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, 1996

COMMISSION FILE NUMBER 1-7850

SOUTHWEST GAS CORPORATION
(EXACT NAME OF REGISTRANT 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. Pacific Stock Exchange, Inc.
9.125% Trust Originated Preferred Securities	New York Stock Exchange, Inc. Pacific Stock Exchange, Inc.
Stock Purchase Rights	New York Stock Exchange, Inc. Pacific Stock Exchange, Inc.

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 X 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. [X]

AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY
NONAFFILIATES OF THE REGISTRANT:
$504,395,738 at March 14, 1997

THE NUMBER OF SHARES OUTSTANDING OF COMMON STOCK:
Common Stock, $1 Par Value, 26,901,106 shares as of March 14, 1997

DOCUMENTS INCORPORATED BY REFERENCE

DESCRIPTION	PART INTO WHICH INCORPORATED
Annual Report to Shareholders for the Year Ended December 31, 1996	Parts I, II and IV
Proxy Statement dated March 31, 1997	Part III

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PART I

PART I

ITEM 1. BUSINESS

The registrant, Southwest Gas Corporation (the Company), is incorporated under the laws of the State of California effective March 1931. The executive offices of the Company are located at 5241 Spring Mountain Road, P.O. Box 98510, Las Vegas, Nevada, 89193-8510, telephone number (702) 876-7237.

The Company is principally engaged in the business of purchasing, transporting, and distributing natural gas to residential, commercial, and industrial customers in geographically diverse portions of Arizona, Nevada, and California (Southwest or the natural gas operations segment).

In April 1996, the Company acquired all of the outstanding stock of Northern Pipeline Construction Co. (Northern or the construction services segment) pursuant to a definitive agreement dated November 1995. The Company issued approximately 1,439,000 shares of common stock valued at $24 million in connection with the acquisition. The construction services segment provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

In January 1996, the Company entered into a definitive agreement with Norwest Corporation (Norwest) to sell PriMerit Bank, Federal Savings Bank (PriMerit), a wholly owned subsidiary, to Norwest for $175 million. In April 1996, Norwest elected, pursuant to an option in the original agreement, to structure the acquisition as a purchase of substantially all of the assets and liabilities of PriMerit in exchange for consideration of $191 million. The Company paid an additional $16 million in income taxes by virtue of consummating the sale as a purchase of assets and assumption of liabilities. The consideration of $191 million, therefore, provided the economic equivalent to the Company of a sale of stock of PriMerit for $175 million. The sale closed in July 1996, following receipt of shareholder and various governmental approvals and satisfaction of other customary closing conditions. Net proceeds of approximately $163 million were initially used to pay down short-term debt and a portion of term-loan facilities. Debt incurred in connection with its investment in PriMerit was retired in August 1996. For consolidated financial reporting purposes, the financial services activities are disclosed as discontinued operations.

Financial information with respect to the Company's industry segments is included in Note 12 of the Notes to Consolidated Financial Statements which is included in the Annual Report to Shareholders and is incorporated herein by reference.

NATURAL GAS OPERATIONS

GENERAL DESCRIPTION

Southwest is subject to regulation by the Arizona Corporation Commission (ACC), the Public Service Commission of Nevada (PSCN), 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 of the Company's accounting practices, transmission facilities, and rates are subject to regulation by the Federal Energy Regulatory Commission (FERC).

Southwest purchases, transports, and distributes natural gas to approximately 1,092,000 residential, commercial, and industrial customers in geographically diverse portions of Arizona, Nevada, and California. There were 63,000 customers added to the system during 1996.

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

FOR THE YEAR ENDED	RESIDENTIAL AND SMALL COMMERCIAL	LARGE COMMERCIAL, INDUSTRIAL AND OTHER	ELECTRIC GENERATION, RESALE, AND TRANSPORTATION
December 31, 1996................	80%	6%	14%
December 31, 1995................	79	7	14
December 31, 1994................	79	7	14

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

Transportation of customer-secured gas to end-users on Southwest's system accounted for 54 percent of total system throughput in 1996. Although the volumes were significant, these customers provide a much smaller proportionate share of operating margin. In 1996, customers who utilized this service transported 968 million therms, contributing 11 percent of operating margin.

The demand for natural gas is seasonal. Variability in weather from normal temperatures may materially impact results of operations. It is management's opinion that comparisons of earnings for interim periods do not reliably reflect overall trends and changes in Southwest's 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, CPUC, and PSCN 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 Paiute's system are: Sierra Pacific Power Company (serving Reno and Sparks, Nevada), WP Natural Gas (serving South Lake Tahoe, California), and Southwest Gas Corporation (serving North Lake Tahoe, California and various locations throughout northern Nevada).

Rates charged to customers vary according to customer class and are set at levels allowing for the recovery of all prudently incurred costs, including a return on rate base sufficient to pay interest on debt, preferred securities distributions, and a reasonable return on common equity. Southwest's 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. Rate schedules in all of Southwest's service areas contain purchased gas adjustment (PGA) clauses which allow Southwest to file for rate adjustments as the cost of purchased gas changes. Generally, Southwest tariffs provide for annual adjustment dates for changes in purchased gas costs. However, Southwest may request to adjust its rates more often than once each year, if conditions warrant. These changes have no direct impact on profit margin.

The table below lists the docketed general rate filings initiated and/or completed within each ratemaking area in 1996:

RATEMAKING AREA	TYPE OF FILING	MONTH FILED	MONTH FINAL RATES EFFECTIVE
Arizona:			
Central and Southern	General rate case	November 1996	--
California:			
Northern	Operational Attrition	November 1996	January 1997
Nevada:			
Northern and Southern	General rate case	December 1995	July 1996
FERC:			
Paiute	General rate case	July 1996	(1)

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(1) Interim rates reflecting the increased revenues became effective in January 1997. The rates are subject to refund until a final order is issued.

COMPETITION

Electric utilities are Southwest's principal competitors 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. As a result of its success in these markets, Southwest has experienced consistent 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. Southwest has been successful in retaining these customers by setting rates at levels competitive with alternative energy sources such as fuel oils and coal. As a result, management does not anticipate any material adverse impact on its operating margin from fuel switching.

Southwest continues to compete with interstate transmission pipeline companies, such as El Paso Natural Gas Company (El Paso), Kern River Gas Transmission Company (Kern River), and Tuscarora Gas Transmission Company, to provide service to large end-users. End-use customers located in close proximity to these interstate pipelines pose a potential bypass threat and, therefore, require Southwest to closely monitor each customer's situation and provide competitive service in order to retain the customer.

Southwest has maintained an intensive effort to mitigate bypass risks through the use of discounted transportation contract rates, special long-term contracts with electric generation and cogeneration customers, and new tariff programs. One such program provides an opportunity for potential bypass customers in Arizona and all transportation customers in Nevada to purchase natural gas-related services as a bundled package, including the procurement of gas supply. Southwest enters into gas supply contracts for eligible customers, which are not included in its system supply portfolio, and provides nomination and balancing services on behalf of the customer. This program, as well as Southwest's other competitive response initiatives and otherwise competitive rates, has helped mitigate the financial impact from the threat of bypass.

DEMAND FOR NATURAL GAS

Deliveries of natural gas by Southwest are made under a priority system established by each regulatory commission having jurisdiction over Southwest. The priority system is intended to ensure that the gas requirements of higher-priority customers, primarily residential customers and nonresidential customers who use 500 therms of gas per day or less, 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 may be as much as eight 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, 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. Southwest maintains no backlog on its orders for gas service.

Southwest has entered the residential cooling market by working with the manufacturers of gas air conditioning units and the builders of new residential units in the Arizona and southern Nevada service areas. Gas air conditioning represents an emerging market with the long-term potential for Southwest to smooth its currently seasonal earnings.

Natural gas vehicles (NGVs) represent another nontraditional source of demand for natural gas. Southwest encourages the use of NGVs throughout its service territories. As of December 31, 1996, there were 38 public- and nonpublic-access fueling stations and approximately 3,900 NGVs in use throughout Southwest's service territories. As more public fueling stations come on-line and stricter vehicle emission standards are adopted, the demand for NGVs should increase.

NATURAL GAS SUPPLY

Southwest believes that natural gas supplies and pipeline capacity will remain plentiful and readily available. Gas supplies for Southwest's southern system (the Arizona, southern Nevada and southern California properties) are primarily obtained from producing regions in New Mexico (San Juan basin), Texas (Permian basin), and Rocky Mountain areas. For its northern system (the 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, Kern River, Northwest Pipeline Corporation, and Southern California Gas Company (SoCal). Supply and pipeline capacity availability on both short- and long-term bases are continually monitored by Southwest to ensure the continued reliability of service to its customers.

Southwest's primary objective with respect to gas supply is to ensure that adequate, as well as economical, supplies of natural gas are available from reliable sources. Gas is acquired from a wide variety of sources, including suppliers on the spot market and those who provide firm supplies over short-term and longer-term durations. Balancing firm supply assurances against the associated costs dictate a continually changing natural gas purchasing mix within the supply portfolio. Southwest believes its balanced portfolio provides security as well as the operating flexibility needed to meet changing market conditions. During 1996, Southwest acquired gas supplies from over 70 suppliers. In managing its gas supply portfolio, Southwest does not utilize derivative financial instruments.

Southwest continues to evaluate natural gas storage as an option to enable it to take advantage of seasonal price differentials in obtaining natural gas from a variety of sources to meet the growing demand of its customers.

The purchase of natural gas at the wellhead is not regulated. Natural gas prices have demonstrated seasonal volatility with higher prices in the heating season and lower prices during the summer or off-peak consumption period. The latter part of 1996 witnessed particularly steep price increases. See additional discussion regarding the effect of changing natural gas prices included in the Capital Resources & Liquidity section of Management's Discussion and Analysis, which is included in the Annual Report to Shareholders.

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 fuels currently available, its use helps energy users to comply with stricter environmental standards. For example, legislation, such as the Clean Air Act Amendments of 1990 and the Energy Policy Act of 1992, has a positive effect on natural gas demand, including provisions encouraging the use of natural gas vehicles, cogeneration, and independent power production.

EMPLOYEES

At December 31, 1996, the natural gas operations segment had 2,424 regular full-time equivalent employees. Southwest believes it has a good relationship with its employees. No employees are represented by a union.

Reference is hereby made to Item 10 in Part III of this report on Form 10-K for information relative to the executive officers of the Company.

CONSTRUCTION SERVICES

Northern Pipeline Construction Co. (Northern or the construction services segment) is a full-service underground piping contractor which provides utility companies with trenching and installation, replacement, and maintenance of energy distribution systems. Northern contracts primarily with LDCs to install, repair, and maintain energy distribution systems from the town border station to the end-user's meter. 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 with work generally scheduled for the spring through fall months in colder climate areas, such as the Midwest. In warmer climate areas, such as the southwestern United States, construction occurs year round.

Northern's business activities are often concentrated in utility service territories where existing gas lines are scheduled for replacement. An LDC will typically contract with Northern 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 1996, more than 90 percent of revenue was earned under unit price contracts. As of December 31, 1996 no backlog exists with respect to outstanding construction contracts.

Competition within the industry is limited to several regional competitors in what can be characterized as a largely fragmented industry. Northern currently operates in approximately 20 major markets nationwide. Its customers are the primary LDCs in those markets. Construction companies typically depend on a few customers for their business. During 1996, Southwest accounted for 37 percent of Northern's revenues. No other customers contributed more than 10 percent of revenues.

Employment fluctuates between seasonal construction periods, which are normally heaviest in the summer and fall months. At December 31, 1996, Northern had 1,289 regular full-time equivalent employees. Employment peaked in October 1996 when there were 1,802 employees. The majority of the employees are represented by collective bargaining agreements which is typical of the construction industry.

Operations are conducted from 22 field locations with corporate headquarters located in Phoenix, Arizona. All buildings are leased from third parties. The lease terms are typically two to three years. Field location facilities consist of a small building for repairs and acreage to store equipment.

Northern has acquired and professionally maintained state-of-the-art work equipment required to ensure high quality performance and maximum efficiency. Innovative technology is utilized to continuously improve productivity, efficiency, and customer satisfaction. Northern has a strict policy for maintaining its equipment and also adheres to a replacement program for the majority of key equipment in order to minimize downtime and preserve resale values.

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, and vehicles in plant investment. Southwest's northern Nevada and northern California properties 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 an LNG storage plant on its northern Nevada system and a portion of the corporate headquarters office complex located in Las Vegas, Nevada. Total gas plant, exclusive of leased property, at December 31, 1996, was $1.7 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 of Southwest's 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 Southwest's 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 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 grantors' elections.

Southwest operates two major pipeline transmission systems: (i) a system owned by Paiute, a wholly owned subsidiary, 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 (ii) a system extending from the Colorado River at the southern tip of Nevada to the Las Vegas distribution area.

The map below shows the locations of Southwest's major facilities and major transmission lines, and principal communities to which Southwest supplies gas either as a wholesaler or distributor. The map also shows major supplier transmission lines that are interconnected with Southwest's systems.

[MAP]

[DESCRIPTION: Map of Arizona, Nevada, and southern California indicating the location of the Company's service areas. 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, Winnemuca, 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 north shore of Lake Tahoe. Companies providing gas transportation services for the Company are indicated by showing the location of their pipelines. Major transporters include El Paso Natural Gas Company, Kern River Gas Transmission Company, Northwest Pipeline Corporation, and Southern California Gas Company. The location of Paiute Pipeline Company's transmission pipeline (extending from the Idaho/Nevada border to the Reno/Tahoe area) and the Company's pipeline (extending from Laughlin/Bullhead City to the Las Vegas valley) are indicated. The LNG facility is located near Lovelock, Nevada. The liquefied petroleum gas facility is located near Reno, Nevada.]

The information appearing in Part I, Item 1, page 5 with respect to the construction services segment is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS

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

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal markets on which the common stock of the Company is traded are the New York Stock Exchange and the Pacific Stock Exchange. At March 14, 1997, there were 26,967 holders of record of common stock. The market price of the common stock was $18.75 as of March 14, 1997. The quarterly market price of and dividends on the Company's common stock required by this item are included in the 1996 Annual Report to Shareholders and are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is included in the 1996 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 1996 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of Southwest Gas Corporation and Notes thereto, together with the report of Arthur Andersen LLP, Independent Public Accountants, are included in the 1996 Annual Report to Shareholders and are incorporated herein by reference.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors. Information with respect to Directors is set forth under the heading "Election of Directors" in the Company's definitive Proxy Statement dated March 31, 1997, 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 are as follows:

NAME	AGE	POSITION	PERIOD POSITION HELD
Michael O. Maffie	49	President and Chief Executive Officer	1993-Present
		President and Chief Operating Officer	1992-1993
George C. Biehl	49	Senior Vice President/Chief Financial Officer and Corporate Secretary	1996-Present
		Senior Vice President and Chief Financial Officer	1992-1996
James P. Kane	50	Senior Vice President/Operations	1997-Present
		Vice President/Southern Arizona Division	1993-1997
		Director/Operations Support	1992-1993
James F. Lowman	50	Senior Vice President/Central Arizona Division	1992-Present
Dudley J. Sondeno	44	Senior Vice President/Chief Knowledge and Technology Officer	1993-Present
		Vice President/Engineering and Operations Support	1992-1993
Edward S. Zub	48	Senior Vice President/Regulation and Product Pricing	1996-Present
		Vice President/Rates & Regulation	1992-1996

(c) Identification of Certain Significant Employees. None.

(d) Family Relationships. None of the Company's Directors or Executive Officers are related to any other either by blood, marriage or adoption.

(e) Business Experience. Information with respect to Directors is described in (a) above. 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.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC) and the New York Stock Exchange. Officers, directors, and beneficial owners of more than ten percent of any class of equity securities are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

The Company has adopted procedures to assist its directors and executive officers in complying with Section 16(a) of the Securities and Exchange Act of 1934, which includes assisting in the preparation of forms for filing. For 1996, all the required reports were filed timely.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is set forth under the heading "Executive Compensation and Benefits" in the Company's definitive Proxy Statement dated March 31, 1997, which by this reference is incorporated herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners. None.

(b) Security Ownership of Management. Information with respect to security ownership of management is set forth under the heading "Securities Ownership by Nominees and Executive Officers" in the Company's definitive Proxy Statement dated March 31, 1997, which by this reference is incorporated herein.

(c) Changes in Control. None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to certain relationships and related transactions is set forth under the heading "Certain Relationships and Related Transactions" in the Company's definitive Proxy Statement dated March 31, 1997, which by this reference is incorporated herein.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(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 Report of Independent Public Accountants) required to be reported herein are incorporated by reference to the information reported in the Company's 1996 Annual Report under the following captions:

(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) Reports on Form 8-K.

The Company filed a Form 8-K, dated November 4, 1996, filing a consent of Arthur Andersen LLP, independent public accountants in connection with the filing of a Form S-3 registration statement.

The Company filed a Form 8-K, dated December 23, 1996, filing the ratio of earnings to fixed charges for the twelve months ended September 30, 1996.

The Company filed a Form 8-K, dated December 30, 1996, filing documents in connection with the Company's Medium-Term Notes.

The Company filed a Form 8-K, dated February 11, 1997, reporting summary financial information for the year ended December 31, 1996.

(c) See List of exhibits.

LIST OF EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
2.01(17)	Agreement between Southwest Gas Corporation, The Southwest Companies and PriMerit Bank, Federal Savings Bank, as sellers and Norwest Corporation as buyer, dated April 10, 1996, regarding sale of assets and liabilities of PriMerit Bank.
3(i)(5)	Restated Articles of Incorporation, as amended.
3(ii)(10)	Amended Bylaws of Southwest Gas Corporation.
4.01(1)	Indenture between the Company and Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated August 1, 1986, with respect to the Company's 9% Series A and Series B and 8 3/4% Series C Debentures.
4.02(7)	First Supplemental Indenture of the Company to Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated as of October 1, 1986, supplementing and amending the Indenture dated as of August 1, 1986, with respect to the Company's 9% Debentures, Series A, due 2011.
4.03(7)	Second Supplemental Indenture of the Company to Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated as of November 1, 1986, supplementing and amending the Indenture dated as of August 1, 1986, with respect to the Company's 9% Debentures, Series B, due 2011.
4.04(8)	Third Supplemental Indenture of the Company to Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated as of December 1, 1986, supplementing and amending the Indenture dated as of August 1, 1986, with respect to the Company's 8 3/4% Debentures, Series C, due 2011.
4.05(8)	Fourth Supplemental Indenture of the Company to Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated as of February 1, 1987, supplementing and amending the Indenture dated as of August 1, 1986, with respect to the Company's 10% Debentures, Series D, due 2017.
4.06(9)	Fifth Supplemental Indenture of the Company to Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated as of August 1, 1988, supplementing and amending the Indenture dated as of August 1, 1986, with respect to the Company's 9 3/8% Debentures, Series E, due 2013.
4.07(10)	Sixth Supplemental Indenture of the Company to Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated as of June 16, 1992, supplementing and amending the Indenture dated as of August 1, 1986, with respect to the Company's 9 3/4% Debentures, Series F, due 2002.
4.08(11)	Indenture between Clark County, Nevada, and Bank of America Nevada as Trustee, dated September 1, 1992, with respect to the issuance of $130,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), $30,000,000 1992 Series A and $100,000,000 1992 Series B.
4.09(12)	Indenture between Clark County, Nevada, and Harris Trust and Savings Bank as Trustee, dated December 1, 1993, with respect to the issuance of $75,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), 1993 Series A, due 2033.
4.10(12)	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.
4.11(22)	Indenture between the Company and Harris Trust and Savings Bank dated July 15, 1996, with respect to the Company's Debt Securities.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
4.12(23)	First Supplement 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 the Company's 7 1/2% and 8% Debentures, due 2006 and 2026, respectively.
4.13(25)	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 the Company's Medium-Term Notes.
4.14(3)	Certificate of Trust of Southwest Gas Capital I.
4.15(16)	Amended and Restated Declaration of Trust of Southwest Gas Capital I.
4.16(16)	Form of Preferred Security (attached as Annex I to Exhibit A to the Amended and Restated Declaration of Trust of Southwest Gas Capital I included as Exhibit 4.15 hereto).
4.17(4)	Form of Guarantee with respect to Preferred Securities.
4.18(15)	Southwest Gas Capital I Preferred Securities Guarantee by the Company and Harris Trust and Savings Bank, dated as of October 31, 1995.
4.19(15)	Form of Subordinated Debt Security (included in the First Supplemental Indenture included as Exhibit 4.20 hereto).
4.20(15)	Subordinated Debt Securities Indenture between the Company and Harris Trust and Savings Bank, dated as of October 31, 1995.
4.21(15)	First Supplemental Indenture between the Company and Harris Trust and Savings Bank, dated as of October 31, 1995, supplementing and amending the Indenture dated as of October 31, 1995, with respect to the 9.125% Subordinated Debt Securities.
4.22(2)	Form of Deposit Agreement.
4.23(2)	Form of Depositary Receipt (attached as Exhibit A to Deposit Agreement included as Exhibit 4.22 hereto).
4.24(18)	Rights Agreement between the Company and Harris Trust Company, as Rights Agent, dated as of March 5, 1996.
4.25	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.
9.01	Not applicable.
10.01(6)	Participation Agreement among the Company and General Electric Credit Corporation, Prudential Insurance Company of America, Aetna Life Insurance Company, Merrill Lynch Interfunding, Bank of America through purchase of Valley Bank of Nevada, Bankers Trust Company and First Interstate Bank of Nevada, dated as of July 1, 1982.
10.02(24)	Amended and Restated Lease Agreement between the Company and Spring Mountain Road Associates, dated as of July 1, 1996.
10.03(12)	Financing Agreement between the Company and Clark County, Nevada, dated September 1, 1992.
10.04(12)	Financing Agreement between the Company and Clark County, Nevada, dated as of December 1, 1993.
10.05(12)	Project Agreement between the Company and City of Big Bear Lake, California, dated as of December 1, 1993.
10.06(13)	Southwest Gas Corporation Executive Deferral Plan, amended and restated May 10, 1994.
10.07(20)	Southwest Gas Corporation Directors Deferral Plan, together with first amendment dated March 5, 1996.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.08(12)	Southwest Gas Corporation Board of Directors Retirement Plan, amended and restated effective October 1, 1993.
10.09(13)	Southwest Gas Corporation Management Incentive Plan, amended and restated May 10, 1994.
10.10(13)	Southwest Gas Corporation Supplemental Retirement Plan, amended and restated as of May 10, 1994.
10.11	Form of Employment Agreement with Company officers.
10.12(14)	$200 million Credit Agreement between the Company, Union Bank of Switzerland, et al., dated as of January 27, 1995.
10.13(17)	Merger Agreement among the Company and Northern Pipeline Construction Co., dated as of November 13, 1995.
10.14(19)	Southwest Gas Corporation 1996 Stock Incentive Plan.
11.01	Not applicable.
12.01	Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends of the Company.
13.01	Portions of 1996 Annual Report incorporated by reference to the Form 10-K.
16.01	Not applicable.
18.01	Not applicable.
21.01	List of subsidiaries of Southwest Gas Corporation.
22.01	Not applicable.
23.01	Consent of Arthur Andersen LLP, Independent Public Accountants.
24.01	Not applicable.
27.01	Financial Data Schedule (filed electronically only).
28.01	Not applicable.

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(1) Incorporated herein by reference to the Company's Registration Statement on Form S-3, No. 33-7931.

(2) Incorporated herein by reference to the Company's Registration Statement on Form S-3, No. 33-55621.

(3) Incorporated herein by reference to the Company's Registration Statement on Form S-3, No. 33-62143.

(4) Incorporated herein by reference to the Company's Amendment No. 1 to Registration Statement on Form S-3, No. 33-62143.

(5) Incorporated herein by reference to the Company's Registration Statement on Form S-3, No. 333-14605.

(6) Incorporated herein by reference to the Company's report on Form 10-K for the year ended December 31, 1982.

(7) Incorporated herein by reference to the Company's report on Form 10-K for the year ended December 31, 1986.

(8) Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended March 31, 1987.

(9) Incorporated herein by reference to the Company's report on Form 8-K dated August 23, 1988.

(10) Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended June 30, 1992.

(11) Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended September 30, 1992.

(12) Incorporated herein by reference to the Company's report on Form 10-K for the year ended December 31, 1993.

(13) Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended June 30, 1994.

(14) Incorporated herein by reference to the Company's report on Form 10-K for the year ended December 31, 1994.

(15) Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended September 30, 1995.

(16) Incorporated herein by reference to the Company's report on Form 8-K dated October 26, 1995.

(17) Incorporated herein by reference to the Company's report on Form 10-K for the year ended December 31, 1995.

(18) Incorporated herein by reference to the Company's report on Form 8-K dated March 5, 1996.

(19) Incorporated herein by reference to the Company's Proxy Statement dated May 30, 1996.

(20) Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended June 30, 1996.

(21) Incorporated herein by reference to the Company's report on Form 8-K dated July 19, 1996.

(22) Incorporated herein by reference to the Company's report on Form 8-K dated July 26, 1996.

(23) Incorporated herein by reference to the Company's report on Form 8-K dated July 31, 1996.

(24) Incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended September 30, 1996.

(25) Incorporated herein by reference to the Company's report on Form 8-K dated December 30, 1996.

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: March 26, 1997

By /s/ MICHAEL O. MAFFIE

Michael O. Maffie,
President and Chief Executive Officer

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)	Senior Vice President, Chief Financial Officer and Corporate Secretary	March 26, 1997
/s/ EDWARD A. JANOV (Edward A. Janov)	Vice President, Controller and Chief Accounting Officer	March 26, 1997

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ RALPH C. BATASTINI (Ralph C. Batastini)	Director	March 26, 1997
/s/ MANUEL J. CORTEZ (Manuel J. Cortez)	Director	March 26, 1997
/s/ LLOYD T. DYER (Lloyd T. Dyer)	Director	March 26, 1997
/s/ KENNY C. GUINN (Kenny C. Guinn)	Chairman of the Board of Directors	March 26, 1997
/s/ THOMAS Y. HARTLEY (Thomas Y. Hartley)	Director	March 26, 1997
/s/ MICHAEL B. JAGER (Michael B. Jager)	Director	March 26, 1997
/s/ LEONARD R. JUDD (Leonard R. Judd)	Director	March 26, 1997
/s/ JAMES R. LINCICOME (James R. Lincicome)	Director	March 26,1997
/s/ MICHAEL O. MAFFIE (Michael O. Maffie)	Director, President and Chief Executive Officer	March 26, 1997

/s/ CAROLYN M. SPARKS - -- (Carolyn M. Sparks)	Director	March 26, 1997
/s/ ROBERT S. SUNDT - -- (Robert S. Sundt)	Director	March 26, 1997

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.11	Form of Employment Agreement with Company officers
12.01	Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends of the Company
13.01	Portions of 1996 Annual Report incorporated into Form 10-K
21.01	List of Subsidiaries of Southwest Gas Corporation
23.01	Consent of Arthur Andersen LLP, Independent Public Accountants
27.01	Financial Data Schedule (filed electronically only)

EXHIBIT 10.11

FORM OF EMPLOYMENT AGREEMENT

Employment Agreement ("Agreement") entered into as of the 1st day of July, 1996 between SOUTHWEST GAS CORPORATION, a California corporation (the "Company") and ______________ ("Employee").

1. DEFINITIONS

For the purposes of this Agreement:

(a) The term "Company" shall include any corporate successor to the business presently conducted by the Company.

(b) The term "Subsidiary" shall mean any corporation, partnership, joint venture or other entity in which the Company has a 20% or greater equity interest.

(c) "Permanent Disability" shall mean that because of physical or mental illness or disability, Employee shall have been continuously unable to perform his duties hereunder for a consecutive period of six months.

(d) Employee shall be deemed to engage in a "Competing Business" if, in any capacity, including but not limited to proprietor, partner, officer, director or employee, he engages or participates, directly or indirectly, in the operation, ownership or management of any proprietorship, partnership, corporation or other business entity which is in the natural gas distribution business. Indirect participation in the operation or ownership of any such entity shall include any investment by Employee in any such entity, by way of loan, guarantee or stock ownership (other than ownership of 1% or less of any class of the entity or other securities of a company which is listed and regularly traded on any national securities exchange or which is regularly traded over-the-counter).

2. EMPLOYMENT: TERM OF AGREEMENT

(a) Employee shall perform the duties of [Officer's Title] of the Company and, as such, shall supervise and direct the activities/operation[s] of the Company and, to the extent practicable, its Subsidiaries. He shall continue to perform such additional duties related to the business and affairs of the Company as may be delegated to him from time to time by the Board of Directors of the Company (the "Board") [or the President and CEO].

(b) Company agrees to employ Employee and Employee agrees to serve Company, in accordance with the terms of this Agreement, for an initial term of [24 or 36] months, commencing July 1, 1996. Unless within 60 days prior to each anniversary date of this Agreement, the Company gives to Employee written notice of termination as of the then applicable expiration date of this Agreement, the term of this Agreement shall automatically be extended for an additional 12 months. The term of this Agreement shall include any extension pursuant to this Paragraph 2(b).

3. COMPENSATION

Employee shall receive the following compensation for services during the term of his employment hereunder:

(a) The Employee's minimum base salary shall be $___________ per annum, payable as nearly as possible in equal semi-monthly installments, subject to adjustment (but not below the minimum base salary provided above) in accordance with the regular procedures established by the Company for salary adjustments; and

(b) The Employee shall participate in: (i) any incentive compensation plan, pension or profit sharing plans, stock purchase plan or executive retirement plan maintained by the Company for its employees in accordance with the terms and conditions thereof; (ii) any annuity or group insurance benefit plan, medical plan and other welfare/ employee benefit plans maintained by the Company for its executive employees, in accordance with the terms and conditions thereof; and (iii) the Company will provide a suitable automobile valued at retail at approximately $___________, with the Company assuming the expenses for insurance, repairs and maintenance of the automobile.

4. DUTIES

Employee agrees that at all times during the term hereof, he will:

(a) Faithfully, industriously and to the best of his ability, experience and talents, perform all of the duties that may be required of and from him and fulfill all of his responsibilities hereunder pursuant to the express and explicit terms hereof, to the reasonable satisfaction of the Board;

(b) Devote all of his undivided time, attention, knowledge and skills, during customary business hours to the business and interests of the Company, subject to such holidays, personal holidays, reasonable vacations and sick leave as are provided under the general policies of the Company as they may exist from time to time;

(c) Comply with all the general rules and regulations of the Company;

(d) Not engage in a Competing Business; and

(e) Maintain his residence at a location within the city or in or near a suburban community of the city in which the executive offices of the Company are located, or the executive offices of a Company division if so assigned.

5. CONFIDENTIALITY

Employee covenants and agrees to hold in strictest confidence, and not disclose to any person, firm or corporation, without the express written consent of the Company, any and all of the Company's confidential data, including but not limited to information and documents concerning the Company's business, customers and suppliers, market methods, files, trade secrets, or other "know-how" or techniques or information not of a published nature which shall come into his possession, knowledge, or custody concerning the business of the Company, except as such disclosure may be required by law or in connection with Employee's employment hereunder. This covenant and agreement of Employee shall survive this Agreement and continue to be binding upon Employee after the expiration or termination of this Agreement, whether by passage of time or otherwise so long as such information and data shall remain confidential.

6. TERMINATION DUE TO DEATH OR DISABILITY

Employee's employment with the Company shall terminate (i) upon the Employee's death, or (ii) in the event of the Permanent Disability of Employee upon notice in writing to the Employee to that effect.

7. OTHER TERMINATION

The Company may terminate this Agreement for Cause (as hereinafter defined) upon written notice to Employee. In the event of termination by the Company of this Agreement for Cause, Employee's salary shall immediately cease and the Employee shall be entitled to no other payments or benefits pursuant to this

Agreement, except for any vested rights Employee may have in items under paragraph 3(b) hereof.

Termination of this Agreement for "Cause" shall mean (i) any material breach of any material provision of this Agreement by Employee which is not cured within 60 days after receipt by Employee of written notice of such breach from the Company, (ii) an adjudication that Employee is bankrupt, (iii) conviction of Employee of a felony or crime involving moral turpitude (meaning a crime that necessarily includes the commission of an act of gross depravity, dishonesty or bad morals) or (iv) any acts or willful malfeasance or gross negligence in a matter of material importance to the Company.

Employee may terminate this Agreement for any "Good Reason" as specified in paragraph 10 (b)(ii) without regard for whether there has been any change in control under paragraph 10(b)(i). Such a termination by Employee shall be treated as a termination without cause by the Company under paragraph 8.

8. TERMINATION WITHOUT CAUSE

Termination of the employment of Employee by the Company for reason other than (i) death, (ii) Permanent Disability,(iii) Cause, or (iv) upon expiration of the term of this Agreement as provided in numbered paragraph 2 hereof, shall have the following effect:

(a) Any such purported termination must be on 60 days advance written notice to the Employee, whose employment shall continue during the notice period; provided, however, that at the Company's option, Employee may be placed on a paid administrative leave for all or any part of the 60 days;

(b) Any restricted stock awards, stock options or stock appreciation rights to purchase or relating to Common

Stock of the Company held by Employee on the date notice of such purported termination is given ("Notice Date") which are not at the Notice Date currently vested or exercisable shall on the Notice Date automatically become vested or exercisable and be exercisable for 90 days thereafter; and

The provisions of this paragraph 8 are not to be construed as modifying in any way the provisions of paragraph 2 hereof, nor as granting the Company the right to terminate the employment of the Employee other than for the permissible reasons specified in clauses (i) through (iv) of the first sentence of this paragraph; and the effects of such a purported termination specified in clauses (a) and (b) hereof shall be in addition to and not in limitation of any other rights the Employee has hereunder as a result of such purported termination.

9. BENEFITS UPON TERMINATION OF EMPLOYEE BY COMPANY FOR REASONS OTHER THAN CAUSE, PERMANENT DISABILITY OR DEATH

If Employee's employment is terminated by the Company for any reason other than Cause, Permanent Disability or Employee's death, the Company will:

(a) Continue to pay Employee his base salary being paid at the time of notification, plus 20% of his base salary in lieu of employee benefits referred to in Paragraph 3(b)(ii) for the balance of the term of this Agreement;

(b) Pay Employee his incentive compensation, which shall be 60% of his base salary, for the balance of the term of this Agreement;

(c) Pay his expenses which will be normal business expenses, including automobile, plus any conventions, seminars or travel scheduled at the time of notification of termination; and

(d) Pay benefits under the Company's Deferred Compensation Plan and Supplemental Executive Retirement Plan ("SERP"), which are fully vested at the "Employment Termination Date", in accordance with the payment schedules and any applicable elections; provided, however that Employee shall receive additional benefits under the SERP such that Employee will be permitted to add to the formula for purposes of eligibility for benefits, vesting and calculation of benefits 10 points which, at the election of Employee, may be applied either to an age assumption or continuous Length of Service assumption (e.g., if an officer is 50 and has 20 years of service, he could allocate the points so that for purposes of eligibility, vesting and calculation of benefits, he is age 60 and has 20 years of service.) These enhanced assumptions will be applicable to Employee, including Employee who is so designated with the execution of this Agreement for purposes of eligibility, vesting and calculation of benefits.

The termination of Employee's employment (the "Employment Termination Date") shall be effective upon the 60th day following the notice date.

In addition, from the Notice Date until the Benefit Termination Date (as hereinafter defined), the Company will provide Employee with suitable office space (equivalent to that occupied by Employee on the Notice Date) and private secretarial services away from the Company's offices in an office complex of Employee's choice in Las Vegas, Nevada, or the Division Headquarters City where Employee was last assigned. The "Benefit Termination Date", shall be the date following the Employment Termination Date which is the later of (i) the expiration of the term of his Agreement as provided in paragraph 2 hereof, or (ii) the anniversary of the Employment Termination Date.

Provided that the Company duly performs all of its obligations arising by virtue of a termination of Employee for reasons other than Cause, Employee will not publicly disparage the Company or its officers, directors, employees or agents and will refrain from any action which would reasonably be expected to cause material adverse public relations or embarrassment to the Company or to any of such persons. Similarly, the Company (including its officers, directors, employees and agents) will not disparage Employee and will refrain from any action which would reasonably be expected to result in embarrassment to Employee or to materially and adversely affect his opportunities for employment. The preceding two sentences shall not apply to disclosures required by applicable law, regulation or order of court or governmental agency.

10. CHANGE IN CONTROL OF THE COMPANY

The Board recognizes that the continuing possibility of a change in control of the Company is unsettling to Employee and other senior executives of the Company. Therefore, the arrangements set forth below are being made to help assure a continuing dedication by Employee to his duties to the Company, notwithstanding the occurrence or potential occurrence of a change in control. In particular, the Board believes it important, should the Company receive proposals from third parties with respect to its future, to enable Employee, without being influenced by the uncertainties of his own situation, to assess and advise the Board whether such proposals would be in the best interests of the Company and its shareholders and to take such other action regarding such proposals as the Board might determine to be appropriate. The Board also wishes to demonstrate to executives of the Company that the Company is concerned with the welfare of its executives and intends to see that loyal executives are treated fairly.

In view of the foregoing and in further consideration of Employee's continued employment with the Company, the Company agrees as follows:

(a) Limited Right to Receive a Severance Benefit

In the event that within 24 months after a Change in Control of the Company (as hereinafter defined), Employee terminates his employment with the Company for Good Reason (as hereinafter defined), irrespective of the period then remaining until the end of the term of this Agreement under paragraph 2 hereof, Employee shall be entitled to severance benefits provided in subparagraph (d) of this paragraph 10, provided he terminates his employment within 120 days following the occurrence of any of the events specified in (aa) through (dd) of subparagraph 10(b)(ii) below.

(b) Certain Additional Definitions

For purposes of this Agreement:

(i) Change in Control.

The term "Change in Control of the Company" shall mean any of the following:

(aa) Approval by the shareholders of the Company of the dissolution or liquidation of the Company;

(bb) Approval by the shareholders of the Company of an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities that are not wholly owned by the Company, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity immediately after the reorganization are, or will be, owned by shareholders of the Company immediately before such reorganization (assuming for purposes of such determination that there is no change in the record ownership of the Company's securities from the record date for such approval until such reorganization and that such record owners hold no securities of the other parties to such reorganization);

(cc) Approval by the shareholders of the Company of the sale of substantially all of the Company's business and/or assets to a person or entity which is not wholly owned by the Company;

(dd) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act but excluding any person described in and satisfying the conditions of Rule 13d-l(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 20% of the combined voting power of the Company's then outstanding securities entitled to then vote generally in the election of directors of the Company; or (ee) A majority of the Board not being comprised of Continuing Directors. For purposes of this Agreement, "Continuing Directors" shall mean persons who were members of the Board on the date of execution of this Agreement or nominated for election or elected to the Board with the affirmative vote of at least three-fourths of the directors who were Continuing Directors at the time of such nomination or election.

(ii) Good Reason

For purposes of this Agreement, "Good Reason" shall mean:

(aa) without Employee's express written consent, the assignment to him of any duties inconsistent with his positions, duties, authority, responsibilities and status with the Company immediately prior to a change in control, or a demotion, or a change in his titles or offices as in effect immediately prior to a change in control, or any removal of him from or any failure to re-elect him to any of such positions, except in connection with the termination of his employment for cause, permanent disability or retirement or as a result of his death or by him other than for Good Reason;

(bb) a reduction by the Company in Employee's base salary as in effect on the date hereof or as the same may be increased from time to time;

and

(cc) the failure by the Company to continue in effect any thrift, incentive or compensation plan, or any pension, life insurance, health and accident or disability plan in which Employee is participating at the time of a change in control of the Company (or plans providing Employee with substantially similar benefits), the taking of any action by the Company which would adversely affect Employee's participation in or materially reduce his aggregate benefits under all of such plans, when taken together, or deprive him of any material fringe benefit enjoyed by him at the time of the change in control (except for acceleration of stock options or restricted stock contemplated by this Agreement).

(dd) assignment to a new location which would require a round-trip commute to work from Employee's current residence of more than 40 miles per day.

(c) Notice of Termination

Any termination by Employee under this paragraph 10 shall be communicated by written notice to the Company which shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

(d) Effect of Termination

If Employee is entitled to receive a severance benefit pursuant to subparagraph 10(a) hereof, the Company will provide Employee with only the following severance benefits:

(i) a severance payment equal to eighteen months of Employee's yearly base salary in effect as of the date of Employee's notification of termination ("Employee Notice Date"), eighteen months of incentive compensation calculated as 60% of such base salary, and eighteen months' fringe benefits calculated as 20% of such base salary;

(ii) suitable office space (equivalent to that occupied by Employee on the Employee's Notice Date) and private secretarial services away from the Company's offices in an office complex of Employee's choice in Las Vegas, Nevada or the Division Headquarters City where Employee was last assigned for a period equal to the earlier of (aa) the second anniversary of the Employee's Notice Date, or (bb) when Employee secures suitable other employment;

(iii) the benefits specified in subparagraph 8(b) hereof, "Notice Date" in said subparagraphs being deemed to be the Employee's Notice Date;

(iv) Amounts fully vested and payable by the Company to Employee under the Company's Deferred Compensation Plan and the Company's Supplemental Executive Retirement Plan ("SERP") in accordance with the payment schedules and any applicable elections set forth under both such plans, such amounts having been deposited with a trustee under an appropriate

Trust Agreement providing for a so-called Rabbi Trust Arrangement pursuant to I.R.S. Rev. Proc. 92-64, as described in paragraph 20; and

(v) Benefits under the SERP, which are fully vested at the "Employment Termination Date", provided, however that Employee shall receive additional benefits under the SERP such that Employee will be permitted to add to the formula for purposes of eligibility for benefits, vesting and calculation of benefits 10 points which, at the election of Employee, may be applied either to an age assumption or a Continuous Length of Service assumption. [See Paragraph 9(d) for illustration.]

11. RESTRICTIVE COVENANT

In consideration of the Company's agreements contained herein and the payments to be made by it to Employee pursuant hereto, Employee agrees that, during the period of his employment hereunder and for a further period expiring 12 months following the date of termination of this Agreement or any extensions or renewal thereof, Employee will not, without the written consent of the Board of Directors of the Company, engage in a Competing Business within the geographical limits of any state (or such lesser geographical area as may be set by a court of competent jurisdiction) in which any of the businesses of the Company are being conducted on the date of any such termination. Employee acknowledges and agrees that a breach by Employee of the provisions of this section will constitute such damage as will be irreparable and the exact amount of which will be impossible to ascertain and, for that reason, agrees that the Company will be entitled to an injunction to be issued by any court of competent jurisdiction restraining and enjoining Employee from violating the provisions of this paragraph. The right of an injunction shall be in addition to and not in lieu of any other remedy available to the Company for such breach or threatened breach, including the recovery of damages from Employee.

Termination of this Agreement, whether by passage of time or any other cause, shall not constitute a waiver of the Company's rights under this paragraph 11, nor a release of Employee from his obligations thereunder.

12. ARBITRATION AND LITIGATION

In the event the Company terminates Employee by reason of his Permanent Disability or for Cause and Employee disputes the accuracy of the assertion of Permanent Disability or Cause, or in the event Employee terminates his employment for Good Reason following a Change in Control of the Company and the Company disputes the accuracy of such assertion of Good Reason, the accuracy of such assertion shall be submitted to arbitration in accordance with the then current commercial arbitration rules of the American Arbitration Association ("Association") or its successor, provided Employee or the Company files a written demand for arbitration at a regional office of the Association within 30 calendar days following the date the Employee notifies the Company that he disputes the accuracy of the assertion of Permanent Disability or Cause, or the Company notifies Employee that it disputes the accuracy of the assertion of Good Reason. In the event the Arbitrator finds that the termination by the Company was not for Permanent Disability or not for Cause or that the termination by the Employee was for Good Reason, Employee shall not be entitled to reinstatement, but shall be entitled to the benefits of paragraphs 8 and 9 hereof (in the case of termination by the Company) and paragraph 10 hereof (in the case of termination by the

Employee) and, in either case, payment of his reasonable legal expenses in such arbitration. In the event the Company shall elect to insure all or part of its liability for providing health and long-term disability benefits under this paragraph, Employee shall submit to such reasonable physical examination as the Company may request.

Should Employee at any time bring suit against the Company for breach of this Agreement (not including any matter required to be submitted to arbitration pursuant to the foregoing provisions of this paragraph 12) and obtain judgment in his favor, the Company shall pay his reasonable legal expenses and costs of suit.

13. BENEFIT AND BINDING EFFECT

This Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any corporation, person or other entity which may acquire all or substantially all of the assets and business of the Company or any corporation with or into which the Company may be consolidated or merged and Employee, his heirs, executors, administrators and legal representatives, provided that the obligations of Employee hereunder may not be delegated.

14. OTHER AGREEMENTS OF EMPLOYEE

Employee represents that the execution and performance of this Agreement will not result in a breach of any of the terms and conditions of any employment or other agreement between the Employee and any third party.

15. NOTICES

All notices hereunder shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid:

If to the Company, to: Southwest Gas Corporation

P.O. Box 98510
Las Vegas, Nevada 89193-8510
Attn: General Counsel

If to the Employee, to: [Employee's Name]
[Address]
[City, State Zip Code]

Either party may change the address to which notices are to be sent to it by giving 10 days' written notice of such change of address to the other party in the manner above provided for giving notice. Notices will be considered delivered on the date of personal delivery or on the date of deposit in the United States mail in the manner provided for giving notice by mail.

16. PARACHUTE PAYMENTS

If any "payment" (as defined below) hereunder constitutes a "parachute payment" (as defined in Section 280G(b)(2)(A) of the Internal Revenue Code of 1986, as amended (herein the "Code") or the Treasury Regulations thereunder), then the maximum amount of all such "payments" to be made under this Agreement to or for the benefit of Employee shall not be limited by the amount the Company is entitled to deduct under the Code, but the Employee shall pay any excise tax which is imposed upon the amount by which such "payments" exceed three times the Employee's "base amount" (as defined in Section 280G(b)(3)(A) of the Code and the Regulations thereunder). For purposes of this section, to the extent required by the Code, the term "payment" shall include any transfer of property (including, without limitation, the acceleration of vesting of stock options under Section 8(b) hereof, and the lapse of all restrictions on Common Stock held by Employee under the Company's Restricted Stock Plans pursuant to Section 8(b) hereof), with all such property transfers being taken into account at their fair market value in accordance with the provisions of Section 280G(d)(3)(B) of the Code and the Regulations thereunder. If Employee elects to litigate any characterization by the Internal Revenue Service of a payment as a "parachute payment", the Company will join Employee in such litigation if the Company's General Counsel determines in good faith that Employee's position has substantial merit and that the issues should be litigated from the standpoint of the Company's best interest.

17. ENTIRE AGREEMENT

The entire understanding and agreement between the parties has been incorporated into this Agreement, and this Agreement supersedes all other agreements and understandings between Employee and the Company with respect to the employment of Employee by the Company.

18. GOVERNING LAW

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Nevada.

19. CAPTIONS

The captions included herein are for convenience and shall not constitute a part of this Agreement.

20. FUNDING OF SEVERANCE BENEFITS PAYABLE UNDER PARAGRAPH 10

The method of providing funding for the amounts payable under paragraph 10 shall be by way of a Rabbi Trust. Such trust shall be established by the Company with either (i) a major bank located in a major city of the United States or (ii) any other party located in a major city of the United States that may be granted corporate trustee powers under state law, in favor of Employee. Such trust shall not be revocable and shall continue until such trust is terminated in accordance with the termination provisions set forth in the Trust Agreement described in paragraph 10.

IN WITNESS WHEREOF, the Employment Agreement has been executed by the parties hereto in counterparts, each of which shall be deemed an original, as of the date first above written.

ATTEST: SOUTHWEST GAS CORPORATION

_____________________ By:_________________________________

Thomas J. Trimble
Corporate Secretary

Michael O. Maffie
President and Chief Executive Officer
For COMPANY

____
[EMPLOYEE]

EXHIBIT 12.01

SOUTHWEST GAS CORPORATION

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(THOUSANDS OF DOLLARS)

	FOR THE YEAR ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
CONTINUING OPERATIONS					
1. Fixed charges:					
A) Interest expense	$54,674	$52,844	$48,688	$40,883	$35,533
B) Amortization	1,494	1,569	1,426	1,330	1,183
C) Interest portion of rentals	6,629	4,435	4,743	4,556	4,468
D) Preferred securities distributions	5,475	913	--	--	--
Total fixed charges	$68,272	$59,761	$54,857	$46,769	$41,184
2. Earnings (as defined):					
E) Pretax income from continuing operations	$ 6,574	$ 3,493	$38,119	$21,959	$49,752
Fixed Charges (1. above)	68,272	59,761	54,857	46,769	41,184
Total earnings as defined	$74,846	$63,254	$92,976	$68,728	$90,936
3. Ratio of earnings to fixed charges	1.10	1.06	1.69	1.47	2.21

	FOR THE YEAR ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
ADJUSTED FOR INTEREST ALLOCATED TO DISCONTINUED OPERATIONS					
1. Fixed charges:					
A) Interest expense	$54,674	$52,844	$ 48,688	$40,883	$35,533
B) Amortization	1,494	1,569	1,426	1,330	1,183
C) Interest portion of rentals	6,629	4,435	4,743	4,556	4,468
D) Preferred securities distributions	5,475	913	--	--	--
E) Allocated interest	--	9,636	7,874	7,874	7,333
Total fixed charges	$68,272	$69,397	$ 62,731	$54,643	$48,517
2. Earnings (as defined):					
F) Pretax income from continuing operations	$ 6,574	$ 3,493	$ 38,119	$21,959	$49,752
Fixed Charges (1. above)	68,272	69,397	62,731	54,643	48,517
Total earnings as defined	$74,846	$72,890	$100,850	$76,602	$98,269
3. Ratio of earnings to fixed charges	1.10	1.00	1.61	1.40	2.03

EXHIBIT 12.01

SOUTHWEST GAS CORPORATION

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
AND PREFERRED DIVIDENDS
(THOUSANDS OF DOLLARS)

	FOR THE YEAR ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
CONTINUING OPERATIONS					
1. Combined fixed charges:					
A) Total fixed charges	$68,272	$59,761	$54,857	$46,769	$41,184
B) Preferred dividends[1]	--	404	826	1,183	1,623
Total fixed charges and preferred dividends	$68,272	$60,165	$55,683	$47,952	$42,807
2. Earnings	$74,846	$63,254	$92,976	$68,728	$90,936
3. Ratio of earnings to fixed charges and preferred dividends	1.10	1.05	1.67	1.43	2.12

	FOR THE YEAR ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
ADJUSTED FOR INTEREST ALLOCATED TO DISCONTINUED OPERATIONS					
1. Combined fixed charges:					
A) Total fixed charges	$68,272	$69,397	$ 62,731	$54,643	$48,517
B) Preferred dividends	--	404	826	1,183	1,623
Total fixed charges and preferred dividends	$68,272	$69,801	$ 63,557	$55,826	$50,140
2. Earnings	$74,846	$72,890	$100,850	$76,602	$98,269
3. Ratio of earnings to fixed charges and preferred dividends	1.10	1.04	1.59	1.37	1.96

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[1] Preferred and preference dividends have been adjusted to represent the pretax earnings necessary to cover such dividend requirements.

CONSOLIDATED SELECTED FINANCIAL STATISTICS

(Thousands of dollars, except per share amounts)

Year Ended December 31,	1996	1995	1994	1993	1992
Operating revenues	$ 644,061	$ 563,502	$ 599,553	$ 539,105	$ 534,390
Operating expenses	572,488	505,090	510,863	461,423	448,815
Operating income	$ 71,573	$ 58,412	$ 88,690	$ 77,682	$ 85,575
Income from continuing operations	$ 6,574	$ 2,654	$ 23,524	$ 13,751	$ 32,214
Income (loss) from discontinued operations, net of tax (1)	--	(17,536)	2,777	1,655	(14,553)
Net income (loss)	$ 6,574	$ (14,882)	$ 26,301	$ 15,406	$ 17,661
Net income (loss) applicable to common stock	$ 6,574	$ (15,189)	$ 25,791	$ 14,665	$ 16,610
Total assets at year end	$ 1,560,269	$1,532,527	$ 1,453,582	$1,362,861	$1,265,380
Capitalization at year end					
Common equity	$ 379,616	$ 356,050	$ 348,556	$ 335,117	$ 329,444
Preferred and preference stocks	--	--	4,000	8,058	15,316
Trust originated preferred securities	60,000	60,000	--	--	--
Long-term debt	665,221	607,945	678,263	568,600	589,883
	$ 1,104,837	$1,023,995	$ 1,030,819	$ 911,775	$ 934,643
Common stock data					
Return on average common equity	1.8%	(4.1)%	7.6%	4.4%	5.1%
Earnings (loss) per share					
Continuing operations	$ 0.25	$ 0.10	$ 1.09	$ 0.63	$ 1.51
Discontinued operations	--	(0.76)	0.13	0.08	(0.70)
Earnings (loss) per share	$ 0.25	$ (0.66)	$ 1.22	$ 0.71	$ 0.81
Dividends paid per share	$ 0.82	$ 0.82	$ 0.80	$ 0.74	$ 0.70
Payout ratio	N/A	N/A	66%	104%	86%
Book value per share at year end	$ 14.20	$ 14.55	$ 16.38	$ 15.96	$ 15.99
Market value per share at year end	$ 19.25	$ 17.63	$ 14.13	$ 16.00	$ 13.75
Market value per share to book value per share	136%	121%	86%	100%	86%
Common shares outstanding at year end (000)	26,733	24,467	21,282	20,997	20,598
Number of common shareholders at year end	26,371	25,133	20,765	21,851	22,943
Ratio of earnings to fixed charges					
Continuing operations	1.10	1.06	1.69	1.47	2.21
Adjusted for interest allocated to discontinued operations	1.10	1.05	1.61	1.40	2.03

(1) Contribution from Financial Services Segment, including 1995 loss on sale of the Bank.

NATURAL GAS OPERATIONS

(Thousands of dollars)

Year Ended December 31,	1996	1995	1994	1993	1992
Sales	$ 506,200	$ 524,914	$ 560,207	$ 503,789	$ 506,937
Transportation	40,161	38,588	39,061	34,361	27,190
Other	--	--	285	955	263
Operating revenue	546,361	563,502	599,553	539,105	534,390
Net cost of gas purchased	187,580	227,456	249,922	212,290	214,293
Operating margin	358,781	336,046	349,631	326,815	320,097
Expenses					
Operations and maintenance	198,364	187,969	178,310	169,921	159,954
Depreciation and amortization	67,443	62,492	57,284	55,088	52,277
Other	28,156	27,173	25,347	24,124	22,291
Operating income	$ 64,818	$ 58,412	$ 88,690	$ 77,682	$ 85,575
Contribution to consolidated net income (loss)	$ 3,919	$ 2,654	$ 23,524	$ 13,751	$ 32,214
Total assets at year end	$ 1,498,099	$1,357,034	$1,277,727	$1,194,679	$1,103,794
Net gas plant at year end	$ 1,278,457	$1,137,750	$1,035,916	$ 954,488	$ 906,420
Construction expenditures and property additions	$ 210,742	$ 166,183	$ 141,390	$ 113,903	$ 102,517
Cash flow, net					
From operating activities	$ 47,931	$ 97,754	$ 84,074	$ 50,437	$ 81,457
From investing activities	(41,804)	(163,718)	(141,547)	(116,246)	(103,065)
From financing activities	(11,456)	71,056	61,422	67,488	(7,792)
Net change in cash	$ (5,329)	$ 5,092	$ 3,949	$ 1,679	$ (29,400)
Total throughput (thousands of therms)					
Sales	818,329	805,884	881,868	850,557	825,521
Transportation	968,208	1,016,011	914,791	725,023	651,141
Total throughput	1,786,537	1,821,895	1,796,659	1,575,580	1,476,662
Weighted average cost of gas purchased ($/therm)	$ 0.27	$ 0.21	$ 0.30	$ 0.29	$ 0.26
Customers at year end	1,092,000	1,029,000	980,000	932,000	897,000
Employees at year end	2,424	2,383	2,359	2,318	2,285
Degree days -- actual (1)	1,896	1,781	2,091	2,097	1,908
Degree days -- ten year average (1)	2,033	2,021	2,068	2,064	2,043

(1) Prior years degree days are adjusted to reflect the current year customer mix by rate jurisdiction.

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

The following discussion of Southwest Gas Corporation and subsidiaries (the Company) includes information related to its regulated natural gas transmission and distribution activities and nonregulated activities. Also discussed is the sale of PriMerit Bank, Federal Savings Bank (the Bank), which is reported as discontinued operations.

CONTINUING OPERATIONS

The Company is principally engaged in the business of purchasing, transporting, and distributing natural gas (Southwest or natural gas operations segment). Southwest is the largest distributor in Arizona, selling and transporting natural gas in most of southern, central, and northwestern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor and transporter of natural gas in Nevada, and serves 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 in northern California and high desert and mountain areas in San Bernardino County.

As of December 31, 1996, Southwest had 1,092,000 residential, commercial, industrial, and other customers, of which 633,000 customers were located in Arizona, 346,000 in Nevada, and 113,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During 1996, Southwest added 63,000 customers, a six percent increase, of which 28,000 customers were added in Arizona, 29,000 in Nevada, and 6,000 in California. Customer growth over the past three years averaged five percent annually. These additions are largely attributed to population growth in the service areas. Based on current commitments from builders, customer growth is expected to approximate five percent in 1997. During 1996, 56 percent of operating margin was earned in Arizona, 34 percent in Nevada, and 10 percent in California. These patterns are consistent with prior years and are expected to continue.

In April 1996, the Company acquired all of the outstanding stock of Northern Pipeline Construction Co. (Northern or construction services segment) pursuant to a definitive agreement dated November 1995. The Company issued approximately 1,439,000 shares of common stock valued at $24 million in connection with the acquisition. The acquisition was accounted for as a purchase. Goodwill in the amount of approximately $10 million was recorded by Northern and is being amortized over a period of approximately 25 years. Northern provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

DISCONTINUED OPERATIONS

In January 1996, the Company signed a definitive agreement to sell the Bank to Norwest Corporation for $175 million. The original agreement specified a sale of Bank stock, however, the agreement provided for an alternative permitting Norwest to purchase assets and assume liabilities. In April 1996, Norwest elected the asset purchase alternative.

The disposition of the Bank resulted in a net loss of $13 million, which included a pretax book loss of $3.1 million plus income taxes of $9.9 million. The income taxes resulted because the Company's tax basis in the Bank was lower than its book basis. The net loss was reported as loss on disposal of a discontinued segment in the consolidated financial statements.

Shareholders of the Company voted on and approved the principal terms of the sale at the annual meeting held in July 1996. The sale closed in July 1996. Net proceeds of $163 million were used to pay down debt.

CAPITAL RESOURCES AND LIQUIDITY

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

Southwest has been and continues to experience unprecedented population growth throughout its service territories. This growth has required large amounts of capital to finance the investment in infrastructure, in the form of new transmission and distribution plant, to satisfy consumer demand. For example, during the three-year period ended December 31, 1996, total gas plant increased from $1.3 billion to $1.7 billion, or at an annual rate of nine percent. More than 80 percent of 1996 construction expenditures represent new construction and the balance represents costs associated with routine replacement of existing transmission, distribution, and general plant.

The investment in gas plant has required capital resources in excess of the amount of cash flow generated from operating activities (net of dividends paid). During 1996, capital expenditures were $211 million. Cash flow from operating activities (net of dividends) provided $27 million of the required capital resources pertaining to these construction expenditures. The remainder was provided from net external financing activities. Normally, internally generated funds provide a larger proportionate share of capital resources required for construction expenditures. However, cash flows from operating activities were unfavorably impacted in 1996 by warmer than normal weather and unusually high working capital requirements.

Southwest estimates construction expenditures during the three-year period ending December 31, 1999 will be approximately $468 million. It is currently estimated that cash flow from operating activities (net of dividends) will fund approximately one-half of the gas operations' total construction expenditures for the three-year period ending December 31, 1999. A portion of the construction expenditure funding will be provided by $30 million of funds held in trust at December 31, 1996, from the issuance of industrial development revenue bonds. The remaining cash requirements are expected to be provided by 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, and growth factors in

Southwest's service areas. These external financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing. Due to the significant size of the current construction program, differences between estimated and actual results are expected to occur. Actual events, and the timing of those events, frequently do not occur as expected, and can impact, favorably or unfavorably, anticipated cash flows.

In August 1996, the Company issued $75 million of 7 1/2 percent debentures due 2006 and $75 million of 8 percent debentures due 2026. Net proceeds of $148 million as well as a portion of the $163 million net proceeds from the PriMerit sale were used to refund or retire $219 million of outstanding callable debentures and pay down short-term debt. The remaining amount was used for general corporate purposes, including the acquisition of property for the construction, completion, extension, and improvement of Southwest's pipeline systems. The refinancing achieved a 126 basis point reduction in the related average interest rate.

In October 1996, the Company filed a $250 million shelf registration statement. In connection with this new registration statement, the Company may offer, up to the registered amount, any combination of debt securities, preferred stock, depositary shares, and common stock. This registration statement includes a carryforward of $60 million remaining from a prior shelf registration statement declared effective by the Securities and Exchange Commission in October 1995. The Company filed a prospectus supplement in December 1996 identifying $150 million of the shelf as medium-term notes. In January 1997, the Company issued $25 million of 7.59 percent notes due January 2017. In February 1997, the Company issued $25 million of 7.78 percent notes due February 2022.

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

Cash flows from operating activities were significantly affected during the current year by warm weather and increases in the cost of gas during the fourth quarter of 1996. In prior periods, operating cash flow was greater due to a cost of gas which was generally lower than the rate authorized to be recovered, resulting in an amount payable to ratepayers. However, during the fourth quarter of 1996, gas costs increased resulting in costs exceeding authorized recovery rates. See additional discussion regarding the deferred purchased gas adjustment (PGA) mechanism below. Cash flows used in investing activities were significantly impacted by increased construction expenditures and the sale of the Bank. Financing activities include use of proceeds from the Bank sale to retire debt issued in connection with the Company's investment in the Bank, as well as the refinancing of a significant portion of long-term debt.

Southwest's rate schedules in all of its service areas contain PGA clauses which permit adjustments to rates as the cost of purchased gas changes. The PGA mechanism allows Southwest to change the gas cost component of the rates charged to its customers to reflect increases or decreases in the price expected to be paid to its suppliers and companies providing interstate pipeline transportation service. In addition, Southwest uses this mechanism to either refund amounts overcollected or recoup amounts undercollected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. Generally, Southwest's tariffs provide for annual adjustment dates for changes in purchased gas costs. In addition, Southwest may request to adjust its rates more often than once each year, if conditions warrant. These changes have no direct impact on profit margin.

While the changes relating to PGA have no direct net income impact, cash flows are impacted. At December 31, 1995, Southwest had a purchased gas cost liability of $32.8 million, reflecting a cumulative overcollection of rates paid by customers versus payments to suppliers and pipelines. However, as a result of refunds and gas price increases, particularly in the fourth quarter of 1996, the overcollection from customers was reduced to $9.4 million at December 31, 1996, a $23.4 million change during the twelve-month period. The following table shows the most recent PGA changes authorized by rate jurisdiction (thousands of dollars):

Jurisdiction	Annualized Revenue Adjustment	Percentage	Effective Date
Arizona:			
Central and Southern	$(20,900)	(17)%	August 1995
California:			
Northern	$ 900	18%	October 1993
Southern	$ 4,300	9%	August 1996
Nevada:			
Northern	$ (4,000)	(9)%	July 1996
Southern	$(10,100)	(8)%	July 1996

In October 1996, Southwest submitted an out-of-period PGA filing, in compliance with its last general rate case order, with the Public Service Commission of Nevada (PSCN) which would have resulted in an annual revenue decrease of $700,000 in the southern Nevada rate jurisdiction and an increase of $500,000 in the northern Nevada rate jurisdiction. However, as a result of the fourth quarter increases in the amounts paid by Southwest for natural gas procured on behalf of its sales customers, Southwest filed a revised PGA request in January 1997. If approved as filed, the proposed revisions would result in annual increases of $16.4 million, or 16 percent, in the southern Nevada rate jurisdiction and $6 million, or 15 percent, in the northern Nevada rate jurisdiction. The change was requested to become effective in the second quarter of 1997.

In November 1996, in conjunction with the filing of a general rate case, Southwest filed a PGA change with the Arizona Corporation Commission (ACC) which would have resulted in an annual revenue decrease of $26.4 million, or eight percent. As a result of the increase in the amount paid for natural gas in the fourth quarter of 1996, Southwest alerted the ACC in January 1997 of the circumstances contributing to the increases.

The Company has established 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 Company's quarterly common stock dividend was 20.5 cents per share throughout 1996.

Securities ratings issued by nationally recognized ratings agencies provide a method for determining the credit worthiness of an issuer. The Company's 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).

In July 1996, Moody's upgraded the Company's unsecured long-term debt rating from Baa3 to Baa2. Moody's debt ratings range from Aaa (best quality) to C (lowest quality). Moody's applies a Baa2 rating to obligations which are considered medium grade obligations (i.e., they are neither highly protected nor poorly secured).

Also in July 1996, Duff & Phelps Credit Rating Co. upgraded the Company's unsecured long-term debt rating to BBB from BBB-. Duff & Phelps debt ratings range from AAA (highest rating possible) to DD (defaulted debt obligation). The Duff & Phelps rating of BBB indicates that the Company's credit quality is considered prudent for investment.

The Company's unsecured long-term debt rating from Standard and Poor's (S&P) is BBB-. S&P debt ratings range from AAA (highest rating possible) to D (obligation is in default). According to S&P, the BBB- rating indicates 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 impact of inflation on results of operation has diminished in recent years. Natural gas, labor, and construction costs are the categories most significantly impacted by inflation. Changes to Southwest's 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 its 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 discussion of recent rate case proceedings.

CONSOLIDATED RESULTS OF OPERATIONS

Contribution to Net Income Year Ended December 31,	1996	1995	1994
	(Thousands of dollars)		
Continuing operations:			
Natural gas operations	$ 3,919	$ 2,654	$23,524
Construction services	2,655	--	--
	6,574	2,654	23,524
Discontinued operations -- financial services	--	(17,536)	2,777
Net income (loss)	$ 6,574	$(14,882)	$26,301

1996 vs. 1995

Earnings per share for the year ended December 31, 1996 were $0.25, a $0.15 increase from $0.10 per share of earnings from continuing operations recorded for the year ended December 31, 1995. Current-year earnings were composed of $0.15 per share from natural gas operations and $0.10 per share from construction services. Average shares outstanding increased by 2.7 million shares between years. This increase is the result of a 1.4 million share issuance in April 1996 to acquire Northern, a public offering in May 1995 and issuances under the Company's Dividend Reinvestment and Stock Purchase Plan.

1995 vs. 1994

Loss per share for the year ended December 31, 1995 was $0.66, a $1.88 decline from earnings per share of $1.22 recorded for the year ended December 31, 1994. The loss was composed of per share earnings of $0.10 from natural gas operations and a per share loss of $0.76 from discontinued operations. Average shares outstanding increased by 2.1 million shares between years primarily resulting from a 2.1 million share public offering in May 1995. Dividends paid in 1995 were $0.82 per share reflecting the first full year of the dividend increase authorized by the Board in 1994.

RESULTS OF NATURAL GAS OPERATIONS

Year Ended December 31,	1996	1995	1994
	(Thousands of dollars)		
Gas operating revenues	$546,361	$563,502	$599,553
Net cost of gas	187,580	227,456	249,922
Operating margin	358,781	336,046	349,631
Operations and maintenance expense	198,364	187,969	178,310
Depreciation and amortization	67,443	62,492	57,284
Taxes other than income taxes	28,156	27,173	25,347
Operating income	64,818	58,412	88,690
Other income (expense), net	(760)	(652)	(1,110)
Income before interest and income taxes	64,058	57,760	87,580
Net interest deductions	53,971	53,354	49,461
Preferred securities distributions	5,475	913	--
Income tax expense	1,274	839	14,595
Net income before allocations	3,338	2,654	23,524
Allocation of carrying costs, net of tax	581	--	--
Contribution to consolidated net income	$ 3,919	$ 2,654	$ 23,524

1996 vs. 1995

Contribution to consolidated net income increased $1.3 million from 1995. The increase was due to an increase of operating income, partially offset by an increase in financing costs between periods.

Weather was the dominant factor affecting the financial performance of the gas segment in both years. Nevada experienced its second hottest year on record in 1996 while Arizona experienced one of its hottest years on record. Warm weather was particularly prevalent in the fourth quarter of 1995 and the first quarter of 1996. As a result, operating margin was approximately $23 million less than anticipated during 1996, and $28 million less than anticipated during 1995.

Despite the warm weather, operating margin increased $22.7 million, or seven percent, in 1996 when compared to 1995. Rate relief and record customer growth contributed to the improvement between periods. Effective July 1996, Southwest received a $13.8 million general rate increase applicable to its Nevada rate jurisdictions, providing $5 million in additional operating margin in

1996. During 1996, Southwest added 63,000 customers, resulting in approximately $13 million of additional operating margin. This continues a growth trend which has resulted in nearly 300,000 new customers during the 1990's. Approximately 30 percent of Southwest's current customer base has been added during this period.

Operations and maintenance expenses increased $10.4 million, or six percent, reflecting increases in labor and maintenance costs, including the incremental expenses associated with meeting the needs of Southwest's growing customer base.

Depreciation expense and taxes other than income taxes increased $5.9 million, or seven percent, as a result of additional plant in service. Average gas plant in service increased $142 million, or nine percent, during the current period. This is attributable to the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Financing costs during the current year increased $5.2 million from 1995. The increase is attributable primarily to the $60 million issuance of preferred securities in October 1995. The current year reflects the full annual cost of these securities. Financing activities also included the refunding or retirement of a significant portion of the Company's outstanding debentures with the proceeds from the sale of $150 million of debentures and proceeds from the Bank sale. During 1996, average debt outstanding decreased $18 million and consisted of an $11 million decrease in long-term debt and a $7 million decrease in short-term debt. Interest rates were generally lower on variable-rate debt.

1995 vs. 1994

Contribution to consolidated net income decreased $20.9 million from 1994. The decrease was primarily attributed to a decrease in operating margin between periods. Increased operating costs and net interest deductions also contributed to the decrease.

Operating margin decreased $13.6 million, or four percent, during 1995 compared to 1994. Record-breaking warm weather throughout Southwest's service territories for much of the 1995 heating seasons was the primary factor influencing the change. Temperatures in the Southwest were significantly above normal in January, February, November and December, the prime heating months. As a result, operating margin was approximately $28 million less than would be expected if normal weather had been experienced. However, record customer growth and rate relief in southern Arizona and California partially mitigated the negative impact of warmer weather, contributing an additional $15 million of operating margin between years. During 1995, 49,000 new customers were added, an increase of 5 percent.

Operations and maintenance expenses increased $9.7 million, or five percent, reflecting increases in labor and maintenance costs, including the incremental expenses associated with meeting the needs of Southwest's growing customer base.

Depreciation expense and taxes other than income taxes increased $7 million, or nine percent, primarily due to an increase in average gas plant in service of $130 million, or nine percent. This is attributable to capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Net interest deductions increased $3.9 million, or eight percent, in 1995, after deducting interest costs associated with discontinued operations. The change is attributed to an overall increase in average debt outstanding during 1995 of six percent, which consisted of a $70 million net increase in average long-term debt offset by a $27 million decrease in average short-term debt. The increase in long-term debt is attributed to the draw down of IDRB funds previously held in trust and replacement of the $165 million term facilities with a new $200 million term loan facility. The proceeds from the common stock issuance in May 1995 and the preferred securities issuance in October 1995 are the primary factors for the decrease in average short-term debt. Higher interest rates on variable-rate debt also contributed to the increase in net interest deductions.

RATES AND REGULATORY PROCEEDINGS

California

In January 1994, Southwest filed a general rate application to increase annual margin by $1.1 million. In December 1994, the California Public Utilities Commission (CPUC) approved the $1.1 million increase as part of a settlement agreement, effective January 1995. The settlement, which is in effect through 1998, suspended the supply adjustment mechanism (SAM) previously utilized and implemented a form of performance-based ratemaking. SAM was a mechanism by which actual margin was adjusted to the margin authorized in the Southwest tariff. Although still cost of service based, the settlement allows Southwest to retain all margin generated from additional volumes sold, but places Southwest at risk for reductions in margin resulting from lower than projected sales volumes. The settlement suspends required annual attrition filings for southern California, but retains attrition adjustments in northern California for certain safety-related improvements. In addition, no sharing or penalty mechanisms are required to capture efficiency gains or losses during the settlement period.

Nevada

In December 1995, Southwest filed general rate cases with the PSCN seeking approval to increase revenues by $15.8 million, or 12 percent, annually for its southern Nevada rate jurisdiction and $5 million, or 10 percent, annually for its northern Nevada rate jurisdiction. Southwest was seeking recovery of increased operating and maintenance costs, construction-related financing, tax, insurance, and depreciation expenses associated with its expanding customer base. In April 1996, the PSCN approved a settlement of the general rate cases providing Southwest with a $10.6 million general rate increase in southern Nevada and a $3.2 million increase in northern Nevada. The settlement achieved a number of rate design and tariff restructuring changes resulting in rates that more closely reflect the true costs of serving the various customer classes. Over 86 percent of annual margin is now recoverable from core customers classes, those most responsible for the increased operating costs. The settlement adjusts rate design by equalizing margins earned from sales and transportation customers, resulting in consistent margin regardless of the type of service chosen by a customer. The settlement also specifies a moratorium on future general rate increase requests until April 1999. The new rates became effective July 1, 1996.

Arizona

In November 1996, Southwest filed a general rate application with the ACC seeking approval to increase revenues by $49.3 million annually for both of its Arizona rate jurisdictions. Southwest is seeking rate relief for increased operating costs, changes in financing costs, and improvements and additions to the distribution system. The rate application also proposes a number of rate design improvements including consolidation of the southern and central Arizona rate jurisdictions and better matching of rates with the costs of servicing various customer classes. The exact amount of rate relief that will ultimately be authorized is not known. Absent successful negotiation of a settlement, the hearing process is scheduled to begin in the third quarter of 1997 and no changes in rates are expected prior to January 1998.

FERC

In July 1996, Paiute Pipeline Company, a wholly owned subsidiary of the Company, filed a general rate case with the Federal Energy Regulatory Commission (FERC) seeking approval to increase revenues by $6.9 million annually. Paiute is seeking rate relief for increased costs associated with transmission system additions and improvements, higher depreciation rates, operating cost increases including labor, and an increase in the allowed rate of return. Interim rates reflecting the increased revenues became effective in January 1997, subject to refund until a final order is issued. The exact amount of rate relief that will ultimately be authorized is not known. In the event a settlement can be reached, a final order could be received by the end of 1997. Under normal procedural schedules, final rates would become effective by the second or third quarter of 1998.

RESULTS OF CONSTRUCTION SERVICES OPERATIONS

For the eight months ended December 31, 1996, the construction services segment contributed $2.7 million to consolidated net income. This included peak construction season revenues and profits which are not indicative of results expected during a twelve-month period. Construction activity is seasonal with work generally scheduled for the spring through fall months in colder climate areas, such as the Midwest. In warmer climate areas, such as the southwestern United States, construction occurs year round. Construction revenues during 1996 were $97.7 million. The related costs of construction were $88.6 million, resulting in gross profit of $9.1 million. Labor and equipment costs are the primary components of construction costs. General and administrative expenses were $2.1 million and interest expense was $942,000. Comparative information is not included since Northern was acquired in April 1996.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes consistent accounting and reporting standards as they relate to transfers and servicing of financial assets and liability extinguishments. SFAS No. 125 became effective on January 1, 1997. The Company does not anticipate any material effects to the financial statements as a result of SFAS No. 125. In February 1997, the FASB issued SFAS No. 128, "Earnings Per Share," and SFAS No. 129, "Disclosure of Information about Capital Structure." Both statements become effective for 1997 year-end financial statements.

COMMON STOCK PRICE AND DIVIDEND INFORMATION

	1996		1995		Dividends Paid	
	HIGH	LOW	High	Low	1996	1995
First Quarter	$18 5/8	$15 5/8	$15 1/4	$13 5/8	$0.205	$0.205
Second Quarter	17 3/8	15 3/4	14 7/8	13 5/8	0.205	0.205
Third Quarter	18 3/8	14 7/8	16 3/4	14	0.205	0.205
Fourth Quarter	19 7/8	17 3/8	18 3/8	14 7/8	0.205	0.205
					$0.820	$0.820

The principal markets on which the common stock of the Company is traded are the New York Stock Exchange and the Pacific Stock Exchange. At March 14, 1997 there were 26,967 holders of record of common stock. The market price of the common stock was $18 3/4 as of March 14, 1997.

CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except par value)

December 31,	1996	1995
ASSETS		
Utility plant		
Gas plant	$1,732,405	$1,579,665
Less: accumulated depreciation	(505,984)	(474,891)
Acquisition adjustments	5,866	6,298
Construction work in progress	46,170	26,678
Net utility plant (Note 2)	1,278,457	1,137,750
Other property and investments	71,245	35,128
Current assets		
Cash and cash equivalents	8,280	11,168
Accounts receivable, net of allowances (Note 3)	69,000	38,186
Accrued utility revenue	46,500	43,900
Deferred tax benefit (Note 10)	8,009	17,089
Prepaids and other current assets	28,029	31,386
Net assets of discontinued operations (Note 14)	--	175,493
Total current assets	159,818	317,222
Deferred charges and other assets (Note 4)	50,749	42,427
Total assets	$1,560,269	$1,532,527
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock, $1 par (authorized -- 45,000,000 shares; issued and outstanding -- 26,732,688 and 24,467,499 shares)	$ 28,363	$ 26,097
Additional paid-in capital	349,132	312,631
Retained earnings	2,121	17,322
Total common equity	379,616	356,050
Company-obligated mandatorily redeemable preferred securities of the Company's subsidiary, Southwest Gas Capital I, holding solely $61.8 million principal amount of 9.125% subordinated notes of the Company due 2025 (Note 5)	60,000	60,000
Long-term debt, less current maturities (Note 6)	665,221	607,945
Total capitalization	1,104,837	1,023,995
Commitments and contingencies (Note 8)		
Current liabilities		
Current maturities of long-term debt (Note 6)	6,675	120,000
Short-term debt (Note 7)	121,000	37,000
Accounts payable	49,951	41,864
Customer deposits	21,133	21,406
Accrued taxes	9,977	29,116
Accrued interest	9,800	11,107
Deferred purchased gas costs (Note 4)	9,432	32,776
Other current liabilities	33,369	36,942
Total current liabilities	261,337	330,211
Deferred income taxes and other credits		
Deferred income taxes and investment tax credits (Note 10)	152,063	138,893
Other deferred credits (Note 4)	42,032	39,428
Total deferred income taxes and other credits	194,095	178,321
Total capitalization and liabilities	$1,560,269	$1,532,527

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

Year Ended December 31,	1996	1995	1994
Operating revenues:			
Gas operating revenues	$546,361	$563,502	$599,553
Construction revenues	97,700	--	--
Total operating revenues	644,061	563,502	599,553
Operating expenses:			
Net cost of gas	187,580	227,456	249,922
Operations and maintenance	198,364	187,969	178,310
Depreciation and amortization	73,699	62,492	57,284
Taxes other than income taxes	28,156	27,173	25,347
Construction expenses	84,689	--	--
Total operating expenses	572,488	505,090	510,863
Operating income	71,573	58,412	88,690
Other income and (expenses):			
Net interest deductions	(54,913)	(53,354)	(49,461)
Preferred securities distributions (Note 5)	(5,475)	(913)	--
Other income (deductions), net	(737)	(652)	(1,110)
Total other income and (expenses)	(61,125)	(54,919)	(50,571)
Income from continuing operations before income taxes	10,448	3,493	38,119
Income tax expense (Note 10)	3,874	839	14,595
Net income from continuing operations	6,574	2,654	23,524
Discontinued operations (Note 14):			
Income (loss) from discontinued segment, net of tax expense (benefit) of $0, $(2,306) and $3,127	--	(4,513)	2,777
Loss on disposal of discontinued segment, including tax expense of $9,900 in 1995	--	(13,023)	--
Net income (loss) from discontinued operations	--	(17,536)	2,777
Net income (loss)	6,574	(14,882)	26,301
Preferred/preference stock dividend requirements	--	307	510
Net income (loss) applicable to common stock	$ 6,574	$(15,189)	$ 25,791
Earnings per share from continuing operations	$ 0.25	$ 0.10	$ 1.09
Earnings (loss) per share from discontinued operations	--	(0.76)	0.13
Earnings (loss) per share of common stock (Note 13)	$ 0.25	$ (0.66)	$ 1.22
Average number of common shares outstanding	25,888	23,167	21,078

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of dollars)

Year Ended December 31,	1996	1995	1994
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 6,574	$(14,882)	$ 26,301
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	73,699	62,492	57,284
Deferred income taxes	17,453	(15,314)	(9,178)
Changes in current assets and liabilities:			
Accounts receivable	(17,886)	19,719	(6,487)
Accrued utility revenue	(2,600)	3,633	(1,300)
Deferred purchased gas costs	(23,344)	47,995	9,014
Accounts payable	4,964	(7,101)	(2,811)
Accrued taxes	(19,139)	(13,820)	11,594
Other current assets and liabilities	2,498	3,661	6,681
Other	9,976	(205)	649
Undistributed (income) loss from discontinued operations	--	11,576	(7,673)
Net cash provided by operating activities	52,195	97,754	84,074
CASH FLOW FROM INVESTING ACTIVITIES:			
Construction expenditures and property additions	(218,835)	(166,183)	(141,390)
Proceeds from bank sale	191,662	--	--
Other	(22,112)	2,465	(157)
Net cash used in investing activities	(49,285)	(163,718)	(141,547)
CASH FLOW FROM FINANCING ACTIVITIES:			
Issuance of common stock	18,110	44,844	4,773
Issuance of trust originated preferred securities	--	57,713	--
Reacquisition of preferred/preference stocks	--	(4,000)	(4,058)
Dividends paid	(21,311)	(19,575)	(17,411)
Issuance of long-term debt	164,876	49,407	73,000
Retirement of long-term debt	(248,531)	(2,285)	(648)
Issuance (repayment) of short-term debt	81,058	(55,000)	6,000
Other	--	(48)	(234)
Net cash provided by (used in) financing activities	(5,798)	71,056	61,422
Change in cash and temporary cash investments	(2,888)	5,092	3,949
Cash at beginning of period	11,168	6,076	2,127
Cash at end of period	$ 8,280	$ 11,168	$ 6,076
Supplemental information:			
Interest paid, net of amounts capitalized	$ 60,008	$ 62,377	$ 55,167
Income taxes paid, net of refunds	$ 18,682	$ 20,413	$ 3,574

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total
December 31, 1993	20,997	$22,627	$268,725	$ 43,765	$335,117
Common stock issuances	285	285	4,488		4,773
Net income				26,301	26,301
Dividends declared					
Preferred: $9.50 per share				(437)	(437)
Second preference: $3.00 per share				(73)	(73)
Common: $0.81 per share				(17,125)	(17,125)
Redemption of second preference stock			4	(4)	--
December 31, 1994	21,282	22,912	273,217	52,427	348,556
Common stock issuances	3,185	3,185	41,659		44,844
Issuance costs, preferred securities			(2,287)		(2,287)
Net loss				(14,882)	(14,882)
Dividends declared					
Preferred: $9.50 per share				(307)	(307)
Common: $0.82 per share				(19,826)	(19,826)
Redemption of preferred stock			42	(90)	(48)
December 31, 1995	24,467	26,097	312,631	17,322	356,050
Common stock issuances	2,266	2,266	36,501		38,767
Net income				6,574	6,574
Dividends declared					
Common: $0.82 per share				(21,775)	(21,775)
December 31, 1996	26,733*	$28,363	$349,132	$ 2,121	$379,616

* At December 31, 1996, 1.4 million common shares were registered and available for issuance under provisions of the Employee Investment Plan and the Company's Dividend Reinvestment and Stock Purchase Plan.

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 subsidiaries (the Company) is principally engaged in the business of purchasing, transporting, and distributing natural gas to customers in portions of Arizona, Nevada, and California (Southwest or the natural gas operations segment). Southwest's public utility rates, practices, facilities, and service territories are subject to regulatory oversight. The timing and amount of rate relief can materially impact results of operations. Natural gas sales are seasonal, peaking during the winter months. Variability in weather from normal temperatures can materially impact results of operations. The Company also provides, through Northern Pipeline Construction Co. (Northern or the construction services segment), local gas distribution companies with installation, replacement, and maintenance services for underground natural gas 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 the 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 revenue 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 wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated with the exception of transactions between Southwest and Northern. Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," provides that intercompany profits on sales to regulated affiliates should not be eliminated in consolidation if the sales price is reasonable and if future revenues approximately equal to the sales price will result from the rate-making process. Management believes these two criteria will be met. The financial services segment is classified as discontinued operations.

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. Southwest is authorized by the various regulatory authorities having jurisdiction to adjust its billing rates for changes in the cost of gas purchased. The difference

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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. Southwest also recognizes accrued utility revenues for the estimated amount of services rendered between the meter-reading dates in a particular month and the end of such month.

Construction Revenues. The majority of Northern's contracts are performed under unit price contracts. These contracts state prices per unit of installation. Revenues are recorded as installations are completed. 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 cost 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.

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 adjust for salvage value and removal costs, as approved by the appropriate regulatory agency. When plant is retired from service, the original cost of plant, including costs of removal, less salvage, is charged to the accumulated provision for depreciation. Acquisition adjustments are amortized, as ordered by regulatory bodies, over periods which approximate the remaining estimated life of the acquired properties. Costs related to refunding utility debt and debt issuance expenses are deferred and amortized over the weighted average lives of the new issues. Nonutility property and equipment are depreciated on a straight-line method based on the estimated useful lives of the related assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 $1.8 million, $1.2 million, and $805,000 of AFUDC related to natural gas utility operations for each of the years ended December 31, 1996, 1995, and 1994, respectively. 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. 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.

Earnings Per Common Share. Earnings per common share are calculated by dividing net income (loss) applicable to common stock by the weighted average number of shares outstanding during the period. Common stock equivalents (stock options and performance shares) are immaterial and are not included in the earnings per share calculation.

Cash Flows. For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and financial instruments with a maturity of three months or less, but exclude funds held in trust for industrial development revenue bonds.

NOTE 2 -- UTILITY PLANT

Net utility plant as of December 31, 1996 and 1995 was as follows (thousands of dollars):

December 31,	1996	1995
Gas plant:		
Storage	$ 3,216	$ 14,546
Transmission	150,898	143,989
Distribution	1,360,438	1,206,503
General	179,795	179,378
Other	38,058	35,249
	1,732,405	1,579,665
Less: accumulated depreciation	(505,984)	(474,891)
Acquisition adjustment, net	5,866	6,298
Construction work in progress	46,170	26,678
Net gas utility property	$1,278,457	$1,137,750

Depreciation expense on gas plant was $66.9 million, $62 million, and $56.5 million during the years ended December 31, 1996, 1995, and 1994, respectively.

Leases and Rentals. The Company leases the liquefied natural gas (LNG) facilities on its northern Nevada system, a portion of its corporate headquarters office complex in Las Vegas, and its administrative offices in Phoenix. The leases provide for current terms which expire in 2003, 2017, and 2004, respectively, with optional renewal terms available at the expiration dates. The rental

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

payments for the LNG facilities are $6.7 annually and $43.3 million in the aggregate. The rental payments for the corporate headquarters office complex are $2.4 million in 1997, $1.8 million for each year 1998 through 2001, and $31.9 million thereafter. The rental payments for the Phoenix administrative offices are $1.3 million in 1997, $1.2 million for each year 1998 through 2000, $1.3 million in 2001, and $3.6 million cumulatively thereafter. These leases are accounted for as operating leases and are treated as such for regulatory purposes. Rentals included in operating expenses with respect to these leases were $11.6 million in 1994, $11.3 million in 1995, and $11.1 million in 1996. Other operating leases of the Company are immaterial individually and in the aggregate.

Effective for fiscal years beginning January 1, 1996, SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," requires the review of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of this standard did not have a material impact on the Company's current financial condition or results of operations.

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, 1996, gas segment receivables were $46.3 million. Approximately 58 percent of the gas utility customers were in Arizona, 32 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 certain 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, 1993	$ 1,683
Additions charged to expense	1,445
Accounts written off, less recoveries	(1,575)
Balance, December 31, 1994	1,553
Additions charged to expense	1,295
Accounts written off, less recoveries	(1,621)
Balance, December 31, 1995	1,227
Additions charged to expense	1,285
Accounts written off, less recoveries	(1,002)
Balance, December 31, 1996	$ 1,510

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 -- REGULATORY ASSETS AND LIABILITIES

Natural gas operations are subject to the regulation of the Arizona Corporation Commission (ACC), the Public Service Commission of Nevada (PSCN), the California Public Utilities Commission (CPUC), and the Federal Energy Regulatory Commission (FERC). The Company's accounting policies conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process. Such effects concern mainly the time at which various items enter into the determination of net income in accordance with the principle of matching costs with related revenues.

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

December 31,	1996	1995
Regulatory assets:		
SFAS No. 109 -- Income taxes, net	$11,431	$ 13,211
Unamortized premium on reacquired debt	17,440	10,848
Other	16,601	15,686
	45,472	39,745
Regulatory liabilities:		
Supplier and other rate refunds due customers	(3,828)	(4,844)
Deferred purchased gas costs	(9,432)	(32,776)
Other	(2,204)	(3,389)
Net regulatory assets (liabilities)	$30,008	$ (1,264)

NOTE 5 -- PREFERRED STOCK AND PREFERRED SECURITIES

In December 1995, the Company redeemed all remaining outstanding $100 Cumulative Preferred Stock, 9.5% Series. Scheduled annual mandatory redemption requirements were 8,000 shares, or $800,000 per year, through 1999. After the 1995 annual mandatory redemption requirement was satisfied, the Company exercised its option to redeem an additional 8,000 shares at par. The remaining 24,000 shares were redeemed at $102 per share, plus accrued and unpaid dividends. The stock was redeemed because other less costly financing options were available.

Preferred Securities of Southwest Gas Capital I. In October 1995, Southwest Gas Capital I (the Trust), a consolidated wholly owned subsidiary of the Company, issued $60 million of 9.125% Trust Originated Preferred Securities (the Preferred Securities). In connection with the Trust's issuance of the Preferred Securities and the related purchase by the Company of all of the Trust's common securities (the Common Securities), the Company issued to the Trust $61.8 million principal amount of its 9.125% Subordinated Deferrable Interest Notes, due 2025 (the Subordinated Notes). The sole assets of the Trust are and will be the Subordinated Notes. The interest and other payment dates on the Subordinated Notes correspond to the distribution and other payment dates on the Preferred Securities and Common Securities. Under certain circumstances, the Subordinated Notes may be distributed to the holders of the Preferred Securities and holders of the Common Securities in liquidation of the Trust. The Subordinated Notes are redeemable at the option of the Company on or after December 31, 2000, at a redemption price of $25 per Subordinated Note plus accrued and unpaid interest. In the event that the Subordinated Notes are repaid, the Preferred Securities and the Common Securities will be redeemed on a pro rata basis at $25 per Preferred Security and Common Security plus accumulated and unpaid distributions. The Company's obligations under the Subordinated Notes, the Declaration of Trust (the agreement under which the Trust was formed), the guarantee of payment of certain distributions, redemption payments and liquidation payments with respect to the Preferred Securities to the extent the Trust has funds available therefor and the indenture governing the Subordinated Notes, including the Company's agreement pursuant to such indenture to pay all fees and expenses of the Trust, other than with respect to the Preferred 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 Securities. As of December 31, 1996, 2.4 million Preferred Securities were outstanding.

The Company has the right to defer payments of interest on the Subordinated Notes 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 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 9.125% per annum compounded quarterly. There could be multiple Extension Periods of varying lengths throughout the term of the Subordinated Notes. 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 pari passu with or junior to the Subordinated Notes; 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 -- LONG-TERM DEBT

December 31,	1996		1995	
	CARRYING AMOUNT	MARKET VALUE	Carrying Amount	Market Value
	(Thousands of dollars)			
Debentures:				
9% Series A, due 2011	$ --	$ --	$ 26,890	$ 27,663
9% Series B, due 2011	--	--	31,213	32,110
8 3/4% Series C, due 2011	--	--	18,353	18,881
9 3/8% Series D, due 2017	--	--	120,000	126,150
10% Series E, due 2013	--	--	23,069	23,963
9 3/4% Series F, due 2002	100,000	112,960	100,000	117,600
7 1/2% Series, due 2006	75,000	76,740	--	--
8% Series, due 2026	75,000	78,600	--	--
Unamortized discount	(3,137)	--	(6,209)	--
	246,863		313,316	
Term-loan facilities	184,000	184,000	200,000	200,000
Industrial development revenue bonds:				
Variable-rate bonds				
Series due 2028	50,000	50,000	50,000	50,000
Less funds held in trust	(30,261)	--	(32,942)	--
	19,739		17,058	
Fixed-rate bonds				
7.30% 1992 Series A, due 2027	30,000	32,029	30,000	31,560
7.50% 1992 Series B, due 2032	100,000	107,232	100,000	106,500
6.50% 1993 Series A, due 2033	75,000	75,241	75,000	75,000
Unamortized discount	(3,654)	--	(3,757)	--
Less funds held in trust	--	--	(3,672)	--
	201,346		197,571	
Other	19,948		--	
	671,896		727,945	
Less current maturities	(6,675)		(120,000)	
	$ 665,221		$ 607,945	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In August 1996, the Company issued $75 million of 7 1/2 percent debentures due 2006 and $75 million of 8 percent debentures due 2026. Net proceeds of $148 million as well as a portion of the $163 million net proceeds from the PriMerit sale were used to refund or retire $219 million of outstanding callable debentures and pay down short-term debt. The remaining amount was used for general corporate purposes, including the acquisition of property for the construction, completion, extension, and improvement of Southwest's pipeline systems. The refinancing achieved a 126 basis point reduction in the related average interest rate.

In October 1996, the Company filed a $250 million shelf registration statement. In connection with this new registration statement, the Company may offer, up to the registered amount, any combination of debt securities, preferred stock, depositary shares, and common stock. This registration statement includes a carryforward of $60 million remaining from a prior shelf registration statement declared effective by the Securities and Exchange Commission in October 1995. The Company filed a prospectus supplement in December 1996 identifying $150 million of the shelf as medium-term notes. In January 1997, the Company issued $25 million of 7.59 percent notes due January 2017. In February 1997, the Company issued $25 million of 7.78 percent notes due February 2022.

The $200 million term-loan facility provides for a revolving period through January 1999 at which time any amounts borrowed under the agreement become payable on demand. A letter of credit is available to provide credit support for the issuance of commercial paper. In addition, direct borrowing options are available which provide for interest at either the London Interbank Offering Rate (LIBOR) or certificate of deposit rate, plus a margin based on the Company's credit rating, or the prime rate. The average cost of this facility was 6.28 percent in 1996 and 6.86 percent in 1995. Amounts outstanding at both year ends consisted of commercial paper.

The interest rate on the variable-rate industrial development revenue bonds (IDRB) is established on a weekly basis and averaged 4.16 percent in 1996, 4.80 percent in 1995, and 3.85 percent in 1994. At the option of the Company, the interest period can be converted from a weekly rate to a daily-term or variable-term rate.

The fair value of the term-loan facilities approximates carrying value. Market values for the debentures and fixed-rate IDRB were determined based on dealer quotes using trading records for December 31, 1996 and 1995, as applicable, and other secondary sources which are customarily consulted for data of this kind. The carrying value of the IDRB Series due 2028 was used as the estimate of fair value based upon the variable interest rate of the bonds.

Estimated maturities of long-term debt for the next five years are expected to be $6.7 million, $5.9 million, $188 million, $2.9 million, and $185,000, respectively.

In June 1996, the Financial Accounting Standards Board (FASB) issued SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. This statement became effective January 1, 1997. The Company does not anticipate any material effect on its financial position or results of operations from this statement.

NOTE 7 -- SHORT-TERM DEBT

The Company has an agreement with several banks for committed credit lines which aggregate $150 million at December 31, 1996. The agreement provides for the payment of interest at competitive market rates. The lines of credit also require the payment of a commitment fee based on the long-term debt rating of the Company. The committed credit lines have no compensating balance requirements and expire in July 1997. Short-term borrowings were $121 million and $37 million at December 31, 1996 and 1995, respectively. The weighted average interest rates on these borrowings were 6.83 percent at December 31, 1996 and 6.64 percent at December 31, 1995.

NOTE 8 -- COMMITMENTS AND CONTINGENCIES

Legal Proceedings. The Company has been named as defendant in various legal proceedings. The ultimate dispositions of these proceedings are not presently determinable; however, it is the opinion of management that no litigation to which the Company is subject will have a material adverse impact on its financial position or results of operations.

Northern California Expansion. In 1995, Southwest initiated a multi-year, three-phase construction project to expand its northern California service territory and extend service into Truckee, California. The CPUC imposed a $29 million cost cap on the project as a condition of granting Southwest a certificate of public convenience and necessity to serve the expansion areas.

In 1995, Southwest completed Phase I of the expansion project, which involved transmission system reinforcement and distribution system expansion to accommodate 940 additional customers. Construction costs of $7.1 million were on target with the cost estimate approved by the CPUC.

Phase II of the project involved extending the transmission system to Truckee, California and distribution system expansion to accommodate 4,200 customers. The cost cap apportioned to Phase II was approximately $13.8 million. The incurred cost of Phase II through December 1996 was $26.9 million, with approximately $1.2 million remaining to complete this phase in 1997. An estimated $9.2 million of the cost overrun was due to changes in project scope, such as adjustments for design changes required by governmental bodies, changes in facilities beyond Southwest's control and costs incurred to accommodate customer service requests.

Examples of adjustments for changes in project scope are: Southwest was required to haul excavated soil offsite to be screened whereas normal and anticipated practice is to screen on site; asphalt repairs were greater than expected as a result of increased paving requirements imposed after construction started, poor road conditions, and the installation of more facilities under asphalt than anticipated. Other unanticipated or externally imposed costs pertained to extended yard lines, underground boring, environmental studies, right-of-way acquisitions, and engineering design work.

Phase III of the construction project involving distribution system expansion to add 4,200 customers has a cost cap apportionment of approximately $8.2 million. Management is currently reexamining construction requirements, and the scope of this phase in light of the cost overruns and difficult construction environment experienced in Phase II of the project. As a result, no estimate of the overall expansion cost or final construction timeline is currently available.

Management believes that because of the cost overruns which have occurred in Phase II of the project, an impairment of its expansion assets up to the amount of the cost overruns could occur in the future if the CPUC either directly or indirectly denies recovery of the excess costs. An impairment has not occurred because Southwest is currently on a form of performance-based ratemaking (PBR) in California (see Rates and Regulatory Proceedings section of Management's Discussion and Analysis) which effectively provides for recovery of the northern California expansion assets and an acceptable return on investment. It is management's intention to request a further extension of the PBR mechanism in California during 1997. Management believes it is probable that Southwest will receive the proposed extension, and will continue earning a return on the northern California expansion assets.

NOTE 9 -- EMPLOYEE BENEFITS

Southwest has a qualified retirement plan covering its employees. The plan is noncontributory with defined benefits, and covers substantially all employees. Southwest's policy is to fund the plan at not less than the minimum required contribution nor more than the tax deductible limit. Plan assets are held in a master trust whose investments consist of common stock, corporate bonds, government obligations, real estate, a mutual fund investing in foreign stocks, an insurance company contract, and cash or cash equivalents.

The plan provides that an employee may earn benefits for a period of up to 30 years and will be vested after 5 years of service. Retirement plan costs were $7.2 million in 1996, $6.8 million in 1995, and $7.8 million in 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the plan's funded status and amounts recognized on the Consolidated Balance Sheets and Statements of Income.

December 31,	1996	1995
	(Thousands of dollars)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $(124,156) and $(111,035), respectively	$(133,752)	$(119,340)
Projected benefit obligation for service rendered to date	$(187,183)	$(167,414)
Market value of plan assets	195,994	169,524
Assets in excess of projected benefit obligation	8,811	2,110
Unrecognized net transition obligation being amortized through 2004	5,816	6,652
Unrecognized net loss (gain)	(14,741)	(8,669)
Unrecognized prior service cost	409	466
Prepaid retirement plan asset included in the Consolidated Balance Sheets	$ 295	$ 559
Assumptions used to develop pension obligations were:		
Discount rate	7.00%	7.25%
Long-term rate of return on assets	9.00%	9.00%
Rate of increase in compensation levels	4.75%	4.75%

Year Ended December 31,	1996	1995	1994
	(Thousands of dollars)		
Net retirement plan costs include the following components:			
Service cost	$ 8,762	$ 7,153	$ 7,805
Interest cost	11,993	11,084	10,164
Actual return on plan assets	(23,511)	(35,557)	254
Net amortization and deferrals	9,976	24,136	(10,440)
Net periodic retirement plan cost	$ 7,220	$ 6,816	$ 7,783

In addition to the basic retirement plan, Southwest has a separate unfunded supplemental retirement plan which is limited to certain officers. The plan is noncontributory with defined benefits. Senior officers who retire with ten years or more of service with Southwest are eligible to receive benefits. Other officers who retire with 20 years or more of service with Southwest are eligible to receive benefits. Plan costs were $1.8 million in 1996, $2 million in 1995, and $2 million in 1994. The accumulated benefit obligation of the plan was $15.4 million, including vested benefits of $14.2 million, at December 31, 1996. Southwest also has an unfunded retirement plan for directors not covered by the employee retirement plan. The cost and liability for this plan are not significant.

The Employees' Investment Plan provides for purchases of the Company's common stock or certain other investments by eligible Southwest employees through deductions of up to 16 percent of base compensation, subject to IRS limitations. Southwest matches one-half of amounts deferred up to six percent of an employee's annual compensation. The cost of the plan was $2.6 million in 1996, $2.3 million in 1995, and $2.6 million in 1994. Northern has a separate plan, the cost and liability for which are not significant.

Southwest has a deferred compensation plan for all officers and members of the Board. The plan provides the opportunity to defer from a minimum of $2,000 up to 50 percent of annual compensation. Southwest matches one-half of amounts deferred up to six percent of an officer's annual salary. Payments of compensation deferred, plus interest, commence upon the participant's retirement in equal monthly installments over 10, 15, or 20 years, as determined by Southwest. Deferred compensation earns interest at a rate determined each January. The interest rate represents 150 percent of Moody's Seasoned Corporate Bond Index.

Southwest provides postretirement benefits other than pensions (PBOP) to its qualified retirees for health care, dental, and life insurance. Southwest accounts for PBOP on an accrual basis. The PSCN, CPUC, and FERC have approved the use of accrual accounting for ratemaking purposes, subject to certain conditions, including funding. Southwest did not receive approval to recover PBOP costs on an accrual basis in its Arizona rate jurisdictions, but was authorized to continue to recover the pay-as-you-go costs for ratemaking purposes. Southwest began funding the non-Arizona portion of the PBOP liability in 1994. Plan assets are combined with the pension plan assets in a master trust for investment purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the PBOP funded status and amounts recognized on the Company's Consolidated Balance Sheets and Statements of Income.

December 31,	1996	1995
	(Thousands of dollars)	
Accumulated postretirement benefit obligation (APBO)		
Retirees	$(14,291)	$(15,030)
Fully eligible actives	(2,322)	(1,956)
Other active participants	(7,275)	(6,182)
Total	(23,888)	(23,168)
Market value of plan assets	2,408	1,647
APBO in excess of plan assets	(21,480)	(21,521)
Unrecognized transition obligation	13,871	14,738
Unrecognized prior service cost	--	--
Unrecognized loss	2,543	3,003
Accrued postretirement benefit liability	$ (5,066)	$ (3,780)
Assumptions used to develop postretirement benefit obligations were:		
Discount rate	7.00%	7.25%
Medical inflation	8% graded to 5%	9% graded to 5%
Salary increases	4.75%	4.75%

The Company makes fixed contributions, based on age and years of service, to retiree spending accounts for the medical and dental costs of employees who retire after 1988. The Company pays up to 100 percent of the medical coverage costs for employees who retired prior to 1989. The medical inflation assumptions in the table above apply to the benefit obligations for pre-1989 retirees only. The inflation assumption at December 31, 1996, was estimated at eight percent for 1997, and decreases one-half of one percent per year until 2003, at which time the average annual increase is projected to be five percent. A one percent increase in these assumptions would change the accumulated postretirement benefit obligation by approximately $1.2 million at December 31, 1996. Future annual benefit costs would increase $130,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31,	1996	1995	1994
	(Thousands of dollars)		
Net periodic postretirement benefit costs include the following components:			
Service cost	$ 521	$ 399	$ 473
Interest cost	1,638	1,562	1,472
Actual return on plan assets	(252)	(286)	--
Net amortization and deferrals	997	1,061	911
Net periodic postretirement benefit cost	$2,904	$2,736	$2,856

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." This new standard permits the continued use of accounting methods prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," or use of the fair value based method of accounting as encouraged by the statement. The following disclosure complies with the requirements of the new standard.

At December 31, 1996, the Company had two stock-based compensation plans. These plans are accounted for in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." In connection with the stock-based compensation plans, the Company recognized compensation expense of $571,000 in 1996 and $300,000 in 1995. Had compensation cost been determined based on the fair value of the awards at the grant dates, net income and earnings per share would have reflected the pro forma amounts indicated below (thousands of dollars, except per share amounts):

		1996	1995
Net income (loss)	As reported	$6,574	$(14,882)
	Pro forma	$6,523	$(14,871)
Primary earnings (loss) per share	As reported	$ 0.25	$ (0.66)
	Pro forma	$ 0.25	$ (0.66)

With respect to the first plan, the Company may grant options to purchase shares of common stock to key employees and outside directors. 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 10 years. In July 1996, 350,000 options were granted. 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 extended binomial option pricing model. The following assumptions were used in the valuation calculation:

	1996
Dividend yield	4.65%
Risk-free interest rate	RANGING FROM 5.83 TO 6.42%
Expected volatility	RANGING FROM 22 TO 25%
Expected life	1 TO 3 YEARS

As of the grant date, the weighted average fair value of the options granted was $1.79. At December 31, 1996, the weighted average remaining contractual life of the options was 9.5 years.

In addition to the option plan, the Company may issue restricted stock in the form of performance shares to encourage key employees to remain in its employment to achieve short-term and long-term performance goals. Plan participants are eligible to receive a cash bonus (i.e., short-term incentive) and performances shares (i.e., long-term incentive). The performance shares vest over a period of three years and are subject to a final adjustment as determined by the Board of Directors. The following table summarizes the activity of this plan:

Year Ended December 31,	1996	1995	1994
Nonvested performance shares at beginning of year	41,422	18,001	--
Performance shares granted	63,968	25,363	18,001
Performance shares forfeited	--	--	--
Shares vested and issued	(12,104)	(1,942)	--
Nonvested performance shares at end of year	93,286	41,422	18,001
Grant date fair value of award	$ 17.75	$15.25	$17.625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 -- INCOME TAXES

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

Year Ended December 31,	1996	1995	1994
Current:			
Federal	$(15,087)	$ 13,588	$16,481
State	(1,566)	1,985	2,701
	(16,653)	15,573	19,182
Deferred:			
Federal	18,832	(13,752)	(4,441)
State	1,695	(982)	(146)
	20,527	(14,734)	(4,587)
Total income tax expense	$ 3,874	$ 839	$14,595

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

Year Ended December 31,	1996	1995	1994
Deferred federal and state:			
Property-related items	$11,586	$ 4,921	$ 2,441
Purchased gas cost adjustments	8,437	(16,488)	(5,531)
Self insurance	(90)	(885)	1,161
All other deferred	1,462	(1,414)	(1,782)
Total deferred federal and state	21,395	(13,866)	(3,711)
Deferred investment tax credit, net	(868)	(868)	(876)
Total deferred income tax expense (benefit)	$20,527	$(14,734)	$(4,587)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated effective income tax rate for the period ended December 31, 1996 and the two prior periods differs 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,	1996	1995	1994
Federal statutory income tax rate	35.0%	35.0%	35.0%
Net state tax liability	5.0	9.0	4.3
Property-related items	8.8	24.1	2.1
Tax credits	(8.3)	(22.7)	(2.3)
Tax exempt interest	(3.7)	(13.8)	--
Corporate-owned life insurance	(4.0)	(12.5)	(1.4)
All other differences	4.3	4.9	0.6
Consolidated effective income tax rate	37.1%	24.0%	38.3%

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

December 31,	1996	1995
Deferred tax assets:		
Deferred income taxes for future amortization of ITC	$ 12,729	$ 13,256
Employee benefits	6,194	5,306
Regulatory balancing accounts	3,832	12,411
Other	4,415	3,017
Valuation allowance	--	--
	27,170	33,990
Deferred tax liabilities:		
Property-related items, including accelerated depreciation	114,176	101,133
Property-related items previously flowed-through	24,160	26,467
Unamortized ITC	19,006	19,874
Debt-related costs	6,757	4,462
Other	7,125	3,858
	171,224	155,794
Net deferred tax liabilities	$144,054	$121,804
Current	$ (8,009)	$(17,089)
Noncurrent	152,063	138,893
Net deferred tax liabilities	$144,054	$121,804

NOTE 11 -- ACQUISITION OF NORTHERN PIPELINE CONSTRUCTION CO.

On April 29, 1996, the Company acquired all of the outstanding stock of Northern Pipeline Construction Co. (the construction services segment) pursuant to a definitive agreement dated November 1995. The Company issued approximately 1,439,000 shares of common stock valued at $24 million in connection with the acquisition. The acquisition was accounted for as a purchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill in the amount of approximately $10 million was recorded by the construction services segment and is being amortized over a period of approximately 25 years. The construction services segment provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

During the period from the acquisition date through December 31, 1996, the construction services segment recognized $36 million of revenues generated from contracts with Southwest. These revenues and associated profits are included in the consolidated financial statements of the Company and were not eliminated during consolidation. SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," provides that intercompany profits on sales to regulated affiliates should not be eliminated in consolidation if the sales price is reasonable and if future revenues approximately equal to the sales price will result from the rate-making process. Management believes these two criteria will be met. As of year end, accounts receivable includes $6.4 million which was not eliminated during consolidation.

The assets acquired and the liabilities assumed at the acquisition date were as follows (thousands of dollars):

Other property and investments	$26,490
Receivables, net	12,928
Prepaids and other current assets	2,545
Deferred charges and other assets	11,340
Total assets acquired	53,303
Long-term debt and capital leases, including current maturities	14,691
Short-term debt	2,942
Accounts payable	3,123
Other current liabilities	6,759
Deferred income taxes	4,737
Other deferred credits	394
Total liabilities assumed	32,646
Net noncash assets acquired	20,657
Cash acquired in acquisition and included in cash flow statement	3,343
Total common equity issued in acquisition	$24,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 -- SEGMENT INFORMATION

The financial information pertaining to the Company's natural gas operations and construction services segments for each of the three years in the period ended December 31, 1996, is as follows (thousands of dollars):

	1996		
	GAS OPERATIONS	CONSTRUCTION SERVICES	TOTAL
Revenues from unaffiliated customers	$ 546,361	$ 61,646	$ 608,007
Intersegment sales	--	36,054	36,054
Total	$ 546,361	$ 97,700	$ 644,061
Operating income	$ 64,818	$ 6,755	$ 71,573
Depreciation, depletion and amortization	$ 67,443	$ 6,256	$ 73,699
Construction expenditures and property additions	$ 210,743	$ 8,092	$ 218,835
Indentifiable assets	$1,498,099	$ 62,170	$1,560,269

	1995		
	Gas Operations	Construction Services	Total
Operating revenues	$ 563,502	$ --	$ 563,502
Operating income	$ 58,412	$ --	$ 58,412
Depreciation, depletion and amortization	$ 62,492	$ --	$ 62,492
Construction expenditures and property additions	$ 166,183	$ --	$ 166,183
Indentifiable assets	$1,357,034	$ --	$1,357,034

	1994		
	Gas Operations	Construction Services	Total
Operating revenues	$ 599,553	$ --	$ 599,553
Operating income	$ 88,690	$ --	$ 88,690
Depreciation, depletion and amortization	$ 57,284	$ --	$ 57,284
Construction expenditures and property additions	$ 141,390	$ --	$ 141,390
Indentifiable assets	$1,277,727	$ --	$1,277,727

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 -- QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarter Ended	March 31	June 30	September 30	December 31
	(Thousands of dollars, except per share amounts)			
1996				
Operating revenues	$188,352	$123,611	$125,255	$206,843
Operating income (loss)	38,539	(4,747)	(8,404)	46,185
Net income (loss)	14,859	(11,943)	(14,638)	18,296
Net income (loss) applicable to common stock	14,859	(11,943)	(14,638)	18,296
Earnings (loss) per common share*	0.60	(0.46)	(0.55)	0.69
1995				
Operating revenues	$203,521	$122,189	$ 91,433	$146,359
Operating income (loss)	36,829	(2,873)	(9,215)	33,671
Income (loss) from continuing operations	14,449	(9,951)	(13,353)	11,509
Income (loss) from discontinued operations	196	610	522	(18,864)
Net income (loss)	14,645	(9,341)	(12,831)	(7,355)
Net income (loss) applicable to common stock	14,550	(9,436)	(12,926)	(7,377)
Earnings (loss) per share from continuing operations*	0.67	(0.44)	(0.56)	0.47
Earnings (loss) per share from discontinued operations*	0.01	0.03	0.02	(0.77)
Earnings (loss) per common share*	0.68	(0.41)	(0.54)	(0.30)
1994				
Operating revenues	$207,369	$108,407	$ 92,245	$191,532
Operating income (loss)	47,519	(4,251)	(8,302)	53,725
Income (loss) from continuing operations	21,734	(10,735)	(11,911)	24,436
Income (loss) from discontinued operations	976	954	746	101
Net income (loss)	22,710	(9,781)	(11,165)	24,537
Net income (loss) applicable to common stock	22,571	(9,919)	(11,303)	24,442
Earnings (loss) per share from continuing operations*	1.03	(0.52)	(0.57)	1.15
Earnings (loss) per share from discontinued operations*	0.04	0.05	0.03	--
Earnings (loss) per common share*	1.07	(0.47)	(0.54)	1.15

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* 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 management's opinion that comparisons of earnings for the interim periods do not reliably reflect overall trends and changes in the Company's operations. 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 the Company's operating results.

NOTE 14 -- DISCONTINUED OPERATIONS -- FINANCIAL SERVICES ACTIVITIES

On July 19, 1996, the Company completed the sale of the assets and liabilities of PriMerit Bank (the Bank) to Norwest Corporation for $191 million. Proceeds from the sale were used by the Company to retire debt incurred in connection with its investment in the Bank. The loss on the sale, recorded during the fourth quarter of 1995, was $13 million, including taxes. Income tax expense resulted from the loss due to the Company's investment in the Bank being lower for tax purposes than book purposes. The results of operations of the Bank have been included as discontinued operations in the accompanying financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders,
Southwest Gas Corporation:

We have audited the accompanying consolidated balance sheets of Southwest Gas Corporation (a California corporation, hereinafter referred to as the Company) and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada
February 7, 1997

EXHIBIT 21.01

SOUTHWEST GAS CORPORATION
LIST OF SUBSIDIARIES OF THE REGISTRANT
AT DECEMBER 31, 1996

SUBSIDIARY NAME	STATE OF INCORPORATION OR ORGANIZATION TYPE
LNG Energy, Inc.	Nevada
Paiute Pipeline Company	Nevada
Northern Pipeline Construction Co.	Nevada
Southwest Gas Transmission Company	Partnership between Southwest Gas Corporation and Utility Financial Corp.
Southwest Gas Capital I	Delaware
Utility Financial Corp.	Nevada

EXHIBIT 23.01

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 7, 1997, incorporated by reference in this Form 10-K, into Southwest Gas Corporation's previously filed registration statements on Form S-8 (File No. 33-58135), Form S-3 (File No. 33-58137), Form S-3 (File No. 333-14605), and Form S-3 (File No. 333-17667).

ARTHUR ANDERSEN LLP

Las Vegas, Nevada
March 25, 1997

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SOUTHWEST GAS CORPORATION'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR
DEC-31-1996
DEC-31-1996
PER-BOOK
1,278,457
71,245
159,818
0
50,749
1,560,269
28,363
349,132
2,121
379,616
0
0
665,221
121,000
0
0
6,675
0
0
0
387,757
1,560,269
644,061
3,874
572,488
572,488
71,573
(6,212)
65,361
54,913
6,574
0
6,574
21,311
0
52,195
0.25
0.25

Includes: trust originated preferred securities of $60,000, current liabilities, net of current long-term debt maturities, of $133,663 and deferred income taxes and other credits of $194,095.
Includes distributions related to trust originated preferred securities of $5,475 and other expense of $737.