



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces 2012 Earnings

February 26, 2013

LAS VEGAS, Feb. 26, 2013 /PRNewswire/ -- Southwest Gas Corporation (NYSE: SWX) reported consolidated earnings of \$2.89 per basic share for 2012, a \$0.44 per share increase from the \$2.45 per basic share earned in 2011. Consolidated net income for 2012 was \$133.3 million, compared to \$112.3 million during 2011.

According to Jeffrey W. Shaw, President and Chief Executive Officer, "We are pleased to report 2012 earnings per share of \$2.89, an 18% increase over the \$2.45 reported in 2011 and the highest in the Company's history. Earnings were driven by strong performance in the natural gas segment of our business, which contributed \$116.6 million in net income in 2012, compared to \$91.4 million in the prior year; and a 2012 contribution of \$16.7 million in net income from NPL Construction Co. ("NPL"), our pipeline construction subsidiary, compared to \$20.9 million in 2011." Shaw went on to say that "Operating income from our natural gas segment improved \$29.2 million compared to the prior year mainly due to a full year of rate relief in Arizona, our largest service territory." Shaw concluded by saying, "Over the past several years we have focused on the core strategies of working collaboratively with regulators, pursuing operating efficiencies and productivity, seeking prudent growth opportunities, and striving to exceed customer expectations. We believe an emphasis on these same fundamental principles will bring continued success going forward."

During the fourth quarter of 2012, consolidated net income was \$62.4 million, or \$1.35 per basic share, versus \$55.3 million, or \$1.20 per basic share, for the fourth quarter of 2011.

Natural Gas Operations Segment Results

Full Year 2012

Operating margin, defined as operating revenues less the net cost of gas sold, increased \$52 million between years. Rate relief in Arizona (\$45 million, net) and Nevada (\$2 million) provided the majority of the increase in operating margin. Customer growth contributed the remaining \$5 million increase in operating margin during 2012 as 17,000 net new customers were added during the last twelve months.

Operating expenses rose \$23 million, or 4%, between years primarily due to higher general costs and employee-related costs including pension expense, and to increases in depreciation expense, resulting from additional plant in service.

Other income, which principally includes returns on company-owned life insurance ("COLI") policies and non-utility expenses, increased \$9.6 million between 2012 and 2011. The current year reflects COLI-related income of \$6.6 million (\$0.14 per share), while the prior year included income of \$700,000 (\$0.02 per share) resulting from recognized death benefits net of decreases in cash surrender values. COLI income in the current year was much higher than expectations of \$2 million to \$4 million due to strong equity-market returns on investments underlying the policies. In addition, Arizona non-recoverable pipe replacement and other non-utility costs were lower in 2012 as compared to 2011. The non-recoverable portion of this pipe replacement activity is now complete.

Net interest deductions decreased \$1.8 million between years primarily due to cost savings from debt refinancing.

Fourth Quarter

Operating margin increased nearly \$13 million in the fourth quarter of 2012 compared to the same period of 2011. Rate relief in Arizona and Nevada collectively provided \$11 million of the increase. New customers contributed the remainder of the operating margin increase during the fourth quarter of 2012.

Operating expenses for the quarter rose \$4.7 million, or 3%, compared to the fourth quarter of 2011, primarily due to increases in general and employee-related costs including pension expense, and due to increases in depreciation expense, resulting from additional plant in service.

Other income decreased \$1.6 million between quarters. This was primarily due to changes in the cash surrender values of COLI policies between quarters. Arizona non-recoverable pipe replacement and other non-utility costs were also lower in the fourth quarter of 2012 as compared to 2011. Net interest deductions decreased \$800,000 between quarters primarily due to cost savings from refinancing.

Southwest Gas Corporation provides natural gas service to 1,876,000 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 timing and amount of rate relief, changes in rate design, customer growth rates, conditions in the housing market, the effects of regulation/deregulation, and the impacts of stock market volatility.

YEAR ENDED DECEMBER 31,	2012	2011
Consolidated Operating Revenues	\$ 1,927,778	\$ 1,887,188
Net Income	\$ 133,331	\$ 112,287
Average Number of Common Shares Outstanding	46,115	45,858
Basic Earnings Per Share	\$ 2.89	\$ 2.45
Diluted Earnings Per Share	\$ 2.86	\$ 2.43
QUARTER ENDED DECEMBER 31,		
Consolidated Operating Revenues	\$ 488,566	\$ 517,651
Net Income	\$ 62,393	\$ 55,324
Average Number of Common Shares Outstanding	46,142	45,922
Basic Earnings Per Share	\$ 1.35	\$ 1.20
Diluted Earnings Per Share	\$ 1.34	\$ 1.19

SOURCE Southwest Gas Corporation

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