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August 8, 2025

VIA E-FILE

Matthew Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility Commission, et al. v. UGI Utilities, Inc. - Gas Division;
Docket Nos. R-2024-3052716, et al.**

Dear Secretary Homsher:

Attached please find UGI Utilities, Inc., - Gas Division's ("UGI" or the "Company") notice of a change in its tax accounting method for tax repairs in the above-referenced docket. ("2025 Gas Base Rate Case"). In the 2025 Gas Base Rate Case, UGI explained that it elected to proceed under IRS Revenue Procedure 2023-15 ("Rev. Proc. 2023-15") for purposes of its fiscal year 2024 tax return, which resulted in a tax repairs deduction. (UGI Gas St. No. 7-R at 2-4.)

By way of further background, IRS Revenue Procedure 2023-15 ("Rev. Proc. 2023-15") was released in April 2023. It provided a safe harbor accounting method prescribing whether expenses made to maintain, repair, replace, or improve natural gas transmission and distribution property are to be (a) capitalized as improvements under § 263(a) of the Internal Revenue Code ("Code"), (b) capitalized as the costs of property produced by the taxpayer for use in its trade or business under § 263A, or (c) deducted under § 162. It also permits taxpayers to obtain automatic consent to change to the safe harbor method of accounting permitted by the revenue procedure (for property classified as linear (e.g., mains, services, valves, fittings) and nonlinear (e.g., compressors, meters, regulators)).

Moreover, pursuant to Rev. Proc. 2023-15: "Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the Form 3115."

On July 15, 2025, UGI filed its federal income tax return, including Form 3115 (Application for Change in Accounting Method), which notified that IRS that UGI was switching to the safe harbor method permitted under Rev. Proc. 2023-15 for its linear property. In accordance with

the notification requirement specified in Rev. Proc. 2023-15, UGI hereby provides the Pennsylvania Public Utility Commission with a copy of its completed Form 3115 submitted to the IRS on July 15, 2025, relative to its change to the safe harbor accounting method for linear gas property.

Feel free to contact me directly at (610) 992-3763 if you have any questions.

Very truly yours,

/s/ Michael S. Swerling
Michael S. Swerling
Counsel for UGI

Enclosure

Application for Change in Accounting Method

OMB No. 1545-2070

► Go to www.irs.gov/Form3115 for instructions and the latest information.

Attachment
 Sequence No. 315

Name of filer (name of parent corporation if a consolidated group) (see instructions) UGI CORPORATION	Identification number (see instructions) 23-2668356
Number, street, and room or suite no. If a P.O. box, see the instructions. 500 NORTH GULPH RD	Principal business activity code number (see instructions) 551112
City or town, state, and ZIP code KING OF PRUSSIA, PA 19406	Tax year of change begins (MM/DD/YYYY) 10/01/2023 Tax year of change ends (MM/DD/YYYY) 09/30/2024
Name of applicant(s) (if different than filer) and identification number(s) (see instructions) UGI UTILITIES, INC. (EIN: 23-1174060, PBAC: 221210)	Name of contact person (see instructions) WENDY FRIESE
	Contact person's telephone number (202) 220-2799

Does the filer want to receive a copy of the change in method of accounting letter ruling or other correspondence related to this Form 3115 by fax or encrypted email attachment? If "Yes," see instructions Yes No

If the applicant is a member of a consolidated group, check this box

If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant.

<input type="checkbox"/> Individual	<input type="checkbox"/> Cooperative (Sec. 1381)	Check the appropriate box to indicate the type of accounting method change being requested. See instructions. <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) ► REV. PROC. 2023-15 - NATURAL GAS SAFE HARBOR METHOD
<input checked="" type="checkbox"/> Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> Controlled foreign corporation (Sec. 957)	<input type="checkbox"/> S corporation	
<input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E))	<input type="checkbox"/> Insurance co. (Sec. 816(a))	
<input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2))	<input type="checkbox"/> Insurance co. (Sec. 831)	
<input type="checkbox"/> Exempt organization. Enter Code section: _____	<input type="checkbox"/> Other (specify): _____	

Caution: To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes (1) all relevant information requested on this Form 3115 (including its instructions), and (2) any other relevant information, even if not specifically requested on Form 3115.

The taxpayer must attach all applicable statements requested throughout this form.

Part I Information For Automatic Change Request	Yes	No
1 Enter the applicable designated automatic accounting method change number ("DCN") for the requested automatic change. Enter only one DCN, except as provided for in guidance published by the IRS. If the requested change has no DCN, check "Other," and provide both a description of the change and a citation of the IRS guidance providing the automatic change. See instructions. a (1) DCN: <u>269</u> (2) DCN: _____ (3) DCN: _____ (4) DCN: _____ (5) DCN: _____ (6) DCN: _____ (7) DCN: _____ (8) DCN: _____ (9) DCN: _____ (10) DCN: _____ (11) DCN: _____ (12) DCN: _____ b Other <input type="checkbox"/> Description ► _____		
2 Do any of the eligibility rules restrict the applicant from filing the requested change using the automatic change procedures (see instructions)? If "Yes," attach an explanation.		X
3 Has the filer provided all the information and statements required (a) on this form and (b) by the List of Automatic Changes under which the applicant is requesting a change? See instructions. Note: Complete Part II and Part IV of this form, and, Schedules A through E, if applicable.	X	
Part II Information For All Requests	Yes	No
4 During the tax year of change, did or will the applicant (a) cease to engage in the trade or business to which the requested change relates, or (b) terminate its existence? See instructions.		X
5 Is the applicant requesting to change to the principal method in the tax year of change under Regulations section 1.381(c)(4)-1(d)(1) or 1.381(c)(5)-1(d)(1)? If "No," go to line 6a. If "Yes," the applicant cannot file a Form 3115 for this change. See instructions.		X

Sign Here	Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.		
	Signature of filer (and spouse, if joint return) <i>Kathleen S. Rodes</i>	Date 07/14/2025	Name and title (print or type) KATHLEEN S. RODES, VP GLOBAL TAX
Preparer (other than filer/applicant)	Name of preparer JOHN F. MCKEE	Preparer's signature <i>John F. McKee</i>	Date 7/14/2025
	Firm's name ► DELOITTE TAX LLP		

Part II Information For All Requests (continued)		Yes	No
6a	Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any federal income tax return(s) under examination (see instructions)? If "No," go to line 7a.		X
b	Is the method of accounting the applicant is requesting to change an issue under consideration (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s))? See instructions.	N/A	
c	Enter the name and telephone number of the examining agent and the tax year(s) under examination. Name _____ Telephone number _____ Tax year(s) _____	N/A	
d	Has a copy of this Form 3115 been provided to the examining agent identified on line 6c?	N/A	
7a	Does audit protection apply to the applicant's requested change in the method of accounting? See instructions. If "No," attach an explanation. SEE ATTACHMENT		X
b	If "Yes," check the applicable box and attach the required statement. <input type="checkbox"/> Not under exam <input type="checkbox"/> 3-month window <input type="checkbox"/> 120 day: Date examination ended <input type="checkbox"/> Method not before director <input type="checkbox"/> Negative adjustment <input type="checkbox"/> CAP: Date member joined group <input type="checkbox"/> Audit protection at end of exam <input type="checkbox"/> Other		
8a	Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any federal income tax return(s) before Appeals and/or a federal court? If "No," go to line 9.		X
b	Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member)? See instructions. If "Yes," attach an explanation.	N/A	
c	If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a federal court. Name _____ Telephone number _____ Tax year(s) _____	N/A	
d	Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 8c?	N/A	
9	If the applicant answered "Yes" to line 6a and/or 8a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a federal court.	N/A	
10	If for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a federal court, with respect to a federal income tax return of a partner, member, or shareholder of that entity?	N/A	
11a	Has the applicant, its predecessor, or a related party requested or made (under either an automatic or non-automatic change procedure) a change in method of accounting within any of the five tax years ending with the tax year of change? If "No," go to line 12.		X
b	If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent.	N/A	
c	If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation.	N/A	
12	Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice? If "Yes," for each request attach a statement providing (a) the name(s) of the taxpayer, (b) identification number(s), (c) the type of request (private letter ruling, change in method of accounting, or technical advice), and (d) the specific issue(s) in the request(s).		X
13	Is the applicant requesting to change its overall method of accounting? If "Yes," complete Schedule A on page 4 of this form.		X

Part II Information For All Requests (continued)		Yes	No
14	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following (see instructions): a The item(s) being changed. b The applicant's present method for the item(s) being changed. c The applicant's proposed method for the item(s) being changed. d The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE ATTACHMENT		
15a	Attach a detailed and complete description of the applicant's trade(s) or business(es). See section 446(d). SEE ATTACHMENT		
b	If the applicant has more than one trade or business, as defined in Regulations section 1.446-1(d), describe (i) whether each trade or business is accounted for separately; (ii) the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; (iii) the overall method of accounting for each trade or business; and (iv) which trade or business is requesting to change its accounting method as part of this application or a separate application. Note: If you are requesting an automatic method change, see the instructions to see if you are required to complete lines 16a-16c. N/A		
16a	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. N/A		
b	Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. N/A		
c	Include either a discussion of the contrary authorities or a statement that no contrary authority exists. N/A		
17	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. SEE ATTACHMENT		X
18	Does the applicant request a conference with the IRS National Office if the IRS National Office proposes an adverse response? X	X	
19a	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460 (see 19b), or inventories subject to section 471 or 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change. N/A		
	1st preceding year ended: mo yr. 2nd preceding year ended: mo yr. 3rd preceding year ended: mo yr. \$ \$ \$		
b	If the applicant is changing its method of accounting for any long-term contract subject to section 460, in addition to completing 19a, enter the applicant's gross receipts for the 4th tax year preceding the tax year of change: 4th preceding year ended: mo. yr. \$		
	N/A		
Part III Information For Non-Automatic Change Request		N/A	
20	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under the non-automatic change procedures.		
21	Attach a copy of all documents related to the proposed change (see instructions).		
22	Attach a statement of the applicant's reasons for the proposed change.		
23	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.		
24a	Enter the amount of user fee attached to this application (see instructions). \$		
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).		

Part IV Section 481(a) Adjustment		Yes	No
25	Does published guidance require the applicant (or permit the applicant and the applicant is electing) to implement the requested change in method of accounting on a cut-off basis? If "Yes," attach an explanation and do not complete lines 26, 27, 28, and 29 below. SEE ATTACHMENT	X	
26	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. \$ <u>N/A</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If the applicant waived any deductions with respect to the method of accounting pursuant to Regulations section 1.59A-3(c)(6)(i), include a summary of the waived deductions. If more than one applicant is applying for the method change on the application, attach a list of the (a) name, (b) identification number, and (c) the amount of the section 481(a) adjustment attributable to each applicant. N/A		
27	Is the applicant required to take into account in the year of change any remaining portion of a section 481(a) adjustment from a prior change (see instructions)? If "Yes," enter the amount. <u>N/A</u>		N/A
28	Is the applicant making an election to take the entire amount of the adjustment into account in the tax year of change? If "Yes," check the box for the applicable elective provision used to make the election (see instructions). <input type="checkbox"/> \$50,000 de minimis election <input type="checkbox"/> Eligible acquisition transaction election		N/A
29	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		N/A

Schedule A — Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.) **N/A**

Part I Change in Overall Method (see instructions)

1	Check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description) Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)	
2	Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 2a through 2g.	
		Amount
a	Income accrued but not received (such as accounts receivable)	\$
b	Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c	Expenses accrued but not paid (such as accounts payable)	
d	Prepaid expenses previously deducted	
e	Supplies on hand previously deducted and/or not previously reported	
f	Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g	Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. _____	
h	Net section 481(a) adjustment (Combine lines 2a-2g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 26	\$ -
3	Is the applicant also requesting the recurring item exception under section 461(h)(3)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4	Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the federal income tax return or other return (such as tax-exempt organization returns) for that period. If the amounts in Part I, lines 2a through 2g, do not agree with the amounts shown on the balance sheet, attach a statement explaining the differences.	
5	Is the applicant making a change to the overall cash method or to a method in which a taxpayer uses an accrual method for purchases and sales of inventory and uses the cash method for computing all other items of income and expense (see instructions)?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II Change to the Cash Method For Non-Automatic Change Request (see instructions)

- Applicants requesting a change to the cash method must attach the following information:
- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
 - An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B — Changes Related to the Deferral Method for Advance Payments, Cost Offset Methods, and/or the Applicable Financial Statement Income Inclusion Rule (see instructions)

N/A

- 1 If the applicant is requesting to change to the deferral method for advance payments under Regulations section 1.451-8(c) or (d), as described in the instructions, attach the information specified in the instructions.
- 2 If the applicant is requesting to change to or within a cost offset method under Regulations section 1.451-3(c) and/or Regulations section 1.451-8(e), as described in the instructions, attach the information specified in the instructions.
- 3 If the applicant is requesting to change to or within a method to conform to the applicable financial statement (AFS) income inclusion rule under section 451(b) and Regulations section 1.451-3, as described in the instructions, attach a detailed description of the proposed method including the information specified in the instructions.

Schedule C — Changes Within the LIFO Inventory Method (see instructions)

N/A

Part I General LIFO Information

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all **Forms 970, Application To Use LIFO Inventory Method**, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (for example, unit method or dollar-value method).
 - b Pooling (for example, by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (for example, double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (such as, most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, rolling-average cost, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations sections 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D — Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other

N/A

Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.)

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
c Is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
d If line 2c is "Yes," in computing the completion factor of a contract, will the applicant use the simplified cost-to-cost method described in Regulations section 1.460-5(c)?
e If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
4a Does the applicant enter into cost-plus long-term contracts?
b Does the applicant enter into federal long-term contracts?

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.)

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3a Is the applicant subject to section 263A? If "No," go to line 4a
b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation

4a Check the appropriate boxes in the chart.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation)

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

Table with 3 columns: Inventory Method Being Changed (Present method, Proposed method), and Inventory Method Not Being Changed (Present method). Includes a row for dollar values.

- b Enter the value at the end of the tax year preceding the year of change.
5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting a non-automatic change. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. The statement required by section 23.01(5) of Rev. Proc. 2018-31 (or its successor).
6 Is the applicant presently using the AFS cost offset method as described in Regulations section 1.451-3(c) and/or the advance payment cost offset method described in Regulations section 1.451-8(e), or is the applicant changing to such methods for the same year of change as the requested change in inventory method? If "Yes," see the instructions for rules regarding concurrent changes

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460). See instructions

Section A — Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate direct and indirect costs required to be allocated long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (for example, specific identification, burden rate, standard cost, or other reasonable allocation method).
2 The method of allocating mixed service costs (for example, direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
3 Except for long-term contract accounting methods, the method of capitalizing additional section 263A costs (for example, simplified production with or without the historic absorption ratio election, modified simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B — Direct and Indirect Costs Required to be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

Table with 3 columns: Cost Category (1-28), Present method, Proposed method. Rows include Direct material, Direct labor, Indirect labor, Officers' compensation, Pension and other related costs, Employee benefits, Indirect materials and supplies, Purchasing costs, Handling, processing, assembly, and repackaging costs, Offsite storage and warehousing costs, Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle, Depletion, Rent, Taxes other than state, local, and foreign income taxes, Insurance, Utilities, Maintenance and repairs that relate to a production, resale, or long-term contract activity, Engineering and design costs (not including section 174 research and experimental expenses), Rework labor, scrap, and spoilage, Tools and equipment, Quality control and inspection, Bidding expenses incurred in the solicitation of contracts awarded to the applicant, Licensing and franchise costs, Capitalizable service costs (including mixed service costs), Administrative costs (not including any costs of selling or any return on capital), Research and experimental expenses attributable to long-term contracts, Interest, Other costs (Attach a list of these costs.)

* Included in Indirect Labor (3), Purchasing (8), Handling (9), Capitalizable Service Costs (24), and Administrative Costs (25).

Part III Method of Cost Allocation (continued) See instructions.

Section C — Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

Table with 3 columns: Line number, Description of cost, Present method, Proposed method. Rows include Marketing, selling, advertising, and distribution expenses; Research and experimental expenses; Bidding expenses; General and administrative costs; Income taxes; Cost of strikes; Warranty and product liability costs; Section 179 costs; On-site storage; Depreciation, amortization, and cost recovery allowance; Other costs.

Schedule E — Change in Depreciation or Amortization. See instructions.

N/A

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section.

Applicants must provide this information for each item or class of property for which a change is requested.

Note: See the Summary of the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, or former sections 168, 1400I, 1400L. Do not file Form 3115 with respect to certain late elections and election revocations. See instructions.

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?
2 Is any of the depreciation or amortization required to be capitalized under any Code section such as, section 263A?
3 Has a depreciation, amortization, expense, or disposition election been made for the property such as the election under sections 168(f)(1), 168(i)(4), 179, 179C, or Regulations section 1.168(i)-8(d)?
4a Attach a statement describing the property subject to the change.
b If the property is residential rental property, did the applicant live in the property before renting it?
c Is the property public utility property?
5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method...
6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
a The Code section under which the property is or will be depreciated or amortized...
b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674...
c The facts to support the asset class for the proposed method.
d The depreciation or amortization method of the property...
e The useful life, recovery period, or amortization period of the property.
f The applicable convention of the property.
g Whether the additional first-year special depreciation allowance...
h Whether the property was or will be in a single asset account, a multiple asset account, or a general asset account.

Part II, Question 7a

The Applicant chooses to make the change in method of accounting to apply the Natural Gas Safe Harbor Method on a cut-off basis under section 6.04 of Rev. Proc. 2023-15 and does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 pursuant to section 6.04(2) of Rev. Proc. 2023-15.

Part II, Question 14 – Description of Proposed Change

- a. The Applicant is changing its method of accounting with respect to its treatment of linear natural gas distribution property as defined in Sections 4.04, 4.05 and 4.06 of Rev. Proc. 2023-15 to apply the Natural Gas Safe Harbor (NGSH Method). The Applicant is not changing its method of accounting with respect to non-linear property. The Applicant made timely general asset account (“GAA”) elections under the provisions of I.R.C. § 168(i)(4) and Treas. Reg. § 1.168(i)-1(l) in the prior tax years, and will make a late GAA election under the provisions of I.R.C. § 168(i)(4) and Treas. Reg. § 1.168(i)-1(l) on a modified cut-off method, as described in section 5.08(2)(a)(i) of Rev. Proc. 2023-15 and section 3.12(3)(a) of Rev. Proc. 2024-23 to the extent the assets subject to the change have different attributes than the assets included in the timely GAA elections.
- b. Under its present method, the Applicant defines its linear distribution property based on the facts and circumstances and deducts costs incurred to repair and maintain tangible property under Treas. Reg. § 1.162-4(a), to the extent such costs are not capitalizable improvements under Treas. Reg. § 1.263(a)-3(j), (k) or (l). The Applicant did not make the book capitalization elections under Treas. Reg. § 1.263(a)-3(n) or repair allowance elections under Treas. Reg. § 1.167(a)-11(d)(2) for any tax year. The Applicant has not claimed any federal tax credit, grants, or subsidies relating to the assets that are the subject of this request.
- c. Under its proposed method, the Applicant will apply the NGSH Method for linear distribution property as defined in Section 5.02 and 5.03 of Rev. Proc. 2023-15. The Applicant will aggregate expenditures for purposes of determining the appropriate repair amount as described in Section 5.06 of Rev. Proc. 2023-15.

The Applicant will define its gas distribution property as real and personal property that is used to transport, control, and store natural gas as defined in Section 4.05 of Rev. Proc. 2023-15. Additionally, the Applicant will apply the safe harbor method for linear property for distribution service line costs pursuant to section 5.07 of Rev. Proc. 2023-15. The Applicant will apply the simplified rule for replacements of distribution mains as described in Section 5.03(2) of Rev. Proc. 2023-15.

- d. The Applicant’s overall method of accounting is an accrual method.

Part II, Question 15a – Description of Trade or Business

The Applicant has a single trade or business as described in Treas. Reg. § 1.446-1(d). The Applicant is engaged in distribution of natural gas and other energy-related trades or businesses. Its principal business activity code is 221210 – *Natural Gas Distribution*.

Part II, Question 17 – Book/Tax Conformity

The Applicant will not use the proposed method of accounting for its books and records or its financial statements because the proposed method does not conform to Generally Accepted Accounting Principles (“GAAP”).

Part IV, Question 25 – Optional Cut-Off Method to Implement NGS Method and Modified Cut-Off Basis for late GAA election

The Applicant chooses to make the change in method of accounting to apply the NGS Method for linear natural gas distribution property on a cut-off basis under section 6.04 of Rev. Proc. 2023-15.

The Applicant’s late GAA election is made on a modified cut-off basis as described in section 5.08(2)(a) (i) of Rev. Proc. 2023-15 and section 3.12(3)(a) of Rev. Proc. 2024-23. Each GAA includes a beginning balance for (i) the unadjusted depreciable basis that is equal to the sum of the unadjusted depreciable basis as of the beginning of the year of change for all assets included in such GAA and (ii) a depreciation reserve that is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in such GAA.

Statement Pursuant to Section 3.12(3)(a)(ii) of Rev. Proc. 2024-23

The Applicant agrees to the following additional terms and conditions:

- (i) The Applicant consents to, and agrees to apply, all the provisions of Treas. Reg. § 1.168(i)-1 to the assets that are the subject to the election specified in section 5.08(2) of Rev. Proc. 2023-15; and
- (ii) Except as provided in Treas. Reg. § 1.168(i)-1(c)(1)(ii)(A), (e)(3), (g), or (h), the election made by the Applicant under section 5.08(2) of Rev. Proc. 2023-15 is irrevocable and will be binding on the Applicant for computing taxable income for the year of change and for all subsequent taxable years with respect to the assets that are subject to this election.

Statement Pursuant to Section 3.12(3)(c) of Rev. Proc. 2024-23

The Applicant’s change to the NGS Method applies to assets that are public utility property within the meaning of I.R.C. § 168(i)(10). The Applicant agrees to the following additional terms and conditions:

- (i) A normalization method of accounting (within the mean of I.R.C. § 168(i)(9)) will be used for the public utility property subject to the Form 3115;
- (ii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer’s regulatory books of account by the amount of the deferral of federal income tax liability associated with the I.R.C § 481(a) adjustment applicable to the public utility property subject to the Form 3115 if such amount is no longer being normalized for regulatory purposes by the taxpayer; and

- (iii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the Form 3115.

Request for Fax or Electronic Transmission Pursuant to Section 9.04(3) of Rev. Proc. 2025-1

The Applicant hereby requests that a facsimile transmission of any document related to this Form 3115 be sent to the applicant and the Applicant's representatives as follows:

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Wendy Friese

John McKee

Karissa Kodi

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(215) 310-3988

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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August 8, 2025