIVITY

## ARIZONA NATURAL GAS OPERATIONS

Amended Requests	Arizona General Rate Case		
	Filed	Staff Recommended	RUCO Recommended
Rate Relief	\$93.3M	\$61.6M	\$42.7M
Rate Base	\$2.1B (\$790M increase)	\$2.06B	\$1.96B
ROE	10.15%	9.30%	9.00%
Capital Structure Equity Ratio	51.1%	51.1%	51.1%
Other Proposals:			
Decoupling	Proposed	Support	Neutral
Property Tax Tracker	Proposed	Support	Neutral
COYL	Proposed	Support	Limited
VSP	Proposed	Oppose	Oppose
Plastic Pipe	Proposed	Oppose	Oppose
RNG Program	Proposed	Oppose	Oppose
Additional EDIT	N/A	(\$15M)	N/A
Interest on EDIT	N/A	(\$19.8M)	N/A
Schedule	Hearing - June 29, 2020 Final Decision - Estimated 3Q 2020		

# REGULATION - RATE CASE ACTIVITY

CALIFORNIA

NATURAL GAS OPERATIONS

As Filed	State – General Rate Cases	
	California	Public Advocate’s Office
Rate Relief	\$12.8M	(\$.38M)
Rate Base	\$456M (\$203M increase)	\$413M
ROE	10.5%	9.21%
Capital Structure Equity Ratio	53%	52%
Rate Design	Decoupling Mechanism (Cont) Increase Basic Service Charge	Support Support
Other Proposals	Pension Balancing Acct. (Cont) Attrition Adjustment of 2.75% (Cont) Targeted Pipe Replacement Prog. Meter Protection Program Expand COYL Program	Support Propose CPI-U - .5% Limited Support Limited Support Oppose
Schedule	Hearing - June 3, 2020 Decision - Late 4Q 2020	



# REGULATION - RATE CASE ACTIVITY

NEVADA

NATURAL GAS OPERATIONS

As Filed	
	Nevada
Rate Relief	\$38.3M
Rate Base	\$1.5B (\$230M increase)
ROE	10%
Capital Structure Equity Ratio	50%
Rate Design	Decoupling Mechanism (Cont)
Other Proposals	Cost Recovery Proposal for Customer Data Modernization Initiative
Schedule	Hearing – August 17, 2020 Decision – est. Sept 2020

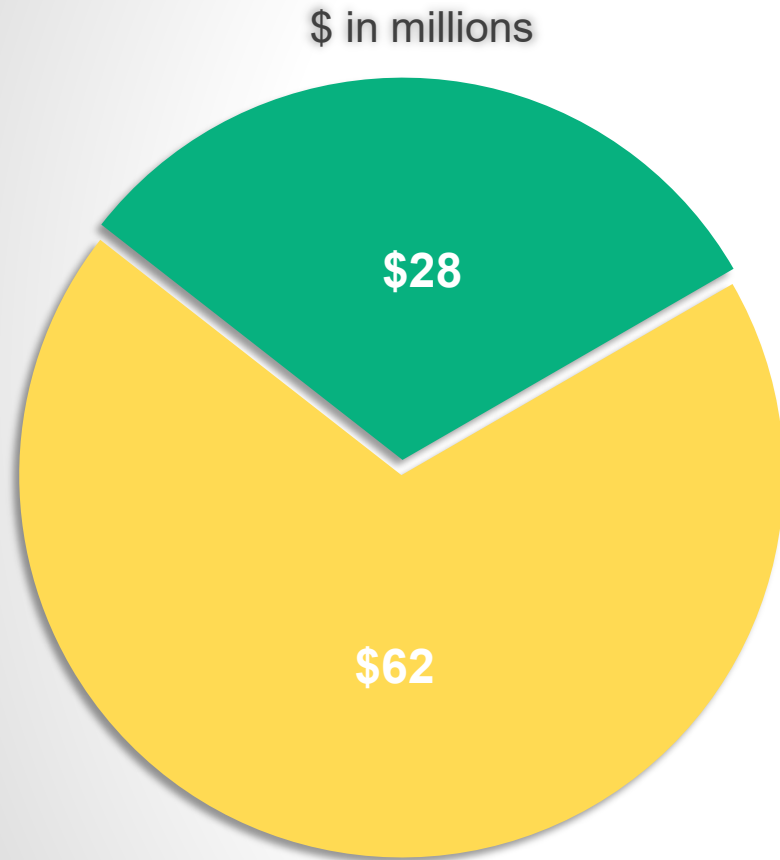
# REGULATION - RATE CASE ACTIVITY

## PAIUTE PIPELINE NATURAL GAS OPERATIONS

	Proposed Settlement
Revenue Increase	(\$700k)
Rate Base	\$136M
ROE	N/A
Capital Structure Equity Ratio	N/A
Other Noteworthy Items:	
	Pre-tax Rate of Return – 9.90%
	Continuation of Term Differentiated Rates
	Transportation and LNG Storage Contract Extensions – 5 years

# REGULATION - EXPANSION PROJECTS

## NATURAL GAS OPERATIONS



### SOUTHERN NEVADA EXPANSION

- PUCN approved \$28 million expansion project in May 2018 to extend facilities to Mesquite, NV (SB 151 project)
- Estimated annual revenue requirement of \$2.8 million
- Began serving customers in February 2019 using a temporary virtual pipeline and compressed natural gas
- Approach main to provide permanent supply is anticipated to be placed in service in the first quarter in 2021

### NORTHERN NEVADA EXPANSION

- PUCN approved \$62 million expansion project in December 2019 to extend facilities to Spring Creek, NV (SB 151 project)
- Estimated annual revenue requirement of \$2 million in year 1
- Construction anticipated to begin summer 2020

# REGULATION - SUSTAINABILITY DEVELOPMENT



## Arizona

- G65 Tariff - Facilitates development of investment in RNG related projects
- Balanced Energy Solutions Act (HB2686)
- RNG program proposal in GRC
- Facilitating CNG and RNG development opportunities



## California

- Biomethane Gas Plan – facilitates RNG purchases as part of gas supply portfolio
- Rule 22 – Provides framework for RNG suppliers to interconnect with SWG facilities
- Facilitating CNG and RNG development opportunities



## Nevada

- RNG Tariff – Facilitates development of investment in RNG related projects
- SB 154 – Investment in RNG projects, to build, own and operate RNG facilities or purchase of RNG as part of gas supply portfolio
- Facilitating CNG and RNG development opportunities

# REGULATION - CONSTRUCTIVE COVID-19 REGULATORY TREATMENT



## Arizona

- April 28, 2020 – Draft Order issued authorizing to establish regulatory asset accounts beginning April 1, 2020 for the purpose of recording the financial impacts associated with maintaining service to customers affected by COVID-19. Consideration of the draft order may occur at a future open meeting.



## California

- March 17, 2020 – A directive issued to utilities to implement their Emergency Disaster Relief Program customer protections retroactively effective to March 4, 2020 for those customers impacted by COVID-19.
  - Southwest Gas submitted an Advice Letter in response to the directive identifying customer protections.
- April 16, 2020 – CPUC approved Resolution M-4842, which ratified the directives issued March 17, 2020. Additionally, the Resolution:
  - Extended customer protections to April 16, 2021.
  - Directed establishment of a COVID-19 memorandum account to record costs associated with implementing protections.



## Nevada

- March 24, 2020 – Emergency Order issued directing the establishment of regulatory asset accounts beginning March 12, 2020 for the purpose of recording the costs of maintaining service to customers affected by COVID-19.

# STABLE AND GROWING CUSTOMER BASE

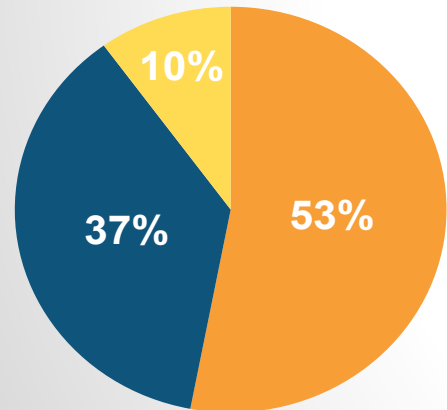
NATURAL GAS OPERATIONS

TMTD March 31, 2020

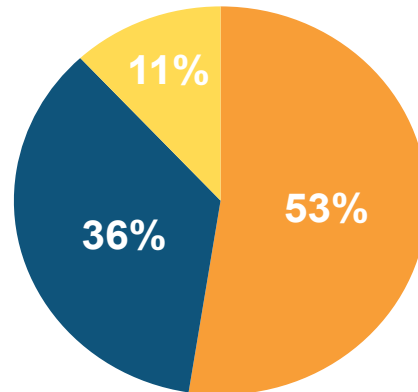
## Customer & Operating Margin Distribution

By State

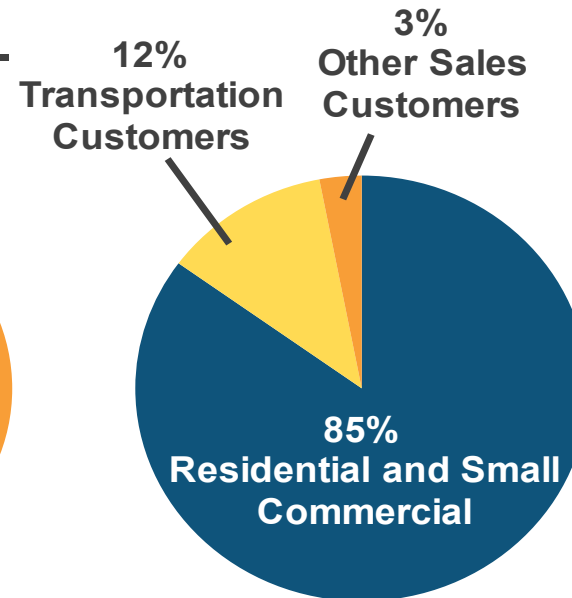
Customers



Margin



Arizona Nevada California



- Decoupled rate structure in all three states
- Residential and small commercial customers represent over 99% of the total customer base
- 85% of margin (residential and small commercial) under decoupled rate structure
- 33,000 customers added during twelve months ended March 31, 2020
- Continued growing customer base (1.6% increase expected in 2020)

# CAPITAL EXPENDITURES

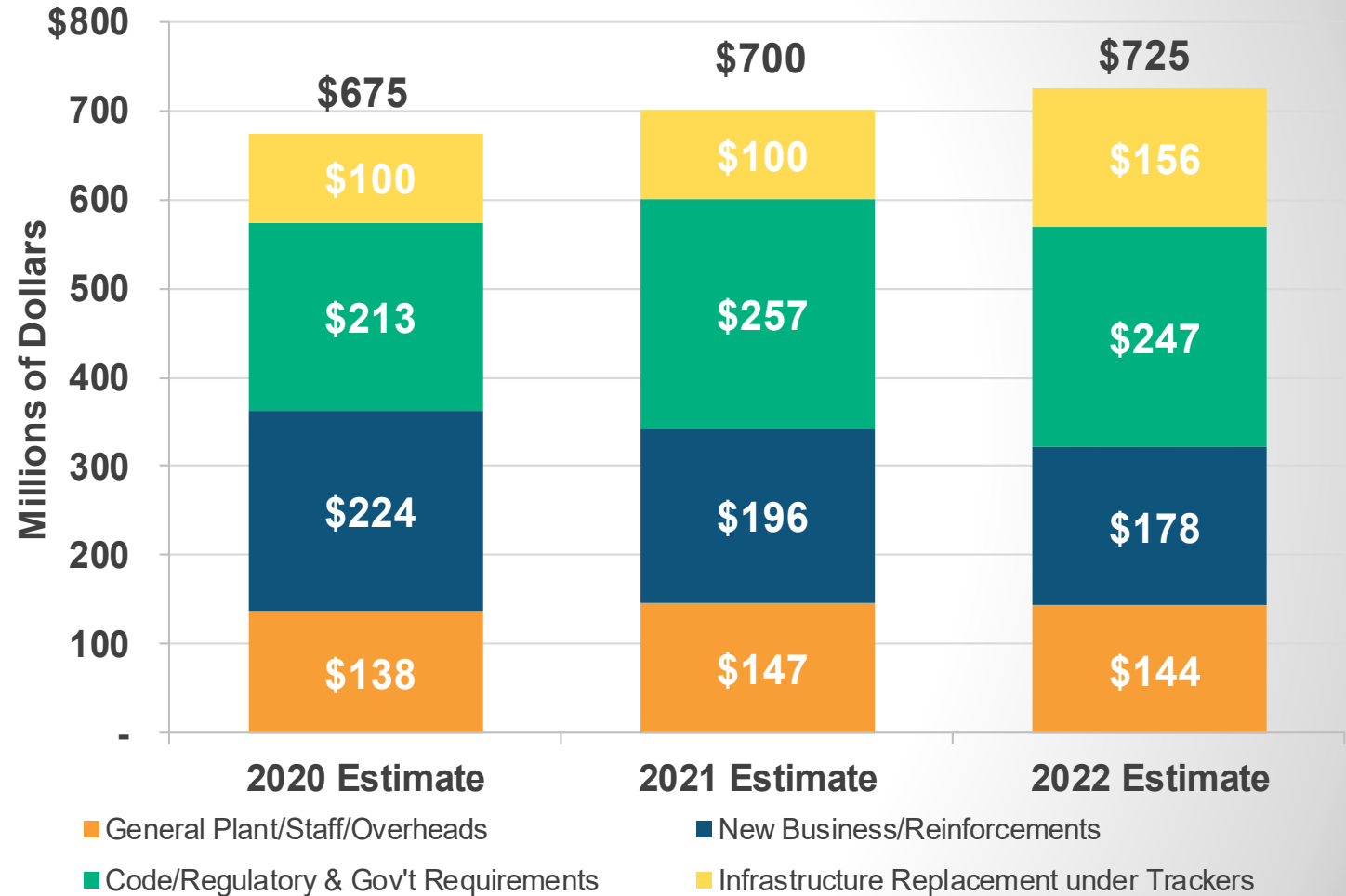
## NATURAL GAS OPERATIONS

- 51% Investments in Safety and Reliability
- 29% New Business/Reinforcements
- 20% General Plant

### Long-Term Financing Activity

- Anticipate funding 50% from internal cash flows and remaining 50% through a balance of debt and equity (ATM Program)

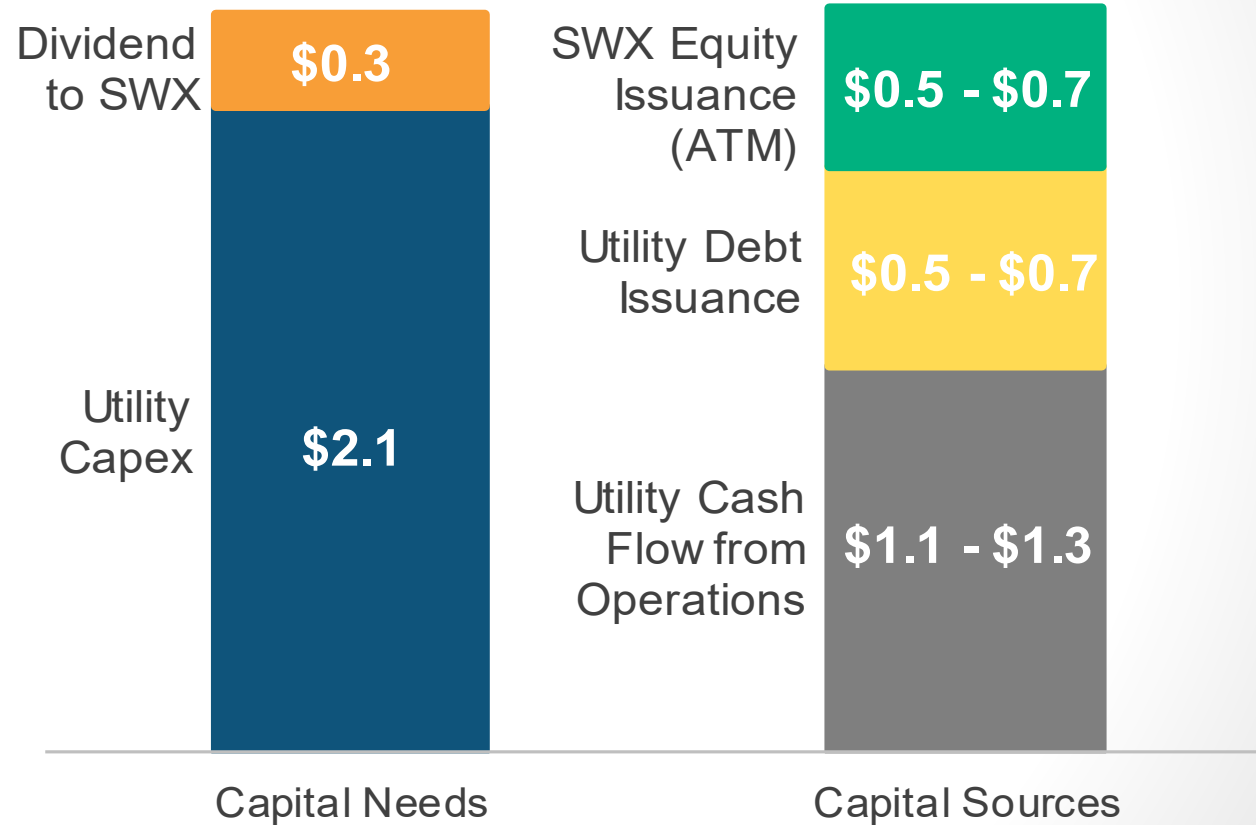
**\$2.1 Billion**  
**Capital Investment**  
 Estimated  
 2020-2022



# CAPITAL FUNDING

## NATURAL GAS OPERATIONS

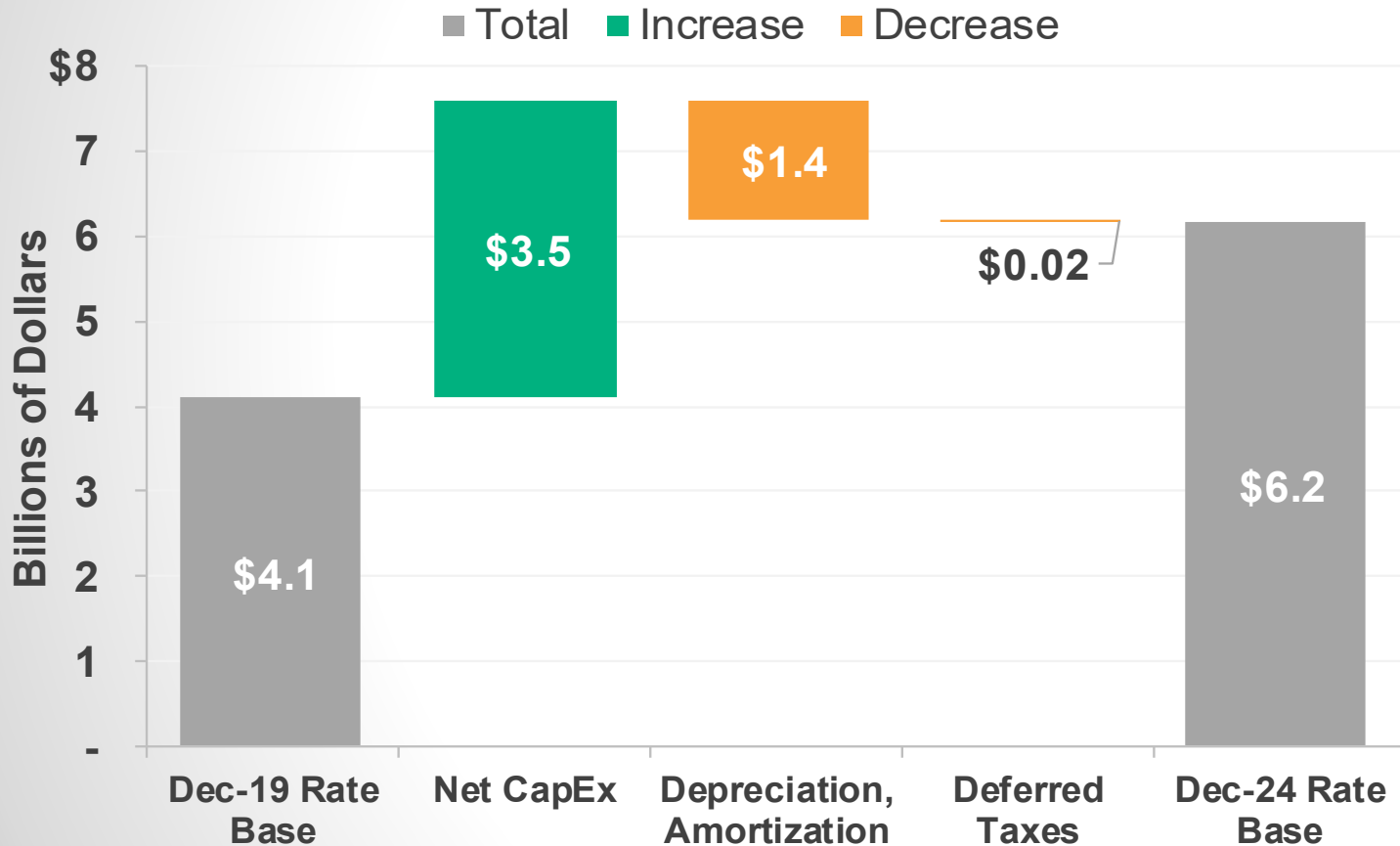
3-year Capital Needs and Sources (\$bn)





# RATE BASE GROWTH

## NATURAL GAS OPERATIONS

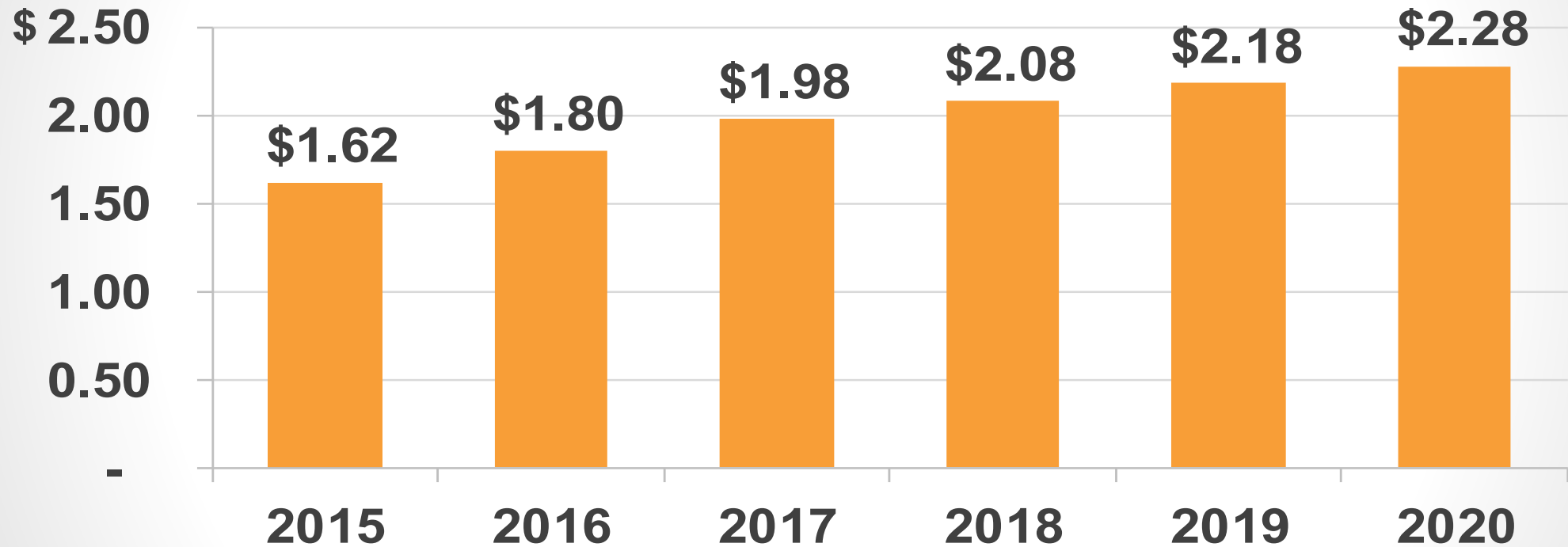


Rate base amounts reflect estimated total investment in facilities necessary to provide utility service. This is different than our authorized rate base, which is the rate base investment that has been approved by our regulatory bodies and that is reflected in rates.

Projecting 8.6% Compound Annual Growth Rate (CAGR) in rate base (2020-2024).

# DIVIDEND GROWTH

## 7.1% 5-Year Dividend CAGR



CAGR = compound annual growth rate

Maintain ~ payout ratio between 55% – 65%

Expect future dividends to increase at the sustainable earnings growth rate

# SUSTAINABILITY SOUTHWEST: SHAPING THE FUTURE

*Sustainability is a priority as we strive to reduce our carbon footprint and work with our customers to reach their reduction goals.*

## 1 Sustainable Practices



- Southwest Gas has committed to a 20% reduction in GHG emissions from fleet, building facilities and other initiatives by 2025
- LED lighting
- Energy efficiency
- Computerized HVAC
- Energy Star bill management system
- Solar canopies
- Replacement of fleet
- CNG/alternative fuel
- CNG fueling stations

## 2 Compressed Natural Gas (“CNG”)

- Working with local transportation sector in our service territories to reduce emissions



- Delivered 32M therms of natural gas to produce CNG for vehicles
  - Displaced 23M gallons of diesel
  - Eliminated over 68,000 metric tons of GHG emissions
    - Equivalent to 165 million miles not driven by passenger vehicles
    - 2.9 million of waste trash bags recycled vs. landfilled

## 3 Renewable Natural Gas (“RNG”)

- RNG is sourced from capturing waste methane through:
  - Landfills
  - Wastewater treatment facilities
  - Agricultural operations
- RNG is a cost-effective way to reduce GHG emissions and decarbonize gas supplies
- Southwest Gas is facilitating RNG development and is working to establish RNG-friendly regulation

**91%** of Southwest Gas customers voiced their preference for the choice to use natural gas

# STRONG AND STABLE WITH DISCIPLINED FOCUS

## Natural Gas Operations

- Continued capital and rate base growth
- Continued customer growth
- Focus on cost control and affordability to customers
- Ongoing decarbonization and efficiency
- Constructive regulatory results
- Continued earnings and dividend growth

## Utility Infrastructure Services

- Operations execution focus
- Cost management and resource optimization
- Cross-selling services
- Increasing profitability and dividends
- Cash source for SWX



# MANAGING COVID-19 HEADWINDS

## Natural Gas Operations

### Headwinds

- Delays in rate case proceedings
- Temporary suspension of disconnects for non-payment
- Changes in utility customer growth rates and volumes/usage
- Adjustment in business practices to comply with governmental policies enacted to suppress the spread of COVID-19

### Initiatives

- Minimize travel and seminar costs through virtual meetings
- Defer new hires and manage overtime
- Limit salary adjustments
- Reprioritize projects and reduce reliance on outside vendors
- Constructive regulatory treatment for incremental costs

## Utility Infrastructure Services

### Headwinds

- Delays in release of projects from customers
- Reduced efficiencies associated with adhering to social distancing guidelines
- Increased usage of personal protective equipment
- Delays in permits and Engineering approvals

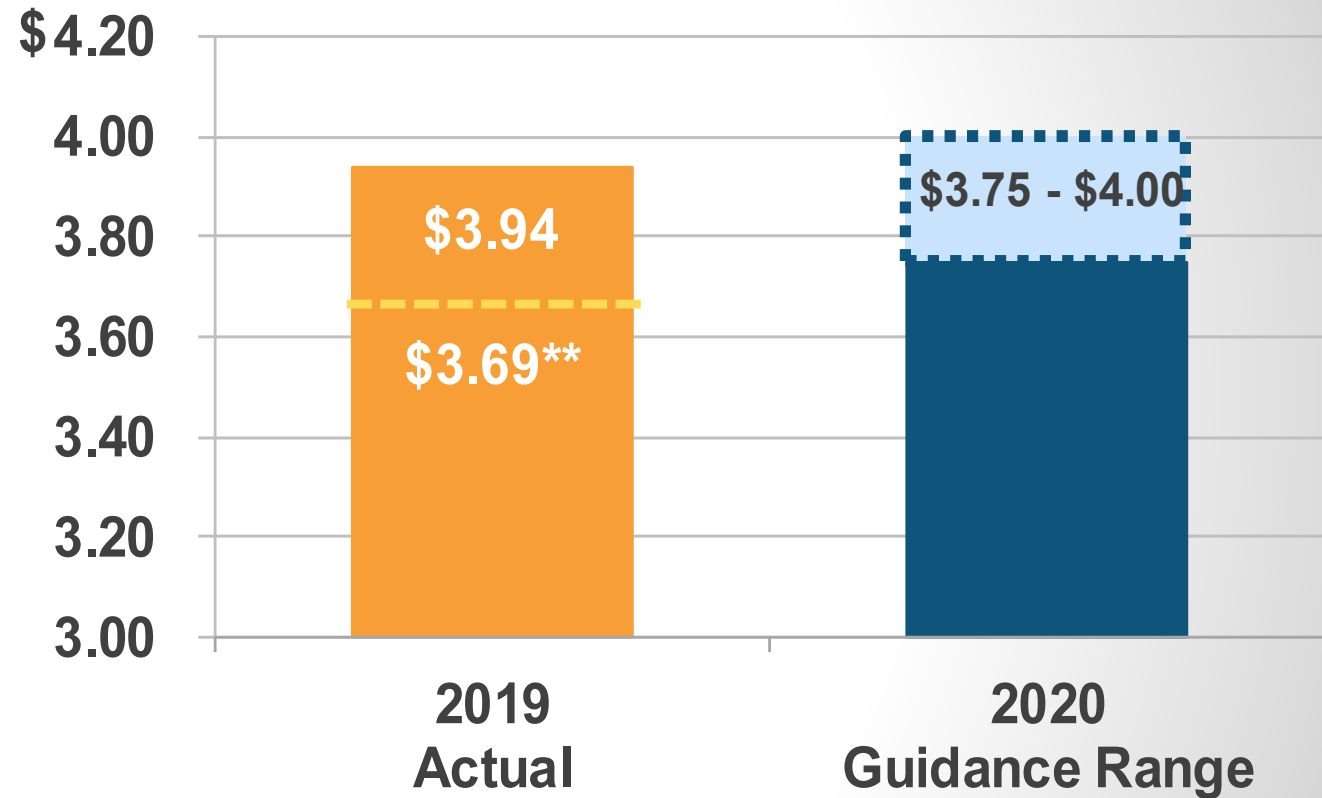
### Initiatives

- Better match crews with customer needs
- Reduce travel through virtual management meetings
- Minimize onsite customer engagement through virtual meetings

# 2020 EPS GUIDANCE\*

- Affirm \$3.75 - \$4.00 diluted EPS
- Governmental policies enacted to suppress the spread of COVID-19 may impact future performance through the following:
  - Timing of processing utility general rate case applications
  - Utility customer growth rates
  - Changes to O&M expense (management cost cutting initiatives and potential higher bad debt expense)
  - Timely release of Centuri project orders from its utility customers
  - Incremental costs associated with additional safe working practices designed to safeguard employee health

## Diluted Earnings Per Share\*



\*Changes in economic conditions, events, or other circumstances that the Company cannot currently anticipate could materially impact earnings and, in turn, result in earnings for 2020 significantly above or below this EPS guidance.

\*\*Normalized COLI of \$3 - \$5 million assumed within EPS guidance.

# 2020 LINE ITEM GUIDANCE

## Natural Gas Operations

- Operating margin is expected to increase 3% - 5% (previously 4% - 5%) due to continued customer growth of 1.6% (previously 1.7%), infrastructure projects and rate relief
- Operating income is expected to increase 3% - 5%
- Pension costs are expected to increase \$13.6 million due to the impact of a lower discount rate resulting from lower interest rates measured as of December 31, 2019, offset partially by positive asset performance
  - Approximately \$5.2 million of the increase reflected in other expense
- Assume normalized COLI \$3 million – \$5 million
- Capital expenditures expected to be \$2.1 billion over 3-years ending 2022, with 2020 ranging from \$650 million - \$700 million
- SWX Equity issuances of approximately \$150 million to \$200 million through ATM program

## Utility Infrastructure Services

- Revenues expected to increase 2% – 7% (previously 5% - 10%) through organic growth
- Operating income is expected to be 5.5% – 6% of revenues
- Interest expense is expected to be \$12.5 million to \$13.5 million (previously \$13.5 million to \$14.5 million)
- Net income expectations reflect earnings attributable to Southwest Gas Holdings, net of approximately \$4 million of noncontrolling interests, and changes in Canadian exchange rates could influence results

# LONG-TERM EXPECTATIONS

## AFFIRM EXPECTATIONS

### Holdings

- Equity issuances (through ATM), \$500 million - \$675 million over 3-years ending 2022
- Target dividend payout ratio: 55% - 65%

### Natural Gas Operations

- Capital expenditures are expected to be approximately \$3.5 billion over 5-years ending 2024
- Rate base growth is expected to be 8.6% through the same period

### Utility Infrastructure Services

- Revenues expected to grow an average 5% – 8% annually over 3-years ending 2022
- Operating income expected to be 5.5% - 6.5% of revenues over 3-years ending 2022



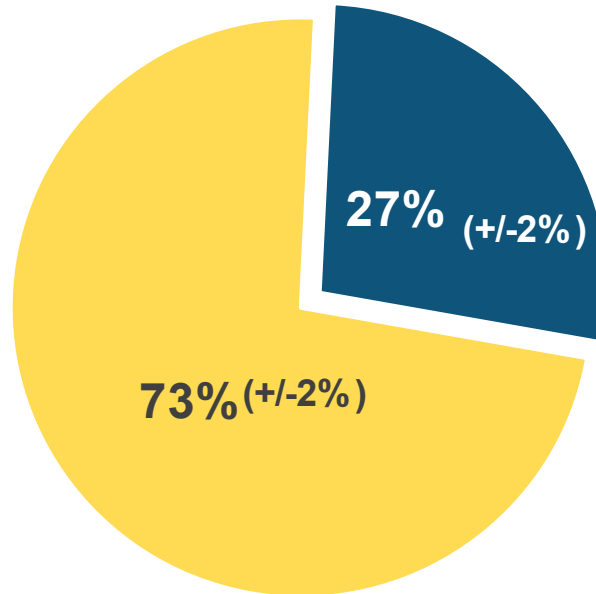
# ATTRACTIVE & COMPLEMENTARY BUSINESS SEGMENTS

## Natural Gas Operations



- Customer growth
- Strong rate base growth
- Focus on safety and reliability
- Newer, well maintained system

Projected % Net Income  
2020-2022



## Utility Infrastructure Services



- Low risk service platform
- Long-term relationships with exceptional, investment-grade customers
- 92% of revenues from time & materials and unit priced contracts
- Increasing dividends and free cash flow

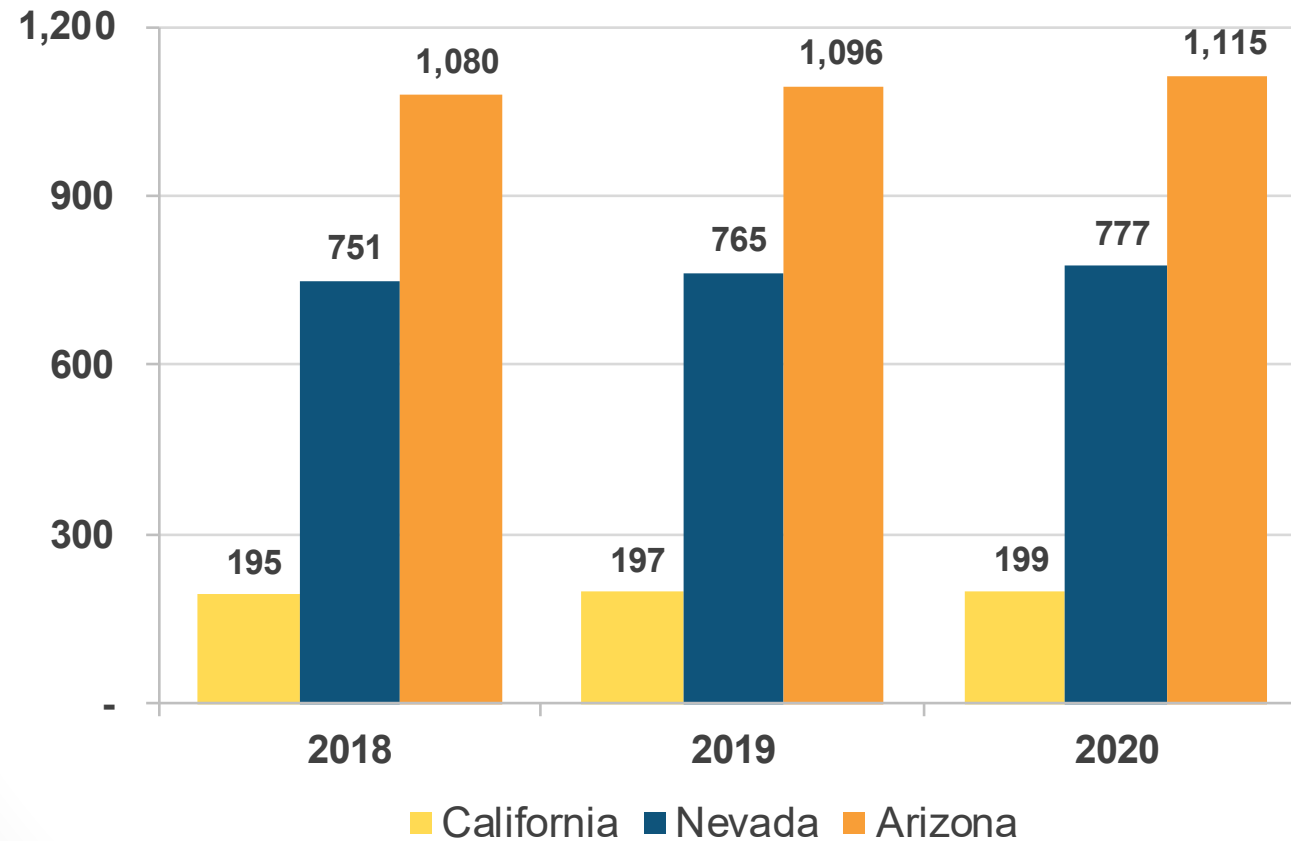
# APPENDIX



# CUSTOMERS BY STATE

NATURAL GAS OPERATIONS  
(IN THOUSANDS)

As of March 31,



# SUMMARY OPERATING RESULTS

## NATURAL GAS OPERATIONS (IN THOUSANDS)

	Three months ended March 31,	
	2020	2019
<b>Results of Natural Gas Operations</b>		
Gas operating revenues	\$ 502,827	\$ 520,677
Net cost of gas sold	160,821	192,604
Operating margin	342,006	328,073
Operations and maintenance expense	103,088	105,542
Depreciation and amortization	64,725	57,612
Taxes other than income taxes	16,378	16,206
Operating income	157,815	148,713
Other income (deductions)	(20,536)	5,946
Net interest deductions	25,058	23,099
Income before income taxes	112,221	131,560
Income tax expense	28,622	28,171
Segment net income	\$ 83,599	\$ 103,389

# SUMMARY OPERATING RESULTS

## NATURAL GAS OPERATIONS (IN THOUSANDS)

	Twelve months ended March 31,	
	2020	2019
<b>Results of Natural Gas Operations</b>		
Gas operating revenues	\$ 1,351,089	\$ 1,384,092
Net cost of gas sold	353,381	426,260
Operating margin	997,708	957,832
Operations and maintenance expense	419,720	408,165
Depreciation and amortization	222,733	199,467
Taxes other than income taxes	62,500	60,847
Operating income	292,755	289,353
Other income (deductions)	(16,965)	(6,691)
Net interest deductions	96,985	85,584
Income before income taxes	178,805	197,078
Income tax expense	35,424	45,196
Segment net income	<u>\$ 143,381</u>	<u>\$ 151,882</u>

# PURCHASED GAS ADJUSTMENT (PGA) BALANCES

NATURAL GAS OPERATIONS  
(IN THOUSANDS)

	March 31, 2020	December 31, 2019	March 31, 2019
Arizona	\$ (17,538)	\$ (59,259)	\$ (72,213)
Northern Nevada	(3,154)	11,894	12,962
Southern Nevada	(2,585)	32,518	51,221
California	(3,221)	(1,496)	1,059
Total Receivable/(Payable)	<u>\$ (26,498)</u>	<u>\$ (16,343)</u>	<u>\$ (6,971)</u>

# AUTHORIZED RATE BASE AND RATES OF RETURN

## NATURAL GAS OPERATIONS

<u>Rate Jurisdiction</u>	<u>Authorized Rate Base (In thousands)</u>	<u>% of Total Rate Base</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity (ROE)</u>	<u>Authorized Common Equity Ratio</u>
Arizona	\$ 1,324,902	46 %	7.42 %	9.50 %	51.70 %
Southern Nevada	1,110,380	38	6.69	9.25	49.66
Northern Nevada	134,230	5	6.98	9.25	49.66
Southern California	159,277	5	6.83	10.10	55.00
Northern California	67,620	2	8.18	10.10	55.00
South Lake Tahoe	25,389	1	8.18	10.10	55.00
Paiute Pipeline Company <sup>1</sup>	87,158	3	8.46	11.00	51.75
Total	<u>\$ 2,908,956</u>	<u>100 %</u>			

Weighted average authorized ROE

9.49 %

<sup>1</sup>Estimated amounts based on 2014/2015 rate case settlement.

# REGULATION

## ARIZONA GENERAL RATE CASE NATURAL GAS OPERATIONS

Date	Procedural Schedule - Docket No. G-01551A-19-0055
May 1, 2019	Application Filed
<b>Except Class Cost of Service and Rate Design</b>	
February 5, 2020	Direct Testimony (Staff/Intervenor)
<b>Class Cost of Service and Rate Design</b>	
February 19, 2020	Direct Testimony (Staff/Intervenor)
<b>Other Testimonies</b>	
March 11, 2020	Rebuttal Testimony (SWG)
April 10, 2020	Surrebuttal Testimony (Staff/Intervenor)
April 21, 2020	Rejoinder Testimony (SWG)
<b>Hearings</b>	
May 7, 2020	Prehearing Conference
June 29, 2020	Commence Hearing



# REGULATION

## CALIFORNIA GENERAL RATE CASE NATURAL GAS OPERATIONS

Date	Procedural Schedule - Docket No. A.19-08-015
August 30, 2019	Application Filed
<b>Testimonies</b>	
March 27, 2020	Public Advocates Office's Testimony Served
April 10, 2020	Intervenor Testimony Served
May 15, 2020	Rebuttal Testimony Served
June 26, 2020	Opening Briefs Filed
July 15, 2020	Reply Briefs Filed
<b>Hearings</b>	
June 3, 2020	Evidentiary Hearing
October 2020	Proposed Decision Issued
November/December 2020	Commission Decision

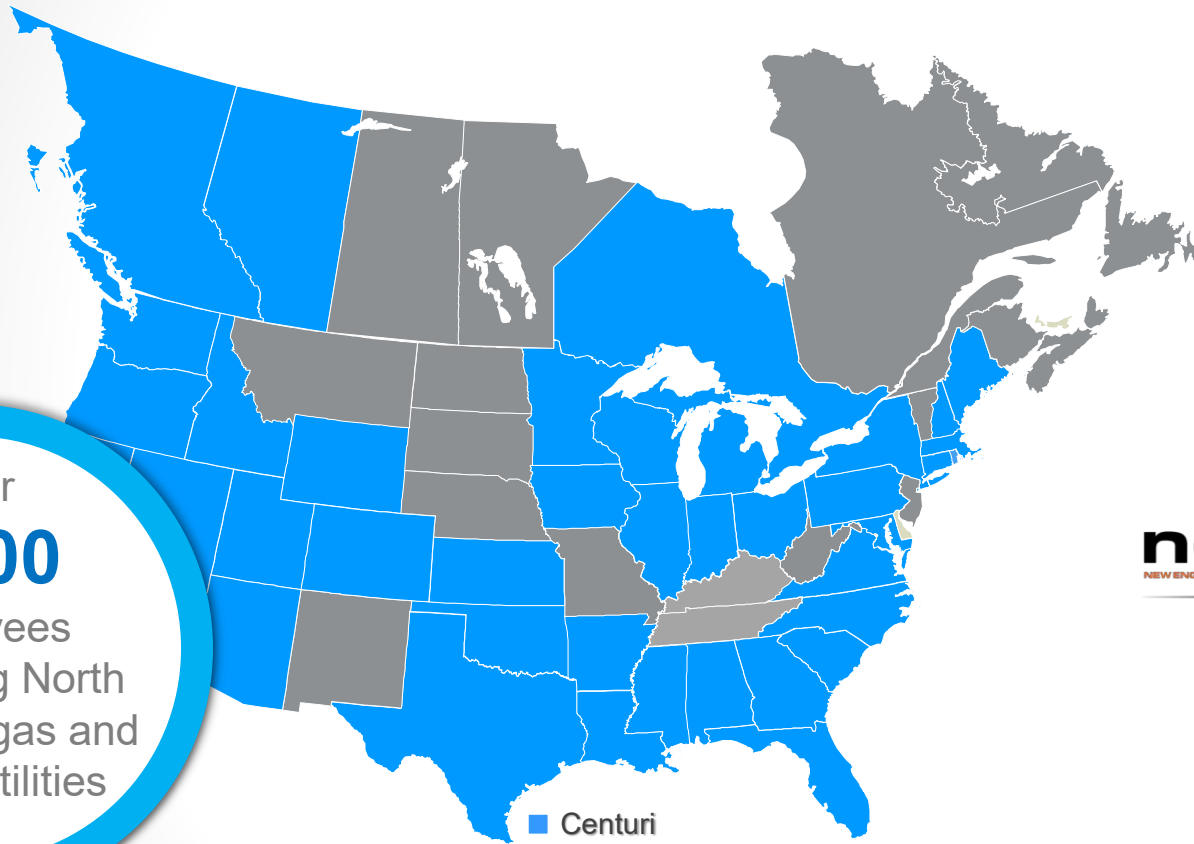
# REGULATION

## NEVADA GENERAL RATE CASE NATURAL GAS OPERATIONS

Date	Procedural Schedule - Docket No. 20-02023
February 26, 2020	Application Filed
<b>Certification Filing</b>	
June 26, 2020	SWG Certification Filing
<b>Testimonies</b>	
July 24, 2020	Direct Testimony (Staff/Intervenor)
August 7, 2020	Rebuttal Testimony (SWG)
<b>Hearings</b>	
August 17, 2020	Hearing

# DIVERSIFIED UTILITY INFRASTRUCTURE SERVICES

## MULTI SERVICE PLATFORM REDUCES RISK



Over  
**8,000**  
employees  
supporting North  
American gas and  
electric utilities



# MAJOR CUSTOMERS

## UTILITY INFRASTRUCTURE SERVICES



# SUMMARY OPERATING RESULTS

## UTILITY INFRASTRUCTURE SERVICES (IN THOUSANDS)

	Three months ended March 31,	
	2020	2019
Utility infrastructure services revenues	\$ 333,493	\$ 312,862
Utility infrastructure services expenses	319,314	300,465
Depreciation and amortization	22,928	19,927
Operating loss	(8,749)	(7,530)
Other income (deductions)	(242)	875
Net interest deductions	2,899	3,269
Income tax benefit	(2,149)	(2,468)
Noncontrolling interests	463	575
Segment net loss	<u>\$ (10,204)</u>	<u>\$ (8,031)</u>

# SUMMARY OPERATING RESULTS

## UTILITY INFRASTRUCTURE SERVICES (IN THOUSANDS)

	Twelve months ended March 31,	
	2020	2019
Utility infrastructure services revenues	\$ 1,771,609	\$ 1,575,130
Utility infrastructure services expenses	1,592,076	1,429,202
Depreciation and amortization	90,618	64,806
Operating income	88,915	81,122
Other income (deductions)	(651)	374
Net interest deductions	13,716	14,263
Income tax expense	21,718	18,539
Noncontrolling interests	2,599	747
Segment net income	\$ 50,231	\$ 47,947

# SERVICE AND CONTRACT TYPES

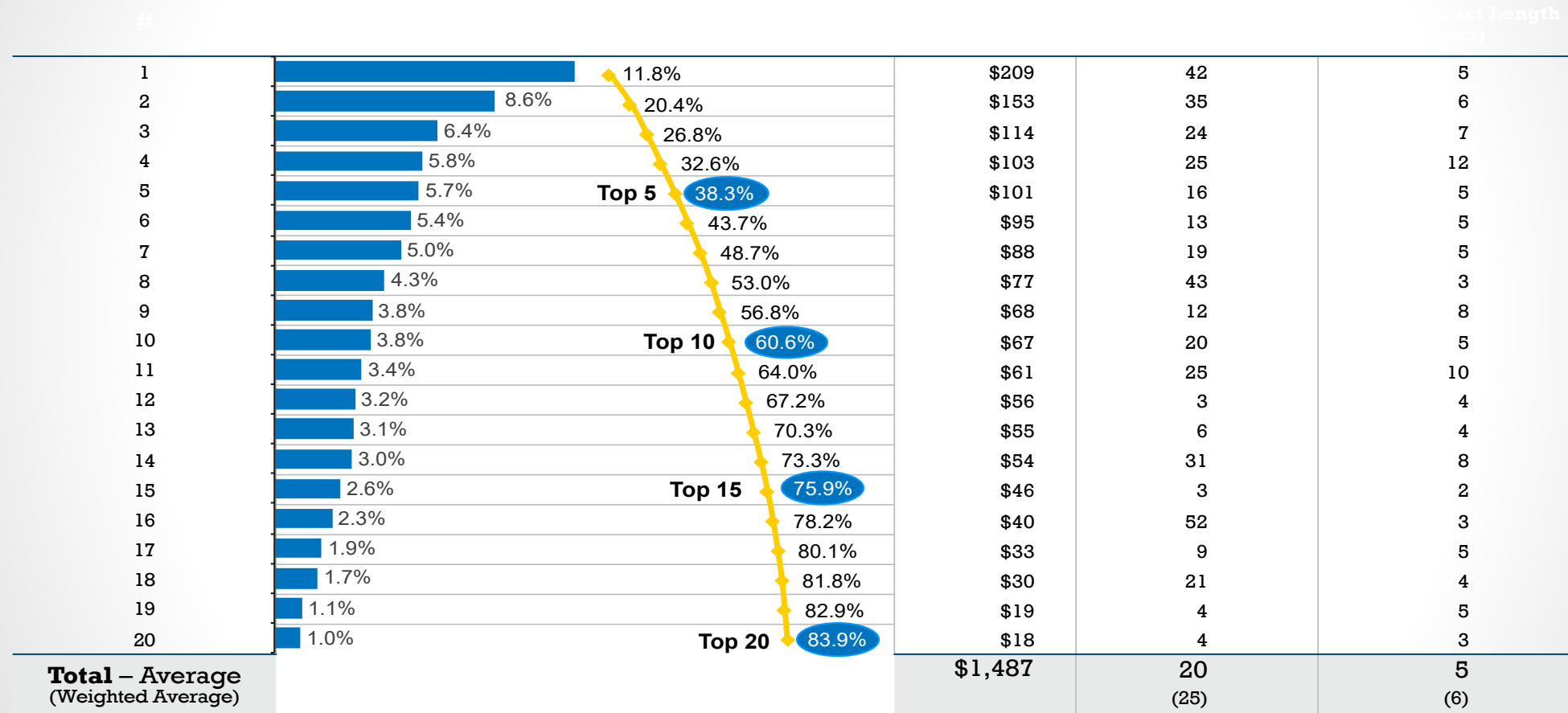
## UTILITY INFRASTRUCTURE SERVICES

	Three months Ended March 31 ,				Twelve months ended March 31 ,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2020	2019	2020	2019	2020	2019	2020	2019
<b><u>Service Types:</u></b>								
Gas infrastructure services	\$ 217,709	\$ 197,893	65.3%	63.3%	\$ 1,258,790	\$ 1,128,048	71.1%	71.6%
Electric power infrastructure services	72,320	52,301	21.7%	16.7%	267,736	79,528	15.1%	5.1%
Other	43,464	62,668	13.0%	20.0%	245,083	367,554	13.8%	23.3%
Total Utility infrastructure services revenues	<u>\$ 333,493</u>	<u>\$ 312,862</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,771,609</u>	<u>\$ 1,575,130</u>	<u>100.0%</u>	<u>100.0%</u>

	Three months Ended March 31 ,				Twelve months ended March 31 ,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2020	2019	2020	2019	2020	2019	2020	2019
<b><u>Contract Types:</u></b>								
Master services agreement	\$ 263,545	\$ 235,655	79.0%	75.3%	\$ 1,411,267	\$ 1,143,603	79.7%	72.6%
Bid contract	69,948	77,207	21.0%	24.7%	360,342	431,527	20.3%	27.4%
Total Utility infrastructure services revenues	<u>\$ 333,493</u>	<u>\$ 312,862</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,771,609</u>	<u>\$ 1,575,130</u>	<u>100.0%</u>	<u>100.0%</u>
Unit price contracts	\$ 243,136	\$ 235,686	72.9%	75.3%	\$ 1,387,706	\$ 1,296,783	78.3%	82.3%
Fixed price contracts	27,545	38,538	8.3%	12.3%	101,931	130,295	5.8%	8.3%
Time and material contracts	62,812	38,638	18.8%	12.4%	281,972	148,052	15.9%	9.4%
Total Utility infrastructure services revenues	<u>\$ 333,493</u>	<u>\$ 312,862</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,771,609</u>	<u>\$ 1,575,130</u>	<u>100.0%</u>	<u>100.0%</u>

# TOP 20 CUSTOMERS

## UTILITY INFRASTRUCTURE SERVICES



(1) Twelve Months Ended March 31, 2020

(1) Trailing Twelve Months Ended March 31, 2020



# STOCK PERFORMANCE

Southwest Gas Holdings, Inc.  
Common Stock Closing Price  
March 31, 2010 - March 31, 2020



# COMPARATIVE TOTAL RETURNS

## Total Returns for Periods Ended March 31, 2020

	1-Year	3-Year	5-Year	10-Year
<b>Southwest Gas Holdings</b>	<b>(13.06%)</b>	<b>(3.18%)</b>	<b>6.41%</b>	<b>11.75%</b>
<b>S&amp;P 400 MidCap Gas Index</b>	<b>(28.88%)</b>	<b>(4.45%)</b>	<b>4.21%</b>	<b>8.61%</b>
<b>S&amp;P Composite Utilities Index</b>	<b>(2.82%)</b>	<b>5.86%</b>	<b>8.32%</b>	<b>10.75%</b>
<b>S&amp;P 500 Index</b>	<b>(6.93%)</b>	<b>5.09%</b>	<b>6.71%</b>	<b>10.51%</b>

Total Return = Price appreciation plus gross dividends reinvested

# CREDIT RATINGS

## Investment Grade Ratings

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### Southwest Gas Holdings, Inc.

	Moody's	S&P	Fitch
Issuer Rating	Baa1	BBB+	BBB+
Outlook	Negative	Negative	Stable

### Southwest Gas Corporation

	Moody's	S&P	Fitch
Senior Unsecured	A3	A-	A
Outlook	Negative	Negative	Stable

# CONSOLIDATED CAPITAL STRUCTURE

(IN MILLIONS)

<b>Capitalization at March 31,</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Equity <sup>1</sup>	\$ 1,666	\$ 1,737	\$ 1,876	\$ 2,429	\$ 2,633
Long-Term Debt <sup>2</sup>	1,438	1,590	2,023	2,141	2,480
Total Permanent Capital	<u>\$ 3,104</u>	<u>\$ 3,327</u>	<u>\$ 3,899</u>	<u>\$ 4,570</u>	<u>\$ 5,113</u>
<b>Capitalization ratios</b>					
Equity <sup>1</sup>	53.7%	52.2%	48.1%	53.2%	51.5%
Long-Term Debt <sup>2</sup>	46.3%	47.8%	51.9%	46.8%	48.5%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

<sup>1</sup> Includes redeemable noncontrolling interests, if applicable.

<sup>2</sup> Includes current maturities of long-term debt.

# NON-GAAP MEASURES

- Non-GAAP Measures** – Southwest recognizes operating revenues from the distribution and transportation of natural gas (and related services) to customers. Gas cost is a tracked cost, which is passed through to customers without markup under purchased gas adjustment (“PGA”) mechanisms, impacting revenues and net cost of gas sold on a dollar-for-dollar basis, thereby having no impact on Southwest’s profitability. Therefore, management routinely uses operating margin, defined as operating revenues less the net cost of gas sold, in its analysis of Southwest’s financial performance. Operating margin also forms a basis for Southwest’s various regulatory decoupling mechanisms. Operating margin is not, however, specifically defined in accounting principles generally accepted in the United States (“U.S. GAAP”) and is considered a non-GAAP measure. Management believes supplying information regarding operating margin provides investors and other interested parties with useful and relevant information to analyze Southwest’s financial performance in a rate-regulated environment.

## Reconciliation of Revenue to Operating Margin (Non-GAAP measure)

	Three months ended March 31,		Twelve months ended March 31,	
	2020	2019	2020	2019
	(In thousands)			
<b>Natural Gas Operations</b>				
Gas operating revenue	\$ 502,827	\$ 520,677	\$ 1,351,089	\$ 1,384,092
Less: Net cost of gas sold	160,821	192,604	353,381	426,260
Operating margin	<u>\$ 342,006</u>	<u>\$ 328,073</u>	<u>\$ 997,708</u>	<u>\$ 957,832</u>