



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces Second Quarter Earnings

August 9, 2006

LAS VEGAS, Aug. 9 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) announced earnings of \$0.09 per basic share for the second quarter of 2006, a \$0.16 improvement from the loss of \$0.07 per basic share recorded during the second quarter of 2005. The current-quarter results include a benefit of approximately \$0.07 per share related to a nonrecurring property tax settlement reached in the second quarter of 2006. Net income for the second quarter of 2006 was \$3.7 million, compared to a loss of \$2.8 million in the prior period. Due to the seasonal nature of the business, results during the second and third quarters are not generally indicative of earnings for a complete twelve-month period.

According to Jeffrey W. Shaw, Chief Executive Officer, "This marks the first time in recent memory that we have recognized net income during the second quarter. Excluding the property tax settlement, earnings still would have been \$0.02 per basic share due to higher operating margin and continued strong performance from our construction services subsidiary. We optimistically anticipate a year of improved earnings results."

For the twelve months ended June 30, 2006, consolidated net income was \$61.7 million, or \$1.57 per basic share, compared to \$54.1 million, or \$1.48 per basic share, during the twelve-month period ended June 30, 2005. Results for the current twelve-month period include a \$10 million, or \$0.16 per share, nonrecurring charge recorded in the fourth quarter of 2005 related to an injuries and damages incident, partially offset by the favorable property tax settlement.

Natural Gas Operations Segment Results

Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$8 million, or six percent, in the second quarter of 2006 compared to the second quarter of 2005. During the last twelve months, the Company added 80,000 customers, an increase of five percent. New customers contributed an incremental \$3 million in operating margin during the quarter. Rate relief in Southwest's service territories added \$9 million (\$8 million in Arizona) in operating margin compared to the prior year. Differences in heating demand caused primarily by weather variations between periods resulted in a \$4 million operating margin decrease.

In April 2006, a settlement was reached regarding property tax valuation disputes in Arizona for the tax years 2001-2005. A decrease to property tax expense of \$3.7 million and an accrual of \$746,000 in interest income was recorded in the second quarter of 2006. This entry resulted in an after-tax benefit of approximately \$0.07 per share.

Operating expenses for the quarter were relatively unchanged, compared to the second quarter of 2005. General cost increases and incremental operating costs associated with serving additional customers were offset by the property tax settlement in Arizona. Net financing costs increased \$1.2 million, or six percent, between periods primarily due to an increase in average debt outstanding (to help finance growth and the unrecovered purchased gas adjustment (PGA) balance) and higher rates on variable-rate debt.

Twelve Months to Date

Operating margin increased \$30 million between periods. Customer growth contributed an incremental \$27 million and rate relief in all service territories added \$17 million. Differences in heating demand caused primarily by weather variations between periods resulted in a \$14 million operating margin decrease as warmer-than-normal temperatures were experienced during both periods.

Operating expenses increased \$24.7 million, or five percent, between periods reflecting a \$10 million nonrecurring injuries and damages charge, along with general increases in labor and maintenance costs, and incremental operating costs associated with serving additional customers. These costs were partially offset by the property tax settlement in Arizona.

Other income improved \$4.2 million primarily due to higher returns on long-term investments, increased interest income on higher deferred PGA balances, and interest income related to the property tax settlement in Arizona. Net financing costs rose \$4.1 million, or five percent, between periods primarily due to an increase in average debt outstanding (to help finance growth and the unrecovered PGA balance) and higher rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,743,000 customers in Arizona, Nevada, and California. Its service territories are 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,	2006	2005
Consolidated Operating Revenues	\$430,902	\$361,130
Net Income (Loss)	\$3,709	\$(2,817)
Average Number of Common Shares Outstanding	40,174	37,701
Basic Earnings (Loss) Per Share	\$0.09	\$(0.07)
Diluted Earnings (Loss) Per Share	\$0.09	\$(0.07)
SIX MONTHS ENDED JUNE 30,	2006	2005
Consolidated Operating Revenues	\$1,107,843	\$904,010
Net Income	\$47,889	\$30,012
Average Number of Common Shares Outstanding	39,835	37,400
Basic Earnings Per Share	\$1.20	\$0.80
Diluted Earnings Per Share	\$1.19	\$0.80
TWELVE MONTHS ENDED JUNE 30,	2006	2005
Consolidated Operating Revenues	\$1,918,116	\$1,628,973
Net Income	\$61,700	\$54,105
Average Number of Common Shares Outstanding	39,339	36,606
Basic Earnings Per Share	\$1.57	\$1.48
Diluted Earnings Per Share	\$1.55	\$1.47

SOURCE Southwest Gas Corporation

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