



Southwest Gas[™]

HOLDINGS

Southwest Gas Reports Second Quarter 2002 Results

August 12, 2002

LAS VEGAS, Aug. 12 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.63 per share for the second quarter of 2002, a \$0.28 decline from the \$0.35 per share loss reported for the second quarter of 2001. Net loss for the second quarter of 2002 was \$20.6 million, compared to the 2001 second quarter net loss of \$11.1 million. Second quarter 2002 results reflect a net \$14.5 million pretax charge for the August 2002 settlements of three-year old merger-related litigation with Southern Union Company and ONEOK, Inc. Excluding the litigation settlements, the net loss for the second quarter would have been \$11.6 million, or \$0.35 per share. 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.

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

According to Michael O. Maffie, President and Chief Executive Officer, "Notwithstanding the impact of the settlements, the second quarter continued the first quarter trend of improved period-over-period operating results, as operating income was \$6.3 million higher than the second quarter of 2001. However, the operating improvement was tempered by several unfavorable nonoperating factors and an extremely warm April."

Operating margin increased \$10 million, or ten percent, in the second quarter of 2002 compared to the same period in 2001. The increase was the result of general rate relief and customer growth, partially offset by the impacts of weather between periods. General rate relief granted in Arizona and Nevada during the fourth quarter of 2001 added \$10 million of operating margin. The Company served 56,000, or four percent, more customers than a year ago, who contributed \$5 million in incremental margin. Operating margin was reduced by \$5 million between periods due to near record warm temperatures experienced throughout the Southwest during April 2002.

Operating expenses and net financing costs increased \$4.5 million, or four percent, as a result of continued expansion of the gas system to accommodate customer growth.

Other income, excluding the merger litigation settlements, declined \$4.1 million, net of tax, between periods. The net change resulted from lower interest income on the balance of unrecovered purchased gas costs; increased legal costs associated with the merger litigation; and a charge for potential regulatory disallowance.

For the twelve months ended June 30, 2002, net income was \$36.8 million, or \$1.13 per basic share, compared to \$45.5 million, or \$1.43 per basic share, during the twelve-month period ended June 30, 2001. Excluding the merger litigation settlements, net income for the current period would have been \$45.8 million, or \$1.41 per basic share.

Operating margin increased \$30 million between periods. Customer growth, coupled with increased margin from electric generation and industrial customers during the second half of 2001, contributed \$26 million in incremental margin, while rate relief added \$30 million. Differences in heating demand caused by weather variations between periods resulted in a \$26 million margin decrease. Warmer-than-normal temperatures experienced during the fourth quarter of 2001 and second quarter of 2002 negatively impacted margin by \$13 million. Prior-period margin was \$13 million higher than expected due to temperatures that were ten percent colder than normal.

Operating expenses increased \$28.8 million, or eight percent, reflecting general increases in labor and maintenance costs, higher uncollectible expenses and incremental costs associated with servicing additional customers. Net financing costs increased \$2.9 million, or four percent between periods. Strong cash flows related to recovery of previously deferred purchased gas costs and general rate relief minimized the amount of incremental borrowings necessary to finance construction expenditures.

Southwest Gas Corporation provides natural gas service to approximately 1,417,000 customers in Arizona, Nevada and California. Its service territory is 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, acquisitions, and competition.

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

QUARTER ENDED JUNE 30,	2002	2001
Consolidated Operating Revenues	\$261,123	\$278,960
Net Loss	\$20,610	\$11,140
Average Number of Common Shares Outstanding	32,897	32,000
Loss Per Share	\$0.63	\$0.35

SIX MONTHS ENDED JUNE 30,

Consolidated Operating Revenues	\$760,624	\$766,458
Net Income	\$22,286	\$22,669
Average Number of Common Shares Outstanding	32,759	31,911
Basic Earnings Per Share	\$0.68	\$0.71
Diluted Earnings Per Share	\$0.67	\$0.70

TWELVE MONTHS ENDED JUNE 30,

Consolidated Operating Revenues	\$1,390,854	\$1,306,096
Net Income	\$36,773	\$45,511
Average Number of Common Shares Outstanding	32,542	31,717
Basic Earnings Per Share	\$1.13	\$1.43
Diluted Earnings Per Share	\$1.12	\$1.42

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CAPTION: SWXLOGO SOUTHWEST GAS CORPORATION LOGO Southwest Gas Corporation logo. (PRNewsFoto)[TC] LAS VEGAS, NV USA
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