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PRESENTATION

Operator

Welcome to Southwest Gas Holdings' second quarter 2026 earnings conference call. Today's call is being recorded, and our webcast is live. A replay will be available later today and for the next 12 months on the Southwest Gas Holdings website. (Operator Instructions)

I will now turn the call over to Tyler Franek, Manager of Investor Relations of Southwest Gas Holdings.

Tyler Franek - *Southwest Gas Holdings, Inc. - Manager of Investor Relations*

Thank you, Joanna. Hello, everyone. We appreciate you joining the call today.

This morning, we issued and posted to Southwest Gas Holdings' website our second-quarter 2026 earnings release and filed the associated Form 10-Q. The slides accompanying today's call are also available on Southwest Gas Holdings' website. We'll refer to those slides by number throughout the call today.

Please note that on today's call, we will address certain factors that may impact 2026 earnings and discuss longer-term guidance. Information that will be discussed today contains forward-looking statements. These statements are based on management's assumptions on what the future holds, but are subject to several risks and uncertainties, including uncertainties surrounding the impacts of future economic conditions, regulatory approvals, and capital projects.

This cautionary note and a note regarding non-GAAP measures are included on slides 2 and 3 of this presentation, in today's press release, and in our filings with the Securities and Exchange Commission. We encourage you to review each of these disclosures. These risks and uncertainties may cause actual results to differ materially from statements made today. We caution against placing undue reliance on any forward-looking statements. We assume no obligation to update any such statement.

As shown on slide 4, on today's call, we have Justin Brown, President and CEO; and Justin Forsberg, Chief Financial Officer and Treasurer. Other members of the management team are also available to answer your question during the Q&A portion of the call today if necessary.

I'll now turn the call over to Justin Brown.

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

Good morning, everyone. Thank you for joining us today.

Beginning on slide 5, we continued our strong momentum in the second quarter, reporting adjusted earnings per share from continuing operations of $0.45, which is adjusted for the amount of California revenues that had been deferred in a memorandum account since the first quarter. This performance reflects ongoing execution of our regulatory strategy to support the timely recovery of prudent investments, as well as materially lower interest expense following the payoff of all outstanding HoldCo debt last summer.

We remain confident in our outlook and are reaffirming our 2026 and long-term guidance ranges. With active proceedings across each of our jurisdictions, our regulatory strategy doesn't depend on any single outcome, giving us multiple credible paths to achieve our objectives regardless of how individual cases unfold or how the political and regulatory environments might evolve.

We are focused on both near-term performance and long-term value creation, anchored by our commitment to delivering safe, reliable, and affordable natural gas service to our customers. Strong stakeholder partnerships and disciplined capital investment and cost management supporting the economic development of the communities we serve.

Turning to slide 6, we continue to execute on our 2026 strategic priorities and remain on track to deliver on each of our key initiatives. We advanced our regulatory strategy during the quarter, continuing to progress rate case proceedings across all three jurisdictions. I will discuss these proceedings in greater detail in just a moment when we get to slide 9.

Additionally, during the quarter, we received commission approval on our Nevada Triennial Resource Plan, including prudency predeterminations for $186 million of capital investment, supporting long-term natural gas infrastructure planning and providing greater visibility into future capital investment opportunities to meet customer growth and reliability needs. We also implemented a surcharge from our first System Integrity Mechanism filing in Arizona for $50 million of capital that supports the timely recovery of qualifying investments.

At Great Basin, we further strengthened the commercial foundation of the 2028 expansion project, bringing contracted demand to approximately 1 Bcf per day and revising the project design to reflect a 48 in pipeline, resulting in both increased capital investment and annual margin estimates for the project.

With those milestones achieved, our focus remains on completing the FERC CPCN filing later this year to progress the project toward regulatory approval and execution. I will discuss the project in greater detail later in our presentation.

On slide 7, at the utility, we delivered a 12-month ended return on equity of 8.1%, or 8% on an adjusted basis, reflecting the continued progress as we work to close the gap to our weighted average authorized return of 9.89%. We delivered these results even while key rate cases remain pending across our service territories, underscoring the strength of our underlying business. As we work with our commissions to bring each of those cases to a close, we expect the associated rate relief to further improve our results.

Our regulatory strategy around enhancing recovery mechanisms and pursuing constructive rate outcomes across all three jurisdictions is designed to improve our earned returns over time and helps ensure we continue delivering safe, reliable, and affordable natural gas service to our customers.

We also continue to benefit from a strong balance sheet and substantial liquidity, ending the quarter with approximately $270 million of cash and nearly $1 billion of available liquidity. Combined with no outstanding HoldCo debt and lower associated financing costs, we believe we are well-positioned to fund our long-term capital investment program while maintaining financial flexibility and delivering value to our stockholders.

Turning to slide 9 and an update on the progress of executing our regulatory strategy. In California, the commission's recent decision addressed all items other than cost of capital, providing approximately $40 million of incremental annual revenue and reinforcing constructive regulatory support for our infrastructure investment programs.

As part of that decision, we recognized approximately $9.7 million of incremental net income in the second quarter tied to margin that had been deferred in a memorandum account since the first quarter. A final decision on the remaining cost of capital component is currently expected later this month.

In Nevada, we filed certification materials for our general rate case during the quarter, incorporating post-test year plant adjustments through May. That update brought our requested annual revenue increase to approximately $74 million. We recently received intervener testimony. We are currently reviewing and preparing our rebuttal position, which will be filed with the commission next week.

The parties' testimony converges on a 9.3% return on equity, with proposed equity layers in the 50% to 51.35% range. The average revenue increase recommended by the parties is just under $40 million, or about 52% of our request. While a hearing is currently scheduled for later this month, on a parallel path, we have also engaged in constructive settlement discussions. Either way, we are pleased with the progress. The case is progressing toward an effective date of October 2026.

In Arizona, our general rate case is progressing as expected and remains on track for an effective date of April 2027. We anticipate starting to receive intervener testimony in late September. Across all three states, the strategy is the same: pursue timely, constructive outcomes that align cost recovery with the pace of our investment.

Turning to slide 10, Great Basin makes significant progress on its 2028 expansion project during the quarter, further strengthening the project's commercial outlook. Following our most recent open season, we executed additional binding precedent agreements for the 2028 project, bringing total contracted demand to approximately 1 Bcf per day.

As we look beyond the 2028 expansion, we continue to see interest in additional capacity totaling in a 1.8 Bcf across the region for the 2029 to 2035 timeframe. We continue to work on converting these expressions of interest into binding precedent agreements. As a result of this strong market demand, we've decided to proceed with a 48 in pipeline design capable of supporting up to 1 Bcf per day of incremental transportation capacity beyond the currently contracted demand. We will be able to accommodate additional future demand through compression additions.

This design enhancement results in upward pressure on our capital investment need for the 2028 expansion, which we now estimate at approximately $2.3 billion, resulting in approximately $270 million to $300 million of incremental annual margin upon completion. We plan to incorporate these updates into our long-term capital expenditures, rate base, and earnings guidance expectations as part of our annual five-year planning refresh, which typically concludes in February.

We are focused on a timely filing for FERC approval to ensure we meet the expected in-service date. Our preparations remain on track, including environmental work, field surveys, public outreach, and engineering development. We continue to target a filing before the end of the year, CPCN approval in late 2027, and a fourth quarter 2028 in-service date, with the recent increase in contracted demand not expected to impact the project's regulatory schedule.

Overall, we are encouraged by the strong commercial momentum behind the project and believe it represents a compelling long-term growth opportunity for Great Basin and our stockholders.

With that, I will now turn the call over to Jay Ford to discuss financial performance, expected financing plans, and our guidance outlook in greater detail.

Justin Forsberg - *Southwest Gas Holdings, Inc. - Chief Financial Officer, Senior Vice President*

Thank you, Justin.

Turning to slide 12, adjusted earnings per share from continuing operations increased to $0.45 in the second quarter of 2026 compared to $0.37 in the second quarter of 2025. The increase was driven by strong performance at HoldCo, partially offset by slightly lower utility earnings, which were mostly driven by lower other income than was expected in our plan. Reported earnings per share from continuing operations were $0.58, reflecting revenue recognized from the California rate case approved during the quarter.

For comparability, adjusted earnings excluded the portion of revenue recognized retroactively for the first quarter due to the delayed rate case approval. At HoldCo, earnings improved significantly as a result of repayment of all outstanding parent level debt, which reduced interest expense by approximately $8.6 million compared to the prior year period. Results also benefited from higher interest income earned on elevated cash balances, reflecting the strength of our balance sheet and overall liquidity position.

Turning to slide 13, you'll see the key drivers of the quarter-over-quarter change in Southwest Gas's adjusted net income compared to the second quarter of 2026 Comparing the second quarter of 2026 to the same period in 2025. Operating margin increased by $12.7 million, driven primarily by $6.7 million of incremental margin from rate relief, while continuing customer growth contributed an additional $1.4 million.

Customer growth remains resilient across our service territories, despite a prolonged higher interest rate environment. Also contributing to the increase in operating margin was $4.9 million of debt recovery-related items that are offset by a comparable increase in depreciation and amortization, highlighting the strength of our regulated recovery model.

Our team continues to deliver disciplined cost management, demonstrated by lower operations and maintenance expense, which declined by $3.7 million or nearly 3%. We saw lower outside services, bad debt expense, and lease and rental costs. We expect our continued focus on operational efficiency to deliver our goal of maintaining flat O&M expense per customer at the utility over our five-year plan.

Depreciation and amortization increased $8.7 million, primarily reflecting a 7% increase in gas plant and service compared to the second quarter of 2025, combined with modestly higher regulatory amortization expenses that are offset by equivalent increases in margin, as I mentioned earlier. The increase in plant and service is consistent with our disciplined infrastructure investment strategy focused on safety, reliability, and customer growth.

As was largely expected, other income declined by $9.4 million, driven primarily by lower interest income at the utility associated with lower cash balances relative to the prior year, lower gains from non-service pension components, weaker COLI investment performance, the absence of a prior year gain on sale, and higher charitable contributions as the 2025 contributions to The Southwest Gas Foundation were made in 2024. These planned decreases were partially offset by an increase in AFUDC equity, driven mostly by capital investment in Great Basin's 2028 expansion project.

Finally, even though adjusted earnings were modestly lower, income taxes were modestly higher, driven mostly by the impacts of excess accumulated deferred income taxes and the impacts of nondeductible executive compensation. Overall, we are pleased with our performance in the first half of the year and remain confident we are on track to achieve our full-year outlook.

Turning to slide 14, we outline our expected financing plan for the remainder of the year. We remain in a strong financial position with intentional liquidity being utilized to support anticipated future growth. We have yet to issue any equity outside of our dividend reinvestment plan so far in 2026, and we continue to anticipate no equity issuances this year, with the remainder of our financing plan consisting of a utility-level debt issuance.

In addition to this anticipated bond issuance of $400 million, over the remainder of the year, we have some financing housekeeping items that we plan to execute. When we extend the shelf registration later this year, you'll see us update and extend our existing at-the-market equity program while rounding out its capacity in line with the shelf extension. This is a routine renewal tied to the shelf timeline and is not a signal of near-term issuance.

We continue to expect only modest equity needs to fund the now expanded Great Basin 2028 project, and we do not anticipate needing to draw meaningfully on the ATM through 2030. Looking ahead, our strong balance sheet positions us well to fund future growth. Over the long term, we continue to believe we have sufficient leverage capacity at the holding company to absorb much of the anticipated equity needs at the utility that are driven by our $2.3 billion expansion project. Supported by a meaningful cushion above our current downgrade thresholds, we retain considerable flexibility in how we finance that investment while preserving our financial strength.

Turning briefly to slide 16, this slide highlights that balance sheet strength and credit profile. At a consolidated level, we ended the quarter with approximately $3.4 billion of net debt after considering the purchased gas adjustment balances that are payable to customers. Both holdings and the utility continue to maintain strong investment-grade ratings across all three agencies with stable outlooks, most recently reaffirmed by Fitch in July, following last fall's upgrades by S&P and Moody's affirmations last April.

Turning to slide 17, we are reaffirming our 2026 guidance metrics. We also remain confident in our long-term guidance shown on the slide. As Justin outlined, with respect to Great Basin, we do not expect our capital expenditures and rate base forecast to likely increase. We do expect our capital expenditures and rate base forecast to likely increase once we roll out our five-year plan next February, given the continued economic development opportunities in Northern Nevada. We expect to fold in our updated margin assumptions into our long-term guidance at that time as well.

The updated scope of Great Basin's 2028 expansion project is not expected to have a material impact on our 2026 guidance metrics. For now, the additional $600 million of expected CapEx related to that 2028 expansion, as well as the impact of any future expansion phases, has not yet been incorporated into our current long-term outlook.

With respect to CapEx, we are on track to invest approximately $1.25 billion in 2026 and to make significant investments over the next five years focused on safety, reliability, and system growth. With year-end 2025 rate base of $6.7 billion, this plan currently supports an expected rate base CAGR of 9.5% to 11.5% through 2030. The successful execution of our current five-year capital program would nearly double our system-wide rate base from today by the end of 2030.

Taken together, we believe today's results and the continued momentum at Great Basin reinforce the durability of our plan. We remain confident in our ability to deliver on our priorities, supporting timely recovery of prudent investments, improve earned returns, and protect the strength of our balance sheet.

We remain confident in our ability to deliver our long-term financial objectives of receiving timely recovery of investments, improving earned returns, and preserving that strength. We believe we have multiple pathways to achieve our goals across a range of regulatory outcomes and political environments. We remain committed to prudent capital allocation and to supporting long-term value creation for stockholders.

With that, let's open the line for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Constantine Lednev, Wells Fargo.

Constantine Lednev - *Wells Fargo Securities LLC - Equity Analyst*

Hi. Good morning, team. Thanks for taking the questions here. Maybe starting on the Great Basin update. Great news there, obviously. In terms of compression and incremental demand, do you still see the incremental capacity bids post-2030? Would you aim to handle that one and a half Bcf that you highlighted before through compression, or could we be thinking about any other changes in demand?

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

Yeah, Constantine. It's Justin Brown. Appreciate you joining the call. Yeah. As we mentioned, we've had expressions of interest up to 1.8 additional Bcf through that time period, 2029 through 2035. We'll continue to work with those expressions of interest, and as those become binding agreements, that'll help us get greater clarity around what potential costs there might be, what compression needs there are. We feel comfortable given the underlying design of the pipe that we can accommodate that future demand through compression.

Constantine Lednev - *Wells Fargo Securities LLC - Equity Analyst*

Okay. That makes sense. You kind of mentioned it a little bit there, just to clean up. In terms of the capital intensity kind of beyond 2030 on that, how would that scale versus the current two Bcf design?

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

Yeah. It really will just depend on what binding precedent agreements get associated with that incremental interest that we've been receiving. It's really kind of a to be determined.

Constantine Lednev - *Wells Fargo Securities LLC - Equity Analyst*

One quick follow-up just on the Arizona side, just recognizing that it's still early innings in the rate case, but is there any pressure points you kind of anticipate in the process? Do you see focus shifting to the new formula constructs, or would it be feasible to have at least a partial settlement or on the more straightforward elements?

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

Yeah. I think it's a really good question. I think we always, every time in each of our cases, we really focus on working collaboratively with the staff and the stakeholders to try to find opportunities to streamline the case where we can reach agreement.

While it's still a little bit early in Arizona, it's the same approach we're going to take as we start to see and as the parties start to refine their positions as we get close to getting their testimony at the end of the month. We will then look to work with the parties on areas of common ground and try to streamline the case, and we'll see how it goes. More to come definitely over the next 30 to 60 days.

Operator

Eli Jossen, JPMorgan.

Elias Jossen - *JPMorgan Chase & Co - Analyst*

Hey, good morning. Maybe just thinking about some of the associated CapEx for Great Basin. How should we think about equity needs? Is it kind of a basic $600 million, 12% ROE, 50% equity layer, or what was the kind of implied math, and how does that translate into future equity needs? Thanks.

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

Yeah. I think as we kind of outlined from an equity perspective, we're really feeling pretty confident in spite of the additional CapEx pressure that we have pretty significant capacity at the holding company given just where we're at above our downgrade cushions, et cetera. As you think about even the timeline, we're spending that money really over the next couple of years.

Then we're planning to get pretty significant margin out of the project that you could use to reduce that leverage that you might have taken out of the holding company. From that perspective, we feel like there's a very clear path to leaning into some of that capacity, reducing the equity needs that are from external shareholders, and while at the same time, just not necessarily stressing our balance sheet too significantly.

Elias Jossen - *JPMorgan Chase & Co - Analyst*

Got it. You touched on it a bit, but just thinking about the incremental expressions of interest. I know we were at 1.5 or so before. Now we're up to 1.8. Can you just talk about kind of the demand environment and what you're seeing from some of the potential customers on this pipe? Where is that coming from, and do you think there's even more in the hopper as you move through the decade?

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

Yeah, Eli, it's Justin. I would say it's very similar to the demand that we've been describing along the way in terms of just a variety of different industries, primarily driven by data center development, power gen, but there's also different industries in the area, mining, manufacturing. We feel good about it.

Every time we've hosted an open season, we continue to be surprised with how much additional demand continues to show up. We feel really good about the regional economics and the attractive area of this part of the state for this type of development, and it continuing to provide robust opportunities for us to either secure this interest through binding precedent agreements or to remarket capacity down the road. It's something we feel good about in terms of looking at the demand and the interest that's there.

Operator

Ryan Levine, Citi.

Ryan Levine - *Citi Infrastructure Investments LLC - Analyst*

Good morning. How has the 48 in pipe decision impacted supply chain decision-making? More broadly, is your cost structure around the pipe really set in stone, with the exception of the compression? Any color you could share on that.

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

Yeah, Ryan, it's Justin. I think when we think about the pipe, it's something we've talked about previously, where we were working very closely with the supplier early on the ability to pivot from the 42 to 48. We don't anticipate any supply chain issues there. It's something we always felt comfortable early on with the ability to kind of flex on that, depending on the market demand that shows up.

When we think about cost, yeah, we feel pretty good about where our cost estimates are. It's something that we exercise a lot of discipline around. We work very closely with our suppliers, our contractors, to where we feel pretty good about that being in the range. As you mentioned, as we think about future demand, obviously the scalability of that will depend on what compression needs we have to meet future binding precedent agreements.

Ryan Levine - *Citi Infrastructure Investments LLC - Analyst*

Second question. Any color you could share around the SB 417 rulemaking conversations and where we are in the process?

Justin Brown - *Southwest Gas Holdings, Inc. - President and Chief Executive Officer*

The commission back in May had issued a draft. Parties had filed comments in response to that the commission has not yet taken any further action on it. It's still kind of in a wait-and-see mode, in terms of where we are on the rulemaking and any updates to the draft regulations and, ultimately, commission approval.

Operator

Thank you. This concludes the Q&A portion of today's conference. I would now like to turn the call back over to Tyler Franek for closing remarks.

Tyler Franek - *Southwest Gas Holdings, Inc. - Manager of Investor Relations*

Thanks again, Joanna. And thank you all for joining us today and for your questions. This concludes our conference call. We appreciate your interest in Southwest Gas Holdings and look forward to seeing many of you soon.

Operator

This concludes today's Southwest Gas Holdings second quarter 2026 earnings call and webcast. You may disconnect your lines at this time. Have a wonderful day.
