



Southwest Gas HOLDINGS

Southwest Gas Corporation Reports Second Quarter Results

August 9, 2005

LAS VEGAS, Aug. 9 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.07 per share for the second quarter of 2005, a \$0.17 improvement from the \$0.24 per share loss reported for the second quarter of 2004. Net loss for the second quarter of 2005 was \$2.8 million compared to the 2004 second quarter net loss of \$8.4 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 twelve-month period.

According to Jeffrey W. Shaw, Chief Executive Officer, "The improvement in operating results is primarily due to increased operating margin in Nevada and California. Operating margin benefited from more normal weather this quarter; coupled with the positive impacts of customer growth, rate relief, and rate design changes in Nevada and California. However, Arizona returns continue to lag, and need to improve in order for the overall financial health of the Company to improve. We currently have a general rate case on file in Arizona, our largest operating area, that addresses rate relief and rate design issues and we are hopeful of a favorable decision with new rates in place by early 2006."

For the twelve months ended June 30, 2005, consolidated net income was \$54.1 million, or \$1.48 per basic share, compared to \$49.7 million, or \$1.45 per basic share, during the twelve-month period ended June 30, 2004.

Natural Gas Operations Segment Results

Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$15 million, or 13 percent, in the second quarter of 2005 compared to the second quarter of 2004. During the last twelve months, the Company added 84,000 customers (excluding 19,000 customers associated with the acquisition of the South Lake Tahoe service territory of Avista Corporation), an increase of five percent. This customer growth contributed an incremental \$5 million in operating margin during the quarter. Incremental rate relief in Nevada and California added \$4 million in margin compared to the prior-year. Differences in heating demand caused by weather variations between quarters resulted in a \$6 million increase in margin.

Operating expenses for the quarter increased \$6.7 million, or six percent, compared to the second quarter of 2004 primarily due to general cost increases and incremental operating costs associated with serving additional customers. Net financing costs increased \$1.4 million, or seven percent, between periods primarily due to an increase in average debt outstanding to help finance growth and higher rates on variable-rate debt.

Twelve Months to Date

Operating margin increased \$40 million, or seven percent, between periods. Continuing customer growth contributed an incremental \$21 million. Rate relief in California and Nevada added \$15 million. Differences in heating demand caused by weather variations between periods and lower usage due to conservation and energy efficiencies resulted in a net \$4 million margin increase. Warmer-than-normal temperatures were experienced during both periods. The unfavorable impacts of these factors were approximately \$10 million in the current twelve-month period and \$14 million in the prior period.

Operating expenses increased \$31.9 million, or seven percent, between periods reflecting general increases in labor and maintenance costs, and incremental operating costs associated with serving additional customers. Additional factors included increases in insurance premiums, employee-related expenses, and compliance costs.

Net financing costs rose \$6.1 million, or seven percent, between periods primarily due to an increase in average debt outstanding to help finance growth and higher variable-rate interest costs.

Southwest Gas Corporation provides natural gas service to approximately 1,663,000 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, 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.

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

QUARTER ENDED JUNE 30,	2005	2004
Consolidated Operating Revenues	\$361,130	\$278,697
Net Loss	\$2,817	\$8,362
Average Number of Common Shares Outstanding	37,701	34,741
Loss Per Share	\$0.07	\$0.24
SIX MONTHS ENDED JUNE 30,	2005	2004
Consolidated Operating Revenues	\$904,010	\$752,097
Net Income	\$30,012	\$32,682
Average Number of Common Shares Outstanding	7,400	34,576
Basic Earnings Per Share	\$0.80	\$0.95
Diluted Earnings Per Share	\$0.80	\$0.94
TWELVE MONTHS ENDED JUNE 30,	2005	2004
Consolidated Operating Revenues	\$1,628,973	\$1,323,964
Net Income	\$54,105	\$49,749
Average Number of Common Shares Outstanding	6,606	34,269
Basic Earnings Per Share	\$1.48	\$1.45
Diluted Earnings Per Share	\$1.47	\$1.44

SOURCE Southwest Gas Corporation

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CONTACT: Cynthia Messina, +1-702-876-7132, or Shareholders, Ken Kenny, +1-702-876-7237, both of Southwest Gas Corporation (SWX)

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