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

Form 10-Q

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

For the quarterly period ended June 30, 2010

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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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 the definitions of "large accelerated filer," "accelerated filer," "non-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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, $1 Par Value, 45,445,209 shares as of July 30, 2010.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Thousands of dollars, except par value)
(Unaudited)

	JUNE 30, 2010	DECEMBER 31, 2009
ASSETS		
Utility plant:		
Gas plant	$ 4,500,759	$ 4,418,286
Less: accumulated depreciation	(1,487,099)	(1,431,106)
Acquisition adjustments, net	1,361	1,451
Construction work in progress	24,514	45,872
Net utility plant	3,039,535	3,034,503
Other property and investments	120,429	115,860
Restricted cash	37,778	49,769
Current assets:		
Cash and cash equivalents	32,310	65,315
Accounts receivable, net of allowances	104,871	157,722
Accrued utility revenue	31,600	71,700
Income taxes receivable, net	—	8,549
Deferred income taxes	24,877	22,410
Deferred purchased gas costs	—	3,251
Prepaids and other current assets	74,659	88,685
Total current assets	268,317	417,632
Deferred charges and other assets	281,853	288,528
Total assets	$ 3,747,912	$ 3,906,292
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par (authorized - 60,000,000 shares; issued and outstanding - 45,426,740 and 45,091,734 shares)	$ 47,057	$ 46,722
Additional paid-in capital	802,048	792,339
Accumulated other comprehensive income (loss), net	(34,748)	(22,250)
Retained earnings	326,028	285,316
Total Southwest Gas Corporation equity	1,140,385	1,102,127
Noncontrolling interest	(289)	(41)
Total equity	1,140,096	1,102,086
Subordinated debentures due to Southwest Gas Capital II	—	100,000
Long-term debt, less current maturities	1,076,678	1,169,357
Total capitalization	2,216,774	2,371,443
Current liabilities:		
Current maturities of long-term debt	1,362	1,327
Accounts payable	65,494	158,856
Customer deposits	89,388	91,668
Income taxes payable	19,432	—
Accrued general taxes	35,364	40,868
Accrued interest	19,311	19,644
Deferred purchased gas costs	135,336	93,226
Other current liabilities	93,966	68,641
Total current liabilities	459,653	474,230
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	432,078	436,113
Taxes payable	2,880	3,079
Accumulated removal costs	200,000	189,000
Other deferred credits	436,527	432,427
Total deferred income taxes and other credits	1,071,485	1,060,619
Total capitalization and liabilities	$ 3,747,912	$ 3,906,292

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009	2010	2009
Operating revenues:						
Gas operating revenues	$ 305,269	$ 316,744	$ 919,778	$ 951,850	$1,582,771	$1,648,942
Construction revenues	80,556	70,904	134,798	125,660	288,119	312,400
Total operating revenues	385,825	387,648	1,054,576	1,077,510	1,870,890	1,961,342
Operating expenses:						
Net cost of gas sold	147,736	167,685	499,991	563,495	803,126	914,193
Operations and maintenance	86,935	86,846	173,640	171,508	351,074	341,359
Depreciation and amortization	47,160	47,727	94,856	96,249	188,689	194,490
Taxes other than income taxes	9,616	9,504	19,382	19,615	37,085	36,585
Construction expenses	70,347	61,201	120,944	109,229	254,176	272,380
Total operating expenses	361,794	372,963	908,813	960,096	1,634,150	1,759,007
Operating income	24,031	14,685	145,763	117,414	236,740	202,335
Other income and (expenses):						
Net interest deductions	(19,003)	(18,784)	(37,178)	(37,374)	(75,074)	(79,035)
Net interest deductions on subordinated debentures	—	(1,932)	(1,912)	(3,865)	(5,778)	(7,730)
Other income (deductions)	(5,154)	2,452	(5,677)	748	220	(10,576)
Total other income and (expenses)	(24,157)	(18,264)	(44,767)	(40,491)	(80,632)	(97,341)
Income (loss) before income taxes	(126)	(3,579)	100,996	76,923	156,108	104,994
Income tax expense (benefit)	867	(2,985)	37,529	27,536	54,910	41,061
Net income (loss)	(993)	(594)	63,467	49,387	101,198	63,933
Net income (loss) attributable to noncontrolling interest	(60)	—	(248)	—	(612)	—
Net income (loss) attributable to Southwest Gas Corporation	$ (933)	$ (594)	$ 63,715	$ 49,387	$ 101,810	$ 63,933
Basic earnings (loss) per share	$ (0.02)	$ (0.01)	$ 1.41	$ 1.11	$ 2.26	$ 1.45
Diluted earnings (loss) per share	$ (0.02)	$ (0.01)	$ 1.39	$ 1.10	$ 2.24	$ 1.44
Dividends declared per share	$ 0.2500	$ 0.2375	$ 0.5000	$ 0.4750	$ 0.9750	$ 0.9250
Average number of common shares outstanding	45,391	44,730	45,306	44,578	45,113	44,176
Average shares outstanding (assuming dilution)	—	—	45,698	44,848	45,484	44,461

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of dollars)
(Unaudited)

	SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES :				
Net income	$ 63,467	$ 49,387	$ 101,198	$ 63,933
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	94,856	96,249	188,689	194,490
Deferred income taxes	1,157	18,573	25,382	45,497
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	52,851	63,020	938	33,819
Accrued utility revenue	40,100	40,000	1,000	1,100
Deferred purchased gas costs	45,361	49,144	53,119	50,684
Accounts payable	(93,362)	(123,466)	(2,474)	(30,079)
Accrued taxes	22,278	2,045	42,730	(27,285)
Other current assets and liabilities	24,249	54,211	2,771	3,124
Gains on sale	(557)	(1,910)	(1,938)	(2,304)
Changes in undistributed stock compensation	3,320	2,848	4,414	3,896
AFUDC and property-related changes	(486)	(758)	(949)	(1,118)
Changes in other assets and deferred charges	760	(8,071)	(6,722)	1,237
Changes in other liabilities and deferred credits	4,598	8,156	6,808	9,286
Net cash provided by operating activities	258,592	249,428	414,966	346,280
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(94,114)	(116,598)	(194,501)	(263,206)
Change in restricted cash	11,991	—	(37,778)	—
Changes in customer advances	366	(3,400)	1,290	(4,231)
Miscellaneous inflows	1,648	4,591	4,990	7,861
Miscellaneous outflows	(2,800)	(3,486)	(2,934)	(3,664)
Net cash used in investing activities	(82,909)	(118,893)	(228,933)	(263,240)
CASH FLOW FROM FINANCING ACTIVITIES :				
Issuance of common stock, net	6,461	11,172	13,690	30,318
Dividends paid	(22,093)	(20,620)	(43,423)	(40,322)
Issuance of long-term debt, net	—	—	49,834	71,448
Retirement of long-term debt	(656)	(6,711)	(9,599)	(175,220)
Redemption of subordinated debentures	(100,000)	—	(100,000)	—
Change in long-term portion of credit facility	(92,400)	(59,000)	(91,000)	41,000
Change in short-term debt	—	(55,000)	—	—
Net cash used in financing activities	(208,688)	(130,159)	(180,498)	(72,776)
Change in cash and cash equivalents	(33,005)	376	5,535	10,264
Cash at beginning of period	65,315	26,399	26,775	16,511
Cash at end of period	$ 32,310	$ 26,775	$ 32,310	$ 26,775
Supplemental information:				
Interest paid, net of amounts capitalized	$ 37,985	$ 40,676	$ 78,080	$ 85,680
Income taxes paid (received)	8,167	1,091	(14,540)	19,870

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Operations and Basis of Presentation

Nature of Operations. Southwest Gas Corporation and its subsidiaries (the "Company") are 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 in portions of Arizona, Nevada, and California. The public utility rates, practices, facilities, and service territories of Southwest are subject to regulatory oversight. The timing and amount of rate relief can materially impact results of operations. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year. Variability in weather from normal temperatures, primarily in Arizona, can materially impact results of operations. Natural gas purchases and the timing of related recoveries can materially impact liquidity. NPL 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 condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The preparation of the condensed consolidated financial statements 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 revenue and expense during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair presentation of the results for the interim periods, have been made. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the 2009 Annual Report to Shareholders, which is incorporated by reference into the 2009 Form 10-K, and the first quarter 2010 Form 10-Q.

Intercompany Transactions. NPL recognizes revenues generated from contracts with Southwest (see **Note 3** below). Accounts receivable for these services were $6.1 million at June 30, 2010 and $5.3 million at December 31, 2009. The accounts receivable balance, revenues, and associated profits are included in the condensed consolidated financial statements of the Company and were not eliminated during consolidation in accordance with accounting treatment for rate-regulated entities.

Other Income (Deductions). The following table provides the composition of significant items included in Other income (deductions) on the consolidated statements of income (thousands of dollars):

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2010	2009	2010	2009	2010	2009
Change in COLI policies	$(3,620)	$ 3,667	$(2,130)	$ 2,073	$ 4,343	$ (7,368)
Interest income	57	71	78	215	134	646
Miscellaneous income and (expense)	(1,591)	(1,286)	(3,625)	(1,540)	(4,257)	(3,854)
Total other income (deductions)	$(5,154)	$ 2,452	$(5,677)	$ 748	$ 220	$(10,576)

Included in the table above is the change in cash surrender values of company-owned life insurance ("COLI") policies. These life insurance policies on members of management and other key employees are used by Southwest to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, the change in the cash surrender value components of COLI policies as they progress toward the ultimate death benefits are also recorded without tax consequences.

In July 2010, a retired executive of the Company, who was covered under COLI policies, passed away. The differences between the face amounts of the policies and the cash surrender values are approximately $2.8 million and will be reflected in other income in the third quarter of 2010.

Note 2 – Components of Net Periodic Benefit Cost

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.

	Qualified Retirement Plan					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
(Thousands of dollars)	2010	2009	2010	2009	2010	2009
Service cost	$ 4,233	$ 3,847	$ 8,466	$ 7,695	$ 16,161	$ 15,749
Interest cost	8,903	8,632	17,807	17,263	35,071	33,509
Expected return on plan assets	(9,134)	(8,806)	(18,269)	(17,611)	(35,879)	(34,969)
Amortization of prior service costs (credits)	—	—	—	(1)	(1)	(7)
Amortization of net loss	2,619	1,064	5,239	2,127	7,365	3,679
Net periodic benefit cost	$ 6,621	$ 4,737	$ 13,243	$ 9,473	$ 22,717	$ 17,961

	SERP					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
(Thousands of dollars)	2010	2009	2010	2009	2010	2009
Service cost	$ 93	$ 49	$ 186	$ 98	$ 283	$ 146
Interest cost	511	516	1,022	1,032	2,055	2,052
Amortization of net loss	289	227	578	454	1,033	953
Net periodic benefit cost	$ 893	$ 792	$ 1,786	$ 1,584	$ 3,371	$ 3,151

	PBOP					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
(Thousands of dollars)	2010	2009	2010	2009	2010	2009
Service cost	$ 214	$ 182	$ 428	$ 364	$ 793	$ 728
Interest cost	623	592	1,246	1,185	2,431	2,347
Expected return on plan assets	(523)	(400)	(1,046)	(801)	(1,848)	(1,869)
Amortization of transition obligation	217	217	434	434	867	867
Amortization of net loss	122	109	244	217	461	217
Net periodic benefit cost	$ 653	$ 700	$ 1,306	$ 1,399	$ 2,704	$ 2,290

Note 3 – Segment Information

The following tables list revenues from external customers, intersegment revenues, and segment net income (thousands of dollars):

	Natural Gas Operations	Construction Services	Total
Three months ended June 30, 2010			
Revenues from external customers	$ 305,269	$ 65,593	$ 370,862
Intersegment revenues	—	14,963	14,963
Total	$ 305,269	$ 80,556	$ 385,825
Segment net income (loss)	$ (4,101)	$ 3,168	$ (933)
Three months ended June 30, 2009			
Revenues from external customers	$ 316,744	$ 57,189	$ 373,933
Intersegment revenues	—	13,715	13,715
Total	$ 316,744	$ 70,904	$ 387,648
Segment net income (loss)	$ (2,736)	$ 2,142	$ (594)
Six months ended June 30, 2010			
Revenues from external customers	$ 919,778	$ 107,750	$1,027,528
Intersegment revenues	—	27,048	27,048
Total	$ 919,778	$ 134,798	$1,054,576
Segment net income	$ 61,216	$ 2,499	$ 63,715
Six months ended June 30, 2009			
Revenues from external customers	$ 951,850	$ 98,784	$1,050,634
Intersegment revenues	—	26,876	26,876
Total	$ 951,850	$ 125,660	$1,077,510
Segment net income	$ 47,116	$ 2,271	$ 49,387
Twelve months ended June 30, 2010			
Revenues from external customers	$1,582,771	$ 235,373	$1,818,144
Intersegment revenues	—	52,746	52,746
Total	$1,582,771	$ 288,119	$1,870,890
Segment net income	$ 93,520	$ 8,290	$ 101,810
Twelve months ended June 30, 2009			
Revenues from external customers	$1,648,942	$ 251,478	$1,900,420
Intersegment revenues	—	60,922	60,922
Total	$1,648,942	$ 312,400	$1,961,342
Segment net income	$ 56,437	$ 7,496	$ 63,933

Note 4 – Derivatives and Fair Value Measurements

Derivatives. In managing its natural gas supply portfolios, Southwest has historically entered into fixed- and variable-price contracts, which qualify as derivatives. In 2008, Southwest also began utilizing fixed-for-floating swap contracts (“Swaps”) to supplement its fixed-price contracts. The fixed-price contracts, firm commitments to purchase a fixed amount of gas in the future at a fixed price, qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business and are exempt from fair value reporting. The variable-price contracts have no significant market value. The Swaps are recorded at fair value.

The fixed-price contracts and Swaps are utilized by Southwest under its volatility mitigation programs to effectively fix the price on a portion of its natural gas portfolios, ranging from 25 percent to 50 percent, depending on the jurisdiction. The maturities of the Swaps highly correlate to forecasted purchases of natural gas, during timeframes ranging from July 2010 through October 2011. Under such contracts, Southwest pays the counterparty at a fixed rate and receives from the counterparty a floating rate per MMBtu (“dekatherm”) of natural gas. Only the net differential is actually paid or received. The differential is calculated based on the notional amounts under the contracts (approximately 16.5 million dekatherms at June 30, 2010 and 13.6 million dekatherms at December 31, 2009). Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

The following table sets forth the gains and (losses) recognized on the Company’s Swaps (derivatives) for the three months, six months, and twelve months ended June 30, 2010 and 2009 and their location in the income statement (thousands of dollars):

Derivatives not designated as hedging instruments:

	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative					
		Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
		2010	2009	2010	2009	2010	2009
Swaps	Net cost of gas sold	$(1,626)	$ 1,686	$(17,968)	$(7,282)	$(15,076)	$(33,424)
Swaps	Net cost of gas sold	1,626 *	(1,686) *	17,968 *	7,282 *	15,076 *	33,424 *
Total		$ —	$ —	$ —	$ —	$ —	$ —

* Represents the impact of regulatory deferral accounting treatment under U.S. GAAP for rate-regulated entities.

In January 2010, Southwest entered into two forward starting interest rate swaps (“FSIRS”) to hedge the risk of interest rate variability during the period leading up to the planned issuance of 10-year fixed-rate debt in December 2010 and March 2012, to replace $200 million of debt maturing in February 2011 and $200 million maturing in May 2012. The counterparties to each agreement are four major banking institutions. The first FSIRS has a notional amount of $125 million (with Southwest as the fixed-rate payer at a rate of 4.26%) and has a mandatory termination date on or before December 7, 2010. The second FSIRS has a notional amount of $100 million (with Southwest as the fixed-rate payer at a rate of 4.78%) and has a mandatory termination date on or before March 20, 2012.

Southwest has designated the FSIRS agreements as cash flow hedges of forecasted future interest payments. At the inception of the hedges, the terms of the derivatives are the same as perfect hypothetical derivatives; thus, there is an expectation that there will be no ineffectiveness, and that the effective portion of unrealized gains and losses on the FSIRS leading up to the forecasted debt issuances will be reported as a component of other comprehensive income. At termination, the final values will be reclassified from accumulated other comprehensive income into earnings over the terms of the debt issuances which is the same period the hedged forecasted transaction affects earnings. However, should conditions occur that indicate the existence of ineffectiveness (e.g., deterioration of counterparty creditworthiness, delay in the forecasted debt issuances, etc.), Southwest will measure ineffectiveness by comparing changes in the fair value of each FSIRS with changes in the fair value of a hypothetical swap (the hypothetical derivative method). Gains and losses due to ineffectiveness will be recognized immediately as part of interest expense. See **Note 7 – Equity and Comprehensive Income** for additional information. At June 30, 2010, the FSIRS were effective hedges. There was no gain or (loss) reclassified from accumulated other comprehensive income (“AOCI”) into income (effective portion) and no gain or (loss) recognized in income (ineffective portion) for the Company’s derivatives designated as hedging instruments.

The following table sets forth the gains and (losses) recognized on the Company's FSIRS (thousands of dollars):

Derivatives Designated as Hedging Instruments:

Derivatives in cash flow hedging relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion) June 30, 2010
Three months ended:	
Interest rate swaps - FSIRS	$ (20,272)
Six months ended:	
Interest rate swaps - FSIRS	$ (21,259)
Twelve months ended:	
Interest rate swaps - FSIRS	$ (21,259)

The following table sets forth the fair values of the Company's Swaps and FSIRS and their location in the balance sheets (thousands of dollars):

Derivatives not designated as hedging instruments:

June 30, 2010	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Net Total
Swaps	Other current liabilities	$ —	$ (9,694)	$ (9,694)
Swaps	Other deferred credits	28	(725)	(697)
Total		$ 28	$ (10,419)	$ (10,391)

December 31, 2009	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Net Total
Swaps	Deferred charges and other assets	$ 85	$ (27)	$ 58
Swaps	Prepaids and other current assets	2,921	(361)	2,560
Swaps	Other current liabilities	309	(1,730)	(1,421)
Swaps	Other deferred credits	25	(100)	(75)
Total		$ 3,340	$ (2,218)	$ 1,122

Derivatives designated as hedging instruments:

June 30, 2010	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Net Total
FSIRS	Other current liabilities	$ —	$ (11,847)	$ (11,847)
FSIRS	Other deferred credits	—	(9,412)	(9,412)
Total		$ —	$ (21,259)	$ (21,259)

There were no derivatives designated as hedging instruments at December 31, 2009.

The estimated fair values of the natural gas derivatives were determined using future natural gas index prices (as more fully described below). The Company has master netting arrangements with each counterparty that provide for the net settlement of all contracts through a single payment. As applicable, the Company has elected to reflect the net amounts in its balance sheets.

Pursuant to regulatory deferral accounting treatment for rate-regulated entities, Southwest records the unrealized gains and losses in fair value of the Swaps as a regulatory asset and/or liability. When the Swaps settle, Southwest reverses any prior positions held and records the settled position as an increase or decrease of purchased gas under the related purchased gas adjustment ("PGA") mechanism in determining its deferred PGA balances. During the three months and six months ended June 30, 2010, Southwest paid counterparties $4.6 million and $7.3 million, respectively, in settlements of matured Swaps. During the six months ended June 30, 2010, Southwest received $831,000 from counterparties (all received in the first quarter of 2010) in settlements of matured Swaps. Neither changes in the fair value of the Swaps nor settled amounts have a direct effect on earnings or other comprehensive income. At June 30, 2010, regulatory assets/liabilities offsetting the amounts in the balance sheet were recorded in Prepaids and other current assets ($10 million) and Deferred charges and other assets ($697,000). At December 31, 2009, regulatory assets/liabilities offsetting the amounts in the balance sheet were recorded in Prepaids and other current assets ($1.4 million), Other current liabilities ($2.6 million), Other deferred credits ($58,000), and Deferred charges and other assets ($75,000).

Fair Value Measurements. The estimated fair values of Southwest's Swaps were determined at June 30, 2010 and December 31, 2009 using NYMEX futures settlement prices for delivery of natural gas at Henry Hub adjusted by the price of NYMEX ClearPort basis Swaps, which reflect the difference between the price of natural gas at a given delivery basin and the Henry Hub pricing points. These Level 2 inputs are observable in the marketplace throughout the full term of the Swaps, but have been credit-risk adjusted with no significant impact to the overall fair value measure.

The estimated fair values of Southwest's FSIRS were determined using a discounted cash flow model that utilizes forward interest rate curves. The inputs to the model are the terms of the FSIRS. These Level 2 inputs are observable in the marketplace throughout the full term of the FSIRS, but have been credit-risk adjusted with no significant impact to the overall fair value measure.

The following table sets forth, by level within the three-level fair value hierarchy that ranks the inputs used to measure fair value by their reliability, the Company's financial assets and liabilities that were accounted for at fair value:

Level 2 - Significant other observable inputs

(Thousands of dollars)	June 30, 2010	December 31, 2009
Assets at fair value:		
Prepaids and other current assets - Swaps	$ —	$ 2,560
Deferred charges and other assets - Swaps	—	58
Liabilities at fair value:		
Other current liabilities - Swaps	(9,694)	(1,421)
Other deferred credits - Swaps	(697)	(75)
Other current liabilities - FSIRS	(11,847)	—
Other deferred credits - FSIRS	(9,412)	—
Net Assets (Liabilities)	$ (31,650)	$ 1,122

No financial assets or liabilities accounted for at fair value fell within Level 1 or Level 3 of the fair value hierarchy.

Note 5 – Redemption of 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 ("Subordinated Debentures") to Trust II. The Subordinated Debentures became redeemable at the option of the Company in August 2008.

In February 2010, the Company notified holders of the Subordinated Debentures that all of these debentures (and the associated preferred and common securities) would be redeemed (at par) by the Company in March 2010. All of the outstanding Subordinated Debentures were redeemed in March 2010. The Company accomplished the redemption using existing cash and borrowings under the $300 million credit facility.

Note 6 – Long-Term Debt

Carrying amounts of the Company's long-term debt and their related estimated fair values as of June 30, 2010 and December 31, 2009 are disclosed in the following table. 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 June 30, 2010 and December 31, 2009, as applicable, and other secondary sources which are customarily consulted for data of this kind.

	June 30, 2010		December 31, 2009	
(Thousands of dollars)	Carrying Amount	Market Value	Carrying Amount	Market Value
Debentures:				
Notes, 8.375%, due 2011	$ 200,000	$208,122	$ 200,000	$213,012
Notes, 7.625%, due 2012	200,000	220,228	200,000	219,240
8% Series, due 2026	75,000	95,111	75,000	87,005
Medium-term notes, 7.59% series, due 2017	25,000	29,840	25,000	27,858
Medium-term notes, 7.78% series, due 2022	25,000	30,815	25,000	28,275
Medium-term notes, 7.92% series, due 2027	25,000	31,535	25,000	28,848
Medium-term notes, 6.76% series, due 2027	7,500	8,468	7,500	7,723
Unamortized discount	(1,856)		(2,196)	
	555,644		555,304	
Revolving credit facility and commercial paper, due 2012	—	—	92,400	92,400
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
2008 Series A, due 2038	50,000	50,000	50,000	50,000
2009 Series A, due 2039	50,000	50,000	50,000	50,000
Fixed-rate bonds:				
6.10% 1999 Series A, due 2038	12,410	12,222	12,410	11,443
5.95% 1999 Series C, due 2038	14,320	13,921	14,320	12,922
5.55% 1999 Series D, due 2038	8,270	7,679	8,270	7,038
5.45% 2003 Series C, due 2038 (rate resets in 2013)	30,000	32,036	30,000	31,422
5.25% 2003 Series D, due 2038	20,000	17,980	20,000	16,701
5.80% 2003 Series E, due 2038 (rate resets in 2013)	15,000	15,722	15,000	15,683
5.25% 2004 Series A, due 2034	65,000	60,819	65,000	55,979
5.00% 2004 Series B, due 2033	31,200	28,401	31,200	26,096
4.85% 2005 Series A, due 2035	100,000	87,403	100,000	79,469
4.75% 2006 Series A, due 2036	24,855	21,147	24,855	19,139
Unamortized discount	(3,572)		(3,644)	
	517,483		517,411	
Other	4,913	5,238	5,569	5,712
	1,078,040		1,170,684	
Less: current maturities	(1,362)		(1,327)	
Long-term debt, less current maturities	$1,076,678		$1,169,357	

As noted in the table above, the Company has $200 million of 8.375% notes maturing in February 2011. The Company currently intends to issue new debentures prior to February 2011 to provide funding for this maturing obligation. The Company also has a $300 million credit facility that expires in May 2012 with sufficient current and forecasted capacity to provide funding for the $200 million of maturing debentures. Therefore, the $200 million of debentures due February 2011 continue to be shown as long-term obligations.

Note 7 – Equity and Comprehensive Income

The table below provides details of activity in equity during the six months ended June 30, 2010.

	Southwest Gas Corporation Equity						
(In thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-controlling Interest	Total
DECEMBER 31, 2009	45,092	$46,722	$792,339	$ (22,250)	$285,316	$ (41)	$1,102,086
Common stock issuances	335	335	9,709				10,044
Net income (loss)					63,715	(248)	63,467
Other comprehensive income (loss):							
Net actuarial gain (loss) arising during period, less amortization of unamortized benefit plan cost, net of tax				683			683
FSIRS unrealized gains (losses), net of tax				(13,181)			(13,181)
Dividends declared							
Common: $0.25 per share					(23,003)		(23,003)
JUNE 30, 2010	45,427	$47,057	$802,048	$ (34,748)	$326,028	$ (289)	$1,140,096

The tables below are designed to provide details of comprehensive income and year-to-date activity in AOCI. See **Note 4 – Derivatives and Fair Value Measurements** for additional information on the FSIRS.

Comprehensive Income

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Twelve Months Ended June 30, 2010	Twelve Months Ended June 30, 2009
	(Thousands of dollars)					
Net income (loss)	$ (993)	$ (594)	$ 63,467	$49,387	$101,198	$63,933
Net actuarial gain (loss) arising during period, less amortization of unamortized benefit plan cost, net of tax	342	206	683	413	(2,554)	(6,568)
FSIRS unrealized gains (losses), net of tax	(12,569)	—	(13,181)	—	(13,181)	—
Comprehensive income (loss)	(13,220)	(388)	50,969	49,800	85,463	57,365
Comprehensive income (loss) attributable to noncontrolling interest	(60)	—	(248)	—	(612)	—
Comprehensive income (loss) attributable to Southwest Gas Corporation	$ (13,160)	$ (388)	$ 51,217	$49,800	$ 86,075	$57,365
Tax (expense) benefit associated with net actuarial gain (loss) arising during period	$ (209)	$ (128)	$ (419)	$ (254)	$ 1,567	$ 4,024
Tax (expense) benefit associated with FSIRS unrealized gain (loss) recognized in other comprehensive income (loss)	$ 7,703	$ —	$ 8,078	$ —	$ 8,078	$ —

AO C I - Rollforward

(Thousands of dollars)

	Defined Benefit Plans Before-Tax	Defined Benefit Plans Tax (Expense) Benefit	Defined Benefit Plans After-Tax	FSIRS Before - Tax	FSIRS Tax (Expense) Benefit	FSIRS After-Tax	AO C I
Beginning Balance AO C I December 31, 2009	$(35,887)	$13,637	$(22,250)	$ —	$ —	$ —	$(22,250)
Current period change	1,102	(419)	683*	(21,259)	8,078	(13,181) **	(12,498)
Ending Balance AO C I June 30, 2010	$(34,785)	$13,218	$(21,567)	$(21,259)	$ 8,078	$(13,181)	$(34,748)

* Net actuarial gain (loss), less amortization of unamortized benefit plan cost

** FSIRS unrealized gain (loss) recognized in other comprehensive income

Based on the current FSIRS position, approximately $500,000 of the FSIRS existing losses reported in AOCI at June 30, 2010 is expected to be reclassified into expense within the next twelve months.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Southwest Gas Corporation and its subsidiaries (the "Company") consist 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.

On a seasonally adjusted basis as of June 30, 2010, Southwest had 1,825,000 residential, commercial, industrial, and other natural gas customers, of which 985,000 customers were located in Arizona, 659,000 in Nevada, and 181,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During the twelve months ended June 30, 2010, 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, 4 percent from other sales customers, and 10 percent from transportation customers. These general patterns are expected to remain materially consistent for the foreseeable future.

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 principal factors affecting operating margin are general rate relief, weather, conservation and efficiencies, and customer growth. Of these, weather is the primary reason for volatility in margin. Variances in temperatures from normal levels, primarily in Arizona, can have a significant impact on the margin and associated net income of the Company. A decoupled rate structure adopted as part of the Nevada general rate case, effective November 2009, is designed to mitigate the impact of weather variability as well as conservation on margin in Nevada service territories. Weather impacts and conservation are also offset by the margin tracking mechanism in Southwest's California service territories.

NPL 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 17 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. Generally, revenues and profits are lowest during the first quarter of the year due to less favorable winter weather conditions. Operating results typically improve as more favorable weather conditions occur during the summer and fall months.

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and the notes thereto, as well as the MD&A, included in the 2009 Annual Report to Shareholders, which is incorporated by reference into the 2009 Form 10-K, and the first quarter 2010 Form 10-Q.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's operations. As needed, certain items are covered in greater detail in later sections of management's discussion and analysis. As reflected in the table below, the natural gas operations segment accounted for an average of 90 percent of twelve-month-to-date consolidated net income over the past two years. As such, management's discussion and analysis is primarily focused on that segment. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year.

Summary Operating Results

	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2010	2009	2010	2009	2010	2009
	(In thousands, except per share amounts)					
Contribution to net income (loss)						
Natural gas operations	$ (4,101)	$ (2,736)	$ 61,216	$ 47,116	$ 93,520	$ 56,437
Construction services	3,168	2,142	2,499	2,271	8,290	7,496
Net income (loss)	$ (933)	$ (594)	$ 63,715	$ 49,387	$101,810	$ 63,933
Average number of common shares outstanding	45,391	44,730	45,306	44,578	45,113	44,176
Basic earnings (loss) per share						
Consolidated	$ (0.02)	$ (0.01)	$ 1.41	$ 1.11	$ 2.26	$ 1.45
Natural Gas Operations						
Operating margin	$157,533	$149,059	$419,787	$388,355	$779,645	$734,749

Consolidated results for the second quarter of 2010 declined slightly compared to the same period in 2009. An improved contribution from the construction service segment and higher operating income from natural gas operations were more than offset by a decline in other income.

2nd Quarter 2010 Overview

Natural gas operations highlights include the following:

- Operating margin increased approximately $8 million, or six percent, compared to the prior-year's quarter primarily due to improved weather ($4 million) and rate relief in Nevada ($3 million) and California ($1 million)
- Other income declined $7.6 million between periods primarily due to a negative swing in the cash surrender values of COLI policies in the current period versus positive returns in the prior period
- Moody's upgraded the Company's credit rating to Baa2 from Baa3
- Fitch revised the Company's credit rating outlook to positive from stable
- Standard & Poor's revised the Company's credit rating outlook to positive from stable
- Liquidity position remains strong

Company-Owned Life Insurance ("COLI"). Southwest has life insurance policies on members of management and other key employees to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. The COLI policies have a combined net death benefit value of approximately $196 million at June 30, 2010. The net cash surrender value of these policies (which is the cash amount the Company would receive if it voluntarily terminated the policies) is approximately $58 million at June 30, 2010 and is included in the caption "Other property and investments" on the balance sheet. Cash surrender values are directly influenced by the investment portfolio underlying the insurance policies. This portfolio includes both equity and fixed income (mutual fund) investments. As a result, generally the cash surrender value (but not the net death benefit) moves up and down consistent with the movements in the broader stock and bond markets. In the three and six months ended June 30, 2010, the Company recognized declines in the cash surrender values of the COLI policies of $3.6 million and $2.1 million, respectively, which was reflected in Other income (deductions). For the three and six months ended June 30, 2009, cash surrender values increased $3.7 million and $2.1 million, respectively. The twelve months ended June 30, 2010 reflect an increase of $4.3 million in the cash surrender values of the COLI policies (compared to a net decline of $7.4 million in the twelve months ended June 30, 2009). Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, the changes in the cash surrender value components of COLI policies as they progress towards the ultimate death benefits are also recorded without tax consequences. Currently, the Company intends to hold the COLI policies for their duration and purchase additional policies as necessary.

In July 2010, a retired executive of the Company, who was covered under COLI policies, passed away. The differences between the face amounts of the policies and the cash surrender values are approximately $2.8 million and will be reflected in other income in the third quarter of 2010.

Weather and Conservation. The rate structures in each of Southwest's three states provide varying levels of protection from risks that drive operating margin volatility, particularly weather risk and conservation efforts. Southwest's exposure to these risks on operating margin is largely limited to its Arizona operating areas as both Nevada and California operations are now under decoupled rate structures. During the first six months of 2010, weather had a positive influence on operating margin as temperatures in Arizona were relatively normal, whereas, in the first six months of 2009, the estimated weather impact on operating margin was a reduction of $17 million.

Additionally, throughout 2009 Southwest experienced a decline in consumption over and above the more typical impacts of conservation from improvements in new construction practices and energy efficient appliances. This excess decline was attributed to the impact of the difficult economic environment and, in particular, vacant homes. During the six months ended June 30, 2010, Southwest noted an overall increase in average residential customer consumption, but this improvement was largely driven by cooler weather, especially during the first quarter. Southwest continues to note an excessive number of vacant homes as compared to historical levels. Consequently, further economic-related declines are possible. Southwest continues to work with Arizona regulators on decoupling initiatives to mitigate the impacts of declining consumption.

Customer Growth. Southwest completed 19,000 first-time meter sets over the last twelve months. These meter sets led to 16,000 net additional active customers. Southwest continues to project minimal net customer growth (1% or less) for the year.

Credit Rating Upgrades. In April 2009, Standard & Poor's Ratings Services ("S&P") upgraded the Company's unsecured long-term debt ratings from BBB- (with a positive outlook) to BBB (with a stable outlook). In April 2010, S&P affirmed the BBB rating and revised the Company's outlook to "positive." S&P cited the Company's stronger financial performance and an improved debt to capital ratio. S&P debt ratings range from AAA (highest rating possible) to D (obligation is in default). The S&P rating of BBB indicates the issuer of the debt is regarded as having an adequate capacity to pay interest and repay principal.

In May 2010, Moody's Investors Service, Inc. ("Moody's") upgraded the Company's senior unsecured debt rating to Baa2 from Baa3 (the outlook remains stable). Moody's cited improvements in the Company's cash flow credit metrics and generally robust financial results in 2009. 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.

In June 2010, Fitch, Inc. ("Fitch") upgraded the Company's rating outlook to positive from stable. Fitch affirmed the Company's unsecured long-term debt rating at BBB. 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.

Liquidity. Southwest believes its liquidity position remains strong. Southwest has a $300 million credit facility maturing in May 2012, $150 million of which is designated for working capital needs. The facility is provided through a consortium of eight major banking institutions. Usage of the facility in the second quarter of 2010 was minimal. There was no balance outstanding at June 30, leaving the entire $300 million available for long-term and working capital needs. The lower usage was primarily due to improved profitability, natural gas prices that were relatively stable, and gas-cost related rate mechanisms that favorably impacted operating cash flows. The current slowdown in housing construction has also allowed Southwest to fund construction expenditures primarily with internally generated cash.

Results of Natural Gas Operations

Quarterly Analysis

	Three Months Ended June 30,	
	2010	2009
	(Thousands of dollars)	
Gas operating revenues	$305,269	$316,744
Net cost of gas sold	147,736	167,685
Operating margin	157,533	149,059
Operations and maintenance expense	86,935	86,846
Depreciation and amortization	42,146	41,873
Taxes other than income taxes	9,616	9,504
Operating income	18,836	10,836
Other income (deductions)	(5,176)	2,423
Net interest deductions	18,862	18,531
Net interest deductions on subordinated debentures	—	1,932
Income (loss) before income taxes	(5,202)	(7,204)
Income tax expense (benefit)	(1,101)	(4,468)
Contribution to consolidated net income (loss)	$ (4,101)	$ (2,736)

Contribution from natural gas operations declined by $1.4 million in the second quarter of 2010 compared to the same period a year ago. The decrease in contribution was primarily caused by a reduction in other income which mostly offset an $8 million improvement in operating income.

Operating margin increased $8 million in the second quarter of 2010 compared to the second quarter of 2009. Differences in heating demand, caused primarily by weather variations in Arizona, provided $4 million of the operating margin increase as temperatures in the current quarter were relatively normal, while temperatures were warmer than normal in the second quarter of 2009. Rate relief provided $4 million of the operating margin increase, consisting of $3 million in Nevada and $1 million in California. Customer growth provided a minimal benefit as 16,000 net new customers were added during the last twelve months.

Operations and maintenance expense was relatively flat between quarters. General cost increases and higher employee-related benefit costs were offset by lower uncollectible expenses.

Depreciation expense increased $273,000, or one percent, as a result of additional plant in service, partially offset by lower depreciation rates in the Nevada rate jurisdictions, effective June 2009. Average gas plant in service for the current period increased $143 million, or three percent, compared to the corresponding period a year ago.

Other income declined $7.6 million between quarters as the cash surrender values of COLI policies decreased by $3.6 million in the second quarter of 2010 compared to an increase of $3.7 million in the prior-year quarter.

Net financing costs decreased $1.6 million between periods primarily due to the redemption of $100 million of Subordinated Debentures in March 2010.

Six-Month Analysis

	Six Months Ended June 30,	
	2010	2009
	(Thousands of dollars)	
Gas operating revenues	$919,778	$951,850
Net cost of gas sold	499,991	563,495
Operating margin	419,787	388,355
Operations and maintenance expense	173,640	171,508
Depreciation and amortization	84,842	84,212
Taxes other than income taxes	19,382	19,615
Operating income	141,923	113,020
Other income (deductions)	(5,707)	637
Net interest deductions	36,886	36,713
Net interest deductions on subordinated debentures	1,912	3,865
Income before income taxes	97,418	73,079
Income tax expense	36,202	25,963
Contribution to consolidated net income	$ 61,216	$ 47,116

Contribution to consolidated net income from natural gas operations increased by $14.1 million in the current six-month period as compared to the corresponding period a year ago. The improvement in contribution primarily was a result of increased operating margin, partially offset by a reduction in other income.

Operating margin increased $31 million between periods. Rate relief provided $14 million of the increase, consisting of $12 million in Nevada and $2 million in California. Differences in heating demand caused primarily by weather variations in Arizona between periods resulted in a $17 million operating margin increase as temperatures in the current six-month period were normal, while temperatures were significantly warmer than normal in the same period of 2009. Customer growth had a negligible impact on operating margin.

Operations and maintenance expense increased $2.1 million, or one percent, primarily due to general cost increases and higher employee-related benefit costs. The increase was mitigated by a decrease in uncollectible costs, principally in Nevada where the Company was granted a tracking mechanism for gas cost-related uncollectible expense.

Depreciation expense increased $630,000, or one percent, as a result of additional plant in service, partially offset by lower depreciation rates in the Nevada rate jurisdictions, effective June 2009. Average gas plant in service for the current period increased $149 million, or three percent, compared to the corresponding period a year ago. This was attributable to new business, reinforcement work, franchise requirements, routine pipe replacement activities, and the addition of two new operations centers in southern Nevada in the second quarter of 2009.

Other income decreased $6.3 million between the six-month periods of 2010 and 2009. This was primarily due to a $2.1 million decrease in the cash surrender values of COLI policies in the current period compared to cash surrender value increases in the prior-year period of $2.1 million. Costs associated with certain Arizona non-recoverable pipe replacement work also increased $1.5 million between periods.

Net financing costs decreased $1.8 million between the six-month periods of 2010 and 2009 primarily due to the redemption of the Subordinated Debentures in March 2010.

Twelve-Month Analysis

	Twelve Months Ended June 30, 2010	2009
	(Thousands of dollars)	
Gas operating revenues	$1,582,771	$1,648,942
Net cost of gas sold	803,126	914,193
Operating margin	779,645	734,749
Operations and maintenance expense	351,074	341,359
Depreciation and amortization	167,480	168,607
Taxes other than income taxes	37,085	36,585
Operating income	224,006	188,198
Other income (deductions)	246	(10,670)
Net interest deductions	74,264	77,519
Net interest deductions on subordinated debentures	5,778	7,730
Income before income taxes	144,210	92,279
Income tax expense	50,690	35,842
Contribution to consolidated net income	$ 93,520	$ 56,437

Contribution to consolidated net income from natural gas operations increased by $37.1 million in the current twelve-month period as compared to the corresponding period a year ago. The improvement in contribution was a result of increased operating margin, an improvement in other income, and reduced financing costs, partially offset by an increase in operating expenses.

Operating margin increased $45 million between periods. Rate relief and rate changes provided a net $18 million increase, consisting of rate relief of $10 million in Arizona, $14 million in Nevada, and $3 million in California, partially offset by a decrease of $9 million related to the return to a seasonal margin methodology in California in 2009. Differences in heating demand caused primarily by weather variations between periods resulted in a $29 million operating margin increase as temperatures in the current period were relatively normal, while temperatures were significantly warmer than normal in the prior-year period. Customer growth contributed $1 million in operating margin. Conservation, resulting from challenging economic conditions and energy efficiency, negatively impacted operating margin by an estimated $3 million.

Operations and maintenance expense increased $9.7 million, or three percent, primarily due to general cost increases and higher employee-related benefit costs. The increase was mitigated by a decline in uncollectible expense.

Depreciation expense decreased $1.1 million as a result of lower depreciation rates in the California ($3 million annualized reduction) and Nevada ($2.3 million annualized reduction) rate jurisdictions effective in January and June 2009, respectively. Average gas plant in service for the current period increased $163 million, or four percent, compared to the corresponding period a year ago. This was attributable to new business, reinforcement work, franchise requirements, routine pipe replacement activities, and the addition of two new operations centers in southern Nevada in the second quarter of 2009.

Other income improved $10.9 million between the twelve-month periods of 2010 and 2009. This was primarily due to a $4.3 million increase in the cash surrender values of COLI policies in the current period compared to cash surrender value declines in the prior-year period of $7.4 million. Costs associated with certain Arizona non-recoverable pipe replacement work increased $1.3 million between periods.

Net financing costs decreased $5.2 million between the twelve-month periods of 2010 and 2009 primarily due to a reduction in outstanding debt, the redemption of the Subordinated Debentures, and lower interest rates associated with Southwest's commercial credit and other variable-rate facilities.

Results of Construction Services

Contribution to consolidated net income from construction services for the three months ended June 30, 2010 increased $1 million compared to the same period of 2009. Gains on sales of equipment were $324,000 and $845,000 for the second quarters of 2010 and 2009, respectively. NPL's operating results continue to be influenced by the general slowdown in the new housing market. Although it is anticipated that the current economic environment will continue to impact construction services results in 2010 for new construction and bid contracts, replacement contract activity has been increasing.

Revenues increased $9.7 million primarily due to an increase in replacement construction contracts, while revenue from new construction and bid projects remained at low levels. Construction expenses increased $9.1 million. Depreciation expense declined $841,000 between the quarters. During the past two years, NPL reduced its inventory of construction equipment due to the overall lower volume of construction contracts, resulting in a decline in depreciation and lower gains on sale of equipment.

Contribution to consolidated net income from construction services for the six months ended June 30, 2010 increased $228,000 compared to the same period of 2009. Gains on sales of equipment were $557,000 and $1.9 million for the six-month periods of 2010 and 2009, respectively.

Revenues increased $9.1 million during the first six months of 2010 as compared to the same period of 2009 primarily due to an increase in replacement construction contracts during the second quarter of 2010. Construction expenses increased $11.7 million due primarily to the increased work load and a decrease in gains on sales of equipment between the current and prior-year periods. Depreciation expense declined $2 million between the six-month periods due to reduced construction equipment inventory.

Contribution to consolidated net income from construction services for the twelve-month period of 2010 increased $794,000 compared to the same period of 2009. Gains on sales of equipment were $1.9 million and $2.3 million for the twelve-month periods of 2010 and 2009, respectively.

Revenues decreased $24.3 million due primarily to a reduction in the volume of new construction work resulting from the general slowdown in the new housing market. Construction expenses decreased $18.2 million between the twelve-month periods due to the reduction in work, while depreciation expense declined $4.7 million due to the reduction in construction equipment. Interest expense decreased $706,000 between the twelve-month periods due to lower outstanding debt balances.

NPL's revenues and operating profits are influenced by weather, customer requirements, mix of work, local economic conditions, bidding results, and the equipment resale market. Generally, revenues and profits are lowest during the first quarter of the year due to unfavorable winter weather conditions. Operating results typically improve as more favorable weather conditions occur during the summer and fall months.

Rates and Regulatory Proceedings

California General Rate Cases. Effective January 2009, Southwest received general rate relief in California. The California Public Utilities Commission ("CPUC") decision authorized an overall increase of $2.8 million in 2009 with an additional $400,000 deferred to 2010. In addition, attrition increases were approved to be effective for the years 2010-2013 of 2.95% in southern and northern California and approximately $100,000 per year for the South Lake Tahoe rate jurisdiction. In October 2009, Southwest filed for attrition increases which were approved effective January 2010 in the amount of $2.7 million (including the $400,000 previously deferred).

FERC General Rate Case. Paiute Pipeline Company ("Paiute"), a subsidiary of the Company, filed a general rate case with the FERC in February 2009. The filing fulfilled an obligation from the settlement agreement reached in the 2005 Paiute general rate case. The application requested an increase in operating revenues of approximately $3.9 million. In accordance with FERC requirements, the requested new rates went into effect in September 2009, subject to refund. In April 2010, the FERC approved an offer of settlement from Paiute which resolved all issues related to its general rate case. The settlement provides for an increase of approximately $900,000 in Paiute's annual operating income. Paiute accrued a liability for the difference between the requested rates and the anticipated settlement rates since September 2009 and refunded the amounts in the second quarter of 2010.

Arizona energy efficiency and decoupling proceeding. The Arizona Corporation Commission ("ACC") convened a series of workshops starting in 2009 to evaluate "rate and regulatory incentives" and establish standards to promote energy efficiency and conservation for utility customers. In conjunction with these workshops, Southwest and other interested parties submitted proposed regulations to the ACC in June 2009. Rate designs which would decouple revenues from customer usage were the topic of much discussion in the proceeding, and were incorporated in several of the parties' draft regulations. Additional workshops directly pertaining to revenue decoupling continue to be held and ACC action outlining the related regulations is expected by year-end.

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 by Southwest result in over- and under-collections. At June 30, 2010, over-collections in all service territories resulted in a liability of $135 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).

As of June 30, 2010, December 31, 2009, and June 30, 2009, Southwest had the following outstanding PGA balances payable (millions of dollars):

	June 30, 2010	December 31, 2009	June 30, 2009
Arizona	$ (43.7)	$ (33.2)	$ (25.0)
Northern Nevada	(13.6)	1.2	(5.4)
Southern Nevada	(71.6)	(60.0)	(44.1)
California	(6.4)	2.0	(7.7)
	$ (135.3)	$ (90.0)	$ (82.2)

Capital Resources and Liquidity

Cash on hand and cash flows from operations have generally been sufficient over the past two years to provide for net investing activities (primarily construction expenditures and property additions). During the past two years, the Company has been able to use cash inflows to reduce the net amount of debt outstanding (including short-term borrowings). The Company's capitalization strategy is to maintain an appropriate balance of equity and debt (including short-term borrowings).

To facilitate future financings, the Company has a universal shelf registration statement providing for the issuance and sale of registered securities from time to time, which may consist of secured debt, unsecured debt, preferred stock, or common stock. The number and dollar amount of securities issued under the universal shelf registration statement, which was filed with the SEC and automatically declared effective in December 2008, will be determined at the time of the offerings, if any, and presented in the applicable prospectuses.

Cash Flows

Operating Cash Flows. Cash flows provided by consolidated operating activities increased $9.2 million in the first six months of 2010 as compared to the same period in 2009. The primary drivers of the change were an increase in net income between periods and temporary fluctuations in working capital components.

Investing Cash Flows. Net cash used in consolidated investing activities decreased $36 million in the first six months of 2010 as compared to the same period in 2009. The decrease was primarily due to reductions in construction expenditures and equipment purchases, a result of the new housing market slowdown. The current period also includes cash inflows from the draw-down of restricted funds associated with a previous industrial development revenue bond issuance.

Financing Cash Flows. Cash used in consolidated financing activities increased $78.5 million during the first six months of 2010 as compared to the same period in 2009 primarily due to debt repayments, including the redemption of the Subordinated Debentures. Dividends paid increased in the first six months of 2010 as compared to 2009 as a result of a quarterly dividend increase and an increase in the number of shares outstanding.

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.

Gas Segment Construction Expenditures, Debt Maturities, and Financing

During the twelve-month period ended June 30, 2010, construction expenditures for the natural gas operations segment were $177 million. Approximately 43 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 were $393 million which provided sufficient funding for construction expenditures and dividend requirements of the natural gas operations segment.

Southwest estimates natural gas segment construction expenditures during the three-year period ending December 31, 2012 will be approximately $570 million. Of this amount, approximately $200 million is expected to be incurred in 2010. During the three-year period, cash flows from operating activities of Southwest are expected to provide sufficient funding for the gas operations total construction expenditures and dividend requirements. During the three-year period, the Company expects to raise $8 million to $10 million from its various common stock programs. Any cash requirements not met by operating activities are expected to be provided by 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's 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.

In March 2010, the Company redeemed the $100 million, 7.70% Subordinated Debentures (Preferred Securities) at par. The Company facilitated the redemption using existing cash and borrowings under the $300 million credit facility.

Southwest has $200 million of long-term debt maturing in February 2011. By February 2011, the Company intends to issue $250 million of new debentures (including at least $125 million in December 2010) to provide the funding for the maturing obligation (and a portion of the redeemed Subordinated Debentures). Southwest also has $200 million of long-term debt maturing in May 2012 and plans to fund that obligation by issuing $200 million of debentures in March 2012. In connection with the planned 2010 and 2012 debt issuances, the Company, in January 2010, entered into two forward-starting interest rate swap ("FSIRS") agreements to hedge the risk of interest rate variability during the period leading up to the planned issuances. See **Note 4 – Derivatives and Fair Value Measurements** for more information on the FSIRS.

During the six months ended June 30, 2010, the Company issued shares of common stock for exercised stock options and through the Dividend Reinvestment and Stock Purchase Plan ("DRSPP"), raising approximately $6 million. Beginning in the second quarter of 2010, the Company ceased issuing new common stock under the DRSPP (the DRSPP will purchase shares on the open market as needed).

Dividend Policy

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. In February 2010, the Board of Directors increased the quarterly dividend payout from 23.75 cents to 25 cents per share, effective with the June 2010 payment.

Liquidity

Liquidity refers to the ability of an enterprise to generate sufficient amounts of cash through its operating activities and external financing to meet its cash requirements. Several general factors (some of which are out of the control of the Company) that could significantly affect liquidity in future years include variability of natural gas prices, changes in the ratemaking policies of regulatory commissions, regulatory lag, customer growth in the natural gas segment's service territories, Southwest's ability to access and obtain capital from external sources, interest rates, changes in income tax laws, pension funding requirements, inflation, and the level of Company earnings. Natural gas prices and related gas cost recovery rates have historically had the most significant impact on Company liquidity.

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 June 30, 2010, the combined balance in the PGA accounts totaled an over-collection of $135 million. See **PGA Filings** for more information on recent regulatory filings.

The Company has a $300 million credit facility that expires in May 2012. Southwest has designated $150 million of the $300 million facility as long-term debt and the remaining $150 million for working capital purposes. At June 30, 2010, no borrowings were outstanding on either the long-term or short-term portion of the credit facility. The credit facility can be used as necessary to meet liquidity requirements, including temporarily financing under-collected PGA balances, if any, or meeting the refund needs of over-collected balances. This credit facility has been, and is expected to continue to be, adequate for Southwest's working capital needs outside of funds raised through operations and other types of external financing. Management believes the Company currently has a solid liquidity position.

The following table sets forth the ratios of earnings to fixed charges for the Company. Due to the seasonal nature of the Company's business, these ratios are computed on a twelve-month basis:

	For the Twelve Months Ended	
	June 30, 2010	December 31, 2009
Ratio of earnings to fixed charges	2.78	2.46

Earnings are defined as the sum of pretax income plus fixed charges. Fixed charges consist of all interest expense including capitalized interest, one-third of rent expense (which approximates the interest component of such expense), and net amortized debt costs.

Forward-Looking Statements

This quarterly 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 quarterly 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," "forecast," and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding operating margin earned, customer growth, the composition of our customer base, price volatility, seasonal patterns, the Company's COLI strategy, risks and costs associated with having non-performing assets associated with new homes, timing of improvements in the housing market, amount and timing for completion of estimated future construction expenditures, forecasted operating cash flows and results of operations, funding sources of cash requirements, sufficiency of working capital, bank lending practices, the Company's views regarding its liquidity position, ability to raise funds and receive external financing, the amount and form of any such financing, future financing cost savings, the effectiveness of forward-starting interest rate swap agreements in hedging against changing interest rates, liquidity, the impact of the application of certain accounting standards, statements regarding future gas prices, gas purchase contracts and derivative financial interests, the impact of certain legal proceedings, and the timing and results of future rate hearings and 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 pension expense forecasts, 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 and 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** and **Item 7A. Quantitative and Qualitative Disclosures About Market Risk** in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

All forward-looking statements in this quarterly 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).**

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See **Item 7A. Quantitative and Qualitative Disclosures about Market Risk** in the Company's 2009 Annual Report on Form 10-K filed with the SEC. No material changes have occurred related to the Company's disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

The Company has established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act 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 June 30, 2010, 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.

There have been no changes in the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the second quarter of 2010 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. 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.

ITEMS 1A. through 3. None.

ITEM 4. REMOVED AND RESERVED

ITEM 5. OTHER INFORMATION

In July 2010, A. Randall Thoman was elected as a director of the Company. The election of Mr. Thoman increases the number of directors from twelve to thirteen. As a director, he will serve on the Audit and Pension Plan Investment Committees of the Company’s Board of Directors. The Board of Directors also amended the Company’s Bylaws to reflect an increase in the number of directors from twelve to thirteen.

In July 2010, George C. Biehl, Executive Vice President/Chief Financial Officer and Corporate Secretary, announced his resignation as the Chief Financial Officer and Corporate Secretary effective August 11, 2010. Mr. Biehl will assist the Company and his successors with the transition of his responsibilities, with the intent of retiring as Executive Vice President near year-end 2010. Roy R. Centrella, Vice President/Controller and Chief Accounting Officer, will assume Mr. Biehl’s duties as principal financial officer and be promoted to Senior Vice President/Chief Financial Officer of the Company. Gregory J. Peterson, Assistant Controller, will replace Mr. Centrella as the Company’s Chief Accounting Officer and hold the title of Vice President/Controller/Chief Accounting Officer. The above information was reported in a Form 8-K dated July 26, 2010 filed with the SEC.

ITEM 6. EXHIBITS

The following documents are filed, or furnished, as applicable, as part of this report on Form 10-Q:

Exhibit 3(ii)	-	Amended Bylaws of Southwest Gas Corporation.
Exhibit 12.01	-	Computation of Ratios of Earnings to Fixed Charges.
Exhibit 31.01	-	Section 302 Certifications.
Exhibit 32.01	-	Section 906 Certifications.
Exhibit 101		The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, formatted in Extensible Business Reporting Language (“XBRL”): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

SIGNATURES

Pursuant to the requirements 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
(Registrant)

Date: August 9, 2010

/s/ Roy R. Centrella
Roy R. Centrella
Vice President/Controller and Chief Accounting Officer

Exhibit 3(ii)

Bylaws

of

SOUTHWEST GAS CORPORATION

(As amended 07/27/10)

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 2009, 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 first Thursday after the third day 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 thirteen (13).

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 shareholders 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 27th day of July 2010.

/s/ GEORGE C. BIEHL

George C. Biehl

Executive Vice President/Chief Financial Officer and Corporate Secretary

Exhibit 12.01

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

	Jun 30, 2010	For the Twelve Months Ended December 31, 2009	2008	2007	2006	2005
1. Fixed charges:						
A) Interest expense	$ 79,009	$ 81,861	$ 90,403	$ 94,035	$ 92,878	$ 87,687
B) Amortization	2,425	2,097	2,880	2,783	3,467	3,700
C) Interest portion of rentals	6,396	6,644	7,802	7,952	6,412	6,333
Total fixed charges	$ 87,830	$ 90,602	$ 101,085	$ 104,770	$ 102,757	$ 97,720
2. Earnings (as defined):						
D) Pretax income from continuing operations	$ 156,108	$ 132,035	$ 101,808	$ 131,024	$ 128,357	$ 68,435
Fixed Charges (1. above)	87,830	90,602	101,085	104,770	102,757	97,720
Total earnings as defined	$ 243,938	$ 222,637	$ 202,893	$ 235,794	$ 231,114	$ 166,155
	2.78	2.46	2.01	2.25	2.25	1.70

Exhibit 31.01

Certification

I, Jeffrey W. Shaw, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 9, 2010

/s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer
Southwest Gas Corporation

Certification

I, George C. Biehl, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 9, 2010

/s/ GEORGE C. BIEHL

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

Exhibit 32.01

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended June 30, 2010 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: August 9, 2010

/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-Q for the period ended June 30, 2010 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: August 9, 2010

/s/ George C. Biehl

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