



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces First Quarter Earnings

April 28, 2004

LAS VEGAS, April 28 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.19 per basic share for the first three months of 2004, a \$0.43 increase from the \$0.76 per basic share earned during the first quarter of 2003. Consolidated net income was \$41 million, compared to \$25.5 million in the prior period.

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

According to Michael O. Maffie, Chief Executive Officer, "Our first quarter earnings reflect the impact that a return to more normal weather can make. Good weather, coupled with some long-awaited rate relief in California and robust customer growth, resulted in record first quarter operating margin of \$197 million. This easily eclipsed the \$182 million realized during the first quarter of 2002. Operating costs were up over last year, but were in line with expectations, as we served 80,000 more customers (including 9,000 from an acquisition) than in the first quarter of 2003. With the winter season behind us, and a good financial start, we turn our full attention to managing customer growth and exceeding customer expectations, two hallmarks which have come to define our Company." Maffie also expressed a measure of caution looking forward, noting that the normal temperatures of the early part of the year were replaced with extremely warm temperatures during most of April.

For the twelve months ended March 31, 2004, consolidated net income was \$54 million, or \$1.59 per basic share, compared to \$26.6 million, or \$0.80 per basic share, during the twelve-month period ended March 31, 2003.

Natural Gas Operations Segment Results

First Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$31 million, or 18 percent, in the first quarter of 2004 compared to the first quarter of 2003. A return to more normal temperatures in 2004 from the extreme warm temperatures experienced in the first quarter of 2003 resulted in a net \$18 million increase in margin. Rate relief in California added \$7 million in margin (of which \$3.3 million relates to delayed rate relief from 2003) and customer growth contributed an incremental \$6 million. During the last 12 months, the Company added 71,000 customers, an increase of nearly five percent. Another 9,000 customers were added in October 2003 with the acquisition of Black Mountain Gas Company.

Operating expenses for the quarter increased \$7.5 million, or seven percent, compared to the first quarter of 2003 primarily due to upgrading and expanding the gas system to accommodate customer growth and general cost increases. Net financing costs decreased \$761,000, or four percent, between periods primarily due to interest savings generated from the refinancing of industrial development revenue bonds (IDRBs) in March 2003 and preferred securities instruments in September 2003.

Twelve Months to Date

Operating margin increased \$45 million between periods. Differences in heating demand caused by weather variations between periods resulted in a \$24 million margin increase as warmer-than-normal temperatures were experienced during both periods. During the current period, operating margin was negatively impacted by \$14 million, and in the prior period, the negative impact was \$38 million. Customer growth contributed an incremental \$17 million and California rate relief recognized in the first quarter of 2004 added \$7 million. These positive aspects were partially offset by conservation, energy efficiency and other factors.

Operating expenses increased \$14.6 million, or three percent, reflecting incremental costs associated with servicing additional customers, partially offset by cost-curbing measures in place during 2003. Net financing costs decreased \$2.9 million, or three percent, primarily due to interest savings generated from the refinancing of IDRBs and preferred securities instruments.

Other income increased \$10.1 million between periods. The prior period included charges of \$2.7 million associated with a settled regulatory issue in California and \$3.8 million of merger-related litigation costs recognized in 2002. Improvements in returns on long-term investments primarily accounted for the remainder of the increase.

Southwest Gas Corporation provides natural gas service to approximately 1,550,000 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, the impact of conditions in the capital markets on financing costs, changes in construction expenditures and financing, acquisitions, and competition.

(In thousands, except per share amounts)

QUARTER ENDED MARCH 31, -----	2004 -----	2003 -----
Consolidated Operating Revenues	\$473,400	\$403,285
Net Income	\$41,044	\$25,539
Average Number of Common Shares Outstanding	34,411	33,438
Basic Earnings Per Share	\$1.19	\$0.76
Diluted Earnings Per Share	\$1.18	\$0.76
TWELVE MONTHS ENDED MARCH 31, -----	2004 -----	2003 -----
Consolidated Operating Revenues	\$1,301,119	\$1,224,693
Net Income	\$54,007	\$26,608
Average Number of Common Shares Outstanding	34,001	33,155
Basic Earnings Per Share	\$1.59	\$0.80
Diluted Earnings Per Share	\$1.57	\$0.80

SOURCE Southwest Gas Corporation