

SOUTHWEST GAS CORP
Form DEF 14A
March 28, 2007
Table of Contents

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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of the Commission
Only(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-11(c) or Rule 14a-12

Southwest Gas Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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(3) Filing Party:

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Table of Contents

Notice of 2007 Annual Meeting of Shareholders
and Proxy Statement

SOUTHWEST GAS CORPORATION

Annual Meeting 2007

May 3, 2007 Las Vegas, Nevada

Table of Contents

SOUTHWEST GAS CORPORATION

5241 Spring Mountain Road

Las Vegas, Nevada 89150

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be Held Thursday, May 3, 2007

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Southwest Gas Corporation (Company) will be held on Thursday, May 3, 2007, 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 approve the 2006 Restricted Stock/Unit Plan, as set forth in Exhibit A to the Proxy Statement;
- (3) To consider and act upon a proposal to amend the Restated Articles of Incorporation of the Company to increase the authorized shares of Common Stock from 45,000,000 to 60,000,000 shares;
- (4) To consider and act upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as independent accountants of the Company; and
- (5) 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 6, 2007, 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, 2006, is also enclosed.

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

March 26, 2007

Table of Contents**TABLE OF CONTENTS**

	<u>Page</u>
Invitation to 2007 Annual Meeting of Shareholders	
Location Map for 2007 Annual Meeting of Shareholders	
<u>Proxy Statement</u>	1
<u>General Information</u>	1
<u>What is the purpose of the Annual Meeting?</u>	1
<u>Who is entitled to vote at the Annual Meeting?</u>	1
<u>How many votes do I have?</u>	1
<u>How do I vote?</u>	2
<u>Can I change my vote?</u>	2
<u>What are the Board's recommendations?</u>	2
<u>How many votes must be present to hold the Annual Meeting?</u>	2
<u>What vote is required to approve each item?</u>	3
<u>Do I have an opportunity to cumulate my votes for director nominees?</u>	3
<u>How are my votes counted?</u>	3
<u>What if I do not vote for some of the matters listed on my proxy card?</u>	4
<u>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?</u>	4
<u>Could other matters be decided at the Annual Meeting?</u>	4
<u>What Rules of Conduct will govern the Annual Meeting?</u>	4
<u>What happens if the Annual Meeting is postponed or adjourned?</u>	5
<u>Who is soliciting my proxy?</u>	5
<u>Governance of the Company</u>	5
<u>Board of Directors</u>	5
<u>Committees of the Board</u>	6
<u>Selection of Directors</u>	7
<u>Shareholder Nominees</u>	8
<u>Related Party Transactions</u>	8
<u>Directors and Officers Share Ownership Guidelines</u>	9
<u>Compensation Committee Interlocks and Insider Participation</u>	9
<u>Director Attendance at Annual Meetings</u>	9
<u>Shareholder Communications with Directors</u>	9
<u>Election of Directors</u>	10
<u>Names and Qualifications of Nominees</u>	10
<u>Securities Ownership by Directors, Director Nominees, Executive Officers, and Certain Beneficial Owners</u>	15
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	16
<u>Compensation Discussion and Analysis</u>	17
<u>Compensation Committee Report</u>	22
<u>Executive Compensation Summary Compensation Table</u>	23
<u>Grants of Plan-Based Awards</u>	24
<u>Outstanding Equity Awards at Fiscal Year-End 2006</u>	26
<u>Options Exercises and Stock Vested</u>	27
<u>Pension Benefits</u>	28
<u>Nonqualified Deferred Compensation</u>	28
<u>2006 Directors Compensation Table</u>	31
<u>Approval of the Southwest Gas Corporation 2006 Restricted Stock/Unit Plan</u>	33
<u>Equity Compensation Plan Information</u>	38
<u>Approval of the Amendment to Restated Articles of Incorporation to Increase Authorized Shares of Common Stock</u>	40

Table of Contents

	Page
<u>Audit Committee Information</u>	42
<u>Selection of Independent Accountants</u>	42
<u>Audit Committee Report</u>	44
<u>Other Matters to Come Before the Meeting</u>	45
<u>Submission of Shareholder Proposals</u>	45
<u>Appendix A 2006 Restricted Stock/Unit Plan</u>	
<u>Appendix B Proposed Amendment to Article IV of Restated Articles of Incorporation of Southwest Gas Corporation</u>	

Table of Contents

Jeffrey W. Shaw, C.E.O.

March 26, 2007

Dear Shareholders:

You are cordially invited to the Annual Meeting of Shareholders of Southwest Gas Corporation scheduled to be held on Thursday, May 3, 2007, 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 elect 12 directors, adopt the 2006 Restricted Stock/Unit Plan, increase the authorized shares of Company common stock and ratify the selection of PricewaterhouseCoopers LLP as the Company's independent accountants for 2007. Your Board of Directors asks you to support the director nominees listed in the proxy materials and to vote FOR adoption of the new equity based compensation plan, the increase in authorized shares, and 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,

Table of Contents

LOCATION OF 2007

SOUTHWEST GAS CORPORATION

ANNUAL MEETING OF SHAREHOLDERS

PALMS CASINO RESORT

4321 West Flamingo Road

Las Vegas, Nevada

Table of Contents

SOUTHWEST GAS CORPORATION

5241 Spring Mountain Road • P.O. Box 98510

• Las Vegas, Nevada 89193-8510 •

PROXY STATEMENT

March 26, 2007

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 2007 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 26, 2007.

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, approval of the 2006 Restricted Stock/Unit Plan (the 2006 Plan), amending the Articles of Incorporation to increase authorized shares of Company common stock, and ratifying 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 6, 2007, 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 brokers, banks, or other holders 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 your shares 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.

Table of Contents

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 and 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);
- * FOR approval of the 2006 Plan (see Item 2);
- * FOR increasing authorized shares of Company common stock to 60,000,000 shares (see Item 3); and
- * FOR ratification of the selection of PricewaterhouseCoopers LLP as our independent accountants (see Item 4).

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

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

We will have a quorum, and we will be able to conduct the business of the Annual Meeting, if the holders of majority of the shares entitled to vote are represented in person or by proxy at the meeting. As of the record date, 42,041,680 shares of Company common stock were outstanding and the presence of the holders of at least 21,020,841 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 a 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, the increase in

Table of Contents

authorized shares of Company common stock, and the ratification of the selection of PricewaterhouseCoopers LLP as our independent accountants are currently considered routine matters and a broker has the discretionary voting power to vote on these matters without any instructions from the beneficial owner. Beneficial owners of Company common stock will have to give voting instructions to a broker in order for a broker to vote on the proposed 2006 Plan.

What vote is required to approve each item?

Directors are elected by a plurality of the votes cast. Adoption of the proposed 2006 Plan and ratification of PricewaterhouseCoopers LLP's selection requires the affirmative vote of a majority of shares of Company common stock represented at the Annual Meeting and entitled to vote. Increasing the authorized number of shares of Company common stock to 60,000,000 shares requires the affirmative vote of a majority of shares outstanding on the Record Date.

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 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 other 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 other director nominee.

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- * **Approval of the proposed 2006 Plan:** You may vote FOR, AGAINST, or ABSTAIN the proposed 2006 Plan. 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.

- * **Approval to Increase Authorized Shares of Company Common Stock:** You may vote FOR, AGAINST, or ABSTAIN the increase of authorized shares of Company common stock. If you ABSTAIN or if your shares are treated as a broker non-vote, your votes will be

Table of Contents

counted for purposes of establishing a quorum and will be treated as voting AGAINST approval of the proposal.

- * **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 each of the proposals.

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. The election of directors, the increase in authorized shares of Company common stock, and the ratification of the selection of our independent accountants are routine and your broker will have the discretion to vote your shares unless you provide voting instructions. Approval of the proposed 2006 Plan is viewed as non-routine and your broker will need instructions from you in order to vote on this proposal.
- * **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?

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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.

Table of Contents

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 \$6,500.00 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.

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, Comer, Gardner, Hanneman, Kropid, Mariucci, Melarkey, Sparks, and Wright have no material relationships with the Company and are independent. We reached the same conclusion with respect to directors Thomas Y. Hartley and Manuel J. Cortez, while they served on the Board during 2006. We have also determined that members of the Audit, Compensation, and Nominating and Corporate Governance Committees 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. 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"). The independence criteria we use is included in the Company's corporate governance guidelines, which are available on the Company's website at: <http://www.swgas.com/investorrelations>.

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. In concluding that the named directors are independent, we did review transactions involving directors Comer and Wright. During 2006, the Company contracted with Deloitte & Touche LLP to assist in developing a program to manage a component of the Company's gas purchasing activities. The Deloitte contract was concluded in 2006 before Mr. Comer was elected to the Board. The Company also used one of Mr. Wright's companies to secure title insurance for the purchase of a piece of real property in southern Nevada.

Our Board meetings are scheduled for the third Tuesday of January and September, the fourth Tuesday of February, the fifth Tuesday of July, the second Wednesday of November, and the

Table of Contents

Wednesday before the Annual Meeting in May. An organizational meeting is held immediately following the Annual Meeting. We held six regular meetings and one organizational meeting in 2006. Each incumbent director attended more than 75% of the Board and committee meetings on which he or she served during 2006. Non-management directors are expected to meet in an 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 LeRoy C. Hanneman, Jr., Chairman of the Board, who is the current Presiding Director.

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 composed solely of independent directors as outlined above.

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 consists of directors Gardner (Chair), Chestnut, Comer, Kropid, Mariucci and Sparks. 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 Comer, Gardner, and Mariucci, 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* is responsible for determining CEO compensation and making recommendations to us annually, on such matters as directors' fees and benefit programs, executive compensation and benefits, and compensation and benefits for all other Company employees. The committee's charge, as outlined in its charter, cannot be delegated without Board approval. The committee does receive recommendations from management on the amount and form of executive and director compensation; however, the committee does have the ability to directly employ consultants to assess the executive compensation program. The committee is also responsible for the Executive Compensation Report. The committee consists of directors Chestnut (Chair), Gardner, Hanneman, and Mariucci.

The *Nominating and Corporate Governance Committee* is responsible for making recommendations to us regarding nominees to be proposed for election as directors; evaluating the Board's size, composition, organization, processes, practices, and number of committees; and recommending 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 corporate governance principles and compliance programs for the Company. The committee consists of directors Kropid (Chair), Hanneman, Melarkey, Sparks, and Wright.

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 (Chair), Biehl, Comer, Maffie, and Wright.

Table of Contents

During 2006, the Audit Committee held six meetings, the Compensation Committee held five meetings, the Nominating and Corporate Governance Committee held four meetings, and the Pension Plan Investment Committee held three 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 composed 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;
- * 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;

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- * Information regarding each of the factors listed above, in sufficient detail 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.

Table of Contents

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.

As a result of director Cortez's unexpected death in June 2006, the committee asked the committee chairman, director Kropid, and the CEO, Mr. Shaw, to initiate a search for his replacement from potential candidates in southern Nevada. In addition to the above-described factors, the committee also directed these individuals to take into consideration the regulatory requirements imposed on the board in selecting potential candidates. Two potential candidates were identified and the committee selected Stephen C. Comer as director Cortez's replacement. Mr. Comer was elected at the January 2007 Board meeting. Mr. Comer and the directors you elected at last year's Annual Meeting of Shareholders make up the slate of director nominees for your consideration at this year's Annual Meeting.

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 Company on or before April 12, 2007. 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

There were no director nominee candidates submitted by shareholders for consideration by the Nominating and Corporate Governance Committee for this year's Annual Meeting.

Related Party Transactions

We have adopted a written policy and are in the process of implementing written procedures for the review, approval, or ratification of any related party transactions. The policy addresses transactions in which the Company was or is a participant, the amount exceeds \$120,000, and a related party, which includes any director, executive officer, nominee for director or their immediate family members, had or will have a direct or indirect material interest. These transactions will be reported to the Company's general counsel, reviewed by the Nominating and Corporate Governance Committee, and approved or ratified only if the committee determines that the transaction is not inconsistent with the best interests of the Company. The policy is included in the Company's

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corporate governance guidelines, which is available on the Company's website at: <http://www.swgas.com/investorrelations>.

Table of Contents

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 3,000 shares of Company common stock. New outside directors elected at or after the 2006 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 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 2006 Annual Meeting were directors Sparks, Cortez, Hanneman, Melarkey, and Wright. After the 2006 Annual Meeting of Shareholders, the members of the committee were directors Chestnut, Cortez, Gardner, Hanneman, and Mariucci, and except for director Cortez, these directors are the current members of the committee. Director Cortez died in June 2006 and was not replaced on 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 2006.

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 2006 Annual Meeting of Shareholders.

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

Depending on the subject matter, management will either:

- * forward the communication to the director or directors to whom it is addressed;

Table of Contents

- * attempt to handle the inquiry directly, for example, where it is a request for information about the Company or 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 will 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 4, 2006. Manuel J. Cortez, who died unexpectedly in June 2006, was replaced by Stephen C. Comer in January 2007. Mr. Cortez served as a director for over 15 years and his counsel, insight, and advice will be missed.

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

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Mr. Biehl, 59, 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 assumed the responsibilities as Corporate Secretary for 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.

Thomas E. Chestnut

Owner, President and CEO

Chestnut Construction Company

Director Since: 2004

Board Committees: Audit, Compensation (Chair)

Mr. Chestnut, 56, 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

Table of Contents

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 the 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.

Stephen C. Comer

Retired Managing Partner

Deloitte & Touche LLP

Director Since: January 2007

Board Committees: Audit, Pension Plan Investment

Mr. Comer, 57, received his degree in accounting from Cal State University Northridge in 1972. He began his career with Arthur Andersen LLP in Los Angeles and established Arthur Andersen's Las Vegas office, as its managing partner, in 1985. Leaving Arthur Andersen in 2002, Mr. Comer took a position as partner with Deloitte & Touche LLP and was promoted to managing partner of its Nevada operations in 2004. He retired in December 2006. He is a member of the American Institute of Certified Public Accountants and Nevada Society of Certified Public Accountants. He is active in numerous civic, educational, and charitable organizations.

Richard M. Gardner

Retired Partner

Deloitte & Touche LLP

Director Since: 2004

Board Committees: Audit (Chair), Compensation

Mr. Gardner, 69, 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.

LeRoy C. Hanneman, Jr.

Chairman and Chief Executive Officer

Element Homes, LLC

Director Since: 2003

Chairman of Board of Directors

Board Committees: Compensation, Nominating & Corporate Governance

Mr. Hanneman, 60, received his undergraduate degree in construction engineering from Arizona State University. He is the chief executive officer of Element Homes, a homebuilding and real

Table of Contents

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 executive officer of Del Webb Corp. He has served on a number of charitable organization boards including the 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 & Corporate Governance (Chair)

Mr. Kropid, 69, 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 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 executive committee. He is past chairman of the YMCA of Southern Nevada and serves as a trustee and on the executive committee of the Desert Research Institute Foundation and 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, 59, 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 is a former 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 the 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.

Anne L. Mariucci

Private Investor

Director Since: June 2006

Board Committees: Audit, Compensation

Ms. Mariucci, 49, received her undergraduate degree in accounting and finance from the University of Arizona and completed the corporate finance program at the Stanford University

Table of Contents

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, TX and Glencoe Capital in Chicago, IL. 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