



SOUTHWEST GAS CORPORATION

**2010 Year End
Earnings Conference Call**

March 1, 2011



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. 2010 consolidated earnings
- II. NPL Construction Co. (NPL)
- III. Natural gas segment
- IV. Regulatory proceedings
- V. Customer growth
- VI. Construction expenditures, financings, liquidity, and capital structure
- VII. Dividends
- VIII. 2011 expectations



Summary Operating Results

(In thousands, except per share amounts)

Results of Consolidated Operations

	YEAR ENDED DECEMBER 31,				
	2006	2007	2008	2009	2010
Contribution to net income - gas operations	\$ 71,473	\$ 72,494	\$ 53,747	\$ 79,420	\$ 91,382
Contribution to net income - construction services	12,387	10,752	7,226	8,062	12,495
Net income	<u>\$ 83,860</u>	<u>\$ 83,246</u>	<u>\$ 60,973</u>	<u>\$ 87,482</u>	<u>\$ 103,877</u>
Basic earnings per share	<u>\$ 2.07</u>	<u>\$ 1.97</u>	<u>\$ 1.40</u>	<u>\$ 1.95</u>	<u>\$ 2.29</u>
Diluted earnings per share	<u>\$ 2.05</u>	<u>\$ 1.95</u>	<u>\$ 1.39</u>	<u>\$ 1.94</u>	<u>\$ 2.27</u>
Average outstanding common shares	40,566	42,336	43,476	44,752	45,405
Average shares outstanding (assuming dilution)	40,975	42,714	43,775	45,062	45,823



Results of Construction Services

(In thousands)

	YEAR ENDED DECEMBER 31,				
	2006	2007	2008	2009	2010
Construction revenues	\$ 297,364	\$ 337,322	\$ 353,348	\$ 278,981	\$ 318,464
Operating expenses:					
Construction expenses	252,859	292,319	311,745	242,461	277,804
Depreciation and amortization	22,310	25,424	27,382	23,232	20,007
Operating income	22,195	19,579	14,221	13,288	20,653
Other income (deductions)	135	73	63	55	(166)
Net interest deductions	1,686	2,036	1,823	1,179	564
Income before income taxes	20,644	17,616	12,461	12,164	19,923
Income tax expense	8,257	6,864	5,235	4,466	7,852
Net income	12,387	10,752	7,226	7,698	12,071
Net income (loss) attributable to noncontrolling interest	-	-	-	(364)	(424)
Contribution to consolidated net income attributable to NPL	\$ 12,387	\$ 10,752	\$ 7,226	\$ 8,062	\$ 12,495



Summary Operating Results

Gas Segment

(In thousands)

	YEAR ENDED DECEMBER 31,				
	2006	2007	2008	2009	2010
Results of Natural Gas Operations					
Gas operating revenues	\$ 1,727,394	\$ 1,814,766	\$ 1,791,395	\$ 1,614,843	\$ 1,511,907
Net cost of gas sold	1,033,988	1,086,194	1,055,977	866,630	736,175
Operating margin	693,406	728,572	735,418	748,213	775,732
Operations and maintenance expense	320,803	331,208	338,660	348,942	354,943
Depreciation and amortization	146,654	157,090	166,337	166,850	170,456
Taxes other than income taxes	34,994	37,553	36,780	37,318	38,869
Operating income	190,955	202,721	193,641	195,103	211,464
Other income (deductions)	10,049	4,850	(13,469)	6,590	4,016
Net interest deductions	85,567	86,436	83,096	74,091	75,113
Net interest deductions on subordinated debentures	7,724	7,727	7,729	7,731	1,912
Income before income taxes	107,713	113,408	89,347	119,871	138,455
Income tax expense	36,240	40,914	35,600	40,451	47,073
Contribution to net income - gas operations	<u>\$ 71,473</u>	<u>\$ 72,494</u>	<u>\$ 53,747</u>	<u>\$ 79,420</u>	<u>\$ 91,382</u>



2010

Increase in Operating Margin

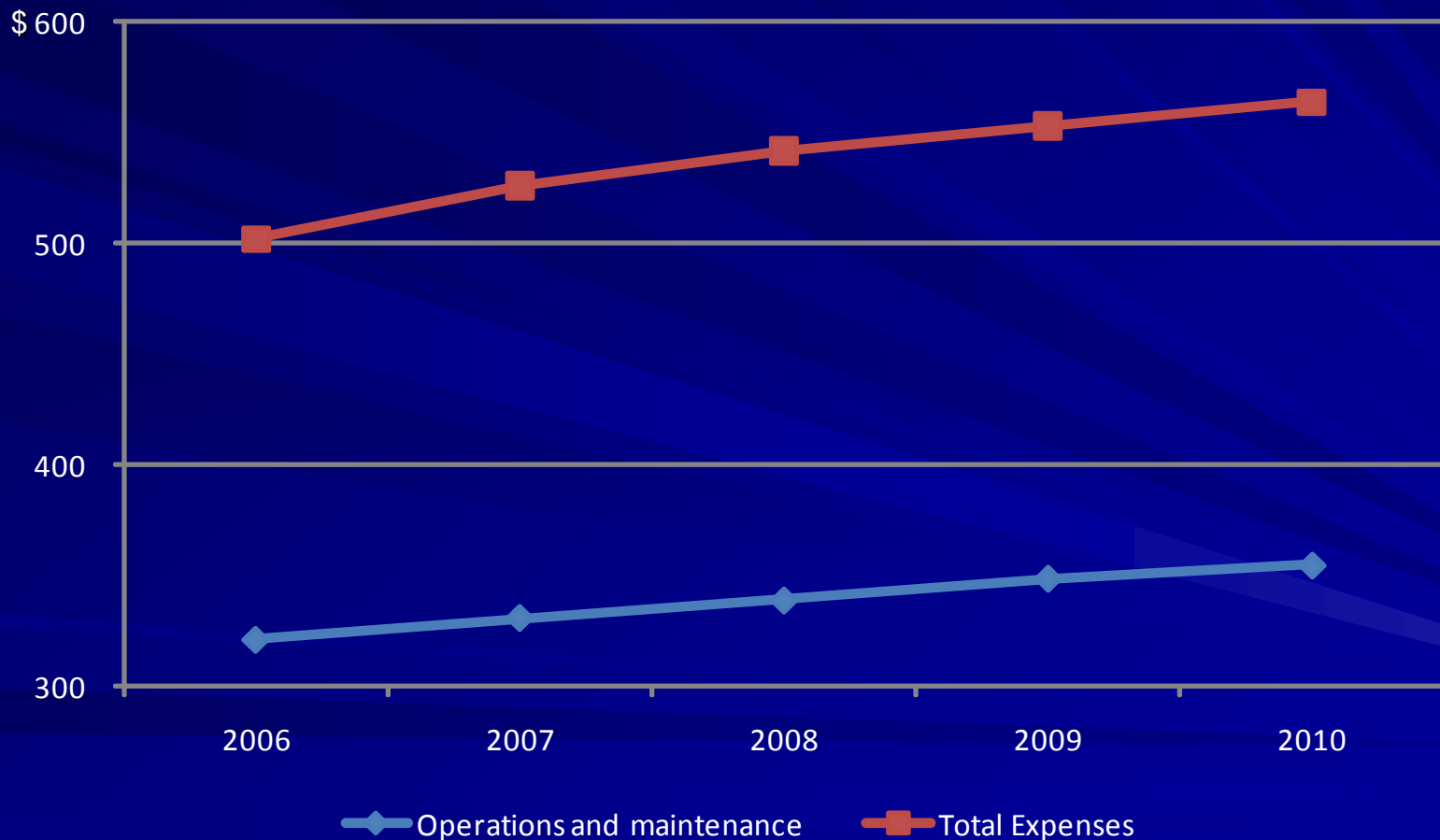
(In millions)

Nevada Rate Relief	\$	15
California Rate Relief		3
Customer Growth		1
Differences in Heating Demand		<u>8</u>
Increase in Operating Margin	\$	<u><u>27</u></u>



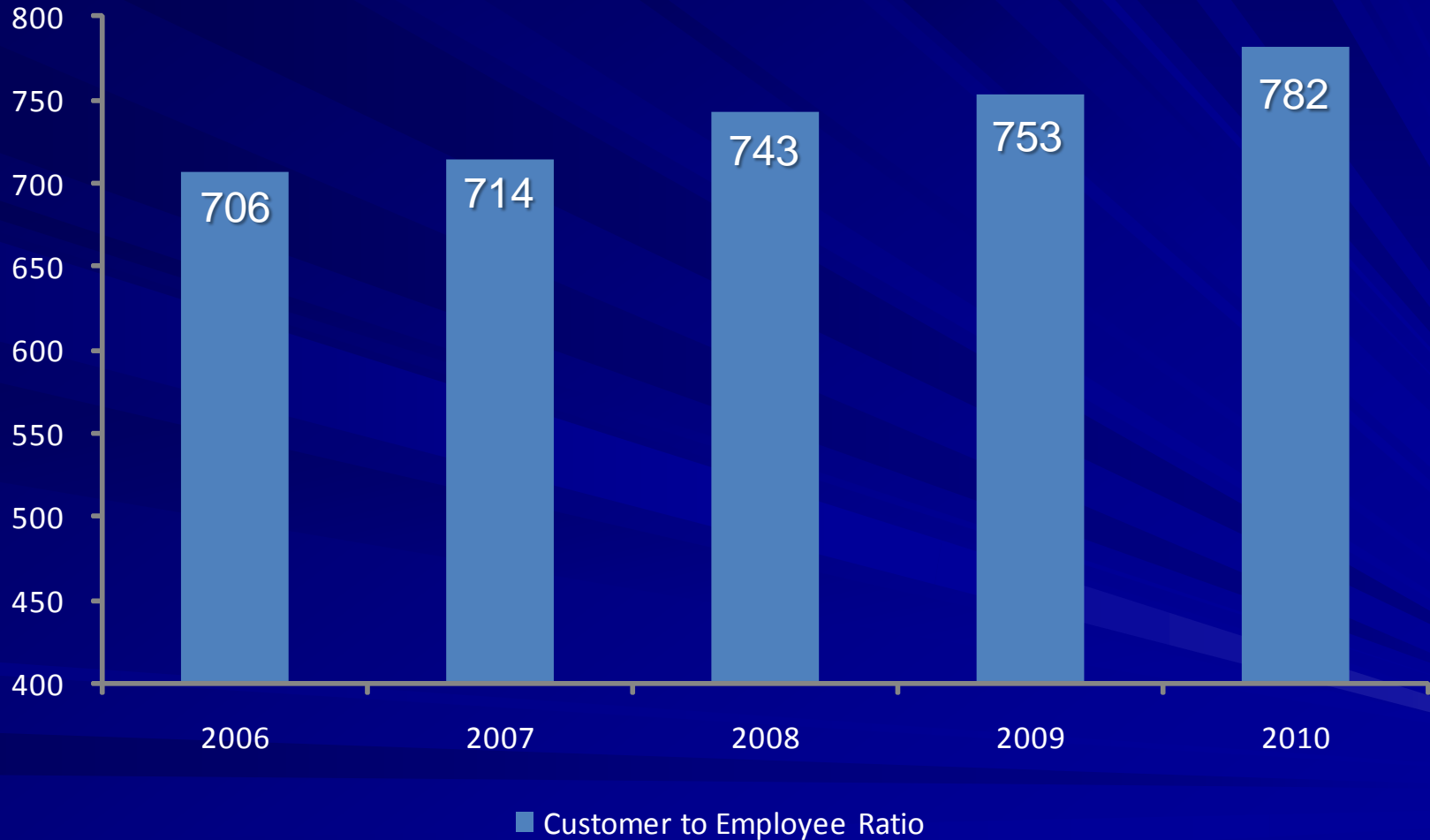
Operating Expense Gas Segment

(In millions)





Customer to Employee Ratio Gas Segment





Other Income and Deductions

(In thousands)

	2008	2009	2010
Change in COLI policies	<u>\$ (12,041)</u>	<u>\$ 8,546</u>	<u>\$ 9,770</u>
Pipe Replacement	(1,942)	(2,642)	(5,024)
Miscellaneous income (expense)	<u>514</u>	<u>686</u>	<u>(730)</u>
Total other income (deductions)	<u><u>\$ (13,469)</u></u>	<u><u>\$ 6,590</u></u>	<u><u>\$ 4,016</u></u>



Net Financing Costs

- Declined from \$90.8MM in 2008 to \$77MM in 2010
 - Redeemed \$75MM IDRBs in December 2008 at a discount
 - Redeemed \$100MM of subordinated debentures in March 2010 at par



Arizona Energy Efficiency and Decoupling Proceedings

- In 2009, the ACC initiated workshops to explore expanding energy efficiency efforts
- A natural gas utility energy efficiency standard was established in August 2010
- A supportive decoupling policy statement was approved by the ACC in December 2010
- Southwest has reflected the substance of both the gas energy efficiency standard *and* the decoupling policy statement in its most recent rate case application



Arizona General Rate Case

Filed November 2010

	SWG Request
Rate Relief	\$73.2MM
Rate Base	\$1.074 billion
ROE	11.00%
Capital Structure - Equity	52.3%
Rate Design	Fully decoupled
Effective Date	Early 2012



California

- Decoupled rate structure
- Attrition increases
 - Approximately \$2.2MM-\$2.7MM per year
 - Approved for 2010-2013
- Next general rate case will be a 2014 test year, and anticipated to be filed by December 2012



Purchased Gas Adjustment (PGA) Balances

(In millions)

	<u>12/31/2009</u>	<u>12/31/2010</u>
Arizona	\$ (33.2)	\$ (45.2)
Northern Nevada	1.2	(8.4)
Southern Nevada	(60.0)	(69.8)
California	2.0	0.4
Total Receivable / (Payable)	<u>\$ (90.0)</u>	<u>\$ (123.0)</u>



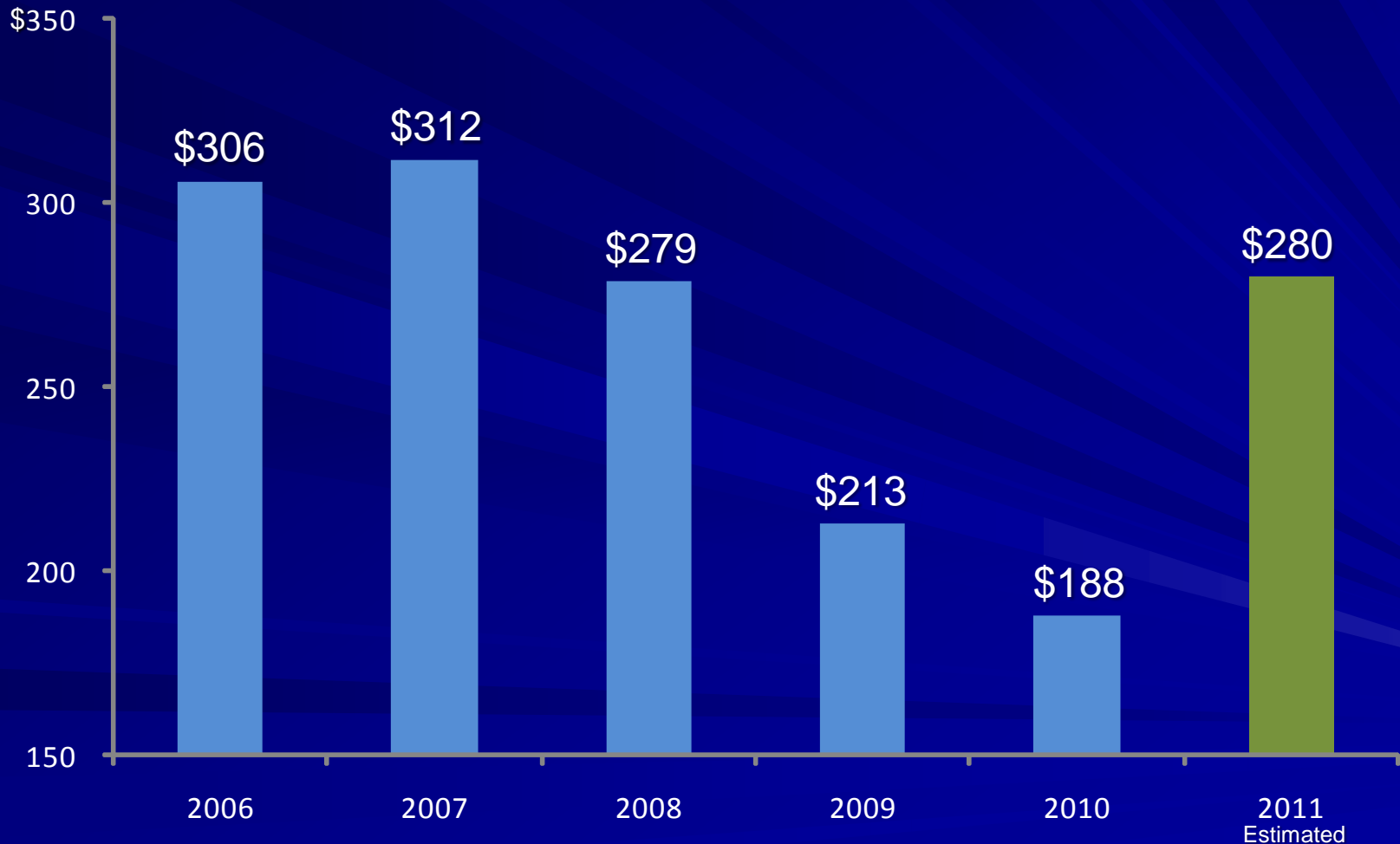
Customer Count Breakdown

	YEAR ENDED DECEMBER 31,				
	2006	2007	2008	2009	2010
New meter sets	87,000	59,000	33,000	18,000	16,000
Net customer additions	71,000	29,000	6,000	5,000	13,000



Capital Expenditures Gas Segment

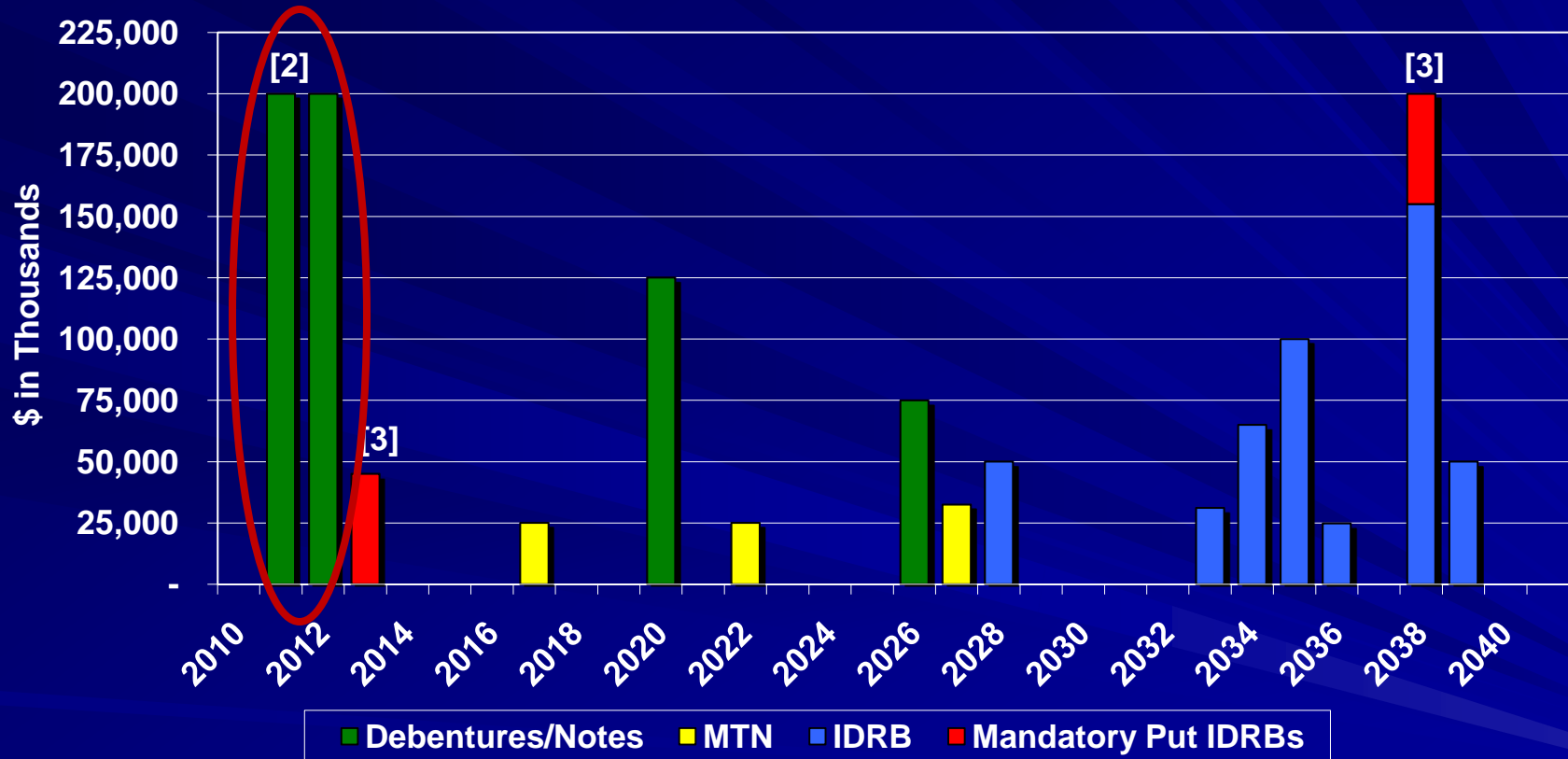
(In millions)





Long-Term Debt Maturity Schedule^[1]

December 31, 2010



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

[2] Refinanced with approximately \$75 million of proceeds from the \$125 million 4.45% 10-year senior notes issued in December 2010 and the proceeds from \$125 million 6.10% 30-year senior notes issued in February 2011.

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



Financings

➤ Financings

- \$125 million 4.45% senior note, due 2020
 - Issued December 2010
- \$125 million 6.10% senior note, due 2041
 - Issued February 2011
- Expect to issue \$200 million in new debt in 2012 to refinance maturing debenture
- Issue approximately \$15 million from Southwest's various common stock programs from 2011 through 2013



Liquidity

- \$300 million credit facility
 - Matures in May 2012
 - No outstanding balance as of December 31, 2010
 - Historically low usage
- Management believes facility is adequate and Southwest has solid liquidity position



Capital Structure

(in thousands)

<u>Capitalization at year end</u>	2006	2007	2008	2009	2010
Common Equity	\$ 901,425	\$ 983,673	\$ 1,037,841	\$ 1,102,086	\$ 1,166,996
Subordinated Debentures	100,000	100,000	100,000	100,000	-
Long-Term Debt	1,286,354	1,266,067	1,185,474	1,169,357	1,124,681
Total Permanent Capital	<u>\$ 2,287,779</u>	<u>\$ 2,349,740</u>	<u>\$ 2,323,315</u>	<u>\$ 2,371,443</u>	<u>\$ 2,291,677</u>

<u>Capitalization ratios</u>					
Common Equity	39.4%	41.9%	44.7%	46.5%	50.9%
Subordinated Debentures	4.4%	4.2%	4.3%	4.2%	0.0%
Long-Term Debt	56.2%	53.9%	51.0%	49.3%	49.1%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>



Investment Grade Credit Ratings

Moody's

- Senior Unsecured Debt:
- Outlook:

Rating

Baa2 (May 2010)
Stable

Standard & Poor's

- Senior Unsecured Debt:
- Outlook:

BBB
Positive (April 2010)

Fitch

- Senior Unsecured Debt:
- Outlook:

BBB
Positive (June 2010)



Dividend Growth

- The Board will continue to monitor earnings, cash flows, and capital structure to determine the appropriate dividend level



CAGR = compound annual growth rate



2011 Expectations

- Weather risk limited to Arizona, but continue to pursue decoupling
- Customer growth anticipated to remain 1% or less
- Operating costs historical trend is expected to continue
- Financing costs should improve given the refinancings
- Accelerated capital expenditures as a result of bonus tax depreciation in 2011 and 2012
- Dividend situation looks favorable



Focus

- Working closely with regulators to improve and stabilize revenues and cash flows (specifically Arizona)
- Pursue sensible cost control
- Aggressively manage investment growth
- Exceed our customers' expectations



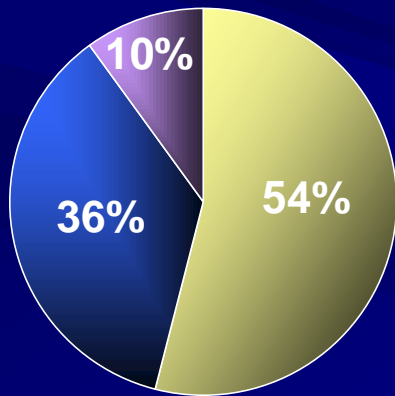
APPENDIX



Stable Customer Base

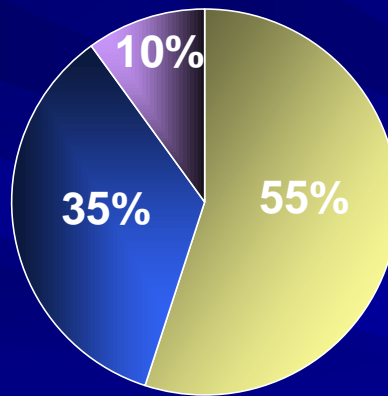
TMTD December 31, 2010 Customer & Operating Margin Distribution

By State

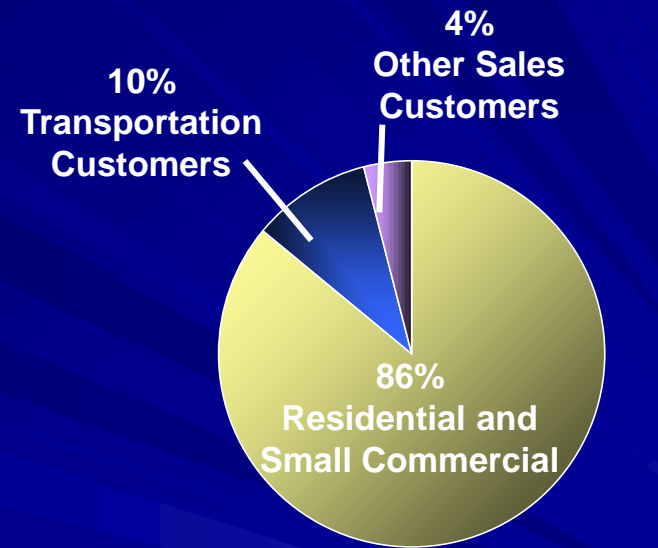


Customers

■ Arizona
■ Nevada
■ California



Operating Margin



Operating Margin by Customer

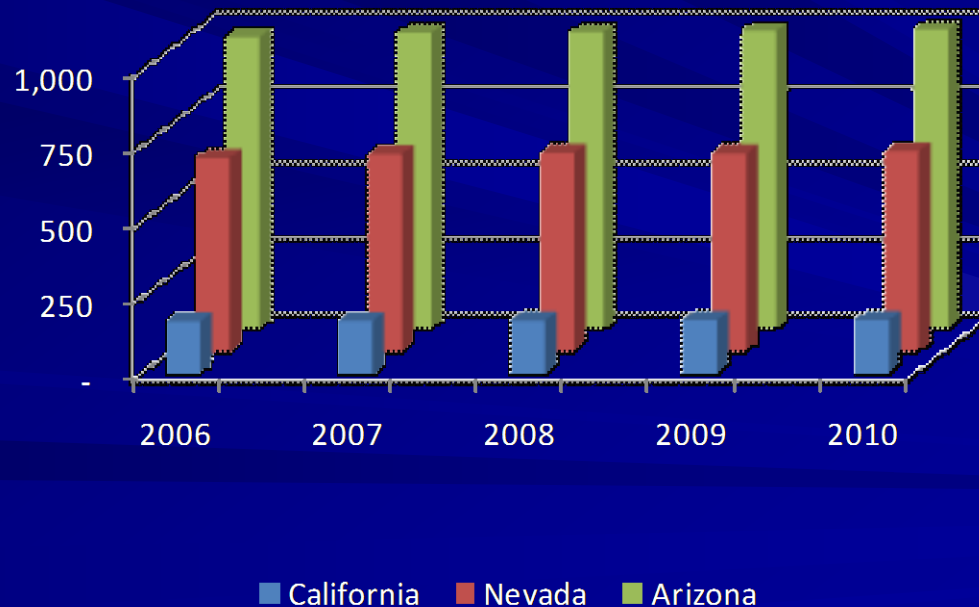
➤ Consistent trends year over year



Natural Gas Operations – Customers by State (In thousands)

AT DECEMBER 31,

	2006	2007	2008	2009	2010
Arizona	965	980	982	986	991
Nevada	642	655	658	657	664
California	177	178	179	181	182
Total	1,784	1,813	1,819	1,824	1,837





Natural Gas Operations – Customers by Class

(In thousands)

	AT DECEMBER 31,				
	2006	2007	2008	2009	2010
Residential	1,705	1,733	1,738	1,744	1,758
Commercial	78	79	80	79	78
Other	1	1	1	1	1
Total	1,784	1,813	1,819	1,824	1,837



System Throughput by Customer Class

(In dekatherms)

	YEAR ENDED DECEMBER 31,				
	2006	2007	2008	2009	2010
Residential	67,760,496	69,806,322	70,498,622	66,973,593	70,469,300
Small commercial	30,985,648	31,066,563	31,455,477	29,422,425	30,094,001
Large commercial	12,825,532	12,756,072	12,512,144	11,724,121	11,183,295
Industrial / Other	14,924,252	10,352,500	9,770,147	7,262,348	5,892,213
Transportation	117,523,796	112,842,208	116,418,981	104,389,391	99,859,949
Total system throughput	<u>244,019,724</u>	<u>236,823,665</u>	<u>240,655,371</u>	<u>219,771,878</u>	<u>217,498,758</u>



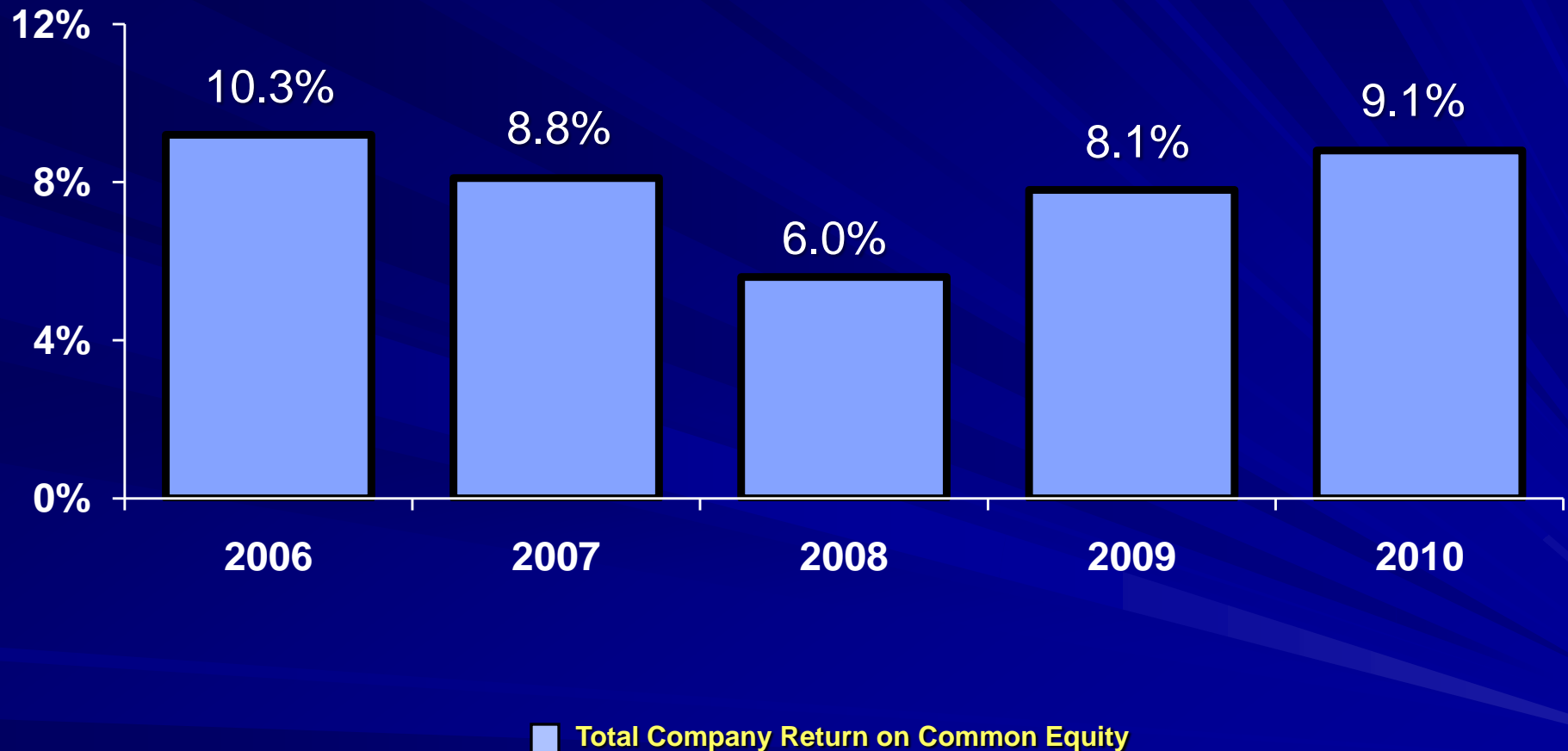
Authorized Rate Base and Rates of Return

Rate Jurisdiction	Authorized		
	Rate Base (\$ in thousands)	Rate of Return	Return on Common Equity
Arizona	\$ 1,066,108	8.86%	10.00%
Southern Nevada	819,717	7.40%	10.15%
Northern Nevada	116,584	8.29%	10.15%
Southern California	143,851	7.87%	10.50%
Northern California	52,285	8.99%	10.50%
South Lake Tahoe	11,815	8.99%	10.50%
Paiute Pipeline Company[1]	84,717	9.47%	12.00%

[1] Estimated based on rate case settlement



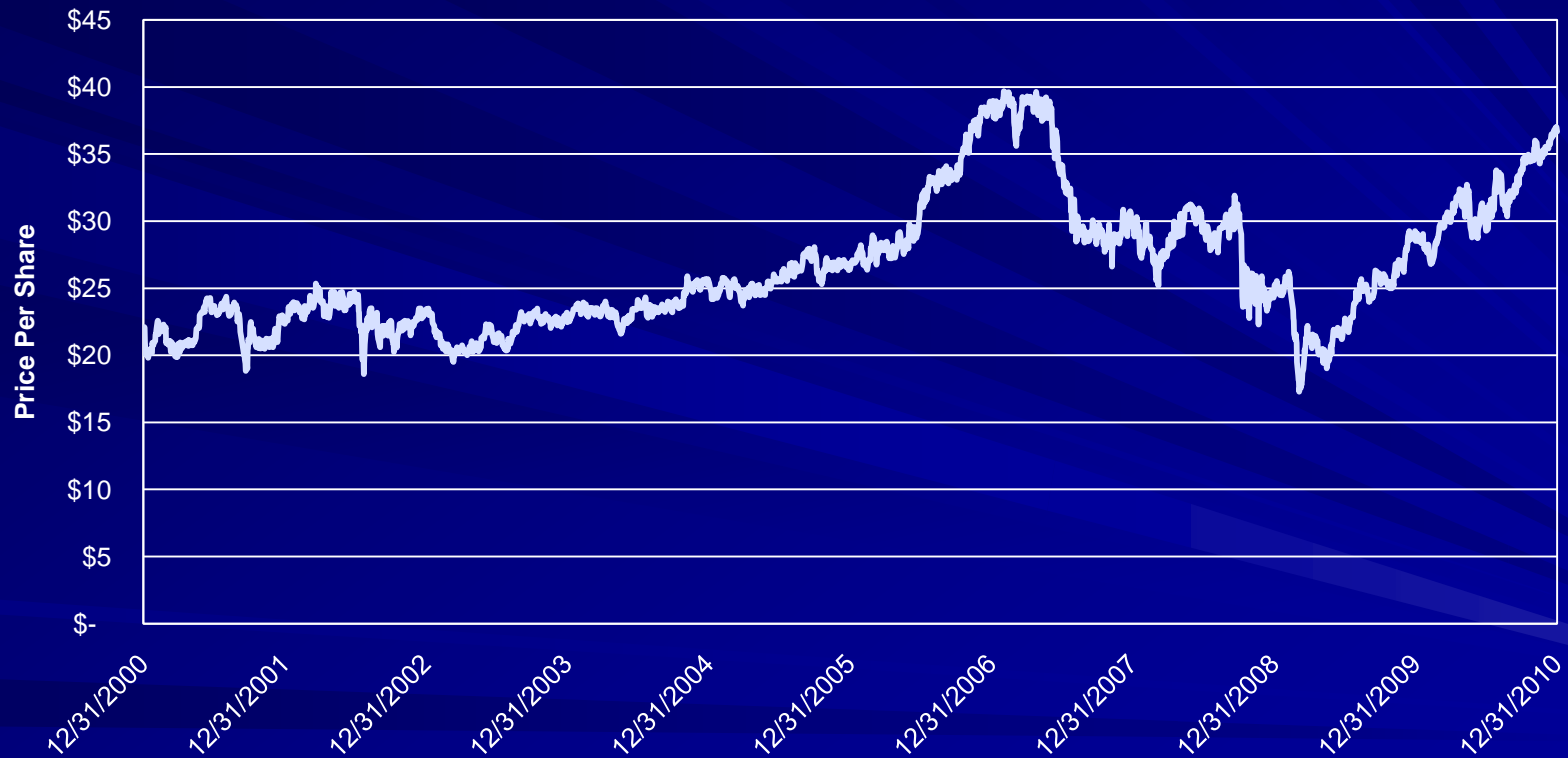
Return on Common Equity





Stock Price Graph

**Southwest Gas Corporation
Common Stock Closing Price
December 31, 2000 - December 31, 2010**





Comparative Total Returns

Total Returns for Periods Ended December 31, 2010

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Southwest Gas	32.67%	11.00%	10.18%	8.87%
S&P 600 Small Gas	19.86%	8.13%	11.39%	10.56%
Dow Jones Utilities	6.51%	-4.72%	3.90%	3.72%
S&P 500	15.09%	-2.84%	2.29%	1.41%

Total Returns = Price appreciation plus gross dividends reinvested