September 7, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
(e-mail: director@fasp.org)

Re: File Reference No. 1830-100

Dear Chairman, Board Members and Staff:

PPL Corporation ("PPL") appreciates the opportunity to comment on the Financial Accounting Standards Board’s ("FASB") proposed Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820) - Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (Proposed Update). PPL is an energy and utility holding company that, through its subsidiaries, controls or owns nearly 12,000 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.

**Summary**

PPL supports the FASB’s goal of developing common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRSs. However, PPL has concerns that certain of the proposed amendments would result in additional effort by the preparers without improving transparency for the financial statement users, as discussed below.

**Question 7**

_The Board has decided to require a reporting entity to disclose a measurement uncertainty analysis that takes into account the effect of correlation between unobservable inputs for recurring fair value measurements categorized within Level 3 of the fair value hierarchy...Do you think that proposal is appropriate? If not, why not?_
PPL concurs with the points raised in a comment letter submitted by the Edison Electric Institute about the measurement uncertainty analysis for fair value measurements categorized within Level 3 of the fair value hierarchy. PPL is encouraged that the proposed guidance clarified the following:

- The range of alternative inputs was clarified by changing the wording from ‘reasonably possible alternative assumptions’ to ‘unobservable inputs...that could have reasonably been used’
- Significance would be judged with respect to earnings or total assets/liabilities or, when changes in fair value are recognized in other comprehensive income, total equity
- Disclosure is not intended to reflect remote scenarios
- Disclosure is not meant to provide financial statement users with information for second guessing a reporting entity’s fair value measurements

PPL, however, continues to question whether a measurement uncertainty analysis will improve financial statement disclosures. We believe PPL’s fair value measurements that are ultimately classified as Level 3 are reliable values since we use the most robust data available. Adding a range of potential fair value measurements inherently requires great subjectivity that will not improve the reliability of the fair values used and would be difficult to audit. For example, there are thousands of delivery points across the United States for power contracts because power cannot be stored nor transported across large distances. Furthermore, the thousands of delivery points theoretically have forward prices that vary by region, season, and month, and these forward prices are influenced by the correlation to other energy products (power to gas, gas to expected gas storage volumes, gas to oil, oil to emission allowances, etc.). Within PJM (a regional electricity market that encompasses all or part of thirteen states, primarily in the Mid-Atlantic), there are over 8,000 delivery points, but less than ten are actively traded and have observable forward prices. As such, it may not be feasible to prepare meaningful measurement uncertainty analyses based on other unobservable inputs that could have been reasonably used without being overly voluminous or subjectively selective.

Additionally, the proposed measurement uncertainty analysis is inconsistent with the tools management uses to assess its risks. Risk management activities appropriately use sensitivity analyses prepared at a portfolio level, in which all market-related risks and offsetting positions are evaluated together. As such, all assets and/or liabilities within a class are evaluated together with contracts that receive accrual accounting, as well as physical assets.

Therefore, PPL does not support this disclosure as proposed. However, if the Board decides to retain the proposed uncertainty analysis, further clarification is needed to ensure that any measurement uncertainty analysis is meaningful and consistently applied in practice. The Proposed Update implies that a measurement uncertainty analysis must be prepared for each Level 3 fair value measurement. Yet, the proposed requirements for the measurement uncertainty analysis are articulated in the form of principles that do not and should not specify rules or mechanics for computation. PPL acknowledges the possibility of alternative interpretations of these principles and different methods for
evaluating and computing these disclosures. For example, companies may want to prepare a measurement uncertainty analysis for all Level 3 measurements within a class, within a subset of that class, or for certain explicit fair value measurements, depending on the circumstances. The evaluation of an entire class would include the aggregation of multiple individually insignificant sensitivity amounts; other approaches wouldn't. None of the approaches is inherently superior to the others. Therefore, PPL recommends that the Board include in the final Update an explicit statement clarifying that no one approach is necessarily required as long as the approach selected produces a result that achieves the objectives of the Update, is applied consistently, and is fully disclosed. These clarifications will significantly eliminate inefficient and unnecessary work in developing unofficial rules to standardize or create uniformity where no such requirement is present or intended.

**Question 8**

*Are there alternative disclosures to the proposed measurement uncertainty analysis that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorized within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.*

As an alternative to the proposed measurement uncertainty analysis, PPL recommends adding a disclosure of the approximate percentage of Level 3 fair value measurements that were based on observable inputs and both the approximate percentage and quantitative amount based on unobservable inputs. This would be cost-beneficial because companies are already performing this analysis to classify fair value measurements within Levels, and it would benefit financial statement users by reducing the degree of inherent uncertainty and subjectivity. For example, assume Company A has commodity contracts with a fair value of $100 million, and 70% of the fair value measurement is based on market information and 30% on unobservable inputs. In this example, financial statement users better understand the overall uncertainty and subjectivity related to this Level 3 measurement.

In our industry, a significant portion of recurring fair value measurements comes from financial or physical commodity derivative contracts. The derivative contracts are generally held for economic hedging purposes and often qualify for hedge accounting treatment. The hedged items are often forecasted transactions related to non-derivative contracts and physical assets whose fair value would likely also be considered a Level 3 measurement. Measurement uncertainty should be less of a concern for instruments held for hedging purposes since the fair value measurements would be offset, at least partially, by measurement uncertainty with regard to the hedged item. Therefore, another alternative disclosure, albeit only related to derivatives, would be to disclose the amount of Level 3 fair value measurements that are in hedging relationships, are considered economic hedges, or represent proprietary trading activities. We believe such disclosure would provide valuable insights about the possible effect of Level 3 fair value measurements on future earnings and cash flows.
Question 12
How much time do you think constituents would need to prepare for and implement the amendments in this proposed Update?

Except for the measurement uncertainty analysis, the proposed amendments to Topic 820 are not significant and will take no longer than six months to implement. The measurement uncertainty analysis, if adopted as proposed, will take a significant amount of time to accumulate and analyze the data required to be disclosed. As noted above, this information is not currently available, because management does not use this type of analysis in their risk management activities. As such, the adoption of this provision will require system modifications or manual workarounds.

If a measurement uncertainty analysis becomes required, PPL recommends an implementation date that coincides with the effective date of the proposed Accounting Standards Update, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities—Financial Instruments (Topic 825) and Derivatives and Hedging (Topic 815), so that substantially all contemplated changes related to fair value are implemented simultaneously. This would enable a company to eliminate the need for unnecessary changes to accommodate one proposal without full consideration of the other. Having corresponding effective dates will also streamline the necessary system modifications.

Conclusion

We appreciate your consideration of this issue and our comments. Except for the measurement uncertainty analysis, we believe the issuance of these amendments and clarifications to the fair value measurement guidance will be a significant benefit to financial statement users.

Best regards,

Vincent Sorgi
Vice President & Controller

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