



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Third Quarter 2009 Results

November 5, 2009

LAS VEGAS, Nov. 5 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.18 per share for the third quarter of 2009, compared to a loss of \$0.38 per share recorded during the third quarter of 2008. Consolidated net loss was \$8.3 million, compared to a loss of \$16.7 million in the prior-year quarter. Due to the seasonal nature of the business, net losses during the second and third quarters are normal and not generally indicative of earnings for a complete twelve-month period.

According to Jeffrey W. Shaw, Chief Executive Officer, "Third quarter results improved compared to the same period last year primarily due to positive returns on investments this quarter versus negative returns in the corresponding prior-year quarter. In addition, we have successfully minimized cost increases through the effective use of technology and selectively filling employee vacancies. We have also reduced capital expenditures due to the current low-growth environment, but we continue to upgrade and expand the distribution system as necessary."

Regarding regulatory matters, Shaw added, "We recently received a \$17.1 million annualized general rate increase in Nevada effective November 2009. Factoring in other aspects of the rate case decision, we estimate the operating income benefit to be \$19.1 million. We also received authorization to establish a margin tracking (decoupling) mechanism. This change is designed to encourage conservation efforts while insulating the Company from the effects on operating margin of lower usage (including volumes associated with unusual weather). We now have decoupled rate designs in two of the three states that we serve. We continue to participate in a productive rulemaking proceeding in Arizona that deals with energy efficiency standards and alternatives for a decoupled rate design."

For the twelve months ended September 30, 2009, consolidated net income was \$72.3 million, or \$1.63 per basic share, compared to \$72.9 million, or \$1.69 per basic share, during the twelve-month period ended September 30, 2008.

Natural Gas Operations Segment Results

Third Quarter

Operating margin, defined as operating revenues less the cost of gas sold, decreased by approximately \$4 million in the third quarter of 2009 compared to the third quarter of 2008. The decline resulted from a \$9 million decrease related to the return to a seasonal margin methodology in California, partially offset by rate relief of \$5 million in Arizona. This completes the seasonal adjustment impacts to margin in California. Customer growth was not a factor, as only 1,000 net new customers (on a comparative seasonally adjusted basis) were added during the last twelve months.

Operating expenses for the quarter decreased \$1.8 million, or one percent, compared to the third quarter of 2008 primarily due to lower depreciation rates in California and Nevada and cost containment efforts. Other income increased \$8.5 million between quarters as the cash surrender values of company-owned life insurance ("COLI") policies increased by \$4.9 million in the third quarter of 2009 compared to a reduction of \$3.7 million in the prior-year quarter. Net financing costs decreased \$1.6 million due principally to a reduction in outstanding debt and lower interest rates on variable-rate debt.

Twelve Months to Date

Operating margin decreased a net \$9 million between periods. Rate relief provided \$24 million of operating margin, consisting of \$22 million in Arizona and \$2 million in California. Customer growth contributed \$1 million in operating margin. Differences in heating demand caused primarily by weather variations between periods resulted in a \$22 million operating margin decrease as warmer-than-normal temperatures were experienced during both periods (during the twelve-month period of 2009, operating margin was negatively impacted by \$29 million, while the negative impact in the twelve-month period of 2008 was \$7 million). Conservation resulting from current economic conditions and energy efficiency negatively impacted operating margin by an estimated \$12 million.

Operating expenses increased \$7.6 million, or one percent, between periods due to incremental operating costs (including depreciation) associated with facilities upgrades and general cost increases. The increase was mitigated by lower staffing levels and labor efficiencies associated with the conversion to electronic meter reading.

Other income, which principally includes interest income, changes in cash surrender values of COLI policies, and non-utility expenses, increased \$5.2 million between periods. This was primarily due to an \$8.5 million incremental increase in the cash surrender values of COLI policies between periods partially offset by lower interest income. Net financing costs decreased \$8.9 million due to a reduction in outstanding debt and lower interest rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,803,000 customers in Arizona, Nevada, and California.

This press release may contain statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). All such forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act. A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the impact of weather variations on customer usage, customer growth rates, conditions in the housing market, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, and the impacts of stock market volatility.

SOUTHWEST GAS CONSOLIDATED EARNINGS DIGEST
(In thousands, except per share amounts)

QUARTER ENDED SEPTEMBER 30, -----	2009 ----	2008 ----
Consolidated Operating Revenues	\$317,509	\$374,422
Net Loss	\$8,297	\$16,686
Average Number of Common Shares Outstanding	44,855	43,581
Loss Per Share	\$0.18	\$0.38
NINE MONTHS ENDED SEPTEMBER 30, -----	2009 ----	2008 ----
Consolidated Operating Revenues	\$1,395,019	\$1,635,333
Net Income	\$41,090	\$29,741
Average Number of Common Shares Outstanding	44,671	43,307
Basic Earnings Per Share	\$0.92	\$0.69
Diluted Earnings Per Share	\$0.91	\$0.68
TWELVE MONTHS ENDED SEPTEMBER 30, -----	2009 ----	2008 ----
Consolidated Operating Revenues	\$1,904,429	\$2,195,644
Net Income	\$72,322	\$72,878
Average Number of Common Shares Outstanding	44,497	43,150
Basic Earnings Per Share	\$1.63	\$1.69
Diluted Earnings Per Share	\$1.61	\$1.68

SOURCE Southwest Gas Corporation

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