



## Southwest Gas<sup>™</sup> HOLDINGS

### Southwest Gas Corporation Reports Second Quarter 2009 Results

August 4, 2009

LAS VEGAS, Aug 04, 2009 /PRNewswire-FirstCall via COMTEX/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.01 per share for the second quarter of 2009, compared to a loss of \$0.06 per share recorded during the second quarter of 2008. Consolidated net loss was \$594,000, compared to a loss of \$2.7 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, "Second quarter results improved compared to the same period last year primarily due to increases in the return on investments this quarter versus declines in the corresponding prior-year quarter. Operationally, we are feeling the effects of the recession on our service areas and our company, particularly in regards to growth and declining customer usage, but we are encouraged by the progress we continue to make. Our improved cash flows and stronger balance sheet prompted Standard and Poor's to raise its corporate credit rating on Southwest Gas from BBB- to BBB in April of this year. We remain focused on providing safe and reliable service, controlling operating expenses and capital expenditures, and seeking stable returns through the regulatory process. We expect a decision in the pending \$30.5 million Nevada general rate request by November 1, and we anticipate a form of 'decoupled' rate design in that case. We also continue to participate in a productive rulemaking proceeding in Arizona that deals with energy efficiency standards and alternatives for a decoupled rate design."

For the twelve months ended June 30, 2009, consolidated net income was \$63.9 million, or \$1.45 per basic share, compared to \$80.2 million, or \$1.87 per basic share, during the twelve-month period ended June 30, 2008.

#### Natural Gas Operations Segment Results

##### Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased by approximately \$1 million in the second quarter of 2009 compared to the second quarter of 2008. Net rate changes positively impacted margin by approximately \$4 million, consisting of rate relief of \$6 million in Arizona and \$1 million in California, partially offset by a \$3 million decrease related to the return to a seasonal margin methodology in California. Conservation resulting from current economic conditions and energy efficiency negatively impacted operating margin by \$2 million. Weather changes between quarters resulted in a \$1 million margin decrease as somewhat warmer-than-normal temperatures were experienced during both quarters. Customer growth was not a factor as only 3,000 net new customers (on a comparative seasonally adjusted basis) were added during the last twelve months.

Operating expenses for the quarter increased \$3.7 million, or three percent, compared to the second quarter of 2008 primarily due to incremental operating costs (including depreciation) associated with facilities upgrades and general cost increases. Other income increased \$3.1 million between quarters as the cash surrender values of company-owned life insurance ("COLI") policies increased by \$3.7 million in the second quarter of 2009 compared to a reduction of \$500,000 in the prior-year quarter, partially offset by lower interest income. Net financing costs decreased \$2.4 million due principally to a reduction in outstanding debt and lower interest rates on variable-rate debt.

##### Twelve Months to Date

Operating margin decreased a net \$4 million between periods. Rate relief and rate changes provided \$28 million of operating margin, consisting of rate relief of \$17 million in Arizona and \$2 million in California, and nearly \$9 million of timing differences related to the return to a seasonal margin methodology in California. Customer growth contributed \$2 million in operating margin. Differences in heating demand caused primarily by weather variations between periods resulted in a \$22 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 \$29 million, while the negative impact in the twelve-month period of 2008 was \$7 million). Conservation resulting from current economic conditions and energy efficiency negatively impacted operating margin by \$12 million.

Operating expenses increased \$15.8 million, or three percent, between periods due to incremental operating costs (including depreciation) associated with facilities upgrades and general cost increases. The increase was somewhat mitigated by labor efficiencies primarily resulting from the conversion to electronic meter reading.

Other income, which principally includes interest income, changes in cash surrender values of COLI policies, and non-utility expenses, decreased \$8.3 million between periods. This was primarily due to a \$4.1 million incremental decline in the cash surrender values of COLI policies between periods and lower interest income on investments and deferred purchased gas cost receivables that are now recovered. Net financing costs decreased \$8.7 million, or nine percent, due to a reduction in outstanding debt and lower interest rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,809,000 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 JUNE 30, -----	2009	2008
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Consolidated Operating Revenues	\$ 387,648	\$ 447,304
Net Loss	\$ 594	\$ 2,725
Average Number of Common Shares Outstanding	44,730	43,324
Loss Per Share	\$ 0.01	\$ 0.06
SIX MONTHS ENDED JUNE 30, -----	2009	2008
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Consolidated Operating Revenues	\$ 1,077,510	\$ 1,260,911
Net Income	\$ 49,387	\$ 46,427
Average Number of Common Shares Outstanding	44,578	43,168
Basic Earnings Per Share	\$ 1.11	\$ 1.08
Diluted Earnings Per Share	\$ 1.10	\$ 1.07
TWELVE MONTHS ENDED JUNE 30, -----	2009	2008
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Consolidated Operating Revenues	\$ 1,961,342	\$ 2,192,746
Net Income	\$ 63,933	\$ 80,246
Average Number of Common Shares Outstanding	44,176	42,865
Basic Earnings Per Share	\$ 1.45	\$ 1.87
Diluted Earnings Per Share	\$ 1.44	\$ 1.86

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<http://www.swgas.com>