



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces 2008 Earnings

February 26, 2009

LAS VEGAS, Feb. 26 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) reported consolidated earnings of \$1.40 per basic share for 2008, a \$0.57 per share decrease from the \$1.97 per basic share earned in 2007. Consolidated net income for 2008 was \$61 million, compared to \$83.2 million during 2007.

According to Jeffrey W. Shaw, Chief Executive Officer, "Our earnings of \$1.40 per basic share and operating results for 2008 reflect the aggregate mix of negative and positive factors experienced this year. There were three primary reasons for the decline in earnings. First, declines in the cash surrender values of our insurance policies, a market-related, but non-operating phenomenon, decreased current-year earnings by \$12 million (\$0.28 per share). Second, customer growth dropped to its lowest level in over two decades as the continued slowdown in the housing market and associated increase in unoccupied homes due to foreclosures limited the Company to 6,000 net new customers. As a result, gas segment operating income between years fell \$9 million despite successful cost containment efforts. Third, NPL, our construction subsidiary, experienced a \$3.5 million reduction in earnings due to the general slowdown in the new housing market." Commenting on recent rate case results, Shaw noted, "We are pleased with a rate case settlement reached in California, with new rates effective January 2009, and appreciative of the \$33.5 million annualized rate increase in Arizona effective December 2008. While we did not get the decoupling mechanisms requested in Arizona, we are encouraged by the ACC's acknowledgement of potential customer benefits of the rate design proposals." Shaw concluded by saying, "Despite the challenges that 2008 brought to us, we had stable operating cash flows, an improved capital structure, lower financing costs, and a strong liquidity position. And notwithstanding the slowdown in customer growth, efficiency initiatives have helped to improve Southwest's customer-to-employee ratio from 714 to 1 to an impressive 743 to 1. We remain focused on the fundamentals of our business. We continue to manage the costs that we can control and plan to seek additional revenues and a decoupling mechanism through a planned general rate case filing in Nevada during the second quarter of 2009. We expect 2009 to be another challenging year, but believe we have positioned ourselves well to meet it head on."

During the fourth quarter of 2008, consolidated net income was \$31.2 million, or \$0.71 per basic share, versus \$43.1 million, or \$1.01 per basic share, for the fourth quarter of 2007.

Natural Gas Operations Segment Results

Full Year 2008

Operating margin, defined as operating revenues less the net cost of gas sold, increased \$7 million, or one percent, between 2008 and 2007. Customer growth accounted for \$6 million of the increase and rate relief contributed \$4 million. However, conservation, energy efficiency, and the impacts of challenging economic conditions on consumption resulted in a \$4 million decline in margin. Differences in heating demand caused primarily by weather variations between periods resulted in a \$1 million operating margin increase as warmer-than-normal temperatures were experienced during both periods (during 2008, operating margin was negatively impacted by \$11 million, while the negative impact in 2007 was \$12 million).

Operating expenses increased \$15.9 million, or three percent, between periods primarily due to higher depreciation expense and general cost increases, partially offset by labor efficiencies resulting from the conversion to electronic meter reading.

Other income decreased \$18.3 million between periods primarily due to a \$13.2 million decrease in the cash surrender value of company-owned life insurance (COLI) policies (a \$12 million loss in the current period versus a \$1.2 million gain in the prior-year period) and a \$2.3 million reduction in interest income primarily due to the full recovery of previously deferred purchased gas cost receivables. Net financing costs between periods decreased \$3.3 million, or four percent, due principally to lower average debt outstanding and reduced interest rates on variable-rate debt.

Fourth Quarter

Operating margin decreased \$5 million, or two percent, in the fourth quarter of 2008 compared to the fourth quarter of 2007. Differences in heating demand caused primarily by weather variations between periods resulted in a \$4 million operating margin decrease as warmer-than-normal temperatures were experienced during both periods (during 2008, operating margin was negatively impacted by \$12 million, while the negative impact in 2007 was \$8 million). Conservation, energy efficiency and other factors resulted in a \$4 million decline. These decreases were partially offset by the positive impacts of rate relief (\$2 million) and customer growth (\$1 million).

Operating expenses for the quarter increased \$4.6 million, or four percent, compared to the fourth quarter of 2007 due to incremental operating costs (primarily depreciation) associated with serving additional customers and facilities upgrades and general cost increases. The increase was partially offset by labor efficiencies resulting from the conversion to electronic meter reading. Other income, which principally includes interest income, returns on COLI policies, and non-utility expenses, decreased \$6.1 million between periods. This was primarily due to a \$4.7 million decline in the cash surrender value of COLI policies between periods. Net financing costs decreased \$1.7 million due principally to a reduction in outstanding debt and lower interest rates on variable-rate debt.

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, changes in rate design, and the impacts of stock market volatility.

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

YEAR ENDED DECEMBER 31,	2008		2007	
Consolidated Operating Revenues	\$	2,144,743	\$	2,152,088
Net Income	\$	60,973	\$	83,246
Average Number of Common Shares Outstanding		43,476		42,336
Basic Earnings Per Share	\$	1.40	\$	1.97
Diluted Earnings Per Share	\$	1.39	\$	1.95
QUARTER ENDED DECEMBER 31,	2008		2007	
Consolidated Operating Revenues	\$	509,410	\$	560,311
Net Income	\$	31,232	\$	43,137
Average Number of Common Shares Outstanding		43,980		42,683
Basic Earnings Per Share	\$	0.71	\$	1.01
Diluted Earnings Per Share	\$	0.71	\$	1.00

SOURCE Southwest Gas Corporation

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