



FPL Group, Inc., P.O. Box 14000, Juno Beach, Florida 33408-0420

June 13, 2008

Russell G. Golden
Director of Technical Application
and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP ARB 43-a

Dear Mr. Golden:

FPL Group, Inc. (FPL Group) appreciates the opportunity to comment on proposed FSP ARB No. 43-a, "Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43" (the proposed FSP), which contains guidance pertaining to the accounting for trading inventories. FPL Group is a public utility holding company with two principle operating subsidiaries. Florida Power & Light Company is one of the largest investor-owned electric utility companies in the nation, serving about half the population of Florida. FPL Energy, LLC is a competitive energy company that owns, develops, constructs, manages and operates electric-generating facilities in wholesale energy markets.

We agree with the Board's conclusions with respect to issues 1 through 4. With respect to issue 5, we believe the proposed FSP can be implemented in the proposed timeframe and without significant cost. We do, however, have several observations about the proposal that we would like to share.

## Scope Clarification

Many energy companies currently account for emissions allowances and renewable energy credits as inventory. We understand that discussions over the last few years between several of the international accounting firms and the staffs of the SEC and FASB acknowledged diversity in the accounting for these assets and indicated that two methods of accounting for these assets are acceptable pending completion of the Board's project on emission allowances: (1) an inventory model and (2) an intangible asset model.

ARB 43, Chapter 4, Statement 1 defines inventory as "the aggregate of those items of tangible personal property which (1) are held for sale in the ordinary

course of business, (2) are in process of production for such sale, or (3) are to be currently consumed in the production of goods or services to be available for sale." *Emphasis added.* While assets such as emission allowances and renewable energy credits do not meet the definition of tangible personal property, it is unclear whether companies who have chosen to account for these assets under an inventory model, and who include such assets in their trading activities, will be required to initially and subsequently measure these assets at fair value, with changes in fair value recognized in earnings, under the proposed FSP. Based on our discussions with our independent auditors and peers in the industry, there appears to be some confusion in this area. We suggest that the language be included in the final FSP to clarify the Board's intention with respect to the scope of the FSP as it relates to emission allowances, renewable energy credits and similar items.

## **Disclosures**

We suggest that the disclosures required in paragraph 11a of the proposed FSP regarding the basis for concluding that inventory is part of the entity's trading activity, including a description of those activities, be required only for annual reporting periods. Such information should only be required in the interim period disclosures when there has been a material change from the information disclosed in the most recent annual reporting period. Further, we do not see any benefit from the disclosure of the typical holding period for trading inventory in either interim or annual period disclosures.

## **Other Trading Assets and Liabilities**

We encourage the Board to take up a project to consider the accounting for non-inventory items that are included in an entity's trading activities. As noted in issue 3, this would include executory contracts such as storage and transportation contracts, many of which are not currently recognized in the financial statements. We do not suggest that the Board consider such accounting as part of this proposed FSP due to the delay in issuing this FSP that would result.

We appreciate the opportunity to express our concerns on the proposed FSP. If you have any questions regarding our comments, please feel free to contact me at the number listed below.

Sincerely,

Armando Pimentel, Jr.

Sr. Vice President, Finance and Chief Financial Officer