



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Second Quarter 2011 Results

August 8, 2011

LAS VEGAS, Aug. 8, 2011 /PRNewswire via COMTEX/ --

Southwest Gas Corporation (NYSE: SWX) reported consolidated earnings of \$0.09 per basic share for the second quarter of 2011, an \$0.11 increase from the net loss of \$0.02 per share recorded for the second quarter of 2010. Consolidated net income was \$4.1 million for the second quarter of 2011, compared to a net loss of \$933,000 for the prior-year quarter. The current quarter includes \$2.6 million (\$0.06 per share) in other income associated with increases in cash surrender values of company-owned life insurance ("COLI") policies (including net death benefits). The prior-year quarter reflected a \$3.6 million (\$0.08 per share) decrease in other income associated with COLI policies. Due to the seasonal nature of the business, results for quarterly periods are not generally indicative of earnings for a complete twelve-month period.

(Logo: <http://photos.prnewswire.com/prnh/20110222/LA525481.0GO>)

According to Jeffrey W. Shaw, Chief Executive Officer, "Second quarter 2011 results compared favorably to the second quarter of 2010. We continue to focus on minimizing cost increases and maintaining the stability of our financial results. In June 2011, Fitch upgraded our credit rating to BBB+ from BBB. This upgrade, as well as the earlier Standard & Poor's upgrade in April 2011, is indicative of our improved earnings and cash flows." Shaw concluded by stating, "In connection with the current Arizona general rate case, we recently filed a settlement agreement with the Arizona Corporation Commission that is supported by a majority of the interested parties. Hearings on the proposed settlement will begin later this week. We are optimistic that a decision on the rate case can be reached before the end of the year."

For the twelve months ended June 30, 2011, consolidated net income was \$112.8 million, or \$2.47 per basic share, compared to \$101.8 million, or \$2.26 per basic share, during the twelve-month period ended June 30, 2010. The improvement between periods includes a significant increase in other income and an additional \$6.1 million contribution from construction services activities. Other income in the current twelve-month period includes \$16.7 million (\$0.37 per share) associated with increases in cash surrender values of COLI policies and net death benefits. The prior twelve-month period included a \$4.3 million (\$0.10 per share) increase in COLI cash surrender values.

Natural Gas Operations Segment Results

Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, decreased \$1 million in the second quarter of 2011 compared to the second quarter of 2010. Weather changes between quarters accounted for a \$2 million margin decrease as warmer-than-normal temperatures were experienced in the current quarter. Rate relief in California and customer growth combined for a \$1 million increase in operating margin, partially offsetting the weather impact. Approximately 14,000 net new customers were added during the last twelve months.

Operating expenses for the quarter increased \$3.8 million, or 3%, compared to the second quarter of 2010 primarily due to general cost increases, partially offset by lower uncollectible expenses. Other income, which principally includes returns on COLI policies and non-utility expenses, increased \$6.7 million between periods. This was primarily due to an increase in the cash surrender values (including recognized net death benefits) of COLI policies. Net financing costs decreased \$1.7 million between the comparative quarters primarily due to lower interest rates on variable-rate debt and the favorable impact of long-term debt refinancing.

Twelve Months to Date

Operating margin increased \$3 million between periods. Rate relief provided \$6 million of the operating margin increase, consisting of \$3 million in Nevada and \$3 million in California. Customer growth contributed \$2 million in operating margin. Differences in heating demand caused by weather variations between periods resulted in a decrease of \$5 million.

Operating expenses increased \$17.9 million, or 3%, between periods principally due to higher general costs, higher employee-related benefit costs including pension expense, and an increase in depreciation expense resulting from additional plant in service. The increases were mitigated by cost containment efforts (including lower staffing levels) and a decrease in uncollectible expense.

Other income, which principally includes changes in the cash surrender values of COLI policies and non-utility expenses, increased \$10.8 million between periods, primarily due to a significant increase in COLI-related income. Net financing costs decreased \$6.8 million between periods largely due to the redemption of \$100 million of subordinated debentures in March 2010 and lower interest rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,839,000 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)

<u>QUARTER ENDED JUNE 30.</u>	<u>2011</u>	<u>2010</u>
Consolidated Operating Revenues	\$388,505	\$385,825
Net Income (Loss)	\$4,055	\$(933)
Average Number of Common Shares Outstanding	45,864	45,391
Basic Earnings (Loss) Per Share	\$0.09	\$(0.02)
Diluted Earnings (Loss) Per Share	\$0.09	\$(0.02)

<u>SIX MONTHS ENDED JUNE 30.</u>	<u>2011</u>	<u>2010</u>
Consolidated Operating Revenues	\$1,016,945	\$1,054,576
Net Income	\$72,604	\$63,715
Average Number of Common Shares Outstanding	45,814	45,306
Basic Earnings Per Share	\$1.58	\$1.41
Diluted Earnings Per Share	\$1.57	\$1.39

<u>TWELVE MONTHS ENDED JUNE 30.</u>	<u>2011</u>	<u>2010</u>
Consolidated Operating Revenues	\$1,792,740	\$1,870,890
Net Income	\$112,766	\$101,810
Average Number of Common Shares Outstanding	45,656	45,113
Basic Earnings Per Share	\$2.47	\$2.26
Diluted Earnings Per Share	\$2.45	\$2.24

SOURCE Southwest Gas Corporation