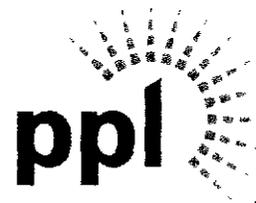


Matt Simmons
Vice President & Controller
Tel. 610.774.3552 Fax 610.774.6092
jmsimmonsjr@pplweb.com

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



November 14, 2008

LETTER OF COMMENT NO. 38

Technical Director – File Reference No. 1620-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
(e-mail: director@fasb.org)

Re: Exposure Draft – Proposed Statement of Financial Accounting Standards –
Amendments to FASB Interpretation No. 46(R)

Dear Technical Director, Board Members and Staff:

PPL Corporation (“PPL”) appreciates the opportunity to comment on the Exposure Draft (“ED”) referenced above. PPL is an energy and utility holding company. Through its subsidiaries, PPL controls more than 11,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets, and delivers electricity to about four million customers in Pennsylvania and the United Kingdom.

PPL supports several significant provisions of the ED and also agree with the most significant points raised in a comment letter submitted by the Edison Electric Institute. We strongly agree with the ED’s requirement for the characteristic of control as a prerequisite to consolidation and with its explicit emphasis on using a qualitative rather than quantitative analysis of the primary beneficiary.

We also believe that early adoption of the ED should be permitted with respect to variable interest entities (VIEs) that are not qualifying special-purpose entities (QSPEs) and that the definition of a significant variable interest should be changed. These views and our responses to the FASB’s specific questions are set forth below.

Early Adoption for Non-QSPEs

PPL believes early adoption of the ED should be permitted for companies without QSPEs. We urge the FASB to permit companies to early adopt the new guidance requiring companies’ financial statements to include only VIEs over which they have operational control. We recognize that consistency of application may be an overriding consideration for reporting enterprises (primarily financial institutions) that are in transition from the QSPE scope exception in FIN 46 or may need to renegotiate certain agreements. However, for reporting enterprises without QSPEs, but with VIE consolidation requirements based on rules that are about to be changed, there is an

overriding need to achieve the most meaningful presentation as soon as possible and thus to eliminate the requirement to consolidate VIEs over which they have no power or control. A delay, such as that proposed in the ED, would be counterproductive for these reporting enterprises and their financial statement users.

Definition of a Significant Variable Interest for Disclosure

PPL believes a variable interest should be considered significant for disclosure only if the interest is significant to the reporting enterprise. When making the materiality assessment, if the reporting enterprise determines that its variable interest could have a material impact on its own financial statements, then the reporting enterprise should be required to make the disclosures. It is generally not practicable to obtain the kind of detailed financial information necessary to fulfill the proposed disclosure requirements from VIEs that are not controlled by the reporting enterprise. The cost of obtaining this information would exceed its benefit if the variable interest is not significant to the reporting enterprise and ongoing reconsideration would certainly exacerbate the issue.

Additionally, we believe in many situations the reporting enterprise can conclude that it would not be the primary beneficiary and that a variable interest is not significant to the reporting enterprise without actually concluding on whether or not the entity is a VIE. Since the standard requires a quantitative determination of whether there is enough equity to absorb expected losses to determine if an entity is a VIE, as long as the disclosure requirements are linked to the significance of the variable interest to the reporting enterprise the determination that disclosures are not required can often be done at a reasonable cost. If the disclosures need to be made based on the significance to the VIE, then in all cases we must incur the costs to do the quantitative assessment to determine if the entity is a VIE and incur the costs to obtain the detailed financial information necessary to fulfill the proposed disclosure requirements, all of which must come from the potential VIE, which is not controlled by the reporting enterprise. Again, the cost of obtaining this information would exceed its benefit if the variable interest is not significant to the reporting enterprise.

Responses to FASB Questions:

1. Question: Will the proposed Statement meet the project's objectives to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements?

Response: PPL believes the proposed Statement, together with our suggested modifications outlined in this letter, would meet these objectives. Without the concept of control, consolidation under FIN 46(R) can produce results that reduce the relevance and reliability of financial statements. While a significant financial interest in an entity may in many cases be accompanied by control, the variety of ownership and contractual structures is such that this is not always the case. In particular, in our industry, we may enter into contractual arrangements that are significant to the potential VIE but that do not and can not give us operational control. These contractual arrangements usually fall within the guidance on accounting for leases, derivatives or guarantees. We believe that the applicable guidance for leases, derivatives and guarantees and the related disclosure requirements appropriately address the companies' risks associated with these transactions. We believe consolidating such entities does not reflect the substance of these

arrangements and, therefore, does not provide relevant and reliable information to users of the reporting enterprise's financial statements. We believe that the proposed Statement effectively addresses this issue.

2. Question: What costs do you expect to incur if the Board were to issue this proposed Statement in its current form as a final Statement? How could the Board further reduce the costs of applying these requirements without significantly reducing the benefits to users of financial statements?

Response: If the Board issues the proposed Statement in its current form, prohibiting early adoption, our company could incur the costs of consolidating entities in 2008 and 2009, including information gathering and associated accounting and disclosures and audit costs, followed by the costs of deconsolidating these entities in 2010. The Board could further reduce these costs of compliance with the requirements without significantly reducing the benefits to users of financial statements by allowing early adoption. We believe that there should be a dual effective date that would permit FIN 46(R), as amended by the ED, to be applied in fiscal years beginning after November 15, 2008, for VIEs that are not QSPEs, but would delay evaluation for consolidation of QSPEs until fiscal years beginning after November 15, 2009.

In addition, if the Board provides the clarification we suggest in our response to Question 6 below pertaining to ongoing assessments, the costs of compliance with the Statement would be reduced as reporting enterprises would not be required to perform comprehensive VIE and primary beneficiary assessments automatically each reporting period, but rather whenever events or circumstances indicate that a change in the VIE or primary beneficiary status may have occurred. Alternatively, if the guidance requires reporting enterprises to perform comprehensive VIE and primary beneficiary assessments automatically each reporting period, costs of compliance could be substantial for reporting enterprises depending upon the number of VIEs with which they are involved.

Also see the discussion above of costs to be incurred under "Definition of a Significant Variable Interest for Disclosure".

3. Question: The Board decided to adopt a more principles-based approach to determine the primary beneficiary of a variable interest entity. Do you believe the principles in paragraphs 14-14B of Interpretation 46(R), as amended by this proposed Statement, are sufficiently clear and operational?

Response: PPL fully supports the use of a principles-based, qualitative approach to determine the primary beneficiary of a VIE. As a whole, the principles in paragraphs 14-14B are clear and operational. However, we believe the principles could be further clarified by incorporating the consideration of probability in the assessments of whether a reporting enterprise has an implicit financial responsibility to ensure the variable interest entity operates as designed. In evaluating whether a reporting enterprise has an implicit financial responsibility (e.g., to protect reputation risk), we believe that the reporting enterprise should consider the likelihood of its acting on the event (e.g., based on historical experience or management commitment) and, where reasonably predictable, the likelihood of the event occurring. We believe that, if the likelihood of the event occurring and the reporting enterprise acting on the event are

both low, the reporting enterprise should not be considered to have an implicit financial responsibility.

In addition, we believe the Board should extend the principles-based, qualitative approach proposed in the Statement to also apply to the business scope exception provisions contained in paragraph 4.h. Specifically, we suggest removing the quantitative criterion contained in paragraph 4.h(3) which precludes the application of the business scope exception if the “reporting enterprise and its related parties provide more than half of the total of the equity, subordinated debt, and other forms of subordinated financial support to the entity based on an analysis of the fair values of the interests in the entity.” We believe that removing this quantitative provision would be consistent with the overall principles-based approach taken by the Board in the proposed Statement.

4. Question: The Board concluded that it would be helpful to provide examples of the application of the principles in this proposed Statement. Do you believe that the examples in Appendix A clearly indicate how the principles in paragraphs 14-14B of Interpretation 46(R), as amended by this proposed Statement, would be applied? If not, please articulate what additional information or guidance is necessary, considering the basis for the Board’s conclusions.

Response: PPL believes that the examples provided are helpful in illustrating many of the provisions of paragraphs 14 – 14B. We also believe that an additional example would be helpful to illustrate a circumstance in the utility industry where a power purchase agreement, which subjects the reporting enterprise to certain risks and rewards of a VIE, does not provide the reporting enterprise with control over the VIE and therefore consolidation is not required. We understand that another company in our industry has proposed in a separate comment letter this additional example and we support the incorporation of this example into the final Statement.

5. Question: This proposed Statement retains the quantitative analysis for situations in which an enterprise cannot determine whether it is the primary beneficiary through the qualitative analysis in paragraph 14A of Interpretation 46(R), as amended by this proposed Statement. In Appendix A, each example either identifies a primary beneficiary or concludes that no primary beneficiary exists through a qualitative analysis. The Board may consider removing the quantitative analysis for determining whether an enterprise is the primary beneficiary of a variable interest entity. Do you believe the quantitative analysis is necessary based on the proposed amended guidance for determining the primary beneficiary? Do you believe that the quantitative analysis would be performed in many situations? Why or why not?

Response: PPL believes that the quantitative method may be necessary in certain cases. In some situations, it may not be possible to determine qualitatively whether the right to receive benefits or the obligation to absorb losses could potentially be significant to the VIE. In those situations, the ability to utilize quantitative analysis would be needed. While it is difficult to project the frequency at which it would be used, we believe for the types of agreements we’ve encountered management would be able to apply the qualitative assessment to determine who is in control and should be able to eliminate the need to perform the quantitative analysis.

6. Question: For the reasons stated in paragraphs B6-B15 of this proposed Statement, the Board decided to require ongoing assessments to determine whether an entity is a variable interest entity and whether an enterprise is the beneficiary of a variable interest entity. Do you agree with the Board's decision to require ongoing assessments? If not, please provide reasons (conceptual or otherwise) as to why you disagree with these requirements considering all of the proposed amendments in this proposed Statement?

Response: PPL believes the proposed Statement should require "ongoing assessments" to determine when events or circumstances indicate that a change in the variable interest entity or primary beneficiary status may have occurred. PPL supports continual monitoring of variable interests and potential variable interests to determine if any events or circumstances have changed which would trigger a full assessment, and we believe that such continual monitoring is, in fact, a current requirement of FIN 46(R).

In keeping with the principles-based approach of the proposed Statement, we also believe the Board should direct companies to the guidance contained in paragraphs 14A-B of the proposed Statement in applying the events-and-circumstances approach. For example, a reporting enterprise would continuously monitor existing VIEs and potential VIEs for changes in events or circumstances (e.g., changes in contractual documents) that relate to:

- The entity's purpose and design,
- The power to direct matters that most significantly impact the activities of a variable interest entity, and
- The right to receive benefits from the variable interest entity (or absorb losses) that could potentially be significant to the variable interest entity.

In the event such continuous monitoring identifies a change in one of the above elements (e.g., a change in an operating agreement modifying the activities to be performed by one of the parties to the agreement), the reporting enterprise would then be required to perform a complete assessment of the relationship with the entity to determine if the change impacts the entity's status as a VIE or the determination of the primary beneficiary.

We believe this events-and-circumstances approach is consistent with well-established practices contained in other standards where significant judgment is involved, such as determining when to test a long-lived asset for recoverability based upon the occurrence of a triggering event, rather than simply performing such tests every reporting period.

7. Question: Do you believe that any exceptions to this proposed Statement should be made for private or not-for-profit entities? If so, please articulate the conceptual basis and reasons for the exceptions.

Response: PPL does not have an opinion on the application of this proposed Statement to private or not-for-profit entities. We believe private or not-for-profit entities' accounting requirements should not be driven by accounting requirements for public enterprises.

8. Question: Financial statement users indicated that the information disclosed in accordance with Interpretation 46(R) about an enterprise's involvement or

involvements with variable interest entities and the associated risks are often insufficient and untimely. Do you believe the disclosure requirements in this proposed Statement address those concerns?

Response: PPL believes that a number of the disclosure requirements appear reasonable except that, as discussed above, the definition of a significant variable interest for disclosure should be changed. A variable interest should be considered significant for disclosure if the interest is significant to the reporting enterprise. We believe that existing disclosure requirements for commitments, contingencies, derivatives, leases and guarantees are adequate to address exposure to loss under applicable contractual arrangements. In circumstances where a variable interest is significant to a reporting enterprise, the additional disclosures may be useful.

9. Question: Should the elements of a consolidated variable interest entity be required or permitted to be classified separately from other elements in an enterprise's financial statements?

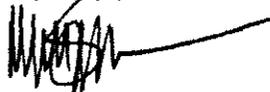
Response: PPL believes there may be circumstances in which the elements of a consolidated VIE should be permitted to be classified separately from other elements in a reporting enterprise's financial statements. For example, in order to clearly represent the reporting enterprise's financial position, the restricted nature of a VIE's assets or the nonrecourse nature of its debt or other liabilities may be best portrayed through separate balance sheet line item presentation rather than in combination with the reporting enterprise's other assets or debt. The need for separate classification is particularly evident under the current guidance of FIN 46(R) when the consolidated VIE may not be controlled by the reporting enterprise and its debt is nonrecourse to the reporting enterprise. However, under the ED's proposed guidance, whereby a consolidated VIE would be controlled by the reporting enterprise, separate classification may not always be justified. Because of the complexities involved in establishing disclosure rules, we believe it may be more appropriate to address this topic as part of the longer-term, joint FASB/IASB project on consolidation.

Conclusion

PPL urges the FASB to permit early adoption for non-QSPEs, to change the definition of a significant variable interest, and to clarify the provisions pertaining to ongoing VIE and primary beneficiary assessments. We hope you will also find our other comments useful in finalizing the ED's provisions.

We would like to thank the Board for the opportunity to share our views on this significant accounting issue.

Very truly yours,



Matt Simmons
Vice President & Controller

cc: Mr. P. A. Farr
Mr. M. A. Cunningham
Mr. M. D. Woods