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SWX.N - Q2 2025 Southwest Gas Holdings Inc Earnings Call

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## PRESENTATION

### Operator

Welcome to Southwest Gas Holdings second quarter 2025 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 Justin Forsberg, Vice President of Investor Relations and Treasurer of Southwest Gas Holdings. Please go ahead.

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### Justin Forsberg - Southwest Gas Holdings Inc - Vice President-Investor Relations

Thanks, Sergio, and hello, everyone. We appreciate you joining the call today. This morning, we issued and posted to Southwest Gas Holdings website our second quarter 2025 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 2025 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 and regulatory approvals.

This cautionary note as well as a note regarding non-GAAP measures is included on slides 2 and 3 of this presentation, in today's press release and in our filings with the Securities and Exchange Commission, which we encourage you to review. 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, and we assume no obligation to update any such statement.

As shown on slide 4, on today's call, we have Karen Haller, President and CEO of Southwest Gas Holdings; Rob Stefani, Chief Financial Officer of Southwest Gas Holdings; and Justin Brown, President of Southwest Gas Corporation. Other members of the management team are also available to answer your questions during the Q&A portion of the call today.

I'll now turn the call over to Karen.

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### Karen Haller - Southwest Gas Holdings Inc - President, Chief Executive Officer, Director

Thanks, Justin. Thank you for joining us today to discuss the Southwest Gas Holdings results and outlook. Starting with slide 5. During the second quarter, we made significant progress toward positioning Southwest Gas Holdings as a premier pure-play, fully regulated natural gas business. We continue to make strides in improving operational and financial performance at the utility.

Following two consecutive years of return on equity or ROE at Southwest Gas above 8%, we ended the quarter with a trailing 12-month ROE of 8.3%. On the regulatory front, we achieved a constructive outcome in Nevada, with the signing of SB 417 by Governor Lombardo. This legislation enhances Nevada's regulatory framework by allowing natural gas utilities to pursue alternative ratemaking, which we believe will reduce regulatory lag and support price stability, cost reductions and customer protections.

We appreciate the collaboration of all stakeholders in achieving this outcome, which we expect will benefit all parties. We continue to work closely with regulators across our service territories to support the growth in the communities we serve.

Our utility optimization strategy is delivering tangible results. Southwest Gas posted record net income for the first half of 2025 with only modest increases in O&M expenses compared to the same period last year. We continue to demonstrate our commitment to continuous improvement and optimization.

We reaffirm each of Southwest Gas' previously communicated guidance ranges, including full year net income of \$265 million to \$275 million. We continue to expect robust capital spending driven by safety, reliability and economic activity in our service territories. I'll provide more detail on guidance later.

Turning to our Centuri exit. We successfully executed two secondary public offerings of our Centuri shares during the second quarter. Combined with concurrent private placements, we generated over \$470 million in net proceeds, which we used to repay debt and strengthen our balance sheet. Our ownership in Centuri now stands at just over 52%. We continue to monitor market conditions as we evaluate options for completing the separation in a way that optimizes value and limits execution risk for our stockholders.

As you can see on slide 6, we are on track to achieve our 2025 strategic priorities. We are confident in our regulatory strategy as we near completion of our outstanding California rate case proceeding. We also received approval of our Arizona System Integrity Mechanism. We are, however, evaluating our options in light of the \$50 million cap placed on the qualifying capital under the mechanism.

Justin Brown will discuss our regulatory progress and strategy in more detail in a moment. In early June, we announced the results of our 2028 Great Basin expansion project, binding open season. We have added to this slide a few high-level milestones we expect to accomplish by the end of this year. We have already begun negotiating precedent agreements with the new shippers and plan to have those completed during this year's third quarter. Justin will further discuss this opportunity, but we are excited about the investment opportunity this interstate pipeline project presents.

During the quarter, we successfully extended the term loan facility at Southwest Gas Holdings at a lower amount of \$225 million after substantially paying down the facilities from the \$550 million that was previously outstanding. We also successfully replaced our old \$300 million revolving credit facility with a new facility, keeping the capacity the same while extending its maturity to August 2029.

Following our Centuri sell-downs, we no longer expect to issue any new equity under our ATM program in 2025. As I mentioned a moment ago, we remain committed to fully separating Centuri in a manner that optimizes value and limits execution risk for our stockholders. Of the remaining separation options, we may fully separate the business through a series of taxable sell-downs or share exchanges or some combination thereof.

On slide 7, I'd like to highlight the strength of our balance sheet, which gives us the flexibility to make thoughtful capital investments and supports our ability to deliver stockholder value. I'd also like to highlight the utility's continued robust growth driven by strong economic activity in our service area, which has led to about 40,000 new meter sets during the last 12 months.

As of the second quarter of 2025, we have more than \$350 million of cash on hand and more than \$1 billion of liquidity, which enables us to honor our commitments and execute the remainder of our 2025 strategy. One of those commitments relates to the return of purchased gas costs we have over-collected from our Nevada customers. As such, we successfully received approval to provide an energy credit for those customers to accelerate the return of those balances beginning July 1 of this year. We are excited about the future of the company, and we have good reasons for that excitement.

Now to Justin.

**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Thanks, Karen. On slide 9, we highlight our proposed Great Basin expansion project. I mentioned on the last earnings call that in response to inquiries about available capacity and the demand for natural gas, Great Basin Transmission Company posted a notice of binding open season for potential 2028 system expansion. The open season closed on June 16 after having been extended and subsequently reopened.

The total interest from potential shippers is estimated at approximately 1.76 billion cubic feet of capacity or 1.76 million, quote, dekatherms per day. By way of comparison, Great Basin's existing capacity is about 250,000, quote, dekatherms a day. Demand for energy is growing to support supercomputing and related data center requirements across the country, and this project highlights the demand we are seeing in our service territory.

We are thrilled by the outcome of the binding open season and the opportunity this presents. These inbound requests for capacity highlight the importance of our infrastructure in delivering reliable, resilient on-demand energy in a growing region. You'll see on the slide an overview of Great Basin, including a map that shows the portion of our mainline that would be upsized to meet this new potential demand as well as our current incremental capital expenditure estimates for the project.

We have begun the process of negotiating precedent agreements with these potential new shippers. And depending on the outcome of these negotiations, we believe the incremental capital expenditures opportunity could now be in the range of \$1.2 billion to \$1.6 billion, depending on how many shippers actually signed precedent agreements. We are still targeting a November 2028 in-service date for the project.

Following the receipt of signed precedent agreements, we would then progress through the next steps of the project, which include updating internal design and cost estimates, a pre-filing application with the FERC, performing engineering and design work and completing the environmental assessment and other items necessary to file the FERC Certificate of Public Convenience and Necessity in the fourth quarter of 2026. We plan to provide periodic updates as we achieve key milestones.

Turning to slide 10, you'll see an overview of the progress we've made on our regulatory strategy over the past year across each of our jurisdictions as we've been refreshing rates to reflect current costs and to start recovering the investments we've made to ensure our customers continue to receive safe and reliable service.

Our Arizona rate case completed with the final order issued in March. The order included a \$600 million increase in authorized rate base, which includes a full 12 months of qualifying post-test year investments placed in service as of the end of last October. This resulted in an \$80.2 million revenue increase and an authorized ROE of 9.84%, the commission's final decision approved rates to be effective in March.

Similar to Nevada, after consideration of updating our cost of service to reflect actuals and proposals on cost of capital, this outcome reflects nearly 90% of our ask. On July 9, the Arizona Commission also approved our proposed capital tracker, referred to as our System Integrity Mechanism, which will allow us to implement a surcharge each year to recover nonrevenue-producing investments we made in the prior year.

As part of the approval, the commission did amend the settlement to impose a cap of \$50 million with respect to the qualifying capital under the mechanism. Since this cap was not contemplated by the parties as part of the unopposed settlement, we are currently evaluating our options, including potentially filing an application for rehearing, utilizing the SIM program as approved or simply accelerating the timing of our next Arizona general rate case.

If we choose to file an application for rehearing, it must be filed by August 11. We believe that the Arizona rate case outcome was ultimately constructive, and we're especially pleased with the collaboration of the commission staff throughout the process. I'll discuss our pending California rate case in more detail in a moment, but I'm pleased with the progress we've made on refreshing rates and reducing regulatory lag in each of our jurisdictions.

Moving to slide 11. I wanted to mention a couple of noteworthy initiatives in Nevada, which represents about 35% of our customers' revenues and rate base. We successfully worked with policymakers on legislation that allows for alternative forms of ratemaking, including formula rates, multiyear rate plans and performance-based rates. This bill referred to as SB 417 was recently passed by the Nevada legislature, and as Karen mentioned, was signed into law by Governor Lombardo.

We are focused on the formula rates part of the law as that rate structure more closely aligns with our business model, and we've turned our attention to the rulemaking process at the Nevada Commission. As we evaluate the timing of our next general rate case in the state, we see formula rates as a proven alternative to traditional ratemaking. This approach can streamline regulatory processes, reduce cost for customers and improve the timeliness of cost recovery.

In turn, this enhances our ability to attract investment into Nevada, supporting the state's economic growth. Additionally, we worked with the Nevada Commission staff and the consumer advocate on a filing that requested to accelerate the refund of the over-collected PGA balance in the state, which was approximately \$280 million at the end of the second quarter. The commission approved the rate reduction, and those customer credits became effective on July 1.

While we expect an impact on near-term liquidity, we should also see a reduction in near-term interest expense because we accrue interest expense at our weighted average cost of capital on the PGA balance in Nevada. We provide more details in the appendix to today's presentation on slide 28.

Moving to slide 12. In California, we successfully reached an agreement in principle to resolve all issues in our pending rate case with the exception of certain cost of capital and capital structure issues. The agreement results in recovery of over 90% of our adjusted ask of \$43 million before adjustments for these outstanding issues. It also provides for continuation of our annual attrition adjustment of 2.75% as well as continuation of several existing and new regulatory mechanisms that we propose to ensure the safety and reliability of our distribution system and to mitigate regulatory lag. We concluded a hearing last week and will now focus on documenting our settlement agreement and drafting label briefs on the unresolved issues.

We expect new rates to become effective in January 2026.

Turning to slide 13. As Karen noted, economic activity and demand for natural gas service remains strong throughout our service territories, and we continue to invest in the communities in which we operate while steadily growing our rate base. This is demonstrated by the addition of 40,000 new meter sets over the past 12 months as well as the interest we have received on the proposed Great Basin expansion project.

Customer growth and related energy demands in Arizona have also resulted in the Arizona Commission to open a docket to address resource adequacy of natural gas infrastructure and storage in the state. They are scheduled to hold a workshop to discuss opportunities later this month, and we look forward to participating in that workshop.

We reiterate our commitment to invest about \$4.3 billion over the next five years to support safety, reliability and economic development across our service territories. This estimate does not yet include any capital expenditure impacts that could develop with respect to the potential Great Basin expansion opportunity.

We currently expect this baseline utility capital investment to translate to a compound annual growth rate and rate base of 6% to 8% over that same time period. About 50% of this planned spending is needed for safety and reliability and approximately 30% of the planned spending relates to economic development and new business growth.

And with that, I'll turn the call over to Rob, who will review our financial performance for the second quarter.

**Robert Stefani** - *Southwest Gas Holdings Inc - Chief Financial Officer, Senior Vice President*

Thanks, Justin. On slide 15, we provide an adjusted consolidated earnings walk. During the second quarter, the utility, Southwest Gas reported higher margins supported by rate relief and continued customer growth. The utility also recognized increased income from COLI policies. These benefits were partially offset by higher operating and maintenance expenses, largely related to labor costs, higher interest costs driven by the PGA liability balance at the utility and increased depreciation and amortization tied to ongoing capital investments.

Centuri's quarterly earnings were largely driven by a reduction in interest expense, which supported improved profitability. Southwest Gas Holdings' corporate and administrative results reflected lower overall operating expenses and reduced interest expense on outstanding debt balances, which contributed positively to net income.

Deferred tax liabilities and deferred tax assets were recorded in the second quarter of 2025 as a result of the income tax deconsolidation of Centuri. The net impact of approximately \$45 million was excluded from adjusted net income. This impact is expected to be partially offset by future lower tax expense following the disposition of the remaining Centuri stake and the deconsolidation for GAAP reporting purposes. Also, future book gains from dispositions of Centuri stock are expected to be classified as an adjustment to net income consistent with this treatment.

Moving on to slide 16, we provide a bridge of quarter-over-quarter performance drivers for Southwest Gas. In Q2 2025, utility operating margin increased by \$26.6 million. This improvement was primarily driven by \$24 million of combined rate relief across all jurisdictions. An additional \$2 million came from customer growth. O&M expense increased by \$7 million compared to the prior year quarter.

This increase was mainly attributable to \$5 million in higher labor and benefit costs, along with \$3 million of additional contractor and professional services spend across several areas of the business. These were partially offset by lower expenses in leak survey and line locating activities.

Of note, year-to-date O&M expense is up just over 2% overall, which is below inflation, reflecting our continued focus on cost discipline at the utility. Depreciation and amortization plus other taxes increased \$9.3 million, reflecting a 7% increase in average gas plant in service as compared to the second quarter of 2024. This growth highlights continued capital investment in infrastructure for system safety, reliability and customer expansion.

Other income increased by \$3.6 million, driven primarily by a \$4.5 million gain from COLI policy value increases and a \$1.6 million onetime nonoperating gain from an asset sale. These gains were partially offset by a \$3.3 million decline in interest income, largely tied to lower carrying charges on regulatory account balances.

Notably, deferred purchased gas cost balances moved from an \$82 million asset as of June 30, 2024, to a \$349 million liability as of June 30, 2025. As Justin mentioned earlier, following the Nevada approval to return these over-collected purchased gas cost to customers more quickly, we should begin to see those elevated balances begin to decline later this year.

Interest expense rose \$4.9 million, primarily due to interest incurred over the over-collected PGA balance, compared to interest income recorded in the same quarter last year. Additionally, regulatory treatment of industrial development revenue bonds, which are amortized through interest expense contributed to the increase, offsetting margin elsewhere. Income taxes increased by \$2.9 million, reflecting the impact of the higher pretax net income during the quarter.

On slide 17, and as Karen mentioned, we outlined the successful execution of two secondary offerings of the company's Centuri stock in May and June 2025, each with a concurrent private placement, the second of which closed in July. These transactions collectively generated just over \$470 million in net proceeds. On May 22, we sold 13.2 million Centuri shares, representing 14.9% of Centuri's outstanding shares at an offering price of \$17.50 per share, resulting in \$225 million in net proceeds to Southwest Gas Holdings.

Less than four weeks later, we sold an additional 12.3 million shares, including the concurrent private placement that closed several weeks later in July, represented 14% of Centuri shares outstanding at an offering price of \$20.75 per share, generating an additional \$246 million in net proceeds to Southwest Gas Holdings. Proceeds from these offerings were used to reduce Southwest Gas Holdings' debt supporting our deleveraging efforts.

Following these transactions, Southwest Gas Holdings retained a 52.1% stake in Centuri, representing 46.2 million Centuri shares pending further disposition transactions.

Southwest Gas Holdings will continue to consolidate Centuri in its financial statements until the conditions for deconsolidation are satisfied. In light of the successful follow-on offerings, the company no longer anticipates to issue equity in 2025.

On slide 18, we show our 2025 financing plan for both Southwest Gas Holdings and Southwest Gas Corporation, which for simplicity of the presentation assumes consolidation of Centuri for the entirety of the year. To the extent Centuri ceases to be consolidated in 2025, we plan to adjust our financing plan as needed, depending on the timing and successful execution of further separation transactions. We highlight that Southwest Gas Holdings' balance sheet and liquidity position could improve even further if additional divestiture of Centuri shares were to result in increased cash in Southwest Gas Holdings.

We expect the beginning of the year cash on hand balance combined with the cash flow from operations to fund the entire capital expenditure program at the utility forecasted in 2025. Southwest Gas Holdings does not foresee any equity issuance requirements for the remainder of '25. We still do not currently foresee the need for any significant debt capital markets new issuance activity at the utility until 2026.

As Karen mentioned previously, we completed the amendment and extension of the remaining balance of \$225 million Southwest Gas Holdings term loan facility, extending the maturity to June 2026. In addition, the company replaced and extended its existing \$300 million revolving credit facility, which now matures in 2029. We have reflected on the slide the expected liquidity impacts of Southwest Gas of the accelerated return of over-collected purchased gas costs in Nevada, which we expect to absorb with no changes to our current year financing strategy given the liquidity across the enterprise.

Southwest Gas Holdings remains committed to paying a competitive dividend to our stockholders. Our planned dividend payouts in 2025 are expected to result in a competitive payout ratio. We plan to continue to balance factors such as projected capital requirements, impacts to credit ratings, the competitiveness of our dividend yield, economic conditions and other factors, and we'll review the dividend policy for any changes post further separation and deconsolidation of Centuri.

On slide 19, we've outlined the strength of our balance sheet and our commitment to maintaining an investment-grade profile at Southwest Gas and at the holding company. On the left-hand side of the slide, we walked through net debt by operating company, which has substantially improved since last quarter.

We finished the quarter with \$323 million of cash at Southwest Gas. As I mentioned earlier, at the utility, the PGA balance has now flipped to a liability balance of about \$345 million as of June 30, 2025. We have a largely offsetting amount of cash on the books at the end of the quarter, which is clearly related to the collection of the PGA. In the appendix on slide 28, additional details are provided on the PGA balance.

Turning to slide 20. The improvement in net debt results in continued improvement in our estimated FFO-to-debt credit metrics included on slide 20, which we show an approximately 270 basis point improvement in our estimate since the end of 2024.

Back to you, Karen.

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**Karen Haller** - Southwest Gas Holdings Inc - President, Chief Executive Officer, Director

Thanks, Rob. We are pleased with our results over the first half of this year and aim to carry this momentum through the rest of 2025 and beyond. On slide 22, we reaffirm our 2025 utility net income guidance range of \$265 million to \$275 million. With the completion of the Arizona rate case and strong regional economic outlook in our service area, we are confident in our previously stated range.

Additionally, for 2025 and beyond, we affirm all our other guidance metrics. While we continue to expect the impact of the regulatory cycle to result in nonlinear net income growth over the forecast period, our regulatory strategy and plan to achieve a flat O&M per customer trend over

the same period are expected to be important components of our growth story going forward. You can find additional long-term drivers in the appendix of this presentation on slide 29.

As a reminder, each of our forward-looking compound annual growth rates are calculated off a 2025 base year and do not currently include any impacts related to the potential expansion opportunity at Great Basin or the potential for formula rates in Arizona and Nevada in our next rate proceedings. We will continue to keep the market posted on these exciting opportunities ahead, which we think could result in ROE improvement and be incremental to current earnings guidance growth over our planning horizon.

Before we open the call up to Q&A, I want to point to slide 23 and emphasize that our team is focused on providing exceptional service to our customers while we execute our strategic priorities and deliver strong financial results. At Southwest Gas Holdings, we are confident in our path forward as a premier pure-play natural gas business. We plan to continue delivering steady organic rate base growth through strong regional demand dynamics as well as earnings growth through financial discipline, operational excellence and constructive regulatory relationships. And we will continue executing on the full separation of Centuri to create a more attractive value proposition for stockholders.

With that, I'd like to open the call for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Jamieson Ward, Jefferies.

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### Jamieson Ward - Jefferies - Analyst

Wanted to ask first on Great Basin. That was terrific to see, obviously, the upward expansion from the \$800 million to \$1.2 billion, moving the range up to \$1.2 billion to \$1.6 billion. I just wanted to confirm if you could provide a bit more granularity, is that just purely volume driven from the 1.76 Bcf a day up from 1.25? Or are you seeing scope expansion beyond the initial project parameters?

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### Justin Brown - Southwest Gas Holdings Inc - President-Southwest Gas Corporation

James, it's Justin Brown. Yes, it's just volume. It's just additional shippers asking for incremental capacity, which would result in just additional upsizing.

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### Jamieson Ward - Jefferies - Analyst

Perfect. Awesome. Nice and clear cut. Given the 14 to 17 dekatherm monthly rate range, how should we think about the return profile just high level of this investment relative to your typical distribution CapEx? And maybe if you could just speak a little bit to AFUDC.

Obviously, we're modeling that, but just be helpful as things keep advancing here to just get a bit of color from you.

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### Justin Brown - Southwest Gas Holdings Inc - President-Southwest Gas Corporation

James, what was the first part of the question? I missed it, sorry.

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**Jamieson Ward** - *Jefferies - Analyst*

Return profile relative to your distribution CapEx, just a reminder for people.

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**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Yes. We have a different FERC authorized rate of return, obviously. So I'd look at the Great Basin authorized return from our last rate case. And then, yes, we would anticipate AFUDC on the project, no different than any other project.

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**Jamieson Ward** - *Jefferies - Analyst*

Terrific. Last one I've got is just on Nevada. And when you think about the potential time line overlap for your next Nevada rate case and then the time frame to get alternative ratemaking in place, would you consider delaying a traditional rate case filing if that would help accelerate formula rates? Do you think of them as separate from each other? How should we kind of think about just the evolving construct in Nevada?

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**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Yes. So in Nevada, we're currently going to be starting. I think the commission just published kind of their notice of rulemaking, asking for comments. It's hard to gauge how long that will take. We anticipate it could be completed within the year.

I think the nice thing is with the Nevada rate case and the way the legislation was constructed is that whenever we file our next rate case, if we include the formula rate proposal on the front end of that or the legislation allows us to use that next rate case as the baseline starting point for formula rates. And so we could always make a separate application filing after we receive an order in that case.

So I don't think -- from our perspective, we don't see any advantage to delaying our next rate case. I think they're going to work very much complementary to each other in terms of the legislation and our next rate case.

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**Jamieson Ward** - *Jefferies - Analyst*

Perfect. Thank you for confirming that. And yes, I believe the legislation allows you to file the formula rates up to six months after the conclusion of the last case. Is that correct?

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**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Correct.

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**Jamieson Ward** - *Jefferies - Analyst*

Awesome. Great. Well, congratulations, guys. It's been a long time coming, but you had a huge quarter between the Centuri sell-downs, the Great Basin announcement, the legislation doing great. That's all for me.

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**Karen Haller** - *Southwest Gas Holdings Inc - President, Chief Executive Officer, Director*

Thank you. Appreciate it.

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**Operator**

Chris Ellinghaus, Siebert Williams Shank.

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**Christopher Ellinghaus** - *Siebert Williams Shank & Co. - Analyst*

You sure did have tons of stuff going on. The SB 417 process, have you got a sense of how long you think it will take the Nevada Commission to sort of get that to a place where -- I guess the question is, so if you plan to stay on sort of the typical cadence for Nevada filing, but you have that 6-month lead time upon the conclusion of the case, do you feel pretty comfortable that, that rulemaking process will be completed in an appropriate amount of time to be comfortable with the timing of the Nevada filing?

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**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Chris, it's Justin. Yes, I think so. When we look at -- I think a couple of factors play into that. One is, as you may recall from prior conversations, the legislation is really modeled after kind of an omnibus electric bill that was ran a few years ago, and the commission went through a rulemaking. So I think as long as we're able to kind of use that experience and kind of use some of the same platform from that rulemaking to kind of have it be our starting point, I think it will help accelerate the process is what we're hoping.

I think secondly, just when we think about other prior rulemakings that we've gone through on different new legislative initiatives, we kind of look at kind of an average length of time, assuming there's not new things that come up on the commission's radar that slows the process down to where we feel like it's something that could be completed within the next 12 months.

But I think until we kind of get the process started, which is I believe the commission has asked for comments later this month. I think we'll know more in the next couple of months kind of how that fits into kind of the way we're looking at it from just kind of our historical experience and practice as well as kind of the idea of being able to use the prior electric bill as kind of a starting point for some of the discussions around the rulemaking.

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**Christopher Ellinghaus** - *Siebert Williams Shank & Co. - Analyst*

Okay. So in the Arizona SIM, in the reduction sort of discussion amongst the commissioners, it seemed like it was basically an invitation to file your next rate case and to implement formula rates quicker. What are your thoughts on the cadence there? And given the time it takes to execute an Arizona case and add to that the extra complications of formula rates, can you just sort of talk about what your thought process is on the cadence and duration of that case?

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**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Yes, Chris, all of the above. There's a lot of thoughts going through our mind right now. Obviously, through the open meeting process, I agree with you. I mean I think one of the encouraging things from that was clearly from the commission kind of an indication of a preference for formula rates, and we appreciate that, which is why we're evaluating kind of do we just accelerate the timing of our next Arizona rate case? Or do we look at also trying to maybe provide some information to help address what we perceived as maybe some confusion around kind of what the SIM was attempting to accomplish.

And so we're evaluating both. The timing obviously plays into that because regardless of what filing you undertake, you can kind of contemplate certain time periods with that. I think one of the other things we're evaluating, as we talked about previously, is you have a couple of other rate cases that are currently pending that are probably halfway through the process that have asked for formula rates. And so I think there's some benefit of just kind of seeing how those play out and how those could then inform what your proposal looks like. So I think there's a variety of different things that we're evaluating that will ultimately drive kind of the timing on the different paths that we're exploring.

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**Christopher Ellinghaus** - *Siebert Williams Shank & Co. - Analyst*

Okay. That makes sense. I don't know if you want to comment on this, but I found the argumentation in the SIM meeting pretty inconsistent with some of the commissioners arguing you're replacing pipe too fast and others arguing you're replacing pipe too slow. Is there anything that you can sort of clarify your take on what they're trying to accomplish there?

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**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Yes. Chris, I think that's where when we're looking at the potential for an application for rehearing, I think that's probably what's maybe motivating us to explore that is, I think, to your point, I think our takeaway was perhaps there was some confusion about some of the information that was in the record or that may be information that certain commissioners kind of latched on to.

And so the thought would be is if we're able to summarize that and lay that out in a more kind of summarized and kind of clarifying way to address some of those things, it would -- I think it would help some of the commissioners kind of understand kind of what the historical spend has been, what the prospective spend is anticipated to be and then how the SIM fits into that and how the parties evaluated each of those when we came up with our all-party settlement.

So those are the things that we're evaluating. But yes, I agree. It just -- it seemed like maybe there was some confusion. And so that was one of the things we were kind of motivating us to want to just kind of clarify that for some of the commissioners.

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**Christopher Ellinghaus** - *Siebert Williams Shank & Co. - Analyst*

Okay. That helps. Rob, in the corporate segment for the quarter, there's a pretty big COLI gain in there, but there was the remainder that was non sort of market driven. Can we sort of infer that, that was the interest savings year-over-year?

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**Robert Stefani** - *Southwest Gas Holdings Inc - Chief Financial Officer, Senior Vice President*

Yes. So as you think about the corporate costs, clearly, the interest expense as we paid down debt from the two Centuri follow-ons, we'll continue to realize the interest mix savings on a year-over-year basis as we head into the back half of the year. So yes, I mean, as you think about the total rollup, yes, COLI, which runs through the utility was favorable for the second quarter by about \$4.5 million relative to the same time last quarter of 2024.

But that being said, we didn't have as much interest income on the cash balance of the utility. So thinking about that, we've -- we obviously didn't have as much cash in the first half of the year at the utility as we had last year when we collected a substantive portion of the PGA. And then the rest is really that, like I said, the interest expense savings from the payday of the term loan. We'll continue to roll (inaudible) through the balance of the year.

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**Christopher Ellinghaus** - *Siebert Williams Shank & Co. - Analyst*

Let me -- I don't know who this is for, but maybe, Justin, relative to Great Basin. So there is quite a bit of theoretical rate base addition there in the expansion project. Do you need to get a result from the CPCN to be comfortable to make an adjustment at your typical year-end for what your rate base and CapEx looks like going forward? Or do you feel comfortable enough with that process that once you've decided to proceed and made that filing that, that project is adequately confident to change your numbers?

**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Yes. I think a couple of things, Chris. I think really the critical point for us is really getting signed precedent agreements from shippers because that really locks everyone in, and that will allow us then to revisit our internal estimate and kind of CapEx estimates.

I think to your point, the next critical step is that FERC filing. I think the good thing about this proposed expansion is it's in an existing footprint and right of way. And so you're really just upsizing and looping the pipe and adding compressors. So I think from a FERC oversight review, I think it's kind of your best-case scenario. So to your point, I think we would feel pretty confident with the FERC process and the approval process.

But I think for purposes of kind of getting a better understanding and grasp around what the CapEx amount is, it's really going to be driven by that precedent agreement negotiation and what parties actually sign those agreements and provide the information that we're requesting as part of those agreements.

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**Christopher Ellinghaus** - *Siebert Williams Shank & Co. - Analyst*

Okay. So if you do make the CPCN filing, can we infer from that, that you feel comfortable with the level of agreements that you've signed to date at that point? That you're proceeding given what you've obtained on the agreements?

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**Justin Brown** - *Southwest Gas Holdings Inc - President-Southwest Gas Corporation*

Yes. Absolutely, because that's what's required in that filing. So I think to your point, that implicit in that filing is going to be a pretty strong confidence of what we think is the project is ultimately going to look like.

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**Operator**

(Operator Instructions) There are no further questions at this time. This concludes the Q&A portion of today's conference. I would now like to turn the call over to Justin Forsberg for closing remarks.

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**Justin Forsberg** - *Southwest Gas Holdings Inc - Vice President-Investor Relations*

Thanks again, and thanks, everyone, for joining us today and for your questions. This concludes our conference call. We appreciate your interest in Southwest Gas Holdings.

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**Operator**

This concludes today's Southwest Gas Holdings second-quarter 2025 earnings call and webcast. You may now disconnect your line at this time. Have a wonderful day.

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