



Southwest Gas[™] HOLDINGS

Southwest Gas Corporation Reports Third Quarter Results

October 28, 2004

LAS VEGAS, Oct. 28 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.46 per share for the third quarter of 2004 compared to a \$0.51 per share loss reported for the third quarter of 2003. Net loss for the third quarter of 2004 was \$16.4 million compared to the 2003 third quarter net loss of \$17.4 million. Current period results included a nonrecurring income tax benefit of \$1.6 million, or \$0.05 per share. Average shares outstanding increased by 1.6 million, or five percent, due to issuances under the Company's various stock purchase plans and equity shelf program. 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.

According to Jeffrey W. Shaw, Chief Executive Officer, "Natural gas operating results, excluding the tax benefit, declined between periods as improvements in operating margin were offset by increased operating costs. However, there were two notable items during the quarter -- general rate relief and record customer growth. In August 2004, we received a decision in the Nevada general rate case authorizing an annualized rate increase of \$13.7 million effective September 2004. Of equal importance, as we head into the winter heating season, the decision included improvements in rate design to mitigate the impact of weather variations on margin."

For the twelve months ended September 30, 2004, consolidated net income was \$50.8 million, or \$1.47 per basic share, compared to \$41.8 million, or \$1.25 per basic share, during the twelve-month period ended September 30, 2003. An improvement in weather conditions between periods was the primary reason for the increase.

Natural Gas Operations Segment Results

Third Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$8 million, or eight percent, in the third quarter of 2004 compared to the third quarter of 2003. Customer growth contributed an incremental \$5 million in operating margin during the quarter and rate relief in California and Nevada added \$3 million. During the last twelve months, the Company added a record 79,000 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 \$11.1 million, or ten percent, compared to the third quarter of 2003 primarily due to incremental costs associated with record customer growth. Additional factors include insurance and higher employee-related and regulatory costs. Net financing costs rose \$773,000 between periods due to an increase in average debt outstanding to help finance growth, partially offset by 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 \$53 million, or ten 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 \$21 million, while rate relief, principally in California, added \$12 million.

Operating expenses increased \$31.9 million, or eight percent, primarily reflecting incremental costs associated with servicing a growing customer base coupled with factors previously mentioned. Net financing costs decreased \$1.1 million, or one percent. Interest savings generated from the refinancing of industrial development revenue bonds and preferred securities instruments were partially offset by costs associated with increased average debt outstanding.

Other income decreased \$13.3 million between periods. The prior period reflected income of \$14.6 million associated with the timing of merger-related insurance recoveries, net of costs. The current period includes a \$1.8 million improvement in interest income primarily associated with the unrecovered balance of deferred purchased gas costs.

Southwest Gas Corporation provides natural gas service to approximately 1,579,000 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, changes in natural gas prices, the ability to recover costs through the PGA mechanism, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, changes in gas procurement practices, changes in capital requirements and funding, resolution of pending litigation, the impact of conditions in the capital markets on financing costs, changes in construction expenditures and financing, changes in operations and maintenance expenses, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and

management's plans related thereto, competition, and the ability to raise capital in external financings. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing, operations, and maintenance expenses will continue in future periods.

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

QUARTER ENDED SEPTEMBER 30,	2004	2003
Consolidated Operating Revenues	\$264,467	\$220,162
Net Loss	\$16,353	\$17,407
Average Number of Common Shares Outstanding	35,412	33,852
Loss Per Share	\$0.46	\$0.51

NINE MONTHS ENDED SEPTEMBER 30,	2004	2003
Consolidated Operating Revenues	\$1,016,564	\$879,299
Net Income	\$16,329	\$4,028
Average Number of Common Shares Outstanding	34,857	33,653
Basic Earnings Per Share	\$0.47	\$0.12
Diluted Earnings Per Share	\$0.47	\$0.12

TWELVE MONTHS ENDED SEPTEMBER 30,	2004	2003
Consolidated Operating Revenues	\$1,368,269	\$1,215,721
Net Income	\$50,803	\$41,843
Average Number of Common Shares Outstanding	34,661	33,545
Basic Earnings Per Share	\$1.47	\$1.25
Diluted Earnings Per Share	\$1.45	\$1.24

SOURCE Southwest Gas Corporation

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