



## Southwest Gas<sup>™</sup> HOLDINGS

### Southwest Gas Corporation Announces First Quarter 2009 Earnings

May 1, 2009

LAS VEGAS, May 1, 2009 /PRNewswire-FirstCall via COMTEX/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.13 per basic share for the first quarter of 2009, a \$0.01 decrease from the \$1.14 per basic share earned during the first quarter of 2008. Consolidated net income was \$50 million for the first quarter of 2009, compared to \$49.2 million for the prior-year quarter. The decline in per share earnings reflects an increase between periods in the number of outstanding common shares.

According to Jeffrey W. Shaw, Chief Executive Officer, "We believe we managed the business well in the areas we could control as operating costs were held in check, our liquidity position remained strong, our capital structure improved, and financing costs were reduced. Unfortunately cold weather eluded us, particularly in Arizona which experienced one of the warmest winters in the past 100 years, resulting in reduced operating margin between periods. The warm weather coupled with recessionary conditions offset recently granted rate relief and a nearly \$12 million margin reallocation in California."

Shaw also noted several recent events, "In April 2009, we filed a \$30.5 million general rate case in Nevada, our first in five years, which includes a request to decouple rates from usage under recently established Public Utilities Commission of Nevada rules. This case should be concluded before the next heating season. Also in April, Standard & Poor's upgraded our debt ratings to BBB from BBB-, a notable achievement in today's volatile economic environment."

For the twelve months ended March 31, 2009, consolidated net income was \$61.8 million, or \$1.41 per basic share, compared to \$82.6 million, or \$1.94 per basic share, during the twelve-month period ended March 31, 2008. The reduction between periods reflected lower operating income, primarily due to warm weather, a reduced contribution from the Company's construction services subsidiary, and noncash charges related to significant declines in the cash surrender values of company-owned life insurance ("COLI") policies during the second half of 2008.

#### Natural Gas Operations Segment Results

##### First Quarter

Operating margin, defined as operating revenues less the cost of gas sold, decreased a net \$1 million in the first quarter of 2009 compared to the first quarter of 2008. Rate relief and rate changes positively impacted margin by approximately \$22 million, consisting of \$9 million in Arizona, \$1 million of rate relief in California and nearly \$12 million related to the return to a seasonal margin methodology in California. Differences in heating demand, caused primarily by weather variations, negatively impacted operating margin by \$17 million as overall temperatures in the current quarter were significantly warmer than normal (\$13 million), while temperatures were somewhat colder than normal (\$4 million) in the first quarter of 2008. Energy efficiency and conservation resulting from current economic conditions negatively impacted operating margin by \$6 million. Customer growth had a negligible positive impact as 2,000 net new customers were added during the last twelve months.

Operating expenses for the quarter increased \$1.1 million, or one percent, compared to the first quarter of 2008 primarily due to higher depreciation expense, partially offset by labor efficiencies associated with cost containment efforts. Other income (expense) was virtually unchanged between quarters as the cash surrender value of COLI policies decreased by \$1.6 million in the first quarter of 2009 compared to a reduction of \$2.1 million in the prior-year quarter. Net financing costs decreased \$3.2 million due principally to a reduction in outstanding debt, including the redemption of \$75 million of debt in December 2008, and lower interest rates on variable-rate debt.

##### Twelve Months to Date

Operating margin decreased a net \$2 million between periods. Rate relief and rate changes provided \$25 million of operating margin, consisting of \$11 million in Arizona, \$2 million of rate relief in California and nearly \$12 million related to the return to a seasonal margin methodology in California. Modest customer growth contributed \$4 million. Differences in heating demand caused primarily by weather variations between periods resulted in a \$21 million operating margin decrease as warmer-than-normal temperatures were experienced during both periods (during the twelve-month period of 2009, operating margin was negatively impacted by \$28 million, while the negative impact in the twelve-month period of 2008 was \$7 million). Energy efficiency and conservation resulting from current economic conditions negatively impacted operating margin by \$10 million.

Operating expenses increased \$14.5 million, or three percent, between periods due to incremental operating costs (primarily depreciation) associated with facilities upgrades and general cost increases. The increase was mitigated by labor efficiencies primarily resulting from the conversion to electronic meter reading.

Other income, which principally includes interest income, returns on COLI policies, and non-utility expenses, decreased \$15.7 million between periods. This was primarily due to a \$10.6 million decline in the cash surrender value of COLI policies between periods and lower interest income due to the recovery of deferred purchased gas cost receivables. Net financing costs decreased \$6.7 million, or seven percent, due to a reduction in outstanding debt and lower interest rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,821,000 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)

QUARTER ENDED MARCH 31, -----	2009 ----	2008 ----
Consolidated Operating Revenues	\$ 689,862	\$ 813,607
Net Income	\$ 49,981	\$ 49,152
Average Number of Common Shares Outstanding	44,424	43,012
Basic Earnings Per Share	\$ 1.13	\$ 1.14
Diluted Earnings Per Share	\$ 1.12	\$ 1.14
TWELVE MONTHS ENDED MARCH 31, -----	2009 ----	2008 ----
Consolidated Operating Revenues	\$2,020,998	\$ 2,171,979
Net Income	\$ 61,802	\$ 82,634
Average Number of Common Shares Outstanding	43,825	42,592
Basic Earnings Per Share	\$ 1.41	\$ 1.94
Diluted Earnings Per Share	\$ 1.40	\$ 1.92

SOURCE Southwest Gas Corporation

<http://www.swgas.com>