HOW WE TRIPLED GROWTH AT OUR COMPANY—

A CEO'S PERSPECTIVE

Jeffrey W Shaw, Retired Chief Executive Officer,
Southwest Gas Corporation

BACKGROUND

- B. S. Accounting — University of Utah 1983
- Certified Public Accountant
- Arthur Andersen & Co. — 1983 to 1988
- Southwest Gas Corporation — 1988 to 2015
- Numerous Management Positions, CEO — 2004 to 2015
- Board of Directors - Southwest Gas Corporation — 2004 to 2016
- Board of Directors - National Fuel Gas Co. — 2014 to Present

SOUTHWEST GAS CORPORATION

- A natural gas distribution utility (referred to as “LDC” in the industry) serving 1.85 million customers in Arizona (55%), Nevada (35%), and California (10%) – ranged from 2200 to 2500 employees
- A small interstate transmission pipeline system
- Subject to regulation by commissions in each of the three states and the Federal Energy Regulatory Commission
- An unregulated underground pipeline construction company serving natural gas utilities throughout the US – up to 4,000 employees at peak season
- $2 Billion in total revenues and a $3.5 Billion market cap

SOUTHWEST GAS CORPORATION

2004

- Bottom performer in the LDC space--stock price, dividend yield, and return on equity
- No increase in the dividend in over 10 years
- The Company's rates were insufficient to recover its costs, including the cost of capital
- Return on equity was in the mid single digit range
- Relationships with the three state regulatory bodies were strained
- Certain institutional shareholders were vocal about our negative performance – activist activity was increasing

OUR FOCUS

As an executive management team, we set five principal objectives

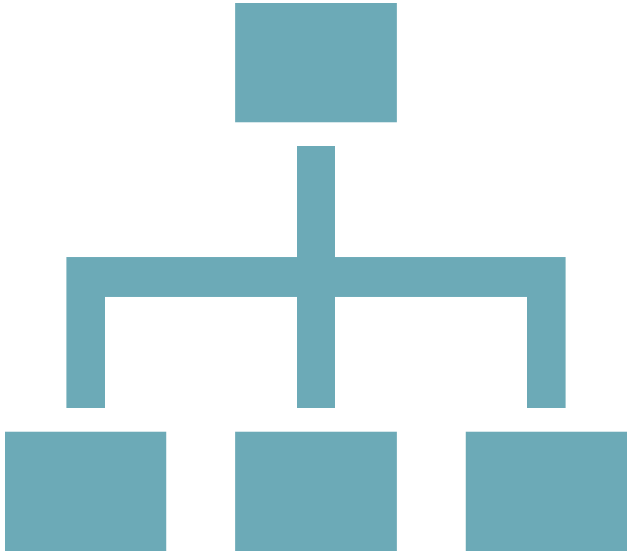
1. Work closely with regulatory bodies to improve the level and stability of revenues and cash flows
2. Pursue sensible cost control
3. Aggressively manage capital investment in growth
4. Maintain a highly trained, efficient and motivated workforce
5. Evaluate strategic opportunities to grow both the regulated and non-regulated portions of the business

THE COURSE WE FOLLOWED

We visited every member of management, at all levels, throughout our three-state service area and presented these objectives to build consensus.

THE COURSE WE FOLLOWED

- We undertook an aggressive investor relations campaign to communicate the Company’s key objectives to shareholders
- We included these objectives in each annual report to shareholders
- We updated our management incentive plan to align performance measures with the key objectives
- We evaluated every member of the senior management team to ensure we had the right people in the right positions to enable us to be successful
- We assigned accountabilities with key milestones to members of management



INITATIVES WITH REGULATORY BODIES

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- Held numerous meetings with all regulatory bodies to determine key priorities of each
- Filed numerous rate cases over several years, demonstrating cost controls, efficiency gains, customer satisfaction, industry leading safety statistics, and conservation improvements
- Requested changes to rate design to eliminate the effects of weather and declining customer usage due to conservation program
- Requested and justified higher ROEs embedded in customer rates

COST CONTROL INITIATIVES

- We evaluated every function of the company to determine if outsourcing was more effective and cost efficient
- With labor and benefits representing 75% of operations and maintenance expenses, we shifted to a consumer driven health plan that was well-received by employees and helped to keep health care costs flat during the years 2009 to 2014
- Through technology, evaluation of every open position, and natural attrition we reduced the number of full-time employees from 2500 to 2200 during the ten years from 2004 to 2014, without layoffs

CAPITAL INVESTMENT IN GROWTH

- We shifted front-end capital investment to builders and reimbursed that investment once customers established natural gas service
- We evaluated all purchasing practices to ensure we realized best pricing on pipe, fittings, meters and all other necessary components for the investment in growth

WORKFORCE INTIATIVES

- Awarded generous wage increases to performing employees
- Pursued a robust succession plan for all levels of management
- Reviewed/adjusted our benefits programs to ensure employees remained with the company
- Provided industry leading training to all employees
- Held service award dinners to recognize employee service milestones
- Required timely performance appraisals for all employees

STRATEGIC OPPORTUNITIES

- Entertained numerous inquiries regarding possible merger opportunities
- Participated in M & A processes for acquisition opportunities in the LDC space
- Made the acquisition of an unregulated Canadian underground pipeline construction company to bolt on to an existing non-regulated subsidiary

THE RESULTS

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- During the years 2004 to 2014, the company’s costs increased by approximately half the rate of inflation (CPI) over that period
- As a result of our change in capital investment policy, our cost per customer decreased and the balance sheet improved significantly precipitating increases in all our credit ratings
- After eight years and multiple rate cases, the company received the rate designs and ROEs it needed in each jurisdiction

THE RESULTS

- Earnings tripled, stock price nearly tripled, and ROE and dividend yield doubled
- All management exceeded incentive plan targets during the ten years ended 2014 (excepting one year during the financial crisis in 2008)
- Our employee satisfaction increased, and turnover was well below the industry average
- Our safety statistics were among the highest in the industry
- With very little exception, vacant supervisory/management positions were filled with internal candidates

THE RESULTS

- The company's pipeline construction company became the largest in North America and was highly profitable

LESSONS LEARNED

- Clearly communicated objectives to build consensus is critical
- Even in difficult circumstances, a path forward can be found to help an organization meet its objectives
- When a company’s success is dependent upon others, there will be key issues that those parties want or need that can be considered in striving to achieve objectives
- Jim Collins (Good To Great) is right – you need the right people in the right seats, whatever it takes

LESSONS LEARNED

- A leader truly is only as good as the people he or she leads – they are the most important assets to a company
- Leaders should freely share the credit for successes
- Effective compensation policies and sincere employee recognition is vital
- Persistence and patience is usually required