



Southwest Gas HOLDINGS

Southwest Gas Corporation Announces First Quarter 2014 Earnings

May 6, 2014

LAS VEGAS, May 6, 2014 /PRNewswire/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.52 per basic share for the first quarter of 2014, a \$0.23 decrease from the \$1.75 per basic share earned during the first quarter of 2013. Consolidated net income was \$70.8 million for the first quarter of 2014, compared to \$80.8 million for the prior-year quarter. The current quarter includes \$900,000 (\$0.02 per share) in other income associated with increases in the cash surrender values of company-owned life insurance ("COLI") policies. The prior-year quarter included \$3.8 million (\$0.08 per share) in other income associated with COLI policies, which was significantly higher than normal.



According to Jeffrey W. Shaw, President and Chief Executive Officer, "Net income for the first quarter of 2014 was \$70.8 million, or \$1.52 per share, which is the third highest quarterly earnings in the Company's history. However, several factors impacted the comparison between the current quarter and 2013's record-setting first quarter results. At NPL, a \$3.3 million decrease between the first quarters of 2013 and 2014 was attributable to extreme winter weather during 2014 in a majority of its operating areas, which prevented work from proceeding as planned, but did not result in a proportional decrease in costs in those areas. An improved pace of work should occur in the summer and fall to help NPL rebound from these delays." Shaw continued by saying, "For the natural gas segment, net income was lower compared to the prior-year quarter primarily due to increased operating expenses, including a \$5 million legal accrual, and a more normal level of income from COLI policies during the current quarter versus unusually high returns in the prior-year quarter." Shaw added, "Continued delays in a final decision in our California rate case impacted our current-quarter results as well. We currently expect the California commission to reach a decision during the second quarter of this year resulting in a revenue increase." In conclusion Shaw stated, "Moody's Investors Service increased our credit rating to A3 in January, which strengthens our position to access the capital markets and lower our cost of financing, providing a future benefit to our shareholders and customers alike."

For the twelve months ended March 31, 2014, consolidated net income of \$135.3 million, or \$2.92 per basic share, was relatively consistent with earnings in the twelve-month period ended March 31, 2013 of \$135.2 million, or \$2.93 per basic share.

Natural Gas Operations Segment Results

First Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased \$2 million between quarters. This increase primarily resulted from customer growth, as approximately 26,000 net new customers were added during the last twelve months. Expected margin associated with rate relief was not realized due to a delay in resolution of the California general rate case.

Operating expenses for the quarter rose \$8.1 million, or 5%, compared to the first quarter of 2013 primarily due to a \$5 million legal accrual as well as higher depreciation expense resulting from additional plant in service and amortization associated with the recovery of regulatory assets. General cost increases were substantially offset by declines in employee-related costs, including pension expense.

Other income, which principally includes changes in the cash surrender values of COLI policies and non-utility expenses, decreased \$2.5 million between quarters. The current quarter reflects COLI policy cash surrender value increases of \$900,000, while the prior-year quarter includes an unusually high \$3.8 million in COLI-related income. In addition, interest income increased between quarters due to under-collected purchased gas adjustment ("PGA") balances in the current quarter. Net interest deductions increased \$1.5 million between quarters, primarily due to the issuance of \$250 million of long-term debt in the fourth quarter of 2013.

Twelve Months to Date

Operating margin increased \$19 million, or 2%, between periods including \$6 million of combined rate relief. Customer growth contributed \$8 million toward the increase. Incremental margin from customers outside the decoupling mechanisms and other miscellaneous revenues (including amounts associated with recoveries of Arizona regulatory assets) contributed the remainder of the increase.

Operating expenses increased \$30.4 million, or 5%, between periods primarily due to higher general costs, legal accruals and expenses, and employee-related costs including pension expense. In addition, depreciation increased due to plant additions, which were partially offset by lower depreciation rates in Nevada (effective November 2012). Amortization associated with the recovery of Arizona regulatory assets, conservation and energy efficiency programs in Nevada, and other amortization collectively increased \$5.5 million. Higher property taxes in Arizona and changes resulting from the most recent Nevada general rate case, whereby modified business and mill taxes became components of operating expenses, were also components of the increase.

Other income increased \$7 million between periods. The current period reflects a \$9.5 million increase in COLI policy cash surrender values including net death benefits recognized, while the prior twelve-month period reflected a \$5.2 million increase in COLI-related income. In addition, Arizona

non-recoverable pipe replacement costs were \$2.7 million lower in the current twelve-month period as this pipe replacement activity was substantially completed in 2012. Net interest deductions declined \$1.6 million between the twelve-month periods primarily due to cost savings from debt refinancing, redemptions, and lower interest expense associated with deferred PGA balances payable. The decrease was partially offset by interest costs associated with the issuance of debt in the fourth quarter of 2013.

Southwest Gas Corporation provides natural gas service to 1,912,000 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, the impacts of construction activity at NPL, and the impacts of stock market volatility.

SOUTHWEST GAS CONSOLIDATED EARNINGS DIGEST
(In thousands, except per share amounts)

QUARTER ENDED MARCH 31,	2014	2013
Consolidated Operating Revenues	\$ 608,396	\$ 613,505
Net Income	\$ 70,783	\$ 80,773
Average Number of Common Shares Outstanding	46,440	46,251
Basic Earnings Per Share	\$ 1.52	\$ 1.75
Diluted Earnings Per Share	\$ 1.51	\$ 1.73
TWELVE MONTHS ENDED MARCH 31,	2014	2013
Consolidated Operating Revenues	\$ 1,945,673	\$ 1,883,638
Net Income	\$ 135,330	\$ 135,185
Average Number of Common Shares Outstanding	46,364	46,160
Basic Earnings Per Share	\$ 2.92	\$ 2.93
Diluted Earnings Per Share	\$ 2.89	\$ 2.90

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