



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Third Quarter Results

November 2, 2005

LAS VEGAS, Nov. 2 /PRNewswire-FirstCall/ -- Southwest Gas Corporation recorded a net loss of \$0.43 per share for the third quarter of 2005, a \$0.03 improvement from the \$0.46 per share loss reported for the third quarter of 2004. Net loss for the third quarter of 2005 was \$16.4 million, matching the net loss of \$16.4 million recorded in the third quarter of 2004. The third quarter 2004 results included a nonrecurring income tax benefit of \$1.6 million, or \$0.05 per share. The change in net loss per share resulted from an increase in average shares outstanding of 3.1 million, or nine percent, between the third quarters of 2004 and 2005 due to issuances under the Company's various stock plans. Because of 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 prior-year tax benefit, improved between quarters due to system-wide customer growth and rate relief and rate design changes in Nevada and California. A continuing, significant focus of ours is improving Arizona returns and in that regard we recently completed the hearing process for the current general rate case. We presented compelling testimony supporting our overall rate request and the need for changes in rate design. We remain hopeful of a reasonable decision in the first quarter of 2006."

Shaw also commented on natural gas supplies and rising natural gas prices. "We fully expect natural gas supplies to be available for the winter season, but continue to monitor prices closely. We have also participated in regulatory proceedings in each of our three states to address ways of minimizing customer impacts. To that end, we are encouraging conservation, weatherization, and use of Company-sponsored billing programs that allow for leveling of payments."

For the twelve months ended September 30, 2005, consolidated net income was \$54 million, or \$1.44 per basic share, compared to \$50.8 million, or \$1.47 per basic share, during the twelve-month period ended September 30, 2004. Results for the twelve months ended September 30, 2004 included nonrecurring income tax benefits of \$3.6 million, or approximately \$0.10 per basic share.

Natural Gas Operations Segment Results

Third Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$7 million, or seven percent, in the third quarter of 2005 compared to the third quarter of 2004. During the last twelve months, the Company added 79,000 customers (excluding 19,000 customers associated with the acquisition of the South Lake Tahoe service territory of Avista Corporation), an increase of five percent. Customer growth contributed an incremental \$4 million in operating margin during the quarter. Incremental rate relief in Nevada and California added \$3 million in margin compared to the prior year.

Operating expenses for the quarter increased \$5.3 million, or five percent, compared to the third quarter of 2004 primarily due to general cost increases and incremental operating costs associated with serving additional customers.

Twelve Months to Date

Operating margin increased approximately \$39 million, or seven percent, between periods. Continuing customer growth contributed an incremental \$20 million. Rate relief in California and Nevada added \$15 million. Differences in heating demand caused by weather variations between periods, net of 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 \$26.1 million, or six percent, between periods reflecting general increases in operations and maintenance costs as well as incremental costs (including depreciation and general taxes) associated with serving additional customers. Additional factors included increases in insurance premiums, uncollectible expenses, employee-related expenses, and compliance costs.

Net financing costs rose \$5.9 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 1,677,000 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 SEPTEMBER 30,	2005	2004
Consolidated Operating Revenues	\$313,278	\$264,467
Net Loss	\$16,444	\$16,353
Average Number of Common Shares Outstanding	38,528	35,412
Loss Per Share	\$0.43	\$0.46
NINE MONTHS ENDED SEPTEMBER 30,	2005	2004
Consolidated Operating Revenues	\$1,217,288	\$1,016,564
Net Income	\$13,568	\$16,329
Average Number of Common Shares Outstanding	37,780	34,857
Basic Earnings Per Share	\$0.36	\$0.47
Diluted Earnings Per Share	\$0.36	\$0.47
TWELVE MONTHS ENDED SEPTEMBER 30,	2005	2004
Consolidated Operating Revenues	\$1,677,784	\$1,368,269
Net Income	\$54,014	\$50,803
Average Number of Common Shares Outstanding	37,392	34,661
Basic Earnings Per Share	\$1.44	\$1.47
Diluted Earnings Per Share	\$1.43	\$1.45

SOURCE Southwest Gas Corporation

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