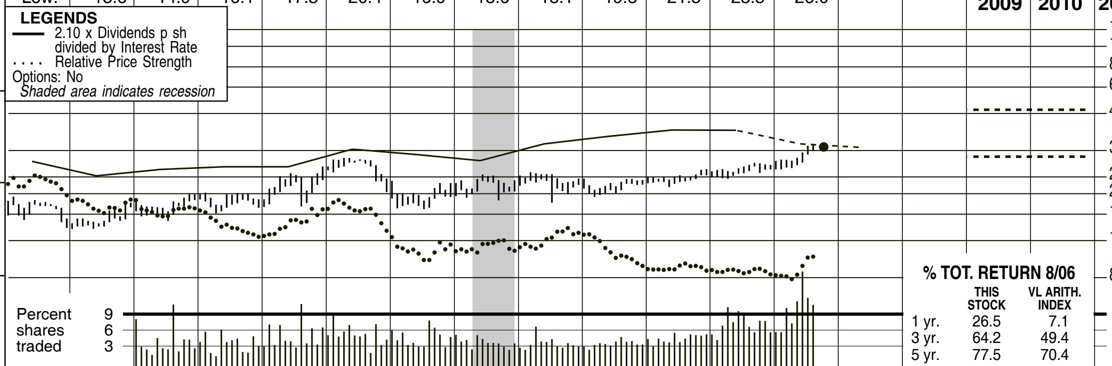
SOUTHWEST GAS NYSE-SWX

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
33.28	17.6	(Trailing: 21.2 Median: 20.0)	1.04	2.5%	VALUE LINE

TIMELINESS 3 Raised 5/12/06
SAFETY 3 Lowered 1/4/91
TECHNICAL 3 Lowered 9/1/06
BETA .85 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	18.4	19.9	20.3	26.9	29.5	23.0	24.7	25.3	23.6	26.2	28.1	34.2
Low:	13.6	14.9	16.1	17.3	20.4	16.9	18.6	18.1	19.3	21.5	23.5	26.0

Target Price Range
2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+50%)	12%
Low	30	(-10%)	Nil

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	1	2	0	0	0	3	0	0
Options	0	0	0	1	0	5	1	5	5
to Sell	0	0	0	1	0	5	1	6	6

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	62	69	82
to Sell	53	53	46
Hld's(000)	25543	26476	29036

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	26.5	7.1
3 yr.	64.2	49.4
5 yr.	77.5	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
25.90	24.99	25.93	25.68	28.16	23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	*47.60*	*48.35*	Revenues per sh A	*50.00*
3.96	1.53	3.34	3.24	5.09	2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	*5.90*	*6.05*	"Cash Flow" per sh	*6.50*
1.81	d.76	.81	.63	1.22	.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	*1.85*	*1.95*	Earnings per sh A B	*2.25*
1.40	.88	.70	.74	.80	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	*.82*	*.82*	Div'ds Decl'd per sh C■	*.82*
5.06	3.76	5.02	5.43	6.64	6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	*7.25*	*7.20*	Cap'l Spending per sh	*7.55*
17.63	15.88	15.99	15.96	16.38	14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	*19.50*	*20.25*	Book Value per sh	*24.00*
20.04	20.60	20.60	21.00	21.28	24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	*41.50*	*43.00*	Common Shs Outst'g D	*45.00*
8.7	- -	16.6	26.5	14.0	NMF	NMF	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.65	- -	1.01	1.57	.92	NMF	NMF	1.40	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	*Value Line*		Relative P/E Ratio	*1.20*
8.9%	7.0%	5.2%	4.4%	4.7%	5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*2.0%*

CAPITAL STRUCTURE as of 6/30/06

Total Debt $1251.9 mill. **Due in 5 Yrs** $344.5 mill.
LT Debt $1166.9 mill. **LT Interest** $85.0 mill.
(Total interest coverage: 2.0x)

Pension Assets-12/05 $359.6 mill.
Oblig. $511.0 mill.

Pfd Stock None

Common Stock 40,846,327 shs.
(as of 8/3/06)

MARKET CAP: $1.4 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
644.1	732.0	917.3	936.9	1034.1	1396.7	1320.9	1231.0	1477.1	1714.3	*1975*	*2080*	Revenues ($mill) A	*2250*
6.6	20.8	47.5	39.3	38.3	37.2	38.6	38.5	58.9	48.1	*75.0*	*85.0*	Net Profit ($mill)	*100*
37.1%	29.2%	43.4%	35.5%	26.2%	34.5%	32.8%	30.5%	34.8%	29.7%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
1.0%	2.8%	5.2%	4.2%	3.7%	2.7%	2.9%	3.1%	4.0%	2.8%	*3.9%*	*4.0%*	Net Profit Margin	*4.5%*
60.2%	63.6%	60.2%	60.3%	60.2%	56.2%	62.5%	66.0%	64.2%	63.8%	*60.7%*	*59.9%*	Long-Term Debt Ratio	*56.5%*
34.4%	31.5%	35.3%	35.5%	35.8%	39.6%	34.1%	34.0%	35.8%	36.2%	*39.3%*	*40.1%*	Common Equity Ratio	*43.5%*
1104.8	1224.7	1349.3	1424.7	1489.9	1417.6	1748.3	1851.6	1968.6	2076.0	*2060*	*2170*	Total Capital ($mill)	*2480*
1278.5	1360.3	1459.4	1581.1	1686.1	1825.6	1979.5	2175.7	2336.0	2489.1	*2600*	*2750*	Net Plant ($mill)	*3200*
2.8%	3.9%	5.8%	4.8%	4.6%	5.1%	4.3%	4.2%	5.0%	4.3%	*5.5%*	*6.0%*	Return on Total Cap'l	*6.0%*
1.5%	4.7%	8.9%	7.0%	6.5%	6.0%	5.9%	6.1%	8.3%	6.4%	*9.5%*	*10.0%*	Return on Shr. Equity	*9.5%*
1.7%	5.4%	10.0%	7.8%	7.2%	6.6%	6.5%	6.1%	8.3%	6.4%	*9.5%*	*10.0%*	Return on Com Equity	*9.5%*
NMF	NMF	5.0%	2.8%	2.4%	1.9%	1.9%	1.7%	4.3%	2.2%	*5.0%*	*6.0%*	Retained to Com Eq	*6.0%*
NMF	107%	50%	64%	67%	71%	70%	72%	49%	65%	*44%*	*41%*	All Div'ds to Net Prof	*36%*

CURRENT POSITION ($MILL.)

	2004	2005	6/30/06
Cash Assets	13.6	29.6	8.6
Other	418.4	513.1	310.2
Current Assets	432.0	542.7	318.8
Accts Payable	165.9	259.5	82.7
Debt Due	129.8	107.2	85.0
Other	187.3	254.3	258.2
Current Liab.	483.0	621.0	425.9
Fix. Chg. Cov.	166%	167%	189%

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	4.5%	5.0%	*4.0%*
"Cash Flow"	4.0%	3.5%	*3.5%*
Earnings	7.5%	-0.5%	*9.0%*
Dividends	0.5%	- -	*Nil*
Book Value	2.0%	3.0%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	403.3	255.8	220.2	351.7	1231.0
2004	473.4	278.7	264.5	460.5	1477.1
2005	542.9	361.1	313.3	497.0	1714.3
2006	676.9	430.9	*350*	*517.2*	*1975*
2007	*700*	*450*	*370*	*560*	*2080*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.76	d.12	d.51	1.00	1.13
2004	1.18	d.24	d.51	1.23	1.66
2005	.88	d.07	d.43	.87	1.25
2006	1.11	.02	*d.35*	*1.07*	*1.85*
2007	*1.15*	*.05*	*d.40*	*1.15*	*1.95*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.205	.205	.205	.205	.82
2003	.205	.205	.205	.205	.82
2004	.205	.205	.205	.205	.82
2005	.205	.205	.205	.205	.82
2006	.205	.205	.205		

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approx. 1.7 million customers in sections of Arizona, Nevada, and California. '05 margin mix: resid. and small commercial, 86%; large commercial and industrial, 5%; transportation, 9%. Annual volume: 2.2 billion therms. Principal suppliers: El Paso Natural Gas Co. and Northwest Pipeline Corp. Acquired gas utility assets from Arizona Public Service in 1984. Sold PriMerit Bank (acq. in '86) in 7/96. Has about 2,590 employees. Officers & Directors own 2.3% of common stock (3/06 Proxy). Chairman: LeRoy Hanneman. Chief Executive Officer: Jeffrey W. Shaw. Incorporated: California. Address: 5241 Spring Mountain Rd., Las Vegas, Nevada 89150. Telephone: 702-876-7011. Internet: www.swgas.com.

Shares of Southwest Gas have increased roughly 15% since our June report, as the company reported solid performance in the second quarter. Despite warmer weather, revenues in the natural gas segment increased by nearly 19%. Rate relief (primarily in Arizona) and customer growth drove these results. Strength in the construction services subsidiary benefited the company's bottom line. Excluding a nonrecurring gain of $0.07 per share from a property tax settlement, share net came in at $0.02. This is the first time in recent years the company has reported a positive tally for the second quarter.

For full-year 2006, we expect revenues will advance by 15%. We have increased our bottom-line estimate to $1.85, representing an increase of 48% over the prior year. We anticipate moderate growth from 2007 to the end of the decade. The company's increased focus on obtaining rate relief and improving rate design could be important growth drivers, as Southwest Gas depends upon such approved revenue increases to help it cope with increasing natural gas prices. Net profit margins should strengthen, as well.

Nevertheless, the company is not without risk. We anticipate significant capital expenditures in the coming years, as Southwest Gas works to expand its customer base. We expect a rising share count as the company continues to issue common stock to support these investments. Long-term debt should continue to increase, although probably at a slower rate than shareholders' equity. Also, warmer-than-usual weather, increased customer conservation, and insufficient, or lagging, rate relief could have a negative impact on corporate results. The possibility of increased operating and maintenance costs is another caveat.

With a Timeliness rank of 3 (Average), these shares are not a standout for the year ahead. Moreover, following the recent increase in stock price, appreciation potential for the pull to late decade is subpar. The dividend yield of 2.5% is lower than the group's average, too. Income-oriented investors should also note that the company has not increased the dividend in the past decade.

Michael F. Napoli *September 15, 2006*

(A) Incl. income for PriMerit Bank on the equity basis through 1994.
(B) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '93, 8¢; '97, 16¢; '02, (10¢); '05, (11¢). Incl. asset writedown: '93, 44¢. Excl. loss from disc. ops.: '95, 75¢. Next egs. report due in early November.
(C) Dividends historically paid early March, June, September, December.
■ Div'd reinvest. plan avail.
(D) In millions.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	55
Earnings Predictability	65