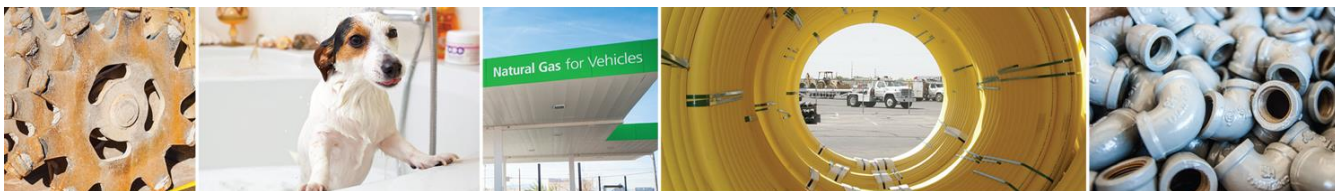


2016 Third Quarter Earnings Conference Call November 9, 2016





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 2016 expectations for our construction services and natural gas operations segments.

Forward-looking statements are based on assumptions which we believe are reasonable, based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” of our 2015 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;
- Customer growth rates;
- Conditions in housing markets;
- The effects of regulation/deregulation;
- The impacts of construction activity at our construction services segment;
- The impacts of stock market volatility; and
- Other factors discussed from time to time in our filings with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. The statements in this presentation are made as of the date hereof, even if subsequently made available on our Web site or otherwise. We do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.



2016 Recent Highlights

Consolidated

- Full year projections refined, but little changed with overall expectations
- Holding Company reorganization remains on schedule to become effective January 2017

Natural Gas Operations

- Added 29,000 net new customers over the last twelve months
- The PUCN approved \$57.3 million of replacement work for projects to be completed in 2017 under the GIR mechanism
- Paiute Pipeline announced a \$17 million expansion project expected to be completed by the end of 2018

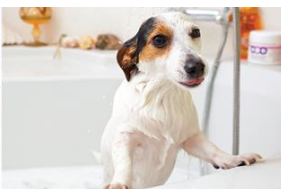
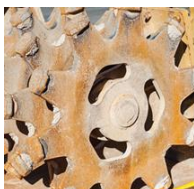
Construction Services

- Contributed record quarterly net income of \$14.9 million
- Projecting \$1.1 billion in revenue for 2016



Call Outline

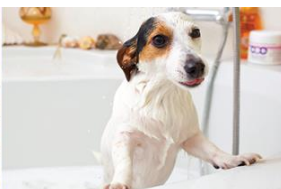
- I. Consolidated earnings – September 30, 2016
- II. Natural gas segment
- III. Centuri Construction Group
- IV. Regulation
- V. Customer growth
- VI. Capital expenditures
- VII. 2016 outlook update



Summary Operating Results

(In thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2016	2015	2016	2015
Results of Consolidated Operations				
Gas operations income (loss)	\$ (12,405)	\$ (18,939)	\$ 119,836	\$ 113,252
Construction services income	14,877	14,205	33,144	17,692
Net income (loss)	<u>\$ 2,472</u>	<u>\$ (4,734)</u>	<u>\$ 152,980</u>	<u>\$ 130,944</u>
Basic earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ 3.22</u>	<u>\$ 2.80</u>
Diluted earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ 3.20</u>	<u>\$ 2.77</u>
Average shares outstanding	47,481	47,102	47,442	46,777
Average shares outstanding (assuming dilution)	47,830	-	47,787	47,194



Summary Operating Results

(In thousands)

Results of Natural Gas Operations

Gas operating revenues
 Net cost of gas sold
 Operating margin
 Operations and maintenance expense
 Depreciation and amortization
 Taxes other than income taxes
 Operating income (loss)
 Other income (deductions)
 Net interest deductions
 Income (loss) before income taxes
 Income tax expense (benefit)
 Contribution to net income (loss)

THREE MONTHS ENDED SEPTEMBER 30,		
	2016	2015
Gas operating revenues	\$ 200,179	\$ 219,420
Net cost of gas sold	39,056	64,268
Operating margin	161,123	155,152
Operations and maintenance expense	102,438	100,102
Depreciation and amortization	56,436	52,672
Taxes other than income taxes	12,480	11,652
Operating income (loss)	(10,231)	(9,274)
Other income (deductions)	2,521	(3,525)
Net interest deductions	16,364	16,259
Income (loss) before income taxes	(24,074)	(29,058)
Income tax expense (benefit)	(11,669)	(10,119)
Contribution to net income (loss)	\$ (12,405)	\$ (18,939)



Three Months Ended September 30, 2016

Increase in Operating Margin

Natural Gas Operations

(In millions)

Rate relief (CA, Paiute)	\$	2
Conservation and energy efficiency (NV)		2
Customer growth		1
Other		1
Increase	\$	6



Three Months Ended September 30, 2016

Operating Expenses

Natural Gas Operations

Operating expenses increased \$6.9 million

- O&M expense increased 2%
 - General cost increases
 - Higher expenses for pipeline integrity management and damage prevention programs
 - Increases were partially offset by lower pension costs
- Depreciation, amortization, and general taxes increased \$4.6 million, or 7%
 - Average gas plant in service increased \$366 million or 6%



Other Income and Deductions

Natural Gas Operations

(In thousands)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2016	2015
Change in COLI policies	\$ 2,300	\$ (3,900)
Miscellaneous income and (expense)	221	375
Total other income (deductions)	<u>\$ 2,521</u>	<u>\$ (3,525)</u>



Summary Operating Results

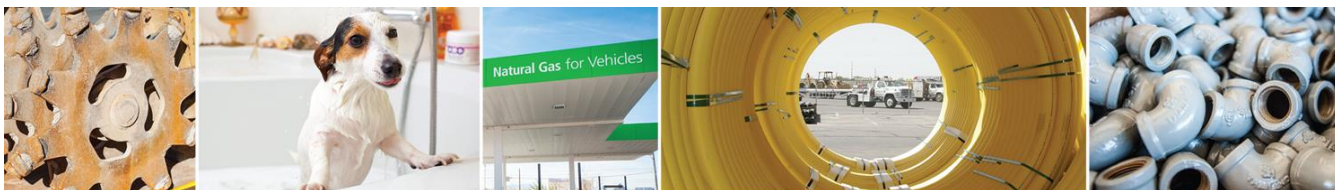
Natural Gas Operations

(In thousands)

TWELVE MONTHS ENDED SEPTEMBER 30,

Results of Natural Gas Operations

	2016	2015
Gas operating revenues	\$ 1,376,388	\$ 1,457,266
Net cost of gas sold	460,836	570,052
Operating margin	915,552	887,214
Operations and maintenance expense	400,222	385,271
Depreciation and amortization	228,609	210,863
Taxes other than income taxes	51,810	50,059
Operating income	234,911	241,021
Other income (deductions)	9,615	1,652
Net interest deductions	65,146	64,958
Income before income taxes	179,380	177,715
Income tax expense	59,544	64,463
Contribution to net income	\$ 119,836	\$ 113,252



Twelve Months Ended September 30, 2016

Increase in Operating Margin

Natural Gas Operations

(In millions)

Customer growth	\$	8
Rate relief (CA, Paiute)		8
Conservation and energy efficiency (NV)		8
Other		4
Increase	\$	28



Twelve Months Ended September 30, 2016

Natural Gas Operations

- Operations and maintenance expense increased \$15 million between periods
 - General cost increases
 - Pipeline integrity management and damage prevention programs increased \$4 million
- Depreciation, amortization, and general taxes increased \$19.5 million, or 7%, between periods
 - Average gas plant in service increased \$320 million
 - Amortization related to the recovery of regulatory assets increased \$6.3 million

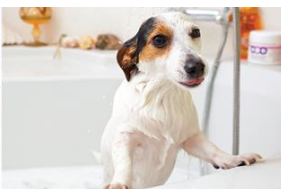
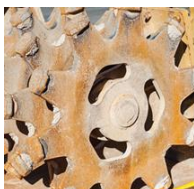


Other Income and Deductions

Natural Gas Operations

(In thousands)

	<u>TWELVE MONTHS ENDED SEPTEMBER 30,</u>	
	<u>2016</u>	<u>2015</u>
Change in COLI policies	\$ 7,500	\$ (200)
Miscellaneous income and (expense)	2,115	1,852
Total other income (deductions)	<u>\$ 9,615</u>	<u>\$ 1,652</u>



Summary Operating Results

Construction Services

(In thousands)

	THREE MONTHS ENDED SEP 30,		TWELVE MONTHS ENDED SEP 30,	
	2016	2015	2016	2015
Results of Construction Services				
Construction revenues	\$ 339,790	\$ 285,976	\$ 1,127,982	\$ 948,637
Operating expenses:				
Construction expenses	300,611	246,755	1,009,188	850,591
Depreciation and amortization	13,409	13,804	58,368	55,948
Operating income	25,770	25,417	60,426	42,098
Other income (deductions)	44	(135)	1,246	(686)
Net interest deductions	1,794	2,142	6,738	8,961
Income tax expense	8,708	8,411	20,711	14,074
Noncontrolling interests	435	524	1,079	685
Contribution to net income	<u>\$ 14,877</u>	<u>\$ 14,205</u>	<u>\$ 33,144</u>	<u>\$ 17,692</u>



Three Months Ended September 30, 2016

Construction Services

- Revenues increased \$54 million
 - Additional pipe replacement work
 - Newly acquired ETTI provided \$4.8 million in revenue
- Construction expenses increased \$54 million
 - Additional pipe replacement work, as noted above
 - Includes incremental \$1 million related to management realignment activities
 - Profit margins, while still strong, declined modestly due mainly to mix of work with existing customers
- Depreciation & amortization decreased \$395,000
 - Includes \$2 million reduction due to change in estimated lives of certain depreciable equipment
 - Substantially offset by depreciation on new equipment purchased to support the growing volume of work



Twelve Months Ended September 30, 2016

Construction Services

- Revenues increased \$179 million
 - Additional pipe replacement work
 - Favorable weather conditions provided extended construction season for certain parts of U.S. and Canada
- Construction expenses increased \$159 million
 - Additional pipe replacement work
- Depreciation expense increased \$2.4 million
 - Additional equipment purchased to support growth and volume of work being performed
 - Partially offset by \$2 million decline resulting from change in estimated useful lives of certain equipment
- Operating income between periods benefitted from activity related to a previously completed Canadian project
 - Current period reflects \$4 million change order revenue
 - Prior period included \$7.7 million pretax loss reserve



Regulation Key Highlights

Natural Gas Operations

- Rate Relief
 - Arizona general rate case
- Infrastructure Replacement Programs
 - Arizona COYL program
 - Nevada GIR program
- Expansion Projects
 - LNG facility in Arizona
 - 2018 expansion project - Paiute Pipeline Company (FERC)
- Holding Company Reorganization



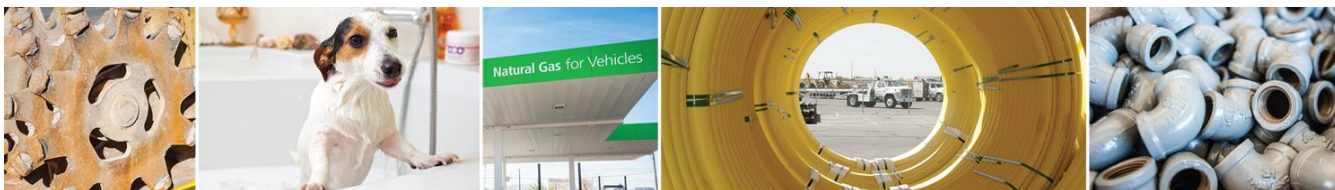
Regulation – General Rate Cases

Arizona General Rate Case

Natural Gas Operations

End of rate case moratorium: Filed May 2016

	Southwest Gas Requested
Rate Relief	\$32 Million
Depreciation study	(\$42 Million)
Rate Base	\$1.3 Billion
ROE	10.25%
Capital Structure - Equity	52%
Rate Design	Continuation of Decoupling Mechanism Gas Infrastructure Modernization Mechanism Property Tax Tracker
Estimated Effective Date	May 2017



Regulation – General Rate Cases

Arizona General Rate Case

Natural Gas Operations

Year	Date	Procedural Schedule - Docket No. G-01551A-16-0107
2016	May 2	Application Filed
	Nov 30	Direct Testimony (Staff & Intervenors non rate design)
	Dec 14	Direct Testimony (Staff & Intervenors rate design)
	Dec 15	Settlement Discussions Scheduled
	Dec 30	Rebuttal Testimony (Southwest Gas)
2017	Jan 20	Surrebuttal Testimony (Staff & Intervenors)
	Jan 30	Rejoinder Testimony (Southwest Gas)
	Feb 6	Hearings
	May 2017	New Rates (date pending)

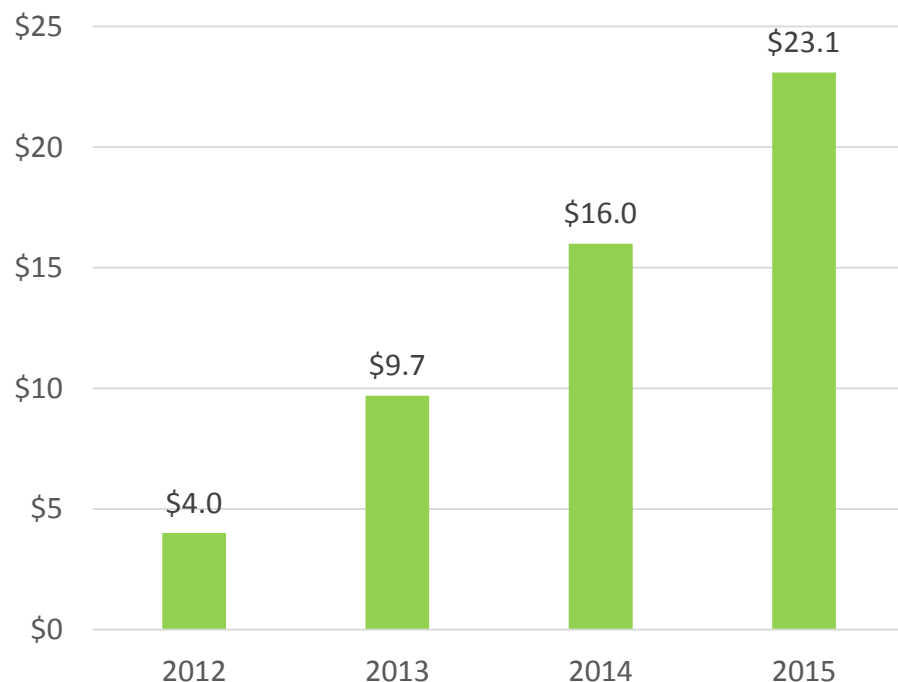


Regulation–Infrastructure Recovery Mechanisms

- Arizona Customer Owned Yard Line (COYL) program approved as part of last rate case decision

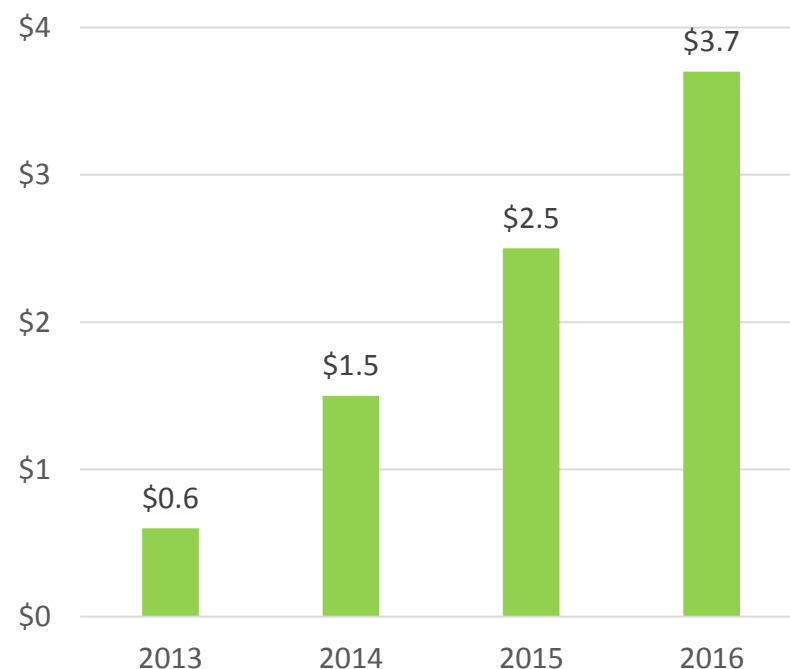
Cumulative COYL Capital Expenditures

As of December 31
(\$ in millions)



Annual COYL Surcharge

As of June 1
(\$ in millions)

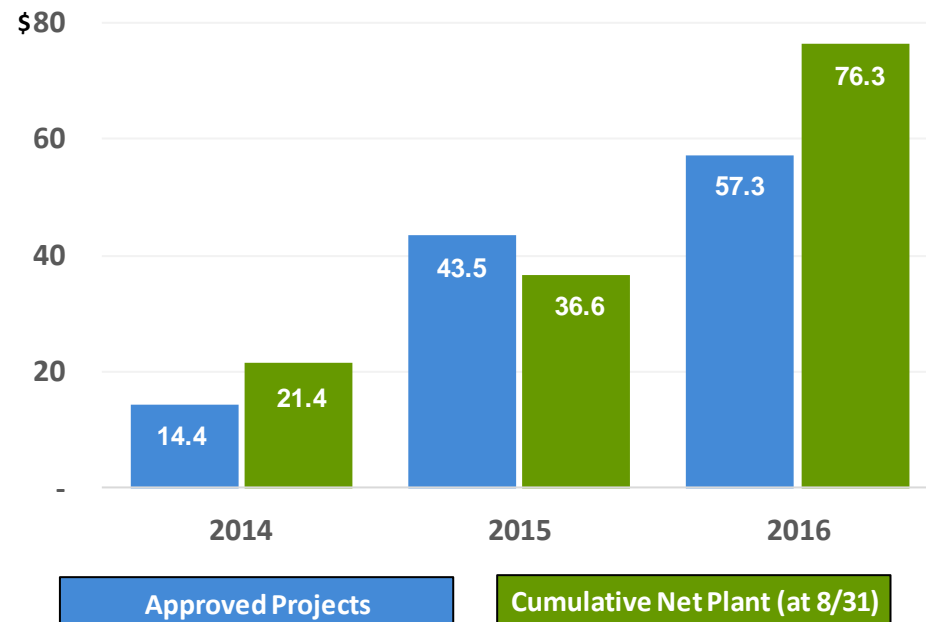




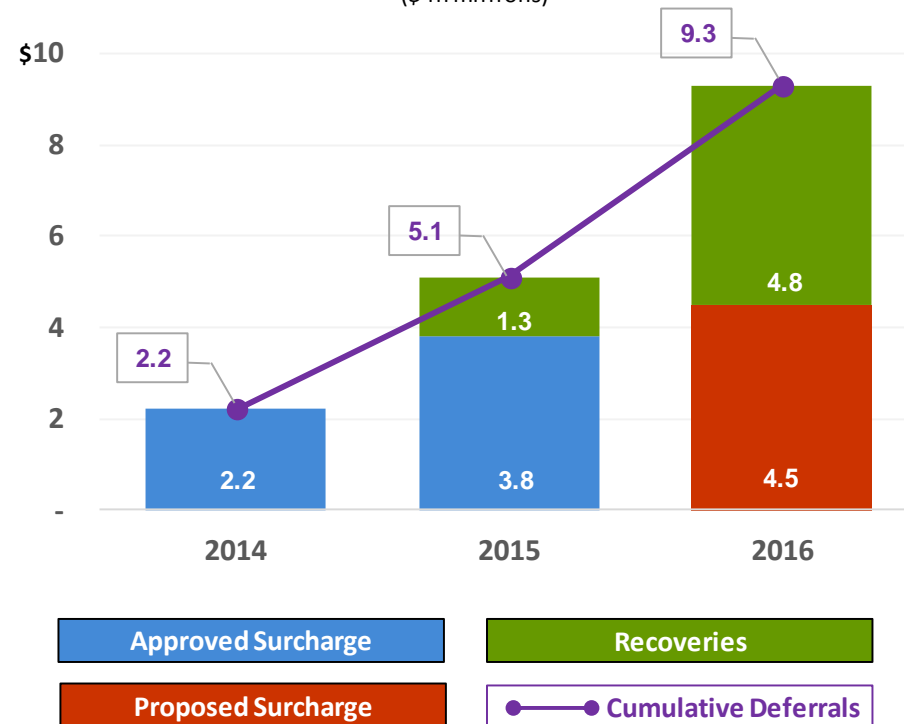
Regulation—Infrastructure Recovery Mechanisms

- Nevada Gas Infrastructure Replacement (GIR) Mechanism - regulations approved in January 2014

GIR Approved Projects and Cumulative Net Plant
(\$ in millions)



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





Regulation – Other Regulatory Proceedings

Natural Gas Operations

Expansion Projects

➤ Arizona LNG Facility

- In December 2014 ACC authorized preapproval to construct and operate an LNG facility and to defer costs up to \$50 million
- Southwest Gas made a filing in October 2016 to modify the previous decision granting preapproval to reflect a new not to exceed amount of \$80 million, reflective of current market pricing to construct the proposed 233,000 dekatherm LNG facility
 - A decision on the modification request is anticipated prior to year end

➤ 2018 Paiute Expansion Project

- Proposed project consists of approximately 8.4 miles of additional pipeline infrastructure and the estimated project cost is \$17 million
- In October 2016 Paiute initiated a pre-filing review process with the FERC for the expansion project and expects to file a formal certificate application by mid-2017
- If all proceeds as planned, the new facilities could be in place by the end of 2018



Regulation – Other Regulatory Proceedings

Natural Gas Operations

Holding Company Reorganization

- In October 2015, filed regulatory applications with the three state commissions (ACC, CPUC, and PUCN) for approval to reorganize as a holding company
 - Received approval from the CPUC in January 2016, PUCN in March 2016, and the ACC in May 2016
- A number of due diligence items, including various third party consents, have been furthered over the past several months and are anticipated to be completed prior to year end
- Expected to become effective in January 2017

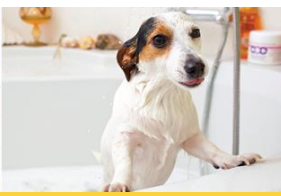
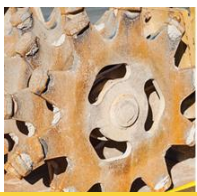


Customer Growth Breakdown

Natural Gas Operations

(In thousands)

	TMTD September 30,		
	2014	2015	2016
Beginning period	1,883	1,912	1,938
New meter sets	20	22	26
Meter turn-on/turn-offs	9	4	3
Ending period	<u>1,912</u>	<u>1,938</u>	<u>1,967</u>



Economic Overview

Service Area

Natural Gas Operations

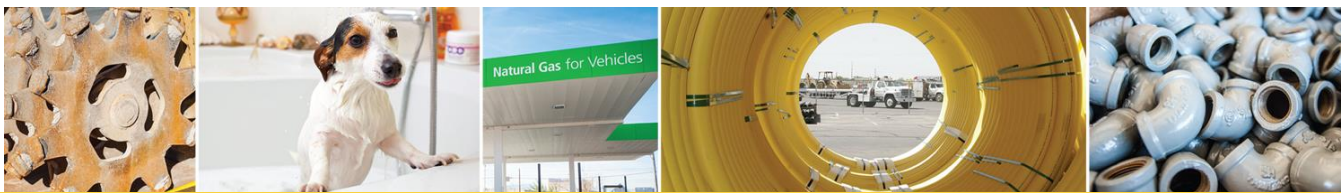
	<u>Unemployment Rate</u>		<u>Employment Growth</u>	
	<u>September 2015</u>	<u>September 2016</u>	<u>September 2015</u>	<u>September 2016</u>
Southern California ¹	6.1%	6.2%	2.8%	2.3%
Southern Nevada ²	6.8%	5.6%	2.3%	0.9%
Northern Nevada ³	6.4%	5.2%	-1.1%	-0.1%
Southern Arizona ⁴	5.7%	5.2%	1.4%	2.1%
Central Arizona ⁴	5.5%	4.8%	2.5%	2.5%

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/>]



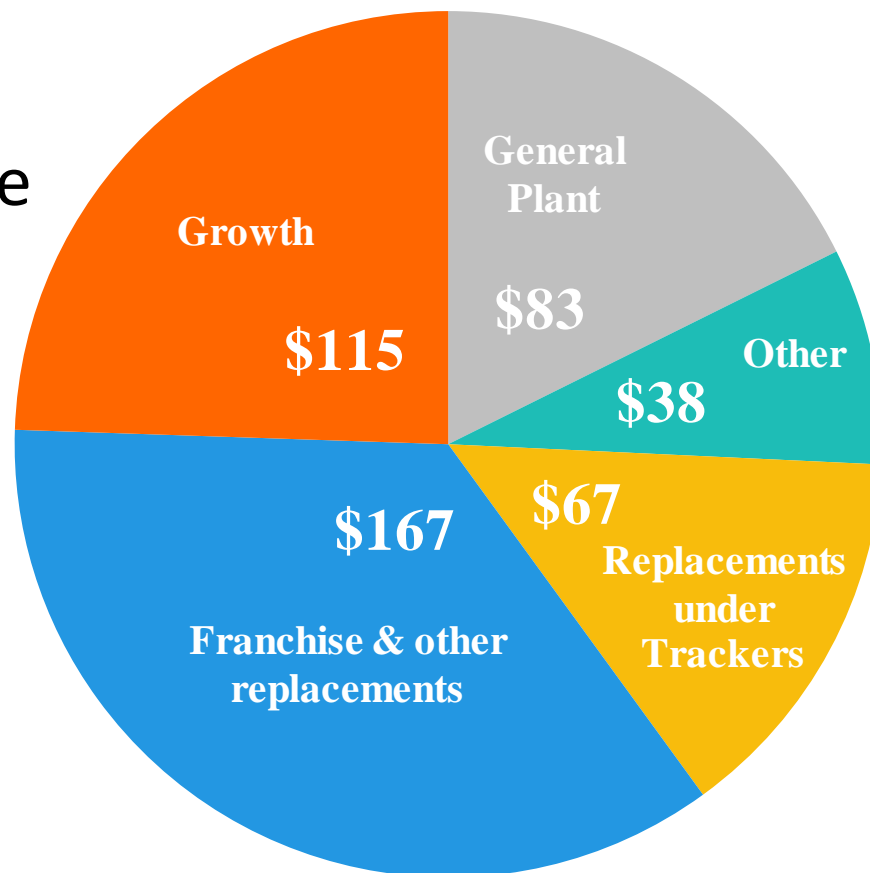
SOUTHWEST GAS

2016 Capital Expenditures

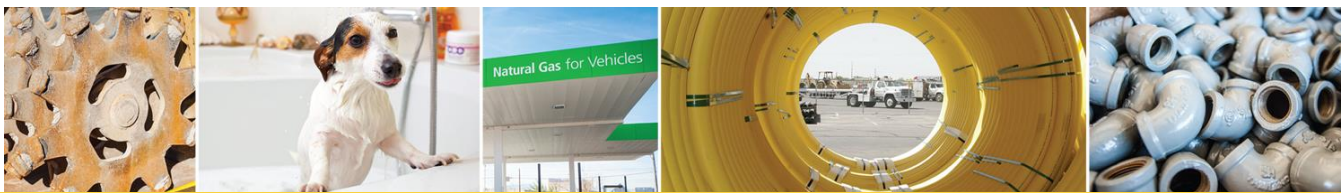
Natural Gas Operations

(In millions)

- 2016 total estimate
 - \$470 million



2016-2018 estimate: \$1.4 billion to \$1.6 billion



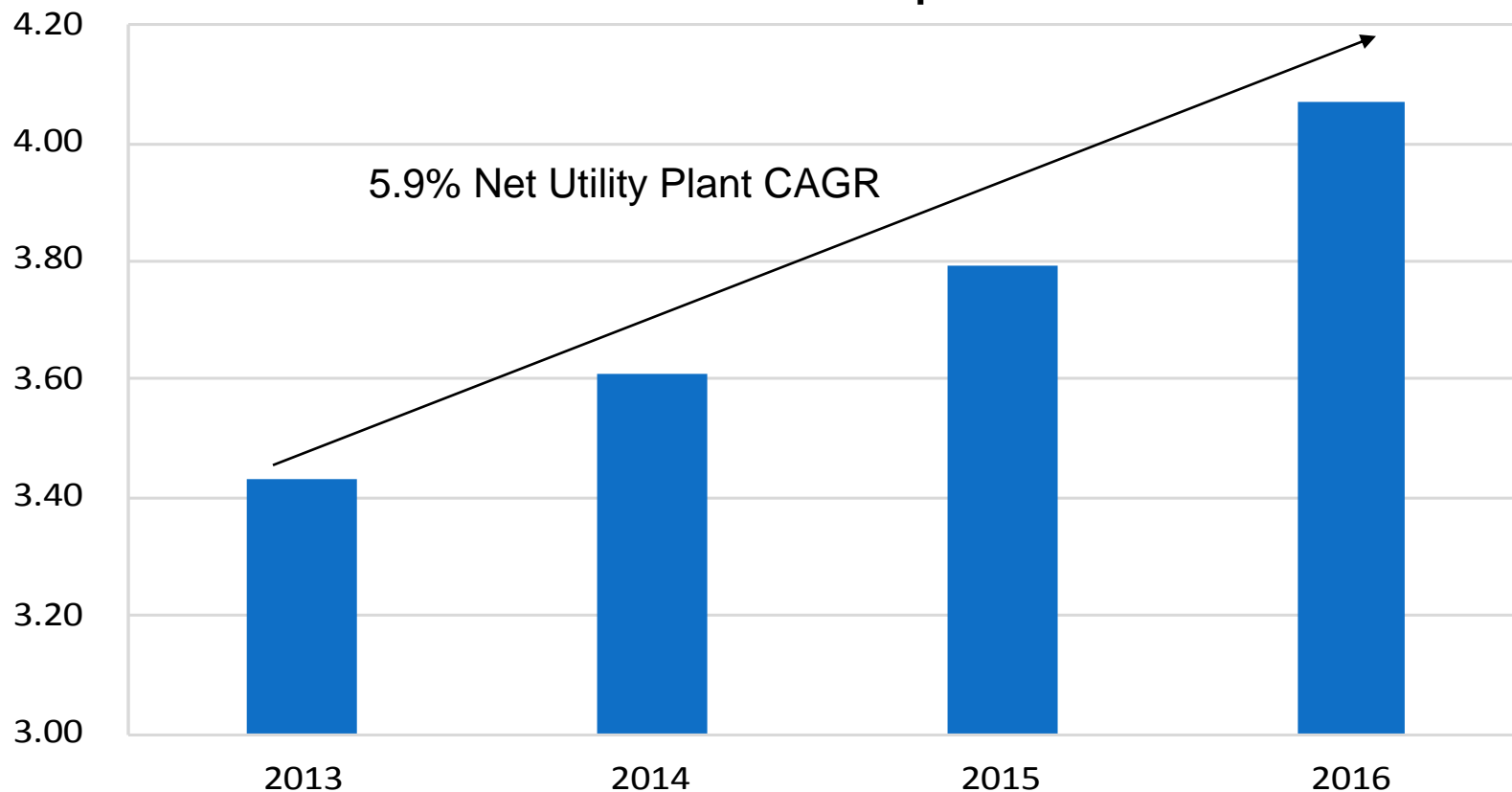
SOUTHWEST GAS

Net Utility Plant – Growth

Natural Gas Operations

(In billions)

For Periods Ended September 30



CAGR = compound annual growth rate



2016 Outlook Update

Natural Gas Operations

- Operating margin increase of approximately 3%
 - Additionally, new rates related to recovery of NV conservation programs to increase margin by nearly \$11 million, offset by similar amortization expense increase
- O&M expense expected to increase modestly
 - Higher general & incremental costs partially offset by pension cost decrease
- Depreciation & general taxes increase consistent with gas plant growth of 5% – 6%, plus impact of NV conservation programs noted above
- Operating income to increase by 2% – 3% (previously 3% – 4%)
- Average normal annual COLI returns of \$3 – \$5 million
 - Continue to be subject to volatility, evidenced by swing over last two years
- Net interest deductions increase for 2016 expected to be \$2 – \$3 million (previously \$2 – \$4 million) due to capital expenditure financing needs
 - Includes the impact of \$300 million senior notes issued late September 2016



2016 Outlook Update

Construction Services

- Revenues are anticipated to approximate \$1.1 billion
 - Primarily driven by strong base of large utility clients, many with multi-year pipe replacement programs, positioned to sustain and grow business
- Operating income approximating 5% (previously 5% – 5.5%) of revenues
- Net interest deductions between \$6.5 – \$7.5 million
 - Based on current interest rate environment
- Collective expectations exclude consideration of earnings attributable to noncontrolling interests
- Changes in foreign exchange rates could influence outcomes



APPENDIX



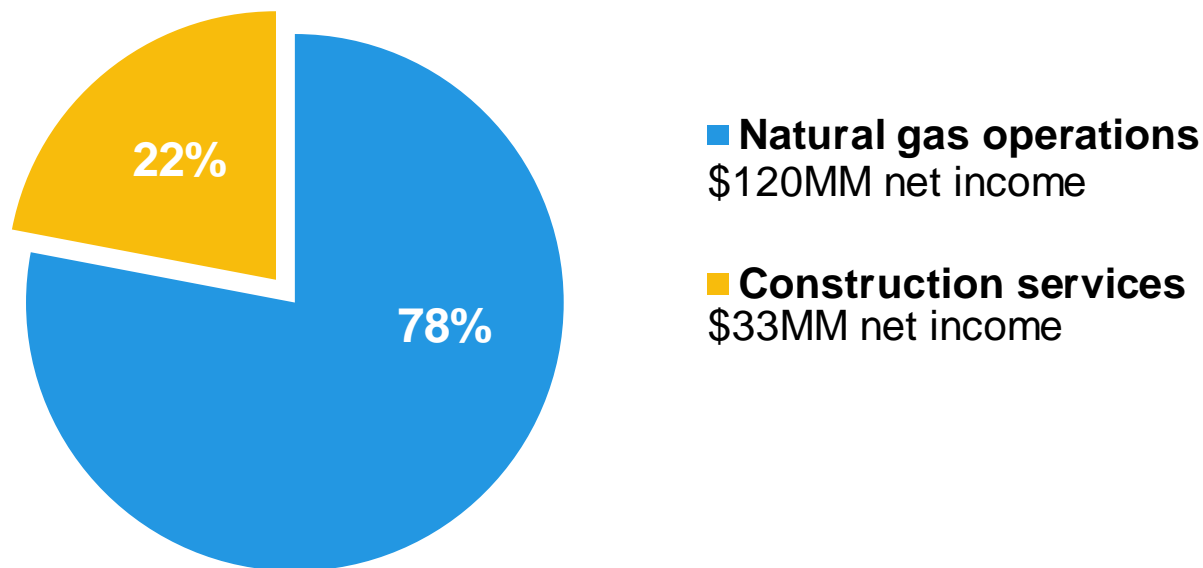


Two Business Segments

Southwest Gas consists of two business segments

- Natural gas operations
- Construction services (Centuri)

**TMTD 9/30/16 Net Income
\$153MM**





Southwest Gas is a Regional Leader in Natural Gas Distribution

Headquartered in Las Vegas

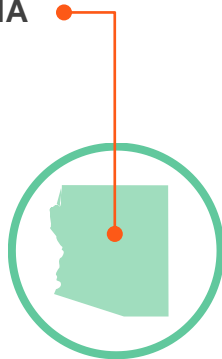
Largest distributor of natural gas in Arizona and Nevada

Distributes and transports natural gas in parts of California

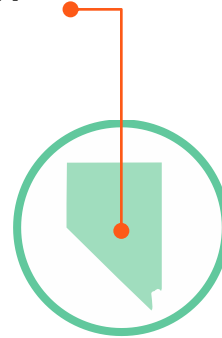
1,967,000 customers in service territory at 9/30/2016

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

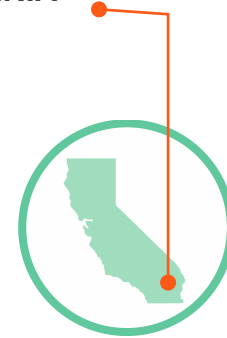
ARIZONA



NEVADA



CALIFORNIA

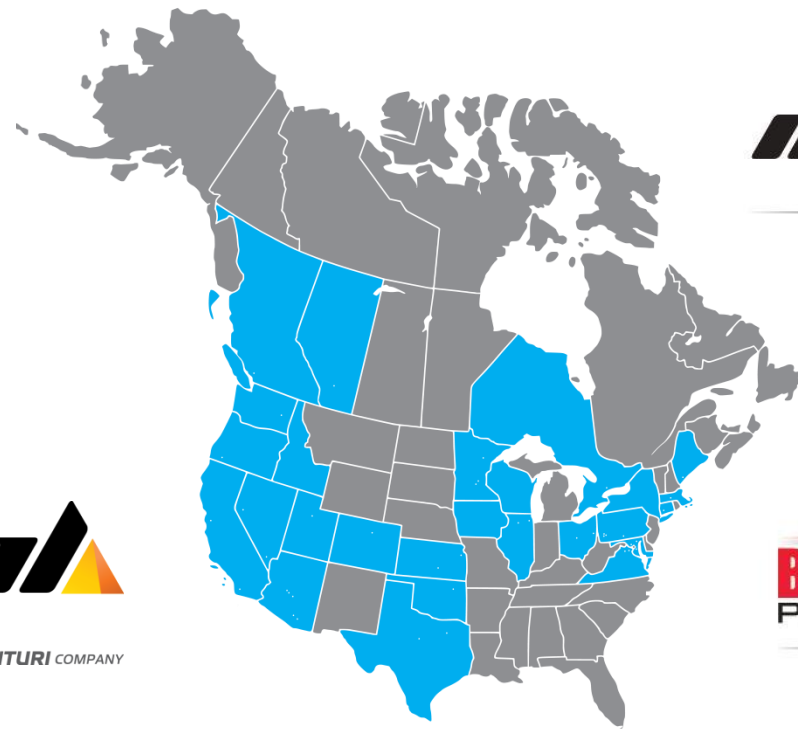




Centuri Construction Group

Construction Services - Markets

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

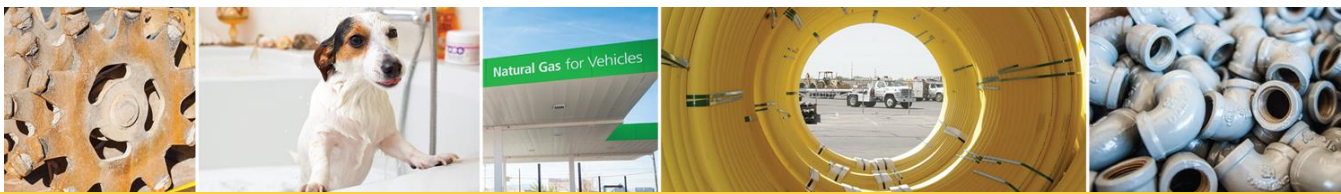




Centuri Construction Group

Construction Services - Customers





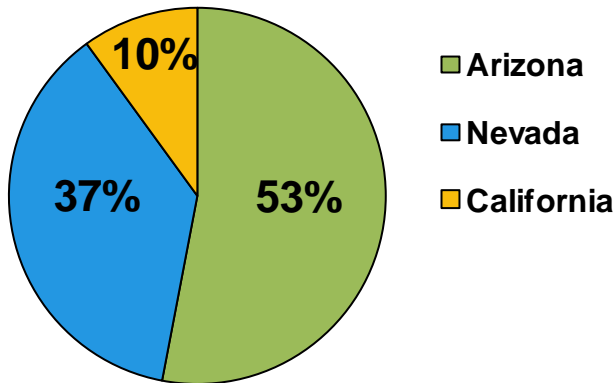
Stable Customer Base

Natural Gas Operations

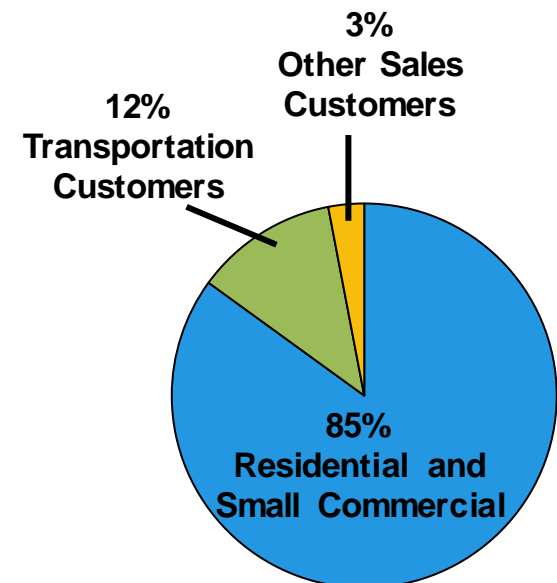
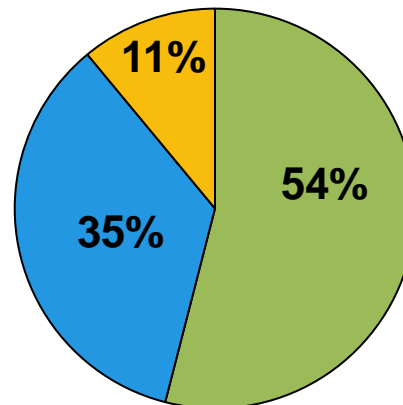
TMTD September 30, 2016 Customer & Operating Margin Distribution

By State

Customers



Margin



➤ Consistent trends year over year

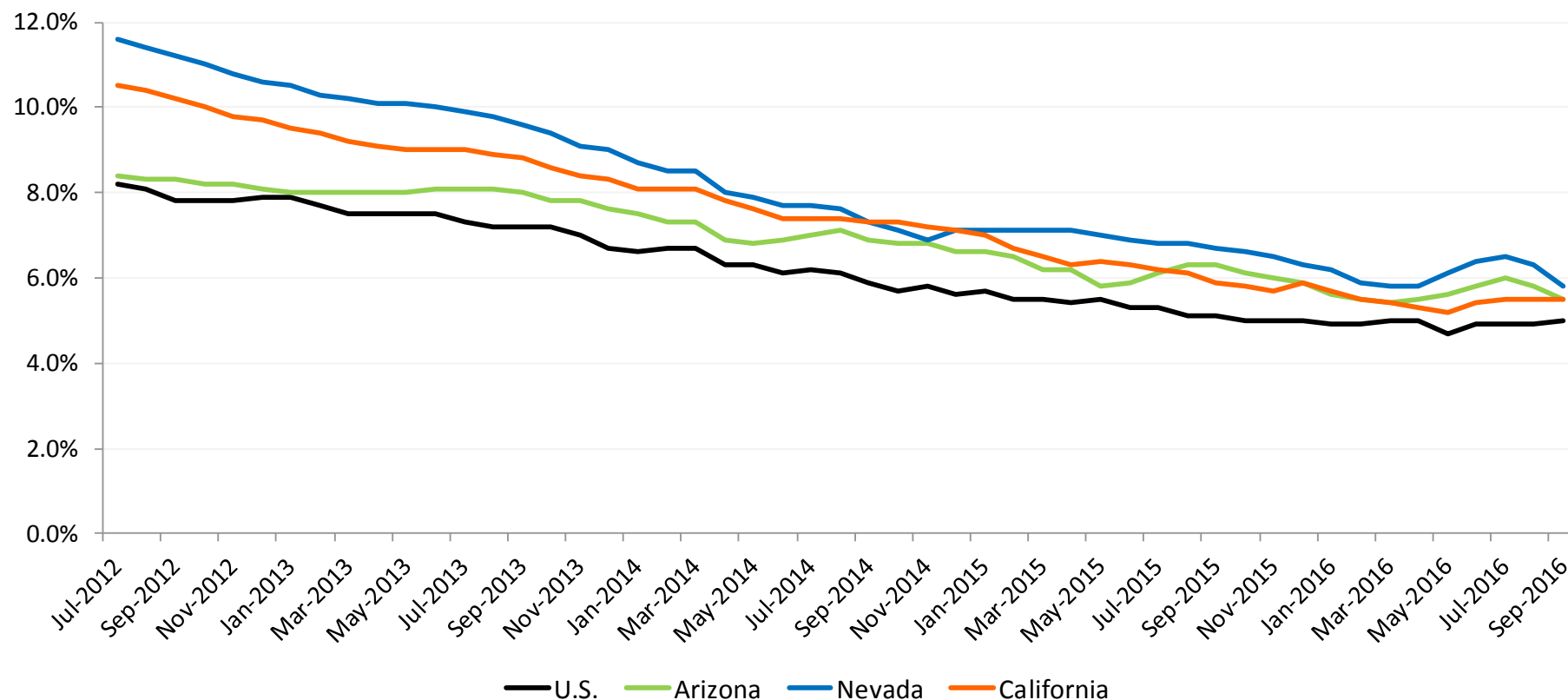


SOUTHWEST GAS

Economic Overview – Service Area

Natural Gas Operations

Unemployment Rate
Seasonally Adjusted Data





Regulation

California Annual Attrition and Implementation Plan Natural Gas Operations

- 2016 attrition increase of \$2.5 million
- Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plan (Implementation Plan)
 - Involved replacement of 7.1 miles of transmission pipeline and installation of remote control shut-off valve
 - CPUC approved adjustment to recover costs which is expected to result in a \$1.7 million margin increase for 2016



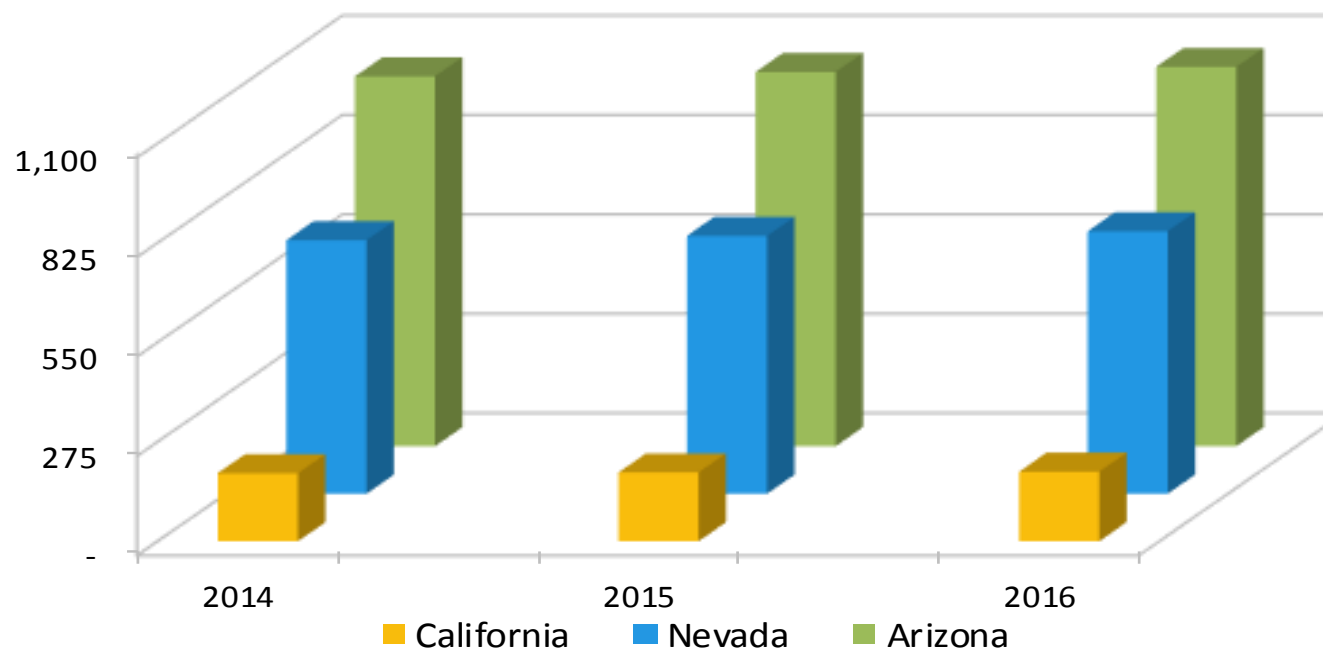
Customers by State

Natural Gas Operations

(In thousands)

As of September 30,

	2014	2015	2016
Arizona	1,023	1,035	1,049
Nevada	701	713	726
California	188	190	192
Total	1,912	1,938	1,967



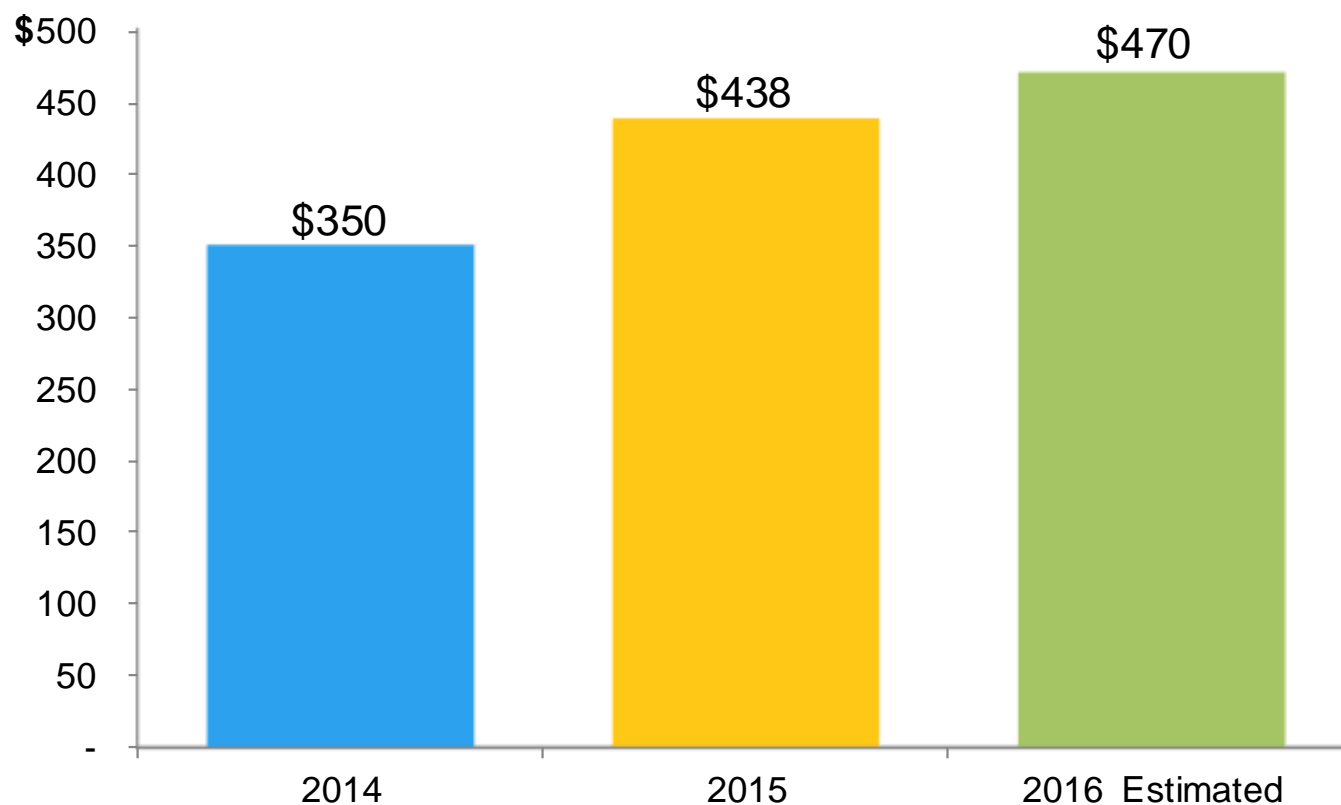


SOUTHWEST GAS

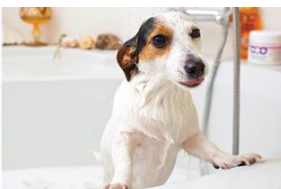
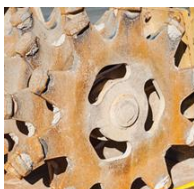
Capital Expenditures

Natural Gas Operations

(In millions)



2016 - 2018 Estimate: \$1.4 billion - \$1.6 billion



Purchased Gas Adjustment (PGA) Balances

Natural Gas Operations

(In millions)

	September 30, 2015	December 31, 2015	September 30, 2016
Arizona	\$ (6.0)	\$ (3.5)	\$ (34.4)
Northern Nevada	(4.3)	(2.3)	(10.3)
Southern Nevada	(34.4)	(39.8)	(77.4)
California	0.8	3.6	(1.3)
Total Receivable/(Payable)	<u>(43.9)</u>	<u>(42.0)</u>	<u>(123.4)</u>



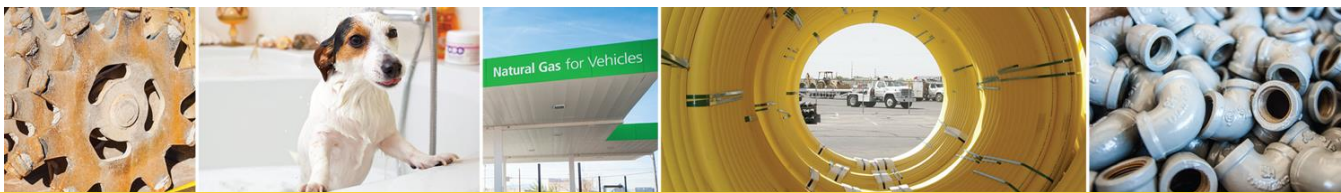
Authorized Rate Base and Rates of Return

Natural Gas Operations

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

(1) Estimated amounts based on rate case settlement.

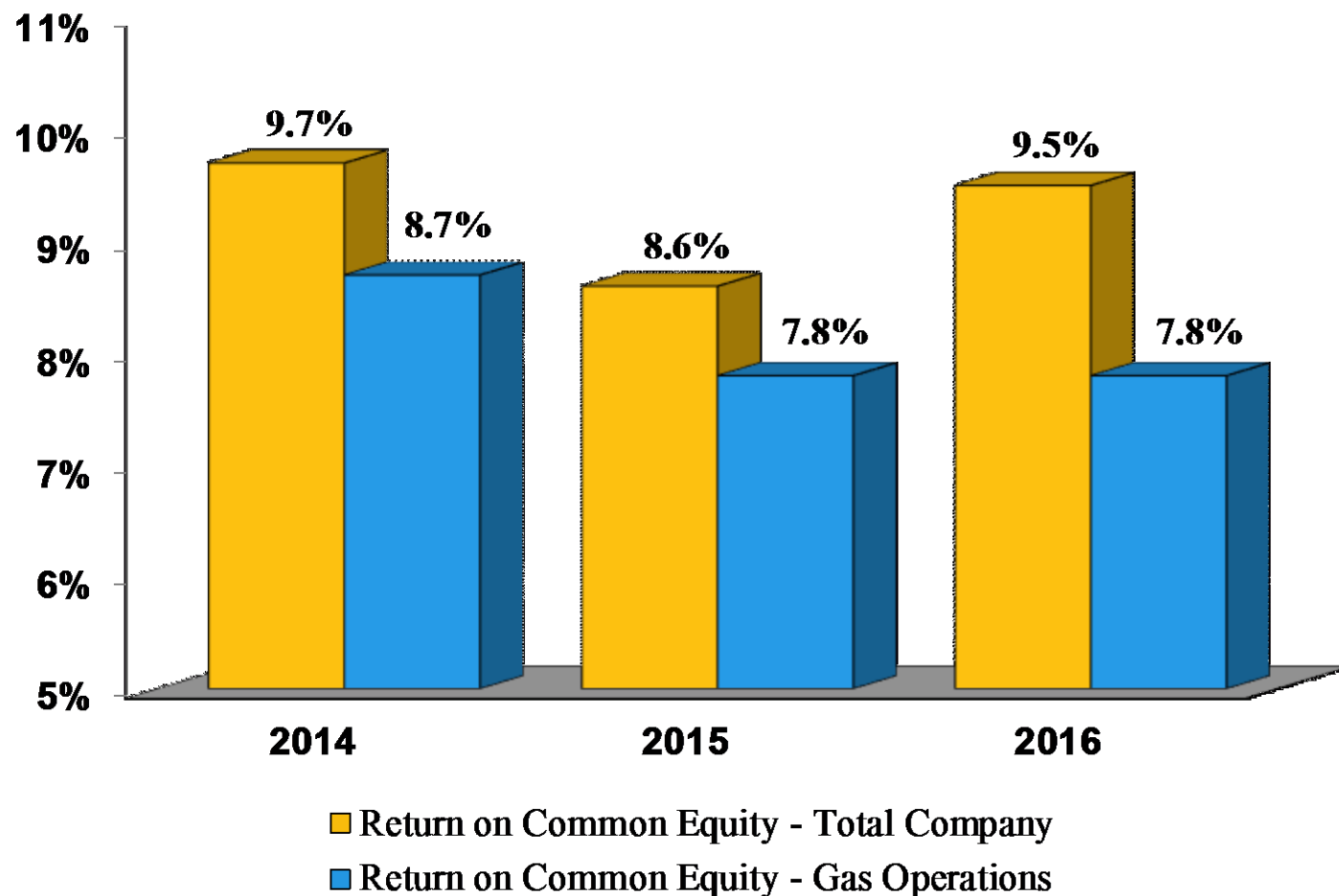
ACC – Arizona Corporation Commission
PUCN - Public Utilities Commission of Nevada
CPUC - California Public Utilities Commission
FERC - Federal Energy Regulatory Commission



SOUTHWEST GAS

Return on Common Equity

Twelve months ended September 30,





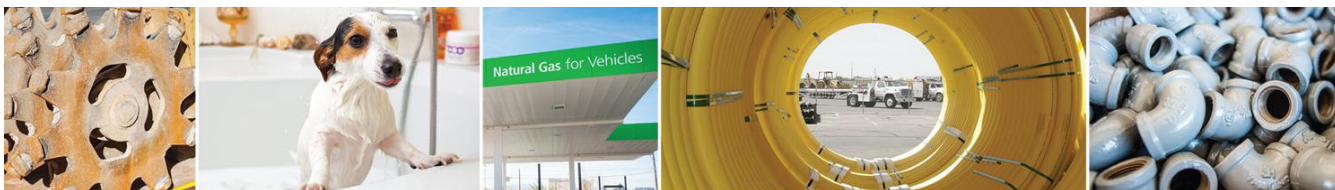
Consolidated Capital Structure

(\$ in millions)

Capitalization at September 30,	2012	2013	2014	2015	2016
Equity ¹	\$ 1,265	\$ 1,361	\$ 1,452	\$ 1,562	\$ 1,640
Long-Term Debt ²	1,261	1,291	1,449	1,560	1,643
Total Permanent Capital	<u>\$ 2,526</u>	<u>\$ 2,652</u>	<u>\$ 2,901</u>	<u>\$ 3,122</u>	<u>\$ 3,283</u>
Capitalization ratios					
Equity ¹	50.1%	51.3%	50.1%	50.0%	50.0%
Long-Term Debt ²	49.9%	48.7%	49.9%	50.0%	50.0%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

¹Includes redeemable noncontrolling interest

²Includes current maturities of long-term debt



Investment Grade Credit Ratings

Strong liquidity will support capital expenditure and working capital needs

- Stable operating cash flows
- \$300 million revolving credit facility
- Uncommitted commercial paper program

Strong investment-grade credit ratings

Rating Agency	Rating	Outlook	Reaffirmed
Moody's	A3	Stable	January 2016
S&P	BBB+	Stable	January 2016
Fitch	A	Stable	April 2016

Capital Structure

As of September 30, 2016



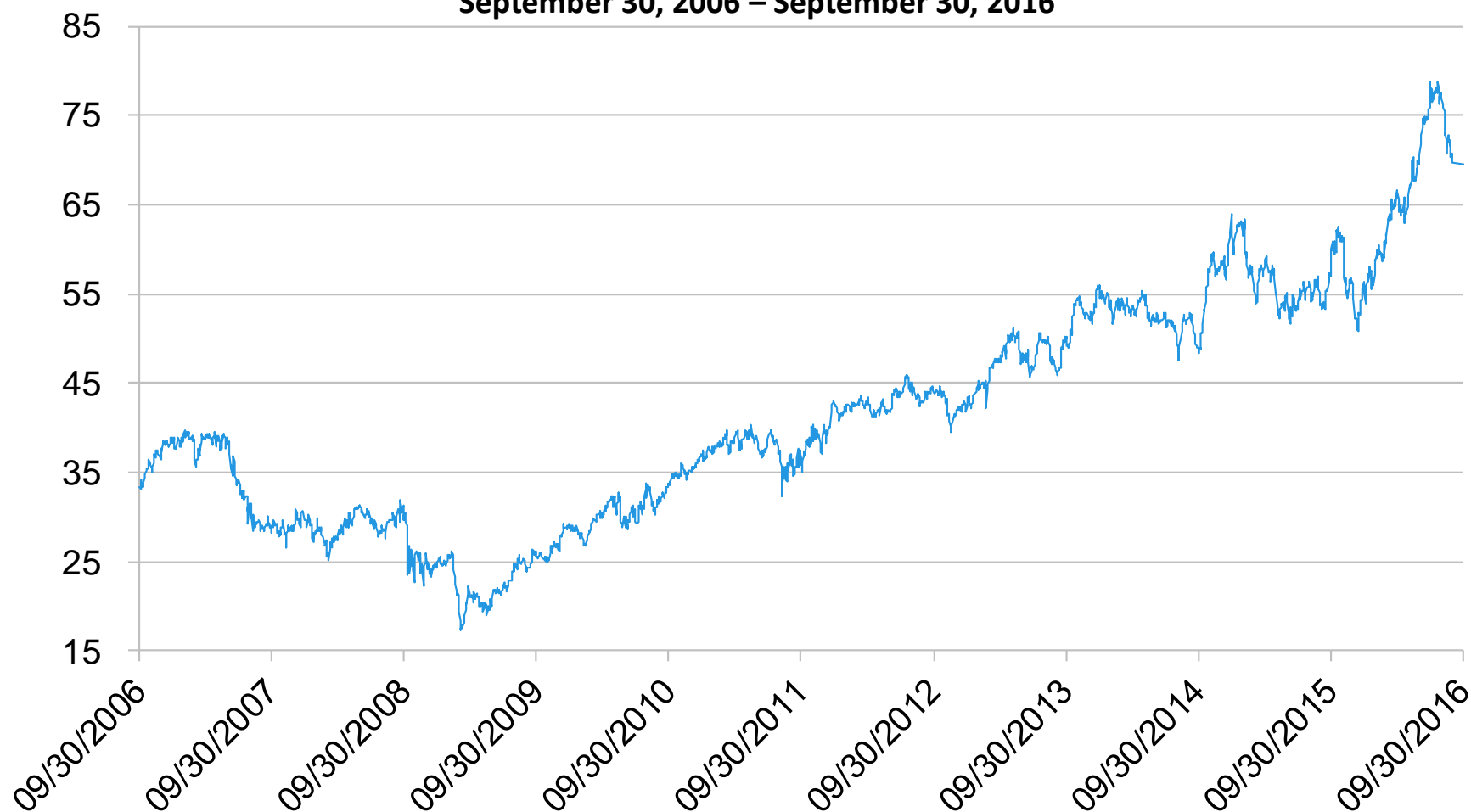
- Equity 50%
- Long-term debt 50%

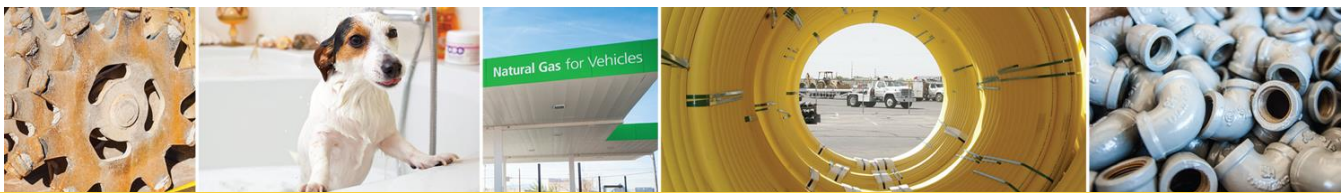


SOUTHWEST GAS

Stock Performance

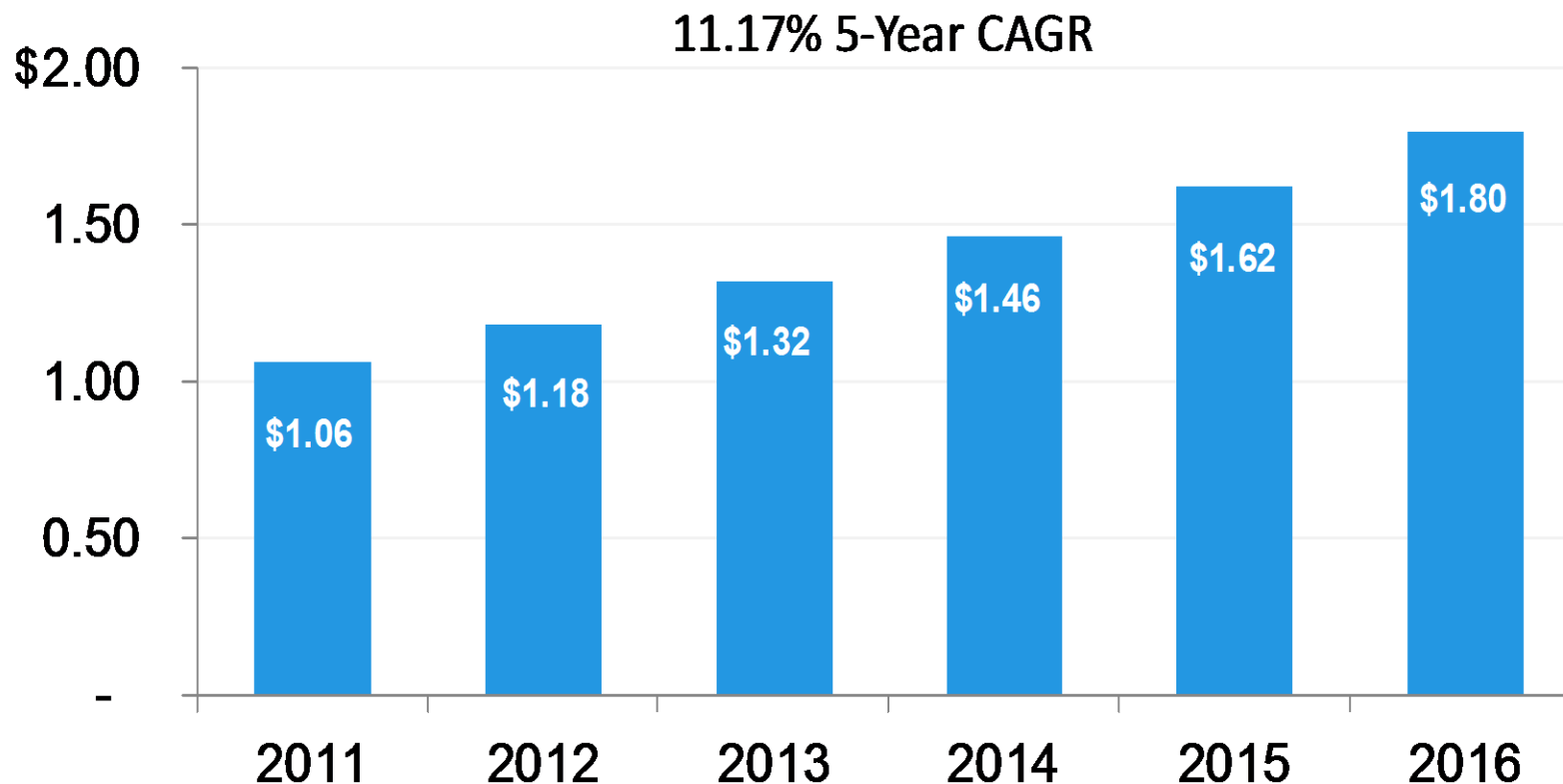
NYSE: SWX
Common Stock Closing Price
September 30, 2006 – September 30, 2016





SOUTHWEST GAS

Annualized Dividend Growth



CAGR = compound annual growth rate

February 2016, Board increased annual dividend \$0.18



Comparative Total Returns

Total Returns for Periods Ended September 30, 2016

	1-Year	3-Year	5-Year	10-Year
Southwest Gas	22.96%	14.81%	17.16%	10.85%
S&P 400 MidCap Gas Index	25.46%	13.72%	15.59%	11.09%
Dow Jones Utilities	19.91%	15.54%	13.25%	8.67%
S&P 500 Index	15.35%	11.13%	16.33%	7.22%

Total Return = Price appreciation plus gross dividends reinvested