



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces First Quarter Earnings

April 27, 2007

LAS VEGAS, April 27 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.19 per basic share for the first quarter of 2007, a \$0.07 increase from the \$1.12 per basic share earned during the first quarter of 2006. Consolidated net income was \$49.8 million, compared to \$44.2 million in the prior period.

According to Jeffrey W. Shaw, Chief Executive Officer, "The increase in earnings between quarters reflects the recognition of two additional months of Arizona rate relief that went into effect March 1, 2006 and a return to more normal temperatures overall. The solid operating performance in the first quarter of 2007 is a continuation of the improvements made in 2006, which resulted in the first increase in the common stock dividend in 13 years." Shaw concluded by saying "While we are pleased with first quarter results, we recognize that managing weather risk continues to be a challenge for us. We experienced both extremes during the quarter -- a cold January and hot March -- and remain resolute in our need to continue working with regulators to improve the level and stability of earnings and cash flows going forward."

For the twelve months ended March 31, 2007, consolidated net income was \$89.4 million, or \$2.17 per basic share, compared to \$55.2 million, or \$1.42 per basic share, during the twelve-month period ended March 31, 2006. The current twelve-month results include a benefit of approximately \$0.07 per share related to a nonrecurring property tax benefit recognized in the second quarter of 2006. Results for the prior 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.

Natural Gas Operations Segment Results

First Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased approximately \$22 million, or 11 percent, in the first quarter of 2007 compared to the first quarter of 2006. Rate relief added a net \$8 million in operating margin compared to the prior year consisting of \$15 million in Arizona general rate relief and \$1 million for California attrition amounts, offset by an \$8 million impact of implementing a California equalized margin tracker mechanism, effective January 2007. Under this mechanism, margin is earned equally throughout the year. Differences in heating demand, caused primarily by weather variations between periods, accounted for an \$8 million increase in operating margin as overall temperatures in the current quarter returned to more normal levels compared to the warmer-than-normal temperatures experienced in the first quarter of 2006. New customers contributed an incremental \$6 million in operating margin during the quarter as the Company added 62,000 customers during the last twelve months, an increase of nearly four percent.

Operating expenses for the quarter increased \$9 million, or seven percent, compared to the first quarter of 2006 primarily due to general cost increases and incremental operating costs associated with serving additional customers. Higher uncollectible and employee-related costs also contributed to the operating expense increase. Net financing costs decreased \$807,000, or three percent, between periods as strong operating cash flows were used to reduce average debt outstanding.

Twelve Months to Date

Operating margin increased \$69 million between periods. Rate relief in Arizona and California added \$40 million (net of the California equalized margin tracker mechanism impact) and customer growth contributed an incremental \$19 million. Differences in heating demand, caused primarily by weather variations, accounted for a \$10 million increase in operating margin as warmer-than-normal temperatures were experienced during both periods (during the current twelve-month period the negative impact was \$8 million, while the negative impact to the prior twelve-month period was \$18 million).

Operating expenses increased \$14.2 million, or three percent between periods primarily due to general increases in labor and maintenance costs, and incremental operating costs associated with serving additional customers. The impacts of higher uncollectible and employee-related costs were partially offset by the property tax benefit and lower property tax rates in Arizona during the current twelve-month period and the impact on the prior twelve-month period of the previously noted \$10 million nonrecurring injuries and damages charge. Net financing costs between periods increased one percent as strong operating cash flows and common stock issued under the Company's various plans mitigated the amount of additional debt needed to finance customer growth.

Southwest Gas Corporation provides natural gas service to 1,799,000 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 MARCH 31,	2007	2006
Consolidated Operating Revenues	\$793,716	\$676,941
Net Income	\$49,764	\$44,180
Average Number of Common Shares Outstanding	41,979	39,492
Basic Earnings Per Share	\$1.19	\$1.12
Diluted Earnings Per Share	\$1.17	\$1.11
TWELVE MONTHS ENDED MARCH 31,	2007	2006
Consolidated Operating Revenues	\$2,141,533	\$1,848,344
Net Income	\$89,444	\$55,174
Average Number of Common Shares Outstanding	41,179	38,722
Basic Earnings Per Share	\$2.17	\$1.42
Diluted Earnings Per Share	\$2.15	\$1.41

SOURCE Southwest Gas Corporation

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