



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Corporation Reports Third Quarter Results

November 5, 2008

LAS VEGAS, Nov. 5 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.38 per share for the third quarter of 2008, compared to a loss of \$0.22 per share recorded during the third quarter of 2007. Net loss for the third quarter of 2008 was \$16.7 million, compared to a loss of \$9.3 million in the prior-year quarter. 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, "A significant component of the downturn in quarterly results was the negative return on long-term investments -- a stock market-related, but non-operating, phenomenon. The current quarter reflects a \$3.7 million decline in investment values while the prior-year quarter included a \$355,000 increase in the value of investments underlying the cash surrender value of company-owned life insurance ("COLI") policies. This change accounted for \$0.09 per share of the decline between periods." From an operations standpoint, Shaw noted that "Excluding COLI, operating results declined \$3.3 million, or \$0.07 per share, between periods, principally in the gas operations segment, as a modest increase in operating margin and lower financing costs were not sufficient to offset higher operating costs. The slowdown in the new construction market coupled with an increasing inventory of vacant existing homes has clearly impacted operating results." Shaw concluded by saying, "We know we are in challenging economic times and there is no 'quick fix' available. However, many of our underlying fundamentals are strong and should allow us to 'weather the storm.' We have an improving capital structure, strong liquidity position, stable work force, moderate long-term cost increases, and general rate increase requests in Arizona and California which are nearing conclusion. As a result, we continue to believe we are positioned for future long-term improvements."

For the twelve months ended September 30, 2008, consolidated net income was \$72.9 million, or \$1.69 per basic share, compared to \$86.8 million, or \$2.06 per basic share, during the twelve-month period ended September 30, 2007.

#### Natural Gas Operations Segment Results

##### Third Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased \$1.5 million, or one percent, in the third quarter of 2008 compared to the third quarter of 2007. Customer growth contributed \$1 million toward the operating margin increase as the Company added 19,000 net new customers during the last twelve months, an increase of one percent. Rate changes accounted for the remainder of the increase.

Operating expenses for the quarter increased \$6.4 million, or five percent, compared to the third quarter of 2007 primarily due to general cost increases and incremental operating costs (including depreciation) associated with serving additional customers and facilities upgrades. Other income, which principally includes interest income, long-term investment returns, and non-utility expenses, decreased \$5 million between periods. This was primarily due to a \$4.1 million decline in returns on long-term investments between periods. Net financing costs decreased \$1.5 million due principally to a reduction in outstanding debt.

##### Twelve Months to Date

Operating margin increased \$10 million, or one percent, between periods. Customer growth accounted for \$8 million of the increase and rate changes contributed \$2 million. Warmer-than-normal temperatures were experienced during both twelve-month periods (each with estimated negative impacts to operating margin of approximately \$7 million), resulting in no incremental impact between the periods.

Operating expenses increased \$7.7 million, or one percent, between periods primarily due to general cost increases, partially offset by labor efficiencies resulting from the conversion to electronic meter reading.

Other income decreased \$16.3 million between periods primarily due to a \$10.8 million decrease in returns on long-term investments (\$7.3 million loss in the current twelve-month period versus a \$3.5 million gain in the prior-year period) and a \$2.4 million reduction in interest income primarily due to the full recovery of previously deferred purchased gas cost receivables. Net financing costs between periods decreased \$1.2 million, or one percent, due principally to lower average debt outstanding.

Southwest Gas Corporation provides natural gas service to approximately 1,819,000 customers in Arizona, Nevada, and California.

This press release may contain statements which constitute "forward-looking statements" within the meaning of the Private 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, conditions in the housing market, the effects of regulation/deregulation, the timing and amount of rate relief, and changes in rate design.

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

QUARTER ENDED SEPTEMBER 30,	2008	2007
Consolidated Operating Revenues	\$374,422	\$371,524
Net Loss	\$16,686	\$9,318
Average Number of Common Shares Outstanding	43,581	42,448
Loss Per Share	\$0.38	\$0.22
NINE MONTHS ENDED SEPTEMBER 30,	2008	2007
Consolidated Operating Revenues	\$1,635,333	\$1,591,777
Net Income	\$29,741	\$40,109
Average Number of Common Shares Outstanding	43,307	42,219
Basic Earnings Per Share	\$0.69	\$0.95
Diluted Earnings Per Share	\$0.68	\$0.94
TWELVE MONTHS ENDED SEPTEMBER 30,	2008	2007
Consolidated Operating Revenues	\$2,195,644	\$2,156,892
Net Income	\$72,878	\$86,816
Average Number of Common Shares Outstanding	43,150	42,060
Basic Earnings Per Share	\$1.69	\$2.06
Diluted Earnings Per Share	\$1.68	\$2.04

SOURCE Southwest Gas Corporation

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CO: Southwest Gas Corporation

ST: Nevada

IN: OIL UTI

SU: ERN

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