

2016 Annual Shareholders Meeting

EARNING YOUR TRUST

SAFETY, SERVICE, RELIABILITY | May 4, 2016



SOUTHWEST GAS



Presented by:

JOHN HESTER
PRESIDENT AND CEO



SOUTHWEST GAS

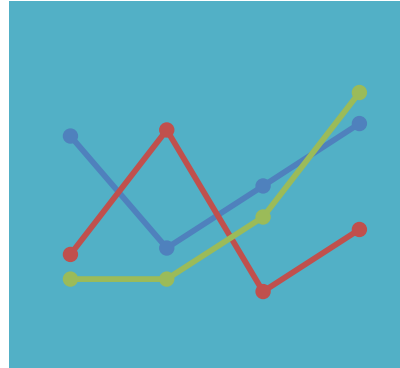
Earning Your Trust

Trusted Leader: Strong Financial Results

Trusted Partner: Regulatory Collaboration

Trusted to Deliver: Growth & Value to Shareholders

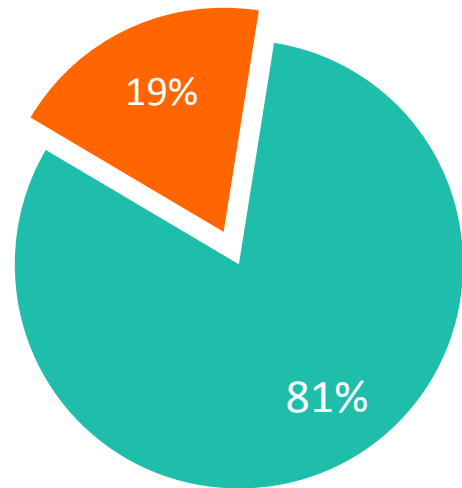
Trust in the Future



Two Business Segments

Southwest Gas consists of two business segments

- Natural gas operations
- Construction services (Centuri)



TMTD 12/31/15 Net Income
\$138MM

 **Natural gas operations**
\$112MM net income

 **Construction services**
\$26MM net income

Southwest Gas is a Regional Leader in Natural Gas Distribution

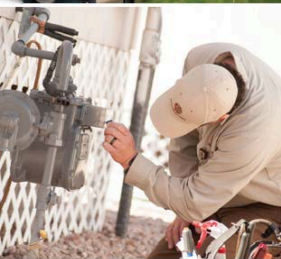
Headquartered in Las Vegas

Largest distributor of natural gas in Arizona and Nevada

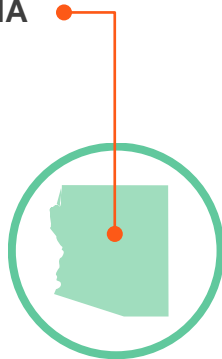
Distributes and transports natural gas in parts of California

1,956,000 customers in service territory at 12/31/2015

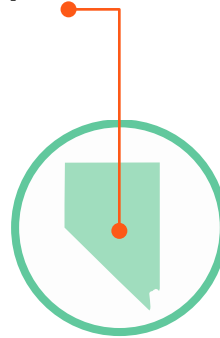
Over **99%** of customers are residential and small commercial



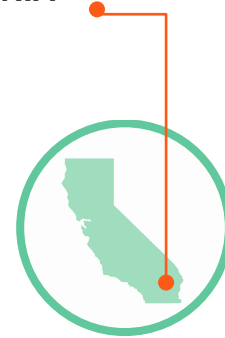
ARIZONA



NEVADA



CALIFORNIA



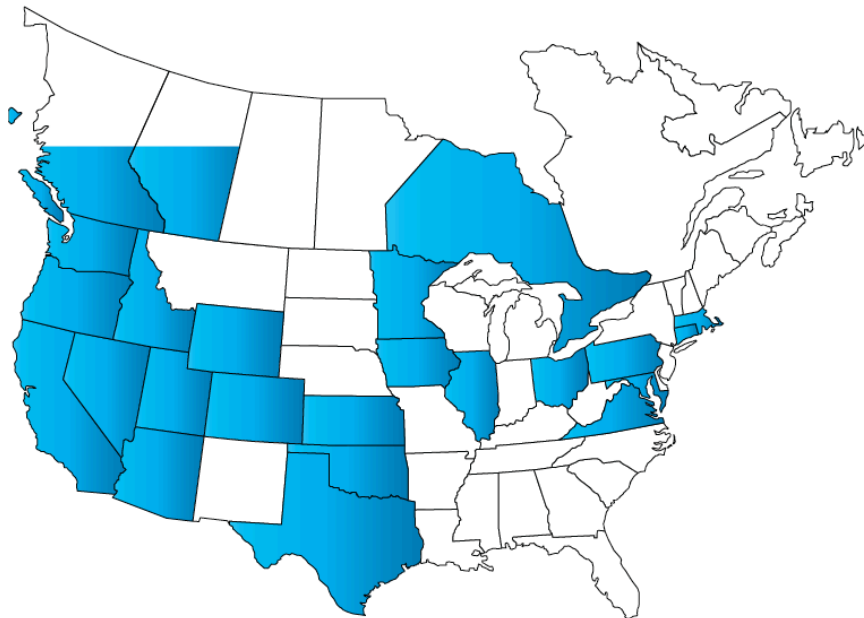
Centuri Construction Group

Construction Services – Markets

Headquartered in Phoenix

Operates in 22 markets across U.S. and Canada

One of North America's largest full-service underground pipeline contractors



2015 and Recent Highlights

Consolidated Results

- Dividend increased for the tenth straight year (11%)
- Achieved an EPS of \$2.94 in 2015
- Holding company applications approved by 3 state commissions
 - ACC approval granted May 3, 2016

Natural Gas Segment Results

- Invested \$438 million in the gas system
- Top 5 U.S. ranking for brand trust for utilities
- Realized 26,000 net new customers (1.35% increase)
- Filed Arizona general rate case
- Completed Paiute Pipeline's Adobe Lateral

Construction Services Segment

- Achieved milestone revenue of \$1 billion (36% increase)
- Successfully completed integration of Canadian companies
- Hired new CEO – Paul Daily



SOUTHWEST GAS

Summary Operating Results

(In thousands, except per share amounts)

	TWELVE MONTHS ENDED DECEMBER 31,	
	2014	2015
Results of Consolidated Operations		
Contribution to net income - natural gas operations	\$ 116,872	\$ 111,625
Contribution to net income - construction services	24,254	26,692
Net income	<u>\$ 141,126</u>	<u>\$ 138,317</u>
Basic earnings per share	<u>\$ 3.04</u>	<u>\$ 2.94</u>
Diluted earnings per share	<u>\$ 3.01</u>	<u>\$ 2.92</u>
Average outstanding common shares	46,494	46,992
Average shares outstanding (assuming dilution)	46,944	47,383



SOUTHWEST GAS

Regulatory Collaboration

Natural Gas Operations

Decoupling

- All three of the company's state regulatory jurisdictions have implemented a decoupling mechanism

Infrastructure Recovery Mechanisms

- Arizona COYL program
- Nevada GIR mechanism
- California IRRAM/COYL

Major Infrastructure Projects

- Paiute Pipeline Company – Elko County expansion project
- Nevada SB 151 – Expansion/Economic Development Legislation

Other Regulatory Proceedings

- Holding Company reorganization



Arizona General Rate Case

Filed May 2016



	Southwest Gas Requested
Rate Relief	\$32 Million
Depreciation study	(\$42 Million)
Rate Base	\$1.3 Billion
ROE	10.25%
Capital Structure - Equity	51.70%
Rate Design	Continuation of Decoupling Mechanism Gas Infrastructure Modernization Mechanism Property Tax Tracker
Estimated Effective Date	May 2017

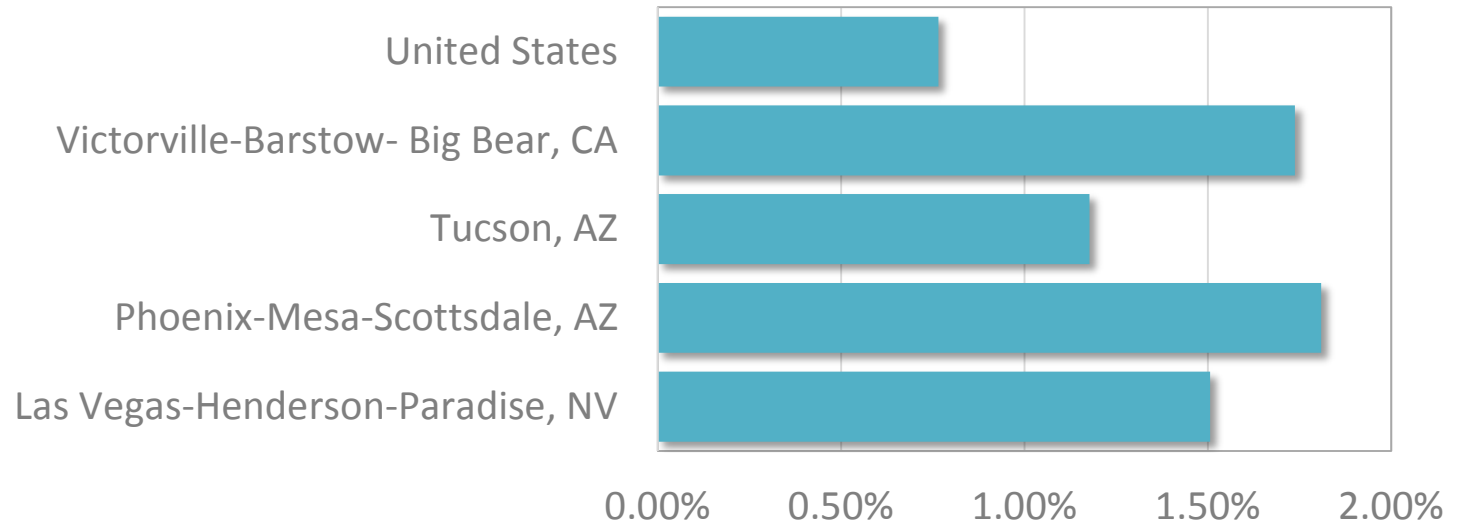


SOUTHWEST GAS

Projected Population Growth

Service Territories

Projected Population Annual Growth Rates 2016 - 2026

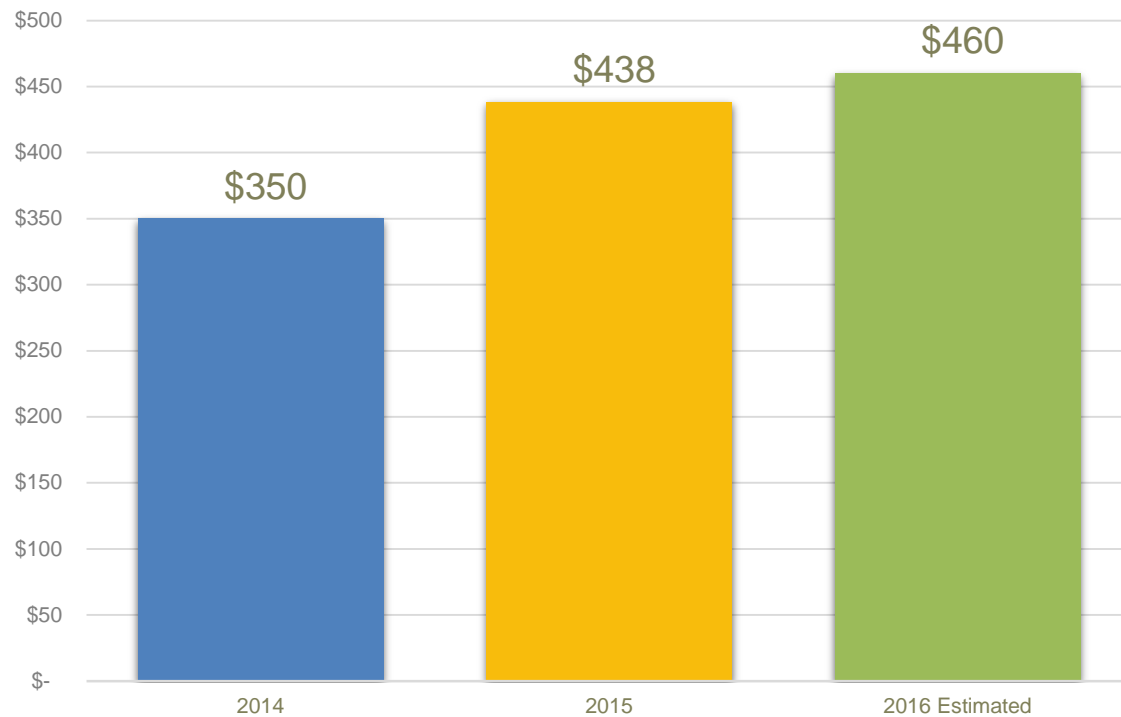


Source: IHS Global Insight



Capital Expenditures

Natural Gas Operations (In Millions)



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



SOUTHWEST GAS

Investment Grade

Strong liquidity will support capital expenditure and working capital needs

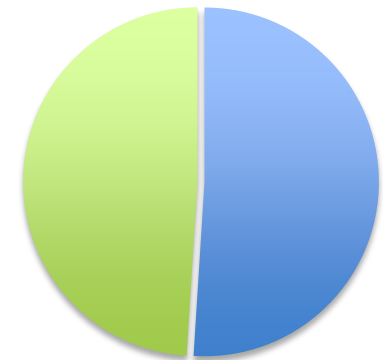
- Stable operating cash flows
- \$300 million revolving credit facility
- Uncommitted commercial paper program

Strong investment-grade credit ratings

Rating Agency	Rating	Outlook
Moody's	A3	Stable
S&P	BBB+	Stable
Fitch	A	Stable

Capital Structure

As of December 31, 2015



■ Equity 51%

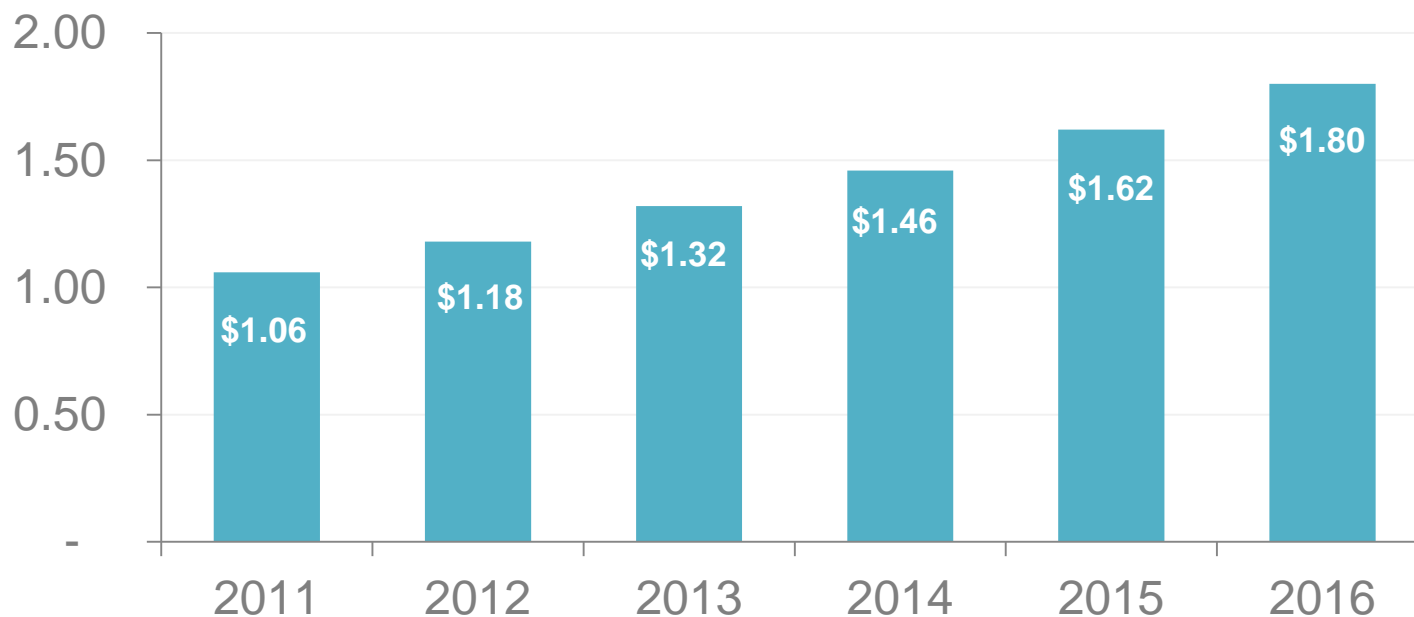
■ Long-term debt 49%



SOUTHWEST GAS

Dividend Growth

11.17% 5-Year CAGR



CAGR = compound annual growth rate



SOUTHWEST GAS

Stock Price Graph

Southwest Gas Corporation
Common Stock Closing Price
March 31, 2006 – March 31, 2016



SOUTHWEST GAS

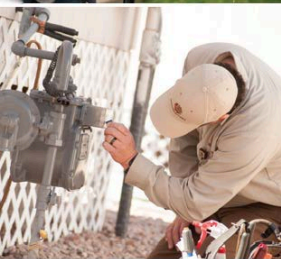
Strategic Focus

Remain focused on the core elements of our business

- Safety and customer satisfaction
- Maintain trusted relationships with regulators
- Retain a skilled and motivated work force
- Control costs and improve productivity
- Foster growth across our business segments

Execute business initiatives

Manage with a long-term view of success



Safe Harbor Statement

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission (SEC). We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These include, without limitation, our 2016 outlook for our construction services and natural gas operations segments.

Forward-looking statements are based on assumptions which we believe are reasonable, based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” of our 2015 Annual Report on Form 10-K filed with the SEC, and other reports that we file with the SEC from time to time, and the following:

- ✓ **The timing and amount of rate relief;**
- ✓ **Changes in rate design;**
- ✓ **Customer growth rates;**
- ✓ **Conditions in housing markets;**
- ✓ **The effects of regulation/deregulation;**
- ✓ **The impacts of construction activity at our construction services segment;**
- ✓ **The impacts of stock market volatility; and**
- ✓ **Other factors discussed from time to time in our filings with the SEC.**

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

