
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, 2008

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 a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "non-accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.
Common Stock, \$1 Par Value, 43,532,836 shares as of August 1, 2008.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except par value)

(Unaudited)

	JUNE 30, 2008	DECEMBER 31, 2007
ASSETS		
Utility plant:		
Gas plant	\$ 4,177,855	\$ 4,043,936
Less: accumulated depreciation	(1,309,729)	(1,261,867)
Acquisition adjustments, net	1,722	1,812
Construction work in progress	42,301	61,419
Net utility plant	<u>2,912,149</u>	<u>2,845,300</u>
Other property and investments	<u>145,134</u>	<u>143,097</u>
Current assets:		
Cash and cash equivalents	16,511	31,991
Accounts receivable, net of allowances	139,628	203,660
Accrued utility revenue	33,700	74,900
Income taxes receivable, net	223	14,286
Deferred income taxes	7,752	6,965
Deferred purchased gas costs	-	33,946
Prepays and other current assets	71,599	136,711
Total current assets	<u>269,413</u>	<u>502,459</u>
Deferred charges and other assets	<u>165,534</u>	<u>179,332</u>
Total assets	<u>\$ 3,492,230</u>	<u>\$ 3,670,188</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$1 par (authorized - 60,000,000 shares; issued and outstanding - 43,462,193 and 42,805,706 shares)	\$ 45,092	\$ 44,436
Additional paid-in capital	750,685	732,319
Accumulated other comprehensive income (loss), net	(12,445)	(12,850)
Retained earnings	246,617	219,768
Total equity	<u>1,029,949</u>	<u>983,673</u>
Subordinated debentures due to Southwest Gas Capital II	100,000	100,000
Long-term debt, less current maturities	1,168,733	1,266,067
Total capitalization	<u>2,298,682</u>	<u>2,349,740</u>
Current liabilities:		
Current maturities of long-term debt	38,040	38,079
Short-term debt	-	9,000
Accounts payable	98,047	220,731
Customer deposits	79,047	75,019
Accrued general taxes	38,361	44,637
Accrued interest	20,682	21,290
Deferred purchased gas costs	31,533	46,088
Other current liabilities	80,596	73,088
Total current liabilities	<u>386,306</u>	<u>527,932</u>
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	357,743	347,497
Taxes payable	4,093	4,387
Accumulated removal costs	157,000	146,000
Other deferred credits	288,406	294,632
Total deferred income taxes and other credits	<u>807,242</u>	<u>792,516</u>
Total capitalization and liabilities	<u>\$ 3,492,230</u>	<u>\$ 3,670,188</u>

The accompanying notes are an integral part of these statements.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED		TWELVE MONTHS ENDED	
	JUNE 30,		JUNE 30,		JUNE 30,	
	2008	2007	2008	2007	2008	2007
Operating revenues:						
Gas operating revenues	\$ 353,003	\$ 344,233	\$ 1,094,303	\$ 1,071,248	\$ 1,837,821	\$ 1,836,332
Construction revenues	94,301	82,304	166,608	149,005	354,925	300,836
Total operating revenues	447,304	426,537	1,260,911	1,220,253	2,192,746	2,137,168
Operating expenses:						
Net cost of gas sold	204,580	198,417	705,279	692,628	1,098,845	1,114,296
Operations and maintenance	83,603	83,090	168,809	167,625	332,392	333,158
Depreciation and amortization	48,208	45,455	95,478	90,077	187,915	176,405
Taxes other than income taxes	9,616	9,938	19,810	20,405	36,958	39,162
Construction expenses	84,009	71,992	150,267	130,985	313,314	260,993
Total operating expenses	430,016	408,892	1,139,643	1,101,720	1,969,424	1,924,014
Operating income	17,288	17,645	121,268	118,533	223,322	213,154
Other income and (expenses):						
Net interest deductions	(21,390)	(21,766)	(43,258)	(43,269)	(88,461)	(86,672)
Net interest deductions on subordinated debentures	(1,932)	(1,932)	(3,864)	(3,863)	(7,728)	(7,725)
Other income (deductions)	353	4,416	(409)	6,273	(46)	13,457
Total other income and (expenses)	(22,969)	(19,282)	(47,531)	(40,859)	(96,235)	(80,940)
Income (loss) before income taxes	(5,681)	(1,637)	73,737	77,674	127,087	132,214
Income tax expense (benefit)	(2,956)	(1,300)	27,310	28,247	46,841	46,816
Net income (loss)	\$ (2,725)	\$ (337)	\$ 46,427	\$ 49,427	\$ 80,246	\$ 85,398
Basic earnings (loss) per share	\$ (0.06)	\$ (0.01)	\$ 1.08	\$ 1.17	\$ 1.87	\$ 2.05
Diluted earnings (loss) per share	\$ (0.06)	\$ (0.01)	\$ 1.07	\$ 1.16	\$ 1.86	\$ 2.03
Dividends declared per share	\$ 0.225	\$ 0.215	\$ 0.45	\$ 0.43	\$ 0.88	\$ 0.84
Average number of common shares outstanding	43,324	42,226	43,168	42,103	42,865	41,691
Average shares outstanding (assuming dilution)	-	-	43,466	42,516	43,186	42,126

The accompanying notes are an integral part of these statements.

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

	SIX MONTHS ENDED		TWELVE MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2008	2007	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	\$ 46,427	\$ 49,427	\$ 80,246	\$ 85,398
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	95,478	90,077	187,915	176,405
Deferred income taxes	9,211	(26,385)	51,664	(13,932)
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	64,032	84,328	1,972	(11,123)
Accrued utility revenue	41,200	40,200	(600)	100
Deferred purchased gas costs	19,391	59,923	48,617	71,859
Accounts payable	(122,684)	(157,807)	(9,885)	25,230
Accrued taxes	7,493	29,400	(38,444)	12,940
Other current assets and liabilities	47,451	69,544	2,879	5,781
Other	(7,666)	(2,869)	(12,058)	(5,250)
Net cash provided by operating activities	<u>200,333</u>	<u>235,838</u>	<u>312,306</u>	<u>347,408</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(153,609)	(174,083)	(320,401)	(368,617)
Other	44,532	17,521	35,951	31,133
Net cash used in investing activities	<u>(109,077)</u>	<u>(156,562)</u>	<u>(284,450)</u>	<u>(337,484)</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	19,022	21,007	33,112	56,139
Dividends paid	(19,003)	(17,688)	(37,586)	(34,867)
Issuance of long-term debt	32,427	66,952	94,069	123,516
Retirement of long-term debt	(30,182)	(55,589)	(116,684)	(135,538)
Change in long-term portion of credit facility	(100,000)	(92,000)	(5,000)	(7,000)
Change in short-term debt	(9,000)	-	-	-
Net cash provided by (used in) financing activities	<u>(106,736)</u>	<u>(77,318)</u>	<u>(32,089)</u>	<u>2,250</u>
Change in cash and cash equivalents	(15,480)	1,958	(4,233)	12,174
Cash at beginning of period	31,991	18,786	20,744	8,570
Cash at end of period	<u>\$ 16,511</u>	<u>\$ 20,744</u>	<u>\$ 16,511</u>	<u>\$ 20,744</u>
Supplemental information:				
Interest paid, net of amounts capitalized	\$ 46,207	\$ 43,705	\$ 95,837	\$ 90,470
Income taxes paid	3,693	17,994	30,724	45,139

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Operations and Basis of Presentation

Nature of Operations. Southwest Gas Corporation and its subsidiaries (the “Company”) is composed of two segments: natural gas operations (“Southwest” or the “natural gas operations” segment) and construction services (Northern Pipeline Construction Co. “NPL” or the “construction services” segment). Southwest is engaged in the business of purchasing, distributing, and transporting natural gas to customers in portions of Arizona, Nevada, and California. The public utility rates, practices, facilities, and service territories of Southwest are subject to regulatory oversight. The timing and amount of rate relief can materially impact results of operations. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year. Variability in weather from normal temperatures can materially impact results of operations. Natural gas purchases and the timing of related recoveries can materially impact liquidity. NPL, a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

Basis of Presentation. The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and 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 condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the 2007 Annual Report to Shareholders, which is incorporated by reference into the 2007 Form 10-K, and the first quarter 2008 Form 10-Q.

Intercompany Transactions. NPL recognizes revenues generated from contracts with Southwest (see **Note 3** below). Accounts receivable for these services were \$6.9 million at June 30, 2008 and \$6.1 million at December 31, 2007. The accounts receivable balance, revenues, and associated profits are included in the condensed consolidated financial statements of the Company and were not eliminated during consolidation in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 71, “Accounting for the Effects of Certain Types of Regulation.”

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

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

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - An Amendment of FASB Statement No. 133.” SFAS No. 161 requires enhanced disclosures about an entity’s derivative and hedging activities. The provisions of SFAS No. 161 are effective for the Company beginning January 1, 2009. The Company is evaluating what impact this standard might have on its financial disclosures.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies (in accounting literature instead of auditing literature) the sources of accounting principles and the

framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). The provisions of SFAS No. 162 are effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The adoption of the standard is not expected to have a material impact on the financial position or results of operations of the Company.

Note 2 – Components of Net Periodic Benefit Cost

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

	Qualified Retirement Plan					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2008	2007	2008	2007	2008	2007
(Thousands of dollars)						
Service cost	\$ 4,027	\$ 4,122	\$ 8,054	\$ 8,245	\$ 16,300	\$ 16,387
Interest cost	8,123	7,311	16,245	14,622	30,867	28,025
Expected return on plan assets	(8,678)	(8,258)	(17,356)	(16,516)	(33,870)	(31,820)
Amortization of prior service costs (credits)	(3)	(3)	(5)	(5)	(11)	(10)
Amortization of net loss	776	1,252	1,552	2,503	4,056	5,179
Net periodic benefit cost	<u>\$ 4,245</u>	<u>\$ 4,424</u>	<u>\$ 8,490</u>	<u>\$ 8,849</u>	<u>\$ 17,342</u>	<u>\$ 17,761</u>

	SERP					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2008	2007	2008	2007	2008	2007
(Thousands of dollars)						
Service cost	\$ 24	\$ 38	\$ 49	\$ 77	\$ 125	\$ 183
Interest cost	511	487	1,021	974	1,995	1,920
Amortization of prior service costs	-	-	-	-	-	4
Amortization of net loss	249	283	498	565	1,064	1,187
Net periodic benefit cost	<u>\$ 784</u>	<u>\$ 808</u>	<u>\$ 1,568</u>	<u>\$ 1,616</u>	<u>\$ 3,184</u>	<u>\$ 3,294</u>

	PBOP					
	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2008	2007	2008	2007	2008	2007
(Thousands of dollars)						
Service cost	\$ 183	\$ 203	\$ 366	\$ 405	\$ 772	\$ 832
Interest cost	581	576	1,162	1,152	2,314	2,211
Expected return on plan assets	(535)	(536)	(1,070)	(1,072)	(2,142)	(1,981)
Amortization of transition obligation	217	217	434	434	867	867
Amortization of net loss	-	14	-	29	28	113
Net periodic benefit cost	<u>\$ 446</u>	<u>\$ 474</u>	<u>\$ 892</u>	<u>\$ 948</u>	<u>\$ 1,839</u>	<u>\$ 2,042</u>

Note 3 – Segment Information

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

	<u>Natural Gas Operations</u>	<u>Construction Services</u>	<u>Total</u>
Three months ended June 30, 2008			
Revenues from external customers	\$ 353,003	\$ 78,194	\$ 431,197
Intersegment revenues	--	16,107	16,107
Total	<u>\$ 353,003</u>	<u>\$ 94,301</u>	<u>\$ 447,304</u>
Segment net income (loss)	<u>\$ (4,907)</u>	<u>\$ 2,182</u>	<u>\$ (2,725)</u>
Three months ended June 30, 2007			
Revenues from external customers	\$ 344,233	\$ 65,947	\$ 410,180
Intersegment revenues	--	16,357	16,357
Total	<u>\$ 344,233</u>	<u>\$ 82,304</u>	<u>\$ 426,537</u>
Segment net income (loss)	<u>\$ (2,855)</u>	<u>\$ 2,518</u>	<u>\$ (337)</u>
Six months ended June 30, 2008			
Revenues from external customers	\$ 1,094,303	\$ 137,524	\$ 1,231,827
Intersegment revenues	--	29,084	29,084
Total	<u>\$ 1,094,303</u>	<u>\$ 166,608</u>	<u>\$ 1,260,911</u>
Segment net income	<u>\$ 44,426</u>	<u>\$ 2,001</u>	<u>\$ 46,427</u>
Six months ended June 30, 2007			
Revenues from external customers	\$ 1,071,248	\$ 115,157	\$ 1,186,405
Intersegment revenues	--	33,848	33,848
Total	<u>\$ 1,071,248</u>	<u>\$ 149,005</u>	<u>\$ 1,220,253</u>
Segment net income	<u>\$ 45,773</u>	<u>\$ 3,654</u>	<u>\$ 49,427</u>
Twelve months ended June 30, 2008			
Revenues from external customers	\$ 1,837,821	\$ 288,304	\$ 2,126,125
Intersegment revenues	--	66,621	66,621
Total	<u>\$ 1,837,821</u>	<u>\$ 354,925</u>	<u>\$ 2,192,746</u>
Segment net income	<u>\$ 71,147</u>	<u>\$ 9,099</u>	<u>\$ 80,246</u>
Twelve months ended June 30, 2007			
Revenues from external customers	\$ 1,836,332	\$ 225,137	\$ 2,061,469
Intersegment revenues	--	75,699	75,699
Total	<u>\$ 1,836,332</u>	<u>\$ 300,836</u>	<u>\$ 2,137,168</u>
Segment net income	<u>\$ 75,160</u>	<u>\$ 10,238</u>	<u>\$ 85,398</u>

Note 4 – Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2008	2007	2008	2007	2008	2007
	(Thousands of dollars)					
Net income (loss)	\$ (2,725)	\$ (337)	\$ 46,427	\$ 49,427	\$ 80,246	\$ 85,398
Additional minimum pension liability adjustment, net of \$20.3 million tax expense		-		-		33,047
Net actuarial gain arising during period, less amortization of unamortized benefit plan cost, net of tax	203	245	405	489	732	489
Comprehensive income (loss)	\$ (2,522)	\$ (92)	\$ 46,832	\$ 49,916	\$ 80,978	\$ 118,934

Tax expense related to the net actuarial gain arising during the period, less amortization of unamortized benefit plan cost, for the three months, six months, and twelve months ended June 30, 2008 was \$124,000, \$248,000, and \$448,000, respectively. Tax expense related to the net actuarial gain arising during the period, less amortization of unamortized benefit plan cost for the three months, six months, and twelve months ended June 30, 2007 was \$150,000, \$300,000, and \$300,000, respectively. Total accumulated other comprehensive loss as of June 30, 2008 was \$12.4 million, net of \$7.6 million of tax, and was composed entirely of unamortized benefit plan costs.

Note 5 – Common Stock

During the six months ended June 30, 2008, the Company issued approximately 656,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan (“DRSPP”), Employee Investment Plan, Management Incentive Plan, and Stock Incentive Plan. No shares have been issued through the Equity Shelf Program (“ESP”) in 2008.

Note 6 - Derivatives and Fair Value Measurements

In managing its natural gas supply portfolios, Southwest has historically entered into fixed and variable-price contracts, which qualify as derivatives under SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities”, as amended (“SFAS No. 133”). In 2008, Southwest also began utilizing fixed-for-floating swap contracts (“Swaps”) to supplement its fixed-price contracts. The fixed-price contracts, firm commitments to purchase a fixed amount of gas in the future at a fixed price, qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business under SFAS No. 133 and are exempt from its fair value provisions. The variable-price contracts have no significant market value and are likewise not affected by SFAS No. 133’s fair value provisions. Swaps are subject to the fair value provisions and must be recorded at fair value.

The fixed-price contracts and Swaps are utilized by Southwest under its volatility mitigation programs to effectively fix the price on approximately 50 percent of its natural gas portfolios. The maturities of the Swaps highly correlate to actual purchases of natural gas, during timeframes ranging from November 2008 through October 2009. Under such contracts, Southwest pays the counterparty at a fixed rate and receives from the counterparty a floating rate per MMBtu (“dekatherm”) of natural gas. Only the net differential is actually paid or received. The differential is calculated based on the notional amounts under the contracts (approximately 3.5 million dekatherms at June 30, 2008). Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

Pursuant to regulatory deferral accounting treatment under SFAS No. 71, Southwest records the unrealized gains and losses in fair value of the Swaps as a regulatory asset and/or liability. When the Swaps settle, Southwest reverses any prior positions held and records the settled position as an increase or decrease of purchased gas under the related purchased gas adjustment ("PGA") mechanism in determining its deferred PGA balances. In accordance with this described treatment, at June 30, 2008, Southwest recorded the fair values of the Swaps in Prepaids and other current assets (\$7.2 million) and in Deferred charges and other assets (\$582,000). Corresponding offsetting amounts were recorded in Other current liabilities (\$7.2 million) and Other deferred credits (\$582,000). Due to the provisions of SFAS No. 71, neither changes in the fair value of the contracts nor settled amounts have a direct effect on earnings or other comprehensive income. The estimated fair values of the derivatives were determined using future natural gas index prices (as more fully described below).

In January 2008, the Company adopted SFAS No. 157 "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 states that a fair value measurement should be based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy that ranks the inputs used to measure fair value by their reliability. The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for similar assets or liabilities, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The estimated fair values of Southwest's Swaps were determined at June 30, 2008 using NYMEX futures settlement prices for delivery of natural gas at Henry Hub adjusted by the price of NYMEX ClearPort basis Swaps, which reflect the difference between the price of natural gas at a given delivery basin and the Henry Hub pricing points. These Level 2 inputs are observable in the marketplace throughout the full term of the Swaps.

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value as of June 30, 2008.

	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Financial Assets and Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
(Thousands of dollars)				
Assets at fair value:				
Prepaids and other current assets - swaps	\$ 7,209	\$ -	\$ 7,209	\$ -
Deferred charges and other assets - swaps	582	-	582	-
Liabilities at fair value:				
Other current liabilities - swaps	-	-	-	-
Other deferred credits - swaps	-	-	-	-
Net Assets (Liabilities)	\$ 7,791	\$ -	\$ 7,791	\$ -

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

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

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

As of June 30, 2008, Southwest had 1,819,000 residential, commercial, industrial, and other natural gas customers, of which 984,000 customers were located in Arizona, 657,000 in Nevada, and 178,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During the twelve months ended June 30, 2008, 55 percent of operating margin was earned in Arizona, 35 percent in Nevada, and 10 percent in California. During this same period, Southwest earned 86 percent of operating margin from residential and small commercial customers, 5 percent from other sales customers, and 9 percent from transportation customers. These general patterns are expected to continue.

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

Northern Pipeline Construction Co. ("NPL" or the "construction services" segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL currently operates in 19 major markets nationwide. Construction activity is cyclical and can be significantly impacted by changes in general and local economic conditions, including the housing market, interest rates, employment levels, job growth, the equipment resale market, and local and federal tax rates. Generally, revenues and profits are lowest during the first quarter of the year due to less favorable winter weather conditions. Operating results typically improve as more favorable weather conditions occur during the summer and fall months.

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and the notes thereto, as well as the MD&A, included in the 2007 Annual Report to Shareholders, which is incorporated by reference into the 2007 Form 10-K, and the first quarter 2008 Form 10-Q.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's operations. As needed, certain items are covered in greater detail in later sections of management's discussion and analysis. As reflected in the table below, the natural gas operations segment accounted for an average of 88 percent of twelve-month-to-date consolidated net income over the past two years. As such, management's discussion and analysis is primarily focused on that segment. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year.

Summary Operating Results

	Period Ended June 30,					
	Three Months		Six Months		Twelve Months	
	2008	2007	2008	2007	2008	2007
	(Thousands of dollars, except per share amounts)					
Contribution to net income (loss)						
Natural gas operations	\$ (4,907)	\$ (2,855)	\$ 44,426	\$ 45,773	\$ 71,147	\$ 75,160
Construction services	2,182	2,518	2,001	3,654	9,099	10,238
Net income (loss)	<u>\$ (2,725)</u>	<u>\$ (337)</u>	<u>\$ 46,427</u>	<u>\$ 49,427</u>	<u>\$ 80,246</u>	<u>\$ 85,398</u>
Basic earnings (loss) per share						
Natural gas operations	\$ (0.11)	\$ (0.07)	\$ 1.03	\$ 1.09	\$ 1.66	\$ 1.80
Construction services	0.05	0.06	0.05	0.08	0.21	0.25
Consolidated	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ 1.08</u>	<u>\$ 1.17</u>	<u>\$ 1.87</u>	<u>\$ 2.05</u>
Natural Gas Operations						
Operating margin	<u>\$ 148,423</u>	<u>\$ 145,816</u>	<u>\$ 389,024</u>	<u>\$ 378,620</u>	<u>\$ 738,976</u>	<u>\$ 722,036</u>

The decline in gas segment contribution during the second quarter of 2008 was due primarily to a decrease in other income, which more than offset an improvement in operating income. Other income (principally interest income, long-term investment returns, and non-utility expenses) declined primarily as the result of negative returns on long-term investments in the current quarter versus positive returns in the prior-year quarter. NPL's decline resulted primarily from less profitable work due to the general slow down in the housing industry, competitive pressures, and increased fuel and material costs. The decline was partially offset by several favorable replacement contracts.

2nd Quarter 2008 Overview

Consolidated results for the second quarter of 2008 declined compared to the second quarter of 2007, due to declines in both the gas and construction services segments. Basic earnings (loss) per share fell \$0.05 per share.

Gas operations highlights include the following:

- Operating margin increased \$2.6 million from the prior period
- Growth-related margin was \$2 million as Southwest's customer growth level continues to moderate in the face of a downturn in the housing market
- Southwest's project to expand its use of electronic meter reading technology continues to progress and is over 90 percent complete
- Operating expenses (operations and maintenance, depreciation and amortization, and taxes other than income taxes) increased two percent between periods as general cost increases were partially offset by labor efficiencies primarily related to the meter reading project
- Arizona and California rate cases remain on track with hearings completed in Arizona and scheduled for California in August

Moderating Customer Growth. During the twelve months ended June 30, 2008, Southwest completed 45,000 first-time meter sets. These meter sets led to 19,000 additional active meters during the same time frame (10,000 in Arizona, 8,000 in Nevada, and 1,000 in California). The difference between first-time meter sets and incremental active meters indicates a significant inventory of unoccupied homes. The risks/costs of having non-performing assets associated with new homes are mitigated by Southwest's practice of taking construction advances from builders. These advances are not returned until new homes are occupied. Once housing supply and demand come back into balance, Southwest expects to experience a correction in which customer additions exceed first-time meter sets. Although management cannot predict the timing of the turn around, it is likely to occur over an extended (multi-year) time horizon.

Meter Reading Project

In 2006, Southwest initiated a project to expand its use of electronic meter reading technology. The efficiencies to be gained from this project more than offset the investment in infrastructure. This technology eliminates the need to gain physical access to meters in order to obtain monthly meter readings, thereby reducing the time associated with each meter read while improving their accuracy. At June 30, 2008, over 90 percent of Southwest customers' meters were being read electronically. The electronic meter reading conversion project is expected to be completed later this year.

Results of Natural Gas Operations

Quarterly Analysis

	Three Months Ended June 30,	
	2008	2007
	(Thousands of dollars)	
Gas operating revenues	\$ 353,003	\$ 344,233
Net cost of gas sold	204,580	198,417
Operating margin	148,423	145,816
Operations and maintenance expense	83,603	83,090
Depreciation and amortization	41,297	39,076
Taxes other than income taxes	9,616	9,938
Operating income	13,907	13,712
Other income (expense)	(636)	3,648
Net interest deductions	20,938	21,315
Net interest deductions on subordinated debentures	1,932	1,932
Income (loss) before income taxes	(9,599)	(5,887)
Income tax expense (benefit)	(4,692)	(3,032)
Contribution to consolidated net income (loss)	\$ (4,907)	\$ (2,855)

Contribution from natural gas operations declined by \$2.1 million in the second quarter of 2008 compared to the same period a year ago. The decrease in contribution was primarily caused by a reduction in other income, which more than offset a one percent improvement in operating income.

Operating margin increased approximately \$2.6 million, or two percent, in the second quarter of 2008 compared to the second quarter of 2007. Customer growth contributed \$2 million toward the operating margin increase as the Company added 19,000 customers during the last twelve months, an increase of one percent. Weather changes between quarters accounted for the remaining increase.

Operations and maintenance expense increased \$513,000, or one percent, primarily due to general cost increases and higher uncollectible expenses. Labor efficiencies, primarily from the conversion to electronic meter reading, mitigated the increase in operations and maintenance expense.

Depreciation expense increased \$2.2 million, or six percent, as a result of construction activities. Average gas plant in service for the current period increased \$241 million, or six percent, compared to the corresponding period a year ago. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Other income (expense) declined \$4.3 million during the second quarter of 2008 compared to the same period in 2007, primarily due to negative returns on long-term investments in the current quarter versus positive returns in the year-ago quarter and lower interest income due to the full recovery of previously deferred purchased gas cost receivables. The prior-year period also included nonrecurring gains on dispositions of miscellaneous properties.

Net financing costs decreased \$377,000 between periods primarily due to lower outstanding debt.

Six-Month Analysis

	Six Months Ended June 30,	
	2008	2007
(Thousands of dollars)		
Gas operating revenues	\$ 1,094,303	\$ 1,071,248
Net cost of gas sold	705,279	692,628
Operating margin	389,024	378,620
Operations and maintenance expense	168,809	167,625
Depreciation and amortization	81,942	77,606
Taxes other than income taxes	19,810	20,405
Operating income	118,463	112,984
Other income (expense)	(2,162)	5,024
Net interest deductions	42,290	42,463
Net interest deductions on subordinated debentures	3,864	3,863
Income before income taxes	70,147	71,682
Income tax expense	25,721	25,909
Contribution to consolidated net income	\$ 44,426	\$ 45,773

Contribution from natural gas operations decreased \$1.3 million in the first six months of 2008 compared to the same period a year ago. The decrease in contribution was primarily caused by a decline in other income, which offset a five percent improvement in operating income.

Operating margin increased approximately \$10 million, or three percent, in the first six months of 2008 compared to the first six months of 2007. New customers contributed an incremental \$4 million in operating margin during the current period. Rate relief in California resulted in a net \$1 million increase in operating margin. Differences in heating demand primarily caused by weather variations between periods resulted in a \$5 million margin increase as the current period experienced somewhat cooler temperatures while the prior period was slightly warmer-than-normal.

Operations and maintenance expense increased \$1.2 million, or one percent, principally due to the impact of general cost increases and higher uncollectible expenses. Labor efficiencies, primarily from the conversion to electronic meter reading, mitigated the increase in operations and maintenance expense.

Depreciation expense increased \$4.3 million, or six percent, as a result of construction activities. Average gas plant in service increased \$254 million, or seven percent, as compared to the first six months of 2007. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Other income (expense) declined \$7.2 million during the first six months of 2008 compared to the same period in 2007, primarily due to negative returns on long-term investments in 2008 versus higher returns in 2007 and lower interest income due to the full recovery of previously deferred purchased gas cost receivables.

Twelve-Month Analysis

	Twelve Months Ended June 30,	
	2008	2007
(Thousands of dollars)		
Gas operating revenues	\$ 1,837,821	\$ 1,836,332
Net cost of gas sold	1,098,845	1,114,296
Operating margin	738,976	722,036
Operations and maintenance expense	332,392	333,158
Depreciation and amortization	161,426	152,144
Taxes other than income taxes	36,958	39,162
Operating income	208,200	197,572
Other income (expense)	(2,336)	10,192
Net interest deductions	86,263	84,823
Net interest deductions on subordinated debentures	7,728	7,725
Income before income taxes	111,873	115,216
Income tax expense	40,726	40,056
Contribution to consolidated net income	\$ 71,147	\$ 75,160

Contribution to consolidated net income from natural gas operations decreased \$4 million in the current twelve-month period compared to the same period a year ago. The decline in contribution was primarily caused by lower other income, which offset a five percent improvement in operating income.

Operating margin increased \$17 million, or two percent, between periods. Customer growth contributed \$8 million while rate changes accounted for \$9 million of the increase, including \$3 million in general rate relief and \$6 million from implementing a California equalized margin tracker mechanism in January 2007. Warmer-than-normal temperatures were experienced during both twelve-month periods (each with estimated negative impacts to operating margin of approximately \$7 million), resulting in no incremental impact between the periods.

Operations and maintenance expense decreased \$766,000 between periods reflecting labor efficiencies primarily from the ongoing electronic meter reading conversion, partially offset by general cost increases and higher uncollectible expenses.

Depreciation expense increased \$9.3 million, or six percent, as a result of additional plant in service. Average gas plant in service for the current twelve-month period increased \$274 million, or seven 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 customer growth.

General taxes decreased \$2.2 million due to a decline in property tax rates recognized in the third quarter of 2007, which offset the higher property tax base resulting from plant additions.

Other income decreased \$12.5 million between periods primarily due to negative returns on long-term investments in the current twelve-month period (versus favorable returns in the prior-year period) and lower interest income due to the full recovery of previously deferred purchased gas cost receivables. The prior-year period also included nonrecurring gains on dispositions of miscellaneous properties.

Net financing costs increased \$1.4 million between periods primarily due to interest expense associated with deferred PGA balance payables and higher rates on variable-rate debt.

Results of Construction Services

Contribution to consolidated net income for the three, six, and twelve months ended June 30, 2008 decreased \$336,000, \$1.7 million, and \$1.1 million, respectively, compared to the corresponding periods in 2007. Quarterly results declined primarily due to lower profit margins on new construction work in the majority of NPL's operating areas, competitive pressures, and increased fuel and material costs, partially offset by higher revenues from several favorable replacement contracts. While revenues increased as a result of several large replacement projects, operating results decreased in the six-month period of 2008 as compared to the same period in 2007 primarily due to lower profit margins on new construction work, unfavorable weather conditions in the first quarter of 2008, increased fuel and material costs, and a reduction in the volume of work with existing customers. The decrease in the current twelve-month period when compared to the same period in the prior year was due primarily to unfavorable weather conditions during the first quarter of 2008, and a reduction in the volume of new construction work resulting from the general slow down in the new housing market.

Rates and Regulatory Proceedings

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

In addition, declining average residential usage has hindered Southwest's ability to earn the returns previously authorized by the ACC. A rate structure that would encourage energy efficiency and also shield Southwest and its customers from weather-related volatility has also been proposed. Included in the new rate design proposal are a revenue decoupling mechanism that would separate the recovery of fixed costs from volumetric usage and a weather normalization mechanism that would protect customers from higher bills in extreme cold weather and protect Southwest from cost under-recoveries in unseasonably warmer weather. Southwest requested an increase of \$3.10 in the monthly residential basic service charge.

In April 2008, the two primary intervening parties in the case, the ACC Staff and the Residential Utility Consumer Office, filed testimony in the case. Both parties are separately advocating revenue increases which approximate 60 percent of the filed for amount, primarily through increases in basic service charges, although their positions on a number of matters differ. In addition, neither party supports all of Southwest's proposed rate design changes or the revenue decoupling/weather normalization mechanisms, both of which Southwest deems important components of its rate filing if greater margin stability (for both Southwest and its customers) is to be achieved. Hearings concluded in June 2008, with a decision expected in the fourth quarter of 2008. Management cannot predict the amount or timing of rate relief ultimately granted, or whether the ACC will adopt any of the new rate design proposals. The last general rate increase received in Arizona was effective in March 2006.

California Attrition Filing. In October 2007, Southwest made its 2008 annual attrition filing with the California Public Utilities Commission ("CPUC") requesting a \$2 million increase in operating margin. The increase in customer rates was approved and became effective January 2008.

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

PGA Filings

All of Southwest's state regulatory commissions have regulations that permit Southwest to track and recover its actual costs of purchased gas. Deferred energy provisions and purchased gas adjustment clauses are collectively referred to as "PGA" clauses. Timing differences between changes in PGA rates and the recovery/payment of PGA balances result in over and under-collections. At June 30, 2008, over-collections in Arizona, Nevada, and California resulted in a liability of \$31.5 million on the Company's balance sheet. In May 2008, a temporary surcharge that had been in place in Arizona since February 2006 to help accelerate the recovery of an under-collected balance was removed. PGA filings are subject to audit by state regulatory commissions. PGA rate changes impact cash flows but have no direct impact on profit margin.

As of June 30, 2008, December 31, 2007, and June 30, 2007, Southwest had the following outstanding PGA balances receivable/(payable) (millions of dollars):

	<u>June 30, 2008</u>	<u>December 31, 2007</u>	<u>June 30, 2007</u>
Arizona	\$ (4.6)	\$ 33.9	\$ 50.3
Northern Nevada	(7.2)	(9.2)	(9.9)
Southern Nevada	(17.6)	(36.7)	(20.1)
California	(2.1)	(0.1)	(3.2)
	<u>\$ (31.5)</u>	<u>\$ (12.1)</u>	<u>\$ 17.1</u>

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 NPL are not material to the overall capital requirements and resources of the Company.

Gas Segment Construction Expenditures and Financing

Southwest continues to experience customer growth, albeit at a slower pace than in the recent past. This growth has required significant capital outlays primarily to extend and reinforce its distribution systems. During the twelve-month period ended June 30, 2008, construction expenditures for the natural gas operations segment were \$291 million. Approximately 73 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 paid) provided \$239 million, or 82 percent, of the required capital resources pertaining to gas segment capital expenditures for the twelve months ended June 30, 2008. The remainder was provided from external financing activities, existing credit facilities, and refundable construction advances. During the quarter, six months, and twelve months ended June 30, 2008, Southwest partially offset capital outlays by collecting approximately \$7 million, \$14 million, and \$30 million, respectively, in net advances and contributions from customers and third-party contractors. At June 30, 2008, the balance of refundable construction advances was \$91 million.

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

During the six months ended June 30, 2008, the Company issued approximately 656,000 additional shares of common stock through the DRSP, Employee Investment Plan, Management Incentive Plan, and Stock Incentive Plan, raising approximately \$19 million. No shares have been issued through the ESP in 2008. The Company has \$16.7 million of remaining capacity under the ESP.

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

Dividend Increase

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

Liquidity

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

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

On an interim basis, Southwest generally defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At June 30, 2008, the balances in PGA accounts totaled an over-collection of \$31.5 million versus an under-collection of \$17.1 million at June 30, 2007. Southwest has the ability to draw on its \$300 million credit facility to temporarily finance under-collected PGA balances. Southwest has designated \$150 million of the facility as long-term debt and the remaining \$150 million for working capital purposes. Southwest currently believes the \$150 million designated for working capital purposes is adequate to meet liquidity needs. At June 30, 2008, \$50 million was outstanding on the long-term portion and no borrowings were outstanding on the short-term portion of the credit facility.

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

	For the Twelve Months Ended	
	June 30, 2008	December 31, 2007
Ratio of earnings to fixed charges	2.21	2.25

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

IDRB Supporting Credit Arrangements

The Company utilizes insurance policies to support approximately \$400 million of its fixed and variable-rate Industrial Development Revenue Bonds ("IDRBs"). Of this amount, approximately \$350 million is fixed to maturity and any change in the bond rating of the bond insurers will not impose any additional costs on the Company. The remaining \$50 million in IDRBs, which is the 2003 Series B, carried a AAA rating supported by insurance from Ambac Assurance Corporation ("Ambac"). The 2003 Series B are designed to be repriced weekly in an auction market. Credit rating agencies have been reassessing bond insurers for their ability to absorb potential losses from their subprime-related exposure to residential mortgage-backed securities and collateralized debt obligations. In June 2008, Standard & Poor's and Moody's Investors Service, the two largest ratings companies, downgraded Ambac and assigned a "negative" outlook to the new rating. This resulted in the Company's 2003 Series B being downgraded to a AA rating. The Company cannot predict whether Moody's and Standard & Poor's will further downgrade Ambac, thereby affecting the outstanding AA rating of the 2003 Series B. Since mid-February 2008, the 2003 Series B weekly auctions have failed. As a result of the failed auctions, the Company has been required to price the 2003 Series B at a predetermined maximum auction-rate (currently 200 percent of the one-month LIBOR rate). The Company has the ability to convert the 2003 Series B to a fixed-rate mode, obtain incremental credit support, or refinance the debt. The Company will remain watchful as to the developments in the auction-rate market and the outcome of the rating agencies reviews, and take appropriate actions to minimize the related interest cost of the facility.

Forward-Looking Statements

This quarterly report contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("Reform Act"). All statements other than statements of historical fact included or incorporated by reference in this quarterly report are forward-looking statements, including, without limitation, statements regarding the Company's plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions. The words "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "continue," and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding operating margin earned, customer growth, risks and costs associated with having non-performing assets associated with new homes, timing of improvements in the housing market, estimated future construction expenditures, forecasted operating cash flows, funding sources of cash requirements, sufficiency of working capital, ability to raise funds and receive external financing, the amount and form of any such financing, liquidity and statements regarding estimated bonus depreciation deductions, and the timing and results of future rate hearings and approvals are forward-looking statements. All forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act.

A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the impact of weather variations on customer usage, customer growth rates, conditions in the housing market, interest rates, our ability to recover costs through our PGA mechanisms, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, changes in gas procurement practices, changes in capital requirements and funding,

the impact of conditions in the capital markets on financing costs, rating agency actions, changes in construction expenditures and financing, renewal of franchises, easements and rights-of-way, changes in operations and maintenance expenses, effects of accounting changes, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and management's plans related thereto, competition, and our ability to raise capital in external financings. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing, operations and maintenance expenses will continue in future periods. For additional information on the risks associated with the Company's business, see **Item 1A. Risk Factors** in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

All forward-looking statements in this 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 2007 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 and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and benefits of controls must be considered relative to their costs. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the control. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Based on the most recent evaluation, as of June 30, 2008, 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 2008 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEMS 1A. through 3. None.

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

The Annual Meeting of Shareholders was held on May 8, 2008 with the holders of approximately 39 million shares of the Company's common stock represented in person or by proxy. Matters voted upon and the results of the voting were as follows:

- (1) The eleven directors nominated were elected.

<u>Name</u>	<u>Votes For</u>	<u>Votes Withheld</u>
George C. Biehl	36,077,206	2,878,551
Thomas E. Chestnut	38,408,185	547,572
Stephen C. Comer	38,286,782	668,975
Richard M. Gardner	38,377,584	578,173
James J. Kropid	37,583,702	1,372,055
Michael O. Maffie	37,422,021	1,533,736
Anne L. Mariucci	38,396,420	559,337
Michael J. Melarkey	38,389,941	565,816
Jeffrey W. Shaw	37,592,667	1,363,091
Carolyn M. Sparks	37,568,138	1,387,619
Terrence L. Wright	37,596,731	1,359,027

- (2) The proposal to ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company was approved. Shareholders voted 38,568,314 shares in favor, 223,587 against with 163,860 abstentions.

ITEM 5. OTHER INFORMATION

On July 29, 2008, Robert L. Boughner was elected as a director of the Company. Mr. Boughner's election increases the number of directors from eleven to twelve. As a director, he will serve on the Compensation and Nominating and Corporate Governance committees of the Company's Board of Directors. At its July 29, 2008 meeting, the Board of Directors also amended the Company's Bylaws to reflect an increase in the number of Directors from eleven (11) to twelve (12). The above information was reported in a Form 8-K dated July 29, 2008 filed with the SEC.

ITEM 6. EXHIBITS

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

- Exhibit - Amended Southwest Gas Corporation 2006 Restricted Stock/Unit Plan.
10.01
Exhibit - Southwest Gas Corporation Management Incentive Plan, amended and restated effective
10.02 January 1, 2009
Exhibit - Computation of Ratios of Earnings to Fixed Charges.
12.01
Exhibit - Section 302 Certifications.
31.01
Exhibit - Section 906 Certifications.
32.01

SIGNATURES

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

Southwest Gas Corporation

(Registrant)

Date: August 6, 2008

/s/ Roy R. Centrella

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

SOUTHWEST GAS CORPORATION
2006 RESTRICTED STOCK/UNIT PLAN

1. Purposes of the Plan. The purpose of this Plan is to promote the success of the Company by providing an additional means through the grant of Awards to attract, motivate, retain and reward key Employees, including Officers of the Company, with incentives for high levels of individual performance and improved financial performance of the Company and to attract, motivate, and retain experienced and knowledgeable independent Directors.

2. Definitions. The following definitions shall apply as used herein and in the individual Award Agreements except as defined otherwise in an individual Award Agreement. In the event a term is separately defined in an individual Award Agreement, such definition shall supercede the definition contained in this Section 2.

(a) “Administrator” means the compensation committee of the Board or such other Committee appointed to administer the Plan, consisting of independent members of the Board.

(b) “Applicable Laws” means the legal requirements relating to the Plan and the Awards under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to Awards granted to residents therein.

(c) “Award” means the grant of Restricted Stock or Restricted Stock Units under the Plan.

(d) “Award Agreement” means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto.

(e) “Board” means the Board of Directors of the Company.

(f) “Cause” means (i) a material act of theft, misappropriation, or conversion of corporate funds committed by the Grantee, or (ii) the Grantee’s demonstrably willful, deliberate, and continued failure to follow reasonable directives of the Board or the Chief Executive Officer of the Company which are within the Grantee’s ability to perform. Notwithstanding the foregoing, for the 24-month period following a Change in Control Event, the Grantee shall not be deemed to have been terminated for Cause unless and until: (1) there shall have been delivered to the Grantee a copy of a resolution duly adopted by the Board in good faith at a meeting of the Board called and held for such purpose (after reasonable notice to the Grantee and an opportunity for the Grantee, together with his or her counsel, to be heard before the Board), finding that the Grantee was guilty of conduct set forth above and specifying the particulars thereof in reasonable detail; and (2) if the Grantee contests such finding (or a conclusion that he or she has failed to timely cure the performance in response thereto), the arbitrator, by final determination in an arbitration proceeding pursuant to Section 17 hereof, has concluded that the Grantee’s conduct met the standard for termination for Cause above and that the Board’s conduct met the standards of good faith and satisfied the procedural and substantive conditions of this Section 2(f) (collectively, the “Necessary Findings”). The Grantee’s costs of the arbitration shall be advanced by the Company and shall be repaid to the Company if the arbitrator makes the Necessary Findings.

(g) “Change in Control Event” means any of the following:

(i) The dissolution or liquidation of the Company, other than in the context of a transaction that does not constitute a Change in Control Event under clause (ii) below.

(ii) A merger, consolidation, or other reorganization, with or into, or the sale of all or substantially all of the Company’s business and/or assets as an entirety to, one or more entities that are not Subsidiaries or other affiliates (a “Business Combination”), unless (A) as a result of the Business Combination at least 50% of the outstanding securities voting generally in the election of directors of the surviving or resulting entity or a Parent thereof (the “Successor Entity”) immediately after the reorganization are, or will be, owned, directly or indirectly, by shareholders of the Company immediately before the Business Combination; and (B) at least 50% of the members of the board of directors of the entity resulting from the Business Combination were members of the Board at the time of the execution of the initial agreement or of the action of the Board approving the Business Combination. The shareholders before and after the Business Combination shall be determined on the presumptions that (x) there is no change in the record ownership of the Company’s securities from the record date for such approval until the consummation of the Business Combination; and (y) record owners of securities of the Company hold no securities of the other parties to such reorganization.

(iii) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than an Excluded Person, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities entitled to then vote generally in the election of Directors of the Company, other than as a result of (A) an acquisition directly from the Company, (B) an acquisition by the Company, (C) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or a Successor Entity, or an acquisition by any entity pursuant to a transaction which is expressly excluded under clause (ii) above.

(iv) During any period not longer than twelve consecutive months, individuals who at the beginning of such period constituted the Board cease to constitute at least a majority thereof, unless the election, or the nomination for election by the Company’s shareholders, of each new Board member was approved by a vote of at least three-quarters of the Board members then still in office who were Board members at the beginning of such period (including for these purposes, new members whose election or nomination was so approved), but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

(v) Notwithstanding the foregoing, prior to the occurrence of any of the events described in clause (ii) through (iv) above, the Board may determine that such an event shall not constitute a Change in Control Event for purposes of the Plan and Awards granted under it.

(h) “Code” means the Internal Revenue Code of 1986, as amended.

(i) “Committee” means the compensation committee of the Board or such other committee composed of independent members of the Board.

(j) “Common Stock” means the common stock of the Company.

(k) “Company” means Southwest Gas Corporation, a California corporation, or any successor entity that adopts the Plan in connection with a Change in Control Event.

(l) “Continuous Service” means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or consultant is not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Director or consultant, Continuous Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before a termination as an Employee, Director or consultant can be effective under Applicable Laws. A Grantee’s Continuous Service shall be deemed to have terminated either upon an actual termination of Continuous Service or upon the entity for which the Grantee provides services ceasing to be a Related Entity. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor, in any capacity of Employee, Director or consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or consultant (except as otherwise provided in the Award Agreement). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave.

(m) “Covered Employee” means an Employee who is a “covered employee” under Section 162(m)(3) of the Code.

(n) “Director” means a non-Employee member of the Board or the board of directors of any Related Entity.

(o) “Disability” means as defined under the long-term disability policy of the Company or the Related Entity to which the Grantee provides services regardless of whether the Grantee is covered by such policy. If the Company or the Related Entity to which the Grantee provides service does not have a long-term disability plan in place, “Disability” means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than one hundred and eighty (180) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion.

(p) “Employee” means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director’s fee by the Company or a Related Entity shall not be sufficient to constitute “employment” by the Company.

(q) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(r) “Excluded Person” means (i) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act, (ii) the Company, or (iii) an employee benefit plan (or related trust) sponsored or maintained by the Company or the Successor Entity.

(s) “Grantee” means an Employee or Director who receives an Award under the Plan.

(t) “Officer” means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(u) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(v) “Performance-Based Compensation” means compensation qualifying as “performance-based compensation” under Section 162(m) of the Code.

(w) “Plan” means this 2006 Restricted Stock/Unit Plan.

(x) “Related Entity” means any Parent or Subsidiary of the Company.

(y) “Restricted Stock” means Shares issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Administrator.

(z) “Restricted Stock Units” or “Units” means an Award which may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and which may be settled for Shares or other securities or a combination of Shares or other securities as established by the Administrator.

(aa) “Retirement” means:

(i) with respect to Employees, a termination of an Employee’s employment with the Company or a Related Entity on or after the Employee has attained his or her early retirement date, normal retirement date, or deferred retirement date as defined in the Retirement Plan for Employees of Southwest Gas Corporation, as amended and in effect from time to time.

(ii) with respect to non-Employee Directors, a termination of a Director’s service to the Company or a Related Entity as a Director on or after his or her “normal retirement date” which is the earlier of the first day of the month following the month in which the non-Employee Director (A) reaches age seventy-two (72), or (B) has completed at least ten (10) years of service (in the aggregate) to the Company or a Related Entity as a Director.

(bb) “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(cc) “Share” means a share of the Common Stock.

(dd) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 9 below, the maximum aggregate number of Shares which may be issued pursuant to all Awards is 400,000 Shares. The Shares to be issued pursuant to Awards may be authorized, but unissued, or reacquired Common Stock.

(b) Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expired (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited such Shares shall become available for future grant under the Plan. During the ten (10) year period following approval of the Plan by the Company's shareholders and to the extent not prohibited by the listing requirements of The New York Stock Exchange (or other established stock exchange or national market system on which the Common Stock is traded) and Applicable Law, any Shares covered by an Award, which are surrendered in satisfaction of tax withholding obligations incident to the vesting of an Award, shall be deemed not to have been issued for purposes of determining the maximum number of Shares which may be issued pursuant to all Awards under the Plan, unless otherwise determined by the Administrator.

4. Administration of the Plan.

(a) Plan Administrator.

(i) Administration with Respect to Covered Employees, Directors and Officers. With respect to grants of Awards to Covered Employees, Directors and Employees who are also Officers or Directors of the Company, the Plan shall be administered by a Committee designated by the Board, which Committee (A) shall be comprised solely of two or more Directors eligible to serve on a committee making Awards qualifying as Performance-Based Compensation and (B) shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) Administration Errors. In the event an Award is granted in a manner inconsistent with the provisions of this subsection (a), such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

- (i) to select the Employees and Directors to whom Awards may be granted from time to time hereunder;
- (ii) to determine whether and to what extent Awards are granted hereunder;

(iii) to determine the number of Shares or Restricted Stock Units to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder;

(vi) to amend the terms of any outstanding Award granted under the Plan, provided that any amendment that would adversely affect the Grantee's rights under an outstanding Award shall not be made without the Grantee's written consent;

(vii) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the Plan; and

(viii) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator; provided that the Administrator may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final, conclusive and binding on all persons having an interest in the Plan.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees of the Company or a Related Entity, members of the Board and any Officers or Employees of the Company or a Related Entity to whom authority to act for the Board, the Administrator or the Company is delegated shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such claim, investigation, action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct; provided, however, that within thirty (30) days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company's expense to defend the same.

5. Eligibility. Awards may be granted to Employees and Directors. An Employee or Director who has been granted an Award may, if otherwise eligible, be granted additional Awards.

6. Terms and Conditions of Awards.

(a) Designation of Award. Each Award shall be designated in the Award Agreement.

(b) Conditions of Award. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule (if any), resale restrictions applicable to the Shares issued pursuant to Awards, forfeiture provisions and satisfaction of any performance criteria. The performance criteria established by the Administrator may be based on any one of, or combination of, the following: (i) increase in share price, (ii) earnings per share, (iii) total shareholder return, (iv) operating margin, (v) operating costs, (vi) gross margin, (vii) return on equity, (viii) return on assets, (ix) return on investment, (x) operating income, (xi) net operating income, (xii) pre-tax profit, (xiii) cash flow, (xiv) revenue, (xv) expenses, (xvi) earnings before interest, taxes and depreciation, (xvii) economic value added, (xviii) market share, (xix) gas segment return on equity, (xx) customer to employee ratio, (xxi) customer service satisfaction, and (xxii) performance of the Company relative to a peer group of companies and/or relevant indexes. The performance criteria may be applicable to the Company and/or any of its individual business units and may differ from Participant to Participant. In addition and to the extent appropriate, the performance criteria will be calculated in accordance with generally accepted accounting principles, but excluding the effect (whether positive or negative) of any change in accounting standards and any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the performance criteria applicable to the Awards intended to be performance-based compensation. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of performance criteria in order to prevent the dilution or enlargement of the Participant's rights with respect to an Award intended to be performance-based compensation; provided, however, that certain categories or types of such adjustments can be specifically included (rather than excluded) at the time the performance criteria are established if so determined by the Committee.

(c) Acquisitions and Other Transactions. The Administrator may issue Awards under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a Related Entity acquiring another entity, an interest in another entity or an additional interest in a Related Entity whether by merger, stock purchase, asset purchase or other form of transaction.

(d) Separate Programs. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(e) Individual Limit for Restricted Stock and Restricted Stock Units. For awards of Restricted Stock and Restricted Stock Units that are intended to be Performance-Based Compensation, the maximum number of Shares with respect to which such Awards may be granted to any Grantee in any calendar year shall be 20,000 Shares. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 9 below.

(f) Transferability of Awards. Awards shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the Grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(g) Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Administrator makes the determination to grant such Award.

7. Taxes. No Shares shall be delivered under the Plan to any Grantee or other person until such Grantee or other person has made arrangements acceptable to the Administrator for the satisfaction of any federal, state, local or non-U.S. income and employment tax withholding obligations, including, without limitation, obligations incident to the receipt of Shares. Upon the issuance of Shares, the Company shall withhold or collect from Grantee an amount sufficient to satisfy such tax obligations, including, but not limited to, by surrender of Shares covered by the Award sufficient to satisfy the minimum applicable tax withholding obligations incident to the vesting of an Award.

8. Conditions Upon Issuance of Shares.

(a) If at any time the Administrator determines that the delivery of Shares pursuant to an Award is or may be unlawful under Applicable Laws, the vesting or right to exercise an Award or to otherwise receive Shares pursuant to the terms of an Award shall be suspended until the Administrator determines that such delivery is lawful and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no obligation to effect any registration or qualification of the Shares under federal or state laws.

(b) As a condition to the exercise or issuance of an Award, the Company may require the person exercising or receiving such Award to represent and warrant at the time of any such exercise or issuance that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

9. Adjustments Upon Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the maximum number of Shares with respect to which Awards may be granted to any Grantee in any calendar year, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as the Administrator determines, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number of Shares subject to an Award.

10. Change in Control Event. Except as provided otherwise in an individual Award Agreement, in the event of a Change in Control Event, each Award which is at the time outstanding under the Plan automatically shall (i) become fully vested and be released from any repurchase, forfeiture or transfer restrictions and (ii) with respect to Restricted Stock Units, be

converted in full to Shares, immediately prior to the specified effective date of such Change in Control Event, for all of the Shares or Units at the time represented by such Award.

11. Effective Date and Term of Plan. The Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years unless sooner terminated. Continuance of the Plan shall be subject to approval by the shareholders of the Company. Such shareholder approval shall be obtained in the degree and manner required under Applicable Laws. Awards may be granted under the Plan upon its becoming effective, but any Award granted before shareholder approval is obtained shall be rescinded if shareholders fail to approve the Plan at the next shareholder meeting that occurs after the Plan is adopted by the Board.

12. Amendment, Suspension or Termination of the Plan.

(a) The Board may at any time amend, suspend or terminate the Plan; provided, however, that no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by Applicable Laws.

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) No suspension or termination of the Plan shall adversely affect any rights under Awards already granted to a Grantee.

13. Reservation of Shares.

(a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

14. No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Service, nor shall it interfere in any way with his or her right or the right of the Company or any Related Entity to terminate the Grantee's Continuous Service at any time, with or without Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Service has been terminated for Cause for the purposes of this Plan.

15. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

16. Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

17. Arbitration and Litigation.

(a) Any dispute, controversy or claim arising out of or in respect to this Plan (or its validity, interpretation or enforcement) or the subject matter hereof must be submitted to and settled by arbitration conducted before a single arbitrator (chosen from a list of arbitrators provided by the American Arbitration Association with each party hereto taking alternate strikes and the remaining arbitrator hearing the dispute). The arbitration will be conducted in Clark County, Nevada, in accordance with the then current rules of the American Arbitration Association or its successor. The arbitration of such issues, including the determination of any amount of damages suffered, will be final and binding upon the parties to the maximum extent permitted by law. The arbitrator in such action will not be authorized to change or modify any provision of the Plan. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator will award reasonable legal fees and expenses (including arbitration costs) to the prevailing party upon application therefor. The parties consent to the jurisdiction of the Supreme Court of the State of Nevada and of the U.S. District Court for the District of Nevada for all purposes in connection with arbitration, including the entry of judgment of any award.

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

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Plan Document effective the 7th day of May 2008.

SOUTHWEST GAS
CORPORATION

By: /s/ JEFFREY W. SHAW
Jeffrey W. Shaw, C.E.O.

APPENDIX A

Target Award Opportunity for each Grantee

Position	% of Year-End Base Salary	Range of Award Grant*
Chief Executive Officer	45	22.5 to 67.5
President	30	15.0 to 45.0
Executive Vice President	25	12.5 to 37.5
Senior Vice President	20	10.0 to 30.0
Vice President	15	7.5 to 22.5
Other Participants	10	5.0 to 15.0
Non-Employee Directors		500 Restricted Stock or Stock Units

* Awards granted pursuant to the Plan will range from 50 to 150 percent of the target award opportunity for each participant, other than non-Employee Directors, established for the initial award. The actual award will be determined based on the three-year average Management Incentive Plan payout percentage (MIP Payout Percentage) for the three years immediately preceding the award determination date. The threshold to earn an award will be a MIP Payout Percentage of 90. The award will increase by five percent for each one percentage point increase in the MIP Payout Percentage until such percentage equals 100, then the increase will be reduced to two and one-half percent for each percentage point increase through 120.

* Awards granted pursuant to the Plan to Directors will be set at 500 Restricted Stock or Stock Units per year.

* Once the Awards are established, they will be converted into Restricted Stock or Stock Units, based on the closing price of Common Stock on the New York Stock Exchange on the Award date.

Vesting Schedule of Awards:

(a) Awards to Employees.

(i) With respect to Awards to Employees, unless otherwise set forth in the Award Agreement or in an amendment to this Appendix A, the Shares or Units subject to an Award shall vest and be paid out in Common Stock over a three (3) year period as follows: forty percent (40%) of the Shares or Units subject to the Award shall vest on the 4th of January following the award (Vesting Commencement Date) and thirty percent (30%) of the Shares or Units subject to the Award shall vest on each of the second and third anniversaries of the Vesting Commencement Date.

(ii) During any authorized leave of absence, the vesting of the Shares or Units awarded to Employees only as provided above shall be suspended after the leave of absence exceeds a period of three (3) months. Vesting of the Shares or Units shall resume upon the Employee's termination of the leave of absence and return to service to the Company or a Related Entity. The Vesting Schedule of the Shares or Units shall be extended by the length of the suspension.

(iii) Notwithstanding the foregoing, in the event the Employee's Continuous Service terminates as the result of death, Retirement, or Disability, 100% of the Shares or Units shall become fully vested and no longer subject to forfeiture to the Company. In addition, 100% of the Shares or Units shall become fully vested and no longer subject to forfeiture to the Company immediately prior to a Change in Control Event.

(iv) In addition, with respect to Grantees who are Senior Vice Presidents or above only, in the event such Grantee's Continuous Service terminates as a result of Good Reason, 100% of the Shares or Units shall become fully vested and no longer subject to forfeiture to the Company.

(v) With respect to Restricted Stock Units, awards shall be credited with notional dividends at the same time, in the same form, and in equivalent amounts as dividends that are payable from time to time on the Common Stock. Any such notional dividends shall be valued as of the date on which they are credited to the Employee and reallocated to acquire additional Units. Such additional Units shall vest in accordance with the vesting schedule set forth in the applicable Award Agreement as if such Units had been issued on the date of such Award (if any).

For purposes of the Plan, "Good Reason" shall mean, with respect to Employees who are employed in senior vice president level positions and above, (i) a reduction by the Company in the Grantee's base salary as in effect on the date hereof, or (ii) any material breach of any material provision of any employment agreement between the Grantee and the Company by the Company which is not cured within sixty (60) days after written notice of such breach by the Grantee to the Company.

(b) Awards to Directors. Subject to the Director's Continuous Service, Awards shall vest in accordance with either of the following schedules:

(i) Forty percent (40%) of the Shares or Units subject to the Award shall vest on the 4th of January following the award (Vesting Commencement Date), and thirty

percent (30%) on each of the second and third anniversaries of the Vesting Commencement Date. Vesting of the Shares or Units shall accelerate so that one hundred percent (100%) of the Shares or Units subject to the Award shall vest (i) immediately prior to a Change in Control Event or (ii) upon termination of the Director's Continuous Service as a result of death, Disability or Retirement. With respect to Restricted Stock Units, the conversion of the Units into Shares, however, will not occur until the Director's Continuous Service terminates, or immediately prior to a Change in Control Event.

(ii) With respect to Restricted Stock Units, awards shall be credited with notional dividends at the same time, in the same form, and in equivalent amounts as dividends that are payable from time to time on the Common Stock. Any such notional dividends shall be valued as of the date on which they are credited to the Director and reallocated to acquire additional Units. Such additional Units shall vest in accordance with the vesting schedule set forth in the applicable Award Agreement as if such Units had been issued on the date of such Award (if any).

SOUTHWEST GAS CORPORATION

2006 RESTRICTED STOCK/UNIT PLAN

[FOR DIRECTORS - REMOVE THIS LINE BEFORE USE]

NOTICE OF RESTRICTED STOCK UNIT AWARD

Grantee's Name and Address:

You (the "Grantee") have been granted an award of Restricted Stock Units (the "Award"), subject to the terms and conditions of this Notice of Restricted Stock Unit Award (the "Notice"), the Southwest Gas Corporation 2006 Restricted Stock/Unit Plan, as amended from time to time (the "Plan"), and the Restricted Stock Unit Agreement (the "Agreement") attached hereto, as follows. Unless otherwise provided herein, the terms in this Notice shall have the same meaning as those defined in the Plan.

Award Number

Date of Award

Total Number of Restricted Stock

Units Awarded (the "Units")

Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Agreement, and the Plan, the Units will "vest" in accordance with the following schedule:

Forty percent (40%) of the Units subject to the Award shall vest on the 4th of January following the Date of Award (the "Vesting Commencement Date"), and thirty percent (30%) on each of the second and third anniversaries of the Vesting Commencement Date. Vesting of the Units shall accelerate so that one hundred percent (100%) of the Units subject to the Award shall vest (i) immediately prior to a Change in Control Event or (ii) upon termination of the Director's Continuous Service as a result of death, Disability or Retirement. As provided in Section 3 of the Agreement, the conversion of the Units into Shares, however, will not occur until certain terminations of the Director's Continuous Service or immediately prior to certain Change in Control Events.

For purposes of this Notice and the Agreement, the term "vest" shall mean, with respect to any Units, that such Units are no longer subject to forfeiture to the Company. If the Grantee would become vested in a fraction of a Unit, such Unit shall not vest until the Grantee becomes vested in the entire Unit.

In the event of the Grantee's change in status from Director to consultant or Employee, the determination of whether such change in status results in a termination of Continuous Service will be determined in accordance with Section 409A of the Code.

Vesting shall cease upon the date the Grantee terminates Continuous Service for any reason other than death, Disability or Retirement. In the event the Grantee terminates Continuous Service for any reason other than death, Disability or Retirement, any Units held by the Grantee immediately following such termination of the Grantee's Continuous Service shall



be deemed reconveyed to the Company and the Company shall thereafter be the legal and beneficial owner of the Units and shall have all rights and interest in or related thereto without further action by the Grantee.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

Southwest Gas Corporation,
a California corporation

By: _____
Title: _____

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE UNITS SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S CONTINUOUS SERVICE (NOT THROUGH THE ACT OF BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT NOR THE PLAN SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE'S CONTINUOUS SERVICE.

Grantee Acknowledges and Agrees:

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement and the Plan. The Grantee further agrees and acknowledges that this Award is a non-elective arrangement pursuant to Section 409A of the Code.

The Grantee further acknowledges that, from time to time, the Company may be in a "blackout period" and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company's Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee's responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

By signing below (or by providing an electronic signature) and accepting the grant of the Award, the Grantee: (i) consents to access electronic copies (instead of receiving paper copies) of this Notice, the Agreement, the Plan and the Plan prospectus (collectively, the "Plan Documents") via the Company's intranet; (ii) represents that the Grantee has access to the Company's intranet; (iii) acknowledges receipt of electronic copies, or that the Grantee is already in possession of paper copies of the Plan Documents; and (iv) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan, and the Agreement shall be resolved by the Administrator in

accordance with Section 8 of the Agreement. The Grantee further agrees to the venue selection and waiver of a jury trial in accordance with Section 9 of the Agreement. The Grantee further agrees to notify the Company upon any change in his or her residence address indicated in this Notice.

Date: _____

Grantee's Signature

Grantee's Printed Name

Address

City, State & Zip

**SOUTHWEST GAS CORPORATION
2006 RESTRICTED STOCK/UNIT PLAN**

RESTRICTED STOCK UNIT AGREEMENT

1. Issuance of Units. Southwest Gas Corporation, a California corporation (the “Company”), hereby issues to the Grantee (the “Grantee”) named in the Notice of Restricted Stock Unit Award (the “Notice”), an award (the “Award”) of the Total Number of Restricted Stock Units Awarded set forth in the Notice (the “Units”), subject to the Notice, this Restricted Stock Unit Agreement (the “Agreement”) and the terms and provisions of the Southwest Gas Corporation 2006 Restricted Stock/Unit Plan, as amended from time to time (the “Plan”), which is incorporated herein by reference. Unless otherwise provided herein, the terms in this Agreement shall have the same meaning as those defined in the Plan.

2. Transfer Restrictions. The Units may not be transferred in any manner other than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Grantee may designate a beneficiary of the Units in the event of the Grantee’s death on a beneficiary designation form provided by the Company. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors, and transferees of the Grantee.

3. Conversion of Units and Issuance of Shares.

(a) General. Subject to Section 3(b), one share of Common Stock shall be issuable for each vested Unit subject to the Award (the “Shares”) upon the earlier of: (i) termination of the Grantee’s Continuous Service which also constitutes a “separation from service” as such term is defined in Section 409A of the Code and applicable guidance thereunder; or (ii) immediately prior to the specified effective date of a Change in Control Event (as defined in the Plan, without regard to clause (v) of the definition) which also constitutes a “change in the ownership or effective control, or in the ownership of a substantial portion of the assets” (as defined in Section 409A of the Code) of the Company. Immediately thereafter, or as soon as administratively feasible, the Company will transfer such Shares to the Grantee upon satisfaction of any required tax or other withholding obligations. Any unvested Units remaining as of the date the Award is converted to Shares shall be forfeited.

(b) Delay of Conversion. The conversion of the Units to Common Stock under Section 3(a), above, shall be delayed in the event the Company reasonably anticipates that the issuance of Common Stock would constitute a violation of federal securities laws or other Applicable Law. If the conversion of the Units to Common Stock is delayed by the provisions of this Section 3(b), the conversion of the Units to Common Stock shall occur at the earliest date at which the Company reasonably anticipates issuing the Common Stock will not cause a violation of federal securities laws or other Applicable Law. For purposes of this Section 3(b), the issuance of Common Stock that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not considered a violation of Applicable Law.

(c) Delay of Issuance of Shares. The Company shall delay the issuance of any shares of Common Stock under this Section 3 to the extent it is necessary to comply with

Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain “key employees” of certain publicly-traded companies); in such event, any shares of Common Stock to which the Grantee would otherwise be entitled during the six (6) month period following the date of the Grantee’s termination of Continuous Service will be issued on the first business day following the expiration of such six (6) month period.

(d) Right to Shares; Dividends. The Grantee shall not have any right in, to or with respect to any of the Shares (including any voting rights or rights with respect to dividends paid on the Common Stock) issuable under the Award until the Award is settled by the issuance of such Shares to the Grantee; *provided, however*, that the Grantee’s Units shall be credited with notional dividends at the same time, in the same form, and in equivalent amounts as dividends that are payable from time to time on Shares. Any such notional dividends shall be valued as of the date on which they are credited to the Grantee and reallocated to acquire additional Units. Such additional Units shall vest in accordance with the Vesting Schedule set forth in the Notice, as if such Units had been issued on the Date of Award.

4. Accelerated Conversion of Units and Issuance of Shares. The following circumstances shall permit an accelerated conversion of the Units and the issuance of Shares:

(a) Unforeseeable Emergency. In the event of an Unforeseeable Emergency, the Administrator may, in its sole discretion, permit the conversion of vested Units and the corresponding issuance of the number of Shares to the Grantee equal in value to an amount no greater than the amount necessary to satisfy the emergency plus any taxes reasonably anticipated as a result of the distribution. For purposes of this Section 4(a), “Unforeseeable Emergency” shall mean an unforeseeable emergency as defined in Code Section 409(a)(2)(B)(ii)(I) (as limited by Code Section 409A(a)(2)(B)(ii)(II)), the regulations thereunder, and any other published interpretive authority, as issued or amended from time to time.

(b) Domestic Relations Order. In its sole discretion, the Administrator may permit acceleration of the time or schedule for the conversion of vested Units and corresponding issuance of the Shares to an individual other than the Grantee as may be necessary to fulfill a domestic relations order (as defined in Code Section 414(p)(1)(B)).

(c) Conflict of Interest. In its sole discretion, the Administrator may permit acceleration of the time or schedule for the conversion of vested Units and corresponding issuance of the Shares as may be necessary to comply with certain ethics rules as provided in Treasury Regulations Section 1.409A-3(j)(4)(iii).

(d) Income Inclusion under Section 409A of the Code. To the extent permitted under Code Section 409A, in its sole discretion, the Administrator may permit acceleration of the time or schedule for the conversion of vested Units and corresponding issuance of the Shares at any time this Agreement fails to meet the requirements of Section 409A of the Code and the corresponding regulations. Notwithstanding the foregoing, the accelerated distribution of Shares upon conversion of vested Units to the Grantee under this Section 5(d) shall not exceed the number of Shares with a value equal to the amount required to be included as income by the Grantee as a result of the failure to meet the requirements of Section 409A of the Code and the corresponding regulations.

(e) Dissolution or Bankruptcy. To the extent permitted under Code Section 409A, the Administrator shall have the authority, in its sole discretion, to terminate this Agreement and convert vested Units into a distribution of Shares to the Grantee for all of the

Shares subject to this Agreement or, if applicable, to his or her beneficiary within twelve (12) months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(a). Any unvested Units shall be forfeited upon such termination of this Agreement. The total value of the accelerated distribution of Shares under this Section 5(e) must be included in the Grantee's gross income in the latest of:

- (i) The calendar year in which the Agreement is terminated; or
- (ii) The calendar year in which the issuance of the Shares is administratively practicable.

(f) Termination of the Plan by the Company. To the extent permitted under Code Section 409A, the Administrator shall have the authority, in its sole discretion, to terminate this Agreement and convert vested Units into a distribution of Shares to the Grantee for all of the Shares subject to this Agreement to the Grantee or, if applicable, to his or her beneficiary provided that:

- (i) All arrangements sponsored by the Company that would be aggregated with the Plan under Treasury Regulations Section 1.409A-1(c) and all other published interpretive authority as issued or amended from time to time if all Grantees under the Plan participated in all of the arrangements are terminated;
- (ii) No payments other than issuance of the Shares hereunder and the payments under the other aggregated arrangements if the termination had not occurred are made within twelve (12) months of the termination of the Plan and the other aggregated arrangements;
- (iii) All issuance of Shares subject to Awards under the Plan and payments under the other aggregated arrangements are made within twenty-four (24) months of the termination of the Plan and the other aggregated arrangements; and
- (iv) The Company does not adopt a new arrangement that would be aggregated with the Plan and any other terminated arrangements under Treasury Regulations Section 1.409A-1(c) and all other published interpretive authority as issued or amended from time to time if Grantees under the Plan had participated in both arrangements, at any time within five (5) years following the date of termination of the Plan and the other terminated arrangements.

5. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the Award or the subsequent sale of Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Grantee's tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any employment tax obligation (the “Tax Withholding Obligation”), the Grantee must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(i) *By Share Withholding*. The Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares issuable to the Grantee, the number of Shares sufficient to satisfy the minimum applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee’s minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

(ii) *By Sale of Shares*. Unless the Grantee determines to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, the Grantee’s acceptance of this Award constitutes the Grantee’s instruction and authorization to the Company and any brokerage firm determined acceptable to the Company for such purpose to sell on the Grantee’s behalf a number of Shares from those Shares issuable to the Grantee as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the minimum applicable Tax Withholding Obligation. Such Shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon thereafter as practicable. The Grantee will be responsible for all broker’s fees and other costs of sale, and the Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Grantee’s minimum Tax Withholding Obligation, the Company agrees to pay such excess in cash to the Grantee. The Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Grantee’s minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of Shares described above.

Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus, and severance payments) payable to the Grantee by the Company and/or a Related Entity.

6. Entire Agreement; Governing Law. The Notice, the Plan, and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee’s interest except by means of a writing signed by the Company and the Grantee. These agreements are to be construed in accordance with and governed by the internal laws of the State of Nevada without giving effect to any choice of law or rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Nevada to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

7. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

8. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

9. Venue and Waiver of Jury Trial. The parties agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan, or this Agreement shall be brought in the United States District Court for the District of Nevada (or should such court lack jurisdiction to hear such action, suit or proceeding, in a Nevada state court in the county in which the Company is located), and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action, or proceeding brought in such court. **THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION, OR PROCEEDING.** If any one or more provisions of this Section 9 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

10. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service, or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

11. Amendment and Delay to Meet the Requirements of Section 409A. The Grantee acknowledges that the Company, in the exercise of its sole discretion and without the consent of the Grantee, may amend or modify this Agreement in any manner and delay the issuance of any Shares issuable pursuant to this Agreement to the minimum extent necessary to meet the requirements of Section 409A of the Code as amplified by any Treasury regulations or guidance from the Internal Revenue Service as the Company deems appropriate or advisable. Notwithstanding the foregoing, the Company makes no representation that the Award will comply with Code Section 409A and makes no undertaking to prevent Code Section 409A from applying to or to mitigate its effect on the Award.

END OF AGREEMENT

SOUTHWEST GAS CORPORATION

2006 RESTRICTED STOCK/UNIT PLAN

[FOR EMPLOYEES THROUGH VICE PRESIDENTS - REMOVE THIS LINE BEFORE USE]

NOTICE OF RESTRICTED STOCK UNIT AWARD

Grantee's Name and Address:

You (the "Grantee") have been granted an award of Restricted Stock Units (the "Award"), subject to the terms and conditions of this Notice of Restricted Stock Unit Award (the "Notice"), the Southwest Gas Corporation 2006 Restricted Stock/Unit Plan, as amended from time to time (the "Plan") and the Restricted Stock Unit Agreement (the "Agreement"), attached hereto, as follows. Unless otherwise provided herein, the terms in this Notice shall have the same meaning as those defined in the Plan.

Award Number

Date of Award

Total Number of Restricted Stock

Units Awarded (the "Units")

Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Agreement, and the Plan, the Units will "vest" in accordance with the following schedule:

Forty percent (40%) of the Units subject to the Award shall vest on the 4th of January following the Date of Award (the "Vesting Commencement Date") and thirty percent (30%) of the Units subject to the Award shall vest on each of the second and third anniversaries of the Vesting Commencement Date.

Notwithstanding the foregoing, in the event the Grantee's Continuous Service terminates as the result of death, Retirement, or Disability, 100% of the Units shall become fully vested and no longer subject to forfeiture to the Company. In addition, in the event of a Change in Control Event (as defined in the Plan, without regard to clause (v) of the definition), 100% of the Units shall become fully vested and no longer subject to forfeiture to the Company.

For purposes of this Notice and the Agreement, the term "vest" shall mean, with respect to any Units, that such Units are no longer subject to forfeiture to the Company. If the Grantee would become vested in a fraction of a Unit, such Unit shall not vest until the Grantee becomes vested in the entire Unit.

During any authorized leave of absence, the vesting of the Units as provided in this schedule shall be suspended (to the extent permitted under Section 409A of the Code) after the leave of absence exceeds a period of three (3) months. The Vesting Schedule of the Units shall be extended by the length of the suspension. Vesting of the Units shall resume upon the Grantee's termination of the leave of absence and return to service to the Company or a



Related Entity; provided, however, that if the leave of absence exceeds six (6) months, and a return to service upon expiration of such leave is not guaranteed by statute or contract, then (a) the Grantee's Continuous Service shall be deemed to terminate on the first date following such six-month period and (b) the Grantee will forfeit the Units that are unvested on the date of the Grantee's termination of Continuous Service. To the extent an authorized leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least six (6) months and such impairment causes the Grantee to be unable to perform the duties of the Grantee's position employment or of any substantially similar position of employment, the six (6) month period in the prior sentence shall be twenty-nine (29) months. An authorized leave of absence shall include sick leave, military leave, or other bona fide leave of absence (such as temporary employment by the government).

In the event of the Grantee's change in status from Employee to consultant or-Director, the determination of whether such change in status results in a termination of Continuous Service will be determined in accordance with Section 409A of the Code.

Vesting shall cease upon the date the Grantee terminates Continuous Service for any reason other than death, Disability, or Retirement. In the event that, prior to a Change in Control Event, the Grantee terminates Continuous Service for any reason other than death, Disability, or Retirement, any Units held by the Grantee immediately following such termination of the Grantee's Continuous Service shall be deemed reconveyed to the Company and the Company shall thereafter be the legal and beneficial owner of the Units and shall have all rights and interest in or related thereto without further action by the Grantee.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

Southwest Gas Corporation,
a California corporation

By: _____

Title: _____

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE UNITS SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S CONTINUOUS SERVICE (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD, OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE'S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE'S CONTINUOUS SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE. THE GRANTEE ACKNOWLEDGES THAT UNLESS THE GRANTEE HAS A WRITTEN EMPLOYMENT AGREEMENT WITH THE COMPANY TO THE CONTRARY, THE GRANTEE'S STATUS IS AT WILL.

Grantee Acknowledges and Agrees:

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement, and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement, and the Plan. The Grantee further agrees and acknowledges that this Award is a non-elective arrangement pursuant to Section 409A of the Code.

The Grantee further acknowledges that, from time to time, the Company may be in a “blackout period,” and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company’s Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee’s responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

By signing below (or by providing an electronic signature) and accepting the grant of the Award, the Grantee: (i) consents to access electronic copies (instead of receiving paper copies) of this Notice, the Agreement, the Plan, and the Plan prospectus (collectively, the “Plan Documents”) via the Company’s intranet; (ii) represents that the Grantee has access to the Company’s intranet; (iii) acknowledges receipt of electronic copies, or that the Grantee is already in possession of paper copies, of the Plan Documents; and (iv) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan, and the Agreement shall be resolved by the Administrator in accordance with Section 8 of the Agreement. The Grantee further agrees to the venue selection and waiver of a jury trial in accordance with Section 9 of the Agreement. The Grantee further agrees to notify the Company upon any change in his or her residence address indicated in this Notice.

Date: _____

Grantee’s Signature

Grantee’s Printed Name

Address

City, State & Zip

**SOUTHWEST GAS CORPORATION
2006 RESTRICTED STOCK/UNIT PLAN**

RESTRICTED STOCK UNIT AGREEMENT

1. Issuance of Units. Southwest Gas Corporation, a California corporation (the “Company”), hereby issues to the Grantee (the “Grantee”) named in the Notice of Restricted Stock Unit Award (the “Notice”) an award (the “Award”) of the Total Number of Restricted Stock Units Awarded set forth in the Notice (the “Units”), subject to the Notice, this Restricted Stock Unit Agreement (the “Agreement”) and the terms and provisions of the Southwest Gas Corporation 2006 Restricted Stock/Unit Plan, as amended from time to time (the “Plan”), which is incorporated herein by reference. Unless otherwise provided herein, the terms in this Agreement shall have the same meaning as those defined in the Plan.

2. Transfer Restrictions. The Units may not be transferred in any manner other than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Grantee may designate a beneficiary of the Units in the event of the Grantee’s death on a beneficiary designation form provided by the Company. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors, and transferees of the Grantee.

3. Conversion of Units and Issuance of Shares.

(a) General. Subject to Section 3(b), one share of Common Stock shall be issuable for each Unit subject to the Award (the “Shares”) upon the earliest of: (i) vesting (other than vesting pursuant to (A) a Change in Control Event which is not a 409A Change in Control Event (as defined below) or (B) a termination of Continuous Service which is not a “separation from service” (a “409A Separation from Service”), if the issuance following such vesting would not satisfy the “short term deferral” rule, as both of such terms are defined in the Treasury regulations and other guidance under Code Section 409A); (ii) immediately prior to the specified effective date of a Change in Control Event (as defined in the Plan, without regard to clause (v) of the definition) which also constitutes a “change in the ownership or effective control, or in the ownership of a substantial portion of the assets” (as defined in Section 409A of the Code) of the Company (a “409A Change in Control Event”); and (iii) following a Change in Control Event (as defined in the Plan, without regard to clause (v) of the definition) or other vesting event which did not result in the conversion of Units into Common Stock, any termination of the Grantee’s employment or other service to the Company or a Related Entity that constitutes a 409A Separation from Service. Immediately thereafter, or as soon as administratively feasible, the Company will transfer such Shares to the Grantee upon satisfaction of any required tax or other withholding obligations.

(b) Delay of Conversion. The conversion of the Units to Common Stock under Section 3(a), above, shall be delayed in the event the Company reasonably anticipates that the issuance of Common Stock would constitute a violation of federal securities laws or other Applicable Law. If the conversion of the Units to Common Stock is delayed by the provisions of this Section 3(b), the conversion of the Units to Common Stock shall occur at the earliest date at which the Company reasonably anticipates issuing the Common Stock will not cause a violation

of federal securities laws or other Applicable Law. For purposes of this Section 3(b), the issuance of Common Stock that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not considered a violation of Applicable Law.

(c) Delay of Issuance of Shares. The Company shall delay the issuance of any shares of Common Stock under this Section 3 to the extent it is necessary to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain “key employees” of certain publicly-traded companies); in such event, any shares of Common Stock to which the Grantee would otherwise be entitled during the six (6) month period following the date of the Grantee’s termination of Continuous Service will be issued on the first business day following the expiration of such six (6) month period.

(d) Right to Shares; Dividends. The Grantee shall not have any right in, to or with respect to any of the Shares (including any voting rights or rights with respect to dividends paid on the Common Stock), issuable under the Award until the Award is settled by the issuance of such Shares to the Grantee; *provided, however*, that the Grantee’s Units shall be credited with notional dividends at the same time, in the same form, and in equivalent amounts as dividends that are payable from time to time on Shares. Any such notional dividends shall be valued as of the date on which they are credited to the Grantee and reallocated to acquire additional Units. Such additional Units shall vest in accordance with the vesting schedule set forth in the applicable Notice, as if such Units had been issued on the Date of Award.

4. Accelerated Conversion of Units and Issuance of Shares. To the extent permitted under Code Section 409A, in its sole discretion, the Administrator may permit acceleration of the time or schedule for the conversion of vested Units and corresponding issuance of the Shares at any time this Agreement fails to meet the requirements of Section 409A of the Code and the corresponding regulations. Notwithstanding the foregoing, the accelerated distribution of Shares upon conversion of vested Units to the Grantee under this Section 4 shall not exceed the number of Shares with a value equal to the amount required to be included as income by the Grantee as a result of the failure to meet the requirements of Section 409A of the Code and the corresponding regulations.

5. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the Award or the subsequent sale of Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Grantee’s tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any employment tax obligation (the “Tax Withholding Obligation”), the Grantee must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(i) By Share Withholding. The Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares issuable to the Grantee, the

number of Shares sufficient to satisfy the minimum applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

(ii) *By Sale of Shares.* Unless the Grantee determines to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, the Grantee's acceptance of this Award constitutes the Grantee's instruction and authorization to the Company and any brokerage firm determined acceptable to the Company for such purpose to sell on the Grantee's behalf a number of Shares from those Shares issuable to the Grantee as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the minimum applicable Tax Withholding Obligation. Such Shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon thereafter as practicable. The Grantee will be responsible for all broker's fees and other costs of sale, and the Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Grantee's minimum Tax Withholding Obligation, the Company agrees to pay such excess in cash to the Grantee. The Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of Shares described above.

Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus, and severance payments) payable to the Grantee by the Company and/or a Related Entity.

6. Entire Agreement; Governing Law. The Notice, the Plan, and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. These agreements are to be construed in accordance with and governed by the internal laws of the State of Nevada without giving effect to any choice of law or rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Nevada to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

7. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

8. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by

the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

9. Venue and Waiver of Jury Trial. The parties agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan, or this Agreement shall be brought in the United States District Court for the District of Nevada (or should such court lack jurisdiction to hear such action, suit or proceeding, in a Nevada state court in the county in which the Company is located), and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action, or proceeding brought in such court. THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION, OR PROCEEDING. If any one or more provisions of this Section 9 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

10. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service, or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

11. Amendment and Delay to Meet the Requirements of Section 409A. The Grantee acknowledges that the Company, in the exercise of its sole discretion and without the consent of the Grantee, may amend or modify this Agreement in any manner and delay the issuance of any Shares issuable pursuant to this Agreement to the minimum extent necessary to meet the requirements of Section 409A of the Code as amplified by any Treasury regulations or guidance from the Internal Revenue Service as the Company deems appropriate or advisable. Notwithstanding the foregoing, the Company makes no representation that the Award will comply with Code Section 409A and makes no undertaking to prevent Code Section 409A from applying to the Award or to mitigate its effects on the Award.

END OF AGREEMENT

SOUTHWEST GAS CORPORATION

2006 RESTRICTED STOCK/UNIT PLAN

[FOR EXECUTIVE OFFICERS - SENIOR VICE PRESIDENT AND ABOVE - REMOVE THIS LINE BEFORE USE]

NOTICE OF RESTRICTED STOCK UNIT AWARD

Grantee's Name and Address:

You (the "Grantee") have been granted an award of Restricted Stock Units (the "Award"), subject to the terms and conditions of this Notice of Restricted Stock Unit Award (the "Notice"), the Southwest Gas Corporation 2006 Restricted Stock/Unit Plan, as amended from time to time (the "Plan") and the Restricted Stock Unit Agreement (the "Agreement"), attached hereto, as follows. Unless otherwise provided herein, the terms in this Notice shall have the same meaning as those defined in the Plan.

Award Number

Date of Award

Total Number of Restricted Stock

Units Awarded (the "Units")

Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Agreement, and the Plan, the Units will "vest" in accordance with the following schedule:

Forty percent (40%) of the Units subject to the Award shall vest on the 4th of January following the Date of Award (the "Vesting Commencement Date") and thirty percent (30%) of the Units subject to the Award shall vest on each of the second and third anniversaries of the Vesting Commencement Date.

Notwithstanding the foregoing, in the event the Grantee's Continuous Service terminates as the result of death, Retirement, or Disability, 100% of the Units shall become fully vested and no longer subject to forfeiture to the Company. In addition, in the event of a Change in Control Event (as defined in the Plan, without regard to clause (v) of the definition), 100% of the Units shall become fully vested and no longer subject to forfeiture to the Company.

In addition, in the event the Grantee terminates his or her Continuous Service for "Good Reason" (as defined in Appendix A of the Plan), 100% of the Units shall become fully vested and no longer subject to forfeiture to the Company.

For purposes of this Notice and the Agreement, the term "vest" shall mean, with respect to any Units, that such Units are no longer subject to forfeiture to the Company. If the Grantee would become vested in a fraction of a Unit, such Unit shall not vest until the Grantee becomes vested in the entire Unit.

During any authorized leave of absence, the vesting of the Units as provided in this schedule shall be suspended (to the extent permitted under Section 409A of the Code) after the leave of absence exceeds a period of three (3) months. The Vesting Schedule of the Units shall be extended by the length of the suspension. Vesting of the Units shall resume upon the Grantee's termination of the leave of absence and return to service to the Company or a Related Entity; provided, however, that if the leave of absence exceeds six (6) months, and a return to service upon expiration of such leave is not guaranteed by statute or contract, then (a) the Grantee's Continuous Service shall be deemed to terminate on the first date following such six-month period and (b) the Grantee will forfeit the Units that are unvested on the date of the Grantee's termination of Continuous Service. To the extent an authorized leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least six (6) months and such impairment causes the Grantee to be unable to perform the duties of the Grantee's position employment or of any substantially similar position of employment, the six (6) month period in the prior sentence shall be twenty-nine (29) months. An authorized leave of absence shall include sick leave, military leave, or other bona fide leave of absence (such as temporary employment by the government).

In the event of the Grantee's change in status from Employee to consultant or Director, the determination of whether such change in status results in a termination of Continuous Service will be determined in accordance with Section 409A of the Code.

Vesting shall cease upon the date the Grantee terminates Continuous Service for any reason other than death, Disability, Retirement, or termination of such service by the Grantee for Good Reason. In the event that, prior to a Change in Control Event, the Grantee terminates Continuous Service for any reason other than death, Disability, Retirement, or termination of such service by the Grantee for Good Reason, any Units held by the Grantee immediately following such termination of the Grantee's Continuous Service shall be deemed reconveyed to the Company and the Company shall thereafter be the legal and beneficial owner of the Units and shall have all rights and interest in or related thereto without further action by the Grantee.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

Southwest Gas Corporation,
a California corporation

By: _____

Title: _____

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE UNITS SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S CONTINUOUS SERVICE (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD, OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE'S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE'S CONTINUOUS SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE. THE GRANTEE ACKNOWLEDGES THAT UNLESS THE GRANTEE HAS

Grantee Acknowledges and Agrees:

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement, and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement, and the Plan. The Grantee further agrees and acknowledges that this Award is a non-elective arrangement pursuant to Section 409A of the Code.

The Grantee further acknowledges that, from time to time, the Company may be in a "blackout period," and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company's Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee's responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

By signing below (or by providing an electronic signature) and accepting the grant of the Award, the Grantee: (i) consents to access electronic copies (instead of receiving paper copies) of this Notice, the Agreement, the Plan, and the Plan prospectus (collectively, the "Plan Documents") via the Company's intranet; (ii) represents that the Grantee has access to the Company's intranet; (iii) acknowledges receipt of electronic copies, or that the Grantee is already in possession of paper copies, of the Plan Documents; and (iv) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan, and the Agreement shall be resolved by the Administrator in accordance with Section 8 of the Agreement. The Grantee further agrees to the venue selection and waiver of a jury trial in accordance with Section 9 of the Agreement. The Grantee further agrees to notify the Company upon any change in his or her residence address indicated in this Notice.

Date: _____

Grantee's Signature

Grantee's Printed Name

Address

City, State & Zip

**SOUTHWEST GAS CORPORATION
2006 RESTRICTED STOCK/UNIT PLAN**

RESTRICTED STOCK UNIT AGREEMENT

1. Issuance of Units. Southwest Gas Corporation, a California corporation (the “Company”), hereby issues to the Grantee (the “Grantee”) named in the Notice of Restricted Stock Unit Award (the “Notice”) an award (the “Award”) of the Total Number of Restricted Stock Units Awarded set forth in the Notice (the “Units”), subject to the Notice, this Restricted Stock Unit Agreement (the “Agreement”) and the terms and provisions of the Southwest Gas Corporation 2006 Restricted Stock/Unit Plan, as amended from time to time (the “Plan”), which is incorporated herein by reference. Unless otherwise provided herein, the terms in this Agreement shall have the same meaning as those defined in the Plan.

2. Transfer Restrictions. The Units may not be transferred in any manner other than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Grantee may designate a beneficiary of the Units in the event of the Grantee’s death on a beneficiary designation form provided by the Company. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors, and transferees of the Grantee.

3. Conversion of Units and Issuance of Shares.

(a) General. Subject to Section 3(b), one share of Common Stock shall be issuable for each Unit subject to the Award (the “Shares”) upon the earliest of: (i) vesting (other than vesting pursuant to (A) a Change in Control Event which is not a 409A Change in Control Event (as defined below) or (B) a termination of Continuous Service which is not a “separation from service” (a “409A Separation from Service”), if the issuance following such vesting would not satisfy the “short term deferral” rule, as both of such terms are defined in the Treasury regulations and other guidance under Code Section 409A); (ii) immediately prior to the specified effective date of a Change in Control Event (as defined in the Plan, without regard to clause (v) of the definition) which also constitutes a “change in the ownership or effective control, or in the ownership of a substantial portion of the assets” (as defined in Section 409A of the Code) of the Company (a “409A Change in Control Event”); and (iii) following a Change in Control Event (as defined in the Plan, without regard to clause (v) of the definition) or other vesting event which did not result in the conversion of Units into Common Stock, any termination of the Grantee’s employment or other service to the Company or a Related Entity that constitutes a 409A Separation from Service. Immediately thereafter, or as soon as administratively feasible, the Company will transfer such Shares to the Grantee upon satisfaction of any required tax or other withholding obligations.

(b) Delay of Conversion. The conversion of the Units to Common Stock under Section 3(a), above, shall be delayed in the event the Company reasonably anticipates that the issuance of Common Stock would constitute a violation of federal securities laws or other Applicable Law. If the conversion of the Units to Common Stock is delayed by the provisions of this Section 3(b), the conversion of the Units to Common Stock shall occur at the earliest date at which the Company reasonably anticipates issuing the Common Stock will not cause a violation

of federal securities laws or other Applicable Law. For purposes of this Section 3(b), the issuance of Common Stock that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not considered a violation of Applicable Law.

(c) Delay of Issuance of Shares. The Company shall delay the issuance of any shares of Common Stock under this Section 3 to the extent it is necessary to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain “key employees” of certain publicly-traded companies); in such event, any shares of Common Stock to which the Grantee would otherwise be entitled during the six (6) month period following the date of the Grantee’s termination of Continuous Service will be issued on the first business day following the expiration of such six (6) month period.

(d) Right to Shares; Dividends. The Grantee shall not have any right in, to, or with respect to any of the Shares (including any voting rights or rights with respect to dividends paid on the Common Stock) issuable under the Award until the Award is settled by the issuance of such Shares to the Grantee; *provided, however*, that the Grantee’s Units shall be credited with notional dividends at the same time, in the same form, and in equivalent amounts as dividends that are payable from time to time on Shares. Any such notional dividends shall be valued as of the date on which they are credited to the Grantee and reallocated to acquire additional Units. Such additional Units shall vest in accordance with the vesting schedule set forth in the applicable Notice, as if such Units had been issued on the Date of Award.

4. Accelerated Conversion of Units and Issuance of Shares. To the extent permitted under Code Section 409A, in its sole discretion, the Administrator may permit acceleration of the time or schedule for the conversion of vested Units and corresponding issuance of the Shares at any time this Agreement fails to meet the requirements of Section 409A of the Code and the corresponding regulations. Notwithstanding the foregoing, the accelerated distribution of Shares upon conversion of vested Units to the Grantee under this Section 4 shall not exceed the number of Shares with a value equal to the amount required to be included as income by the Grantee as a result of the failure to meet the requirements of Section 409A of the Code and the corresponding regulations.

5. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the Award or the subsequent sale of Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Grantee’s tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any employment tax obligation (the “Tax Withholding Obligation”), the Grantee must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(i) By Share Withholding. The Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares issuable to the Grantee, the

number of Shares sufficient to satisfy the minimum applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

(ii) *By Sale of Shares.* Unless the Grantee determines to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, the Grantee's acceptance of this Award constitutes the Grantee's instruction and authorization to the Company and any brokerage firm determined acceptable to the Company for such purpose to sell on the Grantee's behalf a number of Shares from those Shares issuable to the Grantee as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the minimum applicable Tax Withholding Obligation. Such Shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon thereafter as practicable. The Grantee will be responsible for all broker's fees and other costs of sale, and the Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Grantee's minimum Tax Withholding Obligation, the Company agrees to pay such excess in cash to the Grantee. The Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of Shares described above.

Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus, and severance payments) payable to the Grantee by the Company and/or a Related Entity.

6. Entire Agreement; Governing Law. The Notice, the Plan, and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. These agreements are to be construed in accordance with and governed by the internal laws of the State of Nevada without giving effect to any choice of law or rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Nevada to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

7. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

8. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by

the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

9. Venue and Waiver of Jury Trial. The parties agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan, or this Agreement shall be brought in the United States District Court for the District of Nevada (or should such court lack jurisdiction to hear such action, suit or proceeding, in a Nevada state court in the county in which the Company is located), and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action, or proceeding brought in such court. THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION, OR PROCEEDING. If any one or more provisions of this Section 9 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

10. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service, or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

11. Amendment and Delay to Meet the Requirements of Section 409A. The Grantee acknowledges that the Company, in the exercise of its sole discretion and without the consent of the Grantee, may amend or modify this Agreement in any manner and delay the issuance of any Shares issuable pursuant to this Agreement to the minimum extent necessary to meet the requirements of Section 409A of the Code as amplified by any Treasury regulations or guidance from the Internal Revenue Service as the Company deems appropriate or advisable. Notwithstanding the foregoing, the Company makes no representation that the Award will comply with Code Section 409A and makes no undertaking to prevent Code Section 409A from applying to the Award or to mitigate its effects on the Award.

END OF AGREEMENT

SOUTHWEST GAS CORPORATION

MANAGEMENT INCENTIVE PLAN

Effective May 12, 1993

Amended and Restated May 10, 1994

Amended and Restated January 1, 1995

Amended and Restated January 1, 2002

Amended and Restated January 1, 2004

Amended and Restated Effective January 1, 2009

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SOUTHWEST GAS CORPORATION

Management Incentive Plan

1. Purpose of the Plan

This Management Incentive Plan, revised and restated effective January 1, 2009, is intended to replace both the existing Southwest Gas Corporation Management Incentive Plan and encourage a selected group of highly compensated or management employees of the Company to remain in its employment and to put forth maximum efforts to achieve the Company's short- and long-term performance goals.

2. Definitions

- (a) "Actual Award" means the dollar amount earned by a Participant on the basis of the performance of the Company during the annual Performance Period.
- (b) "Annual Base Salary" means the calendar year-end rate of compensation paid to a Key Employee, including salary deferrals, but excluding bonuses, incentives, commissions, overtime, monetary and nonmonetary awards for employment service to the Company or payments or Company contributions to or from this Plan or any other Company retirement or deferred compensation, or similar plans.
- (c) "Annual Performance Measures" shall mean the performance criteria used by the Committee in determining the performance of the Company for the purpose of calculating Actual Awards for Participants earned under the Plan during a Performance Period.
- (d) "Award Conversion" means the division of Actual Awards earned into two portions:
 - (i) A portion payable in cash as soon as the Committee deems practicable following the end of the annual Performance Period.
 - (ii) A portion converted into Performance Shares and subject to a Restriction Period.
- (e) "Award Conversion Date" means the day that occurs in the first two and one-half calendar months following the end of a Performance Period, the Committee performs the Award Conversion on Actual Awards for such Performance Period.

- (f) “Beneficiary” means the person or persons designated pursuant to Section 8(g) as eligible to receive a Participant’s unpaid Plan benefits in the event of the Participant’s death.
- (g) “Board” or “Board of Directors” means the Board of Directors of Southwest Gas Corporation.
- (h) “Code” means the Internal Revenue Code of 1986, as amended.
- (i) “Committee” means the Compensation Committee of the Board of Directors, or any successor thereto.
- (j) “Common Stock” means the common stock of Southwest Gas Corporation.
- (k) “Company” means Southwest Gas Corporation and its present and future subsidiaries and any successors thereto.

“Determination Date” means as to any Performance Period: (i) the first day of the Performance Period; or (ii) if later, the latest date possible which will not jeopardize the Plan’s qualification as performance-based compensation under Code Section 162(m).

(l)

- (m) “Disability” or “Disabled.” A Participant shall be considered to be “Disabled” or to have incurred a “Disability” if he or she qualifies for a disability benefit under Southwest Gas Corporation’s group long-term disability plan and incurs a Separation From Service. The Committee, in its sole and absolute discretion, may determine that a Participant is Disabled for purposes of this Plan.
- (n) “Dividend Credits” means the additional Performance Shares determined as set forth in Plan Section 7(d) calculated for each Restriction Period for the Participant’s Performance Shares subject to such period.
- (o) “Employee” means any person who is a regular full-time employee of the Company, including those who are officers or Board Members.
- (p) “Fiscal Year” means the Fiscal Year of the Company beginning each January 1 and ending the following December 31.
- (q) “Incentive Award Opportunity” means the range of an Actual Award available to each Participant in this Plan for a given Performance Period.
- (r) “Involuntary Termination Without Cause” means a Participant’s Separation From Service (i) due to reorganization, downsizing, restructuring or layoff, and (ii) not due to what the Committee determines was, in its sole and absolute discretion, either the Participant’s inability to adequately perform

his or her job, a violation of Company work rules or policies, or misconduct that the Committee determines is detrimental to the Company's best interests.

- (s) "Key Employee" means a management or highly compensated Employee of the Company who the Committee determines to (i) have a direct and significant impact on the performance of the Company, and (ii) has a position or compensation that allows him or her to affect or influence, through negotiation or otherwise, the design or operation of this Plan so as to eliminate the Employee's need for the substantive rights and protections of Title I of the Employee Retirement Income Security Act of 1974.
- (t) "Participant" means a Key Employee who, in the Committee's sole and absolute discretion, is determined to be eligible to receive an Incentive Award Opportunity under this Plan.
- (u) "Payment Period" means the first two and one-half months following the end of a Performance Period.
- (v) "Peer Group" means the companies comprising the group against which the Committee assesses the performance of the company for the purposes of determining Actual Awards earned, or for modifying the number of shares of Common Stock that are payable to Participants following the end of a Restriction Period.
- (w) "Performance Period" means a period of twelve (12) months corresponding to the Company's Fiscal Year and for which the Company's performance is assessed by the Committee for the purpose of determining Actual Awards earned.
- (x) "Performance Share" means a hypothetical share of Common Stock that will be converted into, and paid out, as a share of Common Stock only if all restrictions and conditions set forth in this Plan have been satisfied. The Performance Share carries no voting rights but does entitle the Participant to receive Dividend Credits determinable under Plan Section 7(d).
- (y) "Performance Shares Payment Period" means the first two and one-half months following the end of a Restriction Period.
- (z) "Plan" means the Southwest Gas Corporation Management Incentive Plan as set forth herein and as amended from time to time.
- (aa) "Restriction Period" means, with respect to each grant of Performance Shares to a Participant, a period of at least thirty-six (36) consecutive calendar months beginning with the Award Conversion Date applicable to such shares.

- (bb) “Retire” or “Retirement” means a Participant’s Separation From Service on or after the Participant has attained his or her early retirement date, normal retirement date, or deferred retirement date as defined in the Retirement Plan for Employees of Southwest Gas Corporation, as amended and in effect from time to time.
- (cc) “Section 409A” or “Code Section 409A” means Section 409A of the Code and the rules and regulations with respect thereto.
- (dd) “Section 162(m)” or “Code Section 162(m)” means Section 162(m) of the Code and the rules and regulations with respect thereto.
- (ee) “Separation From Service” means the termination of a Participant’s employment by the Company if the Participant dies, retires, or otherwise has a termination of employment with the Company; provided, that Participant’s employment relationship is treated as continuing intact while on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months or longer, and if Participant’s right to reemployment is provided either by statute or by contract. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for the Company. If the period of leave exceeds six months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment, or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. For purposes of this paragraph, the term “Company” includes all other organizations that together with the Company are part of the Code Section 414(b-c) control group of organizations. Whether a Participant has incurred a Separation From Service shall be determined based in accordance with the Code Section 409A. Additionally, if a Participant ceases to work as an Employee, but is retained to provide services as an independent contractor of the Company, the determination of whether the Participant has incurred a Separation From Service shall be determined based in accordance with Code Section 409A.
- (ff) “Target Award” means the Incentive Award Opportunity available to each Participant if all Performance Measures for a Performance Period are fully met but not exceeded.

3. Administration

- (a) The Plan shall be administered by non-Employee members of the Committee, which shall be composed of not less than three members of the Board of Directors. The non-Employee members of the Committee chosen to administer the Plan shall not have received an award under this Plan or any plan preceding this Plan within the last calendar year. The Board of Directors may designate alternate members of the Committee from non-Employee Board members who satisfy the above criteria to act in the place and stead of any absent member of the Committee.
- (b) The Committee shall have full and final authority to operate, manage, and administer the Plan on behalf of the Company. This authority includes but is not limited to the following:
 - (i) Determination of eligibility for participation in the Plan;
 - (ii) Determination of Actual Awards earned and the Award Conversion of the Actual Awards;
 - (iii) Payment of Actual Awards that have become nonforfeitable;
 - (iv) Directing the Company to make the accruals and payments provided for by the Plan;
 - (v) Interpretation of the Plan and the resolution of any inconsistent or conflicting Plan language as well as factual or nonfactual questions regarding a Participant's eligibility for, and the amount of, benefits payable under the Plan;
 - (vi) Power to prescribe, amend, or rescind rules and regulations relating to the Plan;
 - (vii) Power to determine the vesting schedules, if any, for all awards;
 - (viii) Powers prescribed to the Committee elsewhere in the Plan; and
 - (ix) Power to construe and interpret the Plan to the maximum extent possible to comply with Code Sections 162(m) and 409A.
- (c) With respect to Incentive Award Opportunities and Actual Awards earned, the Committee shall have full and final authority in its sole and absolute discretion to determine the Incentive Award Opportunities for individual Participants; determine the time or times at which Actual Awards may be calculated; determine the length of all applicable Performance Periods and/or Restriction Periods; determine the award schedule and the Annual Performance Measures (and the Company's satisfaction or failure to satisfy

such measures) that will be used in calculating Actual Awards and the division of such awards between cash and performance shares.

- (d) A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members in the absence of a meeting, shall be the acts of the Committee. All Committee interpretations, determinations, and actions will be final, conclusive, and binding on all parties.
- (e) No member of the Board or the Committee will be liable for any action taken or determination made in good faith by the Board or the Committee with respect to the Plan or any Actual Award calculated and paid hereunder.

4. Eligibility

- (a) In determining the Key Employees that will be Participants and the Incentive Award Opportunity for each Participant, the Committee shall take into account the duties of the respective Participant, their present and potential contributions to the success of the Company, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.
- (b) No Incentive Award Opportunity will be available to any person who, at the beginning of the applicable Performance Period, is a member of the Committee responsible for the administration of the Plan.

5. Incentive Award Opportunities

- (a) By the Determination Date, the Committee will, in its discretion, establish, in writing, the Incentive Award Opportunity for the Performance Period for each Participant or class of Participants designated by the Committee. The Incentive Award Opportunity will be expressed as percentages of the Participant's Annual Base Salary.
- (b) An Incentive Award Opportunity will range from zero to some specific maximum percentage of the Participant's Annual Base Salary (or maximum dollar amount which will not exceed for any one Participant Three Million Dollars (\$3,000,000) for any Fiscal Year).
- (c) By the Determination Date, the Committee will assign to a Participant an Incentive Award Opportunity which will be assigned a specific Target Award that will fall within the range of the Participant's Incentive Award Opportunity. The Target Award will be awarded to the Participant if, in the discretion and judgment of the Committee, applicable Annual Performance Measures for the applicable Performance Period are met.

- (d) Actual Awards for each Participant in the Plan shall be determined by the Committee following the end of the applicable Performance Period, taking into account how the Company performed on the basis of the Annual Performance Measures developed and utilized by the Committee for the Performance Period.

6. Procedures for Calculating and Paying Actual Awards

- (a) The Committee shall establish the Annual Performance Measures that will be utilized for one or more Performance Periods in assessing the performance of the Company for the purpose of determining the Actual Awards earned under this Plan. As determined by the Committee, the Annual Performance Measures applicable to each Participant shall provide for a targeted level or levels of achievement using one or more of the following measures: (i) annual revenue, (ii) budget comparisons, (iii) controllable profits, (iv) Company earnings per share, (v) customer to employee ratios, (vi) customer service satisfaction, (vii) expense management, (viii) improvements in capital structure, (ix) net income, (x) net or gross sales, (xi) operating income (pre- or post-tax), (xii) profit margins, (xiii) operating or gross margin, (xiv) profitability of an identifiable business unit or product, (xv) return on investments, (xvi) return on sales, (xvii) return on stockholders' equity, (xviii) total return to stockholders, (xix) cash flow, operating cash flow, or cash flow or operating cash flow per share (before or after dividends), (xx) price of the shares or any other publicly traded securities of the Company, (xxi) reduction in costs, (xxii) return on capital, including return on total capital or return on invested capital, (xxiii) improvement in or attainment of expense levels or working capital levels, and (xxiv) performance of the Company relative to a peer group of companies and/or relevant indexes. The Annual Performance Measures may be applicable to the Company and/or any of its individual business units and may differ from Participant to Participant. In addition and to the extent applicable, the Annual Performance Measures will be calculated in accordance with generally accepted accounting principles, but excluding the effect (whether positive or negative) of any change in accounting standards and any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the Annual Performance Measures applicable to the Actual Award intended to be performance-based compensation. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Annual Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to an Actual Award intended to be performance-based compensation; provided, however, that certain categories or types of such adjustments can be specifically included (rather than excluded) at the time the Annual Performance Measures are established if so determined by the Committee. These measures and the standards of performance associated with them may change from year to

year and may receive different emphasis or weight according to the changing priorities of the Company.

- (b) During the Payment Period, the Committee will compare the Company's actual performance during such period with the Annual Performance Measures it established for the period, and the Actual Award for such period, if any, for a Participant will be calculated. For each Performance Period, the Committee will utilize an award schedule for calculating the Actual Awards earned on the basis of the Company's performance. The award schedule may be modified by the Committee from year to year as Annual Performance Measures or the standards of performance associated with such measures change.
- (c) The Committee retains the discretion to reduce a Participant's Actual Award (including a reduction to zero).
- (d) During the Payment Period, an Award Conversion will be made whereby the Actual Awards for each Participant for the Performance Period will be split into two components. The first component will be a dollar amount that shall be paid during the Payment Period to the Participant in a lump sum cash payment. The second component will be a dollar amount that is converted into whole or partial Performance Shares, which shall be subject to a substantial risk of forfeiture and thereby restricted for a specified period of at least thirty six (36) consecutive calendar months beginning on the Award Conversion Date applicable to such shares. The number of Performance Shares allocable to each Participant shall be determined by dividing (i) the dollar amount available for the Participant's Performance Shares (determined by the Award Conversion), by (ii) the average of the closing prices of the Common Stock on the New York Stock Exchange for the first five trading days of the month before the Award Conversion Date. Payment of Performance Shares shall occur at the time provided in Plan Section 7(c). For Participants who die, become Disabled, Retire or have his or her employment Involuntarily Terminated Without Cause prior to the Award Conversion Date, the Actual Awards will be paid in cash.
- (e) The Committee shall have the sole and absolute responsibility for determining Actual Awards of Participants. The Actual Awards generated by application of the award schedule established by the Committee for one or more Performance Periods will be the actual awards that will be payable to each Participant; provided, however, that the Committee may, prior to the Award Conversion Date, unilaterally reduce the Actual Awards generated by the awards schedule if, in the opinion of the Committee, there have been exceptional circumstances that have either created inappropriate windfalls in the Company's performance, which, in turn, have resulted in inappropriately large awards.

- (f) Notwithstanding any other provision of this Section 6, a Participant shall receive no Actual Award for a Performance Period if cash dividends paid on each share of outstanding Company common stock during such period does not equal or exceed the dividends paid on each such share in the immediately preceding Performance Period.
- (g) If, during a Performance Period, the Committee determines that the established Annual Performance Measures are no longer suitable due to a change in control of the Company, as defined in Code Section 409A, the Committee may accelerate payment of the Actual Award.

7. Performance Shares

- (a) On the Award Conversion Date, Participants who earned an Actual Award during the preceding Performance Period will have an entry made on the Company's books reflecting the Performance Shares allocable to them as determined pursuant to Plan Section 6 (d).
- (b) A Participant's Performance Shares earned in a given Performance Period will be subject to a specified Restriction Period of at least thirty six (36) consecutive calendar months beginning on the Award Conversion Date applicable to such shares. During the Restriction Period, the Participant may not, except as provided in Plan Section 8, receive payment for his or her Performance Shares.
- (c) During the Restriction Period, a Participant will receive Dividend Credits equal to the quarterly dividend paid per share of Common Stock, multiplied by the number of Performance Shares then credited to the Participant on the Company's records, and divided by the closing per share value of the Common Stock on the New York Stock Exchange on the date such dividends are paid or the last trading day on the Exchange before such payment. These additional Performance Shares will be subject to the same restrictions as the Performance Shares that generated the Dividend Credits, and such restrictions will lapse at the same time as the restrictions lapse on such Performance Shares.
- (d) During the Performance Shares Payment Period, the Participant shall receive a specific number of shares of Common Stock equal to the total number of Performance Shares allocated to the Participant at the beginning of such Restriction Period plus the Performance Shares credited quarterly through Dividend Credits during the Restriction Period.

8. Participant Terminations and Transfers

- (a) Should a Participant incur a Separation From Service for any reason other than death, Disability, Retirement, or Involuntary Termination Without Cause

during a Performance Period, the Participant's right to receive an Actual Award for such period will be forfeited by the Participant.

- (b) Should a Participant incur a Separation From Service for any reason other than death, Disability, Retirement, or Involuntary Termination Without Cause during a Restriction Period, the Participant's right to receive payments of his or her outstanding Performance Shares will be forfeited by the Participant.
- (c) Should a Participant incur a Separation From Service during the Performance Period due to death, becoming Disabled, Retirement, or having his or her employment Involuntarily Terminated Without Cause, the Participant (or the Participant's Beneficiary if the Participant dies before receiving payment) will be entitled to receive the Participant's Actual Award for the Performance Period determined on a pro rata basis according to the number of months of the Performance Period actually worked while being a Participant in the Plan. Payment of the Actual Award shall be made in a lump sum cash payment and shall occur during the Payment Period following the end of the applicable Performance Period.
- (d) Should a Participant incur a Separation From Service due to death during a Restriction Period, the Participant's Beneficiary will be entitled to receive a distribution of Common Stock equal to the total number of Performance Shares then credited to the Participant. Payment of Common Stock shall occur during the first two and one-half calendar months following the Participant's death.
- (e) Should a Participant incur a Separation From Service during the Restriction Period due to becoming Disabled, Retirement, or having his or her employment Involuntarily Terminated Without Cause during a Restriction Period, the Participant (or the Participant's Beneficiary in the case the Participant dies before receiving payment) will receive a distribution of Common Stock equal to the total number of Performance Shares then credited to the Participant. Payment of Common Stock shall occur during the first two and one-half calendar months following the date of the Participant's Separation From Service; provided, however, that if the Participant is a "specified employee," within the meaning of Code Section 409A, in no event shall payment occur before the day after the last day of the six month period that begins with the date of the Participant's Separation From Service.
- (f) A Participant shall have the right to designate any person as his or her Beneficiary to whom benefits determined under this Section 8 ("Death Benefits") shall be paid in the event of the Participant's death prior to the total distribution of his/her Death Benefits. If greater than fifty percent (50%) of the Death Benefits are designated to a beneficiary other than the Participant's lawful spouse, such beneficiary designation must be consented

to by the Participant's lawful spouse. Each beneficiary designation must be in written form prescribed by the Committee and will be effective only when filed with the Committee, or its designee, during the Participant's lifetime.

A Participant may change a beneficiary designation, subject to spousal consent under the preceding paragraph, by filing a new beneficiary designation form with the Committee or its designee. The filing of a new beneficiary designation form will cancel all beneficiary designations previously filed. The Committee shall be entitled to rely on the beneficiary designation form last filed by the Participant prior to his/her death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.

If a beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Death Benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.

If no beneficiary designation is in effect at the time of the Participant's death, or if the named beneficiary predeceased the Participant, then the beneficiary shall be: (1) the surviving lawful spouse; (2) if there is no surviving lawful spouse, then Participant's issue per stirpes; or (3) if no surviving lawful spouse or issue, then Participant's estate.

- (g) If a Participant changes jobs with the Company during the course of a Performance Period and his or her new job has a different Incentive Award Opportunity under the Plan, the Participant's Incentive Award Opportunity for the Performance Period shall be the sum of the products obtained by multiplying (i) the percentage of the full Performance Period spent in each job by (ii) the Incentive Award Opportunity for each such job. In special circumstances, which the Committee may identify from time to time, the Participant may be assigned for the full Performance Period the Incentive Award Opportunity that corresponds to any one of the jobs held by the Participant during the Performance Period rather than combining partial Incentive Award Opportunities for the jobs.
- (h) Should a Key Employee become eligible to participate in the Plan after the beginning of a Performance Period, the Participant will be entitled to an Incentive Award Opportunity on the basis of the number of months of the full Performance Period the Key Employee is a Participant in the Plan.

- (i) Notwithstanding any other provision of the Plan, to the extent that (i) one or more of the payments in connection with the Participant's Separation From Service would constitute deferred compensation subject to the requirements of Code Section 409A, and (ii) the Participant is a "specified employee" within the meaning of Code Section 409A, then such payment or benefit (or portion thereof) will be delayed until the earliest date following the Participant's Separation From Service on which the Company can provide such payment or benefit to the Participant without the Participant's incurrance of any additional tax or interest pursuant to Code Section 409A, with all remaining payments or benefits due thereafter occurring in accordance with the original schedule. In addition, this Plan and the payments and benefits to be provided hereunder are intended to comply in all respects with the applicable provision of Code Section 409A.

9. Changes in Capital Structure and Other Events

- (a) Notwithstanding anything in the Plan to the contrary, the Board may terminate the Plan and liquidate "deferred compensation" payable under the Plan as permitted pursuant to Code Section 409A.
- (b) All determinations, decisions, and adjustments made by the Committee as a result of the Board's action pursuant to Plan Section 9(a) will be final, binding, and conclusive. No fractional interest will be issued under the Plan on account of such adjustments.
- (c) In the event (i) a report on Schedule 13D is filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (referred to as the "Act") disclosing that any "person" (as defined in Section 13(d) of the Act) other than the Company or one of its subsidiaries or an employee benefit plan sponsored by the Company or one of its subsidiaries is the beneficial owner, directly or indirectly, of fifty percent (50%) or more of the combined voting power of the then outstanding securities of the Company; (ii) any "person" (as defined in Section 13(d) of the Act) other than the Company or one of its subsidiaries, or an employee benefit plan sponsored by the Company or one of its subsidiaries shall purchase securities pursuant to a tender offer or exchange offer to acquire any Common Stock of the Company (or securities convertible in Common Stock) for cash, securities, or any other consideration, provided that after the consummation of the offer, the person in question is the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of fifty percent (50%) or more of the combined voting power of the then outstanding securities of the Company (as determined under paragraph (d) of Rule 13d-3 under the Act, in the case of rights to acquire Common Stock); (iii) the stockholders of the Company shall approve (a) any consolidation or merger of the Company (1) in which the Company is not the continuing or surviving corporation, (2) pursuant to which shares of Common Stock of the

Company would be converted into cash, securities, or other property, and (3) with a corporation that prior to such consolidation or merger owned fifty percent (50%) or more of the cumulative voting power of the then outstanding securities of the corporation; or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Company; or (iv) there shall have been a change in the majority of the Board of the Company within a 12-month period, unless the election or nomination for election by the Company's stockholders of each director during the 12-month period was approved by the vote of two-thirds (2/3) of the directors then in office who were directors at the beginning of such 12-month period, the Committee may in its sole and absolute discretion, without obtaining stockholder approval, at the time of any one or more of the foregoing actions, to the extent permitted in Plan Section 7, with respect to all Participants:

- (i) Make adjustments or amendments to the Plan and outstanding Incentive Award Opportunities and Performance Shares that are consistent with applicable law, including Code Section 162(m) and the terms of the transaction; or
- (ii) Consistent with applicable law, including Code Section 162(m), substitute new Incentive Award Opportunities.

To the extent Performance Shares credited to a Participant constitute "deferred compensation" within the meaning of Code Section 409A at the time of a Change in Control, Performance Shares shall be paid out upon a Change in Control that also constitutes a "change in ownership or effective control" of the Company or a "change in the ownership of a substantial portion of the assets" of the Company, as those terms are defined under Code Section 409A (each such transaction, a "409A Change in Control"). To the extent a Change in Control that is not a 409A Change in Control occurs, Performance Shares constituting deferred compensation shall be paid out at the end of the Restriction Period or upon the Participant's earlier "Separation from Service" from the Company under Code Section 409A, subject to the delay applicable to "specified employees" described in Section 8.

To the extent Performance Shares credited to a Participant do not constitute "deferred compensation" within the meaning of Code Section 409A at the time of a Change in Control, the Committee may vest such Performance Shares and shall, in that event, settle the Performance Shares within 2½ months of the calendar year in which they vest.

10. Provisions Regarding Withholding Taxes

- (a) The Committee may require a Participant receiving Common Stock upon conversion of Performance Shares awarded hereunder to reimburse the Company for any taxes required by any government to be withheld or

otherwise deducted and paid by the Company in respect of the issuance to or disposition of shares by the Participant (a "Taxable Event"). Any payment on account of a tax obligation shall be in a form acceptable to the Committee. If upon the occurrence of a Taxable Event the Participant does not, in the time required by law or designated by the Committee, reimburse the Company for taxes as provided for above: (i) the Company shall have the right to withhold some or all of the amount of such taxes from any other sums due or to become due from the Company to the Participant upon such terms and conditions as the Committee shall prescribe, and (ii) the Company may satisfy some or all of the tax obligation of such Participant by withholding shares of Common Stock acquired by the Participant in the conversion of any Performance Shares and may in the same manner satisfy some or all of any additional tax obligation resulting from such withholding.

- (b) At any time that the Company becomes subject to a withholding obligation under applicable law with respect to the conversion of Performance Shares, a Participant may elect to satisfy, in whole or in part, the Participant's related estimated personal tax liabilities by directing the Company to withhold from the shares of Common Stock issuable in the related conversion of Performance Shares either (i) a specific percentage of shares, (ii) a specific number of shares, or (iii) shares having a specific value, in each case with a value not in excess of such estimated tax liabilities. Such an election shall be irrevocable. The shares of Common Stock withheld in payment shall be valued at their fair market value on the date that the withholding obligation arises (the "Tax Date"). The Committee may disapprove any election, suspend or terminate the right to make elections or provide that the right to make elections shall not apply to particular conversions. The Committee may impose any other conditions or restrictions on the right to make an election as it shall deem appropriate.

11. Provisions Applicable to Common Stock

- (a) If at any time the Board shall determine in its discretion that the listing, registration or qualification upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the sale, purchase, issuance or delivery of Common Stock under the Plan, no Common Stock shall be sold, purchased, issued or delivered, as the case may be, unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.
- (b) Except as hereafter provided and if so required by the Committee, the recipient of any Performance Share award shall, upon receipt of any shares of Common Stock due to the Award Conversion of Performance Shares represented by the award, execute and deliver to the Company a written

statement, in form satisfactory to the Company, in which such Participant represents and warrants that such Participant is acquiring the shares for such Participant's own account, for investment only and not with a view to the resale or distribution thereof, and agrees that any subsequent offer for sale or distribution of any such shares of Common Stock shall be made only pursuant to either (a) a Registration Statement on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), which Registration Statement has become effective and is current with regard to the shares of Common Stock being offered or sold, or (b) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the holder or recipient shall, if required by the Company, prior to any offer for sale or sale of such shares, obtain a favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto. The foregoing restriction shall not apply to (i) issuances by the Company so long as the shares being acquired are registered under the Securities Act and a prospectus in respect thereof is current or (ii) reofferings of shares by affiliates of the Company (as defined in Rule 405 or any successor rule or regulation promulgated under the Securities Act) if the shares being reoffered are registered under the Securities Act and a prospectus in respect thereof is current.

- (c) The Company may endorse such legend or legends upon the certificates for shares of Common Stock issued upon conversion of Performance Shares made hereunder and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as, in its discretion, it determines to be necessary or appropriate to (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act, or (ii) implement the provisions of the Plan and any agreement between the Company and the Participant.
- (d) The Company shall pay issue taxes with respect to the issuance of shares of Common Stock upon conversion of Performance Shares, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance.
- (e) The maximum number of shares of Common Stock that may be issued pursuant to the Plan shall not exceed a total of 1,200,000 shares, without further shareholder approval.

12. Effective Date; Stockholder Approval

The Plan became effective upon adoption by the Board in 1993 and was approved by shareholders at the 1994, 2002 and 2004 Annual Meetings. If the amended and restated Plan is not approved by shareholders of Southwest Gas Corporation at the 2009 Annual Meeting, awards shall not be payable under the Plan with respect to

13. Amendment and Termination of the Plan

The Board at any time and from time to time may, without prior notice to Participants, suspend, terminate, modify, or amend the Plan. Except as otherwise provided for in Plan Sections 5, 6, 7, 8 and 9, no suspension, termination, modification, or amendment of the plan may adversely affect any award previously granted, unless the written consent of the Participant is obtained. Notwithstanding the authority granted to the Board herein, if the shareholders of Southwest Gas Corporation have approved this Plan as contemplated in Plan Section 12 above, no amendment to the provisions of this Plan shall become effective without shareholder approval if, as to executive officer Participants, such amendment would materially:

- (i) increase the benefits accruing to such Participants under the Plan;
- (ii) increase the number of Performance Shares which may be issued to such Participants under the Plan; or
- (iii) modify the requirements as to eligibility for executive participation in the Plan.

14. Benefit Claims Procedure

- (a) Any claim for money or stock awards under the Plan shall be made in writing to the Committee. If such claim is wholly or partially denied, the Committee shall, within a reasonable period of time not to exceed ninety (90) days after receipt of the claim, notify the Participant, Beneficiary or other party making the claim (the "Claimant") of the denial of the claim. Such notice of denial shall (i) be in writing, (ii) be written in a manner calculated to be understood by the Claimant, and (iii) contain the specific reason or reasons for denial of the claim, a specific reference to the pertinent Plan provisions upon which the denial is based, a description of any additional material or information necessary to perfect the claim, along with an explanation of why such material or information is necessary, and an explanation of the claim review procedure. The ninety (90) day period may, under special circumstances, be extended up to an additional ninety (90) days upon written notice of such extension to the Claimant which notice shall specify the special circumstances and the extended date of the decision, the time limits applicable to such procedures and a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination upon review. Notice of extension must be given prior to expiration of the initial ninety (90) day period. The extension notice shall

indicate the special circumstances that require an extension of time and the date by which the Committee expects to render a decision on the claim. If the claim is denied, the Claimant may file a request for review as provided in the next paragraph.

- (b) Within sixty (60) days after the receipt of the decision denying a claim by the Claimant, the Claimant may file a written request with the Committee that it conduct a full and fair review of the denial of the claim. The Claimant or his or her duly authorized representative may review pertinent documents and submit issues and comments in writing to the Committee in connection with the review.
- (c) The Committee shall deliver to the Claimant a written decision on the review of the denial within sixty (60) days after receipt of the aforesaid request for review, except that if there are special circumstances (such as the need to hold a hearing, if necessary) which require an extension of time for processing, the aforesaid sixty (60) day period shall, upon written notice to the Claimant be extended an additional sixty (60) days. Upon review the Claimant shall be given the opportunity to (i) submit written comments, documents, records, and other information relating to its claim and (ii) request and receive, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by reference to applicable ERISA regulations, if any. The review of a denied claim shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision on review shall be written in a manner calculated to be understood by the Claimant and, if adverse, shall (i) include the specific reason or reasons for the decision, (ii) contain a specific reference to the pertinent Plan provisions upon which the decision is based, (iii) contain a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits (whether a document, record, or other information is relevant to a claim for benefits shall be determined by reference to applicable ERISA Regulations), and (iv) contain a statement describing the Claimant's right, if any, to bring an action under ERISA Section 502(a).

15. General Provisions

- (a) Nothing in this Plan or in any award granted pursuant hereto shall confer on an individual any right to continue in the employ of the company or any of its subsidiaries or interfere in any way with the right of the Company or any such subsidiary to terminate any employment.

- (b) Upon its adoption by the Board, this Plan shall replace the existing Southwest Gas Corporation Management Incentive Plan with respect to periods commencing effective January 1, 2009.
- (c) Awards granted under the Plan shall not be transferable otherwise than as provided for in Plan Section 8(d), by will or by the laws of descent and distribution, and awards may be realized during the lifetime of the Participant only by the Participant or by his guardian or legal representative.
- (d) The section and subsection heading are contained herein for convenience only and shall not affect the construction hereof.
- (e) A Participant's rights to Performance Shares and other Plan benefits represent rights to merely an unfunded and unsecured promise of a future payment of money or property. A participant shall look only to the Company for the payment of Performance Shares and other Plan benefits and such shares and benefits shall, until paid, be subject to the claims of Company creditors. A Participant's rights under the Plan shall be only that of an unsecured general creditor of the Company.

IN WITNESS WHEREOF Southwest Gas Corporation has caused this Plan to be executed this 7th day of May 2008.

SOUTHWEST GAS CORPORATION

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

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

	For the Twelve Months Ended					
	Jun 30, 2008	December 31,				
	2007	2006	2005	2004	2003	
1. Fixed charges:						
A) Interest expense	\$ 93,753	\$ 94,035	\$ 92,878	\$ 87,687	\$ 84,138	\$ 78,724
B) Amortization	2,837	2,783	3,467	3,700	3,059	2,752
C) Interest portion of rentals	8,160	7,952	6,412	6,333	6,779	6,665
D) Preferred securities distributions	-	-	-	-	-	4,015
Total fixed charges	<u>\$ 104,750</u>	<u>\$ 104,770</u>	<u>\$ 102,757</u>	<u>\$ 97,720</u>	<u>\$ 93,976</u>	<u>\$ 92,156</u>
2. Earnings (as defined):						
E) Pretax income from						
continuing operations	\$ 127,087	\$ 131,024	\$ 128,357	\$ 68,435	\$ 87,012	\$ 55,384
Fixed Charges (1. above)	104,750	104,770	102,757	97,720	93,976	92,156
Total earnings as defined	<u>\$ 231,837</u>	<u>\$ 235,794</u>	<u>\$ 231,114</u>	<u>\$ 166,155</u>	<u>\$ 180,988</u>	<u>\$ 147,540</u>
	<u>2.21</u>	<u>2.25</u>	<u>2.25</u>	<u>1.70</u>	<u>1.93</u>	<u>1.60</u>

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/s/ GEORGE C. BIEHL

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

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended June 30, 2008 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, 2008

/s/ Jeffrey W. Shaw

Jeffrey W. Shaw

Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended June 30, 2008 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, 2008

/s/ George C. Biehl

George C. Biehl

Executive Vice President, Chief

Financial Officer and Corporate Secretary
