

2011 Year End Earnings Conference Call

February 29, 2012



SOUTHWEST GAS CORPORATION

Safe Harbor Statement

Statements contained in this presentation that may include Company expectations or predictions of the future constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All such statements are intended to be subject to the safe harbor protection provided by the Reform Act. In this respect, the words “may,” “will,” “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All forward-looking statements included herein are made as of the date hereof. A number of important factors affecting our business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. For additional factors that could affect the validity of our forward-looking statements, you should read the section of our periodic reports filed from time to time with the Securities and Exchange Commission, entitled “Risk Factors” therein.

Call Outline

- I. 2011 consolidated earnings
- II. NPL Construction Co. (NPL)
- III. Natural gas operations
- IV. Regulatory proceedings
- V. Customer growth
- VI. Construction expenditures, financings, liquidity, and capital structure
- VII. Dividends
- VIII. 2012 expectations

Summary Operating Results

(In thousands, except per share amounts)

	TWELVE MONTHS ENDED DECEMBER 31,				
	2007	2008	2009	2010	2011
Results of Consolidated Operations					
Contribution to net income - natural gas operations	\$ 72,494	\$ 53,747	\$ 79,420	\$ 91,382	\$ 91,420
Contribution to net income - construction services	10,752	7,226	8,062	12,495	20,867
Net income	<u>\$ 83,246</u>	<u>\$ 60,973</u>	<u>\$ 87,482</u>	<u>\$ 103,877</u>	<u>\$ 112,287</u>
Basic earnings per share	<u>\$ 1.97</u>	<u>\$ 1.40</u>	<u>\$ 1.95</u>	<u>\$ 2.29</u>	<u>\$ 2.45</u>
Diluted earnings per share	<u>\$ 1.95</u>	<u>\$ 1.39</u>	<u>\$ 1.94</u>	<u>\$ 2.27</u>	<u>\$ 2.43</u>
Average outstanding common shares	42,336	43,476	44,752	45,405	45,858
Average shares outstanding (assuming dilution)	42,714	43,775	45,062	45,823	46,291



Summary Operating Results

Construction Services

(In thousands)

	TWELVE MONTHS ENDED DECEMBER 31,				
	2007	2008	2009	2010	2011
Results of Construction Services					
Construction revenues	\$ 337,322	\$ 353,348	\$ 278,981	\$ 318,464	\$ 483,822
Operating expenses:					
Construction expenses	292,319	311,745	242,461	277,804	423,703
Depreciation and amortization	25,424	27,382	23,232	20,007	25,216
Operating income	19,579	14,221	13,288	20,653	34,903
Other income (deductions)	73	63	55	(166)	(8)
Net interest deductions	2,036	1,823	1,179	564	825
Income before income taxes	17,616	12,461	12,164	19,923	34,070
Income tax expense	6,864	5,235	4,466	7,852	13,727
Net income	10,752	7,226	7,698	12,071	20,343
Net income (loss) attributable to noncontrolling interest	-	-	(364)	(424)	(524)
Contribution to consolidated net income attributable to NPL	\$ 10,752	\$ 7,226	\$ 8,062	\$ 12,495	\$ 20,867

Summary Operating Results

Natural Gas Operations

(In thousands)

	TWELVE MONTHS ENDED DECEMBER 31,				
	2007	2008	2009	2010	2011
Results of Natural Gas Operations					
Gas operating revenues	\$ 1,814,766	\$ 1,791,395	\$ 1,614,843	\$ 1,511,907	\$ 1,403,366
Net cost of gas sold	1,086,194	1,055,977	866,630	736,175	613,489
Operating margin	728,572	735,418	748,213	775,732	789,877
Operations and maintenance expense	331,208	338,660	348,942	354,943	358,498
Depreciation and amortization	157,090	166,337	166,850	170,456	175,253
Taxes other than income taxes	37,553	36,780	37,318	38,869	40,949
Operating income	202,721	193,641	195,103	211,464	215,177
Other income (deductions)	4,850	(13,469)	6,590	4,016	(5,404)
Net interest deductions	86,436	83,096	74,091	75,113	68,777
Net interest deductions on subordinated debentures	7,727	7,729	7,731	1,912	-
Income before income taxes	113,408	89,347	119,871	138,455	140,996
Income tax expense (benefit)	40,914	35,600	40,451	47,073	49,576
Contribution to net income - gas operations	\$ 72,494	\$ 53,747	\$ 79,420	\$ 91,382	\$ 91,420



2011 Increase in Operating Margin

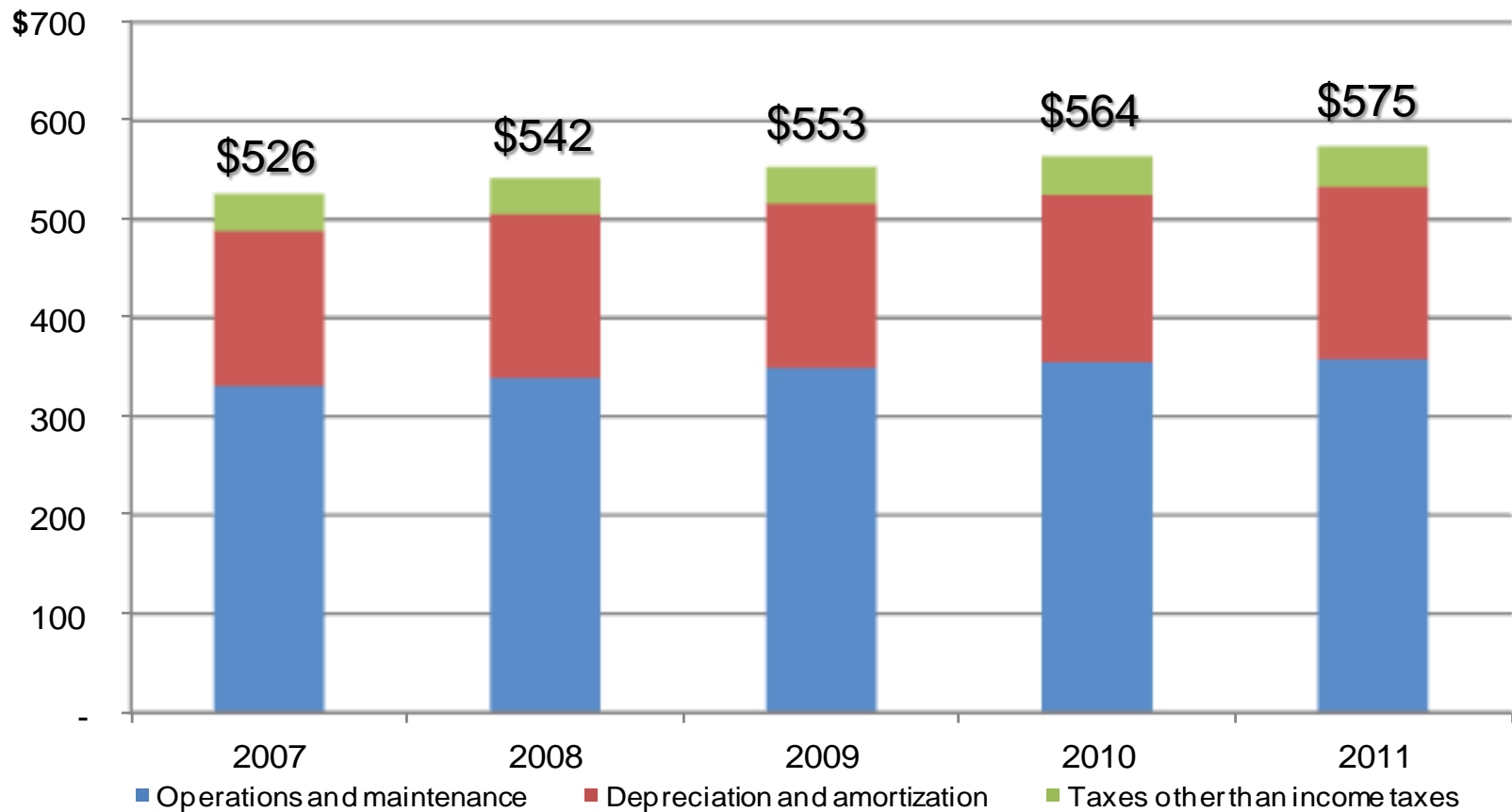
(In millions)

Weather	\$ 14
CA rate relief	2
Customer growth	2
Regulatory deferral mechanism adjustment	(4)
Increase	<u>\$ 14</u>

Operating Expense

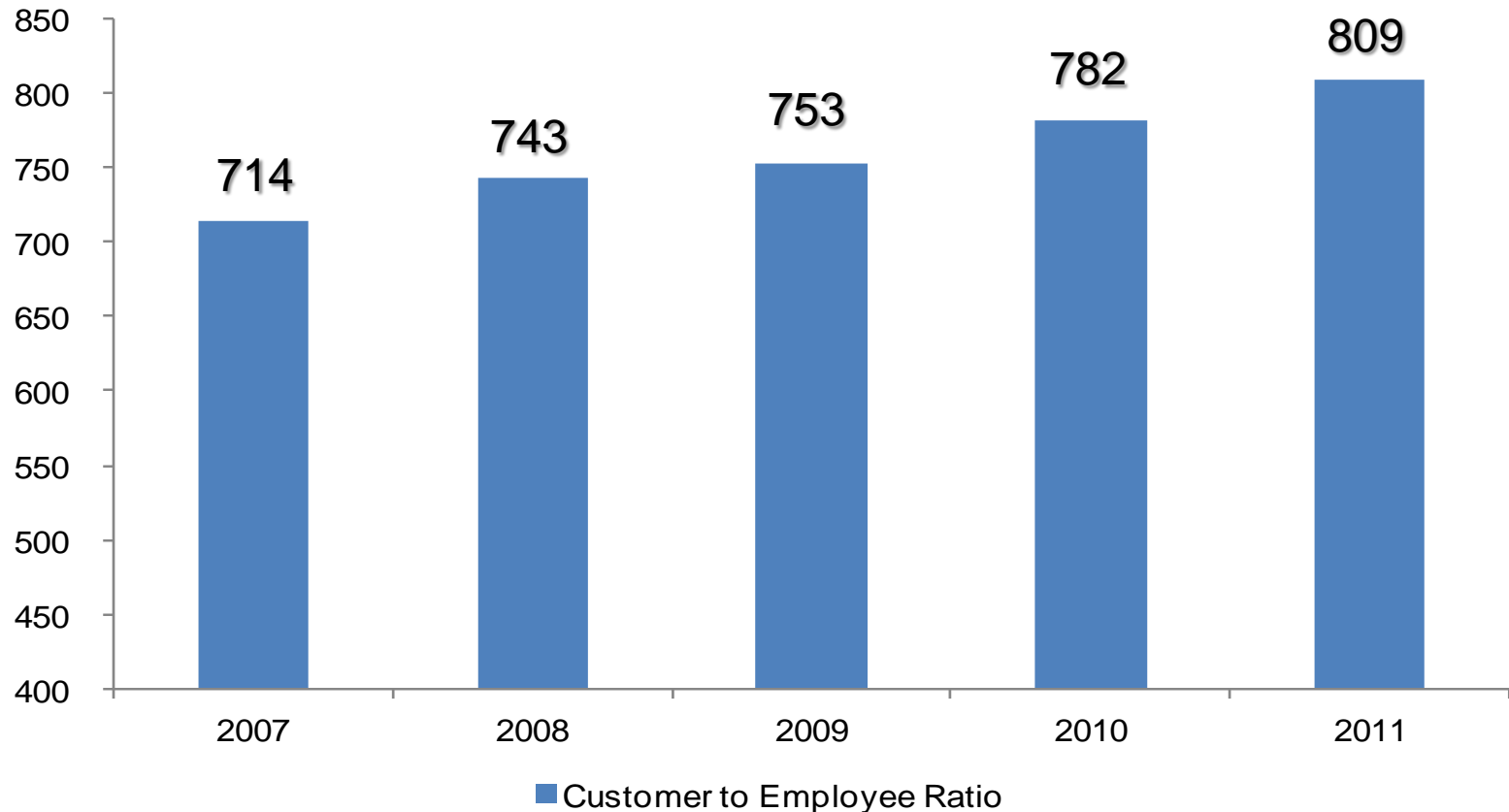
Natural Gas Operations

(In millions)



Customer to Employee Ratio

Natural Gas Operations



Other Income and Deductions

Natural Gas Operations

(In thousands)

	TWELVE MONTHS ENDED DECEMBER 31,			
	2008	2009	2010	2011
Change in COLI policies	\$ (12,041)	\$ 8,546	\$ 9,770	\$ 700
Pipe replacement costs	(1,942)	(2,642)	(5,024)	(4,761)
Miscellaneous income and (expense)	514	686	(730)	(1,343)
Total other income (deductions)	<u>\$ (13,469)</u>	<u>\$ 6,590</u>	<u>\$ 4,016</u>	<u>\$ (5,404)</u>



Net Financing Costs

Natural Gas Operations

Declined by \$8.2 million, or 10.7%, from \$77 million in 2010 to \$68.8 in 2011

- Refinanced \$200 million of notes that matured on February 15, 2011
- Redeemed \$100 million of Subordinated Debentures (TOPrS) in March 2010
- Reduced interest rates associated with variable rate debt

Arizona General Rate Case Decision

December 2011, the Arizona Corporation Commission (ACC) approved Settlement Alternative B, with new rates effective January 1, 2012

- \$52.6 million revenue increase
- Full revenue per customer decoupling
- Weather normalization tracker
- 9.5% ROE on 52.3% common equity
- 5 ½ year rate case moratorium
- Periodic review requirements

Nevada

- Decoupled rate structure
- Next general rate case will be filed in the second quarter of 2012
- Last general rate increase occurred in 2009
- Management is in the process of determining level of deficiency

California

- Decoupled rate structure
- 2012 decrease in margin of \$100,000
 - Annual attrition increase of \$2.3 million
 - Automatic rate of return adjustment trigger mechanism reduction of \$2.4 million
- Next general rate case will be a 2014 test year
 - Anticipated filing by December 2012

Pipe Replacement Tracking Mechanisms

- Customer-owned yard lines (COYLs) in Arizona
 - Line testing, of all affected customers (approximately 100,000) who grant approval, over a three-year period, 2012 -2014
 - Replacement, with normal service line configuration, wherever leaks are found and permitted
- Pipe replacement program in Nevada
 - Specific pipe replacement projects (including early vintage plastic pipe) identified by the Company
 - Accelerated replacement throughout Nevada during 2011 and in Southern Nevada during 2012
 - Request filed February 2012 for early vintage plastic pipe program in Southern Nevada covering an eight-year period, commencing in 2013, that includes anticipated additional annual replacements of \$12.5 million

Purchased Gas Adjustment (PGA) Balances

(In millions)

	AS OF DECEMBER 31,	
	2010	2011
Arizona	\$ (45.2)	\$ (28.4)
Northern Nevada	(8.4)	(7.9)
Southern Nevada	(69.8)	(36.1)
California	0.4	2.3
Total Receivable/(Payable)	<u>\$ (123.0)</u>	<u>\$ (70.1)</u>

Customer Growth Breakdown

Customers at December 31, 2010	1,837,000
New customer additions	13,000
Inactive meter turn-ons/(turn-offs)	9,000
Customers at December 31, 2011	<u>1,859,000</u>
Excess inactive meters: 40,000 - 45,000	

Customer Growth Breakdown

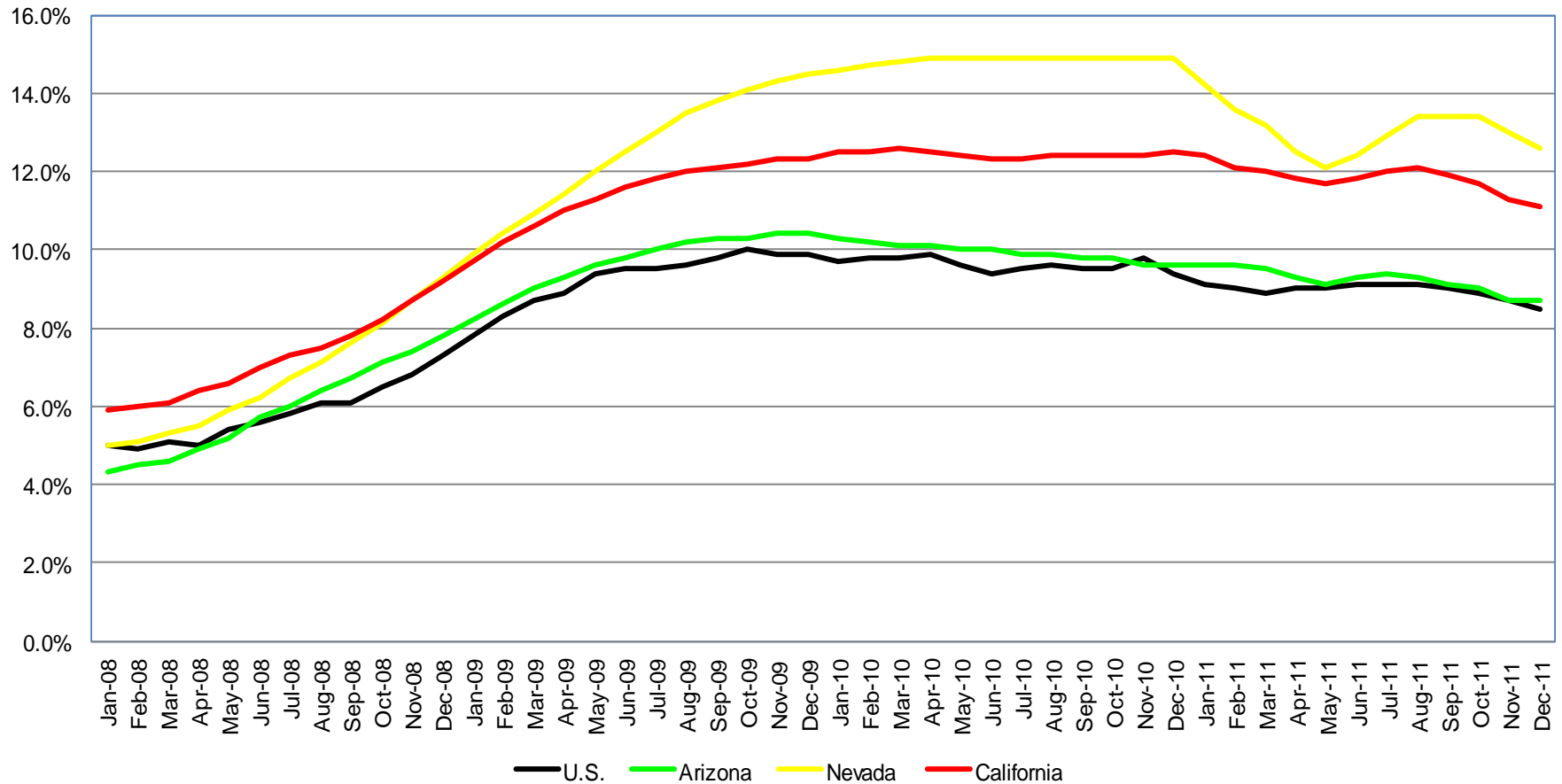
	YEAR ENDED DECEMBER 31,				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
New meter sets	59,000	33,000	18,000	16,000	13,000
Net customer additions	29,000	6,000	5,000	13,000	22,000

Economic Overview

Service Area

Unemployment Rate

Seasonally Adjusted Data



Economic Overview

Service Area

EMPLOYMENT GROWTH

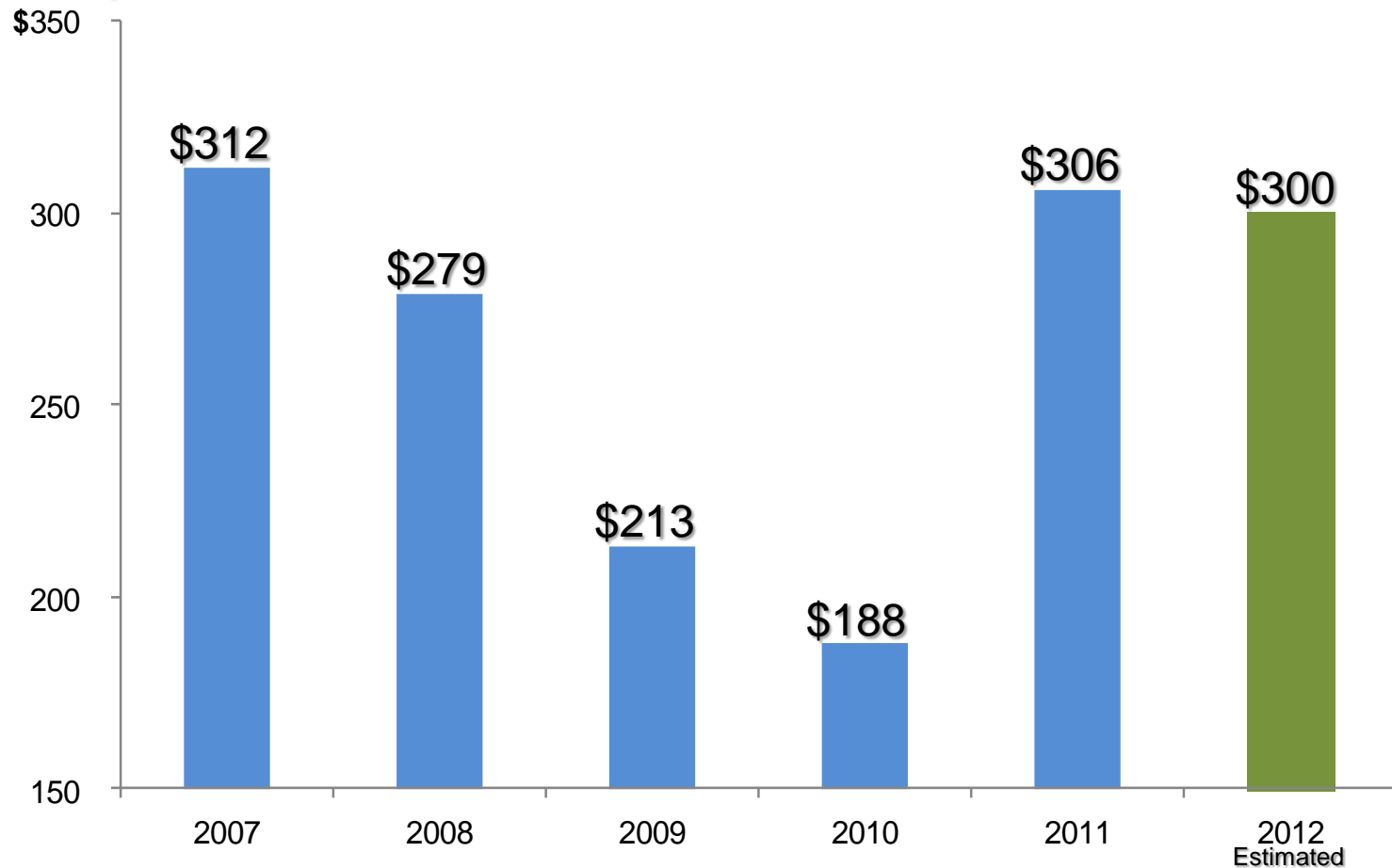
	As of December	
	2010	2011
Southern California	-0.8%	2.0%
Nevada	-1.5%	0.3%
Arizona	-0.4%	1.6%



Capital Expenditures

Natural Gas Operations

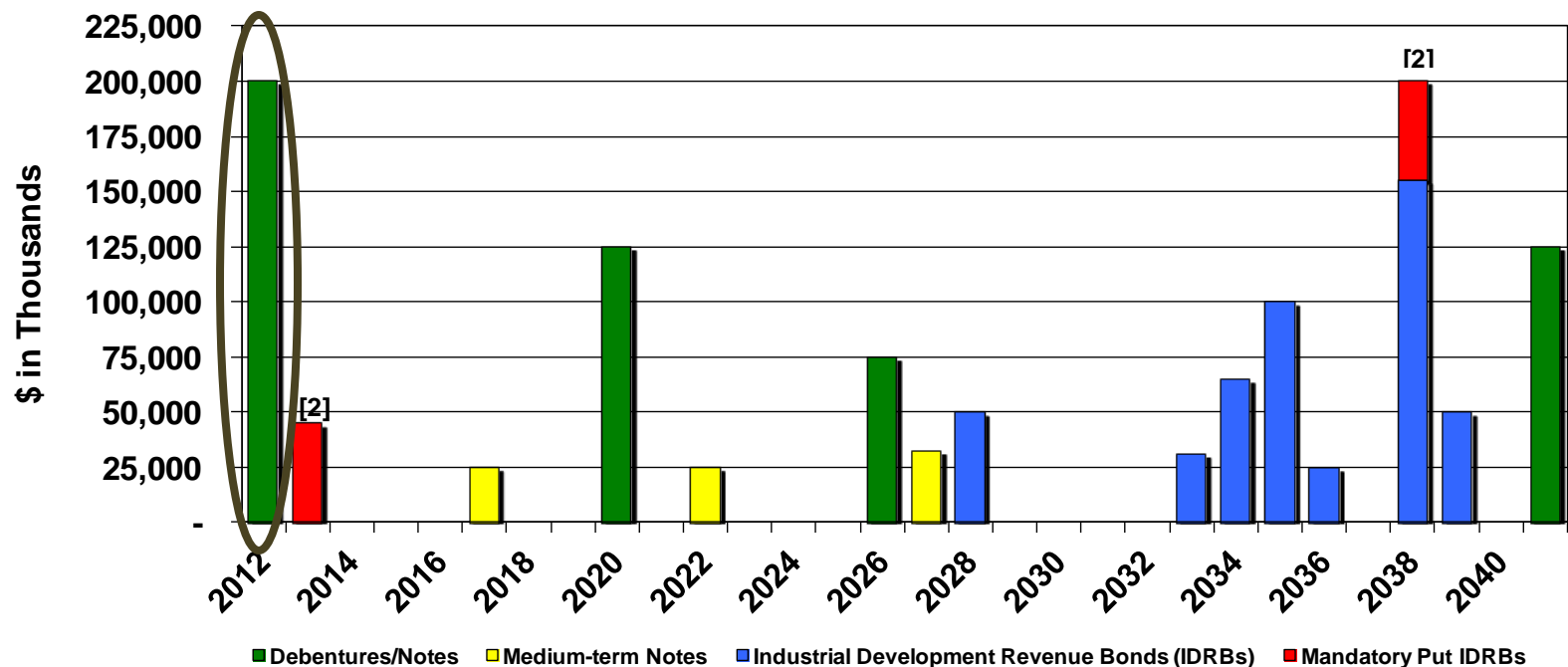
(In millions)



2012 – 2014 Estimate: \$750 - \$1,000



Long-Term Debt Maturity Schedule^[1] at December 31, 2011



[1] Does not include the long-term portion of the \$300 million Revolving Credit Facility, due May 2012.

[2] Clark County IDR Series 2003 C (\$30MM) and E (\$15MM) due March 1, 2038; mandatory put on March 1, 2013.

Financings

- In January 2012, redeemed the \$12.4 million 1999 6.1% Series A fixed-rate Industrial Development Revenue Bonds originally due in 2038
- Expect to refinance maturing \$200 million 7.625% Notes due May 2012



Liquidity

- \$300 million credit facility
 - Matures in May 2012
 - \$109 million outstanding as of December 31, 2011
 - Historically low usage
- Management believes facility size is adequate
 - Expect to refinance during the 1st quarter

Capital Structure

(In millions)

Capitalization at December 31,	2007	2008	2009	2010	2011
Common Equity	\$ 984	\$ 1,038	\$ 1,102	\$ 1,167	\$ 1,225
Subordinated Debentures	100	100	100	-	-
Long-Term Debt¹	1,304	1,193	1,171	1,200	1,254
Total Permanent Capital	\$ 2,388	\$ 2,331	\$ 2,373	\$ 2,367	\$ 2,479
Capitalization ratios					
Common Equity	41.2%	44.5%	46.5%	49.3%	49.4%
Subordinated Debentures	4.2%	4.3%	4.2%	0.0%	0.0%
Long-Term Debt	54.6%	51.2%	49.3%	50.7%	50.6%
Total Permanent Capital	100.0%	100.0%	100.0%	100.0%	100.0%

¹Includes current maturities of long-term debt

Investment Grade Credit Ratings

Moody's

- Senior Unsecured Debt:
- Outlook:

Rating

Baa2 (May 2010)

Stable

Standard & Poor's

- Senior Unsecured Debt:
- Outlook:

BBB+ (April 2011)

Stable

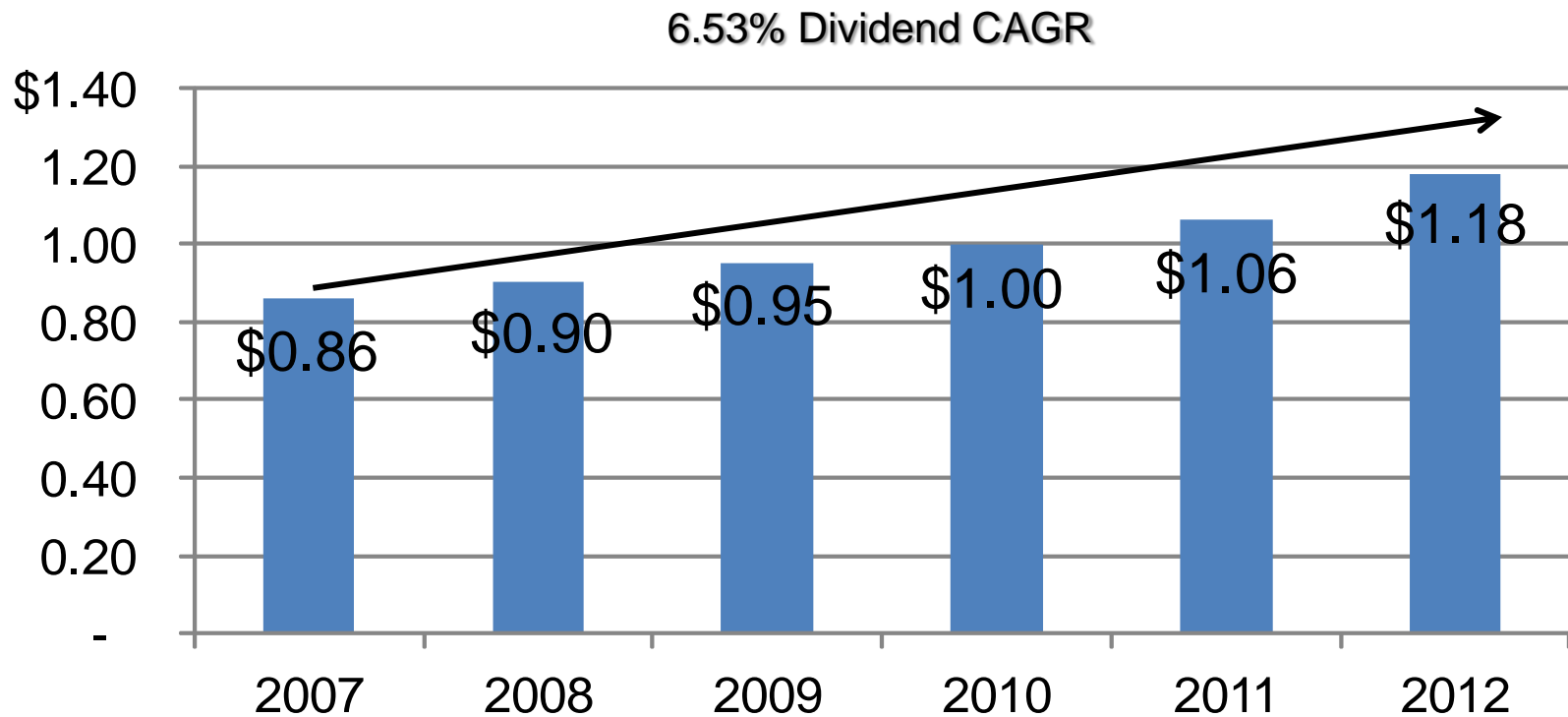
Fitch

- Senior Unsecured Debt:
- Outlook:

BBB+ (June 2011)

Stable

Dividend Growth



CAGR = compound annual growth rate

Dividend Growth Policy

Over time, the Board intends to increase the dividend such that our payout ratio approaches our local distribution company peer group average while maintaining our strong credit ratings and our ability to effectively fund future rate base growth. The timing and amount of any increases would be based upon the Board's continual review of our dividend rate in the context of the performance of the Company's two operating segments and their future growth prospects.



2012 Expectations

Construction Services

- Continued favorable business conditions
- Revenues sustainable at current levels and positioned for growth several years into the future



2012 Expectations

Natural Gas Operations

- Improved stability of operating margin
- Margin growth expected to be 10 – 20% less than Arizona rate relief level (\$52.6 million) due to high 2011 usage levels
- Nevada general rate case
- Net customer growth anticipated in 1% plus range
- Operating costs increase anticipated 3 - 4%
- Financing costs should improve
- Accelerated capital expenditures due to bonus tax depreciation and additional replacement work

Focus

- Work closely with regulators to improve and stabilize revenues and cash flows
- Pursue operating efficiencies to manage costs
- Aggressively seek growth opportunities in two operating segments
- Exceed our customers' expectations
- Aggressively promote energy conservation
- Over time, prudently increase the dividend payout to approach the industry average

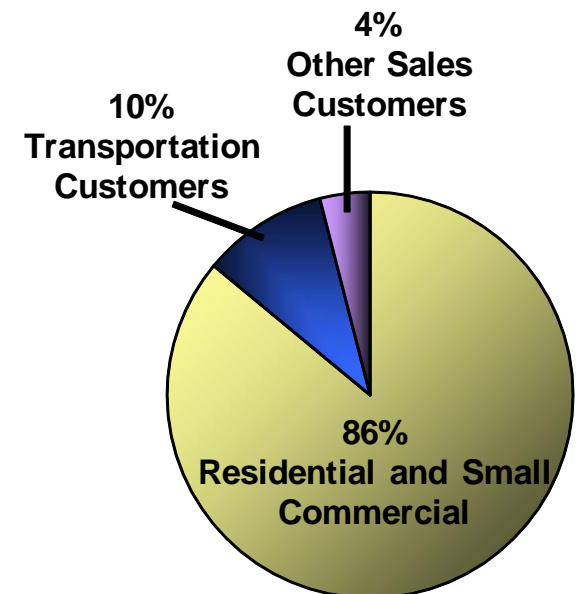
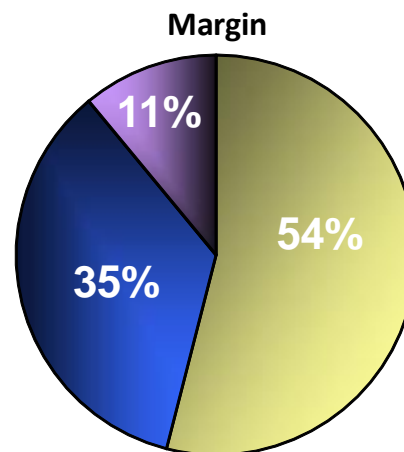
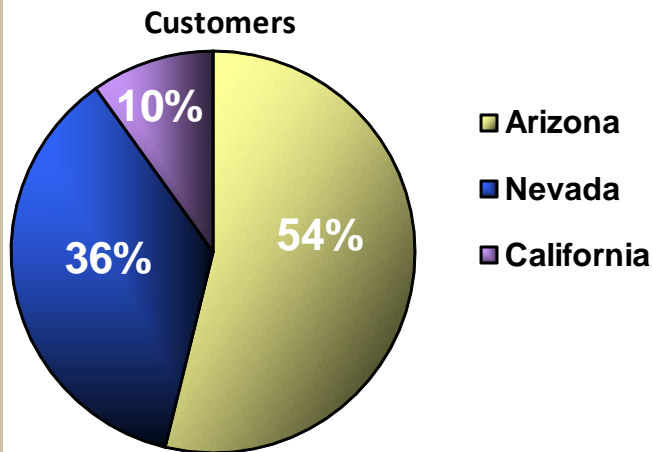
APPENDIX



Stable Customer Base

TMTD December 31, 2011 Customer & Operating Margin Distribution

By State



➤ Consistent trends year over year

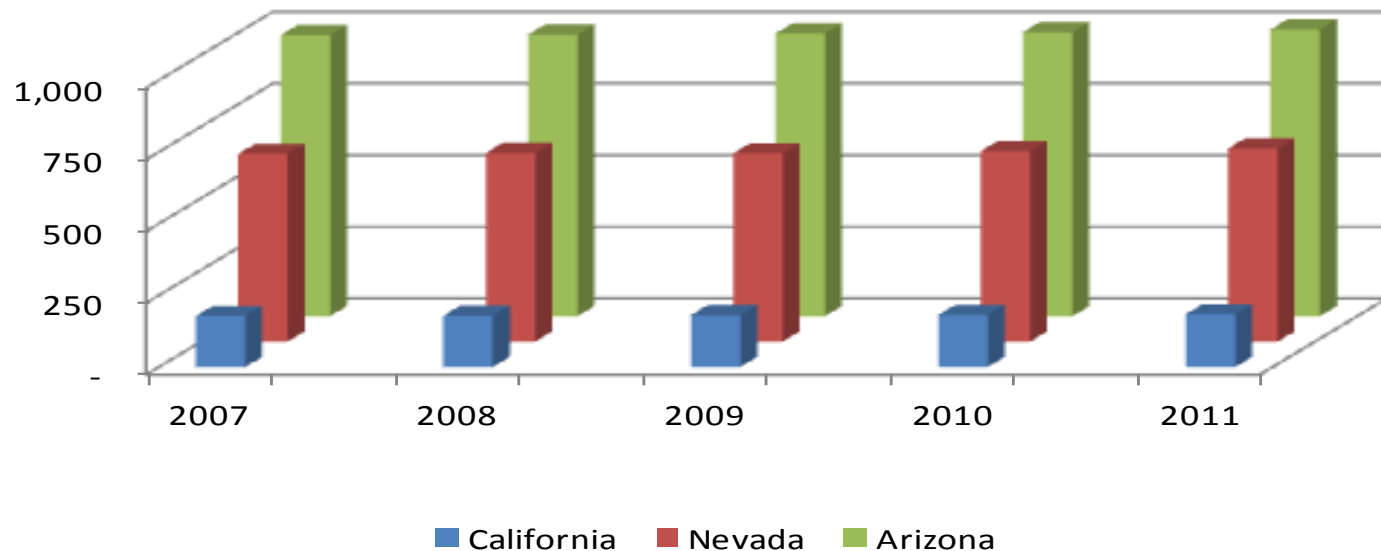
Natural Gas Operations

Customers by State

(In thousands)

AT DECEMBER 31,

	2007	2008	2009	2010	2011
Arizona	980	982	986	991	1,001
Nevada	655	658	657	664	674
California	178	179	181	182	184
Total	1,813	1,819	1,824	1,837	1,859



Natural Gas Operations

Customers by Class

(In thousands)

	AT DECEMBER 31,				
	2007	2008	2009	2010	2011
Residential	1,733	1,739	1,745	1,758	1,780
Commercial	79	79	78	78	78
Other	1	1	1	1	1
Total	1,813	1,819	1,824	1,837	1,859



System Throughput

Customer Class

(In thousands of therms)

	TWELVE MONTHS ENDED DECEMBER 31,				
	2007	2008	2009	2010	2011
Residential	698,063	704,986	669,736	704,693	718,765
Small commerical	310,666	314,555	294,225	300,940	303,923
Large commerical	127,561	125,121	117,241	111,833	112,256
Industrial/Other	103,525	97,702	72,623	58,922	50,208
Transportation	1,128,422	1,164,190	1,043,894	998,600	941,544
Total	<u>2,368,237</u>	<u>2,406,554</u>	<u>2,197,719</u>	<u>2,174,988</u>	<u>2,126,696</u>



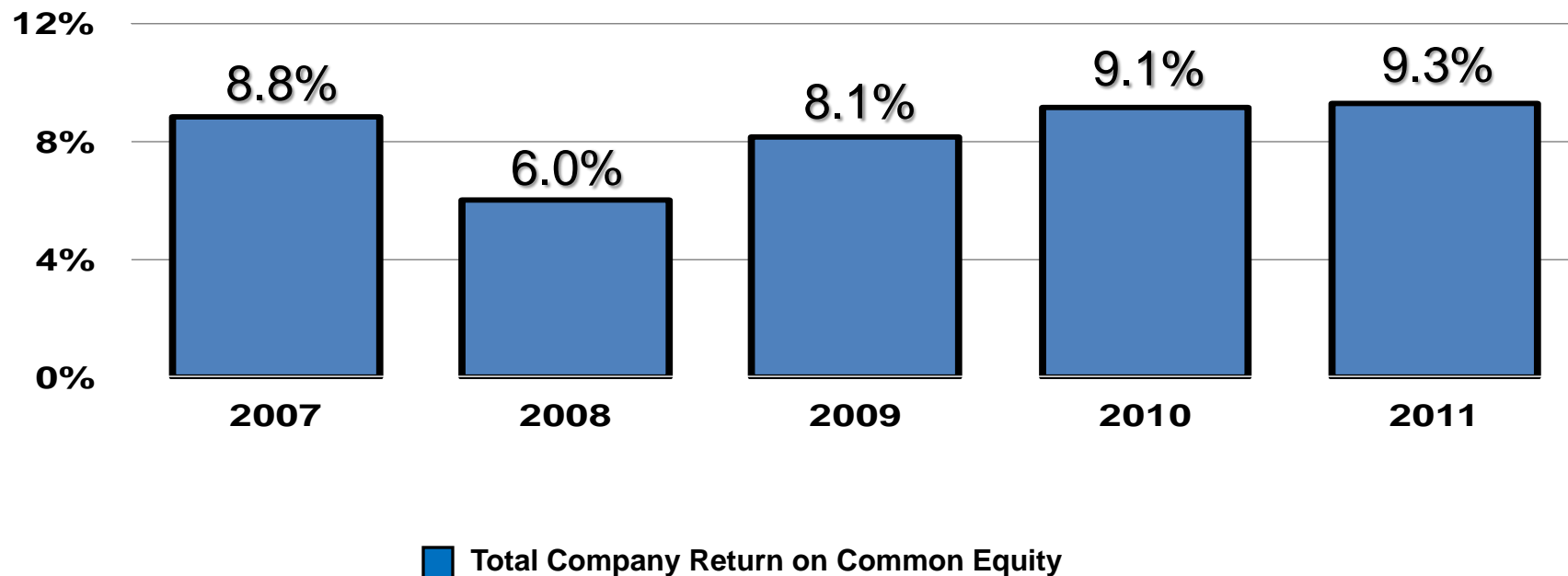
Authorized Rate Base and Rates of Return

<u>Rate Jurisdiction</u>	<u>Authorized Rate Base (In thousands)</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity</u>
Arizona (1)	\$ 1,070,116	8.95 %	9.50 %
Southern Nevada	819,717	7.40 %	10.15 %
Northern Nevada	116,584	8.29 %	10.15 %
Southern California (1)	143,851	6.42 %	9.88 %
Northern California (1)	52,285	8.50 %	9.88 %
South Lake Tahoe (1)	11,815	8.50 %	9.88 %
Paiute Pipeline Company (2)	84,717	9.47 %	12.00 %

(1) Effective January 1, 2012.

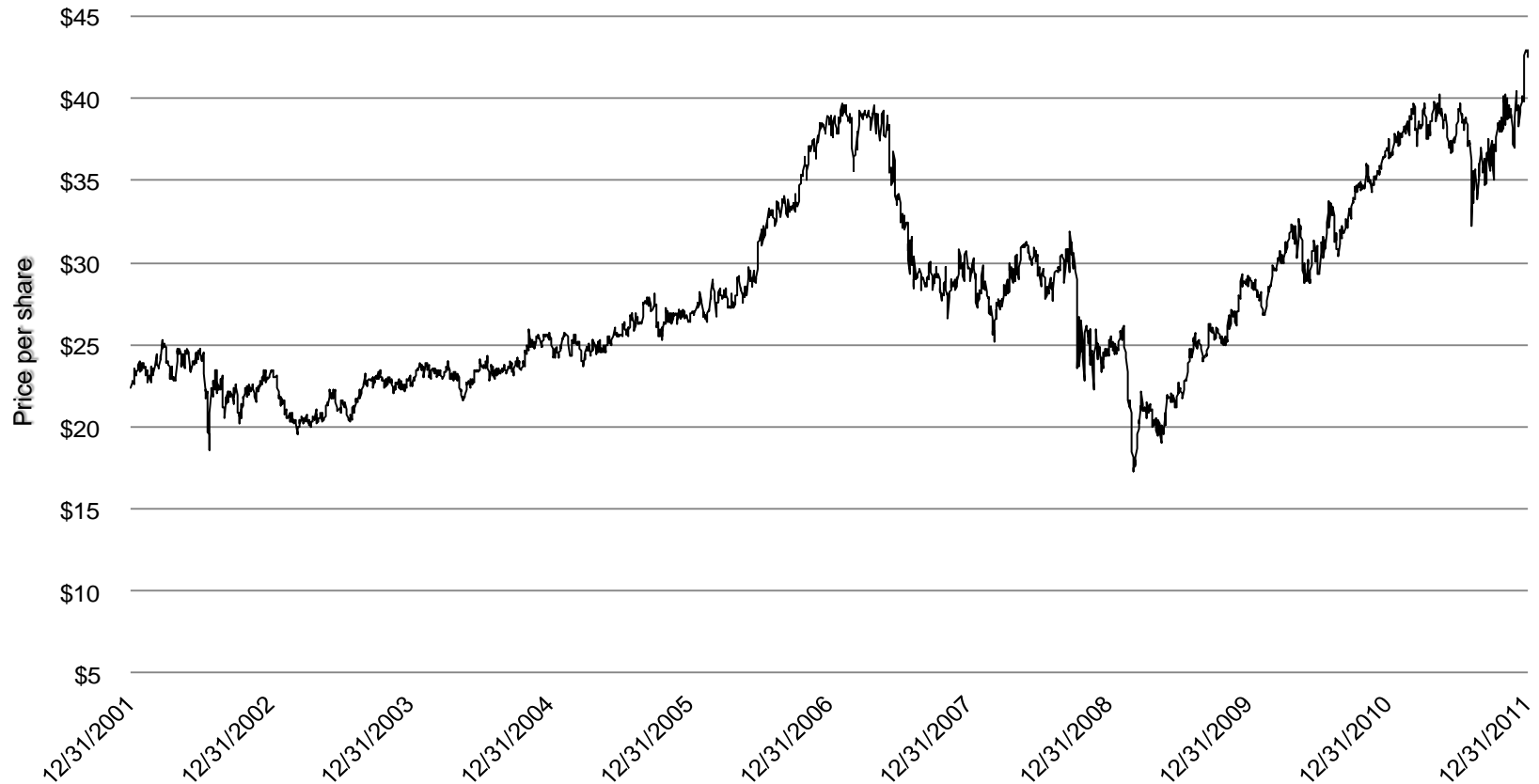
(2) Estimated amounts based on rate case settlement.

Return on Common Equity



Stock Price Graph

**Southwest Gas Corporation
Common Stock Closing Price
December 31, 2001 – December 31, 2011**



Comparative Total Returns

Total Returns for Periods Ended December 31, 2011

	1-Year	3-Year	5-Year	10-Year
Southwest Gas	19.08%	23.05%	5.32%	10.14%
S&P 600 Small Gas Index	17.04%	13.68%	9.54%	12.79%
Dow Jones Utilities	19.68%	12.78%	4.43%	8.86%
S&P 500 Index	2.09%	14.13%	(0.25%)	2.92%

Total Return = Price appreciation plus gross dividends reinvested