



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces 2013 Earnings

February 26, 2014

LAS VEGAS, Feb. 26, 2014 /PRNewswire/ -- Southwest Gas Corporation (NYSE: SWX) reported consolidated earnings of \$3.14 per basic share for 2013, a \$0.25 per share increase from the \$2.89 per basic share earned in 2012. Consolidated net income for 2013 was \$145.3 million, compared to \$133.3 million during 2012. The current year includes \$12.4 million (\$0.27 per share) in other income associated with increases in the cash surrender values of company-owned life insurance ("COLI") policies including net death benefits recognized. The prior-year included \$6.6 million (\$0.14 per share) in other income associated with COLI policies, offset by a \$15 million pre-tax loss (\$0.20 per share) on a large fixed-price contract at the pipeline construction subsidiary.

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

According to Jeffrey W. Shaw, President and Chief Executive Officer, "We are pleased to report 2013 earnings per share of \$3.14, a 9% increase over the \$2.89 per share reported in 2012 and the highest in Company history. Having a consistent focused strategy and managing our businesses with a long-term view has again produced favorable results. At the gas segment, we have successfully partnered with our state regulators on initiatives that serve our customers' interests, while recovering our costs of service. Programs such as customer-owned yardline replacements in Arizona and early vintage plastic pipe replacements in Nevada improve system reliability and are examples of true 'win-wins' for customers, regulators, and the Company. We have several other initiatives before regulators today, which if approved will begin to add value in a couple of years." Shaw concluded by saying, "NPL Construction Co., our pipeline construction subsidiary, bounced back strongly in 2013, contributing \$21.2 million in net income compared to \$16.7 million in 2012. Long-term opportunities for growth at NPL are manifold and we will opportunistically pursue those that can add value. Overall, we believe both segments are well positioned as we move forward."

During the fourth quarter of 2013, consolidated net income was \$57.3 million, or \$1.24 per basic share, versus \$62.4 million, or \$1.35 per basic share, for the fourth quarter of 2012.

Natural Gas Operations Segment Results

Full Year 2013

Operating margin, defined as operating revenues less the net cost of gas sold, increased \$22 million. Rate relief provided \$8 million of the increase in operating margin (including general rate relief in Nevada and net attrition amounts in California). New customers contributed \$7 million of the increase during 2013 as approximately 28,000 net new customers were added during the last twelve months. Incremental margin from customers outside the decoupling mechanisms and other miscellaneous revenues (including amounts associated with recoveries of Arizona regulatory assets) contributed the remainder of the increase.

Operating expenses increased \$26.6 million, or 4%, between years primarily due to higher general costs, employee-related costs (including pension costs), uncollectible expense, and pipeline integrity management programs. Other contributing factors included amortization associated with the recovery of regulatory assets (including new or expanded conservation and energy efficiency programs in Nevada and Arizona), and incremental depreciation expense associated with plant additions (partially offset by lower depreciation rates in Nevada). Higher property and general taxes were also components of the increase.

Other income increased \$8.1 million between 2013 and 2012 primarily due to the \$5.8 million change in COLI-related income between years. In addition, Arizona non-recoverable pipe replacement costs were \$2.5 million lower in 2013 as compared to 2012 because this pipe replacement activity was substantially completed in 2012. Net interest deductions decreased \$4.4 million between 2013 and 2012 primarily due to cost savings from debt refinancing, redemptions, and lower interest expense associated with deferred purchased gas adjustment ("PGA") balances payable.

Fourth Quarter

Operating margin increased \$6.5 million in the fourth quarter of 2013 compared to the fourth quarter of 2012. Rate relief provided \$2 million of the increase in operating margin and new customers contributed another \$2 million. Incremental operating margin from customers outside the decoupling mechanisms, and other miscellaneous revenues, contributed the remainder of the increase.

Operating expenses for the fourth quarter of 2013 rose \$8.9 million, or 6%, compared to the fourth quarter of 2012, primarily due to increases in general costs and employee-related benefit costs (including higher pension and medical expenses), depreciation expense on additional plant in service, and amortization associated with the recovery of regulatory assets. In addition, pipeline integrity management programs impacted current quarter expenses.

Other income increased approximately \$4.2 million between quarters. The current quarter reflects COLI policy cash surrender value increases of \$4.3 million including net death benefits recognized, while the prior-year quarter included \$1.1 million in COLI-related income. In addition, Arizona non-recoverable pipe replacement costs were \$695,000 lower in the current quarter as compared to the prior-year quarter. Net interest deductions increased \$1.3 million between quarters, primarily due to interest expense associated with a \$250 million senior notes issuance in October 2013, partially offset by cost savings from early debt redemptions and lower interest expense associated with PGA balances payable.

Southwest Gas Corporation provides natural gas service to 1,904,000 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 timing and amount of rate relief, changes in rate design, customer growth rates, conditions in the housing market, the effects of regulation/deregulation, and the impacts of stock market volatility.

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

<u>YEAR ENDED DECEMBER 31,</u>	<u>2013</u>	<u>2012</u>
Consolidated Operating Revenues	\$ 1,950,782	\$ 1,927,778
Net Income	\$ 145,320	\$ 133,331
Average Number of Common Shares Outstanding	46,318	46,115
Basic Earnings Per Share	\$ 3.14	\$ 2.89
Diluted Earnings Per Share	\$ 3.11	\$ 2.86
<u>QUARTER ENDED DECEMBER 31,</u>		
Consolidated Operating Revenues	\$ 538,357	\$ 488,566
Net Income	\$ 57,303	\$ 62,393
Average Number of Common Shares Outstanding	46,351	46,142
Basic Earnings Per Share	\$ 1.24	\$ 1.35
Diluted Earnings Per Share	\$ 1.22	\$ 1.34

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