



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Third Quarter 2011 Results

November 7, 2011

LAS VEGAS, Nov. 7, 2011 /PRNewswire via COMTEX/ --

Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.34 per share for the third quarter of 2011, compared to a net loss of \$0.11 per share recorded for the third quarter of 2010. Consolidated net loss was \$15.6 million for the third quarter of 2011, compared to a net loss of \$4.8 million for the prior-year quarter. The current quarter includes a \$6.7 million (\$0.15 per share) expense associated with decreases in cash surrender values of company-owned life insurance ("COLI") policies (net of recognized death benefits). The prior-year quarter includes \$7.8 million (\$0.17 per share) of income associated with increases in the cash surrender values (including net death benefits recognized) of COLI policies. Due to the seasonal nature of the business, results for quarterly periods are not generally indicative of earnings for a complete twelve-month period.

(Logo: <http://photos.prnewswire.com/prnh/20110222/LA525481.0GO>)

According to Jeffrey W. Shaw, Chief Executive Officer, "Although net financial results declined between quarters due to COLI, consolidated operating income (which excludes COLI) showed improvement. This occurred because of a strong contribution from NPL, our pipeline construction services subsidiary, which offset a reduction in gas operations results. Lower financing costs were also a favorable factor." Shaw noted that, "NPL had a very strong quarter contributing \$9.9 million in earnings, a \$5.9 million increase as compared to the prior-year quarter. The factors currently driving NPL operations, mainly the replacement of aging infrastructure, are likely to persist for a number of years." In conclusion, Shaw stated, "Our current Arizona general rate case continues to progress. Hearings took place in August on a settlement agreement filed with the Arizona Corporation Commission that is supported by a majority of the interested parties. We are optimistic that a decision on the rate case can be reached before the end of the year."

For the twelve months ended September 30, 2011, consolidated net income was \$102 million, or \$2.23 per basic share, compared to \$105 million, or \$2.33 per basic share, during the twelve-month period ended September 30, 2010. The decline between periods was primarily due to higher operating costs, a decrease in other income, and lower operating margin, partially offset by an \$11.1 million increased contribution from construction services activities. Other income in the current twelve-month period includes \$2.3 million (\$0.05 per share) associated with increases in cash surrender values of COLI policies (including recognized net death benefits). The prior twelve-month period included \$7.2 million (\$0.16 per share) in income associated with net death benefits and increased COLI cash surrender values.

Natural Gas Operations Segment Results

Third Quarter

Operating margin, defined as operating revenues less the cost of gas sold, decreased \$4 million in the third quarter of 2011 compared to the third quarter of 2010, primarily due to an isolated out-of-period adjustment of \$3.7 million related to a regulatory deferral mechanism that overstated revenues for periods prior to the third quarter of 2011 (of which approximately \$800,000 relates to the first half of 2011 and \$2.9 million pertains to years prior to 2011). Rate relief, weather, and customer growth were not significant components of the change in margin between the third quarters of 2011 and 2010. Approximately 16,000 net new customers were added during the last twelve months.

Operating expenses for the quarter increased \$4 million, or 3%, compared to the third quarter of 2010 primarily due to general cost increases, an increase in depreciation expense resulting from additional plant in service, and higher Arizona property tax rates. Other income, which principally includes returns on COLI policies and non-utility expenses, decreased \$14.8 million between quarters. This was primarily due to a decline in income associated with COLI policies (including net death benefits recognized). Net financing costs decreased \$2 million between the comparative quarters, primarily due to cost savings from refinancing and reduced interest rates on variable-rate debt (including reductions relating to the interest tracking mechanism for certain Industrial Development Revenue Bonds).

Twelve Months to Date

Operating margin decreased \$3 million between periods. Margin increases due to rate relief totaled \$5 million (\$2 million in Nevada and \$3 million in California). Customer growth contributed \$1 million of operating margin. Differences in heating demand caused by weather variations between periods resulted in a decrease of \$5 million. The remaining decrease was due to the regulatory deferral mechanism adjustment in the third quarter of 2011.

Operating expenses rose \$18 million, or 3%, between periods principally due to higher general costs, increases in employee-related costs including pension expense, an increase in depreciation expense resulting from additional plant in service, and an increase in Arizona property tax rates. The increases were mitigated by cost containment efforts (including lower staffing levels).

Other income decreased \$6.8 million between periods, primarily due to a decline in COLI-related income. Net financing costs decreased \$7.1 million between periods largely due to the redemption of \$100 million of subordinated debentures in March 2010, cost savings from debt refinancing, and reduced interest rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,836,000 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)

<u>QUARTER ENDED SEPTEMBER 30,</u>	<u>2011</u>	<u>2010</u>
Consolidated Operating Revenues	\$ 352,592	\$ 307,683
Net Income (Loss)	\$ (15,641)	\$ (4,823)
Average Number of Common Shares Outstanding	45,881	45,447
Earnings (Loss) Per Share	\$ (0.34)	\$ (0.11)

<u>NINE MONTHS ENDED SEPTEMBER 30,</u>	<u>2011</u>	<u>2010</u>
Consolidated Operating Revenues	\$ 1,369,537	\$ 1,362,259
Net Income	\$ 56,963	\$ 58,892
Average Number of Common Shares Outstanding	45,837	45,354
Basic Earnings Per Share	\$ 1.24	\$ 1.30
Diluted Earnings Per Share	\$ 1.23	\$ 1.29

<u>TWELVE MONTHS ENDED SEPTEMBER 30,</u>	<u>2011</u>	<u>2010</u>
Consolidated Operating Revenues	\$ 1,837,649	\$ 1,861,064
Net Income	\$ 101,948	\$ 105,284
Average Number of Common Shares Outstanding	45,766	45,262
Basic Earnings Per Share	\$ 2.23	\$ 2.33
Diluted Earnings Per Share	\$ 2.21	\$ 2.31

SOURCE Southwest Gas Corporation