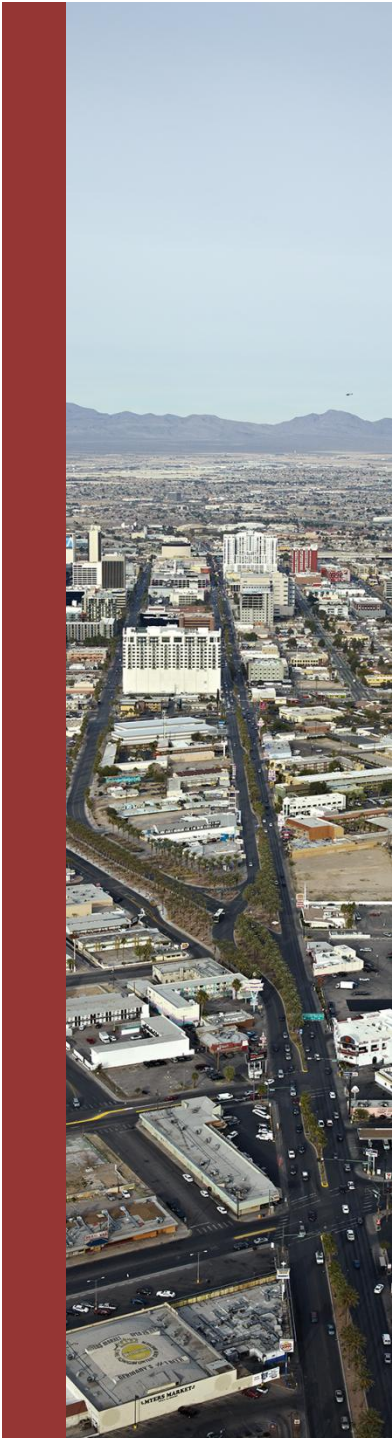




SOUTHWEST GAS CORPORATION

**2014 Third Quarter
Earnings Conference Call
November 6, 2014**



Safe Harbor Statement

Statements contained in this presentation that may include Company expectations or predictions of the future, including statements regarding future results at NPL Construction Co., constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All such statements are intended to be subject to the safe harbor protection provided by the Reform Act. In this respect, the words “may,” “will,” “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All forward-looking statements included herein are made as of the date hereof. A number of important factors affecting the business and financial results of Southwest Gas, including subsidiaries, could cause actual results to differ materially from those stated in the forward-looking statements. For additional factors that could affect the validity of our forward-looking statements, you should read the section of our periodic reports filed from time to time with the Securities and Exchange Commission, entitled “Risk Factors” therein.

2014 Third Quarter Highlights

- \$5 million margin from rate relief in California
- Paiute Pipeline rate case settlement in principle reached in September 2014
- NPL record quarterly earnings contribution of \$13.4 million
- NPL acquisition of Link-Line group of companies (completed October 2014)

Call Outline

- I. Consolidated earnings – September 30, 2014
- II. Natural gas segment - Earnings
- III. NPL Construction Co. (NPL) - Earnings
- IV. Natural gas segment - Regulation
- V. Natural gas segment - Customer growth
- VI. Natural gas segment - Rate base growth
- VII. NPL – Acquisition
- VIII. Dividend growth
- IX. 2014 outlook update
 - NPL
 - Natural gas segment

Summary Operating Results

(In thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2014	2013	2014	2013
Results of Consolidated Operations				
Gas operations income (loss)	\$ (11,452)	\$ (11,939)	\$ 117,797	\$ 121,327
Construction services income	13,422	9,075	21,886	29,083
Net income (loss)	<u>\$ 1,970</u>	<u>\$ (2,864)</u>	<u>\$ 139,683</u>	<u>\$ 150,410</u>
Basic earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.06)</u>	<u>\$ 3.01</u>	<u>\$ 3.25</u>
Diluted earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.06)</u>	<u>\$ 2.98</u>	<u>\$ 3.22</u>
Ave. shares outstanding	46,513	46,337	46,451	46,265
Ave. shares outstanding (assuming dilution)	46,966	-	46,904	46,704

Summary Operating Results

Natural Gas Operations

(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 benefit
Net loss - gas operations

THREE MONTHS ENDED SEPTEMBER 30,

	2014	2013
\$	226,027	\$ 195,031
	72,987	47,746
	153,040	147,285
	93,389	95,981
	50,533	48,427
	11,835	11,153
	(2,717)	(8,276)
	442	2,663
	17,159	14,780
	(19,434)	(20,393)
	(7,982)	(8,454)
\$	(11,452)	\$ (11,939)



SOUTHWEST GAS

Three Months Ended September 30, 2014

Increase in Operating Margin

Natural Gas Operations

(In millions)

Customer growth	\$	1
Rate relief (California)		5
		<hr/>
Increase	\$	6
		<hr/> <hr/>

Three Months Ended September 30, 2014

Operating Expenses and Net Financing Costs

Natural Gas Operations

Operating expenses relatively flat

- O&M expense decreased \$2.6 million or 3%
 - Decline in employee-related costs, including pension expense, partially offset by increases in general costs
- Depreciation & amortization increased \$2.1 million or 4%
 - Average gas plant in service increased \$306 million

Net interest deductions increased by \$2.4 million due primarily to October 2013 issuance of \$250 million of 4.875% senior notes

Other Income and Deductions

Natural Gas Operations

(In thousands)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2014	2013
Change in COLI policies	\$ (300)	\$ 2,500
Pipe replacement costs	-	(42)
Miscellaneous income	742	205
Total other income	<u>\$ 442</u>	<u>\$ 2,663</u>

Summary Operating Results

Natural Gas Operations

(In thousands)

TWELVE MONTHS ENDED SEPTEMBER 30

Results of Natural Gas Operations

	2014	2013
Gas operating revenues	\$ 1,356,653	\$ 1,267,025
Net cost of gas sold	480,608	409,361
Operating margin	876,045	857,664
Operations and maintenance expense	390,328	379,621
Depreciation and amortization	201,896	191,099
Taxes other than income taxes	45,786	44,684
Operating income	238,035	242,260
Other income (deductions)	8,989	8,022
Net interest deductions	68,656	61,224
Income before income taxes	178,368	189,058
Income tax expense	60,571	67,731
Net income - gas operations	\$ 117,797	\$ 121,327

Twelve Months Ended September 30, 2014

Increase in Operating Margin

Natural Gas Operations

(In millions)

Customer growth	\$	8
Rate relief		9
Other		1
		<hr/>
Increase	\$	18
		<hr/> <hr/>

Twelve Months Ended September 30, 2014

Operating Expenses

Natural Gas Operations

Operating expenses increased by \$22.6 million or 3.7%

- O&M expense increased \$10.7 million or 3%
 - Higher general costs, legal accruals, and expenses
 - Partial offsets include declines in employee-related costs such as pension expense
- Depreciation and amortization expense increased \$10.8 million or 6%
 - Average gas plant in service increased \$275 million or 5%
- General taxes increased \$1.1 million, or 2%, due to:
 - Higher property taxes in Arizona and Nevada

Other Income and Deductions

Natural Gas Operations

(In thousands)

	TWELVE MONTHS ENDED SEPTEMBER 30,	
	2014	2013
Change in COLI policies	\$ 7,200	\$ 9,200
Pipe replacement costs	31	(828)
Miscellaneous income and (expense)	1,758	(350)
Total other income	<u>\$ 8,989</u>	<u>\$ 8,022</u>

Twelve Months Ended September 30, 2014

Net Financing Costs

Natural Gas Operations

\$7.4 million increase due primarily to:

- Interest costs associated with the issuance of debt in the fourth quarter 2013
 - Partially offset by:
 - Cost savings from 2013 debt refinancings and redemptions
 - Lower interest expense associated with deferred PGA balances payable

Summary of Operating Results

Construction Services

(In thousands)



	THREE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2014	2013	2014	2013
Results of Construction Services				
Construction revenues	\$ 206,448	\$ 192,315	\$ 675,728	\$ 633,966
Operating expenses:				
Construction expenses	173,937	167,581	595,093	545,420
Depreciation and amortization	11,504	10,317	45,788	42,152
Operating income	21,007	14,417	34,847	46,394
Other income (deductions)	(2)	5	37	4
Net interest deductions	262	317	1,024	1,240
Income tax expense	7,364	5,223	12,217	16,695
Noncontrolling interest	(43)	(193)	(243)	(620)
Contribution to net income	\$ 13,422	\$ 9,075	\$ 21,886	\$ 29,083

Three Months Ended September 30, 2014

Construction Services



- Revenues and construction expenses increased \$14.1 million & \$6.4 million, respectively, primarily due to:
 - Incremental work with several customers
 - Substantial completion of the work under blanket contracts carried over from the first and second quarters
 - Increased bid work
 - G&A expenses (a component of construction expenses) includes \$1.2 million of costs related to business acquisition completed October 2014
- Depreciation expense increased \$1.2 million due to new equipment purchases



Twelve Months Ended September 30, 2014

Construction Services



- Revenues increased \$41.8 million primarily due to increases in pipe replacement contracts, partially offset by adverse weather conditions during the 1st quarter 2014
 - Prior period included \$3 million of revenue associated with 4th quarter 2012 change orders related to fixed-price contract
- Construction expenses increased \$49.7 million primarily due to costs associated with increased pipe replacement construction work
 - G&A expense increased \$6.8 million due to changes implemented to match NPL's increased size and business complexity and costs (\$1.4 million) related to the business acquisition completed October 2014
 - Approximately \$2.7 million associated with a legal settlement recorded 4th quarter 2013



Regulation - California

General Rate Case

Natural Gas Operations

Application Filed December 20, 2012		
	Southwest Gas Corporation	Final Decision
Revenue Increase	\$11.6 million	\$7.1 million
ROE/Equity	10.70% / 57.00%	10.10% / 55.00%
Depreciation Expense Reduction	\$3.1 million	\$3.1 million
Annual Attrition Adjustment 2015-2018	2.95%	2.75%
Infrastructure Replacement Mechanism	Requested	Partial Approval

- New rates effective June 2014
 - Provided \$5 million of additional margin in the 3rd quarter of 2014

Regulation – Paiute Pipeline Company

General Rate Case

Natural Gas Operations



Filed a rate case with FERC on February 28, 2014

- Requested a \$9 million increase in operating revenues
- Settlement agreement in principle reached in September 2014
 - Settlement to be filed with FERC in November 2014
 - Provides for an operating revenue increase of \$2.4 million, plus a \$1.3 million depreciation reduction
 - Settlement rates effective September 2014, subject to refund
 - Rate design changes encourage longer-term contracts
 - Next general rate case no earlier than May 2016 and no later than May 2019

Regulation - Arizona

General Rate Case

Natural Gas Operations

Rate case moratorium:

- Next earliest general rate case application – April 30, 2016
- Next earliest test year – November 30, 2015
- Required depreciation study
- New rates earliest effective – May 1, 2017

Beyond Rate Case Filings - Nevada

Infrastructure Mechanisms

Natural Gas Operations

- 2013 Regulatory Asset – Authorized \$15.6 million
- 2014 Regulatory Asset – Authorized \$18.9 million
- 2014 Gas Infrastructure Recovery (GIR) Mechanism – Authorized \$14.4 million for 2015
- In October 2014, filed a GIR rate application
 - Requests a surcharge to recover cumulative infrastructure replacement deferrals through August 2014
 - Surcharge requested to be effective January 2015

Beyond Rate Case Filings

Other Regulatory Matters

Natural Gas Operations

- Arizona COYL Program
- Proposed Arizona LNG facility
- Paiute Pipeline Company (FERC)
 - Expansion

Deferred Purchased Gas Cost Balances

Natural Gas Operations

(In millions)

	AS OF SEPTEMBER 30,	
	2014	2013
Arizona	\$ 44.3	\$ (11.6)
Northern Nevada	6.7	0.2
Southern Nevada	21.7	(5.3)
California	5.6	2.5
Total Receivable/(Payable)	<u>\$ 78.3</u>	<u>\$ (14.2)</u>

Customer Growth Breakdown

Natural Gas Operations

(In thousands)

	Twelve Months Ended September 30,		
	2012	2013	2014
Beginning period	1,836	1,858	1,883
New meter sets	16	21	20
Meter turn-on/(turn-offs)	6	4	9
Ending period	<u>1,858</u>	<u>1,883</u>	<u>1,912</u>

- For 2014, Company is projecting net customer growth of about 1.5%

Economic Overview

Service Area

Natural Gas Operations

	<u>Unemployment Rate</u>		<u>Employment Growth</u>	
	<u>September 2013</u>	<u>September 2014</u>	<u>September 2013</u>	<u>September 2014</u>
Southern California	9.8%	8.2%	0.8%	2.4%
Southern Nevada	9.5%	7.1%	1.1%	2.7%
Northern Nevada	7.4%	5.8%	-2.2%	0.0%
Southern Arizona	7.2%	6.0%	0.6%	1.7%
Central Arizona	7.1%	5.8%	2.2%	2.3%

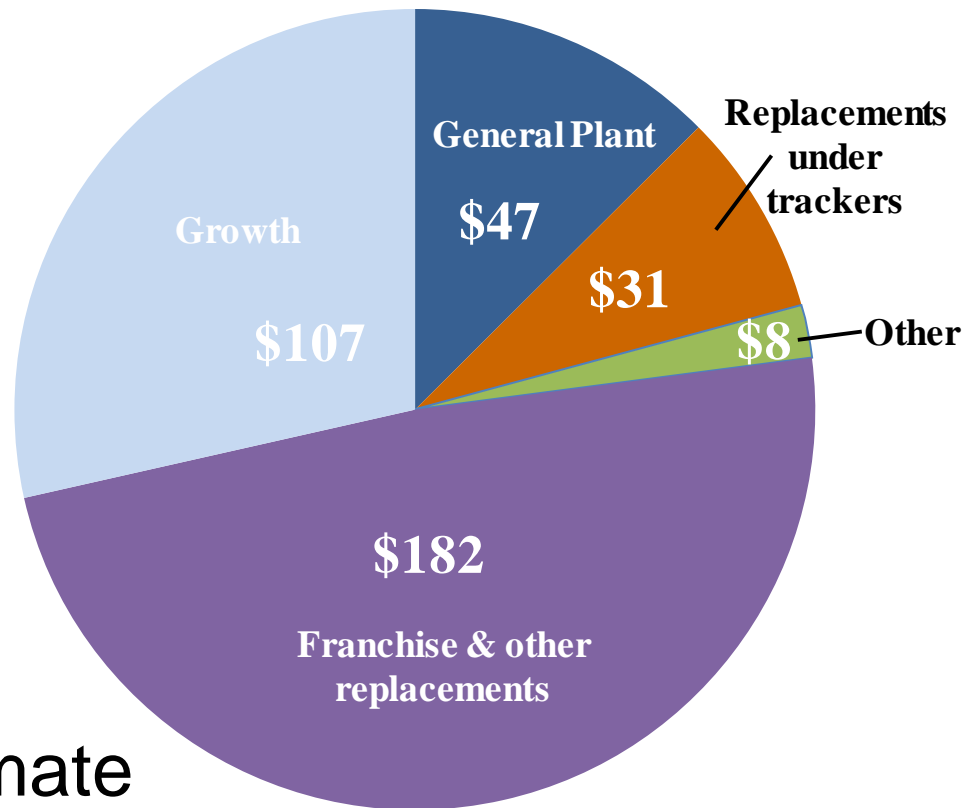
Capital Expenditures

Natural Gas Operations

(In millions)

➤ 2014 total estimate

– \$375 million



➤ 2014-2016 estimate

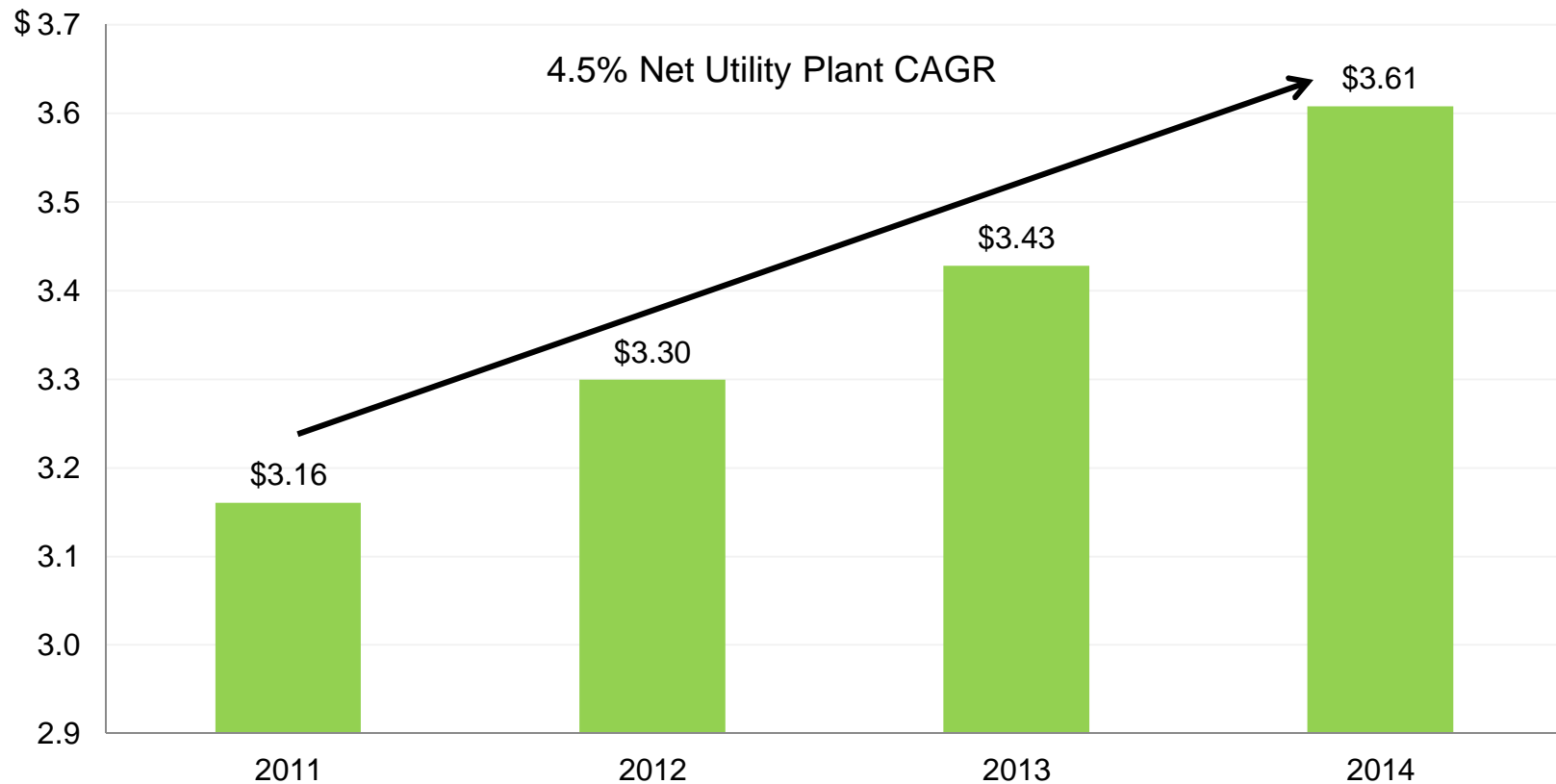
– \$1.1 billion

Net Utility Plant - Growth

Natural Gas Operations

(In billions)

For Periods Ended September 30,



CAGR = compound annual growth rate

Acquisition of Link-Line Group of Companies Highlights

Construction Services

- The purchase price for the acquisitions was \$171 million plus assumed debt of \$14 million and subject to a working capital adjustment
- Sellers retained an approximate 10% indirect equity ownership in the combined Canadian businesses
- The Canadian businesses were financed by NPL with a new \$300 million secured revolving credit and term loan facility
- Closed October 1, 2014

About the Acquisition Companies

Construction Services

➤ Link-Line Contractors

- Largest natural gas distribution contractor in Canada with approximately 700 employees
- Primarily operates in Ontario province
- Founded in 1994



➤ W.S. Nicholls Construction

- Provides fabrication and multi-trade operations for industrial projects
- Operations in Ontario province and western Canada
- Founded in 1996

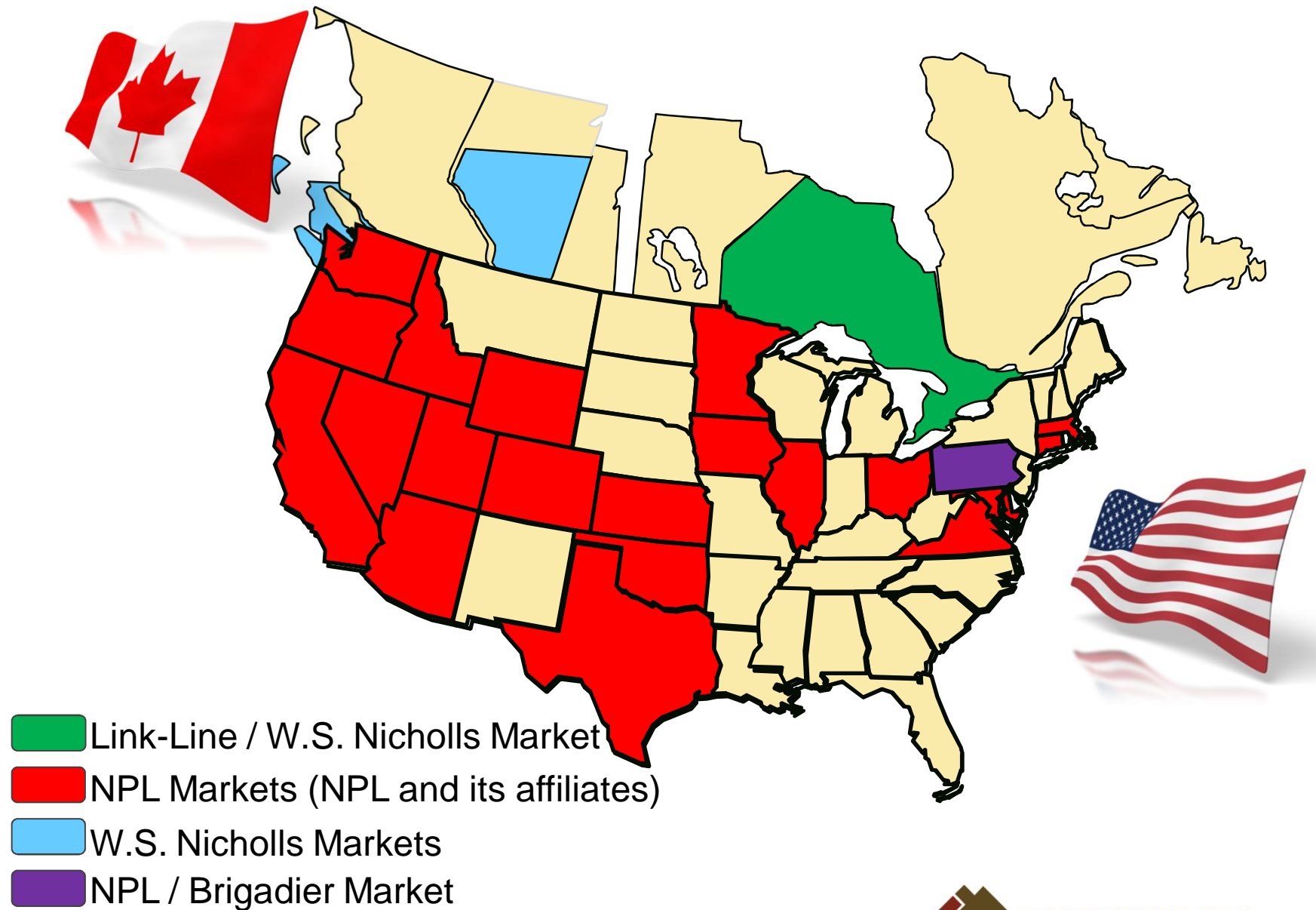


➤ Brigadier Pipelines

- Performs midstream construction in the United States, primarily in Pennsylvania
- Founded in 2012



Acquisition fit with NPL



Financial Highlights

Construction Services

(Approximate U.S. Dollar Equivalent, in millions)

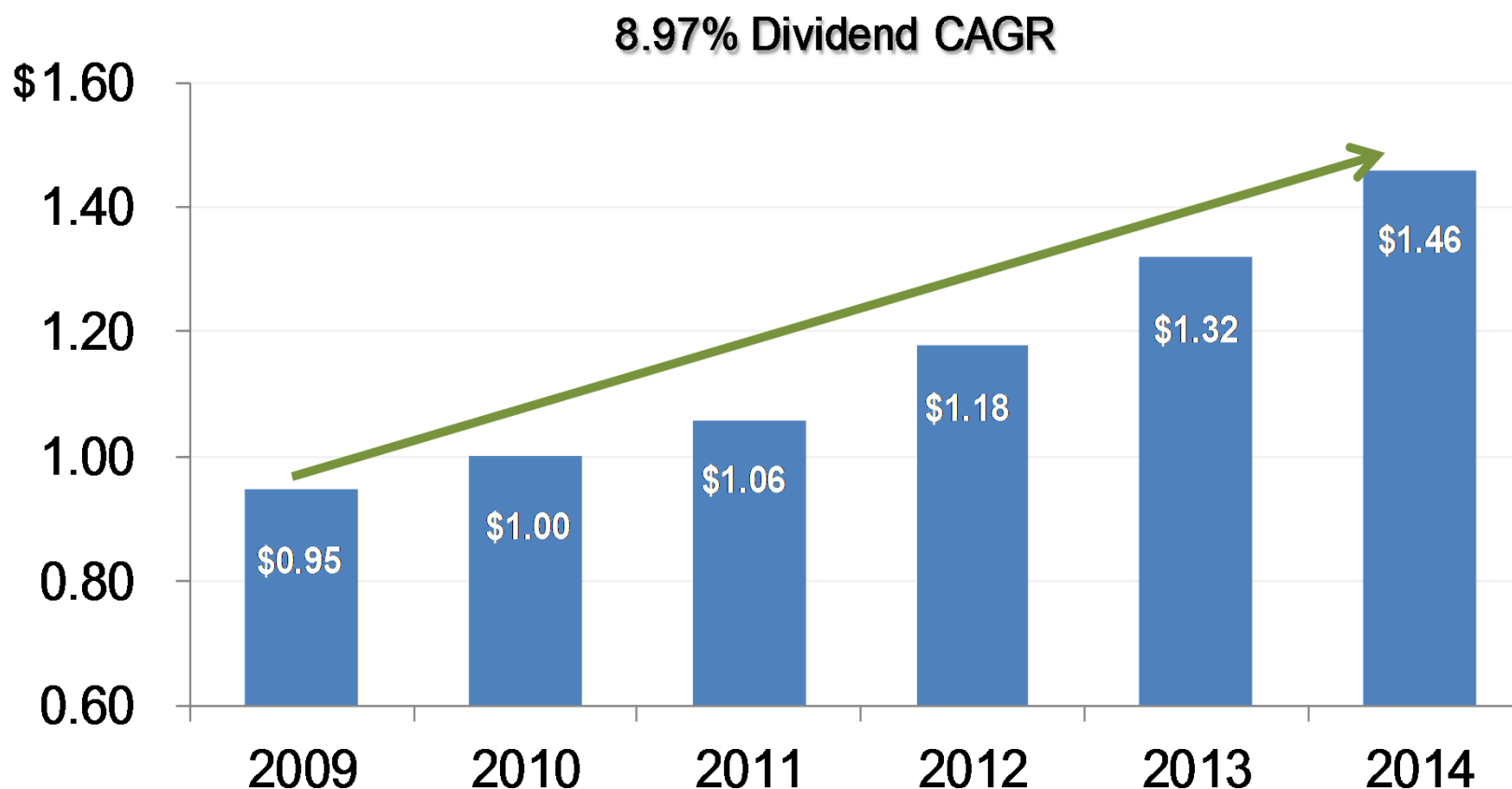
Combined Link-Line, W.S. Nicholls and Brigadier

2013

Revenue	\$ 250
Operating income	\$ 16
EBITDA	\$ 18

- NPL's 2013 revenues were \$651 million and operating income was \$34 million

Dividend Growth



CAGR = compound annual growth rate

2014 Outlook Update

Construction Services



- Management expects that earnings for the full year 2014, net of acquisition-related costs, will modestly exceed 2013 results
- Link-Line 4th Quarter earnings expected to substantially offset acquisition costs
- The current low interest rate environment, and the regulatory environment (encouraging the natural gas industry to replace aging pipeline infrastructure) continue to positively influence revenues
- Charged to grow revenues by 5 to 8% on average over the long term



2014 Outlook Update

Natural Gas Operations

- Operating margin for 2014 is expected to be favorably influenced by customer growth approximating 1.5%
- Infrastructure mechanisms (Nevada and Arizona) should contribute modestly to 2014 results
- Rate relief from the recent California rate case decision has been largely recognized
 - Incremental margin (above 2013 levels) for the 4th quarter will not be significant
- A proportionate share of Paiute's recent settlement rate increase anticipated during 4th quarter

2014 Outlook Update

Natural Gas Operations

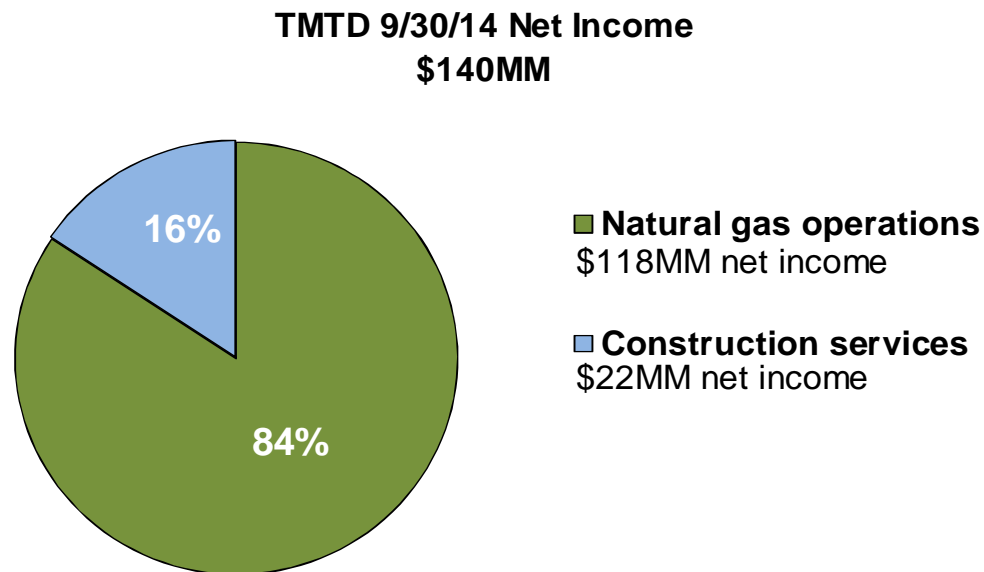
- Operating cost increase of approximately 3%
 - Net pension expense decrease of \$7 million
 - Legal accrual expense of \$5 million
- Net financing costs increase of approximately \$6 million
 - Primarily due to October 2013 issuance of \$250 million of 4.875% senior notes
 - Partially offset by November 2014 redemption of \$65 million 5.25% Series A fixed-rate IDRBs

APPENDIX

Two Business Segments

Southwest Gas consists of two business segments

- Natural gas operations
- Construction services (NPL)



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
- Service territory has **1,912,000** customers at 9/30/2014
- Over **99%** of customers are residential and commercial

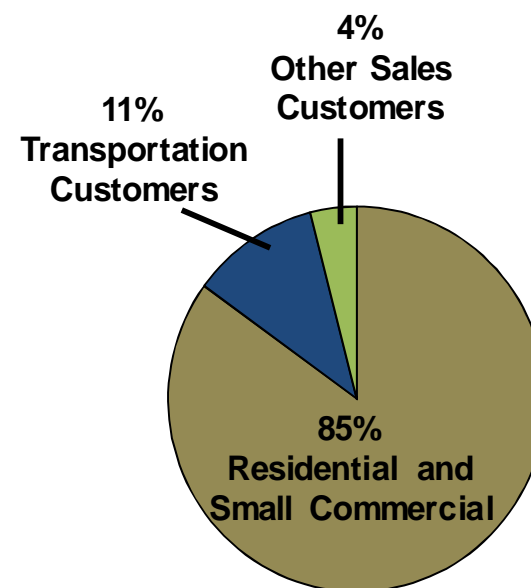
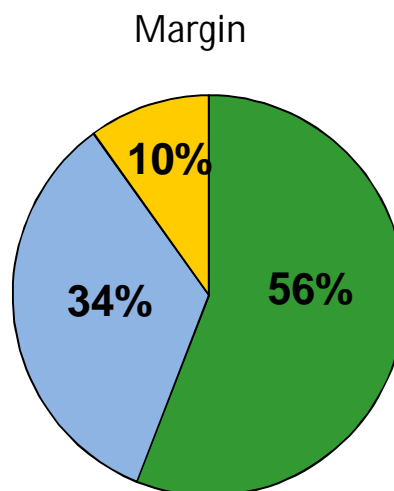
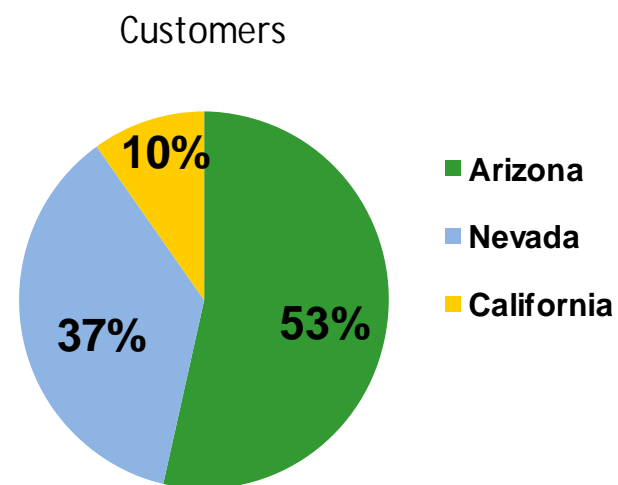


Stable Customer Base

Natural Gas Operations

TMTD September 30, 2014 Customer & Operating Margin Distribution

By State

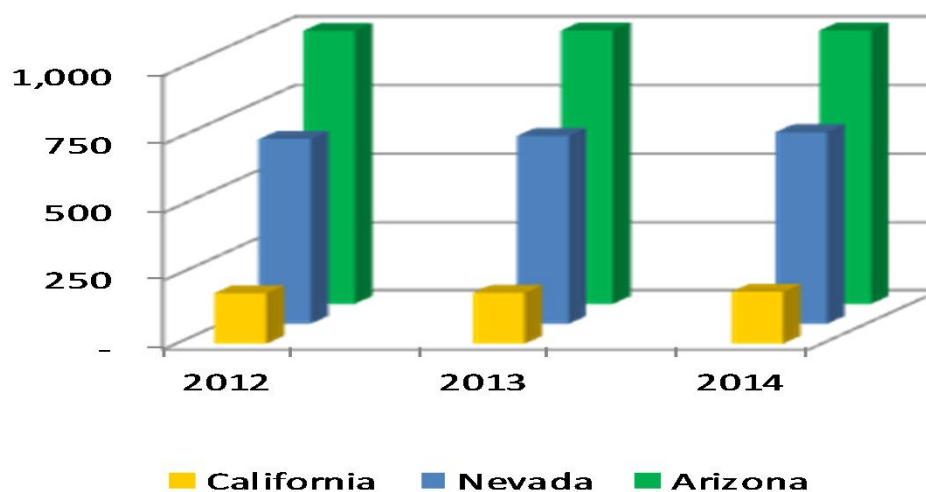


➤ Consistent trends year over year

Customers by State

Natural Gas Operations

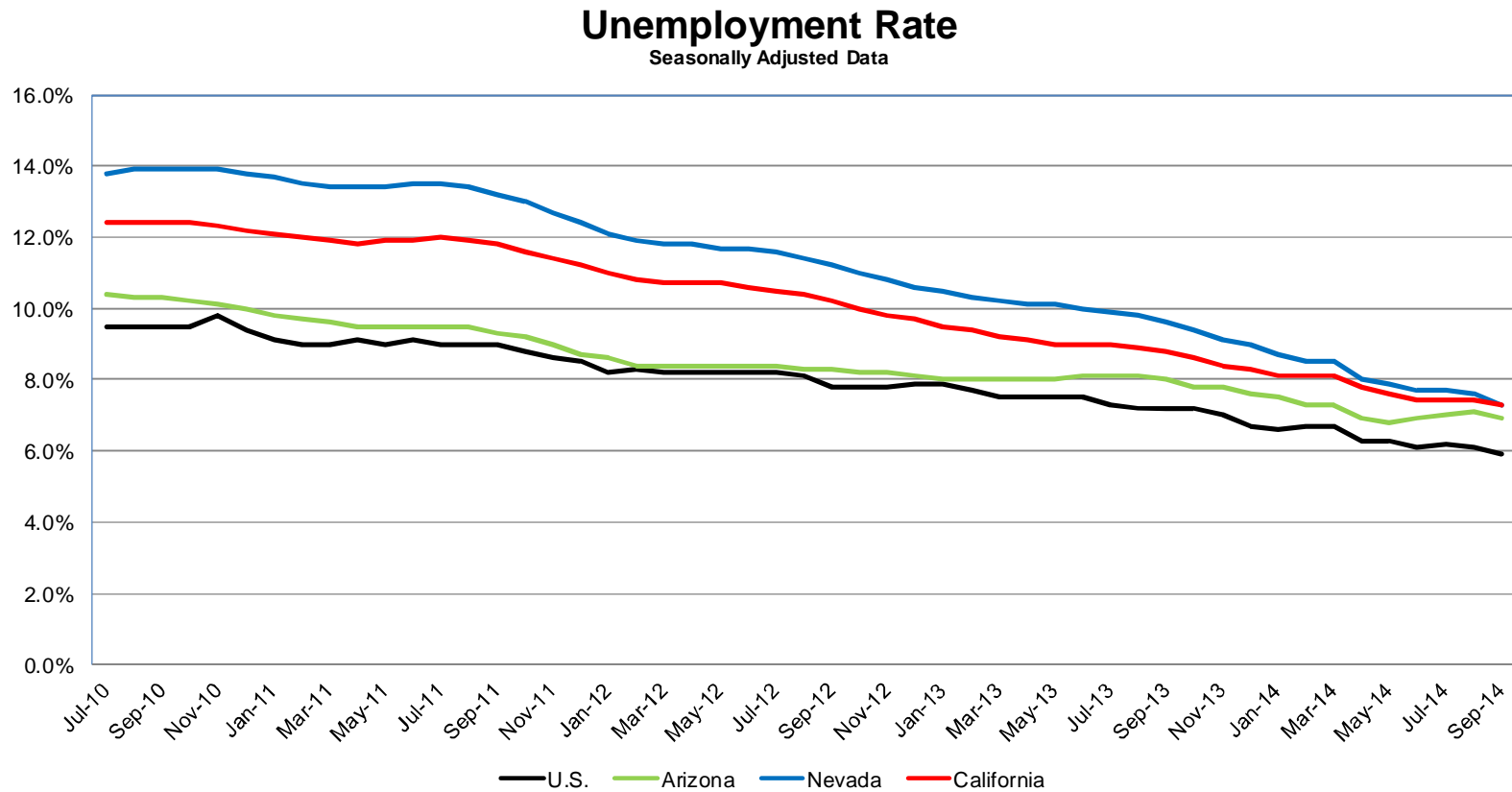
	AS OF SEPTEMBER 30,		
	2012	2013	2014
Arizona	998	1,010	1,023
Nevada	676	688	701
California	184	185	188
Total	1,858	1,883	1,912



Economic Overview

Service Area

Natural Gas Operations



Liquidity

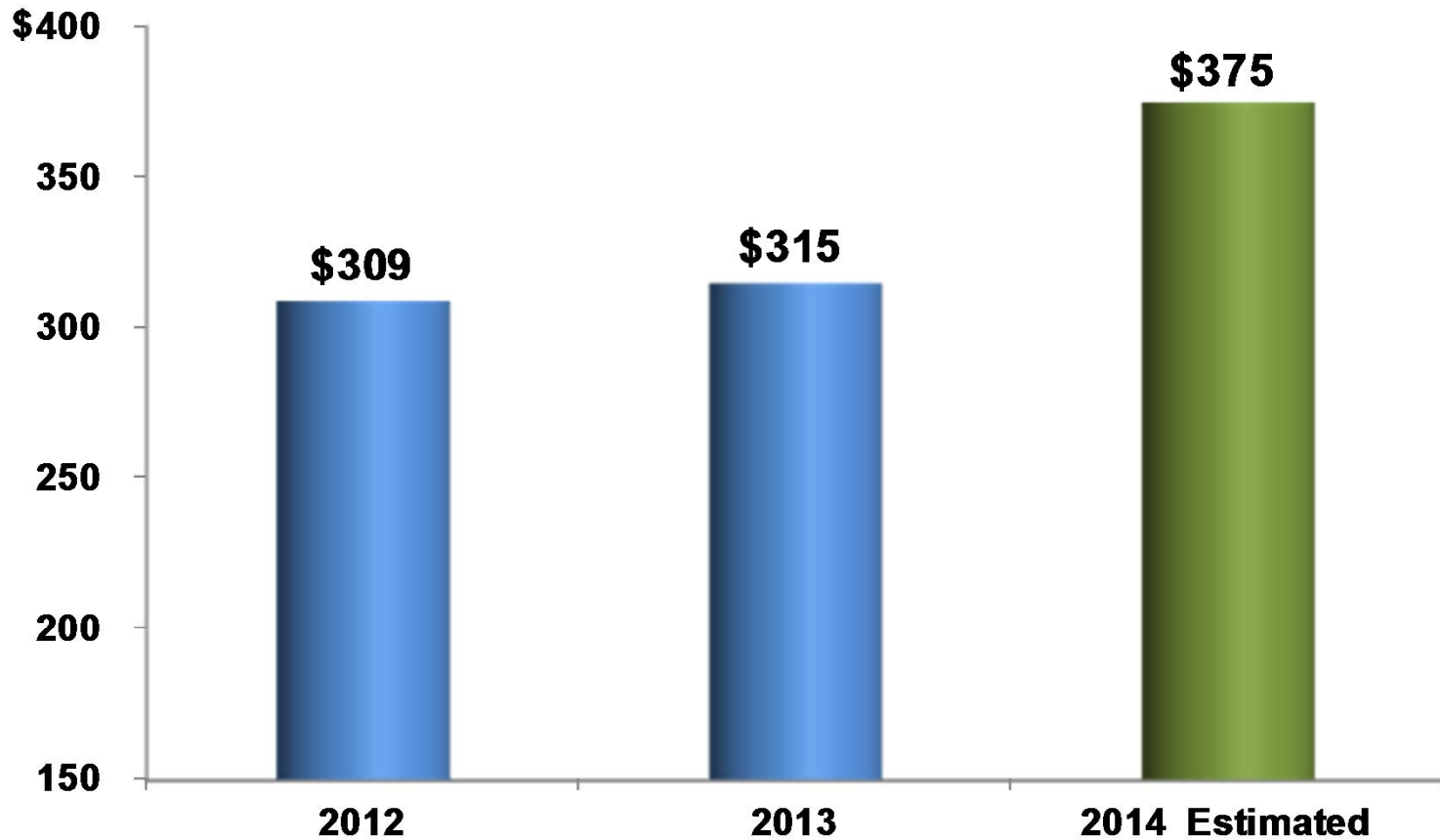
Natural Gas Operations

- \$300 million revolving credit facility maturing in March 2019
- \$150 million of the facility has been designated long-term debt and the remaining \$150 million as working capital
- \$50 million commercial paper program supported by the Company's current revolving credit facility
- September 30, 2014, \$50 million was outstanding on the long-term portion of the credit facility (all under the commercial paper program).
- Management believes the facility size is adequate

Capital Expenditures

Natural Gas Operations

(In millions)



2014 - 2016 Estimate: \$1.1 billion

Capital Structure

(In millions)

Capitalization at September 30,	2010	2011	2012	2013	2014
Common Equity	\$ 1,119	\$ 1,187	\$ 1,265	\$ 1,361	\$ 1,452
Long-Term Debt ¹	1,075	1,158	1,261	1,291	1,449
Total Permanent Capital	<u>\$ 2,194</u>	<u>\$ 2,345</u>	<u>\$ 2,526</u>	<u>\$ 2,652</u>	<u>\$ 2,901</u>
Capitalization ratios					
Common Equity	51.0%	50.6%	50.1%	51.3%	50.1%
Long-Term Debt ¹	49.0%	49.4%	49.9%	48.7%	49.9%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

¹Includes current maturities of long-term debt

Investment Grade Credit Ratings

Moody's

- Senior Unsecured Debt:
- Outlook:

Rating

A3 (January 2014)
Stable

Standard & Poor's

- Senior Unsecured Debt:
- Outlook:

BBB+ (October 2014)
Stable

Fitch

- Senior Unsecured Debt:
- Outlook:

A (May 2013)
Stable

Authorized Rate Base and Rates of Return

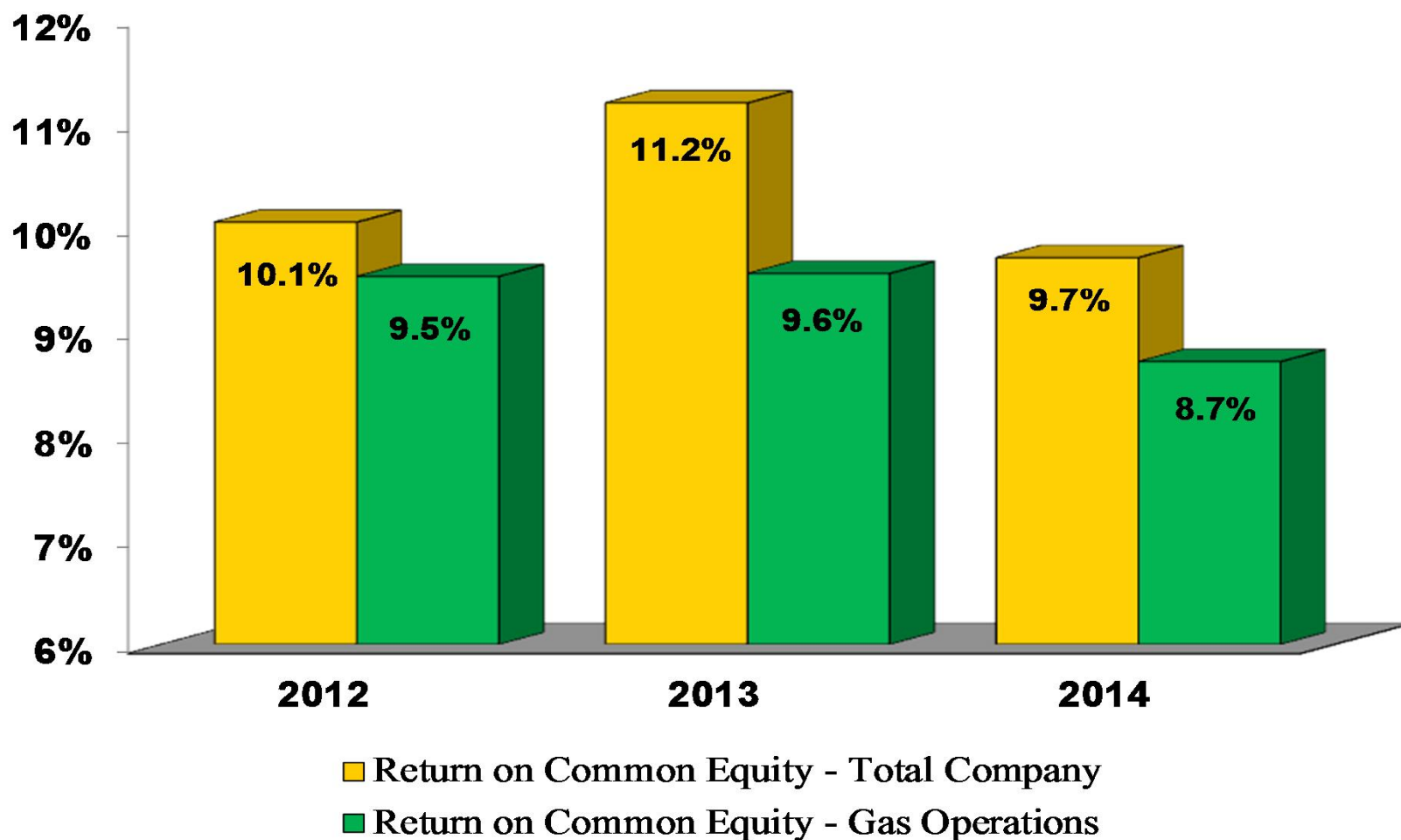
Natural Gas Operations

<u>Rate Jurisdiction</u>	<u>Authorized Rate Base (In thousands)</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity</u>	<u>Decoupled</u>	<u>Capital Structure - % Equity</u>
Arizona	\$ 1,070,117	8.95 %	9.50 %	✓	52.3 %
Southern Nevada	825,190	6.52 %	10.00 %	✓	42.7 %
Northern Nevada	115,933	7.88 %	9.30 %	✓	59.1 %
Southern California	159,277	6.83 %	10.10 %	✓	47.0 %
Northern California	67,620	8.18 %	10.10 %	✓	47.0 %
South Lake Tahoe	25,389	8.18 %	10.10 %	✓	47.0 %
Paiute Pipeline Company (1)	84,717	9.47 %	12.00 %	✓	47.0 %

(1) Estimated amounts based on 2010 rate case settlement.

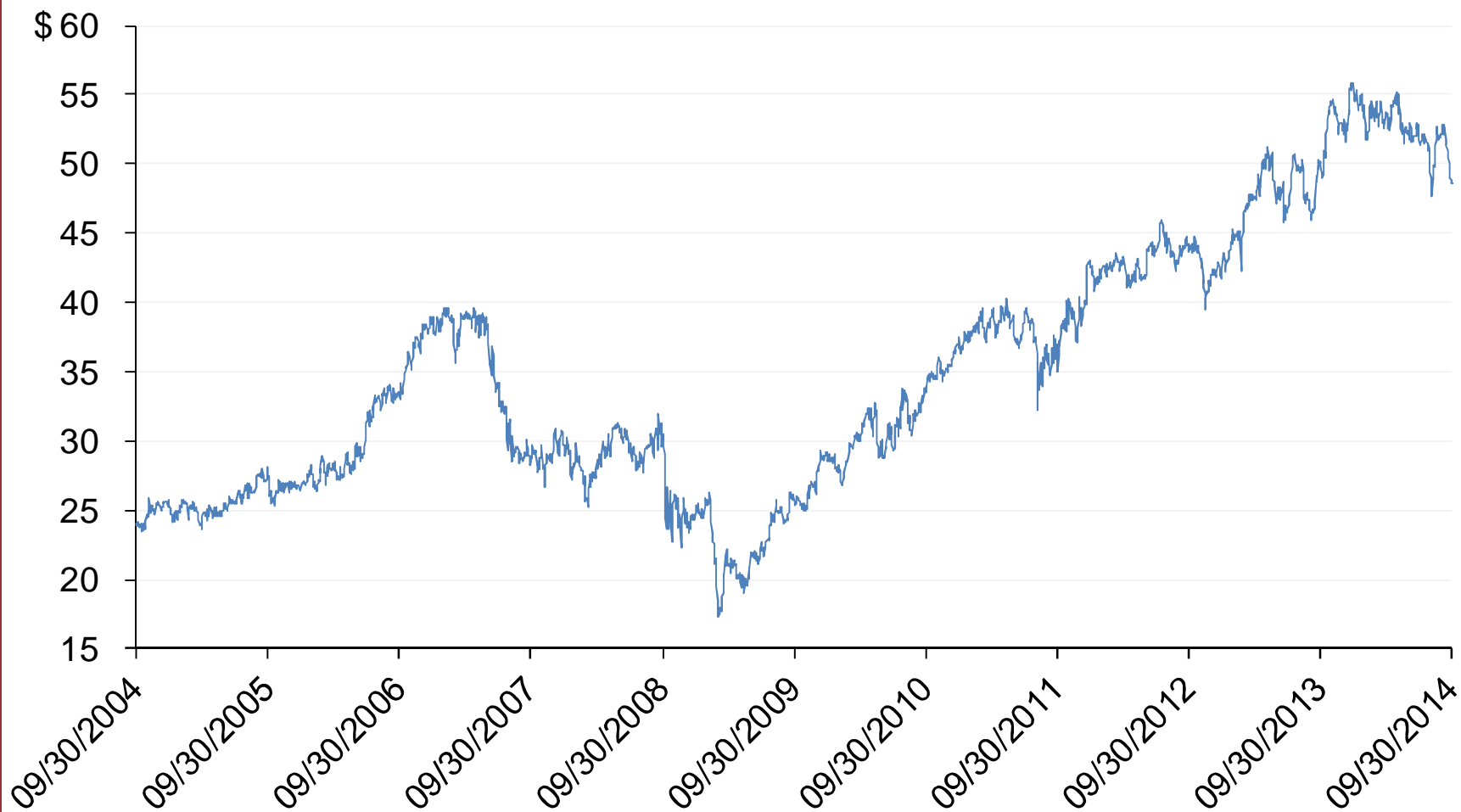
Return on Common Equity

Twelve months ended September 30,



Stock Performance

NYSE: SWX
Common Stock Closing Price
September 30, 2004 – September 30, 2014



Comparative Total Returns

Total Returns for Periods Ended September 30, 2014

	1-Year	3-Year	5-Year	10-Year
Southwest Gas	(0.26%)	13.31%	16.94%	10.55%
S&P 600 Small Gas Index	5.05%	8.89%	11.50%	9.94%
Dow Jones Utilities	18.67%	12.74%	12.46%	10.62%
S&P 500 Index	19.69%	22.94%	15.67%	8.10%

Total Return = Price appreciation plus gross dividends reinvested