



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Corporation Announces 2009 Earnings

February 25, 2010

LAS VEGAS, Feb 25, 2010 /PRNewswire via COMTEX/ -- Southwest Gas Corporation (NYSE: SWX) reported consolidated earnings of \$1.95 per basic share for 2009, a \$0.55 per share increase from the \$1.40 per basic share earned in 2008. Consolidated net income for 2009 was \$87.5 million, compared to \$61 million during 2008.

According to Jeffrey W. Shaw, Chief Executive Officer, "Higher operating income from the natural gas segment and a positive swing in the contribution from other income were the principal drivers behind our improved earnings. As a result of our efforts to work with state regulatory commissions to improve and bring stability to our revenues and cash flows, we realized rate relief during 2009 in all jurisdictions we serve. In addition, we now have an improved rate design in Nevada that, like in California, will enable us to more aggressively encourage conservation by our customers."

Shaw concluded by saying, "Improved earnings and cash flows, a decrease in capital expenditures, improvements in rate design, and sensible cost controls have all combined to strengthen our financial position, despite the current economic downturn. We will continue to focus on the core fundamentals of our business to make further improvements."

During the fourth quarter of 2009, consolidated net income was \$46.4 million, or \$1.03 per basic share, versus \$31.2 million, or \$0.71 per basic share, for the fourth quarter of 2008.

#### Natural Gas Operations Segment Results

##### **Full Year 2009**

Operating margin, defined as operating revenues less the net cost of gas sold, increased \$13 million between periods. Rate relief provided \$30 million toward the operating margin increase, consisting of \$25 million in Arizona, \$3 million in California, and \$2 million in Nevada. Conservation, resulting from current economic conditions and energy efficiency, negatively impacted operating margin by an estimated \$11 million. Differences in heating demand caused primarily by weather variations between years resulted in a \$7 million operating margin decrease as warmer-than-normal temperatures were experienced during both years (during 2009, operating margin was negatively impacted by \$18 million, while the negative impact in 2008 was \$11 million). Customer growth contributed \$1 million of the operating margin increase.

Operations and maintenance expenses increased \$10.3 million, or three percent, between years principally due to general cost increases and higher employee-related benefit costs, partially offset by slightly lower staffing levels. Despite additional plant in service, depreciation expense increased less than one percent due to lower depreciation rates in California and Nevada rate jurisdictions.

Other income, which principally includes interest income, changes in cash surrender values of company-owned life insurance ("COLI") policies, and non-utility expenses, improved \$20.1 million between years. This was primarily due to an \$8.5 million (\$0.19 per share) increase in the cash surrender values of COLI policies in 2009 compared to a decline of \$12 million (\$0.28 per share) in 2008. Net financing costs decreased \$9 million between years due to a reduction in outstanding debt and lower interest rates on variable-rate debt.

##### **Fourth Quarter**

Operating margin increased \$17 million, or eight percent, in the fourth quarter of 2009 compared to the fourth quarter of 2008. Differences in heating demand caused by weather variations between periods resulted in an \$11 million operating margin increase due primarily to warmer-than-normal temperatures experienced during 2008. Rate relief (\$5 million in Arizona, \$2 million in Nevada, \$1 million in California) accounted for \$8 million of the increase and customer growth contributed \$1 million. However, conservation, energy efficiency, and challenging economic conditions on consumption negatively impacted operating margin by \$3 million.

Operating expenses for the quarter increased \$8.3 million, or six percent, compared to the fourth quarter of 2008 primarily due to increases in employee-related and general costs. Timing was a factor as certain costs incurred in the fourth quarter of 2009 were incurred earlier in the year during 2008. Lower depreciation rates in Nevada and California rate jurisdictions mitigated the increase.

Other income improved \$8.8 million between periods. This was primarily due to a \$1.6 million increase in the cash surrender values of COLI policies in the fourth quarter of 2009 compared to a decline of \$5.7 million in the fourth quarter of 2008. Net financing costs decreased \$1.8 million due principally to a reduction in outstanding debt and lower interest rates on variable-rate debt.

Southwest Gas Corporation provides natural gas service to 1,824,000 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 impact of weather variations on customer usage, customer growth rates, conditions in the housing market, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, and the impacts of stock market volatility.*

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

YEAR ENDED DECEMBER 31, -----	2009 ----	2008 ----
Consolidated Operating		
Revenues	\$1,893,824	\$2,144,743
Net Income	\$87,482	\$60,973
Average Number of Common		
Shares Outstanding	44,752	43,476
Basic Earnings Per Share	\$1.95	\$1.40
Diluted Earnings Per Share	\$1.94	\$1.39
 QUARTER ENDED DECEMBER 31, -----		
Consolidated Operating		
Revenues	\$498,805	\$509,410
Net Income	\$46,392	\$31,232
Average Number of Common		
Shares Outstanding	44,990	43,980
Basic Earnings Per Share	\$1.03	\$0.71
Diluted Earnings Per Share	\$1.02	\$0.71

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