



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Corporation Announces 2011 Earnings

February 28, 2012

LAS VEGAS, Feb. 28, 2012 /PRNewswire/ -- Southwest Gas Corporation (NYSE: SWX) reported consolidated earnings of \$2.45 per basic share for 2011, a \$0.16 per share increase from the \$2.29 per basic share earned in 2010. Consolidated net income for 2011 was \$112.3 million, compared to \$103.9 million during 2010.

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

According to Jeffrey W. Shaw, Chief Executive Officer, "Earnings were driven by another solid performance by the natural gas segment of our business, which contributed \$91.4 million in net income in both 2010 and 2011; and a stellar performance by our pipeline construction subsidiary (NPL), which contributed a record \$20.9 million in net income in 2011, compared to \$12.5 million in 2010. NPL's revenues increased from \$318 million in 2010 to \$484 million in 2011 as many of its customers embarked on significant multi-year infrastructure replacement programs." Shaw went on to say that "Operating income from our natural gas segment improved \$3.7 million compared to the prior year due to favorable weather and cost containment efforts. Additionally, Southwest set 13,000 new meters, but realized 22,000 net new customers. This favorable differential represents the first indication, since the economic downturn began in 2007, that measurable numbers of vacant homes are becoming occupied and having service restored. We are encouraged by this directionally positive development."

Shaw concluded by saying, "One of our key strategies has been to work closely with our regulators to improve the level and stability of our earnings and cash flows. The recent settlement in the Arizona general rate case (approved by the Arizona Corporation Commission effective January 2012) exemplifies this as we received a \$52.6 million rate increase along with a decoupled rate design. With margin decoupling in all of our service territories, we look forward to continuing to aggressively promote customer energy efficiency gains, as well as prudently managing our costs."

During the fourth quarter of 2011, consolidated net income was \$55.3 million, or \$1.20 per basic share, versus \$45 million, or \$0.99 per basic share, for the fourth quarter of 2010.

#### Natural Gas Operations Segment Results

##### **Full Year 2011**

Operating margin, defined as operating revenues less the net cost of gas sold, increased \$14 million between periods. Differences in heating demand, caused primarily by weather variations, accounted for the \$14 million increase as colder-than-normal temperatures were experienced in Arizona in 2011. Incremental margin from rate relief in California (\$2 million) and new customers (\$2 million) was offset by an out-of-period adjustment (related to a regulatory deferral mechanism) recorded during the third quarter of 2011.

Operating expenses rose \$10.4 million, or two percent, between years principally due to an increase in depreciation expense resulting from additional plant in service, higher Arizona property tax rates, and general cost increases, partially offset by favorable claims experience under Southwest's self-insured medical plan. Cost containment efforts (including lower staffing levels) mitigated the increase in operating expenses.

Other income, which principally includes returns on company-owned life insurance ("COLI") policies and non-utility expenses, declined \$9.4 million between 2011 and 2010. The current year reflects COLI-related income (resulting from recognized death benefits net of decreases in cash surrender values) of \$700,000, while the prior year included income of \$9.8 million due to an increase in COLI cash surrender values and recognized net death benefits. COLI income in the previous year was especially high due to strong equity-market returns on investments underlying the policies.

Net financing costs decreased \$8.2 million between years primarily due to cost savings from debt refinancing, reduced interest rates associated with variable-rate debt (including reductions relating to the interest-tracking mechanism for certain Industrial Development Revenue Bonds ("IDRBs")), and the redemption of \$100 million of subordinated debentures in March 2010.

##### **Fourth Quarter**

Operating margin increased \$12 million between the fourth quarter of 2011 and the same period of 2010. Customer growth provided approximately \$1 million of the increase while differences in heating demand caused by weather variations between periods were primarily responsible for the remainder of the increase in operating margin.

Operating expenses for the quarter decreased \$2.9 million, or two percent, when compared to the fourth quarter of 2010 principally due to favorable claims experience under Southwest's self-insured medical plan, partially offset by increased depreciation expense resulting from additional plant in service and higher general taxes. Other income decreased \$1.6 million between quarters primarily due to changes in COLI policy-related amounts. Cash surrender values of COLI policies increased \$2.6 million in the current quarter, while the prior-year quarter reflected a \$4.2 million increase in COLI-related values. Net financing costs decreased \$2.4 million between quarters primarily due to cost savings from refinancing and reduced interest rates associated with variable-rate debt (including reductions relating to the interest-tracking mechanism for IDRBs).

Southwest Gas Corporation provides natural gas service to 1,859,000 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 CORPORATION CONSOLIDATED EARNINGS DIGEST**

(In thousands, except per share amounts)

##### **YEAR ENDED DECEMBER 31.**

	<b><u>2011</u></b>	<b><u>2010</u></b>
Consolidated Operating Revenues	\$ 1,887,188	\$ 1,830,371
Net Income	\$ 112,287	\$ 103,877
Average Number of Common Shares Outstanding	45,858	45,405
Basic Earnings Per Share	\$ 2.45	\$ 2.29
Diluted Earnings Per Share	\$ 2.43	\$ 2.27

##### **QUARTER ENDED DECEMBER 31.**

Consolidated Operating Revenues	\$ 517,651	\$ 468,112
Net Income	\$ 55,324	\$ 44,985
Average Number of Common Shares Outstanding	45,922	45,555
Basic Earnings Per Share	\$ 1.20	\$ 0.99
Diluted Earnings Per Share	\$ 1.19	\$ 0.98

SOURCE Southwest Gas Corporation

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