

# **Analyst Day New York**



**Southwest Gas**™  
**HOLDINGS**

**October 2, 2019**

# **Analyst Day New York**

October 2, 2019



**Southwest Gas**™  
HOLDINGS

# MANAGEMENT PARTICIPANTS



**John Hester**  
President and CEO  
Southwest Gas Holdings



**Paul Daily**  
President and CEO  
Centuri Group, Inc.



**Karen Haller**  
EVP/Chief Legal/Administration  
Southwest Gas Holdings



**Greg Peterson**  
SVP/CFO  
Southwest Gas Holdings



**Eric DeBonis**  
SVP/Operations  
Southwest Gas Corporation



**Kevin Neill**  
EVP/CFO/Treasurer  
Centuri Group, Inc.

# SAFE HARBOR STATEMENT

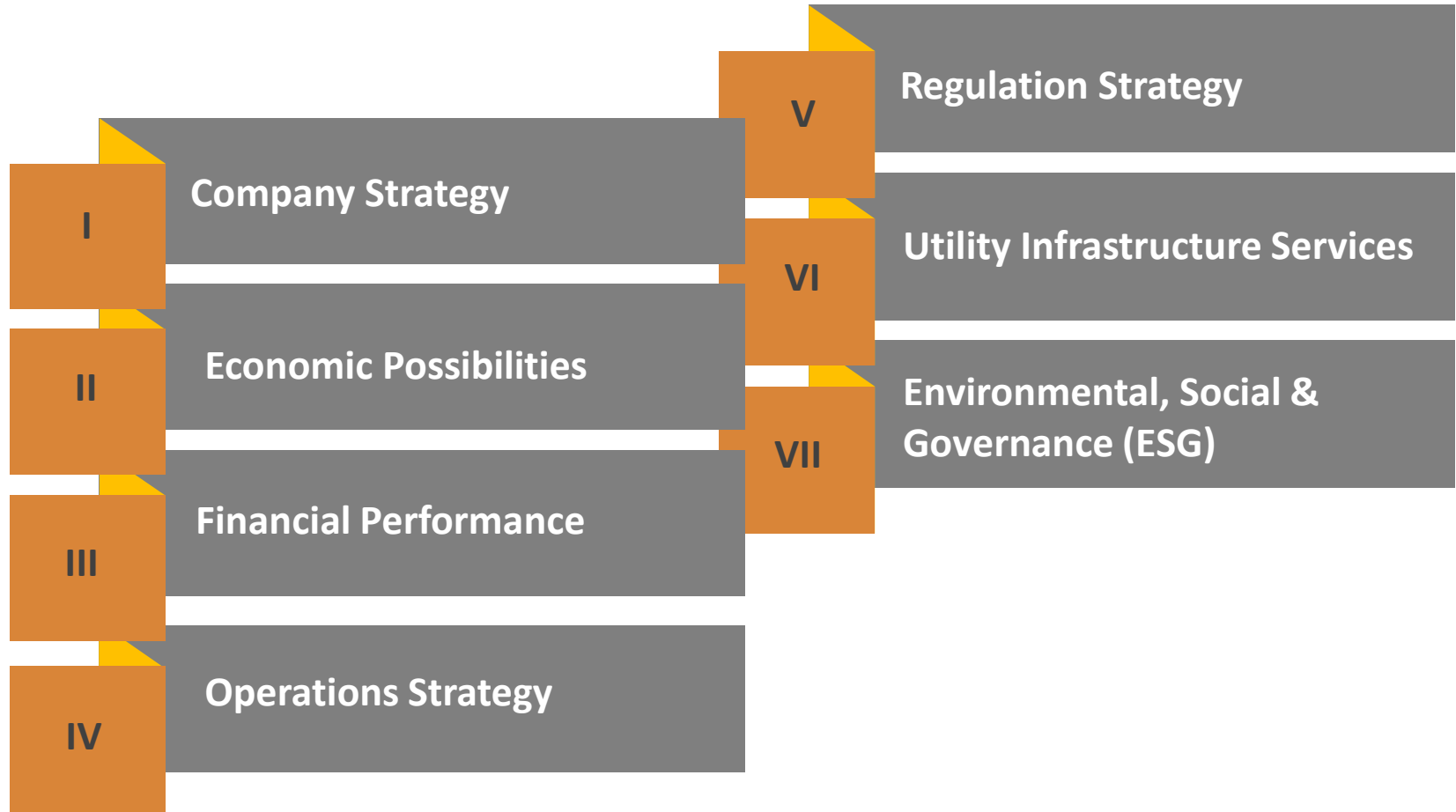
This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission (SEC). We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements 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 2019 expectations for our utility infrastructure services and natural gas operations segments, projected natural gas operations customer growth through 2021, estimated natural gas operations capital expenditures through 2021, as well as statements regarding our expansion projects and other investment opportunities.

Forward-looking statements are based on assumptions which we believe are reasonable, based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” of our most recent Annual Report on Form 10-K filed with the SEC, and other reports that we file with the SEC from time to time, and the following:

- The timing and amount of rate relief;
- Changes in operating expenses;
- Changes in rate design, infrastructure tracking mechanisms;
- Customer growth rates;
- Conditions in housing markets;
- The effects of regulation/deregulation;
- The impacts of construction activity at our infrastructure services segment;
- The impacts from acquisitions;
- 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.

# FUTURE FOCUSED OUTLINE:





# **FUTURE FOCUSED: COMPANY STRATEGY**

# STRATEGIC ALIGNMENT

## Mission

Our mission is to deliver long-term stakeholder value as we provide safe, reliable and efficient utility and utility-related services.



Our mission is to enrich the lives of customers and employees within our Southwest communities by providing safe and reliable natural gas service.



Centuri supports the performance of our operating companies in delivering services to meet the growing needs of gas and electric utilities throughout North America.



## Vision

The Southwest Gas Holdings legacy will be to build enduring value in the lives of our customers, employees and the communities we serve.

Southwest Gas Corporation aspires to be an exceptional employer, trusted partner and the energy provider of choice in the communities we serve.

Centuri's vision is to be the leader in safe, sustainable utility infrastructure services, while fulfilling our roles as an employer of choice and responsible corporate citizen in the communities we serve across the U.S. and Canada.

# CORE VALUES



Safety



Quality



Excellence



Partnership



Stewardship



Value



# FORWARD FOCUSED: VALUE DRIVERS

Two business  
segments with  
excellent growth  
opportunities

Strong financial  
foundation &  
future prospects

Customer centric  
focus at both  
segments

Operational  
excellence with  
focus on  
safety and  
reliability

Diversified  
regulatory  
footprint

Continued  
rate base  
growth

Attractive service  
territory &  
customer growth

Focus on  
selectively growing  
infrastructure  
services segment



# WHO WE ARE



## REGULATED

Natural gas distribution services to 2.1 million customers in Arizona, California & Nevada



## DIVERSIFIED UTILITY BUSINESS

A diversified utility services provider for customers across North America



## UNREGULATED

Utility infrastructure services in 50 locations across 38 states and provinces in the U.S. and Canada



# NATURAL GAS OPERATIONS

**2.1 Million**  
customers & growing

**Largest**  
LDC in AZ and NV

Ranked one of the top utilities  
**Easiest To Do  
Business With**  
Customer Effort index scores  
by Cogent Reports™

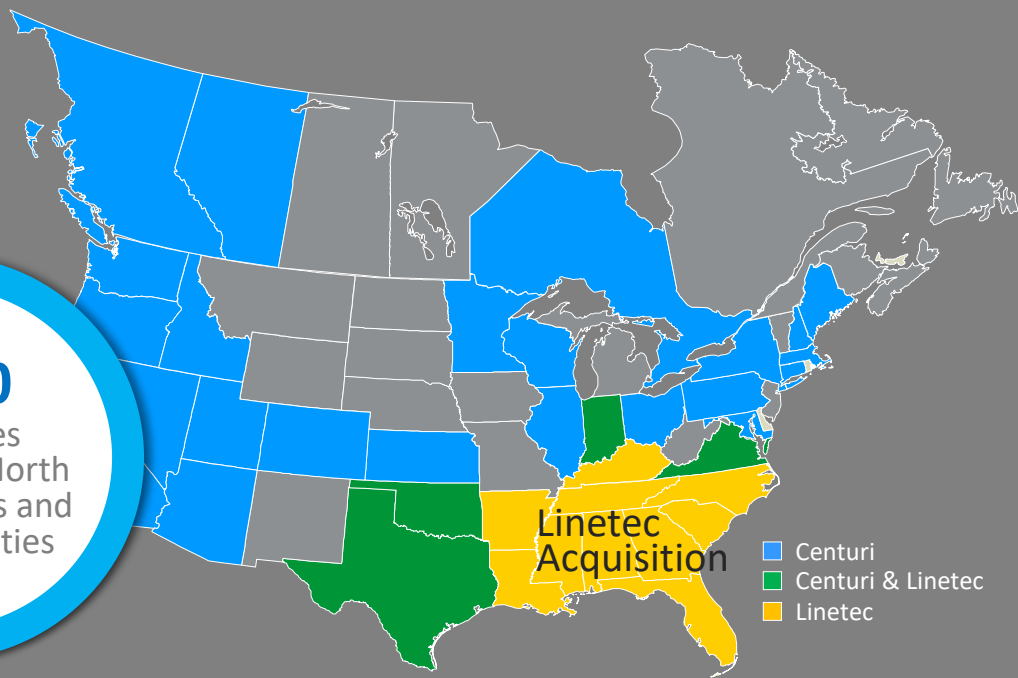


- Natural Gas Operations Service Territories
- Paiute Pipeline



# UTILITY INFRASTRUCTURE SERVICES

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

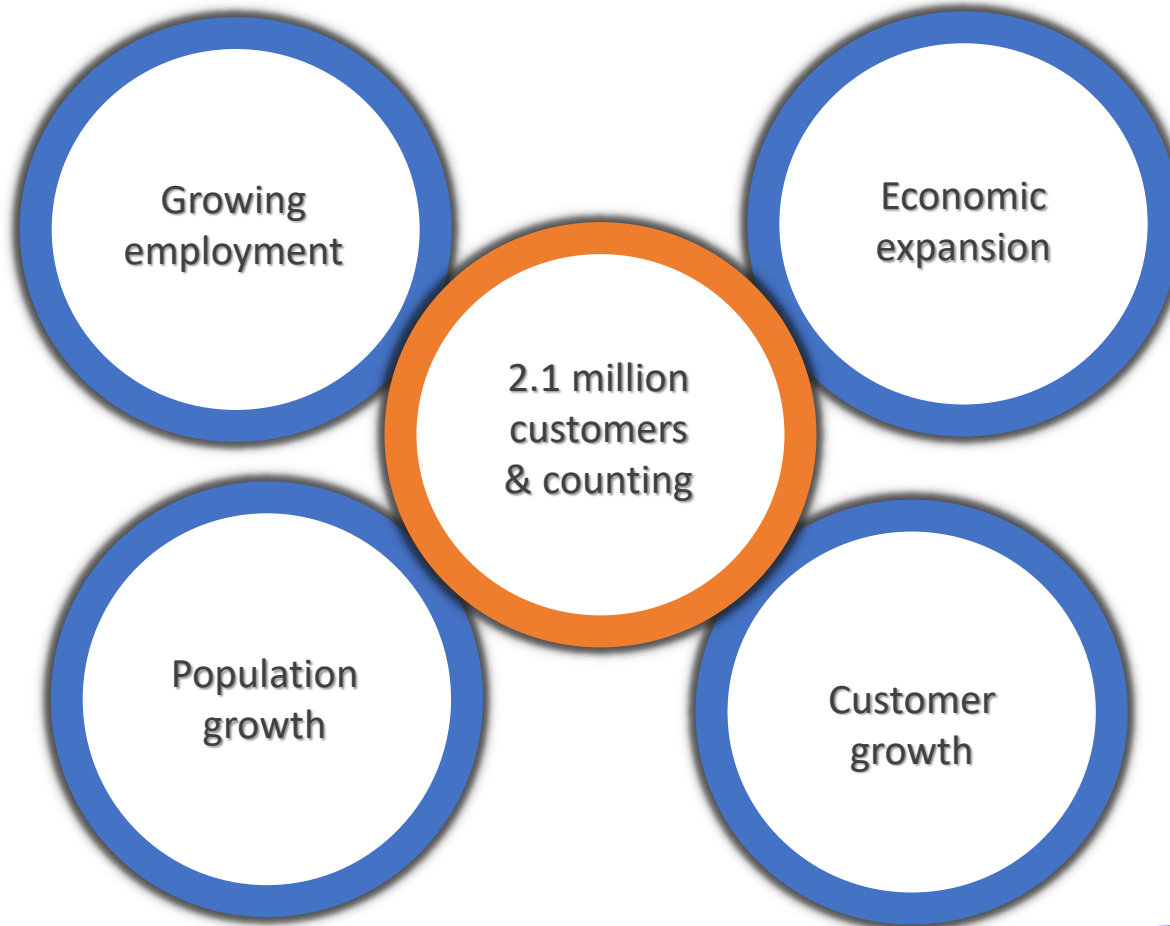




# **FUTURE FOCUSED: ECONOMIC POSSIBILITIES**

# ECONOMIC OVERVIEW

## NATURAL GAS OPERATIONS



# POPULATION GROWTH

## NATURAL GAS OPERATIONS

5.9%

6.9%

3.9%

USA  
3.56%

Projected population cumulative % change 2019-2024

Source: S&P Global Market Intelligence



SOUTHWEST GAS

# CUSTOMER GROWTH

## NATURAL GAS OPERATIONS

### Projected Customer Growth

- Over 35,000 new Southwest Gas customers annually
- Expansion to Spring Creek and Mesquite, Nevada

Year Ended December 31,  
(In millions)



\* Projected.

# ECONOMIC EXPANSION – SERVICE AREA

## NATURAL GAS OPERATIONS



Resorts World Las Vegas – 2020 <sup>1</sup>



Palmeraie Phoenix – 2020 <sup>2</sup>



Las Vegas Raiders – 2020 <sup>3</sup>



Raytheon Expansion Tucson – 2020 <sup>4</sup>

<sup>1</sup> Source: Resorts World Las Vegas ([www.reviewjournal.com](http://www.reviewjournal.com)); Media Gallery

<sup>2</sup> Source: AZ Big Media ([www.azbigmedia.com](http://www.azbigmedia.com)); \$2 Billion Palmeraie project breaks ground in Scottsdale

<sup>3</sup> Source: Las Vegas Review Journal ([www.reviewjournal.com](http://www.reviewjournal.com)); Economists weigh economic impact of stadium for Raiders in Las Vegas

<sup>4</sup> Source: Arizona Central ([www.azbigmedia.com](http://www.azbigmedia.com)); Raytheon's \$550 million expansion in Tucson allows for cutting edge missile testing



# **FUTURE FOCUSED: FINANCIAL PERFORMANCE**

# FINANCIAL OVERVIEW

Continued  
dividend growth

Favorable  
regulated/  
unregulated  
earnings mix

Balanced  
financing mix  
to support  
capex spend

Robust long-term  
earnings growth  
prospects

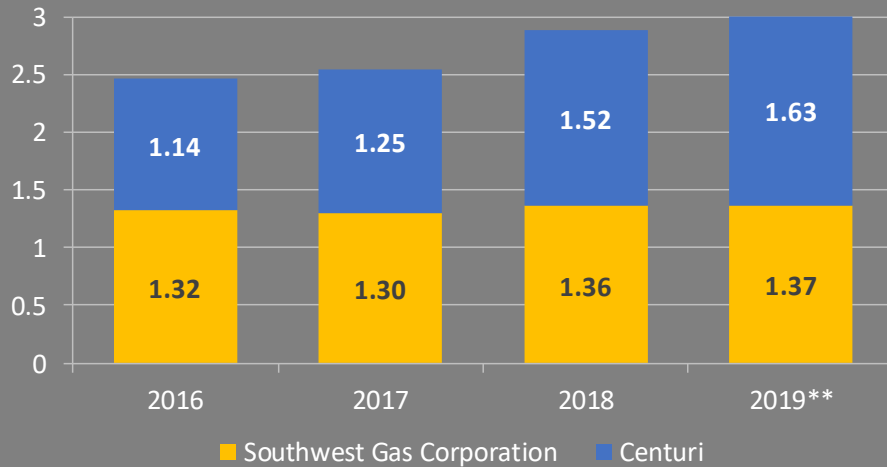
Focus on  
improving earned  
rates of return

Investment  
grade credit ratings

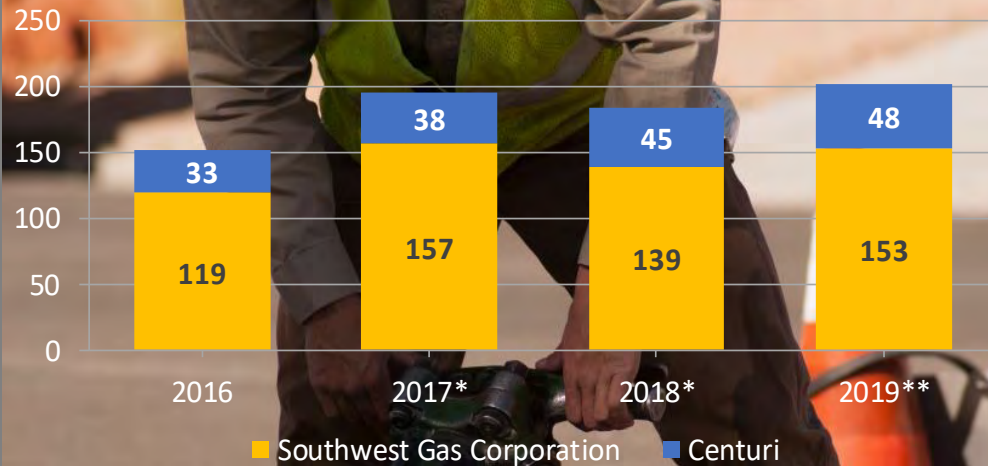


# FINANCIAL PERFORMANCE

Annual Revenue History by Segment  
(billions of dollars)



Annual Net Income History by Segment  
(millions of dollars)



\* Excludes corporate and administrative impacts at the holding company.

\*\* TMTD June 30, 2019.



# DIVIDEND GROWTH

8.35% 5-Year Compound Annual Growth Rate



- Maintain ~ payout ratio between 55% – 65%
- Expect future dividends to increase at the sustainable earnings growth rate



# CAPITAL EXPENDITURES

## NATURAL GAS OPERATIONS

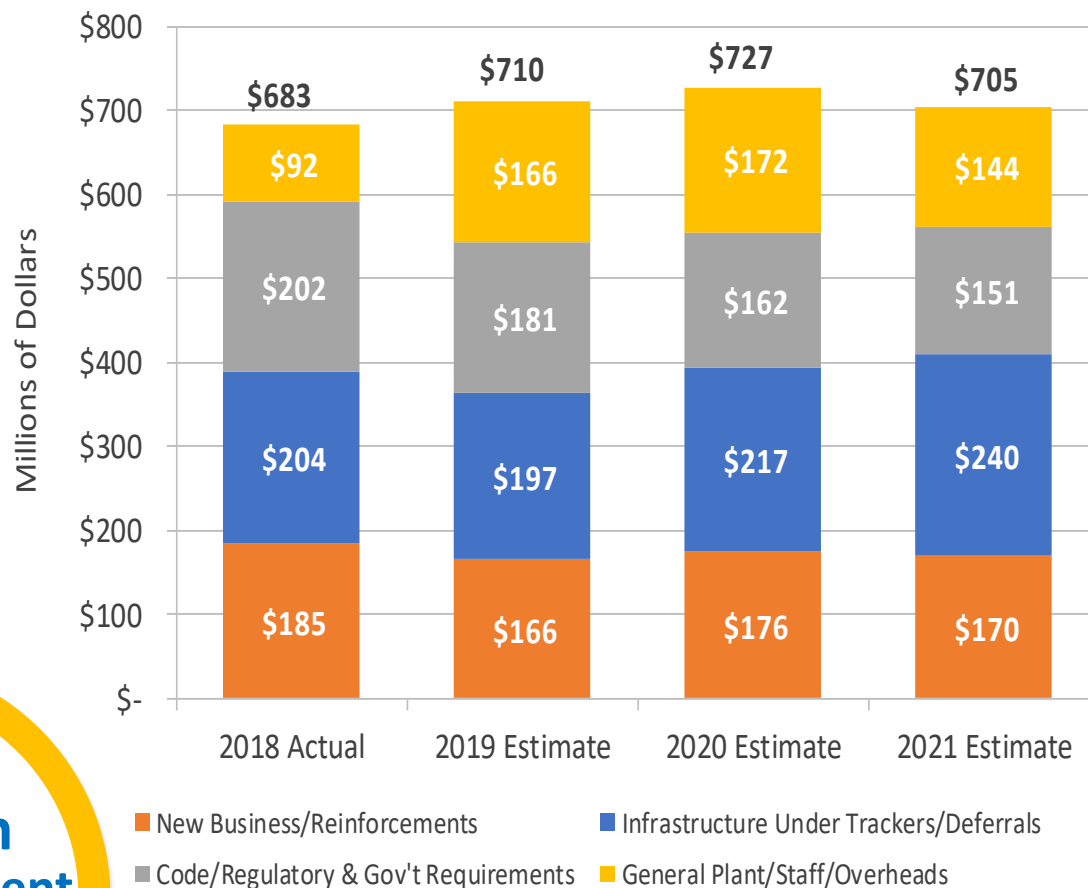
Continuous investment in our company infrastructure

### Long-Term Financing Activity

- Expect to fund approximately 45% to 50% through internal cash flow
- Anticipate funding remaining needs through a balance of debt and equity (\$98.1 million of equity issued YTD June 2019 through the ATM Program)

**\$2.1 Billion**  
**Capital Investment**

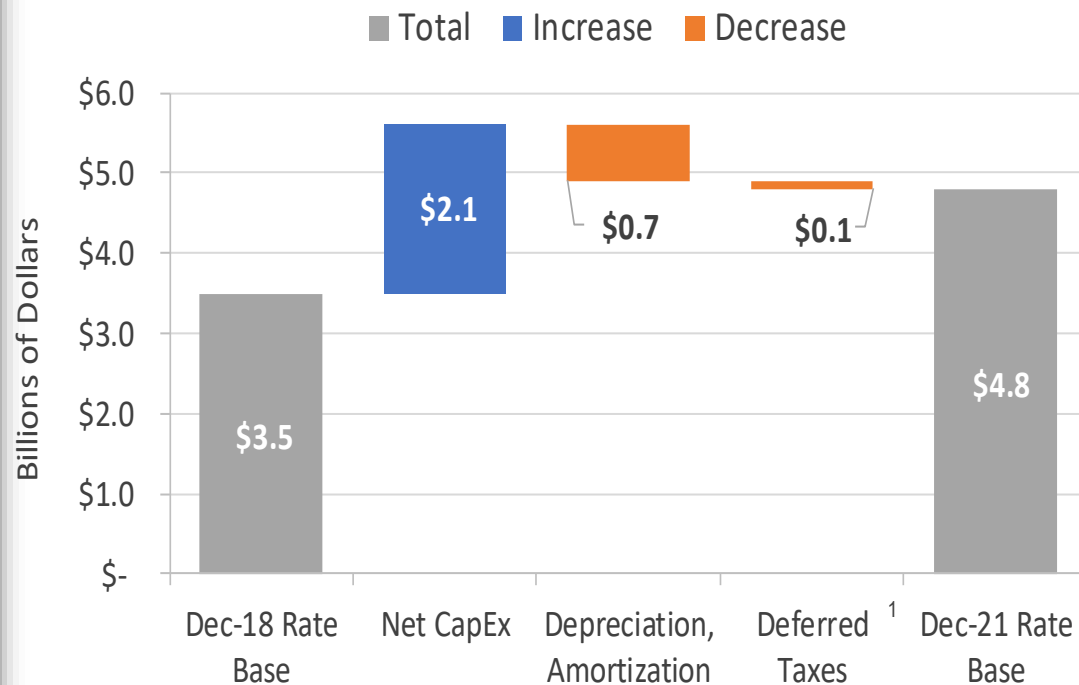
Estimated  
2019-2021



Attractive continued growth of our rate base

# RATE BASE GROWTH

## Natural Gas Operations



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

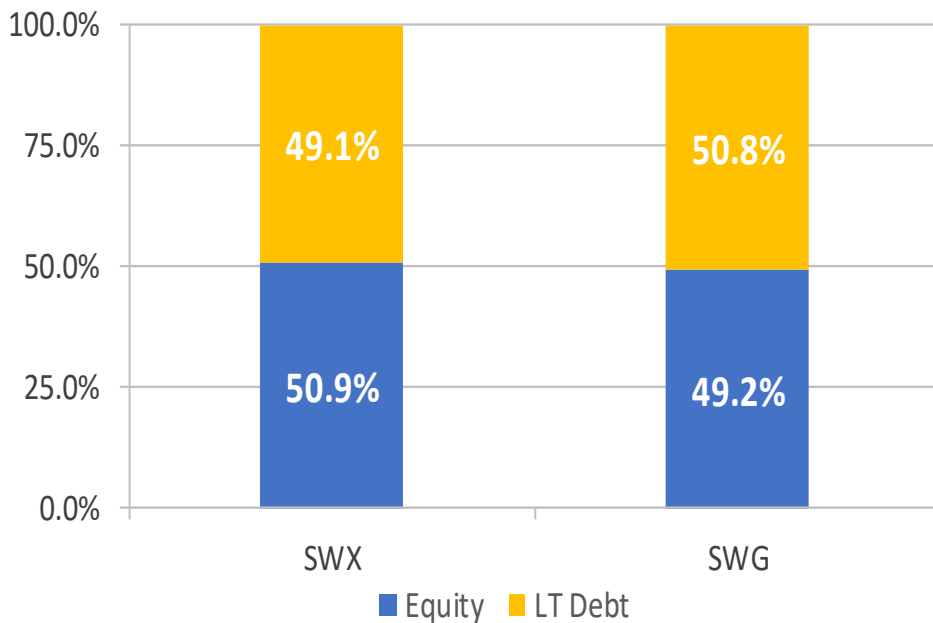
Projecting 11% Compound Annual Growth Rate (CAGR) in rate base (2019-2021).

<sup>1</sup> Includes changes in the regulatory liability created due to tax reform.

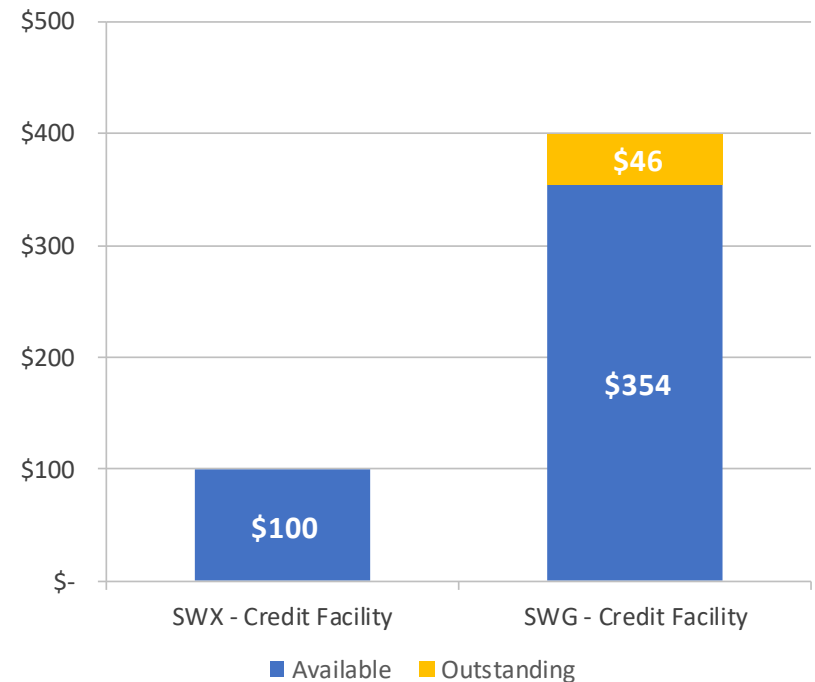


# CAPITAL AND LIQUIDITY PROFILE

**Total Capitalization at  
June 30, 2019**

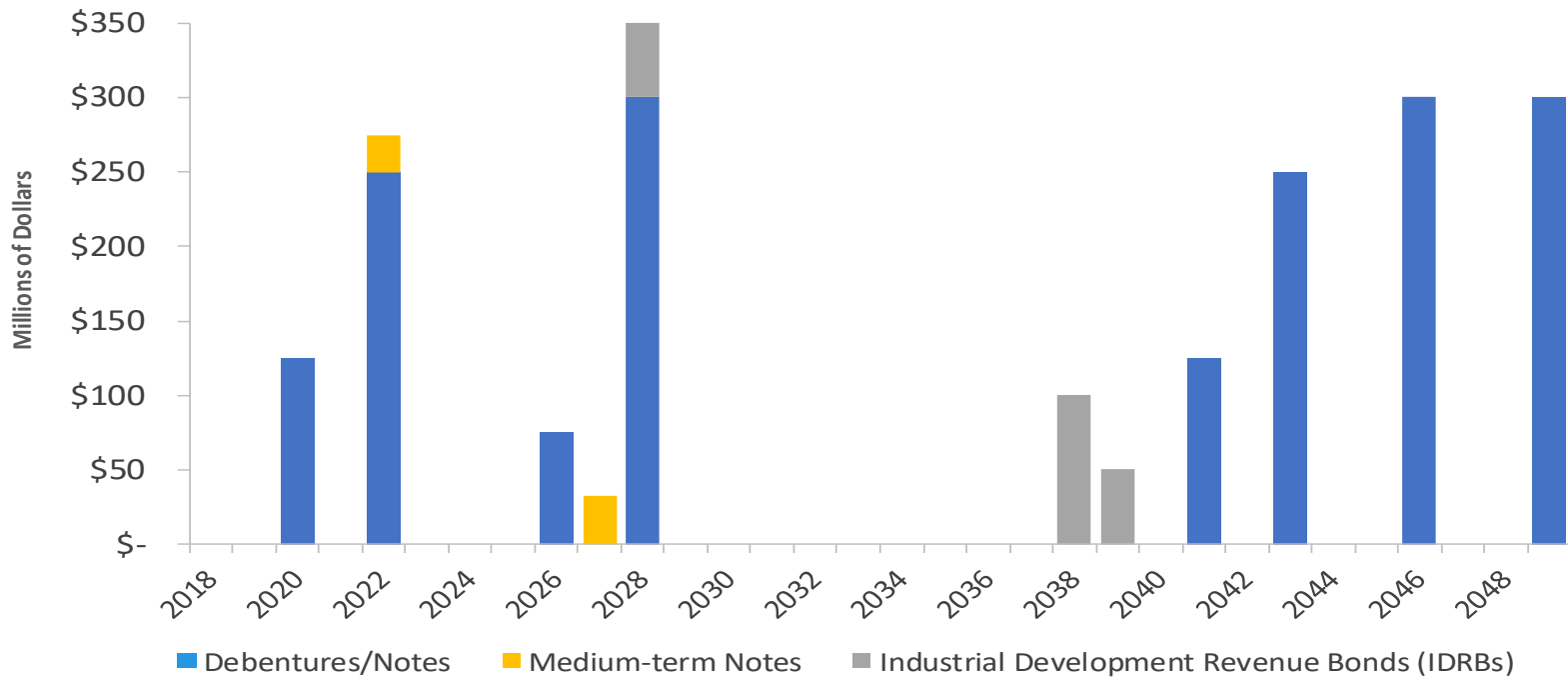


**Liquidity Profile as of  
June 30, 2019**  
(in millions)



# IMPROVED EMBEDDED COST OF LONG-TERM DEBT NATURAL GAS OPERATIONS

Long-Term Debt Maturity Schedule <sup>1</sup>



■ Debentures/Notes ■ Medium-term Notes ■ Industrial Development Revenue Bonds (IDRBs)

<sup>1</sup>Does not include the long-term portion of the \$400 million Revolving Credit Facility, due March 2022, or debt outstanding of Centuri Group, Inc.

\*Data as of June 30, 2019.

# CREDIT RATINGS

## Investment Grade Ratings

---

### Southwest Gas Holdings, Inc.

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

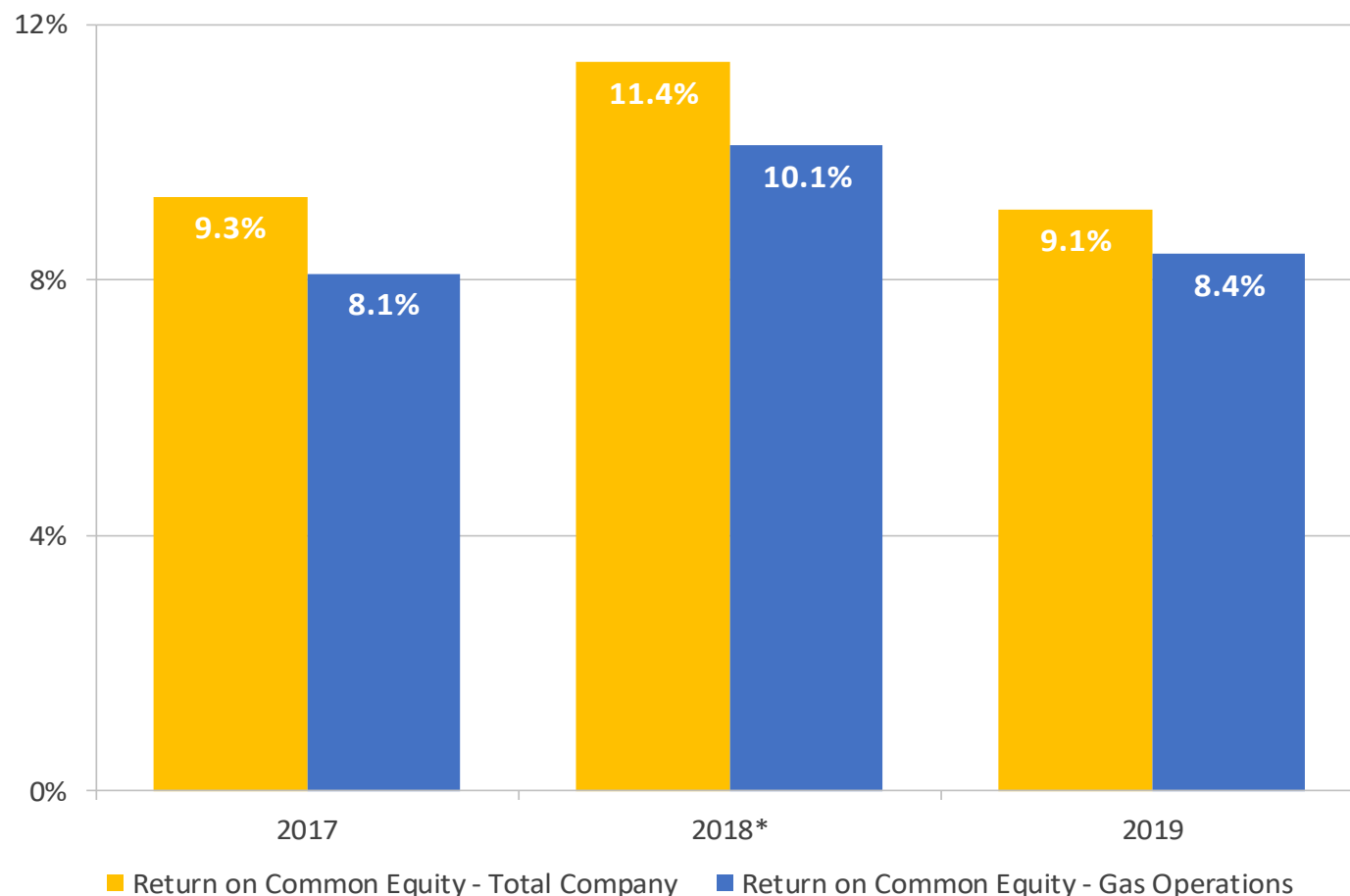
### Southwest Gas Corporation

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



# RETURN ON COMMON EQUITY

## TWELVE MONTHS ENDED JUNE 30



\*Returns for Total Company and Gas Operations are reflective of non-recurring tax benefits of \$20 million and \$8 million, respectively.

# COMPARATIVE TOTAL RETURNS

Total Returns for Periods Ended August 31, 2019

	1-Year	3-Year	5-Year	10-Year
<b>Southwest Gas Holdings</b>	<b>21.10%</b>	<b>12.16%</b>	<b>14.75%</b>	<b>17.27%</b>
<b>S&amp;P 400 MidCap Gas Index</b>	<b>4.14%</b>	<b>9.81%</b>	<b>10.48%</b>	<b>13.54%</b>
<b>S&amp;P Composite Utilities Index</b>	<b>20.43%</b>	<b>12.44%</b>	<b>11.73%</b>	<b>12.65%</b>
<b>S&amp;P 500 Index</b>	<b>2.92%</b>	<b>12.71%</b>	<b>10.09%</b>	<b>13.43%</b>

Total Return = Price appreciation plus gross dividends reinvested



# **FUTURE FOCUSED: OPERATIONS STRATEGY**

# OPERATIONS

## NATURAL GAS OPERATIONS

Continuous  
operational  
improvement

Commission  
approved  
expansion  
projects

Efficient and  
cost effective  
investments

Safety culture

Engaged with  
industry and  
pipeline safety  
regulators



# ACTIVE PIPELINE SAFETY MANAGEMENT SYSTEM

## NATURAL GAS OPERATIONS

### 10 Essential Elements

1. Leadership and Management Commitment
2. Stakeholder Engagement
3. Risk Management
4. Operational Controls
5. Incident Investigation, Evaluation & Lessons Learned
6. Safety Assurance
7. Management Review and Continuous Improvement
8. Emergency Preparedness and Response
9. Competence, Awareness & Training
10. Documentation and Record Keeping

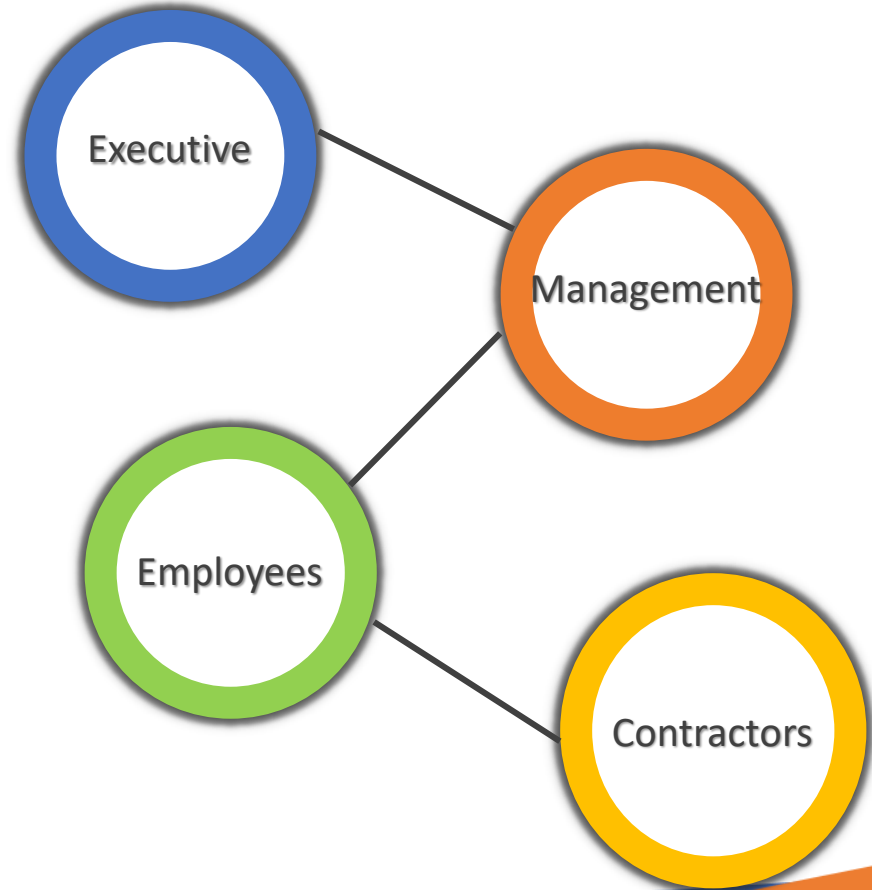
**RP 1173** API Recommended Practice for Pipeline Safety Management Systems



THIS PLAN BRINGS THE OPERATING DIVISIONS TOGETHER TO ACCOMPLISH THREE STRATEGIC OBJECTIVES:

1. Deliver continuous and efficient operational improvements in safety, reliability, and customer satisfaction
2. Strengthen the culture of safety and quality improvement within Southwest Gas and its contractors
3. Plan and execute capital investments with supportive cost recovery

## ENGAGED IN CONTINUOUS OPERATIONAL IMPROVEMENT NATURAL GAS OPERATIONS



# INDUSTRY AND PEER COLLABORATION

## NATURAL GAS OPERATIONS

- Executive Engagement
- Annual Executive Safety & Quality Conference
- Peer Review Program
- Best Practices Committee
- On-Site Meetings
- Sharing of Best Practices



# ESTABLISHED SAFETY FOCUS

## NATURAL GAS OPERATIONS

Emergency Response

Damage Prevention

Occupational Safety

Construction Inspection



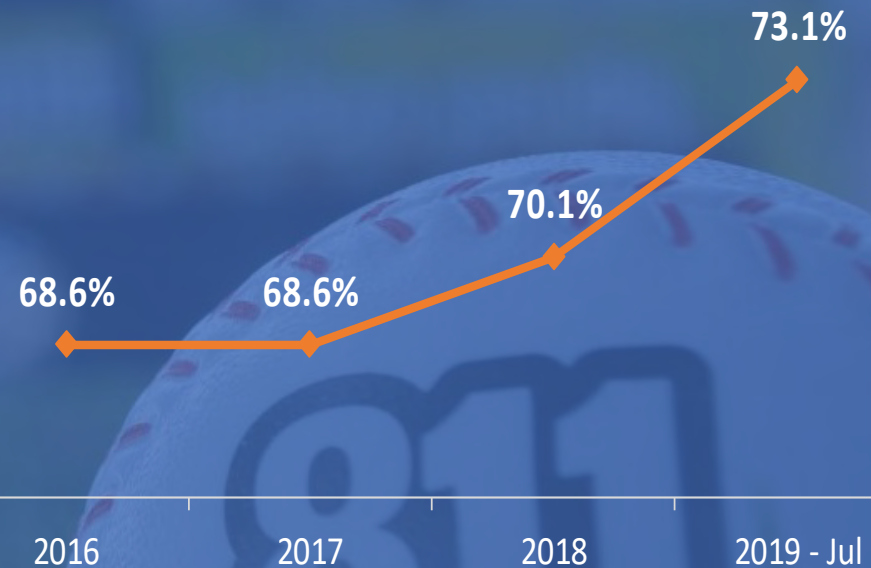
# DAMAGE PREVENTION & EMERGENCY RESPONSE

## NATURAL GAS OPERATIONS

Damages per 1,000 tickets



Arrival on scene within 30 minutes



# EMPLOYEES

## TRAINING, ENGAGEMENT AND MENTORING

### NATURAL GAS OPERATIONS



# STRENGTHENING SAFETY CULTURE

## NATURAL GAS OPERATIONS

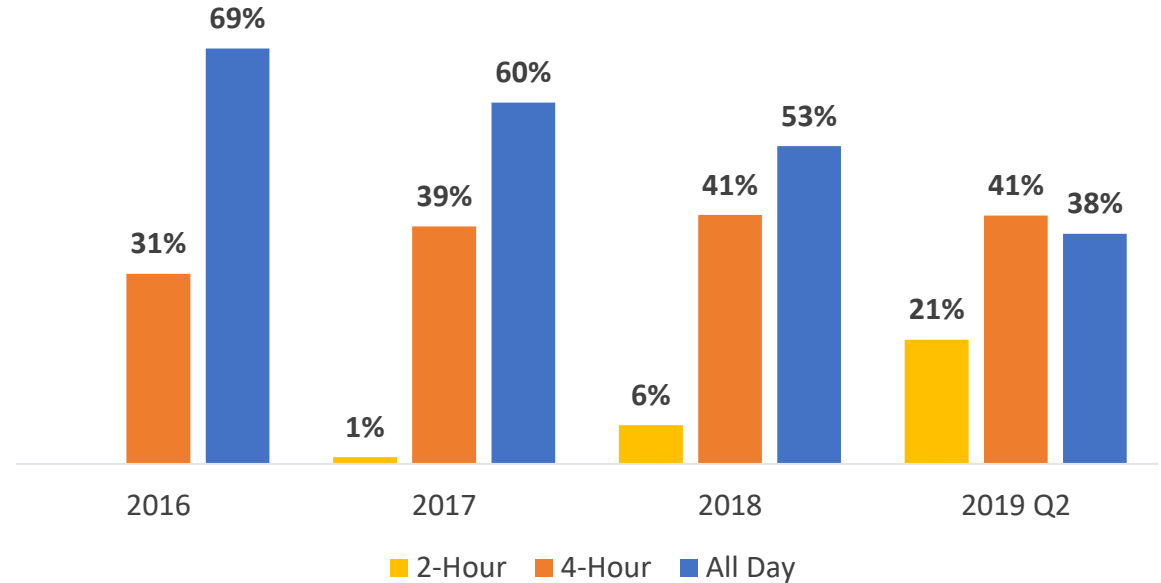


# ENHANCING CUSTOMER EXPERIENCE

## NATURAL GAS OPERATIONS

- More 2/4-Hour Appointments
- Expanded Hours of Service
- Service Reminders
- Project Horizon

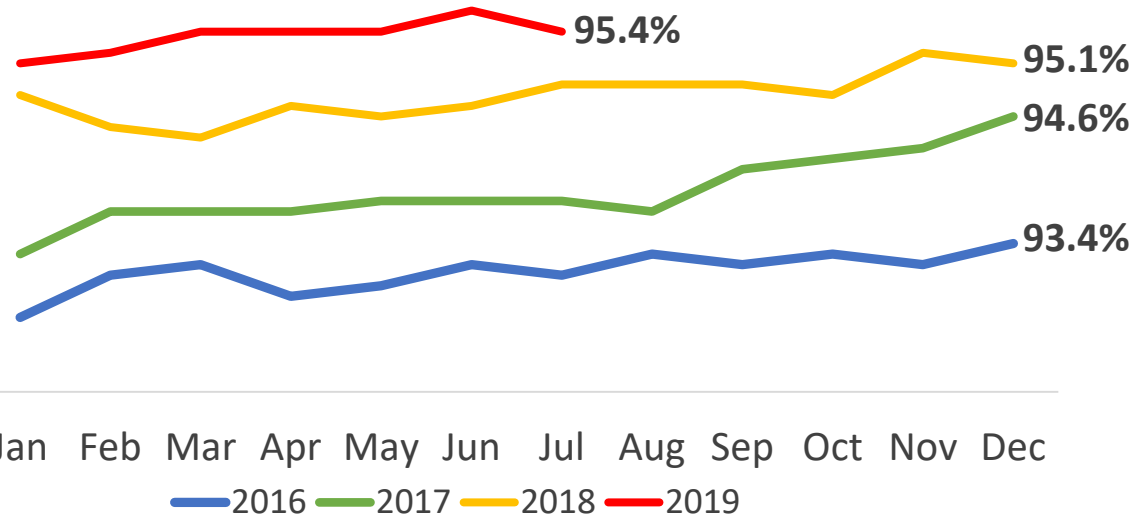
Mix of Appointment Windows Utilized



# CUSTOMER SATISFACTION

## NATURAL GAS OPERATIONS

Customer Satisfaction - Rolling 12 Months



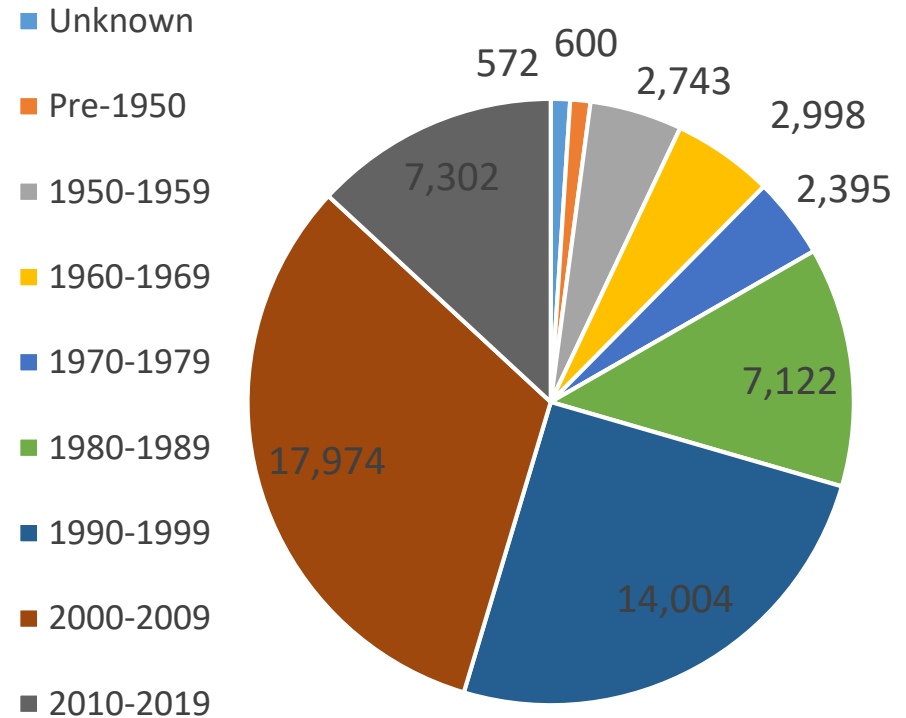
# SYSTEM DESCRIPTION

## NATURAL GAS OPERATIONS



- 70% installed post-1990
- No cast iron
- No unprotected bare steel

Miles of Pipe by Decade of Installation



# SYSTEM INTEGRITY NATURAL GAS OPERATIONS



# RELIABILITY AND CUSTOMER GROWTH

## NATURAL GAS OPERATIONS

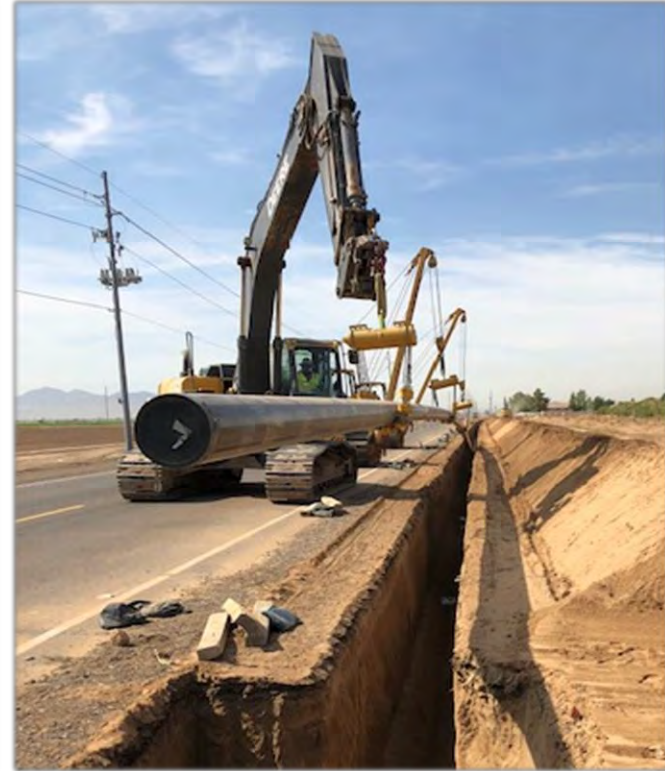
LNG Facility



Mesquite Expansion



UPS CNG Facility

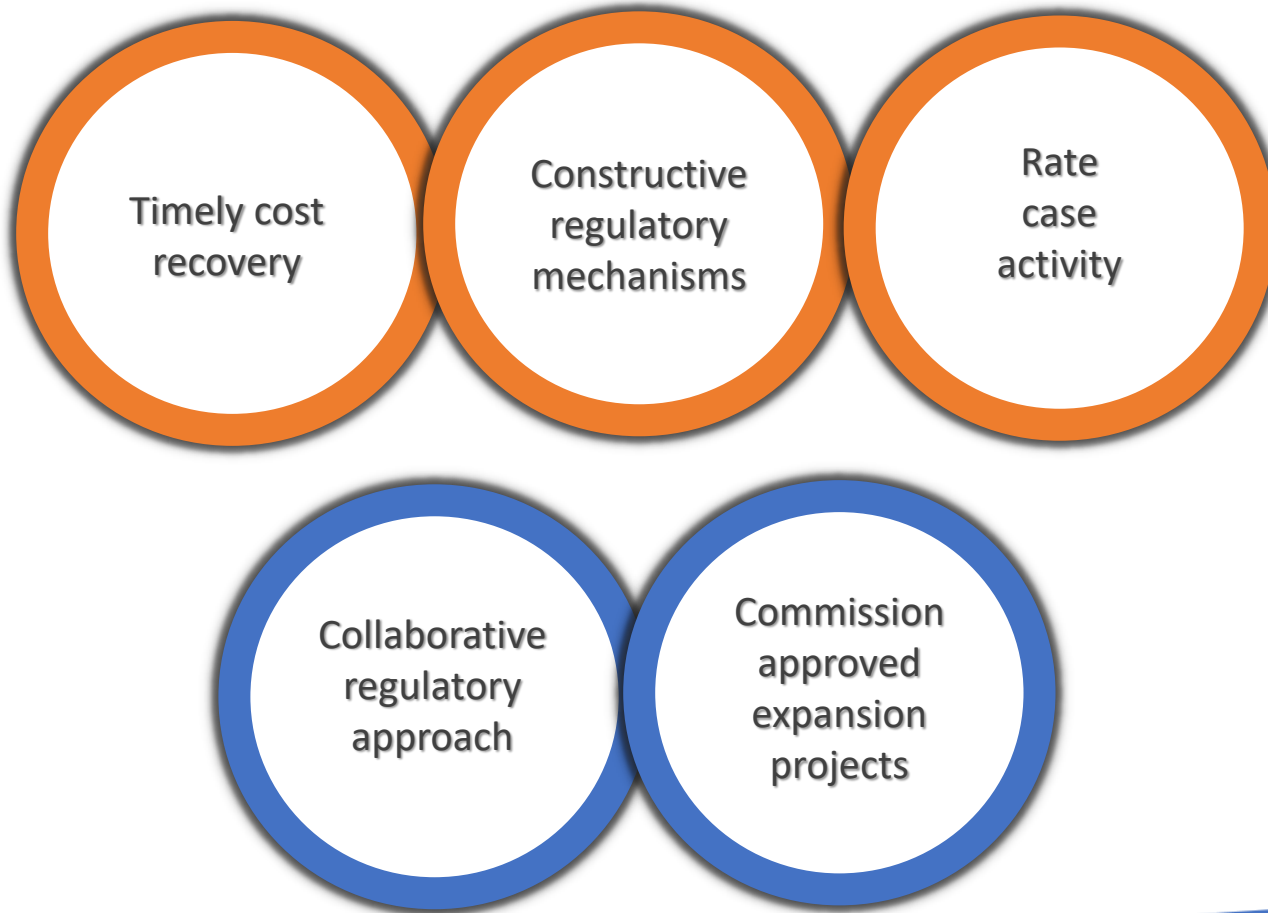




# **FUTURE FOCUSED: REGULATION STRATEGY**

# REGULATORY COLLABORATION

## NATURAL GAS OPERATIONS



# AUTHORIZED RATE BASE AND RATES OF RETURN NATURAL GAS OPERATIONS

<u>Rate Jurisdiction</u>	<u>Authorized Rate Base (In thousands)</u>	<u>% of Total Rate Base</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity (ROE)</u>	<u>Decoupled</u>	<u>Authorized Common Equity Ratio</u>
Arizona	\$ 1,324,902	46 %	7.42 %	9.50 %	✓	51.70 %
Southern Nevada	1,110,380	38	6.65	9.25	✓	49.66
Northern Nevada	134,230	5	6.98	9.25	✓	49.66
Southern California	159,277	5	6.83	10.10	✓	55.00
Northern California	67,620	2	8.18	10.10	✓	55.00
South Lake Tahoe	25,389	1	8.18	10.10	✓	55.00
Paiute Pipeline Company <sup>1</sup>	87,158	3	8.46	11.00	✓	51.75
Total	<u>\$ 2,908,956</u>	<u>100 %</u>				
Weighted average authorized ROE				<u>9.49 %</u>		

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

# REGULATORY COMMISSIONS

## COMMISSIONER UPDATE

### NATURAL GAS OPERATIONS

Arizona Commissioners	Party Affiliation	Term Ends
Robert L. Burns (Chair)	R	Jan. 2021
Boyd Dunn	R	Jan. 2021
Lea Marquez Peterson	R	Jan. 2021
Justin Olson	R	Jan. 2023
Sandra Kennedy	D	Jan. 2023

California Commissioners	Party Affiliation	Term Ends
Marybel Batjer (President)	D	Jan. 2021
Liane Randolph	D	Jan. 2021
Clifford Rechtschaffen	D	Jan. 2023
Martha Guzman Aceves	D	Jan. 2023
Genevieve Shiroma	D	Jan. 2025

Nevada Commissioners	Party Affiliation	Term Ends
Ann Pongracz (Chair)	D	Sept. 2019
Hayley Williamson	D	Sept. 2020
C.J. Manthe	R	Sept. 2021

FERC Commissioners	Party Affiliation	Term Ends
Neil Chatterjee (Chair)	R	June 2021
Richard Glick	D	June 2022
Bernard L. McNamee	R	June 2020
Vacant	-	-
Vacant	-	-

# REGULATION – RATE CASE ACTIVITY

## ARIZONA

### NATURAL GAS OPERATIONS

Requests	Arizona General Rate Case
Rate Relief	\$57 Million
Rate Base	\$2.0 Billion (\$700 million increase)
ROE	10.3%
Capital Structure Equity Ratio	51.1%
Rate Design	Continuation of Decoupling Mechanism
Other Proposals	Continuation of Property Tax Tracker Continuation of COYL Program Continuation of VSP Replacement Program Proposal for a Plastic Pipe Replacement Program Proposal for a Renewable Natural Gas Program
Schedule	Hearing - February 18, 2020 Final Decision – Estimated 2Q 2020

# REGULATION – RATE CASE ACTIVITY

## CALIFORNIA

### NATURAL GAS OPERATIONS

Requests	California General Rate Case
Rate Relief	\$12.8 Million
Rate Base	\$482 Million (\$230 million increase)
ROE	10.5%
Capital Structure Equity Ratio	53.0%
Rate Design	Increase Basic Service Charge to \$5.75 Continuation of Fully Decoupled Rate Design
Other Proposals	Continuation of Pension Balancing Account Continuation of PTYM Adjustment of 2.75% Proposed Targeted Pipe Replacement Program Proposed Meter Protection Program Proposal to expand COYL Program
Proposed Schedule	Hearing - April 2020 Final Decision – 4Q 2020

# REGULATION – RATE CASE ACTIVITY

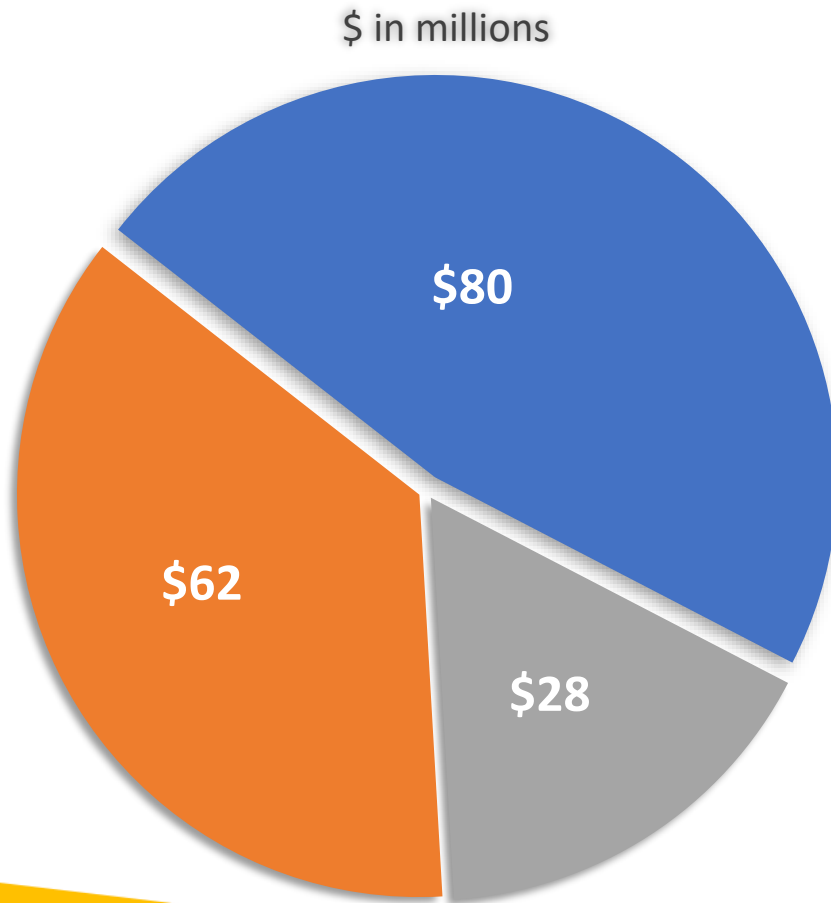
## PAIUTE PIPELINE

### NATURAL GAS OPERATIONS

Requests	Paiute General Rate Case
Rate Relief	\$7.1 Million
Rate Base	\$137 Million
ROE	14.8%
Capital Structure - Equity	56.0%
Rate Design	Term-differentiated rates
Other Proposals	Higher depreciation rate

# REGULATION – EXPANSION PROJECTS

## NATURAL GAS OPERATIONS



### ARIZONA LNG FACILITY

- Approved \$80 million, 233,000 dekatherm LNG facility
- Approximately \$68 million spent through June 2019
- LNG facility is expected to be completed and placed in service by October 2019

### SOUTHERN NEVADA EXPANSION

- PUCN approved \$28 million expansion project in May 2018 to extend facilities to Mesquite, NV (SB 151 project)
- Estimated annual revenue requirement of \$2.8 million
- Began serving customers in February 2019 using a temporary virtual pipeline and compressed natural gas
- Approach main to provide permanent supply is anticipated to take an additional two years to complete

### NORTHERN NEVADA EXPANSION

- June 2019, filed for authorization to invest \$62 million in Spring Creek, NV (SB 151 project)
- Decision expected early 2020



# REGULATION – STRATEGIC FOCUS

## NATURAL GAS OPERATIONS

Strategic Focus	Initiatives			
<b>Revenue Stability</b>  Full Revenue Decoupling Non-Volumetric Rate Designs	<u><b>Arizona</b></u>  Delivery Charge Adjustment Mechanism	<u><b>California</b></u>  Fixed Cost Adjustment Mechanism	<u><b>Nevada</b></u>  General Revenues Adjustment Mechanism	<u><b>Paiute</b></u>  SFV/Demand Charges
<b>Mitigate Regulatory Lag</b>  Cost Recovery Mechanisms Cost Recovery Trackers Timely Rate Case Filings	<u><b>Arizona</b></u> <ul style="list-style-type: none"> <li>• PGA Mechanism</li> <li>• COYL Program</li> <li>• VSP Program</li> <li>• Property Tax Tracker</li> </ul>	<u><b>California</b></u> <ul style="list-style-type: none"> <li>• PGA Mechanism</li> <li>• PBA Tracker (pension tracker)</li> <li>• IRRAM (COYL Program)</li> <li>• Annual Attrition</li> </ul>	<u><b>Nevada</b></u> <ul style="list-style-type: none"> <li>• PGA Mechanism</li> <li>• GIR Program</li> <li>• VIER Mechanism</li> </ul>	
<b>Capital Investment Opportunities</b>  Enhanced Safety/Reliability Expansion Opportunities Non-Traditional Uses	<u><b>Enhanced Safety/Reliability</b></u> <ul style="list-style-type: none"> <li>• Capex Tracker Programs</li> <li>• Pipe replacement activity</li> <li>• Risk Informed Decision Making Process</li> </ul>	<u><b>Expansion Opportunities</b></u> <ul style="list-style-type: none"> <li>• Paiute 2018 Expansion</li> <li>• SAZ LNG Storage Facility</li> <li>• Nevada Expansion Legislation</li> </ul>	<u><b>Non-Traditional Opportunities</b></u> <ul style="list-style-type: none"> <li>• CNG/NGV Market Share Opportunities</li> <li>• RNG Opportunities</li> <li>• CDMI Initiative</li> </ul>	

# COMPELLING VALUE PROPOSITION TO CUSTOMERS

## MONTHLY NATURAL GAS BILL LOWEST AMONG RESIDENTIAL UTILITIES

### NATURAL GAS OPERATIONS



**\$40**  
**Natural Gas**



**\$70**  
**Water**



**\$107**  
**TV**  
(Cable/Satellite)



**\$112**  
**Electric**



**\$160**  
**Mobile Phone**

#### Sources:

- **Natural Gas \$39** – 2018 Southwest Gas average monthly residential bill
- **Water \$70** – Circle of Blue ([www.circleofblue.org](http://www.circleofblue.org)); Price of Water 2018: 3.3 Percent Increase in 30 Large U.S. Cities
- **Cable/Satellite TV \$107** – Fortune ([www.fortune.com](http://www.fortune.com)); Why the Price of Cable TV Stopped Going Up So Fast This Year
- **Electric \$112** – U.S. Energy Information Administration ([www.eia.gov](http://www.eia.gov)); [Electricty Data](http://electrictydata.com)
- **Mobile Phone** – Consumer Reports (<https://www.consumerreports.org>) May 2019 based on average cell phone bill for 2 smartphones
- **Photo** – Richmond American Homes ([www.richmondamerican.com](http://www.richmondamerican.com)); Granite Falls



**SOUTHWEST GAS**



**FUTURE  
FOCUSED:  
UTILITY  
INFRASTRUCTURE  
SERVICES**

# LONG-TERM VALUE

## UTILITY INFRASTRUCTURE SERVICES

Commitment to  
safety and  
quality

Consistent  
earnings  
growth history

Competitive  
advantages of  
scale and  
capabilities

High quality,  
long-tenured  
customer base










Favorable  
long-term market  
outlook

Extensive  
North American  
footprint

# COMPANY HISTORY

## UTILITY INFRASTRUCTURE SERVICES



1967	1987	1996	2000	2012	2014	2017	2018
<b>NPL Founded</b>	<b>Phoenix Move</b>	<b>Southwest Gas</b>	<b>Strategic Alliances</b>	<b>Record Growth</b>	<b>Strategic Growth</b>	<b>Neuco Acquisition</b>	<b>Industry Leadership</b>
<p>NPL was founded in Gonvick, Minnesota as Northern Gas Line Constructors.</p> <p>Over fifty years later NPL is still serving its very first customer, now known as Minnesota Energy Resources (MERC).</p> 	<p>With a focus on national growth, NPL relocates its corporate headquarters to Phoenix, Arizona.</p> 	<p>NPL becomes a wholly-owned subsidiary of Southwest Gas Corporation, following completion of a \$24 million acquisition.</p> 	<p>Strategic Alliances developed to meet the long term needs of key customers.</p>  	<p>Revenue reaches \$500 million.</p>	<p>With a 100-year vision for growth and diversification, Centuri Construction Group is established as a holding company and enters the Canadian market with the acquisition of Link-Line Group of Companies. Revenue exceeds \$1 billion in first full year of combined company (2015).</p>  	<p>Centuri expands its geographical reach in the U.S. to include New England with the acquisition of New England Utility Constructors, Inc. (Neuco).</p> 	<p>Centuri is ranked #12 in ENR's Top 600 Specialty Contractors.</p> <p>Centuri grows electric T&amp;D services and expands geographic reach into the U.S. Gulf Coast region with the acquisition of Linetec Services, LLC.</p> 

# INDUSTRY LEADERSHIP

## UTILITY INFRASTRUCTURE SERVICES

Centuri is focused on providing best in class services to investor owned gas and electric utilities throughout the US and Canada.

### **Our size, scale, and expertise enables the following:**

- Unwavering commitment to safety and quality
- Serving as an extension of the utility workforce
- Long-standing customer alliance relationships
- Prioritizing involvement and support to the communities we serve across our geographic footprint
- Support combination utility strategies

# OPERATIONAL LOCATIONS

## UTILITY INFRASTRUCTURE SERVICES

### United States

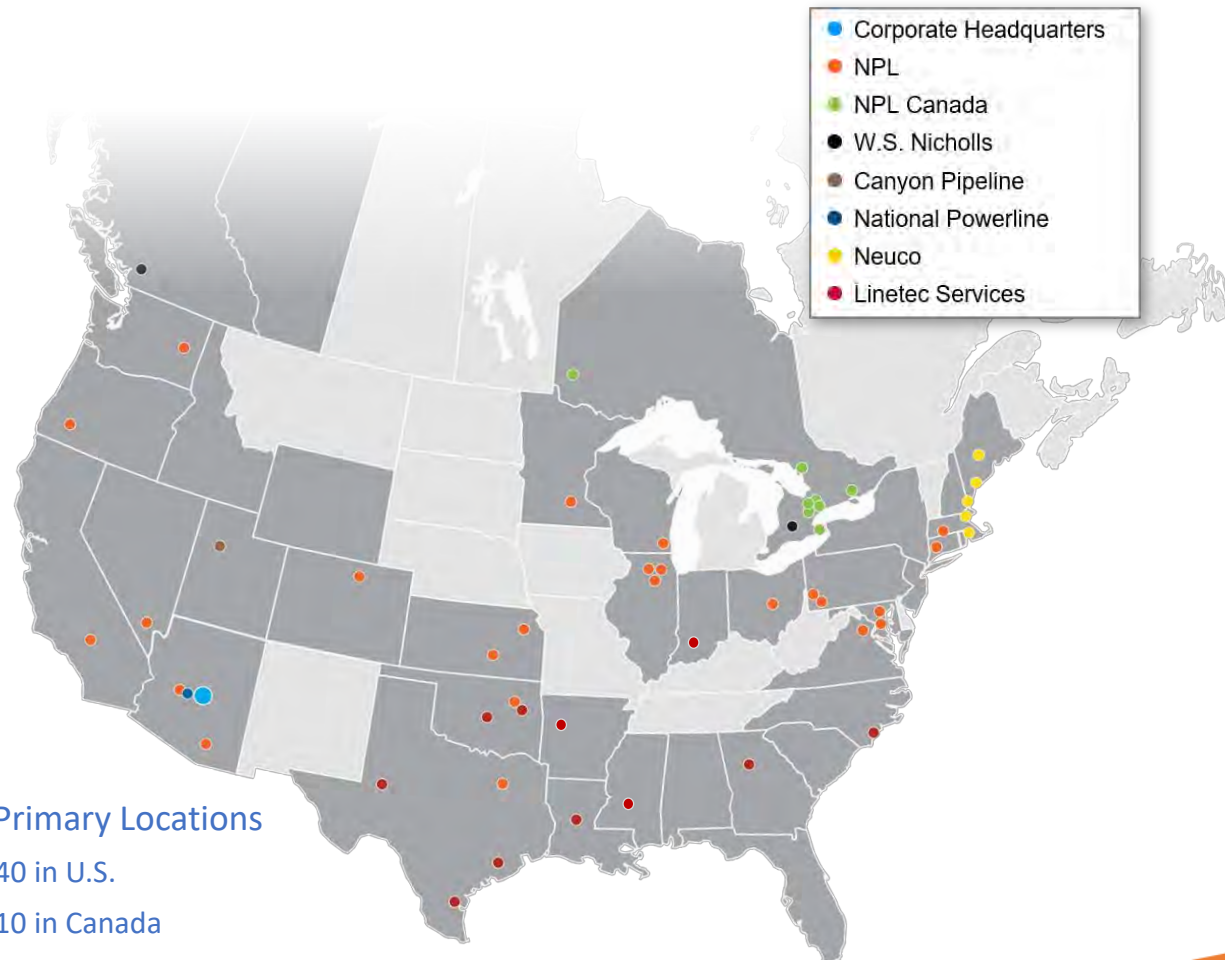
- Alabama
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Florida
- Georgia
- Idaho
- Illinois
- Indiana
- Kansas
- Louisiana
- Maine
- Maryland
- Massachusetts
- Minnesota
- Mississippi
- Nevada
- New Hampshire
- New Jersey
- New York
- North Carolina
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- South Carolina
- Texas
- Utah
- Virginia
- Washington
- Wisconsin
- Wyoming

### Canada

- Alberta
- British Columbia
- Ontario

#### • 50 Primary Locations

- 40 in U.S.
- 10 in Canada



# SUSTAINABILITY FRAMEWORK

## UTILITY INFRASTRUCTURE SERVICES



**SAFETY** IS WHAT WE STAND FOR

**QUALITY** IS WHAT WE LEAVE BEHIND

**EMPLOYEES** ARE OUR LIFEBLOOD

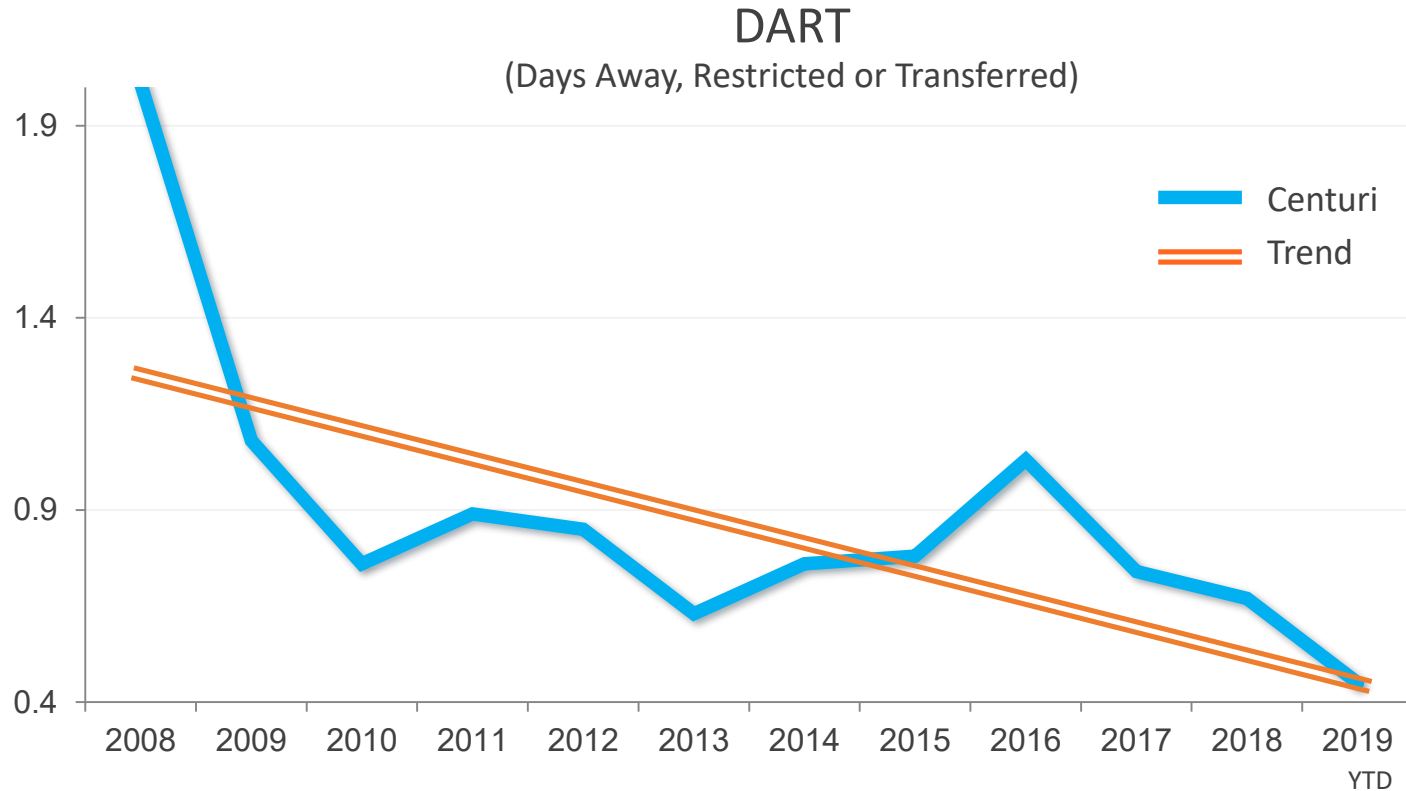
**COMMUNITY** IS WHO WE SERVE

**ECONOMY** IS A LONG-TERM INVESTMENT

**ENVIRONMENT** IS OUR HOME

# SAFETY STATISTICS

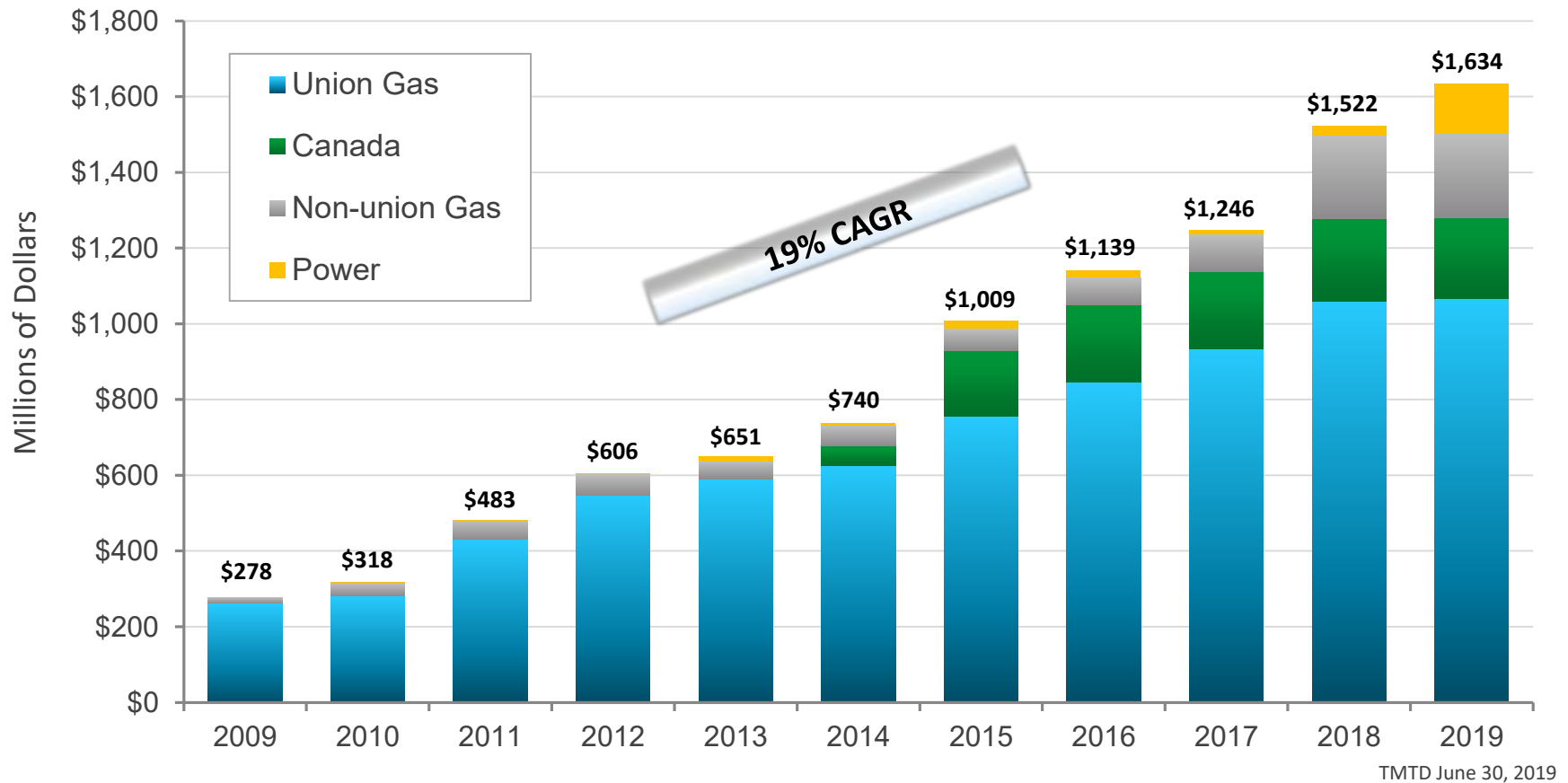
## UTILITY INFRASTRUCTURE SERVICES



This safety metric helps employers determine how many workplace injuries and illnesses required employees to miss work, perform restricted work activities or transfer to another job within a calendar year.

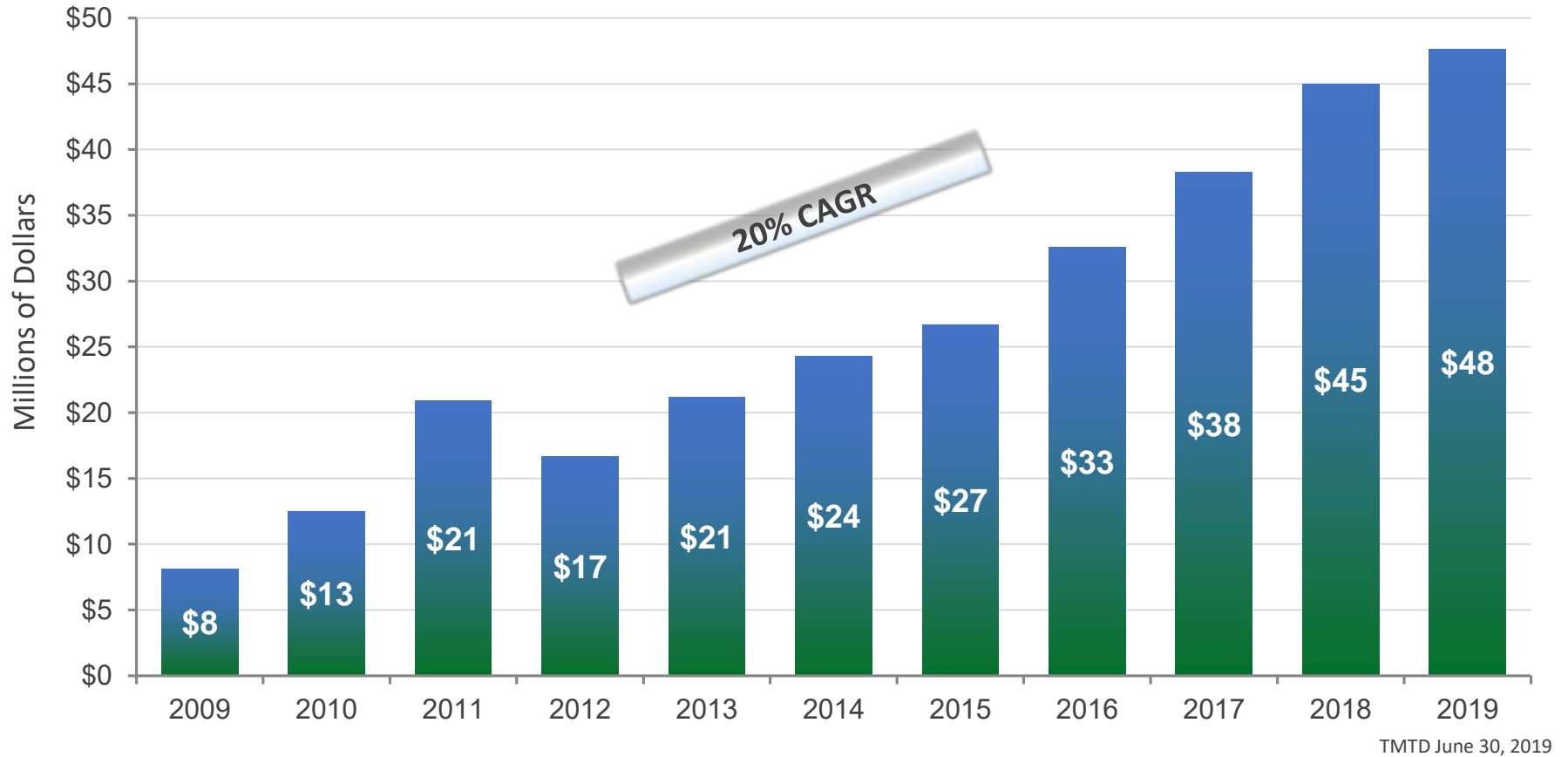
# REVENUE HISTORY

## UTILITY INFRASTRUCTURE SERVICES



# NET INCOME HISTORY

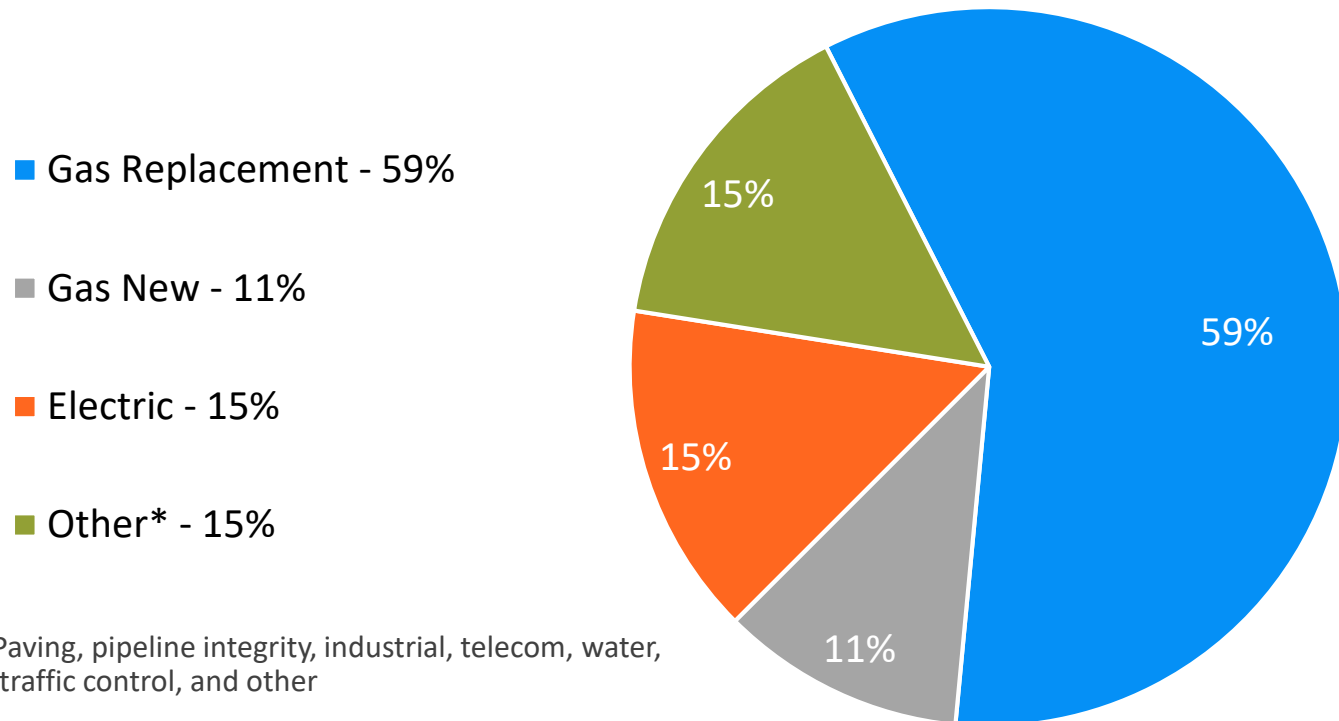
## UTILITY INFRASTRUCTURE SERVICES



# MARKET DIVERSIFICATION

## UTILITY INFRASTRUCTURE SERVICES

### 2019 June YTD Revenue by Work Type

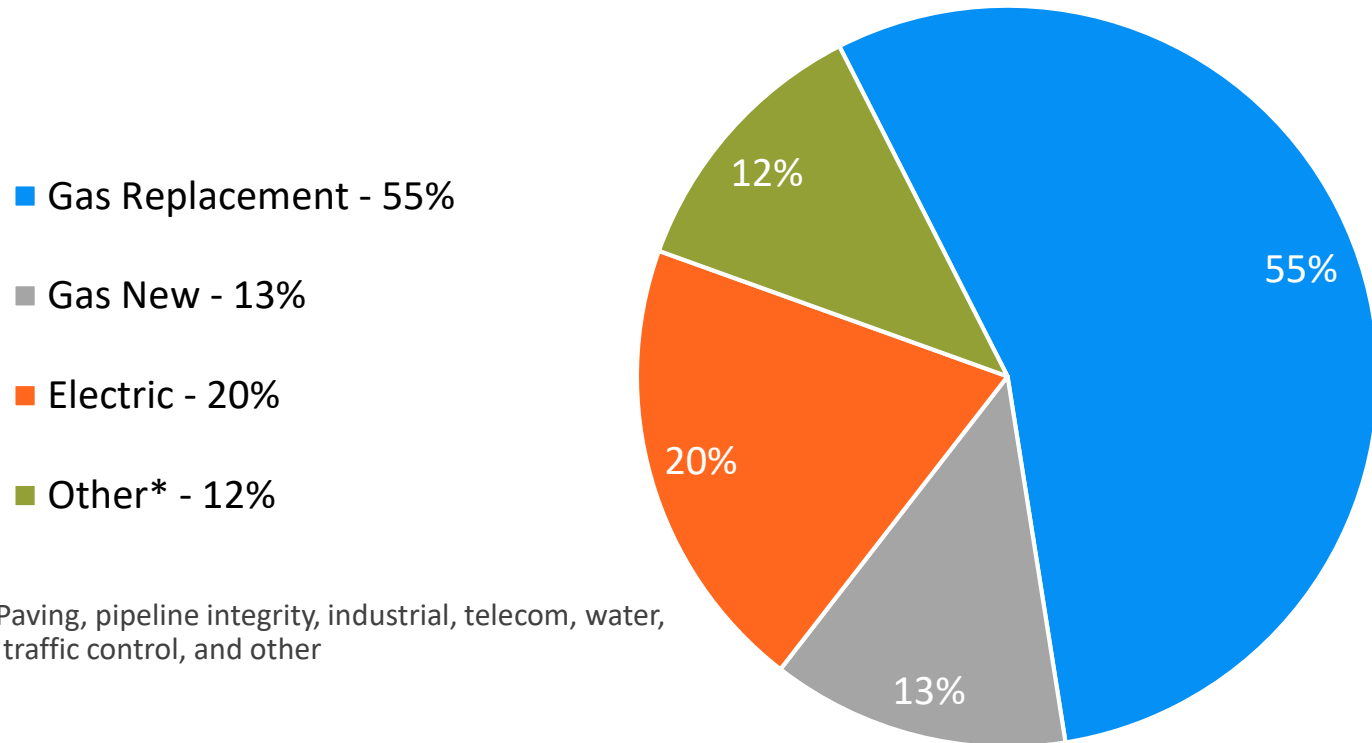


\*Paving, pipeline integrity, industrial, telecom, water, traffic control, and other

# MARKET DIVERSIFICATION

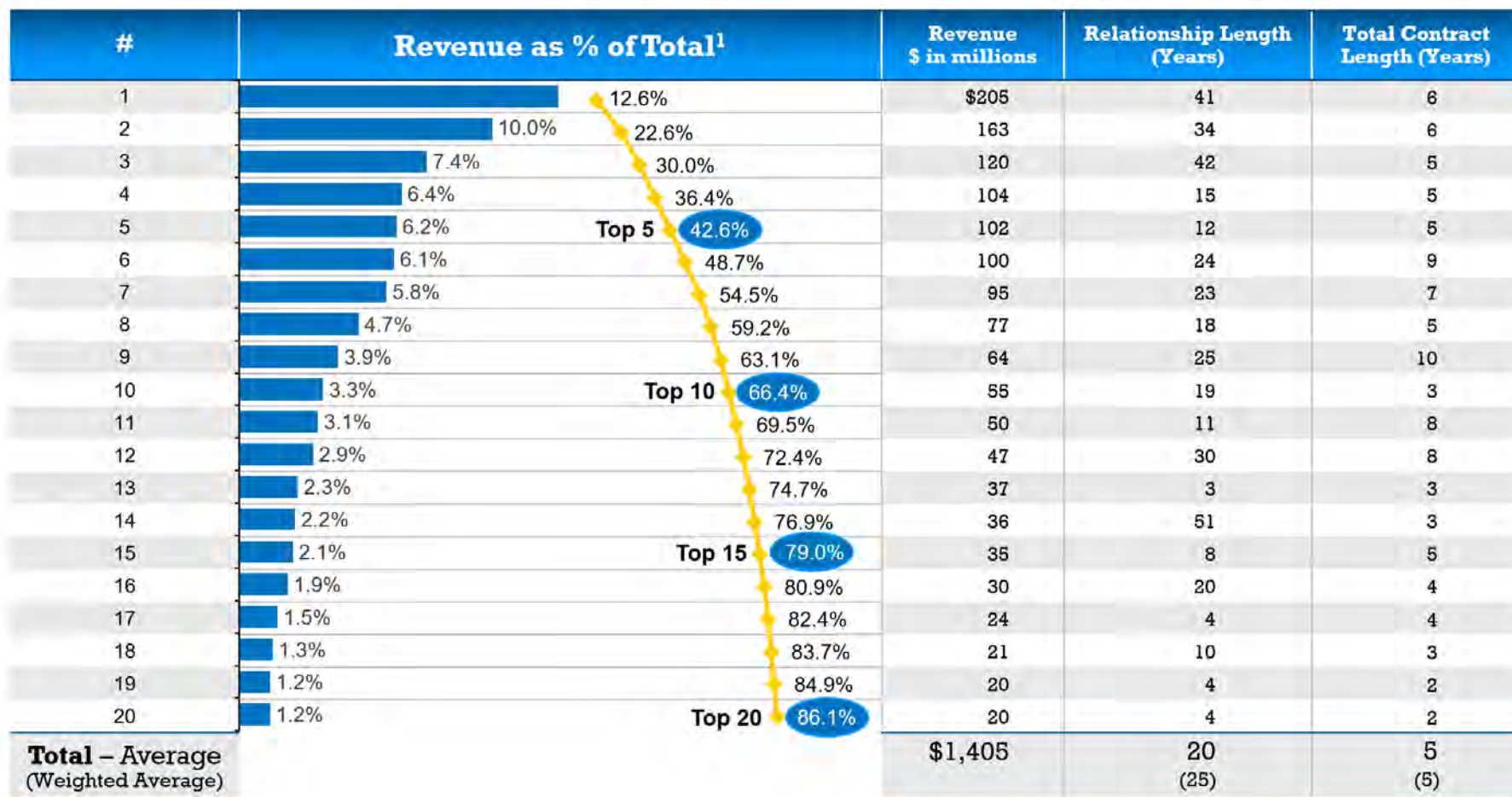
## UTILITY INFRASTRUCTURE SERVICES

### 2019 June YTD Gross Profit by Work Type



# TOP 20 CUSTOMERS

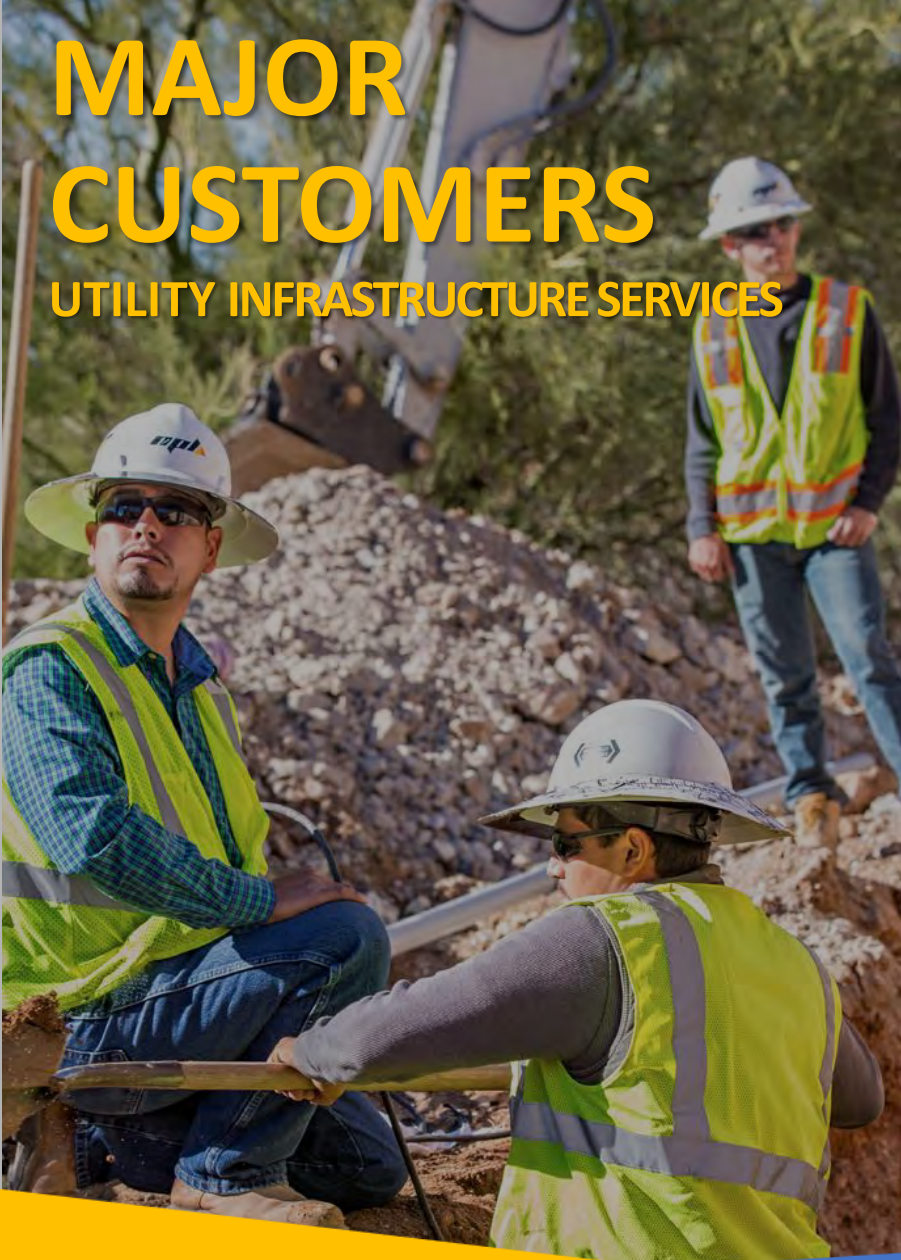
## UTILITY INFRASTRUCTURE SERVICES



1- Period: TMTD Ended June 30, 2019

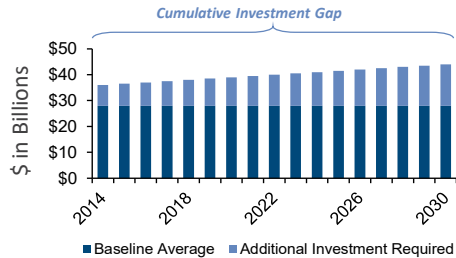
# MAJOR CUSTOMERS

UTILITY INFRASTRUCTURE SERVICES



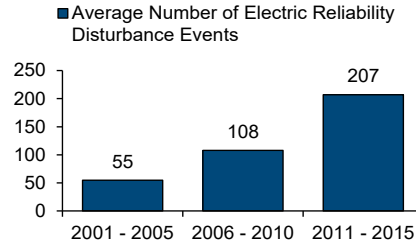
# ELECTRIC MARKET GROWTH DRIVERS UTILITY INFRASTRUCTURE SERVICES

## U.S. Infrastructure Underinvestment



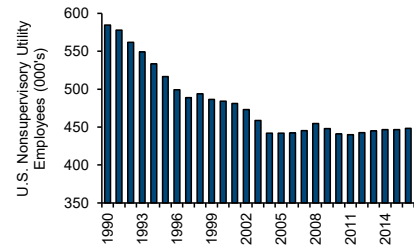
*Decades of underinvestment in U.S. electric T&D infrastructure necessitates a significant increase in spending by utilities; the cumulative investment gap is expected to exceed \$195 billion by 2030*

## Electrical Reliability



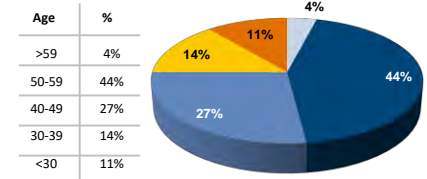
*Continued rise in reliability failures can be attributed to aging infrastructure, and a growing number of disturbances are prompting new regulations like the North American Energy Infrastructure Act*

## Shrinking Utility Workforce



*U.S. utility workforces have drastically declined in recent years as utilities have increasingly utilized specialized outsourced service providers*

## Aging Utility Workforce



*Nearly 50% of electric utility workers will be eligible to retire in 6-8 years, further depleting workforces*

## ...and Market Factors Driving Demand Toward Electric T&D Contractors

### 1. Value increasingly placed on third-party providers

*Utilities' own workforces are aging and shrinking, which is leading utilities to increasingly outsource services work to independent providers*

### 2. Evolving standards and heightened focus on safe practices

*Customers award business to providers who remain at the forefront of industry standards and demonstrate consistent safety performance*

### 3. Growing emphasis on system hardening programs to minimize disruptions from storms

*Costly outages from natural disasters have driven utilities to commit to large spending programs to bolster reliability of critical infrastructure*

### 4. Increasing focus on transmission grid build-out and regional interconnectivity

*Transmission is the highest-returning capital investment large utilities can make to fuel growth, supported by formulaic FERC-authorized ROEs*

Source: EIA, Wall Street Research, EEI, DOE, IBIS World, North American Reliability Corporation, The C Three Group, US Department of Labor Statistics

# MARKET OBSERVATIONS

## SIMILAR ATTRIBUTES IN BOTH ELECTRIC AND GAS UTILITY SECTORS

### UTILITY INFRASTRUCTURE SERVICES

Attractive Attribute	Electric Utility Sector	Gas Utility Sector
Regulatory policy incents increased infrastructure investment	Increasing trends of state legislation to incent increased investment in electric grid for "resiliency," "hardening" or "reliability" reasons	Directly comparable to state programs to incent accelerated gas pipe replacement programs
Strong long-term spending outlook	Industry spending is at all time high and strong growth expected in near-term and long-term	Similar long-term trends
Internal dynamics favoring increased use of contractors	Significant issues with aging workforce is forcing electric utilities to increase outsourced spend to contractors	Identical internal workforce issues favoring contractors
Limited potential competitive threats from new entrants	Distribution sector expected to remain a regulated business with limited competition	Distribution systems are equally protected from competition
Increased outsourcing of infrastructure programs	Many gas distribution companies already being acquired and merged into combo utilities; Generally same culture, priorities, counter-party risks, and business practices	Nearly identical internal culture and business practices
Manageable and knowable regulatory risk exposure	Federal risks primarily concentrated on generation sector; distribution risks are driven by state PUCs, similar to gas distribution sector	Equivalent risk exposure at distribution level

# INDUSTRY SAFETY

## UTILITY INFRASTRUCTURE SERVICES

- Utilities focused on development and implementation of Safety Management Systems (SMS)
  - Connects safety management across people and processes
  - Promotes safety leadership and individual accountability
  - Continuous improvement
  - Requires reinforcement of positive safety culture
- Impact to service providers
  - Must be aligned and engaged with workforce and clients
  - Committed to total quality and continuous improvement

# INTEGRATED SAFETY SAFETY MANAGEMENT SYSTEMS UTILITY INFRASTRUCTURE SERVICES

- Customers driving toward adoption of API RP 1173
- Requires service providers to ensure:
  - Leadership engagement
  - Individual accountability



# STRATEGIC PLAN UPDATE

## TARGETED GROWTH AREAS

### UTILITY INFRASTRUCTURE SERVICES

**GROWTH, PROFITABILITY, AND  
DIVERSIFICATION**

**STRATEGIC EMPLOYMENT**

**ORGANIZATIONAL EXCELLENCE**

**ONE TEAM**

**SAFETY**

1. Protect the **Core Regulated Utility Business**
2. Continue to **Diversify** into **Electric Distribution & Transmission (light) Construction** for **Regulated Utility Customers**
3. Develop low risk, high margin, non-construction **Energy Services Offerings** for both Gas & Electric **Regulated Utility Customers**
4. Expand **Pipeline Integrity** and **Local Transmission** for LDC's
5. Grow **Geographic Footprint**
6. **Leverage Enterprise Footprint** of key relationships to **Support** continued **Diversification**
7. Identify, recruit, retain, and develop **Employees**

# STRATEGIC PLAN UPDATE

## COMBINATION UTILITIES

### UTILITY INFRASTRUCTURE SERVICES



- 70% of our existing top customers are a part of combo utilities (gas and electric)
- Utilities implementing ways to leverage their scale and prudence
- Emphasizes the need for diversification
  - Services
  - Geography

# ACQUISITION OPPORTUNITIES

## UTILITY INFRASTRUCTURE SERVICES

- Completed Acquisitions
  - Link-Line group of companies (2014)
  - Enterprise Trenchless Technologies, Inc. (2016)
  - New England Utility Constructors, Inc. (2017)
  - Linetec Services, LLC (2018)
- Focused Markets for Future Potential Expansion
  - Electric transmission and distribution
  - Pipeline integrity
  - Related energy infrastructure and maintenance services
  - Opportunistic gas distribution
- Business Opportunities
  - Expansion and diversification of services to existing customers
  - Serving new customers and markets

# LINETEC OVERVIEW

## UTILITY INFRASTRUCTURE SERVICES

- Electric Distribution and Transmission services provider
  - Well positioned to serve Southeast / Gulf Coast
  - Relationships with large investor owned electric utilities and large municipalities
- Serving major investor owned utilities
  - Contracts with seven of the largest utilities across the Southeast US
  - Long standing relationships with management team
  - Robust spending forecasts for infrastructure replacement and hardening programs

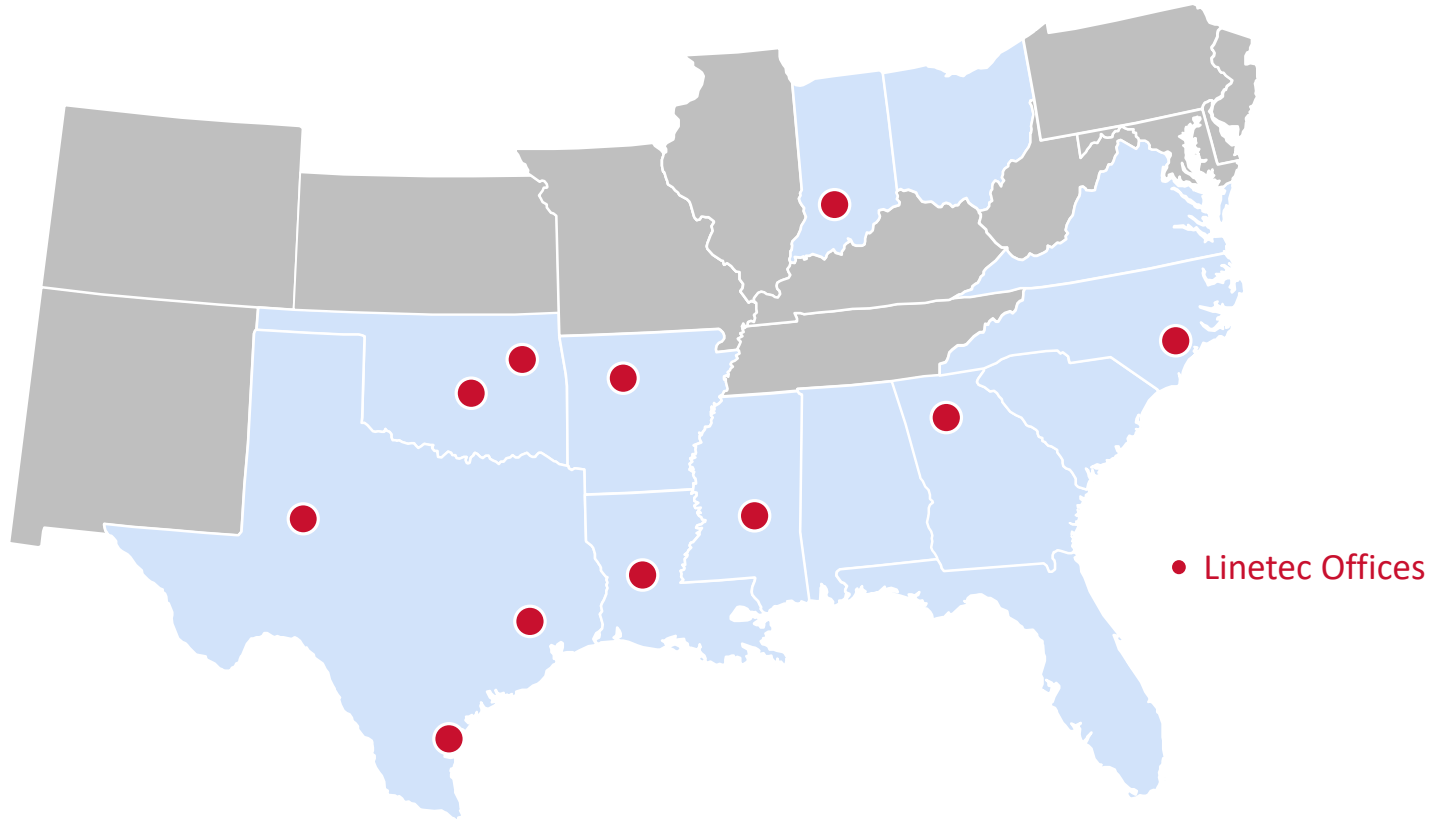
# LINETEC INTEGRATION

## UTILITY INFRASTRUCTURE SERVICES

Systems and Controls	<ul style="list-style-type: none"><li>• Migration of accounting records to SAP (Centuri's platform) as of May</li><li>• Timekeeping and capital expenditure tracking systems implemented</li></ul>
Support Staff	<ul style="list-style-type: none"><li>• Safety leadership</li><li>• Human Resources professionals</li><li>• Project management</li><li>• Operational leadership</li></ul>
Growth	<ul style="list-style-type: none"><li>• Over 50% crew growth since acquisition</li><li>• Storm response contracts</li><li>• New customers and locations<ul style="list-style-type: none"><li>- Indiana and Georgia</li></ul></li></ul>

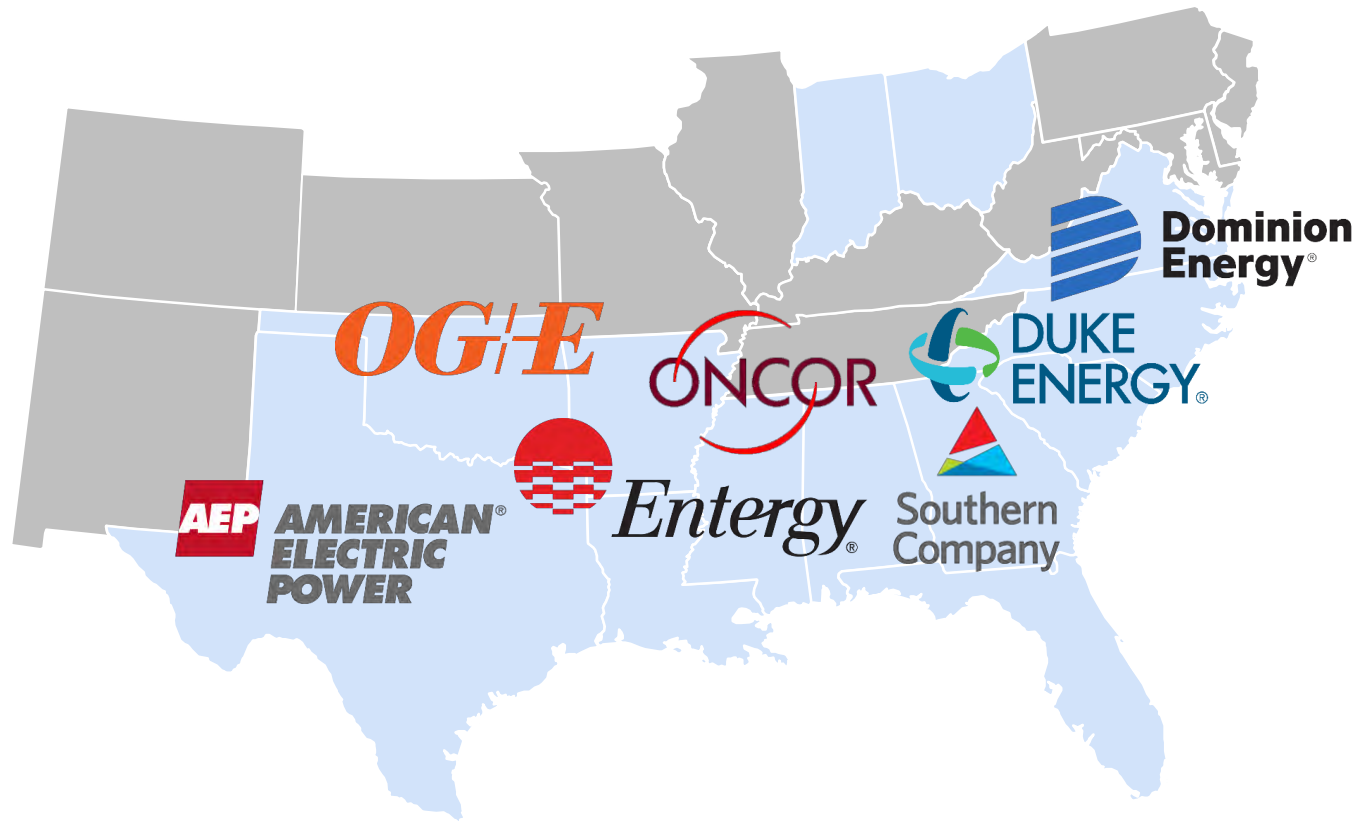
# LINETEC LOCATIONS

## UTILITY INFRASTRUCTURE SERVICES



# LINETEC MAJOR CUSTOMERS

## UTILITY INFRASTRUCTURE SERVICES



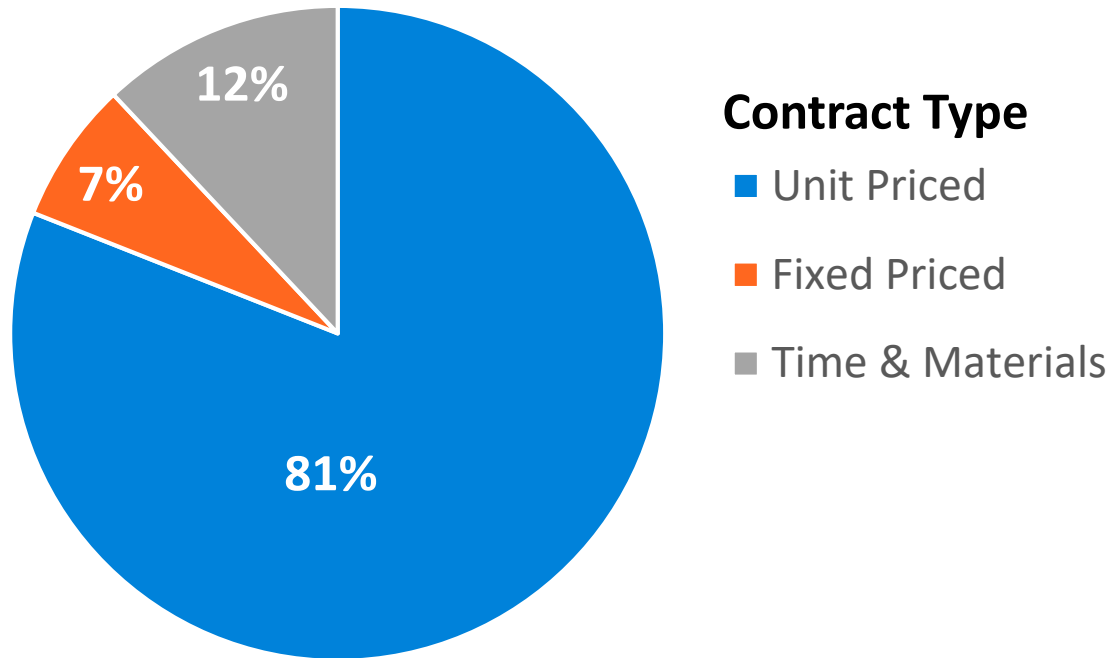
# DIFFERENTIATORS TO E&C PEERS

## UTILITY INFRASTRUCTURE SERVICES

- Customer Profile:
  - Primarily credit-rated investor owned utilities and municipalities
  - LDCs with long-term, funded replacement programs
  - Long tenure (> 20 years) and alliance relationships
- Contract Structure:
  - Multi-year MSAs with extension options
  - Primarily unit price and T&M
  - Limited fixed-price, lump-sum bids
- Project Duration and Scope:
  - Limited design or materials procurement risk
  - Short-term completion cycles

# DIFFERENTIATORS TO E&C PEERS

## UTILITY INFRASTRUCTURE SERVICES



TMTD ended June 30, 2019

# COMPETITIVE POSITION

## UTILITY INFRASTRUCTURE SERVICES

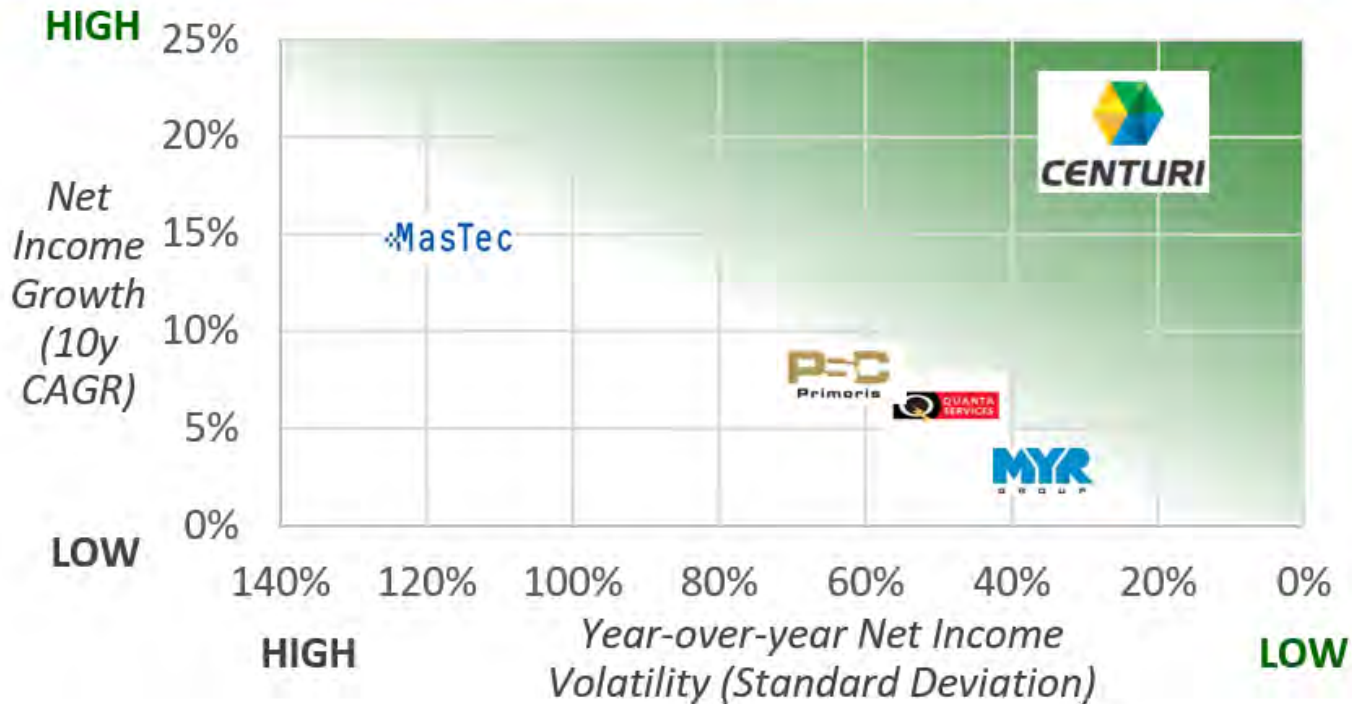
### High Quality Service Offering Mitigates Execution Risk

					
Double-breasted workforce	✓	✓	✓	✓	✓
Gas distribution construction	✓	✓	✓	✓	✗
No cross-country pipeline projects	✓	✗	✗	✗	✓
Electric distribution construction	✓	✓	✓	✓	✓
No cross-country electric transmission projects	✓	✗	✗	✗	✗

# COMPETITIVE POSITION

## UTILITY INFRASTRUCTURE SERVICES

Highest Net Income Growth at Lowest Volatility (10y)





**FUTURE  
FOCUSED:  
ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE (ESG)**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



# SUSTAINABLE ENGAGEMENT



## ENVIRONMENTAL STEWARDSHIP

- ✓ Carbon Emissions
- ✓ Renewables
- ✓ Energy Efficiency
- ✓ Emissions Mitigation
- ✓ Damage Prevention



## EMPLOYEES, CUSTOMERS & OUR COMMUNITY

- ✓ Customer Satisfaction
- ✓ Diversity & Inclusion
- ✓ Employee Engagement
- ✓ Community Involvement



## RESPONSIBLE CORPORATE PRACTICES

- ✓ Independent board
- ✓ Risk management
- ✓ Investor engagement
- ✓ Compliance & Ethics



# SOUTHWEST GAS GREENHOUSE GAS EMISSIONS GOAL NATURAL GAS OPERATIONS

By 2025  
**20%**  
REDUCTION IN  
GHG  
EMISSIONS

FROM FLEET, FACILITIES  
& OTHER INITIATIVES

- LED lighting
- Energy efficient windows and coverings
- Computerized HVAC
- Solar canopies
- Energy Star® rated bill management system
- Add CNG and alternative fuel vehicles



# COMPRESSED NATURAL GAS (CNG) NATURAL GAS OPERATIONS

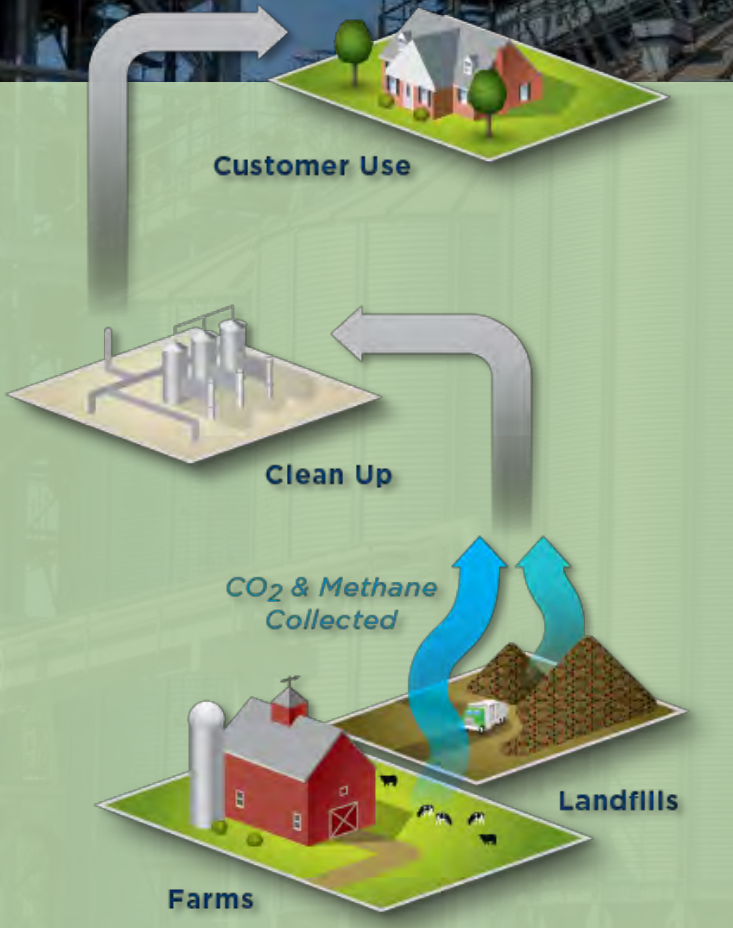
- Broker strategic partnerships between fleet owners, station operators and vehicle conversion providers
- Leverage air quality and sustainability requirements to encourage adoption of CNG fleets

**14.9M  
Therms**

delivered in 2018 to  
fuel customers' fleets



# RENEWABLE NATURAL GAS (RNG) NATURAL GAS OPERATIONS



- Deliver carbon neutral resource to market
- Creatively explore various collaboration and partnership opportunities



# REDUCE ENVIRONMENTAL IMPACT NATURAL GAS OPERATIONS

## Emissions mitigation efforts

Implementation of best practices, procedure enhancements, pilot projects, research and development opportunities

California Mitigation Plan – documents initiatives

## Excavation damage prevention

Reduced excavation damages per 1,000 tickets by 31% between 2012 and 2018

Industry leading excavation damage statistics

## Pipeline inspection and replacement

Accelerated vintage pipe replacement with favorable regulatory treatment

## Leak management

Accelerated leak surveys and repairs

Minimal backlog of nonhazardous leaks

## Energy efficiency education & rebates

Website (energy saving tips, rebates offered in each service territory)



# SERVING OUR COMMUNITIES

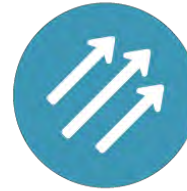
## NATURAL GAS OPERATIONS

**\$2.1M**

Employee  
donations in  
2018

**\$1,153**

Average  
employee  
donation



**BLUE** Building Lives  
Up Everywhere®

**Employee Volunteerism**  
Powered by Southwest Gas



**FUEL** for **LIFE**®

**Employee Giving**  
Powered by Southwest Gas

**8,000**

Employee  
volunteer  
hours  
(2016-2018)

**95%**

Customer  
Satisfaction

Rated “Easiest  
Utilities to do  
Business With”  
2019 Cogent Report

**\$862,000**

Fueling Good  
Foundation

Bill  
assistance  
programs



**SOUTHWEST GAS**

# SERVING OUR COMMUNITIES

## UTILITY INFRASTRUCTURE SERVICES

Centuri plays  
a vital role in  
the  
communities  
we serve



Philanthropy



Community Support



Diversity and Inclusion



Mentoring and development

Transforming Chicago's  
Communities

# EMPLOYEE WELL-BEING

**Safety and health**

**Promote  
workforce  
diversity  
and inclusion**

**Education  
assistance  
programs**

**Extensive training  
and  
succession programs**

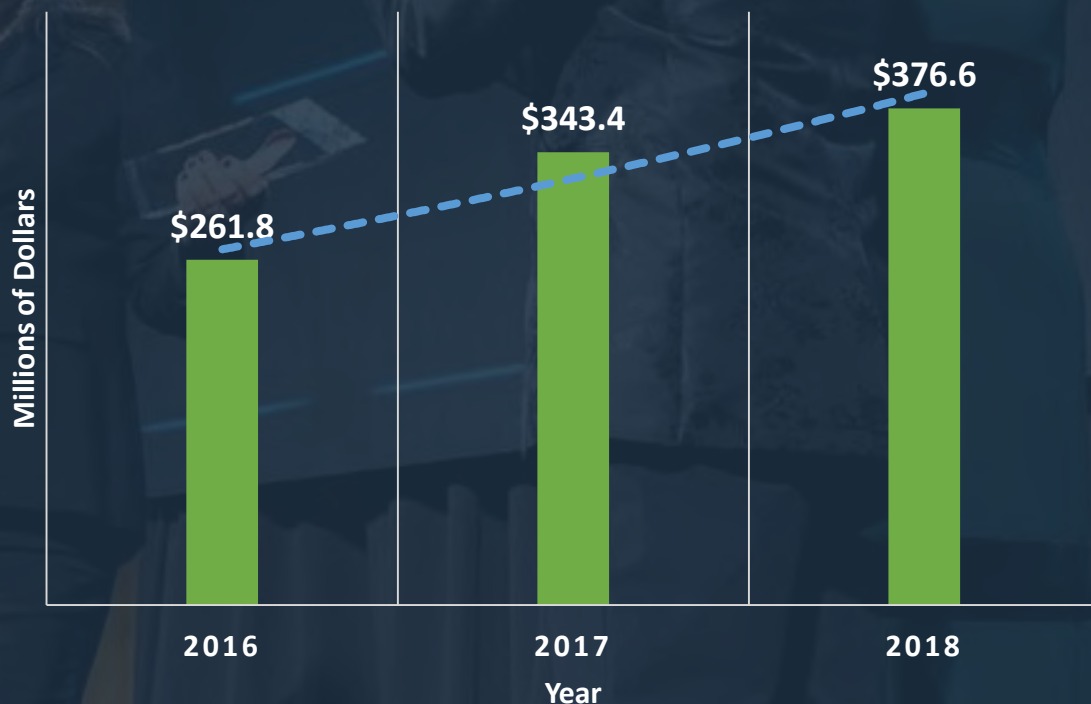


# SUPPLIER DIVERSITY

## GROWING OPPORTUNITIES

- Procurement opportunities and building sustainable business practices
- Create a mutually beneficial, equitable and competitive environment
- Centuri and its operating entities work with hundreds of diverse suppliers, as a part of supporting local communities across the United States and Canada

Southwest Gas Holdings, Inc.  
Diversity Spend



# BOARD GOVERNANCE AND LEADERSHIP

## 10 out of 11 Independent Directors

All directors on the Audit, Compensation and Nominating and Corporate Governance Committees are independent

## Separate Roles

Separate Chairman and CEO roles

## Wide-ranging Mix

Current directors skills and experiences well-suited to business segments

## Diversity

Diversity is a key element for promoting alternative perspectives and ideas

## Proven Leadership

Evolution of both business segments



# GOVERNANCE ALIGNED WITH SHAREHOLDER INTERESTS

- Annual election of all directors with one vote per common share
- Shareholders able to call special meetings
- Mergers may be approved by simple majority vote
- ISS QualityScore of 3 out of 10 (low risk)

## Significant stock ownership requirements

Directors - 5x annual cash retainer

CEO - 5x base pay

Other Company and utility officers - 1x-3x base pay

# GROWING OUR BUSINESS RESPONSIBLY

- Enterprise Risk Management program
  - Responsibility of risk oversight by the entire Board
  - Committee of Senior Management
  - Effective identification, management, and mitigation of risks
- Strong ethics and compliance programs
  - Code of Business Conduct and Ethics promotes highest ethical standards
  - Robust Federal and State Regulatory Compliance Programs
- Companywide ESG Management Committee
- Robust utility contractor and supplier selection
  - Multi-Discipline Evaluation (Safety, Stability, Experience, References/Work history, etc.)

COMPLIANCE + ETHICS



# COMPELLING VALUE PROPOSITION

## STRONG FINANCIAL FOUNDATION

- June 30, 2019 - \$3.82 EPS
- 8.4% gas segment ROE
- \$0.10, or 4.8%, 2019 dividend increase; 8.35% CAGR 5-Year dividend growth
- Ample liquidity and credit capacity

## ATTRACTIVE SERVICE TERRITORY AND CUSTOMER GROWTH

### NATURAL GAS SERVICES

- Customer growth over 35,000 a year for 2019-2021
- 2.1 million customers and growing

### INFRASTRUCTURE SERVICES

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

## DIVERSIFIED ASSET/CUSTOMER BASE WITH CONSTRUCTIVE REGULATION

### NATURAL GAS SERVICES

- Regulated distribution assets in three states
- Constructive rate mechanisms coupled with frequent rate filings mitigate regulatory lag

### INFRASTRUCTURE SERVICES

- 50 locations across 38 states and provinces in the U.S. and Canada
- Broad utility customer base

## STRONG RATE BASE GROWTH AND MARKET OUTLOOK

### NATURAL GAS SERVICES

- Approximately \$2.1 billion in capital investment for three years, 2019-2021, of which ~ 80% associated with continued safety and reliability
- 11% CAGR in rate base for 2019-2021

### INFRASTRUCTURE SERVICES

- Increased utility service work due to aging infrastructures and heightened safety regulations

