

# Earnings Conference Call Third Quarter 2024 Results

November 6, 2024



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



# Safe Harbor Statement

## Forward-Looking Statements

Unless context otherwise requires, in this presentation, references to “we”, “us” and “our” are to Southwest Gas Holdings, Inc. (NYSE: SWX) (“Southwest Gas” or the “Company” or “SWX”) together with its current and former consolidated subsidiaries, which include, among others, Southwest Gas Corporation (“Southwest”, “SWG”, “Utility” or “Natural Gas Distribution” segment), MountainWest Pipelines Holding Company (“MountainWest”, “MW” or “Pipeline and Storage” segment), Centuri Holdings, Inc., Centuri Group, Inc. (“Centuri” or “Utility Infrastructure Services” segment), Great Basin Gas Transmission Company (“Great Basin” or “GBGTC”), and Corporate and Administrative (“HoldCo”). The following are subsidiaries of Centuri: NPL Construction Co. (“NPL”), NPL Canada Ltd. (“NPL Canada”), New England Utility Constructors, Inc. (“Neuco”), Linetec Services, LLC (“Linetec”), Riggs Distler & Company, Inc. (“Riggs Distler”), Canyon Pipeline Construction, Inc. (“Canyon”), National Powerline LLC (“National Powerline”) and WSN Construction Inc. (“WSN Construction”).

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include, without limitation, statements regarding the Company and the Company’s expectations or intentions regarding the future. These forward-looking statements can often be identified by the use of words such as “will”, “predict”, “continue”, “forecast”, “expect”, “believe”, “anticipate”, “outlook”, “could”, “target”, “project”, “intend”, “plan”, “pursue”, “seek”, “estimate”, “should”, “may” and “assume”, as well as variations of such words and similar expressions referring to the future, and include (without limitation) statements regarding our expectations for our utility infrastructure services and natural gas operations, estimated future capital expenditures, projected rate base growth, increasing demands from new semiconductor manufacturing facilities and data centers and related economic activity, O&M per customer expectations, our 2024 financial guidance and expected value drivers, 2024 – 2026 financial guidance and expected value drivers, 2024 financing plan, expectations with respect to future dividends, expectations with respect to a separation of our remaining interests in Centuri, and the future performance of the Company, Southwest Gas Corporation and Centuri. The Company can provide no assurances that a separation of our remaining interests in Centuri will occur on the expected timeline or at all. For purposes of any forward-looking consolidated financial information at Southwest Gas, full consolidation of Centuri has been assumed in this presentation. A number of important factors affecting the business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the proposed transaction structure and timing of a separation of our remaining interests in Centuri, the timing and impact of executing (or not executing) on such transaction alternatives, the timing and amount of rate relief, changes in rate design, customer growth rates, the effects of regulation/deregulation, the timing and magnitude of utility optimization opportunities, tax reform and related regulatory decisions, the impacts of construction activity at Centuri, the potential for, and the impact of, a credit rating downgrade, future earnings trends, inflation, increasing interest rates, sufficiency of labor markets and similar resources, seasonal patterns, current and future litigation, the costs and effect of stockholder activism, and the impacts of stock market volatility. In addition, the Company can provide no assurance that its discussions about future operating margin, operating income, COLI earnings, interest expense, and capital expenditures of the natural gas distribution segment will occur. The Company does not assume any obligation to update the forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments, or otherwise.

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 are 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, those discussed under the heading “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” in the Company’s most recent Annual Report on Form 10-K and in the Company’s, Centuri’s, and Southwest Gas Corporation’s current and periodic reports, including our Quarterly Reports on Form 10-Q, filed from time to time with the SEC, and other reports that we file with the SEC from time to time.

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 website 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.

# Non-GAAP Measures

This presentation contains financial measures that have not been calculated in accordance with accounting principles generally accepted in the U.S. (“GAAP”). These non-GAAP measures include (i) Southwest Gas adjusted earnings (loss) per share, (ii) Southwest Gas adjusted net income (loss), (iii) Corporate and Administrative adjusted earnings (loss) per share, (iv) Corporate and Administrative adjusted net income (loss), (v) natural gas distribution segment adjusted earnings (loss) per share, (vi) natural gas distribution segment adjusted net income (loss), (vii) utility infrastructure services adjusted earnings (loss) per share, (viii) utility infrastructure services segment adjusted net income (loss), (ix) pipeline and storage segment adjusted earnings per share, and (x) pipeline and storage segment adjusted income (loss). Management uses these non-GAAP measures internally to evaluate performance and in making financial and operational decisions. Management believes that its presentation of these measures provides investors greater transparency with respect to its results of operations and that these measures are useful for a period-to-period comparison of results. Management also believes that providing these non-GAAP financial measures helps investors evaluate the Company’s operating performance, profitability, and business trends in a way that is consistent with how management evaluates such performance.

The amortization of certain acquisition intangible assets applies to our utility infrastructure services segment adjusted net income (loss) and therefore applies to adjusted net income at the Southwest Gas Holdings consolidated level as well. We believe this adjustment is a common adjustment in the infrastructure services industry and that this adjustment allows investors to more clearly compare earnings performance with Centuri peer performance; as such, beginning with the first quarter of 2024, the Company has presented this adjustment now that Centuri has completed its IPO and has begun as a public company. For comparison, the Company has recast adjusted net income for the third quarter and year to date periods of 2023 in this presentation, to add amortization of certain intangible assets in order to align the presentation of adjusted net income between periods, including related tax effects.

We do not provide a reconciliation of forward-looking Non-GAAP Measures to the corresponding forward-looking GAAP measure due to our inability to project special charges and certain expenses. Following the Centuri IPO, we are no longer reporting Utility Infrastructure Services EBITDA and Adjusted EBITDA. Centuri will report those metrics in its own earnings materials.

# Speakers and Agenda

## SPEAKERS



**KAREN HALLER**

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PRESIDENT AND CEO  
SOUTHWEST GAS HOLDINGS



**ROB STEFANI**

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CFO  
SOUTHWEST GAS HOLDINGS



**JUSTIN BROWN**

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PRESIDENT  
SOUTHWEST GAS CORPORATION

## PRESENTATION AGENDA

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**Strategic and Business Update**

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**Regulatory and Economic Update**

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**Financial Update**

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**Guidance and Outlook**

# SWX: Becoming a Premier, Fully Regulated Natural Gas Utility

## Positioned for Continued Growth and Success

- » Safely delivering reliable, sustainable and affordable energy solutions to growing, high-demand service territories
- » Clear strategic focus on optimizing utility performance
- » Working collaboratively with regulators to drive constructive regulatory outcomes to complement strong organic rate base growth
- » Partnering with stakeholders to establish frameworks across jurisdictions to support investment opportunities in emerging technology energy initiatives
- » Committed to pursuing pure play utility strategy through exit of remaining interest in Centuri

## Committed to Delivering Value for SWX Stockholders

- » Expects 2024 utility net income to fall **within the top half of the \$233-\$243 million guidance range**
- » Utility targeting **9.25% to 11.25%** adjusted net income growth from 2024-2026 and **6.5% to 7.5%** rate base growth over the same period<sup>1</sup>
- » Improving earned return on equity through constructive regulatory outcomes, utility optimization, and cost management efforts
- » Delivering competitive dividend to stockholders
- » Maintaining strong investment grade balance sheet

# Advancing SWX's 2024 Strategic Priorities

## Centuri Separation

Public Filing of S-1	Complete	<input checked="" type="checkbox"/>	2Q 2024
Centuri Deleveraging/Refinancing	Complete	<input checked="" type="checkbox"/>	2Q 2024
Initial Public Offering ("IPO") Execution	Complete	<input checked="" type="checkbox"/>	2Q 2024
Hire Centuri CEO	Complete	<input checked="" type="checkbox"/>	4Q 2024
Advance Separation		<input type="checkbox"/>	Pending

## 2024 Financing Plan

SWX Equity Issuance Under ATM <sup>2</sup> Program <sup>1</sup>			None expected in 2024
SWX \$550M Term Loan Extension	Complete	<input checked="" type="checkbox"/>	3Q 2024
SWG \$400M Revolving Credit Facility Extension	Complete	<input checked="" type="checkbox"/>	3Q 2024

## 2024 Utility and Regulatory Strategy

NV Rate Case Approval	Complete	<input checked="" type="checkbox"/>	2Q 2024
AZ Rate Case Filing	Complete	<input checked="" type="checkbox"/>	1Q 2024
CA Rate Case Filing	Complete	<input checked="" type="checkbox"/>	3Q 2024
GBGTC Rate Case Filing	Complete	<input checked="" type="checkbox"/>	1Q 2024
Utility Optimization Executing Planned Initiatives		<input type="checkbox"/>	Ongoing

# Delivering Strong Results



**SOUTHWEST GAS**



GAAP Net income of ~\$0.6 million, \$3.8 million year-over-year increase in 3Q 2024 net income



Approximately 41,000 new meter sets added during the last 12 months



Progress made on utility optimization and cost discipline



Advancing regulatory strategy: NV general rate case approved; filed CA rate case in 3Q 2024, GBGTC rates in effect subject to refund, advanced AZ rate case, and developments on the regulatory lag docket in AZ



Finished the third quarter with about \$400 million in cash, following collection of previously deferred purchased gas costs



**Southwest Gas**  
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Southwest Gas no longer expects to issue any equity in 2024, and continues to expect limited capital markets needs through the end of 2025; finished the quarter with more than \$450 million of cash



Extended the \$550 million term loan credit agreement in the third quarter of 2024, now matures on 7/31/2025 with a 17.5 basis point reduction in applicable spread



Corporate and administrative expenses for the third quarter of 2024 included \$11.5 million in interest expense related to outstanding borrowings and \$0.6 million in Centuri separation costs



Non-GAAP adjustments primarily related to the amortization of intangible assets as well as accounts receivable securitization fees and related debt extinguishment loss at Centuri

# Regulatory and Economic Update



**SOUTHWEST GAS**





# Current Rate Case Activity

*Southwest remains committed to a purposeful regulatory strategy intended to limit regulatory lag*



## Nevada

### Requested

Docket #	23-09012
Filing Date	9/11/2023
Requested ROE	10.00%
Cap Structure	50% Debt / 50% Equity
Revenue Increase	~\$70 million

### Authorized

Order Date	4/8/2024
Effective Date	April 15, 2024
ROE	9.5%
Cap Structure	50% Debt / 50% Equity
Revenue Increase	~\$59 million



## Arizona

### Requested

Docket #	G-01551A-23-0341
Filing Date	2/2/2024
Requested ROE	10.15%, 0.81% FVI
Cap Structure	50% Debt / 50% Equity
Revenue Increase	\$126 million

### Procedural Schedule

Rebuttal Testimony (Staff / Intervenor)	11/15/2024
Rejoinder	11/18/2024
Hearing	11/20/2024



### Requested

Docket #	RP24-514-000
Filing Date	3/6/2024
Requested ROE	13.05%
Cap Structure	44% Debt / 56% Equity
Revenue Increase	~\$16 million

### Procedural Schedule

Motion Rates	September 2024
Staff & Intervenor Testimony	November 27, 2024
Answering Testimony	December 16, 2024
Rebuttal Testimony	January 10, 2025
Hearing	February 4, 2025
Decision	July 1, 2025



## California

### Requested

Docket #	A2409001
Filing Date	9/5/2024
Requested ROE	11.35%
Cap Structure	50% Debt / 50% Equity
Revenue Increase	~\$50 million

### Proposed Procedural Schedule

Intervenor Testimony	April 2025
Rebuttal Testimony	May 2025
Hearing	May 2025

# Regulatory Update - Arizona

## Rate Case Activity

### Arizona Rate Case Filing Summary

In February 2024, Southwest filed a rate case<sup>1</sup> requesting a revenue increase of approximately \$126 million with rates anticipated to become effective April 2025

	Requested <sup>1</sup>	Staff Testimony <sup>1</sup>
Target Equity Ratio	50%	47.63%
ROE	10.15%	9.75%
Fair Value Return on Rate Base	0.81%	0.73%
Rate Base	\$3.3 billion (~\$646 million increase, or ~24%)	\$3.1 billion <sup>2</sup> (includes only 8/12 of PTY rate base) <sup>2</sup>
Post-Test Year (“PTY”) Rate Base Adjustments	12 months	12 months <sup>2</sup>
Proposed Revenue Increase	~\$126 million	~\$87 million <sup>2</sup> (includes only 8/12 of PTY rate base) <sup>2</sup>

#### Notes

- » 364-Day Procedural Schedule
- » Continuation of full revenue decoupling<sup>3</sup>
- » ~\$40 million increase in O&M
- » Test year from 11/1/22 – 10/31/23 with \$229 million of rate base requested in the post test year period of 11/1/23 – 10/31/24
- » Proposed Capital Tracker (~40% of AZ capital budget)
- » Proposed Unrecovered Gas Cost Expense Rate
- » No significant changes to rate design

#### Procedural Schedule

Rebuttal Testimony  
November 15, 2024

Rejoinder  
November 18, 2024

Hearing  
November 20, 2024

### Proposed System Improvement Mechanism (SIM)

Encompass all required safety-related infrastructure investments that account for ~40% of the Company’s Arizona dedicated Capital Budget.

#### Key Objectives

- Enhance Safety
- Minimize Regulatory Lag
- Minimize Customer Bill Impact
- Reduce Frequency of Rate Case Filings

Rate effective each February, subject to refund.

Staff recommended approval of the proposed SIM with certain modifications

Notes:

<sup>1</sup> Docket Number: G-01551A-23-0341, which can be viewed on the Arizona Corporation Commission website.

<sup>2</sup> Staff testimony supports full 12-month post-test year (“PTY”) adjustments, while amounts in staff testimony included estimates through August 2024. Thus, proposed revenue increase could have further upside with a full 12-month post-test year update.

<sup>3</sup> Decoupled rate schedules consistent with those currently authorized

# Regulatory Update - California

## Rate Case Activity

### California Rate Case Filing Summary

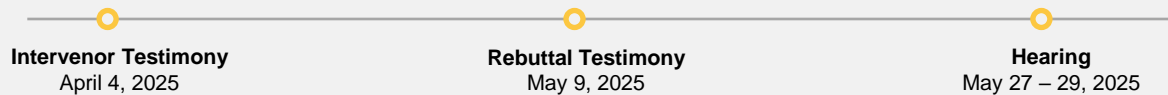
In September 2024, Southwest filed a rate case<sup>1</sup> requesting a revenue increase of approximately \$50 million with rates anticipated to become effective January 2026

Target Equity Ratio	50%
Return on Equity	11.35%
Rate Base	\$720 million
Proposed Revenue Increase	~\$50 million

#### Notes

- » 2026 Test Year
- » 2.75% PTYM<sup>2</sup>, with adjustments for excess accumulated deferred income taxes adjustments and major pipeline replacements (~\$40 million)
- » Continuation of the automatic trigger mechanism
- » ~\$16 million increase in O&M
- » Proposed consolidation of its Northern CA and South Lake Tahoe rate jurisdictions
- » Damage Prevention Costs tracker
- » No significant changes to rate design
- » Infrastructure Reliability and Replacement Adjustment Mechanism ("IRRAM")

#### Proposed Procedural Schedule



Requested ~\$285 million increase in rate base, or 65%

#### IRRAM Programs totaling ~\$200 million over 5-year rate case cycle

- Targeted Pipe Replacement
- School COYL<sup>3</sup> Replacement
- Meter Protection
- Annual Leak Survey with Advance Mobile Leak Detection

# Economic Impact of Semiconductor Manufacturing and Data Centers



- » Arizona and Nevada are high-potential areas for data center growth
- » How might Southwest stand to benefit from additional data center economic activity?



Electric infrastructure constraints driving potential interstate pipeline expansion inquiries

AI data center power demands substantially larger than traditional data centers



## We believe that in Arizona and Nevada

- » Regulatory framework exists to support these prospective customers
- » Potential returns commensurate with authorized rate of return
- » Infrastructure additions could help support additional economic and development activity



Tract is working to permit a 2,000-acre, 1.8-gigawatt data center campus in Buckeye, AZ which is located in the suburbs of Phoenix.

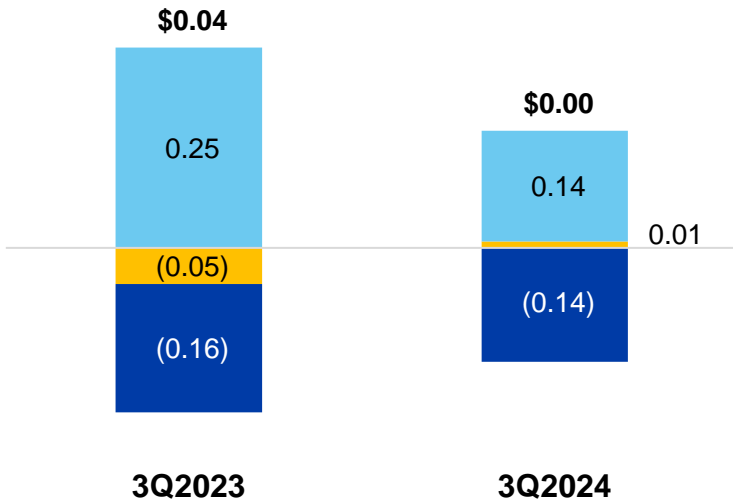
# Financial Update



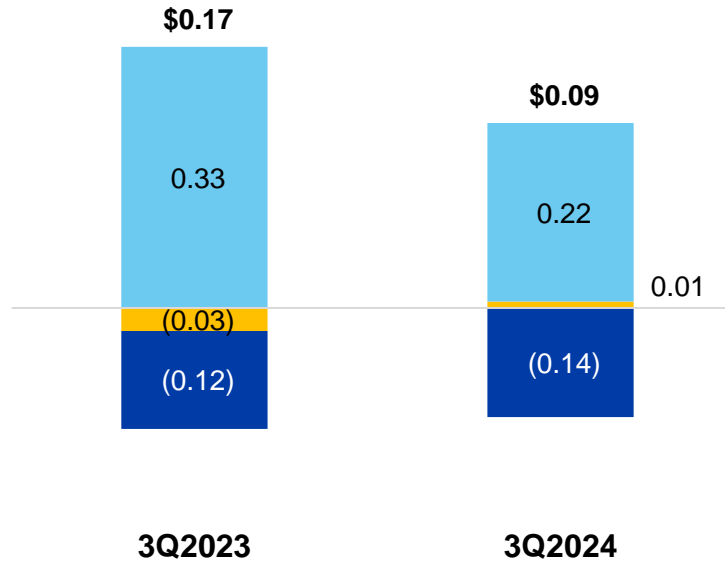
Southwest Gas  
HOLDINGS

# 3Q 2024 SWX Earnings Per Share Results

## GAAP SWX 3Q 2024 Diluted EPS Results



## Adj. SWX 3Q 2024 Diluted EPS Results<sup>1</sup>



■ HoldCo    ■ Southwest    ■ Centuri

## Financial Highlights

- Consolidated third quarter 2024 adjusted net income of \$6.8 million resulting in adjusted earnings per share of \$0.09<sup>1</sup>
- Southwest margin improved as a result of customer growth and recovery of investments
- HoldCo third quarter earnings impacted primarily by \$0.4 million of after-tax costs related to the Centuri Separation and interest expense on the \$550 million HoldCo term loan

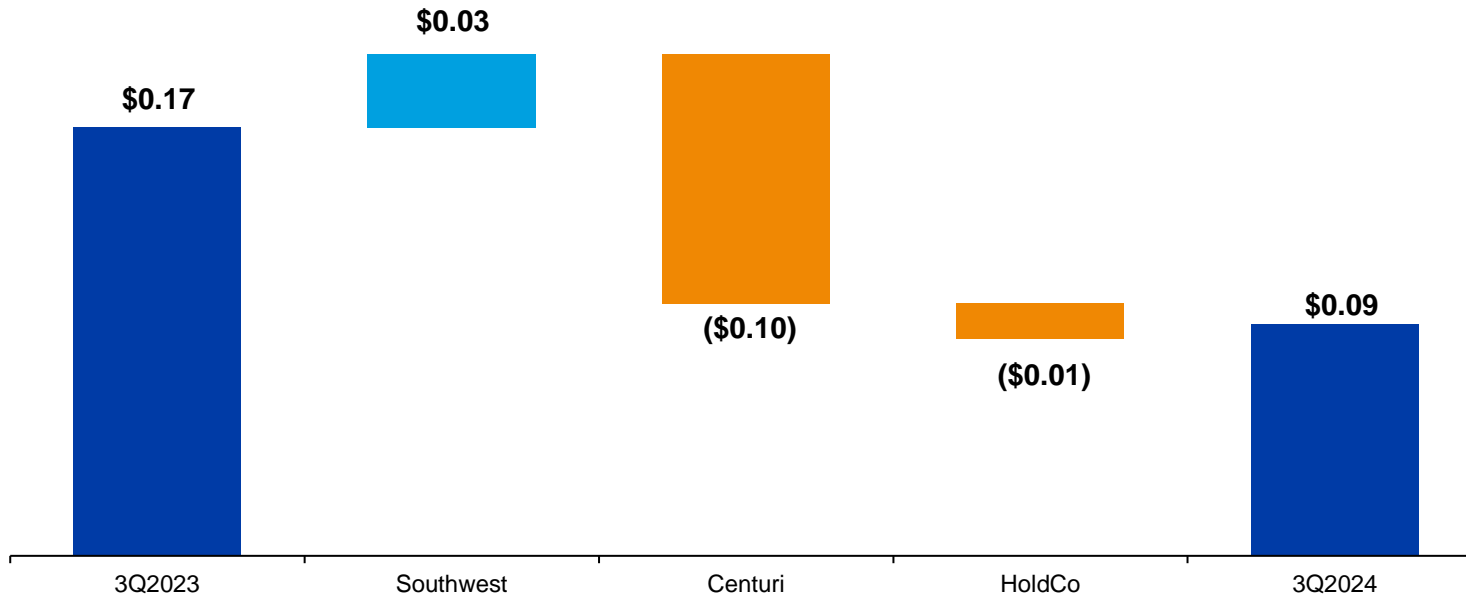
Notes: table may not add due to rounding

<sup>1</sup> Adjusted SWX income and adjusted EPS for the three months ended September 30, 2024, adjusts for accounts receivable securitization fees and debt extinguishment loss, strategic review, including Centuri separation costs, and the amortization of intangible assets (all of which exclude amounts related to noncontrolling interest). The adjustments for the three months ended September 30, 2023 adjusts for the goodwill impairment and loss on sale and sale-related expenses, consulting fees related to Utility optimization, the amortization of intangible assets, and strategic review, including Centuri separation costs. See "Non-GAAP Measures" for more information and for full reconciliations of our non-GAAP financial measures.

# 3Q 2024 SWX Adjusted Diluted Earnings Per Share Walk

## Adjusted Earnings Per Share<sup>1</sup>

■ Favorable ■ Unfavorable



## Financial Highlights

- Southwest benefited from higher margin from rate relief, customer growth, and higher COLI results; which was partially offset by increases in O&M, D&A, and interest expense in addition to reductions in interest income
- Centuri earnings impacted by lower volume of work under MSAs and a reduction in offshore wind projects
- HoldCo earnings impacted by interest expense related to outstanding borrowings

Notes: table may not add due to rounding

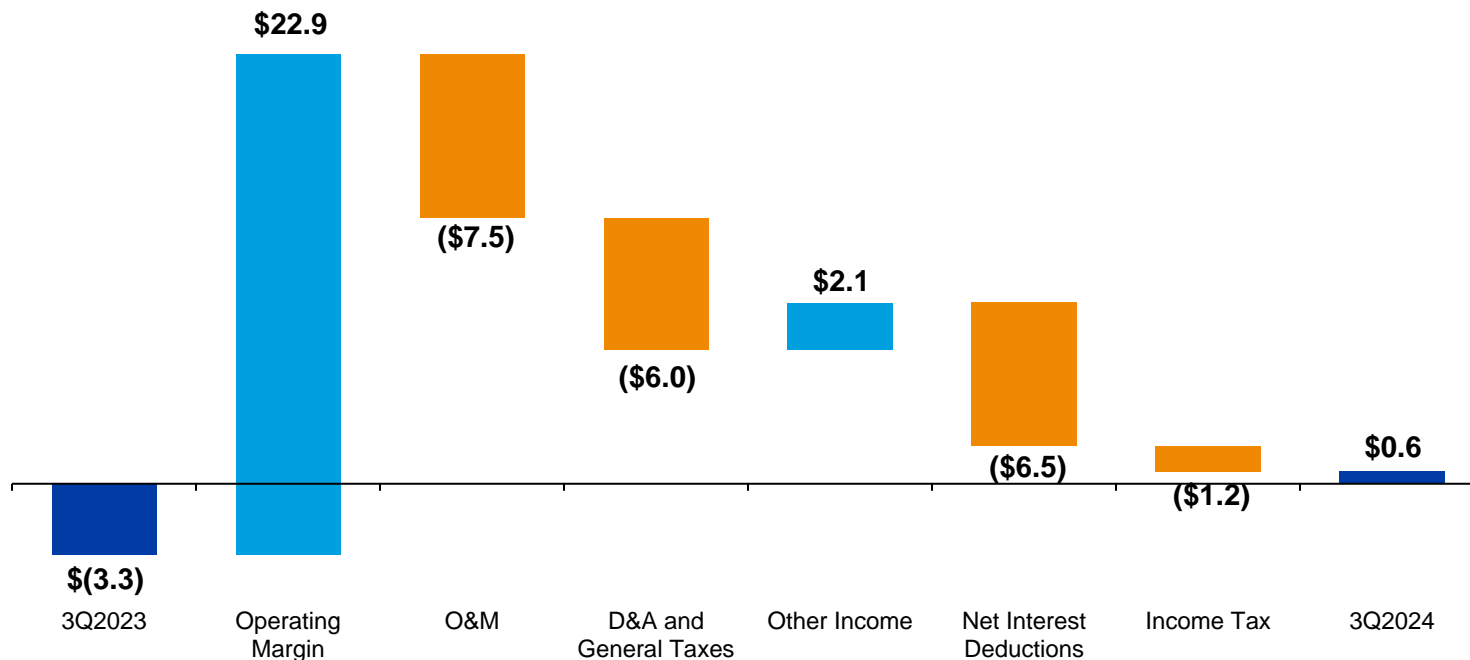
<sup>1</sup> Adjusted SWX income and adjusted EPS for the three months ended September 30, 2024, adjusts for accounts receivable securitization fees and debt extinguishment loss, strategic review, including Centuri separation costs, and the amortization of intangible assets (all of which exclude amounts related to noncontrolling interest). The adjustments for the three months ended September 30, 2023 adjusts for the goodwill impairment and loss on sale and sale-related expenses, consulting fees related to Utility optimization, the amortization of intangible assets, and strategic review, including Centuri separation costs. See "Non-GAAP Measures" for more information and for full reconciliations of our non-GAAP financial measures.

# 3Q 2024 Southwest GAAP Net Income

NATURAL GAS DISTRIBUTION SEGMENT

## GAAP Net Income (\$ in millions)

■ Favorable ■ Unfavorable



**Highest third quarter net income on record**

## Year-over-year net income (loss) drivers include:

(parentheses indicate unfavorable net income drivers)

↑ favorable impact

↓ unfavorable impact

### ↑ Operating Margin<sup>1</sup>

- \$16 million – Combined rate relief
- \$2 million – Customer growth
- \$3 million – Tracking mechanism surcharge components

### ↓ O&M

- (\$3 million) – Increase in labor-related and benefit costs
- (\$2 million) – Increase in leak survey and line locating costs
- (\$1 million) – Increase in insurance costs
- (\$1 million) – Increase in bad debt expense
- Increases partially offset by a reduction in certain external contractor and professional services expenses

### ↓ D&A and General Taxes

- (\$1 million) – Higher amortization associated with regulatory account recoveries (offset in operating margin above)
- (\$4.9 million) – Increase in depreciation reflective of a 8% increase in average gas plant in service since the corresponding third quarter of 2023<sup>2</sup>

### ↑ Other Income

- \$5 million – Increase in values underlying COLI<sup>4</sup> policies between periods
- \$2 million – Increase in equity portion of the allowance for funds used in construction
- (\$5 million) – Decline in interest income related to carrying charges associated with the elevated deferred PGA<sup>3</sup> balance
- (\$1 million) – Increase in non-service-related components of employee pension and other postretirement benefit costs

### ↓ Interest

- Driven by regulatory timing related to Southwest's industrial development revenue bonds, including the impacts of deferrals and return/recoveries included in revenue/operating margin that are amortized through interest expense, and interest incurred on the over-collected balance of the PGA

Notes: Chart may not add due to rounding

<sup>1</sup> Remaining variance primarily relates to miscellaneous revenue and customers outside of the decoupling mechanism

<sup>2</sup> Increase in plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled pipe replacement activities, and new infrastructure

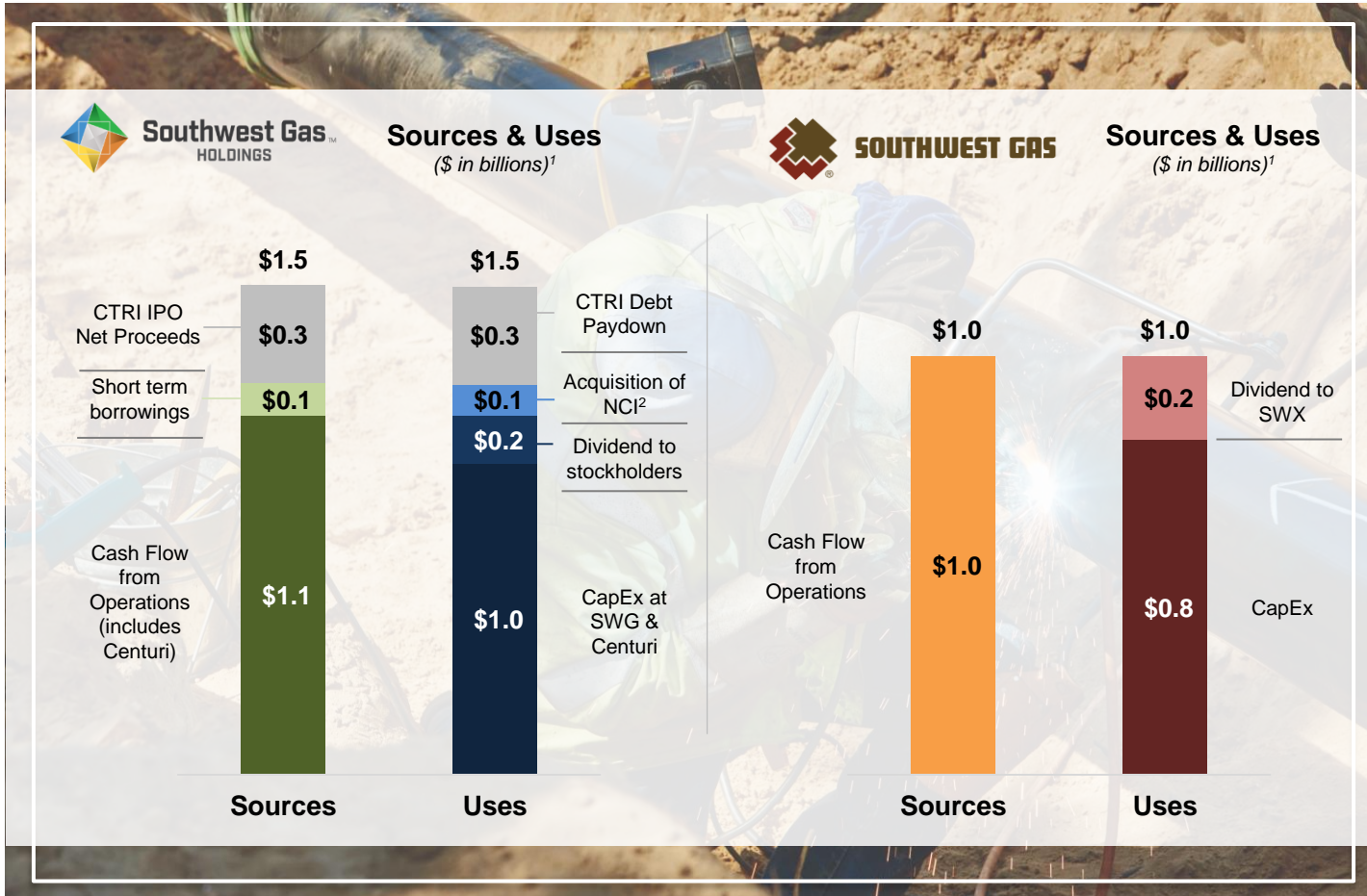
<sup>3</sup> Purchased Gas Cost Adjustment ("PGA")

<sup>4</sup> Company-Owned Life Insurance ("COLI")





# 2024 Financing Plan






## Assumptions

- » Centuri IPO completed 2Q 2024; consolidated throughout 2024
- » Significant cash from collection of PGA at Southwest
  - » Cash flow from operations anticipated to fully fund capital plan
  - » Approximately \$600 million in PGA recoveries was forecasted
- » SWX no longer expects to issue equity in 2024, expects limited capital markets needs through the end of 2025
- » Amended/extended Southwest Gas Holdings \$550 million Term Loan in 3Q 2024 as well as the Southwest \$400 million revolver

# Balance Sheet Strength

SWX and SWG are committed to maintaining an investment grade profile

	Net Debt <sup>1</sup> (\$ in billions)					Credit Ratings and Outlook <sup>3</sup>					
	Total Debt	Cash	Net Debt	PGA <sup>2</sup> Balance	Net Debt less PGA	Moody's		Standard and Poor's		Fitch	
						Ratings	Outlook	Ratings	Outlook	Ratings	Outlook
 <b>Southwest Gas HOLDINGS</b>	\$0.7	\$0.0	\$0.7	n/a	\$0.7	Baa2	Stable	BBB-	Positive	BBB	Negative
 <b>SOUTHWEST GAS</b>	\$3.5	\$0.4	\$3.1	\$(0.2)	\$3.3	Baa1	Stable	BBB	Positive	A-	Stable
 <b>Centuri</b>	\$0.9	\$0.1	\$0.9	n/a	\$0.9	Ba3	Stable	B+	Credit Watch Developing	Not Rated	Not Rated

Notes: table may not add due to rounding.

<sup>1</sup> As of 9/30/2024

<sup>2</sup> PGA Balances include purchased gas costs net of amounts received/refunded to or from customers

<sup>3</sup> Issuer ratings shown for Southwest Gas Holdings and Centuri; Senior unsecured long-term ratings shown for Southwest Gas Corporation

# Guidance and Outlook



**SOUTHWEST GAS**



# Southwest 2024 and Forward-Looking Financial Guidance

## 2024 Guidance

Current

Net Income <sup>1</sup>	\$233 - \$243 million
CapEx	~\$830 million

## Forward-Looking Guidance

2024 – 2026 base yr 2024

Current

Net Income <sup>2</sup> (CAGR)	9.25% - 11.25%
Rate Base <sup>2</sup> (CAGR)	6.5% - 7.5%
CapEx <sup>3</sup>	\$2.4 billion

*Southwest expects 2024 full-year utility net income to finish within the top half of the guidance range*

# Positioned to Unlock Significant Stockholder Value



Strengthening strategic flexibility through the separation of Centuri



Maintain balance sheet flexibility and investment grade credit ratings



Limited capital markets needs



Optimizing utility performance



Positive regulatory developments and strong organic rate base growth



Optimizing the utility to deliver value through financial discipline, operational excellence, and constructive regulatory relationships



Safely delivering reliable, sustainable, and affordable energy solutions for new and existing customers, with a dedicated focus on service



Capital expenditure plan supported by increased economic development and customer growth throughout our service areas



Well positioned to continue delivering sustainable energy options for our customers

# Contact Information

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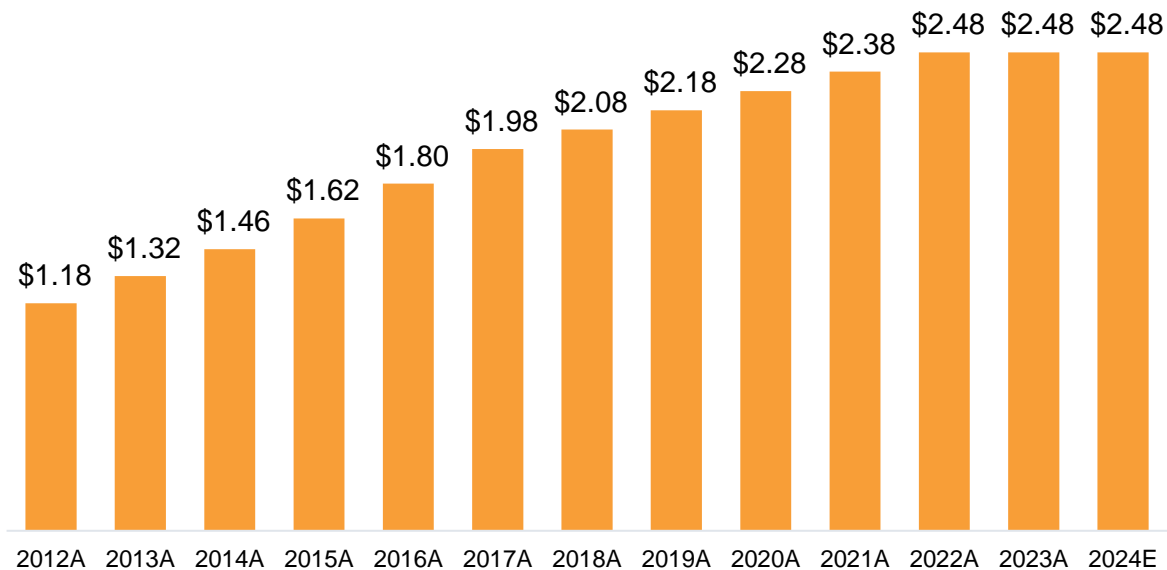




# Maintaining a Competitive Dividend

Upon completion of the separation of Centuri, Southwest Gas Holdings plans to target a dividend payout ratio in line with gas utility peers

## SWX Annual Dividend Per Share



- Southwest Gas Holdings is committed to paying a competitive dividend
- Southwest Gas Holdings has paid a dividend every year since 1956
- Upon completion of the separation of Centuri, Southwest Gas Holdings plans to target a dividend payout ratio in line with gas utility peers<sup>1</sup>
- Until the planned separation of Centuri has been completed, Southwest Gas Holdings expects to continue to pay its regular quarterly dividend<sup>1</sup>
- Expect to size post-separation dividend off of future run rate earnings considering expected rate relief in Arizona, California, and Nevada<sup>1</sup>



# Utility Optimization Progress



In 2023 Southwest boosted its culture of continuous improvement and optimization by identifying opportunities to generate long-term benefits for all stakeholders



## Accelerating our Pursuit of Excellence:

Striving to be a leader in safety, quality, customer service, operational performance, and cost management

### 2023 Summary

- » Formation of Office of Continuous Improvement & Optimization
- » Identified and prioritized company-wide initiatives
- » Finalized 6-year initiative playbook



### Initiative Playbook

- » Initiative playbook contains several initiatives intended to drive value and long-term improvement across the organization
- » Investment in systems, technology, and processes



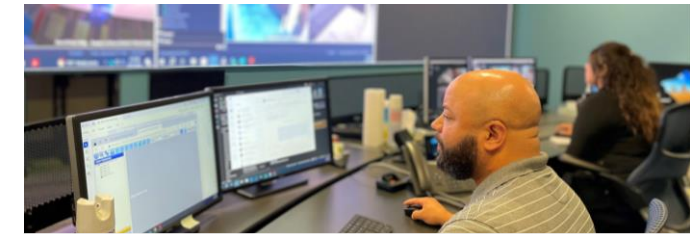
### Value Driver Examples

- » Near-term Initiatives: outside services insourcing, customer contact center enhancements and fleet optimization
- » Long-term Initiatives: work management system modernization, advanced mobile leak detection deployment, information technology, application and storage optimization

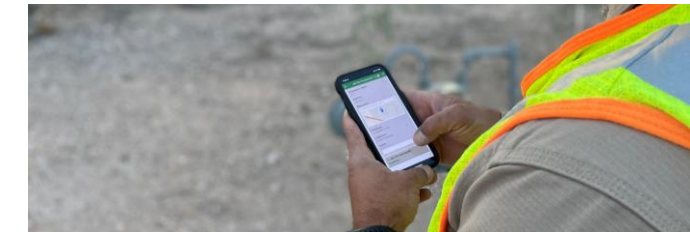


### Anticipating Results

- » Expecting to increase O&M savings to achieve flat O&M per customer over 2024-2026 forecast period



Successful insourcing of Southwest's 24/7 Physical Security Operations Center

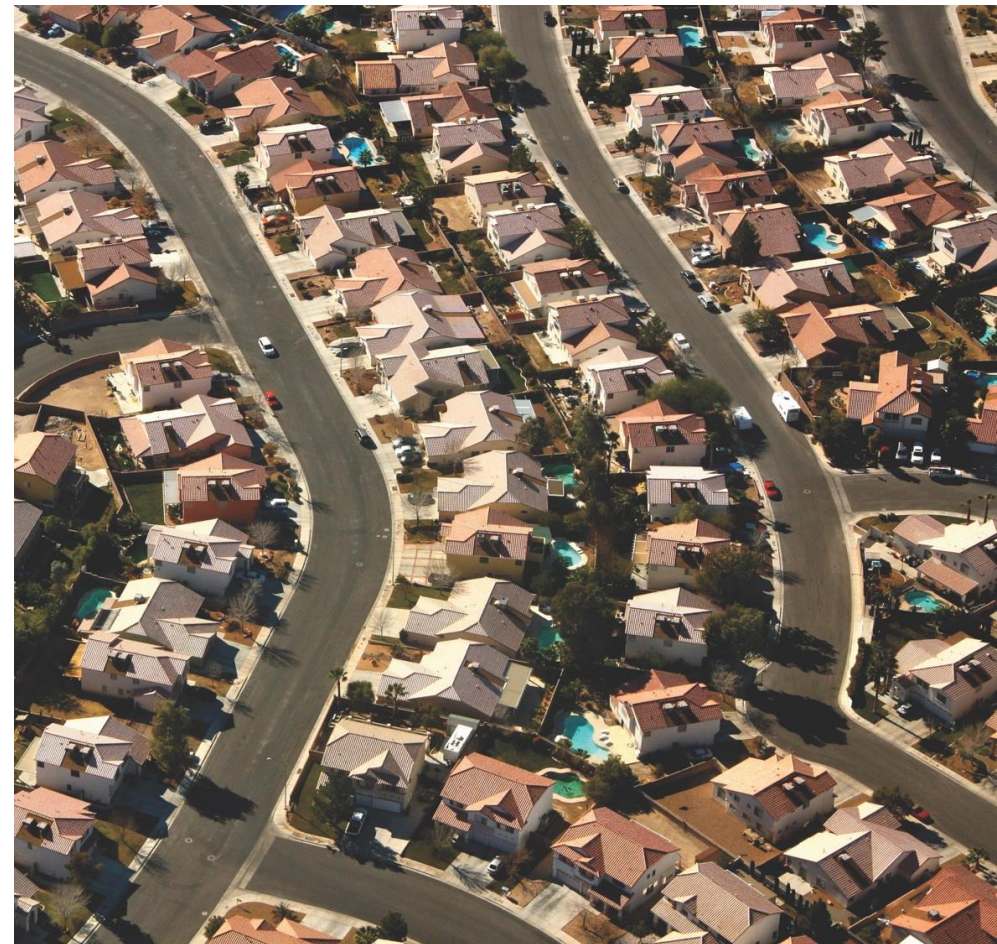


Consolidating our digital forms onto a single platform, harnessing the power of geospatial intelligence and asset data to create forms

# Summary of Gas Cost Balances and Recovery Mechanisms

## PGA<sup>1</sup> Receivable Balance and Recovery Mechanism Summary

State	June 2024 Receivable (Payable) Balance (\$ in millions)	Sept. 2024 Receivable (Payable) Balance (\$ in millions)	Carrying Cost Rate	Gas Cost Rate Adjustment Frequency
AZ	\$31.5	\$(17.4)	1-Year Treasury Rate	Monthly <sup>2</sup>
NV	\$(121.3)	\$(171.6)	Weighted Average Cost of Capital	Quarterly <sup>2</sup>
CA	\$8.3	\$9.2	Commercial Paper Rate	Monthly <sup>3</sup>
<b>Total</b>	<b>\$(81.5)</b>	<b>\$(179.7)</b>		



# Southwest Net Income Drivers and Assumptions

Drivers	2024	2025	2026
Rate Relief	<ul style="list-style-type: none"> <li>▲ Nevada rates effective April 2024</li> <li>▲ GBGTC rates effective September 2024 (subject to refund)</li> </ul>	<ul style="list-style-type: none"> <li>▲ Arizona rates effective April 2025</li> </ul>	<ul style="list-style-type: none"> <li>▲ California rates effective January 2026</li> </ul>
	<ul style="list-style-type: none"> <li>▲ Assumes rate case filings and outcomes in line with historical cadence and experience</li> </ul>		
Customer Growth	<ul style="list-style-type: none"> <li>▲ Anticipate customer growth of ~1.6% per year</li> </ul>		
O&M	<ul style="list-style-type: none"> <li>↔ Targeting flat O&amp;M per customer</li> </ul>		
D&A	<ul style="list-style-type: none"> <li>▼ Increased YoY CapEx to support continued customer growth as well as one-time projects</li> </ul>		
Financing Assumptions	<ul style="list-style-type: none"> <li>Targeting 50/50 utility capital structure over time</li> </ul>		



# Regulatory Update - Nevada

## Rate Case Activity

### Nevada Rate Case Outcome Summary

*Dollars in millions*

<b>Proposed Revenue Increase<sup>1</sup></b>	<b>\$73.9</b>	<b>~98%</b> of request after depreciation adjustment and before adjustments to cost of capital
Depreciation Expense	(\$6.8)	
Cost of Service Adjustment	(\$1.6)	
<b>Stipulated Revenue Increase</b>	<b>~\$65.6</b>	<b>~\$297</b> million increase in rate base
Cost of Capital Adjustment	(\$6.5)	
<b>Authorized Revenue Increase</b>	<b>\$59.1</b>	

### Cost of Capital

	Requested at Certification	Authorized
<b>Target Equity Ratio</b>	50%	<b>50%</b>
<b>Return on Equity</b>	10.00%	<b>9.5%</b>
<b>Cost of Debt</b>	4.51% NNV 4.50% SNV	<b>Company's Position</b>

Authorized \$59 million revenue increase in Nevada rates became effective in April 2024



### O&M per customer

SWG Nevada<sup>2</sup>  
\$191.95

Peer Group<sup>3</sup>  
\$254.43

# Regulatory Update – GBGTC

## Rate Case Activity

### GBGTC Filing Summary

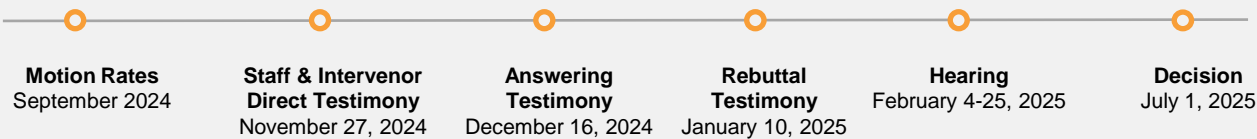
Filed GBGTC rate case on March 6, 2024 requesting a revenue increase of approximately \$16 million. Motion rates go into effect September 6, 2024, subject to refund.

Target Equity Ratio	56%
Return on Equity	13.05%
Rate Base	\$206 million (~\$99 million increase)
Proposed Test Year Revenue Increase	~\$16 million

### Notes

- » Approximate \$1.5 million increase in depreciation expense related to proposed depreciation rates
- » No changes in rate design

### Anticipated Procedural Schedule



# Strong Demand Dynamics Supporting Value Creation

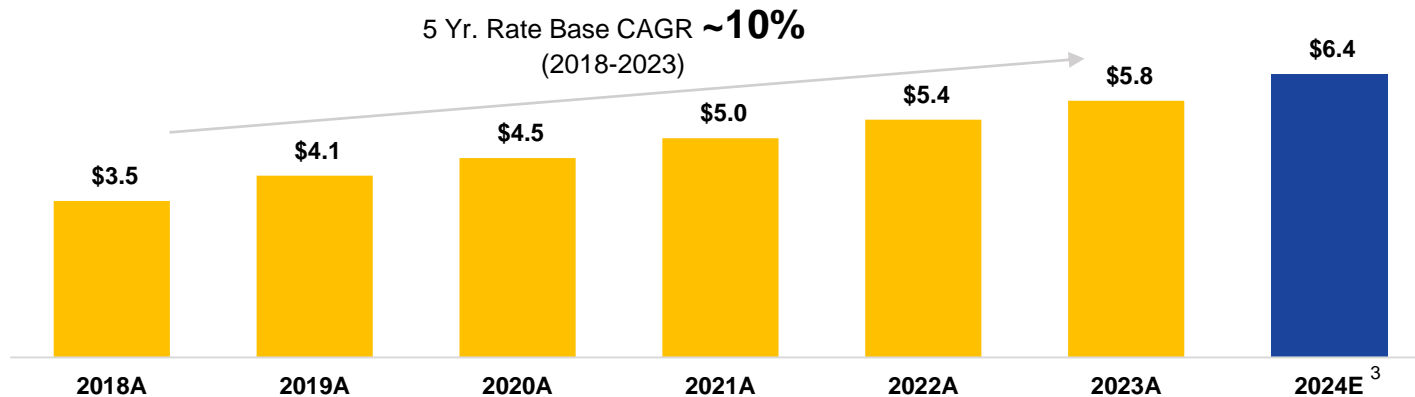


## Strong Economic Growth Projected Across Service Areas

- From 2024 to 2029, projected population growth of 3.52% in Arizona and 2.61% in Nevada, compared to the 2.40% average growth in the US<sup>1</sup>
- Continued growth in First-Time Meter Sets

**~41k** First-Time Meter Sets during the twelve months ended September, 30 2024

## Rate Base<sup>2</sup> (\$ in billions)



**\$2.4B**

Capital Investment to Support Growth

**6.5 – 7.5%**

Rate Base Growth

Estimated 2024 – 2026

## Plan Highlights

**53%**

in Safety & Integrity Management

**28%**

in New Business

**90% - 95%**

Expected percentage of three-year capital plan funded by internally generated cash

Notes:

<sup>1</sup> S&P Global Capital IQ, 22 April 2024.

<sup>2</sup> Rate base amounts reflect estimated total investment in facilities to provide utility service, less estimated retirements, depreciation, and deferred taxes plus working capital as of 12/31 of each year depicted. This is different than our authorized rate base, which is the rate base approved by our regulatory bodies in our most recent rate cases and that is reflected in current rates.

<sup>3</sup> 2024E rate base assumes CapEx at 2024 guidance (~\$830 million)

# Southwest Regulatory Update

## Other Regulatory Activity



### Nevada Service Territory Expansion Application

In response to customer demand, the Company filed an application with the Public Utilities Commission of Nevada seeking authority to expand its Northern Nevada service territory within a county that it presently serves and is contiguous to its existing service territory.

### Arizona COYL Annual Surcharge Filing

In February, submitted its annual COYL Surcharge filing requesting a \$1.8 million margin increase which was approved in June 2024.

### California Hydrogen Demonstration Project

Application pending before California Public Utilities Commission<sup>1</sup> for approval of a hydrogen-blending demonstration project in Northern California.

### California Fort Irwin Expansion Project

CPUC approved the expansion of service territory in Southern California to accommodate the construction of an ~21-mile pipeline to extend service to the Army's National Training Center at Fort Irwin.

### Great Basin 2023 Mainline Replacement Project

FERC issued an order in February 2023 granting a certificate of public convenience and necessity ("CPCN") for the construction and operation of the project which replaced ~20.4 miles of 16" pipe in Humboldt County. The project cost was ~\$47 million. Great Basin received FERC approval and placed the line in service in April 2024.

### Great Basin 2024 – Expansion Project

In April 2024, the FERC issued the order approving SWG's application to abandon and replace certain pipeline facilities and grant a CPCN to construct and operate certain facilities to expand the transportation capacity of the system. The current project estimate is ~\$15 million and is now expected to be placed in service in 2025.

### Nevada Annual Rate Adjustment Filing

Application filed in November 2023 contemplated a statewide decrease of ~\$11.4 million. Rate adjustments were implemented May 2024 pursuant to an all-party settlement. Following a limited scope hearing on certain gas purchases, application was approved in July 2024 as filed and its gas procurement practices were found to be reasonable and prudent.

Notes:

<sup>1</sup> California Public Utilities Commission ("CPUC")

# 3Q 2024 Financial Results

CONSOLIDATED

Results of Consolidated Operations <i>(in millions, except per share items)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Natural gas distribution income (loss)	\$ 0.6	\$ (3.3)	\$ 164.0	\$ 150.6
Utility infrastructure services income (loss)	10.0	18.0	(21.2)	24.9
Pipeline and storage loss	-	-	-	(16.3)
Corporate and administrative loss	(10.2)	(11.5)	(36.4)	(81.2)
Net income	0.3	3.2	106.4	78.0
Non-GAAP adjustments <sup>(1)</sup>	6.5	9.3	21.5	94.3
Adjusted net income	\$ 6.8	\$ 12.6	\$ 127.8	\$ 172.3
Basic earnings per share	\$ 0.00	\$ 0.05	\$ 1.48	\$ 1.11
Diluted earnings per share	\$ 0.00	\$ 0.04	\$ 1.48	\$ 1.10
Basic adjusted earnings per share	\$ 0.10	\$ 0.18	\$ 1.78	\$ 2.44
Diluted adjusted earnings per share	\$ 0.09	\$ 0.17	\$ 1.78	\$ 2.44
Weighted average common shares	71.880	71.626	71.816	70.488
Weighted average diluted shares	72.086	71.851	71.994	70.676

Notes: table may not add due to rounding

<sup>1</sup> Adjusted SWX income and adjusted EPS for the three and nine months ended September 30, 2024, adjusts for accounts receivable securitization fees and debt extinguishment loss, strategic review, including Centuri separation costs, and the amortization of intangible assets (all of which exclude amounts related to noncontrolling interest). The adjustments for the three months ended September 30, 2023 adjusts for the amortization of intangible assets, the goodwill impairment and loss on sale and sale-related expenses, consulting fees related to Utility optimization, and strategic review, including Centuri separation costs. Incrementally, the adjustments for the nine months ended September 30, 2023, further adjusts for the non-recurring stand-up costs associated with integrating MW.



# Summary of Operating Results

## NATURAL GAS DISTRIBUTION SEGMENT

Results of Natural Gas Distribution <i>(in thousands of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Regulated operations revenues	\$ 359,131	\$ 394,603	\$ 1,922,157	\$ 1,797,348
Net cost of gas sold	111,712	170,056	984,188	902,278
Operating margin	247,419	224,547	937,969	895,070
Operations and maintenance expense	129,736	122,270	390,229	378,189
Depreciation and amortization	74,153	69,268	220,663	218,763
Taxes other than income taxes	22,283	21,147	66,414	65,491
Operating income	21,247	11,862	260,663	232,627
Other income	16,665	14,537	48,976	51,722
Net interest deductions	42,312	35,772	118,595	111,498
Income (loss) before income taxes	(4,400)	(9,373)	191,044	172,851
Income tax expense (benefit)	(4,972)	(6,122)	27,053	22,286
Segment net income (loss)	\$ 572	\$ (3,251)	\$ 163,991	\$ 150,565

# Non-GAAP Measures

(\$ in thousands, except per share amounts)

Adjusted SWX income and adjusted EPS for the three and nine months ended September 30, 2024, adjusts for accounts receivable securitization fees and debt extinguishment loss, strategic review, including Centuri separation costs, and the amortization of intangible assets (all of which exclude amounts related to noncontrolling interest). The adjustments for the three months ended September 30, 2023 adjusts for the goodwill impairment and loss on sale and sale-related expenses, consulting fees related to Utility optimization, and strategic review, including Centuri separation costs. Incrementally, the adjustments for the nine months ended September 30, 2023, further adjusts for the non-recurring stand-up costs associated with integrating MW.

Adjusted Corporate and Administrative loss and adjusted EPS for the three and nine months ended September 30, 2024 adjusts for Centuri separation costs (excluding amounts related to noncontrolling interest). Incrementally, the adjustments for the three and nine months ended September 30, 2023, further adjusts for goodwill impairment and loss on sale and sale-related expenses, MW stand-up, integration, and transaction-related costs, and consulting fees related to Utility optimization.

There were no adjustments at Southwest for the three and nine months ended September 30, 2024. Adjusted Southwest income and adjusted EPS for the three and nine months ended September 30, 2023 adjusts for consulting fees related to Utility optimization.

We do not provide a reconciliation of forward-looking Non-GAAP Measures to the corresponding forward-looking GAAP measure due to our inability to project special charges and certain expenses.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>SWX Adjusted Net Income and Adjusted EPS</b>				
SWX net income	\$ 289	\$ 3,231	\$ 106,359	\$ 78,020
Goodwill impairment and loss on sale and sale-related expenses	-	183	-	73,268
Accounts receivable securitization fees and debt extinguishment loss	2,525	-	2,525	-
Nonrecurring stand-up cost associated with integrating MW	-	-	-	2,856
Consulting fees related to optimization opportunity identification, benchmarking, and assessment	-	1,851	-	4,246
Strategic review and Centuri separation	744	3,631	7,527	9,028
Amortization of intangible assets	5,394	6,669	17,747	20,007
Income tax effect of adjustments	(2,123)	(3,002)	(6,335)	(15,096)
<b>SWX adjusted net income</b>	<b>\$ 6,829</b>	<b>\$ 12,563</b>	<b>\$ 127,823</b>	<b>\$ 172,329</b>
Weighted average diluted shares	72,086	71,851	71,994	70,676
<b>SWX adjusted EPS</b>	<b>\$ 0.09</b>	<b>\$ 0.17</b>	<b>\$ 1.78</b>	<b>\$ 2.44</b>
<b>Corporate &amp; Admin. Adjusted Net Income and Adjusted EPS</b>				
Corporate and Admin. net loss	\$ (10,239)	\$ (11,474)	\$ (36,412)	\$ (81,159)
Goodwill impairment and loss on sale	-	183	-	52,053
MW stand-up, integration, and transaction-related costs	-	-	-	291
Consulting fees related to optimization opportunity identification, benchmarking, and assessment	-	278	-	637
Centuri separation cost	555	3,082	4,932	7,251
Income tax effect of adjustments	(133)	(851)	(1,183)	(14,457)
<b>Corporate and Admin. adjusted net loss</b>	<b>\$ (9,817)</b>	<b>\$ (8,782)</b>	<b>\$ (32,663)</b>	<b>\$ (35,384)</b>
Weighted average diluted shares	72,086	71,851	71,994	70,676
<b>Corporate and Admin. adjusted EPS</b>	<b>\$ (0.14)</b>	<b>\$ (0.12)</b>	<b>\$ (0.45)</b>	<b>\$ (0.50)</b>
<b>Southwest Adjusted Net Income and Adjusted EPS</b>				
Southwest net income (loss)	\$ 572	\$ (3,251)	\$ 163,991	\$ 150,565
Consulting fees related to optimization opportunity identification, benchmarking, and assessment	-	1,573	-	3,609
Income tax effect of adjustment	-	(378)	-	(867)
<b>Southwest net income (loss)</b>	<b>\$ 572</b>	<b>\$ (2,056)</b>	<b>\$ 163,991</b>	<b>\$ 153,307</b>
Weighted average diluted shares	72,086	71,851	71,994	70,676
<b>Southwest adjusted EPS</b>	<b>\$ 0.01</b>	<b>\$ (0.03)</b>	<b>\$ 2.28</b>	<b>\$ 2.17</b>

# Non-GAAP Measures

(\$ in thousands, except per share amounts)

There were no adjustments at MW for the three and nine months ended September 30, 2024 or the three months ended September 30, 2023. Adjusted MW loss and adjusted EPS for the nine months ended September 30, 2023 adjusts for nonrecurring stand-up costs and goodwill impairment and loss on sale.

Adjusted Centuri net income (loss) and adjusted EPS for the three and nine months ended September 30, 2024, adjusts for accounts receivable securitization fees and debt extinguishment loss, strategic review costs, including the Centuri separation, accounts receivable securitization fees and debt extinguishment loss, and the amortization of intangible assets. The adjustments for the three months ended September 30, 2023, adjusts for strategic review costs, including the Centuri separation. Incrementally, the adjustments for the nine months ended September 30, 2023, further include amortization of intangible assets.

We do not provide a reconciliation of forward-looking Non-GAAP Measures to the corresponding forward-looking GAAP measure due to our inability to project special charges and certain expenses.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>MW Adjusted Net Income and Adjusted EPS</b>				
MW net loss	\$ -	\$ -	\$ -	\$ (16,288)
Nonrecurring stand-up cost associated with integrating MW	-	-	-	2,565
Goodwill impairment and loss on sale	-	-	-	21,215
Income tax effect of adjustments	-	-	-	5,580
<b>MW adjusted net income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,072</b>
Weighted average diluted shares	72,086	71,851	71,994	70,676
<b>MW adjusted EPS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.18</b>
<b>Centuri Adjusted Net Income and Adjusted EPS</b>				
Centuri net income (loss)	\$ 9,956	\$ 17,956	\$ (21,220)	\$ 24,902
Strategic review costs, including Centuri separation	189	549	2,595	1,777
Accounts receivable securitization fees and debt extinguishment loss	2,525	-	2,525	-
Amortization of intangibles	5,394	6,669	17,747	20,007
Income tax impact of adjustments	(1,990)	(1,773)	(5,152)	(5,352)
<b>Centuri adjusted net income (loss)</b>	<b>\$ 16,074</b>	<b>\$ 23,401</b>	<b>\$ (3,505)</b>	<b>\$ 41,334</b>
Weighted average diluted shares	72,086	71,851	71,994	70,676
<b>Centuri adjusted EPS</b>	<b>\$ 0.22</b>	<b>\$ 0.33</b>	<b>\$ (0.05)</b>	<b>\$ 0.58</b>