

Joseph J. McCabe
Vice President & Controller
Tel. 610.774.5946 Fax 610.774.4865
E-mail: jjmccabe@pplweb.com

PPL Services
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.5151
<http://www.pplweb.com/>



August 30, 2002

MP&T Director – File Reference 1082-200
Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 104
File Reference: 1082-200
Date Received: 08/30/02

PPL Corporation (PPL) appreciates the opportunity to comment on the exposure draft of the proposed interpretation (the “proposed FIN”), *Consolidation of Certain Special-Purpose Entities, an interpretation of ARB No. 51*. PPL Corporation is an energy and utility holding company that was incorporated in 1994. Through its subsidiaries, PPL generates electricity in power plants in the northeastern and western U.S.; markets wholesale or retail energy primarily in the northeastern and western portions of the U.S. and in Canada; delivers electricity to nearly six million customers in the U.S., U.K. and Latin America; and provides energy services for businesses in the mid-Atlantic and northeastern U.S.

We have reviewed the proposed FIN and would like to commend the Financial Accounting Standards Board (FASB) for taking a proactive role in addressing consolidation of Special Purpose Entities (SPE) where voting equity interests do not give the holder controlling financial interest regardless of the percentage owned. In principle PPL agrees with the proposed FIN, however there are certain provisions we believe need further consideration or clarification.

Definition of a Substantive Operating Enterprise

PPL believes that the FASB should consider clarifying the definition of a Substantive Operating Enterprise (SOE). The proposed FIN identifies criteria for an SOE which include having “sufficient equity to finance its operations without support from any other enterprise or entity except its owners.” This criterion is vague and would make the determination of an SOE subjective, which could result in inconsistent application of the proposed FIN.

Frequency of Determination of Primary Beneficiary

Paragraph 13 of the proposed FIN requires a company to make a determination at each financial statement reporting date as to whether it is the primary beneficiary of an SPE. PPL believes that it is not necessary to make a determination at each reporting date, once an initial determination of a company’s primary beneficiary status has been made. Similar to the changes in circumstances requirement in paragraph 8 of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, when changes in circumstances surrounding a company’s (or others’) relationship

with the SPE have occurred, then changes in the reporting entity's financial reporting for the SPE could be made. A determination at the end of each financial reporting period is not necessary in the absence of any new events or changes in circumstances.

Application to Existing SPEs

PPL believes that the FASB should consider grandfathering existing structures that have been put in place prior to the issuance of the proposed FIN. The FASB has permitted prospective application of a new standard in certain instances in the past. PPL believes that this approach should be applied to the proposed FIN as transactions, which have been previously entered into, might have been structured differently if the new accounting provisions had been effective at that time. Otherwise, companies that have complied with the existing literature will incur additional costs to comply with the proposed FIN.

Effective Date

The provisions of the proposed FIN related to SPEs created before its issuance date must be applied as of the beginning of the first fiscal period beginning after March 15, 2003. Given the FASB's goal of issuing a final interpretation in the fourth quarter of 2002, companies adopting the proposed FIN would likely have only a three-month transition period. During this transition period, a company will have to evaluate the provisions of the final interpretation, evaluate what alternatives may be available for complying with the final interpretation and execute any contractual changes determined to be appropriate. These steps will take time and require the assistance of attorneys and other third party advisors. The three-month transition period will not be adequate for completing the steps necessary for applying the provisions of the proposed FIN to existing SPEs. PPL urges the FASB to consider a longer transition period and suggests that the provisions of the proposed FIN be applied to existing SPEs as of the beginning of the first fiscal year beginning after December 15, 2003.

PPL would like to thank you for the opportunity to provide our views and concerns on these issues addressed in the proposed FIN.

Sincerely,



Joseph J. McCabe