



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces 2002 Earnings

February 18, 2003

LAS VEGAS, Feb. 18 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.33 per basic share for 2002, a \$0.17 per share increase over the \$1.16 per basic share earned in 2001. Consolidated net income for 2002 was \$44 million, compared to \$37.2 million during 2001.

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

According to Michael O. Maffie, President and Chief Executive Officer, "I'm pleased to report an improvement in operating results; however, I'm disappointed in the magnitude of the increase. We did a good job of controlling the cost side of the equation, but warm weather throughout our service territories negatively impacted the revenue side. In Arizona, for example, average temperatures during 2002 were some of the warmest in the last 100 years. We will continue to work with state regulators to mitigate the impact of weather, good or bad, on our operating results."

Operating margin, defined as operating revenues less the cost of gas sold, increased \$37 million, or seven percent, in 2002 as compared to 2001. The increase was a result of rate relief and customer growth, partially offset by the impacts of warm weather between periods. General rate relief granted during the fourth quarter of 2001, in both Arizona and Nevada, increased operating margin by \$33 million. The Company added 58,000 customers during the last 12 months, an increase of four percent. New customers contributed \$20 million in incremental margin. Differences in heating demand caused by weather variations between periods and conservation resulted in a \$16 million margin decrease. Warmer-than-normal temperatures were experienced during the second and fourth quarters of 2002, whereas during 2001, temperatures were relatively normal.

Operating expenses increased \$23.6 million, or six percent, in 2002 reflecting general increases in labor and maintenance costs, and incremental costs associated with servicing additional customers. During 2002, the Company invested \$264 million in its gas system. Capital expenditures are projected to approximate \$240 million during 2003.

Net financing costs declined \$241,000 between periods. Strong cash flows during the first half of 2002, from the recovery of previously deferred purchased gas costs and general rate relief, mitigated the amount of incremental borrowings needed to finance construction expenditures. Declining interest rates on variable-rate debt instruments were also a contributing favorable factor.

Other income declined \$2.8 million, net of tax, principally because of lower interest income earned on the balance of deferred purchased gas costs.

During the fourth quarter of 2002, consolidated net income was \$37.8 million, or \$1.14 per basic share, versus \$31 million, or \$0.96 per basic share, for the fourth quarter of 2001. The current period reflected the receipt of a \$9 million, or \$0.27 per basic share, after-tax settlement with an insurance provider. The settlement reimbursed the Company for certain costs incurred earlier during 2002 to defend and settle merger-related litigation. Prior-period results included a \$1.8 million, or \$0.06 per share, nonrecurring gain on sale of assets.

Operating margin increased \$5.7 million over the fourth quarter of 2001 as a result of customer growth and rate relief, partially offset by weather variations between periods. Operating expenses increased \$6.2 million, or six percent, and net financing costs rose \$465,000, or two percent.

Southwest Gas Corporation provides natural gas service to 1,455,000 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, acquisitions, and competition.

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

YEAR ENDED DECEMBER 31,	2002	2001
Consolidated Operating Revenues	\$1,320,909	\$1,396,688
Net Income	\$43,965	\$37,156
Average Number of Common Shares Outstanding	32,953	32,122
Basic Earnings Per Share of Common Stock	\$1.33	\$1.16
Diluted Earnings Per Share of Common Stock	\$1.32	\$1.15
QUARTER ENDED DECEMBER 31,		
Consolidated Operating Revenues	\$336,422	\$384,136
Net Income	\$37,815	\$30,975

Average Number of Common Shares Outstanding	33,223	32,427
Basic Earnings Per Share of Common Stock	\$1.14	\$0.96
Diluted Earnings Per Share of Common Stock	\$1.13	\$0.95

SOURCE Southwest Gas Corporation