

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

Commission File Number 1-7850

SOUTHWEST GAS CORPORATION

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

88-0085720
(I.R.S. Employer
Identification No.)

5241 Spring Mountain Road
Post Office Box 98510
Las Vegas, Nevada
(Address of principal executive offices)

89193-8510
(Zip Code)

Registrant's telephone number, including area code: (702) 876-7237

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$1 par value
7.70% Preferred Trust Securities

Name of each exchange
on which registered
New York Stock Exchange, Inc.
New York Stock Exchange, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of the voting and non-voting common stock held by nonaffiliates of the registrant:
\$1,432,516,582 as of June 30, 2007

The number of shares outstanding of common stock:
Common Stock, \$1 Par Value, 43,044,024 shares as of February 15, 2008

DOCUMENTS INCORPORATED BY REFERENCE

Description
Annual Report to Shareholders for the Year Ended December 31, 2007
2008 Proxy Statement

Part Into Which Incorporated
Parts I, II, and IV
Part III

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PART I

Item 1. BUSINESS

Southwest Gas Corporation (the “Company”) was incorporated in March 1931 under the laws of the state of California. The Company is composed of two business segments: natural gas operations (“Southwest” or the “natural gas operations” segment) and construction services.

Southwest is engaged in the business of purchasing, distributing, and transporting natural gas in portions of Arizona, Nevada, and California. Southwest is the largest distributor of natural gas in Arizona, selling and transporting natural gas in most of central and southern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor of natural gas in Nevada, serving the Las Vegas metropolitan area and northern Nevada. In addition, Southwest distributes and transports natural gas in portions of California, including the Lake Tahoe area and the high desert and mountain areas in San Bernardino County.

Northern Pipeline Construction Co. (“NPL” or the “construction services” segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

Financial information concerning the Company’s business segments is included in Note 12 of the Notes to Consolidated Financial Statements, which is included in the 2007 Annual Report to Shareholders and is incorporated herein by reference.

The Company maintains a website (www.swgas.com) for the benefit of shareholders, investors, customers, and other interested parties. The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports available, free of charge, through its website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”). The Company’s Corporate Governance Guidelines, Code of Business Conduct and Ethics, and charters of the nominating and corporate governance, audit, and compensation committees of the board of directors are also available on the website and are available in print by request.

NATURAL GAS OPERATIONS

General Description

Southwest is subject to regulation by the Arizona Corporation Commission (“ACC”), the Public Utilities Commission of Nevada (“PUCN”), and the California Public Utilities Commission (“CPUC”). These commissions regulate public utility rates, practices, facilities, and service territories in their respective states. The CPUC also regulates the issuance of all securities by the Company, with the exception of short-term borrowings. Certain accounting practices, transmission facilities, and rates are subject to regulation by the Federal Energy Regulatory Commission (“FERC”). NPL is not regulated by the state utilities commissions in any of its operating areas.

As of December 31, 2007, Southwest purchased and distributed or transported natural gas to 1,813,000 residential, commercial, and industrial customers in geographically diverse portions of Arizona, Nevada, and California. The record customer growth levels experienced in recent years have moderated due to the overall slow down in the new housing market. There were 29,000 net new customers added to the system during 2007, a two percent increase, attributable mainly to population growth in its service areas. Management expects a more moderate growth level between one and one half to three percent will continue in the near term.

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The table below lists the percentage of operating margin (operating revenues less net cost of gas) by major customer class for the years indicated:

<u>For the Year Ended</u>	<u>Distribution</u>		
	<u>Residential and Small Commercial</u>	<u>Other Sales Customers</u>	<u>Transportation</u>
December 31, 2007	86%	5%	9%
December 31, 2006	85%	6%	9%
December 31, 2005	86%	5%	9%

Southwest is not dependent on any one or a few customers such that the loss of any one or several would have a significant adverse impact on earnings or cash flows.

Transportation of customer-secured gas to end-users accounted for 48 percent of total system throughput in 2007. Customers who utilized this service transported 113 million dekatherms in 2007, 118 million dekatherms in 2006, and 127 million dekatherms in 2005. Although these volumes are significant, these customers provided a much smaller proportionate share of operating margin.

The demand for natural gas is seasonal. Variability in weather from normal temperatures can materially impact results of operations. It is the opinion of management that comparisons of earnings for interim periods do not reliably reflect overall trends and changes in operations. Also, earnings for interim periods can be significantly affected by the timing of general rate relief.

Rates and Regulation

Rates that Southwest is authorized to charge its distribution system customers are determined by the ACC, PUCN, and CPUC in general rate cases and are derived using rate base, cost of service, and cost of capital experienced in a historical test year, as adjusted in Arizona and Nevada, and projected for a future test year in California. The FERC regulates the northern Nevada transmission and liquefied natural gas ("LNG") storage facilities of Paiute Pipeline Company ("Paiute"), a wholly owned subsidiary, and the rates it charges for transportation of gas directly to certain end-users and to various local distribution companies ("LDCs"). The LDCs transporting on the Paiute system are: Sierra Pacific Power Company (serving Reno and Sparks, Nevada) and Southwest Gas Corporation (serving Truckee, South Lake Tahoe and North Lake Tahoe, California and various locations throughout northern Nevada).

Rates charged to customers vary according to customer class and rate jurisdiction and are set at levels that are intended to allow for the recovery of all prudently incurred costs, including a return on rate base sufficient to pay interest on debt and subordinated debentures, and a reasonable return on common equity. Rate base consists generally of the original cost of utility plant in service, plus certain other assets such as working capital and inventories, less accumulated depreciation on utility plant in service, net deferred income tax liabilities, and certain other deductions. Southwest's rate schedules in Arizona and California contain purchased gas adjustment clauses, which allow Southwest to file for rate adjustments as the cost of purchased gas changes. In Nevada, effective November 2005, Southwest began operating under the deferred energy regulations as established by the Nevada Administrative Code, which governs the recovery of energy costs in the state. The deferred energy provisions operate substantially the same as the purchased gas adjustment clauses. Deferred energy and purchased gas adjustment (collectively "PGA") rate changes affect cash flows but have no direct impact on profit margin. Filings to change rates in accordance with PGA clauses are subject to audit by the appropriate state regulatory commission staff. Information with respect to recent general rate cases and PGA filings is included in the Rates and Regulatory Proceedings section of Management's Discussion and Analysis ("MD&A") in the 2007 Annual Report to Shareholders.

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The table below lists recent docketed general rate filings and the status of such filing within each ratemaking area:

<u>Ratemaking Area</u>	<u>Type of Filing</u>	<u>Month Filed</u>	<u>Month Final Rates Effective</u>
Arizona	General rate case	August 2007	Pending
California:			
Northern and Southern	Annual attrition	October 2007	January 2008
Northern and Southern	General rate case	December 2007	Pending
Nevada:			
Northern and Southern	General rate case	March 2004	September 2004
FERC:			
Paiute	General rate case	January 2005	August 2005

Demand for Natural Gas

Deliveries of natural gas by Southwest are made under a priority system established by state regulatory commissions. The priority system is intended to ensure that the gas requirements of higher-priority customers, primarily residential customers and other customers who use 500 therms or less of gas per day, are fully satisfied on a daily basis before lower-priority customers, primarily electric utility and large industrial customers able to use alternative fuels, are provided any quantity of gas or capacity.

Demand for natural gas is greatly affected by temperature. On cold days, use of gas by residential and commercial customers can be six times greater than on warm days because of increased use of gas for space heating. To fully satisfy this increased high-priority demand, gas is withdrawn from storage in certain service areas, or peaking supplies are purchased from suppliers. If necessary, service to interruptible lower-priority customers may be curtailed to provide the needed delivery system capacity. No weather-related curtailments occurred during the latest peak heating season. Southwest maintains no significant backlog on its orders for gas service.

Natural Gas Supply

Southwest is responsible for acquiring (purchasing) and arranging delivery of (transporting via interstate pipelines) natural gas to its system for all sales customers.

The primary objective of Southwest in acquiring gas supply is to ensure that adequate supplies of natural gas are available from reliable sources at the best cost. Gas is acquired from a wide variety of sources and a mix of purchase provisions, including spot market purchases and firm supplies with a variety of terms. During 2007, Southwest acquired gas supplies from 50 suppliers. Southwest regularly monitors the number of suppliers, their quality and their relative contribution to the overall customer supply portfolio. New suppliers are contracted whenever possible, and solicitations for supplies are extended to the largest practicable list of suppliers. Competitive pricing, flexibility in meeting Southwest requirements, and aggressive participation by suppliers who have demonstrated reliability of service are key to their inclusion in the annual portfolio mix. The goal of this practice is to mitigate the risk of nonperformance by any one supplier and ensure competitive prices for customer supplies.

Balancing reliable supply assurances with the associated costs results in a continually changing mix of purchase provisions within the supply portfolios. To address the unique requirements of its various market areas, Southwest assembles and administers a separate natural gas supply portfolio for each of its jurisdictional areas. Firm and spot market natural gas purchases are made in a competitive bid environment. Southwest has experienced price volatility over the past five years, as the weighted-average delivered cost of natural gas has ranged from a low of \$4.60 per dekatherm in 2003 to a high of \$8.10 per dekatherm in 2007. Price volatility is expected to continue throughout 2008.

To mitigate customer exposure to market price volatility, Southwest continues to purchase approximately 50 percent of its forecasted annual normal weather requirements under firm, fixed-price arrangements that are secured periodically throughout the year. For the 2007/2008 heating season, fixed-price contracts ranged in price from approximately \$6 to \$10 per dekatherm. Natural gas purchases not covered by fixed-price contracts are made under variable-price contracts with firm quantities and on the spot market. Prices for these contracts are not known until the month of purchase.

The firm, fixed-price arrangements are structured such that a stated volume of gas is required to be scheduled by Southwest and delivered by the supplier. If the gas is not needed by Southwest or cannot be procured by the supplier, the contract provides for fixed or market-based penalties to be paid by the non-performing party.

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In managing its gas supply portfolios, Southwest uses the fixed-price and variable-price arrangements noted above, but does not currently utilize other stand-alone derivative financial instruments for speculative purposes nor does it have trading operations. None of the Company's current long-term financial instruments or other contracts are derivatives that are marked to market or contain embedded derivatives with significant mark-to-market value. In the near future, Southwest intends to supplement its current volatility mitigation program with stand-alone financial derivative instruments. The combination of fixed-price contracts and derivative instruments should increase flexibility for Southwest and increase supplier diversification. The costs of such derivative financial instruments are expected to be recovered from customers.

Storage availability can influence the average annual price of gas, as storage allows a company to purchase natural gas in larger quantities during the off-peak season and store it for use in high demand periods when prices may be greater or supplies/capacity tighter. Southwest currently has no storage availability in its Arizona or southern Nevada rate jurisdictions. Limited storage availability exists in southern and northern California and northern Nevada. A contract with Southern California Gas Company is intended for delivery only within Southwest's southern California rate jurisdiction. In addition, a contract with Paiute for its LNG facility allows for peaking capability only in northern Nevada and northern California. Gas is purchased for injection during the off-peak period for use in the high demand months, but is limited in its impact on the overall price. In December 2007, Southwest entered into interruptible storage contracts with Northwest Pipeline Corporation ("NWPL") for the northern Nevada and northern California rate jurisdictions. NWPL has the discretion to limit Southwest's ability to inject or withdrawal from this interruptible storage. As such, this storage provides limited operational flexibility to adjust daily flowing supplies to meet demand, as permitted by conditions on NWPL's system, and has limited impact on the overall price of gas supplies.

Gas supplies for the southern system of Southwest (Arizona, southern Nevada, and southern California properties) are primarily obtained from producing regions in Colorado and New Mexico (San Juan basin), Texas (Permian basin), and Rocky Mountain areas. For its northern system (northern Nevada and northern California properties), Southwest primarily obtains gas from Rocky Mountain producing areas and from Canada.

Southwest arranges for transportation of gas to its Arizona, Nevada, and California service territories through the pipeline systems of El Paso Natural Gas Company ("El Paso"), Kern River Gas Transmission Company ("Kern River"), Transwestern Pipeline Company ("Transwestern"), Northwest Pipeline Corporation, Tuscarora Gas Pipeline Company ("Tuscarora"), Southern California Gas Company, and Paiute. Supply and pipeline capacity availability on both short- and long-term bases is regularly monitored by Southwest to ensure the reliability of service to its customers. Southwest currently receives firm transportation service, both on a short- and long-term basis, for all of its service territories on the pipeline systems noted above and also has interruptible contracts in place that allow additional capacity to be acquired should an unforeseen need arise.

Southwest believes that the current level of contracted firm interstate capacity is sufficient to serve each of its service territories. As the need arises to acquire additional capacity on one of the interstate pipeline transmission systems, primarily due to customer growth, Southwest will continue to consider available options to obtain that capacity, either through the use of firm contracts with a pipeline company or by purchasing capacity on the open market.

Competition

Electric utilities are the principal competitors of Southwest for the residential and small commercial markets throughout its service areas. Competition for space heating, general household, and small commercial energy needs generally occurs at the initial installation phase when the customer/builder typically makes the decision as to which type of equipment to install and operate. The customer will generally continue to use the chosen energy source for the life of the equipment. As a result of its success in these markets, Southwest has experienced continued growth among the residential and small commercial customer classes.

Unlike residential and small commercial customers, certain large commercial, industrial, and electric generation customers have the capability to switch to alternative energy sources. To date, Southwest has been successful in retaining most of these customers by setting rates at levels competitive with alternative energy sources such as electricity, fuel oils, and coal. However, high natural gas prices may impact Southwest's ability to retain some of these customers. Overall, management does not anticipate any material adverse impact on operating margin from fuel switching.

Southwest competes with interstate transmission pipeline companies, such as El Paso, Kern River, Transwestern and Tuscarora, to provide service to certain large end-users. End-use customers located in proximity to these interstate pipelines pose a potential bypass threat. Southwest attempts to closely monitor each customer situation and provide competitive service in order to retain the customer. Southwest has remained competitive through the use of negotiated

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transportation contract rates, special long-term contracts with electric generation and cogeneration customers, and other tariff programs. These competitive response initiatives have mitigated the loss of margin earned from large customers.

Environmental Matters

Federal, state, and local laws and regulations governing the discharge of materials into the environment have had little direct impact upon Southwest. Environmental efforts, with respect to matters such as protection of endangered species and archeological finds, have increased the complexity and time required to obtain pipeline rights-of-way and construction permits. However, increased environmental legislation and regulation are also beneficial to the natural gas industry. Because natural gas is one of the most environmentally safe fossil fuels currently available, its use can help energy users to comply with stricter environmental standards.

Employees

At December 31, 2007, the natural gas operations segment had 2,538 regular full-time equivalent employees. Southwest believes it has a good relationship with its employees and that compensation, benefits, and working conditions afforded its employees are comparable to those generally found in the utility industry. No employees are represented by a union.

CONSTRUCTION SERVICES

NPL is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL contracts primarily with LDCs to install, repair, and maintain energy distribution systems from the town border station to the end-user. The primary focus of business operations is main and service replacement as well as new business installations. Construction work varies from relatively small projects to the piping of entire communities. Construction activity is seasonal in most areas. Peak construction periods are the summer and fall months in colder climate areas, such as the Midwest. In the warmer climate areas, such as the southwestern United States, construction continues year round. Construction activity is also cyclical and can be significantly impacted by changes in general and local economic conditions, including interest rates, the housing market, employment levels, job growth, equipment resale market, and local and federal tax rates. The continued slow-down in construction activities observed in regional and national markets at the end of 2007, if sustained, could negatively impact the amount of work received under existing blanket contracts, the amount of bid work, and the equipment resale market in 2008.

NPL business activities are often concentrated in utility service territories where existing energy lines are scheduled for replacement. An LDC will typically contract with NPL to provide pipe replacement services and new line installations. Contract terms generally specify unit-price or fixed-price arrangements. Unit-price contracts establish prices for all of the various services to be performed during the contract period. These contracts often have annual pricing reviews. During 2007, approximately 90 percent of revenue was earned under unit-price contracts. As of December 31, 2007, no significant backlog existed with respect to outstanding construction contracts.

Materials used by NPL in its pipeline construction activities are typically specified, purchased, and supplied by NPL's customers. Construction contracts also contain provisions which make customers generally liable for remediating environmental hazards encountered during the construction process. Such hazards might include digging in an area that was contaminated prior to construction, finding endangered animals, digging in historically significant sites, etc. Otherwise, NPL's operations have minimal environmental impact (dust control, normal waste disposal, handling harmful materials, etc.).

Competition within the industry has traditionally been limited to several regional competitors in what has been a largely fragmented industry. Several national competitors also exist within the industry. NPL currently operates in approximately 19 major markets nationwide. Its customers are the primary LDCs in those markets. During 2007, NPL served 67 major customers, with Southwest accounting for approximately 21 percent of NPL revenues. With the exception of four other customers that in total accounted for approximately 31 percent of revenue, no other customer had a relatively significant contribution to NPL revenues.

Employment fluctuates between seasonal construction periods, which are normally heaviest in the summer and fall months. At December 31, 2007, NPL had 2,535 regular full-time equivalent employees. Employment peaked in October 2007 when there were 2,666 employees. Most employees are represented by unions and are covered by collective bargaining agreements, which is typical of the utility construction industry.

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Operations are conducted from 20 field locations with corporate headquarters located in Phoenix, Arizona. Buildings are normally leased from third parties. The lease terms are typically five years or less. Field location facilities consist of a small building for repairs and land to store equipment.

NPL is not directly affected by regulations promulgated by the ACC, PUCN, CPUC, or FERC in its construction services. NPL is an unregulated construction subsidiary of Southwest Gas Corporation. However, because NPL performs work for the regulated natural gas segment of the Company, its construction costs are subject indirectly to “prudence reviews” just as any other capital work that is performed by third parties or directly by Southwest. However, such “prudence reviews” would not bring NPL under the regulatory jurisdiction of any of the commissions noted above.

Item 1A. RISK FACTORS

*Although the Company is not able to predict all factors that may affect future results, described below (and in **Item 7A. Quantitative and Qualitative Disclosures about Market Risk** of this report) are some of the risk factors identified by the Company that may have a negative impact on our future financial performance or affect whether we achieve the goals or expectations expressed or implied in any forward-looking statements contained herein. Unless indicated otherwise, references below to “we,” “us” and “our” should be read to refer to Southwest Gas Corporation and its subsidiaries.*

Our liquidity, and in certain circumstances our earnings, may be reduced during periods in which natural gas prices are rising significantly or are more volatile.

Increases in the cost of natural gas may arise from a variety of factors, including weather, changes in demand, the level of production and availability of natural gas, transportation constraints, transportation capacity cost increases, federal and state energy and environmental regulation and legislation, the degree of market liquidity, natural disasters, wars and other catastrophic events, national and worldwide economic and political conditions, the price and availability of alternative fuels, and the success of our strategies in managing price risk.

Rate schedules in each of our service territories contain PGA clauses which permit us to file for rate adjustments to recover increases in the cost of purchased gas. Increases in the cost of purchased gas have no direct impact on our profit margins, but do affect cash flows and can therefore impact the amount of our capital resources. We have used short-term borrowings in the past to temporarily finance increases in purchased gas costs, and we expect to do so during 2008, if the need again arises.

We may file requests for rate increases to cover the rise in the costs of purchased gas. Due to the nature of the regulatory process, there is a risk of a disallowance of full recovery of these costs during any period in which there has been a substantial run-up of these costs or our costs are more volatile. Any disallowance of purchased gas costs would reduce cash flow and earnings.

Governmental policies and regulatory actions can reduce our earnings.

Regulatory commissions set our rates and determine what we can charge for our rate-regulated services. Our ability to obtain timely future rate increases depends on regulatory discretion. Governmental policies and regulatory actions, including those of the ACC, the CPUC, the FERC, and the PUCN relating to allowed rates of return, rate structure, purchased gas and investment recovery, operation and construction of facilities, present or prospective wholesale and retail competition, changes in tax laws and policies, and changes in and compliance with environmental and safety laws and policies, can reduce our earnings. Risks and uncertainties relating to delays in obtaining regulatory approvals, conditions imposed in regulatory approvals, or determinations in regulatory investigations can also impact financial performance. In particular, the timing and amount of rate relief can materially impact results of operation.

We are unable to predict what types of conditions might be imposed on Southwest or what types of determinations might be made in pending or future regulatory proceedings or investigations. We nevertheless believe that it is not uncommon for conditions to be imposed in regulatory proceedings, for Southwest to agree to conditions as part of a settlement of a regulatory proceeding, or for determinations to be made in regulatory investigations that reduce our earnings and liquidity. For example, we may request recovery of a particular operating expense in a general rate case filing that a regulator disallows, negatively impacting our earnings.

Our earnings are greatly affected by variations in temperature during the winter heating season.

The demand for natural gas is seasonal and is greatly affected by temperature. Variability in weather from normal temperatures can materially impact results of operations, particularly in our Arizona service territories where rates are highly leveraged. On cold days, use of gas by residential and commercial customers can be six times greater than on warm days because of the increased use of gas for space heating. Weather has been and will continue to be one of the dominant factors in our financial performance.

Uncertain economic conditions may affect our ability to finance capital expenditures.

Our ability to finance capital expenditures and other matters will depend upon general economic conditions in the capital markets. Declining interest rates are generally believed to be favorable to utilities while rising interest rates are believed to be unfavorable because of the high capital costs of utilities. In addition, our authorized rate of return is based upon certain assumptions regarding interest rates. If interest rates are lower than assumed rates, our authorized rate of return in the future could be reduced. If interest rates are higher than assumed rates, it will be more difficult for us to earn our currently authorized rate of return.

The nature of our operations presents inherent risks of loss that could adversely affect our results of operations.

Our operations are subject to inherent hazards and risks such as gas leaks, fires, natural disasters, explosions, pipeline ruptures, and other hazards and risks that may cause unforeseen interruptions, personal injury, or property damage. Additionally, our facilities, machinery, and equipment, including our pipelines, are subject to third party damage from construction activities and vandalism. Any of these or similar events could cause environmental pollution, personal injury or death claims, damage to our properties or the properties of others, or loss of revenue by us or others.

We maintain liability insurance for some, but not all, risks associated with the operation of our natural gas pipelines and facilities. In connection with these liability insurance policies, we are responsible for an initial deductible or self-insured retention amount per incident, after which the insurance carriers would be responsible for amounts up to the policy limits. The Company's current insurance contracts limit the self-insured retention to \$1 million per incident plus payment of the first \$5 million in aggregate claims above \$1 million. We cannot predict the likelihood that any future event will occur which will result in a claim exceeding \$1 million; however, a large claim for which we were deemed liable would reduce our earnings.

We rely on having access to interstate pipelines' transportation capacity. If these pipelines were not available, it could impact our ability to meet our customers' full requirements.

We must acquire both sufficient natural gas supplies and interstate pipeline capacity to meet customer requirements. We must contract for reliable and adequate delivery capacity for our distribution system, while considering the dynamics of the interstate pipeline capacity market, our own in-system resources, as well as the characteristics of our customer base. Interruptions to or reductions of interstate pipeline service caused by physical constraints, excessive customer usage or other force majeure could reduce our normal supply of gas, particularly in our Arizona service territories where we are wholly dependent upon the El Paso pipeline system. A prolonged interruption or reduction of service, particularly during the winter heating season, would reduce cash flow and earnings.

A significant reduction in our credit ratings could materially and adversely affect our business, financial condition, and results of operations.

We cannot be certain that any of our current credit ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Our credit ratings are subject to change at any time in the discretion of the applicable ratings agencies. Numerous factors, including many which are not within our control, are considered by the ratings agencies in connection with assigning credit ratings.

Any future downgrade could increase our borrowing costs, which would diminish our financial results. We would likely be required to pay a higher interest rate in future financings, and our potential pool of investors and funding sources could decrease. A downgrade could require additional support in the form of letters of credit or cash or other collateral and otherwise adversely affect our business, financial condition and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The plant investment of Southwest consists primarily of transmission and distribution mains, compressor stations, peak shaving/storage plants, service lines, meters, and regulators, which comprise the pipeline systems and facilities located in and around the communities served. Southwest also includes other properties such as land, buildings, furnishings, work equipment, vehicles, and software systems in plant investment. The northern Nevada and northern California properties of Southwest are referred to as the northern system; the Arizona, southern Nevada, and southern California properties are referred to as the southern system. Several properties are leased by Southwest, including a portion of the corporate headquarters office complex located in Las Vegas, Nevada and the administrative offices in Phoenix, Arizona. Total gas plant, exclusive of leased property, at December 31, 2007 was \$4.1 billion, including construction work in progress. It is the opinion of management that the properties of Southwest are suitable and adequate for its purposes.

Substantially all gas main and service lines are constructed across property owned by others under right-of-way grants obtained from the record owners thereof, on the streets and grounds of municipalities under authority conferred by franchises or otherwise, or on public highways or public lands under authority of various federal and state statutes. None of the numerous county and municipal franchises are exclusive, and some are of limited duration. These franchises are renewed regularly as they expire, and Southwest anticipates no serious difficulties in obtaining future renewals.

With respect to the right-of-way grants, Southwest has had continuous and uninterrupted possession and use of all such rights-of-way, and the associated gas mains and service lines, commencing with the initial stages of the construction of such facilities. Permits have been obtained from public authorities and other governmental entities in certain instances to cross or to lay facilities along roads and highways. These permits typically are revocable at the election of the grantor and Southwest occasionally must relocate its facilities when requested to do so by the grantor. Permits have also been obtained from railroad companies to cross over or under railroad lands or rights-of-way, which in some instances require annual or other periodic payments and are revocable at the election of the grantors.

Southwest operates two primary pipeline transmission systems:

- a system (including an LNG storage facility) owned by Paiute extending from the Idaho-Nevada border to the Reno, Sparks, and Carson City areas and communities in the Lake Tahoe area in both California and Nevada and other communities in northern and western Nevada; and
- a system extending from the Colorado River at the southern tip of Nevada to the Las Vegas distribution area.

Southwest provides natural gas service in parts of Arizona, Nevada, and California. Service areas in Arizona include most of the central and southern areas of the state including Phoenix, Tucson, Yuma, and surrounding communities. Service areas in northern Nevada include Carson City, Yerington, Fallon, Lovelock, Winnemucca, and Elko. Service areas in southern Nevada include the Las Vegas valley (including Henderson and Boulder City) and Laughlin. Service areas in southern California include Barstow, Big Bear, Needles, and Victorville. Service areas in northern California include the Lake Tahoe area and Truckee.

Information on properties of NPL can be found on page 5 of this Form 10-K under Construction Services.

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Item 3. LEGAL PROCEEDINGS

The Company is named as a defendant in various legal proceedings. The ultimate dispositions of these proceedings are not presently determinable; however, it is the opinion of management that none of this litigation individually or in the aggregate will have a material adverse impact on the Company's financial position or results of operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 4A. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The listing of the executive officers of the Company is set forth under **Part III Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**, which by this reference is incorporated herein.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market on which the common stock of the Company is traded is the New York Stock Exchange. At February 15, 2008, there were 22,910 holders of record of common stock, and the market price of the common stock was \$27.99. The quarterly market price of, and dividends on, Company common stock required by this item are included in the 2007 Annual Report to Shareholders filed as an exhibit hereto and incorporated herein by reference.

The Company's common stock dividend policy states that common stock dividends will be paid at a prudent level within the normal dividend payout range for its respective businesses, and that dividends will be established at a level considered sustainable in order to minimize business risk and maintain a strong capital structure throughout all economic cycles. The quarterly common stock dividend declared was 20.5 cents per share throughout 2006 and 21.5 cents per share throughout 2007. In February 2007, the Board of Directors increased the quarterly dividend payout to 21.5 cents per share, effective with the June 2007 payment. In February 2008, the Board of Directors increased the quarterly dividend payout to 22.5 cents per share, effective with the June 2008 payment.

Item 6. SELECTED FINANCIAL DATA

Information required by this item is included in the 2007 Annual Report to Shareholders and is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is included in the 2007 Annual Report to Shareholders and is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various forms of market risk, including commodity price risk, weather risk, and interest rate risk. The following describes the Company's exposure to these risks.

Commodity Price Risk

About half of Southwest's annual normal weather gas supply needs are secured using short duration fixed-price contracts (one year or less). For the 2007/2008 heating season, fixed-price contracts ranged in price from approximately \$6 to \$10 per dekatherm. Natural gas purchases not covered by fixed-price contracts are made under variable-price contracts with firm quantities and on the spot market. Prices for these contracts are not known until the month of purchase. The PGA mechanism allows Southwest to file to change the gas cost component of the rates charged to its customers to reflect increases or decreases in the price expected to be paid to its suppliers and companies providing interstate pipeline transportation service. Filings to change rates in accordance with PGA clauses are subject to audit by state regulatory commission staffs. PGA changes affect cash flows and potentially short-term borrowing requirements, but do not directly impact profit margin.

The Company does not currently utilize stand-alone derivative financial instruments, other than fixed-price term and variable-rate contracts, for speculative purposes nor does it have trading operations. In the future, Southwest intends to supplement its current volatility mitigation program with stand-alone derivative instruments. The combination of fixed-price contracts and derivative instruments should increase flexibility for Southwest and increase supplier diversification. The Company intends to pursue the recovery of such costs as part of the PGA mechanisms in each jurisdiction.

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Weather Risk

A significant portion of the Company's operating margin is volume driven with current rates based on an assumption of normal weather. Demand for natural gas is greatly affected by temperature. On cold days, use of gas by residential and commercial customers can be six times greater than on warm days because of increased use of gas for space heating. Space heating-related volumes are the primary component of billings for these customer classes and are concentrated in the months of November to March. Variances in temperatures from normal levels, especially during these months, have a significant impact on the margin and associated net income of the Company. This impact is most pronounced in Arizona, where 54 percent of Southwest's customers are located and where rates are highly leveraged.

The Company continues to pursue mechanisms in each of its service territories intended to stabilize the recovery of the Company's fixed costs and reduce fluctuations in customers' bills due to colder or warmer-than-normal weather. In California, Southwest has a margin tracker balancing account that mitigates margin volatility due to weather and other usage variations. In Nevada, Southwest is authorized to use declining block rates to mitigate weather variations. In Arizona, Southwest filed a general rate application in August 2007 that includes a revenue decoupling mechanism that would separate the recovery of fixed costs from volumetric usage and a weather normalization mechanism that would, if approved, protect customers from higher bills in extreme cold weather and protect the Company from cost under-recoveries in unseasonably warm weather. The Company cannot predict whether the filed for changes in Arizona will be approved.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could adversely affect earnings or cash flows. Specific interest rate risks for the Company include the risk of increasing interest rates on variable-rate obligations. Interest rate risk sensitivity analysis is used to measure interest rate risk by computing estimated changes in cash flows as a result of assumed changes in market interest rates. In Nevada, fluctuations in interest rates on variable-rate Industrial Development Revenue Bonds ("IDRBs") are tracked and recovered from ratepayers through an interest balancing account. As of December 31, 2007 and 2006, Southwest had \$209 million and \$197 million, respectively, in variable-rate debt outstanding, excluding Nevada variable-rate IDRBs. Assuming a constant outstanding balance in variable-rate debt for the next twelve months, a hypothetical one percent change in interest rates would increase or decrease interest expense for the next twelve months by approximately \$2.1 million.

Other risk information is included in **Item 1A. Risk Factors** of this report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of Southwest Gas Corporation and Notes thereto, together with the report of PricewaterhouseCoopers LLP, are included in the 2007 Annual Report to Shareholders and are incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and benefits of controls must be considered relative to their costs. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the control. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Based on the most recent evaluation, as of December 31, 2007, management of the Company, including the Chief Executive Officer and Chief Financial Officer, believe the Company's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

Internal Control Over Financial Reporting

The report of management of the Company required to be reported herein is incorporated by reference to the information reported in the 2007 Annual Report to Shareholders under the caption "Management's Report on Internal Control Over Financial Reporting" on page 75.

The Attestation Report of the Independent Registered Public Accounting Firm required to be reported herein is incorporated by reference to the information reported in the 2007 Annual Report to Shareholders under the caption "Report of Independent Registered Public Accounting Firm" on page 76.

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

(a) *Identification of Directors.* Information with respect to Directors is set forth under the heading “Election of Directors” in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

(b) *Identification of Executive Officers.* The name, age, position, and period position held during the last five years for each of the Executive Officers of the Company as of December 31, 2007 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period Position Held</u>
Jeffrey W. Shaw	49	Chief Executive Officer	2004-Present
		President	2003-2004
		Senior Vice President/Gas Resources and Pricing	2003
James P. Kane	61	President	2004-Present
		Executive Vice President/Operations	2003-2004
George C. Biehl	60	Executive Vice President/Chief Financial Officer and Corporate Secretary	2003-Present
John P. Hester	45	Senior Vice President/Regulatory Affairs & Energy Resources	2006-Present
		Vice President/Regulatory Affairs and Systems Planning	2003-2006
		Director/State Regulatory Affairs and Systems Planning	2003
Edward A. Janov	53	Senior Vice President/Finance	2004-Present
		Vice President/Finance	2003-2004
		Vice President/Finance and Treasurer	2003
Christina A. Palacios	62	Senior Vice President/Central Arizona Division	2005-Present
		Senior Vice President/Southern Arizona Division	2004-2005
		Vice President/Southern Arizona Division	2003-2004
Thomas R. Sheets	57	Senior Vice President/Legal Affairs and General Counsel	2003-Present
Dudley J. Sondeno	55	Senior Vice President/Chief Knowledge and Technology Officer	2003-Present
Roy R. Centrella	50	Vice President/Controller and Chief Accounting Officer	2003-Present
Kenneth J. Kenny	45	Vice President/Treasurer	2005-Present
		Treasurer	2003-2005
		Assistant Treasurer/Director Financial Services	2003

(c) *Identification of Certain Significant Employees.* None.

(d) *Family Relationships.* No Directors or Executive Officers are related either by blood, marriage, or adoption.

(e) *Business Experience.* Information with respect to Directors is set forth under the heading “Election of Directors” in the definitive 2008 Proxy Statement, which by this reference is incorporated herein. All Executive Officers have held responsible positions with the Company for at least five years as described in (b) above.

(f) *Involvement in Certain Legal Proceedings.* None.

(g) *Promoters and Control Persons.* None.

(h) *Audit Committee Financial Expert.* Information with respect to the financial expert of the Board of Directors’ audit committee is set forth under the heading “Committees of the Board” in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

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(i) *Identification of the Audit Committee.* Information with respect to the composition of the Board of Directors' audit committee is set forth under the heading "Committees of the Board" in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

(j) *Material Changes in Director Nomination Procedures for Security Holders.* None.

Section 16(a) Beneficial Ownership Reporting Compliance. The Company has adopted procedures to assist its directors and executive officers in complying with Section 16(a) of the Exchange Act, as amended, which includes assisting in the preparation of forms for filing. For 2007, all reports were timely filed.

Code of Business Conduct and Ethics. The Company has adopted a code of business conduct and ethics for its employees, including its chief executive officer, chief financial officer, chief accounting officer, and non-employee directors. A code of ethics is defined as written standards that are reasonably designed to deter wrongdoing and to promote: 1) honest and ethical conduct; 2) full, fair, accurate, timely, and understandable disclosure in reports and documents that a registrant files; 3) compliance with applicable governmental laws, rules, and regulations; 4) the prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and 5) accountability for adherence to the code. The Company's Code of Business Conduct & Ethics can be viewed on the Company's website (www.swgas.com). If any substantive amendments to the Code of Business Conduct & Ethics are made or any waivers are granted, including any implicit waiver, from a provision of the Code of Business Conduct & Ethics, to the Company's chief executive officer, chief financial officer and chief accounting officer, the Company will disclose the nature of such amendment or waiver on the Company's website, www.swgas.com.

Item 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is set forth under the heading "Executive Compensation" in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Security Ownership of Certain Beneficial Owners.* Information with respect to security ownership of certain beneficial owners is set forth under the heading "Securities Ownership by Directors, Director Nominees, Executive Officers, and Certain Beneficial Owners" in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

(b) *Security Ownership of Management.* Information with respect to security ownership of management is set forth under the heading "Securities Ownership by Directors, Director Nominees, Executive Officers, and Certain Beneficial Owners" in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

(c) *Changes in Control.* None.

(d) *Securities Authorized for Issuance Under Equity Compensation Plans.*

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At December 31, 2007, the Company had three stock-based compensation plans. With respect to the first plan, the Company previously granted options to purchase shares of common stock to key employees and outside directors. The option grants in 2006 consumed the remaining options that could be issued under the option plan and no future grants are anticipated.

<u>Plan category</u>	<u>Equity Compensation Plan Information</u>		
	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance</u>
(Thousands of shares)			
Equity compensation plans approved by security holders	798	\$ 26.85	—
Equity compensation plans not approved by security holders	—	—	—
Total	<u>798</u>	<u>\$ 26.85</u>	<u>—</u>

Pursuant to the terms of the management incentive plan, the Company may issue performance shares to encourage key employees to remain in its employment to achieve short-term and long-term performance goals.

<u>Plan category</u>	<u>Number of securities to be issued upon vesting of performance shares</u>	<u>Weighted-average grant date fair value of award</u>	<u>Number of securities remaining available for future issuance</u>
	(Thousands of shares)		
Equity compensation plans approved by security holders	292	\$ 29.40	513
Equity compensation plans not approved by security holders	—	—	—
Total	<u>292</u>	<u>\$ 29.40</u>	<u>513</u>

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Pursuant to the terms of the restricted stock/unit plan, the Company may award restricted stock and restricted stock units to attract, motivate, retain and reward key employees with incentives for high levels of individual performance and improved financial performance of the Company and to attract, motivate, and retain experienced and knowledgeable independent directors.

<u>Plan category</u> (Thousands of shares)	<u>Number of securities to be issued upon vesting of restricted stock units</u>	<u>Weighted-average grant date fair value of award</u>	<u>Number of securities remaining available for future issuance</u>
Equity compensation plans approved by security holders	49	\$ 38.48	400
Equity compensation plans not approved by security holders	—	—	—
Total	<u>49</u>	<u>\$ 38.48</u>	<u>400</u>

Additional information regarding the three equity compensation plans is included in Note 10 of the Notes to Consolidated Financial Statements in the 2007 Annual Report to Shareholders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to certain relationships and related transactions, and director independence is set forth under the heading “Governance of the Company” in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to accounting fees and services associated with PricewaterhouseCoopers LLP is set forth under the heading “Selection of Independent Registered Public Accounting Firm” in the definitive 2008 Proxy Statement, which by this reference is incorporated herein.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report on Form 10-K:

(1) The Consolidated Financial Statements of the Company (including the Reports of Independent Accountants) required to be reported herein are incorporated by reference to the information reported in the 2007 Annual Report to Shareholders under the following captions:

Consolidated Balance Sheets	50
Consolidated Statements of Income	51
Consolidated Statements of Cash Flows	52
Consolidated Statements of Stockholders' Equity and Comprehensive Income	53
Notes to Consolidated Financial Statements	54
Management's Report on Internal Control Over Financial Reporting	75
Report of Independent Registered Public Accounting Firm	76

(2) All schedules have been omitted because the required information is either inapplicable or included in the Notes to Consolidated Financial Statements.

(3) See LIST OF EXHIBITS.

(b) See LIST OF EXHIBITS.

LIST OF EXHIBITS

Exhibit Number	Description of Document
1.01	Sales Agency Financing Agreement, dated as of March 16, 2006, between Southwest Gas Corporation and BNY Capital Markets, Inc. Incorporated herein by reference to the report on Form 8-K dated March 16, 2006.
3(i)	Restated Articles of Incorporation, as amended. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2007.
3(ii)	Amended Bylaws of Southwest Gas Corporation.
4.01	Indenture between City of Big Bear Lake, California, and Harris Trust and Savings Bank as Trustee, dated December 1, 1993, with respect to the issuance of \$50,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation Project), 1993 Series A, due 2028. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1993.
4.02	Form of Deposit Agreement. Incorporated herein by reference to the Registration Statement on Form S-3, No. 33-55621.
4.03	Form of Depositary Receipt (attached as Exhibit A to Form of Deposit Agreement included as Exhibit 4.02 hereto). Incorporated herein by reference to the Registration Statement on Form S-3, No. 33-55621.
4.04	Indenture between the Company and Harris Trust and Savings Bank dated July 15, 1996, with respect to Debt Securities. Incorporated herein by reference to the report on Form 8-K dated July 26, 1996.
4.05	First Supplemental Indenture of the Company to Harris Trust and Savings Bank dated August 1, 1996, supplementing and amending the Indenture dated as of July 15, 1996, with respect to 7 1/2% and 8% Debentures, due 2006 and 2026, respectively. Incorporated herein by reference to the report on Form 8-K dated July 31, 1996.
4.06	Second Supplemental Indenture of the Company to Harris Trust and Savings Bank dated December 30, 1996, supplementing and amending the Indenture dated as of July 15, 1996, with respect to Medium-Term Notes. Incorporated herein by reference to the report on Form 8-K dated December 30, 1996.
4.07	Indenture between Clark County, Nevada, and Harris Trust and Savings Bank as Trustee, dated as of October 1, 1999, with respect to the issuance of \$35,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), Series 1999A and Taxable Series 1999B or convertibles of Series B (Series C and D), due 2038. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1999.
4.08	Third Supplemental Indenture between the Company and The Bank of New York, as successor to Harris Trust and Savings Bank, dated as of February 13, 2001, supplementing and amending the Indenture dated as of July 15, 1996, with respect to the \$200,000,000, 8.375% Notes, due 2011. Incorporated herein by reference to the report on Form 8-K dated February 8, 2001.
4.09	Fourth Supplemental Indenture of the Company to The Bank of New York, as successor to Harris Trust and Savings Bank, dated as of May 6, 2002, supplementing and amending the Indenture dated as of July 15, 1996, with respect to the 7.625% Senior Unsecured Notes due 2012. Incorporated herein by reference to the report on Form 8-K dated May 1, 2002.

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- 4.10 Certificate of Trust of Southwest Gas Capital II. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
- 4.11 Certificate of Trust of Southwest Gas Capital III. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
- 4.12 Certificate of Trust of Southwest Gas Capital IV. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
- 4.13 Trust Agreement of Southwest Gas Capital III. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
- 4.14 Trust Agreement of Southwest Gas Capital IV. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
- 4.15 Form of Common Stock Certificate. Incorporated herein by reference to the report on Form 8-K dated July 22, 2003.
- 4.16 Form of Preferred Trust Security. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
- 4.17 Form of Indenture with respect to the 7.70% Junior Subordinated Debentures. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
- 4.18 Form of 7.70% Junior Subordinated Debenture. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
- 4.19 Form of Amended and Restated Trust Agreement of Southwest Gas Capital II. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
- 4.20 Form of Guarantee Agreement with respect to the Preferred Trust Securities. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
- 4.21 Indenture between Clark County, Nevada, and BNY Midwest Trust Company as Trustee, dated as of July 1, 2004, with respect to the issuance of \$65,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), Series 2004A, due 2034. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2004.
- 4.22 Indenture between Clark County, Nevada, and BNY Midwest Trust Company as Trustee, dated as of October 1, 2004, with respect to the issuance of \$75,000,000 Industrial Development Refunding Revenue Bonds (Southwest Gas Corporation), Series 2004B, due 2033. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 2004.

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- 4.23 Indenture of Trust between Clark County, Nevada and the Bank of New York Trust Company, N.A. as Trustee, dated as of October 1, 2005, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2005A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2005.
- 4.24 Indenture of Trust between Clark County, Nevada and the Bank of New York Trust Company, N.A. as Trustee, dated as of September 1, 2006, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2006A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2006.
- 4.25 The Company hereby agrees to furnish to the SEC, upon request, a copy of any instruments defining the rights of holders of long-term debt issued by Southwest Gas Corporation or its subsidiaries; the total amount of securities authorized thereunder does not exceed 10 percent of the consolidated total assets of Southwest Gas Corporation and its subsidiaries.
- 10.01 Project Agreement between the Company and City of Big Bear Lake, California, dated as of December 1, 1993. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1993.
- 10.02 Amended and Restated Lease Agreement between the Company and Spring Mountain Road Associates, dated as of July 1, 1996. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 1996.
- 10.03* Southwest Gas Corporation Supplemental Retirement Plan, amended and restated as of January 1, 2005.
- 10.04* Southwest Gas Corporation Board of Directors Retirement Plan, amended and restated as of January 1, 2005.
- 10.05 Financing Agreement between the Company and Clark County, Nevada, dated as of October 1, 1999. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1999.
- 10.06* Amended Form of Employment Agreement with Company Officers. Incorporated herein by reference to the reports on Form 10-Q for the quarters ended September 30, 1998, September 30, 2000, and September 30, 2001, the reports on Form 8-K dated September 21, 2004 and August 1, 2006, and the report on Form 10-K for the year ended December 31, 2006.
- 10.07* Amended Form of Change in Control Agreement with Company Officers. Incorporated herein by reference to the reports on Form 10-Q for the quarters ended September 30, 1998, September 30, 2000, and September 30, 2001, the reports on Form 8-K dated September 21, 2004 and August 1, 2006, and the report on Form 10-K for the year ended December 31, 2006.
- 10.08* Southwest Gas Corporation Management Incentive Plan, amended and restated January 1, 2004. Incorporated herein by reference to the Proxy Statement dated March 24, 2004.
- 10.09* Southwest Gas Corporation 2002 Stock Incentive Plan. Incorporated herein by reference to the Proxy Statement dated April 2, 2002.
- 10.10* Southwest Gas Corporation Executive Deferral Plan, amended and restated as of December 31, 2004, and Southwest Gas Corporation Executive Deferral Plan, effective January 1, 2005.

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- 10.11* Southwest Gas Corporation Directors Deferral Plan, amended and restated as of December 31, 2004, and Southwest Gas Corporation Directors Deferral Plan, effective January 1, 2005.
- 10.12 Financing agreement dated as of March 1, 2003 by and between Clark County, Nevada and Southwest Gas Corporation relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2003A, Series 2003B, Series 2003C, Series 2003D and Series 2003E. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2003.
- 10.13* Form of Executive Option Grant under 2002 Stock Incentive Plan. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2004.
- 10.14 Financing Agreement dated as of October 1, 2004 by and between the Company and Clark County, Nevada relating to Clark County Nevada Industrial Development Revenue Bonds Series 2004B. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 2004.
- 10.15 \$300 million Five-Year Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2005. First Amendment to \$300 million Five-Year Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2006. Second Amendment to \$300 million Five-Year Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2007. Third Amendment to \$300 million Five-Year Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2007.
- 10.16 First Amendment to Financing Agreement by and between Clark County, Nevada, and Southwest Gas Corporation dated as of July 1, 2005, amending the Financing Agreement dated as of March 1, 2003, with respect to Clark County, Nevada Industrial Development Revenue Bonds Series 2003A, Series 2003B, Series 2003C, Series 2003D and Series 2003E. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2005.
- 10.17 Financing Agreement dated as of October 1, 2005 by and between Clark County, Nevada and Southwest Gas Corporation relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2005A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2005.
- 10.18 Financing Agreement dated as of September 1, 2006 by and between Clark County, Nevada and Southwest Gas Corporation relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2006A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2006.
- 10.19* Southwest Gas Corporation 2006 Restricted Stock/Unit Plan. Incorporated herein by reference to the Proxy Statement dated March 26, 2007.
- 12.01 Computation of Ratios of Earnings to Fixed Charges of Southwest Gas Corporation.
- 13.01 Portions of 2007 Annual Report incorporated by reference to the Form 10-K.
- 21.01 List of subsidiaries of Southwest Gas Corporation.
- 23.01 Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
- 31.01 Section 302 Certifications.
- 32.01 Section 906 Certifications.

* Management Contracts or Compensation Plans

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHWEST GAS CORPORATION

Date: February 29, 2008

By _____ /s/ JEFFREY W. SHAW
Jeffrey W. Shaw
Chief Executive Officer

[Table of Contents](#)**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ GEORGE C. BIEHL</u> (George C. Biehl)	Director, Executive Vice President, Chief Financial Officer, and Corporate Secretary	February 29, 2008
<u>/s/ THOMAS E. CHESTNUT</u> (Thomas E. Chestnut)	Director	February 29, 2008
<u>/s/ STEPHEN C. COMER</u> (Stephen C. Comer)	Director	February 29, 2008
<u>/s/ RICHARD M. GARDNER</u> (Richard M. Gardner)	Director	February 29, 2008
<u>/s/ LEROY C. HANNEMAN, JR.</u> (LeRoy C. Hanneman, Jr.)	Chairman of the Board of Directors	February 29, 2008
<u>/s/ JAMES J. KROPID</u> (James J. Kropid)	Director	February 29, 2008
<u>/s/ MICHAEL O. MAFFIE</u> (Michael O. Maffie)	Director	February 29, 2008
<u>/s/ ANNE L. MARIUCCI</u> (Anne L. Mariucci)	Director	February 29, 2008
<u>/s/ MICHAEL J. MELARKEY</u> (Michael J. Melarkey)	Director	February 29, 2008
<u>/s/ JEFFREY W. SHAW</u> (Jeffrey W. Shaw)	Director and Chief Executive Officer	February 29, 2008
<u>/s/ CAROLYN M. SPARKS</u> (Carolyn M. Sparks)	Director	February 29, 2008
<u>/s/ TERRENCE L. WRIGHT</u> (Terrence L. Wright)	Director	February 29, 2008
<u>/s/ ROY R. CENTRELLA</u> (Roy R. Centrella)	Vice President, Controller, and Chief Accounting Officer	February 29, 2008

EXHIBIT INDEX

Exhibit Number	Description of Document
3(ii)	Amended Bylaws of Southwest Gas Corporation.
10.03	Southwest Gas Corporation Supplemental Retirement Plan, amended and restated as of January 1, 2005.
10.04	Southwest Gas Corporation Board of Directors Retirement Plan, amended and restated as of January 1, 2005.
10.10	Southwest Gas Corporation Executive Deferral Plan, amended and restated as of December 31, 2004, and Southwest Gas Corporation Executive Deferral Plan, effective January 1, 2005.
10.11	Southwest Gas Corporation Directors Deferral Plan, amended and restated as of December 31, 2004, and Southwest Gas Corporation Directors Deferral Plan, effective January 1, 2005.
12.01	Computation of Ratios of Earnings to Fixed Charges of Southwest Gas Corporation.
13.01	Portions of 2007 Annual Report to Shareholders incorporated by reference to Form 10-K.
21.01	List of Subsidiaries of Southwest Gas Corporation.
23.01	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
31.01	Section 302 Certifications.
32.01	Section 906 Certifications.

BYLAWS
OF
SOUTHWEST GAS CORPORATION
(As amended 11/14/07)

BYLAWS
OF
SOUTHWEST GAS CORPORATION

ARTICLE I

Section 1. Principal Office

The principal office for the transaction of the business of the Corporation is hereby fixed and located at 5241 Spring Mountain Road, in the City of Las Vegas, County of Clark, State of Nevada.

Section 2. Other Offices

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

Section 3. Terminology

All personal pronouns used herein are employed in a generic sense and are intended and deemed to be neutral in gender.

ARTICLE II

MEETING OF SHAREHOLDERS

Section 1. Regular Meeting

Commencing in May 2008, the regular annual meeting of shareholders shall be held at the principal office of the corporation, or at such other place within or without the State of California as the officers of the corporation may deem convenient and appropriate, at 10:00 a.m. on the second Thursday of May of each year, if not a legal holiday, and if a legal holiday, then at 10:00 a.m. on the next succeeding business day, for the purpose of electing a Board of Directors and transacting such other business as properly may come before the meeting; provided, however, that the Board of Directors may, by resolution, establish a different date not more than 120 days thereafter if, in its sole discretion, it deems such postponement appropriate.

Section 2. Special Meetings

Except in those instances where a particular manner of calling a meeting of the shareholders is prescribed by law or elsewhere in these Bylaws, a special meeting of the

shareholders may be called at any time by the Chief Executive Officer or other officers acting for him or by the Board of Directors, or by the holders of not less than one-third of the voting shares then issued and outstanding. Each call for a special meeting of the shareholders shall state the time, place, and the purpose of such meeting; if made by the Board of Directors, it shall be by resolution duly adopted by a majority vote and entered in the minutes; if made by an authorized officer or by the shareholders, it shall be in writing and signed by the person or persons making the same, and unless the office of Secretary be vacant, delivered to the Secretary. No business shall be transacted at a special meeting other than as is stated in the call and the notice based thereon.

Section 3. Notice of Regular and Special Meetings of the Shareholders

Notice of each regular and special meeting of the shareholders of the Corporation shall be given by mailing to each shareholder a notice of the time, place, and purpose of such meeting addressed to him at his address as it appears upon the books of the Corporation. Each such notice shall be deposited in the United States Mail with the postage thereon prepaid at least ten days prior to the time fixed for such meeting. If the address of any such shareholder does not appear on the books of the Corporation and his post office address is unknown to the person mailing such notices, the notice shall be addressed to him at the principal office of the Corporation.

Section 4. Quorum

At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business, except when it is otherwise provided by law. Any regular or special meeting of the shareholders may adjourn from day to day or from time to time if, for any reason, there are not present in person or by proxy the holders of a majority of the shares entitled to vote at said meeting. Such adjournment and the reasons therefor shall be recorded in the minutes of the proceedings.

Section 5. Waiver of Notice

When all the shareholders of the Corporation are present at any meeting, or when the shareholders not represented thereat give their written consent to the holding thereof at the time and place the meeting is held, and such written consent is made a part of the records of such meeting, the proceedings had at such meeting are valid, irrespective of the manner in which the meeting is called or the place where it is held.

Section 6. Proper Business for Shareholder Meetings

1. At a meeting of the shareholders, only such business shall be proper as shall be brought before the meeting: (i) pursuant to the Corporation's notice of meeting; (ii) by or at the direction of the Board of Directors of the Corporation; or (iii) by any shareholder of the Corporation who is a shareholder of record at the time of giving the notice provided for herein, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth herein.

2. For business to be properly brought before a meeting by a shareholder pursuant to clause (iii) above, the shareholder must have given timely notice thereof in writing to the Secretary. To be timely as to an annual meeting of shareholders, a shareholder's notice must be received at the principal executive office of the Corporation not less than 120 calendar days before the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided however, that if the date of the meeting is changed by more than 30 days from the date of the previous year's meeting, notice by shareholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting of shareholders, a shareholder notice must be received not later than the call of the meeting as provided for in Section 2 of this Article II. Such shareholder notice shall set forth as to each matter the shareholder proposes to bring before the meeting: (a) a brief description of and the reasons for proposing such matter at the meeting; (b) the name and address, as they appear on the Corporation's books, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (c) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder of record and by the beneficial owner, if any, on whose behalf the proposal is made; and (d) any material interest of such shareholder of record and the beneficial owner, if any, on whose behalf the proposal is made, in such proposal.

3. Notwithstanding anything in these Bylaws to the contrary, no business shall be proper at a meeting unless brought before it in accordance with the procedures set forth herein. Further, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth herein.

4. The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures proscribed herein, and if the chairman should so determine, that any such business not properly brought before the meeting shall not be transacted.

5. Notwithstanding anything provided herein to the contrary, the procedures for submission of shareholder proposals have not expended, altered, or affected in any manner, whatever rights or limitations may exist regarding the ability of a shareholder of the Corporation to submit to a proposal for consideration by shareholders of the Corporation under California or federal law.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number—Quorum

The business of the Corporation shall be managed by a Board of Directors, whose number shall be not fewer than eleven (11) nor greater than fourteen (14), as the Board of Directors or the shareholders by amendment of these Bylaws may establish, provided, however, that a reduction in the authorized number of directors shall not remove any director prior to the expiration of his term of office, and provided further that the shareholders may, pursuant to law, establish a different and definite number of directors or different maximum and minimum numbers of directors by amendment of the Articles of Incorporation or by a duly adopted amendment to these Bylaws. A majority of the prescribed number of directors shall be necessary to constitute a quorum for the trans- action of business. At a meeting at which a quorum is present, every decision or act of a majority of the directors present made or done when duly assembled shall be valid as the act of the Board of Directors, provided that a minority of the directors, in the absence of a quorum, may adjourn from day to day but may transact no business.

Section 2. Exact Number of Directors

The number of Directors of the Corporation is hereby established, pursuant to the provisions of Section 1 of this Article III, as twelve (12).

Section 3. Director Nominating Procedure

1. Except for the filling of vacancies, as provided for in Section 6 of this Article III, only persons who are nominated in accordance with the procedures set forth herein shall be qualified to serve as directors. Nominations of persons for election to the Board may be made at a meeting of shareholders: (a) by or at the direction of the Board or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw.

2. Nominations by shareholders shall be made pursuant to timely notice in writing to the Secretary. To be timely as to an annual meeting, a shareholder's notice must be received at the principal executive offices of the Corporation not less than 20 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting at which directors are to be elected, a shareholder's notice must be received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. Such shareholder's notice shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the Corporation's books, of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder and also which are owned of record by such shareholder; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in the shareholder's notice of nomination which pertains to the nominee.

3. Except for the filling of vacancies, as provided for in Section 6 of this Article III, no person shall be qualified to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Bylaw. The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if the chairman should so determine, that the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

Section 4. Qualification of Directors

The majority of directors of the Board of Directors shall not be officers or employees of the Corporation or any of its subsidiaries and shall not have held such positions at any time during the three years prior to election or selection to the Board of Directors. Whether an

individual, who is an officer or employee of the Corporation or any of its subsidiaries, satisfies this qualification requirement will be determined at the time of his or her election or selection.

Section 5. Election and Term of Office

The directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. All directors shall hold office until their respective successors are elected and qualified.

Section 6. Vacancies

Vacancies on the Board of Directors may be filled by a majority of the remaining directors, though they be less than a quorum, and each director so elected shall hold office until his successor is qualified following the election at the next annual meeting of the shareholders or at any special meeting of shareholders duly called for that purpose prior to such annual meeting. A vacancy shall be deemed to exist in case the shareholders (or the Board of Directors, within the provisions of Section 1 of this Article III) shall increase the authorized number of directors, but shall fail, for a period of thirty days from the effective date of such increase, to elect the additional directors so provided for, or in case the shareholders fail at any time to elect the full number of authorized directors. When one or more of the directors shall give notice to the Board of Directors of his or their resignation from said Board, effective at a future date, the Board of Directors shall have the power to fill such vacancy or vacancies to take effect when such resignation or resignations become effective. Each director so appointed shall hold office during the remainder of the term of office of the resigning director or directors or until their successors are appointed and qualify.

Section 7. First Meeting of Directors

Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 8. Regular Meetings

Commencing in 2004, the time for other regular meetings of the Board of Directors, when held, shall be 8 a.m. on the third Tuesday of January, September, and November, the first Tuesday of March, the first Wednesday of May, and fourth Tuesday of July, unless a different schedule is established by a resolution of the Board. If any regular meeting date shall fall on a legal holiday, then the regular meeting date shall be the business day next following.

Section 9. Special Meetings

A special meeting of the Board of Directors shall be held whenever called by the Chief Executive Officer or other officer acting for him, or by three directors. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the time and place of such meeting.

Section 10. Notice of Regular and Special Meetings of the Directors

No notice shall be required to be given of any regular meeting of the Board of Directors, but each director shall take notice thereof. Notice of each special meeting of the Board of Directors shall be given to each of the directors by: (i) mailing to each of them a copy of such notice at least five days; or (ii) delivering personally or by telephone, including voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means such notice at least 48 hours, prior to the time affixed for such meeting to the address of such director as shown on the books of the Corporation. If his address does not appear on the books of the Corporation, then such notice shall be addressed to him at the principal office of the Corporation.

Section 11. Waiver of Notice

When all the directors of the Corporation are present at any meeting of the Board of Directors, however called or noticed, and sign a written consent thereto on the record of such meeting, or if the majority of the directors are present, and if those not present sign in writing a waiver of notice of such meeting, whether prior to or after the holding of such meeting, which waiver shall be filed with the Secretary of the Corporation, the transactions of such meeting are as valid as if had at a meeting regularly called and noticed.

Section 12. Action by Unanimous Consent of Directors

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and such action by written consent shall have the same force and effect as if approved or taken at a regular meeting duly held. Any certificate or other document which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting, and that these Bylaws authorize the directors to so act.

Section 13. Telephonic Participation in Meetings

Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE IV

POWERS OF DIRECTORS

Section 1. The directors shall have power:

1. To call special meetings of the shareholders when they deem it necessary, and they shall call a meeting at any time upon the written request of shareholders holding one-third of all the voting shares;
2. To appoint and remove at pleasure all officers and agents of the Corporation, prescribe their duties, fix their compensation, and require from them as necessary security for faithful service;
3. To create and appoint committees, offices, officers, and agents of the Corporation, and to prescribe and from time to time change their duties and compensation, but no committee shall be created and no member appointed thereto except upon approval of a majority of the whole Board of Directors; and
4. To conduct, manage, and control the affairs and business of the Corporation and to make rules and regulations not inconsistent with the laws of the State of California, or the Bylaws of the Corporation, for the guidance of the officers and management of the affairs of the Corporation.

ARTICLE V

DUTIES OF DIRECTORS

Section 1. It shall be the duty of the directors:

1. To cause to be kept a complete record of all their minutes and acts, and of the proceedings of the shareholders, and present a full statement at the regular annual meeting of the shareholders, showing in detail the assets and liabilities of the Corporation, and generally the condition of its affairs. A similar statement shall be presented at any other meeting of the shareholders when theretofore required by persons holding at least one-half of the voting shares of the Corporation;
2. To declare dividends out of the profits arising from the conduct of the business, whenever such profits shall, in the opinion of the directors, warrant the same;
3. To oversee the actions of all officers and agents of the Corporation, see that their duties are properly performed; and

4. To cause to be issued to the shareholders, in proportion to their several interests, certificates of stock.

ARTICLE VI

OFFICERS

Section 1. The officers shall include a Chairman of the Board of Directors, a Chief Executive Officer, who may be designated Chairman, a President, a Secretary, a Treasurer, a Controller, and may include one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, and Assistant Treasurers. All such officers shall be elected by and hold office at the pleasure of the Board of Directors, provided that the Chief Executive Officer shall have authority to dismiss any other officer. Any director shall be eligible to be the Chairman of the Board of Directors and any two or more of such offices may be held by the same person, except that the Chief Executive Officer or President may not also hold the office of Secretary. Any officer may exercise any of the powers of any other officer in the manner specified in these Bylaws, as specified from time to time by the Board of Directors, and/or as specified from time to time by the Chief Executive Officer or senior officer acting in his or her absence or incapacity, and any such acting officer shall perform such duties as may be assigned to him or her.

ARTICLE VII

FEES AND COMPENSATION

Section 1. Directors shall be reimbursed for their expenses, and shall be compensated for their services as directors in such amounts as the Board may fix by resolution. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

ARTICLE VIII

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the Corporation or otherwise and whether of a civil, criminal, administrative, or investigative nature (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation

as a director, officer, employee, or agent of another Corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity, or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permissible under California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities, and losses (including attorneys' fees, judgments, fines, ERISA excise tax or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors, and administrators; provided, however, that: (a) the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of the Corporation, (b) the Corporation shall indemnify such person seeking indemnification in connection with a proceeding (or part thereof) other than a proceeding by or in the name of the Corporation to procure a judgment in its favor only if any settlement of such a proceeding is approved in writing by the Corporation, and (c) that no such person shall be indemnified (i) on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase or sale by such person of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state, or local statutory law; (ii) if a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful; (iii) for acts or omissions involving intentional misconduct or knowing and culpable violation of law; (iv) for acts or omissions that the director or officer believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of the director or officer; (v) for any transaction for which the director or officer derived an improper personal benefit; (vi) for acts or omissions that show a reckless disregard for the director's or officer's duty to the Corporation or its shareholders in circumstances in which the director or officer was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the Corporation or its shareholders; (vii) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's or officer's duties to the Corporation or its shareholders; (viii) for costs, charges, expenses, liabilities, and losses arising under Section 310 or 316 of the General Corporation Law of California (the "Law"); and (ix) as to circumstances in which indemnity is expressly prohibited by Section 317 of the Law. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that if the Law requires the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, such advances shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts to the Corporation if it shall be ultimately determined that such person is not entitled to be indemnified.

Section 2. Indemnification of Employees and Agents

A person who was or is a party or is threatened to be made a party to or is involved in any proceedings by reason of the fact that he or she is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as an employee or agent of another enterprise, including service with respect to employee benefit plans, whether the basis of such action is an alleged action or inaction in an official capacity or in any other capacity while serving as an employee or agent, may, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permitted by California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities, losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement), reasonably incurred or suffered by such person in connection therewith. The immediately preceding sentence is not intended to be and shall not be considered to confer a contract right on any employee or agent (other than directors and officers) of the Corporation.

Section 3. Right of Directors and Officers to Bring Suit

If a claim under Section 1 of this Article is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. Neither the failure of the Corporation (including its Board, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met the applicable standard of conduct, if any, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its shareholders) that the claimant has not met the applicable standard of conduct, shall be a defense to the action or create a presumption for the purpose of an action that the claimant has not met the applicable standard of conduct.

Section 4. Successful Defense

Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of a proceeding or action without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. Non-Exclusivity of Rights

The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders, disinterested directors, or otherwise.

Section 6. Insurance

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, or agent of the Corporation or another Corporation, partnership, joint venture, trust, or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the law.

Section 7. Expenses as a Witness

To the extent that any director, officer, employee, or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit, or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

Section 8. Indemnity Agreements

The Corporation may enter into agreements with any director, officer, employee, or agent of the Corporation providing for indemnification to the fullest extent permissible under the law and the Corporation's Articles of Incorporation.

Section 9. Separability

Each and every paragraph, sentence, term, and provision of this Article is separate and distinct so that if any paragraph, sentence, term, or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or unenforceability of any other paragraph, sentence, term, or provision hereof. To the extent required, any paragraph, sentence, term, or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the Corporation and claimant, the broadest possible indemnification permitted under applicable law.

Section 10. Effect of Repeal or Modification

Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director or officer existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE IX

CHAIRMAN OF THE BOARD

Section 1. If there shall be a Chairman of the Board of Directors, he shall, when present, preside at all meetings of the stockholders and the Board of Directors, and perform such other duties as the Bylaws or the Board of Directors shall require of him.

ARTICLE X

CHIEF EXECUTIVE OFFICER; OTHER EXECUTIVE OFFICERS

Section 1. The Board of Directors shall, at their first regular meeting, elect such officers as are required by Article VI hereof and such additional officers authorized by Article VI hereof as the Board, in its discretion, may choose to elect. If at any time the Chief Executive Officer shall be unable to act, the President (if there shall be one who is not also the Chief Executive Officer) shall act in his place and perform his duties; if the President or next most senior officer is unable to perform such duties, then the vice presidents, in such sequence as the Board of Directors may specify, shall act. If all the foregoing shall be unable to act, the senior officer among them shall appoint some other person in whom shall be vested, for the time being, all the duties and functions of Chief Executive Officer, to act until the Board of Directors can be convened and elect appropriate officers. The Chief Executive Officer (or person acting as such) shall:

1. Preside (if there shall be no Chairman of the Board of Directors or in his absence) over all meetings of the shareholders and directors;
2. Sign on behalf of the Corporation contracts and other instruments in writing within the scope of his authority or if, when, and as directed to do so by the Board of Directors, but nothing herein shall limit the power of the Board of Directors to authorize such contracts and other instruments in writing to be signed by any other officer or person or limit the power of the Chief Executive Officer to delegate his authority in any such matter to another officer or other officers of the Corporation. The Chief Executive Officer or any other officer specified by the Board of Directors may sign certificates of stock as provided in Article XIII hereof;
3. Delegate duties and responsibilities to any other officers and/or employees of the Corporation in any manner not prohibited by these Bylaws or by the Board of Directors, and change such duties and responsibilities so delegated from time to time at will;
4. Call the directors together when he deems it necessary, and have, subject to the advice of the directors, direction of the affairs of the Corporation; and
5. Generally discharge such other duties as may be required of him by the Bylaws of the Corporation.

ARTICLE XI

SECRETARY

Section 1. The Board of Directors shall elect a Secretary:

1. It shall be the duty of the Secretary to keep a record of proceedings of the Board of Directors and of the shareholders, and to keep the corporate seal of the Corporation. He shall be responsible for maintaining proper records showing the number of shares of stock of all classes and series issued and transferred by any shareholder, and the dates of such issuance and transfer;
2. Whenever it is provided in these Bylaws that notice shall be given either of regular or special meetings of the shareholders, regular or special meetings of the directors, or otherwise, such notice shall be given by the Secretary or by the Chief Executive Officer or by any person designated by either of them, or by any authorized person who shall have signed the call for such meeting. Any notice which the Secretary may give or serve, or act required to be done by him, may with like effect be given or served or done by or under the direction of an Assistant Secretary;
3. The Secretary shall discharge such other duties as pertain to his office or which may be prescribed by the Board of Directors.

ARTICLE XII

TREASURER

Section 1. The Treasurer shall receive and keep all the funds of the Corporation and pay them out only on checks or otherwise, as directed by the Board of Directors; provided, however, that the Board of Directors may provide for a depository of the funds of the Corporation, and may by resolution prescribe the manner in which said funds shall be drawn from said depository.

ARTICLE XIII

CERTIFICATES OF STOCK

Section 1. Certificates of stock shall be of such form and device as the Board of Directors may lawfully direct, and shall be entitled to have a certificate signed by the genuine or facsimile signatures of the Chairman and Chief Executive Officer or the President or any authorized Vice President and the Secretary or an Assistant Secretary. Each certificate shall express on its face its number, date of issuance, the number of shares for which and the person to whom it is issued, the kind of shares represented by said certificate, and such other matters as may be required by law. Certificates of stock may be issued prior to full payment, in harmony with all permits issued by regulatory authorities having jurisdiction in the premises, or as is otherwise allowed by law, but any certificate issued prior to full payment must show on its face what amount has been paid thereon.

ARTICLE XIV

TRANSFER OF STOCK

Section 1. Shares of stock of the Corporation may be transferred at any time by the holders, or by power of attorney, or by their legal representative, by endorsement on the certificate of stock, but no transfer is valid until the surrender of the endorsed certificate. A surrendered certificate shall be delivered up for cancellation before a new one is issued in lieu thereof, and the Secretary shall preserve the certificate so canceled or a suitable record thereof. If, however, a certificate is lost or destroyed, the Board of Directors may order a new certificate issued as is by law required or permitted.

ARTICLE XV

VOTING

Section 1. At all corporate meetings, each shareholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock; however, every shareholder entitled to vote at any election for directors shall have the right to cumulate his votes.

Section 2. Proxies

Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Corporation; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specifies therein the length of time for which such proxy is to continue in force, which in no case shall exceed seven (7) years from the date of its execution.

ARTICLE XVI

INDEBTEDNESS

Section 1. The Board of Directors shall have power to incur indebtedness, and the terms and amount thereof shall be entered in the minutes. The Board of Directors shall have the power to secure said indebtedness, or any obligation or obligations of the Corporation, by pledge, mortgage, deed of trust, or other security given upon any property owned by it or in which it has any interest.

ARTICLE XVII

REGISTRAR AND/OR TRANSFER AGENT

Section 1. The Board of Directors may designate and appoint one or more registrars and/or transfer agents for the registration of the stock of the Corporation, and make such rules and regulations for the registrations of stock at the office of such registrars and/or transfer agents as may to the Board of Directors seem desirable. The Corporation may act as its own transfer agent, at the direction of the Board of Directors. The Board of Directors may, in its discretion, fix a transfer fee for transfer of stock certificates.

ARTICLE XVIII

MISCELLANEOUS

Section 1. Meetings. Notice. When Conclusive.

An entry made in the minutes of the directors or shareholders, pursuant to resolution or recital, to the effect that the notice of such meeting required by these Bylaws to be given has been given, shall be conclusive upon the Corporation, its directors, shareholders, and all other persons that such notice has been duly given in proper form and substance to the proper persons and for the requisite length of time.

ARTICLE XIX

SEAL

Section 1. The Board of Directors shall provide a suitable seal containing the name of the Corporation, the year of its creation, and other appropriate words, and may alter the same at pleasure.

ARTICLE XX

AMENDMENTS TO BYLAWS

Section 1. Power of Shareholders

New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of shareholders entitled to exercise a majority of the voting power of the Corporation or by the written assent of such shareholders, except as otherwise provided by law or by the Articles of Incorporation.

Section 2. Power of Directors

Subject to the right of the shareholders as provided in Section 1 of this Article XX to adopt, amend, or repeal Bylaws, the Board of Directors may adopt, amend, or repeal any of the Bylaws of this Corporation, except that the powers of the Board of Directors to change, and/or establish the authorized number of directors of this Corporation shall be as set forth in Article III of these Bylaws.

I hereby certify that the foregoing is a full, true, and correct copy of the Bylaws of Southwest Gas Corporation, a California Corporation, as in effect on the date hereof.

WITNESS my hand this 14th day of November 2007.

/s/ GEORGE C. BIEHL

George C. Biehl
Executive Vice President/Chief Financial
Officer and Corporate Secretary

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective October 7, 1980

Amended March 1, 1986

Amended December 7, 1987

Amended and Restated Effective January 1, 1989

Amended January 1, 1990

Amended and Restated Effective March 5, 1991

Amended and Restated Effective March 2, 1993

Amended and Restated Effective May 10, 1994

Amended and Restated Effective March 1, 1999

Amended and Restated Effective January 1, 2005

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of key Employees who contribute materially to the continued growth, development and future business success of Southwest Gas Corporation. The Plan is designed to comply with and shall be administered in a manner consistent with the applicable requirements of Internal Revenue Code (“IRC” or “Code”) Section 409A and related Treasury regulations.

The plan is intended and designed to be an unfunded benefit for a select group of highly compensated key Employees and, as such, to be exempt from the fiduciary, funding, vesting and plan termination insurance provisions of the Employee Retirement Income Security Act (“ERISA”).

The Plan is also designed to eliminate reductions in benefits under the Basic Plan for those Employees who have participated in the Company’s Executive Deferral Plans and do not qualify for the full scope of benefits under the Basic Plan.

**ARTICLE 1
DEFINITIONS**

In the event there is a conflict in the meaning of any defined terms used in this Plan because of the reference to the Basic Plan, the definition contained in the Basic Plan shall prevail. For purposes hereof, unless otherwise clearly apparent from the context, the following words and phrases listed below shall be defined as follows:

- 1.1 **“Affiliate”** means any corporation, partnership, or other organization which, during any period of a Participant’s employment, was at least 50 percent controlled by the Company or an affiliate of the Company.
- 1.2 **“Average Earnings”** means the twelve-month average of the highest consecutive 36 months of Earnings with the Company and its successors and assigns.
- 1.3 **“Basic Plan”** means the qualified defined benefit retirement plans of the Company and/or PriMerit Bank, its former Affiliate, in effect prior to a Change in Control, whether maintained by the Company, PriMerit Bank or their successor or assigns.

- 1.4 **“Basic Plan Benefits”** means the amount of benefit payable from the Basic Plan to a Participant, including benefits payable from any employer funded defined benefit plan of any of the Company’s successors or assigns, in the form of a straight life annuity.
- 1.5 **“Board of Directors”** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.
- 1.6 **“Change in Control”** means the first to occur of any of the following events:
- (a) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or
 - (b) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this definition) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.
- 1.7 **“Committee”** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.8 **“Company”** means Southwest Gas Corporation and such of its Affiliates as the Board of Directors may select to become parties to the Plan. The term “Company” shall also include any Successor Corporation.
- 1.9 **“Continuous Service”** means a Participant’s Benefit Service with the Company as defined in the Basic Plan.
- 1.10 **“Disability”** means any of the following circumstances, as determined by the Committee in its sole discretion: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to

last for a continuous period of not less than twelve months; (b) the Participant is, by any reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Company; (c) the Participant is determined to be totally disabled by the Social Security Administration; or (d) the Participant becomes eligible for and is receiving disability benefits under a long-term disability plan or program maintained by the Company, provided that the definition of “disability” applicable under such plan or program complies with the applicable requirements of the IRC.

- 1.11 **“Earnings”** means the yearly compensation paid to a Participant, including salary deferrals, but excluding bonuses, commissions, overtime, and nonmonetary awards for employment services to the Company.
- 1.12 **“Eligible Spouse”** means the surviving spouse of a Participant as defined in the Basic Plan.
- 1.13 **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.
- 1.14 **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.
- 1.15 **“Executive Deferral Plan” or “Executive Deferral Plans”** means either or both of the Southwest Gas Corporation Executive Deferral Plans as effective January 1, 2005 and as they may be amended from time to time thereafter.
- 1.16 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.
- 1.17 **“Participant”** means any Executive or any Employee who is a participant in the Executive Deferral Plan prior to the occurrence of a Change in Control.
- 1.18 **“Plan”** means the Supplemental Retirement Plan of the Company evidenced by this Master Plan Document.
- 1.19 **“Retire” or “Retirement”** means a Participant’s separation from service with the Company on or after attaining age 55, other than by death, Disability or Termination of Employment.
- 1.20 **“Senior Officer”** means an officer of the Company with the title “Senior Vice President” or an officer of equivalent or higher rank.

- 1.21 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.22 **“Termination of Employment”** means a Participant’s voluntary or involuntary separation from service with the Company, excluding Retirement, Disability or death.
- 1.23 **“Third Party Fiduciary”** means an independent third party selected by the Committee, to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.
- 1.24 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.25 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- 1.26 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.27 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.

ARTICLE 2
ELIGIBILITY FOR PARTICIPATION AND BENEFITS

- 2.1 **Selection of Participants – Executives** An Executive shall become a Participant in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company (unless the Board of Directors determines, at that time, that such Executive will not be eligible to participate in the Plan).
- 2.2 **Selection of Participants – Employees** Any Employee who is a participant in the Executive Deferral Plan shall also be a Participant in this Plan as of the effective date of his selection to participate in the Executive Deferral Plan.
- 2.3 **Normal Retirement – Any Participant** A Participant with 20 or more years of Continuous Service will be eligible to Retire and receive benefits under the Plan upon and after attaining age 55.

- 2.4 **Senior Officers – Less Than 20 Years of Service** A Senior Officer with ten or more years of Continuous Service will be eligible to Retire and receive benefits under the Plan upon and after attaining age 65.
- 2.5 **Limited Benefit** A Participant who is vested under the Basic Plan, but who fails to satisfy the requirements of Articles 2.3 or 2.4, is eligible to receive benefits only under the provisions of Article 3.3 of the Plan.
- 2.6 **Forfeiture** Notwithstanding any provision herein to the contrary, if a Participant or Eligible Spouse who is receiving, or may be entitled to receive, a benefit hereunder engages in competition with the Company (without the Board of Directors' prior written authorization), or is discharged for cause, or performs acts of willful malfeasance or gross negligence in a matter of material importance to the Company, payments thereafter payable hereunder to such Participant or such Eligible Spouse will, at the Board of Directors' discretion, be forfeited and the Company will have no further obligation to such Participant or Eligible Spouse. This Article 2.6 shall not apply after a Change in Control.

**ARTICLE 3
AMOUNT AND FORM OF RETIREMENT BENEFIT**

- 3.1 **Amount of Normal Benefit** The annual normal benefit payable to a Participant upon his Retirement will be equal to 50 percent (60 percent for Senior Officers) of the Participant's Average Earnings, less any Basic Plan Benefits.
- 3.2 **Early Retirement** If a Participant qualifies for benefits under Article 2.3 of the Plan and retires before age 60, the benefits he receives under the provisions of Article 3.1 will be reduced in the same manner as the benefits under the Basic Plan are adjusted for early retirement.
- 3.3 **Limited Benefit** The annual limited benefit payable to a Participant who only satisfies the provisions of Article 2.5 of the Plan will be the benefit payable under the Basic Plan as if compensation, as defined in the Basic Plan, includes compensation deferred under the Executive Deferral Plans (excluding any incentive or bonus) and without regard to any statutory limitation on the compensation that can be considered under the Basic Plan, less any Basic Plan Benefits.
- 3.4 **Single Life Annuity** The benefits determined under this Plan will be payable in the form of a single life annuity except as Article 5 otherwise provides.

**ARTICLE 4
PAYMENT OF RETIREMENT BENEFITS**

- 4.1 **Timing of Payment** One-half of the annual benefit determined in accordance with Article 3, plus interest, will be payable on the first day of the month following the six month anniversary of the Participant's Retirement. Thereafter, one-twelfth of the annual benefit determined in accordance with Article 3 will be paid on the first day of each succeeding month. The last benefit payment will be paid on the first day of the month in which the retired Participant dies unless otherwise provided in accordance with Article 5 of the Plan.

For those Participants terminating employment after January 1, 2005 who only qualify for limited benefits under Article 3.3, annual benefits will commence at age 65, or six months after Termination of Service, whichever is later.

- 4.2 **Interest Rate** For purposes of this Article 4, interest shall be calculated using the "Moody's Rate" as defined the Executive Deferral Plan Master Plan Document.

**ARTICLE 5
DEATH BENEFITS PAYABLE**

- 5.1 **Pre-Retirement Death of Participant** If a Participant dies before Retirement, the Eligible Spouse will receive a death benefit equal to 50 percent of the amount of the Participant's benefit under the Plan, determined in accordance with Article 3 as if the Participant had retired and begun receiving a benefit in accordance with Article 4 on the first day of the month before the date of his death. Payment of the death benefit to an Eligible Spouse will commence on the first day of the month next following the month during which the Participant dies.

- 5.2 **Post-Retirement Death of Participant** If a Participant dies after Retirement, the Eligible Spouse will receive a benefit equal to 50 percent of the benefit the Participant was otherwise eligible to receive under the Plan.

If a Participant dies during the six month period following Retirement and prior to receiving any benefits under the Plan, the Eligible Spouse (or, if there is no Eligible Spouse, the Participant's estate or an alternate recipient, as directed by the Participant) will also receive the accrued but unpaid portion of the delayed six month payment plus interest determined in accordance with Article 4.2 above.

- 5.3 **Other Death Benefits** If a Participant dies before becoming eligible for Retirement as provided for in Articles 2.3 or 2.4 of the Plan, any benefits available to the Eligible Spouse under this Plan will be determined using compensation as defined in Article 3.3 of the Plan less any Basic Plan Benefits. Payment of the death benefit to an Eligible Spouse will commence on the first day of the month next following the month during which the Participant dies.

- 5.4 **Death Benefits – Disabled Participant** If a disabled Participant should die while receiving benefits in accordance with Article 6, such Participant's Eligible Spouse will receive a benefit equal to 50 percent of the benefit the Participant was receiving under the Plan at the time of his death.
- 5.5 **Adjustments** If an Eligible Spouse is less than age 50 and is more than five years younger than the Participant at the time of the Participant's death, the Eligible Spouse benefit described in this Article 5, will be reduced by two percent for each full year over the five years by which such Eligible Spouse is younger than the Participant.
- 5.6 **Payment of Death Benefits** Eligible Spouse benefits described in this Article 5 will commence on the first day of the month following the Participant's death and continue on the first of each succeeding month, and end on the first day of the month in which the Eligible Spouse dies. No further benefits under this Plan will be payable after the deaths of both the Participant and the Eligible Spouse.
- 5.7 **No Eligible Spouse** If, on the date of death, a Participant has no Eligible Spouse, no benefits will be payable after the death of the Participant.

**ARTICLE 6
DISABILITY BENEFITS**

- 6.1 **Eligibility for Disability** Notwithstanding the provisions of Articles 2.3 or 2.4, if the Committee determines that a Participant has become Disabled before attaining age 65, the Participant shall be entitled to receive a Disability benefit under this Plan.
- 6.2 **Disability Benefit** A Participant's annual Disability benefit will be equal to 50 percent (60 percent for Senior Officers) of the Participant's Average Earnings less any benefits payable under the Company's salary continuation and long-term disability plans and less any Basic Plan Benefits.
- 6.3 **Benefit Payment** Disability benefits will be payable on the same basis as Retirement benefits under Article 4 of the Plan. The last payment will occur on the earlier of the first day of the month during which the Participant ceases to be Disabled, as determined solely by the Committee, or the Participant dies.
- 6.4 **Death Benefit** If a Disabled Participant dies, a death benefit will be paid to the Eligible Spouse as provided in Article 5.4.

- 6.5 **Supporting Documentation** The Committee may require, no more frequently than once in any calendar year, that a disabled Participant submit medical evidence of continuing Disability satisfactory to the Committee. The Committee may discontinue a Disability benefit after considering such evidence or lack thereof.
- 6.6 **Determination of Continuous Service While Disabled** If a Participant is determined to no longer be Disabled, the period of time he was Disabled will be added to his continuous service for the purpose of determining further benefit eligibility under the Plan.

**ARTICLE 7
GENERAL**

- 7.1 **Payment Obligation** Amounts payable to a Participant or Eligible Spouse shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a “rabbi trust.”
- 7.2 **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or Eligible Spouse, except as provided in this Master Plan Document.
- 7.3 **Furnishing Information** The Participant or Eligible Spouse must cooperate in furnishing all information requested by the Company to facilitate the payment of Plan benefits.
- 7.4 **Unsecured General Creditor** Participants and Eligible Spouses, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company assets, shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company obligations under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Eligible Spouses shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 8) be unfunded for purposes of the Code and for the purposes of ERISA.
- 7.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant or Eligible Spouse all taxes which are required to be withheld by the Company in respect to such payment under this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

- 7.6 **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.
- 7.7 **No Assignment** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment, or encumbrances of any kind.

**ARTICLE 8
TRUSTS**

- 8.1 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA), the power to manage and control the Trust Fund. The Committee and the Board of Directors authority under the provisions of this Article 8 will cease upon the occurrence of a Change in Control.

**ARTICLE 9
TERMINATION, SUSPENSION OR AMENDMENT**

- 9.1 **Plan Amendment** To the extent permitted by the IRC and related regulations, the Board of Directors may, at any time and without notice, amend or modify the Plan or by resolution reduce the eligibility requirements or increase the benefits for an individual Participant at any time or from time to time, in whole or in part; provided however, that: (a) no amendment or modification will affect or reduce (i) the rights and benefits available to Participants under terms of the Plan as in effect at the time of their selection and during their participation in the Plan, (ii) the rights of an Eligible Spouse to receive death benefits in accordance with this Plan, (iii) the continued accrual of benefits under the Plan on terms at least as favorable as the terms of the

Plan applicable to each Participant in effect immediately prior to a Change in Control, taking into account Earnings and employment service after such an event, or (iv) a retired Participant's right or the right of an Eligible Spouse to continue to receive a benefit in accordance with this Plan as in effect on the date such Participant began to receive a benefit under this Plan; and (b) effective January 1, 2005, no amendment or modification of this Article 9, Article 10 or Article 11 of the Plan shall be effective except to the extent both the Committee and the Board of Directors deem necessary to comply with applicable law.

- 9.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all benefits have been paid in full under the provisions of the Plan to the Participants and Eligible Spouses.
- 9.3 **Bankruptcy** To the extent permitted under Code Section 409A and its related Treasury regulations, the Board of Directors shall have the authority, in its sole discretion, to terminate the Plan and distribute each Participant's benefits to the Participant or, if applicable, the Eligible Spouse, within twelve months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(a). The total accelerated distribution under this Article 9.3 must be included in a Participant's gross income in the latest of:
- (a) The calendar year in which the Plan is terminated;
 - (b) The calendar year in which the amount of the benefits are no longer subject to a substantial risk of forfeiture; or
 - (c) The calendar year in which distribution of the benefits is administratively practicable.

**ARTICLE 10
ADMINISTRATION OF THE PLAN**

- 10.1 **Committee Duties** Except as otherwise provided in this Article 10, and subject to Article 11, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

- 10.2 **Administration after a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 11. The Third Party Fiduciary may not be terminated by the Company without the consent of at least 50 percent of the Participants in the Plan.
- 10.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- 10.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 10.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 10.5 **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 10.6 **Cooperation – Providing Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Service, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

ARTICLE 11
CLAIMS PROCEDURE

- 11.1 **Presentation of Claims** Any Participant or Eligible Spouse (such being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.
- 11.2 **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 11.3.
- 11.3 **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.
- 11.4 **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.
- 11.5 **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 11 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 12
MISCELLANEOUS

- 12.1 **Conflicts of Interest** No Participant will participate in an action of the Committee or the Board of Directors on a matter that solely applies to that Participant. Such matters will be determined by a majority of the rest of the Committee or the Board of Directors.
- 12.2 **Plan Documents** Each Participant will receive a copy of this Plan and the Company will make available for any Participant's inspection a copy of the rules and regulations used in administering the Plan.
- 12.3 **Governing Law** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- 12.4 **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, the Eligible Spouse, and their assigns, heirs, executors, and administrators.
- 12.5 **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 12.6 **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- 12.7 **Severability** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.
- 12.8 **Notices** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Supplemental Retirement Plan
Compensation Committee (LVB-283)
P.O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street
Winston-Salem, NC 27101

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective January 1, 2005.

SOUTHWEST GAS CORPORATION

By /s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer

Date January 14, 2008

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
BOARD OF DIRECTORS RETIREMENT PLAN

Effective January 1, 1988

Amended Effective May 9, 1990

Amended and Restated Effective October 1, 1993

Amended and Restated Effective March 1, 1999

Amended and Restated Effective January 1, 2005

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
BOARD OF DIRECTORS RETIREMENT PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to Directors of Southwest Gas Corporation. Eligibility for participation in the Plan shall be limited to outside, non-employee Directors retiring after January 1, 1988, who were members of the Board of Directors on or before January 20, 2003. The Plan is designed to comply with and shall be administered in a manner consistent with the applicable requirements of Internal Revenue Code (“IRC” or “Code”) Section 409A and related Treasury regulations.

**ARTICLE 1
DEFINITIONS**

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- 1.1 **“Board of Directors”** means the Board of Directors of the Company.
- 1.2 **“Change in Control”** means the first to occur of any of the following events:
 - (a) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or
 - (b) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.2) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

- 1.3 **“Committee”** means the Compensation Committee of the Board of Directors to which the Board of Directors has given authority to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.4 **“Company”** means Southwest Gas Corporation and any Successor Corporation.
- 1.5 **“Director”** means an outside, non-employee, member of the Board of Directors prior to a Change in Control.
- 1.6 **“Disability”** means either of the following circumstances as determined by the Committee in its sole discretion: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (b) the Participant is determined to be totally disabled by the Social Security Administration.
- 1.7 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.
- 1.8 **“Participant”** means an outside, non-employee Director who was elected or appointed to serve on the Board of Directors on or before January 20, 2003. As defined, former or current employees of the Company and Retired employees of the Company are excluded from participation in the Plan.
- 1.9 **“Plan”** means the Directors Retirement Plan evidenced by this Master Plan Document.
- 1.10 **“Retiree”** means a Retired Director who is eligible to receive benefits under the Plan.
- 1.11 **“Retire”, “Retired” or “Retirement”** means the termination of a Director’s service on the Board of Directors on one of the dates specified in Article 2.
- 1.12 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.13 **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.

- 1.14 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.15 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- 1.16 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.17 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.
- 1.18 **“Years of Service”** means the length of time, in discrete twelve-month periods, a Participant has served on the Board of Directors.

**ARTICLE 2
ELIGIBILITY**

- 2.1 **Retirement Benefits** Each Participant is eligible to Retire and receive a benefit under this Plan beginning on one of the following dates, provided he qualifies:
- (a) “Normal Retirement Date,” which is the first day of the month following the month in which the Participant reaches age 65, provided he has at least ten Years of Service.
 - (b) “Mandatory Retirement Date,” which is the first day of the month following the month in which the Participant reaches age 72.
 - (c) “Postponed Retirement Date,” which is the first day of the month following the month in which the Participant terminates service on the Board of Directors, provided he has at least ten Years of Service and provided that such date is after the Normal Retirement Date and before the Mandatory Retirement Date.
 - (d) “Disability Retirement Date,” which is the first day of the month following the month in which the Participant’s Disability began, as determined by the Committee.
- 2.2 **Early Retirement** A Participant is eligible to elect “Early Retirement” from the Board of Directors prior to age 65 provided he has at least ten Years of Service. The Participant electing Early Retirement will be eligible to receive benefits pursuant to Section 3.3.

- 2.3 **Change in Control** Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will be deemed Retired and receive the Normal Retirement Benefit beginning the first day of the month following such an event, provided he has at least five Years of Service at such time.

**ARTICLE 3
AMOUNT AND FORM OF RETIREMENT BENEFIT**

- 3.1 **Normal Retirement Benefit** The annual benefit payable under the Plan will be the amount of the Participant's annual retainer fee on his Normal Retirement Date and will be paid for life as provided in Article 4.
- 3.2 **Mandatory Retirement Benefit** The annual benefit payable under the Plan will be the amount of the Participant's annual retainer fee on his Mandatory Retirement Date and will be paid for life as provided in Article 4.
- 3.3 **Early Retirement Benefit** The annual benefit payable for Early Retirement under the Plan will be the amount of the Participant's annual retainer fee on his Early Retirement date and will be paid for life commencing when the Participant reaches age 65 as provided in Article 4.
- 3.4 **Postponed Retirement Benefit** The annual benefit payable at a Postponed Retirement Date under the Plan will be the amount of the Participant's annual retainer fee on the date of his postponed retirement and will be paid for life as provided in Article 4.
- 3.5 **Disability Retirement Benefit** The annual benefit payable at a Disability Retirement Date under the Plan will be the amount of the Participant's annual retainer fee on the date of the Disability and will be paid for life as provided in Article 4.
- 3.6 **Discretionary Benefits** The Board of Directors may, at its sole discretion, grant to an eligible Participant an increased benefit of \$1,000 per year for life for each ten-year period of service beyond the minimum qualifying service period of ten years.

**ARTICLE 4
PAYMENT OF RETIREMENT BENEFITS**

- 4.1 **Timing of Payments** One-quarter of the benefit determined in accordance with Article 3 will be payable on the first day of each calendar quarter. The initial benefit

payment will be paid within 30 days after a Participant's Retirement, and will be prorated for a partial calendar quarter if the Retirement date is not on the first day of a calendar quarter.

- 4.2 **Cessation of Benefits** Benefit payments will cease on the first day of the calendar quarter following the Retiree's death.

**ARTICLE 5
NO DEATH BENEFITS**

- 5.1 **Death** No benefits are payable under this Plan in the event of death.

**ARTICLE 6
GENERAL**

- 6.1 **Payment Obligation** Amounts payable to a Participant shall be paid exclusively from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."
- 6.2 **Limitation on Payment Obligations** The Company shall have no obligation under the Plan to a Participant, except as provided in this Plan.
- 6.3 **Furnishing Information** The Participant shall cooperate in furnishing all information requested by the Company to facilitate the payment of his benefit.
- 6.4 **Unsecured General Creditor** Participants and their heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 7) be unfunded for purposes of the Code.
- 6.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant all taxes which are required to be withheld by the Company in respect to such payment under this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the payment amount of said taxes.

- 6.6 **Continued Tenure** The Company is without power to lawfully assure a Participant continued tenure as a Director, and nothing herein constitutes a contract of continuing Directorship between the Company and the Participant.

**ARTICLE 7
TRUSTS**

- 7.1 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA), the power to manage and control the Trust Fund. Committee authority under the provisions of this Article 7.1 will cease upon the occurrence of a Change in Control.

**ARTICLE 8
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN**

- 8.1 **Plan Amendment** To the extent permitted by the IRC and related regulations, the Board of Directors may, at any time, and without notice, amend or modify the Plan in whole or in part; provided, however, that: (a) no amendment or modification shall be effective to decrease or restrict (i) the benefits the Participant qualifies for under the provisions of the Plan, or (ii) benefit payments to Participants once such payments have commenced; and (b) effective January 1, 2005, no amendment or modification of this Article 8, Article 10, or Article 11 of the Plan shall be effective except to the extent both the Committee and the Board of Directors deems necessary to comply with applicable law.
- 8.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all benefits have been paid in full to the Participants under the provisions of the Plan.

- 8.3 **Bankruptcy** To the extent permitted under Code Section 409A and its related Treasury regulations, the Board of Directors shall have the authority, in its sole discretion, to terminate the Plan and distribute each Participant's benefits to the Participant within twelve months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(a). The total accelerated distribution under this Article 8.3 must be included in a Participant's gross income in the latest of:
- (a) The calendar year in which the Plan is terminated;
 - (b) The calendar year in which the Participant's benefits are no longer subject to a substantial risk of forfeiture; or
 - (c) The calendar year in which distribution of the Participant's benefits is administratively practicable.

**ARTICLE 9
RESTRICTIONS ON ALIENATION OF BENEFITS**

- 9.1 **No Assignment** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment, or encumbrances of any kind.

**ARTICLE 10
ADMINISTRATION OF THE PLAN**

- 10.1 **Committee Duties** Except as otherwise provided in this Article 10, and subject to Article 11, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Members of the Committee may be Participants under the Plan.
- 10.2 **Administration after a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the

discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 11. The Third Party Fiduciary may not be terminated by the Company without the consent of at least 50 percent of the Participants in the Plan.

- 10.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- 10.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 10.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 10.5 **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 10.6 **Cooperation – Providing Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for termination of service, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

ARTICLE 11 CLAIMS PROCEDURE

- 11.1 **Presentation of Claims** Any Participant (such Participant being referred to below as a “Claimant”) may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.

- 11.2 **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 11.3.
- 11.3 **Review of Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.
- 11.4 **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.
- 11.5 **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 11 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 12
MISCELLANEOUS

- 12.1 **Recusal** No Director will participate in an action of the Committee or the Board of Directors on a matter that solely applies to that Director. Such matters will be determined by a majority of the rest of the Committee or the Board of Directors.
- 12.2 **Providing Plan Details** Each Participant will receive a copy of this Plan, and the Committee will make available for any Participant's inspection a copy of the rules and regulations the Committee uses in administering the Plan.
- 12.3 **Governing Law** Except to the extent federal law applies, the Plan shall be governed by, and construed under, the laws of the State of Nevada.
- 12.4 **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant and their assigns, heirs, executors, and administrators.
- 12.5 **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 12.6 **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- 12.7 **Severability** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.
- 12.8 **Notices** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Board of Directors Retirement Plan
Compensation Committee (LVB-283)
P.O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street
Winston-Salem, NC 27101

IN WITNESS WHEREOF, the Company has executed this Master Plan Document to be effective January 1, 2005.

SOUTHWEST GAS CORPORATION

By /s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer

Date January 14, 2008

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN

Effective March 1, 1986

Amended and Restated March 1, 1988

Amended and Restated March 1, 1989

Amended and Restated March 1, 1990

Amended and Restated October 29, 1992

Amended and Restated May 10, 1994

Amended and Restated Effective March 1, 1999

Amended and Restated November 19, 2002

Amended and Restated Effective December 31, 2004

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of key employees who contribute materially to the continued growth, development and future business success of Southwest Gas Corporation. As amended and restated herein, this Plan document applies to Account Balances (inclusive of earnings) maintained under the Plan as of December 31, 2004, all of which were fully earned and vested as of such date.

No amendment to the Plan as in effect on October 3, 2004 that would constitute a "material modification" as defined within Internal Revenue Code ("IRC" or "Code") Section 409A and related Treasury regulations, shall be effective with respect to amounts that were deferred in taxable years beginning before January 1, 2005 (inclusive of any earnings on such deferred amounts). With the exception of earnings on Account Balances which may accrue on or after January 1, 2005 as provided in Article 4 below, no further Deferrals or other contributions of any kind shall be accepted under this Plan after December 31, 2004.

**ARTICLE 1
DEFINITIONS**

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- 1.1 **"Account Balance"** means a Participant's individual fund comprised of Deferrals, Company Contributions and interest earnings credited thereon up to the time of Benefit Distribution.
- 1.2 **"Base Annual Salary"** means the yearly compensation paid to an Executive, excluding bonuses, commissions, overtime, and non-monetary awards for employment services to the Company.
- 1.3 **"Beneficiary"** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A Participant may designate primary and contingent Beneficiaries.
- 1.4 **"Benefit Account Balance"** shall have the meaning set forth in Article 5.3.
- 1.5 **"Benefit Distribution"** means the date benefits under the Plan commence or are paid in full to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.

- 1.6 **“Board of Directors”** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.
- 1.7 **“Bonus”** means the portion of actual awards, if any, paid in cash under the terms of Southwest Gas Corporation’s 1993 Management Incentive Plan, as amended (“Management Incentive Plan”).
- 1.8 **“Change in Control”** means the first to occur of any of the following events:
- (a) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or
 - (b) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.
- 1.9 **“Committee”** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.10 **“Company”** means Southwest Gas Corporation and such of its Subsidiaries as the Board of Directors may select to become parties to the Plan. The term “Company” shall also include any Successor Corporation.
- 1.11 **“Company Contributions”** means the amount added, if any, to a Participant’s Account Balance in accordance with Article 3.2.
- 1.12 **“Deferral(s)”** means the amount of Base Annual Salary and Bonus transferred to the Plan accounts. No Deferrals will be accepted into this Plan after December 31, 2004.

- 1.13 **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.
- 1.14 **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.
- 1.15 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.
- 1.16 **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.
- 1.17 **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to Benefit Distribution.
- 1.18 **“Participant”** means any Executive who executes a Plan Agreement or an Employee who has been selected to participate in the Plan and who executes a Plan Agreement. No new Participants will be accepted into this Plan after December 31, 2004.
- 1.19 **“Plan”** means the Executive Deferral Plan of the Company evidenced by this Master Plan Document.
- 1.20 **“Plan Agreement”** means the form of written agreement which is entered into from time to time, by and between the Company and a Participant.
- 1.21 **“Plan Year”** means the year beginning on March 1 of each year.
- 1.22 **“Retire”** or **“Retirement”** means the severance from employment with the Company on or after attaining age 55, other than by death, disability or Termination of Employment.
- 1.23 **“Subsidiary”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.
- 1.24 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.

- 1.25 **“Terminates Employment”** or **“Termination of Employment”** means the ceasing of employment with the Company, either voluntarily or involuntarily, excluding Retirement, disability or death.
- 1.26 **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.
- 1.27 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.28 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- 1.29 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.30 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.
- 1.31 **“Years of Service”** means a Participant’s Benefit Service as defined in the Retirement Plan for Employees of Southwest Gas Corporation, plus service with a Successor Corporation which is not taken into account for such plan.

ARTICLE 2 ELIGIBILITY

- 2.1 **Selection of Participants** An Executive shall become eligible to participate in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company (unless the Board of Directors determines, at that time, that such Executive will not become eligible to participate in the Plan). The Committee in its sole discretion may select any other Employee to become eligible to participate in the Plan.
- 2.2 **Continued Eligibility** If a Participant ceases to be an Executive and he continues as an Employee, the Committee in its sole discretion will determine whether such Employee will continue to be eligible to participate in the Plan. Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will continue to participate in the Plan.

- 2.3 **Participant Acceptance** Once eligible to participate in the Plan, an Executive or an Employee has to complete, execute and return to the Committee a Plan Agreement to become a Participant in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee. Notwithstanding the foregoing and upon the occurrence of a Change in Control, no additional conditions regarding continued participation in the Plan may be established by the Committee or any Successor Corporation.

**ARTICLE 3
DEFERRAL COMMITMENT AND COMPANY CONTRIBUTION**

- 3.1 **Deferrals** A Participant may defer up to 100 percent of his Base Annual Salary and Bonus received during a Plan Year; provided that such Deferral exceeds \$2,000 per Plan Year. Notwithstanding the foregoing, no election shall be effective to reduce the Base Annual Salary and Bonus paid to a Participant for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Participant's Base Annual Salary and Bonus for the calendar year for (a) applicable income and employment taxes (including Federal Insurance Contributions Act tax), (b) contributions to any employee benefit plan (other than this Plan), and (c) payroll transfers, in place, prior to such elections.
- 3.2 **Company Matching Contributions** If a Participant makes a Deferral commitment with respect to Base Annual Salary and/or Bonus, the Company will contribute an amount equal to 50 percent of such Deferral, up to a maximum of three percent of the Participant's Base Annual Salary, to the Participant's Account Balance.
- 3.3 **Timing of Deferral Election** Prior to the commencement of each Plan Year, a Participant will (a) advise the Committee, in writing, of his Base Annual Salary Deferral commitment for the upcoming Plan Year and (b) make his Deferral commitment for any Bonus earned during the calendar year ending in such Plan Year. If a Participant fails to so advise the Committee, through no fault of the Company, he will not be permitted to defer any of his Base Annual Salary or Bonus during the upcoming Plan Year.
- 3.4 **Exercise of Deferral Commitment** A Participant's Deferral commitment will be exercised on a per pay period basis for the portion of his Base Annual Salary that is deferred. The exercise of a Participant's Deferral commitment with respect to his Bonus will occur at the time the Bonus is paid.
- 3.5 **Adjustment to Deferral Commitment** The Committee reserves the right to adjust any Participant's Deferral commitment during a Plan Year to ensure that a Participant's actual Deferral does not exceed the maximum allowable amount.

- 3.6 **Deferral Elections by New Participants** In the event an Executive or an Employee becomes a Participant in the Plan during a Plan Year, such Participant may defer up to 100 percent of the remaining portion of his Base Annual Salary for the current Plan Year. Such Participant must make his Deferral commitment by advising the Committee, in writing, at the time he elects to become a Participant in the Plan.
- 3.7 **Deferral Commitment Default** In the event a Participant defaults on his Base Annual Salary Deferral commitment, the Participant will not be allowed to make any further Deferrals during the current Plan Year and may not make any Deferrals for the subsequent Plan Year. In the event a Participant defaults on his Bonus Deferral commitment for a particular Plan Year, the Participant will not be able to defer any of his Bonus for that Plan Year or the subsequent Plan Year.
- 3.8 **Waiver of Deferral Commitment Default** The Committee may waive for good cause the default penalty specified in Article 3.7 upon the request of the Participant.
- 3.9 **Deferrals after December 31, 2004** Notwithstanding any provision herein to the contrary, no Deferrals or Company matching contributions will be accepted into this Plan after December 31, 2004, and no new Participants will be admitted hereunder after December 31, 2004.

**ARTICLE 4
INTEREST, CREDITING AND VESTING**

- 4.1 **Interest Rate** A Participant's Account Balance at the start of a Plan Year and any Deferrals and Company contributions made during a Plan Year will earn, except as provided for in Article 4.2, interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's account for Deferrals and Company contributions made during the Plan Year, as if all Deferrals and contributions were made on the first day of the Plan Year.
- 4.2 **Adjustment to Interest Rate** If a Participant Terminates Employment prior to completing five Years of Service with the Company, interest credited for all Deferrals and vested Company contributions to a Participant's Account Balance will be adjusted based on the Moody's Rate during the period he participated in the Plan.

- 4.3 **Vesting of Company Contributions** Company contributions and interest earned on such contributions will vest to a Participant at the rate of 20 percent per Year of Service and will vest completely once a Participant has five Years of Service with the Company.
- 4.4 **Interest Earned after December 31, 2004** Interest earned on Deferrals made on or before December 31, 2004 will be credited to the Participant's Account Balance in accordance with this Article 4. Any such interest is intended to be regarded as attributable to amounts deferred under the Plan as of December 31, 2004.

**ARTICLE 5
PLAN BENEFIT PAYMENTS**

- 5.1 **Lump-Sum Payment** A Participant's Account Balance will be paid to the Participant in a lump-sum payment at the time of Benefit Distribution, unless the Participant qualifies to receive benefit payments over a specific benefit payment period.
- 5.2 **Interest prior to Benefit Distribution** A Participant's Account Balance will earn interest under the provisions of Article 4.1 or, if applicable, Article 4.2 until the time of Benefit Distribution.
- 5.3 **Benefit Payment Periods** If a Participant is entitled to receive Plan benefit payments over a specific benefit payment period, his Account Balance at the commencement of Benefit Distribution will be credited with an amount equal to the interest such balance would have earned assuming distribution in equal monthly installments over the specific benefit payment period, at a specified interest rate, thereby creating a Benefit Account Balance. The Benefit Account Balance will then be paid to the Participant in equal monthly installments over the specific benefit payment period.
- 5.4 **Payment Prior to Benefit Distribution** If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balance shall be reduced accordingly.

**ARTICLE 6
RETIREMENT AND TERMINATION BENEFIT PAYMENTS**

- 6.1 **Benefit Payment Periods; Elections** A Participant who Retires or Terminates Employment with more than five Years of Service qualifies to receive his Account Balance over a period of 120, 180 or 240 months. The Participant shall elect the

payment period; provided that written notice of such election is filed with the Committee at least one year prior to his Retirement or Termination of Employment. If a Participant fails to make such election prior to the time specified, the payment period will be 240 months.

- 6.2 **Changing Elections** A Participant who has made an election under this Article may subsequently revoke such election and make another election under this Article by providing written notice to the Committee; provided, however, that only the last such election or revocation in effect on the date which is one year prior to the date on which the Participant Retires or Terminates Employment shall be effective. Notwithstanding the foregoing, if a Participant Terminates Employment or Retires as a result of a Change in Control, the foregoing provisions of this Article 6 shall be applied by substituting “six months” for “one year.”
- 6.3 **Interest on Benefit Payments** The interest rate used to calculate the amount that will be credited to a Participant’s Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody’s Composite Rate.

**ARTICLE 7
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 7.1 **Benefit Payments** Notwithstanding any elections made pursuant to Article 6, if a Participant dies while he is an employee of the Company, his Account Balance will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period.
- 7.2 **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to a Participant’s Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3 following the Participant’s death, will be 150 percent of the Moody’s Composite Rate.

**ARTICLE 8
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 8.1 **Benefit Payments** If a Participant dies after the commencement of Retirement, Termination of Employment or disability benefit payments under Articles 6 or 9 but prior to such benefits having been paid in full, the Participant’s benefit payments will continue to be paid to the Participant’s Beneficiary through the end of the originally awarded benefit payment period, except as provided for in Article 10.7.

**ARTICLE 9
DISABILITY BENEFIT PAYMENTS**

- 9.1 **Disability Determination** A Participant shall be considered disabled if he qualifies for a disability benefit under the Company's group long-term disability plan. In the event a Participant does not qualify for benefits under the group long-term disability plan, the Committee may determine that a Participant is disabled under the provisions of the Plan.
- 9.2 **Vesting of Company Contributions** Notwithstanding the provisions of Article 4.3, Company contributions and interest earned on such contributions will be fully vested to the Participant at the time he is determined to be disabled under this Article.
- 9.3 **Benefit Payments During First Five Years of Service** If a Participant is disabled within the first five Years of Service with the Company, he will receive his Account Balance in a lump sum payment at Benefit Distribution.
- 9.4 **Benefit Payments After Five Years of Service** Notwithstanding any elections made pursuant to Article 6, if a Participant is disabled after five Years of Service with the Company, his Account Balance will be paid to him in equal monthly installments over the 180 month disability payment period.
- 9.5 **Interest on Benefit Payments** If a Participant qualifies to receive his Account Balance over the disability benefit payment period, the interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 10
BENEFICIARIES**

- 10.1 **Designation of Beneficiaries** A Participant shall have the right to designate any Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant's death prior to the total distribution of his Benefit Account Balance under the Plan. If greater than 50 percent of the Benefit Account Balance is designated to a Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Committee and will be effective only when filed with the Committee during the Participant's lifetime.
- 10.2 **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.

- 10.3 **Acknowledgment** The Committee shall acknowledge, in writing, receipt of each Beneficiary designation form.
- 10.4 **Discharge of Company Obligation** The Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.
- 10.5 **Minor or Incompetent Beneficiaries** If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- 10.6 **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.
- 10.7 **Payment to Beneficiary's Beneficiary** If a Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment period, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the Beneficiary's Beneficiary, if any, or to the applicable estate. The present value of the remaining benefit payments will be calculated using the same methodology, including the same interest rate, as was used to calculate the Participant's annuity payment calculation, under Article 5.3.

**ARTICLE 11
LEAVE OF ABSENCE**

- 11.1 **Continuation of Deferral Commitment** If a Participant is authorized by the Company for any reason to take a paid leave of absence, the Participant's Deferral commitment shall remain in full force and effect.
- 11.2 **Suspension of Deferral Commitment** If a Participant is authorized by the Company for any reason to take an unpaid leave of absence, the Participant's Deferral commitment shall be suspended until the leave of absence ends and the Participant's employment resumes.

**ARTICLE 12
GENERAL**

- 12.1 **Payment Obligation** Amounts payable to a Participant or Beneficiary shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a “rabbi trust.”
- 12.2 **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant’s Beneficiary, except as provided in this Master Plan Document.
- 12.3 **Furnishing Information** The Participant or Beneficiary must cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balance. Such information may include the results of a physical examination if any is required for participation in the Plan.
- 12.4 **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company’s assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company’s obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 14.1) be unfunded for purposes of the Code and for the purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).
- 12.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant or Beneficiary all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

**ARTICLE 13
NO GUARANTEE OF CONTINUING EMPLOYMENT**

- 13.1 **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant.

Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

ARTICLE 14 TRUSTS

- 14.1 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Article 14.1 will cease upon the occurrence of a Change in Control.

ARTICLE 15 TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 15.1 **Plan Amendments** The Board of Directors may, at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balance under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective March 1, 1999, no amendment or modification of this Article 15, Article 17, or Article 18 of the Plan shall be effective except to the extent the Board of Directors deems necessary or appropriate to comply with applicable law.
- 15.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all accrued benefits have been paid in full under the provisions of the Plan to the Participants and Beneficiaries.
- 15.3 **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Committee not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination.

- 15.4 **Change of Control** In the event of a hostile or non-negotiated Change of Control of the Company, the benefits of this Plan will become 100 percent vested for all Participants and the interest credited to a Participant's Account Balance under any provision of this Plan will be adjusted, retroactively to the date an individual became a Participant and prospectively thereafter, to 200 percent of the Moody's Rate.

**ARTICLE 16
RESTRICTIONS ON ALIENATION OF BENEFITS**

- 16.1 **Alienation of Benefits** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

**ARTICLE 17
ADMINISTRATION OF THE PLAN**

- 17.1 **Committee Duties** Except as otherwise provided in this Article 17, and subject to Article 18, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.
- 17.2 **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third

Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 18. The Third Party Fiduciary may not be terminated by the Company without the consent of 50 percent of the Participants in the Plan.

- 17.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- 17.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 17.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 17.5 **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 17.6 **Employer Information.** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.
- 17.7 **Manner and Timing of Benefit Payments** The Committee or the Third Party Fiduciary, as the case may be, may alter, at or after Benefit Distribution, the manner and time of payments to be made to a Participant or Beneficiary from that set forth herein, if requested to do so by such Participant or Beneficiary to meet existing financial hardships, which the Committee or the Third Party Fiduciary, as the case may be, determine are the same as or similar in nature to those identified in Section 1.401(k)-1(d)(2)(iv) of the federal treasury regulations.

ARTICLE 18 CLAIMS PROCEDURE

- 18.1 **Presentation of Claims** Any Participant or Beneficiary of a deceased Participant

(such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.

18.2 **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:

- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
- (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 18.3.

18.3 **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.

18.4 **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.

18.5 **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 18 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 19
MISCELLANEOUS

19.1 **Notice** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Executive Deferral Plan
Administrative Committee (LVB-283)
P.O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street
Winston-Salem, NC 27101

19.2 **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, a Participant's Beneficiary, and their assigns, heirs, executors and administrators.

19.3 **Governing Laws** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.

19.4 **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.

19.5 **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.

19.6 **Effect of Illegality or Invalidity** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective December 31, 2004.

SOUTHWEST GAS CORPORATION

By /s/ JEFFREY W. SHAW
Jeffrey W. Shaw
Chief Executive Officer

Date January 14, 2008

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN

Effective January 1, 2005

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of key employees who contribute materially to the continued growth, development and future business success of Southwest Gas Corporation. The Plan is designed to comply with and shall be administered in a manner consistent with the applicable requirements of Internal Revenue Code (“IRC” or “Code”) Section 409A and related Treasury regulations. This Plan document applies to any compensation first earned and deferred on or after January 1, 2005 (inclusive of any earnings on such amounts).

**ARTICLE 1
DEFINITIONS**

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- 1.1 **“Account Balances”** means a Participant’s individual fund comprised of Deferrals, Company Contributions and interest earnings credited thereon up to the applicable Benefit Distribution Date.
- 1.2 **“Base Annual Salary”** means the yearly compensation paid to an Executive, excluding bonuses, commissions, overtime, and non-monetary awards for employment services to the Company.
- 1.3 **“Beneficiary”** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A participant may designate primary and contingent Beneficiaries.
- 1.4 **“Benefit Account Balances”** shall have the meaning set forth in Article 5.1.
- 1.5 **“Benefit Distribution Date”** means the date benefits under the Plan are first paid to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution. In the case of a Retirement or Termination of Employment, Benefit Distributions cannot commence until at least six months after the date of Participant’s Retirement or Termination of Employment.

- 1.6 **“Board of Directors”** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.
- 1.7 **“Bonus”** means the portion of actual awards, if any, paid in cash under the terms of the Southwest Gas Corporation 1993 Management Incentive Plan, as amended and restated (“Management Incentive Plan”).
- 1.8 **“Change in Control”** means the first to occur of any of the following events:
- (a) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or
 - (b) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.
- 1.9 **“Committee”** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.10 **“Company”** means Southwest Gas Corporation and such of its Subsidiaries as the Board of Directors may select to become parties to the Plan. The term “Company” shall also include any Successor Corporation.
- 1.11 **“Company Contributions”** means the amount added, if any, to a Participant’s Account Balance in accordance with Article 3.2.
- 1.12 **“Deferral(s)”** means the amount of Base Annual Salary and Bonus earned and deferred in accordance with the provisions of the Plan.

- 1.13 **“Deferral Election Form”** means the form of written agreement specifying deferral elections and a payout option which is completed and executed by the Participant and submitted to the Company in a timely manner.
- 1.14 **“Disability”** means any of the following circumstances, as determined by the Committee in its sole discretion: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; (b) the Participant is, by any reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Company; (c) the Participant is determined to be totally disabled by the Social Security Administration; or (d) the Participant becomes eligible for and is receiving disability benefits under a long-term disability plan or program maintained by the Company, provided that the definition of “disability” applicable under such plan or program complies with the applicable requirements of the IRC.
- 1.15 **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.
- 1.16 **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.
- 1.17 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.
- 1.18 **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.
- 1.19 **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to the Participant’s Disability, death, Retirement or Termination of Employment, whichever event is applicable.
- 1.20 **“Participant”** means any Executive who executes a Plan Agreement or Deferral Election Form or an Employee who has been selected to participate in the Plan and who executes a Plan Agreement or Deferral Election Form.

- 1.21 **“Plan”** means the Executive Deferral Plan of the Company evidenced by this Master Plan Document.
- 1.22 **“Plan Agreement”** means the form of written agreement which is entered into by and between the Company and a Participant.
- 1.23 **“Plan Year”** means the annual period beginning on March 1 of each calendar year and ending on the last day of February of the following calendar year.
- 1.24 **“Retire”** or **“Retirement”** means a Participant’s separation from service with the Company on or after attaining age 55, other than by death, Disability or Termination of Employment.
- 1.25 **“Subsidiary”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.
- 1.26 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.27 **“Terminates Employment”** or **“Termination of Employment”** means a Participant’s voluntary or involuntary separation from service with the Company, excluding Retirement, Disability or death.
- 1.28 **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.
- 1.29 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.30 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- 1.31 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.32 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.

- 1.33 **“Unforeseeable Emergency”** means an unforeseeable emergency as defined in the Code and related Treasury regulations.
- 1.34 **“Years of Service”** means a Participant’s Benefit Service as defined in the Retirement Plan for Employees of Southwest Gas Corporation, plus service with a Successor Corporation which is not taken into account for such plan.

**ARTICLE 2
ELIGIBILITY**

- 2.1 **Selection of Participants** An Executive shall become eligible to participate in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company, unless the Board of Directors determines, at that time, that such Executive will not be eligible to participate in the Plan. The Committee in its sole discretion may select any other Employee to become eligible to participate in the Plan. Notwithstanding the foregoing, no Executive or Employee shall be eligible to participate if he is not considered to be member of a “select group of management or highly compensated employees” as defined in the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).
- 2.2 **Continued Eligibility** If a Participant ceases to be an Executive and he continues as an Employee, the Committee in its sole discretion will determine whether such Employee will continue to be eligible to participate in the Plan; provided, however, that any such Employee must be determined by the Committee to be a member of a “select group of management or highly compensated employees” under ERISA as a condition of his continuing eligibility to participate in the Plan. Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will continue to participate in the Plan.
- 2.3 **Commencement of Participation; Conditions to Participation** Once eligible to participate in the Plan, an Executive or an Employee must complete, execute and return to the Company a Plan Agreement in order to commence participation in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee. Notwithstanding the foregoing and upon the occurrence of a Change in Control, no additional conditions regarding continued participation in the Plan may be established by the Committee or any Successor Corporation.

**ARTICLE 3
PARTICIPANT ELECTIONS AND COMPANY CONTRIBUTIONS**

- 3.1 **Deferrals** A Participant may defer up to 100 percent of his Base Annual Salary and Bonus received during a Plan Year; provided, that such Deferral exceeds \$2,000

per Plan Year. Notwithstanding the foregoing, no election shall be effective to reduce the Base Annual Salary and Bonus paid to a Participant for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Participant's Base Annual Salary and Bonus for the calendar year for (a) any income and employment taxes (including Federal Insurance Contributions Act tax), (b) contributions to any employee benefit plan (other than this Plan), and (c) payroll transfers, in place, prior to such elections.

- 3.2 **Company Matching Contributions** If a Participant makes a Deferral election with respect to Base Annual Salary and/or Bonus, the Company will contribute an amount equal to 50 percent of such Deferral, up to a maximum of three percent of the Participant's Base Annual Salary, to the Participant's Account Balance.
- 3.3 **Benefit Payment Periods; Irrevocable Elections** A Participant shall elect the period over which the amounts deferred under such election will be distributed to him commencing at the applicable Benefit Distribution Date. A Participant's Account Balances shall be distributed in the form of substantially-equal installment payments over a period of 120, 180 or 240 months, as elected by the Participant in accordance with this Article 3.3. Only one payout option is permitted for each Plan Year. However, a Participant is free to choose any available payout option for each subsequent Plan Year. If a Participant fails to make a valid election as to the period over which his Deferrals for a particular Plan Year will be distributed, the default distribution period for such Deferrals shall be 240 months. Payout elections are irrevocable once made.
- 3.4 **Deadline for Deferral Elections** By December 31st of each calendar year, a Participant must submit to the Company his completed and executed Deferral Election Form for the upcoming Plan year. If a Participant fails to timely submit his Deferral Election Form, he will not be permitted to defer any of his Base Annual Salary or Bonus during the upcoming Plan Year.
- 3.5 **Exercise of Deferral Election** A Participant's Deferral election will be exercised on a per pay period basis for the portion of his Base Annual Salary that is deferred. The exercise of a Participant's Deferral election with respect to his Bonus will occur at the time the Bonus is paid.
- 3.6 **Deferral Elections by New Participants** When an Executive or an Employee first becomes eligible to participate in the Plan, initial Deferral elections will be permitted with respect to services performed after the elections, as long as such elections are made within 30 days after the date on which the Executive or Employee became eligible to participate in the Plan. Such Participant may defer up to 100 percent of the remaining portion of his Base Annual Salary for the current Plan year. Such Participant must submit his Plan Agreement to the Company, in writing, at the time he elects to become a Participant in the Plan. Thereafter, in the event an Executive or an Employee becomes a Participant in the Plan, such Participant may defer compensation only in accordance with Article 3.3.

- 3.7 **Ineffective Elections** If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balances shall be reduced accordingly.
- 3.8 **Continuation of Deferral Election** If a Participant is authorized by the Company for any reason to take a paid leave of absence, the Participant's Deferral election shall remain in full force and effect.
- 3.9 **Suspension of Deferral Election** If a Participant is authorized by the Company for any reason to take an unpaid leave of absence, the Participant's current Deferral election shall be terminated.

**ARTICLE 4
INTEREST, CREDITING AND VESTING**

- 4.1 **Interest Rate** A Participant's Account Balances at the start of a Plan Year and any Deferrals and Company Contributions made during a Plan Year will earn, except as provided for in Article 4.2, interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's accounts for Deferrals and Company contributions made during the Plan Year, as if all Deferrals and contributions were made on the first day of the Plan Year.
- 4.2 **Adjustment to Interest Rate** If a Participant experiences a Termination of Employment prior to completing five Years of Service with the Company, interest credited for all Deferrals and vested Company Contributions to a Participant's Account Balances will be adjusted based on the Moody's Rate during the period he participated in the Plan.
- 4.3 **Vesting of Company Contributions** Company Contributions and interest earned on such contributions will vest to a Participant at the rate of 20 percent per Year of Service and will vest completely once a Participant has completed five Years of Service with the Company.
- 4.4 **Interest prior to Benefit Distribution Date** A Participant's Account Balances will earn interest under the provisions of Article 4.1 or, if applicable, Article 4.2 until the applicable Benefit Distribution Date.

- 4.5 **Interest Rate for Benefit Payment Calculation** The interest rate used to calculate the amount that will be credited to a Participant's Account Balances to determine his Benefit Account Balances under the provisions of Article 5.1, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 5
PLAN BENEFIT PAYMENTS**

- 5.1 **Benefit Account Balances** A Participant's Account Balances, at the applicable Benefit Distribution Date, will be credited with an amount equal to the interest such balances would have earned assuming distribution in equal monthly installments over the specific benefit payment periods, at a specified interest rate, thereby creating Benefit Account Balances. The Benefit Account Balances will then be paid to the Participant in equal monthly installments over the benefit payment periods previously elected by the Participant or specified by the Plan.

**ARTICLE 6
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 6.1 **Pre-Retirement Death of Participant** Notwithstanding any elections made pursuant to Article 3.3 if a Participant dies while he is an employee of the Company, his Account Balances will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period commencing as of the applicable benefit commencement date.
- 6.2 **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1 following the Participant's death, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 7
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 7.1 **Post-Retirement Death of Participant** If a Participant dies after the commencement of benefit payments under this Plan but prior to such benefits having been paid in full, the Participant's benefit payments will continue to be paid to the Participant's Beneficiary through the end of the benefit payment periods previously elected by the Participant.

**ARTICLE 8
DISABILITY BENEFIT PAYMENTS**

- 8.1 **Payment Following Disability** Notwithstanding any elections made pursuant to Article 3.3, if a Participant becomes Disabled within the first five Years of Service with the Company, he will receive his Benefit Account Balances in a lump sum payment on the applicable Benefit Distribution Date. If a Participant becomes Disabled after having completed five or more Years of Service with the Company, the Benefit Account Balances will be paid consistent with the benefit payout periods previously elected.
- 8.2 **Vesting of Company Contributions** Notwithstanding the provisions of Article 4.3, Company contributions and interest earned on such contributions will be fully vested to the Participant at the time he is determined to be Disabled.
- 8.3 **Interest on Benefit Payments** If a Participant qualifies to receive benefits due to a Disability, the interest rate used to calculate the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 9
BENEFICIARIES**

- 9.1 **Designation of Beneficiaries** A Participant shall have the right to designate any Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant's death prior to the total distribution of his Benefit Account Balances under the Plan. If the Participant is married and greater than 50 percent of the Benefit Account Balances is designated to a Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Company and will be effective only when filed with the Company during the Participant's lifetime. The Company shall acknowledge, in writing, receipt of each Beneficiary designation form.
- 9.2 **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 9.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Company. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.
- 9.3 **Discharge of Company Obligation** Both the Company and the Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company and the Committee from all further obligations with respect to the Participant's rights in the Plan.

- 9.4 **Minor or Incompetent Beneficiaries** If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- 9.5 **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.
- 9.6 **Beneficiary's Beneficiaries** If a Participant's Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment periods, the Participant's benefit payments will continue to be paid through the end of the benefit payment periods previously elected by the Participant, to the Beneficiary's Beneficiary, if any, or the applicable estate.

**ARTICLE 10
GENERAL**

- 10.1 **Payment Obligation** Amounts payable to a Participant or Beneficiary shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."
- 10.2 **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.
- 10.3 **Furnishing Information** The Participant or Beneficiary shall cooperate in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balances.
- 10.4 **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be

held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 10.7) be unfunded for purposes of the Code and for the purposes of Title I of ERISA.

- 10.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment under this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.
- 10.6 **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.
- 10.7 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. Committee and the Board of Directors authority under the provisions of this Article 10.7 will cease upon the occurrence of a Change in Control.
- 10.8 **No Assignment** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

ARTICLE 11
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 11.1 **Plan Amendment** To the extent permitted by the IRC and related regulations, the Board of Directors may, at any time, and without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balances under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective January 1, 2005, no amendment or modification of this Article 11, Article 12, or Article 13 of the Plan shall be effective except to the extent both the Committee and the Board of Directors deems necessary to comply with applicable law.
- 11.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all benefits owed to the Participants and Beneficiaries have been paid in full.
- 11.3 **Bankruptcy** To the extent permitted under Code Section 409A and its related Treasury regulations, the Board of Directors shall have the authority, in its sole discretion, to terminate the Plan and distribute each Participant's Account Balances to the Participant or, if applicable, his or her Beneficiary within twelve months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1) (a) The total accelerated distribution under this Article 11.3 must be included in a Participant's gross income in the latest of:
- (a) The calendar year in which the Plan is terminated;
 - (b) The calendar year in which the Participant's Account Balances are no longer subject to a substantial risk of forfeiture; or
 - (c) The calendar year in which distribution of the Participant's Account Balances is administratively practicable.
- 11.4 **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Company not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination. Any such instructions and any reinstatement of the Plan shall be implemented in accordance with the IRC and related regulations.

- 11.5 **Change in Control** Notwithstanding any provisions herein to the contrary, in the event of a hostile or non-negotiated Change in Control (as determined by the Third Party Fiduciary, in its sole discretion), the benefits of this Plan will become 100 percent vested for all Participants and the interest credited to a Participant's Account Balances under any provision of this Plan will be adjusted, retroactively to the date an individual became a Participant and prospectively thereafter, to 200 percent of the Moody's Rate.

**ARTICLE 12
ADMINISTRATION OF THE PLAN**

- 12.1 **Committee Duties** Except as otherwise provided in this Article 12, and subject to Article 13, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.
- 12.2 **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 13. The Third Party Fiduciary may not be terminated by the Company without the consent of at least 50 percent of the Participants in the Plan.
- 12.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.

- 12.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 12.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons or entities having any interest in the Plan.
- 12.5 **Indemnity by Company**. The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 12.6 **Cooperation – Providing Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death, Disability or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.
- 12.7 **Unforeseeable Emergencies** In the event of an Unforeseeable Emergency, the Committee or the Third Party Fiduciary, as the case may be, may in its sole discretion, permit distribution to a Participant or Beneficiary from this Plan an amount no greater than the amount necessary to satisfy the Unforeseeable Emergency plus any taxes reasonably anticipated as a result of the distribution; or permit a Participant to cancel his or her Deferral election for the applicable Plan Year in accordance with applicable Treasury regulations without an accompanying distribution from his or her Account Balances. A Participant’s current Deferral election, if any, shall automatically terminate upon such Participant’s receipt of a withdrawal under this Article 12.7 or upon such Participant’s receipt of a “hardship distribution” (within the meaning of Code Section 401(k)(2)(B)(IV) and the related Treasury regulations) under any of the Company tax-qualified retirement plans. To the extent such a Participant again becomes eligible to elect Deferrals in accordance with the terms of the Plan, any subsequent Deferral elections made by the Participant must be made in accordance with the provisions of Article 3.

ARTICLE 13
CLAIMS PROCEDURE

- 13.1 **Presentation of Claims** Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.
- 13.2 **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 13.3.
- 13.3 **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.
- 13.4 **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.

- 13.5 **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 18 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 14
MISCELLANEOUS

- 14.1 **Notices** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Executive Deferral Plan
Administrative Committee (LVB-283)
P.O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street
Winston-Salem, NC 27101

- 14.2 **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, a Participant's Beneficiary, and their assigns, heirs, executors and administrators.
- 14.3 **Governing Law** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- 14.4 **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- 14.5 **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 14.6 **Severability** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Master Plan Document to be effective January 1, 2005.

SOUTHWEST GAS CORPORATION

By /s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer

Date January 14, 2008

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
DIRECTORS DEFERRAL PLAN

Effective March 15, 1986

Amended and Restated March 15, 1989

Amended and Restated October 29, 1992

Amended Effective March 1, 1996

Amended and Restated Effective March 1, 1999

Amended and Restated November 19, 2002

Amended and Restated Effective December 31, 2004

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
DIRECTORS DEFERRAL PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to Directors of Southwest Gas Corporation. As amended and restated herein, this Plan document applies to Account Balances (inclusive of earnings) maintained under the Plan as of December 31, 2004, all of which were fully vested as of such date.

No amendment to the Plan as in effect on October 3, 2004 that would constitute a "material modification" as defined within Internal Revenue Code ("IRC" or "Code") 409A and related Treasury regulations shall be effective with respect to amounts that were deferred in taxable years beginning before January 1, 2005 (inclusive of any earnings on such deferred amounts). With the exception of earnings on Account Balances which may accrue on or after January 1, 2005 as provided in Article 4 below, no further Deferrals or other contributions of any kind shall be accepted under this Plan after December 31, 2004.

**ARTICLE 1
DEFINITIONS**

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- 1.1 **"Account Balance"** means a Participant's individual fund comprised of Deferrals, rollovers contributions from the PriMerit Bank, Federal Savings Bank Directors deferral plan and interest earnings credited thereon up to the time of Benefit Distribution.
- 1.2 **"Beneficiary"** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A Participant may designate primary and contingent Beneficiaries.
- 1.3 **"Benefit Account Balance"** shall have the meaning set forth in Article 5.3.
- 1.4 **"Benefit Distribution"** means the date benefits under the Plan commence or are paid in full to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.
- 1.5 **"Board Fees"** means the compensation received by a Director for serving on the Board of Directors of Southwest Gas Corporation and the committees of the Board.

- 1.6 **“Board of Directors”** means the Board of Directors of the Company.
- 1.7 **“Change in Control”** means the first to occur of any of the following events:
- (a) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or
 - (b) During any period of not more than twelve months, including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.7) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.
- 1.8 **“Committee”** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.9 **“Company”** means Southwest Gas Corporation and any Successor Corporation.
- 1.10 **“Deferral(s)”** means the amount of Board Fees transferred to the Plan accounts. No Deferrals will be accepted into this Plan after December 31, 2004.
- 1.11 **“Director”** means any person on the Board of Directors of Southwest Gas Corporation prior to a Change in Control.
- 1.12 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.
- 1.13 **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.

- 1.14 **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to Benefit Distribution.
- 1.15 **“Participant”** means any Director who executes a Plan Agreement. No new Participants will be accepted into this Plan after December 31, 2004.
- 1.16 **“Plan”** means the Directors Deferral Plan of the Company evidenced by this Master Plan Document.
- 1.17 **“Plan Agreement”** means the form of written agreement which is entered into from time to time, by and between the Company and a Participant.
- 1.18 **“Plan Year”** means the year beginning on March 15 of each year.
- 1.19 **“Retire”** or **“Retirement”** means the cessation of service on the Board of Directors of the Company after attaining five Years of Service, other than by death, disability or Termination of Service.
- 1.20 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.21 **“Subsidiaries”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.
- 1.22 **“Terminates Service”** or **“Termination of Service”** means the cessation of service on the Board of Directors of the Company, either voluntarily or involuntarily, excluding Retirement, disability or death.
- 1.23 **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.
- 1.24 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.25 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- 1.26 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.

- 1.27 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.
- 1.28 **“Years of Service”** means the length of time, in discrete twelve month periods, a Participant has served on the Board of Directors of Southwest Gas Corporation.

**ARTICLE 2
ELIGIBILITY**

- 2.1 **Selection of Participants** A Director shall become eligible to participate in the Plan as of the effective date of his election as a Director.
- 2.2 **Participant Acceptance** Once eligible to participate in the Plan, a Director must complete, execute and return to the Committee a Plan Agreement to become a Participant in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee.

**ARTICLE 3
DEFERRAL COMMITMENT**

- 3.1 **Deferrals** A Participant may defer up to 100 percent of his Board Fees received during a Plan Year; provided that such Deferral exceeds \$2,000 per Plan Year.
- 3.2 **Timing of Deferral Election** Prior to the commencement of each Plan Year, a Participant will advise the Committee, in writing, of his Deferral commitment for the upcoming Plan Year. If a Participant fails to so advise the Committee, through no fault of the Company, he will not be permitted to defer any of his Board Fees during the upcoming Plan Year.
- 3.3 **Exercise of Deferral Commitment** A Participant’s Deferral commitment will be exercised on a per pay period basis.
- 3.4 **Deferral Elections by New Participants** In the event a Director becomes a Participant in the Plan during a Plan Year, such Participant may defer up to 100 percent of the remaining portion of his Board Fees for the Plan Year. Such Participant must make his Deferral commitment by advising the Committee, in writing, at the time he elects to become a Participant in the Plan.
- 3.5 **Deferral Commitment Default** In the event a Participant defaults on his Deferral commitment, the Participant will not be allowed to make any further Deferrals during the current Plan Year and may not make any Deferrals for the subsequent Plan Year.
- 3.6 **Waiver of Deferral Commitment Default** The Committee may waive for good cause the default penalty specified in Article 3.5 upon the request of the Participant.

- 3.7 **Rollovers** The Plan will accept rollover contributions for Participants from the PriMerit Bank, Federal Savings Bank Directors deferral plan.
- 3.8 **Deferrals After December 31, 2004** Notwithstanding any provision herein to the contrary, no Deferrals will be accepted into this Plan after December 31, 2004, and no new Participants will be admitted hereunder after December 31, 2004.

**ARTICLE 4
INTEREST, CREDITING AND VESTING**

- 4.1 **Interest Rate** A Participant's Account Balance at the start of a Plan Year and any Deferrals made during a Plan Year and rollover contributions from the PriMerit Bank, Federal Savings Bank Directors deferral plan will earn interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's account for Deferrals made during the Plan Year, as if all Deferrals were made on the first day of the Plan Year. Interest will be credited to a Participant's account for rollover contributions from the date such contributions are accepted by the Plan.
- 4.2 **Interest Earned After December 31, 2004** Interest earned on Deferrals made on or before December 31, 2004 will be credited to the Participant's Account Balance in accordance with this Article 4. Any such interest is intended to be regarded as attributable to amounts deferred under the Plan as of December 31, 2004.

**ARTICLE 5
PLAN BENEFIT PAYMENTS**

- 5.1 **Benefit Payments** A Participant's Account Balance will be paid to the Participant as provided for under the provisions of the Plan.
- 5.2 **Interest Prior to Benefit Distribution** A Participant's Account Balance will earn interest under the provisions of Article 4.1 until the time of Benefit Distribution.
- 5.3 **Benefit Payment Periods** If a Participant is entitled to receive Plan benefit payments over a specific benefit payment period, his Account Balance at the commencement of Benefit Distribution will be credited with an amount equal to the interest such balance would have earned assuming distribution in equal monthly installments over the specific benefit payment period, at a specified interest rate, thereby creating a Benefit Account Balance. The Benefit Account Balance will then be paid to the Participant in equal monthly installments over the specific benefit payment period.

- 5.4 **Payment Prior to Benefit Distribution** If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balance shall be reduced accordingly.

**ARTICLE 6
RETIREMENT AND TERMINATION BENEFIT PAYMENTS**

- 6.1 **Benefit Payment Periods; Elections** A Participant who Retires or Terminates Service qualifies to receive his Account Balance over a period of 60, 120, 180 or 240 months. The Participant shall elect the payment period; provided that written notice of such election is filed with the Committee at least one year prior to his Retirement or Termination of Employment. If a Participant fails to make such election prior to the time specified, the payment period will be 240 months.
- 6.2 **Changing Elections** A Participant who has made an election under this Article may subsequently revoke such election and make another election under this Article by providing written notice to the Committee; provided, however, that only the last such election or revocation in effect on the date which is one year prior to the date on which the Participant Retires or Terminates Service shall be effective. Notwithstanding the foregoing, if a Participant Retires or Terminates Service as a result of a Change in Control or within one year after March 1, 1999, the date of amendment and restatement of this Plan, the foregoing provisions of this Article 6 shall be applied by substituting "six months" for "one year."
- 6.3 **Interest on Benefit Payments** The interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 7
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 7.1 **Benefit Payments** Notwithstanding any elections made pursuant to Article 6, if a Participant dies while he is on the Board of Directors, his Account Balance will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period.
- 7.2 **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3 following the Participant's death, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 8
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 8.1 **Benefit Payments** If a Participant dies after the commencement of benefit payments under Articles 6 or 9 but prior to such benefits having been paid in full, the Participant's benefit payments will continue to be paid to the Participant's Beneficiary through the end of the originally awarded benefit payment period, except as provided for in Article 10.7.

**ARTICLE 9
DISABILITY BENEFIT PAYMENTS**

- 9.1 **Disability Determination** The Committee will, in its sole discretion, determine whether a Participant is disabled under the provisions of the Plan.
- 9.2 **Benefit Payments During First Five Years of Service** If a Participant is disabled within the first five Years of Service with the Company, he will receive his Account Balance in a lump sum payment at Benefit Distribution.
- 9.3 **Benefit Payments After Five Years of Service** Notwithstanding any elections made pursuant to Article 6, if a Participant is disabled after five Years of Service with the Company, his Account Balance will be paid to him in equal monthly installments over the 180-month disability benefit payment period.
- 9.4 **Interest on Benefit Payments** If a Participant qualifies to receive his Account Balance over the disability benefit payment period, the interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 10
BENEFICIARIES**

- 10.1 **Designation of Beneficiaries** A Participant shall have the right to designate any person as his Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant's death prior to the total distribution of his Benefit Account Balance under the Plan. If greater than 50 percent of the Benefit Account Balance is designated to a Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Committee and will be effective only when filed with the Committee during the Participant's lifetime.

- 10.2 **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.
- 10.3 **Acknowledgement** The Committee shall acknowledge, in writing, receipt of each Beneficiary designation form.
- 10.4 **Discharge of Company Obligation** The Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.
- 10.5 **Minor or Incompetent Beneficiaries** If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- 10.6 **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.
- 10.7 **Payment to Beneficiary's Beneficiary** If a Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment period, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the Beneficiary's Beneficiary, if any, or to the applicable estate. The present value of the remaining benefit payments will be calculated using the same methodology, including the same interest rate, as was used to calculate the Participant's annuity payment calculation, under Article 5.3.

**ARTICLE 11
GENERAL**

- 11.1 **Payment Obligation** Amounts payable to a Participant shall be paid exclusively from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."

- 11.2 **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.
- 11.3 **Furnishing Information** The Participant shall cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balance. Such information may include the results of a physical examination if any is required for participation in the Plan.
- 11.4 **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 13.1) be unfunded for purposes of the Code.
- 11.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

ARTICLE 12
NO GUARANTEE OF CONTINUING DIRECTORSHIP

- 12.1 **Continued Tenure** The Company is without power to lawfully assure a Participant continued tenure as a Director, and nothing herein constitutes a contract of continuing Directorship between the Company and the Participant.

ARTICLE 13
TRUSTS

- 13.1 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may

modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Article 13.1 will cease upon the occurrence of a Change in Control.

ARTICLE 14
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 14.1 **Plan Amendment** The Board of Directors may at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment shall be effective to decrease or restrict (i) the amount of interest to be credited under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective March 1, 1999, no amendment or modification of this Article 14, Article 16, or Article 17 of the Plan shall be effective except to the extent the Board of Directors deems necessary or appropriate to comply with applicable law.
- 14.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all accrued benefits have been paid in full under the provisions of the Plan to the Participants and Beneficiaries.
- 14.3 **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Committee not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination.

ARTICLE 15
RESTRICTIONS ON ALIENATION OF BENEFITS

- 15.1 **Alienation of Benefits** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

ARTICLE 16
ADMINISTRATION OF THE PLAN

- 16.1 **Committee Duties** Except as otherwise provided in this Article 16, and subject to Article 17, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.
- 16.2 **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 17. The Third Party Fiduciary may not be terminated by the Company without the consent of 50 percent of the Participants in the Plan.
- 16.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- 16.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 16.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

- 16.5 **Indemnity by Company.** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 16.6 **Employer Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.
- 16.7 **Manner and Timing of Benefit Payments** The Committee or the Third Party Fiduciary, as the case may be, may alter, at or after Benefit Distribution, the manner and time of payments to be made to a Participant or Beneficiary from that set forth herein, if requested to do so by such Participant or Beneficiary to meet existing financial hardships, which the Committee or the Third Party Fiduciary, as the case may be, determine are the same as or similar in nature to those identified in Section 1.401(k)-1(d)(2)(iv) of the federal Treasury regulations.

ARTICLE 17 CLAIMS PROCEDURE

- 17.1 **Presentation of Claims** Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.
- 17.2 **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 17.3.

- 17.3 **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.
- 17.4 **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.
- 17.5 **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 17 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 18
MISCELLANEOUS

- 18.1 **Notice** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Directors Deferral Plan
Administrative Committee (LVB-283)
P.O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street
Winston-Salem, NC 27101

- 18.2 **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, Participant's Beneficiary, assigns, heirs, executors and administrators.

- 18.3 **Governing Laws** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- 18.4 **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- 18.5 **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 18.6 **Effect of Illegality or Invalidity** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective December 31, 2004.

SOUTHWEST GAS CORPORATION

By /s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer

Date January 14, 2008

**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
DIRECTORS DEFERRAL PLAN**

Effective January 1, 2005

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**MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
DIRECTORS DEFERRAL PLAN**

PURPOSE

The purpose of this Plan is to provide specified benefits to Directors of Southwest Gas Corporation. The Plan is designed to comply with and shall be administered in a manner consistent with the applicable requirements of Internal Revenue Code ("IRC" or "Code") Section 409A and related Treasury regulations. This Plan document applies to any Board Fees first earned and deferred on or after January 1, 2005 (inclusive of any earnings on such amounts).

**ARTICLE 1
DEFINITIONS**

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- 1.1 **"Account Balances"** means a Participant's individual fund comprised of Deferrals and interest earnings credited thereon up to the applicable Benefit Distribution Date.
- 1.2 **"Beneficiary"** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A participant may designate primary and contingent Beneficiaries.
- 1.3 **"Benefit Account Balances"** shall have the meaning set forth in Article 5.1.
- 1.4 **"Benefit Distribution Date"** means the date benefits under the Plan are first paid to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.
- 1.5 **"Board Fees"** means the annual retainer, meeting and committee fees received by a Director for serving on the Board of Directors and its committees.
- 1.6 **"Board of Directors"** means the Board of Directors of the Company.
- 1.7 **"Change in Control"** means the first to occur of any of the following events:
 - (a) Any "person" (as the term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company's capital stock entitled to vote in the election of Directors; or

- (b) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.7) whose election by the Board of Directors or nomination for election by the Company's shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.
- 1.8 **"Committee"** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.9 **"Company"** means Southwest Gas Corporation and any Successor Corporation.
- 1.10 **"Deferral(s)"** means the amount of Board Fees earned and deferred in accordance with the provisions of the Plan.
- 1.11 **"Director"** means an outside, non-employee member of the Board of Directors prior to a Change in Control.
- 1.12 **"Deferral Election Form"** means the form of written agreement specifying deferral elections and a payout option which is completed and executed by the Participant and submitted to the Company in a timely manner.
- 1.13 **"Disability"** means either of the following circumstances, as determined by the Committee in its sole discretion: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (b) the Participant is determined to be totally disabled by the Social Security Administration.
- 1.14 **"Master Plan Document"** means this legal instrument containing the provisions of the Plan.
- 1.15 **"Moody's Rate"** means Moody's Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to

each Plan Year as published by Moody's Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.

- 1.16 **"Moody's Composite Rate"** means the average of the Moody's Rate on January 1 for the five years prior to the Participant's applicable Benefit Distribution Date.
- 1.17 **"Participant"** means any Director who executes a Plan Agreement or Deferral Election Form.
- 1.18 **"Plan"** means the Directors Deferral Plan of the Company evidenced by this Master Plan Document.
- 1.19 **"Plan Agreement"** means the form of written agreement which is entered into by and between the Company and a Participant.
- 1.20 **"Plan Year"** means the annual period beginning on March 15 of each calendar year and ending on March 14 of the next following year.
- 1.21 **"Retire"** or **"Retirement"** means the cessation of service on the Board of Directors of the Company after attaining five Years of Service, other than by death, Disability or Termination of Service.
- 1.22 **"Subsidiary"** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.
- 1.23 **"Successor Corporation"** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.24 **"Terminates Service"** or **"Termination of Service"** means a Participant's voluntary or involuntary cessation of service on the Board of Directors of the Company, for any reason except Retirement, Disability or death.
- 1.25 **"Third Party Fiduciary"** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.
- 1.26 **"Third Party Fiduciary Services Agreement"** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.

- 1.27 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.
- 1.28 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.29 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.
- 1.30 **“Unforeseeable Emergency”** means an unforeseeable emergency as defined in the Code and related Treasury regulations.
- 1.31 **“Years of Service”** means the length of time, in discrete twelve month periods, a Participant has served on the Board of Directors.

ARTICLE 2 ELIGIBILITY

- 2.1 **Eligibility** A Director shall become eligible to participate in the Plan as of the effective date of his election as a Director, unless the Board of Directors determines at that time that such Director will not be eligible to participate in the Plan.
- 2.2 **Commencement of Participation** Once eligible to participate in the Plan, a Director must complete, execute and return to the Company a Plan Agreement in order to commence participation in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee. Notwithstanding the foregoing and upon the occurrence of a Change in Control, no additional conditions regarding continued participation in the plan may be established by the Committee or any Successor Corporation.

ARTICLE 3 PARTICIPANT ELECTIONS

- 3.1 **Deferrals** A Participant may defer up to 100 percent of his Board Fees received during a Plan Year; provided that such Deferral exceeds \$2,000 per Plan Year. A Participant’s Deferral election will be exercised at the time Board Fees are paid.
- 3.2 **Benefit Payout Periods; Irrevocable Elections** A Participant shall elect the period over which the amounts deferred under such election will be distributed to him commencing at the applicable Benefit Distribution Date. A Participant’s Account Balances shall be distributed in the form of substantially-equal installment payments over a period of 60, 120, 180 or 240 months, as elected by the Participant in accordance with this Article 3.2. Only one payout option is permitted for each Plan

Year. However, a Participant is free to choose any available payout option for each subsequent Plan Year. If a Participant fails to make a valid election as to the period over which his Deferrals for a particular Plan Year will be distributed, the default distribution period for such Deferrals shall be 240 months. Payout elections are irrevocable once made.

- 3.3 **Deadline for Deferral Elections** By December 31st of each calendar year, a Participant must submit to the Company his completed and executed Deferral Election Form for the upcoming Plan Year. If a Participant fails to timely submit his Deferral Election Form, he will not be permitted to defer any of his Board Fees during the upcoming Plan Year.
- 3.4 **Deferral Elections by New Participants** When a Director first becomes eligible to participate in the Plan, initial Deferral elections will be permitted with respect to services performed after the elections, as long as such elections are made within 30 days after the date on which the Director became eligible to participate in the Plan. Such Participant must submit his Plan Agreement to the Company, in writing, at the time he elects to become a Participant in the Plan. Thereafter, in the event a Director becomes a Participant in the Plan, such Participant may defer Board Fees only in accordance with Article 3.2.
- 3.5 **Ineffective Elections** If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balances shall be reduced accordingly.

ARTICLE 4 INTEREST AND CREDITING

- 4.1 **Interest Rate** A Participant's Account Balances at the start of a Plan Year and any Deferrals made during a Plan Year will earn interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's accounts for Deferrals made during the Plan Year, as if all Deferrals were made on the first day of the Plan Year.
- 4.2 **Interest Prior to Benefit Distribution Date** A Participant's Account Balance will earn interest under the provisions of Article 4.1 until the applicable Benefit Distribution Date.
- 4.3 **Interest Rate for Benefit Payment Calculation** The interest rate used to calculate the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 5
PLAN BENEFIT PAYMENTS**

- 5.1 **Benefit Account Balances** A Participant's Account Balances, at the applicable Benefit Distribution Date, will be credited with an amount equal to the interest such balances would have earned assuming distribution in equal monthly installments over the specific benefit payment periods, at a specified interest rate, thereby creating Benefit Account Balances. The Benefit Account Balances will then be paid to the Participant in equal monthly installments over the benefit payment periods previously elected by the Participant or specified by the Plan.

**ARTICLE 6
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 6.1 **Pre-Retirement Death of Participant** Notwithstanding any elections made pursuant to Article 3.2, if a Participant dies while he is a member of the Board of Directors, his Account Balances will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period commencing as of the applicable Benefit Distribution Date.
- 6.2 **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1 following the Participant's death, will be 150 percent of the Moody's Composite Rate.

**ARTICLE 7
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS**

- 7.1 **Post-Retirement Death of Participant** If a Participant dies after the commencement of benefit payments under this Plan but prior to such benefits having been paid in full, the Participant's benefit payments will continue to be paid to the Participant's Beneficiary through the end of the benefit payment periods previously elected by the Participant.

**ARTICLE 8
DISABILITY BENEFIT PAYMENTS**

- 8.1 **Payment Following Disability** Notwithstanding any elections made pursuant to Article 3.2, if a Participant becomes Disabled within the first five Years of Service with the Company, he will receive his Benefit Account Balances in a lump sum payment on the applicable Benefit Distribution Date. If a Participant becomes Disabled after having completed five or more Years of Service with the Company, the Benefit Account Balances will be paid consistent with the benefit payout periods previously elected.

- 8.2 **Interest on Benefit Payments** If a Participant qualifies to receive benefits due to a Disability, the interest rate used to calculate the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1, will be 150 percent of the Moody's Composite Rate.

ARTICLE 9 BENEFICIARIES

- 9.1 **Designation of Beneficiaries** A Participant shall have the right to designate any Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant's death prior to the total distribution of his Benefit Account Balances under the Plan. If the Participant is married and greater than 50 percent of the Benefit Account Balances is designated to a Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Company and will be effective only when filed with the Company during the Participant's lifetime. The Company shall acknowledge, in writing, receipt of each Beneficiary designation form.
- 9.2 **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Company. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.
- 9.3 **Discharge of Company Obligation** Both the Company and the Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company and the Committee from all further obligations with respect to the Participant's rights in the Plan.
- 9.4 **Minor or Incompetent Beneficiaries** If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- 9.5 **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.

- 9.6 **Beneficiary's Beneficiaries** If a Participant's Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment periods, the Participant's benefit payments will continue to be paid through the end of the benefit payment periods previously elected by the Participant, to the Beneficiary's Beneficiary, if any, or the applicable estate.

ARTICLE 10
GENERAL

- 10.1 **Payment Obligation** Amounts payable to a Participant or Beneficiary shall be paid exclusively from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."
- 10.2 **Limitation or Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.
- 10.3 **Furnishing Information** The Participant or Beneficiary shall cooperate in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balances.
- 10.4 **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 10.7) be unfunded for purposes of the Code.
- 10.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment under this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

- 10.6 **Continued Tenure** The Company is without power to lawfully assure a Participant continued tenure as a Director, and nothing herein constitutes a contract of continuing Directorship between the Company and the Participant.
- 10.7 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. Committee authority under the provisions of this Article 10.7 will cease upon the occurrence of a Change in Control.
- 10.8 **No Assignment** To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

ARTICLE 11
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 11.1 **Plan Amendment** To the extent permitted by the IRC and related regulations, the Board of Directors may at any time, and without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balances under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective January 1, 2005, no amendment or modification of this Article 11, Article 12, or Article 13 of the Plan shall be effective except to the extent both the Committee and the Board of Directors deems necessary to comply with applicable law.
- 11.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all benefits owed to the Participants and Beneficiaries have been paid in full.
- 11.3 **Bankruptcy** To the extent permitted under code Section 409A and related Treasury regulations, the Board of Directors shall have the authority, in its sole discretion, to terminate the Plan and distribute each Participant's Account Balances to the Participant or, if applicable, his or her Beneficiary within twelve months of a

corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. § 503(b)(1)(a). The total accelerated distribution under this Article 11.3 must be included in a Participant's gross income in the latest of:

- (a) The calendar year in which the Plan is terminated;
- (b) The calendar year in which the Participant's Account Balances are no longer subject to a substantial risk of forfeiture; or
- (c) The calendar year in which distribution of the Participant's Account Balances is administratively practicable.

11.4 **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Company not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination. Any such instructions and any reinstatement of the Plan shall be implemented in accordance with the IRC and related regulations.

ARTICLE 12 ADMINISTRATION OF THE PLAN

12.1 **Committee Duties** Except as otherwise provided in this Article 12, and subject to Article 13, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

12.2 **Administration after a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any

investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 13. The Third Party Fiduciary may not be terminated by the Company without the consent of at least 50 percent of the Participants in the Plan.

- 12.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- 12.4 **Binding Effects of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 12.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons or entities having any interest in the Plan.
- 12.5 **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 12.6 **Cooperation – Providing Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Service, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.
- 12.7 **Unforeseeable Emergencies** In the event of an Unforeseeable Emergency, the Committee or the Third Party Fiduciary, as the case may be, may in its sole discretion, permit distribution to a Participant or Beneficiary from this Plan an amount no greater than the amount necessary to satisfy the Unforeseeable Emergency plus any taxes reasonably anticipated as a result of the distribution; or permit a Participant to cancel his or her Deferral election for the applicable Plan Year in accordance with applicable Treasury regulations without an accompanying distribution from his or her Account Balances. A Participant's current Deferral election, if any, shall automatically terminate upon such Participant's receipt of a withdrawal under this Article 12.7. To the extent such a Participant again becomes eligible to elect Deferrals in accordance with the terms of the Plan, any subsequent Deferral elections made by the Participant must be made in accordance with the provisions of Article 3.

ARTICLE 13
CLAIMS PROCEDURE

- 13.1 **Presentation of Claims** Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.
- 13.2 **Notification of Decision** The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 13.3.
- 13.3 **Review of a Denied Claim** Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.
- 13.4 **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.

- 13.5 **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 13 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 14
MISCELLANEOUS

- 14.1 **Notices** Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Directors Deferral Plan
Administrative Committee (LVB-283)
P. O. Box 98510
Las Vegas, NV 89193-8510

and

Wachovia Bank, N.A.
One West Fourth Street
Winston-Salem, NC 27101

- 14.2 **Assignment** The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, a Participant's Beneficiary, and their assigns, heirs, executors and administrators.
- 14.3 **Governing Law** Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- 14.4 **Headings** Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- 14.5 **Gender and Number** Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 14.6 **Severability** In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Master Plan Document to be effective January 1, 2005.

SOUTHWEST GAS CORPORATION

By /s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer

Date January 14, 2008

SOUTHWEST GAS CORPORATION
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Thousands of dollars)

	December 31,				
	2007	2006	2005	2004	2003
1. Fixed charges:					
A) Interest expense	\$ 94,035	\$ 92,878	\$ 87,687	\$ 84,138	\$ 78,724
B) Amortization	2,783	3,467	3,700	3,059	2,752
C) Interest portion of rentals	7,952	6,412	6,333	6,779	6,665
D) Preferred securities distributions	—	—	—	—	4,015
Total fixed charges	<u>\$ 104,770</u>	<u>\$ 102,757</u>	<u>\$ 97,720</u>	<u>\$ 93,976</u>	<u>\$ 92,156</u>
2. Earnings (as defined):					
E) Pretax income from continuing operations	\$ 131,024	\$ 128,357	\$ 68,435	\$ 87,012	\$ 55,384
Fixed Charges (1. above)	<u>104,770</u>	<u>102,757</u>	<u>97,720</u>	<u>93,976</u>	<u>92,156</u>
Total earnings as defined	<u>\$ 235,794</u>	<u>\$ 231,114</u>	<u>\$ 166,155</u>	<u>\$ 180,988</u>	<u>\$ 147,540</u>
	<u>2.25</u>	<u>2.25</u>	<u>1.70</u>	<u>1.93</u>	<u>1.60</u>

2007

CONSOLIDATED SELECTED FINANCIAL STATISTICS

Year Ended December 31,	2007	2006	2005	2004	2003
(Thousands of dollars, except per share amounts)					
Operating revenues	\$2,152,088	\$2,024,758	\$1,714,283	\$1,477,060	\$1,231,004
Operating expenses	1,931,501	1,815,576	1,563,635	1,307,293	1,095,899
Operating income	\$ 220,587	\$ 209,182	\$ 150,648	\$ 169,767	\$ 135,105
Net income	\$ 83,246	\$ 83,860	\$ 43,823	\$ 56,775	\$ 38,502
Total assets at year end	\$3,670,188	\$3,484,965	\$3,228,426	\$2,938,116	\$2,608,106
Capitalization at year end					
Common equity	\$ 983,673	\$ 901,425	\$ 751,135	\$ 705,676	\$ 630,467
Subordinated debentures	100,000	100,000	100,000	100,000	100,000
Long-term debt	1,266,067	1,286,354	1,224,898	1,162,936	1,121,164
	\$2,349,740	\$2,287,779	\$2,076,033	\$1,968,612	\$1,851,631
Common stock data					
Common equity percentage of capitalization	41.9%	39.4%	36.2%	35.8%	34.0%
Return on average common equity	8.8%	10.3%	5.9%	8.5%	6.3%
Basic earnings per share	\$ 1.97	\$ 2.07	\$ 1.15	\$ 1.61	\$ 1.14
Diluted earnings per share	\$ 1.95	\$ 2.05	\$ 1.14	\$ 1.60	\$ 1.13
Dividends declared per share	\$ 0.86	\$ 0.82	\$ 0.82	\$ 0.82	\$ 0.82
Payout ratio	44%	40%	71%	51%	72%
Book value per share at year end	\$ 22.98	\$ 21.58	\$ 19.10	\$ 19.18	\$ 18.42
Market value per share at year end	\$ 29.77	\$ 38.37	\$ 26.40	\$ 25.40	\$ 22.45
Market value per share to book value per share	130%	178%	138%	132%	122%
Common shares outstanding at year end (000)	42,806	41,770	39,328	36,794	34,232
Number of common shareholders at year end	22,664	23,610	23,571	23,743	22,616
Ratio of earnings to fixed charges	2.25	2.25	1.70	1.93	1.60

NATURAL GAS OPERATIONS

Year Ended December 31,	2007	2006	2005	2004	2003
(Thousands of dollars)					
Sales	\$1,754,913	\$1,671,093	\$1,401,329	\$1,211,019	\$ 984,966
Transportation	59,853	56,301	53,928	51,033	49,387
Operating revenue	1,814,766	1,727,394	1,455,257	1,262,052	1,034,353
Net cost of gas sold	1,086,194	1,033,988	828,131	645,766	482,503
Operating margin	728,572	693,406	627,126	616,286	551,850
Expenses					
Operations and maintenance	331,208	320,803	314,437	290,800	266,862
Depreciation and amortization	157,090	146,654	137,981	130,515	120,791
Taxes other than income taxes	37,553	34,994	39,040	37,669	35,910
Operating income	\$ 202,721	\$ 190,955	\$ 135,668	\$ 157,302	\$ 128,287
Contribution to consolidated net income	\$ 72,494	\$ 71,473	\$ 33,670	\$ 48,354	\$ 34,211
Total assets at year end	\$3,518,304	\$3,352,074	\$3,103,804	\$2,843,199	\$2,528,332
Net gas plant at year end	\$2,845,300	\$2,668,104	\$2,489,147	\$2,335,992	\$2,175,736
Construction expenditures and property additions	\$ 312,412	\$ 305,914	\$ 258,547	\$ 274,748	\$ 228,288
Cash flow, net					
From operating activities	\$ 317,270	\$ 248,884	\$ 214,036	\$ 124,135	\$ 187,122
From investing activities	(306,396)	(277,980)	(254,120)	(272,458)	(249,300)
From financing activities	(2,023)	20,350	57,763	143,086	60,815
Net change in cash	\$ 8,851	\$ (8,746)	\$ 17,679	\$ (5,237)	\$ (1,363)
Total throughput (thousands of therms)					
Residential	698,063	677,605	650,465	667,174	593,048
Small commercial	310,666	309,856	300,072	303,844	279,154
Large commercial	127,561	128,255	111,839	104,899	100,422
Industrial/Other	103,525	149,243	156,542	163,856	157,305
Transportation	1,128,422	1,175,238	1,273,964	1,258,265	1,336,901
Total throughput	2,368,237	2,440,197	2,492,882	2,498,038	2,466,830
Weighted average cost of gas purchased (\$/therm)	\$ 0.81	\$ 0.79	\$ 0.71	\$ 0.57	\$ 0.46
Customers at year end	1,813,000	1,784,000	1,713,000	1,613,000	1,531,000
Employees at year end	2,538	2,525	2,590	2,548	2,550
Customer to employee ratio	714	706	661	633	600
Degree days—actual	1,850	1,826	1,735	1,953	1,772
Degree days—ten-year average	1,936	1,961	1,956	1,913	1,931

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

About Southwest Gas Corporation

Southwest Gas Corporation and subsidiaries (the "Company") consists of two business segments: natural gas operations ("Southwest" or the "natural gas operations" segment) and construction services.

Southwest is engaged in the business of purchasing, distributing, and transporting natural gas in portions of Arizona, Nevada, and California. Southwest is the largest distributor in Arizona, selling and transporting natural gas in most of central and southern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor of natural gas in Nevada, serving the Las Vegas metropolitan area and northern Nevada. In addition, Southwest distributes and transports natural gas in portions of California, including the Lake Tahoe area and the high desert and mountain areas in San Bernardino County.

As of December 31, 2007, Southwest had 1,813,000 residential, commercial, industrial, and other natural gas customers, of which 980,000 customers were located in Arizona, 655,000 in Nevada, and 178,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During 2007, 55 percent of operating margin was earned in Arizona, 35 percent in Nevada, and 10 percent in California. During this same period, Southwest earned 86 percent of operating margin from residential and small commercial customers, 5 percent from other sales customers, and 9 percent from transportation customers. These general patterns are expected to continue.

Southwest recognizes operating revenues from the distribution and transportation of natural gas (and related services) to customers. Operating margin is the measure of gas operating revenues less the net cost of gas sold. Management uses operating margin as a main benchmark in comparing operating results from period to period. The three principal factors affecting operating margin are general rate relief, weather, and customer growth. Of these three, weather is the primary reason for volatility in margin. Variances in temperatures from normal levels, especially in Arizona where rates remain leveraged, have a significant impact on the margin and associated net income of the Company.

Northern Pipeline Construction Co. ("NPL" or the "construction services" segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL operates in approximately 19 major markets nationwide. Construction activity is cyclical and can be significantly impacted by changes in general and local economic conditions, including the housing market, interest rates, employment levels, job growth, the equipment resale market, and local and federal tax rates.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's operations and are covered in greater detail in later sections of management's discussion and analysis. The natural gas operations segment accounted for an average of 84 percent of consolidated net income over the past three years. As such, management's discussion and analysis is primarily focused on that segment.

Summary Operating Results

Year ended December 31,	2007	2006	2005
(Thousands of dollars, except per share amounts)			
Contribution to net income			
Natural gas operations	\$ 72,494	\$ 71,473	\$ 33,670
Construction services	10,752	12,387	10,153
Consolidated	<u>\$ 83,246</u>	<u>\$ 83,860</u>	<u>\$ 43,823</u>
Basic earnings per share			
Natural gas operations	\$ 1.71	\$ 1.76	\$ 0.88
Construction services	0.26	0.31	0.27
Consolidated	<u>\$ 1.97</u>	<u>\$ 2.07</u>	<u>\$ 1.15</u>
Natural Gas Operations			
Operating margin	<u>\$ 728,572</u>	<u>\$ 693,406</u>	<u>\$ 627,126</u>

2007 Overview

Consolidated operating results for 2007 were the Company's second best earnings performance in 15 years as a moderate improvement in the gas segment contribution was offset by a lower contribution from construction services. EPS declined \$0.10 per share primarily due to an increase in average shares outstanding. Prior-year results included a nonrecurring benefit of \$0.07 per share related to a property tax settlement.

Gas operations highlights included the following:

- Operating margin increased \$35 million from 2006 to 2007
- Rate relief accounted for \$18 million of the operating margin increase
- Growth-related margin was \$14 million as Southwest's growth level moderated in the face of a downturn in the housing market
- Weather was not a significant factor between years (\$3 million increase), however both 2007 and 2006 experienced warmer-than-normal weather
- Strong cash flows were experienced as a result of earnings, PGA recoveries, and customer advances taken
- Southwest's project to expand its use of meter reading technology continued to progress and is ahead of schedule
- Arizona and California general rate cases were filed and are progressing. Rate design and margin stability efforts will again be a focus in the Arizona rate case

Construction services highlights included the following (see *Results of Construction Services* for details):

- Record-setting revenues in 2007 (\$40 million higher than 2006)
- Contribution to consolidated net income declined compared to 2006, but 2007 was still its second best year ever

Moderating Customer Growth

During 2007, Southwest completed 58,700 first-time meter sets. These meter sets led to 29,000 additional active meters from year-end 2006 through year-end 2007 (15,000 in Arizona, 12,000 in Nevada and 2,000 in California). The difference between first-time meter sets and incremental active meters is normally very small, reflecting the lag between the time a new house is constructed and ready for occupancy and the time it takes for a new customer to move in and begin taking service. The sizeable difference experienced in 2007

indicates an unprecedented inventory of unoccupied homes. The risks/costs associated with having non-performing assets are mitigated by Southwest's practice of taking construction advances from builders. These advances are not returned until new homes are occupied. Once housing supply and demand come back into balance, Southwest expects to experience a correction in which customer additions exceed first-time meter sets. Although management cannot predict the timing of the turn around, it is likely to occur over an extended (multi-year) time horizon. Until then, it is anticipated that net customer growth will be in the range of 1.5 percent to 3 percent.

Meter Reading Project

In 2006, Southwest initiated a project to expand its use of electronic meter reading technology. The efficiencies to be gained from this project more than offset the investment in infrastructure. This technology eliminates the need to gain physical access to meters in order to obtain monthly meter readings, thereby reducing the time associated with each meter read while improving their accuracy. By the end of 2007, approximately 1.5 million (over 80 percent) of Southwest customers' meters were being read electronically. The electronic meter reading conversion project (at a total project cost of \$65 million) is expected to be completed in 2008, ahead of its originally expected completion date in 2009. The project is not expected to have an adverse impact on existing employees, although some experienced employees have been redeployed to expand service and construction capabilities.

Results of Natural Gas Operations

Year Ended December 31, (Thousands of dollars)	2007	2006	2005
Gas operating revenues	\$ 1,814,766	\$ 1,727,394	\$ 1,455,257
Net cost of gas sold	1,086,194	1,033,988	828,131
Operating margin	728,572	693,406	627,126
Operations and maintenance expense	331,208	320,803	314,437
Depreciation and amortization	157,090	146,654	137,981
Taxes other than income taxes	37,553	34,994	39,040
Operating income	202,721	190,955	135,668
Other income (expense)	4,850	10,049	5,087
Net interest deductions	86,436	85,567	81,595
Net interest deductions on subordinated debentures	7,727	7,724	7,723
Income before income taxes	113,408	107,713	51,437
Income tax expense	40,914	36,240	17,767
Contribution to consolidated net income	\$ 72,494	\$ 71,473	\$ 33,670

2007 vs. 2006

Contribution to consolidated net income from natural gas operations increased \$1 million in 2007 compared to 2006. The improvement in contribution resulted from higher operating margin, partially offset by increased operating expenses and a reduction in other income.

Operating margin increased \$35 million between 2006 and 2007. The rate relief component of the increase was \$18 million (\$15 million in Arizona and \$3 million in California). Customer growth contributed \$14 million toward the operating margin increase as the Company added a net 29,000 customers during 2007, an increase of about two percent. Differences in heating demand, caused primarily by weather variations, accounted for the remaining \$3 million increase in operating margin as warmer-than-normal temperatures were experienced during both years (during 2007 the estimated negative weather-related impact was about \$12 million, while the negative impact during 2006 was approximately \$15 million). Of note were significantly warmer-than-normal temperatures throughout Southwest service territories in November 2007, with Arizona experiencing its warmest November on record (during the past 113 years).

Operations and maintenance expense increased \$10.4 million, or three percent, between years reflecting general cost increases and incremental operating costs associated with serving additional customers. Higher uncollectible expenses also contributed to the increase.

Depreciation expense increased \$10.4 million, or seven percent, as a result of additional plant in service. Average gas plant in service for 2007 increased \$284 million, or eight percent, compared to 2006. This was attributable to the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

General taxes increased \$2.6 million primarily as a result of a favorable nonrecurring property tax settlement recognized in April 2006. In addition, on average, property tax rates declined between years, largely offsetting the higher property tax base resulting from plant additions.

Other income decreased \$5.2 million as compared to 2006 primarily as a result of a reduction in interest income due to the collection of previously deferred purchased gas costs and reduced returns on long-term investments. The prior year also included \$1 million of interest income on the favorable nonrecurring property tax settlement referred to above.

Net financing costs increased \$872,000, or one percent, between years primarily due to interest expense associated with deferred PGA balance payables and higher rates on variable-rate debt, partially offset by lower average debt outstanding.

Income tax expense in 2006 included a nonrecurring \$1.7 million state income tax benefit.

2006 vs. 2005

Contribution from natural gas operations increased \$37.8 million in 2006 compared to 2005. The improvement in contribution was primarily due to higher operating margin resulting from the Arizona general rate increase, a nonrecurring property tax settlement, and improved other income, partially offset by increased operating expenses and financing costs.

Operating margin increased \$66 million in 2006 as compared to 2005. During 2006, the Company added 71,000 customers, an increase of four percent. New customers coupled with additional amounts from existing transportation and non-weather sensitive sales customers contributed \$26 million in incremental operating margin. Rate relief in Arizona and California added \$37 million. Differences in heating demand caused primarily by weather variations between years resulted in a \$3 million operating margin increase as warmer-than-normal temperatures were experienced during both years.

Operations and maintenance expense increased \$6.4 million, or two percent, between years reflecting general cost increases and incremental operating costs associated with serving additional customers. Factors contributing to the increase included insurance premiums, uncollectible expenses, employee-related costs, and incremental stock-based compensation costs. Operations and maintenance expense for 2005 included a \$10 million nonrecurring provision for an injuries and damages case.

Depreciation expense increased \$8.7 million, or six percent, as a result of construction activities. Average gas plant in service for 2006 increased \$238 million, or seven percent, compared to 2005. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth.

General taxes decreased \$4 million, or 10 percent, primarily as a result of a nonrecurring property tax settlement and Arizona legislation signed in June 2006 that reduced property tax rates, retroactive to January 2006.

Other income (expense) increased \$5 million compared to 2005. The current period includes a \$2 million net increase in interest income primarily associated with the unrecovered balance of deferred purchased gas costs and \$1 million of interest income on the property tax settlement discussed above.

Net financing costs increased \$4 million primarily due to higher rates on variable-rate debt and an increase in average debt outstanding to help finance growth.

Income tax expense in 2006 included a nonrecurring \$1.7 million state income tax benefit.

Rates and Regulatory Proceedings

General Rate Relief and Rate Design

Rates charged to customers vary according to customer class and rate jurisdiction and are set by the individual state and federal regulatory commissions that govern Southwest's service territories. Southwest makes periodic filings for rate adjustments as the costs of providing service (including the cost of natural gas purchased) change and as additional investments in new or replacement pipeline and related facilities are made. Rates are intended to provide for recovery of all prudently incurred costs and provide a reasonable return on investment. The mix of fixed and variable components in rates assigned to various customer classes (rate design) can significantly impact the operating margin actually realized by Southwest. Management continues to work with its regulatory commissions in designing rate structures that strive to provide affordable and reliable service to its customers while mitigating the volatility in prices to customers and stabilizing returns to investors. Such a rate structure is in place in California and progress has been made in Nevada. Southwest continues to pursue rate design changes in Arizona.

Arizona General Rate Case. Southwest filed a general rate application with the ACC in the third quarter of 2007 requesting an increase in authorized operating revenues of \$50.2 million. The request is due to increases in Southwest's operating costs (including inflationary increases to labor and benefits), investments in infrastructure to serve new customers, and the increased costs of capital to fund those investments. The Company is requesting a return on rate base of 9.45 percent and a return on equity of 11.25 percent.

In addition, declining average residential usage has hindered the Company's ability to earn the returns previously authorized by the ACC. A rate structure that would encourage energy efficiency and also shield the Company and its customers from weather-related volatility has also been proposed. Included in the new rate design proposal are a revenue decoupling mechanism that would separate the recovery of fixed costs from volumetric usage and a weather normalization mechanism that would protect customers from higher bills in extreme cold weather and protect the Company from cost under-recoveries in unseasonably warmer weather. The Company also requested an increase of \$3.10 in the monthly residential basic service charge. Southwest requested the new rates become effective October 2008. Hearings are scheduled to be held in June 2008. Management cannot predict the amount or timing of rate relief ultimately granted, or whether the ACC will adopt the new rate design proposals. The last general rate increase received in Arizona was effective in March 2006.

California Attrition Filings. In the fourth quarter of 2006, the CPUC approved a \$2.7 million increase in operating margin related to the Company's 2007 annual California attrition filing. The increase in customer rates was effective January 2007. In connection with this filing, the methodology of recording margin under the margin tracker mechanism was changed to be recognized in equal monthly amounts throughout the year, rather than on a seasonally adjusted basis. This change did not impact the total amount of margin recognized annually; however, it affected the comparability of 2007 versus 2006 quarterly amounts.

In October 2007, Southwest made its 2008 annual attrition filing with the CPUC requesting a \$2 million increase in operating margin. The increase in customer rates was approved and became effective January 2008.

California General Rate Cases. Southwest filed general rate applications with the CPUC in December 2007 requesting an increase in authorized operating revenues of \$9.1 million in the Company's southern California, northern California and South Lake Tahoe rate jurisdictions with a proposed effective date of January 2009. The request is due to increases in Southwest's operating costs, investments in infrastructure to serve new customers, and the increased costs of capital to fund those investments. As part of the filing, Southwest is also requesting that the authorized levels of margin revert to being recognized on a seasonally adjusted basis rather than in equal monthly amounts throughout the year to better reflect the seasonal nature of Southwest's revenue stream. In addition to the margin balancing mechanism that has been in place since the last general rate case, this filing proposes a Post Test Year ("PTY") ratemaking mechanism for the period 2010 through 2013. The PTY mechanism is designed to recognize the effects of inflation, certain capital expenditures and customer growth between general rate cases. Hearings were proposed to begin in August 2008.

PGA Filings

The rate schedules in all of Southwest's service territories contain provisions that permit adjustments to rates as the cost of purchased gas changes. These deferred energy provisions and purchased gas adjustment clauses are collectively referred to as "PGA" clauses. Differences between gas costs recovered from customers and amounts paid for gas costs by Southwest result in over and under-collections. At December 31, 2007, over-collections in Nevada and California resulted in a liability of \$46 million and under-collections in Arizona resulted in an asset of \$33.9 million on the Company's balance sheet. Filings to change rates in accordance with PGA clauses are subject to audit by state regulatory commission staffs. PGA changes impact cash flows but have no direct impact on profit margin. However, gas cost deferrals and recoveries can impact comparisons between periods of individual income statement components. These include Gas operating revenues, Net cost of gas sold, Net interest deductions and Other income (deductions). In addition, since Southwest is permitted to accrue interest on PGA balances, the cost of incremental PGA-related short-term borrowings will be largely offset and there should be no material negative impact to earnings.

Southwest had the following outstanding PGA balances receivable/(payable) at the end of its two most recent fiscal years (millions of dollars):

	2007	2006
Arizona	\$ 33.9	\$68.4
Northern Nevada	(9.2)	1.1
Southern Nevada	(36.7)	4.1
California	(0.1)	3.4
	<u>\$(12.1)</u>	<u>\$77.0</u>

Arizona PGA Filings. In Arizona, Southwest adjusts rates monthly for changes in purchased gas costs, within pre-established limits measured on a twelve-month rolling average. A temporary surcharge has also been in place since February 2006 to help accelerate the recovery of the under-collected balance. The PGA balance in Arizona has been steadily declining since reaching a peak of \$95.8 million in April 2006.

California Gas Cost Filings. In California, a monthly gas cost adjustment based on forecasted monthly prices is utilized. Monthly adjustments are designed to provide a more timely recovery of gas costs and to send appropriate pricing signals to customers.

Nevada Deferred Energy Adjustment Filings. In Nevada, a quarterly gas cost adjustment based on a twelve-month rolling average is utilized. Adjustments are subject to an annual prudence review and audit of the natural gas costs incurred.

Gas Price Volatility Mitigation

Over the past five years the weighted-average delivered cost of natural gas has ranged from a low of \$4.60 per dekatherm in 2003 to a high of \$8.10 per dekatherm in 2007. Price volatility is expected to continue throughout 2008. Regulators in Southwest's service territories have encouraged Southwest to take proactive steps to mitigate price volatility on its customers. To accomplish this, Southwest periodically enters into fixed-price term contracts for about half of its annual normal weather supply needs. For the 2007/2008 heating season, fixed-price contracts range in price from approximately \$6 to \$10 per dekatherm. Natural gas purchases not covered by fixed-price contracts are made under variable-price contracts with firm quantities and on the spot market. Prices for these contracts are not known until the month of purchase. Southwest does not currently utilize stand-alone derivative financial instruments in its volatility mitigation program, however, during 2008, Southwest intends to supplement its use of fixed-price contracts with stand-alone derivative instruments. The combination of fixed-price contracts and derivative instruments should increase flexibility for Southwest and increase supplier diversification. The costs of such derivative financial instruments are expected to be recovered from customers through the PGA mechanism.

Capital Resources and Liquidity

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and construction services segments. Each business activity is generally responsible for securing its own financing sources. The capital requirements and resources of the construction services segment are not material to the overall capital requirements and resources of the Company.

2007 Construction Expenditures

Southwest continues to experience customer growth, albeit at a slower pace than in the recent past. This growth has required significant capital outlays for new transmission and distribution plant, to keep up with consumer demand. During the three-year period ended December 31, 2007, total gas plant increased from \$3.3 billion to \$4 billion, or at an annual rate of seven percent. Customer growth was the primary reason for the plant increase as Southwest added 200,000 net new customers during the three-year period.

During 2007, construction expenditures for the natural gas operations segment were \$312 million. Approximately 76 percent of these expenditures represented new construction and the balance represented costs associated with routine replacement of existing transmission, distribution, and general plant. Cash flows from operating activities of Southwest (net of dividends) provided \$281 million (representing 90 percent) of the required capital resources pertaining to total capital expenditures in 2007. The remainder was provided from refundable construction advances, external financing activities, and existing credit facilities.

2007 Financing Activity

External financing requirements during 2007 were minimized as a result of earnings, strong recoveries of PGA balances, and collections of construction advances and contributions. During 2007, the Company issued approximately 1 million additional shares of common stock through the Dividend Reinvestment and Stock Purchase Plan ("DRSPP"), Employee Investment Plan, Management Incentive Plan, and Stock Incentive Plan, raising approximately \$35 million. Additionally in 2007, Southwest partially offset capital outlays by collecting approximately \$41 million in net advances and contributions from third-party contractors. At December 31, 2007, the balance of refundable construction advances was approximately \$86 million. No incremental debt offerings were required during 2007.

2008 Construction Expenditures and Financing

Southwest estimates construction expenditures during the three-year period ending December 31, 2010 will be approximately \$850 million. Of this amount, approximately \$302 million are expected to be incurred in 2008. During the three-year period, cash flow from operating activities of Southwest (net of dividends) is estimated to fund over 80 percent of the gas operations' total construction expenditures. Southwest also has \$25 million in long-term debt maturities over the three-year period. During this time frame, the Company expects to raise \$70 million to \$80 million from its various common stock programs. Any remaining cash requirements are expected to be provided by refundable construction advances, existing credit facilities, and/or other external financing sources. The timing, types, and amounts of these additional external financings will be dependent on a number of factors, including conditions in the capital markets, timing and amounts of rate relief, growth levels in Southwest service areas, and earnings. These external financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing.

The Company has a universal shelf registration statement providing for the issuance and sale of registered securities, which may consist of secured debt, unsecured debt, preferred stock, or common stock. At December 31, 2007, the Company had \$95 million of availability under the universal shelf registration statement.

In 2006, the Company entered into a Sales Agency Financing Agreement with BNY Capital Markets, Inc. relating to the issuance and sale of up to \$45 million aggregate amount of the Company's common stock, from time to time over a three-year period ("Equity Shelf Program"). While no shares were issued through the Equity Shelf Program in 2007, the Company has \$16.7 million of remaining capacity under the Equity Shelf Program at December 31, 2007.

In February 2008, the Economic Stimulus Act of 2008 ("Act") was signed into law. This Act provides a 50 percent bonus tax depreciation deduction for qualified property acquired or constructed and placed in service in 2008. Based on forecasted qualifying construction expenditures, Southwest estimates the bonus depreciation deduction will defer the payment of approximately \$30 million of federal income taxes during 2008.

Liquidity

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash to meet its cash requirements. Several general factors that could significantly affect liquidity in future years include inflation, growth in Southwest's service territories, changes in the ratemaking policies of regulatory commissions, interest rates, variability of natural gas prices, changes in income tax laws, and the level of Company earnings. Of these factors natural gas prices and related gas cost recovery rates have had the most significant impact on Company liquidity.

The rate schedules in Southwest's service territories contain PGA clauses which permit adjustments to rates as the cost of purchased gas changes. The PGA mechanism allows Southwest to request to change the gas cost component of the rates charged to its customers to reflect increases or decreases in the price expected to be paid to its suppliers and companies providing interstate pipeline transportation service.

On an interim basis, Southwest generally defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At December 31, 2007, the combined balances in PGA accounts totaled an over-collection of \$12.1 million versus an under-collection of \$77 million at December 31, 2006. See **PGA Filings** for more information on recent regulatory filings. Southwest has the ability to draw on its credit facility to temporarily finance under-collected PGA balances. This facility expires in April 2012. Southwest has designated \$150 million of the \$300 million facility as long-term debt and the remaining \$150 million for working capital purposes. Southwest currently believes the \$150 million designated for working capital purposes is adequate to meet liquidity needs. At December 31, 2007, \$150 million was outstanding on the long-term portion and \$9 million was outstanding on the short-term portion of the credit facility.

Securities Ratings

The Company's borrowing costs and ability to raise funds are directly impacted by its credit ratings. Securities ratings issued by nationally recognized ratings agencies provide a method for determining the credit worthiness of an issuer. Company debt ratings are important because long-term debt constitutes a significant portion of total capitalization. These debt ratings are a factor considered by lenders when determining the cost of debt for the Company (i.e., the better the rating, the lower the cost to borrow funds).

The Company's unsecured long-term debt rating from Moody's Investors Service, Inc. ("Moody's") is Baa3. Moody's applies a Baa rating to obligations which are considered medium grade obligations with adequate security. A numerical modifier of 1 (high end of the category) through 3 (low end of the category) is included with the Baa to indicate the approximate rank of a company within the range.

The Company's unsecured long-term debt rating from Fitch, Inc. ("Fitch") is BBB, which Fitch affirmed in February 2008. Fitch debt ratings range from AAA (highest credit quality) to D (defaulted debt obligation). The Fitch rating of BBB indicates a credit quality that is considered prudent for investment.

The Company's unsecured long-term debt rating from Standard and Poor's Ratings Services ("S&P") is BBB-. S&P debt ratings range from AAA (highest rating possible) to D (obligation is in default). The S&P rating of BBB- indicates the debt is regarded as having an adequate capacity to pay interest and repay principal.

A securities rating is not a recommendation to buy, sell, or hold a security and is subject to change or withdrawal at any time by the rating agency. The foregoing securities ratings are subject to change at any time in the discretion of the applicable ratings agencies. Numerous factors, including many which are not within the Company's control, are considered by the ratings agencies in connection with assigning securities ratings.

Inflation

Results of operations are impacted by inflation. Natural gas, labor, consulting, and construction costs are the categories most significantly impacted by inflation. Changes to cost of gas are generally recovered through PGA mechanisms and do not significantly impact net earnings. Labor is a component of the cost of service, and construction costs are the primary component of rate base. In order to recover increased costs, and earn a fair return on rate base, general rate cases are filed by Southwest, when deemed necessary, for review and approval by regulatory authorities. Regulatory lag, that is, the time between the date increased costs are incurred and the time such increases are recovered through the ratemaking process, can impact earnings. See **Rates and Regulatory Proceedings** for a discussion of recent rate case proceedings.

Off-Balance Sheet Arrangements

All Company debt is recorded on its balance sheets. The Company has long-term operating leases, which are described in **Note 2—Utility Plant** of the Notes to Consolidated Financial Statements. No debt instruments have credit triggers or other clauses that result in default if Company bond ratings are lowered by rating agencies. Certain Company debt instruments contain securities ratings covenants that, if set in motion, would increase financing costs.

IDRB Supporting Credit Arrangements

The Company utilizes letters of credit to provide credit support for \$100 million of variable-rate IDRBs. A \$55.3 million letter of credit supports the City of Big Bear \$50 million tax-exempt Series A IDRBs and a \$50.1 million letter of credit supports the Clark County, Nevada \$50 million IDRBs 2003 Series A.

Insurance policies support approximately \$400 million of the fixed and variable-rate IDRBs. Of this amount, approximately \$350 million is fixed to maturity and any change in bond rating of the bond insurers will not impose any additional costs on the Company. The remaining \$50 million in IDRBs, which is the 2003 Series B, carries a AAA rating supported by insurance from Ambac Assurance Corporation (“Ambac”). The 2003 Series B are repriced weekly in an auction market. Credit rating agencies have been reassessing bond insurers for their ability to absorb potential losses from their subprime-related exposure to residential mortgage-backed securities and collateralized debt obligations. In January 2008, Moody’s Investors Service and Standard & Poor’s, the two largest ratings companies, placed Ambac on watch for a possible downgrade of their AAA rating. The Company cannot predict whether Moody’s and/or S&P will downgrade Ambac, thereby affecting the outstanding AAA rating of the 2003 Series B. If the weekly auction interest rate reset fails, then the rate on the 2003 Series B will be set at the predetermined maximum auction rate as set forth below, based on the prevailing rating of the 2003 Series B in effect on the business day immediately preceding the auction date:

<u>Prevailing Rating</u>	<u>Maximum Auction Rate</u>
AAA/Aaa	175% of one-month LIBOR
AA/Aa	200% of one-month LIBOR
A/A	250% of one-month LIBOR
BBB/Baa	275% of one-month LIBOR
Below BBB/Baa	300% of one-month LIBOR

In February 2008, the 2003 Series B experienced its initial auction failure. As a result of the failed auction, the Company was required to price the Series B at the predetermined maximum auction rate of 175 percent of the one-month LIBOR rate. The Company has the ability to convert the 2003 Series B to a fixed-rate mode or obtain incremental credit support. The Company will remain watchful as to the developments in the auction rate market and the outcome of the rating agencies reviews, and take appropriate actions to minimize the related interest cost of the facility.

Contractual Obligations

The Company has various contractual obligations such as long-term purchase contracts, significant non-cancelable operating leases, gas purchase obligations, and long-term debt agreements. The Company has classified these contractual obligations as either operating activities or financing activities, which mirrors their presentation in the Consolidated Statement of Cash Flows. No contractual obligations for investing activities exist at this time. The table below summarizes the Company's contractual obligations at December 31, 2007 (millions of dollars):

Contractual Obligations	Payments due by period				
	Total	2008	2009- 2010	2011- 2012	Thereafter
Operating activities:					
Operating leases (Note 2)	\$ 32	\$ 7	\$ 9	\$ 5	\$ 11
Gas purchase obligations	629	483	146	—	—
Pipeline capacity	548	103	194	110	141
Other commitments	13	6	5	2	—
Financing activities:					
Subordinated debentures to Southwest					
Gas Capital II (Note 5)	103	—	—	—	103
Long-term debt (Note 6)	1,304	38	16	553	697
Other	25	—	—	1	24
Total	\$2,654	\$637	\$ 370	\$ 671	\$ 976

Obligations for Operating Activities: The table provides a summary of the Company's obligations associated with operating activities. Operating leases represent multi-year obligations for office rent and certain equipment. Gas purchase obligations include fixed-price and variable-rate gas purchase contracts covering approximately 124 million dekatherms. Fixed-price contracts range in price from approximately \$6 to \$10 per dekatherm. Variable-price contracts reflect minimum contractual obligations.

Southwest has pipeline capacity contracts for firm transportation service, both on a short- and long-term basis, with several companies for all of its service territories. Southwest also has interruptible contracts in place that allow additional capacity to be acquired should an unforeseen need arise. Costs associated with these pipeline capacity contracts are a component of the cost of gas sold and are recovered from customers primarily through the PGA mechanism.

Obligations for Financing Activities: Contractual obligations for financing activities are debt obligations consisting of scheduled principal payments over the life of the debt.

Other: Estimated funding for pension and other postretirement benefits during calendar year 2008 is \$29 million. The Company has an insignificant amount of liabilities in connection with the adoption of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes."

Results of Construction Services

Year Ended December 31, (Thousands of dollars)	2007	2006	2005
Construction revenues	\$ 337,322	\$ 297,364	\$ 259,026
Cost of construction	310,848	271,743	237,356
Gross profit	26,474	25,621	21,670
General and administrative expenses	8,590	7,377	6,672
Operating income	17,884	18,244	14,998
Other income (expense)	1,768	4,086	3,009
Interest expense	2,036	1,686	1,009
Income before income taxes	17,616	20,644	16,998
Income tax expense	6,864	8,257	6,845
Contribution to consolidated net income	<u>\$ 10,752</u>	<u>\$ 12,387</u>	<u>\$ 10,153</u>

2007 vs. 2006

The 2007 contribution to consolidated net income from construction services decreased \$1.6 million from 2006. The decrease reflects higher general and administrative expenses, interest expense, and lower gains on sales of equipment. Unfavorable working conditions due to poor weather during the first quarter of 2007 also contributed to the decrease.

Revenues increased \$40 million due primarily to several new contracts and an improvement in the amount and profitability of new bid work. Gross profit increased approximately \$853,000, or three percent, as a direct result of the increase in revenues, partially offset by a decrease in profit margins on blanket contracts. The construction revenues above include NPL contracts with Southwest totaling \$71.4 million in 2007 and \$80.6 million in 2006. NPL accounts for the services provided to Southwest at contractual (market) prices.

General and administrative costs increased \$1.2 million due primarily to incremental costs associated with revenue growth including labor and other administrative expenses. Other income decreased \$2.3 million as a result of a reduction in gains on sales of equipment. Interest expense increased \$350,000 due to additional long-term borrowings for purchases of new equipment.

Construction activity is cyclical and can be significantly impacted by changes in general and local economic conditions, including interest rates, employment levels, job growth, and local and federal tax rates. The continued slow-down in construction activities observed in regional and national markets at the end of 2007, if sustained, could negatively impact the amount of work received under existing blanket contracts, the amount of bid work, and the equipment resale market in 2008.

2006 vs. 2005

The 2006 contribution to consolidated net income from construction services increased \$2.2 million from 2005. The factors that drove the favorable results included a 15 percent increase in revenues, an improvement in the number of profitable bid jobs, and a favorable equipment resale market.

Revenues increased \$38 million due primarily to an increased workload under several existing contracts and an improvement in the amount and profitability of new bid work. Gross profit increased approximately \$4 million, or 18 percent, as a direct result of the increase in revenues. The construction revenues above include NPL contracts with Southwest totaling \$80.6 million in 2006 and \$71.8 million in 2005.

General and administrative costs increased \$705,000 due primarily to incremental costs associated with growth including labor and other administrative expenses. Other income increased \$1.1 million as a result of an increase in gains on sales of equipment. Interest expense increased \$677,000 due to additional long-term borrowing for the purchase of new equipment and higher interest rates.

Recently Issued Accounting Pronouncements

Below is a listing of recently issued accounting pronouncements by the Financial Accounting Standards Board (“FASB”). See **Note 1—Summary of Significant Accounting Policies** for more information regarding these accounting pronouncements and their potential impact on the Company’s financial position and results of operations.

Title		Month of Issue	Effective Date
SFAS No. 157,	“Fair Value Measurements.”	September 2006	January 2008
SFAS No. 141 (R),	“Business Combinations.”	December 2007	January 2009
SFAS No. 160,	“Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51.”	December 2007	January 2009

Application of Critical Accounting Policies

A critical accounting policy is one which is very important to the portrayal of the financial condition and results of a company, and requires the most difficult, subjective, or complex judgments of management. The need to make estimates about the effect of items that are uncertain is what makes these judgments difficult, subjective, and/or complex. Management makes subjective judgments about the accounting and regulatory treatment of many items and bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained, and as the Company’s operating environment changes. The following are accounting policies that are critical to the financial statements of the Company. For more information regarding the significant accounting policies of the Company, see **Note 1—Summary of Significant Accounting Policies**.

Regulatory Accounting

Natural gas operations are subject to the regulation of the Arizona Corporation Commission, the Public Utilities Commission of Nevada, the California Public Utilities Commission, and the Federal Energy Regulatory Commission. The accounting policies of the Company conform to generally accepted accounting principles applicable to rate-regulated enterprises (including SFAS No. 71 “Accounting for the Effects of Certain Types of Regulation”) and reflect the effects of the ratemaking process. As such, the Company is allowed to defer as regulatory assets, costs that otherwise would be expensed if it is probable that future recovery from customers will occur. The Company reviews these assets to assess their ultimate recoverability within the approved regulatory guidelines. If rate recovery is no longer probable, due to competition or the actions of regulators, the Company is required to write-off the related regulatory asset (which would be recognized as current-period expense). Regulatory liabilities are recorded if it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. The timing and inclusion of costs in rates is often delayed (regulatory lag) and results in a reduction of current-period earnings. Refer to **Note 4—Regulatory Assets and Liabilities** for a list of regulatory assets and liabilities.

Accrued Utility Revenues

Revenues related to the sale and/or delivery of natural gas are generally recorded when natural gas is delivered to customers. However, the determination of natural gas sales to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month. At the end of each month, revenues for natural gas that has been delivered but not yet billed are accrued. This accrued utility revenue is estimated each month based on daily sales volumes, applicable rates, analyses reflecting significant historical trends, weather, and experience. In periods of extreme weather conditions, the interplay of these assumptions could impact the variability of the accrued utility revenue estimates.

Accounting for Income Taxes

The income tax calculations of the Company require estimates due to known future tax rate changes, book to tax differences, and uncertainty with respect to regulatory treatment of certain property items. The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Regulatory tax assets and liabilities are recorded to the extent the Company believes they will be recoverable from or refunded to customers in future rates. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company regularly assesses financial statement tax provisions to identify any change in the regulatory treatment or tax-related estimates, assumptions, or enacted tax rates that could have a material impact on cash flows, financial position, and/or results of operations of the Company.

Accounting for Pensions and Other Postretirement Benefits

Southwest has a noncontributory qualified retirement plan with defined benefits covering substantially all employees. In addition, Southwest has a separate unfunded supplemental retirement plan which is limited to officers. The Company's pension obligations and costs for these plans are affected by the amount of cash contributions to the plans, the return on plan assets, discount rates, and by employee demographics, including age, compensation, and length of service. Changes made to the provisions of the plans may also impact current and future pension costs. Actuarial formulas are used in the determination of pension obligations and costs and are affected by actual plan experience and assumptions about future experience. Key actuarial assumptions include the expected return on plan assets, the discount rate used in determining the projected benefit obligation and pension costs, and the assumed rate of increase in employee compensation. Relatively small changes in these assumptions (particularly the discount rate) may significantly affect pension obligations and costs for these plans.

Due to an increase in market interest rates for high-quality debt instruments, the Company raised the discount rate to 6.50% at December 31, 2007 from 6.00% at December 31, 2006. The weighted-average rate of compensation increase was raised to 4.00% from 3.75%. The asset return assumption was decreased to 8.00% from 8.50%. These offsetting changes will not result in a significant change in pension expense for 2008. Should interest rates rise in 2008, future pension expense and projected benefit obligations could decrease. Conversely, declining interest rates would put upward pressure on future pension expense and projected benefit obligations.

Management believes that regulation and the effects of regulatory accounting have the most significant impact on the financial statements. When Southwest files rate cases, capital assets, costs, and gas purchasing practices are subject to review, and disallowances can occur. Regulatory disallowances in the past have not been frequent but have on occasion been significant to the operating results of the Company.

Certifications

The SEC requires the Company to file certifications of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") regarding reporting accuracy, disclosure controls and procedures, and internal control over financial reporting as exhibits to the Company's periodic filings. The CEO and CFO certifications for the period ended December 31, 2007 were included as exhibits to the 2007 Annual Report on Form 10-K which was filed with the SEC. The Company is also required to file an annual CEO certification regarding corporate governance listing standards compliance with the New York Stock Exchange ("NYSE"). The most recent annual CEO certification, dated May 3, 2007, was filed with the NYSE in May 2007.

Forward-Looking Statements

This annual report contains statements which constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (“Reform Act”). All statements other than statements of historical fact included or incorporated by reference in this annual report are forward-looking statements, including, without limitation, statements regarding the Company’s plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions. The words “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “continue,” and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding customer growth, estimated future construction expenditures, forecasted operating cash flows, sufficiency of working capital, ability to raise funds and receive external financing, the amount of any such financing, and statements regarding future gas prices, gas purchase contracts and derivative financial instruments, the recovery of under-recovered PGA balances, and the timing and results of future rate approvals are forward-looking statements. All 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, our ability to recover costs through our PGA mechanisms, 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, the impact of conditions in the capital markets on financing costs, changes in construction expenditures and financing, renewal of franchises, easements and rights-of-way, changes in operations and maintenance expenses, effects of accounting changes, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and management’s plans related thereto, competition, and our ability to raise capital in external financings. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing, operations and maintenance expenses will continue in future periods. For additional information on the risks associated with the Company’s business, see **Item 1A. Risk Factors** in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007.

All forward-looking statements in this annual report are made as of the date hereof, based on information available to the Company as of the date hereof, and the Company assumes no obligation to update or revise any of its forward-looking statements even if experience or future changes show that the indicated results or events will not be realized. **We caution you not to unduly rely on any forward-looking statement(s).**

Common Stock Price and Dividend Information

	2007		2006		Dividends Declared	
	High	Low	High	Low	2007	2006
First quarter	\$39.95	\$35.30	\$29.04	\$26.09	\$0.215	\$0.205
Second quarter	39.77	33.10	31.43	26.46	0.215	0.205
Third quarter	34.22	26.45	34.19	30.70	0.215	0.205
Fourth quarter	30.97	26.61	39.37	32.80	0.215	0.205
					<u>\$0.860</u>	<u>\$0.820</u>

The principal market on which the common stock of the Company is traded is the New York Stock Exchange. At February 15, 2008, there were 22,910 holders of record of common stock, and the market price of the common stock was \$27.99.

The Company has a common stock dividend policy which states that common stock dividends will be paid at a prudent level that is within the normal dividend payout range for its respective businesses, and that the dividend will be established at a level considered sustainable in order to minimize business risk and maintain a strong capital structure throughout all economic cycles. The quarterly common stock dividend declared was 20.5 cents per share throughout 2006 and 21.5 cents per share throughout 2007. In February 2008, the Board of Directors increased the quarterly dividend payout to 22.5 cents per share, to be effective with the June 2008 payment.

SOUTHWEST GAS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2007	2006
(Thousands of dollars, except par value)		
ASSETS		
Utility plant:		
Gas plant	\$ 4,043,936	\$ 3,763,310
Less: accumulated depreciation	(1,261,867)	(1,175,600)
Acquisition adjustments, net	1,812	1,992
Construction work in progress	61,419	78,402
Net utility plant (Note 2)	2,845,300	2,668,104
Other property and investments	143,097	136,242
Current assets:		
Cash and cash equivalents	31,991	18,786
Accounts receivable, net of allowances (Note 3)	203,660	225,928
Accrued utility revenue	74,900	73,300
Income taxes receivable, net	14,286	571
Deferred income taxes (Note 11)	6,965	—
Deferred purchased gas costs (Note 4)	33,946	77,007
Prepays and other current assets (Notes 2 and 4)	136,711	106,032
Total current assets	502,459	501,624
Deferred charges and other assets (Note 4)	179,332	178,995
Total assets	\$ 3,670,188	\$ 3,484,965
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$1 par (authorized—60,000,000 shares; issued and outstanding—42,805,706 and 41,770,291 shares) (Note 10)	\$ 44,436	\$ 43,400
Additional paid-in capital	732,319	698,258
Accumulated other comprehensive income (loss), net (Note 9)	(12,850)	(13,666)
Retained earnings	219,768	173,433
Total equity	983,673	901,425
Subordinated debentures due to Southwest Gas Capital II (Note 5)	100,000	100,000
Long-term debt, less current maturities (Note 6)	1,266,067	1,286,354
Total capitalization	2,349,740	2,287,779
Commitments and contingencies (Note 8)		
Current liabilities:		
Current maturities of long-term debt (Note 6)	38,079	27,545
Short-term debt (Note 7)	9,000	—
Accounts payable	220,731	265,739
Customer deposits	75,019	64,151
Accrued general taxes	44,637	45,895
Accrued interest	21,290	21,362
Deferred income taxes (Note 11)	—	15,471
Deferred purchased gas costs (Note 4)	46,088	—
Other current liabilities (Note 4)	73,088	55,901
Total current liabilities	527,932	496,064
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits (Note 11)	347,497	308,493
Taxes payable	4,387	5,951
Accumulated removal costs (Note 4)	146,000	125,000
Other deferred credits (Notes 4 and 9)	294,632	261,678
Total deferred income taxes and other credits	792,516	701,122
Total capitalization and liabilities	\$ 3,670,188	\$ 3,484,965

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2007	2006	2005
(In thousands, except per share amounts)			
Operating revenues:			
Gas operating revenues	\$1,814,766	\$1,727,394	\$1,455,257
Construction revenues	337,322	297,364	259,026
Total operating revenues	2,152,088	2,024,758	1,714,283
Operating expenses:			
Net cost of gas sold	1,086,194	1,033,988	828,131
Operations and maintenance	331,208	320,803	314,437
Depreciation and amortization	182,514	168,964	156,253
Taxes other than income taxes	37,553	34,994	39,040
Construction expenses	294,032	256,827	225,774
Total operating expenses	1,931,501	1,815,576	1,563,635
Operating income	220,587	209,182	150,648
Other income and (expenses):			
Net interest deductions (Notes 6 and 7)	(88,472)	(87,253)	(82,604)
Net interest deductions on subordinated debentures (Note 5)	(7,727)	(7,724)	(7,723)
Other income (deductions)	6,636	14,152	8,114
Total other income and (expenses)	(89,563)	(80,825)	(82,213)
Income before income taxes	131,024	128,357	68,435
Income tax expense (Note 11)	47,778	44,497	24,612
Net income	\$ 83,246	\$ 83,860	\$ 43,823
Basic earnings per share (Note 13)	\$ 1.97	\$ 2.07	\$ 1.15
Diluted earnings per share (Note 13)	\$ 1.95	\$ 2.05	\$ 1.14
Average number of common shares outstanding	42,336	40,566	38,132
Average shares outstanding (assuming dilution)	42,714	40,975	38,467

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2007	2006	2005
<i>(Thousands of dollars)</i>			
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	\$ 83,246	\$ 83,860	\$ 43,823
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	182,514	168,964	156,253
Deferred income taxes	16,068	3,909	(5,514)
Changes in current assets and liabilities:			
Accounts receivable, net of allowances	22,268	(27,847)	(20,216)
Accrued utility revenue	(1,600)	(4,900)	982
Deferred purchased gas costs	89,149	32,408	(25,865)
Accounts payable	(45,008)	6,263	92,021
Accrued taxes	(16,537)	3,198	5,716
Other current assets and liabilities	24,972	24,156	(23,000)
Other	(7,261)	(8,657)	13,424
Net cash provided by operating activities	<u>347,811</u>	<u>281,354</u>	<u>237,624</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Construction expenditures and property additions	(340,875)	(345,325)	(294,369)
Other	8,940	33,199	1,985
Net cash used in investing activities	<u>(331,935)</u>	<u>(312,126)</u>	<u>(292,384)</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Issuance of common stock, net	35,097	72,452	64,136
Dividends paid	(36,271)	(33,500)	(31,228)
Issuance of long-term debt, net	128,594	92,400	145,256
Retirement of long-term debt	(142,091)	(84,397)	(31,442)
Change in long-term portion of credit facility	3,000	(3,000)	—
Change in short-term debt	9,000	(24,000)	(76,000)
Net cash provided by (used in) financing activities	<u>(2,671)</u>	<u>19,955</u>	<u>70,722</u>
Change in cash and cash equivalents	13,205	(10,817)	15,962
Cash at beginning of period	18,786	29,603	13,641
Cash at end of period	<u>\$ 31,991</u>	<u>\$ 18,786</u>	<u>\$ 29,603</u>
Supplemental information:			
Interest paid, net of amounts capitalized	<u>\$ 93,335</u>	<u>\$ 92,533</u>	<u>\$ 86,465</u>
Income taxes paid (received), net	<u>\$ 45,025</u>	<u>\$ 39,682</u>	<u>\$ 5,977</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Comprehensive Income (Loss)
	Shares	Amount					
(In thousands, except per share amounts)							
DECEMBER 31, 2004	36,794	\$38,424	\$ 566,646	\$ (10,892)	\$ 111,498	\$705,676	
Common stock issuances	2,534	2,534	61,602			64,136	
Net income					43,823	43,823	\$ 43,823
Additional minimum pension liability adjustment, net of \$19 million of tax (Note 9)				(30,753)		(30,753)	(30,753)
Dividends declared							
Common: \$0.82 per share					(31,747)	(31,747)	
2005 Comprehensive Income							\$ 13,070
DECEMBER 31, 2005	39,328	40,958	628,248	(41,645)	123,574	751,135	
Common stock issuances	2,442	2,442	70,010			72,452	
Net income					83,860	83,860	\$ 83,860
Additional minimum pension liability adjustment, net of \$20.3 million of tax (Note 9)				33,047		33,047	33,047
Net adjustment to adopt SFAS No. 158, net of \$3.1 million of tax (Note 9)				(5,068)		(5,068)	
Dividends declared							
Common: \$0.82 per share					(34,001)	(34,001)	
2006 Comprehensive Income							\$ 116,907
DECEMBER 31, 2006	41,770	43,400	698,258	(13,666)	173,433	901,425	
Common stock issuances	1,036	1,036	34,061			35,097	
Net income					83,246	83,246	\$ 83,246
Net actuarial gain arising during the period, less amortization of unamortized benefit plan cost, net of \$500,000 of tax (Note 9)				816		816	816
Dividends declared							
Common: \$0.86 per share					(36,911)	(36,911)	
2007 Comprehensive Income							\$ 84,062
DECEMBER 31, 2007	<u>42,806*</u>	<u>\$44,436</u>	<u>\$ 732,319</u>	<u>\$ (12,850)</u>	<u>\$219,768</u>	<u>\$983,673</u>	

* At December 31, 2007, 2.1 million common shares were registered and available for issuance under provisions of the Company's various stock issuance plans. In addition, approximately 800,000 common shares are registered for issuance upon the exercise of options granted under the Stock Incentive Plan (see Note 10). During 2007, no shares were issued in at-the-market offerings through the Equity Shelf Program.

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

Nature of Operations. Southwest Gas Corporation (the “Company”) is composed of two segments: natural gas operations (“Southwest” or the “natural gas operations” segment) and construction services. Southwest is engaged in the business of purchasing, distributing and transporting natural gas to customers in portions of Arizona, Nevada, and California. The public utility rates, practices, facilities, and service territories of Southwest are subject to regulatory oversight. Natural gas purchases and the timing of related recoveries can materially impact liquidity. Northern Pipeline Construction Co. (“NPL” or the “construction services” segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

Basis of Presentation. The Company follows generally accepted accounting principles (“GAAP”) in accounting for all of its businesses. Accounting for the natural gas utility operations conforms with GAAP as applied to regulated companies and as prescribed by federal agencies and the commissions of the various states in which the utility operates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation. The accompanying financial statements are presented on a consolidated basis and include the accounts of Southwest Gas Corporation and all subsidiaries, except for Southwest Gas Capital II (see Note 5). All significant intercompany balances and transactions have been eliminated with the exception of transactions between Southwest and NPL in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 71, “Accounting for the Effects of Certain Types of Regulation.”

Net Utility Plant. Net utility plant includes gas plant at original cost, less the accumulated provision for depreciation and amortization, plus the unamortized balance of acquisition adjustments. Original cost includes contracted services, material, payroll and related costs such as taxes and benefits, general and administrative expenses, and an allowance for funds used during construction, less contributions in aid of construction.

Deferred Purchased Gas Costs. The various regulatory commissions have established procedures to enable Southwest to adjust its billing rates for changes in the cost of natural gas purchased. The difference between the current cost of gas purchased and the cost of gas recovered in billed rates is deferred. Generally, these deferred amounts are recovered or refunded within one year.

Income Taxes. The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

For regulatory and financial reporting purposes, investment tax credits (“ITC”) related to gas utility operations are deferred and amortized over the life of related fixed assets.

Cash and Cash Equivalents. For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and financial instruments with a purchase-date maturity of three months or less.

Accumulated Removal Costs. Approved regulatory practices allow Southwest to include in depreciation expense a component to recover removal costs associated with utility plant retirements. In accordance with the Securities and Exchange Commission’s (“SEC”) position on presentation of these amounts, management has reclassified \$146 million and \$125 million, as of December 31, 2007 and 2006, respectively, of estimated removal costs from accumulated depreciation to accumulated removal costs within the liabilities section of the balance sheet.

Gas Operating Revenues. Revenues are recorded when customers are billed. Customer billings are based on monthly meter reads and are calculated in accordance with applicable tariffs and state and local laws, regulations, and agreements. An estimate of the amount of natural gas distributed, but not yet billed, to residential and commercial customers from the latest meter reading date to the end of the reporting period is also recognized as accrued utility revenue.

The Company acts as an agent for state and local taxing authorities in the collection and remission of a variety of taxes, including franchise fees, sales and use taxes, and surcharges. These taxes are not included in gas operating revenues, except for certain franchise fees in California operating jurisdictions which are not significant. The Company uses the net classification method to report taxes collected from customers to be remitted to governmental authorities.

Construction Revenues. The majority of NPL contracts are performed under unit price contracts. Generally, these contracts state prices per unit of installation. Typical installations are accomplished in two weeks or less. Revenues are recorded as installations are completed. Long-term fixed-price contracts use the percentage-of-completion method of accounting and, therefore, take into account the cost, estimated earnings, and revenue to date on contracts not yet completed. The amount of revenue recognized is based on costs expended to date relative to anticipated final contract costs. Revisions in estimates of costs and earnings during the course of the work are reflected in the accounting period in which the facts requiring revision become known. If a loss on a contract becomes known or is anticipated, the entire amount of the estimated ultimate loss is recognized at that time in the financial statements.

Depreciation and Amortization. Utility plant depreciation is computed on the straight-line remaining life method at composite rates considered sufficient to amortize costs over estimated service lives, including components which compensate for salvage value, removal costs, and retirements, as approved by the appropriate regulatory agency. When plant is retired from service, the original cost of plant, including cost of removal, less salvage, is charged to the accumulated provision for depreciation. Costs related to refunding utility debt and debt issuance expenses are deferred and amortized over the weighted-average lives of the new issues. Other regulatory assets, including acquisition adjustments, are amortized when appropriate, over time periods authorized by regulators. Nonutility and construction services-related property and equipment are depreciated on a straight-line method based on the estimated useful lives of the related assets.

Allowance for Funds Used During Construction ("AFUDC"). AFUDC represents the cost of both debt and equity funds used to finance utility construction. AFUDC is capitalized as part of the cost of utility plant. The Company capitalized \$1.3 million in 2007 \$2.8 million in 2006, and \$2 million in 2005 of AFUDC related to natural gas utility operations. The debt portion of AFUDC is reported in the consolidated statements of income as an offset to net interest deductions and the equity portion is reported as other income. The debt portion of AFUDC was \$619,000, \$1.4 million, and \$1.1 million for 2007, 2006 and 2005, respectively. Utility plant construction costs, including AFUDC, are recovered in authorized rates through depreciation when completed projects are placed into operation, and general rate relief is requested and granted.

Earnings Per Share. Basic earnings per share ("EPS") are calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted EPS includes the effect of additional weighted-average common stock equivalents (stock options, performance shares, and restricted stock units). Unless otherwise noted, the term "Earnings Per Share" refers to Basic EPS. A reconciliation of the shares used in the Basic and Diluted EPS calculations is shown in the following table. Net income was the same for Basic and Diluted EPS calculations.

	2007	2006	2005
(In thousands)			
Average basic shares	42,336	40,566	38,132
Effect of dilutive securities:			
Stock options	147	195	146
Performance shares	210	214	189
Restricted stock units	21	—	—
Average diluted shares	<u>42,714</u>	<u>40,975</u>	<u>38,467</u>

Derivatives. The Company does not utilize derivative financial instruments for speculative purposes, nor does the Company have trading operations. In managing its gas supply portfolios, Southwest uses variable-rate and fixed-price arrangements which qualify as derivative instruments as defined under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). However, variable-price contracts have no significant market value and fixed-price contracts qualify for the normal purchases and normal sales exception under SFAS No. 133. This exception applies to physical sales and purchases of natural gas where it is probable that physical delivery will occur, the pricing provisions are clearly and closely related to the contracted prices and documentation requirements are met.

In November 2007, temperatures in Arizona reached record levels for the month, exceeding averages for any of the preceding 100 years. As a result of the warm weather and pipeline constraints during the same time period, the Company did not take delivery of natural gas under three fixed-price contracts for several days during the month. This resulted in a financial settlement of these quantities based on the difference between the contract price and the daily spot market price during those days. Once weather conditions returned to normal, the Company resumed receiving natural gas under the fixed-price contracts involved. The Company expects to take physical delivery of gas for the remaining term of the contracts and to continue to apply the normal purchases and sales exception.

Common Stock. In May 2007, shareholders of the Company approved an increase in the number of authorized shares of common stock from 45,000,000 shares to 60,000,000 shares. The increase had no effect on the par value of common stock.

Reclassifications. Certain reclassifications have been made to the prior year's financial information to present it on a basis comparable with the current year's presentation.

Recently Issued Accounting Pronouncements. In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for the Company beginning January 1, 2008. The adoption of the standard is not expected to have a material impact on the financial position or results of operations of the Company.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations." SFAS No. 141 (revised 2007) provides guidelines for the presentation and measurement of assets and liabilities acquired in a business combination and requires the disclosure of all information necessary to evaluate the nature and financial effect of a business combination. The provisions of SFAS No. 141 (revised 2007) are effective for the Company for acquisitions that occur on or after January 1, 2009. The Company is evaluating what impact, if any, this standard might have on its financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51." SFAS No. 160 requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements. The provisions of SFAS No. 160 are effective for the Company beginning January 1, 2009. The Company is evaluating what impact, if any, this standard might have on its financial position or results of operations.

Note 2—Utility Plant

Net utility plant as of December 31, 2007 and 2006 was as follows (thousands of dollars):

December 31,	2007	2006
Gas plant:		
Storage	\$ 17,403	\$ 17,545
Transmission	256,696	243,989
Distribution	3,419,799	3,153,399
General	219,126	219,527
Other	130,912	128,850
	<u>4,043,936</u>	<u>3,763,310</u>
Less: accumulated depreciation	(1,261,867)	(1,175,600)
Acquisition adjustments, net	1,812	1,992
Construction work in progress	61,419	78,402
Net utility plant	<u>\$ 2,845,300</u>	<u>\$ 2,668,104</u>

Depreciation and amortization expense on gas plant was \$155 million in 2007, \$145 million in 2006, and \$137 million in 2005.

In October 2007, the Company sold its Southern Nevada Division operations facility for \$35 million. Of the proceeds, \$28 million is held by JP Morgan Property Exchange, Inc. (and reflected in Prepaids and other current assets on Southwest's balance sheet) to facilitate like-kind exchange tax treatment for the new land and facilities to be developed. The gain on the sale (approximately \$20 million) was deferred and recorded as a regulatory liability to be included in a future rate case. The Company plans to build two separate facilities to better serve the expanding customer base in Las Vegas. During construction of the new facilities, the Company will lease back the operations facility (see details below). The Company's corporate headquarters complex is not affected by these transactions.

Operating Leases and Rentals. Southwest leases a portion of its corporate headquarters office complex in Las Vegas, the southern Nevada operations facility, and its administrative offices in Phoenix. The leases provide for current terms which expire in 2017, 2009, and 2009, respectively, with optional renewal terms available at the expiration dates. The rental payments for the corporate headquarters office complex are \$2 million in each of the years 2008 through 2012 and \$10.1 million cumulatively thereafter. The rental payments for the southern Nevada operations facility are \$1.5 million in 2008 and \$875,000 in 2009 when the lease expires. The rental payments for the Phoenix administrative offices are \$1.5 million for 2008 and \$1 million in 2009 when the lease expires. In addition to the above, the Company leases certain office and construction equipment. The majority of these leases are short-term. These leases are accounted for as operating leases, and for the gas segment are treated as such for regulatory purposes. Rentals included in operating expenses for all operating leases were \$23.9 million in 2007, \$19.2 million in 2006, and \$19 million in 2005. These amounts include NPL lease expenses of approximately \$15.9 million in 2007, \$11.5 million in 2006, and \$11.5 million in 2005, for various short-term operating leases of equipment and temporary office sites.

The following is a schedule of future minimum lease payments for significant non-cancelable operating leases (with initial or remaining terms in excess of one year) as of December 31, 2007 (thousands of dollars):

Year Ending December 31,	
2008	\$ 6,965
2009	5,543
2010	2,863
2011	2,640
2012	2,641
Thereafter	10,972
Total minimum lease payments	<u>\$31,624</u>

Note 3—Receivables and Related Allowances

Business activity with respect to gas utility operations is conducted with customers located within the three-state region of Arizona, Nevada, and California. At December 31, 2007, the gas utility customer accounts receivable balance was \$157 million. Approximately 54 percent of the gas utility customers were in Arizona, 36 percent in Nevada, and 10 percent in California. Although the Company seeks to minimize its credit risk related to utility operations by requiring security deposits from new customers, imposing late fees, and actively pursuing collection on overdue accounts, some accounts are ultimately not collected. Provisions for uncollectible accounts are recorded monthly, as needed, and are included in the ratemaking process as a cost of service. Activity in the allowance for uncollectibles is summarized as follows (thousands of dollars):

	Allowance for Uncollectibles
Balance, December 31, 2004	\$ 1,972
Additions charged to expense	3,787
Accounts written off, less recoveries	(3,458)
Balance, December 31, 2005	2,301
Additions charged to expense	5,805
Accounts written off, less recoveries	(5,085)
Balance, December 31, 2006	3,021
Additions charged to expense	7,178
Accounts written off, less recoveries	(7,252)
Balance, December 31, 2007	<u>\$ 2,947</u>

Note 4—Regulatory Assets and Liabilities

Natural gas operations are subject to the regulation of the Arizona Corporation Commission (“ACC”), the Public Utilities Commission of Nevada (“PUCN”), the California Public Utilities Commission (“CPUC”), and the Federal Energy Regulatory Commission (“FERC”). Southwest accounting policies conform to generally accepted accounting principles applicable to rate-regulated enterprises, principally SFAS No. 71, and reflect the effects of the ratemaking process. SFAS No. 71 allows for the deferral as regulatory assets, costs that otherwise would be expensed if it is probable future recovery from customers will occur. If rate recovery is no longer probable, due to competition or the actions of regulators, Southwest is required to write-off the related regulatory asset. Regulatory liabilities are recorded if it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process.

The following table represents existing regulatory assets and liabilities (thousands of dollars):

December 31,	2007	2006
Regulatory assets:		
Accrued pension and other postretirement benefit costs * (Note 9)	\$ 92,655	\$ 101,402
Deferred purchased gas costs	33,946	77,007
Accrued purchased gas costs **	40,100	40,500
SFAS No. 109—income taxes, net *	1,286	1,846
Unamortized premium on reacquired debt *	17,215	17,676
Other	32,734	30,099
	<u>217,936</u>	<u>268,530</u>
Regulatory liabilities:		
Deferred purchased gas costs	(46,088)	—
Accumulated removal costs	(146,000)	(125,000)
Deferred gain on southern Nevada division operations facility ****	(20,522)	—
Rate refunds due customers***	(12,474)	—
Other ****	(1,401)	(1,111)
	<u>(226,485)</u>	<u>(256,111)</u>
Net regulatory assets (liabilities)	\$ (8,549)	\$ 142,419

* Included in Deferred charges and other assets on the Consolidated Balance Sheet.

** Included in Prepaids and other current assets on the Consolidated Balance Sheet.

*** Included in Other current liabilities on the Consolidated Balance Sheet.

****Included in Other deferred credits on the Consolidated Balance Sheet.

Other regulatory assets include deferred costs associated with rate cases, regulatory studies, margin and interest-tracking accounts, and state mandated public purpose programs (including low income and conservation programs), as well as amounts associated with accrued absence time and deferred post-retirement benefits other than pensions.

Note 5—Preferred Trust Securities and Subordinated Debentures

In June 2003, the Company created Southwest Gas Capital II (“Trust II”), a wholly owned subsidiary, as a financing trust for the sole purpose of issuing preferred trust securities for the benefit of the Company. In August 2003, Trust II publicly issued \$100 million of 7.70% Preferred Trust Securities (“Preferred Trust Securities”). In connection with the Trust II issuance of the Preferred Trust Securities and the related purchase by the Company for \$3.1 million of all of the Trust II common securities (“Common Securities”), the Company issued \$103.1 million principal amount of its 7.70% Junior Subordinated Debentures, due 2043 (“Subordinated Debentures”) to Trust II. The sole assets of Trust II are and will be the Subordinated Debentures. The interest and other payment dates on the Subordinated Debentures correspond to the distribution and other payment dates on the Preferred Trust Securities and Common Securities. Under certain circumstances, the Subordinated Debentures may be distributed to the holders of the Preferred Trust Securities and holders of the Common Securities in liquidation of Trust II. The Subordinated Debentures are redeemable at the option of the Company after August 2008 at a redemption price of \$25 per Subordinated Debenture plus accrued and unpaid interest. In the event that the Subordinated Debentures are repaid, the Preferred Trust Securities and the Common Securities will be redeemed on a pro rata basis at \$25 (par value) per Preferred Trust Security and Common Security plus accumulated and unpaid distributions. Company obligations under the Subordinated Debentures, the Trust Agreement (the agreement under which Trust II was formed), the guarantee of payment of certain distributions, redemption payments and liquidation payments with respect to the Preferred Trust Securities to the extent Trust II has funds available therefore and the indenture governing the Subordinated Debentures, including the Company agreement pursuant to such indenture to pay all fees and expenses of Trust II, other than with respect to the Preferred Trust Securities and Common Securities, taken together, constitute a full and unconditional guarantee on a subordinated basis by the Company of payments due on the Preferred Trust Securities. As of December 31, 2007, 4.1 million Preferred Trust Securities were outstanding.

The Company has the right to defer payments of interest on the Subordinated Debentures by extending the interest payment period at any time for up to 20 consecutive quarters (each, an “Extension Period”). If interest payments are so deferred, distributions to Preferred Trust Securities holders will also be deferred. During such Extension Period, distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at an annual rate of 7.70% per annum compounded quarterly. There could be multiple Extension Periods of varying lengths throughout the term of the Subordinated Debentures. If the Company exercises the right to extend an interest payment period, the Company shall not during such Extension Period (i) declare or pay dividends on, or make a distribution with respect to, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, or (ii) make any payment of interest, principal, or premium, if any, on or repay, repurchase, or redeem any debt securities issued by the Company that rank equal with or junior to the Subordinated Debentures; provided, however, that restriction (i) above does not apply to any stock dividends paid by the Company where the dividend stock is the same as that on which the dividend is being paid. The Company has no present intention of exercising its right to extend the interest payment period on the Subordinated Debentures.

Although the Company owns 100 percent of the common voting securities of Trust II, under Interpretation No. 46 “Consolidation of Variable Interest Entities—an Interpretation of ARB No. 51”, the Company is not considered the primary beneficiary of this trust and therefore Trust II is not consolidated. As a result, the \$103.1 million Subordinated Debentures are shown on the balance sheet of the Company, net of the \$3.1 million Common Securities, as Subordinated debentures due to Southwest Gas Capital II. Payments and amortizations associated with the Subordinated Debentures are classified on the consolidated statements of income as Net interest deductions on subordinated debentures.

Note 6—Long-Term Debt

December 31,

	2007		2006	
	Carrying Amount	Market Value	Carrying Amount	Market Value
(Thousands of dollars)				
Debentures:				
Notes, 8.375%, due 2011	\$ 200,000	\$216,872	\$ 200,000	\$221,200
Notes, 7.625%, due 2012	200,000	214,172	200,000	217,600
8% Series, due 2026	75,000	82,274	75,000	88,748
Medium-term notes, 6.89% series, due 2007	—	—	17,500	17,654
Medium-term notes, 6.27% series, due 2008	25,000	25,152	25,000	25,263
Medium-term notes, 7.59% series, due 2017	25,000	26,946	25,000	28,155
Medium-term notes, 7.78% series, due 2022	25,000	27,486	25,000	28,645
Medium-term notes, 7.92% series, due 2027	25,000	26,975	25,000	29,398
Medium-term notes, 6.76% series, due 2027	7,500	7,183	7,500	7,832
Unamortized discount	(3,443)	—	(4,021)	—
	<u>579,057</u>		<u>595,979</u>	
Revolving credit facility and commercial paper	<u>150,000</u>	<u>150,000</u>	<u>147,000</u>	<u>147,000</u>
Industrial development revenue bonds:				
Variable-rate bonds:				
Tax-exempt Series A, due 2028	50,000	50,000	50,000	50,000
2003 Series A, due 2038	50,000	50,000	50,000	50,000
2003 Series B, due 2038	50,000	50,000	50,000	50,000
Fixed-rate bonds:				
6.10% 1999 Series A, due 2038	12,410	12,519	12,410	13,093
5.95% 1999 Series C, due 2038	14,320	14,353	14,320	15,136
5.55% 1999 Series D, due 2038	8,270	8,116	8,270	8,696
5.45% 2003 Series C, due 2038	30,000	28,955	30,000	30,705
5.25% 2003 Series D, due 2038	20,000	18,691	20,000	20,836
5.80% 2003 Series E, due 2038	15,000	14,481	15,000	15,629
5.25% 2004 Series A, due 2034	65,000	60,588	65,000	67,210
5.00% 2004 Series B, due 2033	75,000	68,616	75,000	76,688
4.85% 2005 Series A, due 2035	100,000	90,925	100,000	101,050
4.75% 2006 Series A, due 2036	56,000	49,243	56,000	56,213
Unamortized discount	(4,531)	—	(4,697)	—
	<u>541,469</u>		<u>541,303</u>	
Other	<u>33,620</u>	<u>33,998</u>	<u>29,617</u>	
	<u>1,304,146</u>		<u>1,313,899</u>	
Less: current maturities	<u>(38,079)</u>		<u>(27,545)</u>	
Long-term debt, less current maturities	<u>\$1,266,067</u>		<u>\$1,286,354</u>	

In April 2007, the Company amended its \$300 million credit facility. The facility was originally scheduled to expire in April 2011 and was extended to April 2012. The Company will continue to use \$150 million of the \$300 million as long-term debt and the remaining \$150 million for working capital purposes. Interest rates for the facility are calculated at either the London Interbank Offering Rate plus

an applicable margin, or the greater of the prime rate or one-half of one percent plus the Federal Funds rate. The applicable margin, unused commitment fee, and utilization fee associated with the amended credit facility are lower than those of the previous facility. At December 31, 2007, \$9 million in borrowings were outstanding on the short-term portion of the credit facility and \$150 million was outstanding on the long-term portion.

The Company's Revolving Credit Facility, letters of credit, and certain bond insurance policies contain financial covenants, the most restrictive of which require a maximum leverage ratio of 70 percent (debt to capitalization as defined) and a minimum net worth calculation of \$475 million adjusted for equity issuances after May 10, 2002. If the Company was not in compliance with these covenants, an event of default would occur, which if not cured could cause the amounts outstanding to become due and payable. This would also trigger cross-default provisions in substantially all other outstanding indebtedness of the Company. At December 31, 2007, the Company was in compliance with the applicable covenants.

The effective interest rates on the 2003 Series A and B variable-rate IDRBS were 4.51 percent and 4.79 percent, respectively, at December 31, 2007 and 5.14 percent and 4.09 percent, respectively, at December 31, 2006. The effective interest rates on the tax-exempt Series A variable-rate IDRBS were 4.46 percent and 5.03 percent at December 31, 2007 and 2006, respectively.

The fair value of the revolving credit facility and the variable-rate IDRBS approximates carrying value. Market values for the debentures, fixed-rate IDRBS, and other indebtedness were determined based on dealer quotes using trading records for December 31, 2007 and 2006, as applicable, and other secondary sources which are customarily consulted for data of this kind.

Estimated maturities of long-term debt for the next five years are \$38.1 million, \$10.4 million, \$5.4 million, \$202.6 million, and \$350.1 million, respectively.

Note 7—Short-Term Debt

As discussed in Note 6, Southwest has a \$300 million credit facility that expires in April 2012, of which \$150 million has been designated by management for working capital purposes (and related outstanding amounts are designated as short-term debt). Southwest had \$9 million in short-term borrowings outstanding on the credit facility at December 31, 2007 and none at December 31, 2006. The weighted-average interest rate on these borrowings was 5.66 percent at December 31, 2007.

Note 8—Commitments and Contingencies

The Company is a defendant in miscellaneous legal proceedings. The Company is also a party to various regulatory proceedings. The ultimate dispositions of these proceedings are not presently determinable; however, it is the opinion of management that no litigation or regulatory proceeding to which the Company is subject will have a material adverse impact on its financial position or results of operations.

Note 9—Pension and Other Postretirement Benefits

Southwest has a noncontributory qualified retirement plan with defined benefits covering substantially all employees and a separate unfunded supplemental retirement plan ("SERP") which is limited to officers. Southwest also provides postretirement benefits other than pensions ("PBOP") to its qualified retirees for health care, dental, and life insurance benefits.

In 2006, the FASB issued SFAS No. 158, which required employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their balance sheets. Under SFAS No. 158, any actuarial gains and losses, prior service costs and transition assets or obligations that were not recognized under previous accounting standards are recognized in accumulated other comprehensive income under stockholders' equity, net of tax, until they are amortized as a component of net periodic benefit cost. SFAS No. 158 did not change how net periodic pension and postretirement costs are accounted for and reported in the income statement. The Company adopted the provisions of SFAS No. 158 effective December 31, 2006.

In accordance with SFAS No. 71, the Company has established a regulatory asset for the portion of the total amounts otherwise chargeable to accumulated other comprehensive income that are expected to be recovered through rates in future periods. The changes in actuarial gains and losses, prior service costs and transition assets or obligations pertaining to the regulatory asset will be recognized as an adjustment to the regulatory asset account as these amounts are recognized as components of net periodic pension costs each year.

The table below discloses net amounts recognized in accumulated other comprehensive income as a result of adopting the provisions of SFAS No. 158 (as impacted by SFAS No. 71) as of December 31, 2006. Tax amounts are calculated using a 38 percent rate.

(Thousands of dollars)	Total	Qualified Retirement Plan	SERP	PBOP
Adjustments to adopt SFAS No. 158:				
Net actuarial loss, net of \$44.9 million of tax	\$(73,323)	\$ (62,464)	\$(8,045)	\$(2,814)
Net transition obligation, net of \$2 million of tax	(3,225)	—	—	(3,225)
Prior service credit, net of \$9,000 of tax	14	14	—	—
Reversal of additional minimum pension liability, net of \$14.4 million of tax	23,551	16,432	7,119	—
Estimated amounts recoverable through rates, net of \$29.4 million of tax	47,915	41,876	—	6,039
Total amounts recognized in accumulated other comprehensive income	\$ (5,068)	\$ (4,142)	\$ (926)	\$ —

Investment objectives and strategies for the qualified retirement plan are developed and approved by the Pension Plan Investment Committee of the Board of Directors of the Company. They are designed to preserve capital, maintain minimum liquidity required for retirement plan operations and effectively manage pension assets.

A target portfolio of investments in the qualified retirement plan is developed by the Pension Plan Investment Committee and is reevaluated periodically. Rate of return assumptions are determined by evaluating performance expectations of the target portfolio. Projected benefit obligations are estimated using actuarial assumptions and Company benefit policy. A target mix of assets is then determined based on acceptable risk versus estimated returns in order to fund the benefit obligation. The current percentage ranges of the target portfolio are:

Type of Investment	Percentage Range
Equity securities	58 to 70
Debt securities	32 to 38
Other	up to 5

The Company's pension costs for these plans are affected by the amount of cash contributions to the plans, the return on plan assets, discount rates, and by employee demographics, including age, compensation, and length of service. Changes made to the provisions of the plans may also impact current and future pension costs. Actuarial formulas are used in the determination of pension costs and are affected by actual plan experience and assumptions about future experience. Key actuarial assumptions include the expected return on plan assets, the discount rate used in determining the projected benefit obligation and pension costs, and the assumed rate of increase in employee compensation. Relatively small changes in these assumptions, particularly the discount rate, may significantly affect pension costs and plan obligations for the qualified retirement plan.

SFAS No. 87 "Employer's Accounting for Pensions" states that the assumed discount rate should reflect the rate at which the pension benefits could be effectively settled. In making this estimate, in addition to rates implicit in current prices of annuity contracts that could be used to settle the liabilities, employers may look to rates of return on high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits. In determining the discount rate, the Company matches the plan's projected cash flows to a spot-rate yield curve based on highly rated corporate bonds. Changes to the discount rate from year-to-year, if any, are made in increments of 25 basis points.

Due to an increase in market interest rates for high-quality debt instruments, the Company raised the discount rate to 6.50% at December 31, 2007 from 6.00% at December 31, 2006. The weighted-average rate of compensation increase was raised to 4.00% from 3.75%. The asset return assumption was decreased to 8.00% from 8.50%. These offsetting changes will not result in a significant change in pension expense for 2008.

The following tables set forth the retirement plan, SERP, and PBOP funded status and amounts recognized on the Consolidated Balance Sheets and Statements of Income.

	2007		
	Qualified Retirement Plan	SERP	PBOP
<small>(Thousands of dollars)</small>			
Change in benefit obligations			
Benefit obligation for service rendered to date at beginning of year (PBO/PBO/APBO)	\$ 495,803	\$ 33,657	\$ 39,107
Service cost	16,491	153	811
Interest cost	29,244	1,948	2,304
Actuarial loss (gain)	(14,648)	(810)	(4,647)
Benefits paid	(17,028)	(2,343)	(1,071)
Benefit obligation at end of year (PBO/PBO/APBO)	<u>509,862</u>	<u>32,605</u>	<u>36,504</u>
Change in plan assets			
Market value of plan assets at beginning of year	388,706	—	24,828
Actual return on plan assets	17,230	—	854
Employer contributions	26,355	2,343	791
Benefits paid	(17,028)	(2,343)	—
Market value of plan assets at end of year	<u>415,263</u>	<u>—</u>	<u>26,473</u>
Funded status at year end	<u>\$ (94,599)</u>	<u>\$ (32,605)</u>	<u>\$ (10,031)</u>
Weighted-average assumptions (benefit obligation)			
Discount rate	6.50%	6.50%	6.50%
Weighted-average rate of compensation increase	4.00%	4.00%	4.00%
Asset Allocation			
Equity securities	60%		76%
Debt securities	35%		17%
Other	5%		7%
Total	<u>100%</u>	<u>N/A</u>	<u>100%</u>

	2006		
	Qualified Retirement Plan	SERP	PBOP
(Thousands of dollars)			
Change in benefit obligations			
Benefit obligation for service rendered to date at beginning of year (PBO/PBO/APBO)	\$ 473,418	\$ 34,123	\$ 37,553
Service cost	16,284	211	854
Interest cost	26,805	1,893	2,118
Actuarial loss (gain)	(4,806)	(207)	(297)
Benefits paid	(15,898)	(2,363)	(1,121)
Benefit obligation at end of year (PBO/PBO/APBO)	<u>495,803</u>	<u>33,657</u>	<u>39,107</u>
Change in plan assets			
Market value of plan assets at beginning of year	338,618	—	20,979
Actual return on plan assets	42,733	—	2,742
Employer contributions	23,253	2,363	1,107
Benefits paid	(15,898)	(2,363)	—
Market value of plan assets at end of year	<u>388,706</u>	<u>—</u>	<u>24,828</u>
Funded status at year end	<u>\$ (107,097)</u>	<u>\$ (33,657)</u>	<u>\$ (14,279)</u>
Weighted-average assumptions (benefit obligation)			
Discount rate	6.00%	6.00%	6.00%
Weighted-average rate of compensation increase	3.75%	3.75%	3.75%
Asset Allocation			
Equity securities	63%		77%
Debt securities	32%		16%
Other	5%		7%
Total	<u>100%</u>	<u>N/A</u>	<u>100%</u>

Estimated funding for the plans above during calendar year 2008 is approximately \$29 million. The accumulated benefit obligation for the retirement plan was \$442 million and \$422 million, and for the SERP was \$31 million and \$32.2 million at December 31, 2007 and 2006, respectively.

Pension benefits expected to be paid for each of the next five years beginning with 2008 are the following: \$20 million, \$21 million, \$22 million, \$24 million, and \$25 million. Pension benefits expected to be paid during 2013 to 2017 total \$155 million. Retiree welfare benefits expected to be paid for each of the next five years beginning with 2008 are the following: \$1.5 million, \$1.6 million, \$1.7 million, \$1.8 million, and \$1.9 million. Retiree welfare benefits expected to be paid during 2013 to 2017 total \$13 million. SERP benefits expected to be paid for each of the next five years beginning with 2008 are approximately \$2.5 million. SERP benefits expected to be paid during 2013 to 2017 total \$12 million. No assurance can be made that actual funding and benefits paid will match our estimates.

For PBOP measurement purposes, the per capita cost of covered health care benefits is assumed to increase five percent annually. The Company makes fixed contributions for health care benefits of employees who retire after 1988, but pays up to 100 percent of covered health care costs for employees who retired prior to 1989. The assumed annual rate of increase noted above applies to the benefit obligations of pre-1989 retirees only.

	Qualified Retirement Plan			SERP			PBOP		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
(Thousands of dollars)									
Components of net periodic benefit cost:									
Service cost	\$ 16,491	\$ 16,284	\$ 15,787	\$ 153	\$ 211	\$ 223	\$ 811	\$ 854	\$ 837
Interest cost	29,244	26,805	25,327	1,948	1,893	1,811	2,304	2,118	2,115
Expected return on plan assets	(33,030)	(30,608)	(29,553)	—	—	—	(2,144)	(1,817)	(1,675)
Amortization of prior service costs (credits)	(11)	(11)	(11)	—	9	116	—	—	—
Amortization of transition obligation	—	—	—	—	—	—	867	867	867
Amortization of net actuarial loss	5,007	5,352	2,453	1,131	1,244	912	57	168	136
Net periodic benefit cost	<u>\$ 17,701</u>	<u>\$ 17,822</u>	<u>\$ 14,003</u>	<u>\$ 3,232</u>	<u>\$ 3,357</u>	<u>\$ 3,062</u>	<u>\$ 1,895</u>	<u>\$ 2,190</u>	<u>\$ 2,280</u>
Weighted-average assumptions (net benefit cost)									
Discount rate	6.00%	5.75%	6.00%	6.00%	5.75%	6.00%	6.00%	5.75%	6.00%
Expected return on plan assets	8.50%	8.50%	8.75%	8.50%	8.50%	8.75%	8.50%	8.50%	8.75%
Weighted-average rate of compensation increase	3.75%	3.30%	4.00%	3.75%	3.30%	4.00%	3.75%	3.30%	4.00%

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income

	2007			
	Total	Qualified Retirement Plan	SERP	PBOP
(Thousands of dollars)				
Net actuarial loss (gain) (a)	\$ (3,012)	\$ 1,155	\$ (809)	\$ (3,358)
Amortization of prior service credit (b)	11	11	—	—
Amortization of transition obligation (b)	(867)	—	—	(867)
Amortization of net actuarial loss (b)	(6,195)	(5,007)	(1,131)	(57)
Regulatory adjustment	8,747	4,465	—	4,282
Recognized in other comprehensive (income) loss	<u>\$ (1,316)</u>	<u>\$ 624</u>	<u>\$ (1,940)</u>	<u>\$ —</u>
Total of amount recognized in net periodic benefit cost and other comprehensive (income) loss	<u>\$ 21,512</u>	<u>\$ 18,325</u>	<u>\$ 1,292</u>	<u>\$ 1,895</u>

The table above discloses the net gain or loss, prior service cost, and transition amount recognized in other comprehensive income, separated into (a) amounts initially recognized in other comprehensive income, and (b) amounts subsequently recognized as adjustments to other comprehensive income as those amounts are amortized as components of net periodic benefit cost.

Related Tax Effects Allocated to Each Component of Other Comprehensive Income

	2007		
	Before-Tax Amount	Tax (Expense) or Benefit (a)	Net-of-Tax Amount
<small>(Thousands of dollars)</small>			
Defined benefit pension plans:			
Net loss (gain)	\$ (3,012)	\$ 1,145	\$ (1,867)
Amortization of prior service credit	11	(4)	7
Amortization of transition obligation	(867)	329	(538)
Amortization of net loss	(6,195)	2,354	(3,841)
Regulatory adjustment	8,747	(3,324)	5,423
Other comprehensive (income) loss	<u>\$ (1,316)</u>	<u>\$ 500</u>	<u>\$ (816)</u>

(a) Tax amounts are calculated using a 38 percent rate.

The estimated net loss that will be amortized from accumulated other comprehensive income or regulatory assets into net periodic benefit cost over the next year is \$3.1 million for the qualified retirement plan and \$1 million for the SERP. The estimated transition obligation for the PBOP that will be amortized from regulatory assets into net periodic benefit cost over the next year is \$870,000. The estimated prior service costs (credits) for the qualified retirement plan and SERP and the estimated net loss for the PBOP that will be amortized over the next year are not significant.

The Employees' Investment Plan provides for purchases of various mutual fund investments and Company common stock by eligible Southwest employees through deductions of a percentage of base compensation, subject to IRS limitations. Southwest matches up to one-half of amounts deferred. The maximum matching contribution is three percent of an employee's annual compensation. Beginning January 2008, the maximum matching contribution will be three and one-half percent of an employee's annual compensation. The cost of the plan was \$3.8 million in 2007, \$3.6 million in 2006, and \$3.5 million in 2005. NPL has a separate plan, the cost and liability for which are not significant.

Southwest has a deferred compensation plan for all officers and a separate deferred compensation plan for members of the Board of Directors. The plans provide the opportunity to defer up to 100 percent of annual cash compensation. Southwest matches one-half of amounts deferred by officers. The maximum matching contribution is three percent of an officer's annual base salary. Beginning March 2008, the maximum matching contribution will be three and one-half percent of an officer's annual base salary. Upon retirement, payments of compensation deferred, plus interest, are made in equal monthly installments over 10, 15, or 20 years, as elected by the participant. Directors have an additional option to receive such payments over a five-year period. Deferred compensation earns interest at a rate determined each January. The interest rate equals 150 percent of Moody's Seasoned Corporate Bond Rate Index.

Note 10—Stock-Based Compensation

At December 31, 2007, the Company had three stock-based compensation plans: a stock option plan, a performance share stock plan, and a restricted stock/unit plan. The stock option plan and the performance share stock plan were both in existence prior to January 1, 2006 and were accounted for in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) "Share-Based Payment" using the modified prospective transition method. Under the modified prospective transition method, expense is recognized for any new awards granted after the effective date and for the unvested portion of awards granted prior to the effective date. Accordingly, financial information for 2005 disclosed in the following tables was not restated.

Under the option plan, the Company granted options to purchase shares of common stock to key employees and outside directors. The option grants in 2006 consumed the remaining options that could be issued under the option plan and no future grants are anticipated. Each option has an exercise price equal to the market price of Company common stock on the date of grant and a maximum term of ten years. The options vest 40 percent at the end of year one and 30 percent at the end of years two and three. The grant date fair value of the options was estimated using the Black-Scholes option pricing model. The following assumptions were used in the valuation calculation:

	2006	2005
Dividend yield	2.48 to 2.82%	3.14 to 3.28%
Risk-free interest rate range	4.91 to 5.06%	3.88 to 4.09%
Expected volatility range	15%	18%
Expected life	6 years	6 years

The following tables summarize Company stock option plan activity and related information (thousands of options):

	2007		2006		2005	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at the beginning of the year	957	\$ 26.26	1,475	\$ 23.70	1,646	\$ 22.46
Granted during the year	—	—	252	32.60	347	26.00
Exercised during the year	(158)	23.24	(749)	23.30	(510)	21.28
Forfeited during the year	(1)	33.07	(6)	26.81	(8)	22.41
Expired during the year	—	—	(15)	28.09	—	—
Outstanding at year end	<u>798</u>	\$ 26.85	<u>957</u>	\$ 26.26	<u>1,475</u>	\$ 23.70
Exercisable at year end	<u>561</u>	\$ 25.50	<u>413</u>	\$ 23.31	<u>813</u>	\$ 23.06

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The aggregate intrinsic value of outstanding options was \$3.1 million, \$11.6 million, and \$4.3 million at December 31, 2007, December 31, 2006, and December 31, 2005, respectively. The aggregate intrinsic value of exercisable options was \$2.7 million, \$6.2 million, and \$3 million at December 31, 2007, December 31, 2006, and December 31, 2005, respectively. The aggregate intrinsic value of exercised options was \$1 million, \$11.3 million, and \$2.6 million during 2007, 2006, and 2005, respectively. The market value of Southwest Gas stock was \$29.77, \$38.37, and \$26.40 at December 31, 2007, December 31, 2006, and December 31, 2005, respectively.

The weighted-average remaining contractual life for outstanding options was 6.9 years for 2007. The weighted-average remaining contractual life for exercisable options was 6.4 years for 2007. No options were granted in 2007; the weighted-average grant-date fair value of options granted was \$5.92 for 2006 and \$4.18 for 2005. The following table summarizes information about stock options outstanding at December 31, 2007 (thousands of options):

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
\$17.94 to \$23.40	294	5.5 Years	\$ 22.62	294	\$ 22.62
\$24.50 to \$26.10	240	7.4 Years	\$ 25.92	148	\$ 25.87
\$28.75 to \$33.07	264	8.1 Years	\$ 32.41	119	\$ 32.14

As of December 31, 2007, there was \$658,000 of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be recognized over a period of 2 years. The total fair value of options vested was \$1.2 million, \$1 million, and \$609,000 during 2007, 2006, and 2005, respectively. The Company received \$3.7 million in cash from the exercise of options during 2007 and a corresponding tax benefit of \$625,000 which was recorded in additional paid-in capital.

The following table summarizes the status of the Company's nonvested options as of December 31, 2007 (thousands of options):

	Number of options	Weighted- average grant date fair value
Nonvested at the beginning of the year	544	\$ 4.47
Granted	—	\$ —
Vested	(306)	\$ 3.87
Forfeited	(1)	\$ 6.03
Nonvested at December 31, 2007	<u>237</u>	<u>\$ 5.25</u>

Under the performance share stock plan, the Company may issue performance shares to encourage key employees to remain in its employment and to achieve short-term and long-term performance goals. Plan participants are eligible to receive a cash bonus (i.e., short-term incentive) and performance shares (i.e., long-term incentive). The performance shares vest three years after grant (and are subject to a final adjustment as determined by the Board of Directors) and are then issued as common stock. The following table summarizes the activity of this plan (thousands of shares):

Year Ended December 31,	2007	2006	2005
Nonvested performance shares at beginning of year	319	357	316
Performance shares granted (including dividends)	95	95	143
Performance shares forfeited	—	—	(6)
Shares vested and issued*	(122)	(133)	(96)
Nonvested performance shares at end of year	<u>292</u>	<u>319</u>	<u>357</u>
Average grant date fair value of awards granted this year	<u>\$38.21</u>	<u>\$26.97</u>	<u>\$24.71</u>

*Includes shares converted for taxes and retiree payouts.

In 2007, the Company instituted a restricted stock/unit plan to award restricted stock and restricted stock/units to attract, motivate, retain, and reward key employees with an incentive to attain high levels of individual performance and improved financial performance of the Company. The restricted stock/unit plan was also established to attract, motivate, and retain experienced and knowledgeable independent directors. The restricted stock/units vest 40 percent at the end of year one and 30 percent at the end of years two and three. The following table summarizes the activity of this plan (thousands of shares):

Year Ended December 31,	2007
Nonvested restricted stock/units at beginning of year	—
Restricted stock/units granted (including dividends)	50
Restricted stock/units forfeited	—
Shares vested and issued*	(1)
Nonvested restricted stock/units at end of year	<u>49</u>
Average grant date fair value of awards granted this year	<u>\$38.48</u>

*Includes shares converted for taxes and retiree payouts.

Note 11—Income Taxes

The Company adopted the provisions of FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes,” on January 1, 2007. The adoption of the standard had no impact on the Company’s financial position or results of operations. In connection with the adoption, the Company identified \$1.4 million in liabilities related to unrecognized tax benefits, which, if recognized, would favorably impact the effective tax rate. The Company also identified \$1.3 million of accrued net interest (\$2 million gross interest) related to uncertain tax positions. Both the liabilities related to the unrecognized tax benefits and interest, were recorded as of December 31, 2006. In the second quarter of 2007, the Company made income tax payments to the IRS for tax and accrued interest related to the uncertain tax positions. There was no change to the balance of unrecognized tax benefits during 2007 and the Company does not expect a material change in the next twelve months. The Company recognizes interest expense and income and penalties related to income tax matters in income tax expense. A total of \$1 million of tax-related interest income was recognized in 2007 in the statement of operations. A total of \$1 million of interest receivable is recorded on the statement of financial position at December 31, 2007.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2001, and is no longer subject to state examinations for years before 2002. In the fourth quarter of 2006, the Internal Revenue Service (“IRS”) completed its examination of the Company’s federal income tax returns for 2001 through 2004. As of December 31, 2007, the IRS had proposed certain timing-related adjustments to the Company’s tax returns as filed. Management appealed the proposed assessment but has not resolved the issues as of December 31, 2007. The Company does not anticipate the adjustments would result in a material change to its financial position or results of operations.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (thousands of dollars):

Unrecognized tax benefits at December 31, 2006	\$1,445
Gross increases—tax positions in prior period	—
Gross decreases—tax positions in prior period	—
Gross increases—current period tax positions	—
Gross decreases—current period tax positions	—
Settlements	—
Lapse of statute of limitations	—
Unrecognized tax benefits at December 31, 2007	<u>\$1,445</u>

Income tax expense (benefit) consists of the following (thousands of dollars):

Year Ended December 31,	2007	2006	2005
Current:			
Federal	\$ 37,668	\$ 29,916	\$ 553
State	6,989	4,830	2,218
	<u>44,657</u>	<u>34,746</u>	<u>2,771</u>
Deferred:			
Federal	2,813	9,385	21,301
State	308	366	540
	<u>3,121</u>	<u>9,751</u>	<u>21,841</u>
Total income tax expense	<u>\$ 47,778</u>	<u>\$ 44,497</u>	<u>\$24,612</u>

Deferred income tax expense (benefit) consists of the following significant components (thousands of dollars):

Year Ended December 31,	2007	2006	2005
Deferred federal and state:			
Property-related items	\$ 26,300	\$ 28,372	\$ (3,143)
Purchased gas cost adjustments	(24,972)	(22,188)	28,094
Employee benefits	2,263	(3,223)	2,232
Injuries and damages reserves	85	4,543	(4,072)
All other deferred	313	3,115	(402)
Total deferred federal and state	3,989	10,619	22,709
Deferred ITC, net	(868)	(868)	(868)
Total deferred income tax expense	<u>\$ 3,121</u>	<u>\$ 9,751</u>	<u>\$21,841</u>

The consolidated effective income tax rate for the period ended December 31, 2007 and the two prior periods differ from the federal statutory income tax rate.

The sources of these differences and the effect of each are summarized as follows:

Year Ended December 31,	2007	2006	2005
Federal statutory income tax rate	35.0%	35.0%	35.0%
Net state taxes	2.7	2.5	2.7
Property-related items	0.4	0.6	1.1
Effect of income tax settlements	(0.4)	(1.3)	—
Tax credits	(0.7)	(0.7)	(1.3)
Corporate owned life insurance	(0.5)	(0.9)	(1.6)
All other differences	—	(0.5)	0.1
Consolidated effective income tax rate	<u>36.5%</u>	<u>34.7%</u>	<u>36.0%</u>

Deferred tax assets and liabilities consist of the following (thousands of dollars):

December 31,	2007	2006
Deferred tax assets:		
Deferred income taxes for future amortization of ITC	\$ 5,890	\$ 6,427
Employee benefits	33,779	36,542
Alternative minimum tax credit	22,518	36,820
Other	5,267	4,549
Valuation allowance	—	—
	<u>67,454</u>	<u>84,338</u>
Deferred tax liabilities:		
Property-related items, including accelerated depreciation	356,609	330,308
Regulatory balancing accounts	21,235	46,207
Property-related items previously flowed through	7,176	8,272
Unamortized ITC	9,463	10,330
Debt-related costs	5,291	5,681
Other	8,212	7,504
	<u>407,986</u>	<u>408,302</u>
Net deferred tax liabilities	<u>\$ 340,532</u>	<u>\$ 323,964</u>
Current	\$ (6,965)	\$ 15,471
Noncurrent	347,497	308,493
Net deferred tax liabilities	<u>\$ 340,532</u>	<u>\$ 323,964</u>

Note 12—Segment Information

Company operating segments are determined based on the nature of their activities. The natural gas operations segment is engaged in the business of purchasing, transporting, and distributing natural gas. Revenues are generated from the sale and transportation of natural gas. The construction services segment is engaged in the business of providing utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

The accounting policies of the reported segments are the same as those described within **Note 1—Summary of Significant Accounting Policies**. NPL accounts for the services provided to Southwest at contractual (market) prices. At December 31, 2007 and 2006, accounts receivable for these services totaled \$6.1 million and \$9.2 million, respectively, which were not eliminated during consolidation.

The financial information pertaining to the natural gas operations and construction services segments for each of the three years in the period ended December 31, 2007 is as follows (thousands of dollars):

	Gas Operations	Construction Services	Adjustments (a)	Total
2007				
Revenues from unaffiliated customers	\$1,814,766	\$ 265,937		\$2,080,703
Intersegment sales	—	71,385		71,385
Total	\$1,814,766	\$ 337,322		\$2,152,088
Interest expense	\$ 94,163	\$ 2,036		\$ 96,199
Depreciation and amortization	\$ 157,090	\$ 25,424		\$ 182,514
Income tax expense	\$ 40,914	\$ 6,864		\$ 47,778
Segment income	\$ 72,494	\$ 10,752		\$ 83,246
Segment assets	\$3,518,304	\$ 152,096	\$ (212)	\$3,670,188
Capital expenditures	\$ 312,412	\$ 28,463		\$ 340,875
2006				
Revenues from unaffiliated customers	\$1,727,394	\$ 216,753		\$1,944,147
Intersegment sales	—	80,611		80,611
Total	\$1,727,394	\$ 297,364		\$2,024,758
Interest expense	\$ 93,291	\$ 1,686		\$ 94,977
Depreciation and amortization	\$ 146,654	\$ 22,310		\$ 168,964
Income tax expense	\$ 36,240	\$ 8,257		\$ 44,497
Segment income	\$ 71,473	\$ 12,387		\$ 83,860
Segment assets	\$3,352,074	\$ 136,654	\$ (3,763)	\$3,484,965
Capital expenditures	\$ 305,914	\$ 39,411		\$ 345,325
2005				
Revenues from unaffiliated customers	\$1,455,257	\$ 187,249		\$1,642,506
Intersegment sales	—	71,777		71,777
Total	\$1,455,257	\$ 259,026		\$1,714,283
Interest expense	\$ 89,318	\$ 1,009		\$ 90,327
Depreciation and amortization	\$ 137,981	\$ 18,272		\$ 156,253
Income tax expense	\$ 17,767	\$ 6,845		\$ 24,612
Segment income	\$ 33,670	\$ 10,153		\$ 43,823
Segment assets	\$3,103,804	\$ 128,181	\$ (3,559)	\$3,228,426
Capital expenditures	\$ 258,547	\$ 35,822		\$ 294,369

(a) Construction services segment assets include income taxes payable of \$212,000 in 2007, which was netted against gas operations segment income taxes receivable, net during consolidation. Construction services segment assets include deferred tax assets of \$3 million and income taxes payable of \$758,000 in 2006, which were netted against gas operations segment deferred tax liabilities and income taxes receivable, net during consolidation. Construction services segment assets include deferred tax assets of \$3.6 million in 2005 which were netted against gas operations segment deferred tax liabilities during consolidation.

Note 13—Quarterly Financial Data (Unaudited)

	Quarter Ended			
	March 31	June 30	September 30	December 31
(Thousands of dollars, except per share amounts)				
2007				
Operating revenues	\$ 793,716	\$ 426,537	\$ 371,524	\$ 560,311
Operating income	100,888	17,645	8,456	93,598
Net income (loss)	49,764	(337)	(9,318)	43,137
Basic earnings (loss) per common share*	1.19	(0.01)	(0.22)	1.01
Diluted earnings (loss) per common share*	1.17	(0.01)	(0.22)	1.00
2006				
Operating revenues	\$ 676,941	\$ 430,902	\$ 351,800	\$ 565,115
Operating income	89,325	25,236	3,197	91,424
Net income (loss)	44,180	3,709	(10,736)	46,707
Basic earnings (loss) per common share*	1.12	0.09	(0.26)	1.12
Diluted earnings (loss) per common share*	1.11	0.09	(0.26)	1.11
2005				
Operating revenues	\$ 542,880	\$ 361,130	\$ 313,278	\$ 496,995
Operating income (loss)	72,849	14,935	(5,459)	68,323
Net income (loss)	32,829	(2,817)	(16,444)	30,255
Basic earnings (loss) per common share*	0.88	(0.07)	(0.43)	0.77
Diluted earnings (loss) per common share*	0.88	(0.07)	(0.43)	0.76

* The sum of quarterly earnings (loss) per average common share may not equal the annual earnings (loss) per share due to the ongoing change in the weighted-average number of common shares outstanding.

The demand for natural gas is seasonal, and it is the opinion of management that comparisons of earnings for the interim periods do not reliably reflect overall trends and changes in the operations of the Company. Also, the timing of general rate relief can have a significant impact on earnings for interim periods. See Management's Discussion and Analysis for additional discussion of operating results.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Company management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined by Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of Company management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the "*Internal Control—Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the Company's evaluation under such framework, Company management concluded that the internal control over financial reporting was effective as of December 31, 2007. The effectiveness of the Company's internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

February 28, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Southwest Gas Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of stockholders' equity and comprehensive income present fairly, in all material respects, the financial position of Southwest Gas Corporation and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 9 and Note 10 to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit postretirement plans and share-based compensation in 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
February 28, 2008

**SOUTHWEST GAS CORPORATION
LIST OF SUBSIDIARIES OF THE REGISTRANT
AT DECEMBER 31, 2007**

<u>SUBSIDIARY NAME</u>	<u>STATE OF INCORPORATION OR ORGANIZATION TYPE</u>
Paiute Pipeline Company	Nevada
Northern Pipeline Construction Co.	Nevada
Southwest Gas Transmission Company	Partnership between Southwest Gas Corporation and Utility Financial Corp.
Southwest Gas Capital II, III, IV	Delaware
Utility Financial Corp.	Nevada
Black Mountain Gas Company	Minnesota

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-134040 and 333-106419) and Form S-8 (Nos. 333-147952, 333-145783, and 333-106762) of Southwest Gas Corporation of our report dated February 28, 2008 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 28, 2008

Certification on Form 10-K

I, Jeffrey W. Shaw, certify that:

1. I have reviewed this annual report on Form 10-K of Southwest Gas Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer
Southwest Gas Corporation

Certification on Form 10-K

I, George C. Biehl, certify that:

1. I have reviewed this annual report on Form 10-K of Southwest Gas Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ GEORGE C. BIEHL

George C. Biehl
Executive Vice President, Chief Financial Officer
and Corporate Secretary
Southwest Gas Corporation

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-K for the period ended December 31, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, Jeffrey W. Shaw, the Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: February 29, 2008

/s/ Jeffrey W. Shaw

Jeffrey W. Shaw
Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-K for the period ended December 31, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, George C. Biehl, Executive Vice President, Chief Financial Officer and Corporate Secretary of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: February 29, 2008

/s/ George C. Biehl

George C. Biehl

Executive Vice President, Chief Financial
Officer and Corporate Secretary