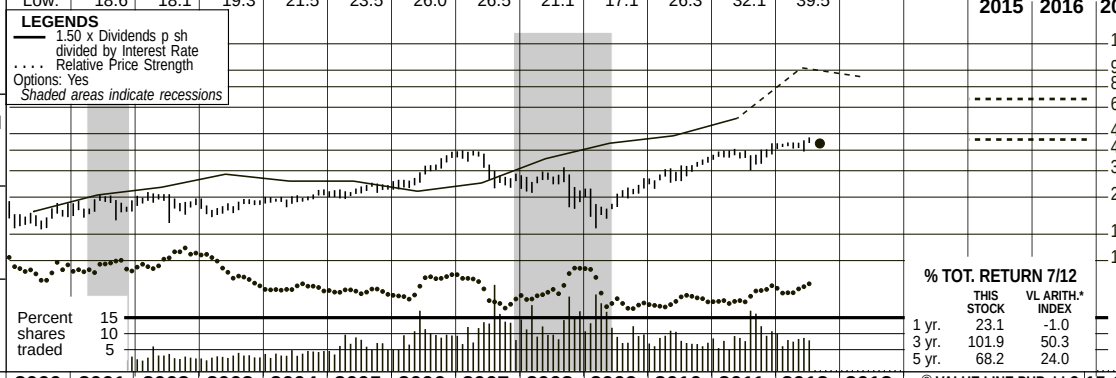
SOUTHWEST GAS NYSE-SWX

RECENT PRICE	43.02	P/E RATIO	16.5 (Trailing: 17.4 / Median: 17.0)	RELATIVE P/E RATIO	1.11	DIV'D YLD	2.9%	VALUE LINE

TIMELINESS 2 Lowered 8/17/12
SAFETY 3 Lowered 1/4/91
TECHNICAL 3 Raised 8/10/12
BETA .75 (1.00 = Market)

High:	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	29.5	37.3	43.2	46.1
Low:	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	17.1	26.3	32.1	39.5

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+65%)	15%
Low	45	(+5%)	4%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	2	0	0	0	1	0	0	0
Options	0	1	2	0	0	2	0	0	2
to Sell	0	2	2	1	0	4	0	1	3

Institutional Decisions

	3Q2011	4Q2011	1Q2012
to Buy	70	56	64
to Sell	76	95	79
Hld's(000)	33998	34237	35127

% TOT. RETURN 7/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	23.1	-1.0
3 yr.	101.9	50.3
5 yr.	68.2	24.0

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	42.00	40.18	41.07	*40.95*	*41.15*	Revenues per sh	*51.00*
3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	6.16	6.46	6.81	*7.25*	*7.70*	"Cash Flow" per sh	*9.30*
.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.94	2.27	2.43	*2.50*	*2.85*	Earnings per sh A	*3.75*
.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	.95	1.00	1.06	*1.18*	*1.30*	Div'ds Decl'd per sh B■†	*1.60*
8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	4.81	4.73	8.29	*7.65*	*8.35*	Cap'l Spending per sh	*9.40*
14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	24.44	25.62	26.66	*28.70*	*31.25*	Book Value per sh	*36.25*
26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.09	45.56	45.96	*47.00*	*48.00*	Common Shs Outst'g C	*51.00*
69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	12.2	14.0	15.7	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22	.81	.89	.99	*Value Line*		Relative P/E Ratio	*1.00*
4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 6/30/12
Total Debt $1222.6 mill. **Due in 5 Yrs** $343.0 mill.
LT Debt $1203.2 mill. **LT Interest** $70.0 mill.
(Total interest coverage: 3.6x) (48% of Cap'l)
Leases, Uncapitalized Annual rentals $6.0 mill.
Pension Assets-12/11 $551.8 mill.
Oblig. $832.8 mill.
Pfd Stock None

Common Stock 46,132,157 shs.
as of 7/27/12

MARKET CAP: $2.0 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	1893.8	1830.4	1887.2	*1925*	*1975*	Revenues ($mill)	*2600*
38.6	38.5	58.9	48.1	80.5	83.2	61.0	87.5	103.9	112.3	*120*	*140*	Net Profit ($mill)	*195*
32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	34.0%	34.7%	36.2%	*36.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	4.6%	5.7%	6.0%	*6.2%*	*7.1%*	Net Profit Margin	*7.5%*
62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	53.5%	49.1%	43.2%	*48.0%*	*47.5%*	Long-Term Debt Ratio	*48.0%*
34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	46.5%	50.9%	56.8%	*52.0%*	*52.5%*	Common Equity Ratio	*52.0%*
1748.3	1851.6	1968.6	2076.0	2287.8	2349.7	2323.3	2371.4	2291.7	2155.9	*2600*	*2850*	Total Capital ($mill)	*3550*
1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	3034.5	3072.4	3218.9	*3300*	*3400*	Net Plant ($mill)	*3750*
4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	4.5%	5.4%	6.1%	6.4%	*6.0%*	*6.5%*	Return on Total Cap'l	*7.0%*
5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	*9.0%*	*9.5%*	Return on Shr. Equity	*10.5%*
6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	*9.0%*	*9.5%*	Return on Com Equity	*10.5%*
1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	4.1%	5.1%	5.3%	*5.0%*	*5.0%*	Retained to Com Eq	*6.0%*
70%	72%	49%	65%	42%	44%	63%	48%	43%	43%	*46%*	*45%*	All Div'ds to Net Prof	*42%*

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	116.1	21.9	32.6
Other	329.8	439.7	323.0
Current Assets	445.9	461.6	355.6
Accts Payable	165.5	186.8	82.4
Debt Due	75.1	322.6	19.4
Other	356.4	338.2	365.6
Current Liab.	597.0	847.6	467.4
Fix. Chg. Cov.	299%	359%	363%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	1.5%	-1.5%	*3.5%*
"Cash Flow"	3.5%	3.0%	*6.0%*
Earnings	6.0%	6.5%	*9.0%*
Dividends	2.0%	4.0%	*8.0%*
Book Value	4.5%	5.0%	*6.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	689.9	387.6	317.5	498.8	1893.8
2010	668.8	385.8	307.7	468.1	1830.4
2011	628.4	388.5	352.6	517.7	1887.2
2012	657.6	409.8	*360*	*497.6*	*1925*
2013	*670*	*415*	*375*	*515*	*1975*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.12	d.01	d.18	1.01	1.94
2010	1.42	d.02	d.11	.98	2.27
2011	1.48	.09	d.34	1.19	2.43
2012	1.70	d.08	*d.30*	*1.18*	*2.50*
2013	*1.80*	*.10*	*d.30*	*1.25*	*2.85*

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.215	.225	.225	.225	.89
2009	.225	.238	.238	.238	.94
2010	.238	.250	.250	.250	.99
2011	.250	.265	.265	.265	1.05
2012	.265	.295	.295		

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.9 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2011 margin mix: residential and small commercial, 86%; large commercial and industrial, 4%; transportation, 10%. Total throughput: 2.1 billion therms. Sold PriMerit Bank, 7/96. Has 5,754 employees. Off. & Dir. own 1.6% of common stock; BlackRock Inc., 8.5%; GAMCO Investors, Inc., 8.3%; T. Rowe Price Associates, Inc., 6.7% (3/12 Proxy). Chairman: Michael J. Melarkey. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Southwest Gas turned in a mixed performance for the second quarter. The top line increased at a decent clip. Strong growth in construction revenues more than offset a moderate decline in utility revenue. However, operating expenses also increased, and the company posted a share loss of $0.08 for the period. This includes the recognition by the construction services segment of $13 million (roughly $0.18 per share) in costs associated with a large fixed-price pipe replacement contract.

Comparisons will probably continue to be mixed in the second half of the year. The utility business ought to benefit from modest customer growth and recently granted rate relief in Arizona. Moreover, the pipeline construction services subsidiary should continue to experience healthy demand, given the need to replace aging infrastructure. However, greater operating costs should continue to pressure margins, and share earnings for full-year 2012 will probably just match the prior-year tally.

The company has requested rate relief in Nevada. Southwest is seeking an increase of $26.9 million from the Public Utilities Commission of Nevada. It is asking that new rates take effect November 1st. Hearings are scheduled to begin in the current month. Efforts to procure rate relief should remain important, as the company depends on such approved revenue increases to help it cope with greater costs and to compensate for investment in infrastructure.

Readers should be mindful of several caveats. The company will likely incur greater operating expenses as it continues to expand. Moreover, unfavorable temperature variations or lagging rate relief could hurt the performance of the utility business.

This stock is favorably ranked for year-ahead relative price performance. Looking further out, we anticipate higher revenues and share earnings for the company by 2015-2017. Dividend growth ought to continue, as well. However, this appears to be partly reflected in the recent quotation, and appreciation potential for the coming years is below the *Value Line* median. Moreover, the stock's dividend yield is somewhat lower than the industry average.

Michael Napoli, CFA *September 7, 2012*

(A) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Next egs. report due in November. **(B)** Dividends historically paid early March, June, September, December. ■† Div'd reinvestment and stock purchase plan avail. **(C)** In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	75

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