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

Form 10-Q

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

For the quarterly period ended June 30, 2004

Commission File Number 1-7850

SOUTHWEST GAS CORPORATION

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

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

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

89193-8510
(Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Common Stock, \$1 Par Value, 35,293,916 shares as of August 2, 2004.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Thousands of dollars, except par value)

JUNE 30, 2004	DECEMBER 31, 2003
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ASSETS

(Unaudited)

Utility plant:		
Gas plant	\$ 3,142,805	\$ 3,035,969
Less: accumulated depreciation	(941,670)	(896,309)
Acquisition adjustments, net	2,443	2,533
Construction work in progress	29,814	33,543
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Net utility plant	2,233,392	2,175,736
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Other property and investments	93,016	87,443
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Current assets:		
Cash and cash equivalents	10,800	17,183
Accounts receivable, net of allowances	95,532	126,783
Accrued utility revenue	30,300	66,700
Deferred income taxes	--	6,914
Deferred purchased gas costs	51,268	9,151
Prepays and other current assets	52,420	54,356
	<hr/>	<hr/>
Total current assets	240,320	281,087
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Deferred charges and other assets	63,252	63,840
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Total assets	\$ 2,629,980	\$ 2,608,106

CAPITALIZATION AND LIABILITIES

Capitalization:		
Common stock, \$1 par (authorized - 45,000,000 shares; issued and outstanding - 35,151,420 and 34,232,098 shares)	\$ 36,781	\$ 35,862
Additional paid-in capital	527,949	510,521
Retained earnings	102,401	84,084
	<hr/>	<hr/>
Total equity	667,131	630,467
Subordinated debentures due to Southwest Gas Capital II	100,000	100,000
Long-term debt, less current maturities	1,125,767	1,121,164
	<hr/>	<hr/>
Total capitalization	1,892,898	1,851,631
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Current liabilities:		
Current maturities of long-term debt	6,977	6,435
Short-term debt	54,000	52,000
Accounts payable	63,882	110,114
Customer deposits	46,968	44,290
Accrued general taxes	32,860	32,466
Accrued interest	19,321	19,665
Deferred income taxes	2,892	--
Other current liabilities	45,476	45,442
	<hr/>	<hr/>
Total current liabilities	272,376	310,412
	<hr/>	<hr/>
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	285,592	277,332
Taxes payable	6,895	6,661
Accumulated removal costs	77,000	68,000
Other deferred credits	95,219	94,070
	<hr/>	<hr/>
Total deferred income taxes and other credits	464,706	446,063
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Total capitalization and liabilities	\$ 2,629,980	\$ 2,608,106

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 JUNE 30,		SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003	2004	2003
Operating revenues:						
Gas operating revenues	\$ 226,756	\$ 205,382	\$ 660,540	\$ 565,365	\$ 1,129,528	\$ 1,013,635
Construction revenues	51,941	50,470	91,557	93,772	194,436	205,787
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	278,697	255,852	752,097	659,137	1,323,964	1,219,422

Operating expenses:						
Net cost of gas sold	111,114	93,038	347,712	286,510	543,705	470,604
Operations and maintenance	70,687	64,433	140,668	130,490	277,040	264,343
Depreciation and amortization	36,058	33,526	72,142	66,838	141,743	134,011
Taxes other than income taxes	9,589	9,155	19,498	18,455	36,953	35,211
Construction expenses	45,295	43,911	80,321	82,741	171,765	182,012
Total operating expenses	272,743	244,063	660,341	585,034	1,171,206	1,086,181
Operating income	5,954	11,789	91,756	74,103	152,758	133,241
Other income and (expenses):						
Net interest deductions	(18,799)	(19,537)	(37,543)	(39,774)	(74,875)	(79,819)
Net interest deductions on subordinated debentures	(1,931)	--	(3,861)	--	(6,541)	--
Preferred securities distributions	--	(1,369)	--	(2,738)	(1,442)	(5,475)
Other income (deductions)	1,032	1,614	1,176	1,597	3,824	13,981
Total other income and (expenses)	(19,698)	(19,292)	(40,228)	(40,915)	(79,034)	(71,313)
Income (loss) before income taxes	(13,744)	(7,503)	51,528	33,188	73,724	61,928
Income tax expense (benefit)	(5,382)	(3,399)	18,846	11,753	23,975	18,814
Net income (loss)	\$ (8,362)	\$ (4,104)	\$ 32,682	\$ 21,435	\$ 49,749	\$ 43,114
Basic earnings (loss) per share	\$ (0.24)	\$ (0.12)	\$ 0.95	\$ 0.64	\$ 1.45	\$ 1.29
Diluted earnings (loss) per share	\$ (0.24)	\$ (0.12)	\$ 0.94	\$ 0.63	\$ 1.44	\$ 1.28
Dividends paid per share	\$ 0.205	\$ 0.205	\$ 0.41	\$ 0.41	\$ 0.82	\$ 0.82
Average number of common shares outstanding	34,741	33,665	34,576	33,552	34,269	33,346
Average shares outstanding (assuming dilution)	--	--	34,825	33,789	34,556	33,612

The accompanying notes are an integral part of these statements.

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

	SIX MONTHS ENDED		TWELVE MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2004	2003	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	\$ 32,682	\$ 21,435	\$ 49,749	\$ 43,114
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	72,142	66,838	141,743	134,011
Deferred income taxes	18,066	9,311	52,899	18,290
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	31,251	44,343	(8,676)	9,407
Accrued utility revenue	36,400	36,173	(1,400)	(926)
Deferred purchased gas costs	(42,117)	7,219	(85,317)	14,158
Accounts payable	(46,232)	(36,250)	11,604	(863)
Accrued taxes	628	1,426	(1,184)	2,020
Other current assets and liabilities	4,001	9,504	(3,811)	(2,628)
Other	(777)	(6,828)	5,042	(12,108)
Net cash provided by operating activities	106,044	153,171	160,649	204,475
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(126,227)	(100,893)	(266,005)	(260,974)
Other	2,823	3,307	(18,699)	14,775
Net cash used in investing activities	(123,404)	(97,586)	(284,704)	(246,199)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	18,347	9,245	30,392	17,265
Dividends paid	(14,176)	(13,759)	(28,102)	(27,346)
Issuance of subordinated debentures, net	--	--	96,312	--
Issuance of long-term debt, net	8,000	164,513	3,484	167,151
Retirement of long-term debt, net	(3,194)	(134,419)	(8,788)	(139,008)
Retirement of preferred securities	--	--	(60,000)	--
Temporary changes in long-term debt	--	(37,000)	37,000	30,000
Change in short-term debt	2,000	(53,000)	54,000	(1,500)

Net cash provided by (used in) financing activities	10,977	(64,420)	124,298	46,562
Change in cash and cash equivalents	(6,383)	(8,835)	243	4,838
Cash at beginning of period	17,183	19,392	10,557	5,719
Cash at end of period	\$ 10,800	\$ 10,557	\$ 10,800	\$ 10,557
Supplemental information:				
Interest paid, net of amounts capitalized	\$ 40,317	\$ 40,281	\$ 78,597	\$ 79,773
Income taxes paid (received), net	118	(1,071)	(25,544)	(705)

The accompanying notes are an integral part of these statements.

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Note 1 — Summary of Significant Accounting Policies

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. The public utility rates, practices, facilities, and service territories of Southwest are subject to regulatory oversight. The timing and amount of rate relief can materially impact results of operations. Natural gas sales are seasonal, peaking during the winter months. Variability in weather from normal temperatures can materially impact results of operations. Natural gas purchases and the timing of related recoveries can materially impact liquidity. Northern Pipeline Construction Co. (“NPL” or the “construction services” segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

Basis of Presentation. The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles 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 consolidated financial statements and the notes thereto included in the 2003 Annual Report to Shareholders, which is incorporated by reference into the 2003 Form 10-K and the first quarter 2004 Form 10-Q.

Intercompany Transactions. NPL recognizes revenues generated from contracts with Southwest (see **Note 2** below). Accounts receivable for these services were \$6.9 million at June 30, 2004 and \$5.8 million at December 31, 2003. The accounts receivable balance, revenues, and associated profits are included in the consolidated financial statements of the Company and were not eliminated during consolidation in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 71, “Accounting for the Effects of Certain Types of Regulation.”

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Stock-Based Compensation. The Company has two stock-based compensation plans, which are described more fully in **Note 9 — Employee Benefits** in the 2003 Annual Report to Shareholders. These plans are accounted for in accordance with Accounting Principles Board (“APB”) Opinion No. 25 “Accounting for Stock Issued to Employees” and related interpretations. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provision of SFAS No. 123 “Accounting for Stock-Based Compensation” to its stock-based employee compensation (thousands of dollars, except per share amounts):

	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2004	2003	2004	2003	2004	2003
Net income (loss), as reported	\$ (8,362)	\$ (4,104)	\$ 32,682	\$ 21,435	\$ 49,749	\$ 43,114
Add:						
Stock-based employee compensation expense included in reported net income (loss), net of related tax benefits	499	428	888	912	2,414	1,803
Deduct:						
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax benefits	(699)	(553)	(1,206)	(1,162)	(2,964)	(2,188)
Pro forma net income (loss)	\$ (8,562)	\$ (4,229)	\$ 32,364	\$ 21,185	\$ 49,199	\$ 42,729
Earnings (loss) per share:						
Basic - as reported	\$ (0.24)	\$ (0.12)	\$ 0.95	\$ 0.64	\$ 1.45	\$ 1.29
Basic - pro forma	(0.25)	(0.13)	0.94	0.63	1.44	1.28

Diluted - as reported	(0.24)	(0.12)	0.94	0.63	1.44	1.28
Diluted - pro forma	(0.25)	(0.13)	0.93	0.63	1.42	1.27

Components of Net Periodic Benefit Cost. Southwest has a noncontributory qualified retirement plan with defined benefits covering substantially all employees. Southwest also provides postretirement benefits other than pensions ("PBOP") to its qualified retirees for health care, dental, and life insurance benefits.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("Medicare Act") was signed into law. The Medicare Act includes a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans which have a benefit at least actuarially equivalent to that included in the Medicare Act. The Company makes fixed contributions for health care benefits of employees who retire after 1988, but pays up to 100 percent of covered health care costs for employees who retired prior to 1989. A prescription drug benefit is provided for the approximately 100 pre-1989 retirees. The Company elected to defer recognizing the effects of the Medicare Act until authoritative guidance on the accounting for the federal subsidy was issued. Recently, authoritative accounting guidance was issued and an actuary determined the Company's prescription drug benefit is not actuarially equivalent to that included in the Medicare Act. Therefore, neither plan assets nor Company operating results will be affected.

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In December 2003, the Financial Accounting Standards Board issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" requiring interim financial statement disclosure for defined benefit plans. The following disclosures reflect the new requirements for interim reporting (thousands of dollars):

Components of Net Periodic Benefit Cost

	Qualified Retirement Plan					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2004	2003	2004	2003	2004	2003
Service cost	\$ 3,447	\$ 3,067	\$ 6,895	\$ 6,134	\$ 13,028	\$ 11,927
Interest cost	5,915	5,312	11,830	10,622	22,451	20,906
Expected return on plan assets	(7,017)	(6,805)	(14,034)	(13,609)	(27,642)	(27,198)
Amortization of prior service costs	14	14	27	28	56	56
Amortization of unrecognized transition obligation	--	199	--	398	397	817
Amortization of net (gain) loss	--	--	--	--	--	(104)
Net periodic benefit cost	\$ 2,359	\$ 1,787	\$ 4,718	\$ 3,573	\$ 8,290	\$ 6,404

	PBOP					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2004	2003	2004	2003	2004	2003
Service cost	\$ 180	\$ 170	\$ 361	\$ 338	\$ 698	\$ 636
Interest cost	546	524	1,091	1,048	2,138	2,044
Expected return on plan assets	(357)	(302)	(714)	(603)	(1,316)	(1,195)
Amortization of prior service costs	--	--	--	--	--	--
Amortization of unrecognized transition obligation	217	217	434	434	867	867
Amortization of net (gain) loss	53	64	106	128	235	128
Net periodic benefit cost	\$ 639	\$ 673	\$ 1,278	\$ 1,345	\$ 2,622	\$ 2,480

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Note 2 – Segment Information

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

	Natural Gas Operations	Construction Services	Total
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Three months ended June 30, 2004

Revenues from external customers	\$ 226,756	\$ 36,630	\$ 263,386
Intersegment revenues	--	15,311	15,311
Total	\$ 226,756	\$ 51,941	\$ 278,697
Segment net income	\$ (10,610)	\$ 2,248	\$ (8,362)
Three months ended June 30, 2003			
Revenues from external customers	\$ 205,382	\$ 36,057	\$ 241,439
Intersegment revenues	--	14,413	14,413
Total	\$ 205,382	\$ 50,470	\$ 255,852
Segment net income	\$ (5,755)	\$ 1,651	\$ (4,104)
	Natural Gas Operations	Construction Services	Total
Six months ended June 30, 2004			
Revenues from external customers	\$ 660,540	\$ 63,022	\$ 723,562
Intersegment revenues	--	28,535	28,535
Total	\$ 660,540	\$ 91,557	\$ 752,097
Segment net income	\$ 29,946	\$ 2,736	\$ 32,682
Six months ended June 30, 2003			
Revenues from external customers	\$ 565,365	\$ 64,492	\$ 629,857
Intersegment revenues	--	29,280	29,280
Total	\$ 565,365	\$ 93,772	\$ 659,137
Segment net income	\$ 19,581	\$ 1,854	\$ 21,435
	Natural Gas Operations	Construction Services	Total
Twelve months ended June 30, 2004			
Revenues from external customers	\$ 1,129,528	\$ 136,247	\$ 1,265,775
Intersegment revenues	--	58,189	58,189
Total	\$ 1,129,528	\$ 194,436	\$ 1,323,964
Segment net income	\$ 44,576	\$ 5,173	\$ 49,749
Twelve months ended June 30, 2003			
Revenues from external customers	\$ 1,013,635	\$ 136,758	\$ 1,150,393
Intersegment revenues	--	69,029	69,029
Total	\$ 1,013,635	\$ 205,787	\$ 1,219,422
Segment net income	\$ 38,152	\$ 4,962	\$ 43,114

Note 3 – Long-Term Debt

Effective May 2004, the Company obtained a new \$250 million three-year credit facility of which \$150 million is for working capital purposes (and related outstanding amounts will be designated as short-term debt). Interest rates for the new facility are calculated at either the London Interbank Offering Rate (“LIBOR”) plus an applicable margin, or the greater of the prime rate or one-half of one percent plus the Federal Funds rate. The new facility replaces the former \$250 million credit facility consisting of a \$125 million three-year facility and a \$125 million 364-day facility.

Note 4 – Subsequent Events

In July 2004, the Company announced an agreement with Avista Corporation (“Avista”) to purchase Avista’s natural gas distribution properties in South Lake Tahoe, California. Avista serves approximately 18,000 customers. The cash purchase price for the properties is \$15 million, subject to closing adjustments. The agreement is also subject to customary closing conditions and regulatory review, including approval by the California Public Utilities Commission (“CPUC”). Once approvals have been received, the properties will be integrated into the northern Nevada operations of Southwest, which include contiguous gas properties in the Lake Tahoe Basin. It is anticipated that Southwest will assume the rates in effect at the time of closing the purchase.

In July 2004, the Company issued \$65 million in Clark County, Nevada Industrial Development Revenue Bonds (“IDRBs”) Series 2004A, due 2034. The net proceeds from the 5.25% tax-exempt bonds will be used to finance construction

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

Executive Summary

The following discussion of Southwest Gas Corporation and subsidiaries includes information related to regulated natural gas transmission and distribution activities and non-regulated activities.

The Company is comprised of two business segments: natural gas operations and construction services. Southwest (“natural gas operations”) is engaged in the business of purchasing, transporting, and distributing natural gas in portions of Arizona, Nevada, and California. Southwest is the largest distributor in Arizona, selling and transporting natural gas in most of central and southern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor and transporter of natural gas in Nevada, serving the Las Vegas metropolitan area and northern Nevada. In addition, Southwest distributes and transports natural gas in portions of California, including the Lake Tahoe area and the high desert and mountain areas in San Bernardino County.

Southwest purchases, transports, and distributes natural gas to approximately 1,560,000 residential, commercial, industrial, and other customers, of which 55 percent are located in Arizona, 36 percent are in Nevada, and 9 percent are in California. During the twelve months ended June 30, 2004, Southwest earned 54 percent of operating margin in Arizona, 35 percent in Nevada, and 11 percent in California. During this same period, Southwest earned 86 percent of operating margin from residential and small commercial customers, 5 percent from other sales customers, and 9 percent from transportation customers. These general patterns are expected to continue.

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

Results of Consolidated Operations

	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2004	2003	2004	2003	2004	2003
<u>Contribution to net income (loss)</u> (Thousands of dollars)						
Natural gas operations	\$ (10,610)	\$ (5,755)	\$ 29,946	\$ 19,581	\$ 44,576	\$ 38,152
Construction services	2,248	1,651	2,736	1,854	5,173	4,962
Net income (loss)	\$ (8,362)	\$ (4,104)	\$ 32,682	\$ 21,435	\$ 49,749	\$ 43,114
<u>Basic earnings (loss) per share</u>						
Natural gas operations	\$ (0.30)	\$ (0.17)	\$ 0.87	\$ 0.58	\$ 1.30	\$ 1.14
Construction services	0.06	0.05	0.08	0.06	0.15	0.15
Consolidated	\$ (0.24)	\$ (0.12)	\$ 0.95	\$ 0.64	\$ 1.45	\$ 1.29

See separate discussions at **Results of Natural Gas Operations** and **Results of Construction Services**.

As reflected in the table above, the natural gas operations segment accounted for an average of 89 percent of twelve-month-to-date consolidated net income over the past two years. Accordingly, management’s main focus of discussion in this document is on that segment.

Operating margin is the measure of utility revenues less the net cost of gas sold. Management uses margin as a main benchmark in comparing operating results from period to period. The three principal factors affecting utility margin are general rate relief, weather, and customer growth.

Hearings were held in July for the March 2004 general rate applications with the Public Utilities Commission of Nevada (“PUCN”), which included a request for a total annual increase of \$27.5 million for Southwest’s southern and northern Nevada service territories. A decision by the PUCN is expected in the third quarter of 2004. (See the section on **Rates and Regulatory Proceedings** for additional information).

In May 2004, the PUCN approved a request by the Company to increase rates charged to recover purchased gas costs (“PGA rates”) in Nevada. The increase totaled \$55.4 million on an annual basis effective June 2004. PGA rates affect cash flows, but not operating margin.

Weather is a significant driver of natural gas volumes used by residential and small commercial customers and is the main reason for volatility in margin. Space heating-related volumes are the primary component of billings for these customer classes and are concentrated in the months of November to April for the majority of the Company's customers. Variances in temperatures from normal levels, especially during these months, have a significant impact on the margin and associated net income of the Company. Second quarter 2004 weather was warmer than normal as were temperatures in the second quarter of 2003. The impact on margin was a decrease of \$2 million between periods.

Customer growth, excluding acquisitions, has averaged five percent annually over the past 10 years and over four percent annually during the past three years and continues to be strong. Southwest served 83,000 more customers (including 9,000 from an acquisition) than in the second quarter of 2003. Incremental margin has accompanied this customer growth, but the costs associated with creating and maintaining the infrastructure needed to accommodate these customers also are increasing. The timing of including these costs in rates is often delayed (regulatory lag) and results in a reduction of current-period earnings. Management has attempted to mitigate the regulatory lag by being judicious in its staffing levels through the effective use of technology. Cost-curbing measures were set in place by management during 2002 and 2003. However, growth, coupled with external factors, is causing operating expenses to trend upward corresponding to the customer growth rate and inflation. Operations and maintenance expense for the second quarter and the first six months of 2004 reflects this trend. The cost of additional regulation, mandated social programs, medical costs, and pensions are some of the primary factors responsible for this trend.

Customer growth requires significant capital outlays for new transmission and distribution plant. Necessary financing of continued construction occurred during the second quarter. In April, the Company entered into a sales agency financing agreement with BNY Capital Markets, Inc. ("BNYCM") Up to an aggregate \$60 million of common stock may be issued in at-the-market offerings from time to time with BNYCM acting as agent. As of June 30, 2004, the Company had issued approximately 313,000 shares with proceeds of \$7.3 million through this facility. (See the section on **2004 Construction Expenditures and Financing** for additional information).

Results of Natural Gas Operations

Quarterly Analysis

	Three Months Ended June 30,	
	2004	2003
	(Thousands of dollars)	
Gas operating revenues	\$ 226,756	\$ 205,382
Net cost of gas sold	111,114	93,038
Operating margin	115,642	112,344
Operations and maintenance expense	70,687	64,433
Depreciation and amortization	32,266	29,532
Taxes other than income taxes	9,589	9,155
Operating income	3,100	9,224
Other income	81	1,119
Net interest deductions	18,681	19,263
Net interest deductions on subordinated debentures	1,931	--
Preferred securities distributions	--	1,369
Income (loss) before income taxes	(17,431)	(10,289)
Income tax expense (benefit)	(6,821)	(4,534)
Contribution to consolidated net income (loss)	\$ (10,610)	\$ (5,755)

Contribution from natural gas operations decreased \$4.9 million in the second quarter of 2004 compared to the same period a year ago. The decline was principally the result of increased operating costs partially offset by higher operating margin.

Operating margin increased approximately \$3 million, or three percent, in the second quarter of 2004 compared to the second quarter of 2003. Customer growth contributed an incremental \$3 million in operating margin during the quarter. Rate relief in California added \$2 million in margin, while differences in heating demand caused by weather variations between periods accounted for a \$2 million decrease, as both periods were warmer than normal. During the last twelve months, the Company added a record 74,000 customers, an increase of five percent. Another 9,000 customers were added in October 2003 with the acquisition of Black Mountain Gas Company ("BMG").

Operations and maintenance expense increased \$6.3 million, or ten percent, primarily due to the impact of general cost increases and costs associated with the continued expansion and upgrading of the gas system to accommodate customer growth. Additional factors include BMG-related operating costs, and higher employee-related and regulatory costs.

Depreciation expense and general taxes increased \$3.2 million, or eight percent, as a result of construction activities. Average gas plant in service increased \$252 million, or nine percent, as compared to the second quarter of 2003. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities, the expansion of the system to accommodate continued customer growth and the cost to acquire the BMG system.

Despite an increase in outstanding debt, net financing costs were virtually unchanged between periods due to interest savings generated from debt and preferred securities instrument refinancings and a reduction in interest costs associated with the purchased gas adjustment ("PGA") account balance.

Other income declined approximately \$1 million due to lower returns on long-term investments in the second quarter of 2004.

Six-Month Analysis

	Six Months Ended June 30,	
	2004	2003
	(Thousands of dollars)	
Gas operating revenues	\$ 660,540	\$ 565,365
Net cost of gas sold	347,712	286,510
Operating margin	312,828	278,855
Operations and maintenance expense	140,668	130,490
Depreciation and amortization	64,552	58,855
Taxes other than income taxes	19,498	18,455
Operating income	88,110	71,055
Other income	61	851
Net interest deductions	37,308	39,212
Net interest deductions on subordinated debentures	3,861	--
Preferred securities distributions	--	2,738
Income before income taxes	47,002	29,956
Income tax expense	17,056	10,375
Contribution to consolidated net income	\$ 29,946	\$ 19,581

Contribution from natural gas operations increased \$10.4 million in the first six months of 2004 compared to the same period a year ago. The improvement was principally the result of higher operating margin partially offset by increased operating costs.

Operating margin increased approximately \$34 million, or 12 percent, in the first six months of 2004 compared to the first six months of 2003. Differences in heating demand caused by weather variations between periods resulted in a \$16 million margin increase as warmer-than-normal temperatures were experienced during both periods. During the current period, operating margin was negatively impacted by \$9 million, while the negative impact in the prior period was \$25 million. Rate relief in California added \$9 million in margin and customer growth contributed an incremental \$9 million.

Operations and maintenance expense increased \$10.2 million, or eight percent, principally due to the impact of general cost increases and costs associated with the continued expansion and upgrading of the gas system to accommodate customer growth. Additional factors include BMG-related operating costs, and higher employee-related and regulatory costs.

Depreciation expense and general taxes increased \$6.7 million, or nine percent, as a result of construction activities. Average gas plant in service increased \$254 million, or nine percent, as compared to the first six months of 2003. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities, the expansion of the system to accommodate continued customer growth and the BMG system acquisition cost.

Net financing costs decreased \$781,000, or two percent, between periods primarily due to interest savings generated from the refinancing of IDRBs and preferred securities instruments and a reduction in PGA-related interest.

Twelve-Month Analysis

	Twelve Months Ended June 30,	
	2004	2003
	(Thousands of dollars)	
Gas operating revenues	\$ 1,129,528	\$ 1,013,635
Net cost of gas sold	543,705	470,604
Operating margin	585,823	543,031
Operations and maintenance expense	277,040	264,343
Depreciation and amortization	126,488	118,290
Taxes other than income taxes	36,953	35,211
Operating income	145,342	125,187
Other income	2,165	12,701
Net interest deductions	74,347	78,549
Net interest deductions on subordinated debentures	6,541	--
Preferred securities distributions	1,442	5,475

Income before income taxes	65,177	53,864
Income tax expense	20,601	15,712
Contribution to consolidated net income	\$ 44,576	\$ 38,152

Contribution to consolidated net income increased \$6.4 million in the current twelve-month period compared to the same period a year ago. The improvement in contribution was primarily caused by higher operating margin, partially offset by increased operating costs and a decline in other income.

Operating margin increased \$43 million, or eight percent, between periods. Differences in heating demand caused by weather variations between periods resulted in a \$20 million margin increase as warmer-than-normal temperatures were experienced during both periods. During the current period, operating margin was negatively impacted by \$15 million, while in the prior period the negative impact was \$35 million. Customer growth contributed an incremental \$17 million and California rate relief added \$9 million. Conservation, energy efficiency, and other factors partially offset these improvements.

Operations and maintenance expense increased \$12.7 million, or five percent, reflecting general increases in labor and maintenance costs and incremental operating expenses associated with providing service to a steadily growing customer base, partially offset by cost-curb measures in place during 2003. Going forward, operations and maintenance expenses are expected to trend upward corresponding to the customer growth rate and inflation. The cost of additional regulation, mandated social programs, medical costs, and pensions are some of the primary factors responsible for this trend.

Depreciation expense and general taxes increased \$9.9 million, or six percent, as a result of additional plant in service. Average gas plant in service for the current twelve-month period increased \$247 million, or nine 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 continued customer growth.

Other income declined \$10.5 million between periods. The prior period reflects income of \$13.6 million associated with the timing of merger-related insurance recoveries, net of costs. The current period includes a \$2.3 million improvement in returns on long-term investments.

Net financing costs decreased \$1.7 million, or two percent, primarily due to interest savings generated from the refinancing of IDRBs and preferred securities instruments.

Income tax expense in the current period includes \$2 million of income tax benefits, recognized in the fourth quarter of 2003, associated with plant-related items. The prior period included \$2.7 million of income tax benefits, recognized in the fourth quarter of 2002, associated with state taxes, plant, and non-plant related items.

Results of Construction Services

Construction services contribution to net income for the three and six months ended June 30, 2004 increased \$597,000 and \$882,000, respectively, when compared to the same periods ended June 30, 2003. The improvement resulted from favorable weather conditions in several operating areas in the first quarter and an increase in the number of jobs (including profitable bid work) obtained during the second quarter. Contribution to net income for the twelve months ended June 30, 2004 was relatively unchanged when compared to the prior twelve-month period. For additional information see **Results of Consolidated Operations**.

Rates and Regulatory Proceedings

California General Rate Cases. In March 2004, the CPUC rendered a decision on the general rate cases filed by Southwest in February 2002 for its southern and northern California jurisdictions. The CPUC approved annualized rate increases of \$3.6 million in southern California and \$3.1 million in northern California, effective May 2003, plus attrition amounts as a result of inflation and safety-related activities beginning in 2004. The CPUC decision also includes attrition allowances through 2006. There were no gas cost disallowances in the CPUC decision.

To mitigate margin volatility due to weather and other usage variations, the CPUC authorized a margin tracker that allows Southwest to record under or over-collected margin in a balancing account for recovery or refund to customers in a subsequent period. The margin recorded in the balancing account is based on the difference between earned and authorized levels.

New billing rates were put in place in mid-April 2004. Through the end of the second quarter, a total of \$9.1 million in incremental operating margin has been realized. Southwest was previously authorized by the CPUC to establish a memorandum account to track the impact of the delayed rate relief decision from May 2003 through the effective date of the general rate case. Approximately \$3.3 million of the rate relief recorded during 2004 reflects the activity in the memorandum account during 2003.

Nevada General Rate Cases. In March 2004, Southwest filed general rate applications with the PUCN, which included requests for annual increases of \$8.6 million for northern Nevada and \$18.9 million in southern Nevada. Southwest has requested increased and seasonally adjusted basic service charges to recover fixed costs and a margin-balancing account that would, if approved, mitigate margin volatility due to weather and other usage variations. Hearings were held in July with the PUCN staff and the Bureau of Consumer Protection recommending that the total increase Southwest originally requested be reduced by one-third to two-thirds. The proposed reductions from filed amounts primarily relate to differences in returns on common equity, capital structure and depreciation rates. In addition, the parties did not generally support the usage volatility mitigation proposals. A PUCN decision is expected in the third quarter of 2004. Southwest's last general rate increase occurred in 2001.

PGA Filings

The rate schedules in all of the service territories contain purchased gas adjustment (“PGA”) clauses, which permit adjustments to rates as the cost of purchased gas changes. Filings to change rates in accordance with PGA clauses are subject to audit by state regulatory commission staffs. PGA changes impact cash flows but have no direct impact on profit margin.

As of June 30, 2004 and December 31, 2003, Southwest had the following outstanding PGA balances receivable/(payable) (millions of dollars):

	June 30, 2004	December 31, 2003
Arizona	\$ 4.0	\$ (5.8)
Northern Nevada	5.1	1.7
Southern Nevada	34.7	5.1
California	7.5	8.2
	<u>\$ 51.3</u>	<u>\$ 9.2</u>

Nevada PGA Filings. As a result of increases in gas costs experienced since the last annual PGA filing in June 2003 (in addition to projected continued increases), an out-of-cycle PGA filing was made in December 2003. In May 2004, the PUCN approved a \$43.3 million annualized increase in southern Nevada and a \$12.1 million increase in northern Nevada. The new rates became effective June 2004.

In June 2004, Southwest made its annual PGA filing with the PUCN. If the PGA filing is approved by the PUCN, rates would increase \$16.3 million for customers in southern Nevada and \$2.6 million for customers in northern Nevada. Southwest has requested that the rates be effective December 2004. A PUCN decision is expected in the fourth quarter of 2004.

Other Filings

Over the past several years, the Federal Energy Regulatory Commission (the “FERC”) has examined capacity allocation issues on the El Paso system in several proceedings. This examination resulted in a series of orders by the FERC in which all of the major full requirements transportation service agreements on the El Paso system, including the agreement by which Southwest obtained the transportation of gas supplies to its Arizona service areas, were converted to contract demand-type service agreements, with fixed maximum service limits, effective September 2003. At that time, all of the transportation capacity on the system was allocated among the shippers. In order to help ensure that the converting full requirements shippers would have adequate capacity to meet their needs, El Paso was authorized to expand the capacity on its system by adding compression.

The FERC is continuing to examine issues related to the implementation of the full requirements conversion. Parties, including Southwest, have filed petitions for judicial review of the FERC’s orders mandating the conversion.

Management believes that it is difficult to predict the ultimate outcome of the appellate proceedings or the impact of the FERC action on Southwest. Southwest had adequate capacity for its customers’ needs during the 2003/2004 heating season and management believes adequate capacity exists for the 2004/2005 heating season. Additional costs may be incurred to acquire capacity in the future as a result of the FERC order. However, it is anticipated that any additional costs will be collected from customers through the PGA mechanism.

Capital Resources and Liquidity

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

Southwest continues to experience significant customer growth. This growth has required significant capital outlays for new transmission and distribution plant, to keep up with consumer demand. During the twelve-month period ended June 30, 2004, capital expenditures for the natural gas operations segment were \$246 million. Approximately 71 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 \$114 million of the required capital resources pertaining to these construction expenditures. The remainder was provided from external financing activities. Operating cash flows in the most recent

twelve months were negatively impacted by natural gas prices as PGA balances have changed from an over-collection of \$34 million at June 30, 2003 to an under-collection of \$51.3 million at June 30, 2004. Southwest utilizes short-term borrowings to temporarily finance under-collected PGA balances.

2004 Construction Expenditures and Financing

In March 2002, the Job Creation and Worker Assistance Act of 2002 (“2002 Act”) was signed into law. The 2002 Act provided a three-year, 30 percent bonus depreciation deduction for businesses. The Jobs and Growth Tax Relief Reconciliation Act of 2003 (“2003 Act”), signed into law in May 2003, provides for enhanced and extended bonus tax depreciation. The 2003 Act increased the bonus depreciation rate to 50 percent for qualifying property placed in service after

May 2003 and, generally, before January 2005. Southwest estimates the 2002 and 2003 Acts' bonus depreciation deductions will defer the payment of \$35 million of federal income taxes during 2004.

Southwest estimates construction expenditures during the three-year period ending December 31, 2006 will be approximately \$690 million. Of this amount, \$233 million are expected to be incurred in 2004. During the three-year period, cash flow from operating activities including the impacts of the Acts (net of dividends) is estimated to fund approximately 80 percent of the gas operations total construction expenditures. The Company expects to raise \$50 million to \$55 million from its Dividend Reinvestment and Stock Purchase Plan ("DRSPP"). 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, growth levels in Southwest service areas, and earnings. These external financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing.

In April 2004, the Company entered into a sales agency financing agreement with BNYCMI. Of the \$200 million in securities available under the Company's shelf registration statement, the Company filed a prospectus supplement in May designating an aggregate \$60 million as common stock to be issued in at-the-market offerings from time to time with BNYCMI acting as agent. As of June 30, 2004, the Company had issued approximately 313,000 shares (at an average price of \$23.23 per share) resulting in proceeds of \$7.3 million through this facility.

In July 2004, the Company issued \$65 million in Clark County, Nevada IDRBs Series 2004A, due 2034. The net proceeds from the 5.25% tax-exempt bonds will be used to finance construction and improvement of pipeline systems and facilities located in southern Nevada.

Liquidity

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash to meet its cash requirements. Several general factors that could significantly affect capital resources and liquidity in future years include inflation, growth in the economy, changes in income tax laws, changes in the ratemaking policies of regulatory commissions, interest rates, the variability of natural gas prices, and the level of Company earnings.

The rate schedules in all of the service territories of Southwest contain PGA clauses which permit adjustments to rates as the cost of purchased gas changes. The PGA mechanism allows Southwest to change the gas cost component of the rates charged to its customers to reflect increases or decreases in the price expected to be paid to its suppliers and companies providing interstate pipeline transportation service. On an interim basis, Southwest generally defers over or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At June 30, 2004, the combined balances in PGA accounts totaled an under-collection of \$51.3 million. At December 31, 2003, the combined balances in PGA accounts totaled an under-collection of \$9.2 million. Southwest utilizes short-term borrowings to temporarily finance under-collected PGA balances. See **PGA Filings** for more information on recent regulatory filings.

Effective May 2004, the Company obtained a new \$250 million three-year credit facility of which \$150 million is for working capital purposes (and related outstanding amounts will be designated as short-term debt). Interest rates for the new facility are calculated at either the London Interbank Offering Rate ("LIBOR") plus an applicable margin, or the greater of the prime rate or one-half of one percent plus the Federal Funds rate. The new facility replaces the former \$250 million credit facility consisting of a \$125 million three-year facility and a \$125 million 364-day facility. The Company believes the \$150 million designated for working capital purposes is adequate to meet anticipated liquidity needs (\$96 million was available at June 30, 2004).

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

	For the Twelve Months Ended	
	June 30, 2004	December 31, 2003
Ratio of earnings to fixed charges	1.82	1.60

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.

Insurance Coverage

The Company maintains liability insurance for various risks associated with the operation of its natural gas pipelines and facilities. In connection with these liability insurance policies, the Company has been responsible for an initial deductible or self-insured retention amount per incident, after which the insurance carriers would be responsible for amounts up to the policy limits. For the policy year August 2004 to July 2005, the self-insured retention amount associated with general liability claims increased from \$1 million per incident to \$1 million per incident plus payment of the first \$10 million in aggregate claims above \$1 million in the policy year. Management cannot predict the likelihood that any claim will exceed \$1 million. Therefore, the impact, if any, this policy change will have on the future results of operations or financial condition of the Company is not determinable.

LNG Lease

The Company leases the liquefied natural gas ("LNG") facilities and approximately 61 miles of transmission main on its northern Nevada system under a lease that expires in July 2005. The rental payments for the facilities are \$3.3 million and \$1.7 million for 2004 and 2005, respectively. The Company received a notice of default and demand for indemnification, in June, asserting that it is in default on the lease. The Company has responded to the notice of default certifying that no event

of default exists and disputing the scope of the claims. In June 2004, Uzal, LLC ("Uzal") filed suit in the United States District Court, District of Nevada, alleging breach of the lease and certain related agreements, tortious interference with contract, and tortious interference with prospective economic advantage. Uzal seeks an injunction keeping the Company from accepting any authorization to proceed with the abandonment and expansion proposed in certain FERC applications, an order directing it to abide by its contractual obligations not to affect adversely the residual value of the plant, and damages. The Company intends to vigorously defend this action and a motion to dismiss the entire action has been filed. The ultimate disposition of this proceeding is not presently determinable; however, it is the opinion of management that this litigation will not have a material adverse impact on the Company's financial position or results of operations.

Forward-Looking Statements

This quarterly report contains statements which constitute "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995 ("Reform Act"). All statements other than statements of historical fact included or incorporated by reference in this quarterly report are forward-looking statements, including, without limitation,

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statements regarding the Company's plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions. The words "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "continue," and similar words and expressions are generally used and intended to identify forward-looking statements. All forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act.

A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the impact of weather variations on customer usage, customer growth rates, changes in natural gas prices, our ability to recover costs through our PGA mechanism, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, changes in gas procurement practices, changes in capital requirements and funding, resolution of pending litigation, the impact of conditions in the capital markets on financing costs, changes in construction expenditures and financing, changes in operations and maintenance expenses, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and management's plans related thereto, competition and our ability to raise capital in external financings or through our DRSP. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing, operations, and maintenance expenses will continue in future periods. For additional information on the risks associated with the Company's business, see **Item 1. Business-Company Risk Factors** in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See **Item 7A. Quantitative and Qualitative Disclosures about Market Risk** in the Company's 2003 Annual Report on Form 10-K filed with the SEC. No material changes have occurred related to the Company's disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

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

Based on the most recent evaluation, as of June 30, 2004, management of the Company, including the Chief Executive Officer and Chief Financial Officer, believe the Company's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

There have been no changes in the Company's internal controls over financial reporting during the second quarter of 2004 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

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PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEMS 2-3. None.

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

The Annual Meeting of Shareholders was held on May 6, 2004 with the holders of approximately 30 million of the Company's common shares represented in person or by proxy. Matters voted upon and the results of the voting were as follows:

- (1) Cumulative voting became effective for all shareholders when the intent to cumulatively vote shares was announced at the Annual Meeting of Shareholders. Each shareholder/proxy was entitled to give one nominee for director a number of votes equal to the number of directors to be elected (in this case 11) multiplied by the number of votes to which the shareholder's shares were normally entitled. A shareholder/proxy could distribute their votes on the same principle among as many of the nominees for director as the shareholder/proxy desired. Withholding votes or voting against a nominee had no legal effect. The 11 nominees that received the highest allocation of affirmative votes were elected as indicated below.

<u>Name</u>	<u>Votes For</u>	<u>Elected</u>
George C. Biehl	29,125,961	Yes
Thomas E. Chestnut	29,125,961	Yes
Manuel J. Cortez	29,125,961	Yes
Richard M. Gardner	29,125,961	Yes
LeRoy C. Hanneman, Jr.	29,125,961	Yes
Thomas Y. Hartley	29,125,961	Yes
James J. Kropid	29,125,961	Yes
Michael O. Maffie	29,125,961	Yes
Michael J. Melarkey	26,850,000	Yes
Carolyn M. Sparks	29,125,961	Yes
Terrence L. Wright	29,125,961	Yes
Salvatore J. Zizza	4,462,831	No

- (2) The proposal to ratify the selection of PricewaterhouseCoopers LLP as independent accountants for the Company was approved. Shareholders voted 29,644,997 shares in favor, 330,599 against, and 276,055 abstentions.
- (3) The proposal to ratify the Amended and Restated Management Incentive Plan of the Company was approved. Shareholders voted 19,943,657 shares in favor, 5,052,836 against, and 472,309 abstentions.

ITEM 5. None.

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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 3\(i\)](#) -- Amended Bylaws of Southwest Gas Corporation.
[Exhibit 10](#) -- \$250 Million Three-Year Credit Facility.
[Exhibit 12](#) -- Computation of Ratios of Earnings to Fixed Charges.
[Exhibit 31](#) -- Section 302 Certifications.
[Exhibit 32](#) -- Section 906 Certifications.

- (b) Reports on Form 8-K:

On May 17, 2004, the Company filed exhibits associated with the April 2004 sales agency financing agreement with BNY Capital Markets, Inc.

On July 28, 2004, the Company announced that Jeffrey W. Shaw, Chief Executive Officer, was elected to the Board of Directors.

On July 29, 2004, the Company reported summary financial information for the quarter, six, and twelve months ended June 30, 2004, pursuant to Item 12 of Form 8-K.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Southwest Gas Corporation

(Registrant)

Date: August 6, 2004

/s/ Roy R. Centrella

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

BYLAWS
OF
SOUTHWEST GAS Corporation
(As amended 7/27/04)

BYLAWS

OF

SOUTHWEST GAS CORPORATION

ARTICLE I

Section 1. Principal Office

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

Section 2. Other Offices

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

Section 3. Terminology

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

ARTICLE II

MEETING OF SHAREHOLDERS

Section 1. Regular Meeting

Commencing in May, 1988, the regular annual meeting of the shareholders shall be held at the principal office of the Corporation, or at such other place within or without the State of California as the officers of the Corporation may deem convenient and appropriate, at 10 a.m. on the second Thursday of May of each year, if not a legal holiday, and if a legal holiday, then at 10 a.m. on the next succeeding business day, for the purpose of electing a Board of Directors and transacting such other business as properly may come before the meeting; provided, however, that the Board of Directors may, by resolution, establish a different date not more than 120 days thereafter if, in its sole discretion, it deems such postponement appropriate.

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Section 2. Special Meetings

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

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

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

Section 4. Quorum

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

Section 5. Waiver of Notice

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

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Section 6. Proper Business for Shareholder Meetings

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

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

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

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

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

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number — Quorum

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

Section 2. Exact Number of Directors

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

Section 3. Director Nominating Procedure

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

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

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

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Section 4. Qualification of Directors

The majority of directors of the Board of Directors shall not be officers or employees of the Corporation or any of its subsidiaries and shall not have held such positions at any time during the three years prior to election or selection to the Board of Directors. Whether an individual, who is an officer or employee of the Corporation or any of its subsidiaries, satisfies this qualification requirement will be determined at the time of his or her election or selection.

Section 5. Election and Term of Office

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

Section 6. Vacancies

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

Section 7. First Meeting of Directors

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

Section 8. Regular Meetings

Commencing in 1991, the time for other regular meetings of the Board of Directors, when held, shall be 8 a.m. on the third Tuesday of January, July, September and November, the first Tuesday of March and the second Wednesday of May,

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unless a different schedule is established by a resolution of the Board. If any regular meeting date shall fall on a legal holiday, then the regular meeting date shall be the business day next following.

Section 9. Special Meetings

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

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

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

Section 11. Waiver of Notice

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

Section 12. Action by Unanimous Consent of Directors

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

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Section 13. Telephonic Participation in Meetings

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

ARTICLE IV

POWERS OF DIRECTORS

Section 1. The directors shall have power:

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

ARTICLE V

DUTIES OF DIRECTORS

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

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

3. To oversee the actions of all officers and agents of the Corporation, see that their duties are properly performed; and
4. To cause to be issued to the shareholders, in proportion to their several interests, certificates of stock.

ARTICLE VI

OFFICERS

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

ARTICLE VII

FEES AND COMPENSATION

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

ARTICLE VIII

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the Corporation or otherwise and whether of a civil, criminal, administrative or investigative nature (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permissible under California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise tax or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that (a) the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of the Corporation, (b) the Corporation shall indemnify such person seeking indemnification in connection with a proceeding (or part thereof) other than a proceeding by or in the name of the Corporation to procure a judgment in its favor only if any settlement of such a proceeding is approved in writing by the Corporation, and (c) that no such person shall be indemnified (i) on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase or sale by such person of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; (ii) if a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful; (iii) for acts or omissions involving intentional misconduct or knowing and culpable violation of law; (iv) for acts or omissions that the director or officer believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of the director or officer; (v) for any transaction for which the director or officer derived an improper personal benefit; (vi) for acts or omissions that show a reckless disregard for the director's or officer's duty to the Corporation or its shareholders in circumstances in which the director or officer was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the Corporation or its shareholders; (vii) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's or

officer's duties to the Corporation or its shareholders; (viii) for costs, charges, expenses, liabilities and losses arising under Section 310 or 316 of the General Corporation Law of California (the "Law"); and (ix) as to circumstances in which indemnity is expressly prohibited by Section 317 of the Law. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that if the Law requires the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in

advance of the final disposition of a proceeding, such advances shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts to the Corporation if it shall be ultimately determined that such person is not entitled to be indemnified.

Section 2. Indemnification of Employees and Agents

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

Section 3. Right of Directors and Officers to Bring Suit

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

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has not met the applicable standard of conduct, shall be a defense to the action or create a presumption for the purpose of an action that the claimant has not met the applicable standard of conduct.

Section 4. Successful Defense

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

Section 5. Non-Exclusivity of Rights

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

Section 6. Insurance

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

Section 7. Expenses as a Witness

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

Section 8. Indemnity Agreements

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

Section 9. Separability

Each and every paragraph, sentence, term and provision of this Article is separate and distinct so that if any paragraph, sentence, term or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or unenforceability of any other paragraph, sentence, term or provision

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hereof. To the extent required, any paragraph, sentence, term or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the Corporation and claimant, the broadest possible indemnification permitted under applicable law.

Section 10. Effect of Repeal or Modification

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

ARTICLE IX

CHAIRMAN OF THE BOARD

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

ARTICLE X

CHIEF EXECUTIVE OFFICER; OTHER EXECUTIVE OFFICERS

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

1. Preside (if there shall be no Chairman of the Board of Directors or in his absence) over all meetings of the shareholders and directors;
2. Sign in behalf of the Corporation contracts and other instruments in writing within the scope of his authority or if, when, and as directed so to do by the Board of Directors, but nothing herein shall limit the power of the Board of Directors to authorize such contracts and other instruments in writing to be signed by any other officer or person or limit the power of the Chief Executive Officer to delegate his authority in any such matter to another officer or other officers of the Corporation. The Chief Executive Officer or any other officer specified by the Board of Directors may sign certificates of stock as provided in Article XIII hereof;

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3. Delegate duties and responsibilities to any other officers and/or employees of the Corporation in any manner not prohibited by these Bylaws or by the Board of Directors, and change such duties and responsibilities so delegated from time to time at will;
 4. Call the directors together when he deems it necessary, and have, subject to the advice of the directors, direction of the affairs of the Corporation; and
 5. Generally discharge such other duties as may be required of him by the Bylaws of the Corporation.

ARTICLE XI

SECRETARY

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

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

ARTICLE XII

TREASURER

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

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ARTICLE XIII

CERTIFICATES OF STOCK

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

ARTICLE XIV

TRANSFER OF STOCK

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

ARTICLE XV

VOTING

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

Section 2. Proxies

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

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ARTICLE XVI

INDEBTEDNESS

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

ARTICLE XVII

REGISTRAR AND/OR TRANSFER AGENT

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

ARTICLE XVIII

MISCELLANEOUS

Section 1. Meetings. Notice. When Conclusive.

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

ARTICLE XIX

SEAL

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

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ARTICLE XX

AMENDMENTS TO BYLAWS

Section 1. Power of Shareholders

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

Section 2. Power of Directors

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

I hereby certify that the foregoing is a full, true, and correct copy of the Bylaws of Southwest Gas Corporation, a California Corporation, as in effect on the date hereof. WITNESS my hand this 27th day of July 2004.

/s/ George C. Biehl

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

REVOLVING CREDIT AGREEMENT

dated as of

May 4, 2004

among

SOUTHWEST GAS CORPORATION,

as Borrower,

THE LENDERS LISTED ON THE SIGNATURE PAGES HERETO

and

THE BANK OF NEW YORK,

as Administrative Agent,

BANK OF AMERICA, N.A.,

as Syndication Agent,

BANK ONE, N.A.,

as Co-Documentation Agent,

UNION BANK OF CALIFORNIA,

as Co-Documentation Agent,

BNY CAPITAL MARKETS, INC.,

as Co-Lead Arranger and Bookrunner,

BANC OF AMERICA SECURITIES, LLC,

as Co-Lead Arranger and Bookrunner, and

BANK ONE CAPITAL MARKETS, INC.,

as Co-Arranger

\$250,000,000

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EXHIBITS

Exhibit A	Form of Borrowing Request for Loans
Exhibit B	Form of Conversion Request
Exhibit C	Form of Revolving Credit Note
Exhibit D	Form of Opinion of Borrower's Counsel
Exhibit E	Form of Assignment and Acceptance
Exhibit F	Form of Confidentiality Agreement
Exhibit G	Form of Increase Request

REVOLVING CREDIT AGREEMENT, dated as of May 4, 2004, among SOUTHWEST GAS CORPORATION, a California corporation (the "Borrower"), each of the lenders from time to time parties to this Agreement (collectively, the "Lenders"), and THE BANK OF NEW YORK, as Administrative Agent (the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower has requested the Lenders severally to commit to lend to the Borrower up to \$250,000,000 on a revolving basis for general corporate purposes, including, without limitation, for commercial paper back-up;

WHEREAS, the Lenders are willing to make such loans, on the terms and conditions provided herein;

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

(a) Terms Generally. The definitions ascribed to terms in this Agreement apply equally to both the singular and plural forms of such terms. Whenever the context may require, any pronoun shall be deemed to include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be interpreted as if followed by the phrase "without limitation". The phrase "individually or in the aggregate" shall be deemed general in scope and not to refer to any specific Section or clause of this Agreement. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. The table of contents, headings and captions herein shall not be given effect in interpreting or construing the provisions of this Agreement. Except as otherwise expressly provided herein, all references to "dollars" or "\$" shall be deemed references to the lawful money of the United States of America.

(b) Accounting Terms. Except as otherwise expressly provided herein, the term "consolidated" and all other terms of an accounting nature shall be interpreted and construed in accordance with GAAP, as in effect from time to time; provided, however, that, for purposes of determining compliance with any covenant set forth in Article VII, such terms shall be construed in accordance with GAAP as in effect on the date of this Agreement, applied on a basis consistent with the construction thereof applied in preparing the Borrower's audited financial statements referred to in Section 5.01(k). If there shall occur a change in GAAP which but for the foregoing proviso would affect the computation used to determine

compliance with any covenant set forth in Article VII, the Borrower and the Lenders agree to negotiate in good faith in an effort to agree upon an amendment to this Agreement that will permit compliance with such covenant to be determined by reference to GAAP as so changed while affording the Lenders the protection intended to be afforded by such covenant prior to such change (it being understood, however, that such covenant shall remain in full force and effect in accordance with its existing terms unless and until such amendment shall become effective).

(c) Other Terms. The following terms have the meanings ascribed to them below or in the Sections of this Agreement indicated below:

"ABR Loans" means Loans that bear interest at a rate or rates determined by reference to the Alternate Base Rate.

"Acquisition" means any purchase or other acquisition of (a) any assets of any other Person that, taken together, constitute a business unit, (b) any capital stock of or equity interests in any other Person if, immediately thereafter, such other Person would be a Subsidiary of the Borrower or a Subsidiary of a Subsidiary of the Borrower, or (c) any assets of any other Person otherwise not in the ordinary course of business.

"Acquisition Consideration" has the meaning assigned to such term in Section 7.02(c) hereof.

"Administrative Agent" means The Bank of New York, acting in the capacity of administrative agent for the Lenders, or any successor administrative agent appointed pursuant to the terms of this Agreement.

"Administrative Questionnaire" means an administrative details reply form delivered by a Lender to the Administrative Agent, in substantially the form provided by the Administrative Agent or the form attached to an Assignment and Acceptance.

"Affiliate" means, when used with reference to any Person, a Person (other than a Subsidiary) which directly or indirectly controls, is controlled by, or is under common control with, such other Person. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with") as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agreement" means this Revolving Credit Agreement, as it may be amended, modified or supplemented from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of:

(i) the rate of interest from time to time publicly announced by the Administrative Agent in The City of New York as its prime commercial loan rate in effect on such day; and

(ii) the sum of (a) 1/2 of 1% per annum and (b) the Federal Funds Rate in effect on such day.

The Alternate Base Rate shall change as and when the greater of the foregoing rates shall change. Any change in the Alternate Base Rate shall become effective as of the opening of business on the day of such change.

“Applicable Lending Office” means, with respect to a Loan, the applicable office of the Lender for making such Loan, as specified in Schedule 1 or in an Administrative Questionnaire delivered to the Administrative Agent as the office from which such Lender makes Loans of the relevant type.

“Applicable Margin” means, at any date and with respect to each Loan during which the applicable Pricing Level set forth below is in effect, the percentage set forth below adjacent to such Pricing Level:

<u>Pricing Level</u>	<u>Applicable Margin</u>	
	<u>Eurodollar Loans</u>	<u>ABR Loans</u>
I	0.500%	0.000%
II	0.750%	0.000%
III	0.875%	0.000%
IV	1.125%	0.000%
V	1.375%	0.125%

“Assignee” has the meaning assigned to such term in Section 10.03.

“Assignment and Acceptance” has the meaning assigned to such term in Section 10.03.

“Available Commitment” means, on any day, an amount equal to (a) the Total Commitment on such day minus (b) the aggregate outstanding principal amount of Loans on such day.

“Borrower” has the meaning assigned to such term in the preamble.

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“Borrowing Date” means, with respect to any Loan, the Business Day set forth in the relevant Borrowing Request as the date upon which the Borrower desires to borrow such Loan.

“Borrowing Request” means a request, substantially in the form of Exhibit A, by the Borrower for Loans, which shall specify (a) the requested Borrowing Date, (b) the aggregate amount of such Loans, and (c) (i) whether such Loans are to bear interest initially as ABR Loans or Eurodollar Loans and (ii) if applicable, the initial Interest Period therefor.

“Business Day” means any day that is (a) not a Saturday, Sunday or other day on which commercial banks in the City of New York and California are authorized by law to close and (b) with respect to any Eurodollar Loan, a day on which commercial banks are open for domestic and international business (including dealings in U.S. dollar deposits) in London.

“Capital Lease” means, as to the Borrower and its Subsidiaries, a lease of (or other agreement conveying the right to use) real and/or personal Property, the obligations with respect to which are required to be classified and accounted for as a capital lease on a balance sheet of the Borrower or any of its Subsidiaries under GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board).

“Capital Lease Obligations” means, as to the Borrower and its Subsidiaries, the obligations of the Borrower or any of its Subsidiaries to pay rent or other amounts under a Capital Lease and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP (including such Statement No. 13 referenced in the definition of “Capital Lease”).

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and any regulation promulgated thereunder.

“Change in Control” means the occurrence of either of the following conditions: (a) any Person or group of associated Persons acting in concert shall have acquired an aggregate of more than 51 % of the outstanding shares of voting stock of the Borrower, or (b) individuals who constitute the board of directors of the Borrower on the date hereof (the “Incumbent Board”) cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Borrower’s shareholders, was approved by a vote of a majority of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Borrower in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (b), considered as though such person were a member of the Incumbent Board.

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“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means, with respect to a Lender, the amount set forth opposite such Lender’s name under the heading “Commitment” on Schedule 1, as such amount may be reduced or increased from time to time pursuant to Section 2.03.

“Commitment Fee” has the meaning assigned to such term in Section 3.07(a).

“Confidential Information” means information delivered to the Administrative Agent for the Lenders or to a Lender by or on behalf of the Borrower in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is confidential or proprietary in nature at the time it is so delivered or information obtained by the Administrative Agent or such Lender in the course of its review of the books or records of the Borrower contemplated herein; provided that such term shall not include information (a) that was publicly known or otherwise known to the Administrative Agent or such Lender prior to the time of such disclosure, (b) that subsequently becomes publicly known through no act or omission by the Administrative Agent or such Lender or any Person acting on the Administrative Agent or such Lender’s behalf, (c) that otherwise becomes known from a third party who the Administrative Agent or such Lender did not know or have reason to believe received such information in a restricted or unlawful manner or (d) that constitutes financial information delivered to the Administrative Agent or such Lender that is otherwise publicly available.

“Contingent Obligation” means, for the Borrower and its Subsidiaries, any direct or indirect Contractual Obligation with respect to any Debt, lease, dividend, letter of credit or other obligation (the “primary obligations”) of another Person (the “primary obligor”), including, without limitation, any obligation of the Borrower or any Subsidiary, whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligations or any Property constituting direct or indirect security therefor, or (b) to advance or provide funds (i) for the payment or discharge of any such primary obligation, or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor prior to such obligation being a stated or determinable amount, or (c) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof.

“Contractual Obligations” means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its Property is bound.

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“Conversion Date” means, with respect to a Loan, the date on which a conversion of interest rates on such Loan shall take effect.

“Conversion Request” means a request, substantially in the form of Exhibit B, by the Borrower to convert the interest rate basis for all or portions of outstanding Loans, which shall specify (a) the requested Conversion Date, which shall be not fewer than three Business Days after the date of such Conversion Request, (b) the aggregate amount of such Loans, on and after the Conversion Date, which are to bear interest as ABR Loans or Eurodollar Loans and (c) the term of the Interest Periods therefor, if any.

“CPUC Order” means, collectively, the Opinion addressed to the Company, dated April 22, 2002, and Decision No. 02-04-054, as modified by Decision No. 02-04-072, of the California Public Utilities Commission.

“Credit Documents” means this Agreement and the Notes.

“Debt” means, with respect to the Borrower and its Subsidiaries, (a) all obligations for borrowed money, including interest or fees of any nature related to the borrowing of money accrued but unpaid, (b) all obligations under letters of credit, bills of exchange or bankers acceptances, (c) all obligations representing the deferred purchase price of Property or services which in accordance with GAAP would be shown on the balance sheet as a liability, (d) all obligations, whether or not assumed by or with recourse to such Person, secured by Liens upon, or payable out of the proceeds or production from, assets owned by such Person, (e) all Capital Lease Obligations, and (f) all Contingent Obligations.

“Default” means any event or circumstance which, with the giving of notice or the passage of time, or both, would be an Event of Default.

“Effective Date” has the meaning assigned to such term in Section 6.01.

“Environmental Claim” means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law or for release or injury to the environment or threat to public health, personal injury (including sickness, disease or death), property damage, natural resources damage, or otherwise alleging liability or responsibility for damages (punitive or otherwise), cleanup, removal, remedial or response costs, restitution, civil or criminal penalties, injunctive relief, or other type of relief, resulting from or based upon (a) the presence, placement, discharge, emission or release (including intentional and unintentional, negligent and non-negligent, sudden or non-sudden, accidental or non-accidental placement, spills, leaks, discharges, emissions or releases) of any

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hazardous material at, in or from Property, whether or not owned by the Borrower, or (b) any other circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

“Environmental Laws” means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use

matters; including CERCLA, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act and the Toxic Substances Control Act.

“Environmental Permits” shall have the meaning ascribed to such term in Section 5.01(1)(ii).

“Equity Issuance” means the issuance of any equity securities or the receipt of any capital contribution, in each case, by the Borrower or any Subsidiary, other than (a) any issuance of equity securities to, or receipt of any such capital contribution from, the Borrower, (b) the issuance of stock in connection with an Acquisition, or (c) the issuance of common stock pursuant to a stock option plan, dividend reinvestment plan, employee benefit investment plan or for executive compensation, in each case, in the ordinary course of business.

“ERISA” means the Employee Retirement Income Security Act of 1974 and any regulation promulgated thereunder, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower or any Subsidiary of the Borrower within the meaning of Section 414(b), 414(c) or 414(m) of the Code.

“ERISA Event” means (a) a Reportable Event with respect to a Qualified Plan or a Multiemployer Plan; (b) a withdrawal by any ERISA Affiliate from a Qualified Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA); (c) a complete or partial withdrawal by any ERISA Affiliate from a Multiemployer Plan; (d) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA or the commencement of proceedings by the PBGC to terminate a Qualified Plan or Multiemployer Plan subject to Title IV of ERISA; (e) a failure to make required contributions to a Qualified Plan or Multiemployer Plan; (f) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Qualified Plan or Multiemployer Plan; (g) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any ERISA Affiliate; or (h) an application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Qualified Plan.

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“Eurodollar Lending Office” initially, the office of each Lender through which it will be making or maintaining Eurodollar Loans, as reported by such Lender to the Administrative Agent.

“Eurodollar Loans” means Loans that bear interest at a rate or rates determined by reference to LIBOR.

“Eurodollar Reserve Percentage” means, for any day, the percentage prescribed by the Federal Reserve Board for determining the maximum reserve requirement (including any marginal, supplemental or emergency reserve requirements) on such day for a member bank of the Federal Reserve System in respect of “Eurocurrency Liabilities” (as defined in Regulation D of the Federal Reserve Board (or any successor regulation), as amended from time to time) for other deposits having a maturity approximately equal to the applicable Interest Period.

“Event of Default” has the meaning assigned to such term in Section 8.01.

“Excluded Taxes” means all present and future taxes, levies, imposts, duties, deductions, withholdings, fees, liabilities and similar charges imposed on or measured by the overall net income of any Lender (or any office, branch or subsidiary of such Lender) or any franchise taxes, taxes on doing business or taxes measured by capital or net worth imposed on any Lender (or any office, branch or subsidiary of such Lender), in each case imposed by the United States of America or any political subdivision or taxing authority thereof or therein, or taxes on or measured by the overall net income of any office, branch or subsidiary of a Lender or any franchise taxes, taxes imposed on doing business or taxes measured by capital or net worth imposed on any office, branch or subsidiary of such Lender, in each case imposed by any foreign country or subdivision thereof in which such Lender’s principal office or Eurodollar Lending Office is located.

“Existing Credit Agreements” means (i) the 364-Day Revolving Credit Agreement, dated as of May 10, 2002, by and among the Borrower, the Lenders party thereto and the Administrative Agent, as amended from time to time; and (ii) the Multi-Year Revolving Credit Agreement, dated as of May 10, 2002, by and among the Borrower, the Lenders party thereto and the Administrative Agent, as amended from time to time.

“Federal Funds Rate” means, for any day, the rate per annum (rounded, if necessary, to the next greater 1/16 of 1 %) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day, and (ii) if no such rate is so

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published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions, as determined by the Administrative Agent.

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System (or any successor Governmental Authority).

“Funded Debt” means, for the Borrower and its Subsidiaries, (a) all obligations for borrowed money, (b) all obligations representing the deferred purchase price of Property or services which in accordance with GAAP would be shown on a balance sheet of such Person as a liability due more than 12 months from the date of the occurrence or evidenced by a note or similar instrument, (c) all Capital Lease Obligations, (d) all Contingent Obligations and (e) Preferred Securities to the extent that the aggregate stated liquidation amount thereof exceeds 7.5% of Total Capitalization.

“GAAP” means generally accepted accounting principles, as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entities as may be approved by a significant segment of the accounting profession of the United States of America.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Hazardous Materials” means all those substances which are regulated by, or which may form the basis of liability under, any Environmental Law, including all substances identified under any Environmental Law as a pollutant, contaminant, waste, solid waste, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, or toxic substance, or petroleum or petroleum derived substance or waste.

“Increase Request” means a request by the Borrower for an increase of the Total Commitment in accordance with Section 2.03.

“Incremental Lender” has the meaning assigned to such term in Section 2.03(c).

“Incumbent Board” has the meaning specified in the definition of “Change of Control.”

“Indemnitee” has the meaning assigned to such term in Section 4.06.

“Interest Period” means, with respect to any Eurodollar Loan, each one week, or one, two, three or six-month period, or if made available by all Lenders, periods of seven to thirty-one days or twelve months, such period being the one selected by the Borrower pursuant to Section 2.02 or 3.01 and commencing on the date such Loan is made, on any

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conversion date from an ABR Loan to a Eurodollar Loan or at the end of the preceding Interest Period, as the case may be; provided, however, that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next Business Day, unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Business Day of a calendar month; and

(c) any Interest Period that would otherwise end after the Termination Date then in effect shall end on the Termination Date.

“Investments” means any direct or indirect purchase or acquisition of any obligations or other securities of, or any interest in, any Person (other than purchases or acquisitions constituting an Acquisition), or any advance (other than payroll, travel and similar advances to cover matters that are expected at the time of such advance ultimately to be treated as an expense for accounting purposes and that are made in the ordinary course of business), loan, extension of credit or capital contribution to, or any other investment in, any Person including, without limitation, any Affiliates of such Person.

“IRS” means the Internal Revenue Service (or any successor Governmental Authority).

“Lease Obligations” means, as of the date of any determination thereof, for the Borrower and its Subsidiaries the aggregate rental commitments under leases for real and/or personal Property (net of income received or receivable (if no default), from subleases thereof, but including taxes, insurance, maintenance and similar expenses which the lessee is obligated to pay under the terms of said leases), whether or not such obligations are reflected as liabilities or commitments on a balance sheet of the Borrower or any Subsidiary or in the notes thereto, excluding, however, Capital Lease Obligations.

“Lenders” has the meaning assigned to such term in the preamble.

“LIBOR” means, with respect to any Interest Period, the rate per annum determined by the Administrative Agent to be the offered rate for dollar deposits with a term comparable to such Interest Period that appears on the display designated as Page 3750 on the Dow Jones Telerate Service (or such other page as may replace such page on such service, or on another service designated by the British Bankers’ Association, for the purpose of displaying the rates at which dollar deposits are offered by leading banks in the London interbank deposit market) at approximately 11:00 A.M., London time, on the second Business Day preceding the first day of such Interest Period. If such rate does not appear on such page, “LIBOR” shall mean the arithmetic mean (rounded, if necessary, to the next higher 1/16 of 1%) of the respective rates of interest communicated by the LIBOR Reference Bank to the Administrative Agent as the rate at which U.S. dollar deposits are offered to the LIBOR Reference Bank by leading banks in the London interbank deposit market at approximately 11:00 A.M.,

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London time, on the second Business Day preceding the first day of such Interest Period in an amount substantially equal to the respective LIBOR Reference Amounts for a term equal to such Interest Period.

“LIBOR Reference Amount” means, with respect to any LIBOR Reference Bank and Interest Period, the amount of the Eurodollar Loan of the Lender which is, or is affiliated with, such LIBOR Reference Bank, scheduled to be outstanding during that Interest Period (without taking into account any assignment or participation and rounded up to the nearest integral multiple of \$1,000,000).

“LIBOR Reference Bank” means The Bank of New York; provided that if the LIBOR Reference Bank assigns its Commitment or all its Loans to an unaffiliated institution, such Person shall be replaced as a LIBOR Reference Bank by the Administrative Agent’s appointment, in consultation with the Borrower and with the consent of the Required Lenders, of another bank which is a Lender (or an Affiliate of a Lender).

“Lien” means any voluntary or involuntary mortgage, assignment, pledge, security interest, encumbrance, lien, claim or charge of any kind on or with respect to, or any preferential arrangement with respect to the payment of any obligations with the proceeds or from the production of, any asset of any kind, including, without limitation, any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof.

“Loans” has the meaning assigned to such term in Section 2.01.

“Margin Stock” means “margin stock” as such term is defined in Regulations T, U or X of the Federal Reserve Board.

“Material Adverse Effect” means a change, or announcement of a change, which would reasonably be expected, immediately or with the passage of time, to result in a material adverse change in, or a material adverse effect upon, any of (i) the operations, business, Properties, financial condition of the Borrower or the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower timely to perform any of its material obligations, or of the Lenders to exercise any remedy, under any Credit Document or (iii) the legality, validity, binding nature or enforceability of any Credit Document.

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“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency.

“Multiemployer Plan” means a “multiemployer plan” (within the meaning of Section 4001 (a)(3) of ERISA) and to which any ERISA Affiliate makes, is making, or is obligated to make contributions or has made, or been obligated to make, contributions.

“Net Worth” means the amount of (a) Borrower’s common shareholders’ equity determined in accordance with GAAP, plus (b) preferred and preference stock, plus (c) the aggregate stated liquidation amount of Preferred Securities, but not in excess of 7.5% of Total Capitalization.

“New Lender” has the meaning assigned to such term in Section 2.03(c).

“Obligations” means the Loans and any other liability or duty owing by the Borrower to the Administrative Agent or any Lender or Indemnitee hereunder.

“Participant” has the meaning assigned to such term in Section 10.02.

“PBGC” means the Pension Benefit Guaranty Corporation (or any successor Governmental Authority).

“Pension Plan” means a Plan that (i) is an employee pension benefit plan, as defined in Section 3(3) of ERISA (other than a Multiemployer Plan) and (ii) is subject to the provisions of Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

“Permitted Investments” means Investments made by the Borrower and its Subsidiaries in the ordinary course of business as presently conducted or transactions permitted by Section 7.02(b), provided that the Borrower may only make cash Investments in (a) U.S. government and agency securities; (b) money market funds rated AA or A-1 or better by S&P and Aaa or P-1 or better by Moody’s; (c) municipal securities rated within the top two ratings by S&P and Moody’s; (d) repurchase agreements with reputable financial institutions fully secured by collateral consisting of securities described in clauses (a) and (b) above having a market value at least equal to 102% of the amount so invested; (e) bankers’ acceptances issued by a bank rated Aaa or better by Moody’s or rated AA or better by S&P and eligible for purchase by a Federal Reserve Bank; (f) interest-bearing demand or time deposits (including certificates of deposit) in banks and savings and loan associations, provided such deposits are (i) secured at all times, in the manner and to the extent provided by law, by collateral consisting of securities described in clauses (a) and (b) above having a market value of no less than 102% of the amount of moneys so invested or (ii) fully insured by federal deposit insurance; (g) shares of any “regulated investment company” within the meaning of Section 851(a) of the Code, the assets of which consist only of securities or investments described in clauses (a) through (f) above; (h) commercial paper (including both

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non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) which have been rated at least A-1 by S&P and at least P-1 by Moody’s at the time of such investment; (i) other obligations of corporations which have been rated at least AA by S&P and at least Aaa by Moody’s at the time of such investment; (j) open ended mutual funds, as regulated by Rule 2a-7 under the Investment Company Act of 1940 and whose net asset value remains a constant \$1 a share; (k) investments directed by the Borrower in conjunction with industrial development revenue bonds, and (1) Subsidiaries, Affiliates and transactions permitted by Section 7.02(b).

“Permitted Liens” means any of the following:

- (a) Liens on any Property acquired, constructed, or improved by the Borrower or its Subsidiaries after the Effective Date that are created or assumed contemporaneously with, or within 120 days after, such acquisition or completion of the construction or improvement, or within six months thereafter pursuant to a firm commitment for financing arranged with a lender or investor within such 120-day period, to secure or provide for the payment of all or any part of the purchase price of such Property or the cost of such construction or improvement incurred after the Effective Date or, in addition to Liens contemplated by clauses (b) and (c) below, Liens on any Property existing at the time of acquisition thereof, provided that the Liens shall not apply

to any Property theretofore owned by the Borrower or its Subsidiaries other than, in the case of any such construction or improvement, any theretofore unimproved Property on which the Property so constructed or the improvement is located;

(b) Existing Liens on any Property or indebtedness of a corporation that is merged with or into or consolidated with the Borrower or its Subsidiaries or becomes a Subsidiary; provided that the Liens shall not apply to any Property theretofore owned by the Borrower or its Subsidiaries;

(c) Liens in favor of the United States of America, any state or any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction to secure partial, progress, advance or other payment pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of constructing or improving the Property subject to such Liens, including, without limitation, Liens to secure debt of the pollution control or industrial revenue bond type;

(d) Liens on current assets of the Borrower or its Subsidiaries to secure loans to the Borrower or its Subsidiaries which mature within 12 months from the creation thereof and which are made in the ordinary course of business;

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(e) Liens on any Property (including any natural gas, oil or other mineral property of the Borrower or its Subsidiaries) to secure all or part of the cost of exploration or drilling for or development of oil or gas reserves or laying a pipeline or to secure debt incurred to provide funds for any such purpose;

(f) Any Lien existing on Property of the Borrower or its Subsidiaries on the Effective Date;

(g) Liens on moneys or U.S. Government obligations deposited pursuant to Article Thirteen of the Borrower's July 15, 1996 Indenture and Article Four of the Borrower's August 1, 1986 Indenture;

(h) Liens for the sole purpose of extending, renewing or replacing, in whole or in part, Liens securing debt of the type referred to in the foregoing clauses (a) through (g), inclusive, or this clause (h); provided, however, that the principal amount of debt so secured at the time of such extension, renewal or replacement shall not be increased, and that such extension or replacement shall be limited to all or part of the Property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such Property);

(i) Carriers, warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty and which are being contested in good faith and by appropriate proceedings;

(j) Liens (other than any Lien imposed by ERISA) on Property of the Borrower or any of its Subsidiaries incurred, or pledges or deposits required, in connection with workers compensation, unemployment insurance and other social security legislation;

(k) Liens on Property of the Borrower or any of its Subsidiaries securing (i) the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, and (ii) obligations on surety and appeal bonds, and (iii) other obligations of a like nature incurred in the ordinary course of business;

(l) Licenses, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the Property subject thereto or interfere with the ordinary conduct of the businesses of the Borrower and its Subsidiaries;

(m) Liens on the Property of a Subsidiary (i) other than a Significant Subsidiary which could not reasonably be expected to have a Material Adverse Effect and (ii) Liens on the Property of Northern Pipeline Construction, Co.;

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(n) Intellectual property licenses;

(o) Any attachment or judgment Lien not constituting an Event of Default under Section 8.01(g); and

(p) Leases or subleases granted to others not interfering in any material respect with the ordinary conduct of the business of the Borrower and UCC financing statements relating solely thereto.

"**Person**" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government (whether federal, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof).

"**Plan**" means an employee benefit plan (as defined in Section 3(a) of ERISA) which the Borrower or any ERISA Affiliate sponsors or maintains or to which the Borrower or ERISA Affiliate makes or is obligated to make contributions, and includes any Multiemployer Plan or Qualified Plan.

"**Preferred Securities**" means any preferred securities issued by a financing entity (i.e., partnership, trust, limited liability company, etc.) used exclusively to raise capital for the Borrower having the following structural characteristics: (a)

the financing entity is capitalized by a nominal equity investment from the Borrower and the remainder through preferred securities issued by the financing entity, (b) the financing entity lends the proceeds from the issuance of preferred securities to the Borrower in exchange for subordinated debt securities (which debt securities are subordinated in all respects to the Funded Debt of the Borrower, except for Funded Debt which by its terms is expressly subordinated to or pari passu with such debt securities), (c) the Borrower makes periodic interest payments (associated with the subordinated debt securities) to the financing entity which, in turn, are used to make corresponding payments to holders of the preferred securities of the financing entity, (d) the subordinated debt securities issued by the Borrower and corresponding preferred securities issued by the financing entity have a maturity of at least thirty years, (e) interest payments on the subordinated debt securities may be deferred at the Borrower's discretion for one or more consecutive periods of up to five years, which would result in a corresponding deferral of payments to holders of the preferred securities, plus accrual of interest thereon, and (f) the subordinated debt securities and corresponding preferred securities may not be redeemed for a period of five years from the date of issuance other than as a result of a tax or other special event.

“Prescribed Forms” has the meaning assigned to such term in Section 4.04(a).

“Pricing Level I” means at any time the Borrower's Senior Debt Rating is (a) A- or higher by S&P or (b) A3 or higher by Moody's.

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“Pricing Level II” means at any time the Borrower's Senior Debt Rating is (a) BBB+ or higher by S&P or (b) Baa1 or higher by Moody's, and Pricing Level I is not applicable.

“Pricing Level III” means at any time the Borrower's Senior Debt Rating is (a) BBB or higher by S&P or (b) Baa2 or higher by Moody's, and Pricing Levels I and II are not applicable.

“Pricing Level IV” means at any time the Borrower's Senior Debt Rating is (a) BBB- or higher by S&P or (b) Baa3 or higher by Moody's, and Pricing Levels I, II and III are not applicable.

“Pricing Level V” means at any time the Borrower's Senior Debt Rating is (1) less than or equal to BB+ by S&P or (2) less than or equal to Ba1 by Moody's, and Pricing Levels I, II, III, and IV are not applicable.

“Property” means all types of real, personal, tangible, intangible or mixed property.

“Proposed Lender” has the meaning assigned to such term in Section 2.03(c).

“Pro Rata Share” means, with respect to any Lender at any time of determination, in relation to Loans, the proportion of such Lender's Commitment to the Total Commitment then in effect or, after the Termination Date, the proportion of such Lender's Loans to the aggregate amount of Loans then outstanding.

“Qualified Plan” means a pension plan (as defined in Section 3(2) of ERISA) intended to be tax-qualified under Section 401(a) of the Code and which any ERISA Affiliate sponsors, maintains, or to which it makes or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding period covering at least five (5) plan years, but excluding any Multiemployer Plan.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Required Lenders” means, at any date of determination, Lenders having at least 51% of the Total Commitment then in effect or, if the Total Commitment has been cancelled or terminated, holding at least 51% of the aggregate unpaid principal amount of the Loans then outstanding.

“Requirement of Law” means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its Property or to which the Person or any of its Property is subject.

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“Responsible Officer” means the chief executive officer, president, chief financial officer, chief accounting officer, treasurer or any vice president, senior vice president or executive vice president of the Borrower.

“Revolving Credit Notes” means the promissory notes of the Borrower substantially in the form of Exhibit C.

“SEC” means the Securities and Exchange Commission (or any successor Governmental Authority).

“Senior Debt Rating” means the Borrower's senior unsecured debt ratings from either S&P and Moody's.

“S&P” means Standard & Poor's Ratings Group and any successor thereto that is a nationally recognized rating agency.

“Significant Subsidiary” means any Subsidiary of the Borrower having 10% or more of the total assets of the Borrower and its Subsidiaries on a consolidated basis as of the end of any fiscal quarter or generating 10% or more of the income of the Borrower and its Subsidiaries on a consolidated basis during the most recently completed four fiscal quarters for which financial statements have been delivered pursuant to Section 7.01(a).

“Subsidiary” means any corporation, association, partnership, joint venture or other business entity of which the Borrower and/or any subsidiary of the Borrower either (a) in respect of a corporation, owns more than 50% of the outstanding stock having ordinary voting power to elect a majority of the board of directors or similar managing body, irrespective of whether or not at the time the stock of any class or classes shall or might have voting power by reason of the

happening of any contingency, or (b) in respect of an association, partnership, joint venture or other business entity, is the sole general partner or is entitled to share in more than 50% of the profits, however determined.

“Substitute Lender” has the meaning ascribed to such term in Section 4.08.

“Taxes” has the meaning assigned to such term in Section 4.04(a).

“Termination Date” means, May 3, 2007, or such earlier date on which the Revolving Credit Notes shall become due and payable, whether by acceleration or otherwise.

“Total Capitalization” means Funded Debt plus Net Worth.

“Total Commitment” means, on any day, the aggregate Commitments on such day of all the Lenders.

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“Unfunded Pension Liabilities” means the excess of a Plan’s accrued benefits, as defined in Section 3(23) of ERISA, over the current value of that Plan’s assets, as defined in Section 3(26) of ERISA.

“Unsecured Debt” means all Debt which has not been secured by a pledge of any real or personal property.

“Unused Commitment” means, with respect to a Lender on any day, such Lender’s Commitment in effect on such day, less the principal amount of such Lender’s Revolving Credit Loans outstanding on such day.

“Utilization Fee” has the meaning assigned to such term in Section 3.07(b).

(d) Ratings Determinations. Whenever this Agreement requires the determination of the Borrower’s Senior Debt Rating (i) if there is a split rating as between Moody’s and S&P (1) by one rating category, the higher of the two ratings will apply and (2) by more than one category, the rating that is one rating level below the higher rating will apply, (ii) if any rating established by Moody’s or S&P shall be changed (other than as a result of a change in the rating system of either Moody’s or S&P), such change shall be given effect as of the date on which such change is first announced by the rating agency making such change and (iii) if both Moody’s and S&P have not rated the Company’s senior Unsecured Debt, Pricing Level V will apply for the purposes of determining the Applicable Margin, the Utilization Fee and the Commitment Fee.

ARTICLE II

THE CREDIT FACILITY

Section 2.01 Loans.

Until the Termination Date, subject to the terms and conditions of this Agreement, each of the Lenders, severally and not jointly with the other Lenders, agrees to make loans (collectively, the “Loans”) in dollars to the Borrower in an aggregate principal amount at any one time outstanding not to exceed such Lender’s Commitment.

Loans shall be made on any Borrowing Date only (i) in the minimum aggregate principal amount of \$5,000,000 or in integral multiples of \$1,000,000 in excess thereof, in the case of Eurodollar Loans, and in the minimum aggregate amount of \$1,000,000 or in integral multiples of \$100,000, in the case of ABR Loans and (ii) in a maximum aggregate principal amount not exceeding the Available Commitment (after giving effect to any repayments or prepayments and any other borrowings of Loans on such Borrowing Date).

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Section 2.02 Borrowing Procedure.

In order to borrow Loans, the Borrower shall give a Borrowing Request to the Administrative Agent not later than 12:00 noon, New York time, (i) on the Borrowing Date for ABR Loans and (ii) on the third Business Day before the Borrowing Date for Eurodollar Loans. Upon receipt, the Administrative Agent forthwith shall give notice to each Lender of the substance of the Borrowing Request. Not later than 2:00 P.M., New York time, on the Borrowing Date, each Lender shall make available to the Administrative Agent such Lender’s Pro Rata Share of the requested Loans in funds immediately available at the Administrative Agent’s office specified pursuant to Section 11.08(a). Subject to satisfaction, or waiver by all of the Lenders, of each of the applicable conditions precedent contained in Article VI, on the Borrowing Date the Administrative Agent shall make available, in like funds, to the Borrower the amounts received by the Administrative Agent from the Lenders.

Section 2.03 Termination and Reduction and Increase of Commitments.

(a) Unless previously terminated, the Commitments shall terminate on the Termination Date.

(b) The Borrower may terminate the Total Commitment, or reduce the amount thereof, by (i) giving written notice to the Administrative Agent, not later than 5:00 P.M., New York time, on the fifth Business Day prior to the date of termination or reduction and (ii) paying the amount of the Commitment Fees accrued through such date of termination or reduction. Reductions of the Total Commitment shall be in the amount of \$5,000,000 or in integral multiples of \$1,000,000 in excess thereof (or, if the amount of the Available Commitment is less than \$5,000,000, then all of such lesser amount), but shall not exceed the Available Commitment in effect immediately before giving effect to such reduction. Any termination, and all reductions, of the Total Commitment shall be permanent.

(c) The Borrower may from time to time, at its sole expense and effort after consulting with the Administrative Agent, request: (i) one or more Lenders reasonably acceptable to the Administrative Agent to increase (in the sole and absolute discretion of each such Lender) the amount of their respective Commitments and/or (ii) one or more other lending institutions acceptable to the Administrative Agent (each, a “New Lender”) to become “Lenders” and extend Commitments hereunder (each such Lender and each New Lender being herein referred to as a “Proposed Lender”). To request an increase pursuant to this Section 2.03(c), the Borrower shall submit to the Administrative Agent an Increase Request, in the form annexed hereto as Exhibit G, signed by the Borrower, which shall be irrevocable and shall specify, as the case may be: (A) each such Lender and the amount of the proposed increase in its Commitment, or (B) the proposed Commitment for such New Lender. Promptly following receipt of an Increase Request, the Administrative Agent shall advise each Lender of the details thereof. If one or more of such Proposed Lenders shall have unconditionally agreed to

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such Increase Request in a writing delivered to the Borrower and the Administrative Agent (each such existing Lender and New Lender being hereinafter referred to as an “Incremental Lender”), then: (1) each such Incremental Lender which shall then be an existing Lender shall have its Commitment increased by the amount set forth in such Increase Request, and (2) each such New Lender shall be and become a “Lender” hereunder having a Commitment equal to the amount set forth therefor in such Increase Request, provided, however, that in each such case: (I) immediately before and after giving effect thereto, no Default or Event of Default shall or would exist, (II) each such Incremental Lender shall have executed and delivered to the Administrative Agent a supplement to this Agreement providing for its increased Commitment or its Commitment, as applicable, in form approved by the Administrative Agent, (III) immediately after giving effect thereto, the Total Commitments under this Agreement shall not exceed \$300,000,000, (IV) each such Increase Request shall be in an aggregate minimum amount of \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof, and (V) the Commitment extended by any such Incremental Lender which is a New Lender shall be in a minimum amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(d) Simultaneously with each increase in the aggregate amount of the Commitments under this Section 2.03(c), each Incremental Lender shall, to the extent necessary, purchase from each other Lender, and each other Lender shall sell to each Incremental Lender, in each case at par and without representation, warranty, or recourse (in accordance with and subject to the restrictions contained in Section 10.03), such principal amount of the Loans of such other Lender, together with all accrued and unpaid interest thereon, as will result, after giving effect to such transaction, in each Lender’s Applicable Percentage of Loans outstanding being equal to such Lender’s Applicable Percentage of all Loans, provided that each such assignor Lender shall have received (to the extent of the interests, rights and obligations assigned) payment of the outstanding principal amount of such Loans, accrued interest thereon, accrued fees, commissions and all other amounts payable to it under the Loan Documents from the applicable assignee Lenders (to the extent of such outstanding principal and accrued interest, fees and commissions) or the Borrower (in the case of all other amounts).

Section 2.04 Repayment.

Loans shall be repaid, together with all accrued and unpaid interest thereon, on the Termination Date.

Section 2.05 Optional Prepayment.

The Borrower may prepay Loans bearing interest on the same basis and having the same Interest Periods, if any, by giving notice to the Administrative Agent not later than 1:00 P.M., New York time, on the third Business Day preceding the proposed date of prepayment, in the case of Eurodollar Loans, or not later than 1:00 P.M., New York time on the Business Day of the proposed prepayment, in the case of ABR Loans. Each such prepayment of Eurodollar Loans shall be

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in an aggregate principal amount of \$5,000,000 or in integral multiples of \$1,000,000 in excess thereof (or, if the aggregate amount of outstanding Eurodollar Loans is less than \$5,000,000, then all of such lesser amount), and each prepayment of ABR Loans shall be in an aggregate amount of \$1,000,000 or in integral multiples of \$100,000 in excess thereof (or, if the aggregate amount of outstanding ABR Loans is less than \$1,000,000, then all of such lesser amount), and, in the case of Eurodollar Loans, together with the amounts required by Section 4.03, accrued interest on the principal being prepaid to the date of prepayment. Subject to the terms and conditions of this Agreement, prepaid Loans may be reborrowed.

ARTICLE III

INTEREST AND FEES

Section 3.01 Interest Rate Determination; Conversion.

(a) Except to the extent that the Borrower shall request, in a Revolving Credit Request, in a Conversion Request or in a written election pursuant to Section 3.03(b), that Loans (or portions thereof) bear interest as Eurodollar Loans, Loans shall bear interest as ABR Loans.

(b) The Borrower may request, by giving a Conversion Request to the Administrative Agent, not later than 1:00 P.M., New York time on the third Business Day prior to the requested Conversion Date, that all or portions of the outstanding Loans, in the aggregate principal amount of \$5,000,000 or in integral multiples of \$1,000,000 in excess thereof, in the case of Loans being converted to or continued as Eurodollar Loans, and in the aggregate principal amount of \$1,000,000 or in integral multiples of \$100,000 in excess thereof (or, if the aggregate principal amount of outstanding Loans is less than \$1,000,000, then all such lesser amount), in the case of ABR Loans, bear interest from and after the Conversion Date as either ABR Loans or Eurodollar Loans; provided, however, that during the continuance of any Default or Event of Default that shall have occurred, no Loan (or portion thereof) may be converted into Eurodollar Loans. Upon receipt, the Administrative Agent forthwith shall give notice to each Lender of the substance of each Conversion Request. Upon payment by the Borrower of the amounts, if any, required by Section 4.03, on the Conversion Date the Loans or portions

thereof as to which the Conversion Request was made shall commence to accrue interest in the manner selected by the Borrower therein.

Section 3.02 Interest on ABR Loans.

Each ABR Loan shall bear interest from the date made until the date repaid, or (if converted into a Eurodollar Loan) to (but excluding) the first day of any relevant Interest Period, as the case may be, payable in arrears on the last day of each calendar quarter of each year, commencing with the first such date after the Effective Date, and on the date such Loan is

repaid, at a rate per annum equal to the sum of (i) the Applicable Margin and (ii) the Alternate Base Rate in effect from time to time, which rate shall change as and when said Alternate Base Rate shall change.

Section 3.03 Interest on Eurodollar Loans.

(a) Each Eurodollar Loan shall bear interest from the date made until the date repaid or converted to an ABR Loan, payable in arrears, with respect to Interest Periods of three months or less, on the last day of such Interest Period, and with respect to Interest Periods longer than three months, the respective dates that fall every three months after the commencement of such Interest Period and on the last day of such Interest Period, at a rate per annum equal to the sum of (i) the Applicable Margin and (ii) the LIBOR rate for such Interest Period.

(b) Each Eurodollar Loan shall become an ABR Loan at the end of the Interest Period therefor, unless (i) there shall not have occurred and be continuing a Default or Event of Default and (ii) not later than the third Business Day prior to the last day of such Interest Period, (x) the Borrower shall have delivered to the Administrative Agent an irrevocable written election of the subsequent Interest Period, in which case such Eurodollar Loan shall remain outstanding as a Eurodollar Loan, or (y) the Borrower shall have delivered to the Administrative Agent a Conversion Request with respect thereto, in which case such Eurodollar Loan shall be converted in accordance with Section 3.01(b).

(c) If, during any period, a Lender shall be required to maintain reserves against "Eurocurrency Liabilities" in accordance with Federal Reserve Board Regulation D (or any successor regulation), the Borrower shall pay additional interest during such period on each outstanding Eurodollar Loan of such Lender (contemporaneously with each interest payment due thereon commencing with the first such payment due at least five Business Days after receipt of the notice referred to in the next sentence) at a rate per annum up to but not exceeding the marginal rate determined by the following formula:

$$\frac{\text{LIBOR}}{1 - \text{Eurodollar Reserve Percentage}} - \text{LIBOR}$$

Each Lender shall promptly notify the Borrower, with a copy to the Administrative Agent, upon becoming aware that the Borrower may be required to make a payment of additional interest to such Lender. When requesting payment pursuant to this Section 3.03(c), a Lender shall provide to the Borrower, with a copy to the Administrative Agent, a certificate, signed by an officer of such Lender setting forth, in reasonable detail, the basis of such claim, the amount required to be paid by the Borrower to such Lender and the computations made by such Lender to determine such amount. Absent manifest error, such certificate shall be binding as to the amounts of additional interest owing in respect of such Lender's Eurodollar Loans. Any Lender that gives notice under this Section 3.03(c) shall promptly withdraw such notice (by written

notice of withdrawal given to the Administrative Agent and the Borrower) whenever such Lender is no longer required to maintain such reserves or the circumstances giving rise to such notice shall otherwise cease.

Section 3.04 Interest on Overdue Amounts.

All overdue amounts (including principal, interest and fees) hereunder, and, during the continuance of any Event of Default that shall have occurred, each Loan, shall bear interest, payable on demand, at a rate per annum equal to the sum of (i) 2% and (ii) in the case of Eurodollar Loans, the rate then applicable until the end of the current Interest Period therefor, and thereafter the rate of interest applicable to ABR Loans, changing as and when such rate shall change, and in the case of ABR Loans, the rate of interest applicable thereto, changing as and when such rate shall change.

Section 3.05 Day Counts.

Interest on ABR Loans shall be calculated on the basis of (a) a 365- or, if applicable, a 366-day year for the actual number of days elapsed for so long as interest is determined pursuant to clause (i) of the definition of "Alternate Base Rate" and (b) a 360-day year for the actual number of days elapsed for so long as interest is determined based on clause (ii) of the definition of "Alternate Base Rate". Interest on all other Loans, and all fees shall be calculated on the basis of a 360-day year for the actual number of days elapsed.

Section 3.06 Maximum Interest Rate.

(a) Nothing in this Agreement shall require the Borrower to pay interest at a rate exceeding the maximum rate permitted by applicable law. Neither this Section nor Section 11.01 is intended to limit the rate of interest payable for the account of any Lender to the maximum rate permitted by the laws of the State of New York (or any other applicable law) if a higher rate is permitted with respect to such Lender by supervening provisions of U.S. Federal law.

(b) If the amount of interest payable for the account of any Lender on any interest payment date in respect of the immediately preceding interest computation period, computed pursuant to this Article III, would exceed the maximum amount permitted by applicable law to be charged by such Lender, the amount of interest payable for its account on such interest payment date shall automatically be reduced to such maximum permissible amount.

(c) If the amount of interest payable for the account of any Lender in respect of any interest computation period is reduced pursuant to Section 3.06(b) and the amount of interest payable for its account in respect of any subsequent interest computation period would be less than the maximum amount permitted by law to be charged by such Lender, then the amount of interest payable for its account in respect of such subsequent interest computation period shall be

automatically increased to such maximum permissible amount; provided that at no time shall the aggregate amount by which interest paid for the account of any Lender has been increased pursuant to this Section 3.06(c) exceed the aggregate amount by which interest paid for its account has theretofore been reduced pursuant to Section 3.06(b).

Section 3.07 Commitment Fees; Utilization Fee.

(a) The Borrower agrees to pay to the Administrative Agent, for the account of each Lender, on the last day of each calendar quarter of each year, commencing with the first such day after the Effective Date (or such later date on which such Lender becomes a Lender), and on the Termination Date (or other date on which the Commitment shall terminate) with respect to such Lender, a fee (the "Commitment Fee") computed by applying (i) on each day on which the applicable Pricing Level set forth below is in effect, the percentage per annum set forth below adjacent to such Pricing Level on such day during the then-ending quarter (or shorter period ending with the Termination Date or any other date on which the Commitment of such Lender shall terminate) to (ii) the amount of such Lender's unused Commitment on such day:

Pricing Level	Commitment Fee
I	0.150%
II	0.175%
III	0.200%
IV	0.225%
V	0.350%

(b) The Borrower agrees to pay to the Administrative Agent, for the account of each Lender, on the last day of each calendar quarter of each year, commencing with the first such day after the Effective Date (or such later date on which such Lender becomes a Lender), and on the Termination Date (or other date on which the Commitment shall terminate) with respect to such Lender, a fee (the "Utilization Fee"), computed by applying on any date the outstanding principal amount of the Loans exceeds 50% of the Commitments (i) on each day on which the applicable Pricing Level set forth below is in effect, the percentage per annum set forth below adjacent to such Pricing Level on such day during the then-ending quarter (or shorter period ending with the Termination Date or any other date on which the Commitment of such Lender shall terminate) to (ii) the outstanding principal amount of such Lender's Loans on such day:

Pricing Level	Utilization Fee
I	0.100%
II	0.125%
III	0.125%
IV	0.150%
V	0.250%

ARTICLE IV

DISBURSEMENT AND PAYMENT

Section 4.01 Disbursement.

(a) Each Loan shall be made by the relevant Lender from such Lender's branch or affiliate identified as its Applicable Lending Office.

(b) The failure of any Lender to make any Loan to be made by it on the Borrowing Date therefor shall not relieve any other Lender of its obligation to make its Loan or Loans on such date, but neither any Lender nor the Administrative Agent shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender.

(c) The Administrative Agent may, but shall not be required to, advance on behalf of any Lender the amount of such Lender's Loan to be made on a Borrowing Date, unless such Lender shall have notified the Administrative Agent prior to such Borrowing Date that it does not intend to make such Loan on such date. If the Administrative Agent makes any such advance, the Administrative Agent shall be entitled to recover the amount so advanced on demand from the Lender on whose behalf such advance was made and, if such Lender does not pay the Administrative Agent the amount of such

advance on demand, the Borrower agrees promptly to repay such amount to the Administrative Agent. Until such amount is repaid to the Administrative Agent by such Lender or the Borrower, such advance shall be deemed for all purposes to be a Loan made on such Borrowing Date by the Administrative Agent. The Administrative Agent shall be entitled to recover from the Lender or the Borrower, as the case may be, interest on the amount advanced by it for each day from the Borrowing Date therefor until repaid to the Administrative Agent, at a rate per annum equal to the Federal Funds Rate until the third Business Day after the date of the advance and, thereafter, at the rate per annum equal to the relevant rate on Loans made on the relevant Borrowing Date.

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Section 4.02 Method and Time of Payments; Sharing among Lenders.

(a) All funds received by the Administrative Agent for the account of the Lenders in respect of payments made by the Borrower under, or from any other Person on account of, any Credit Document shall be distributed forthwith by the Administrative Agent among the Lenders, in like funds as received, ratably in proportion to their respective interests therein. Each payment of Commitment Fees and each reduction of the Total Commitment shall be apportioned among the Lenders in proportion to each Lender's Pro Rata Share.

(b) All payments by the Borrower hereunder shall be made without setoff or counterclaim to the Administrative Agent, for its account or for the account of the Lender or Lenders entitled thereto, as the case may be, in dollars and in immediately available funds at the office of the Administrative Agent prior to 3:00 P.M., New York time, on the date when due.

(c) Whenever any payment from the Borrower shall be due on a day that is not a Business Day, the date of payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment from the Borrower is due that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, but shall not be obligated to, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(e) If any Lender shall receive from the Borrower or any other Person any amount owing under any Credit Document (whether received pursuant to the exercise of any right of set-off, banker's lien, realization upon any security held for or appropriated to such obligation or otherwise) other than in proportion to such Lender's ratable share thereof, then such Lender shall purchase from each other Lender a participating interest in so much of the other Lenders' Loans as shall be necessary in order that each Lender shall share such payment with each of the other Lenders in proportion to each Lender's ratable share; provided that nothing herein contained shall obligate any Lender to apply any set-off, banker's lien or collateral security first to the obligations of the Borrower hereunder if the Borrower is obligated to such Lender pursuant to other loans or notes. If any purchasing Lender shall be required to return any excess payment received

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by it, such participation shall be rescinded and the purchase price restored to the extent of such return, but without interest.

Section 4.03 Compensation for Losses.

(a) If (i) the Borrower makes a prepayment, or a Conversion Date occurs, other than on the last day of the relevant Interest Period, (ii) the Borrower fails to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto, (iii) the Borrower revokes any Borrowing Request for Eurodollar Loans, (iv) Eurodollar Loans (or portions thereof) are converted into ABR Loans pursuant to Section 4.05 at any time other than at the end of an Interest Period or (v) Loans (or portions thereof) shall become or be declared to be due prior to the scheduled maturity thereof, then the Borrower shall pay to each Lender an amount that will compensate such Lender for any loss (other than lost profit) or premium or penalty incurred by such Lender as a result of such prepayment, conversion, declaration or revocation in respect of funds obtained for the purpose of making or maintaining such Lender's Eurodollar Loans, or any portion thereof. Such compensation shall include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so paid or prepaid, or not borrowed or converted, for the period from the date of such payment or prepayment or conversion or failure to borrow to the last day of such Interest Period (or, in the case of a failure to borrow, the Interest Period that would have commenced on the date of such failure to borrow) in each case at the applicable rate of interest for such Eurodollar Loan provided for herein (excluding, however, any Applicable Margin included therein) over (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the London interbank deposit market.

(b) In connection with a demand for payment pursuant to this Section 4.03, a Lender shall provide to the Borrower, with a copy to the Administrative Agent, a certificate, signed by an officer of such Lender, setting forth in reasonable detail the amount required to be paid by the Borrower to such Lender and the computations made by such Lender to determine such amount. In the absence of manifest error, such certificate shall be conclusive as to the amount so required to be paid.

Section 4.04 Withholding and Additional Costs.

(a) Withholding. (i) To the extent permitted by law, all payments under this Agreement and under the Revolving Credit Notes (including payments of principal and interest) shall be payable to each Lender free and clear of any and all present and future taxes, levies, imposts, duties, deductions, withholdings, fees, liabilities and similar charges other than Excluded Taxes (collectively, "Taxes"). If any Taxes are required to be withheld or deducted from any amount payable under

this Agreement, then the amount payable under this Agreement shall be increased to the amount which, after deduction from such increased amount of all Taxes required to be withheld or deducted therefrom, will yield to such

Lender the amount stated to be payable under this Agreement. The Borrower shall also hold each Lender harmless and indemnify it for any stamp or other taxes with respect to the preparation, execution, delivery, recording, performance or enforcement of the Credit Documents (all of which shall be included within "Taxes"). If any of the Taxes specified in this Section 4.04(a) are paid by any Lender, the Borrower shall, upon demand of such Lender, promptly reimburse such Lender for such payments, together with any interest, penalties and expenses incurred in connection therewith. The Borrower shall deliver to the Administrative Agent certificates or other valid vouchers for all Taxes or other charges deducted from or paid with respect to payments made by the Borrower hereunder. Notwithstanding the foregoing, the Borrower shall be entitled, to the extent required to do so by law, to deduct or withhold (and shall not be required to make payments as otherwise required by this Section 4.04 on account of such deductions or withholdings) income or other similar taxes imposed by the United States of America from interest, fees or other amounts payable hereunder for the account of any Lender other than a Lender (A) that is a U.S. Person for U.S. federal income tax purposes or (B) that has the Prescribed Forms on file with the Borrower for the applicable year to the extent deduction or withholding of such taxes is not required as a result of such filing of such Prescribed Forms; provided that, if the Borrower shall so deduct or withhold any such taxes, the Borrower shall provide a statement to the Administrative Agent and such Lender, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender may reasonably request for assisting such Lender to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender is subject to tax.

(ii) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) agrees to deliver to the Borrower and the Administrative Agent on or prior to the Effective Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 10.03 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, (i) if the Lender is a "bank" within the meaning of Section 881(c)(3)(A) of the Code, two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN or Form W-8ECI (or successor forms) certifying such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Revolving Credit Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, either Internal Revenue Service Form W-8BEN or Form W-8ECI as set forth in clause (i) above, or (x) a certificate in substantially the form of Schedule II (any such certificate, a "Schedule II Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN (or successor form) certifying such Lender's entitlement to an exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Revolving Credit Note. In addition, each Lender agrees that it will deliver upon the Borrower's request updated versions of the foregoing, as applicable, whenever the

previous certification has become obsolete or inaccurate in any material respect, together with such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Revolving Credit Note. Notwithstanding anything to the contrary contained in Section 4.04(a), but subject to the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold Taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. federal income tax purposes to the extent that such Lender has not provided to the Borrower U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to Section 4.04(a) hereof to gross-up payments to be made to a Lender in respect of Taxes imposed by the United States if (I) such Lender has not provided to the Borrower the Internal Revenue Service Forms required to be provided to the Borrower pursuant to this Section 4.04(b) or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such Forms do not establish a complete exemption from withholding of such Taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 4.04, the Borrower agrees to pay additional amounts and to indemnify each Lender in the manner set forth in Section 4.04(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Effective Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of Taxes.

(b) Additional Costs. Subject to Sections 4.04(c), (d) and (e):

(i) Without duplication of any amounts payable described in Section 3.03(c) or 4.03 (a), if after the date hereof, any change in any law or regulation or in the interpretation thereof by any court or administrative or Governmental Authority charged with the administration thereof or the enactment of any law or regulation shall either (1) impose, modify or deem applicable any reserve, special deposit or similar requirement against any Lender's Commitment or Loans or (2) impose on any Lender (or such Lender's Applicable Lending Office) any other condition regarding this Agreement, its Commitment or the Loans and the result of any event referred to in clause (1) or (2) shall be to increase the cost to such Lender (or such Lender's Applicable Lending Office) of maintaining its Commitment or any Eurodollar Loans made by such Lender (which increase in cost shall be calculated in accordance with such Lender's reasonable averaging and attribution methods) by an amount which such Lender deems to be material, then, upon demand by such Lender, the Borrower shall pay to such Lender, on demand, an amount equal to such increase in cost; and

(ii) Without duplication of any amounts payable described in Section 3.03(c) or 4.03(a), if any Lender shall have determined that the adoption of any applicable law, rule, regulation or guideline regarding capital adequacy, or any

change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, (including any such adoption or change made prior to the date hereof but not effective until after the date hereof) or compliance by such Lender (or such Lender's Applicable Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital for such Lender (or such Lender's Applicable Lending Office) or any corporation controlling such Lender as a consequence of its obligations under this Agreement to a level below that which such Lender (or such Lender's Applicable Lending Office) or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's (or such Lender's Applicable Lending Office) or such corporation's policies with respect to capital adequacy), then from time to time, upon demand by such Lender, then the Borrower shall pay to such Lender, on demand, such additional amount or amounts as will compensate such Lender (or such Lender's Applicable Lending Office) or such corporation for such reduction.

(c) Lending Office Designations. Before making any demand for payment pursuant to this Section 4.04, each Lender shall, if possible, designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender.

(d) Certificate, Etc. In connection with any demand for payment pursuant to this Section 4.04, a Lender shall provide to the Borrower, with a copy to the Administrative Agent, a certificate, signed by an officer of such Lender, setting forth in reasonable detail the basis for such demand, the amount required to be paid by the Borrower to such Lender the computations made by such Lender to determine such amount.

(e) Limitations. The Borrower shall not be obligated to compensate a Lender for any amount under Section 4.04(b) (i) and (ii) arising or occurring more than 90 days prior to the date on which an office of such Lender primarily responsible for the administration of this Agreement obtains actual knowledge that such Lender is entitled to such compensation.

Section 4.05 Funding Impracticable.

If at any time any Lender shall have determined in good faith (which determination shall be conclusive) that the making or maintenance of all or any part of such Lender's Eurodollar Loans has been made impracticable or unlawful

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because of compliance by such Lender in good faith with any law or guideline or interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof or with any request or directive of such body (whether or not having the effect of law) or because U.S. dollar deposits in the amount and requested maturity of such Eurodollar Loans are not available to such Lender in the London Eurodollar interbank market, then the Administrative Agent, upon notification to it of such determination by such Lender, shall forthwith advise the other Lenders and the Borrower thereof. Upon such date as shall be specified in such notice and until such time as the Administrative Agent, upon notification to it by such Lender, shall notify the Borrower and the other Lenders that the circumstances specified by it in such notice no longer apply, (i) notwithstanding any other provision of this Agreement, such Eurodollar Loans shall, automatically and without requirement of further notice, or any payment pursuant to Section 4.03 or 4.04, by the Borrower, be converted to ABR Loans, and (ii) the obligation of such Lender to make or continue Eurodollar Loans shall be suspended, and, if the Borrower shall request in a Borrowing Request or Conversion Request that the Lenders make a Eurodollar Loan, the Loan requested to be made by such Lender shall instead be made as an ABR Loan.

Section 4.06 Expenses; Indemnity.

(a) The Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Lender (including reasonable fees and disbursements of counsel) in connection with the enforcement of, and the protection of their respective rights under, any provision of any Credit Document or any amendment or supplement to this Agreement.

(b) The Borrower agrees to indemnify the Administrative Agent, BNY Capital Markets, Inc. and each of the Lenders and their respective directors, officers, employees and agents (each, an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including counsel fees and expenses, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of any Credit Document or any agreement or instrument contemplated by any Credit Document, the performance by the parties thereto of their respective obligations under any Credit Document or the consummation of the transactions contemplated by any Credit Document, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

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(c) All amounts due under this Section 4.06 shall be payable in immediately available funds upon written demand therefor.

Section 4.07 Survival.

The provisions of Sections 4.03, 4.04, 4.06 and 9.06, shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the reduction or termination of any Commitments, the invalidity or unenforceability of any term or provision of any Credit Document, or any investigation made by or on behalf of the Lenders.

Section 4.08 Substitution of a Lender.

Notwithstanding anything to the contrary contained herein, if any Lender shall request compensation pursuant to Section 4.04(b)(i) and (ii) then, in each case, the Borrower may require that such Lender transfer all of its right, title and interest under this Agreement and such Lender's Revolving Credit Notes to one or more of the other Lenders or any other lender identified by the Borrower and reasonably acceptable to the Administrative Agent (a "Substitute Lender") which is willing to assume all of the obligations of such Lender, for consideration equal to the outstanding principal amount of such Lender's Loans, together with interest thereon to the date of such transfer and all other amounts payable under the Credit Documents to such Lender on or prior to the date of such transfer (including, without limitation, any fees accrued hereunder and any amounts which would be payable under Section 4.03 as if all of such Lender's Loans were being prepaid in full on such date). Subject to the execution and delivery of new notes, an Assignment and Acceptance, and such other documents as such Lender may reasonably require, such Substitute Lender shall be a "Lender" for all purposes hereunder. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements of the Borrower contained in Sections 4.04 and 4.06 (without duplication of any payments made to such Lender by the Borrower or the Substitute Lender) shall survive for the benefit of any Lender replaced under this Section 4.08 with respect to the time prior to such replacement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.01 Representations and Warranties.

The Borrower represents and warrants to the Administrative Agent and each Lender as follows:

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(a) Corporate Existence.

(i) the Borrower and each of its Significant Subsidiaries has been duly incorporated and is validly existing and in good standing under the laws of its jurisdiction of incorporation;

(ii) the Borrower and each of its Significant Subsidiaries has the corporate power and authority and all necessary governmental licenses, authorizations, consents and approvals material to the ownership of its assets and the carrying on of its business;

(iii) the Borrower has the power and authority and all governmental licenses, authorizations, consents and approvals to execute, deliver and perform its obligations under this Agreement and the Revolving Credit Notes; and

(iv) the Borrower is duly qualified as a foreign corporation, licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification, except any such failure to be qualified, licensed or in good standing as would not be reasonably expected to have a Material Adverse Effect.

(b) Corporate Authorization; No Contravention. The execution, delivery, and performance by the Borrower of the Credit Documents have been duly authorized by all necessary corporate action and do not and will not:

(i) contravene the terms of the Borrower's articles of incorporation, bylaws or other organizational document;

(ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, any Contractual Obligation, injunction, order or decree to which the Borrower is a party or by which it is bound including, without limitation, the CPUC Order; or

(iii) violate any Requirement of Law.

(c) Governmental Authorization. No consent, approval, authorization or order of any Governmental Authority is required for due execution, delivery and performance by the Borrower of the Credit Documents, other than the CPUC Order, which has been obtained and is in full force and effect.

(d) Binding Effect. This Agreement is, and the Revolving Credit Notes when delivered hereunder will be, legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms

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subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(e) Litigation. There are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Borrower, threatened at law, in equity, in arbitration or before any Governmental Authority, against the Borrower, or its Subsidiaries or any of their respective Properties which (i) purport to affect or pertain to this Agreement, or any of the transactions contemplated hereby; or (ii) would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery and performance of any Credit Document or directing that the transactions provided for herein not be consummated as herein provided.

(f) No Default. No Default or Event of Default exists or would result from the incurring of the Obligations by the Borrower under this Agreement. Neither the Borrower, nor any of its Significant Subsidiaries, is in default under or with respect to any Contractual Obligation which, individually or together with all such defaults, would have a Material Adverse Effect.

(g) ERISA Compliance. (i) Each Qualified Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law, including all requirements under the Code or ERISA for filing reports (which are true and correct in all material respects as of the date filed), and to the best knowledge of the Borrower, benefits have been paid in accordance with the provisions of such Plan.

(ii) Each Qualified Plan has been determined by the IRS to qualify under Section 401 of the Code, the IRS has not determined that any amendment to any Qualified Plan does not qualify under Section 401 of the Code, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the Code, and to the best knowledge of the Borrower, nothing has occurred which would cause the loss of such qualification or tax-exempt status.

(iii) There is no material outstanding liability under Title IV of ERISA with respect to any Plan maintained or sponsored by the Borrower or any ERISA Affiliate (as to which the Borrower is or may be liable), nor with respect to any Plan to which the Borrower or any ERISA Affiliate (wherein the Borrower is or may be liable) contributes or is obligated to contribute.

(iv) None of the Qualified Plans subject to Title IV of ERISA has any Unfunded Pension Liability in excess of \$50,000,000 as to which the Borrower is or may be liable.

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(v) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan maintained or sponsored by the Borrower or to which the Borrower is obligated to contribute.

(vi) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, other than routine claims for benefits in the usual and ordinary course, asserted or instituted against (i) any Plan maintained or sponsored by the Borrower or its assets, (ii) any ERISA Affiliate with respect to any Qualified Plan of the Company, or (iii) any fiduciary with respect to any Plan for which the Borrower may be directly or indirectly liable, through indemnification obligations or otherwise which would be reasonably likely to have a Material Adverse Effect.

(vii) The Borrower has not incurred nor reasonably expects to incur (i) any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan or (ii) any liability under Title IV of ERISA (other than premiums due and not delinquent under Section 4007 of ERISA) with respect to a Qualified Plan.

(viii) The Borrower has not transferred any Unfunded Pension Liability to any entity other than an ERISA Affiliate or otherwise engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

(ix) The Borrower has not engaged, directly or indirectly, in a non-exempt prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Plan which would have a Material Adverse Effect.

(h) Use of Proceeds; Margin Regulations. No Loans will be used, directly or indirectly, (i) to purchase or carry Margin Stock or (ii) to repay or otherwise refinance indebtedness of the Borrower or others incurred to purchase or carry Margin Stock or (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock. No Loan will be used to acquire any security in any transaction which is subject to Sections 13 or 14 of the Securities Exchange Act of 1934.

(i) Title to Properties. The Borrower and each of its Significant Subsidiaries has sufficient and legal title in fee simple to or valid leasehold interest in all its real Property, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. Such Property is free and clear of all Liens or rights of others, except Permitted Liens.

(j) Taxes. The Borrower and its Subsidiaries have filed all federal and other material tax returns and reports required to be filed and have paid all federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their Properties, income or assets otherwise due and payable except (a) those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance

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with GAAP, and (b) those levied or imposed on Subsidiaries other than Significant Subsidiaries the nonpayment of which would not, in the aggregate, have a Material Adverse Effect. To the best knowledge of the Borrower, there is no proposed tax assessment against the Borrower or any of its Subsidiaries which would, if the assessment were made, have a Material Adverse Effect.

(k) Financial Condition.

The audited consolidated balance sheet of the Borrower as of December 31, 2003 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the period then ended, copies of which have been furnished to the Administrative Agent and the Lenders, fairly present the consolidated financial condition of the Borrower and its consolidated Subsidiaries as of, and the results of its operations and cash flows for, the period then ended, applied on a consistent basis. Such financial statements were prepared in accordance with GAAP consistently applied throughout the period covered thereby, are complete and accurate, and show all material indebtedness and other liabilities of the Borrower and its consolidated Subsidiaries as of the date thereof (including liabilities for taxes and material commitments).

(l) Environmental Matters.

(i) The operations of the Borrower and each of its Subsidiaries comply with all Environmental Laws except where such noncompliance would not have a Material Adverse Effect.

(ii) The Borrower and each of its Subsidiaries have obtained all licenses, permits, authorizations and registrations required under any Environmental Law ("Environmental Permits") necessary for its operations, and all such Environmental Permits are in good standing, and the Borrower and each of its Subsidiaries are in compliance with all terms and conditions of such Environmental Permits, except where the failure so to obtain, be in good standing or be in compliance would not have a Material Adverse Effect.

(iii) None of the Borrower, any of its Subsidiaries or any of their present Property or operations is subject to any outstanding written order from or agreement with any Governmental Authority or other Person, nor subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Material which would have a Material Adverse Effect.

(iv) There are no conditions or circumstances which may give rise to any Environmental Claim arising from the operations of the Borrower or its Subsidiaries which would have a Material Adverse Effect. Without limiting the generality of the foregoing, except as would not, in the aggregate, have a Material Adverse Effect (i) neither the Borrower nor any of its Subsidiaries has any underground storage tanks (x) that are not properly registered or permitted under

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applicable Environmental Laws or (y) that are leaking or disposing of Hazardous Materials offsite and (ii) the Borrower and its Subsidiaries have notified all of their employees of the existence, if any, of any health hazard arising from the conditions of their employment and have met all notification requirements under Title III of CERCLA or any other Environmental Law.

(m) Regulated Entities. Neither the Borrower nor any Person controlling the Borrower is (i) an "Investment Company" within the meaning of the Investment Company Act of 1940; or (ii) subject to regulation under the Public Utility Holding Company Act of 1935 other than pursuant to Section 9(a)(2) thereof, the Federal Power Act, the Interstate Commerce Act or any regulation thereunder limiting its ability to incur Debt.

(n) Labor Relations. There are no strikes, lockouts or other labor disputes against the Borrower or any of its Subsidiaries or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any of its Subsidiaries which would have a Material Adverse Effect, and no significant unfair labor practice complaint is pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against any of them before any Governmental Authority which would have a Material Adverse Effect.

(o) Insurance. The Properties of the Borrower and its Significant Subsidiaries are insured with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as is customarily carried by companies engaged in similar businesses and owning similar Properties in localities where the Borrower or such Significant Subsidiary operates.

(p) Full Disclosure. None of the representations or warranties made by the Borrower in this Agreement as of the date of such representations and warranties, and none of the statements contained in any certificate furnished by or on behalf of the Borrower in connection with this Agreement contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading.

(q) Compliance with Applicable Laws. Neither the Borrower nor any Subsidiary is in default with respect to any judgment, order, writ, injunction, decree or decision of any Governmental Authority which default would have a Material Adverse Effect. The Borrower and each Subsidiary is complying in all material respects with all applicable statutes and regulations, including ERISA and applicable occupational, safety and health and other labor laws, of all Governmental Authorities, a violation of which would have a Material Adverse Effect.

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(r) Ranking. The Obligations of the Borrower to the Lenders to be undertaken under the Credit Documents will rank senior to or pari passu with other Unsecured Debt of the Borrower.

Section 5.02 Survival.

All representations and warranties made by the Borrower in this Agreement, and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement, shall (i) be considered to have been relied upon by the Lenders, (ii) survive the making of Loans regardless of any investigation made by, or on behalf of, the Lenders, and (iii) continue in full force and effect as long as the Commitments have not been terminated and, thereafter, so long as any Loan, fee or other amount payable hereunder remains unpaid.

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.01 Conditions to the Availability of the Commitments.

The obligations of each Lender hereunder are subject to, and the Lenders' Commitments shall not become available until the earliest date (the "Effective Date") (which shall be no later than the close of business in New York City on May 4, 2004) on which each of the following conditions precedent shall have been satisfied or waived in writing by the Lenders:

(a) This Agreement. The Administrative Agent shall have received this Agreement duly executed and delivered by each of the Lenders and the Borrower.

(b) The Revolving Credit Notes. The Borrower shall have delivered to the Administrative Agent, for each of the Lenders, a duly executed Revolving Credit Note.

(c) Evidence of Corporate Action. The Lenders shall have received the following:

(i) The articles of incorporation of the Borrower as in effect on the Effective Date, certified by the Secretary of State of California as of a recent date and by the Secretary or Assistant Secretary of the Borrower as of the Effective Date and the bylaws of the Borrower as in effect on the Effective Date, certified by the Secretary or Assistant Secretary of the Borrower as of the Effective Date.

(ii) Certificates of good standing for the Borrower from each of the Secretary of State of California and the Secretaries of State of the states where the Borrower conducts its principal operations, certifying that the Borrower is in good standing in such states, such certificates to be dated reasonably near the Effective Date.

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(iii) Copies of the resolutions of the board of directors of the Borrower approving and authorizing the execution, delivery and performance by the Borrower of this Agreement and the Revolving Credit Notes and authorizing the borrowings hereunder, certified as of the Effective Date by the Secretary or an Assistant Secretary of the Borrower.

(iv) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Revolving Credit Notes and any certificates or other documents, to be delivered in connection herewith.

(d) Opinions of Counsel. The Lenders shall have received a favorable written opinion, dated the Effective Date, of Robert M. Johnson, Assistant General Counsel of the Borrower, and Morrison & Foerster LLP, in substantially the form of Exhibit D.

(e) Representations and Warranties; Etc. The following statements shall be true and the Administrative Agent shall have received a certificate signed by a Responsible Officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 5.01 of this Agreement are correct on and as of the Effective Date as though made on and as of such date;

(ii) Since December 31, 2003, neither the Borrower nor any of its Subsidiaries have entered into or consummated any transaction or transactions, and there has occurred no change, affecting the business, credit, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole, which would have a Material Adverse Effect;

(iii) No litigation, proceeding or inquiry before or by any arbitrator or Governmental Authority is continuing or, to the best of the Borrower's knowledge, threatened which would have a Material Adverse Effect; and

(iv) No event has occurred and is continuing which constitutes a Default or Event of Default.

(f) Existing Credit Agreements. All amounts outstanding under the Existing Credit Agreements shall be paid from the proceeds of the Loans made under this Agreement and the commitments thereunder shall have been terminated.

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(g) Other Documents. The Lenders shall have received such other certificates, opinions and other documents as the Required Lenders reasonably may require.

Section 6.02 Conditions to All Loans.

The obligations of the Lenders to make each Loan are subject to the conditions precedent that, on the date of each Loan and after giving effect thereto, each of the following conditions precedent shall have been satisfied, or waived in writing by the Lenders:

(a) Borrowing Request. The Administrative Agent shall have received a Borrowing Request complying with the terms of this Agreement.

(b) No Default. No Default or Event of Default shall have occurred and be continuing, nor shall any Default or Event of Default occur as a result of the making of such Loan.

(c) Representations and Warranties. The representations and warranties contained in Section 5.01 shall have been true and correct when made and (except to the extent that any representation or warranty speaks as of a date certain) shall be true and correct on the Borrowing Date with the same effect as though such representations and warranties had been made on such Borrowing Date.

Section 6.03 Satisfaction of Conditions Precedent.

Each of (i) the delivery by the Borrower of a Borrowing Request (unless the Borrower notifies the Lenders in writing to the contrary prior to the Borrowing Date) and (ii) the acceptance of the proceeds of a Loan shall be deemed to constitute a certification by the Borrower that, as of the Borrowing Date, each of the conditions precedent contained in Section 6.02 has been satisfied with respect to any Loans then being made.

COVENANTS

Section 7.01 Affirmative Covenants.

Until satisfaction in full of all the obligations of the Borrower under the Credit Documents and termination of the Commitments of the Lenders hereunder:

(a) Financial Statements; Compliance Certificates. The Borrower shall furnish to the Lenders:

(i) As soon as available, but not later than 120 days after the end of each fiscal year of the Borrower, (i) the audited, consolidated balance sheet of the Borrower as of the end of such

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fiscal year and the related consolidated statements of income, changes in shareholders' equity and cash flows for such fiscal year, certified by Arthur Andersen LLP or other independent certified public accountants of recognized national standing, and (ii) the unaudited unconsolidated balance sheet of the Borrower as of the end of such fiscal year and the related unaudited unconsolidated statements of income, changes in shareholders' equity and cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, all in reasonable detail, certified by a Responsible Officer of the Borrower who was involved in the preparation of the financial statements referred to herein;

(ii) As soon as available, but not later than 60 days after the end of each of the first three quarterly accounting periods in each fiscal year of the Borrower, (i) the unaudited unconsolidated balance sheet of the Borrower as of the end of such quarterly period and the related unaudited unconsolidated statements of income, changes in shareholders' equity and cash flows, and (ii) the unaudited consolidated balance sheet of the Borrower as of the end of such quarterly period and the related unaudited consolidated statements of income, changes in shareholders' equity and cash flows for the elapsed portion of the fiscal year ended with the last day of such quarterly period. Such statements shall be in reasonable detail and certified by a Responsible Officer of the Borrower who was involved in the preparation of the financial statements referred to herein;

(iii) Concurrently with the delivery of the financial statements referred to in clauses (i) and (ii) above, a certificate of a Responsible Officer (A) stating that, to the best of such officer's knowledge after reasonable investigation, the Borrower, during such period, has observed or performed all of its covenants and other agreements in all material respects, and satisfied every condition contained in this Agreement to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, and (B) showing in detail the calculation supporting such statement in respect of Section 7.03;

(iv) Concurrently with the delivery of the financial statements referred to in clause (i) above, a comprehensive budget that has been reviewed by the Board of Directors of the Borrower for such fiscal year (including pro forma unconsolidated projected balance sheets, income statements and cash flow statements, in each case for the current budget year) and financial forecast for the next two fiscal years, together with an explanation of key assumptions, all in the form such budget has previously been delivered to the Administrative Agent;

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(v) Within 5 days after the same are sent, copies of all financial statements and reports which the Borrower sends to its shareholders, and promptly after the same are filed, copies of all financial statements and regular, periodical or special reports which the Borrower may make to, or file with, the SEC; and

(vi) Promptly, such additional financial and other information as the Administrative Agent, at the request of any Lender may from time to time reasonably request.

(b) Notices. The Borrower shall promptly notify the Administrative Agent (who shall notify each Lender):

(i) of the occurrence of any Default or Event of Default;

(ii) of any (A) breach or non-performance of, or any default under any Contractual Obligation of the Borrower or any of its Subsidiaries which would be reasonably expected to result in a Material Adverse Effect; or (B) dispute, litigation, investigation, proceeding or suspension which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority which would reasonably be expected to result in a Material Adverse Effect;

(iii) of the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary which, if adversely determined, would have a Material Adverse Effect;

(iv) of any other litigation or proceeding affecting the Borrower or any of its Subsidiaries which the Borrower would be required to report to the SEC pursuant to the Securities Exchange Act of 1934, within four days after reporting the same to the SEC;

(v) of any ERISA Event affecting the Borrower or any ERISA Affiliate (but in no event more than ten days after such ERISA Event) together with (i) a copy of any notice with respect to such ERISA

Event that may be required to be filed with the PBGC and (ii) any notice delivered by the PBGC to the Borrower or any ERISA Affiliate with respect to such ERISA Event;

(vi) upon becoming aware thereof, of any Material Adverse Effect;

(vii) upon becoming aware thereof, of any change in the Borrower's Senior Debt Rating by Moody's or S&P;

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(viii) following any change in accounting policies or financial reporting practices; and

(ix) upon becoming aware of any labor controversy resulting in or threatening to result in any strike, work stoppage, boycott, shutdown or other labor disruption against or involving the Borrower or any Subsidiary and which would reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 7.01(b) shall be accompanied by a written statement by a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein.

(c) Preservation of Corporate Existence, Etc. The Borrower shall and shall cause each of its Significant Subsidiaries to:

(i) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation except as permitted under Section 7.02(b) hereof;

(ii) preserve and maintain in full force and effect all rights, privileges, qualifications, permits, licenses and franchises necessary or useful in the normal conduct of its business, except as would not be reasonably expected to have a Material Adverse Effect;

(iii) use its reasonable efforts, in the ordinary course and consistent with past practice, to preserve its business organization and preserve the goodwill and business of the customers, suppliers and others having business relations with it, except as would not be reasonably expected to have a Material Adverse Effect; and

(iv) preserve or renew all of its registered trademarks, trade names and service marks, the non-preservation of which would have a Material Adverse Effect.

(d) Maintenance of Property. The Borrower shall maintain, and shall cause each of its Significant Subsidiaries to maintain, and preserve all its Property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted.

(e) Insurance. The Borrower shall maintain, and shall cause each Significant Subsidiary to maintain, with financially sound and reputable insurers, insurance with respect to its Properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as

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are customarily carried under similar circumstances by such other Persons, including workers' compensation insurance, public liability and property and casualty insurance.

(f) Payments of Obligations. The Borrower shall, and shall cause its Subsidiaries to, pay and discharge as the same shall become due and payable (or prior to delinquency), all obligations and liabilities material to the Borrower and its Subsidiaries taken as a whole, including:

(i) all tax liabilities, assessments and governmental charges or levies upon it or its Properties or assets, and

(ii) all lawful claims which, if unpaid, might by law become a Lien other than a Permitted Lien upon its Property.

except in each case (x) those that are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary or (y) the same are levied or imposed on Subsidiaries other than Significant Subsidiaries and the nonpayment of which would not, in the aggregate, have a Material Adverse Effect.

(g) Compliance with Laws. The Borrower shall comply, and shall cause each of its Subsidiaries to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business, except such as may be contested in good faith or as to which a bona fide dispute may exist or where such noncompliance would not have a Material Adverse Effect.

(h) Inspection of Property and Books and Records. The Borrower shall maintain and shall cause each of its Subsidiaries to maintain, proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower and such Subsidiaries. To the extent permitted by applicable law and subject to Section 11.05, the Borrower will permit, and will cause each of its Subsidiaries to permit, representatives of the Administrative Agent or any Lender to visit and inspect any of their respective Properties, to examine their respective corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their

respective directors, officers, employees and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower.

Section 7.02 Negative Covenants.

Until satisfaction in full of all the obligations of the Borrower under the Credit Documents and termination of the Commitments of the Lenders hereunder, the Borrower will not, without the written consent of the Required Lenders:

(a) Liens. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its Property except Permitted Liens.

(b) Consolidations and Mergers; Disposition of Assets. Merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of, or permit any of its Significant Subsidiaries to merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of, (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereinafter acquired) or enter into, or permit any of its Significant Subsidiaries to enter into, any joint venture or partnership with, any Person except:

(i) any Significant Subsidiary of the Borrower may merge, consolidate or combine with or into, or transfer assets to the Borrower (if the Borrower shall be the continuing or surviving corporation) or with, into or to any one or more Significant Subsidiaries of the Borrower; provided that if any transaction shall be between a Significant Subsidiary and a wholly-owned Significant Subsidiary, the wholly-owned Significant Subsidiary shall be the continuing or surviving corporation;

(ii) any Significant Subsidiary of the Borrower may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise), to the Borrower or another wholly-owned Significant Subsidiary of the Borrower; if immediately after giving effect thereto no Default or Event of Default would exist;

(iii) the Borrower may merge, consolidate or combine with another entity if (1) the Borrower is the corporation surviving the merger, and (2) immediately after giving effect thereto, no Default or Event of Default would exist; and

(iv) the Borrower and any Subsidiary may enter into joint ventures and partnerships in the ordinary course of business as presently conducted.

(c) Investments and Acquisitions. Make, or permit any of its Significant Subsidiaries to make, any Investments or Acquisitions except (i) for Permitted Investments, (ii) as required by any Governmental Authority, and (iii) for Acquisitions, provided that:

(i) immediately before or after giving effect to each Acquisition, no Default shall or would exist, and immediately after giving effect thereto, all of the representations and warranties contained in this Agreement shall be true and correct with the same effect as though then made,

(ii) the Person or business acquired is engaged in the same line of business as the Borrower or any Significant Subsidiary,

(iii) the Borrower shall have delivered to the Administrative Agent notice thereof not less than ten days prior to the consummation of such Acquisition,

(iv) the Borrower shall have delivered to the Administrative Agent a certificate of a financial officer thereof, in all respects reasonably satisfactory to the Administrative Agent and dated the date of such consummation,

(1) certifying that prior to and after giving effect to such Acquisition and based on the most recent financial statements delivered pursuant to Section 7.01(a), the Borrower is and will be in compliance with Section 7.03,

(2) demonstrating that the sum (the "**Acquisition Consideration**") of (A) the cash consideration paid or agreed to be paid, *plus* (B) the fair market value of all non-cash consideration paid or agreed to be paid *plus* (C) an amount equal to the principal or stated amount of all liabilities assumed or incurred (without duplication of amounts included pursuant to clause (A) above) in connection with such Acquisition and paid for all Acquisitions consummated after the Effective Date and prior to such Acquisition would not exceed \$200,000,000 in the aggregate, and

(3) providing or attaching such other information, documents and other items as the Administrative Agent shall have reasonably requested.

(d) Transactions with Affiliates. Enter into, or permit any of its Subsidiaries to enter into, any transaction with any Affiliate of the Borrower or of any such Subsidiary except as permitted by this Agreement or in the ordinary course of business and pursuant to the reasonable requirements of the business of the Borrower or such Subsidiary and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of the Borrower or such Subsidiary.

(e) Compliance with ERISA. Directly or indirectly, or permit any ERISA Affiliate to directly or indirectly (i) terminate, any Qualified Plan subject to Title IV of ERISA so as to result in any material (in the opinion of the Administrative Agent) liability to the Borrower or any ERISA Affiliate, (ii) permit to exist any ERISA Event or any other event or condition, which

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presents the risk of a material (in the opinion of the Administrative Agent) liability of the Borrower or any ERISA Affiliate, or (iii) make a complete or partial withdrawal (within the meaning of ERISA Section 4201) from any Multiemployer Plan so as to result in any material (in the opinion of the Required Lenders) liability to the Borrower or any ERISA Affiliate, (iv) except in the ordinary course of business consistent with past practice, enter into any new Plan or modify any existing Plan so as to increase its obligations thereunder which would reasonably be expected to result in any material (in the opinion of the Administrative Agent) liability of the Borrower or any ERISA Affiliate, or (v) permit the present value of all nonforfeitable accrued benefits under each Qualified Plan (using the actuarial assumptions that would be utilized by the PBGC upon termination of such a Qualified Plan) materially (in the opinion of the Required Lenders) to exceed the fair market value of such Qualified Plan's assets allocable to such benefits, all determined as of the most recent valuation date for each such Qualified Plan.

(f) Lease Obligations. Create or suffer to exist, or permit any Significant Subsidiary to create or suffer to exist, any Lease Obligations, except for:

(i) leases of the Borrower or any of its Significant Subsidiaries in existence on the Effective Date and any arms' length renewal, extension or refinancing thereof, and

(ii) after the Effective Date, any leases entered into by the Borrower or any of its Significant Subsidiaries in the ordinary course of business in a manner and to an extent consistent with past practice.

(g) Restricted Payments. Declare or make any dividend payment or other distribution of assets, Properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock or purchase, redeem or otherwise acquire for value (or permit any of its Subsidiaries to do so) any shares of its capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding if a Default or Event of Default has occurred and is continuing or would result therefrom.

(h) Change in Business. Engage, or permit any of its Subsidiaries to engage, in any material line of business substantially different from those lines of business carried on by it on the date hereof and any and all reasonably related businesses necessary for, in support, furtherance or anticipation of and/or ancillary to or in the preparation for such businesses.

Section 7.03 Financial Covenants.

(a) Leverage Ratio

Until satisfaction in full of all the obligations of the Borrower under the Credit Documents and termination of the Commitments of the Lenders hereunder, the Borrower will not permit the ratio of Funded Debt to Total Capitalization to exceed 0.70 to 1.00 as of the end of any quarter of any fiscal year.

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(b) Net Worth

Until satisfaction in full of all the obligations of the Borrower under the Credit Documents and the termination of the Commitments of the Lenders hereunder, the Borrower will not permit its Net Worth as of the end of any fiscal year to be less than \$475,000,000 plus 25% of the net proceeds of any Equity Issuance from and after December 31, 2003.

ARTICLE VIII

EVENTS OF DEFAULT

Section 8.01 Events of Default

If one or more of the following events (each, an "Event of Default") shall occur:

(a) The Borrower shall fail duly to pay any principal of any Loan when due, whether at maturity, by notice of intention to prepay or otherwise; or

(b) The Borrower shall fail duly to pay any interest, fee or any other amount payable under the Credit Documents within two Business Days after the same shall be due; or

(c) Any representation or warranty made or deemed made by the Borrower herein, or any statement or representation made in any certificate, report or opinion delivered by or on behalf of the Borrower in connection herewith, shall prove to have been false or misleading in any material respect when so made or deemed made; or

(d) The Borrower shall fail duly to observe or perform any term, covenant or agreement contained in Sections 7.01(c), 7.02 or 7.03; or

(e) The Borrower shall fail duly to observe or perform any other term, covenant or agreement contained in this Agreement and such failure shall have continued unremedied for a period of thirty (30) days after a Responsible Officer of the Borrower shall have obtained knowledge thereof; or

(f) The Borrower or any Subsidiary shall fail to pay any of its obligations (other than its Obligations hereunder) in an amount of \$10,000,000 or more when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), or any other default or event of default under any agreement or instrument relating to any such obligation shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, or if the

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maturity of such obligation is accelerated, or any such obligation shall be declared to be due and payable, or required to be prepaid prior to the stated maturity thereof, or

(g) One or more judgments against the Borrower or attachments against its Property, which in the aggregate exceed \$10,000,000 not covered by insurance, or the operation or result of which would interfere materially and adversely with the conduct of the business of the Borrower, shall remain unpaid, unstayed on appeal, undischarged, unbonded and undismissed for a period of 30 days or more; or any Person shall have filed any suit, action or proceeding which results in the granting of any form of injunction or restraining order, temporary or otherwise, the compliance with which would have a Material Adverse Effect, and which injunction or restraining order is not dissolved (or otherwise terminated) or modified within 30 days so as to eliminate that portion of such injunction or restraining order which would have such Material Adverse Effect; or

(h) Any order, writ, warrant, garnishment or other process of any court attaching, garnishing, distraining or otherwise freezing assets of the Borrower in an amount equal to \$10,000,000 or more in value in the aggregate for all such orders, writs, warrants, garnishments shall remain unstayed on appeal, undischarged or undismissed for a period of 30 days or more; or

(i) (i) The Borrower shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debts, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower any case, proceeding or other action of a nature referred to in clause (i) above and such case, proceeding or action shall not have been vacated, discharged or stayed within 60 days from the entry thereof, or (iii) the Borrower shall consent to the institution of, or fail to controvert in a timely and appropriate manner, any case, proceeding or other action of a nature referred to above; or (iv) the Borrower shall file an answer admitting the material allegations of a petition filed against it in any case, proceeding or other action of a nature referred to above; or (v) the Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (vi) the Borrower shall take corporate action for the purpose of effecting any of the foregoing; or

(j) The Borrower or an ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under a Multiemployer Plan; (ii) the Borrower or an ERISA

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Affiliate shall fail to satisfy its contribution requirements under Section 412(c)(II) of the Code, whether or not it has sought a waiver under Section 412(d) of the Code where such failure can reasonably be expected to impose on the Borrower or an ERISA Affiliate liability (for additional taxes, to Plan participants, or otherwise) in the aggregate amount in excess of \$50,000,000; (iii) the Unfunded Pension Liabilities of a Plan or Plans shall exceed \$50,000,000; (iv) a Plan that is intended to be qualified under Section 401(a) of the Code shall lose its qualification, and such loss can reasonably be expected to impose on the Borrower or an ERISA Affiliate liability (for additional taxes, to Plan participants, or otherwise) in the aggregate amount of \$50,000,000 or more; (v) the commencement or increase of contributions to, the adoption of, or the amendment of a Plan by, the Borrower or an ERISA Affiliate shall result in a net increase in unfunded liabilities of the Borrower or an ERISA Affiliate in excess of \$50,000,000; or (vi) any combination of events listed in clause (iii) through (v) that involves a net increase in aggregate Unfunded Pension Liabilities and unfunded liabilities in excess of \$50,000,000 shall occur; or

(k) All or substantially all of the Property of the Borrower or its Subsidiaries shall be condemned, seized or appropriated, excluding Property of a Subsidiary other than a Significant Subsidiary the condemnation, seizure or appropriation of which would not have a Material Adverse Effect; or

(l) Any Governmental Authority shall revoke or fail to renew any license, permit or franchise of the Borrower or any of its Subsidiaries, or the Borrower or any of its Subsidiaries shall for any reason lose any license, permit or franchise, if such revocation, non-renewal or loss would have a Material Adverse Effect; or

(m) Any Credit Document (other than Revolving Credit Notes which have been replaced or superseded) shall cease to be in full effect; or

(n) A Change in Control shall occur;

then, and at any time during the continuance of such Event of Default, the Required Lenders, may, by written notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare any Loans then outstanding to be due and payable, whereupon the principal of the Loans so declared to be due, together with accrued interest thereon and any other unpaid amounts accrued under the Credit Documents, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind (all of which are hereby expressly waived by the Borrower); provided that, in the case of any Event of Default described in Section 8.01(i) occurring with respect to the Borrower, the Commitments shall automatically and immediately terminate and the principal of all Loans then outstanding, together with accrued interest thereon and any other unpaid amounts accrued under the Credit Documents, shall automatically and immediately become due and payable without presentment, demand, protest or any other notice of any kind (all of which are hereby expressly waived by the Borrower).

ARTICLE IX

THE ADMINISTRATIVE AGENT

Section 9.01 The Agency.

Each Lender appoints The Bank of New York as its agent hereunder and irrevocably authorizes the Administrative Agent to take such action on its behalf and to exercise such powers hereunder as are specifically delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto, and the Administrative Agent hereby accepts such appointment subject to the terms hereof. The relationship between the Administrative Agent and the Lenders shall be that of agent and principal only and nothing herein shall be construed to constitute the Administrative Agent a trustee or fiduciary for any Lender nor to impose on the Administrative Agent duties or obligations other than those expressly provided for herein.

Section 9.02 The Administrative Agent's Duties.

The Administrative Agent shall promptly forward to each Lender copies, or notify each Lender as to the contents, of all notices received from the Borrower pursuant to the terms of this Agreement and, in the event that the Borrower fails to pay when due the principal of or interest on any Loan, the Administrative Agent shall promptly give notice thereof to the Lenders. As to any other matter not expressly provided for herein, the Administrative Agent shall have no duty to act or refrain from acting with respect to the Borrower, except upon the instructions of the Required Lenders. The Administrative Agent shall not be bound by any waiver, amendment, supplement, or modification of this Agreement which affects its duties hereunder, unless it shall have given its prior written consent thereto. The Administrative Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements binding on the Borrower pursuant to this Agreement nor shall the Administrative Agent be deemed to have knowledge of the occurrence of any Default or Event of Default (other than a failure of the Borrower to pay when due the principal or interest on any Loan), unless it shall have received written notice from the Borrower or a Lender specifying such Default or Event of Default and stating that such notice is a "Notice of Default".

Section 9.03 Limitation of Liabilities.

Each of the Lenders and the Borrower agree that (i) neither the Administrative Agent nor any of its officers or employees shall be liable for any action taken or omitted to be taken by any of them hereunder except for its or their own gross negligence or willful misconduct, (ii) neither the Administrative Agent nor any of its officers or employees shall be liable for any action taken or omitted to be taken by any of them in good faith in reliance upon the advice of counsel, independent public accountants or other experts selected by the Administrative Agent, and (iii) the Administrative Agent

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shall be entitled to rely upon any notice, consent, certificate, statement or other document believed by it to be genuine and correct and to have been signed and/or sent by the proper Persons.

Section 9.04 The Administrative Agent as a Lender.

The Administrative Agent may, without any liability to account, maintain deposits or credit balances for, invest in, lend money to and generally engage in any kind of banking business with the Borrower or any Subsidiary or Affiliate of the Borrower without any duty to account therefor to the other Lenders.

Section 9.05 Lender Credit Decision.

Neither the Administrative Agent, nor any of its Affiliates, officers or employees has any responsibility for, gives any guaranty in respect of, nor makes any representation to the Lenders as to, (i) the condition, financial or otherwise, of the Borrower or any Subsidiary thereof or the truth of any representation or warranty given or made in this Agreement, or in connection herewith or (ii) the validity, execution, sufficiency, effectiveness, construction, adequacy, enforceability or value of this Agreement or any other document or instrument related hereto. Except as specifically provided herein, neither the Administrative Agent nor any of its Affiliates, officers or employees shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect to the operations, business, property, condition or creditworthiness of the Borrower or any of its Subsidiaries, whether such information comes into the Administrative Agent's possession on or before the date hereof or at any time thereafter. Each Lender acknowledges that (i) it has, independently and without reliance upon the Administrative Agent or any other Lender, based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and (ii) all information reviewed by it in its credit analysis or otherwise in connection herewith has been provided solely by or on behalf of the Borrower, and the Administrative Agent has no responsibility for such information. Each Lender also acknowledges that it will independently and without reliance upon the Administrative Agent or any other Lender, based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under any Credit Document.

Section 9.06 Indemnification.

Each Lender agrees to indemnify the Administrative Agent, to the extent not reimbursed by the Borrower, ratably in proportion to its Commitment, from and against any and all liabilities, obligations, losses, claims, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on,

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incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, or any action taken or omitted to be taken by the Administrative Agent hereunder; provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Administrative Agent or any of its officers or employees. Without limiting the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including fees and disbursements of counsel incurred by the Administrative Agent in connection with the preparation, execution or enforcement of, or legal advice in respect of rights or responsibilities under, any Credit Document or any amendments or supplements thereto, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower. Except for action expressly required of the Administrative Agent hereunder, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations under this Section 9.06 against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

Section 9.07 Successor Administrative Agent

The Administrative Agent may resign at any time by giving 30 days prior written notice thereof (unless the parties agree otherwise) to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent reasonably acceptable to the Borrower. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the resigning Administrative Agent's giving of notice of resignation, the resigning Administrative Agent may appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$250,000,000. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigned Administrative Agent, and the resigned Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any Administrative Agent's resignation, the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

ARTICLE X

EVIDENCE OF LOANS; TRANSFERS

Section 10.01 Evidence of Loans; Revolving Credit Notes.

The Borrower's obligation to repay the Loans shall be evidenced by Revolving Credit Notes, one such payable to the order of each Lender. The Revolving Credit Note of each Lender shall (i) be in the principal amount of such Lender's Commitment, (ii) be dated the Effective Date and (iii) be stated to mature on the Termination Date and bear interest from its

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date until maturity on the principal balance (from time to time outstanding thereunder) payable at the rates and in the manner provided herein. Each Lender is authorized to indicate upon the grid attached to its Revolving Credit Note all Loans made by it pursuant to this Agreement, interest elections and payments of principal and interest thereon. Such notations shall be presumptive, absent manifest error, as to the aggregate unpaid principal amount of all Loans made by such Lender, and interest due thereon, but the failure by any Lender to make such notations or the inaccuracy or incompleteness of any such notations shall not affect the obligations of the Borrower hereunder or under the Revolving Credit Notes.

Section 10.02 Participations.

Any Lender may at any time grant to one or more financial institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and, except to the extent such participating interest has been granted pursuant to Section 4.02(e), the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement described in clauses (i) through (vi), inclusive, of Section 11.06 without the consent of the Participant.

Section 10.03 Assignments.

(a) Any Lender may at any time assign to one or more financial institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement, and such Assignee shall assume such rights and obligations, pursuant to an instrument, in substantially the form of Exhibit E (an "Assignment and Acceptance"), executed by such Assignee and such transferring Lender, with (and subject to) the signed consent of the Borrower and the Administrative Agent (which consents shall not be unreasonably withheld); provided, that the foregoing consent requirement shall not be applicable in the case of an assignment or other transfer by any Lender to an affiliate of such Lender, to another Lender or to a Federal Reserve Bank provided further, that any consent of the Borrower otherwise required under this Section shall not be required if an Event of Default has occurred and is continuing. Upon execution and delivery of an Assignment and Acceptance and payment by such Assignee to such transferring Lender of an amount equal to the purchase price agreed between such transferring Lender and such Assignee and payment by the transferring

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Lender or the Assignee of an assignment fee of \$3,500 to the Administrative Agent, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such

Assignment and Acceptance, and the transferring Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required.

(b) No Assignee of any transferring Lender's rights shall be entitled to receive any greater payment under Section 4.03 or 4.04 than such Lender would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 4.04(c) requiring such transferring Lender to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such payment did not exist.

Section 10.04 Certain Pledges.

Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under this Agreement and any Revolving Credit Note held by it in favor of any Federal Reserve Bank in accordance with Federal Reserve Board Regulation A (or any successor provision) or U.S. Treasury Regulation 31 C.F.R. § 203.14 (or any successor provision), and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

ARTICLE XI

MISCELLANEOUS

Section 11.01 APPLICABLE LAW.

THE RIGHTS AND DUTIES OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS UNDER THIS AGREEMENT SHALL, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401, BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

Section 11.02 WAIVER OF JURY.

THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS EACH HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, THE REVOLVING CREDIT NOTES OR THE RELATIONSHIPS ESTABLISHED HEREUNDER.

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Section 11.03 Jurisdiction and Venue.

The Borrower, the Administrative Agent and the Lenders each hereby irrevocably submits to the non-exclusive jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of any Credit Document. The Borrower, the Administrative Agent and the Lenders each hereby irrevocably consents to the jurisdiction of any such court in any such action and to the laying of venue in the Borough of Manhattan, The City of New York. The Borrower, the Administrative Agent and the Lenders each hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection to the laying of the venue of any such suit, action or proceeding brought in the aforesaid courts and hereby irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 11.04 Set-off.

The Borrower hereby authorizes each Lender (including each Lender in its capacity as a purchaser of a participation interest pursuant to Section 4.02(e)) upon the occurrence of an Event of Default and at any time and from time to time during the continuance thereof, to the fullest extent permitted by law, to set-off and apply any and all deposits (whether general or special, time or demand, provisional or final and in whatever currency) at any time held, and other indebtedness at any time owing, by such Lender to or for the credit or the account of the Borrower against any of the Obligations of the Borrower, now or hereafter existing under any Credit Document, held by such Lender, irrespective of whether such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section 11.04 are in addition to other rights and remedies (including other rights of set-off) which such Lender may have. Any Lender exercising its rights under this Section 11.04 shall give notice thereof to the Borrower and the Administrative Agent concurrently with or prior to the exercise of such rights; provided that failure to give such notice shall not affect the validity of such exercise.

Section 11.05 Confidentiality.

(a) The Lenders and the Administrative Agent agree (on behalf of themselves and each of their Affiliates, directors, officers, employees and representatives) to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all non-public information provided to them by the Borrower or any Subsidiary or by the Administrative Agent on the Borrower's or any Subsidiary's behalf in connection with this Agreement and neither the Administrative Agent, any Lender, nor any of their Affiliates, directors, officers, employees and representatives shall use any such information for any purpose or in any manner other than pursuant to the terms contemplated by this Agreement, except to the extent such information (a) was or becomes generally available to the public other than as a result of a disclosure by

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the Administrative Agent or any Lender, or (b) was or becomes available on a non-confidential basis from a source other than the Borrower, provided that such source is not bound by a confidentiality agreement with the Borrower known to the Administrative Agent or affected Lender(s); provided that nothing herein shall limit the disclosure of any such information

(i) to the extent required by statute, rule, regulation or judicial process; (ii) to counsel for any of the Lenders or the Administrative Agent; (iii) to bank examiners, auditors or accountants; (iv) to the Administrative Agent or any other Lender; (v) by the Administrative Agent or any Lender to an Affiliate thereof who is bound by this Section 11.05; provided that any such information delivered to an Affiliate shall be for the purposes related to the extension of credit represented by this Agreement and the administration and enforcement thereof and for no other purpose; (vi) in connection with any litigation relating to enforcement of the Credit Documents or (vii) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first executes and delivers to the respective Lender a Confidentiality Agreement, in substantially the form of Exhibit F. Each Lender and the Administrative Agent agree, unless specifically prohibited by applicable law or court order, to notify the Borrower of any request for disclosure of any such non public information (x) by any Governmental Authority or representative thereof (other than any such request in connection with an examination of your financial condition by such Governmental Authority) or (y) pursuant to legal process.

(b) This Agreement is intended to provide express authorization to each of the Lenders and their Affiliates (and each employee, representative, or other agent of each Lender and its of Affiliates) to disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Lenders or any of them or any of their Affiliates (and any such employees, representatives or other agents) relating to such tax treatment and structure; provided, that, with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transactions contemplated hereby as well as other information, this authorization shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the transactions contemplated hereby.

Section 11.06 Integration; Amendments and Waivers.

(a) This Agreement and any separate letter agreements with respect to fees payable by the Borrower with respect to this Agreement constitute the entire agreement among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

(b) Any provision of this Agreement may be amended, modified, supplemented or waived, but only by a written amendment or supplement, or written waiver, signed by the Borrower and either the Required Lenders (and, if the rights or

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duties of the Administrative Agent are affected thereby, by the Administrative Agent), or the Administrative Agent with the consent of the Required Lenders; provided, however, that no such amendment, modification, or waiver shall, unless signed by all the Lenders, or by the Administrative Agent with the consent of all the Lenders, (i) increase or decrease the Commitment of any Lender, except as contemplated by Section 2.03, or subject any Lender to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder (other than the default rate set forth in Section 3.04 hereof), (iii) postpone any payment of principal of or interest on any Loan or any fees hereunder, (iv) postpone any reduction or termination of any Commitment, (v) change the percentage of, the Commitments or of the aggregate unpaid principal amount of Loans, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under this Section 11.06 or any other provision of this Agreement, or (vi) amend, modify, supplement or waive the provisions of this Section 11.06. Except to the extent expressly set forth therein, any waiver shall be effective only in the specific instance and for the specific purpose for which such waiver is given.

Section 11.07 Cumulative Rights; No Waiver.

Each and every right granted to the Administrative Agent and the Lenders hereunder or under any other document delivered in connection herewith, or allowed them by law or equity, shall be cumulative and not exclusive and may be exercised from time to time. No failure on the part of the Administrative Agent or any Lender to exercise, and no delay in exercising, any right will operate as a waiver thereof, nor will any single or partial exercise by the Administrative Agent or any Lender of any right preclude any other or future exercise thereof or the exercise of any other right.

Section 11.08 Notices.

(a) Any communication, demand or notice to be given hereunder will be duly given when delivered in writing or by telecopy to a party at its address as indicated below or such other address as such party may specify in a notice to each other party hereto. A communication, demand or notice given pursuant to this Section 11.08 shall be addressed:

If to the Borrower, at

Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89150
Telecopy: (702) 364-3023
Attention: Treasury Services

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If to the Administrative Agent, at

BNY Capital Markets, Inc.
Agency Function Administration
One Wall Street, 18th Floor
New York, New York 10286
Telecopy: (212) 635-6365
Telephone: (212) 635-4692
Attention: Sandra Morgan

With a copy to:

The Bank of New York
One Wall Street
New York, NY 10286
Telecopy: (212) 635-7923
Telephone: (212) 635-7834
Attention: Ray Palmer

If to any Lender, at its address indicated on Schedule I hereto, or at such other address as may be designated by such Lender in an Administrative Questionnaire or other appropriate writing, delivered to the Administrative Agent and the Borrower.

This Section 11.08 shall not apply to notices referred to in Article II of this Agreement, except to the extent set forth therein.

(b) Unless otherwise provided to the contrary herein, any notice which is required to be given in writing pursuant to the terms of this Agreement may be given by telecopy.

Section 11.09 Separability.

In case any one or more of the provisions contained in any Credit Document shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein or in any other Credit Document shall not in any way be affected or impaired thereby.

Section 11.10 Parties in Interest.

This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns, except that the Borrower may not assign any of its rights hereunder without the prior written consent of all of the Lenders, and any purported assignment by the Borrower without such consent shall be void.

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Section 11.11 Execution in Counterparts.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts, including counterparts delivered by facsimile, shall together constitute one and the same instrument.

Section 11.12 USA Patriot Act Notice.

Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

SOUTHWEST GAS CORPORATION

By: Kenneth J. Kenny
Name: Kenneth J. Kenny
Title: Treasurer

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

THE BANK OF NEW YORK, as a Lender
and as Administrative Agent

By: Raymond J. Palmer
Name: Raymond J. Palmer
Title: Vice President

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

BANK OF AMERICA, N.A., as a Lender
and as Syndication Agent

By: Peter J. Uitale
Name: Peter J. Uitale
Title: SVP

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

BANK ONE, NA, as a Lender and as
Co-Documentation Agent

By: Jane Bek Keil
Name: Jane Bek Keil
Title: Director

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

UNION BANK OF CALIFORNIA, N.A., as
a Lender and as Co-Documentation Agent

By: Karen Elliott
Name: Karen Elliott
Title: Assistant Vice President

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

KEYBANK NATIONAL ASSOCIATION

By: Keven D. Smith
Name: Keven D. Smith
Title: Vice President

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

KBC BANK, N.V.

By: Robert Snauffer
Name: Robert Snauffer
Title: First Vice President

By: Eric Raskin
Name: Eric Raskin
Title: Vice President

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

MELLON BANK, N.A.

By: Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

SOUTHWEST GAS CORPORATION
REVOLVING CREDIT AGREEMENT

U.S. BANK NATIONAL ASSOCIATION

By: Scott J. Bell
Name: Scott J. Bell
Title: Vice President

Schedule I

Lenders and Commitments

<u>Lender</u>	Commitment as of the Effective Date	Address for Notices
The Bank of New York	\$47,000,000	The Bank of New York One Wall Street New York, New York 10286 Attention: Ray Palmer
Bank of America, N.A	\$47,000,000	Bank of America, N.A. 300 S. 4th Street, 2nd Floor Las Vegas, Nevada 89101 Attention: Alan Gordon Relationship Manager
Bank One, NA	\$42,000,000	Bank One, N.A. 1 Bank One Plaza Suite IL 1-0634 Chicago, Illinois 60670 Attention: Kenneth Fecko Client Service Associate
Union Bank of California, N.A	\$34,000,000	Union Bank of California, N.A. 601 Potrero Grande Dr. Monterey Park, California 91754 Attention: Gohar Karapetyan Ruby Gonzales Commercial Loan Operations

Keybank National Association	\$20,000,000	Keybank National Association 601-108th Avenue, N.E. Bellevue, Washington 98004 Attention: Keven Smith
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KBC Bank, N.V	\$20,000,000	KBC Bank, N.V 125 West 55th Street, 10th Floor New York, New York 10019 Attention: Rose Pagan
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Mellon Bank, N.A	\$15,000,000	Mellon Bank, N.A. 525 William Penn Place, Room 1203 Pittsburgh, Pennsylvania 15259 Attention: Barbara Gago
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U.S. Bank National Association	\$25,000,000	U.S. Bank National Association 555 S.W. Oak Street, PL-4 Portland, Oregon 97204 Attention: Scott J. Bell Vice President and Relationship Manager Commercial Loan Servicing Department
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Schedule II

FORM OF SCHEDULE II CERTIFICATE

Reference is hereby made to the Revolving Credit Agreement, dated as of May 3, 2004, among Southwest Gas Corporation (the "Borrower"), the lenders from time to time parties thereto (collectively, the "Lenders"; individually, a "Lender"), The Bank of New York, as Administrative Agent for the Lenders thereunder, Bank of America, N.A., as Syndication Agent and Bank One, N.A. and Union Bank of California, as Co-Documentation Agents (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Pursuant to the provisions of Section 4.04 of the Credit Agreement, the undersigned hereby certifies that:

1. it is the sole record and beneficial owner of the loans or the obligations evidenced by the Revolving Credit Note(s) in respect of which it is providing this certificate.
2. it is not a bank (as such term is used in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code")). In this regard, the undersigned further represents and warrants that:
 1. (a) it is not subject to regulatory or other legal requirements as a bank in any jurisdiction; and
 2. (b) it has not been treated as a bank for purposes of any tax, securities law or other filing or submission made to any Governmental Authority, any application made to a rating agency or qualification for any exemption from tax, securities law or other legal requirements;
3. it is not a "10-percent shareholder" of the Borrower (as such term is used in Section 881(c)(3)(B) of the Code);
4. it is not a controlled foreign corporation related to the Borrower within the meaning of Section 864(d)(4) of the Code; and
5. it is not a "bank" as such term is used in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended. Attached hereto are two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN (or successor form).

[NAME OF LENDER]

By: _____
 Name: _____
 Title: _____

Exhibit A

Form of Borrowing Request For Loans

[Date]

Attention: _____

Borrowing Request for Loans

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement, dated as of May 4, 2004 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among Southwest Gas Corporation (the "Borrower"), the Lenders from time to time parties thereto and The Bank of New York as Administrative Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

The Borrower hereby gives you notice, pursuant to Section 2.02 of the Credit Agreement, that it requests Loans, and in that connection sets forth below the terms on which such Loans are requested to be made:

- (A) Borrowing Date¹ [_____]
- (B) Aggregate Principal Amount² \$_____
- (C) Interest Rate Basis [[ABR],[Eurodollar] Loan]
- (D) Interest Period and the last day thereof³ [_____]

Very truly yours,

SOUTHWEST GAS CORPORATION

By: _____
Title:

¹ Must be a Business Day.

² Must be an amount not less than \$5,000,000, or an integral multiple of \$1,000,000 in excess thereof, in the case of Eurodollar Loans, or at least \$1,000,000 or an integral multiple of \$100,000 in excess thereof in the case of an ABR Loans.

³ In the case of Eurodollar Loans, one week, one, two, three or six-month periods, or, if made available by all Lenders, periods of seven to thirty-one days or twelve months. Not applicable to ABR Loans.

Exhibit B

Form of Continuation/Conversion Request

[Date]

Attention: _____

Continuation/Conversion Request

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement, dated as of May 4, 2004 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among Southwest Gas Corporation (the "Borrower"), the Lenders from time to time parties thereto and The Bank of New York, as Administrative Agent. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

The Borrower hereby requests, pursuant to Section 3.05(a) of the Credit Agreement, that on _____, 200__:

- (1) \$_____,000,000 of the presently outstanding principal amount of Loans originally made on _____ 200__ [and \$_____ of the presently outstanding principal amount of the Loans originally made on _____ 200__],
- (2) presently being maintained as [ABR] [Eurodollar] Loans,
- (3) be [converted into] [continued as], [Eurodollar Loans having an Interest Period of [one week] [____ days] [one] [two] [three] [six] [twelve] months].

Very truly yours,

By: _____
Title:

Exhibit C

Form of Revolving Credit Note

PROMISSORY NOTE

[Principal Amount]

[Date]

SOUTHWEST GAS CORPORATION, a California corporation (the "Borrower"), for value received, promises to pay to the order of [LENDER] (the "Lender"), on the Termination Date (as defined in the Credit Agreement referred to below), the principal sum of [PRINCIPAL AMOUNT IN DOLLARS] or, if less, the aggregate principal amount of the Loans made by the Lender to the Borrower pursuant to that certain Revolving Credit Agreement, dated as of May 4, 2004 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among the Borrower, the Lenders from time to time parties thereto and The Bank of New York, as Administrative Agent.

The Borrower also promises to pay interest on the unpaid principal amount hereof from time to time outstanding, from the date hereof until the date of repayment, at the rate or rates per annum and on the date or dates specified in the Credit Agreement.

Payments of both principal and interest are to be made in lawful money of the United States of America in funds immediately available to the Lender at its office or offices designated in accordance with the Credit Agreement.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive diligence, presentment, demand, protest and notice of any kind whatsoever. The failure or forbearance by the holder to exercise any of its rights hereunder in any particular instance shall in no event constitute a waiver thereof.

All borrowings evidenced by this Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder of this Note on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, provided, however, that any failure of the holder of this Note to make such a notation or any error in such notation shall in no manner affect the validity or enforceability of the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Note and the Credit Agreement.

This Note is one of the Revolving Credit Notes referred to in the Credit Agreement, which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement and/or this Note, all upon the terms and conditions therein specified. Capitalized terms used and not otherwise defined herein have the meanings ascribed thereto in the Credit Agreement.

THIS NOTE HAS BEEN DELIVERED IN NEW YORK, NEW YORK AND SHALL, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401 BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

This Note is not negotiable and interests herein may be assigned only upon the terms and conditions specified in the Credit Agreement.

SOUTHWEST GAS CORPORATION

By: _____
Title:

LOANS AND PRINCIPAL PAYMENTS

**Amount of Revolving
Credit Loans Made**

**Amount of
Principal
Repaid**

**Amount of Unpaid
Principal Balanc**

Date	ABR Loan	Euro dollar Loan	Interest Period (if applicable)	ABR Loan	Euro dollar Loan		ABR Loan	Euro dollar Loan	Total	Notation Made By

Exhibit D

Form of Opinion of
Counsel for the Borrower

Exhibit E

Form of Assignment and Acceptance

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Revolving Credit Agreement, dated as of May 4, 2004 (as amended, modified or supplemented from time to time, the “Credit Agreement”), among Southwest Gas Corporation (the “Borrower”), the Lenders from time to time parties thereto and The Bank of New York, as Administrative Agent. Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

Section 1. Assignment and Acceptance. The Assignor identified in Annex I hereto (the “Assignor”) hereby sells and assigns, without recourse, to the Assignee identified in Annex I hereto (the “Assignee”), and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Transfer Effective Date set forth in Annex I hereto, the interests set forth on Annex 1 hereto (the “Assigned Interest”) in the Assignor’s rights and obligations under the Credit Agreement, including, without limitation, the interests set forth on Annex I in the Commitment of the Assignor on the Transfer Effective Date and Loans owing to the Assignor which are outstanding on the Transfer Effective Date. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 9.05 of the Credit Agreement, a copy of which has been received by the Assignee. From and after the Transfer Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

Section 2. Other Documentation. This Assignment and Acceptance is being delivered to the Administrative Agent together with a properly completed Administrative Questionnaire, attached as Annex 2 hereto, if the Assignee is not already a Lender under the Credit Agreement.

Section 3. Representations and Warranties of the Assignor. The Assignor (i) represents and warrants that, as of the date hereof, it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is held by it free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, or any other instrument or document executed or furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the

Section Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

Section 4. Representations and Warranties of the Assignee. The Assignee (a) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements delivered on or before the date hereof pursuant to Sections 5.01(k) and 7.01(a) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (b) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Lender and based on such documents and

information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under the Credit Documents; (c) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (d) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender; and (e) if the Assignee is organized under the laws of a jurisdiction outside the United States, confirms to the Borrower (and is providing to the Administrative Agent and the Borrower the forms required pursuant to Section 4.04(b) of the Credit Agreement) that (i) the Assignee is entitled to benefits under an income tax treaty to which the United States is a party that reduces the rate of withholding tax on payments under the Credit Agreement or (ii) that the income receivable pursuant to the Credit Agreement is effectively connected with the conduct of a trade or business in the United States.

Section 5. GOVERNING LAW. THE RIGHTS AND DUTIES OF THE PARTIES UNDER THIS ASSIGNMENT AND ACCEPTANCE SHALL, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401, BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution being made on Annex I hereto.

Annex 1 to Assignment and Acceptance

Date of Assignment: _____

Legal Name of Assignor: _____

Legal Name of Assignee: _____

Assignee's Address for Notices: _____

Transfer Effective Date of Assignment
(may not be fewer than two Business
Days after the Date of Assignment): _____

	Principal Amount Assigned	Percentage Assigned of Commitment (set forth, to at least 8 decimals, as a percentage of the Total Commitment)
Commitment Assigned:	\$	%
Revolving Credit Loans	\$	

The terms set forth above are
hereby agreed to:

Consent given:

_____, as Assignor

SOUTHWEST GAS CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

_____, as Assignee

By: _____
Name:
Title:

Annex 2 to Assignment and Acceptance

LEGAL NAME OF ASSIGNEE TO APPEAR IN DOCUMENTATION:

GENERAL INFORMATION

ABR LENDING OFFICE:

Institution Name: _____

Street Address: _____

City, State, Country, Zip Code: _____

EURODOLLAR LENDING OFFICE:

Institution Name: _____

Street Address: _____

City, State, Country, Zip Code: _____

CONTACTS/NOTIFICATION METHODS CREDIT CONTACTS:

Primary Contact: _____

Street Address: _____

City, State, Country, Zip Code: _____

Phone Number: _____

FAX Number: _____

Backup Contact: _____

Street Address: _____

City, State, Country, Zip Code: _____

Phone Number: _____

FAX Number: _____

E-Mail Address: _____

ADMINISTRATIVE CONTACTS — BORROWINGS, PAYDOWNS, INTEREST, FEES, ETC.

Contact: _____

Street Address: _____

City, State, Country, Zip Code: _____

Phone Number: _____

FAX Number: _____

PAYMENT INSTRUCTIONS

Name of bank where funds are to be transferred: _____

Routing Transit/ABA number of bank where funds are to be transferred: _____

Name of Account, if applicable: _____

Account Number: _____

Additional Information: _____

TAX WITHHOLDING

Non Resident Alien _____ Y* _____ N

* Form 4224 Enclosed

Tax ID Number _____

MAILINGS

Please specify who should receive financial information:

Name: _____

Street Address: _____

City, State, Country, Zip Code: _____

Exhibit F

Form of Confidentiality Agreement

[Date]

[Insert Name and
Address of Prospective
Participant or Assignee]

Re: Revolving Credit Agreement, dated as of May 4, 2004,
 among Southwest Gas Corporation, the Lenders from time
 to time parties thereto and The Bank of New York,
 as Administrative Agent

Dear _____:

As a Lender party to the above-referenced credit agreement (the "Credit Agreement"), we have agreed with Southwest Gas Corporation (the "Borrower"), pursuant to Section 11.05 of the Credit Agreement, to use our best efforts to keep confidential, except as otherwise provided therein, all Confidential Information (as defined in the Credit Agreement) regarding the Borrower and its Subsidiaries.

As provided in such Section 11.05, we are permitted to provide you, as a prospective participant or assignee, with certain of such Confidential Information subject to the execution and delivery by you, prior to receiving such non-public information, of a Confidentiality Agreement in this form. Such information will not be made available to you until your execution and return to us of this Confidentiality Agreement.

Accordingly, in consideration of the foregoing, you agree (on behalf of yourself and each of your affiliates, directors, officers, employees and representatives) that (A) such information will not be used by you except in connection with a proposed [participation] [assignment] to you pursuant to the Credit Agreement and (B) you shall take normal and reasonable precautions and exercise due care to maintain the confidentiality of all Confidential Information provided to you; provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or judicial process, (ii) to your counsel or to counsel for any of the Lenders or the Administrative Agent, (iii) to bank examiners, auditors or accountants, (iv) to the Administrative Agent or any other Lender, and (v) in connection with any litigation relating to enforcement of the Credit Documents; provided further, that, unless specifically prohibited by applicable law or court order, you agree, prior to disclosure thereof, to notify the Borrower of any request for disclosure of any such non-public information (x) by any Governmental Authority or representative thereof (other than any such request in connection with an examination of your financial condition by such Governmental Authority) or (y) pursuant to legal process.

Please indicate your agreement to the foregoing by signing at the place provided below the enclosed copy of this Confidentiality Agreement.

Very truly yours,

[Insert Name of Lender]

By: _____

Name:

Title:

Agreed as of the date of this letter.

[Insert name of prospective
participant or assignee]

By: _____

Form of Increase Request

[Date]

The Bank of New York
Agency Function Administration
One Wall Street — 18th Floor
New York, NY 10286

Attention: Sandra Morgan

Increase Request for Revolving Credit Loans

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement, dated as of May 4, 2004 (as amended, modified or supplemented from time to time, the "Credit Agreement"), among Southwest Gas Corporation (the "Borrower"), the Lenders from time to time parties thereto and The Bank of New York, as Administrative Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

The Borrower hereby gives you notice, pursuant to Section 2.03(c) of the Credit Agreement, that it requests an increase in the Commitments, and in that connection sets forth below (A) the Lender(s) and the amount of the proposed increase of the Commitment of such Lender(s) and (B) the proposed New Lender(s) and the proposed amount of the Commitment of such New Lender(s):

- | | |
|-----------------------|-------------------------------|
| (A) <u>Lender</u> | <u>Increase in Commitment</u> |
| (B) <u>New Lender</u> | <u>New Commitment</u> |

Very truly yours,

SOUTHWEST GAS CORPORATION

By: _____
Title:

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

For the Twelve Months Ended

	Jun 30,		December 31,			
	2004	2003	2002	2001	2000	1999
1. Fixed charges:						
A) Interest expense	\$ 79,885	\$ 78,724	\$ 79,586	\$ 80,139	\$ 70,659	\$ 63,110
B) Amortization	2,873	2,752	2,278	1,886	1,564	1,366
C) Interest portion of rentals	6,359	6,665	8,846	9,346	8,572	8,217
D) Preferred securities distributions	1,277	4,015	5,475	5,475	5,475	5,475
Total fixed charges	\$ 90,394	\$ 92,156	\$ 96,185	\$ 96,846	\$ 86,270	\$ 78,168
2. Earnings (as defined):						
E) Pretax income from continuing operations	\$ 73,724	\$ 55,384	\$ 65,382	\$ 56,741	\$ 51,939	\$ 60,955
Fixed Charges (1. above)	90,394	92,156	96,185	96,846	86,270	78,168
Total earnings as defined	\$ 164,118	\$ 147,540	\$ 161,567	\$ 153,587	\$ 138,209	\$ 139,123
	1.82	1.60	1.68	1.59	1.60	1.78

Certification on Form 10-Q

I, Jeffrey W. Shaw, certify that:

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

Date: August 6, 2004

/s/ Jeffrey W. Shaw
Jeffrey W. Shaw
Chief Executive Officer
Southwest Gas Corporation

Certification on Form 10-Q

I, George C. Biehl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this

report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2004

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

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, Jeffrey W. Shaw, the Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

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

Dated: August 6, 2004

/s/ Jeffrey W. Shaw

Jeffrey W. Shaw
Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, George C. Biehl, Executive Vice President, Chief Financial Officer and Corporate Secretary of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

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

Dated: August 6, 2004

/s/ George C. Biehl

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