



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Corporation Announces 2001 Earnings

February 19, 2002

LAS VEGAS, Feb. 19 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.16 per basic share for 2001, \$0.06 less than the \$1.22 per basic share earned in 2000. Consolidated net income for 2001 was \$37.2 million, compared to \$38.3 million during 2000.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20010823/SWXLOGO> )

According to Michael O. Maffie, President and Chief Executive Officer, "The reduction in earnings between periods was largely a function of delayed general rate relief. However, during the fourth quarter, general rate cases in both Arizona and Nevada were favorably concluded. Looking ahead, we are well positioned to post improved results in 2002."

Maffie also noted that in January 2002, the Company sold all of its interests in undeveloped property located near Kingman, Arizona. The property was originally acquired as a potential site for underground natural gas storage during the gas supply shortages of the 1970's, but was never developed. The sale will result in a one-time pretax gain of \$8.9 million, which will be recognized in the first quarter of 2002.

Operating margin increased \$40 million, or eight percent, in 2001 as compared to 2000, as a result of customer growth, rate relief, and a return to normal weather. The Company added 60,000 new customers during the last 12 months. This customer growth, coupled with increased margin from electric generation and industrial customers, contributed \$30 million in incremental margin. An additional \$5.3 million of incremental margin was realized in 2001 from general rate relief. Effective November 2001, annualized rate relief of \$21.6 million was granted in Arizona, and effective December 2001, annualized rate relief of \$19.4 million was granted in Nevada. The remainder of the net change in operating margin between periods was due to weather as average temperatures during 2001 were normal versus moderately warmer-than-normal average temperatures during 2000.

Operating expenses increased \$34.6 million, or ten percent, in 2001 reflecting general increases in labor and maintenance costs, higher uncollectible expenses, and incremental costs associated with servicing additional customers. During 2001, the Company invested \$248 million in its gas system, and projects capital expenditures will approximate \$225 million during 2002.

Net financing costs were \$9.9 million, or 13 percent, greater than last year as the Company financed both the new construction necessary to keep up with customer growth, and unrecovered purchased gas costs. The financing cost increase was partially offset by additional interest income of \$5.9 million recognized by the Company on the balance of unrecovered purchased gas costs.

During the fourth quarter of 2001, consolidated net income was \$31 million, or \$0.96 per basic share, versus \$32.5 million, or \$1.03 per basic share, for the fourth quarter of 2000. The current period reflected \$4.3 million, or \$0.13 per basic share, of nonrecurring after-tax favorable transactions attributable to the sale of assets and the resolution of state income tax issues.

Operating margin was \$3.3 million lower than the fourth quarter of 2000 as a result of weather variations between periods (\$14.6 million) partially offset by customer growth (\$6 million) and rate relief (\$5.3 million). Operating expenses increased \$7.9 million, or nine percent, and net financing costs rose \$651,000, or three percent.

Southwest Gas Corporation provides natural gas to 1,397,000 customers in Arizona, Nevada, and California. Its service territories are centered in the fastest-growing region of the country.

This press release may contain statements which constitute "forward-looking statements" within the meaning of the 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, natural gas prices, the effects of regulation/deregulation, the timing and amount of rate relief, changes in gas procurement practices, changes in capital requirements and funding, the impact of conditions in the capital markets on financing costs, resolution of pending litigation, acquisitions, and competition.

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

YEAR ENDED DECEMBER 31,	2001	2000
Consolidated Operating Revenues	\$1,396,688	\$1,034,087
Net Income	\$37,156	\$38,311
Average Number of Common Shares Outstanding	32,122	31,371
Basic Earnings Per Share of Common Stock	\$1.16	\$1.22
Diluted Earnings Per Share of Common Stock	\$1.15	\$1.21

QUARTER ENDED DECEMBER 31,

Consolidated Operating Revenues	\$ 384,136	\$ 340,676
Net Income	\$ 30,975	\$ 32,522
Average Number of Common Shares Outstanding	32,427	31,627
Basic Earnings Per Share of Common Stock	\$ 0.96	\$ 1.03
Diluted Earnings Per Share of Common Stock	\$ 0.95	\$ 1.02

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