



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Corporation Announces Third Quarter 2014 Results

November 5, 2014

LAS VEGAS, Nov. 5, 2014 /PRNewswire/ -- Southwest Gas Corporation (NYSE: SWX) recorded net income of \$0.04 per share for the third quarter of 2014, compared to a net loss of \$0.06 per share for the third quarter of 2013. Consolidated net income was \$2.0 million for the third quarter of 2014, compared to a consolidated net loss of \$2.9 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, "Operating results for the third quarter improved over the same quarter in the prior year primarily due to a record quarterly contribution from NPL, our construction services subsidiary. NPL posted quarterly earnings of \$13.4 million on revenues of \$206 million. The accumulation of delayed work resulting from adverse weather conditions in the first quarter has been substantially completed." Shaw added, "Results for the natural gas segment improved slightly as incremental margin from the California rate case, coupled with relatively flat operating expenses, offset higher interest expense." Shaw concluded by saying, "We recently completed the acquisition of Link-Line, W. S. Nicholls, and Brigadier Pipelines. This acquisition will expand the customer base, geographic scope, and technical service offerings of the construction services business. The combination of NPL and the acquired companies will create one of the largest underground natural gas distribution contractors in North America. This acquisition, coupled with several ongoing regulatory initiatives, makes this a very exciting time for our Company and we are focused on the execution of these opportunities."

For the twelve months ended September 30, 2014, consolidated net income was \$140 million, or \$3.01 per basic share, compared to \$150 million, or \$3.25 per basic share, during the twelve-month period ended September 30, 2013. Contribution from both operating segments declined between twelve-month periods with construction services \$7.2 million lower. At NPL, the current-year period includes expense of approximately \$2.7 million associated with a legal settlement recognized in late 2013, \$1.4 million of transaction costs related to the business acquisition completed in October 2014, and higher general and administrative expenses associated with changes implemented to match NPL's increased size and complexity. The prior-year period at NPL included \$3 million of incremental revenue associated with approved change orders on a fixed-price project.

#### Natural Gas Operations Segment Results

##### **Third Quarter**

Operating margin, defined as operating revenues less the cost of gas sold, increased \$6 million between quarters including approximately \$5 million of rate relief in California due to the recent California general rate case. New customers contributed \$1 million in operating margin during the third quarter of 2014, as approximately 29,000 net new customers were added during the last twelve months.

Operating expenses for the quarter were relatively flat compared to the third quarter of 2013 as additional property taxes and higher depreciation expense resulting from additional plant in service were substantially 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, decreased approximately \$2.2 million between quarters. The current quarter reflects COLI policy cash surrender value decreases of \$300,000 net of death benefits recognized, while the prior-year quarter included \$2.5 million in COLI-related income. Net interest deductions increased \$2.4 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 \$18 million between periods including \$9 million of combined rate relief. Customer growth contributed \$8 million toward the increase. The remainder of the increase was from customers outside the decoupling mechanisms and other miscellaneous revenues.

Operating expenses increased \$22.6 million, or 4%, between periods primarily due to higher general costs (including a \$5 million legal accrual in the first quarter of 2014) and a \$10.8 million increase in depreciation and amortization expense due largely to plant additions.

Other income increased \$967,000 between periods. Increases in COLI policy cash surrender values, including net death benefits recognized, were \$7.2 million in the current twelve-month period and \$9.2 million in the prior twelve-month period. COLI-related income in both periods was significantly higher than expected, reflecting strong returns on investments underlying the policies. Interest income increased \$1.4 million between periods primarily due to a higher purchased gas adjustment balance receivable in 2014. In addition, Arizona non-recoverable pipe replacement costs were \$859,000 lower in the current twelve-month period as this pipe replacement activity was substantially completed in 2012. Net interest deductions increased \$7.4 million between twelve-month periods, primarily due to 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, customer growth rates, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, the earnings impact of NPL's recent acquisition, results of NPL fixed-price contracts, and the impacts of stock market volatility.*

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

<b>QUARTER ENDED SEPTEMBER 30,</b>	<b>2014</b>	<b>2013</b>
Consolidated Operating Revenues	\$ 432,475	\$ 387,346
Net Income (Loss)	\$ 1,970	\$ (2,864)
Average Number of Common Shares Outstanding	46,513	46,337
Earnings (Loss) Per Share	\$ 0.04	\$ (0.06)
Diluted Earnings (Loss) Per Share	\$ 0.04	\$ (0.06)
<b>NINE MONTHS ENDED SEPTEMBER 30,</b>	<b>2014</b>	<b>2013</b>
Consolidated Operating Revenues	\$ 1,494,024	\$ 1,412,425
Net Income	\$ 82,380	\$ 88,017
Average Number of Common Shares Outstanding	46,485	46,306
Basic Earnings Per Share	\$ 1.77	\$ 1.90
Diluted Earnings Per Share	\$ 1.76	\$ 1.88
<b>TWELVE MONTHS ENDED SEPTEMBER 30,</b>	<b>2014</b>	<b>2013</b>
Consolidated Operating Revenues	\$ 2,032,381	\$ 1,900,991
Net Income	\$ 139,683	\$ 150,410
Average Number of Common Shares Outstanding	46,451	46,265
Basic Earnings Per Share	\$ 3.01	\$ 3.25
Diluted Earnings Per Share	\$ 2.98	\$ 3.22

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