

SOUTHWEST GAS CORP
Form DEF 14A
March 28, 2006
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SCHEDULE 14A INFORMATION

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant x

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Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission
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Southwest Gas Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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Notice of 2006 Annual Meeting of Shareholders
and Proxy Statement

SOUTHWEST GAS CORPORATION

Annual Meeting 2006

May 4, 2006 Las Vegas, Nevada

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SOUTHWEST GAS CORPORATION

5241 Spring Mountain Road

Las Vegas, Nevada 89150

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Thursday, May 4, 2006

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Southwest Gas Corporation (Company) will be held on Thursday, May 4, 2006, at 10:00 a.m. in the conference facilities at the Palms Casino Resort, 4321 West Flamingo Road, Las Vegas, Nevada, for the following purposes:

- (1) To elect 12 directors of the Company;
- (2) To consider and act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as independent accountants of the Company; and
- (3) To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors of the Company has established March 7, 2006, as the record date for the determination of shareholders entitled to vote at the Annual Meeting and to receive notice thereof.

Shareholders are cordially invited to attend the Annual Meeting in person. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE THE ACCOMPANYING PROXY BY TELEPHONE, INTERNET OR MAIL AT YOUR EARLIEST CONVENIENCE. IF YOU MAIL IN YOUR PROXY, PLEASE USE THE ENCLOSED POSTAGE-PAID ENVELOPE.

The Annual Report to Shareholders for the year ended December 31, 2005, is also enclosed.

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

March 24, 2006

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Jeffrey W. Shaw, C.E.O.

March 24, 2006

Dear Shareholders:

You are cordially invited to the Annual Meeting of Shareholders of Southwest Gas Corporation scheduled to be held on Thursday, May 4, 2006, in the conference facilities at the Palms Casino Resort, 4321 West Flamingo Road, Las Vegas, Nevada, commencing at 10:00 a.m. Your Board of Directors looks forward to greeting personally those shareholders able to attend.

At the meeting you will be asked to consider the election of 12 directors and the ratification of PricewaterhouseCoopers LLP as the Company's independent accountants for 2006. Your Board of Directors asks you to support the director nominees listed in the proxy materials and to vote FOR ratification of the selection of PricewaterhouseCoopers LLP.

It is important that your shares are represented and voted at the meeting regardless of the number of shares you own and whether or not you plan to attend. Accordingly, we request you vote the accompanying proxy by telephone, internet or mail at your earliest convenience.

Your interest and participation in the affairs of the Company are sincerely appreciated.

Sincerely,

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LOCATION OF 2006

SOUTHWEST GAS CORPORATION

ANNUAL MEETING OF SHAREHOLDERS

PALMS CASINO RESORT

4321 West Flamingo Road

Las Vegas, Nevada

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SOUTHWEST GAS CORPORATION

5241 Spring Mountain Road • P.O. Box 98510

• Las Vegas, Nevada 89193-8510 •

PROXY STATEMENT

March 24, 2006

GENERAL INFORMATION

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors of Southwest Gas Corporation for the 2006 Annual Meeting of Shareholders and for any adjournment or postponement of the Annual Meeting. In this proxy statement, we refer to Southwest Gas Corporation as the Company, the Board of Directors as we, our, us, or the Board, and the committees of the Board of Directors as the name of the specific committee or as the committee.

We intend to mail this proxy statement and a proxy card to shareholders on or about March 24, 2006.

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters outlined in the notice of meeting in these materials, including the election of directors, the ratification of the selection of our independent accountants, and the transaction of other business, if properly presented at the meeting.

Who is entitled to vote at the Annual Meeting?

Only shareholders of record at the close of business on March 7, 2006, the record date for the Annual Meeting, are entitled to receive notice of and participate in the meeting. If you were a shareholder of record on that date, you are entitled to vote all of the shares that you held on that date at the meeting, or any adjournment or postponement of the meeting.

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to mail your proxy directly to us, to give your voting instructions on the internet or by telephone or to vote in person at the Annual Meeting.

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If you hold your shares in a brokerage account or through a bank or other holder of record, you are the beneficial owner of the shares and hold the shares in street name, and your broker, bank or other holder of record is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker, banks, or other holder of record how to vote by following the instructions that accompany your proxy materials.

If you hold your shares indirectly in the Southwest Gas Corporation Employees Investment Plan (the EIP), you have the right to direct the trustee of the EIP how to vote by following the instructions that accompany your proxy materials.

How many votes do I have?

You have one vote for each share of Company common stock you owned as of the record date for the Annual Meeting.

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How do I vote?

You can vote either in person at the Annual Meeting or by proxy whether or not you attend the meeting. To vote by proxy, you must either:

- * Complete the enclosed proxy card, sign it and return it in the enclosed postage-paid envelope;
- * Vote by telephone by calling toll-free 1-800-660-7809 on a touch-tone telephone by following the instructions on the enclosed proxy card; or
- * Vote over the internet at our internet address: www.proxyvoting.com/swg by following the instructions on the enclosed proxy card.

Can I change my vote?

Yes, you can change your vote by (a) sending a new proxy card with a later date; (b) casting a new vote by telephone or over the internet; (c) sending a written notice of revocation to our Corporate Secretary by mail to Shareholder Services, Southwest Gas Corporation, P.O. Box 98510, Las Vegas, NV 89193-8510, or by facsimile at 702-871-9942; or (d) voting by ballot at the Annual Meeting.

What are the Board's recommendations?

The Board's recommendations are set forth with the description of each item in this proxy statement. In summary, the Board recommends a vote:

- * FOR election of the nominated slate of directors (see Item 1); and
- * FOR ratification of the selection of PricewaterhouseCoopers LLP as our independent accountants (see Item 2).

With respect to any other matter that properly comes before the Annual Meeting, Thomas Y. Hartley and LeRoy C. Hanneman, Jr., our proxies, will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

How many votes must be present to hold the Annual Meeting?

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The Company will have a quorum, and will be able to conduct the business of the Annual Meeting, if the holders of a majority of the shares entitled to vote are represented in person or by proxy at the meeting. As of the record date, 39,570,056 shares of Company common stock were outstanding and entitled to vote, and the presence of the holders of at least 19,785,029 shares of Company common stock will be required to establish a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the votes considered being present at the meeting.

A broker non-vote occurs when a broker lacks discretionary voting power to vote on a non-routine proposal and some beneficial owner fails to give the broker voting instructions on that matter. The rules of the New York Stock Exchange (the NYSE) determine whether matters presented at the Annual Meeting are routine or non-routine in nature. The election of directors and the ratification of the selection of PricewaterhouseCoopers LLP as our independent accountants are considered routine matters and a broker has the discretionary voting power to vote on these matters without any instructions from the beneficial owner.

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What vote is required to approve each item?

Directors are elected by a plurality of the votes cast. The ratification of PricewaterhouseCoopers LLP's selection requires the affirmative vote of a majority of the shares of Company common stock represented at the Annual Meeting and entitled to vote.

Do I have an opportunity to cumulate my votes for director nominees?

Shareholders have cumulative voting rights for the election of directors, if certain conditions are met. Shareholders entitled to vote may cumulate their votes for a candidate or candidates placed in nomination at the meeting if, prior to the voting at the meeting, notice has been given that a shareholder intends to cumulate his or her votes. Shareholders deciding to cumulate their votes may cast as many votes as there are directors to be elected, multiplied by the number of shares of Company common stock held by them on the Record Date. The votes may be cast for one candidate or allocated among two or more candidates in any manner the shareholders choose. If any shareholder has given notice of cumulative voting, all shareholders may cumulate their votes for candidates in nomination.

If sufficient numbers of shareholders exercise cumulative voting rights to elect one or more candidates, our proxies will:

- * determine the number of directors they can elect;
- * select such number from among the named candidates;
- * cumulate their votes; and
- * cast their votes for each candidate among the number they can elect.

How are my votes counted?

- * **Election of Directors:** You may vote FOR ALL, FOR ALL EXCEPT or WITHHOLD AUTHORITY FOR ALL of the director nominees. If you mark FOR ALL EXCEPT, your votes will be counted for every director nominee other than the one(s) you indicate.
- * **Ratification of the selection of PricewaterhouseCoopers LLP:** You may vote FOR, AGAINST, or ABSTAIN the selection of our independent accountants. If you ABSTAIN or if your shares are treated as a broker non-vote, your votes will be counted for purposes of establishing a quorum and will have no effect on the ratification of the proposal.

We will appoint either one or three inspectors of election in advance of the meeting to tabulate votes, to ascertain whether a quorum is present, and to determine the voting results on all matters presented to Company shareholders.

What if I do not vote for some of the matters listed on my proxy card?

If you return a signed proxy card or vote by telephone or the internet without indicating your vote on any or all of the matters to be considered at the Annual Meeting, your shares will be voted FOR the director nominees listed on the proxy card and FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP to be the Company's independent accountants for 2006.

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Can the shares that I hold in a brokerage account or the EIP be voted if I do not instruct my broker or the EIP trustee?

- * **Shares held in street name:** If you do not instruct your broker to vote your shares of Company common stock held in street name, your broker has the discretion to vote your shares on all routine matters scheduled to come before the Annual Meeting. If any matters to be considered at the meeting are viewed as non-routine, your broker does not have discretion to vote your shares and, if you do not give your broker voting instructions, your broker will vote your shares as broker non-votes. All matters scheduled to come before the meeting are routine and your broker will have the discretion to vote your shares unless you provide voting instructions.

- * **Shares held in the EIP:** If you do not provide instructions to the EIP trustee for the shares of Company common stock you hold in the EIP, then the EIP trustee will vote your shares in the same proportion as the shares for which timely instructions were received.

Could other matters be decided at the Annual Meeting?

We do not know of any other matters that will be considered at the Annual Meeting. If any other matters are properly brought before the meeting, your shares will be voted at the discretion of the proxies, unless otherwise instructed.

What rules of conduct will govern the Annual Meeting?

To ensure that our Annual Meeting is conducted in an orderly fashion and the shareholders wishing to speak at the meeting have a fair opportunity to do so, we will have certain guidelines and rules for the conduct of the meeting, which we will provide to those attending the meeting.

What happens if the Annual Meeting is postponed or adjourned?

If the Annual Meeting is postponed or adjourned, your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Who is soliciting my proxy?

Your proxy is being solicited by the Board. Morrow & Co. has been employed to assist in obtaining proxies from certain larger and other shareholders at an estimated cost of \$5,500 plus certain expenses. Arrangements have also been made with brokerage houses and other custodians, nominees, and fiduciaries to send proxies and proxy materials to you, if your shares are held in a street name, and Morrow & Co. will reimburse them for their expenses in providing the materials to you.

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GOVERNANCE OF THE COMPANY

Board of Directors

Under the provisions of the California Corporations Code and the Company's Bylaws, the Company's business, property, and affairs are managed by or are under our direction. We are kept informed of the Company's business through discussions with the Chief Executive Officer and other officers, by reviewing materials provided to us and by participating in our regular Board and committee meetings.

We have determined that directors Chestnut, Cortez, Gardner, Hanneman, Hartley, Kropid, Melarkey, Sparks, and Wright and director-nominee Mariucci have no material relationships with the Company and are independent. In making this determination, we have reviewed all transactions or relationships with the Company using a definition of material relationships to include the criteria listed in Section 303A of the Listing Rules of the NYSE and have presumed that matters not subject to disclosure pursuant to Item 404 of Regulation S-K of the Securities Exchange Act of 1934 (the Exchange Act) and authorized by the Company's regulatory tariffs above the Item 404 threshold are not material relationships. The definition of material relationships for directors on the Audit Committee also includes the criteria listed in Section 10A(m)(3) of the Exchange Act and Section 303.01 of the Listing Rules of the NYSE. The definition of material relationships for directors serving on the Compensation Committee also includes the criteria listed in Section 16(b) of the Exchange Act and Section 162(m) of the Internal Revenue Code (the Code). We based our determination primarily on a review of the responses of the directors and executive officers to questions regarding employment and compensation history, affiliations and family relationships and on discussions with directors.

Our Board meetings are scheduled for the third Tuesday of January and September, the fourth Thursday of February, the first Tuesday of August, the fourth Tuesday of November, and the Wednesday before the Annual Meeting in May. An organizational meeting is also held immediately following the Annual Meeting. We held six regular meetings and one organizational meeting in 2005. Each incumbent director attended more than 75% of our Board and the committee meetings on which he or she served during 2005. Non-management directors are expected to meet in executive session at least four times a year, and the independent directors are expected to meet at least once a year. These sessions are presided over by Thomas Y. Hartley, Chairman of the Board, who is the current Presiding Director.

Thomas Y. Hartley, consistent with our age 72 retirement policy for directors, will be retiring from the Board at the conclusion of this year's Annual Meeting. With Mr. Hartley's retirement, it is our intention to elect LeRoy C. Hanneman, Jr., Chairman of the Board, subject to his reelection as a director at this year's meeting. Mr. Hanneman would assume these new responsibilities, including those of the Presiding Director, at the organizational meeting immediately following the Annual Meeting.

Committees of the Board

Our permanent Board committees consist of Audit, Compensation, Nominating and Corporate Governance, and Pension Plan Investment. Each committee has established responsibilities, while Audit, Compensation, and Nominating and Corporate Governance have detailed charters designed to satisfy the Listing Rules of the NYSE. The members of the Audit, Compensation, and Nominating and Corporate Governance committees are comprised solely of independent directors as outlined above.

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The *Audit Committee*, whose functions are discussed here and below under the captions "Selection of Independent Accountants" and "Audit Committee Report," is a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. It

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consists of directors Gardner (the Chairman), Chestnut, Hartley, Kropid, and Wright. The committee meets periodically with management to consider, among other things, the adequacy of the Company's internal controls and financial reporting process. The committee also discusses these matters with the Company's independent accountants, internal auditors and Company financial personnel. We determined that directors Gardner and Hartley, who are independent, each qualifies as an *audit committee financial expert*, as the term is defined in Item 401(h) of Regulation S-K under the Exchange Act.

The *Compensation Committee* makes recommendations to us on such matters as directors' fees and benefit programs, executive compensation and benefits, and compensation and benefits for all other Company employees. The committee is also responsible for the Report on Executive Compensation and related disclosures contained in this proxy statement. The committee consists of directors Sparks (the Chairperson), Cortez, Hanneman, Melarkey, and Wright.

The *Nominating and Corporate Governance Committee* makes recommendations to us regarding nominees to be proposed for election as directors, evaluates the Board's size, composition, organization, processes, practices, and number of committees, and establishes the criteria for the selection of directors. The committee considers written suggestions from shareholders regarding potential nominees for election as directors. The process for selecting directors is addressed in more detail below under the caption Selection of Directors. The committee is also charged with the responsibility of developing and recommending to us corporate governance principles and compliance programs for the Company. The committee consists of directors Hanneman (the Chairman), Chestnut, Gardner, Hartley, and Kropid.

The *Pension Plan Investment Committee* establishes, monitors, and oversees, on a continuing basis, asset investment policy and practices for the Company's retirement plan. The committee consists of directors Melarkey (the Chairman), Biehl, Cortez, Maffie, and Sparks.

During 2005, the Audit Committee held six meetings, the Compensation Committee held three meetings, the Nominating and Corporate Governance Committee held four meetings, and the Pension Plan Investment Committee held four meetings.

The charters for the Audit, Compensation, and Nominating and Corporate Governance Committees, the Company's corporate governance guidelines, and the Company's code of business conduct that applies to all employees, officers and directors are available on the Company's website at: <http://www.swgas.com/investorrelations>. Print versions of these documents are available to shareholders upon request directed to the Corporate Secretary, Southwest Gas Corporation, 5241 Spring Mountain Road, Las Vegas, NV 89150.

Selection of Directors

We believe our Board should be comprised of individuals with varied, complementary backgrounds, who possess certain core competencies, some of which may include broad experience in business, finance or administration, and familiarity with national and international business matters and the energy industry. Additional factors that will be considered in the selection process include the following:

- * Independence from management;

- * Diversity, age, education, and geographic location;
- * Knowledge and business experience;

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- * Integrity, leadership, reputation, and ability to understand the Company's business;
- * Existing commitments to other businesses and boards; and
- * The current number and composition of our existing directors.

The Nominating and Corporate Governance Committee will consider candidates for directors suggested by shareholders applying the criteria for candidates described above and considering the additional information referred to below. Shareholders who would like to suggest a candidate should write to the Company's Corporate Secretary and include:

- * A statement that the writer is a shareholder and is proposing a candidate for consideration as a director nominee;
- * The name of and contact information for the candidate;
- * A statement of the candidate's business and educational experience;
- * Information regarding each of the factors listed above, sufficient to enable the committee to evaluate the candidate;
- * A statement detailing any relationship between the candidate and the Company, Company affiliates, and any competitor of the Company;
- * Detailed information about any relationship or understanding between the proposing shareholder and the candidate; and
- * The candidate's written consent to being named a nominee and serving as a director if elected.

When seeking a candidate for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management or others. The committee may also retain a search firm to identify potential candidates.

Anticipating Mr. Hartley's retirement, the committee initiated a search for potential director nominee candidates for his replacement. The committee asked the directors and officers of the Company for their recommendations. A list of potential candidates residing in the Company's service territory was compiled. The committee reviewed the qualifications of the potential candidates, along with three candidates submitted by Company shareholders, applying the above-described criteria. The committee recommended Anne L. Mariucci as Mr. Hartley's replacement. Ms. Mariucci was recommended to the committee by a non-management director and will join the remaining directors as the committee's recommended candidates for this year's election. The Board adopted the committee's recommendation, and the slate of director nominees for your consideration is listed in the proxy materials.

Shareholders may also nominate a person for election to the Board at an annual meeting by giving written notice to the Company not less than 20 days prior to the first anniversary of the preceding year's annual meeting or within 10 days after notice is mailed or public disclosure is made regarding either a change of the annual meeting by more than 30 days or a special meeting at which directors are to be elected. For this year's Annual Meeting, the required notice must be received by the

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Company on or before April 14, 2006. In order to make such a nomination, a shareholder is required to include in the written notice the following:

- * As to each person whom the shareholder proposes to nominate for election or reelection as a director all the information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required pursuant to Regulation 14A of the Exchange Act, as amended;
- * Each person's written consent to being named a nominee and serving as a director, if elected;
- * The name and address of the proposing shareholder or beneficial owner; and
- * The class and number of shares of the Company held directly or indirectly by the proposing shareholder.

Shareholder Nominees

Three director nominee candidates were submitted by shareholders during 2005 for consideration by the Nominating and Corporate Governance Committee. The three shareholder proposed candidates were Thomas G. Asimou, Aaron P. Dworkin, and Stuart Nieman. The committee, applying the above-described criteria, considered these candidates along with the candidates suggested by the directors. As discussed above, the committee selected Anne L. Mariucci for the one vacant position on the Board.

Directors Compensation

Outside directors receive an annual retainer of \$40,000, and \$1,650 for each Board and committee meeting attended and for any additional day of service committed to the Company. The chairperson of the Audit Committee receives an additional \$10,000 annually, and the chairpersons of the other permanent committees each receive an additional \$5,000 annually. The Chairman of the Board receives an additional \$50,000 annually for serving in that capacity. Directors who are full-time employees of the Company or its subsidiaries receive no additional compensation for serving on the Board.

The outside directors also receive part of their compensation in stock options, stock awards or other incentives linked to the value of Company common stock. At last year's Annual Meeting, each outside director received options to purchase 3,000 shares of Company common stock under the provisions of the 2002 Stock Incentive Plan. The purchase price for the options is the market price of Company common stock on the date granted. The options become exercisable in increments, over three years, commencing with the first anniversary of the grant. Additional options to purchase 3,000 shares of Company common stock will be granted to each outside director on the date of each annual meeting during the 10-year term of the Option Plan so long as shares remain available. All options granted to the outside directors will expire 10 years after the date of each grant.

Outside directors may defer their cash compensation until retirement or termination of their status as directors. Amounts deferred bear interest at 150% of the Moody's Seasoned Corporate Bond Rate. At retirement or termination, such deferrals will be paid out over 5, 10, 15, or 20 years and will be credited during the applicable payment period with interest at 150% of the average of the Moody's Seasoned Corporate Bond Rate on January 1 for the five years prior to distribution.

The Company also provides a retirement plan for certain current outside directors. Outside directors elected to the Board prior to the 2003 Annual Meeting are eligible to participate in the plan.

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Under the provisions of the plan, an outside director who satisfies the plan's age and years of service requirements can retire and receive an annual benefit equal to the annual retainer at the director's retirement.

Directors and Officers Share Ownership Guidelines

In order to align our interests with that of all shareholders, we have adopted Company common stock ownership guidelines for the directors and Company officers.

The outside directors are expected to acquire and retain a minimum of 2,000 shares of Company common stock by January 20, 2006, and an additional 1,000 shares by January 20, 2007, for a total of 3,000 shares. Any new directors elected to the Board for the first time, at or after this year's Annual Meeting, will be expected to satisfy the share ownership guidelines within two years of becoming a director. Management directors are expected to purchase and retain specific share minimums tied to their positions with the Company.

Company officers are expected to acquire and retain the following minimum levels of Company common stock.

*	Chief Executive Officer	25,000 shares
*	President	15,000 shares
*	Executive Vice President	12,500 shares
*	Senior Vice President	10,000 shares
*	Vice President	5,000 shares

Current executives will have five years to satisfy these guidelines. Newly named executives and executives promoted to positions requiring a greater number of shares will have an additional two years to reach the new levels.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee through the 2005 Annual Meeting were directors Sparks, Hanneman, Kropid, and Melarkey. After the Annual Meeting, the members of the committee were directors Sparks (the Chairperson), Cortez, Hanneman, Melarkey, and Wright, the current members of the committee. None of the members has ever been an officer or employee of the Company or any of its subsidiaries and no compensation committee interlocks existed during 2005.

Director Attendance at Annual Meetings

We normally schedule Board meetings in conjunction with each annual meeting and we expect each director to attend the meetings. Last year, all of the directors attended the 2005 Annual Meeting.

Shareholder Communications with Directors

Any shareholders who would like to communicate with the Board, the Presiding Director, or any individual directors can write to:

Southwest Gas Corporation

Corporate Secretary

5241 Spring Mountain Road

P.O. Box 98510

Las Vegas, NV 89193-8510

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Depending on the subject matter, management will:

- * forward the communication to the director or directors to whom it is addressed;
- * attempt to handle the inquiry directly, for example, where it is a request for information about the Company or it is a stock-related matter; or
- * not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

If the communication is addressed to the Presiding Director, the communication will be forwarded directly to the Presiding Director and not be processed by management. At each of our meetings, a member of management will present a summary of all communications received since the last meeting that were not forwarded and make such communications available to the directors.

ELECTION OF DIRECTORS

(Item 1 on the Proxy Card)

The Board of Directors Recommends a Vote FOR Election of the Director Nominees.

Names and Qualifications of Nominees

Each director elected at an annual meeting will serve until the next annual meeting and until his or her successor is elected and qualified. Eleven of the nominees were elected to their present term of office at the last Annual Meeting on May 5, 2005. Thomas Y. Hartley, consistent with our age 72 retirement policy for directors, will be retiring from the Board at the conclusion of this year's meeting. Mr. Hartley has been a director since 1991 and has served as Chairman of the Board for the last nine years. The Company is grateful for his counsel, insight, advice, and service over the last 15 years. Anne L. Mariucci is the new nominee to the Board.

The 12 nominees for director receiving the highest number of votes, a plurality, will be elected to serve until the next Annual Meeting. The names of the nominees, their principal occupation, and recent employment history are set forth on the following pages.

George C. Biehl

Executive Vice President, Chief Financial Officer & Corporate Secretary

Southwest Gas Corporation

Director Since: 1998

Board Committees: Pension Plan Investment

Mr. Biehl, 58, joined the Company in 1990 as Senior Vice President and Chief Financial Officer after serving in a number of capacities with Deloitte Haskins & Sells (now Deloitte & Touche) and as chief financial officer for PriMerit Bank for the five years before joining the Company. He became Corporate Secretary of the Company in 1996 and was named Executive Vice President in 2000. Mr. Biehl graduated from The Ohio State University with a degree in accounting and earned his MBA with an emphasis in finance from Columbia University. He is a member of the American Institute of Certified Public Accountants, a member of the Las Vegas Chamber of Commerce Leadership Las Vegas Program, and serves on various committees of several trade associations.

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Thomas E. Chestnut

Owner, President and CEO

Chestnut Construction Company

Director Since: 2004

Board Committees: Audit, Nominating and Corporate Governance

Mr. Chestnut, 54, after serving in Vietnam with the U.S. Army, began a career in the construction industry in 1972 with Del Webb Corporation. Leaving Webb in 1980 as Manager of Commercial Operations, Mr. Chestnut took a position with The Wray Company, a commercial contractor and wholly owned subsidiary of Weyerhaeuser Company. He remained with Wray until 1990 when he founded Chestnut Construction Company in Tucson, Arizona. Mr. Chestnut is a past President and Life Director of the Arizona Builders Alliance and a past President of the Arizona Building Chapter of the Associated General Contractors of America. He is a past Chair and Life Trustee of the Carondelet Foundation, a member of the Tucson Conquistadors, a member and past Director of the Centurions of St. Mary's Hospital, and a member of the Alexis de Toqueville Society of United Way of Greater Tucson. Mr. Chestnut was named the 2001 Tucson Small Business Leader of the Year by the Tucson Metropolitan Chamber of Commerce and the 2002 Arizona Small Business Person of the Year by the United States Small Business Administration.

Manuel J. Cortez

Retired President and Chief Executive Officer

Las Vegas Convention and Visitors Authority

Director Since: 1991

Board Committees: Compensation, Pension Plan Investment

Mr. Cortez, 67, retired as president and chief executive officer of the Las Vegas Convention and Visitors Authority (LVCVA) in 2004. Prior to his positions at the LVCVA, he served four terms (1977-1990) on the Clark County Commission and is a former chairman of the Commission. He has been active on various boards, including the Environmental Quality Policy Review Board, the Las Vegas Valley Water District Board of Directors, and the University Medical Center Board of Trustees, and served as chairman of the Liquor and Gaming Licensing Board and the Clark County Sanitation District. He has also held leadership roles with numerous civic and charitable organizations such as Boys and Girls Clubs of Clark County, Lied Discovery Children's Museum, and Big Brothers-Big Sisters. He presently serves on the community board of St. Rose Dominican Hospitals.

Richard M. Gardner

Retired Partner

Deloitte & Touche LLP

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Director Since: 2004

Board Committees: Audit (Chairman), Nominating and Corporate Governance

Mr. Gardner, 68, obtained his degree in accounting from Brigham Young University in 1963 and was employed by Deloitte & Touche in its Los Angeles and Phoenix offices until his retirement in 2000. As an audit partner for 27 years, he served clients in various industries and in several management capacities including Professional Practice Director for the Los Angeles area offices. He is a member of the American Institute of Certified Public Accountants and has been active in numerous civic, educational and charitable boards.

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LeRoy C. Hanneman, Jr.

Chairman and Chief Executive Officer

Element Homes, LLC

Director Since: 2003

Board Committees: Compensation, Nominating and Corporate Governance (Chairman)

Mr. Hanneman, 59, received his undergraduate degree in construction engineering from Arizona State University. He is the chief executive officer of Element Homes, a homebuilding and real estate development company with projects in the metropolitan Phoenix, Arizona area. Mr. Hanneman is a 30-year veteran of the housing industry and former president, chief operating and chief executive officer of Del Webb Corp. He has served on a number of charitable organization boards including United Way, Boy Scouts of America, and Boys and Girls Club of America.

James J. Kropid

President

James J. Kropid Investments

Director Since: 1997

Board Committees: Audit, Nominating and Corporate Governance

Mr. Kropid, 68, received his undergraduate degree from DePaul University and participated in the executive development program at the University of Illinois. He joined Centel Corporation in 1961 and became president of its Central Telephone Company-Nevada/Texas division in 1987. In 1993, the Governor of Nevada appointed him to the position of general manager of the Nevada State Industrial Insurance System, a position in which he served for almost two years. He is currently president of his own investment company. Mr. Kropid is involved in many civic and charitable organizations. In 2003, Mr. Kropid served as the interim executive director of the United Way of Southern Nevada and is on the board of directors and executive committee of that organization. He is a past president of the Las Vegas Area Council of the Boy Scouts of America and presently serves on that board and is a past chairman of the YMCA of Southern Nevada. He also serves on the executive committee of the Desert Research Institute Foundation and he chairs that organization's Green Power Project.

Michael O. Maffie

Retired Chief Executive Officer

Southwest Gas Corporation

Director Since: 1988

Board Committees: Pension Plan Investment

Mr. Maffie, 58, joined the Company in 1978 as Treasurer after seven years with Arthur Andersen & Co. He was named Vice President/Finance and Treasurer in 1982, Senior Vice President and Chief Financial Officer in 1984, Executive Vice President in 1987, President and Chief Operating Officer in 1988, President and Chief Executive Officer in 1993 and Chief Executive Officer in 2003, until his retirement in 2004. He received his undergraduate degree in accounting and his MBA in finance from the University of Southern California. He serves as a director of Boyd Gaming Corporation and was a director of Del Webb Corporation and Wells Fargo Bank/Nevada Division. A member of various civic and professional organizations, he served as chairman of the board of trustees of the UNLV Foundation and is a past chairman of the Board of United Way of Southern Nevada. He also is a past director of the Western Energy Institute and the American Gas Association.

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Anne L. Mariucci

General Partner

Inlign Capital Partners

Director Since: Nominee

Ms. Mariucci, 48, received her undergraduate degree in accounting and finance from the University of Arizona and completed the corporate finance program at the Stanford University Graduate School of Business. She spent the majority of her professional career in the large-scale community development and homebuilding business. Ms. Mariucci was employed by Del Webb Corporation in 1984 and served in a variety of senior management capacities, culminating in president. She retired from Del Webb's successor Pulte Homes, Inc. in 2003 and with two partners founded Inlign Capital Partners, a private equity firm investing in privately held companies. She is also affiliated with Hawkeye Partners in Dallas, Texas, and Glencoe Capital in Chicago, Illinois. Ms. Mariucci is on the boards of the Arizona State Retirement System and the Arizona Board of Regents. She also serves as a director of Scottsdale Healthcare, the Arizona University Foundation and the Fresh Start Women's Foundation.

Michael J. Melarkey

Partner

Avansino, Melarkey, Knobel & Mulligan

Director Since: 2004

Board Committees: Compensation, Pension Plan Investment (Chairman)

Mr. Melarkey, 56, a partner in the law firm of Avansino, Melarkey, Knobel & Mulligan received his undergraduate degree from the University of Nevada, Reno, his law degree from the University of San Francisco and his masters in laws in taxation from New York University. He has been in private legal practice in Reno, Nevada, since 1976. Mr. Melarkey is a member of the American Bar Association, the International Association of Gaming Lawyers and the State Bar of Nevada. He is a trustee of the Bretzlaff Foundation, a trustee of the Robert S. and Dorothy J. Keyser Foundation, a trustee of the Roxie and Azad Joseph Foundation, a trustee of the E. L. Wiegand Trust and vice president of the E. L. Wiegand Foundation. He is vice president of Miami Oil Producers, Inc. and serves as a director of the Gabelli Dividend and Income Trust, the Gabelli Global Utility and Income Trust, and the Gabelli Global Gold, Natural Resources & Income Trust, all closed-end mutual funds.

Jeffrey W. Shaw

Chief Executive Officer

Southwest Gas Corporation

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