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

FORM 10-K

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

For the fiscal year ended December 31, 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

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

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	**New York Stock Exchange, Inc.**
7.70% Preferred Trust Securities	**New York Stock Exchange, Inc.**

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

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

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

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

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

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

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

Aggregate market value of the voting and non-voting common stock held by nonaffiliates of the registrant:
$1,292,130,998 as of June 30, 2008

The number of shares outstanding of common stock:
Common Stock, $1 Par Value, 44,436,610 shares as of February 17, 2009

DOCUMENTS INCORPORATED BY REFERENCE

Description	Part Into Which Incorporated
Annual Report to Shareholders for the Year Ended December 31, 2008	Parts I, II, and IV
2009 Proxy Statement	Part III

TABLE OF CONTENTS

		PAGE
	PART I	
Item 1.	BUSINESS	1
	Natural Gas Operations	1
	General Description	1
	Rates and Regulation	2
	Demand for Natural Gas	3
	Natural Gas Supply	3
	Competition	4
	Environmental Matters	5
	Employees	5
	Construction Services	5
Item 1A.	RISK FACTORS	6
Item 1B.	UNRESOLVED STAFF COMMENTS	8
Item 2.	PROPERTIES	8
Item 3.	LEGAL PROCEEDINGS	9
Item 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	9
Item 4A.	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	9
	PART II	
Item 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	10
Item 6.	SELECTED FINANCIAL DATA	10
Item 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10
Item 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	10
Item 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	11
Item 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	11
Item 9A.	CONTROLS AND PROCEDURES	12
Item 9B.	OTHER INFORMATION	12
	PART III	
Item 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	13
Item 11.	EXECUTIVE COMPENSATION	14
Item 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	14
Item 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	16
Item 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	16
	PART IV	
Item 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	16
	List of Exhibits	17
SIGNATURES		21

PART I

Item 1. BUSINESS

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

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

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

Financial information concerning the Company's business segments is included in Note 13 of the Notes to Consolidated Financial Statements, which is included in the 2008 Annual Report to Shareholders and is incorporated herein by reference.

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

NATURAL GAS OPERATIONS

General Description

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

As of December 31, 2008, Southwest purchased and distributed or transported natural gas to 1,819,000 residential, commercial, and industrial customers in geographically diverse portions of Arizona, Nevada, and California. The southwestern United States has historically been one of the highest growth regions of the country. However, the customer growth levels experienced in recent years have greatly diminished due to the overall slowdown in the new housing market and idle/vacant homes due to foreclosures and challenging economic conditions. First-time meter sets of 33,000 were substantially offset by temporarily vacated homes. There were 6,000 net new customers added to the system during 2008, an increase of less than one-half of one percent. Given the current housing and economic downturn, management expects customer growth will approximate one percent in the near term. Management cannot predict the timing of when currently idle and vacant homes will return to service, or when customer growth levels will improve, but it is likely to occur over an extended (multi-year) time horizon.

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

	Distribution		
For the Year Ended	Residential and Small Commercial	Other Sales Customers	Transportation
December 31, 2008	86%	5%	9%
December 31, 2007	86%	5%	9%
December 31, 2006	85%	6%	9%

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

Transportation of customer-secured gas to end-users accounted for 48 percent of total system throughput in 2008. Customers who utilized this service transported 116 million dekatherms in 2008, 113 million dekatherms in 2007, and 118 million dekatherms in 2006. Although these volumes are significant, these customers provided a much smaller proportionate share of operating margin.

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

Rates and Regulation

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

Rates charged to customers vary according to customer class and rate jurisdiction and are set at levels that are intended to allow for the recovery of all prudently incurred costs, including a return on rate base sufficient to pay interest on debt and subordinated debentures, and a reasonable return on common equity. Rate base consists generally of the original cost of utility plant in service, plus certain other assets such as working capital and inventories, less accumulated depreciation on utility plant in service, net deferred income tax liabilities, and certain other deductions.

In California, CPUC regulations allow Southwest to separate or “decouple” the recovery of operating margin from natural gas consumption. During 2008, the PUCN adopted rules to implement legislation which allows for full margin decoupling. Southwest can file to decouple rates in Nevada in conjunction with its next general rate case.

Rate schedules in all service areas contain deferred energy or purchased gas adjustment provisions, which allow Southwest to file for rate adjustments as the cost of purchased gas changes. Deferred energy and purchased gas adjustment (collectively “PGA”) rate changes affect cash flows, but have no direct impact on profit margin. Filings to change rates in accordance with PGA clauses are subject to audit by the appropriate state regulatory commission staff.

Information with respect to recent general rate cases and PGA filings is included in the Rates and Regulatory Proceedings section of Management’s Discussion and Analysis (“MD&A”) in the 2008 Annual Report to Shareholders.

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

Ratemaking Area	Type of Filing	Month Filed	Month Final Rates Effective
Arizona	General rate case	August 2007	December 2008
California:			
Northern and Southern	Annual attrition	October 2007	January 2008
Northern and Southern	General rate case	December 2007	January 2009
Nevada:			
Northern and Southern	General rate case	March 2004	September 2004
FERC:			
Paiute	General rate case	January 2005	August 2005
Paiute	General rate case	February 2009	Pending

Demand for Natural Gas

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

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

Natural Gas Supply

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

The primary objective of Southwest in acquiring gas supply is to ensure that adequate supplies of natural gas are available from reliable sources at the best cost. Gas is acquired from a wide variety of sources and a mix of purchase provisions, including spot market purchases and firm supplies with a variety of terms. During 2008, Southwest acquired natural gas from 46 suppliers. Southwest regularly monitors the number of suppliers, their quality and their relative contribution to the overall customer supply portfolio. New suppliers are contracted whenever possible, and solicitations for supplies are extended to the largest practicable list of suppliers. Competitive pricing, flexibility in meeting Southwest’s requirements, and aggressive participation by suppliers who have demonstrated reliability of service are key to their inclusion in the annual portfolio mix. The goal of this practice is to mitigate the risk of nonperformance by any one supplier and ensure competitive prices for customer supplies.

Balancing reliable supply assurances with the associated costs results in a continually changing mix of purchase provisions within the supply portfolios. To address the unique requirements of its various market areas, Southwest assembles and administers a separate natural gas supply portfolio for each of its jurisdictional areas. Firm and spot market natural gas purchases are made in a competitive bid environment. Southwest has experienced price volatility over the past five years, as the weighted-average delivered cost of natural gas has ranged from a low of $5.70 per dekatherm in 2004 to a high of $8.40 per dekatherm in 2008. Price volatility is expected to continue throughout 2009.

To mitigate customer exposure to market price volatility, Southwest seeks to fix the cost of approximately 50 percent of its forecasted annual normal-weather volume requirement, primarily using firm, fixed-price purchasing arrangements that are secured periodically throughout the year. For the 2008/2009 heating season, fixed-price contracts ranged in price from approximately $6 to $13 per dekatherm. Natural gas purchases not covered by fixed-price contracts are made under variable-price contracts with firm quantities and on the spot market. Prices for these contracts are not known until the month of purchase.

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

In 2008, Southwest implemented a hedging program utilizing standalone derivative instruments to supplement its current price volatility mitigation program. This hedging program is currently utilized in both Arizona and Nevada. The combination of fixed-price contracts and derivative instruments is designed to increase flexibility for Southwest and increase supplier diversification. The costs of such derivative financial instruments are recovered from customers through the PGA mechanisms.

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

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

Southwest arranges for transportation of gas to its Arizona, Nevada, and California service territories through the pipeline systems of El Paso Natural Gas Company ("El Paso"), Kern River Gas Transmission Company ("Kern River"), Transwestern Pipeline Company ("Transwestern"), NWPL, Tuscarora Gas Pipeline Company ("Tuscarora"), Southern California Gas Company, and Paiute. Transwestern is constructing an additional interstate pipeline (that is expected to be completed in 2009) with the ability to serve a portion of Southwest's Arizona service territory. Supply and pipeline capacity availability on both short- and long-term bases is regularly monitored by Southwest to ensure the reliability of service to its customers. Southwest currently receives firm transportation service, both on a short- and long-term basis, for all of its service territories on the pipeline systems noted above and also has interruptible contracts in place that allow additional capacity to be acquired.

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

Competition

Electric utilities are the principal competitors of Southwest for the residential and small commercial markets throughout its service areas. Competition for space heating, general household, and small commercial energy needs generally occurs at the initial installation phase when the customer/builder typically makes the decision as to which type of equipment to install and operate. The customer will generally continue to use the chosen energy source for the life of the equipment. Southwest interfaces directly with the various home builders and commercial property developers in its service territories to ensure that natural gas appliances are considered in new developments and commercial centers. As a result of its efforts, Southwest has experienced continued growth among the residential and small commercial customer classes.

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

Southwest competes with interstate transmission pipeline companies, such as El Paso, Kern River, Transwestern and Tuscarora, to provide service to certain large end-users. End-use customers located in proximity to these interstate pipelines pose a potential bypass threat. Southwest attempts to closely monitor each customer situation and provide competitive service in order to retain the customer. Southwest has remained competitive through the use of negotiated transportation contract rates, special long-term contracts with electric generation and cogeneration customers, and other tariff programs. These competitive response initiatives have mitigated the loss of margin earned from large customers.

Environmental Matters

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

Employees

At December 31, 2008, the natural gas operations segment had 2,447 regular full-time equivalent employees. Southwest believes it has a good relationship with its employees and that compensation, benefits, and working conditions afforded its employees are comparable to those generally found in the utility industry. No employees are represented by a union.

CONSTRUCTION SERVICES

NPL is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL contracts primarily with LDCs to install, repair, and maintain energy distribution systems from the town border station to the end-user. The primary focus of business operations is main and service replacement as well as new business installations. Construction work varies from relatively small projects to the piping of entire communities. Construction activity is seasonal in most areas. Peak construction periods are the summer and fall months in colder climate areas, such as the Midwest. In the warmer climate areas, such as the southwestern United States, construction continues year round. Construction activity is also cyclical and can be significantly impacted by changes in general and local economic conditions, including interest rates, the housing market, employment levels, job growth, equipment resale market, and local and federal tax rates. The continued slowdown in construction activities observed in regional and national markets during 2007 and 2008 has negatively impacted the amount of work received under existing blanket contracts, the amount of bid work, and the equipment resale market. It is anticipated that challenging economic conditions will continue at least through 2009.

NPL business activities are often concentrated in utility service territories where existing energy lines are scheduled for replacement. An LDC will typically contract with NPL to provide pipe replacement services and new line installations. Contract terms generally specify unit-price or fixed-price arrangements. Unit-price contracts establish prices for all of the various services to be performed during the contract period. These contracts often have annual pricing reviews. During 2008, approximately 93 percent of revenue was earned under unit-price contracts. As of December 31, 2008, no significant backlog existed with respect to outstanding construction contracts.

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

Competition within the industry has traditionally been limited to several regional competitors in what has been a largely fragmented industry. Several national competitors also exist within the industry. NPL currently operates in 20 major markets nationwide. NPL’s customers are the primary LDCs in those markets. Pricing is the primary method of competition in NPL’s markets. NPL’s safety record and the quality of its work product are additional factors that play significant roles in obtaining contract awards and/or retaining existing contracts. NPL’s reputation for safety and quality of work can allow it to obtain “best cost” versus “low cost” bids, which can enhance its profitability. During 2008, NPL served 63 customers, with Southwest accounting for approximately 18 percent of NPL revenues. Four other customers in total accounted for approximately 37 percent of revenue. No other customer had a relatively significant contribution to NPL revenues.

Employment fluctuates between seasonal construction periods, which are normally heaviest in the summer and fall months. At December 31, 2008, NPL had 2,285 regular full-time equivalent employees. Employment peaked in August 2008 when there were 2,654 employees. Most employees are represented by unions and are covered by collective bargaining agreements, which is typical of the utility construction industry.

Operations are conducted from 18 field locations with corporate headquarters located in Phoenix, Arizona. Buildings are normally leased from third parties. The lease terms are typically five years or less. Field location facilities consist of a small building for repairs and land to store equipment.

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

Item 1A. RISK FACTORS

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

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

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

Rate schedules in each of our service territories contain purchased gas adjustment clauses which permit us to file for rate adjustments to recover increases in the cost of purchased gas. Increases in the cost of purchased gas have no direct impact on our profit margins, but do affect cash flows and can therefore impact the amount of our capital resources. We have used short-term borrowings in the past to temporarily finance increases in purchased gas costs, and we expect to do so during 2009, if the need again arises.

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

Our operating results may be adversely impacted by a prolonged economic downturn.

The current housing crisis and economic slowdown in the United States, and particularly in our service areas, have resulted in a marked decline in the new housing market and increases in the inventory of idle/vacant homes. If these trends continue, our financial condition, results of operations, and cash flows could be adversely affected.

Governmental policies and regulatory actions can reduce our earnings.

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

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

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

The demand for natural gas is seasonal and is greatly affected by temperature. Variability in weather from normal temperatures can materially impact results of operations, particularly in our Arizona service territories where rates are highly leveraged. On cold days, use of gas by residential and commercial customers can be six times greater than on warm days because of the increased use of gas for space heating. In addition, customer conservation resulting from improved building practices, appliance efficiencies, and difficult economic conditions can reduce customer consumption. Weather and conservation efforts have been and continue to be dominant factors in our financial performance.

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

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

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

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

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

Our earnings may be materially reduced due to decreases in the cash surrender value of our company-owned life insurance policies during periods in which stock market declines are significant.

We have life insurance policies with a net death benefit value of approximately $137 million, on members of management and other key employees to indemnify ourselves against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. The net cash surrender value of these policies (which is the cash amount we would receive if we voluntarily terminated the policies) is approximately $47 million at December 31, 2008 and is included in the caption “Other property and investments” on the balance sheet. Cash surrender values are directly influenced by the investment portfolio underlying the insurance policies. This portfolio includes both equity and fixed income (mutual fund) investments. As a result, the cash surrender value (but not the net death benefits) moves up and down consistent with the movements in the broader stock and bond markets. During 2008, we recognized a net decline in the cash surrender values of our company-owned life insurance policies of $12 million which was reflected in Other income (deductions). Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, the changes in the cash surrender value components of company-owned life insurance policies as they progress towards the ultimate death benefits are also recorded without tax consequences. Currently, we intend to hold the company-owned life insurance policies for their duration and purchase additional policies as necessary. Changes in the cash surrender value of company-owned life insurance policies affect our earnings but not our cash flows.

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

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

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

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

We must acquire both sufficient natural gas supplies and interstate pipeline capacity to meet customer requirements. We must contract for reliable and adequate delivery capacity for our distribution system, while considering the dynamics of the interstate pipeline capacity market, our own in-system resources, as well as the characteristics of our customer base. Interruptions to or reductions of interstate pipeline service caused by physical constraints, excessive customer usage or other force majeure could reduce our normal supply of gas, particularly in our Arizona service territories where we are currently wholly dependent upon the El Paso pipeline system. Transwestern Pipeline is constructing an additional interstate pipeline (that is expected to be completed in 2009) with the ability to serve a portion of our Arizona service territory. A prolonged interruption or reduction of interstate pipeline service in any of our jurisdictions, particularly during the winter heating season, would reduce cash flow and earnings.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The plant investment of Southwest consists primarily of transmission and distribution mains, compressor stations, peak shaving/storage plants, service lines, meters, and regulators, which comprise the pipeline systems and facilities located in and around the communities served. Southwest also includes other properties such as land, buildings, furnishings, work equipment, vehicles, and software systems in plant investment. The northern Nevada and northern California properties of Southwest are referred to as the northern system; the Arizona, southern Nevada, and southern California properties are referred to as the southern system. Several properties are leased by Southwest, including a portion of the corporate headquarters office complex located in Las Vegas, Nevada and the administrative offices in Phoenix, Arizona. Total gas plant, exclusive of leased property, at December 31, 2008 was $4.3 billion, including construction work in progress. It is the opinion of management that the properties of Southwest are suitable and adequate for its purposes.

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

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

Southwest operates two primary pipeline transmission systems:

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

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

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

Item 3. LEGAL PROCEEDINGS

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

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

None.

Item 4A. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

PART II

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

The principal market on which the common stock of the Company is traded is the New York Stock Exchange. At February 17, 2009, there were 22,046 holders of record of common stock, and the market price of the common stock was $23.37. The quarterly market price of, and dividends on, Company common stock required by this item are included in the 2008 Annual Report to Shareholders filed as an exhibit hereto and incorporated herein by reference.

The Company's common stock dividend policy states that common stock dividends will be paid at a prudent level within the normal dividend payout range for its respective businesses, and that dividends will be established at a level considered sustainable in order to minimize business risk and maintain a strong capital structure throughout all economic cycles. The quarterly common stock dividend declared was 20.5 cents per share throughout 2006, 21.5 cents per share throughout 2007, and 22.5 cents per share throughout 2008. In February 2009, the Board of Directors increased the quarterly dividend payout to 23.75 cents per share, effective with the June 2009 payment.

Item 6. SELECTED FINANCIAL DATA

Information required by this item is included in the 2008 Annual Report to Shareholders and is incorporated herein by reference.

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

Information required by this item is included in the 2008 Annual Report to Shareholders and is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Commodity Price Risk

In managing its natural gas supply portfolios, Southwest has historically entered into short duration (one year or less) fixed-price contracts and variable-price contracts (firm and spot). Southwest has experienced significant price volatility over the past five years as the weighted-average delivered cost of natural gas has ranged from a low of $5.70 per dekatherm in 2004 to a high of $8.40 per dekatherm in 2008. Intra-period highs and lows are much greater than the averages. Price volatility is expected to continue into 2009 and beyond.

Southwest is protected financially from commodity price risk by purchased gas adjustment ("PGA") mechanisms in each of its jurisdictions. These mechanisms generally allow Southwest to defer over- or under-collections of gas costs to PGA balancing accounts. With regulatory approval, Southwest can either refund amounts over-collected or recoup amounts under-collected in future periods. In addition to the PGA mechanism, Southwest utilizes a volatility mitigation program to attempt to further reduce price volatility on customers. Under this program Southwest fixes the price of approximately 50 percent of its natural gas portfolio using fixed-price contracts and/or derivative instruments (fixed-for-floating swaps).

All of Southwest's natural gas purchase practices are subject to prudence review by the various regulatory bodies in each jurisdiction. PGA changes affect cash flows and potentially short-term borrowing requirements, but do not directly impact profit margin.

Weather Risk

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

Rate design is the primary mechanism available to Southwest to mitigate weather risk. In California, CPUC regulations allow Southwest to decouple operating margin from usage and offset weather risk. In Nevada, Southwest currently has a two-tiered declining-block rate structure which partially mitigates weather risk. In Arizona, the basic service charge is higher than in Nevada or California providing some protection against weather-risk but commodity rates are highly leveraged leaving a significant portion of operating margin subject to weather variations.

The Company continues to pursue mechanisms in Arizona and Nevada to stabilize the recovery of the Company's fixed costs and reduce fluctuations in customers' bills due to colder or warmer-than-normal weather.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could adversely affect earnings or cash flows. The primary interest rate risk for the Company is the risk of increasing interest rates on variable-rate obligations. Interest rate risk sensitivity analysis is used to measure interest rate risk by computing estimated changes in cash flows as a result of assumed changes in market interest rates. In Nevada, fluctuations in interest rates on variable-rate Industrial Development Revenue Bonds ("IDRBs") are tracked and recovered from ratepayers through an interest balancing account. As of December 31, 2008 and 2007, Southwest had $255 million and $209 million, respectively, in variable-rate debt outstanding, excluding Nevada variable-rate IDRBs. Assuming a constant outstanding balance in variable-rate debt for the next twelve months, a hypothetical one percent change in interest rates would increase or decrease interest expense for the next twelve months by approximately $2.6 million.

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of Southwest Gas Corporation and Notes thereto, together with the report of PricewaterhouseCoopers LLP, are included in the 2008 Annual Report to Shareholders and are incorporated herein by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Based on the most recent evaluation, as of December 31, 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.

Internal Control Over Financial Reporting

The report of management of the Company required to be reported herein is incorporated by reference to the information reported in the 2008 Annual Report to Shareholders under the caption "Management's Report on Internal Control Over Financial Reporting" on page 57.

The Attestation Report of the Independent Registered Public Accounting Firm required to be reported herein is incorporated by reference to the information reported in the 2008 Annual Report to Shareholders under the caption "Report of Independent Registered Public Accounting Firm" on page 58.

Southwest implemented a new asset management accounting system related to its property, plant, and equipment records during the fourth quarter of 2008. Testing of the internal controls surrounding the system implementation process has been conducted by management. Operating effectiveness of related key controls was evaluated in the fourth quarter of 2008. There have been no other changes in the Company's internal controls over financial reporting that occurred during the most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

Table of Contents

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a) *Identification of Directors.* Information with respect to Directors is set forth under the heading "Election of Directors" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

(b) *Identification of Executive Officers.* The name, age, position, and period position held during the last five years for each of the Executive Officers of the Company as of December 31, 2008 are as follows:

Name	Age	Position	Period Position Held
Jeffrey W. Shaw	50	Chief Executive Officer	2004-Present
		President	2004
James P. Kane	62	President	2004-Present
		Executive Vice President/Operations	2004
George C. Biehl	61	Executive Vice President/Chief Financial Officer and Corporate Secretary	2004-Present
John P. Hester	46	Senior Vice President/Regulatory Affairs & Energy Resources	2006-Present
		Vice President/Regulatory Affairs and Systems Planning	2004-2006
Edward A. Janov	54	Senior Vice President/Finance	2004-Present
		Vice President/Finance	2004
Dudley J. Sondeno	56	Senior Vice President/Chief Knowledge and Technology Officer	2004-Present
Roy R. Centrella	51	Vice President/Controller and Chief Accounting Officer	2004-Present
Kenneth J. Kenny	46	Vice President/Treasurer	2005-Present
		Treasurer	2004-2005

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

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

(e) *Business Experience.* Information with respect to Directors is set forth under the heading "Election of Directors" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein. All Executive Officers have held responsible positions with the Company for at least five years as described in (b) above.

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

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

(h) *Audit Committee Financial Expert.* Information with respect to the financial expert of the Board of Directors' audit committee is set forth under the heading "Committees of the Board" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

(i) *Identification of the Audit Committee.* Information with respect to the composition of the Board of Directors' audit committee is set forth under the heading "Committees of the Board" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

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

Section 16(a) Beneficial Ownership Reporting Compliance. The Company has adopted procedures to assist its directors and executive officers in complying with Section 16(a) of the Exchange Act, as amended, which includes assisting in the preparation of forms for filing. Based upon a review of filings with the SEC and written representations that no other reports were required, we believe that all of our directors and executive officers complied during 2008 with the reporting requirements of Section 16(a) of the Exchange Act, except for the following Form 4s:

The acquisition of Company common stock by director Thomas acquired on October 6, 2008 and reported on October 9, 2008;

The grants of restricted stock/units to directors Chestnut, Comer, Gardner, Hanneman, Kropid, Maffie, Mariucci, Melarkey, Sparks, and Wright that occurred on January 22, 2008 and reported on January 29, 2008; and

The issuance of performance shares, restricted stock/unit grants and income tax withholdings related to the conversion of performance shares to Company common stock for executive officers Biehl, Centrella, Hester, Janov, Kane, Kenny, Palacios, Shaw, Sondeno, and Sheets that occurred on January 22, 2008 and reported on January 29, 2008.

The Form 4s reporting the issuance of performance shares, restricted stock/unit grants, and income tax withholdings related to the conversion of performance shares to Company common stock are normally filed by the Company on behalf of the directors and executive officers within two days of the transactions and before the directors and executive officers are advised of the issuance, grants, and tax withholdings. In 2008, the Form 4s were filed on the fifth business day after the transactions and one day after the executive officers were notified of the transactions and two days before the restricted stock/unit grant agreements were distributed to the directors.

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

Item 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is set forth under the heading "Executive Compensation" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

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

(a) *Security Ownership of Certain Beneficial Owners.* Information with respect to security ownership of certain beneficial owners is set forth under the heading "Securities Ownership by Directors, Director Nominees, Executive Officers, and Certain Beneficial Owners" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

(b) *Security Ownership of Management.* Information with respect to security ownership of management is set forth under the heading "Securities Ownership by Directors, Director Nominees, Executive Officers, and Certain Beneficial Owners" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

(c) *Changes in Control.* None.

Table of Contents

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

At December 31, 2008, the Company had three stock-based compensation plans. With respect to the first plan, the Company previously granted options to purchase shares of common stock to key employees and outside directors. The option grants in 2006 consumed the remaining options that could be issued under the option plan and no future grants are anticipated.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
(Thousands of shares)			
Equity compensation plans approved by security holders	731	$ 27.12	—
Equity compensation plans not approved by security holders	—	—	—
Total	731	$ 27.12	—

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

Plan category	Number of securities to be issued upon vesting of performance shares	Weighted-average grant date fair value of award	Number of securities remaining available for future issuance
(Thousands of shares)			
Equity compensation plans approved by security holders	267	$ 31.38	415
Equity compensation plans not approved by security holders	—	—	—
Total	267	$ 31.38	415

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

Plan category	Number of securities to be issued upon vesting of restricted stock units	Weighted-average grant date fair value of award	Number of securities remaining available for future issuance
(Thousands of shares)			
Equity compensation plans approved by security holders	84	$ 31.15	387
Equity compensation plans not approved by security holders	—	—	—
Total	84	$ 31.15	387

Additional information regarding the three equity compensation plans is included in Note 10 of the Notes to Consolidated Financial Statements in the 2008 Annual Report to Shareholders.

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

Information with respect to certain relationships and related transactions, and director independence is set forth under the heading "Governance of the Company" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to accounting fees and services associated with PricewaterhouseCoopers LLP is set forth under the heading "Selection of Independent Registered Public Accounting Firm" in the definitive 2009 Proxy Statement, which by this reference is incorporated herein.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) The Consolidated Financial Statements of the Company (including the Reports of Independent Accountants) required to be reported herein are incorporated by reference to the information reported in the 2008 Annual Report to Shareholders under the following captions:

Consolidated Balance Sheets	33
Consolidated Statements of Income	34
Consolidated Statements of Cash Flows	35
Consolidated Statements of Stockholders' Equity and Comprehensive Income	36
Notes to Consolidated Financial Statements	37
Management's Report on Internal Control Over Financial Reporting	57
Report of Independent Registered Public Accounting Firm	58

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

(3) See **LIST OF EXHIBITS**.

(b) See **LIST OF EXHIBITS**.

Table of Contents

LIST OF EXHIBITS

Exhibit Number	Description of Document
1.01	Sales Agency Financing Agreement, dated as of March 16, 2006, between Southwest Gas Corporation and BNY Capital Markets, Inc. Incorporated herein by reference to the report on Form 8-K dated March 16, 2006.
3(i)	Restated Articles of Incorporation, as amended. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2007.
3(ii)	Amended Bylaws of Southwest Gas Corporation. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-156420.
4.01	Indenture between City of Big Bear Lake, California, and Harris Trust and Savings Bank as Trustee, dated December 1, 1993, with respect to the issuance of $50,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation Project), 1993 Series A, due 2028. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1993.
4.02	Form of Deposit Agreement. Incorporated herein by reference to the Registration Statement on Form S-3, No. 33-55621.
4.03	Form of Depositary Receipt (attached as Exhibit A to Form of Deposit Agreement included as Exhibit 4.02 hereto). Incorporated herein by reference to the Registration Statement on Form S-3, No. 33-55621.
4.04	Indenture between the Company and Harris Trust and Savings Bank dated July 15, 1996, with respect to Debt Securities. Incorporated herein by reference to the report on Form 8-K dated July 26, 1996.
4.05	First Supplemental Indenture of the Company to Harris Trust and Savings Bank dated August 1, 1996, supplementing and amending the Indenture dated as of July 15, 1996, with respect to 7 1/2% and 8% Debentures, due 2006 and 2026, respectively. Incorporated herein by reference to the report on Form 8-K dated July 31, 1996.
4.06	Second Supplemental Indenture of the Company to Harris Trust and Savings Bank dated December 30, 1996, supplementing and amending the Indenture dated as of July 15, 1996, with respect to Medium-Term Notes. Incorporated herein by reference to the report on Form 8-K dated December 30, 1996.
4.07	Indenture between Clark County, Nevada, and Harris Trust and Savings Bank as Trustee, dated as of October 1, 1999, with respect to the issuance of $35,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), Series 1999A and Taxable Series 1999B or convertibles of Series B (Series C and D), due 2038. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1999.
4.08	Third Supplemental Indenture between the Company and The Bank of New York, as successor to Harris Trust and Savings Bank, dated as of February 13, 2001, supplementing and amending the Indenture dated as of July 15, 1996, with respect to the $200,000,000, 8.375% Notes, due 2011. Incorporated herein by reference to the report on Form 8-K dated February 8, 2001.
4.09	Fourth Supplemental Indenture of the Company to The Bank of New York, as successor to Harris Trust and Savings Bank, dated as of May 6, 2002, supplementing and amending the Indenture dated as of July 15, 1996, with respect to the 7.625% Senior Unsecured Notes due 2012. Incorporated herein by reference to the report on Form 8-K dated May 1, 2002.

4.10	Certificate of Trust of Southwest Gas Capital II. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
4.11	Certificate of Trust of Southwest Gas Capital III. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
4.12	Certificate of Trust of Southwest Gas Capital IV. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
4.13	Trust Agreement of Southwest Gas Capital III. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
4.14	Trust Agreement of Southwest Gas Capital IV. Incorporated herein by reference to the Registration Statement on Form S-3, No. 333-106419.
4.15	Form of Common Stock Certificate. Incorporated herein by reference to the report on Form 8-K dated July 22, 2003.
4.16	Form of Preferred Trust Security. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
4.17	Form of Indenture with respect to the 7.70% Junior Subordinated Debentures. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
4.18	Form of 7.70% Junior Subordinated Debenture. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
4.19	Form of Amended and Restated Trust Agreement of Southwest Gas Capital II. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
4.20	Form of Guarantee Agreement with respect to the Preferred Trust Securities. Incorporated herein by reference to the report on Form 8-K dated August 20, 2003.
4.21	Indenture between Clark County, Nevada, and BNY Midwest Trust Company as Trustee, dated as of July 1, 2004, with respect to the issuance of $65,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), Series 2004A, due 2034. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2004.
4.22	Indenture between Clark County, Nevada, and BNY Midwest Trust Company as Trustee, dated as of October 1, 2004, with respect to the issuance of $75,000,000 Industrial Development Refunding Revenue Bonds (Southwest Gas Corporation), Series 2004B, due 2033. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 2004.
4.23	Indenture of Trust between Clark County, Nevada and the Bank of New York Trust Company, N.A. as Trustee, dated as of October 1, 2005, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2005A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2005.
4.24	Indenture of Trust between Clark County, Nevada and the Bank of New York Trust Company, N.A. as Trustee, dated as of September 1, 2006, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2006A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2006.

4.25	Indenture of Trust between Clark County, Nevada and the BNY Midwest Trust Company, as Trustee, dated as of March 1, 2003, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2003. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2008 within which it was filed as Exhibit 10.01.
4.26	Indenture of Trust between Clark County, Nevada and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of September 1, 2008, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2008A. Incorporated herein by reference to the report on Form 10- Q for the quarter ended September 30, 2008 within which it was filed as Exhibit 10.02.
4.27	The Company hereby agrees to furnish to the SEC, upon request, a copy of any instruments defining the rights of holders of long-term debt issued by Southwest Gas Corporation or its subsidiaries; the total amount of securities authorized thereunder does not exceed 10 percent of the consolidated total assets of Southwest Gas Corporation and its subsidiaries.
10.01	Project Agreement between the Company and City of Big Bear Lake, California, dated as of December 1, 1993. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1993.
10.02	Amended and Restated Lease Agreement between the Company and Spring Mountain Road Associates, dated as of July 1, 1996. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 1996.
10.03 *	Southwest Gas Corporation Supplemental Retirement Plan, amended and restated as of January 1, 2005. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 2007.
10.04 *	Southwest Gas Corporation Board of Directors Retirement Plan, amended and restated as of January 1, 2005. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 2007.
10.05	Financing Agreement between the Company and Clark County, Nevada, dated as of October 1, 1999. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1999.
10.06 *	Amended Form of Employment Agreement with Company Officers. Incorporated herein by reference to the reports on Form 10-Q for the quarters ended September 30, 1998, September 30, 2000, and September 30, 2001, the reports on Form 8-K dated September 21, 2004 and August 1, 2006, and the report on Form 10-K for the year ended December 31, 2006.
10.07 *	Amended Form of Change in Control Agreement with Company Officers. Incorporated herein by reference to the reports on Form 10-Q for the quarters ended September 30, 1998, September 30, 2000, and September 30, 2001, the reports on Form 8-K dated September 21, 2004 and August 1, 2006, and the report on Form 10-K for the year ended December 31, 2006.
10.08 *	Southwest Gas Corporation Management Incentive Plan, amended and restated effective January 1, 2009. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2008.
10.09 *	Southwest Gas Corporation 2002 Stock Incentive Plan. Incorporated herein by reference to the Proxy Statement dated April 2, 2002. Southwest Gas Corporation 1996 Stock Incentive Plan. Incorporated herein by reference to the Proxy Statement dated May 30, 1996.
10.10 *	Southwest Gas Corporation Executive Deferral Plan, amended and restated March 1, 2008, effective January 1, 2005. Southwest Gas Corporation Executive Deferral Plan, amended and restated effective January 1, 2009.
10.11 *	Southwest Gas Corporation Directors Deferral Plan, amended and restated effective January 1, 2009.

10.12	Financing agreement dated as of March 1, 2003 by and between Clark County, Nevada and Southwest Gas Corporation relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2003A, Series 2003B, Series 2003C, Series 2003D and Series 2003E. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2003.
10.13 *	Form of Executive Option Grant under 2002 Stock Incentive Plan. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2004.
10.14	Financing Agreement dated as of October 1, 2004 by and between the Company and Clark County, Nevada relating to Clark County Nevada Industrial Development Revenue Bonds Series 2004B. Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 2004.
10.15	$300 million Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2005. First Amendment to $300 million Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2006. Second Amendment to $300 million Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2007. Third Amendment to $300 million Credit Facility. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2007.
10.16	First Amendment to Financing Agreement by and between Clark County, Nevada, and Southwest Gas Corporation dated as of July 1, 2005, amending the Financing Agreement dated as of March 1, 2003, with respect to Clark County, Nevada Industrial Development Revenue Bonds Series 2003A, Series 2003B, Series 2003C, Series 2003D and Series 2003E. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2005.
10.17	Financing Agreement dated as of October 1, 2005 by and between Clark County, Nevada and Southwest Gas Corporation relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2005A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2005.
10.18	Financing Agreement dated as of September 1, 2006 by and between Clark County, Nevada and Southwest Gas Corporation relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2006A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2006.
10.19 *	Southwest Gas Corporation 2006 Restricted Stock/Unit Plan, amended and restated May 7, 2008. Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 2008.
10.20	Financing Agreement between Clark County, Nevada and Southwest Gas Corporation, dated as of September 1, 2008, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2008A. Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 2008.
12.01	Computation of Ratios of Earnings to Fixed Charges of Southwest Gas Corporation.
13.01	Portions of 2008 Annual Report to Shareholders incorporated by reference to the Form 10-K.
21.01	List of subsidiaries of Southwest Gas Corporation.
23.01	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
31.01	Section 302 Certifications.
32.01	Section 906 Certifications.

* Management Contracts or Compensation Plans

Table of Contents

SIGNATURES

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

SOUTHWEST GAS CORPORATION

Date: February 27, 2009

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

Table of Contents

SIGNATURES

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

Signature	Title	Date
/s/ GEORGE C. BIEHL (George C. Biehl)	Director, Executive Vice President, Chief Financial Officer, and Corporate Secretary	February 27, 2009
/s/ ROBERT L. BOUGHNER (Robert L. Boughner)	Director	February 27, 2009
/s/ THOMAS E. CHESTNUT (Thomas E. Chestnut)	Director	February 27, 2009
/s/ STEPHEN C. COMER (Stephen C. Comer)	Director	February 27, 2009
/s/ RICHARD M. GARDNER (Richard M. Gardner)	Director	February 27, 2009
/s/ JAMES J. KROPID (James J. Kropid)	Chairman of the Board of Directors	February 27, 2009
/s/ MICHAEL O. MAFFIE (Michael O. Maffie)	Director	February 27, 2009
/s/ ANNE L. MARIUCCI (Anne L. Mariucci)	Director	February 27, 2009
/s/ MICHAEL J. MELARKEY (Michael J. Melarkey)	Director	February 27, 2009
/s/ JEFFREY W. SHAW (Jeffrey W. Shaw)	Director and Chief Executive Officer	February 27, 2009
/s/ CAROLYN M. SPARKS (Carolyn M. Sparks)	Director	February 27, 2009
/s/ THOMAS A. THOMAS (Thomas A. Thomas)	Director	February 27, 2009
/s/ TERRENCE L. WRIGHT (Terrence L. Wright)	Director	February 27, 2009
/s/ ROY R. CENTRELLA (Roy R. Centrella)	Vice President, Controller, and Chief Accounting Officer	February 27, 2009

EXHIBIT INDEX

Exhibit Number	Description of Document
10.10	Executive Deferral Plan - amended and restated March 1, 2008, effective January 1, 2005. Executive Deferral Plan - amended and restated effective January 1, 2009.
10.11	Directors Deferral Plan - amended and restated effective January 1, 2009.
12.01	Computation of Ratios of Earnings to Fixed Charges of Southwest Gas Corporation.
13.01	Portions of 2008 Annual Report to Shareholders incorporated by reference to Form 10-K.
21.01	List of Subsidiaries of Southwest Gas Corporation.
23.01	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
31.01	Section 302 Certifications.
32.01	Section 906 Certifications.

Exhibit 10.10

MASTER PLAN DOCUMENT

SOUTHWEST GAS CORPORATION

EXECUTIVE DEFERRAL PLAN

Effective January 1, 2005

Amended and Restated March 1, 2008

TABLE OF CONTENTS

Article	Subject	Page
1	Definitions	1
2	Eligibility	5
3	Participant Elections and Company Contributions	5
4	Interest, Crediting and Vesting	7
5	Plan Benefit Payments	8
6	Pre-Retirement Survivor Benefit Payments	8
7	Post-Retirement Survivor Benefit Payments	8
8	Disability Benefit Payments	9
9	Beneficiaries	9
10	General	10
11	Termination, Amendment or Modification of the Plan	12
12	Administration of the Plan	13
13	Claims Procedure	15
14	Miscellaneous	16

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN

PURPOSE

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

ARTICLE 1
DEFINITIONS

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

1.1 **"Account Balances"** means a Participant's individual fund comprised of Deferrals, Company Contributions and interest earnings credited thereon up to the applicable Benefit Distribution Date.

1.2 **"Base Annual Salary"** means the yearly compensation paid to an Executive, excluding bonuses, commissions, overtime, and non-monetary awards for employment services to the Company.

1.3 **"Beneficiary"** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A participant may designate primary and contingent Beneficiaries.

1.4 **"Benefit Account Balances"** shall have the meaning set forth in Article 5.1.

1.5 **"Benefit Distribution Date"** means the date benefits under the Plan are first paid to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution. In the case of a Retirement or Termination of Employment, Benefit Distributions cannot commence until at least six months after the date of Participant's Retirement or Termination of Employment.

1.6 **"Board of Directors"** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.

1.7 **"Bonus"** means the portion of actual awards, if any, paid in cash under the terms of the Southwest Gas Corporation 1993 Management Incentive Plan, as amended and restated ("Management Incentive Plan").

1.8 **"Change in Control"** means the first to occur of any of the following events:

(a) Any "person" (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company's capital stock entitled to vote in the election of Directors; or

(b) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the Board of Directors or nomination for election by the Company's shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

1.9 **"Committee"** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.

1.10 **"Company"** means Southwest Gas Corporation and such of its Subsidiaries as the Board of Directors may select to become parties to the Plan. The term "Company" shall also include any Successor Corporation.

1.11 **"Company Contributions"** means the amount added, if any, to a Participant's Account Balance in accordance with Article 3.2.

1.12 **"Deferral(s)"** means the amount of Base Annual Salary and Bonus earned and deferred in accordance with the provisions of the Plan.

1.13 **“Deferral Election Form”** means the form of written agreement specifying deferral elections and a payout option which is completed and executed by the Participant and submitted to the Company in a timely manner.

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

1.15 **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.

1.16 **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.

1.17 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.

1.18 **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.

1.19 **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to the Participant’s Disability, death, Retirement or Termination of Employment, whichever event is applicable.

1.20 **“Participant”** means any Executive who executes a Plan Agreement or Deferral Election Form or an Employee who has been selected to participate in the Plan and who executes a Plan Agreement or Deferral Election Form.

1.21 **“Plan”** means the Executive Deferral Plan of the Company evidenced by this Master Plan Document.

1.22 **“Plan Agreement”** means the form of written agreement which is entered into by and between the Company and a Participant.

1.23 **“Plan Year”** means the annual period beginning on March 1 of each calendar year and ending on the last day of February of the following calendar year.

1.24 **“Retire”** or **“Retirement”** means a Participant’s separation from service with the Company on or after attaining age 55, other than by death, Disability or Termination of Employment.

1.25 **“Subsidiary”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.

1.26 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.

1.27 **“Terminates Employment”** or **“Termination of Employment”** means a Participant’s voluntary or involuntary separation from service with the Company, excluding Retirement, Disability or death.

1.28 **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.

1.29 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.

1.30 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.

1.31 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.

1.32 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.

1.33 **“Unforeseeable Emergency**” means an unforeseeable emergency as defined in the Code and related Treasury regulations.

1.34 **“Years of Service”** means a Participant’s Benefit Service as defined in the Retirement Plan for Employees of Southwest Gas Corporation, plus service with a Successor Corporation which is not taken into account for such plan.

ARTICLE 2
ELIGIBILITY

2.1 **Selection of Participants** An Executive shall become eligible to participate in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company, unless the Board of Directors determines, at that time, that such Executive will not be eligible to participate in the Plan. The Committee in its sole discretion may select any other Employee to become eligible to participate in the Plan. Notwithstanding the foregoing, no Executive or Employee shall be eligible to participate if he is not considered to be member of a “select group of management or highly compensated employees” as defined in the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

2.2 **Continued Eligibility** If a Participant ceases to be an Executive and he continues as an Employee, the Committee in its sole discretion will determine whether such Employee will continue to be eligible to participate in the Plan; provided, however, that any such Employee must be determined by the Committee to be a member of a “select group of management or highly compensated employees” under ERISA as a condition of his continuing eligibility to participate in the Plan. Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will continue to participate in the Plan.

2.3 **Commencement of Participation; Conditions to Participation** Once eligible to participate in the Plan, an Executive or an Employee must complete, execute and return to the Company a Plan Agreement in order to commence participation in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee. Notwithstanding the foregoing and upon the occurrence of a Change in Control, no additional conditions regarding continued participation in the Plan may be established by the Committee or any Successor Corporation.

ARTICLE 3
PARTICIPANT ELECTIONS AND COMPANY CONTRIBUTIONS

3.1 **Deferrals** A Participant may defer up to 100 percent of his Base Annual Salary and Bonus received during a Plan Year; provided, that such Deferral exceeds $2,000 per Plan Year. Notwithstanding the foregoing, no election shall be effective to

reduce the Base Annual Salary and Bonus paid to a Participant for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Participant's Base Annual Salary and Bonus for the calendar year for (a) any income and employment taxes (including Federal Insurance Contributions Act tax), (b) contributions to any employee benefit plan (other than this Plan), and (c) payroll transfers, in place, prior to such elections.

3.2 **Company Matching Contributions** If a Participant makes a Deferral election with respect to Base Annual Salary and/or Bonus, the Company will contribute an amount equal to 50 percent of such Deferral, up to a maximum of three percent of the Participant's Base Annual Salary, to the Participant's Account Balance and, effective March 1, 2008, up to a maximum of three and one-half percent of the Participant's Base Annual Salary, to the Participant's Account Balance.

3.3 **Benefit Payment Periods; Irrevocable Elections** A Participant shall elect the period over which the amounts deferred under such election will be distributed to him commencing at the applicable Benefit Distribution Date. A Participant's Account Balances shall be distributed in the form of substantially-equal installment payments over a period of 120, 180 or 240 months, as elected by the Participant in accordance with this Article 3.3. Only one payout option is permitted for each Plan Year. However, a Participant is free to choose any available payout option for each subsequent Plan Year. If a Participant fails to make a valid election as to the period over which his Deferrals for a particular Plan Year will be distributed, the default distribution period for such Deferrals shall be 240 months. Payout elections are irrevocable once made.

3.4 **Deadline for Deferral Elections** By December 31st of each calendar year, a Participant must submit to the Company his completed and executed Deferral Election Form for the upcoming Plan year. If a Participant fails to timely submit his Deferral Election Form, he will not be permitted to defer any of his Base Annual Salary or Bonus during the upcoming Plan Year.

3.5 **Exercise of Deferral Election** A Participant's Deferral election will be exercised on a per pay period basis for the portion of his Base Annual Salary that is deferred. The exercise of a Participant's Deferral election with respect to his Bonus will occur at the time the Bonus is paid.

3.6 **Deferral Elections by New Participants** When an Executive or an Employee first becomes eligible to participate in the Plan, initial Deferral elections will be permitted with respect to services performed after the elections, as long as such elections are made within 30 days after the date on which the Executive or Employee became eligible to participate in the Plan. Such Participant may defer up to 100 percent of the remaining portion of his Base Annual Salary for the current Plan year. Such Participant must submit his Plan Agreement to the Company, in writing, at the time he elects to become a Participant in the Plan. Thereafter, in the event an Executive or an Employee becomes a Participant in the Plan, such Participant may defer compensation only in accordance with Article 3.3.

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

3.8 **Continuation of Deferral Election** If a Participant is authorized by the Company for any reason to take a paid leave of absence, the Participant's Deferral election shall remain in full force and effect.

3.9 **Suspension of Deferral Election** If a Participant is authorized by the Company for any reason to take an unpaid leave of absence, the Participant's current Deferral election shall be terminated.

ARTICLE 4
INTEREST, CREDITING AND VESTING

4.1 **Interest Rate** A Participant's Account Balances at the start of a Plan Year and any Deferrals and Company Contributions made during a Plan Year will earn, except as provided for in Article 4.2, interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's accounts for Deferrals and Company contributions made during the Plan Year, as if all Deferrals and contributions were made on the first day of the Plan Year.

4.2 **Adjustment to Interest Rate** If a Participant experiences a Termination of Employment prior to completing five Years of Service with the Company, interest credited for all Deferrals and vested Company Contributions to a Participant's Account Balances will be adjusted based on the Moody's Rate during the period he participated in the Plan.

4.3 **Vesting of Company Contributions** Company Contributions and interest earned on such contributions will vest to a Participant at the rate of 20 percent per Year of Service and will vest completely once a Participant has completed five Years of Service with the Company.

4.4 **Interest prior to Benefit Distribution Date** A Participant's Account Balances will earn interest under the provisions of Article 4.1 or, if applicable, Article 4.2 until the applicable Benefit Distribution Date.

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

ARTICLE 5
PLAN BENEFIT PAYMENTS

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

ARTICLE 6
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS

6.1 **<u>Pre-Retirement Death of Participant</u>** Notwithstanding any elections made pursuant to Article 3.3 if a Participant dies while he is an employee of the Company, his Account Balances will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period commencing as of the applicable benefit commencement date.

6.2 **<u>Interest on Benefit Payments</u>** The interest rate used to determine the amount that will be credited to Participant's Account Balances, to determine his Benefit Account Balances under the provisions of Article 5.1 following the Participant's death, will be 150 percent of the Moody's Composite Rate.

ARTICLE 7
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS

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

ARTICLE 8
DISABILITY BENEFIT PAYMENTS

8.1 **Payment Following Disability** Notwithstanding any elections made pursuant to Article 3.3, if a Participant becomes Disabled within the first five Years of Service with the Company, he will receive his Benefit Account Balances in a lump sum payment on the applicable Benefit Distribution Date. If a Participant becomes Disabled after having completed five or more Years of Service with the Company, the Benefit Account Balances will be paid consistent with the benefit payout periods previously elected.

8.2 **Vesting of Company Contributions** Notwithstanding the provisions of Article 4.3, Company contributions and interest earned on such contributions will be fully vested to the Participant at the time he is determined to be Disabled.

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

ARTICLE 9
BENEFICIARIES

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

9.2 **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 9.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Company. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.

9.3 **Discharge of Company Obligation** Both the Company and the Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company and the Committee from all further obligations with respect to the Participant's rights in the Plan.

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

9.5 **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.

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

ARTICLE 10
GENERAL

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

10.2 **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.

10.3 **Furnishing Information** The Participant or Beneficiary shall cooperate in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balances.

10.4 **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the

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

10.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment under this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

10.6 **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

10.7 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. Committee and the Board of Directors authority under the provisions of this Article 10.7 will cease upon the occurrence of a Change in Control.

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

ARTICLE 11
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

11.1 **Plan Amendment** To the extent permitted by the IRC and related regulations, the Board of Directors may, at any time, and without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balances under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective January 1, 2005, no amendment or modification of this Article 11, Article 12, or Article 13 of the Plan shall be effective except to the extent both the Committee and the Board of Directors deems necessary to comply with applicable law.

11.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all benefits owed to the Participants and Beneficiaries have been paid in full.

11.3 **Bankruptcy** To the extent permitted under Code Section 409A and its related Treasury regulations, the Board of Directors shall have the authority, in its sole discretion, to terminate the Plan and distribute each Participant's Account Balances to the Participant or, if applicable, his or her Beneficiary within twelve months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(a) The total accelerated distribution under this Article 11.3 must be included in a Participant's gross income in the latest of:

(a) The calendar year in which the Plan is terminated;

(b) The calendar year in which the Participant's Account Balances are no longer subject to a substantial risk of forfeiture; or

(c) The calendar year in which distribution of the Participant's Account Balances is administratively practicable.

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

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

ARTICLE 12
ADMINISTRATION OF THE PLAN

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

12.2 **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 13. The Third Party Fiduciary may not be terminated by the Company without the consent of at least 50 percent of the Participants in the Plan.

12.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from to time to time consult with counsel to the Company.

12.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 12.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons or entities having any interest in the Plan.

12.5 **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.

12.6 **Cooperation – Providing Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death, Disability or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

12.7 **Unforeseeable Emergencies** In the event of an Unforeseeable Emergency, the Committee or the Third Party Fiduciary, as the case may be, may in its sole discretion, permit distribution to a Participant or Beneficiary from this Plan an amount no greater than the amount necessary to satisfy the Unforeseeable Emergency plus any taxes reasonably anticipated as a result of the distribution; or permit a Participant to cancel his or her Deferral election for the applicable Plan Year in accordance with applicable Treasury regulations without an accompanying distribution from his or her Account Balances. A Participant’s current Deferral election, if any, shall automatically terminate upon such Participant’s receipt of a withdrawal under this Article 12.7 or upon such Participant’s receipt of a “hardship distribution” (within the meaning of Code Section 401(k)(2)(B)(IV) and the related Treasury regulations) under any of the Company tax-qualified retirement plans. To the extent such a Participant again becomes eligible to elect Deferrals in accordance with the terms of the Plan, any subsequent Deferral elections made by the Participant must be made in accordance with the provisions of Article 3.

ARTICLE 13
CLAIMS PROCEDURE

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

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

(a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 13.3.

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

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

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

ARTICLE 14
MISCELLANEOUS

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

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

and

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

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

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

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

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

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

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective March 1, 2008.

SOUTHWEST GAS CORPORATION

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

Date March 1, 2008

MASTER PLAN DOCUMENT

SOUTHWEST GAS CORPORATION

EXECUTIVE DEFERRAL PLAN

Effective March 1, 1986

Amended and Restated March 1, 1988

Amended and Restated March 1, 1989

Amended and Restated March 1, 1990

Amended and Restated October 29, 1992

Amended and Restated May 10, 1994

Amended and Restated Effective March 1, 1999

Amended and Restated November 19, 2002

Amended and Restated Effective December 31, 2004

Amended and Restated Effective January 1, 2009

TABLE OF CONTENTS

Article	Subject	Page
1	Definitions	1
2	Eligibility	5
3	Deferral Commitment and Company Contribution	5
4	Interest, Crediting and Vesting	7
5	Plan Benefit Payments	7
6	Retirement and Termination Benefit Payments	8
7	Pre-Retirement Survivor Benefit Payments	9
8	Post-Retirement Survivor Benefit Payments	9
9	Disability Benefit Payments	9
10	Beneficiaries	10
11	Leave of Absence	11
12	General	12
13	No Guarantee of Continuing Employment	12
14	Trusts	13
15	Termination, Amendment or Modification of the Plan	13
16	Restrictions on Alienation of Benefits	14
17	Administration of the Plan	14
18	Claims Procedure	16
19	Miscellaneous	17

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
EXECUTIVE DEFERRAL PLAN

PURPOSE

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

No amendment to the Plan as in effect on October 3, 2004 that would constitute a “material modification” as defined within Internal Revenue Code (“IRC” or “Code”) Section 409A and related Treasury regulations, shall be effective with respect to amounts that were deferred in taxable years beginning before January 1, 2005 (inclusive of any earnings on such deferred amounts). With the exception of earnings on Account Balances which may accrue on or after January 1, 2005 as provided in Article 4 below, and any Excess Earnings accruing on or after January 1, 2009, no further Deferrals or other contributions of any kind shall be accepted under this Plan after December 31, 2004.

ARTICLE 1
DEFINITIONS

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

1.1 **“Account Balance”** means a Participant’s individual fund comprised of Deferrals, Company Contributions and interest earnings credited thereon up to the time of Benefit Distribution exclusive of Excess Earnings.

1.2 **“Base Annual Salary”** means the yearly compensation paid to an Executive, excluding bonuses, commissions, overtime, and non-monetary awards for employment services to the Company.

1.3 **“Beneficiary”** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A Participant may designate primary and contingent Beneficiaries.

1.4 **“Benefit Account Balance”** shall have the meaning set forth in Article 5.3.

1.5 **“Benefit Distribution”** means the date benefits under the Plan commence or are paid in full to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.

1.6 **“Board of Directors”** means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.

1.7 **“Bonus”** means the portion of actual awards, if any, paid in cash under the terms of Southwest Gas Corporation’s 1993 Management Incentive Plan, as amended (“Management Incentive Plan”).

1.8 **“Change in Control”** means the first to occur of any of the following events:

(a) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or

(b) During any period of not more than twelve months, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

1.9 **“Committee”** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.

1.10 **“Company”** means Southwest Gas Corporation and such of its Subsidiaries as the Board of Directors may select to become parties to the Plan. The term “Company” shall also include any Successor Corporation.

1.11 **“Company Contributions”** means the amount added, if any, to a Participant’s Account Balance in accordance with Article 3.2.

1.12 **“Deferral(s)”** means the amount of Base Annual Salary and Bonus transferred to the Plan accounts. No Deferrals will be accepted into this Plan after December 31, 2004.

1.13 **“Employee”** means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.

1.14 **“Excess Earnings”** means any interest accruing on a Participant’s Account Balance on or after January 1, 2009 that would itself be considered to be a right to deferred compensation (within the meaning of Code Section 409A and related Treasury regulations) rather than a right to earnings on Deferrals of compensation. For purposes of clarification, Excess Earnings shall include any earnings in excess of 100 percent of the Moody’s Rate credited to Participant Accounts on or after January 1, 2009. For purposes of Plan accounting, Excess Earnings shall be segregated from interest credited on Account Balances under Article 4 and credited to Participant Excess Earnings Accounts.

1.15 **“Excess Earnings Account”** means the separate account to which a Participant’s Excess Earnings are credited.

1.16 **“Executive”** means any officer of Southwest Gas Corporation prior to a Change in Control.

1.17 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.

1.18 **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.

1.19 **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to Benefit Distribution.

1.20 **“Participant”** means any Executive who executes a Plan Agreement or an Employee who has been selected to participate in the Plan and who executes a Plan Agreement. No new Participants will be accepted into this Plan after December 31, 2004.

1.21 **“Plan”** means the Executive Deferral Plan of the Company evidenced by this Master Plan Document.

1.22 **“Plan Agreement”** means the form of written agreement which is entered into from time to time, by and between the Company and a Participant.

1.23 **“Plan Year”** means the year beginning on March 1 of each year.

1.24 **“Retire”** or **“Retirement”** means the severance from employment with the Company on or after attaining age 55, other than by death, disability or Termination of Employment.

1.25 **“Subsidiary”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.

1.26 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.

1.27 **“Terminates Employment”** or **“Termination of Employment”** means the ceasing of employment with the Company, either voluntarily or involuntarily, excluding Retirement, disability or death.

1.28 **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.

1.29 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.

1.30 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.

1.31 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.

1.32 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.

1.33 **“Years of Service”** means a Participant’s Benefit Service as defined in the Retirement Plan for Employees of Southwest Gas Corporation, plus service with a Successor Corporation which is not taken into account for such plan.

ARTICLE 2
ELIGIBILITY

2.1 **Selection of Participants** An Executive shall become eligible to participate in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company (unless the Board of Directors determines, at that time, that such Executive will not become eligible to participate in the Plan). The Committee in its sole discretion may select any other Employee to become eligible to participate in the Plan.

2.2 **Continued Eligibility** If a Participant ceases to be an Executive and he continues as an Employee, the Committee in its sole discretion will determine whether such Employee will continue to be eligible to participate in the Plan. Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will continue to participate in the Plan.

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

ARTICLE 3
DEFERRAL COMMITMENT AND COMPANY CONTRIBUTION

3.1 **Deferrals** A Participant may defer up to 100 percent of his Base Annual Salary and Bonus received during a Plan Year; provided that such Deferral exceeds $2,000 per Plan Year. Notwithstanding the foregoing, no election shall be effective to reduce the Base Annual Salary and Bonus paid to a Participant for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Participant’s Base Annual Salary and Bonus for the calendar year for (a) applicable income and employment taxes (including Federal Insurance Contributions Act tax), (b) contributions to any employee benefit plan (other than this Plan), and (c) payroll transfers, in place, prior to such elections.

3.2 **Company Matching Contributions** If a Participant makes a Deferral commitment with respect to Base Annual Salary and/or Bonus, the Company will contribute an amount equal to 50 percent of such Deferral, up to a maximum of three percent of the Participant’s Base Annual Salary, to the Participant’s Account Balance.

3.3 **Timing of Deferral Election** Prior to the commencement of each Plan Year, a Participant will (a) advise the Committee, in writing, of his Base Annual Salary Deferral commitment for the upcoming Plan Year and (b) make his Deferral commitment for any Bonus earned during the calendar year ending in such Plan Year. If a Participant fails to so advise the Committee, through no fault of the Company, he will not be permitted to defer any of his Base Annual Salary or Bonus during the upcoming Plan Year.

3.4 **Exercise of Deferral Commitment** A Participant's Deferral commitment will be exercised on a per pay period basis for the portion of his Base Annual Salary that is deferred. The exercise of a Participant's Deferral commitment with respect to his Bonus will occur at the time the Bonus is paid.

3.5 **Adjustment to Deferral Commitment** The Committee reserves the right to adjust any Participant's Deferral commitment during a Plan Year to ensure that a Participant's actual Deferral does not exceed the maximum allowable amount.

3.6 **Deferral Elections by New Participants** In the event an Executive or an Employee becomes a Participant in the Plan during a Plan Year, such Participant may defer up to 100 percent of the remaining portion of his Base Annual Salary for the current Plan Year. Such Participant must make his Deferral commitment by advising the Committee, in writing, at the time he elects to become a Participant in the Plan.

3.7 **Deferral Commitment Default** In the event a Participant defaults on his Base Annual Salary Deferral commitment, the Participant will not be allowed to make any further Deferrals during the current Plan Year and may not make any Deferrals for the subsequent Plan Year. In the event a Participant defaults on his Bonus Deferral commitment for a particular Plan Year, the Participant will not be able to defer any of his Bonus for that Plan Year or the subsequent Plan Year.

3.8 **Waiver of Deferral Commitment Default** The Committee may waive for good cause the default penalty specified in Article 3.7 upon the request of the Participant.

3.9 **Deferrals after December 31, 2004** Notwithstanding any provision herein to the contrary, no Deferrals or Company matching contributions will be accepted into this Plan after December 31, 2004, and no new Participants will be admitted hereunder after December 31, 2004. Excess Earnings shall continue to be credited under the Plan.

ARTICLE 4
INTEREST, CREDITING AND VESTING

4.1 **Interest Rate** A Participant's Account Balance at the start of a Plan Year and any Deferrals and Company contributions made during a Plan Year will earn, except as provided for in Article 4.2, interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's account for Deferrals and Company contributions made during the Plan Year, as if all Deferrals and contributions were made on the first day of the Plan Year.

4.2 **Adjustment to Interest Rate** If a Participant Terminates Employment prior to completing five Years of Service with the Company, interest credited for all Deferrals and vested Company contributions to a Participant's Account Balance will be adjusted based on the Moody's Rate during the period he participated in the Plan.

4.3 **Vesting of Company Contributions** Company contributions and interest earned on such contributions will vest to a Participant at the rate of 20 percent per Year of Service and will vest completely once a Participant has five Years of Service with the Company.

4.4 **Interest Earned after December 31, 2004** Interest earned on Deferrals made on or before December 31, 2004 will be credited to the Participant's Account Balance in accordance with this Article 4. Any such interest, exclusive of Excess Earnings, is intended to be regarded as attributable to amounts deferred under the Plan as of December 31, 2004.

ARTICLE 5
PLAN BENEFIT PAYMENTS

5.1 **Lump-Sum Payment** A Participant's Account Balance will be paid to the Participant in a lump-sum payment at the time of Benefit Distribution, unless the Participant qualifies to receive benefit payments over a specific benefit payment period.

5.2 **Interest prior to Benefit Distribution** A Participant's Account Balance will earn interest under the provisions of Article 4.1 or, if applicable, Article 4.2 until the time of Benefit Distribution.

5.3 **Benefit Payment Periods** If a Participant is entitled to receive Plan benefit payments over a specific benefit payment period, his Account Balance at the commencement of Benefit Distribution will be credited with an amount equal to the interest such balance would have earned assuming distribution in equal monthly installments over the specific benefit payment period, at a specified interest rate,

thereby creating a Benefit Account Balance. Such Benefit Account Balance shall exclude any amounts credited to a Participant's Excess Earnings Account. The Benefit Account Balance will then be paid to the Participant in equal monthly installments over the specific benefit payment period.

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

5.5 **Six Month Delay for Excess Earnings Account** In the case of a Retirement or Termination of Employment, Benefit Distributions from the Participant's Excess Earnings Account cannot commence until at least six months after the date of Participant's Retirement or Termination of Employment.

ARTICLE 6
RETIREMENT AND TERMINATION BENEFIT PAYMENTS

6.1 **Benefit Payment Periods; Elections** A Participant who Retires or Terminates Employment with more than five Years of Service qualifies to receive his Account Balance over a period of 120, 180 or 240 months. The Participant shall elect the payment period; provided that written notice of such election is filed with the Committee at least one year prior to his Retirement or Termination of Employment. If a Participant fails to make such election prior to the time specified, the payment period will be 240 months. A Participant will be deemed to have elected to receive his Excess Earnings Account balance upon his Retirement or Termination of Service on the same payment schedule that is applicable to his Account Balance; provided, however, that a Participant's Excess Earnings Account shall not commence to be distributed upon a Retirement or Termination of Service that is not also a "separation from service" within the meaning of Code Section 409A of the Treasury regulations.

6.2 **Changing Elections** A Participant who has made an election under this Article may subsequently revoke such election and make another election under this Article by providing written notice to the Committee; provided, however, that only the last such election or revocation in effect on the date which is one year prior to the date on which the Participant Retires or Terminates Employment shall be effective. Notwithstanding the foregoing, if a Participant Terminates Employment or Retires as a result of a Change in Control, the foregoing provisions of this Article 6 shall be applied by substituting "six months" for "one year." In the event of any such amended election, the Participant's election in effect at January 1, 2009 shall remain in effect without modification for the Excess Earnings Account.

6.3 **Interest on Benefit Payments** The interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant's Excess Earnings Account.

ARTICLE 7
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS

7.1 **Benefit Payments** Notwithstanding any elections made pursuant to Article 6, if a Participant dies while he is an employee of the Company, both his Account Balance and his Excess Earnings Account balance will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period.

7.2 **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3 following the Participant's death, will be 150 percent of the Moody's Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant's Excess Earnings Account.

ARTICLE 8
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS

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

ARTICLE 9
DISABILITY BENEFIT PAYMENTS

9.1 **Disability Determination** A Participant shall be considered disabled if he qualifies for a disability benefit under the Company's group long-term disability plan. In the event a Participant does not qualify for benefits under the group long-term disability plan, the Committee may determine that a Participant is disabled under the provisions of the Plan; provided, however, that no distribution of a Participant's Excess Earnings Account shall be triggered by a disability that is not also a "disability" within the meaning of Code Section 409A of the Treasury regulations.

9.2 **Vesting of Company Contributions** Notwithstanding the provisions of Article 4.3, Company contributions and interest earned on such contributions will be fully vested to the Participant at the time he is determined to be disabled under this Article.

9.3 **Benefit Payments During First Five Years of Service** If a Participant is disabled within the first five Years of Service with the Company, he will receive his Account Balance and Excess Earnings Account balance in a lump sum payment at Benefit Distribution.

9.4 **Benefit Payments After Five Years of Service** Notwithstanding any elections made pursuant to Article 6, if a Participant is disabled after five Years of Service with the Company, his Account Balance and Excess Earnings Account balance will be paid to him in equal monthly installments over the 180 month disability payment period.

9.5 **Interest on Benefit Payments** If a Participant qualifies to receive his Account Balance and Excess Earnings Account balance over the disability benefit payment period, the interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant's Excess Earnings Account.

ARTICLE 10
BENEFICIARIES

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

10.2 **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.

10.3 **Acknowledgment** The Committee shall acknowledge, in writing, receipt of each Beneficiary designation form.

10.4 **Discharge of Company Obligation** The Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.

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

10.6 **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.

10.7 **Payment to Beneficiary's Beneficiary** If a Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment period, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the Beneficiary's Beneficiary, if any, or to the applicable estate. The payment of the Participant's Excess Earnings Account balance shall continue to be paid through the end of the benefit payment period previously elected by the Participant or specified by the Plan. The present value of the remaining benefit payments will be calculated using the same methodology, including the same interest rate, as was used to calculate the Participant's annuity payment calculation, under Article 5.3.

ARTICLE 11
LEAVE OF ABSENCE

11.1 **Continuation of Deferral Commitment** If a Participant is authorized by the Company for any reason to take a paid leave of absence, the Participant's Deferral commitment shall remain in full force and effect.

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

ARTICLE 12
GENERAL

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

12.2 **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.

12.3 **Furnishing Information** The Participant or Beneficiary must cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balance. Such information may include the results of a physical examination if any is required for participation in the Plan.

12.4 **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 14.1) be unfunded for purposes of the Code and for the purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

12.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant or Beneficiary all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

ARTICLE 13
NO GUARANTEE OF CONTINUING EMPLOYMENT

13.1 **Future Employment** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

ARTICLE 14
TRUSTS

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

ARTICLE 15
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

15.1 **Plan Amendments** The Board of Directors may, at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balance under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective March 1, 1999, no amendment or modification of this Article 15, Article 17, or Article 18 of the Plan shall be effective except to the extent the Board of Directors deems necessary or appropriate to comply with applicable law.

15.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all accrued benefits have been paid in full under the provisions of the Plan to the Participants and Beneficiaries.

15.3 **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Committee not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination.

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

ARTICLE 16
RESTRICTIONS ON ALIENATION OF BENEFITS

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

ARTICLE 17
ADMINISTRATION OF THE PLAN

17.1 **Committee Duties** Except as otherwise provided in this Article 17, and subject to Article 18, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

17.2 **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 18. The Third Party Fiduciary may not be terminated by the Company without the consent of 50 percent of the Participants in the Plan.

17.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from to time to time consult with counsel to the Company.

17.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 17.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

17.5 **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.

17.6 **Employer Information.** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

17.7 **Manner and Timing of Benefit Payments** The Committee or the Third Party Fiduciary, as the case may be, may alter, at or after Benefit Distribution, the manner and time of payments to be made to a Participant or Beneficiary from that set forth herein, if requested to do so by such Participant or Beneficiary to meet existing financial hardships, which the Committee or the Third Party Fiduciary, as the case may be, determine are the same as or similar in nature to those identified in Section 1.401(k)-1(d)(2)(iv) of the Treasury regulations.

ARTICLE 18
CLAIMS PROCEDURE

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

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

(a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or

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

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

18.4 **Decision on Review** The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of

a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (a) the specific reason(s) for the decision; (b) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (c) such other matters as the Third Party Fiduciary deems relevant.

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

ARTICLE 19
MISCELLANEOUS

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

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

and

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

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

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

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

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

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

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective January 1, 2009.

SOUTHWEST GAS CORPORATION

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

Date January 26, 2009

Exhibit 10.11

MASTER PLAN DOCUMENT

SOUTHWEST GAS CORPORATION

DIRECTORS DEFERRAL PLAN

Effective March 15, 1986

Amended and Restated March 15, 1989

Amended and Restated October 29, 1992

Amended Effective March 1, 1996

Amended and Restated Effective March 1, 1999

Amended and Restated November 19, 2002

Amended and Restated Effective December 31, 2004

Amended and Restated Effective January 1, 2009

TABLE OF CONTENTS

Article	Subject	Page
1	Definitions	1
2	Eligibility	4
3	Deferral Commitment	4
4	Interest, Crediting and Vesting	5
5	Plan Benefit Payments	6
6	Retirement and Termination Benefit Payments	6
7	Pre-Retirement Survivor Benefit Payments	7
8	Post-Retirement Survivor Benefit Payments	7
9	Disability Benefit Payments	8
10	Beneficiaries	8
11	General	9
12	No Guarantee of Continuing Directorship	10
13	Trusts	10
14	Termination, Amendment or Modification of the Plan	11
15	Restrictions on Alienation of Benefits	11
16	Administration of the Plan	12
17	Claims Procedure	13
18	Miscellaneous	14

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION
DIRECTORS DEFERRAL PLAN

PURPOSE

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

No amendment to the Plan as in effect on October 3, 2004 that would constitute a “material modification” as defined within Internal Revenue Code (“IRC” or “Code”) 409A and related Treasury regulations shall be effective with respect to amounts that were deferred in taxable years beginning before January 1, 2005 (inclusive of any earnings on such deferred amounts). With the exception of earnings on Account Balances which may accrue on or after January 1, 2005 as provided in Article 4 below, and any Excess Earnings accruing on or after January 1, 2009, no further Deferrals or other contributions of any kind shall be accepted under this Plan after December 31, 2004.

ARTICLE 1
DEFINITIONS

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

1.1 **“Account Balance”** means a Participant’s individual fund comprised of Deferrals, rollovers contributions from the PriMerit Bank, Federal Savings Bank Directors deferral plan and interest earnings credited thereon up to the time of Benefit Distribution exclusive of Excess Earnings.

1.2 **“Beneficiary”** means the person, persons, entity or entities designated by the Participant to receive any benefits under the Plan upon the death of a Participant. A Participant may designate primary and contingent Beneficiaries.

1.3 **“Benefit Account Balance”** shall have the meaning set forth in Article 5.3.

1.4 **“Benefit Distribution”** means the date benefits under the Plan commence or are paid in full to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.

1.5 **“Board Fees”** means the compensation received by a Director for serving on the Board of Directors of Southwest Gas Corporation and the committees of the Board.

1.6 **“Board of Directors”** means the Board of Directors of the Company.

1.7 **“Change in Control”** means the first to occur of any of the following events:

(a) Any “person” (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 (“Exchange Act”)) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50 percent or more of the Company’s capital stock entitled to vote in the election of Directors; or

(b) During any period of not more than twelve months, including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the Board of Directors of the Company, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.7) whose election by the Board of Directors or nomination for election by the Company’s shareholders was approved by a vote of at least 75 percent of the Directors then still in office, who either were Directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

1.8 **“Committee”** means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.

1.9 **“Company”** means Southwest Gas Corporation and any Successor Corporation.

1.10 **“Deferral(s)”** means the amount of Board Fees transferred to the Plan accounts. No Deferrals will be accepted into this Plan after December 31, 2004.

1.11 **“Director”** means any person on the Board of Directors of Southwest Gas Corporation prior to a Change in Control.

1.12 **“Excess Earnings”** means any interest accruing on a Participant’s Account Balance on or after January 1, 2009 that would itself be considered to be a right to deferred compensation (within the meaning of Code Section 409A and related Treasury regulations) rather than a right to earnings on Deferrals of compensation. For purposes of clarification, Excess Earnings shall include any earnings in excess of 100 percent of the Moody’s Rate credited to Participant Accounts on or after

January 1, 2009. For purposes of Plan accounting, Excess Earnings shall be segregated from interest credited on Account Balances under Article 4 and credited to Participant Excess Earnings Accounts.

1.13 **“Excess Earnings Account”** means the separate account to which a Participant’s Excess Earnings are credited.

1.14 **“Master Plan Document”** means this legal instrument containing the provisions of the Plan.

1.15 **“Moody’s Rate”** means Moody’s Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody’s Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.

1.16 **“Moody’s Composite Rate”** means the average of the Moody’s Rate on January 1 for the five years prior to Benefit Distribution.

1.17 **“Participant”** means any Director who executes a Plan Agreement. No new Participants will be accepted into this Plan after December 31, 2004.

1.18 **“Plan”** means the Directors Deferral Plan of the Company evidenced by this Master Plan Document.

1.19 **“Plan Agreement”** means the form of written agreement which is entered into from time to time, by and between the Company and a Participant.

1.20 **“Plan Year”** means the year beginning on March 15 of each year.

1.21 **“Retire”** or **“Retirement”** means the cessation of service on the Board of Directors of the Company after attaining five Years of Service, other than by death, disability or Termination of Service.

1.22 **“Successor Corporation”** means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.

1.23 **“Subsidiaries”** means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.

1.24 **“Terminates Service”** or **“Termination of Service”** means the cessation of service on the Board of Directors of the Company, either voluntarily or involuntarily, excluding Retirement, disability or death.

1.25 **“Third Party Fiduciary”** means an independent third party selected by the Committee to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.

1.26 **“Third Party Fiduciary Services Agreement”** means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.

1.27 **“Trust Agreement”** means an agreement establishing a “grantor trust” of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the IRC.

1.28 **“Trust Fund or Funds”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.

1.29 **“Trustee”** means any person or entity selected by the Company to act as Trustee under any Trust Agreement at any time of reference.

1.30 **“Years of Service”** means the length of time, in discrete twelve month periods, a Participant has served on the Board of Directors of Southwest Gas Corporation.

ARTICLE 2
ELIGIBILITY

2.1 **Selection of Participants** A Director shall become eligible to participate in the Plan as of the effective date of his election as a Director.

2.2 **Participant Acceptance** Once eligible to participate in the Plan, a Director must complete, execute and return to the Committee a Plan Agreement to become a Participant in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee.

ARTICLE 3
DEFERRAL COMMITMENT

3.1 **Deferrals** A Participant may defer up to 100 percent of his Board Fees received during a Plan Year; provided that such Deferral exceeds $2,000 per Plan Year.

3.2 **Timing of Deferral Election** Prior to the commencement of each Plan Year, a Participant will advise the Committee, in writing, of his Deferral commitment for the upcoming Plan Year. If a Participant fails to so advise the Committee, through no fault of the Company, he will not be permitted to defer any of his Board Fees during the upcoming Plan Year.

3.3 **Exercise of Deferral Commitment** A Participant's Deferral commitment will be exercised on a per pay period basis.

3.4 **Deferral Elections by New Participants** In the event a Director becomes a Participant in the Plan during a Plan Year, such Participant may defer up to 100 percent of the remaining portion of his Board Fees for the Plan Year. Such Participant must make his Deferral commitment by advising the Committee, in writing, at the time he elects to become a Participant in the Plan.

3.5 **Deferral Commitment Default** In the event a Participant defaults on his Deferral commitment, the Participant will not be allowed to make any further Deferrals during the current Plan Year and may not make any Deferrals for the subsequent Plan Year.

3.6 **Waiver of Deferral Commitment Default** The Committee may waive for good cause the default penalty specified in Article 3.5 upon the request of the Participant.

3.7 **Rollovers** The Plan will accept rollover contributions for Participants from the PriMerit Bank, Federal Savings Bank Directors deferral plan.

3.8 **Deferrals After December 31, 2004** Notwithstanding any provision herein to the contrary, no Deferrals will be accepted into this Plan after December 31, 2004, and no new Participants will be admitted hereunder after December 31, 2004. Excess Earnings shall continue to be credited under the Plan.

ARTICLE 4
INTEREST, CREDITING AND VESTING

4.1 **Interest Rate** A Participant's Account Balance at the start of a Plan Year and any Deferrals made during a Plan Year and rollover contributions from the PriMerit Bank, Federal Savings Bank Directors deferral plan will earn interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's account for Deferrals made during the Plan Year, as if all Deferrals were made on the first day of the Plan Year. Interest will be credited to a Participant's account for rollover contributions from the date such contributions are accepted by the Plan.

4.2 **Interest Earned After December 31, 2004** Interest earned on Deferrals made on or before December 31, 2004 will be credited to the Participant's Account Balance

in accordance with this Article 4. Any such interest, exclusive of Excess Earnings, is intended to be regarded as attributable to amounts deferred under the Plan as of December 31, 2004.

ARTICLE 5
PLAN BENEFIT PAYMENTS

5.1 **Benefit Payments** A Participant's Account Balance and Excess Earnings Account balance will be paid to the Participant as provided for under the provisions of the Plan.

5.2 **Interest Prior to Benefit Distribution** A Participant's Account Balance will earn interest under the provisions of Article 4.1 until the time of Benefit Distribution.

5.3 **Benefit Payment Periods** If a Participant is entitled to receive Plan benefit payments over a specific benefit payment period, his Account Balance at the commencement of Benefit Distribution will be credited with an amount equal to the interest such balance would have earned assuming distribution in equal monthly installments over the specific benefit payment period, at a specified interest rate, thereby creating a Benefit Account Balance. Such Benefit Account Balance shall exclude any amounts credited to a Participant's Excess Earnings Account. The Benefit Account Balance will then be paid to the Participant in equal monthly installments over the specific benefit payment period.

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

ARTICLE 6
RETIREMENT AND TERMINATION BENEFIT PAYMENTS

6.1 **Benefit Payment Periods; Elections** A Participant who Retires or Terminates Service qualifies to receive his Account Balance over a period of 60, 120, 180 or 240 months. The Participant shall elect the payment period; provided that written notice of such election is filed with the Committee at least one year prior to his Retirement or Termination of Employment. If a Participant fails to make such election prior to the time specified, the payment period will be 240 months. A Participant will be deemed to have elected to receive his Excess Earnings Account balance upon his Retirement or Termination of Service on the same payment schedule that is applicable to his Account Balance; provided, however, that a Participant's Excess Earnings Account shall not commence to be distributed upon a Retirement or Termination of Service that is not also a "separation from service" within the meaning of Code Section 409A of the Treasury regulations.

6.2 **Changing Elections** A Participant who has made an election under this Article may subsequently revoke such election and make another election under this Article by providing written notice to the Committee; provided, however, that only the last such election or revocation in effect on the date which is one year prior to the date on which the Participant Retires or Terminates Service shall be effective. Notwithstanding the foregoing, if a Participant Retires or Terminates Service as a result of a Change in Control or within one year after March 1, 1999, the date of amendment and restatement of this Plan, the foregoing provisions of this Article 6 shall be applied by substituting “six months” for “one year.” In the event of any such amended election, the Participant’s election in effect at January 1, 2009 shall remain in effect without modification for the Excess Earnings Account.

6.3 **Interest on Benefit Payments** The interest rate used to calculate the amount that will be credited to a Participant’s Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody’s Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant’s Excess Earnings Account.

ARTICLE 7
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS

7.1 **Benefit Payments** Notwithstanding any elections made pursuant to Article 6, if a Participant dies while he is on the Board of Directors, both his Account Balance and his Excess Earnings Account balance will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period.

7.2 **Interest on Benefit Payments** The interest rate used to determine the amount that will be credited to a Participant’s Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3 following the Participant’s death, will be 150 percent of the Moody’s Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant’s Excess Earnings Account.

ARTICLE 8
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS

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

ARTICLE 9
DISABILITY BENEFIT PAYMENTS

9.1 **Disability Determination** The Committee will, in its sole discretion, determine whether a Participant is disabled under the provisions of the Plan; provided, however, that no distribution of a Participant's Excess Earnings Account shall be triggered by a disability that is not also a "disability" within the meaning of Code Section 409A of the Treasury regulations.

9.2 **Benefit Payments During First Five Years of Service** If a Participant is disabled within the first five Years of Service with the Company, he will receive his Account Balance and Excess Earnings Account balance in a lump sum payment at Benefit Distribution.

9.3 **Benefit Payments After Five Years of Service** Notwithstanding any elections made pursuant to Article 6, if a Participant is disabled after five Years of Service with the Company, his Account Balance and Excess Earnings Account balance will be paid to him in equal monthly installments over the 180-month disability benefit payment period.

9.4 **Interest on Benefit Payments** If a Participant qualifies to receive his Account Balance and Excess Earnings Account balance over the disability benefit payment period, the interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate. Any Excess Earnings attributable to such interest credit shall be segregated and allocated to the Participant's Excess Earnings Account.

ARTICLE 10
BENEFICIARIES

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

10.2 **Changing Beneficiary Designation** A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.

10.3 **Acknowledgement** The Committee shall acknowledge, in writing, receipt of each Beneficiary designation form.

10.4 **Discharge of Company Obligation** The Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.

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

10.6 **Effect of No Beneficiary Designation** If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.

10.7 **Payment to Beneficiary's Beneficiary** If a Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment period, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the Beneficiary's Beneficiary, if any, or to the applicable estate. The payment of the Participant's Excess Earnings Account balance shall continue to be paid through the end of the benefit payment period previously elected by the Participant or specified by the Plan. The present value of the remaining benefit payments will be calculated using the same methodology, including the same interest rate, as was used to calculate the Participant's annuity payment calculation, under Article 5.3.

ARTICLE 11
GENERAL

11.1 **Payment Obligation** Amounts payable to a Participant shall be paid exclusively from the general assets of the Company or from the assets of a grantor trust within

the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."

11.2 **Limitation on Payment Obligation** The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.

11.3 **Furnishing Information** The Participant shall cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balance. Such information may include the results of a physical examination if any is required for participation in the Plan.

11.4 **Unsecured General Creditor** Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 13.1) be unfunded for purposes of the Code.

11.5 **Withholding** There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

ARTICLE 12
NO GUARANTEE OF CONTINUING DIRECTORSHIP

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

ARTICLE 13
TRUSTS

13.1 **Trusts** The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust

Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Article 13.1 will cease upon the occurrence of a Change in Control.

ARTICLE 14
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

14.1 **Plan Amendment** The Board of Directors may at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment shall be effective to decrease or restrict (i) the amount of interest to be credited under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective March 1, 1999, no amendment or modification of this Article 14, Article 16, or Article 17 of the Plan shall be effective except to the extent the Board of Directors deems necessary or appropriate to comply with applicable law.

14.2 **Plan Termination** The Board of Directors shall not terminate the Plan until all accrued benefits have been paid in full under the provisions of the Plan to the Participants and Beneficiaries.

14.3 **Partial Plan Termination** The Board of Directors may partially terminate the Plan by instructing the Committee not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination.

ARTICLE 15
RESTRICTIONS ON ALIENATION OF BENEFITS

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

ARTICLE 16
ADMINISTRATION OF THE PLAN

16.1 **Committee Duties** Except as otherwise provided in this Article 16, and subject to Article 17, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

16.2 **Administration After a Change in Control** Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 17. The Third Party Fiduciary may not be terminated by the Company without the consent of 50 percent of the Participants in the Plan.

16.3 **Agents** In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from to time to time consult with counsel to the Company.

16.4 **Binding Effect of Decisions** The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 16.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

16.5 **Indemnity by Company** The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.

16.6 **Employer Information** To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

16.7 **Manner and Timing of Benefit Payments** The Committee or the Third Party Fiduciary, as the case may be, may alter, at or after Benefit Distribution, the manner and time of payments to be made to a Participant or Beneficiary from that set forth herein, if requested to do so by such Participant or Beneficiary to meet existing financial hardships, which the Committee or the Third Party Fiduciary, as the case may be, determine are the same as or similar in nature to those identified in Section 1.401(k)-1(d)(2)(iv) of the Treasury regulations.

ARTICLE 17
CLAIMS PROCEDURE

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

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

(a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary

for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 17.3.

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

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

17.5 **Legal Action** A Claimant's compliance with the foregoing provisions of this Article 17 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 18
MISCELLANEOUS

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

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

and

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

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

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

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

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

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

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document to be effective January 1, 2009.

SOUTHWEST GAS CORPORATION

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

Date January 26, 2009

Exhibit 12.01

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

	December 31,				
	2008	2007	2006	2005	2004
1. Fixed charges:					
A) Interest expense	$ 90,403	$ 94,035	$ 92,878	$ 87,687	$ 84,138
B) Amortization	2,880	2,783	3,467	3,700	3,059
C) Interest portion of rentals	7,802	7,952	6,412	6,333	6,779
Total fixed charges	$ 101,085	$ 104,770	$ 102,757	$ 97,720	$ 93,976
2. Earnings (as defined):					
D) Pretax income from continuing operations	$ 101,808	$ 131,024	$ 128,357	$ 68,435	$ 87,012
Fixed Charges (1. above)	101,085	104,770	102,757	97,720	93,976
Total earnings as defined	$ 202,893	$ 235,794	$ 231,114	$ 166,155	$ 180,988
	2.01	2.25	2.25	1.70	1.93

CONSOLIDATED SELECTED FINANCIAL STATISTICS

Year Ended December 31,	2008	2007	2006	2005	2004
(Thousands of dollars, except per share amounts)					
Operating revenues	$2,144,743	$2,152,088	$2,024,758	$1,714,283	$1,477,060
Operating expenses	1,936,881	1,929,788	1,811,608	1,563,635	1,307,293
Operating income	$ 207,862	$ 222,300	$ 213,150	$ 150,648	$ 169,767
Net income	$ 60,973	$ 83,246	$ 83,860	$ 43,823	$ 56,775
Total assets at year end	$3,820,384	$3,670,188	$3,484,965	$3,228,426	$2,938,116
Capitalization at year end					
Common equity	$1,037,841	$ 983,673	$ 901,425	$ 751,135	$ 705,676
Subordinated debentures	100,000	100,000	100,000	100,000	100,000
Long-term debt	1,185,474	1,266,067	1,286,354	1,224,898	1,162,936
	$2,323,315	$2,349,740	$2,287,779	$2,076,033	$1,968,612
Common stock data					
Common equity percentage of capitalization	44.7%	41.9%	39.4%	36.2%	35.8%
Return on average common equity	6.0%	8.8%	10.3%	5.9%	8.5%
Basic earnings per share	$ 1.40	$ 1.97	$ 2.07	$ 1.15	$ 1.61
Diluted earnings per share	$ 1.39	$ 1.95	$ 2.05	$ 1.14	$ 1.60
Dividends declared per share	$ 0.90	$ 0.86	$ 0.82	$ 0.82	$ 0.82
Payout ratio	64%	44%	40%	71%	51%
Book value per share at year end	$ 23.48	$ 22.98	$ 21.58	$ 19.10	$ 19.18
Market value per share at year end	$ 25.22	$ 29.77	$ 38.37	$ 26.40	$ 25.40
Market value per share to book value per share	107%	130%	178%	138%	132%
Common shares outstanding at year end (000)	44,192	42,806	41,770	39,328	36,794
Number of common shareholders at year end	22,244	22,664	23,610	23,571	23,743
Ratio of earnings to fixed charges	2.01	2.25	2.25	1.70	1.93

NATURAL GAS OPERATIONS

Year Ended December 31,	2008	2007	2006	2005	2004
(Thousands of dollars)					
Sales	$1,728,924	$1,754,913	$1,671,093	$1,401,329	$1,211,019
Transportation	62,471	59,853	56,301	53,928	51,033
Operating revenue	1,791,395	1,814,766	1,727,394	1,455,257	1,262,052
Net cost of gas sold	1,055,977	1,086,194	1,033,988	828,131	645,766
Operating margin	735,418	728,572	693,406	627,126	616,286
Expenses					
Operations and maintenance	338,660	331,208	320,803	314,437	290,800
Depreciation and amortization	166,337	157,090	146,654	137,981	130,515
Taxes other than income taxes	36,780	37,553	34,994	39,040	37,669
Operating income	$ 193,641	$ 202,721	$ 190,955	$ 135,668	$ 157,302
Contribution to consolidated net income	$ 53,747	$ 72,494	$ 71,473	$ 33,670	$ 48,354
Total assets at year end	$3,680,327	$3,518,304	$3,352,074	$3,103,804	$2,843,199
Net gas plant at year end	$2,983,307	$2,845,300	$2,668,104	$2,489,147	$2,335,992
Construction expenditures and property additions	$ 279,254	$ 312,412	$ 305,914	$ 258,547	$ 274,748
Cash flow, net					
From operating activities	$ 261,322	$ 320,594	$ 253,245	$ 214,036	$ 124,135
From (used in) investing activities	(237,093)	(306,396)	(277,980)	(254,120)	(272,458)
From (used in) financing activities	(34,704)	(5,347)	15,989	57,763	143,086
Net change in cash	$ (10,475)	$ 8,851	$ (8,746)	$ 17,679	$ (5,237)
Total throughput (thousands of therms)					
Residential	704,986	698,063	677,605	650,465	667,174
Small commercial	314,555	310,666	309,856	300,072	303,844
Large commercial	125,121	127,561	128,255	111,839	104,899
Industrial/Other	97,702	103,525	149,243	156,542	163,856
Transportation	1,164,190	1,128,422	1,175,238	1,273,964	1,258,265
Total throughput	2,406,554	2,368,237	2,440,197	2,492,882	2,498,038
Weighted average cost of gas purchased ($/therm)	$ 0.84	$ 0.81	$ 0.79	$ 0.71	$ 0.57
Customers at year end	1,819,000	1,813,000	1,784,000	1,713,000	1,613,000
Employees at year end	2,447	2,538	2,525	2,590	2,548
Customer to employee ratio	743	714	706	661	633
Degree days—actual	1,902	1,850	1,826	1,735	1,953
Degree days—ten-year average	1,893	1,936	1,961	1,956	1,913

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

About Southwest Gas Corporation

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

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

As of December 31, 2008, Southwest had 1,819,000 residential, commercial, industrial, and other natural gas customers, of which 982,000 customers were located in Arizona, 658,000 in Nevada, and 179,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During 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 principal factors affecting operating margin are general rate relief, weather, conservation and efficiencies, and customer growth. Of these, weather is the primary reason for volatility in margin. Variances in temperatures from normal levels, especially in Arizona where rates remain leveraged, have a significant impact on the margin and associated net income of the Company.

NPL Construction Co. (“NPL” or the “construction services” segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL operates in 20 major markets nationwide. Construction activity is cyclical and can be significantly impacted by changes in general and local economic conditions, including the housing market, interest rates, employment levels, job growth, the equipment resale market, and local and federal tax rates.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company’s operations and are covered in greater detail in later sections of management’s discussion and analysis. The natural gas operations segment accounted for an average of 87 percent of consolidated net income over the past three years. As such, management’s discussion and analysis is primarily focused on that segment.

Summary Operating Results

Year ended December 31,	2008	2007	2006
(In thousands, except per share amounts)			
Contribution to net income			
Natural gas operations	$ 53,747	$ 72,494	$ 71,473
Construction services	7,226	10,752	12,387
Consolidated	$ 60,973	$ 83,246	$ 83,860
Average number of common shares outstanding	43,476	42,336	40,566
Basic earnings per share			
Consolidated	$ 1.40	$ 1.97	$ 2.07
Natural Gas Operations			
Operating margin	$735,418	$728,572	$693,406

2008 Overview

Consolidated results for 2008 decreased compared to 2007, due to declines in both the gas and construction services segments. Basic earnings per share were $1.40 in 2008 compared to basic earnings per share of $1.97 in 2007.

Gas operations highlights include the following:

- Operating margin increased $6.8 million, or 1 percent, from the prior year
- Net financing costs decreased $3.3 million between 2008 and 2007
- Other income declined $18 million between periods primarily due to a $13.2 million reduction in returns on long-term investments (COLI)
- Southwest's project to expand its use of electronic meter reading technology was completed
- Annualized Arizona rate relief of $33.5 million was approved effective December 2008
- Settlement was reached in California rate cases
- Southwest took advantage of the current credit market and repurchased $75 million of IDRBs at a net deferred gain of $14 million
- Southwest's liquidity position remains strong

Construction services highlights include the following:

- Revenues in 2008 increased $16 million in comparison to 2007
- Contribution to consolidated net income declined $3.5 million compared to 2007 primarily due to the slowdown in the new housing market which impacted profit margins

Reduction in Customer Growth. During the twelve months ended December 31, 2008, Southwest completed 33,000 first-time meter sets. These meter sets led to 6,000 net additional active meters during the same time frame (2,000 in Arizona, 3,000 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, continuing a trend first experienced during 2007. Southwest is projecting continued sluggish net growth (1% or less) for 2009 as high foreclosure rates and difficult economic conditions persist throughout its service territories. 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 a turn around, it is likely to occur over an extended (multi-year) time horizon.

Company-Owned Life Insurance ("COLI"). Southwest has life insurance policies on members of management and other key employees to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. The COLI policies have a combined net death benefit value of approximately $137 million at December 31, 2008. The net cash surrender value of these policies (which is the cash amount that would be received if Southwest voluntarily terminated the policies) is approximately $47 million at December 31, 2008 and is included in the caption "Other property and investments" on the balance sheet. Cash surrender values are directly influenced by the investment portfolio underlying the insurance policies. This portfolio includes both equity and fixed income (mutual fund) investments. As a result, generally the cash surrender value (but not the net death benefit) moves up and down consistent with the movements in the broader stock and bond markets. During 2008, Southwest recognized in Other income (deductions) a net decline in the cash surrender values of its company-owned life insurance policies of $12 million (compared to positive returns of $1.2 million in 2007). Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, the changes in the cash surrender value components of COLI policies as they progress towards the ultimate death benefits are also recorded without tax consequences. Currently, the Company intends to hold the COLI policies for their duration and purchase additional policies as necessary.

Liquidity. During 2008, significant attention was paid to companies' liquidity and credit risks. These risks will likely continue given the current troubled economic environment. The Company has experienced no significant impacts to its liquidity position from the current credit crisis. In September 2008, the Company issued $50 million in Clark County, Nevada variable-rate 2008 Series A Industrial Development Revenue Bonds ("IDRBs"), due 2038. The 2008 Series A IDRBs are supported by a letter of credit with JPMorgan Chase Bank. The proceeds from the 2008 Series A IDRBs were used by the Company to redeem its $50 million 2003 Series B variable-rate IDRBs which were insured by Ambac Assurance Corporation. Earlier in 2008, several weekly repricing auctions for the 2003 Series B IDRBs failed.

Southwest's liquidity position has remained strong throughout the year for several reasons. First, Southwest has a $300 million credit facility maturing in May 2012, $150 million of which is designated for working capital needs. The facility is composed of eight major banking institutions. Historically, usage of the facility has been low and concentrated in the first half of the winter heating period when gas purchases require temporary financing. Second, falling natural gas prices and beneficial rate mechanisms have resulted in strong purchased gas

adjustment ("PGA") cash flows over the last two years. Third, Southwest has no significant debt maturities prior to February 2011. Because of Southwest's strong liquidity position, in December 2008, Southwest was able to take advantage of the current credit market by repurchasing $75 million of IDRBs at a net deferred gain of $14 million.

Meter Reading Project. In 2006, Southwest initiated a project to expand its use of electronic meter reading technology. 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 December 31, 2008, the electronic meter reading project was complete.

Results of Natural Gas Operations

Year Ended December 31,	2008	2007	2006
(Thousands of dollars)			
Gas operating revenues	$1,791,395	$1,814,766	$1,727,394
Net cost of gas sold	1,055,977	1,086,194	1,033,988
Operating margin	735,418	728,572	693,406
Operations and maintenance expense	338,660	331,208	320,803
Depreciation and amortization	166,337	157,090	146,654
Taxes other than income taxes	36,780	37,553	34,994
Operating income	193,641	202,721	190,955
Other income (expense)	(13,469)	4,850	10,049
Net interest deductions	83,096	86,436	85,567
Net interest deductions on subordinated debentures	7,729	7,727	7,724
Income before income taxes	89,347	113,408	107,713
Income tax expense	35,600	40,914	36,240
Contribution to consolidated net income	$ 53,747	$ 72,494	$ 71,473

2008 vs. 2007

Contribution to consolidated net income from natural gas operations decreased $18.7 million in 2008 compared to 2007. The decline in contribution was primarily caused by lower other income and higher operating expenses partially offset by margin increases and reduced financing costs.

Operating margin increased $7 million, or one percent, between 2008 and 2007. Customer growth accounted for $6 million of the increase and rate relief contributed $4 million. Differences in heating demand caused primarily by weather variations between periods resulted in a $1 million operating margin increase as warmer-than-normal temperatures were experienced during both periods (during 2008, operating margin was negatively impacted by $11 million, while the negative impact in 2007 was $12 million). In both years Southwest experienced extreme warm weather during the fourth quarter which more than offset colder than normal temperatures earlier in the year. Conservation, energy efficiency, and the impact of challenging economic conditions on consumption resulted in a $4 million decline.

Operations and maintenance expense increased $7.5 million, or two percent, principally due to the impact of general cost increases. Labor efficiencies, primarily from the conversion to electronic meter reading and other cost containment efforts, mitigated the increase in operations and maintenance expense.

Depreciation expense increased $9.2 million, or six percent, as a result of additional plant in service. Average gas plant in service for 2008 increased $244 million, or six percent, compared to 2007. This was attributable to the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Other income decreased $18.3 million between 2008 and 2007. This was primarily due to negative returns on long-term investments (COLI) in 2008 ($12 million) compared to positive returns in 2007 ($1.2 million) and a reduction in interest income between years ($2.3 million) primarily due to the full recovery of previously deferred purchased gas cost receivables.

Net financing costs decreased $3.3 million between 2008 and 2007 primarily due to lower average debt outstanding and reduced interest rates associated with Southwest's commercial credit facility.

2007 vs. 2006

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

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

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

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

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

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

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

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

Rates and Regulatory Proceedings

General Rate Relief and Rate Design

Rates charged to customers vary according to customer class and rate jurisdiction and are set by the individual state and federal regulatory commissions that govern Southwest's service territories. Southwest makes periodic filings for rate adjustments as the costs of providing service (including the cost of natural gas purchased) change and as additional investments in new or replacement pipeline and related facilities are made. Rates are intended to provide for recovery of all prudently incurred costs and provide a reasonable return on investment. The mix of fixed and variable components in rates assigned to various customer classes (rate design) can significantly impact the operating margin actually realized by Southwest. Management continues to work with its regulatory commissions in designing rate structures that strive to provide affordable and reliable service to its customers while mitigating the volatility in prices to customers and stabilizing returns to investors. Such a rate structure is in place in California and progress has been made in Nevada, as decoupling legislation and related changes to existing regulations were approved during 2008 which will provide an opportunity for Southwest to file for a decoupling mechanism in the next Nevada general rate case. Southwest continues to pursue rate design changes in Arizona.

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 was due to increases in Southwest's operating costs, investments in infrastructure to serve new customers, and the increased costs of capital to fund those investments. The Company requested a return on rate base of 9.45% and a return on equity of 11.25%.

In addition, declining average residential usage has hindered the Company's ability to earn the returns previously authorized by the ACC. A rate structure that would encourage energy efficiency and also shield the Company and its customers from weather-related volatility was also proposed. A revenue decoupling mechanism that would separate the recovery of fixed costs from volumetric usage and a weather normalization mechanism that would protect customers from higher bills in extreme cold weather and protect the Company from cost under-recoveries in unseasonably warmer weather were both included in the rate design proposal. The Company also requested an increase of $3.10 in the monthly residential basic service charge. Southwest requested the new rates become effective October 2008. Hearings were held in June 2008.

The ACC issued its Order in this filing, and rates were made effective, in December 2008. The Order provided for a revenue increase of $33.5 million based on an overall rate of return of 8.86% and a 10% return on equity. Rate design changes will allow approximately 46 percent of the revenue increase to be recovered in fixed charges and the remainder from the volumetric margin component of rates. While the ACC did not adopt the decoupling mechanisms, they did acknowledge that Southwest raised valid potential customer benefits and savings associated with these rate design proposals. A recommendation was approved that Southwest provide an empirical study to allow the ACC to consider future proposals. A six-year historical study showing the results of decoupling on customer margin will be submitted in April 2009. The ACC also initiated a separate proceeding in the second half of 2008 which will study the potential benefits of decoupling on conservation.

California General Rate Cases. Southwest filed a general rate application with the California Public Utilities Commission ("CPUC") in December 2007 requesting an increase in authorized operating revenues of $9.1 million in the Company's southern California, northern California and South Lake Tahoe rate jurisdictions with a proposed effective date of January 2009. The request was due to increases in Southwest's operating costs, investments in new infrastructure to serve customers, and the increased costs of capital to fund those investments. As part of the filing, Southwest also requested 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 proposed a Post Test Year ("PTY") ratemaking mechanism for the period 2010 through 2013. The PTY mechanism is designed to recognize the effects of inflation and capital expenditures between general rate cases.

An all-party settlement was approved by the CPUC in November 2008 with rates effective January 2009. In addition, attrition increases were approved to be effective for the years 2010-2013 of 2.95% in southern and northern California and $100,000 per year for the South Lake Tahoe rate jurisdiction. The decision authorized an increase of $2.4 million in southern California, a decrease of $1 million in northern California, and a $1.8 million increase for South Lake Tahoe, with 75 percent of the increase, or $1.4 million implemented in 2009 and the remaining $400,000 deferred to 2010. The settlement provided for a 10.5% return on equity. The return to a seasonal margin methodology will result in significant quarterly swings in reported margin, with an overall state-wide increase of $12.8 million in the first quarter, a decrease of $2 million in the second quarter, a decrease of $9 million in the third quarter, and a $1 million increase for the fourth quarter. The CPUC also authorized lower depreciation rates which will reduce annualized depreciation expense by $3 million.

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

Nevada General Rate Case. Southwest filed a Notice of Filing in February 2009 and is currently preparing to file a general rate case in the second quarter of 2009 using a test year ended November 2008. The current regulations allow for a period of both certification adjustments (post test period) and pro-forma adjustments up to 210 days subsequent to the original general rate case filing date, which will assist in reducing the regulatory lag effect experienced in the past. Southwest intends to request a decoupling mechanism in conjunction with this filing based on recently established Public Utilities Commission of Nevada ("PUCN") rules. Management has not yet determined the amount of rate relief to be requested.

FERC General Rate Case. Paiute Pipeline Company, a subsidiary of the Company, filed a general rate case with the Federal Energy Regulatory Commission ("FERC") in February 2009. The filing fulfills an obligation from the settlement agreement reached in the 2005 Paiute general rate case. The application requests an increase in operating revenues of approximately $4 million. New rates are anticipated to go into effect subject to refund within 180 days of filing.

PGA Filings

The rate schedules in all of Southwest's service territories contain provisions that permit adjustments to rates as the cost of purchased gas changes. These deferred energy provisions and purchased gas adjustment clauses are collectively referred to as "PGA" clauses. Differences between gas costs recovered from customers and amounts paid for gas by Southwest result in over- and under-collections. At December 31, 2008, over-collections in all three states resulted in a liability of $33.1 million on the Company's balance sheet. Filings to change rates in accordance with PGA clauses are subject to audit by state regulatory commission staffs. PGA changes impact cash flows but have no direct impact on profit margin. However, gas cost deferrals and recoveries can impact comparisons between periods of individual income statement components. These include Gas operating revenues, Net cost of gas sold, Net interest deductions, and Other income (deductions). In addition, since Southwest is permitted to accrue interest on PGA balances, the cost of incremental PGA-related short-term borrowings will be largely offset and there should be no material negative impact to earnings.

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

	2008	2007
Arizona	$ (9.6)	$ 33.9
Northern Nevada	(1.5)	(9.2)
Southern Nevada	(19.9)	(36.7)
California	(2.1)	(0.1)
	$(33.1)	$(12.1)

Arizona PGA Filings. In Arizona, Southwest adjusts rates monthly for changes in purchased gas costs, within pre-established limits measured on a twelve-month rolling average. A temporary surcharge was in place from February 2006 through May 2008 to help accelerate the recovery of the previously under-collected balance. A prudence review of gas costs is conducted in conjunction with general rate cases.

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

Nevada Gas Cost Filings. In Nevada, quarterly gas cost changes, that are based on a twelve-month rolling average, are utilized. Annual deferred energy account adjustments are subject to a prudence review and audit of the natural gas costs incurred.

Gas Price Volatility Mitigation

Over the past five years the weighted-average delivered cost of natural gas has ranged from a low of $5.70 per dekatherm in 2004 to a high of $8.40 per dekatherm in 2008. Price volatility is expected to continue throughout 2009. Regulators in Southwest's service territories have encouraged Southwest to take proactive steps to mitigate price volatility to its customers. To accomplish this, Southwest periodically enters into fixed-price term contracts and fixed-for-floating swap contracts ("Swaps") for about half of its annual normal weather supply needs under its volatility mitigation programs. For the 2008/2009 heating season, fixed-price contracts range in price from approximately $6 to $13 per dekatherm. The notional amounts under the Swaps are approximately 6.5 million dekatherms at December 31, 2008. Natural gas purchases not covered by fixed-price contracts are made under variable-price contracts with firm quantities, and on the spot market. Prices for these contracts are not known until the month of purchase.

Capital Resources and Liquidity

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

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

Cash Flows

Operating Cash Flows. Cash flows provided by consolidated operating activities decreased $51 million in 2008 as compared to 2007. The primary driver of the change was the significant collection of previously deferred purchased gas costs in 2007 (as the deferred PGA balance went from an under-collection of $77 million at December 31, 2006 to a net over-collection of $12 million at December 31, 2007). Operating cash flows were also impacted by a decrease in net income between years, partially offset by higher depreciation and amortization.

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. Southwest estimates the bonus depreciation deduction deferred the payment of approximately $23 million of federal income taxes during 2008 to future periods.

Investing Cash Flows. Cash used in consolidated investing activities decreased $79 million in 2008 as compared to 2007 primarily due to reductions in construction expenditures and equipment purchases, a result of the new housing market slowdown. Net collections of customer advances decreased approximately $20 million between 2008 and 2007, another consequence of the construction slowdown.

Financing Cash Flows. Cash used in consolidated financing activities increased $46 million during 2008 as compared to 2007. The Company permanently retired approximately $100 million in long-term utility debt. An additional $50 million of IDRBs were also redeemed (and replaced with a new $50 million issuance of IDRBs, see Note 6). Included in long-term debt issuances for 2008 are approximately $49 million borrowed under NPL's line of credit. An identical amount is included in retirement of long-term debt. Dividends paid increased in 2008 as compared to 2007 as a result of a February 2008 Board of Directors' decision to increase the quarterly dividend to 22.5 cents per share, effective with the June 2008 payment and due to an increase in the number of shares outstanding.

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

2008 Construction Expenditures

Southwest continues to experience customer growth, albeit at a much slower pace than in the recent past. During the three-year period ended December 31, 2008, total gas plant increased from $3.5 billion to $4.3 billion, or at an annual rate of seven percent. Customer growth was the primary reason for the plant increase as the Company set 178,000 meters resulting in 106,000 net new customers during the three-year period.

During 2008, construction expenditures for the natural gas operations segment were $279 million. Approximately 64 percent of these expenditures represented new construction and the balance represented costs associated with routine replacement of existing transmission, distribution, and general plant. Cash flows from operating activities of Southwest were $261 million and provided approximately 82 percent of construction expenditures and dividend requirements. Other necessary funding was provided by external financing activities, existing credit facilities, and refundable construction advances.

2008 Financing Activity

In September 2008, the Company issued $50 million in Clark County, Nevada variable-rate 2008 Series A IDRBs, due 2038, supported by a letter of credit with JPMorgan Chase Bank. The proceeds from the 2008 Series A IDRBs were used by the Company to redeem its $50 million 2003 Series B variable-rate IDRBs. From 2003 through September 2008, the Company had utilized an insurance policy from Ambac Assurance Corporation ("Ambac") to support its $50 million 2003 Series B variable-rate IDRBs. The 2003 Series B were designed to be repriced weekly in an auction market. Since mid-February 2008, the 2003 Series B weekly auctions had failed amid the uncertainty surrounding bond insurers. 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 from a AAA rating to a AA rating. As a result of the failed auctions and the ratings downgrade, the Company had been required to price the 2003 Series B at a predetermined maximum auction-rate (200 percent of the one-month LIBOR rate at the time of redemption).

In December 2008, the Company announced a tender offer to purchase for cash up to $75 million of the Clark County, Nevada 4.75% 2006 Series A, 5.00% 2004 Series B, and 5.25% 2003 Series D IDRBs. In accordance with the tender offer, the Company purchased $31.2 million of the 4.75% 2006 Series A IDRBs, $43.8 million of the 5.00% 2004 Series B IDRBs, and none of the 5.25% 2003 Series D IDRBs as the $75 million limit set forth in the tender offer had been met. The net gain on the bonds tendered (approximately $14 million after expenses and proportionate elimination of previously deferred issuance costs) was deferred and recorded as a regulatory liability and will be accreted to income over the remaining lives of the IDRBs partially tendered.

During 2008, the Company issued shares of common stock through the Dividend Reinvestment and Stock Purchase Plan ("DRSPP), Employee Investment Plan, and Stock Incentive Plan, raising approximately $35 million. No shares were issued through the Equity Shelf Program ("ESP") in 2008 and the Company does not anticipate issuing additional shares under this plan (the $16.7 million of remaining capacity under the ESP is expected to expire unused in March 2009). The DRSPP and Employee Investment Plan are expected to be a source of capital in the future, albeit at lower levels.

Additionally in 2008, Southwest partially offset capital outlays by collecting approximately $22 million in net advances and contributions from third-party contractors. At December 31, 2008, the balance of refundable construction advances was approximately $90 million.

2009 Construction Expenditures and Financing

Southwest estimates natural gas segment construction expenditures during the three-year period ending December 31, 2011 will be approximately $720 million. Of this amount, approximately $260 million are expected to be incurred in 2009. During the three-year period, cash flows from operating activities of Southwest are estimated to fund over 85 percent of the gas operations total construction expenditures and dividend requirements. Southwest also has $200 million in long-term debt due in 2011. During the three-year period, the Company expects to raise $40 million to $50 million from its various common stock programs. Any cash requirements not met by operating activities are expected to be provided by existing credit facilities and/or other external financing sources. The timing, types, and amounts of these additional external financings will be dependent on a number of factors, including conditions in the capital markets, timing and amounts of rate relief, growth levels in Southwest service areas, and earnings. These external financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing.

Liquidity

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

On an interim basis, Southwest generally defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At December 31, 2006, the combined balance in PGA accounts totaled an under-collection of $77 million. During 2007, collections and changes in the prices paid for natural gas resulted in the PGA having a net over-collected balance of $12 million at December 31, 2007. At December 31, 2008, the combined balance in the PGA accounts totaled an over-collection of $33 million. See **PGA Filings** for more information on recent regulatory filings.

In the current challenging capital market environment, the Company has not to date had significant impacts on its financing activities. Limited availability of commercial paper and temporarily higher interest rates on the 2003 Series B $50 million IDRBs (due to the credit rating downgrade of the insurer) are the most significant impacts the Company has experienced. The Company has a $300 million credit facility that expires in May 2012. Southwest has designated $150 million of the $300 million facility as long-term debt and the remaining $150 million for working capital purposes. At December 31, 2008, $150 million was outstanding on the long-term portion and $55 million was outstanding on the short-term portion of the credit facility. The credit facility can be used as necessary to meet liquidity requirements, including temporarily financing under-collected PGA balances. This credit facility has been, and is expected to continue to be, adequate for Southwest's working capital needs outside of funds raised through operations and other types of external financing. Management believes the Company currently has a solid liquidity position.

Credit Ratings

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

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

The Company's unsecured long-term debt rating from Fitch, Inc. ("Fitch") is BBB. Fitch has assigned a stable outlook to the rating. Fitch debt ratings range from AAA (highest credit quality) to D (defaulted debt obligation). The Fitch rating of BBB indicates a credit quality that is considered prudent for investment.

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

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

No debt instruments have credit triggers or other clauses that result in default if Company bond ratings are lowered by rating agencies. Certain Company debt instruments contain securities ratings covenants that, if set in motion, would increase financing costs. Certain debt instruments also have leverage ratio caps and minimum net worth requirements. At December 31, 2008, the Company is in compliance with all of its covenants. Under the most restrictive of the covenants, the Company could issue over $1.4 billion in additional debt and meet the leverage ratio requirement and has an approximate $600 million cushion in equity relating to the minimum net worth requirement.

Inflation

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

Off-Balance Sheet Arrangements

All Company debt is recorded on its balance sheets. The Company has long-term operating leases, which are described in **Note 2—Utility Plant** of the Notes to Consolidated Financial Statements, and included in the Contractual Obligations Table below.

Contractual Obligations

The Company has various contractual obligations such as long-term purchase contracts, significant non-cancelable operating leases, gas purchase obligations, and long-term debt agreements. The Company has classified these contractual obligations as either operating activities or financing activities, which mirrors their presentation in the Consolidated Statement of Cash Flows. No contractual obligations for investing activities exist at this time. The table below summarizes the Company's contractual obligations at December 31, 2008 (millions of dollars):

	Payments due by period				
Contractual Obligations	Total	2009	2010-2011	2012-2013	Thereafter
Operating activities:					
Operating leases (Note 2)	$ 26	$ 6	$ 7	$ 5	$ 8
Gas purchase obligations	562	442	120	—	—
Pipeline capacity	949	186	338	68	357
Derivatives—Swaps (Note 12)	14	14	—	—	—
Other commitments	17	11	5	1	—
Financing activities:					
Subordinated debentures to Southwest Gas Capital II (Note 5)	103	—	—	—	103
Interest on subordinated debentures to Southwest Gas Capital II (Note 5)	268	8	15	15	230
Long-term debt (Note 6)	1,193	8	210	351	624
Interest on long-term debt	804	65	112	64	563
Other	16	—	—	—	16
Total	$ 3,952	$ 740	$ 807	$ 504	$ 1,901

Obligations for Operating Activities: The table provides a summary of the Company's obligations associated with operating activities. Operating leases represent multi-year obligations for office rent and certain equipment. Gas purchase obligations include fixed-price and variable-rate gas purchase contracts covering approximately 111 million dekatherms. Fixed-price contracts range in price from approximately $6 to $13 per dekatherm. Variable-price contracts reflect minimum contractual obligations.

Southwest has pipeline capacity contracts for firm transportation service, both on a short- and long-term basis, with several companies for all of its service territories, some with terms extending to 2044. Southwest also has interruptible contracts in place that allow additional capacity to be acquired should an unforeseen need arise. Costs associated with these pipeline capacity contracts are a component of the cost of gas sold and are recovered from customers primarily through the PGA mechanism.

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

Other: Estimated funding for pension and other postretirement benefits during calendar year 2009 is $23 million. The Company has an insignificant amount of liabilities in connection with the application of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes."

Results of Construction Services

Year Ended December 31, (Thousands of dollars)	2008	2007	2006
Construction revenues	$353,348	$337,322	$297,364
Operating expenses:			
Construction expenses	311,745	292,319	252,859
Depreciation and amortization	27,382	25,424	22,310
Operating income	14,221	19,579	22,195
Other income (expense)	63	73	135
Net interest deductions	1,823	2,036	1,686
Income before income taxes	12,461	17,616	20,644
Income tax expense	5,235	6,864	8,257
Contribution to consolidated net income	$ 7,226	$ 10,752	$ 12,387

2008 vs. 2007

The 2008 contribution to consolidated net income from construction services decreased $3.5 million from 2007. The decrease reflects unfavorable weather conditions during the first quarter of 2008 and a reduction in the volume of higher profit new construction work resulting from the general slowdown in the new housing market. Increased costs for fuel and fuel-related products and services also contributed to the decrease.

Revenues increased $16 million due primarily to additional work under two existing blanket contracts and new bid work. The construction revenues above include NPL contracts with Southwest totaling $63.1 million in 2008 and $71.4 million in 2007. NPL accounts for the services provided to Southwest at contractual (market) prices.

Construction expenses rose $19.4 million due primarily to increased costs for labor, direct materials, subcontractors and fuel. Interest expense decreased $213,000 due to a reduction in long-term borrowing.

Construction activity is cyclical and can be significantly impacted by changes in general and local economic conditions, including interest rates, employment levels, job growth, and local and federal tax rates. The continued slowdown in construction activities observed in regional and national markets during 2008 is expected to negatively impact the amount of work received under existing blanket contracts, the amount of bid work, and the equipment resale market in 2009.

2007 vs. 2006

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

Revenues increased $40 million due primarily to several new contracts and an improvement in the amount and profitability of new bid work. The construction revenues above include NPL contracts with Southwest totaling $71.4 million in 2007 and $80.6 million in 2006. NPL accounts for the services provided to Southwest at contractual (market) prices.

Construction expenses increased $39.5 million due primarily to incremental costs associated with revenue growth including labor and other administrative expenses. Interest expense increased $350,000 due to additional long-term borrowings for purchases of new equipment.

Recently Issued Accounting Pronouncements

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

Title		Month of Issue	Effective Date
SFAS No. 141(R),	"Business Combinations."	December 2007	January 1, 2009
SFAS No. 160,	"Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51."	December 2007	January 1, 2009
SFAS No. 161,	"Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133."	March 2008	January 1, 2009
FSP SFAS 132(R)-1	"Employers' Disclosures about Postretirement Benefit Plan Assets."	December 2008	December 31, 2009

Application of Critical Accounting Policies

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

Regulatory Accounting

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

Accrued Utility Revenues

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

Accounting for Income Taxes

The income tax calculations of the Company require estimates due to known future tax rate changes, book to tax differences, and uncertainty with respect to regulatory treatment of certain property items. The Company uses the asset and liability method of accounting for income

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

Accounting for Pensions and Other Postretirement Benefits

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

At December 31, 2008, the Company raised the discount rate to 6.75% from 6.50% at December 31, 2007. The weighted-average rate of compensation increase was lowered to 3.75% from 4.00%. The asset return assumption remains at 8.00%. The impact of the discount rate and salary change assumption on the funded status of the pension plan at year end and the expense level for 2009 are not significant. However, asset returns during 2008 were substantially below assumed returns. As a result, pension expense for 2009 is estimated to increase by $2 million. Absent future asset returns in excess of the assumed rate or pension contributions to make up for return shortfalls, additional increases to expense beyond 2009 are likely.

Certifications

The SEC requires the Company to file certifications of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") regarding reporting accuracy, disclosure controls and procedures, and internal control over financial reporting as exhibits to the Company's periodic filings. The CEO and CFO certifications for the period ended December 31, 2008 were included as exhibits to the 2008 Annual Report on Form 10-K which was filed with the SEC. The Company is also required to file an annual CEO certification regarding corporate governance listing standards compliance with the New York Stock Exchange ("NYSE"). The most recent annual CEO certification, dated May 8, 2008, was filed with the NYSE in May 2008.

Forward-Looking Statements

This annual report contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("Reform Act"). All statements other than statements of historical fact included or incorporated by reference in this annual report are forward-looking statements, including, without limitation, statements regarding the Company's plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions. The words "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "continue," and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding operating margin earned, customer growth, the composition of our customer base, price volatility, risks and costs associated with having non-performing assets associated with new homes, timing of improvements in the housing market, timing for completion of estimated future construction expenditures, forecasted operating cash flows, funding sources of cash requirements, sufficiency of working capital, bank lending practices, ability to raise funds and receive external financing, the amount and form of any such financing, liquidity, the recovery of under-collected PGA balances, the impact of the application of certain accounting standards, certain tax benefits from the Economic Stimulus Act of 2008, statements regarding future gas prices, gas purchase contracts and derivative financial interests, the impact of certain legal proceedings, and the timing and results of future rate hearings and approvals are forward-looking statements. All forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act.

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

requirements and funding, the impact of conditions in the capital markets on financing costs, changes in construction expenditures and financing, renewal of franchises, easements and rights-of-way, changes in operations and maintenance expenses, effects of pension expense forecasts, accounting changes, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and management's plans related thereto, competition, and our ability to raise capital in external financings. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing and operations and maintenance expenses will continue in future periods. For additional information on the risks associated with the Company's business, see **Item 1A. Risk Factors** in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

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

Common Stock Price and Dividend Information

	2008		2007		Dividends Declared	
	High	Low	High	Low	2008	2007
First quarter	$30.48	$25.14	$39.95	$35.30	$0.225	$0.215
Second quarter	31.74	27.90	39.77	33.10	0.225	0.215
Third quarter	33.29	27.56	34.22	26.45	0.225	0.215
Fourth quarter	30.78	21.11	30.97	26.61	0.225	0.215
					$0.900	$0.860

The principal market on which the common stock of the Company is traded is the New York Stock Exchange. At February 17, 2009, there were 22,046 holders of record of common stock, and the market price of the common stock was $23.37.

The Company has a common stock dividend policy which states that common stock dividends will be paid at a prudent level that is within the normal dividend payout range for its respective businesses, and that the dividend will be established at a level considered sustainable in order to minimize business risk and maintain a strong capital structure throughout all economic cycles. The quarterly common stock dividend declared was 21.5 cents per share throughout 2007 and 22.5 cents per share throughout 2008. In February 2009, the Board of Directors increased the quarterly dividend payout from 22.5 cents to 23.75 cents per share, effective with the June 2009 payment.

SOUTHWEST GAS CORPORATION
CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except par value)	December 31, 2008	December 31, 2007
ASSETS		
Utility plant:		
Gas plant	$ 4,258,727	$ 4,043,936
Less: accumulated depreciation	(1,347,093)	(1,261,867)
Acquisition adjustments, net	1,632	1,812
Construction work in progress	70,041	61,419
Net utility plant (Note 2)	2,983,307	2,845,300
Other property and investments	124,781	143,097
Current assets:		
Cash and cash equivalents	26,399	31,991
Accounts receivable, net of allowances (Note 3)	168,829	203,660
Accrued utility revenue	72,600	74,900
Income taxes receivable, net	32,069	14,286
Deferred income taxes (Note 11)	14,902	6,965
Deferred purchased gas costs (Note 4)	—	33,946
Prepaids and other current assets (Notes 2 and 4)	123,277	136,711
Total current assets	438,076	502,459
Deferred charges and other assets (Notes 4 and 12)	274,220	179,332
Total assets	$ 3,820,384	$ 3,670,188
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par (authorized—60,000,000 shares; issued and outstanding—44,191,535 and 42,805,706 shares) (Note 10)	$ 45,822	$ 44,436
Additional paid-in capital	770,463	732,319
Accumulated other comprehensive income (loss), net (Note 9)	(19,426)	(12,850)
Retained earnings	240,982	219,768
Total equity	1,037,841	983,673
Subordinated debentures due to Southwest Gas Capital II (Note 5)	100,000	100,000
Long-term debt, less current maturities (Note 6)	1,185,474	1,266,067
Total capitalization	2,323,315	2,349,740
Commitments and contingencies (Note 8)		
Current liabilities:		
Current maturities of long-term debt (Note 6)	7,833	38,079
Short-term debt (Note 7)	55,000	9,000
Accounts payable	191,434	220,731
Customer deposits	83,468	75,019
Accrued general taxes	41,490	44,637
Accrued interest	19,699	21,290
Deferred purchased gas costs (Note 4)	33,073	46,088
Other current liabilities (Notes 4 and 12)	77,898	73,088
Total current liabilities	509,895	527,932
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits (Note 11)	387,539	347,497
Taxes payable	3,480	4,387
Accumulated removal costs (Note 4)	169,000	146,000
Other deferred credits (Notes 4 and 9)	427,155	294,632
Total deferred income taxes and other credits	987,174	792,516
Total capitalization and liabilities	$ 3,820,384	$ 3,670,188

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Year Ended December 31, 2008	2007	2006
Operating revenues:			
Gas operating revenues	$1,791,395	$1,814,766	$1,727,394
Construction revenues	353,348	337,322	297,364
Total operating revenues	2,144,743	2,152,088	2,024,758
Operating expenses:			
Net cost of gas sold	1,055,977	1,086,194	1,033,988
Operations and maintenance	338,660	331,208	320,803
Depreciation and amortization	193,719	182,514	168,964
Taxes other than income taxes	36,780	37,553	34,994
Construction expenses	311,745	292,319	252,859
Total operating expenses	1,936,881	1,929,788	1,811,608
Operating income	207,862	222,300	213,150
Other income and (expenses):			
Net interest deductions (Notes 6 and 7)	(84,919)	(88,472)	(87,253)
Net interest deductions on subordinated debentures (Note 5)	(7,729)	(7,727)	(7,724)
Other income (deductions)	(13,406)	4,923	10,184
Total other income and (expenses)	(106,054)	(91,276)	(84,793)
Income before income taxes	101,808	131,024	128,357
Income tax expense (Note 11)	40,835	47,778	44,497
Net income	$ 60,973	$ 83,246	$ 83,860
Basic earnings per share (Note 14)	$ 1.40	$ 1.97	$ 2.07
Diluted earnings per share (Note 14)	$ 1.39	$ 1.95	$ 2.05
Average number of common shares outstanding	43,476	42,336	40,566
Average shares outstanding (assuming dilution)	43,775	42,714	40,975

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of dollars)	Year Ended December 31, 2008	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	$ 60,973	$ 83,246	$ 83,860
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	193,719	182,514	168,964
Deferred income taxes	36,135	16,068	3,909
Changes in current assets and liabilities:			
Accounts receivable, net of allowances	34,831	22,268	(27,847)
Accrued utility revenue	2,300	(1,600)	(4,900)
Deferred purchased gas costs	20,931	89,149	32,408
Accounts payable	(29,297)	(45,008)	6,263
Accrued taxes	(21,837)	(16,537)	3,198
Other current assets and liabilities	(3,636)	24,972	24,156
Gains on sale	(2,068)	(2,530)	(3,968)
Changes in undistributed stock compensation	3,825	3,324	4,361
AFUDC and property-related changes	(561)	(871)	(1,156)
Changes in other assets and deferred charges	(5)	(4,971)	(1,780)
Changes in other liabilities and deferred credits	4,438	1,111	(1,753)
Net cash provided by operating activities	299,748	351,135	285,715
CASH FLOW FROM INVESTING ACTIVITIES:			
Construction expenditures and property additions	(300,217)	(340,875)	(345,325)
Changes in customer advances	4,044	24,407	27,988
Return of exchange fund deposit	28,000	—	—
Miscellaneous inflows	17,656	5,257	10,771
Miscellaneous outflows	(2,693)	(20,724)	(5,560)
Net cash used in investing activities	(253,210)	(331,935)	(312,126)
CASH FLOW FROM FINANCING ACTIVITIES:			
Issuance of common stock, net	35,391	31,495	67,829
Dividends paid	(38,705)	(35,993)	(33,238)
Issuance of long-term debt, net	103,875	128,594	92,400
Retirement of long-term debt	(198,691)	(142,091)	(84,397)
Change in long-term portion of credit facility	—	3,000	(3,000)
Change in short-term debt	46,000	9,000	(24,000)
Net cash provided by (used in) financing activities	(52,130)	(5,995)	15,594
Change in cash and cash equivalents	(5,592)	13,205	(10,817)
Cash at beginning of period	31,991	18,786	29,603
Cash at end of period	$ 26,399	$ 31,991	$ 18,786
Supplemental information:			
Interest paid, net of amounts capitalized	$ 91,211	$ 93,335	$ 92,533
Income taxes paid	$ 22,472	$ 45,025	$ 39,682

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(In thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Comprehensive Income (Loss)
DECEMBER 31, 2005	39,328	$40,958	$ 628,248	$ (41,645)	$123,574	$ 751,135	
Common stock issuances	2,442	2,442	70,010			72,452	
Net income					83,860	83,860	$ 83,860
Additional minimum pension liability adjustment, net of $20.3 million of tax (Note 9)				33,047		33,047	33,047
Net adjustment to adopt SFAS No. 158, net of $3.1 million of tax (Note 9)				(5,068)		(5,068)	
Dividends declared							
Common: $0.82 per share					(34,001)	(34,001)	
2006 Comprehensive Income							$ 116,907
DECEMBER 31, 2006	41,770	43,400	698,258	(13,666)	173,433	901,425	
Common stock issuances	1,036	1,036	34,061			35,097	
Net income					83,246	83,246	$ 83,246
Net actuarial gain arising during the period, less amortization of unamortized benefit plan cost, net of $500,000 of tax (Note 9)				816		816	816
Dividends declared							
Common: $0.86 per share					(36,911)	(36,911)	
2007 Comprehensive Income							$ 84,062
DECEMBER 31, 2007	42,806	44,436	732,319	(12,850)	219,768	983,673	
Common stock issuances	1,386	1,386	38,144			39,530	
Net income					60,973	60,973	$ 60,973
Net actuarial gain (loss) arising during the period, less amortization of unamortized benefit plan cost, net of $4 million of tax (Note 9)				(6,576)		(6,576)	(6,576)
Dividends declared							
Common: $0.90 per share					(39,759)	(39,759)	
2008 Comprehensive Income							$ 54,397
DECEMBER 31, 2008	44,192*	$45,822	$ 770,463	$ (19,426)	$240,982	$1,037,841	

* At December 31, 2008, 1.8 million common shares were registered and available for issuance under provisions of the Company's various stock issuance plans. In addition, approximately 731,000 common shares are registered for issuance upon the exercise of options granted under the Stock Incentive Plan (see Note 10). During 2008, no shares were issued in at-the-market offerings through the Equity Shelf Program.

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

Accumulated Removal Costs. Approved regulatory practices allow Southwest to include in depreciation expense a component to recover removal costs associated with utility plant retirements. In accordance with the Securities and Exchange Commission's ("SEC") position on presentation of these amounts, management has reclassified $169 million and $146 million, as of December 31, 2008 and 2007, respectively, of estimated removal costs from accumulated depreciation to accumulated removal costs within the liabilities section of the balance sheet.

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

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

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

Construction Expenses. The construction expenses classification in the income statement includes payroll expenses, job-related equipment costs, direct construction costs, gains and losses on equipment sales, general and administrative expenses, and office-related fixed costs of the Company's construction services subsidiary, NPL.

Net Cost of Gas Sold. Components of net cost of gas sold include natural gas commodity costs (fixed-price and variable-rate), pipeline capacity/transportation costs, and actual settled costs of derivative instruments (Swaps). Also included are the net impacts of PGA deferrals and recoveries.

Operations and Maintenance Expense. For financial reporting purposes, operations and maintenance expense includes Southwest's operating and maintenance costs associated with serving utility customers, uncollectible expense, administrative and general salaries and expense, employee benefits expense, and injuries and damages expense.

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

Allowance for Funds Used During Construction ("AFUDC"). AFUDC represents the cost of both debt and equity funds used to finance utility construction. AFUDC is capitalized as part of the cost of utility plant. The Company capitalized $1.2 million in 2008, $1.3 million in 2007, and $2.8 million in 2006 of AFUDC related to natural gas utility operations. The debt portion of AFUDC is reported in the consolidated statements of income as an offset to net interest deductions and the equity portion is reported as other income. The debt portion of AFUDC was $635,000, $619,000, and $1.4 million for 2008, 2007 and 2006, respectively. Utility plant construction costs, including AFUDC, are recovered in authorized rates through depreciation when completed projects are placed into operation, and general rate relief is requested and granted.

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

	2008	2007	2006
Gain/(loss) on company-owned life insurance policies	$(12,041)	$1,165	$ 2,740
Interest income	2,212	4,448	7,843
Miscellaneous income and expense	(3,577)	(690)	(399)
Total other income (deductions)	$(13,406)	$4,923	$10,184

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

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

(In thousands)	2008	2007	2006
Average basic shares	43,476	42,336	40,566
Effect of dilutive securities:			
Stock options	60	147	195
Performance shares	193	210	214
Restricted stock units	46	21	—
Average diluted shares	43,775	42,714	40,975

Reclassifications. Certain reclassifications have been made to the prior year's financial information to present it on a basis comparable with the current year's presentation. None of the reclassifications affected previously reported net income.

Recently Issued Accounting Pronouncements. In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations." SFAS No. 141 (revised 2007) provides guidelines for the presentation and measurement of assets and liabilities acquired in a business combination and requires the disclosure of all information necessary to evaluate the nature and financial effect of a business combination. The provisions of SFAS No. 141 (revised 2007) are effective for the Company for acquisitions that occur on or after January 1, 2009. The adoption of the standard is not expected to have a material impact on the financial position or results of operations of the Company.

In December 2007, the FASB issued SFAS No. 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 adoption of the standard is not expected to have a material impact on the financial position or results of operations of the Company.

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 adoption of the standard will require additional disclosures but is not expected to have a material impact on the financial position or results of operations of the Company.

In December 2008, the FASB issued FASB Staff Position ("FSP") SFAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." FSP SFAS 132(R)-1 requires companies to enhance disclosures about the plan assets of a defined benefit pension or other postretirement plan. Companies will be required to disclose how investment decisions are made, the major plan asset categories, the inputs and valuation techniques used to measure the fair value of plan assets, the level within the fair value hierarchy in which the fair value measurements in their entirety fall, the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period, and significant concentrations of risk within plan assets. The provisions of FSP SFAS 132(R)-1 are effective for the Company beginning with 2009 year-end. The Company is evaluating what impact this standard might have on its disclosures.

Note 2—Utility Plant

Net utility plant as of December 31, 2008 and 2007 was as follows (thousands of dollars):

December 31,	2008	2007
Gas plant:		
Storage	$ 19,094	$ 17,403
Transmission	262,271	256,696
Distribution	3,615,253	3,419,799
General	228,282	219,126
Other	133,827	130,912
	4,258,727	4,043,936
Less: accumulated depreciation	(1,347,093)	(1,261,867)
Acquisition adjustments, net	1,632	1,812
Construction work in progress	70,041	61,419
Net utility plant	$ 2,983,307	$ 2,845,300

Depreciation and amortization expense on gas plant was $162 million in 2008, $155 million in 2007, and $145 million in 2006.

In October 2007, the Company sold its Southern Nevada Division operations facility for $35 million. Of the proceeds, $28 million was held by JP Morgan Property Exchange, Inc. at December 31, 2007 (and reflected in Prepaids and other current assets on Southwest's balance sheet) to facilitate like-kind exchange tax treatment for the new land and facilities to be developed. The funds were returned to Southwest in April 2008. The gain on the sale (approximately $20.5 million) was deferred and recorded as a regulatory liability. The amount and timing of the amortization of the gain will be addressed in a future Nevada general rate case. The Company is currently building two separate facilities in Southern Nevada to better serve the customer base in Las Vegas. During construction of the new facilities, the Company is leasing back the operations facility (see details below). The Company's corporate headquarters complex is not affected by these transactions.

Operating Leases and Rentals. Southwest leases a portion of its corporate headquarters office complex in Las Vegas, the southern Nevada operations facility, and its administrative offices in Phoenix. The leases provide for current terms which expire in 2017, 2009, and 2009, respectively, with optional renewal terms available at the expiration dates. The rental payments for the corporate headquarters office complex are $2 million in each of the years 2009 through 2013 and $8 million cumulatively thereafter. The rental payments for the southern Nevada operations facility are $875,000 in 2009 when the lease expires. The rental payments for the Phoenix administrative offices are $1 million in 2009 when the lease expires. In addition to the above, the Company leases certain office and construction equipment. The majority of these leases are short-term. These leases are accounted for as operating leases, and for the gas segment are treated as such for regulatory purposes. Rentals included in operating expenses for all operating leases were $23.4 million in 2008, $23.9 million in 2007, and $19.2 million in 2006. These amounts include NPL lease expenses of approximately $13.9 million in 2008, $15.9 million in 2007, and $11.5 million in 2006, for various short-term operating leases of equipment and temporary office sites.

The following is a schedule of future minimum lease payments for significant non-cancelable operating leases (with initial or remaining terms in excess of one year) as of December 31, 2008 (thousands of dollars):

Year Ending December 31,	
2009	$ 6,306
2010	3,474
2011	2,971
2012	2,627
2013	2,521
Thereafter	8,408
Total minimum lease payments	$26,307

Note 3—Receivables and Related Allowances

Business activity with respect to gas utility operations is conducted with customers located within the three-state region of Arizona, Nevada, and California. At December 31, 2008, the gas utility customer accounts receivable balance was $131 million. Approximately 54 percent of the gas utility customers were in Arizona, 36 percent in Nevada, and 10 percent in California. Although the Company seeks to minimize its credit risk related to utility operations by requiring security deposits from new customers, imposing late fees, and actively pursuing collection on overdue accounts, some accounts are ultimately not collected. Provisions for uncollectible accounts are recorded monthly, as needed, and are included in the ratemaking process as a cost of service. Activity in the allowance for uncollectibles is summarized as follows (thousands of dollars):

	Allowance for Uncollectibles
Balance, December 31, 2005	$ 2,301
Additions charged to expense	5,805
Accounts written off, less recoveries	(5,085)
Balance, December 31, 2006	3,021
Additions charged to expense	7,178
Accounts written off, less recoveries	(7,252)
Balance, December 31, 2007	2,947
Additions charged to expense	7,047
Accounts written off, less recoveries	(6,206)
Balance, December 31, 2008	$ 3,788

Note 4—Regulatory Assets and Liabilities

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

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

December 31,	2008	2007
Regulatory assets:		
Accrued pension and other postretirement benefit costs (1)	$ 208,830	$ 92,655
Unrealized loss on non-trading derivatives (Swaps) (2)	14,440	—
Deferred purchased gas costs (3)	—	33,946
Accrued purchased gas costs (4)	37,400	40,100
Unamortized premium on reacquired debt (5)	17,772	17,215
Other (8)	29,223	34,020
	307,665	217,936
Regulatory liabilities:		
Deferred purchased gas costs (3)	(33,073)	(46,088)
Accumulated removal costs	(169,000)	(146,000)
Unrealized gain on non-trading derivatives (Swaps) (2)	(292)	—
Deferred gain on southern Nevada division operations facility (6)	(20,522)	(20,522)
Rate refunds due customers (7)	—	(12,474)
Unamortized gain on reacquired debt (6)	(14,099)	—
Other (6)	(1,668)	(1,401)
Net regulatory assets (liabilities)	$ 69,011	$ (8,549)

(1) Included in Deferred charges and other assets on the Consolidated Balance Sheets. Recovery period is greater than five years. (See Note 9)
(2) Regulatory asset included in Prepaids and other current assets ($14.4 million) in 2008. Regulatory liability included in Other deferred credits ($292,000) in 2008. The actual amounts, when realized at settlement, become a component of gas costs. (See Note 12)
(3) Balance recovered or refunded on an ongoing basis with interest.
(4) Included in Prepaids and other current assets on the Consolidated Balance Sheets and recovered over one year or less.
(5) Included in Deferred charges and other assets on the Consolidated Balance Sheets. Recovered over life of debt instruments.
(6) Included in Other deferred credits on the Consolidated Balance Sheets.
(7) Included in Other current liabilities on the Consolidated Balance Sheets.
(8) Other regulatory assets include deferred costs associated with rate cases, regulatory studies, and state mandated public purpose programs (including low income and conservation programs), as well as margin and interest-tracking accounts, amounts associated with accrued absence time, net SFAS No. 109 income taxes, and deferred post-retirement benefits other than pensions. Recovery periods vary.

Note 5—Preferred Trust Securities and Subordinated Debentures

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

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

Although the Company owns 100 percent of the common voting securities of Trust II, under Interpretation No. 46 "Consolidation of Variable Interest Entities (revised December 2003)", the Company is not considered the primary beneficiary of this trust and therefore Trust II is not consolidated. As a result, the $103.1 million Subordinated Debentures are shown on the balance sheet of the Company, net of the $3.1 million Common Securities, as Subordinated debentures due to Southwest Gas Capital II. Payments and amortizations associated with the Subordinated Debentures are classified on the consolidated statements of income as Net interest deductions on subordinated debentures. The estimated market values of the subordinated debentures at December 31, 2008 and 2007 were $85 million and $96 million, respectively.

(In millions)	Liability	Maximum Exposure to Loss
Subordinated debentures	$ 100	$ —

Note 6—Long-Term Debt

December 31,	2008		2007	
	Carrying Amount	Market Value	Carrying Amount	Market Value
(Thousands of dollars)				
Debentures:				
Notes, 8.375%, due 2011	$ 200,000	$206,200	$ 200,000	$216,872
Notes, 7.625%, due 2012	200,000	203,880	200,000	214,172
8% Series, due 2026	75,000	79,163	75,000	82,274
Medium-term notes, 6.27% series, due 2008	—	—	25,000	25,152
Medium-term notes, 7.59% series, due 2017	25,000	25,560	25,000	26,946
Medium-term notes, 7.78% series, due 2022	25,000	25,793	25,000	27,486
Medium-term notes, 7.92% series, due 2027	25,000	26,245	25,000	26,975
Medium-term notes, 6.76% series, due 2027	7,500	7,004	7,500	7,183
Unamortized discount	(2,837)	—	(3,443)	—
	554,663		579,057	
Revolving credit facility and commercial paper, due 2012	150,000	150,000	150,000	150,000
Industrial development revenue bonds:				
Variable-rate bonds:				
Tax-exempt Series A, due 2028	50,000	50,000	50,000	50,000
2003 Series A, due 2038	50,000	50,000	50,000	50,000
2003 Series B, due 2038	—	—	50,000	50,000
2008 Series A, due 2038	50,000	50,000	—	—
Fixed-rate bonds:				
6.10% 1999 Series A, due 2038	12,410	9,375	12,410	12,519
5.95% 1999 Series C, due 2038	14,320	10,585	14,320	14,353
5.55% 1999 Series D, due 2038	8,270	5,752	8,270	8,116
5.45% 2003 Series C, due 2038	30,000	32,966	30,000	28,955
5.25% 2003 Series D, due 2038	20,000	15,859	20,000	18,691
5.80% 2003 Series E, due 2038	15,000	15,006	15,000	14,481
5.25% 2004 Series A, due 2034	65,000	43,929	65,000	60,588
5.00% 2004 Series B, due 2033	31,200	24,278	75,000	68,616
4.85% 2005 Series A, due 2035	100,000	62,862	100,000	90,925
4.75% 2006 Series A, due 2036	24,855	18,316	56,000	49,243
Unamortized discount	(3,605)	—	(4,531)	—
	467,450		541,469	
Other	21,194	20,993	33,620	33,998
	1,193,307		1,304,146	
Less: current maturities	(7,833)		(38,079)	
Long-term debt, less current maturities	$1,185,474		$1,266,067	

The Company has a $300 million credit facility scheduled to expire in May 2012. The Company uses $150 million of the $300 million as long-term debt and the remaining $150 million for working capital purposes. Interest rates for the facility are calculated at either the London Interbank Offering Rate plus an applicable margin, or the greater of the prime rate or one-half of one percent plus the Federal Funds rate. At December 31, 2008, $55 million in borrowings were outstanding on the short-term portion of the credit facility (see **Note 7—Short-Term Debt**) and $150 million was outstanding on the long-term portion.

In September 2008, the Company issued $50 million in Clark County, Nevada variable-rate 2008 Series A Industrial Development Revenue Bonds (“IDRBs”), due 2038, supported by a letter of credit with JPMorgan Chase Bank. The proceeds from the 2008 Series A IDRBs were used by the Company to redeem its $50 million 2003 Series B variable-rate IDRBs. From 2003 through September 2008, the Company had utilized an insurance policy from Ambac Assurance Corporation (“Ambac”) to support its $50 million 2003 Series B variable-rate IDRBs. The

2003 Series B were designed to be repriced weekly in an auction market. Since mid-February 2008, the 2003 Series B weekly auctions had failed amid the uncertainty surrounding bond insurers. 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 from a AAA rating to a AA rating. As a result of the failed auctions and the ratings downgrade, the Company had been required to price the 2003 Series B at a predetermined maximum auction-rate (200 percent of the one-month LIBOR rate at the time of redemption).

In early December 2008, the Company announced a tender offer to purchase for cash up to $75 million of the Clark County, Nevada 4.75% 2006 Series A, 5.00% 2004 Series B, and 5.25% 2003 Series D IDRBs. In accordance with the tender offer, the Company purchased $31.2 million of the 4.75% 2006 Series A IDRBs, $43.8 million of the 5.00% 2004 Series B IDRBs, and none of the 5.25% 2003 Series D IDRBs (as the $75 million limit set forth in the tender offer had been met). The Company engaged Banc of America Securities LLC as the exclusive dealer manager for the tender offer. The net gain on the bonds tendered (approximately $14 million after expenses and proportionate elimination of previously deferred issuance costs) was deferred and recorded as a regulatory liability and will be accreted to income over the remaining lives of the IDRBs partially tendered.

The effective interest rates on the 2003 Series A and 2008 Series A variable-rate IDRBs were 1.85 percent and 2.29 percent, respectively, at December 31, 2008. The effective interest rate on the 2003 Series A and B variable-rate IDRBs was 4.51 percent and 4.79 percent, respectively, at December 31, 2007. The effective interest rates on the tax-exempt Series A variable-rate IDRBs were 1.74 percent and 4.46 percent at December 31, 2008 and 2007, respectively.

The fair value of the revolving credit facility and the variable-rate IDRBs approximates carrying value. Market values for the debentures, fixed-rate IDRBs, and other indebtedness were determined based on dealer quotes using trading records for December 31, 2008 and 2007, as applicable, and other secondary sources which are customarily consulted for data of this kind. The fair values for certain securities disclosed for 2008 reflect the impacts of a constrained securities market and may differ significantly from those determined in a normal functioning credit market.

Estimated maturities of long-term debt for the next five years are $7.8 million, $6.6 million, $203.9 million, $350.8 million, and $91,000, respectively.

No debt instruments have credit triggers or other clauses that result in default if Company bond ratings are lowered by rating agencies. Certain Company debt instruments contain securities ratings covenants that, if set in motion, would increase financing costs. Certain debt instruments also have leverage ratio caps and minimum net worth requirements. At December 31, 2008, the Company is in compliance with all of its covenants. Under the most restrictive of the covenants, the Company could issue over $1.4 billion in additional debt and meet the leverage ratio requirement and has an approximate $600 million cushion in equity relating to the minimum net worth requirement.

Note 7—Short-Term Debt

As discussed in Note 6, Southwest has a $300 million credit facility that expires in May 2012, of which $150 million has been designated by management for working capital purposes (and related outstanding amounts are shown as short-term debt). Southwest had $55 million in short-term borrowings outstanding on the credit facility at December 31, 2008 and $9 million at December 31, 2007. The weighted-average interest rate on these borrowings was 1.04 percent at December 31, 2008.

Note 8—Commitments and Contingencies

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

Note 9—Pension and Other Postretirement Benefits

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

In 2006, the FASB issued SFAS No. 158, which requires employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their balance sheets. Under SFAS No. 158, any actuarial gains and losses, prior service costs and transition assets or obligations that were not recognized under previous accounting standards are recognized in accumulated other

comprehensive income under stockholders' equity, net of tax, until they are amortized as a component of net periodic benefit cost. SFAS No. 158 did not change how net periodic pension and postretirement costs are accounted for and reported in the income statement. The Company adopted the provisions of SFAS No. 158 effective December 31, 2006.

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

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

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

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

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

Type of Investment	Percentage Range
Equity securities	59 to 71
Debt securities	31 to 37
Other	up to 5

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

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

At year end 2008, the Company raised the discount rate to 6.75% from 6.50% at December 31, 2007. The methodology utilized to determine the discount rate was consistent with prior years. The weighted-average rate of compensation increase was lowered to 3.75% from 4.00%. The asset return assumption remains at 8.00%. The impact of the discount rate and salary change assumption on the funded status of the pension plan at year end and the expense level for 2009 are not significant. However, asset returns during 2008 were substantially below assumed returns. As a result, the funded status of the qualified retirement plan decreased substantially from 2007 to 2008 and pension expense for 2009 is estimated to increase by $2 million.

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

	2008			2007		
	Qualified Retirement Plan	SERP	PBOP	Qualified Retirement Plan	SERP	PBOP
	(Thousands of dollars)			(Thousands of dollars)		
Change in benefit obligations						
Benefit obligation for service rendered to date at beginning of year (PBO/PBO/APBO)	$ 509,862	$ 32,605	$ 36,504	$ 495,803	$ 33,657	$ 39,107
Service cost	16,108	97	730	16,491	153	811
Interest cost	32,491	2,041	2,324	29,244	1,948	2,304
Actuarial loss (gain)	(15,199)	(594)	(2,529)	(14,648)	(810)	(4,647)
Benefits paid	(20,251)	(2,363)	(1,114)	(17,028)	(2,343)	(1,071)
Benefit obligation at end of year (PBO/PBO/APBO)	523,011	31,786	35,915	509,862	32,605	36,504
Change in plan assets						
Market value of plan assets at beginning of year	415,263	—	26,473	388,706	—	24,828
Actual return on plan assets	(105,552)	—	(7,657)	17,230	—	854
Employer contributions	34,000	2,363	620	26,355	2,343	791
Benefits paid	(20,251)	(2,363)	—	(17,028)	(2,343)	—
Market value of plan assets at end of year	323,460	—	19,436	415,263	—	26,473
Funded status at year end	$ (199,551)	$(31,786)	$(16,479)	$ (94,599)	$(32,605)	$(10,031)
Weighted-average assumptions (benefit obligation)						
Discount rate	6.75%	6.75%	6.75%	6.50%	6.50%	6.50%
Weighted-average rate of compensation increase	3.75%	3.75%	3.75%	4.00%	4.00%	4.00%
Asset Allocation						
Equity securities	59%		74%	60%		76%
Debt securities	35%		18%	35%		17%
Other	6%		8%	5%		7%
Total	100%	N/A	100%	100%	N/A	100%

The accumulated benefit obligation for the retirement plan was $457 million and $442 million, and for the SERP was $28.4 million and $31 million at December 31, 2008 and 2007, respectively.

Estimated funding for the plans above during calendar year 2009 is approximately $23 million of which $22 million pertains to the retirement plan. The Pension Protection Act of 2006 provides for benefit restrictions to future retirees if the funded status of the retirement plan, determined in accordance with IRS rules, falls below certain thresholds (80%—modest restrictions, 60%—severe restrictions). The funded status is determined on the date of the plan year-end (July 31 for the Company). Management will monitor the funded status of the plan and could, at its discretion, increase plan funding levels above the minimum in order to avoid or minimize benefit restrictions.

Pension benefits expected to be paid for each of the next five years beginning with 2009 are the following: $23 million, $24 million, $26 million, $27 million, and $29 million. Pension benefits expected to be paid during 2014 to 2018 total $176 million. Retiree welfare benefits expected to be paid for each of the next five years beginning with 2009 are the following: $1.6 million, $1.7 million, $1.8 million, $1.9 million, and $2 million. Retiree welfare benefits expected to be paid during 2014 to 2018 total $14 million. SERP benefits expected to be paid for each of the next five years beginning with 2009 are approximately $2.5 million. SERP benefits expected to be paid during 2014 to 2018 total $12 million. No assurance can be made that actual funding and benefits paid will match our estimates.

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

Components of net periodic benefit cost

	Qualified Retirement Plan			SERP			PBOP		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
(Thousands of dollars)									
Service cost	$ 16,108	$ 16,491	$ 16,284	$ 97	$ 153	$ 211	$ 730	$ 811	$ 854
Interest cost	32,491	29,244	26,805	2,041	1,948	1,893	2,324	2,304	2,118
Expected return on plan assets	(34,714)	(33,030)	(30,608)	—	—	—	(2,138)	(2,144)	(1,817)
Amortization of prior service costs (credits)	(11)	(11)	(11)	—	—	9	—	—	—
Amortization of transition obligation	—	—	—	—	—	—	867	867	867
Amortization of net actuarial loss	3,104	5,007	5,352	997	1,131	1,244	—	57	168
Net periodic benefit cost	$ 16,978	$ 17,701	$ 17,822	$3,135	$3,232	$3,357	$ 1,783	$ 1,895	$ 2,190
Weighted-average assumptions (net benefit cost)									
Discount rate	6.50%	6.00%	5.75%	6.50%	6.00%	5.75%	6.50%	6.00%	5.75%
Expected return on plan assets	8.00%	8.50%	8.50%	8.00%	8.50%	8.50%	8.00%	8.50%	8.50%
Weighted-average rate of compensation increase	4.00%	3.75%	3.30%	4.00%	3.75%	3.30%	4.00%	3.75%	3.30%

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

	2008				2007			
	Total	Qualified Retirement Plan	SERP	PBOP	Total	Qualified Retirement Plan	SERP	PBOP
(Thousands of dollars)								
Net actuarial loss (gain) (a)	$ 131,738	$ 125,067	$ (595)	$ 7,266	$ (3,012)	$ 1,155	$ (809)	$(3,358)
Amortization of prior service credit (b)	11	11	—	—	11	11	—	—
Amortization of transition obligation (b)	(867)	—	—	(867)	(867)	—	—	(867)
Amortization of net actuarial loss (b)	(4,101)	(3,104)	(997)	—	(6,195)	(5,007)	(1,131)	(57)
Regulatory adjustment	(116,175)	(109,776)	—	(6,399)	8,747	4,465	—	4,282
Recognized in other comprehensive (income) loss	$ 10,606	$ 12,198	$(1,592)	$ —	$ (1,316)	$ 624	$(1,940)	$ —
Total of amount recognized in net periodic benefit cost and other comprehensive (income) loss	$ 32,502	$ 29,176	$ 1,543	$ 1,783	$21,512	$ 18,325	$ 1,292	$ 1,895

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

Related Tax Effects Allocated to Each Component of Other Comprehensive Income

	2008			2007		
(Thousands of dollars)	Before-Tax Amount	Tax (Expense) or Benefit (a)	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) or Benefit (a)	Net-of-Tax Amount
Defined benefit pension plans:						
Net actuarial loss (gain)	$ 131,738	$ (50,060)	$ 81,678	$ (3,012)	$ 1,145	$ (1,867)
Amortization of prior service credit	11	(4)	7	11	(4)	7
Amortization of transition obligation	(867)	329	(538)	(867)	329	(538)
Amortization of net loss	(4,101)	1,558	(2,543)	(6,195)	2,354	(3,841)
Regulatory adjustment	(116,175)	44,147	(72,028)	8,747	(3,324)	5,423
Other comprehensive (income) loss	$ 10,606	$ (4,030)	$ 6,576	$ (1,316)	$ 500	$ (816)

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

The estimated net loss that will be amortized from accumulated other comprehensive income or regulatory assets into net periodic benefit cost over the next year is $4.3 million for the qualified retirement plan and $900,000 for the SERP. The estimated amounts for the PBOP that will be amortized from regulatory assets into net periodic benefit cost over the next year are $400,000 related to net loss and $870,000 for the transition obligation. The estimated prior service costs (credits) for the qualified retirement plan and SERP that will be amortized over the next year are not significant.

The Employees' Investment Plan provides for purchases of various mutual fund investments and Company common stock by eligible Southwest employees through deductions of a percentage of base compensation, subject to IRS limitations. Southwest matches up to one-half of amounts deferred. The maximum matching contribution is three and one-half percent of an employee's annual compensation. The cost of the plan was $4.4 million in 2008, $3.8 million in 2007, and $3.6 million in 2006. NPL has a separate plan, the cost and liability for which are not significant.

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

Note 10—Stock-Based Compensation

At December 31, 2008, the Company had three stock-based compensation plans: a stock option plan, a performance share stock plan, and a restricted stock/unit plan. The stock option plan and the performance share stock plan were both in existence prior to January 1, 2006 and were accounted for in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) "Share-Based Payment" using the modified prospective transition method. Under the modified prospective transition method, expense is recognized for any new awards granted after the effective date and for the unvested portion of awards granted prior to the effective date. Total stock-based compensation expense recognized in the consolidated statements of income for the years ended December 31, 2008, December 31, 2007, and December 31, 2006 were $4.9 million (net of related tax benefits of $3 million), $4.9 million (net of related tax benefits of $3 million), and $3.3 million (net of related tax benefits of $1.6 million), respectively.

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

	2006
Dividend yield	2.48 to 2.82%
Risk-free interest rate range	4.91 to 5.06%
Expected volatility range	15%
Expected life	6 years

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

	2008		2007		2006	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at the beginning of the year	798	$ 26.85	957	$ 26.26	1,475	$ 23.70
Granted during the year	—	—	—	—	252	32.60
Exercised during the year	(64)	23.70	(158)	23.24	(749)	23.30
Forfeited during the year	(3)	27.72	(1)	33.07	(6)	26.81
Expired during the year	—	—	—	—	(15)	28.09
Outstanding at year end	731	$ 27.12	798	$ 26.85	957	$ 26.26
Exercisable at year end	663	$ 26.55	561	$ 25.50	413	$ 23.31

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The aggregate intrinsic value of outstanding options was $661,000, $3.1 million, and $11.6 million at December 31, 2008, December 31, 2007, and December 31, 2006, respectively. The aggregate intrinsic value of exercisable options was $661,000, $2.7 million, and $6.2 million at December 31, 2008, December 31, 2007, and December 31, 2006, respectively. The aggregate intrinsic value of exercised options was $339,000, $1 million, and $11.3 million during 2008, 2007, and 2006, respectively. The market value of Southwest Gas stock was $25.22, $29.77, and $38.37 at December 31, 2008, December 31, 2007, and December 31, 2006, respectively.

The weighted-average remaining contractual life for outstanding options was 6.1 years for 2008. The weighted-average remaining contractual life for exercisable options was 6 years for 2008. No options were granted in 2007 or 2008; the weighted-average grant-date fair value of options granted was $5.92 for 2006. The following table summarizes information about stock options outstanding at December 31, 2008 (thousands of options):

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$17.94 to $23.40	249	4.7 Years	$ 22.61	249	$ 22.61
$24.50 to $26.10	222	6.4 Years	$ 25.94	222	$ 25.94
$28.75 to $33.07	260	7.1 Years	$ 32.46	192	$ 32.39

As of December 31, 2008, there was $147,000 of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be recognized over the next year. The total fair value of options vested was $824,000, $1.2 million, and $1 million during 2008, 2007, and 2006, respectively. The Company received $1.5 million in cash from the exercise of options during 2008 and a corresponding tax benefit of $125,000 which was recorded in additional paid-in capital.

The following table summarizes the status of the Company's nonvested options as of December 31, 2008 (thousands of options):

	Number of options	Weighted-average grant date fair value
Nonvested at the beginning of the year	237	$ 5.25
Granted	—	—
Vested	(166)	4.98
Forfeited	(3)	4.67
Nonvested at December 31, 2008	68	$ 5.93

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

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

The following table summarizes the activity of the performance share stock and restricted stock/unit plans as of December 31, 2008 (thousands of shares):

	Performance Shares	Weighted-average grant date fair value	Restricted Stock/Units	Weighted-average grant date fair value
Nonvested at beginning of year	292	$ 29.63	49	$ 38.34
Granted	102	$ 29.31	54	$ 27.25
Dividends	9		3	
Forfeited	—	$ —	(1)	$ 31.52
Vested and issued*	(136)	$ 25.81	(21)	$ 37.34
Nonvested at December 31, 2008	267	$ 31.38	84	$ 31.15

* Includes shares converted for taxes and retiree payouts.

The average grant date fair value of performance shares granted in 2007 and 2006 was $38.21 and $26.97, respectively. The average grant date fair value of restricted stock/units granted in 2007 was $38.48.

Note 11—Income Taxes

The Company adopted the provisions of FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes", on January 1, 2007. Upon adoption, the Company identified $1.4 million in uncertain tax liabilities. As of December 31, 2008 and 2007, the Company had $1.4 million of uncertain tax liabilities which, if recognized, would favorably impact the effective tax rate. There was no change to the balance of unrecognized tax benefits during 2008 and the Company does not expect a significant increase or decrease in its unrecognized tax benefits in the next twelve months. The Company recognizes interest expense and income and penalties related to income tax matters in income tax expense. Tax-related interest income of $900,000 and $1 million is included in the consolidated statements of income for the years ended December 31, 2008 and December 31, 2007, respectively. Tax-related interest receivable of $700,000 and $1 million is included in the consolidated balance sheets as of December 31, 2008 and December 31, 2007, respectively.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states. The Company is subject to examinations by the Internal Revenue Service for years after 2004, and is subject to examination by the various state taxing authorities for years after 2003.

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

	2008	2007
Unrecognized tax benefits at beginning of year	$1,445	$1,445
Gross increases—tax positions in prior period	—	—
Gross decreases—tax positions in prior period	—	—
Gross increases—current period tax positions	—	—
Gross decreases—current period tax positions	—	—
Settlements	—	—
Lapse of statute of limitations	—	—
Unrecognized tax benefits at end of year	$1,445	$1,445

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

Year Ended December 31,	2008	2007	2006
Current:			
Federal	$ 5,420	$37,668	$29,916
State	1,106	6,989	4,830
	6,526	44,657	34,746
Deferred:			
Federal	32,569	2,813	9,385
State	1,740	308	366
	34,309	3,121	9,751
Total income tax expense	$40,835	$47,778	$44,497

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

Year Ended December 31,	2008	2007	2006
Deferred federal and state:			
Property-related items	$ 53,978	$ 26,300	$ 28,372
Purchased gas cost adjustments	(15,918)	(24,972)	(22,188)
Employee benefits	(1,884)	2,263	(3,223)
Injuries and damages reserves	(48)	85	4,543
All other deferred	(951)	313	3,115
Total deferred federal and state	35,177	3,989	10,619
Deferred ITC, net	(868)	(868)	(868)
Total deferred income tax expense	$ 34,309	$ 3,121	$ 9,751

The consolidated effective income tax rate for the period ended December 31, 2008 and the two prior periods differ from the federal statutory income tax rate. The sources of these differences and the effect of each are summarized as follows:

Year Ended December 31,	2008	2007	2006
Federal statutory income tax rate	35.0%	35.0%	35.0%
Net state taxes	2.4	2.7	2.5
Property-related items	0.2	0.4	0.6
Effect of income tax settlements	(0.9)	(0.4)	(1.3)
Tax credits	(0.9)	(0.7)	(0.7)
Company owned life insurance	4.0	(0.5)	(0.9)
All other differences	0.3	—	(0.5)
Consolidated effective income tax rate	40.1%	36.5%	34.7%

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

December 31,	2008	2007
Deferred tax assets:		
Deferred income taxes for future amortization of ITC	$ 5,353	$ 5,890
Employee benefits	39,693	33,779
Alternative minimum tax credit	20,457	22,518
Other	6,686	5,267
	72,189	67,454
Deferred tax liabilities:		
Property-related items, including accelerated depreciation	410,588	356,609
Regulatory balancing accounts	5,317	21,235
Property-related items previously flowed through	6,161	7,176
Unamortized ITC	8,595	9,463
Debt-related costs	5,143	5,291
Other	9,022	8,212
	444,826	407,986
Net deferred tax liabilities	$372,637	$340,532
Current	$ (14,902)	$ (6,965)
Noncurrent	387,539	347,497
Net deferred tax liabilities	$372,637	$340,532

Note 12—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 January 2009 through March 2010. 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 6.5 million dekatherms at December 31, 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 December 31, 2008, Southwest recorded the fair values of the Swaps in Other current liabilities ($14.4 million) and Deferred charges and other assets ($292,000). Corresponding offsetting amounts were recorded in Prepaids and other current assets ($14.4 million) and in Other deferred credits ($292,000). 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). The Company has master netting arrangements with each counterparty that provide for the net settlement of all contracts through a single payment. As applicable, the Company has elected to reflect the net amounts in its balance sheets.

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 December 31, 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, but have been credit-risk adjusted with no significant impact to the overall fair value measure.

The following table sets forth, by level within the fair value hierarchy, the Company’s financial assets and liabilities that were accounted for at fair value as of December 31, 2008.

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Financial Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
(Thousands of dollars)	Total	Level 1	Level 2	Level 3
Assets at fair value:				
Prepaids and other current assets—swaps	$ —	$ —	$ —	$ —
Deferred charges and other assets—swaps	292	—	292	—
Liabilities at fair value:				
Other current liabilities—swaps	(14,440)	—	(14,440)	—
Other deferred credits—swaps	—	—	—	—
Net Assets (Liabilities)	$(14,148)	$ —	$ (14,148)	$ —

Note 13—Segment Information

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

The accounting policies of the reported segments are the same as those described within **Note 1—Summary of Significant Accounting Policies**. NPL accounts for the services provided to Southwest at contractual (market) prices. At December 31, 2008 and 2007, accounts receivable for these services totaled $6.6 million and $6.1 million, respectively, which were not eliminated during consolidation.

The financial information pertaining to the natural gas operations and construction services segments for each of the three years in the period ended December 31, 2008 is as follows (thousands of dollars):

2008	Gas Operations	Construction Services	Adjustments (a)	Total
Revenues from unaffiliated customers	$1,791,395	$ 290,218		$2,081,613
Intersegment sales	—	63,130		63,130
Total	$1,791,395	$ 353,348		$2,144,743
Interest revenue	$ 2,107	$ 105		$ 2,212
Interest expense	$ 90,825	$ 1,823		$ 92,648
Depreciation and amortization	$ 166,337	$ 27,382		$ 193,719
Income tax expense	$ 35,600	$ 5,235		$ 40,835
Segment income	$ 53,747	$ 7,226		$ 60,973
Segment assets	$3,680,327	$ 140,057		$3,820,384
Capital expenditures	$ 279,254	$ 20,963		$ 300,217

2007	Gas Operations	Construction Services	Adjustments (a)	Total
Revenues from unaffiliated customers	$1,814,766	$ 265,937		$2,080,703
Intersegment sales	—	71,385		71,385
Total	$1,814,766	$ 337,322		$2,152,088
Interest revenue	$ 4,366	$ 82		$ 4,448
Interest expense	$ 94,163	$ 2,036		$ 96,199
Depreciation and amortization	$ 157,090	$ 25,424		$ 182,514
Income tax expense	$ 40,914	$ 6,864		$ 47,778
Segment income	$ 72,494	$ 10,752		$ 83,246
Segment assets	$3,518,304	$ 152,096	$ (212)	$3,670,188
Capital expenditures	$ 312,412	$ 28,463		$ 340,875

2006	Gas Operations	Construction Services	Adjustments (a)	Total
Revenues from unaffiliated customers	$1,727,394	$ 216,753		$1,944,147
Intersegment sales	—	80,611		80,611
Total	$1,727,394	$ 297,364		$2,024,758
Interest revenue	$ 7,711	$ 132		$ 7,843
Interest expense	$ 93,291	$ 1,686		$ 94,977
Depreciation and amortization	$ 146,654	$ 22,310		$ 168,964
Income tax expense	$ 36,240	$ 8,257		$ 44,497
Segment income	$ 71,473	$ 12,387		$ 83,860
Segment assets	$3,352,074	$ 136,654	$ (3,763)	$3,484,965
Capital expenditures	$ 305,914	$ 39,411		$ 345,325

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

Note 14—Quarterly Financial Data (Unaudited)

(Thousands of dollars, except per share amounts)	Quarter Ended			
	March 31	June 30	September 30	December 31
2008				
Operating revenues	$ 813,607	$ 447,304	$ 374,422	$ 509,410
Operating income	104,685	18,256	2,900	82,021
Net income (loss)	49,152	(2,725)	(16,686)	31,232
Basic earnings (loss) per common share*	1.14	(0.06)	(0.38)	0.71
Diluted earnings (loss) per common share*	1.14	(0.06)	(0.38)	0.71
2007				
Operating revenues	$ 793,716	$ 426,537	$ 371,524	$ 560,311
Operating income	101,325	18,405	8,569	94,001
Net income (loss)	49,764	(337)	(9,318)	43,137
Basic earnings (loss) per common share*	1.19	(0.01)	(0.22)	1.01
Diluted earnings (loss) per common share*	1.17	(0.01)	(0.22)	1.00
2006				
Operating revenues	$ 676,941	$ 430,902	$ 351,800	$ 565,115
Operating income	89,895	26,681	4,167	92,407
Net income (loss)	44,180	3,709	(10,736)	46,707
Basic earnings (loss) per common share*	1.12	0.09	(0.26)	1.12
Diluted earnings (loss) per common share*	1.11	0.09	(0.26)	1.11

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Company management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined by Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of Company management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the *"Internal Control—Integrated Framework"* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the Company's evaluation under such framework, Company management concluded that the internal control over financial reporting was effective as of December 31, 2008. The effectiveness of the Company's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

February 27, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Southwest Gas Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of stockholders' equity and comprehensive income present fairly, in all material respects, the financial position of Southwest Gas Corporation and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
February 27, 2009

EXHIBIT 21.01

SOUTHWEST GAS CORPORATION
LIST OF SUBSIDIARIES OF THE REGISTRANT
AT DECEMBER 31, 2008

SUBSIDIARY NAME	STATE OF INCORPORATION OR ORGANIZATION TYPE
Paiute Pipeline Company	Nevada
NPL Construction Co.	Nevada
Southwest Gas Transmission Company	Limited partnership between Southwest Gas Corporation and Utility Financial Corp.
Southwest Gas Capital II, III, IV	Delaware
Utility Financial Corp.	Nevada
The Southwest Companies	Nevada

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-156420 and 333-134040) and Form S-8 (Nos. 333-147952, 333-155581, and 333-106762) of Southwest Gas Corporation of our report dated February 27, 2009 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 27, 2009

Certification on Form 10-K

I, Jeffrey W. Shaw, certify that:

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

Date: February 27, 2009

/s/ JEFFREY W. SHAW

Jeffrey W. Shaw
Chief Executive Officer
Southwest Gas Corporation

Certification on Form 10-K

I, George C. Biehl, certify that:

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

Date: February 27, 2009

/s/ GEORGE C. BIEHL

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

Exhibit 32.01

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-K for the period ended December 31, 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: February 27, 2009

/s/ Jeffrey W. Shaw
Jeffrey W. Shaw
Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-K for the period ended December 31, 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: February 27, 2009

/s/ George C. Biehl

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