



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces 1996 Earnings

February 11, 1997

LAS VEGAS, Feb. 11 /PRNewswire/ -- Southwest Gas Corporation announced consolidated 1996 earnings of \$0.25 per share, an increase of \$0.15 compared to the \$0.10 per share of earnings from continuing operations recorded during 1995. Current year results included a \$0.10 per share contribution from the construction services subsidiary acquired in April 1996. Full prior-year results (a loss of \$0.66 per share) included a \$17.5 million, or \$0.76 per share, loss from discontinued operations, which occurred as a result of the disposition of PriMerit Bank, a former subsidiary.

Gas operations generated \$3.9 million of consolidated net income in 1996 compared to \$2.7 million in 1995. According to Michael O. Maffie, President and Chief Executive Officer, weather was the dominant factor affecting the financial performance of the gas segment in both years. Nevada experienced its second hottest year on record in 1996 while Arizona experienced one of its hottest years on record. Warm weather was particularly prevalent in the fourth quarter of 1995 and the first quarter of 1996. As a result, operating margin was approximately \$23 million less than anticipated during 1996, and \$28 million less than anticipated during 1995.

Despite the warm weather, operating margin increased \$23 million, or seven percent, in 1996 when compared to 1995. Rate relief and record customer growth contributed to the improvement between periods. Effective July 1996, the Company received a \$13.8 million general rate increase applicable to its Nevada rate jurisdictions, providing \$5 million in additional operating margin in 1996. During 1996, the Company added 63,000 customers, resulting in approximately \$13 million of additional operating margin. This continues a growth trend which has resulted in nearly 300,000 new customers during the 1990's. Approximately 30 percent of the Company's current customer base has been added during this period.

Operating expenses and net financing costs increased \$20.5 million, or six percent, due to new investment in gas plant and higher costs incurred as a result of providing service to the Company's rapidly growing customer base. During 1996, the Company invested \$210 million in new gas plant. This record-breaking growth continues to exact a net earnings penalty in the form of higher operating and financing costs as the Company builds the infrastructure necessary to accommodate additional customers. However, net earnings are expected to improve as construction programs are completed, additional rate relief is applied for and granted, and new customers contribute incremental operating margin. In November 1996, the Company applied for additional rate relief in its Arizona service territories, which comprise approximately 60 percent of operations.

During the fourth quarter of 1996, consolidated net income applicable to common stock was \$18.3 million, or \$0.69 per share, compared to \$11.5 million, or \$0.47 per share, from continuing operations during the same quarter in 1995. Operating margin improved \$17.8 million from the prior period as a result of continued customer growth, Nevada rate relief, and a return to near normal temperatures. Increased operating expenses, incurred as a result of servicing additional customers, partially offset the growth in margin.

Southwest Gas Corporation provides natural gas to approximately 1,092,000 customers in Arizona, Nevada and California. Its service territory is centered in the fastest-growing region of the country.

SOUTHWEST GAS CONSOLIDATED EARNINGS DIGEST

| YEAR ENDED DECEMBER 31, | 1996 | 1995 |
|--|---------------|----------------|
| Consolidated Operating Revenues | \$644,061,000 | \$563,502,000 |
| Net Income - Continuing Operations | \$6,574,000 | \$2,654,000 |
| Net Loss - Discontinued Operations | \$ --- | \$(17,536,000) |
| Net Income (Loss) Applicable to Common Stock | \$6,574,000 | \$(15,189,000) |
| Average Number of Common Shares Outstanding | 25,888,000 | 23,167,000 |
| Earnings Per Share from Continuing Operations | \$0.25 | \$0.10 |
| Earnings (Loss) Per Share of Common Stock | \$0.25 | \$(0.66) |

QUARTER ENDED DECEMBER 31,

| | 1996 | 1995 |
|---|---------------|----------------|
| Consolidated Operating Revenues | \$206,843,000 | \$146,359,000 |
| Net Income - Continuing Operations | \$18,296,000 | \$11,509,000 |
| Net Loss - Discontinued Operations | \$--- | \$(18,864,000) |
| Net Income (Loss) Applicable to Common Stock | \$18,296,000 | \$(7,377,000) |
| Average Number of Common Shares Outstanding | 26,640,000 | 24,350,000 |

| | | |
|---|--------|----------|
| Earnings Per Share from Continuing Operations | \$0.69 | \$0.47 |
| Earnings (Loss) Per Share of Common Stock | \$0.69 | \$(0.30) |

SOURCE Southwest Gas Corporation

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