



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Proposes General Rate Increase

December 9, 2004

Gas Company Proposes New Residential Rate Structure to Separate Fixed Operating Costs From Cold Weather Usage

LAS VEGAS, Dec. 9 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) has filed a request with the Arizona Corporation Commission (Commission) to increase its authorized operating revenues by \$70.8 million. The request also includes proposals to mitigate the impact on residential customers when the weather is cold. Southwest's last general rate case was based on operating costs experienced in 1999. Southwest serves approximately 872,000 homes and businesses in Arizona.

If approved by the Commission, an average residential bill of \$37.35 for 29 therms would increase by \$5.77 to \$43.12. For residential customers on Southwest's low income rate assistance program, an average bill of \$31.79 would increase by only \$1.37 to \$33.16. The Company has requested a decision from the Commission by November 1, 2005.

The request is a result of increases in fixed operating costs and a rate structure that has hindered Southwest's ability to earn the return authorized by the Commission. The Company is asking the Commission to restructure residential rates to separate or 'decouple' the recovery of fixed operating costs from the volume of gas it sells. The Company has also proposed revising rates to shift a substantial portion of its fixed operating costs away from cold weather consumption. Customers would benefit because they would pay a lower bill than they would otherwise pay during periods of cold weather when consumption is highest.

Southwest is proposing a variety of new and expanded conservation and energy efficiency programs. In addition, the Company is asking for a mechanism to ensure that it would recover its fixed operating costs as consumption declines due to conservation efforts. The mechanism would also protect customers by crediting their bills if consumption increases and the Company collects more than was authorized by the Commission.

The separation of fixed operating cost recovery from the amount of gas customers consume has been endorsed by the National Association of Regulatory Utility Commissioners (NARUC). The Natural Resources Defense Fund, a major proponent of energy conservation, has also endorsed the concept as an incentive for natural gas companies to aggressively promote conservation.

Southwest Gas Corporation provides natural gas service to approximately 1,579,000 customers in Arizona, Nevada and California. Its service territory is centered in the fastest-growing region of the country.

This press release may contain statements which constitute "forward- looking statements" within the meaning of the 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 impact of weather variations on customer usage, customer growth rates, changes in natural gas prices, the ability to recover costs through the PGA mechanism, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, changes in gas procurement practices, changes in capital requirements and funding, resolution of pending litigation, the impact of conditions in the capital markets on financing costs, changes in construction expenditures and financing, changes in operations and maintenance expenses, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and management's plans related thereto, competition, and the ability to raise capital in external financings.

SOURCE Southwest Gas Corporation

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