



Southwest Gas[™]

HOLDINGS

Southwest Gas Reports Third Quarter 2002 Results

October 30, 2002

LAS VEGAS, Oct. 30 -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.49 per share for the third quarter of 2002, a \$0.02 improvement from the \$0.51 per share loss reported for the third quarter of 2001. Net loss for the third quarter of 2002 was \$16.1 million, compared to the 2001 third quarter net loss of \$16.5 million. Due to the seasonal nature of the business, net losses during the third quarter 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, "Operating income for the third quarter of 2002 increased modestly compared to the third quarter of 2001. The inroads we made in Arizona and Nevada improving rate design to make the Company less weather sensitive showed up in operating margin this quarter. As a result, the trend of improved quarter-over-quarter operating results, which began during the first quarter of this year, continued."

Operating margin increased \$7.3 million, or eight percent, in the third quarter of 2002 compared to the same period in 2001 resulting primarily from general rate relief and customer growth. General rate relief granted in Arizona (annualized at \$21.6 million) and Nevada (annualized at \$19.4 million) effective in the fourth quarter of 2001 was the primary driver of the quarterly increase. Additionally, the Company added 56,000 customers during the past twelve months, a growth rate of four percent.

Operating expenses increased \$6.2 million, or six percent, as a result of general cost increases and incremental costs associated with continued expansion of the gas system to accommodate customer growth. Net financing costs declined \$346,000 between periods. Strong cash flows throughout the year from the recovery of previously deferred purchased gas costs and general rate relief mitigated the need to externally finance construction expenditures.

Other income declined \$1.4 million, net of tax, between periods. The net change primarily resulted from lower interest income on the balance of unrecovered purchased gas costs and a charge associated with the final settlement of a regulatory issue in California.

For the twelve months ended September 30, 2002, net income was \$37.1 million, or \$1.13 per basic share, compared to \$38.7 million, or \$1.21 per basic share, during the twelve-month period ended September 30, 2001.

In the second quarter of 2002, the Company recorded a \$14.5 million pretax charge (\$9 million net of tax) related to settlements of three-year old merger-related litigation with Southern Union Company and ONEOK, Inc. This charge reduced earnings per share by \$0.28 in the current twelve-month period.

Operating margin increased \$28 million between periods. Customer growth, coupled with increased margin from electric generation and industrial customers during the fourth quarter of 2001, contributed \$17 million in incremental margin, while rate relief added \$37 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 \$25 million, or seven percent, reflecting general increases in labor and maintenance costs, higher uncollectible expenses and incremental costs associated with servicing additional customers. Net financing costs declined slightly between periods.

Other income increased \$3.8 million, net of tax, between periods. The current twelve-month period includes pretax gains of \$8.9 million on the sale of undeveloped property in the first quarter of 2002 and \$3 million on the sale of certain assets in the fourth quarter of 2001, partially offset by a \$2.7 million settlement of a regulatory issue in California. Additionally, interest income (primarily earned on deferred purchased gas cost balances) decreased \$4.2 million between periods.

Southwest Gas Corporation provides natural gas service to approximately 1,427,000 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 SEPTEMBER 30,

2002

2001

Consolidated Operating Revenues	\$223,863	\$246,094
Net Loss	\$16,136	\$16,488
Average Number of Common Shares Outstanding	33,065	32,231
Loss Per Share	\$0.49	\$0.51
NINE MONTHS ENDED SEPTEMBER 30,		
Consolidated Operating Revenues	\$984,487	\$1,012,552
Net Income	\$6,150	\$6,181
Average Number of Common Shares Outstanding	32,862	32,019
Basic Earnings Per Share	\$0.19	\$0.19
Diluted Earnings Per Share	\$0.19	\$0.19
TWELVE MONTHS ENDED SEPTEMBER 30,		
Consolidated Operating Revenues	\$1,368,623	\$1,353,228
Net Income	\$37,125	\$38,703
Average Number of Common Shares Outstanding	32,752	31,920
Basic Earnings Per Share	\$1.13	\$1.21
Diluted Earnings Per Share	\$1.12	\$1.20

Source: Southwest Gas Corporation