



## Southwest Gas<sup>™</sup> HOLDINGS

### Southwest Gas Corporation Announces First Quarter 2011 Earnings

May 4, 2011

LAS VEGAS, May 4, 2011 /PRNewswire via COMTEX/ --

Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.50 per basic share for the first quarter of 2011, a \$0.07 increase from the \$1.43 per basic share earned during the first quarter of 2010. Consolidated net income was \$68.5 million for the first quarter of 2011, compared to \$64.6 million for the prior-year quarter.

(Logo: <http://photos.prnewswire.com/prnh/20110222/LA525481.OGO>)

According to Jeffrey W. Shaw, Chief Executive Officer, "First quarter 2011 operating results for our two business segments improved when compared to the first quarter of 2010. Favorable weather played a role as did our focus on the core fundamentals of the business. We continue to strive to improve overall financial metrics along with the level and stability of our financial results. Our progress towards these goals was cited by Standard & Poor's in April 2011 when they upgraded our credit ratings to BBB+ from BBB, a notable accomplishment." Shaw concluded by stating, "Obtaining a final decision in the ongoing Arizona rate case is another important step in the process. This proceeding remains on schedule and we look forward to seeing it through to conclusion."

For the twelve months ended March 31, 2011, consolidated net income was \$107.8 million, or \$2.37 per basic share, compared to \$102.1 million, or \$2.27 per basic share, during the twelve-month period ended March 31, 2010. The improvement between periods reflected a \$6.4 million increased contribution from the construction services subsidiary.

#### Natural Gas Operations Segment Results

##### **First Quarter**

Operating margin, defined as operating revenues less the cost of gas sold, increased \$8 million in the first quarter of 2011 compared to the first quarter of 2010. Differences in heating demand, caused primarily by weather variations, provided \$6 million of the operating margin increase. While overall temperatures in both quarters were relatively normal, some unusually cold weather occurred in Arizona in early February 2011, resulting in the incremental operating margin. Rate relief in California provided \$1 million of the operating margin increase. New customers contributed an incremental \$1 million in operating margin as 14,000 net new customers were added during the last twelve months.

Operating expenses for the quarter increased \$5.5 million, or 4%, compared to the first quarter of 2010 primarily due to increases in employee-related costs and approximately \$1 million of costs associated with restoring service to 19,000 Arizona customers in early February 2011, following an outage due to extreme weather conditions. Depreciation expense increased due to additional plant in service.

Net financing costs decreased \$2.1 million between the comparative quarters primarily due to the redemption of \$100 million of subordinated debentures in March 2010.

##### **Twelve Months to Date**

Operating margin increased \$12 million between periods. Rate relief provided \$9 million of the operating margin increase, consisting of \$6 million in Nevada and \$3 million in California. Differences in heating demand caused primarily by weather variations between periods accounted for \$1 million in incremental operating margin. Customer growth contributed \$2 million in operating margin.

Operating expenses increased \$14.6 million, or 3%, between periods principally due to higher general costs and employee-related benefit costs, and an increase in depreciation expense resulting from additional plant in service. The increases were partially offset by cost containment efforts (including lower staffing levels) and a decline in uncollectible expense.

Other income, which principally includes changes in the cash surrender values of company-owned life insurance ("COLI") policies and non-utility expenses, declined \$3.5 million between periods. The current period includes \$10.5 million of COLI cash surrender value increases compared to \$11.6 million of cash surrender value increases in the prior-year period. COLI income in both periods was very high due to strong equity market returns on investments underlying the policies. Net financing costs decreased \$6.7 million between periods primarily due to the redemption of \$100 million of subordinated debentures in March 2010.

Southwest Gas Corporation provides natural gas service to 1,844,000 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)**

<b><u>QUARTER ENDED MARCH 31.</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Consolidated Operating Revenues	\$ 628,440	\$ 668,751
Net Income	\$ 68,549	\$ 64,648
Average Number of Common Shares Outstanding	45,763	45,221
Basic Earnings Per Share	\$ 1.50	\$ 1.43
Diluted Earnings Per Share	\$ 1.48	\$ 1.42

<b><u>TWELVE MONTHS ENDED MARCH 31.</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Consolidated Operating Revenues	\$ 1,790,060	\$ 1,872,713
Net Income	\$ 107,778	\$ 102,149
Average Number of Common Shares Outstanding	45,538	44,948
Basic Earnings Per Share	\$ 2.37	\$ 2.27
Diluted Earnings Per Share	\$ 2.34	\$ 2.26

SOURCE Southwest Gas Corporation