



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Second Quarter Results

July 29, 2004

LAS VEGAS, July 29 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.24 per share for the second quarter of 2004, a \$0.12 decrease from the \$0.12 per share loss reported for the second quarter of 2003. Net loss for the second quarter of 2004 was \$8.4 million compared to the 2003 second quarter net loss of \$4.1 million. 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 12-month period.

According to Jeffrey W. Shaw, Chief Executive Officer, "Second quarter results, although lower than last year, were in line with internal expectations. The primary reason for the decline was higher operating costs relative to the increase in operating margin. The Company added a record 74,000 customers, plus 9,000 from an acquisition, over the last 12 months. Operating margin, however only increased modestly due to warmer-than-normal temperatures experienced in April and May. Operating costs, on the other hand, trended upward due to the combined impacts of customer growth, inflation, and regulatory compliance." Shaw reiterated that "the long-term success of Southwest Gas depends upon taking advantage of customer growth opportunities."

For the twelve months ended June 30, 2004, consolidated net income was \$49.7 million, or \$1.45 per basic share, compared to \$43.1 million, or \$1.29 per basic share, during the twelve-month period ended June 30, 2003.

Natural Gas Operations Segment Results

Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$3 million, or three percent, in the second quarter of 2004 compared to the second quarter of 2003. Customer growth contributed an incremental \$3 million in operating margin during the quarter. Rate relief in California added \$2 million in margin, while differences in heating demand caused by weather variations between periods accounted for a \$2 million decrease. During the last 12 months, the Company added 74,000 customers, an increase of 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 \$9.4 million, or nine percent, compared to the second quarter of 2003 primarily due to incremental costs associated with expanding and upgrading the gas system to accommodate record customer growth. Additional factors include general cost increases and higher employee-related and regulatory costs. Despite an increase in outstanding debt, net financing costs were virtually unchanged between periods due to interest savings generated from debt and preferred securities instrument refinancings and a reduction in interest costs associated with the purchased gas adjustment account balance.

Twelve Months to Date

Operating margin increased \$43 million, or eight percent, between periods. Differences in heating demand caused by weather variations between periods resulted in a \$20 million margin increase as warmer-than-normal temperatures were experienced during both periods. During the current period, operating margin was negatively impacted by \$15 million, while in the prior period the negative impact was \$35 million. Customer growth contributed an incremental \$17 million and California rate relief added \$9 million. Conservation, energy efficiency and other factors partially offset these improvements.

Operating expenses increased \$22.6 million, or five percent, primarily reflecting incremental costs associated with servicing a growing customer base. Net financing costs decreased \$1.7 million, or two percent, primarily due to interest savings generated from the refinancing of industrial development revenue bonds and preferred securities instruments.

Other income decreased \$10.5 million between periods. The prior period reflected income of \$13.6 million associated with the timing of merger-related insurance recoveries, net of costs. The current period includes a \$2.3 million improvement in returns on long-term investments.

Southwest Gas Corporation provides natural gas service to approximately 1,560,000 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.

QUARTER ENDED JUNE 30,	2004	2003
Consolidated Operating Revenues	\$278,697	\$255,852
Net Loss	\$8,362	\$4,104
Average Number of Common Shares Outstanding	34,741	33,665
Loss Per Share	\$0.24	\$0.12
SIX MONTHS ENDED JUNE 30,	2004	2003
Consolidated Operating Revenues	\$752,097	\$659,137
Net Income	\$32,682	\$21,435
Average Number of Common Shares Outstanding	34,576	33,552
Basic Earnings Per Share	\$0.95	\$0.64
Diluted Earnings Per Share	\$0.94	\$0.63
TWELVE MONTHS ENDED JUNE 30,	2004	2003
Consolidated Operating Revenues	\$1,323,964	\$1,219,422
Net Income	\$49,749	\$43,114
Average Number of Common Shares Outstanding	34,269	33,346
Basic Earnings Per Share	\$1.45	\$1.29
Diluted Earnings Per Share	\$1.44	\$1.28

SOURCE Southwest Gas Corporation

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(SWX)

CO: Southwest Gas Corporation

ST: Nevada

IN: OIL

SU: ERN

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