



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Second Quarter 2010 Results

August 9, 2010

LAS VEGAS, Aug 09, 2010 /PRNewswire via COMTEX/ --

Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.02 per share for the second quarter of 2010, compared to a net loss of \$0.01 per share recorded for the second quarter of 2009. Consolidated net loss was \$933,000 for the second quarter of 2010, compared to a net loss of \$594,000 for the prior-year quarter. The current quarter includes a \$3.6 million (\$0.08 per share) decrease in the cash surrender values of company-owned life insurance ("COLI") policies, while the corresponding prior-year quarter included a \$3.7 million (\$0.08 per share) increase in COLI policies. 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, "Overall, we are pleased with second quarter 2010 operating results for our core business activities. When compared to the second quarter of 2009, natural gas segment operating margin was up over \$8 million, operating expenses were relatively flat, and financing costs were down \$1.6 million. The bottom-line results for our construction services subsidiary also improved by \$1 million over the prior-year quarter." Shaw concluded by saying, "Recently, Moody's upgraded our credit rating to Baa2 from Baa3 and both Fitch and Standard & Poor's revised our credit rating outlook to positive from stable. It's gratifying to achieve these affirmative changes in such challenging economic conditions."

For the twelve months ended June 30, 2010, consolidated net income was \$101.8 million, or \$2.26 per basic share, compared to \$63.9 million, or \$1.45 per basic share, during the twelve-month period ended June 30, 2009. The increase between periods reflects higher operating margin, a significant improvement in other income, and lower financing costs. Other income in the current twelve-month period includes a \$4.3 million (\$0.10 per share) increase in the cash surrender values of COLI policies, while the prior twelve-month period included a \$7.4 million (\$0.17 per share) decrease in COLI policies.

Natural Gas Operations Segment Results

Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased \$8 million in the second quarter of 2010 compared to the second quarter of 2009. Differences in heating demand, caused primarily by weather variations in Arizona, provided \$4 million of the operating margin increase as temperatures in the current quarter were relatively normal, while temperatures were warmer than normal in the second quarter of 2009. Rate relief provided \$4 million of the operating margin increase, consisting of \$3 million in Nevada and \$1 million in California. Customer growth provided a minimal benefit as 16,000 net new customers were added during the last twelve months.

Operating expenses for the quarter were virtually unchanged when compared to the second quarter of 2009. Other income, which principally includes returns on COLI policies and non-utility expenses, decreased \$7.6 million between periods. This was primarily due to a negative swing in the cash surrender values of COLI policies. Net financing costs decreased \$1.6 million primarily due to the redemption of \$100 million of subordinated debentures in March 2010.

Twelve Months to Date

Operating margin increased \$45 million between periods. Rate relief and rate changes provided a net \$18 million increase, consisting of rate relief of \$10 million in Arizona, \$14 million in Nevada, and \$3 million in California, partially offset by a decrease of \$9 million related to the return to a seasonal margin methodology in California in 2009. Differences in heating demand caused primarily by weather variations between periods resulted in a \$29 million operating margin increase as temperatures in the current period were relatively normal, while temperatures were significantly warmer than normal in the prior-year period. Customer growth contributed \$1 million in operating margin. Conservation, resulting from economic conditions and energy efficiency, negatively impacted operating margin by an estimated \$3 million.

Operating expenses increased \$9.1 million, or two percent, between periods principally due to general cost increases and higher employee-related benefit costs. The increase was mitigated by a decline in uncollectible expense. Despite additional plant in service, depreciation expense decreased slightly due to lower depreciation rates in California and Nevada rate jurisdictions.

Other income improved \$10.9 million between periods. This was primarily due to the net change in the cash surrender values of COLI policies. Net financing costs decreased \$5.2 million between periods due to a reduction in outstanding debt, the redemption of the subordinated debentures, and lower interest rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,825,000 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, -----	2010 ----	2009 ----
Consolidated Operating Revenues	\$385,825	\$387,648
Net Loss	\$933	\$594
Average Number of Common Shares Outstanding	45,391	44,730
Loss Per Share	\$0.02	\$0.01
SIX MONTHS ENDED JUNE 30, -----	2010 ----	2009 ----
Consolidated Operating Revenues	\$1,054,576	\$1,077,510
Net Income	\$63,715	\$49,387
Average Number of Common Shares Outstanding	45,306	44,578
Basic Earnings Per Share	\$1.41	\$1.11
Diluted Earnings Per Share	\$1.39	\$1.10
TWELVE MONTHS ENDED JUNE 30, -----	2010 ----	2009 ----
Consolidated Operating Revenues	\$1,870,890	\$1,961,342
Net Income	\$101,810	\$63,933
Average Number of Common Shares Outstanding	45,113	44,176
Basic Earnings Per Share	\$2.26	\$1.45
Diluted Earnings Per Share	\$2.24	\$1.44

SOURCE Southwest Gas Corporation