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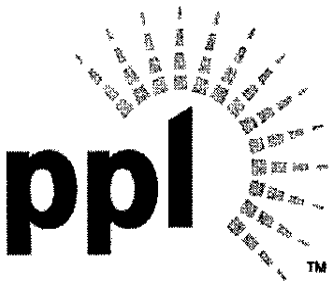

July 30, 2004

Technical Director---File Reference 1099-001
Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7
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Letter of Comment No: 20
File Reference: 1099-001

RE: File Reference 1099-001

PPL Corporation (PPL) appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) Exposure Draft of a Proposed Interpretation, *Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143* (Exposure Draft).

PPL is an energy and utility holding company that, through its subsidiaries, is primarily engaged in the generation and marketing of electricity in the northeastern and western United States and in the delivery of electricity in Pennsylvania, the United Kingdom, and Latin America.

We have reviewed the Exposure Draft and are submitting for your consideration our responses to your specific issues. We commend the Board for its effort to provide more consistent application of FASB Statement No. 143, *Accounting for Asset Retirement Obligations (SFAS No. 143).* However, if this proposed Exposure Draft is issued as currently written, we believe it to be a fundamental change from SFAS No. 143. Due to the increased subjectivity as to what does or doesn't constitute an asset retirement obligation ("ARO"), there will actually be more diverse application of SFAS No. 143 than there is today. In addition, we have reviewed the response of the Edison Electric Institute ("EEI") and concur with their position.

Issue 1: The Board concluded that the uncertainty surrounding the timing and method of settlement should not affect whether the fair value of a liability for a conditional asset retirement obligation would be recognized but rather, should be factored into the measurement of the liability. Do you agree with the Board's conclusion? If not, please provide your alternative view and the basis for it.

Although, we agree with the Board's concept that uncertainty surrounding the timing and method of settlement should not affect the recognition of an ARO, we disagree with the Board's interpretations of what constitutes an ARO as outlined in the illustrative examples in Appendix A of the Exposure Draft. We believe that the recognition of an ARO as cited in those examples would not meet the definition of liability as outlined in *Concepts Statement No. 6.*

Concepts Statement No. 6 defines a liability as having three essential characteristics:

1) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of the a specified event, or on demand
2) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and
3) the transaction or event obligating the entity has already happened.

We believe that the examples cited in Appendix A of the Exposure Draft specifically related to asbestos and chemically treated poles do not meet these criteria. In both cases, there is no "present duty or responsibility". The specific event that actually and legally obligates or imposes a present duty on the company to incur asset retirement costs is when the decision is made to demolish/dispose the asset.

In relation to criteria 2, the company does have discretion on whether or not to remove the assets from service. The company may choose to mothball or fence a facility/asset rather than dismantle or remove it. Dismantling/disposal costs would not be incurred until it was economically feasible or some other event occurred which would at that time legally obligate the company to dismantle/dispose of the facility or asset.

As for criteria 3, at the time of construction, acquisition or during normal operation of the asset, the transaction or event obligating the company has not already occurred. There are no legal requirements to remove or demolish the assets at those times. The legal requirements are imposed upon the dismantling/disposal of assets. Those legal requirements mandate that the assets must be dismantled and disposed of in accordance with the federal and state regulations, not that they must be dismantled or disposed of. In the case of the poles, even the actual removal doesn't necessarily create asset retirement costs. Remediation of the poles is not required unless the company elects to dispose of the poles as solid waste. Poles can be donated or sold to another user without remediation.

To cite the examples in Appendix A of the Exposure Draft would seem to be inconsistent with the discussions in SFAS No. 143 which requires AROs to be established for only items where there is a *"legal obligation"*. A legal obligation as defined by SFAS No. 143 is "an obligation that a party is *required to settle* as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel". As noted above, we believe that certain of the examples cited in the Exposure Draft do not meet this criterion at the time of construction or acquisition. For example, in regards to asbestos, there is no legal obligation to dismantle/dispose of the facility/asset. The existing or enacted law that requires us to settle the obligation occurs at the time when the decision is made to dismantle the facility. Similarly, in relation to the poles, there is no legal obligation until the time the poles are removed and a determination made to dispose of them as solid waste.

Based on the examples provided in the Exposure Draft, it would appear that Board has applied a different interpretation of "legal obligation" compared to what a legal analysis would indicate. If this is accurate, then we believe that the interpretation and

implementation of this proposed Exposure Draft would be more subjective as to what does or doesn't constitute an ARO and therefore would likely create more diverse results in the application of SFAS No. 143 then presently exists today. Also, similar to the EEI, we believe that the current exposure draft's intent appears to expand liability recognition to include any requirement to handle waste appropriately upon the removal of the asset or any component of the asset as an ARO. The recording of these liabilities even though a company is not legally liable, could be interpreted as a promise to perform a future action or event and could be viewed as the recognition of an ARO for constructive obligations. Therefore, the Exposure Draft may expose companies to additional risk, which we believe was an unintended result and a fundamental change to recognition prescribed in SFAS 143.

Issue 2: The Board concluded that all retirement obligations within the scope of Statement 143 that meet the definition of a liability in Concepts Statement 6 should be recognized as liabilities. Concepts Statement 6 states that a liability has three essential characteristics. The second characteristic of a liability is that the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice. The Board decided that the ability to sell the asset does not provide the entity discretion to avoid the future sacrifice, nor does it relieve the entity of the obligation. Are there instances where a law or regulation obligates an entity to perform retirement activities but allows the entity to permanently avoid settling the obligation? If so, please provide specific examples.

We are not aware of any instances where a law or regulation obligates an entity to perform retirement activities but allow an entity to permanently avoid settling the obligation. However, an event must first occur that would legally obligate a company to dispose of the asset under the appropriate regulations. As noted in Issue 1 above, we do not believe that such an event has occurred in the scenarios cited in Appendix A. As previously discussed, in the case of chemically treated poles, there is no legal liability to remediate the poles unless the company elects to dispose of the poles as solid waste. Poles can be donated or sold to another user without remediation for secondary uses (farms, parking lots, etc). Upon the sale/donation, we believe that any future liability to treat the poles before disposal would transfer to the party who took possession of the pole and that the liability is not triggered until when, and if, that party decides to dispose of the poles as solid waste.

PPL would like to thank you for the opportunity to provide our views and concerns on theses issues related to the Exposure Draft.

Sincerely,

Mark D. Woods