
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 September 30, 1998

Commission File Number 1-7850

 ${\tt SOUTHWEST~GAS~CORPORATION} \\ ({\tt Exact~name~of~registrant~as~specified~in~its~charter}) \\$

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 X 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, 30,316,387 shares as of November 3, 1998.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
ASSETS	(Unaudited)	
Utility plant:	(onaddreed)	
Gas plant	\$ 1,983,373	\$ 1,867,824
Less: accumulated depreciation	(599,751)	(551,083)
Acquisition adjustments	3 , 976	4,259
Construction work in progress	37,833	39,294
Net utility plant	1,425,431	1,360,294
		1,300,294
Other property and investments Current assets:	75 , 204	64,928
Cash and cash equivalents	7,018	17,567
Accounts receivable, net of allowances	52,724	78,016
Accrued utility revenue	22,500	54,373
Income tax benefit		19,425
Deferred purchased gas costs	59,740	86,952
Prepaids and other current assets	41,669	32,211
Total current assets	183,651	288,544
Deferred charges and other assets	51,355 	55 , 293
Total assets	\$ 1,735,641 =======	\$ 1,769,059 ========
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$1 par (authorized - 45,000,000 shares; issued	ć 21 01F	¢ 20 017
and outstanding - 30,285,129 and 27,387,016 shares)	\$ 31,915	\$ 29,017
Additional paid-in capital	421,631 720	360,683
Retained earnings (accumulated deficit)		(3,721)
Total common equity	454,266	385,979
Redeemable preferred securities of Southwest Gas Capital I	60,000	60,000
Long-term debt, less current maturities	808 , 807	778,693
Total capitalization Current liabilities:	1,323,073	1,224,672
Current maturities of long-term debt	5,128	5,621
Short-term debt	33,325	142,000
Accounts payable	36,878	62,324
Customer deposits	22,918	21,945
Accrued taxes	23,923	21,125
Accrued interest	13,494	13,007
Deferred taxes	10,626	24,163
Other current liabilities	41,621	34,222
Other Current Habilities	41,621	34,222
Total current liabilities	187,913	324,407
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	172,275	168,282
Other deferred credits	52,380	51 , 698
Total deferred income taxes and other credits	224,655	219,980
Total capitalization and liabilities	\$ 1,735,641	\$ 1,769,059
TOTAL CAPITALIZATION AND ITADILITIES	Q 1,733,041	========

The accompanying notes are an integral part of these statements.

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

	THREE MONTHS ENDED SEPTEMBER 30,			MBER 30,	TWELVE MONTHS ENDED SEPTEMBER 30,	
	1998		1998 	1997 	1998	
Operating revenues:						
Gas operating revenues	\$ 128,229	\$ 95,009	\$ 567,609	\$ 414,313	\$ 767,961	\$ 584,075
Construction revenues	34,279	33,689	80,397	86,554	111,188	123,635
Total operating revenues		128,698	648,006	500,867	879 , 149	
Operating expenses:						
Net cost of gas sold	51,499	28,508	246,254	149,830	305,762	198,226
Operations and maintenance	50,765	50,310	153,796	148,165	206,790	201,972
Depreciation and amortization	22,780	21,636	65,822	62,563	87,920	82,216
Taxes other than income taxes	7,699	7,371	23,516	22,482		28,410
Construction expenses	30,294	28 , 121	70 , 694	77 , 542	98 , 350	110,416
Total operating expenses	163,037	135,946	560,082	460,582	729,249	621,240
Operating income (loss)	(529)	(7,248)	87 , 924	40,285	149,900	86,470
Other income and (expenses):						
Net interest deductions	(15,760)	(16,115)	(47,579)	(46,362)	(64,435)	(60,830)
Preferred securities distributions	(1,368)	(1,368)	(4,106)	(4,106)	(5,475)	(5,475)
Other income (deductions), net	(304)	(467)	234	(609)	(11,397)	(1,132)
Total other income and (expenses)	(17,432)	(17,950)	(51,451)	(51,077)	(81,307)	(67,437)
Income (loss) before income taxes	(17,961)	(25,198)	36,473	(10,792)	68,593	19,033
Income tax expense (benefit)	(7,016)	(9,512)	13,979	(3,926)	22,764	7,603
Net income (loss)	\$ (10,945)	\$ (15,686)	\$ 22,494	\$ (6,866)	\$ 45,829	\$ 11,430
Basic earnings (loss) per share	\$ (0.38) ======	\$ (0.58) ======	\$ 0.80 ======	\$ (0.25) ======	\$ 1.65 ======	\$ 0.42
Diluted earnings (loss) per share	\$ (0.38)	\$ (0.58)	\$ 0.80	\$ (0.25)	\$ 1.64	\$ 0.42
Dividends paid per share	\$ 0.205 ======	\$ 0.205 ======	\$ 0.615 ======	\$ 0.615 ======	\$ 0.82 ======	\$ 0.82
Average number of common shares outstanding Average shares outstanding (assuming dilution)	29,050	27 , 149	28,028 28,216	26 , 990 	27,846 28,022	26,902 27,021

The accompanying notes are an integral part of these statements.

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

	NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
		1997	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ 22,494	\$ (6,866)	\$ 45,829	\$ 11,430
Adjustments to reconcile net income (loss) to net		, , , , , , , , , , , , , , , , , , , ,	, , , , , ,	,
cash provided by operating activities:				
Depreciation and amortization	65,822	62,563	87,920	82,216
Deferred income taxes	(9,544)	28,984	8,948	45,155
Changes in current assets and liabilities:		,		,
Accounts receivable, net of allowances	25,292	23,199	(5,820)	(3,140)
Accrued utility revenue	31,873	24,775	(775)	(3,140) (1,438)
Deferred purchased gas costs	27,212		5,065	(104,357)
Accounts payable	(25, 446)	(16,519)	3,446	4,431
Accrued taxes	22,223	(19.814)	33.760	4,431 (31,300)
Other current assets and liabilities	(3,503)	13,742	(15.241)	15,760
Other	1,136	530	3,446 33,760 (15,241) 14,495	9,595
Other				
Net cash provided by operating activities	157 , 559	36 , 357	177 , 627	28,352
CASH FLOW FROM INVESTING ACTIVITIES:	(405 545)	(4.00 4.40)	44.05 .04.01	(4.05.00.6)
Construction expenditures and property additions			(185,812)	
Other	902	(4,974)	4,568 	2,077
Net cash used in investing activities	(135,745)			(195,259)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	63,846	8,762	67,289	12,507
Dividends paid	(17,460)	(16,583)	(23,054)	(22,042)
Issuance of long-term debt, net	34,572	118,992	67,289 (23,054) 35,901	12,507 (22,042) 124,382 (6,986)
Retirement of long-term debt, net	(4.646)	(5,475)	(6.736)	(6,986)
Issuance (repayment) of short-term debt	(108,675)		(6,736) (75,675)	67 575
Net cash provided by (used in) financing activities	(32,363)	93,696	(2,275)	175,436
Change in cash and temporary cash investments	(10,549)	4,630	(5,892)	8,529
Cash at beginning of period	17,567	8,280	12,910	4,381
Cash at end of period	\$ 7,018	\$ 12,910	\$ 7,018	\$ 12,910
	=======	=======	======	=======
Supplemental information:				
Interest paid, net of amounts capitalized		\$ 44,126	\$ 60,753	
	=======		=======	=======
Income taxes paid (received), net	\$ 6,666	\$ (2,694)		
	=======	=======	=======	=======

The accompanying notes are an integral part of these statements.

NATURE OF OPERATIONS. Southwest Gas Corporation (the Company) is comprised of two segments: natural gas operations (Southwest or the natural gas operations segment) and construction services. Southwest purchases, transports, and distributes natural gas to customers in portions of Arizona, Nevada, and California. Southwest's public utility rates, practices, facilities, and service territories 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. Variability in weather from normal temperatures can materially impact results of operations. Northern Pipeline Construction Co. (Northern or the construction services segment), a wholly owned subsidiary, is a full-service underground piping contractor which provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

BASIS OF PRESENTATION. The 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. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The preparation of the 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 expenses 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 consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1997 Annual Report to Shareholders, which is incorporated by reference into the Form 10-K, and 1998 quarterly reports on Form 10-0.

INTERCOMPANY TRANSACTIONS. The construction services segment recognizes revenues generated from contracts with Southwest (see Note 2 below). Accounts receivable for these services were \$4.2 million at September 30, 1998 and \$3.6 million at December 31, 1997. The accounts receivable balance, revenues, and associated profits are included in the consolidated financial statements of the Company and were not eliminated during consolidation. Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," provides that intercompany profits on sales to regulated affiliates should not be eliminated in consolidation if the sales price is reasonable and if future revenues approximately equal to the sales price will result from the rate-making process. Management believes these two criteria are being met.

NOTE 2 - SEGMENT INFORMATION

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

	 TURAL GAS ERATIONS	STRUCTION ERVICES	T	OTAL
NINE MONTHS ENDED SEPTEMBER 30, 1998	 	 		
Revenues from external customers Intersegment revenues	\$ 567 , 609 	\$ 53,946 26,451	\$	621,555 26,451
Total	\$ 567,609	\$ 80,397	\$	648,006
Segment income	\$ 20,637	\$ 1,857	\$	22,494
NINE MONTHS ENDED SEPTEMBER 30, 1997 Revenues from external customers Intersegment revenues	\$ 414,313	\$ 60,165 26,389	\$	474,478 26,389
Total	\$ 414,313	\$ 86 , 554		500,867
Segment income (loss)	\$ (6,982)	\$ 116	\$ ==	(6 , 866)

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

The Company is principally engaged in the business of purchasing, transporting, and distributing natural gas. Southwest is the largest distributor in Arizona, selling and transporting natural gas in most of southern, central, and northwestern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor and transporter of natural gas in Nevada, and serves 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 in northern California and the high desert and mountain areas in San Bernardino County.

Southwest purchases, transports, and distributes natural gas to approximately 1,182,000 residential, commercial, industrial and other customers, of which 57 percent are located in Arizona, 33 percent are in Nevada, and 10 percent are in California. During the twelve months ended September 30, 1998, Southwest earned 57 percent of operating margin in Arizona, 33 percent in Nevada, and 10 percent in California. During this same period, Southwest earned 84 percent of operating margin from residential and small commercial customers, 5 percent from other sales customers, and 11 percent from transportation customers. These patterns are consistent with prior years and are expected to continue.

Northern is a full-service underground piping contractor, which provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

CAPITAL RESOURCES AND LIQUIDITY

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

Southwest continues to experience significant population growth throughout its service territories. This growth has required large amounts of capital to finance the investment in infrastructure, in the form of new transmission and distribution plant, to satisfy consumer demand. For the twelve months ended September 30, 1998, natural gas construction expenditures totaled \$173 million. Approximately 78 percent of these current-period expenditures represented new construction and the balance represented costs associated with routine replacement of existing transmission, distribution, and general plant. Cash flows from operating activities of Southwest (net of dividends) provided \$144 million, or 83 percent, of the required capital resources pertaining to these construction expenditures. The remainder was provided from net external financing activities. The improvement in operating cash flows from expected levels was due to higher earnings, and income tax refunds related to timing differences principally associated with gas purchases and recoveries.

Southwest estimates construction expenditures during the three-year period ending December 31, 2000 will be approximately \$510 million. During the three-year period, cash flow from operating activities (net of dividends) is estimated to fund approximately one-half of the gas operations total construction expenditures. A portion of the construction expenditure funding will be provided by \$26 million of funds held in trust, at December 31, 1997, from the issuance of industrial development revenue bonds (IDRB). The remaining cash requirements are expected to be provided by 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, and growth factors in Southwest service areas. 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 August 1998, the Company completed an offering of 2.5 million primary shares of common stock. The net proceeds from this offering were \$56 million after deducting underwriting discounts and expenses. In September 1998, the Company issued \$25 million in medium-term notes, due 2008, bearing interest at

6.27 percent. The proceeds from these issuances will be used to finance construction and improvement of pipeline systems and facilities located in and around the communities served by Southwest.

RESULTS OF CONSOLIDATED OPERATIONS

Quarterly Analysis

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Contribution to Net Income (Loss) Three Months Ended September 30,

(Thousands of dollars)

	1998	1997
Natural gas operations Construction services	\$ (11,794) 849	\$ (16,771) 1,085
Net income (loss)	\$ (10,945)	\$ (15,686)
	========	=======

Loss per share for the quarter ended September 30, 1998 was \$0.38, compared to a \$0.58 loss per share recorded during the corresponding quarter of the prior year. Natural gas operations results improved \$0.21 per share. See separate discussion at RESULTS OF NATURAL GAS OPERATIONS for changes as they relate to gas operations. Construction services contributed per share earnings of \$0.03 during the current quarter, a \$0.01 per share decrease from the corresponding quarter of the prior year. Average shares outstanding increased 1.9 million shares between periods primarily due to a 2.5 million issuance of primary shares in August 1998, and continuing issuances under the Dividend Reinvestment and Stock Purchase Plan.

Nine-Month Analysis

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Contribution to Net Income (Loss)
Nine Months Ended September 30,

(Thousands of dollars)

	1990	1991
Natural gas operations Construction services	\$ 20,637 1,857	\$ (6,982) 116
Net income (loss)	\$ 22,494	\$ (6,866)
	========	========

Earnings per share for the nine months ended September 30, 1998 were \$0.80, a \$1.05 improvement from a per share loss of \$0.25 recorded during the corresponding nine months of the previous year. Natural gas operations results improved \$1.00 per share. See separate discussion at RESULTS OF NATURAL GAS OPERATIONS for changes as they relate to gas operations. Construction services activities contributed per share earnings of \$0.06 during the current period, a \$0.05 per share improvement over the corresponding period of the prior year. The improvement resulted from obtaining new work, eliminating less profitable contracts, implementing cost containment measures, and better-than-expected weather conditions in several cold-climate operating areas which allowed construction activities to begin earlier than anticipated during the first quarter of 1998. Average shares outstanding increased 1 million shares between periods primarily due to a 2.5 million issuance of primary shares in August 1998, and continuing issuances under the Dividend Reinvestment and Stock Purchase Plan.

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Contribution to Net Income Twelve Months Ended September 30, $\,$

(Thousands of dollars)

	1990	1997
Natural gas operations Construction services	\$ 43,444 2,385	\$ 10,723 707
Net income	\$ 45,829	\$ 11,430
NCC INCOME	========	=========

Earnings per share for the twelve months ended September 30, 1998 were \$1.65, a \$1.23 increase from per share earnings of \$0.42 recorded during the prior twelve-month period. Earnings contributed from natural gas operations increased \$1.16 per share. See separate discussion at RESULTS OF NATURAL GAS OPERATIONS for changes as they relate to gas operations. Construction services activities contributed per share earnings of \$0.09, a \$0.07 per share improvement over the prior twelve-month period. The improvement is attributed to obtaining new work, eliminating less profitable contracts, implementing cost containment measures, and better-than-expected weather conditions in several cold-climate operating areas which allowed construction activities to begin earlier than normal during the first quarter of 1998. Average shares outstanding increased 944,000 shares between periods primarily due to a 2.5 million issuance of primary shares in August 1998, and continuing issuances under the Dividend Reinvestment and Stock Purchase Plan.

The following table sets forth the ratios of earnings to fixed charges for the Company:

For	the	Twelve	Months	Ende	ed
-	 embe: 1998	r 30,	Decer 19	 mber 997	31,
	 1 . 88			 1 . 28	

Ratios of earnings to fixed charges

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), preferred securities distributions and amortized debt costs.

Three Months Ended September 30.

	popodimosi ou,		
	(Thousands of 1998	dollars) 1997	
Gas operating revenues Net cost of gas sold	\$ 128,229 51,499	\$ 95,009 28,508	
Operating margin Operations and maintenance expense Depreciation and amortization Taxes other than income taxes	76,730 50,765 20,563 7,699	66,501 50,310 18,873 7,371	
Operating loss Other income (expense), net	(2,297) (341)	(10,053) (2)	
Loss before interest and income taxes Net interest deductions Preferred securities distributions Income tax expense (benefit)	(2,638) 15,467 1,368 (7,679)	(10,055) 15,736 1,368 (10,388)	
Contribution to consolidated net loss	\$ (11,794) =======	\$ (16,771)	

Contribution from natural gas operations improved approximately \$5 million compared to the third quarter of 1997. The improvement was primarily due to growth in operating margin, offset somewhat by higher operating expenses.

Operating margin increased \$10.2 million, or 15 percent, in the third quarter of 1998 when compared to the same period a year ago. Approximately \$6 million was due to rate relief. The remainder was due to customer growth as Southwest served 58,000, or five percent, more customers than a year ago.

Operations and maintenance expenses increased \$455,000, or one percent, although increases in labor costs between periods were six percent. Operations and maintenance expenses overall are expected to trend higher for the calendar year, consistent with the year-to-date results.

Depreciation expense and general taxes increased \$2 million, or eight percent, as a result of construction activities. Average gas plant in service increased \$134 million, or seven percent, as compared to the third quarter of 1997. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth.

Net interest deductions decreased \$269,000, or two percent. Strong cash flows coupled with a common stock offering reduced the net amount of debt outstanding and interest rates on variable-rate facilities were lower than during the prior period.

Nine Months Ended September 30,

	(Thousands of 1998	dollars) 1997
Gas operating revenues Net cost of gas sold	\$ 567,609 246,254	\$ 414,313 149,830
Operating margin Operations and maintenance expense Depreciation and amortization Taxes other than income taxes	321,355 153,796 59,539 23,516	. ,
Operating income Other income (expense), net	84,504 (432)	38,648 (650)
Income before interest and income taxes Net interest deductions Preferred securities distributions Income tax expense (benefit)	84,072 46,806 4,106 12,523	37,998 45,192 4,106 (4,318)
Contribution to consolidated net income (loss)	\$ 20,637 ======	\$ (6,982)

Contribution to consolidated net income improved \$27.6 million compared to the nine months ended September 1997. The improvement was the result of increases in operating margin, offset somewhat by higher operating and financing expenses.

Operating margin increased \$56.9 million, or 22 percent, due to improved weather conditions, rate relief, and continued customer growth. Differences in heating demand caused by weather variances between periods resulted in an increase of \$24 million. Approximately \$17 million was attributable to colder-than-normal temperatures in the current nine-month period, and the remainder resulted from the corresponding prior period being warmer than normal. Rate relief, primarily resulting from a September 1997 \$32 million annualized general rate case settlement in Arizona, contributed \$23 million in additional operating margin to the current period. Customer growth accounted for the remaining \$9.9 million.

Operations and maintenance expenses increased \$5.6 million, or four percent, reflecting increases in labor costs along with incremental operating expenses associated with providing service to the growing Southwest customer base.

Depreciation expense and general taxes increased \$5.4 million, or seven percent, resulting from an increase in average gas plant in service of \$153 million, or nine percent. This increase reflects capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate new customers being added to the system.

Net interest deductions increased \$1.6 million, or four percent, during the nine months ended September 1998 over the comparative prior period. The change is attributed primarily to an increase in average total debt outstanding during the period to finance construction expenditures and to finance the deferred purchased gas cost balance. Average interest rates on variable-rate facilities were lower than during the prior period, partially offsetting the volume variance.

Twelve Months Ended September 30,

		(Thousands o 1998		ollars) 1997
Gas operating revenues Net cost of gas sold	\$	767,961 305,762	\$	584,075 198,226
Operating margin Operations and maintenance expense Depreciation and amortization Taxes other than income taxes		462,199 206,790 78,879 30,427		385,849 201,972 72,628 28,410
Operating income Other income (expense), net		146,103 (12,761)	_	82,839 (1,112)
Income before interest and income taxes Net interest deductions Preferred securities distributions Income tax expense		133,342 63,365 5,475 21,058		81,727 58,871 5,475 6,658
Contribution to consolidated net income		43,444		10,723

Contribution to consolidated net income increased \$32.7 million compared to the corresponding twelve-month period ended September 1997. The increase was the result of improvements in operating margin, partially offset by higher operating and financing expenses.

Operating margin increased \$76.4 million, or 20 percent, due to improved weather conditions, rate relief, and continued customer growth. Differences in heating demand caused by weather variations between periods resulted in an increase of \$33 million. Approximately \$22 million was attributable to colder-than-normal temperatures in the current period, and the remainder was attributed to the prior period being warmer than normal. Rate relief, primarily resulting from a September 1997 general rate case settlement in Arizona, contributed \$32 million in additional operating margin to the current period. Customer growth accounted for the remaining \$11.4 million.

Operations and maintenance expenses increased 4.8 million, or two percent, primarily reflecting increases in labor costs between periods.

Depreciation expense and general taxes increased \$8.3 million, or eight percent, as a result of additional plant in service. Average gas plant in service for the current twelve-month period increased \$140 million, or eight percent, compared to the corresponding period a year ago. This was attributable to the upgrade of existing operating facilities and the expansion of the system to accommodate new customers being added to the system.

Net interest deductions increased \$4.5 million, or eight percent, during the twelve months ended September 1998 over the comparative prior period. The change is attributed primarily to an increase in average total debt outstanding during the period to finance construction expenditures and to finance the deferred purchased gas cost balance.

During the fourth quarter of 1997, Southwest recognized nonrecurring charges to income related to cost overruns on two separate construction projects. These charges are reflected in Other income (deductions), net. An \$8 million pretax charge resulted from cost overruns experienced during expansion of the northern California service territory. See RATES AND REGULATORY PROCEEDINGS herein. A second pretax charge, for \$5 million, related to cost overruns on a nonutility construction project. See Note 11 of the Notes to Consolidated Financial Statements in the 1997 Annual Report to Shareholders for additional disclosures related to this charge. Partially offsetting these charges was the recognition of a \$3.4 million income tax benefit related to the successful settlement in November 1997 of open tax issues dating back as far as 1988. The combined impact of these three events was a \$4.1 million, or \$0.15 per share, after-tax reduction to earnings.

CALIFORNIA

NORTHERN CALIFORNIA EXPANSION PROJECT. In December 1993, Southwest filed an application with the California Public Utilities Commission (CPUC) to expand its northern California service territory and extend service into Truckee, California. The application included a proposed regulatory mechanism for recovering the cost of the expansion. In May 1994, rate and cost recovery issues related to the expansion application were combined by the CPUC with a January 1994 general rate application Southwest had filed with the CPUC. In September 1994, a Joint Motion and Stipulation and Settlement Agreement (Settlement) was presented to the CPUC which resolved the general rate case and addressed the expansion related cost recovery issues. In December 1994, the Settlement was approved. In April 1995, Southwest received CPUC approval for the certificate of public convenience and necessity to serve the expansion areas.

In its filing, Southwest had indicated that expansion into Truckee would occur in three phases and result in the conversion of an estimated 9,200 customers to natural gas service from their existing fuel, primarily propane. The CPUC established a cost cap of \$29.1 million for the project.

In 1995, Southwest completed Phase I of the expansion project, which involved transmission system reinforcement and distribution system expansion to accommodate approximately 940 customers. Construction costs of \$7.1 million were on target with the cost estimate approved by the CPUC.

Phase II of the project involved extending the transmission system to Truckee and distribution system expansion to accommodate an estimated 4,200 customers. The cost cap apportioned to Phase II was approximately \$13.8 million. The incurred cost of Phase II was \$28.6 million. An estimated \$9.2 million of the Phase II cost overrun was due to changes in project scope, such as adjustments for design changes required by governmental bodies, changes in facilities necessitated by requirements beyond Southwest's control and costs incurred to accommodate customer service requests.

Examples of adjustments for changes in project scope included the requirement to haul excavated soil offsite to be screened whereas normal and anticipated practice is to screen on site, asphalt repairs which were greater than expected as a result of increased paving requirements imposed after construction started, and the installation of more facilities under asphalt than anticipated. Other unanticipated or externally imposed costs pertained to extended yard lines, underground boring, environmental studies, right-ofway acquisitions, and engineering design work.

Due to the Phase II cost overruns and difficult construction environment experienced, construction of Phase III was postponed to reevaluate the economics of completing the project.

In July 1997, Southwest filed an application requesting authorization from the CPUC to modify the terms and conditions of the certificate of public convenience and necessity granted in 1995. In this application, Southwest requested that the originally approved cost cap of \$29.1 million be increased to \$46.8 million; that the scope of Phase III construction be revised to include only an estimated 2,900 of the initially estimated 4,200 customers; and that customer applicants desiring service in the expansion area who were not identified to receive service during the expansion phases as modified within the new application be subject to the existing main and service extension rules. Southwest proposed to recover the incremental costs above the original cost cap through a surcharge mechanism. Concurrently, the Truckee town manager, on behalf of the Truckee Town Council, wrote a letter to the CPUC in support of the application.

In August 1997, the Office of Ratepayer Advocates (ORA) for the CPUC filed a protest to the Southwest application indicating that the terms of the original agreement should be adhered to. Southwest responded with written comments in support of its application. In September 1997, a prehearing conference was held to discuss the filing, the ORA protest, and Southwest comments. The administrative law judge (ALJ) made a preliminary ruling in favor of the ORA protest, but allowed the parties an additional 20 days to supplement their comments. During this time, Southwest and the ORA, pursuant to direction from the Commission, began to negotiate a settlement agreement, and the procedural schedule was adjusted to allow the negotiations to continue beyond the 20 day period. In January 1998, a settlement involving all parties to the proceeding was executed and filed with the CPUC which redefined the terms and conditions for completing the project and recovering the additional project costs. Although CPUC approval of the settlement was still required, management anticipated approval of the all-party settlement. In February 1998, a prehearing conference was held before the ALJ and the assigned Commissioner

for the purpose of taking public comment on the settlement agreement. There was no opposition to the settlement agreement from the Truckee Town Council at the conference, or in a letter written by the Truckee town manager to the CPUC subsequent to the conference.

Under the proposed settlement, Southwest agreed, among other things, to absorb \$8 million in cost overruns experienced in Phase II of the project. Southwest also agreed to an \$11 million cost cap (with a maximum of \$3,800 per customer) for Phase III of the project. The Phase III project scope would be modified as requested in the July 1997 application. In addition, Southwest agreed not to file its next general rate case until Phase III is complete. Based on the proposed settlement agreement, Southwest recognized an \$8 million pretax charge in the fourth quarter of 1997.

In May 1998, the ALJ issued an unexpected Proposed Decision (PD) rejecting the all-party settlement and directing Southwest to complete the project under the terms and conditions of the 1995 certificate. A PD which ignores an all-party settlement is rare and inconsistent with CPUC policies and procedures established in 1992. Subsequent to the PD, the Truckee Town Council took a formal position in opposition to the settlement, although they were not a party to the proceeding, and had not previously opposed the settlement.

In July 1998, the CPUC voted to adopt the PD and reject the all-party settlement and ordered Southwest to proceed with all deliberate speed to complete the project under the terms and scope of the 1995 certificate. Southwest filed a Motion for Stay (Motion) of order and petitioned the CPUC for rehearing (Petition) in August 1998. The CPUC in its order stated that Southwest was required to show extraordinary circumstances to readjudicate the original settlement. Management did not have the opportunity to demonstrate that such extraordinary circumstances exist; however, it believes that such extraordinary circumstances do exist. In September 1998, the CPUC denied the Motion. However, no action has been taken on the Petition. As a result, Southwest has the right to petition the Supreme Court of the State of California for review. Such a petition is discretionary with the Supreme Court, and if accepted, could take up to two years to be heard. The Supreme Court filing has not been made pending action by the CPUC on the Petition and pending the outcome of other contemplated and active proceedings.

Southwest will pursue several alternative regulatory and legal avenues while seeking the Petition from the CPUC regarding the July 1998 decision. First, Southwest will petition the CPUC to hold hearings to modify the original Settlement approved in December 1994. Second, Southwest will seek to reopen the prior California general rate case and certificate proceeding to readdress, among other items, the scope and costs of the Truckee project. Because approval of the settlement agreement was expected, no evidentiary hearings were conducted. Management strongly believes Southwest is entitled to an evidentiary hearing before the CPUC, because the recent proceedings effectively denied Southwest its fundamental due process rights. Third, Southwest may seek to partially abandon its certificate to serve certain Phase III geographic locales. Finally, Southwest will undertake civil litigation against other parties whose actions materially contributed to unanticipated changes in project cost and scope. The first such action occurred in September 1998, when Southwest filed a civil lawsuit in U.S. Federal District Court naming the town of Truckee as a defendant for an indeterminate amount of damages.

In the January 1998 all-party settlement agreement, Southwest proposed to modify Phase III of the project to exclude certain areas from the original certificate application. The excluded areas are the most distant points from existing mains and present some of the most challenging geographic conditions in the expansion area. Extension of mains to serve the estimated 1,300 customers in the excluded areas would be considerably more expensive than the service areas in Phases I and II. Furthermore, these areas have significantly lower customer density than the remainder of the expansion project; therefore, expected revenues would be insufficient to justify the anticipated construction costs.

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Because of the proposed settlement, and ongoing proceedings, new studies to extend service into the excluded areas have not been performed. However, preliminary estimates indicate that it could cost an additional \$12 million to \$14 million to extend service to these 1,300 potential customers. The cost to extend service to the remaining 2,900 potential Phase III customers is estimated at \$11 million.

Based on these forecasts, an additional pretax writeoff of up to \$24 million could be recorded if Southwest is ultimately required to complete the project under the terms of the 1995 certificate without modification. This estimate is comprised of approximately \$7 million related to costs incurred through Phase II, and up to \$17 million for the forecasted construction costs. However, Southwest will vigorously prosecute the described regulatory and legal proceedings with the intent of reversing or mitigating the effects of the July 1998 CPUC action. Management believes that a reasonable possibility of modifying the existing CPUC orders pertaining to the expansion project exists through pursuit of the legal and regulatory remedies which have been outlined, although there can be no assurance of a favorable outcome.

Management also believes civil litigation offers a reasonable possibility of recovering certain amounts spent to deal with changes in scope necessitated by unanticipated third party actions. As a result, Southwest has not recorded any additional writeoffs beyond the \$8 million recognized in the fourth quarter of 1997

PGA FILINGS

ARIZONA PGA FILING. In March 1998, the Arizona Corporation Commission approved a purchased gas adjustment (PGA) filing submitted by Southwest in January 1998 to recover deferred purchased gas costs in Arizona. This filing, which became effective in April 1998, resulted in an annual revenue increase of \$46.9 million, or 14 percent. The increase in rates was designed to recover the accumulated PGA balance related to Arizona customers, and to eliminate the refunds previously built into the rate structure. PGA changes impact cash flows but have no direct impact on profit margin.

NEVADA PGA FILING. In January 1997, Southwest submitted an out-of-period PGA filing in Nevada, in response to a substantial run-up in the commodity cost of natural gas during November and December of 1996. In September 1997, the Public Utilities Commission of Nevada (PUCN) approved the filing providing annual revenue increases of \$10.1 million, or 9 percent, in the southern Nevada rate jurisdiction, and \$6 million, or 14 percent, in the northern Nevada rate jurisdiction.

In June 1997, Southwest submitted its annual PGA filing in compliance with the Nevada Gas Tariff. The filing covered the period from April 1996 through March 1997. Southwest requested annual revenue increases of \$23.1 million, or 18 percent, in the southern Nevada rate jurisdiction, and \$8.4 million, or 17 percent, in the northern Nevada rate jurisdiction.

In an order issued in December 1997, the PUCN found that "Southwest failed to mitigate the risk inherent in a portfolio of all indexed-priced contracts and failed to reasonably quantify the costs of any risk mitigation." As a result, gas costs of \$3.8 million in southern Nevada and \$1.8 million in northern Nevada were disallowed. The approved annualized revenue increase, after consideration of the amounts disallowed, was \$17.3 million, or 14 percent in southern Nevada, and \$5.2 million, or 11 percent in northern Nevada.

In December 1997, Southwest filed a Petition for Reconsideration (Petition) of the decision with the PUCN on the grounds that the findings of fact and conclusions of law are contrary to binding legislative enactments and judicial decisions. Specifically, the Petition asserted, among other things, that the PUCN violated its settled obligation in the previous PGA docket, which included the same winter period, in finding Southwest to be imprudent. Effectively, the PUCN allowed a previously settled claim to be relitigated. In addition, management also believes that the PUCN failed to follow its previous rules and practices surrounding a PGA proceeding, or changed those rules effective with the disallowance order and sought to retroactively apply them, which would have required compliance with formal rulemaking procedures mandated by Nevada Statutes. In February 1998, the PUCN reaffirmed the original order.

In March 1998, Southwest filed a petition for judicial review (appeal) of the final order of the PUCN with the Nevada District Court (NDC). The appeal alleges the same procedural irregularities as were included in the Petition. In July 1998, the NDC rejected a PUCN motion to dismiss, which was also filed in March 1998, and established a procedural schedule related to the appeal.

An initial hearing is scheduled for the fourth quarter of 1998. Management estimates the NDC appeal process could take up to six months before a decision is rendered. Subsequent appeals by either party to the Nevada Supreme Court, if necessary, could take an additional year.

Management believes it is probable that the action taken to dispute the findings of fact and conclusions of law in the order will result in the successful outcome desired, specifically, that the order to exclude \$5.6 million in gas costs from the PGA balance will be reversed. As a result, the financial statements do not reflect any charges to effect the disallowance

In June 1998, Southwest submitted its annual PGA filing in compliance with the Nevada Gas Tariff. Effective November 1998, new rates were approved by the PUCN. No gas cost disallowances were ordered and no prudency issues were raised. The new rates, reflecting a lower cost of gas, resulted in annualized revenue decreases of \$3 million, or two percent in the southern Nevada rate jurisdiction, and \$782,000, or one percent in the northern Nevada rate jurisdiction. These PGA changes impact cash flows but have no direct impact on profit margin.

YEAR 2000 RELATED ISSUES

Most companies have computer systems that use two digits to identify a year in the date field (e.g. "98" for 1998). These systems must be modified to handle turn-of-the-century calculations. If not corrected, system failures or miscalculations could occur, potentially causing disruptions of operations, including, among other things the inability to process transactions, send invoices, or engage in other normal business activities. The Year 2000 issue also threatens disruptions in government services, telecommunications, and other essential industries. This creates potential risk for all companies, even if their own computer systems are Year 2000 compliant.

In 1994, the Company initiated a comprehensive review of its computer systems to identify processes that could be adversely affected by Year 2000 issues. By early 1995, the Company identified computer application systems that required modification or replacement. Since that time, the Company has focused on converting all business-critical systems to be Year 2000 compliant.

In addition to the evaluation and remediation of computer application systems and components, the Company has also developed a comprehensive Year 2000 compliance plan. As part of this plan, the Company has formed a Year 2000 project team with the mission of ensuring that all critical systems, facilities, and processes are identified and analyzed for Year 2000 compliance. The project team consists of representatives from several strategic departments of the Company.

The Year 2000 plan includes specific timetables for categories of tasks for each department as follows:

- (1) Assess Year 2000 issues complete;
- (2) Analyze, prioritize, and catalog Year 2000 issues substantially complete;
- (3) Create action plans in process and due by the first quarter of 1999;
- (4) Implement plans and validate compliance in process and due by the third quarter of 1999.

The Company's top priority is to ensure that natural gas can be received from suppliers and delivered to customers. To accomplish this, the Company has sent inquiries to its five major providers of interstate natural gas transportation service. All of these providers have responded to the inquiries indicating that they intend to be Year 2000 compliant before the end of 1999. The Company has also evaluated its gas pipeline delivery systems, which are the systems used to distribute natural gas from the interstate pipelines to the customer. These systems utilize nearly 1,000 hardware and software components that schedule, regulate, measure, or otherwise facilitate the flow of natural gas. Of these components, approximately 75 percent are Year 2000 compliant, 5 percent of the components are not compliant and will be remedied, and 20 percent of the components are being evaluated for compliance. The Company plans to complete this evaluation by the end of 1998, and intends to remedy those components determined to be noncompliant during the first quarter of 1999.

Many of the Company's business-critical computer systems are Year 2000 compliant. For example, the customer service system which supports customer billing, accounts receivable, and other customer service functions is Year 2000 compliant. The general ledger accounting system of the Company is also Year 2000 compliant. Year 2000 compliance work on other systems, such as accounts payable, purchasing, human resources, and payroll, is in process. In total, over 70 percent (including work-in-progress) of the Company's computer applications are currently Year 2000 compliant. The Company has also assessed its other computer components, such as computer equipment and software, and determined that nearly 90 percent of these components are Year 2000 compliant. The Company projects that both the computer application systems and the other computer components will be Year 2000 compliant by the third quarter of 1999.

The Company has initiated communications with suppliers and vendors to determine the extent to which those companies are addressing Year 2000 compliance issues. The Company is requiring business-critical suppliers and vendors to certify compliance in order to continue doing business with the Company. In addition, the Company is identifying and contacting alternate suppliers and vendors as part of a Year 2000 contingency plan. The majority of the companies contacted have responded and indicated in their responses that efforts are underway to become compliant.

The Company is also assessing and remediating Year 2000 issues related to embedded system devices (such as microcontrollers used in equipment and machinery), data exchange functions, networks, telecommunications, security access and building control systems, forms, reports, and other business processes and activities. The Company expects these areas to be Year 2000 compliant by the third quarter of 1999.

The Company is establishing Year 2000 contingency plans. These plans include such steps as identifying alternative vendors and suppliers (as noted above), establishing alternative power supplies, and determining personnel and staffing requirements to react to potential Year 2000 problems. As part of this process, the Company will assess and prepare for the most reasonably likely worst case Year 2000 scenario, which will consider potential power interruptions, telecommunications disruptions, and upstream pipeline delivery issues. The timeframe for completing and documenting contingency plans has not been finalized.

The Company estimates that the cost of remediation will be less than \$2 million. Expenditures of \$900,000 have already been incurred in connection with systems that have been converted. The remediation costs include internal labor costs, as well as fees and expenses paid to outside contractors specifically associated with reprogramming or replacing noncompliant components. At the present time, the Company does not expect that such expenditures will have a material impact on results of operations or financial condition.

The Company's Year 2000 plans, including costs and completion schedules, are based on management's best estimates. These estimates were derived using numerous assumptions of future events including, but not limited to third party modification plans, availability of qualified personnel, support of software vendors, and other factors. The Company is also relying on the representations made by significant third party suppliers and vendors.

FORWARD-LOOKING STATEMENTS

This report contains statements which constitute "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995 (Reform Act). All such 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, the effects of regulation, the outcome of Southwest's challenges to regulatory actions in California and Nevada, changes in capital requirements and funding, Year 2000 remediation efforts, and acquisitions.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132 standardizes the disclosure requirements for pensions and other postretirement benefits, requires additional information to facilitate financial analysis, and eliminates certain previously required disclosures. It does not change measurement or recognition of amounts related to those plans. This statement is effective for 1998 reporting. The disclosure requirements of this statement are not expected to significantly change current reporting practices of the Company.

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for fiscal years beginning after June 15, 1999. The disclosure and accounting requirements of this statement are currently being analyzed by the Company.

In August 1998, the Securities and Exchange Commission (SEC) issued Release No. 33-7558 "Statement of the Commission Regarding Disclosure of Year 2000 Issues and Consequences by Public Companies, Investment Advisers, Investment Companies, and Municipal Securities Issuers," (the Release). The Release provides guidance regarding specific matters for companies to address in SEC filings. Required disclosures must cover four areas: state of readiness, costs to address Year 2000 issues, risks of Year 2000 issues, and contingency plans. Companies are required to apply the interpretive guidance contained in the Release for reporting periods ending after August 4, 1998. The Company applied the interpretive guidance provided by the Release to prepare the Year 2000 Related Issues disclosure shown on pages 15 and 16.

ITEMS 1-5. None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

Exhibit 10.1 - Form of Employment Agreement with Company Officers.

Exhibit 10.2 - Form of Change in Control Agreement with Company Officers.

Exhibit 12.1 - Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

Exhibit 27.1 - Financial Data Schedule (filed electronically only).

(b) Reports on Form 8-K

The Company filed a Form 8-K, dated September 14, 1998, containing amended bylaws disclosing the adoption of notice procedures for shareholder proposals intended for consideration at an annual meeting.

The Company filed a Form 8-K, dated October 29, 1998, reporting summary financial information for the quarter ended September 30, 1998.

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
 (Red	gist:	 rant)

Date: November 13, 1998

/s/ Edward A. Janov -----Edward A. Janov Vice President/Controller and Chief Accounting Officer

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FORM OF EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "AGREEMENT") entered into as of the 1st day of July, 1998 between SOUTHWEST GAS CORPORATION, a California corporation (the "COMPANY"), and ______ (the "EMPLOYEE").

DEFINITIONS

For the purposes of this Agreement:

- (a) The term "COMPANY" shall include any corporate successor to the business presently conducted by the Company.
- (b) The term "SUBSIDIARY" shall mean any corporation, partnership, joint venture or other entity in which the Company has a 50% or greater equity interest.
- (c) "PERMANENT DISABILITY" shall mean that because of physical or mental illness or disability, the Employee shall have been continuously unable to perform the essential functions of his job (as those functions are described herein) with or without reasonable accommodation for a consecutive period of at least six months.
- (d) The Employee shall be deemed to engage in a "COMPETING BUSINESS" if, in any capacity, including but not limited to proprietor, joint venturer, partner, officer, director or employee, he engages or participates, directly or indirectly, in the operation, ownership or management of any proprietorship, joint venture, partnership, corporation, limited liability company, or other business entity which is in the natural gas distribution business. Indirect participation in the operation or ownership of any such entity shall include any investment by the Employee in any such entity, by way of loan, guarantee or stock or equity ownership (other than ownership of 1% or less of any class of the entity or other securities of a company which is listed and regularly traded on any national securities exchange or which is regularly traded over-the-counter).

2. EMPLOYMENT: TERM OF AGREEMENT

(a) The Employee shall perform the duties of [Officer's Title] of the Company and, as such, shall supervise and direct the [affairs/operations] of the Company and, to the extent practicable, any corporation, partnership, joint venture or other entity in which the Company has a 20% or greater equity interest. The Employee shall also perform such duties related to the business and affairs of the Company as may be delegated to him from time to time by the Board of Directors of the Company (the "BOARD") [or the President and CEO of the Company].

(b) The Company agrees to employ the Employee and the Employee agrees to serve the Company, in accordance with the terms of this Agreement, for an initial term of [24 or 36] months, commencing July 1, 1998. If a Change in Control (as hereinafter defined) occurs, the term of this Agreement shall be extended for a period of 24 months from the date of the Change in Control. Unless within 60 days prior to any anniversary date of this Agreement (or, if a Change in Control has occurred, the second anniversary of such Change in Control and any succeeding anniversary thereof), the Company (or the Employee) gives written notice to the Employee (or the Company) of the termination of this Agreement as of the then applicable expiration date, then the term of this Agreement shall automatically be extended for an additional 12 months.

COMPENSATION

The Employee shall receive the following compensation for services during the term of his employment hereunder:

- (a) The Employee's minimum base salary shall be \$______ per annum, payable in installments in accordance with the Company's regular payroll procedures, subject to adjustment (but not below the minimum base salary provided above) in accordance with the regular procedures established by the Company for salary adjustments;
- (b) The Employee shall participate in: (i) any incentive compensation plan, pension or profit sharing plans, stock purchase plan or executive retirement plan maintained by the Company for its employees in accordance with the terms and conditions thereof; and (ii) any annuity or group insurance benefit plan, medical plan and other welfare/employee benefit plans maintained by the Company for its executive employees, in accordance with the terms and conditions thereof;
- (c) The Company will provide the Employee with an active membership, which shall include initiation fee and dues, in a suitable country club of the Employee's choice, said membership shall remain the Employee's following the term of this Agreement but the Company shall have no continuing obligation (unless otherwise expressly provided herein) to pay dues or other fees or expenses with respect thereto after the Employee's termination; and
- (d) The Company will provide a suitable automobile valued at retail at approximately $\sum_{m=1}^{\infty}$, with the Company assuming the expenses for insurance, repairs and maintenance of the automobile.

The Company reserves the right to modify, suspend, or discontinue any or all of its benefit programs referred to in Section 3(b) at any time without recourse by the Employee (subject to Section 9(b)(ii)(C)) so long as such action is taken generally with respect to other similarly situated employees and does not single out the Employee.

4. DUTTES

- (a) Faithfully, industriously and to the best of his ability, experience and talents, perform all of the duties that may be required of and from him, and he will fulfill all of his responsibilities hereunder pursuant to the express and explicit terms hereof, to the reasonable satisfaction of the Board;
- (b) Devote all of his undivided time, attention, knowledge and skills, during customary business hours, to the business and interests of the Company, subject to such holidays, personal holidays, reasonable vacations and sick leave as are provided under the general policies of the Company as they may exist from time to time;
- (c) Comply with all the general rules and regulations of the Company;
- (d) Not engage in a Competing Business;
- (e) Maintain his residence at a location within the city or in or near a suburban community of the city in which the executive offices of the Company are located, [or the executive offices of a Company division if the Employee is so assigned]; and
- (f) Shall keep complete and accurate records of all business or reimbursable expenditures such that the Employee may fully account to the Board, if requested, or as then may be required by the Internal Revenue Service.

5. CONFIDENTIALITY

The Employee acknowledges that during his employment by, and as a result of his relationship with, the Company he will obtain knowledge of and gain access to information regarding the Company's business, operations, products, proposed products, production methods, processes, customer lists, advertising, marketing and promotional plans and materials, price lists, pricing policies, financial information and other trade secrets, confidential information and material proprietary to the Company or designated as being confidential by the Company which is not generally known to non-Company personnel, including information $% \left(1\right) =\left(1\right) \left(1\right) \left($ and material originated, discovered or developed in whole or in part by the Employee (collectively referred to herein as 'CONFIDENTIAL INFORMATION"). The Employee agrees that during the term of this Agreement and, to the fullest extent permitted by law thereafter, he will, in a fiduciary capacity for the benefit of the Company, hold all Confidential Information strictly in confidence and will not directly or indirectly reveal, report, disclose, publish or transfer any of such Confidential Information to any person, firm or other entity, or utilize any of the Confidential Information for any purpose, except in furtherance of his employment by the Company.

The Employee agrees that upon the expiration of this Agreement or any earlier termination of his employment, he will immediately surrender and return to the Company all lists, books, records and other Confidential Information of the Company, or obtained in connection with the Company's business, it being expressly acknowledged by the Employee that all such items are the exclusive property of the Company, and all other property belonging to the Company then in the possession of the Employee, and the Employee shall not make or retain any copies thereof.

6. TERMINATION DUE TO DEATH OR DISABILITY

The Employee's employment with the Company shall terminate: (i) upon the Employee's death, or (ii) in the event of the Permanent Disability of the Employee upon written notice given by the Company to the Employee to that effect. In either case, the Employee's salary shall immediately cease and the Employee (and his beneficiaries or personal representatives) shall be entitled to no other payment or benefits pursuant to this Agreement, except for any vested rights the Employee (or his beneficiaries or personal representatives) may have in items under Section 3 (b).

7. OTHER TERMINATION

The Company may at any time terminate its employment of the Employee for Cause (as hereinafter defined) upon written notice to the Employee. In the event of such termination by the Company for Cause, the Employee's salary shall immediately cease and the Employee shall be entitled to no other payments or benefits pursuant to this Agreement, except for any vested rights the Employee may have in items under Section 3(b).

For purposes of this Agreement, "CAUSE" shall mean (i) any material breach of any material provision of this Agreement by the Employee which is not cured within 60 days after written notice of such breach by the Company to the Employee, (ii) conviction of the Employee of a felony or crime involving moral turpitude (meaning a crime that necessarily includes the commission of an act of gross depravity, dishonesty or bad morals), or (iii) any acts or wilful malfeasance or gross negligence in a matter of material importance to the Company.

The Company may at any time terminate its employment of the Employee for any other reason, provided any such purported termination must be on 60 days advance written notice to the Employee (the date such notice is purported to be given is referred to herein as the "COMPANY'S NOTICE DATE"). In such event, the Employee's employment shall continue during the notice period and shall terminate on the 60th day following the Company's Notice Date (the "COMPANY'S TERMINATION DATE"); provided that during the 60-day notice period the Company may place the Employee on a paid administrative leave.

The Employee may terminate his employment by giving written notice to the Company of his intent to terminate (the date such notice is purported to be given is referred to herein as the "EMPLOYEE'S NOTICE DATE"). In such event, the Employee's employment shall continue during the notice period and shall terminate on the 60th day following the Employee's Notice Date or such earlier date that the Company may consent to in writing (the "EMPLOYEE'S TERMINATION DATE"). In the event that the Employee

terminates without Good Reason (as hereinafter defined), the Employee's salary shall cease as of the Employee's Termination Date and, as of such date, the Employee shall be entitled to no other benefits or payments pursuant to this Agreement, except for any vested rights the Employee may have in items under Section 3(b). Any termination by the Employee for Good Reason shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

3. TERMINATION BY THE COMPANY WITHOUT CAUSE OR BY THE EMPLOYEE FOR GOOD REASON

Termination of employment by the Employee for Good Reason or by the Company for any reason other than (i) death, (ii) Permanent Disability, (iii) Cause, or (iv) upon expiration of the term of this Agreement as provided in Section 2, shall have the following effect:

- (a) Any restricted stock awards, stock options or stock appreciation rights to purchase or relating to Common Stock of the Company held by the Employee on the Company's Notice Date or Employee's Notice Date, whichever first occurs, which are not then currently vested or exercisable shall on such date automatically become vested or exercisable and shall remain exercisable for 90 days thereafter (subject to any fixed term of such award, option or right set forth in the document evidencing such award, option or right);
- (b) The Company shall continue to pay the Employee his base salary being paid at the time of notification, plus 20% of his base salary in lieu of employee benefits for the balance of the term of this Agreement [(not to exceed 18 months)];
- (c) The Company shall pay the Employee his incentive compensation, which shall be calculated as [60% or 90%] of the Employee's base salary for the balance of the term of this Agreement (such term calculated as though such termination has not occurred and assuming no additional automatic extensions) [(not to exceed 18 months)];
- (d) The Company shall pay the Employee's expenses incurred in finding new employment and costs of moving the Employee and his family and possessions to a new location or, in lieu of such moving expenses, a cash payment of \$75,000, with the choice to be the Employee's;
- (e) The Company shall pay the Employee's normal business expenses incurred through the Company's Termination Date or the Employee's Termination Date, whichever first occurs (except with respect to seminars or travel as provided below), including automobile, dues of the club referred to in Section 3(c), plus any conventions, seminars or travel either incurred prior to the applicable termination date or scheduled at the time of notification of termination;

- (f) The Company shall pay the Employee any benefits under the Company's Deferred Compensation Plan (the "DCP") and Supplemental Executive Retirement Plan (the "SERP"), which are fully vested at the Company's Termination Date or the Employee's Termination Date, whichever first occurs, in accordance with applicable payment schedules and any applicable elections; provided, however that the Employee shall receive additional benefits under the SERP such that the Employee will be permitted to add to the formula for purposes of eligibility for benefits, vesting and calculation of benefits, [10 or 15] points which, at the election of the Employee, may be applied either to an age assumption or continuous length of service assumption (e.g., if an officer is 50 and has 20 years of service, he could allocate the points so that for purposes of eligibility, vesting and calculation of benefits, he is age 55 and has [25 or 30] years of service):
- (g) The Company will provide the Employee with suitable office space (equivalent to that occupied by the Employee on such notice date) and private secretarial services away from the Company's offices in an office complex of the Employee's choice in Las Vegas, Nevada [or the division headquarters city where the Employee was last assigned] for a period ending on the later of: (i) the expiration of the term of this Agreement; or (ii) the first anniversary of the Company's Termination Date or the Employee's Termination Date, whichever first occurs.

CHANGE IN CONTROL OF THE COMPANY

The Board recognizes that the continuing possibility of a change in control of the Company is unsettling to the ${\tt Employee}$ and other officers of the Company. Therefore, the arrangements set forth below are being made to help assure a continuing dedication by the Employee to his duties to the Company, notwithstanding the occurrence or potential occurrence of \boldsymbol{a} change in control. In particular, the Board believes it important, should the Company receive proposals from third parties with respect to its future, to enable the Employee, without being influenced by the uncertainties of his own situation, to assess and advise the Board whether such proposals would be in the best interests of the Company and its shareholders and to take such other action regarding such proposals as the Board might determine to be appropriate. The Board also wishes to demonstrate to officers of the Company that the Company is concerned with the welfare of its officers and intends to see that loyal officers are treated fairly.

In view of the foregoing and in further consideration of the Employee's continued employment with the Company, the Company agrees as follows:

(a) Limited Right to Receive a Severance Benefit. The Employee shall be entitled to the severance benefits provided in Section 9(c), in lieu of the benefits provided under Section 8 if, within 24 months after a Change in Control: (i) the Employee terminates his employment with the Company for Good Reason, provided he terminates his employment within 120 days following the occurrence of any of the events specified in Section 9(b)(ii); or (ii) the Employee's employment is terminated by the Company for any reason other than (A)

the Employee's death, (B) the Employee's Permanent Disability, (C) Cause, or (D) the expiration of the term of this Agreement following the Change in Control as provided in Section 2.

- (b) Certain Additional Definitions. For purposes of this Agreement:
 - (i) Change in Control. The term "CHANGE IN CONTROL" shall mean any of the following:
 - (A) Approval by the shareholders of the Company of the dissolution or liquidation of the Company;
 - (B) Approval by the shareholders of the Company of an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities that are not Subsidiaries, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity immediately after the reorganization are, or will be, owned, directly or indirectly, by shareholders of the Company immediately before such reorganization (assuming for purposes of such determination that there is no change in the record ownership of the Company's securities from the record date for such approval until such reorganization and that such record owners hold no securities of the other parties to such reorganization, but including in such determination any securities of the other parties to such reorganization held by affiliates of the Company);
 - (C) Approval by the shareholders of the Company of the sale of substantially all of the Company's business and/or assets to a person or entity which is not a Subsidiary;
 - (D) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 20% of the combined voting power of the Company's then outstanding securities entitled to then vote generally in the election of directors of the Company; or
 - (E) During any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board cease to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each new Board member was approved by a vote of at least three-fourths of the Board members then still in office who were Board members at the beginning of such

period (including for these purposes, new members whose election was so approved).

- (ii) Good Reason. For purposes of this Agreement, "GOOD REASON" shall mean:
 - (A) Following a Change in Control: (1) without the Employee's express written consent, the assignment to him of any duties inconsistent with his positions, duties, authority, responsibilities and status with the Company immediately prior to the Change in Control; (2) a demotion or a change in the Employee's titles or offices as in effect immediately prior to the Change in Control; (3) any removal of the Employee from or any failure to re-elect him to any of such positions; except in connection with the termination of the Employee's employment for Cause, Permanent Disability or retirement or as a result of his death or by him other than for Good Reason;
 - (B) A reduction by the Company in the Employee's base salary as in effect on the date hereof (or, if a Change in Control has occurred, a reduction by the Company in the Employee's base salary as in effect on the date of the Change in Control);
 - (C) Following a Change in Control: (1) the failure by the Company to continue at levels in existence immediately prior to the Change in Control any thrift, incentive or $% \left\{ 1\right\} =\left\{ 1\right\}$ compensation plan, or any pension, life insurance, health and accident or disability plan in which the Employee participated immediately prior to the Change in Control, provided that the Company may adopt substantially similar plans that provide benefits at levels no less than those in existence immediately prior to the Change in Control; (2) the taking of any action by the Company which would adversely affect the Employee's participation in or materially reduce his aggregate benefits under all of such plans, when taken together, or deprive him of any material fringe benefit enjoyed by him at the time of the Change in Control (except for the acceleration of the termination dates of options, awards and rights as contemplated by this Agreement).
 - (D) Following a Change in Control, the assignment of the Employee without his consent to a new work location which would require a roundtrip commute to work from the Employee's residence immediately prior to the Change in Control of more than 40 miles per day.

- (E) Any material breach of any material provision of this Agreement by the Company which is not cured within 60 days after written notice of such breach by the Employee to the Company.
- (c) Effect of Termination. If the Employee is entitled to receive a severance benefit pursuant to Section 9(a), the Company will provide the Employee with only the following severance benefits:
 - (i) The benefits specified in Section 8(a);
 - (ii) A lump sum severance payment equal to: (A) [24, 30 or 36] months of the Employee's yearly base salary in effect as of the Employee's Notice Date or the Company's Notice Date, whichever first occurs (or, if greater, in effect on the date of the Change in Control); (B) [24, 30, or 36] months incentive compensation calculated as [60% or 90%] of the amount payable pursuant to clause (A); and (C) [24, 30 or 36] months fringe benefits calculated as 20% of the amount payable pursuant to clause (A);
 - (iii) The benefits specified in Section 8(d);
 - (iv) The benefits specified in Section 8(e);
 - (v) Any benefits under the DCP and the SERP which are fully vested at the Company's Termination Date or the Employee's Termination Date, whichever first occurs, in accordance with applicable payment schedules and any applicable elections; provided, however that the Employee shall receive additional benefits under the SERP such that the Employee will be permitted to add to the formula for purposes of eligibility for benefits, vesting and calculation of benefits, [10 or 15] points which, at the election of the Employee, may be applied either to an age assumption or continuous length of service assumption (See Section 8(f) for illustration); such amounts having been deposited with a trustee under an appropriate Trust Agreement providing for a so-called Rabbi Trust Arrangement pursuant to I.R.S. Rev. Proc. 92-64, as described in Section 19; and
 - (vi) Suitable office space (equivalent to that occupied by the Employee on the Employee's Notice Date or the Company's Notice Date, whichever first occurs) and private secretarial services away from the Company's offices in an office complex of the Employee's choice in Las Vegas, Nevada [or the division headquarters city where the Employee was last assigned] for a period ending on the earlier of (A) the second anniversary of the Employee's Notice Date, or (B) the date the Employee secures suitable other employment.

10. RESTRICTIVE COVENANT

In consideration of the Company's agreements contained herein and the payments to be made by it to the Employee pursuant hereto, the Employee agrees that, during the period of his employment hereunder and for a further period expiring 12 months following the end of the term of this Agreement or any extensions or renewal thereof, the Employee will not, without the written consent of the Board of Directors of the Company, engage in a Competing Business within the geographical limits of any state (or such lesser geographical area as may be set by a court of competent jurisdiction) in which any of the businesses of the Company are being conducted on the date of any such termination. The Employee acknowledges and agrees that a breach by the Employee of the provisions of this Section 10 will constitute such damage as will be irreparable and the exact amount of which will be impossible to ascertain and, for that reason, agrees that the Company will be entitled to an injunction to be issued by any court of competent jurisdiction restraining and enjoining the Employee from violating the provisions of this Section 10. right of an injunction shall be in addition to and not in lieu of any other remedy available to the Company for such breach or threatened breach, including the recovery of damages from the Employee.

Termination of this Agreement, whether by passage of time or any other cause, shall not constitute a waiver of the Company's rights under this Section 10, nor a release of the Employee from his obligations hereunder.

11. ARBITRATION AND LITIGATION

In the event the Company terminates the Employee by reason of his Permanent Disability or for Cause and the Employee disputes the accuracy of the assertion of Permanent Disability or Cause, or in the event the Employee terminates his employment for Good Reason and the Company disputes the accuracy of such assertion of Good Reason, or in the event either party disputes the occurrence of a Change in Control, such dispute shall be resolved through final and binding arbitration in Clark County, Nevada in accordance with the then current commercial arbitration rules of the American Arbitration Association ("ASSOCIATION") or its successor, provided the Employee or the Company files a written demand for arbitration at a regional office of the Association within 30 calendar days following the date the Employee notifies the Company that he disputes the accuracy of the assertion of Permanent Disability or Cause or Change in Control, or the Company notifies the Employee that it disputes the accuracy of the assertion of Good Reason or Change in Control. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on the dispute in question would be barred by any applicable statute of limitations. In the event the Arbitrator finds that the termination by the Company was not for Permanent Disability or not for Cause or that the termination by the Employee was for Good Reason, or that a Change in Control has occurred and such issue was challenged by the Company, the Employee shall not be entitled to reinstatement, but shall be entitled to the appropriate benefits under Section 8 or Section 9, as applicable, and payment of his reasonable legal expenses in such arbitration. Any reasonableness of costs and expenses shall be determined by the arbitrator.

Should the Employee at any time bring suit against the Company for breach of this Agreement (not including any matter required to be submitted to arbitration pursuant to the foregoing provisions of this Section 11) and obtain judgment in his favor, the Company shall pay his reasonable legal expenses and costs of suit. The provisions of this Section 11 shall in no way limit the right of any party to exercise self-help remedies or to obtain provisional or ancillary relief from a court of competent $% \left(1\right) =\left(1\right) \left(1\right) \left($ jurisdiction before, after, or during the pendency of any arbitration proceeding. The exercise of such remedy shall not waive the right of any party to resort to arbitration. The parties each acknowledge and agree that to any extent any legal proceeding other than arbitration is permitted in this Section $\,$ 11, the Superior Court of the State of Nevada in and for Clark County, and the associated federal and appellate courts, shall have exclusive jurisdiction over such legal proceedings.

Except as may be necessary to enter judgment upon the award or to the extent required by applicable law, all claims, defenses and proceedings (including, without limiting the generality of the foregoing, the existence of the controversy and the fact that there is an arbitration proceeding) shall be treated in a confidential manner by the arbitrator, the parties and their counsel, and each of their agents and employees, and all others acting on behalf or in concert with them. Without limiting the generality of the foregoing, no one shall divulge to any third party or person not directly involved in the arbitration, the contents of the pleadings, papers, orders, hearings, trials, or awards in the arbitration, except as may be necessary to enter judgment upon an award as required by applicable law. Any court proceedings relating to the arbitration hereunder, including, without limiting the generality of the foregoing, to prevent or compel arbitration to perform, correct, vacate or otherwise enforce an arbitration award, shall be filed under seal with the court, to the extent permitted by law.

12. BENEFIT AND BINDING EFFECT

This Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any corporation, person or other entity which may acquire all or substantially all of the assets and business of the Company or any corporation with or into which the Company may be consolidated or merged and the Employee, his heirs, executors, administrators and legal representatives, provided that the obligations of the Employee hereunder may not be delegated.

13. OTHER AGREEMENTS

The Employee represents that the execution and performance of this Agreement will not result in a breach of any of the terms and conditions of any employment or other agreement between the Employee and any third party.

In the event the Company shall elect to insure all or part of its liability for providing health and long-term disability benefits under this Agreement, the Employee shall submit to such reasonable physical examination as the Company may request.

Provided that the Company duly performs all of its obligations (if any) arising by virtue of a termination of or by the Employee, the Employee will not publicly disparage the Company or its officers, directors, employees or agents and will refrain from any action which would reasonably be expected to cause material adverse public relations or embarrassment to the Company or to any of such persons. Similarly, the Company (including its officers, directors, employees and agents) will not disparage the Employee and will refrain from any action which would reasonably be expected to result in embarrassment to the Employee or to materially and adversely affect his opportunities for employment. The preceding two sentences shall not apply to disclosures required by applicable law, regulation or order of a court or governmental agency.

The Company may withhold from any amounts payable under this Agreement all federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

14. NOTICES

All notices or other communications relating to this Agreement shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid and return receipt requested, to the party concerned at the address set forth below:

If to the Company, to: Southwest Gas Corporation 5241 Spring Mountain Road Las Vegas, Nevada 89101

Attn: General Counsel

If to the Employee, to: [Employee's Name]

Either party may change the address to which notices are to be sent to it by giving 10 days written notice of such change of address to the other party in the manner provided above for giving notice. Notices will be considered delivered on the date of personal delivery or on the date of deposit in the United States mail in the manner provided for giving notice by mail.

15. PARACHUTE PAYMENTS

- (a) In the event that any payment or distribution by the $% \left(1\right) =\left\{ 1\right\}$ Company to or for the benefit of the Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments under this Section 15(a)) (a "PAYMENT") is determined to be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "CODE"), or any interest or penalties are incurred by the Employee with respect to such excise ${\sf tax}$ (such excise ${\sf tax}$, together with any such interest and penalties, are hereinafter collectively referred to as the "EXCISE TAX"), then the Company shall pay to the Employee an additional payment (a "GROSS-UP PAYMENT") in an amount such that after payment by the Employee of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.
- (b) Subject to the provisions of Section 15(c), all determinations required to be made under this Section 15, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm which is satisfactory to the Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Employee within 15 business days after such determinations are requested by the Employee or the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 15(b), shall be paid by the Company to the Employee within five days after the Company's receipt of the Accounting Firm's determination. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("UNDERPAYMENT"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 15(c) and the Employee thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee.
- (c) The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Employee is informed in writing of such claim and shall apprise the Company of the nature of

such claim, and the date on which such claim is requested to be paid. The Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Employee in writing prior to the expiration of such period that it desires to contest such claim, the Employee shall:

- give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order to contest such claim effectively, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 15(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Employee, on an interest-free basis and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Employee with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up

Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Employee of an amount advanced by the Company pursuant to Section $15\,(c)$ the Employee becomes entitled to receive any refund with respect to such claim, or if the actual amount of the Excise Tax is less than the amount of the Gross-Up Payment, the Employee shall (subject to the Company's complying with the requirements of Section 15(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto) or the amount of such difference. If, after the receipt by the Employee of an amount advanced by the Company pursuant to Section 15(c), a determination is made that the Employee shall $\hbox{not be entitled to any refund with respect to such}$ claim and the Company does not notify the ${\tt Employee}$ in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

16. ENTIRE AGREEMENT

The entire understanding and agreement between the parties has been incorporated into this Agreement, and this Agreement supersedes all other agreements, negotiations, and understandings between the Employee and the Company with respect to the employment of the Employee by the Company (including any prior employment agreements or change in control agreements between the Employee and the Company). This Agreement may not be amended orally, but only by an agreement in writing signed by both parties.

17. GOVERNING LAW

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Nevada. It is intended by the parties that this Agreement be interpreted in accordance with its fair and simple meaning, not for or against either party, and neither party shall be deemed to be the drafter of this Agreement.

18. CAPTIONS; COUNTERPARTS

The section headings and captions included herein are for convenience and shall not constitute a part of this Agreement.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same Agreement.

19. FUNDING OF CERTAIN SEVERANCE BENEFITS

The method of providing funding for the amounts payable under Section 9(c) (v) shall be by way of a Rabbi Trust. Such trust shall be established by the Company upon a Change in Control with either (i) a major bank located in a major city of the United States or (ii) any other party located in a major city of the United States that may be granted corporate trustee powers under state law, in favor of the Employee. Such trust shall not be revocable and shall continue until such trust is terminated in accordance with the termination provisions set forth in the Trust Agreement described in Section 9(c) (v).

20. SEVERABILITY

If any portion or provision of this Agreement is determined by arbitration or by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remaining portions or provisions hereof shall not be affected.

IN WITNESS WHEREOF, this Employment Agreement has been executed by the parties hereto as of the date first written above.

SOUTHWEST GAS CORPORATION

By:
Print Name:
Its:

THE EMPLOYEE

[Employee]

Significant terms of employment and change in control agreements by individual officer. $% \left(1\right) =\left(1\right) +\left(1\right) +\left($

	Minimum annual base salary	Incentive compensation percentage	Additional SERP points	Severance benefits maximum months	Change in control lump-sum salary benefit
Michael O. Maffie	\$ 475,000	90%	15 points	36 months	36 months
George C. Biehl	\$ 220,000	60%	15 points	18 months	30 months
James P. Kane	\$ 150,000	60%	10 points	18 months	30 months
James F. Lowman	\$ 165,000	60%	10 points	18 months	24 months
Dudley J. Sondeno	\$ 164,000	60%	10 points	18 months	24 months
Edward S. Zub	\$ 172 , 000	60%	10 points	18 months	30 months
Thomas J Armtrong	\$ 143,000	60%	10 points	18 months	24 months

FORM OF CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT (this "AGREEMENT") entered into as of the 1st day of July, 1998 between SOUTHWEST GAS CORPORATION, a California corporation (the "COMPANY"), and ______ (the "EMPLOYEE").

DEFINITIONS

For the purposes of this Agreement:

- (a) The term "COMPANY" shall include any corporate successor to the business presently conducted by the Company.
- (b) The term "SUBSIDIARY" shall mean any corporation, partnership, joint venture or other entity in which the Company has a 50% or greater equity interest.
- (c) "PERMANENT DISABILITY" shall mean that because of physical or mental illness or disability, the Employee shall have been continuously unable to perform the essential functions of his job (as those functions are described herein) with or without reasonable accommodation for a consecutive period of at least six months.
- (d) "CAUSE" shall mean (i) any material breach by the Employee of his material duties and obligations as an employee of the Company (as such duties and obligations may be assigned by the Board or by the President and CEO of the Company) which is not cured within 60 days after written notice of such breach by the Company to the Employee, (ii) conviction of the Employee of a felony or crime involving moral turpitude (meaning a crime that necessarily includes the commission of an act of gross depravity, dishonesty or bad morals), or (iii) any acts or wilful malfeasance or gross negligence in a matter of material importance to the Company.
- (e) "BOARD" shall mean the Board of Directors of the Company.

2. TERM OF AGREEMENT

The initial term of this Agreement shall be 24 months, commencing on the date first written above. If a Change in Control (as hereinafter defined) occurs, the term of this Agreement shall be extended for a period of 24 months from the date of the Change in Control. Unless within 60 days prior to any anniversary date of this Agreement (or, if a Change in Control has occurred, the second anniversary of such Change in Control and any succeeding anniversary thereof), the Company (or the Employee) gives written notice to the Employee (or the Company) of the termination of this Agreement as of the then applicable expiration date, then the term of this Agreement shall automatically be extended for an additional 12 months.

CONFIDENTIALITY

The Employee acknowledges that during his employment by, and as a result of his relationship with, the Company he will obtain knowledge of and gain access to information regarding the Company's business, operations, products, proposed products, production methods, processes, customer lists, advertising, marketing and promotional plans and materials, price lists, pricing policies, financial information and other trade secrets, confidential information and material proprietary to the Company or designated as being confidential by the Company which is not generally known to non-Company personnel, including information and material originated, discovered or developed in whole or in part by the Employee (collectively referred to herein as "CONFIDENTIAL INFORMATION"). The Employee agrees that during the term of this Agreement and, to the fullest extent permitted by law thereafter, he will, in a fiduciary capacity for the benefit of the Company, hold all Confidential Information strictly in confidence and will not directly or indirectly reveal, report, disclose, publish or transfer any of such Confidential Information to any person, firm or other entity, or utilize any of the Confidential Information for any purpose, except in furtherance of his employment by the Company.

The Employee agrees that upon the expiration of this Agreement or any earlier termination of his employment, he will immediately surrender and return to the Company all lists, books, records and other Confidential Information of the Company, or obtained in connection with the Company's business, it being expressly acknowledged by the Employee that all such items are the exclusive property of the Company, and all other property belonging to the Company then in the possession of the Employee, and the Employee shall not make or retain any copies thereof.

4. CHANGE IN CONTROL OF THE COMPANY

The Board recognizes that the continuing possibility of a change in control of the Company is unsettling to the Employee and other officers of the Company. Therefore, the arrangements set forth below are being made to help assure a continuing dedication by the Employee to his duties to the Company, notwithstanding the occurrence or potential occurrence of a change in control. In particular, the Board believes it important, should the Company receive proposals from third parties with respect to its future, to enable the Employee, without being influenced by the uncertainties of his own situation, to assess and advise the Board whether such proposals would be in the best interests of the Company and its shareholders and to take such other action regarding such proposals as the Board might determine to be appropriate. The Board also wishes to demonstrate to officers of the Company that the Company is concerned with the welfare of its officers and intends to see that loyal officers are treated fairly.

In view of the foregoing and in further consideration of the Employee's continued employment with the Company, the Company agrees as follows:

(a) Limited Right to Receive a Severance Benefit. The Employee shall be entitled to the severance benefits provided in Section 4(c) if, within 24 months after a Change in Control: (i) the Employee terminates his employment with the Company for Good Reason, provided he terminates his employment within 120 days following the

occurrence of any of the events specified in Section 4(b) (ii); or (ii) the Employee's employment is terminated by the Company for any reason other than (A) the Employee's death, (B) the Employee's Permanent Disability, or (C) Cause.

Following a Change in Control, any termination by the Employee for Good Reason or any termination by the Company for Permanent Disability or for Cause shall be accompanied or preceded by a notice to the other party hereto which shall set forth in reasonable detail the facts and circumstances claimed as a basis for such termination.

- (b) Certain Additional Definitions. For purposes of this Agreement:
 - (i) Change in Control. The term "CHANGE IN CONTROL" shall mean any of the following:
 - (A) Approval by the shareholders of the Company of the dissolution or liquidation of the Company;
 - (B) Approval by the shareholders of the Company of an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities that are not Subsidiaries, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity immediately after the reorganization are, or will be, owned, directly or indirectly, by shareholders of the Company immediately before such reorganization $% \left(1\right) =\left(1\right) \left(1\right)$ (assuming for purposes of such determination that there is no change in the record ownership of the Company's securities from the record date for such approval until such reorganization and that such record owners hold no securities of the other parties to such reorganization, but including in such determination any securities of the other parties to such reorganization held by affiliates of the Company);
 - (C) Approval by the shareholders of the Company of the sale of substantially all of the Company's business and/or assets to a person or entity which is not a Subsidiary;
 - (D) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 20% of the combined voting power of the Company's then outstanding securities entitled to then vote generally in the election of directors of the Company; or

- (E) During any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board cease to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each new Board member was approved by a vote of at least three-fourths of the Board members then still in office who were Board members at the beginning of such period (including for these purposes, new members whose election was so approved).
- (ii) Good Reason. For purposes of this Agreement, "GOOD REASON" shall mean:
 - (A) Without the Employee's express written consent, the assignment to him of any duties inconsistent with his positions, duties, authority, responsibilities and status with the Company immediately prior to the Change in Control; or a demotion or a change in the Employee's titles or offices as in effect immediately prior to the Change in Control; or any removal of the Employee from or any failure to re-elect him to any of such positions; except in connection with the termination of the Employee's employment for Cause, Permanent Disability or retirement or as a result of his death or by him other than for Good Reason;
 - (B) A reduction by the Company in the Employee's base salary as in effect on the date of the Change in Control;
 - (C) The failure by the Company to continue at levels in existence immediately prior to the Change in Control any thrift, incentive or compensation plan, or any pension, life insurance, health and accident or disability plan in which the Employee participated immediately prior to the Change in Control, provided that the Company may adopt substantially similar plans that provide benefits at levels no less than those in existence immediately prior to the Change in Control; or the taking of any action by the Company which would adversely affect the Employee's participation in or materially reduce his aggregate benefits under all of such plans, when taken together, or deprive him of any material fringe benefit enjoyed by him at the time of the Change in Control (except for the acceleration of the termination dates of options, awards and rights as contemplated by this Agreement).
 - (D) The assignment of the Employee without his consent to a new work location which would require a round-trip commute

to work from the Employee's residence immediately prior to the Change in Control of more than 40 miles per day.

- (c) Effect of Termination. If the Employee is entitled to receive a severance benefit pursuant to Section 4(a), the Company will provide the Employee with only the following severance benefits:
 - (i) Any restricted stock awards, stock options or stock appreciation rights to purchase or relating to Common Stock of the Company held by the Employee on the date the Company or the Employee terminates the Employee's employment or gives notice of such termination, whichever first occurs (the "TERMINATION DATE"), which are not then currently vested or exercisable shall on such date automatically become vested or exercisable and shall remain exercisable for 90 days thereafter (subject to any fixed term of such award, option or right set forth in the document evidencing such award, option or right);
 - (ii) A lump sum severance payment equal to: (A) 24 months of the Employee's base salary in effect as of the Termination Date (or, if greater, in effect on the date of the Change in Control); (B) 24 months incentive compensation calculated as 40% of the amount payable pursuant to clause (A); and (C) 24 months fringe benefits calculated as 20% of the amount payable pursuant to clause (A);
 - (iii) The Company shall pay the Employee's normal business expenses incurred through the date the Employee's employment terminates (except with respect to seminars or travel as provided below), including automobile, plus any conventions, seminars or travel either incurred prior to the applicable date of termination or scheduled at the time of notification of termination; and
 - (iv) Any benefits under the DCP and the SERP which are fully vested on the date the Employee's employment terminates, in accordance with applicable payment schedules and any applicable elections; provided, however that the Employee shall receive additional benefits under the SERP such that the Employee will be permitted to add to the formula for purposes of eligibility for benefits, vesting and calculation of benefits, 10 points which, at the election of the Employee, may be applied either to an age assumption or continuous length of service assumption (e.g., if an officer is 50 and has 20 years of service, he could allocate the points so that for purposes of eligibility, vesting and calculation of benefits, he is age 55 and has 25 years of service); such amounts having been deposited with a trustee under an appropriate Trust Agreement providing for a socalled Rabbi Trust Arrangement pursuant to I.R.S. Rev. Proc. 92-64, as described in Section 19.

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The Company reserves the right to modify, suspend, or discontinue any or all of its benefit programs at any time without recourse by the Employee (subject to Section 4(b) (ii) (C)).

ARBITRATION AND LITTIGATION

In the event that, following a Change in Control, the Company terminates $% \left(1\right) =\left(1\right) \left(1\right) \left$ the Employee by reason of his Permanent Disability or for Cause and the Employee disputes the accuracy of the assertion of Permanent Disability or Cause, or in the event that, following a Change in Control, the Employee terminates his employment for Good Reason and the Company disputes the accuracy of such assertion of Good Reason, or in the event either party disputes the occurrence of a Change in Control, such dispute shall be resolved through final and binding arbitration in Clark County, Nevada in accordance with the then current commercial arbitration rules of the American Arbitration Association ("ASSOCIATION") or its successor, provided the Employee or the Company files a written demand for arbitration at a regional office of the Association within 30 calendar days following the date the Employee notifies the Company that he disputes the accuracy of the assertion of Permanent Disability or Cause or Change in Control, or the Company notifies the Employee that it disputes the accuracy of the assertion of Good Reason or Change in Control. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on the dispute in question would be barred by any applicable statute of limitations. In the event the Arbitrator finds that a Change in Control has occurred and the termination by the Company was not for Permanent Disability or not for Cause or that the termination by the Employee was for Good Reason, the Employee shall not be entitled to reinstatement, but shall be entitled to the appropriate benefits under Section 4 and payment of his reasonable legal expenses in such arbitration. Any reasonableness of costs and expenses shall be determined by the arbitrator.

Should the Employee at any time bring suit against the Company for breach of this Agreement (not including any matter required to be submitted to arbitration pursuant to the foregoing provisions of this Section 5) and obtain judgment in his favor, the Company shall pay his reasonable legal expenses and costs of suit. The provisions of this Section 5 shall in no way limit the right of any party to exercise self-help remedies or to obtain provisional or ancillary relief from a court of competent jurisdiction before, after, or during the pendency of any arbitration proceeding. The exercise of such remedy shall not waive the right of any party to resort to arbitration. The parties each acknowledge and agree that to any extent any legal proceeding other than arbitration is permitted in this Section 5, the Superior Court of the State of Nevada in and for Clark County, and the associated federal and appellate courts, shall have exclusive jurisdiction over such legal proceedings.

Except as may be necessary to enter judgment upon the award or to the extent required by applicable law, all claims, defenses and proceedings (including, without limiting the generality of the foregoing, the existence of the controversy and the fact that there is an arbitration proceeding) shall be treated in a confidential manner by the arbitrator, the parties and their counsel, and each of their agents and employees, and all others acting on behalf or in concert with them. Without limiting the generality of the

foregoing, no one shall divulge to any third party or person not directly involved in the arbitration, the contents of the pleadings, papers, orders, hearings, trials, or awards in the arbitration, except as may be necessary to enter judgment upon an award as required by applicable law. Any court proceedings relating to the arbitration hereunder, including, without limiting the generality of the foregoing, to prevent or compel arbitration to perform, correct, vacate or otherwise enforce an arbitration award, shall be filed under seal with the court, to the extent permitted by law.

BENEFIT AND BINDING EFFECT

This Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any corporation, person or other entity which may acquire all or substantially all of the assets and business of the Company or any corporation with or into which the Company may be consolidated or merged and the Employee, his heirs, executors, administrators and legal representatives, provided that the obligations of the Employee hereunder may not be delegated.

7. OTHER AGREEMENTS

In the event the Company shall elect to insure all or part of its health and long-term disability benefits, the Employee shall submit to such reasonable physical examination as the Company may request.

Provided that the Company duly performs all of its obligations (if any) arising by virtue of this Agreement, the Employee will not publicly disparage the Company or its officers, directors, employees or agents and will refrain from any action which would reasonably be expected to cause material adverse public relations or embarrassment to the Company or to any of such persons. The preceding sentence shall not apply to disclosures required by applicable law, regulation or order of a court or governmental agency.

The Company may withhold from any amounts payable under this Agreement all federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

8. NOTICES

All notices or other communications relating to this Agreement shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid and return receipt requested, to the party concerned at the address set forth below:

If to the Company, to: Southwest Gas Corporation $$5241\ \mathrm{Spring}\ \mathrm{Mountain}\ \mathrm{Road}$$ Las Vegas, Nevada 89101

Attn: General Counsel

Either party may change the address to which notices are to be sent to it by giving 10 days written notice of such change of address to the other party in the manner provided above for giving notice. Notices will be considered delivered on the date of personal delivery or on the date of deposit in the United States mail in the manner provided for giving notice by mail.

PARACHUTE PAYMENTS

- (a) In the event that any payment or distribution by the Company to or $\ensuremath{\text{\text{o}}}$ for the benefit of the Employee (whether paid or payable or distributed or distributable pursuant to the terms of this $\ensuremath{\mathsf{Agreement}}$ or otherwise, but determined without regard to any additional payments under this Section 9(a)) (a "PAYMENT") is determined to be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "CODE"), or any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "EXCISE TAX"), then the Company shall pay to the Employee an additional payment (a "GROSS-UP PAYMENT") in an amount such that after payment by the Employee of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.
- (b) Subject to the provisions of Section $9\,\mbox{(c)}$, all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm which is satisfactory to the Company (the "ACCOUNTING FIRM"), which shall provide detailed supporting calculations both to the Company and the Employee within $15\ \mathrm{business}$ days after such determinations are requested by the Employee or the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9(b), shall be paid by the Company to the Employee within five days after the Company's receipt of the Accounting Firm's determination. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("UNDERPAYMENT"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Employee thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment

that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee.

- (c) The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim, and the date on which such claim is requested to be paid. The Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Employee in writing prior to the expiration of such period that it desires to contest such claim, the Employee shall:
 - (i) give the Company any information reasonably requested by the Company relating to such claim,
 - (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
 - (iii) cooperate with the Company in good faith in order to contest such claim effectively, and $% \left(1\right) =\left(1\right) \left(1\right)$
 - (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the

Employee, on an interest-free basis and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Employee with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Employee of an amount advanced by the Company pursuant to Section 9(c) the Employee becomes entitled to receive any refund with respect to such claim, or if the actual amount of the Excise Tax is less than the amount of the Gross-Up Payment, the Employee shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto) or the amount of such difference. If, after the receipt by the Employee of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. ENTIRE AGREEMENT

The entire understanding and agreement between the parties has been incorporated into this Agreement, and this Agreement supersedes all other agreements, negotiations, and understandings between the Employee and the Company with respect to the Employee's rights in the event of a change in control of the Company (including any prior change in control agreements between the Employee and the Company). This Agreement may not be amended orally, but only by an agreement in writing signed by both parties.

11. GOVERNING LAW

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Nevada. It is intended by the parties that this Agreement be interpreted in accordance with its fair and simple meaning, not for or against either party, and neither party shall be deemed to be the drafter of this Agreement.

Prior to a Change in Control, nothing in this Agreement shall confer upon the Employee any right to continue in the employ or other service of the

Company or constitute any contract or agreement of employment or service, nor shall interfere in any way with the right of the Company to change Employee's compensation or other benefits or to terminate the employment of the Employee, with or without cause; and, following a Change in Control, the Employee's only rights under this Agreement shall be to receive those benefits provided for in Section 4(c) following a termination described in Section 4(a).

12. CAPTIONS; COUNTERPARTS

The section headings and captions included herein are for convenience and shall not constitute a part of this Agreement.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same Agreement.

13. FUNDING OF CERTAIN SEVERANCE BENEFITS

The method of providing funding for the amounts payable under Section $4\,(c)\,(v)$ shall be by way of a Rabbi Trust. Such trust shall be established by the Company upon a Change in Control with either (i) a major bank located in a major city of the United States or (ii) any other party located in a major city of the United States that may be granted corporate trustee powers under state law, in favor of the Employee. Such trust shall not be revocable and shall continue until such trust is terminated in accordance with the termination provisions set forth in the Trust Agreement described in Section $4\,(c)\,(v)$.

14. SEVERABILITY

If any portion or provision of this Agreement is determined by arbitration or by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remaining portions or provisions hereof shall not be affected.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date first written above. $\,$

SOUTHWEST GAS CORPORATION

Michael O. Maffie
Its: President and Chief Executive Officer

THE EMPLOYEE

[Employee]

12

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

For the Twelve Months Ended

	September 30,						December 31,					
	1998				1996		1995					1993
Continuing operations 1. Fixed charges:												
A) Interest expense B) Amortization C) Interest portion of rentals D) Preferred securities distributions		1,215 7,058		1,164 6,973		54,674 1,494 6,629 5,475		1,569 4,435		1,426 4,743		1,330 4,556
Total fixed charges	\$		\$	76,859	\$	68 , 272	\$	59 , 761	\$	54,857		46 , 769
 Earnings (as defined): Pretax income from continuing operations Fixed Charges (1. above) 						10,448 68,272						
Total earnings as defined	 \$		\$		 \$		\$	63,254	 \$		\$	68,728
3. Ratio of earnings to fixed charges		1.88		1.28		1.15		1.06		1.69	==:	1.47

For the Twelve Months E	Ended
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	September 30,					December 31,							
		1998		1997	 1996		1995		1994		1993		
Adjusted for interest allocated to discontinued operations 1. Fixed charges: A) Interest expense B) Amortization C) Interest portion of rentals D) Preferred securities distributions E) Allocated interest [1]	\$	64,490 1,215 7,058 5,475	\$	63,247 1,164 6,973 5,475	\$ 54,674 1,494 6,629 5,475	\$	52,844 1,569 4,435 913 9,636	\$	48,688 1,426 4,743 - 7,874	\$	40,883 1,330 4,556 - 7,874		
Total fixed charges	\$	78,238	\$	76 , 859	\$ 68,272	\$	69 , 397	\$	62,731	\$	54,643		
 Earnings (as defined): F) Pretax income from continuing operations Fixed Charges (1. above) 	\$	68,593 78,238	\$	21,328 76,859	\$ 10,448 68,272	\$	3,493 69,397	\$	38,119 62,731	\$	21,959 54,643		
Total earnings as defined		146,831	\$	98,187	\$ 78,720	\$	72,890	\$	100,850	\$	76,602		
3. Ratio of earnings to fixed charges		1.88		1.28	 1.15		1.05		1.61		1.40		

^[1] Represents allocated interest through the period ended December 31, 1995. Carrying costs for the period subsequent to year end through the disposition of the discontinued operations were accrued and recorded as disposal costs.

/TABLE

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

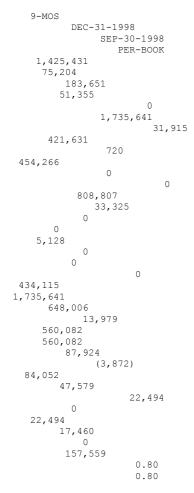
For the Twelve Months Ended

			December 31,			
	1998	1997	1996	1995	1994	1993
Continuing operations 1. Combined fixed charges: A) Total fixed charges B) Preferred dividends [1]	\$ 78,238 - 	\$ 76,859 - 	\$ 68,272 -	\$ 59,761 404 	\$ 54,857 826 	\$ 46,769 1,183
Total fixed charges and preferred dividends	\$ 78,238	\$ 76,859	\$ 68,272	\$ 60,165	\$ 55,683	\$ 47,952
2. Earnings	\$ 146,831 ========	\$ 98,187	\$ 78,720 =======	\$ 63,254 =======	\$ 92,976 =======	\$ 68,728
3. Ratio of earnings to fixed charges and preferred dividends	1.88	1.28	1.15	1.05	1.67	1.43
For the Twelve Months						
	September 30, 1998			December	1994	1993
Adjusted for interest allocated to discontinued operations 1. Combined fixed charges: A) Total fixed charges B) Preferred dividends [1]	\$ 78,238 - 	\$ 76,859 - 	\$ 68,272 -	\$ 69,397 404	\$ 62,731 826	\$ 54,643 1,183
Total fixed charges and preferred dividends	\$ 78,238	\$ 76,859	\$ 68,272	\$ 69,801	\$ 63,557	\$ 55,826
2. Earnings	\$ 146,831 =======	\$ 98,187 ======	\$ 78,720 ======	\$ 72,890 ======	\$ 100,850 ======	\$ 76,602 ======
3. Ratio of earnings to fixed charges and preferred dividends	1.88	1.28	1.15	1.04	1.59	1.37

^[1] Preferred and preference dividends have been adjusted to represent the pretax earnings necessary to cover such dividend requirements. / TABLE

This schedule contains summary financial information extracted from Southwest Gas Corporation's Form 10-Q for the quarter ended September 30, 1998 and is qualified in its entirety by reference to such financial statements.

1,000



Includes: trust originated preferred securities of \$60,000, current liabilities, net of current long-term debt maturities and short-term debt, of \$149,460, and deferred income taxes and other credits of \$224,655.

Includes distributions related to trust originated preferred securities of \$4,106.