



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Announces Second Quarter 2014 Earnings

August 5, 2014

LAS VEGAS, Aug. 5, 2014 /PRNewswire/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$0.21 per basic share for the second quarter of 2014, compared to \$0.22 per basic share earned during the second quarter of 2013. Consolidated net income was \$9.6 million for the second quarter of 2014, compared to \$10.1 million for the prior-year quarter. Due to the seasonal nature of the Company's businesses, results for quarterly periods are not generally indicative of earnings for a complete twelve-month period.



SOUTHWEST GAS CORPORATION

According to Jeffrey W. Shaw, Chief Executive Officer, "Our second quarter 2014 earnings of \$0.21 per share were relatively consistent with last year's second quarter. NPL, our construction services segment, contributed a solid \$7.8 million to the bottom line this quarter as they continue to recover from the effects of extreme weather experienced during the 1st quarter. The natural gas segment's contribution to net income of \$1.8 million included improved COLI-related income, which offset modestly lower operating results." Shaw added, "In June 2014, we received a final decision in our California general rate case authorizing a \$7.1 million annual revenue increase and future attrition increases of 2.75% annually for 2015 to 2018. We're pleased to have this final decision in hand." In conclusion Shaw stated, "During the second half of the year, we look forward to the benefits of the recently granted California rate relief and anticipate that NPL's contribution to net income will continue to improve."

For the twelve months ended June 30, 2014, consolidated net income was \$135 million, or \$2.91 per basic share, compared to \$149 million, or \$3.22 per basic share, during the twelve-month period ended June 30, 2013. Contribution from both operating segments declined between twelve-month periods with construction services \$9.6 million lower. At NPL, the prior-year period included \$3 million of revenue associated with change orders on a fixed-price project. The current-year period includes approximately \$4 million associated with a legal settlement recognized in late 2013 and a \$7.5 million increase in general and administrative expenses associated with changes implemented to match NPL's increased size and complexity.

Natural Gas Operations Segment Results

Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased \$4 million between quarters including approximately \$2 million of rate relief in California due to a final decision in the California general rate case. New customers contributed \$2 million in operating margin during the second quarter of 2014, as approximately 28,000 net new customers were added during the last twelve months.

Operating expenses for the quarter rose \$5.4 million, or 3%, compared to the second quarter of 2013 primarily due to increases in general costs and higher depreciation expense resulting from additional plant in service. The increase was partially offset by declines in employee-related costs, including pension expense.

Other income, which principally includes changes in the cash surrender values of company-owned life insurance ("COLI") policies and non-utility expenses, increased \$1.4 million between quarters primarily due to greater COLI-related income. The current quarter includes \$2.3 million in COLI income, while the prior-year quarter included \$1.8 million in COLI income (including net death benefits recognized). In addition, interest income increased between quarters due to under-collected purchased gas adjustment ("PGA") balances in the current quarter. Net interest deductions increased \$2.2 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 nearly \$18 million 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 regulatory assets) contributed the remainder of the increase.

Operating expenses increased \$30 million, or 5%, between periods primarily due to higher general costs, legal accruals and expenses (including \$5 million in the first quarter of 2014), and uncollectible accounts expense. Included in the overall increase was a \$10 million increase in depreciation and amortization expense due largely to plant additions, as well as amortization associated with the recovery of regulatory assets.

Other income increased \$4.2 million between periods. The current twelve-month period reflects \$10 million of COLI income (including recognized net death benefits), while the prior twelve-month period included \$8.9 million of COLI income (including recognized net death benefits). COLI-related income in both periods was significantly higher than normal. In addition, Arizona non-recoverable pipe replacement costs were \$1.7 million lower in the current twelve-month period as this pipe replacement activity was substantially completed in 2012. Net interest deductions increased \$3.8 million between the twelve-month periods, primarily due to the issuance of \$250 million of long-term debt in the fourth quarter of 2013, partially offset by cost savings from 2013 debt refinancings and redemptions.

Southwest Gas Corporation provides natural gas service to 1,910,000 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 JUNE 30,	2014	2013
Consolidated Operating Revenues	\$ 453,153	\$ 411,574
Net Income	\$ 9,627	\$ 10,108
Average Number of Common Shares Outstanding	46,502	46,331
Basic Earnings Per Share	\$ 0.21	\$ 0.22
Diluted Earnings Per Share	\$ 0.21	\$ 0.22
SIX MONTHS ENDED JUNE 30,	2014	2013
Consolidated Operating Revenues	\$ 1,061,549	\$ 1,025,079
Net Income	\$ 80,410	\$ 90,881
Average Number of Common Shares Outstanding	46,471	46,291
Basic Earnings Per Share	\$ 1.73	\$ 1.96
Diluted Earnings Per Share	\$ 1.71	\$ 1.95
TWELVE MONTHS ENDED JUNE 30,	2014	2013
Consolidated Operating Revenues	\$ 1,987,252	\$ 1,885,444
Net Income	\$ 134,849	\$ 148,969
Average Number of Common Shares Outstanding	46,407	46,214
Basic Earnings Per Share	\$ 2.91	\$ 3.22
Diluted Earnings Per Share	\$ 2.88	\$ 3.19

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