



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Third Quarter Results

November 2, 2006

LAS VEGAS, Nov. 2 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.26 per share for the third quarter of 2006, a \$0.17 improvement from the loss of \$0.43 per share recorded during the third quarter of 2005. Net loss for the third quarter of 2006 was \$10.7 million, compared to a loss of \$16.4 million in the prior period. 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 over the same period a year ago is due largely to higher operating margin associated with the new rates in place in Arizona, coupled with continued customer growth. And while the pace of growth has slowed somewhat recently, we remain well above industry averages. Additionally, operating expenses are moderating as we use technology to curb labor cost increases and maintain effective customer-to-employee ratios." Shaw went on to say, "We are quite pleased with our results for the second and third quarters of 2006. We now look optimistically to the winter heating season in hopes of a continued trend of improved operating results."

For the twelve months ended September 30, 2006, consolidated net income was \$67.4 million, or \$1.69 per basic share, compared to \$54 million, or \$1.44 per basic share, during the twelve-month period ended September 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 approximately \$0.07 per share related to a favorable nonrecurring property tax settlement reached in the second quarter of 2006.

Natural Gas Operations Segment Results

Third Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$14 million, or 13 percent, in the third quarter of 2006 compared to the third quarter of 2005. During the last twelve months, the Company added 75,000 customers, an increase of over four percent. New customers contributed an incremental \$4 million in operating margin during the quarter. Rate relief added approximately \$10 million (\$9 million in Arizona) in operating margin compared to the prior year.

Operating expenses for the quarter increased \$3.9 million, or three percent, compared to the third quarter of 2005 primarily due to general cost increases and incremental operating costs associated with serving additional customers. Net financing costs increased \$485,000, or two percent, between periods primarily due to an increase in average debt outstanding and higher rates on variable-rate debt.

Twelve Months to Date

Operating margin increased \$36 million between periods. Customer growth contributed an incremental \$26 million and rate relief in Arizona and California added \$24 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 \$23.3 million, or five percent, between periods reflecting the previously noted \$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 and lower property tax rates in Arizona.

Other income improved \$6 million primarily due to higher returns on long-term investments, increased interest income on higher deferred purchased gas cost balances, and interest income related to the property tax settlement. Net financing costs rose \$4.1 million, or five percent, between periods primarily due to an increase in average debt outstanding and higher rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,752,000 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.

(In thousands, except per share amounts)

QUARTER ENDED SEPTEMBER 30,	2006	2005
Consolidated Operating Revenues	\$351,800	\$313,278
Net Loss	\$10,736	\$16,444
Average Number of Common Shares Outstanding	40,982	38,528
Loss Per Share	\$0.26	\$0.43
NINE MONTHS ENDED SEPTEMBER 30,	2006	2005
Consolidated Operating Revenues	\$1,459,643	\$1,217,288
Net Income	\$37,153	\$13,568
Average Number of Common Shares Outstanding	40,221	37,780
Basic Earnings Per Share	\$0.92	\$0.36
Diluted Earnings Per Share	\$0.91	\$0.36
TWELVE MONTHS ENDED SEPTEMBER 30,	2006	2005
Consolidated Operating Revenues	\$1,956,638	\$1,677,784
Net Income	\$67,408	\$54,014
Average Number of Common Shares Outstanding	39,957	37,392
Basic Earnings Per Share	\$1.69	\$1.44
Diluted Earnings Per Share	\$1.67	\$1.43

SOURCE Southwest Gas Corporation

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