August 25, 2010

Technical Director
File Reference No. 1840-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
(e-mail: director@fasb.org)

Re: File Reference No. 1840-100, Exposure Draft of Proposed Accounting Standards Update - Contingencies (Topic 450): Disclosures of Certain Loss Contingencies

Dear Chairman, Board Members and Staff:

PPL Corporation (“PPL”) appreciates the opportunity to comment on the Proposed Accounting Standards Update - Contingencies (Topic 450): Disclosure of Certain Loss Contingencies (Issued 07/20/10). 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.

PPL would like to commend the Board for the work they have done to date in revising certain aspects of the June 2008 FASB Exposure Draft. We generally agree with the Board’s position that an entity should disclose qualitative and quantitative information about loss contingencies to enable financial statement users to understand the nature of an entity’s loss contingencies, their potential magnitude and their potential timing (if known). We also believe it is management’s responsibility to avoid unnecessarily disclosing information that could be prejudicial to the entity and ultimately detrimental to the entity’s investors. We have addressed our concerns in the question format as prescribed by the Board within the Exposure Draft.

**Question 1:** Are the proposed disclosures operational? If not, please explain.

PPL believes the proposed disclosures are operational if given enough time to implement (this is further addressed in our response to Question 4); however, we have several concerns about the proposed guidance.

PPL is primarily concerned that the required disclosures for reasonably possible contingencies could mislead financial statement users more than assist them in making informed decisions. For example, the claims of a plaintiff in a legal proceeding are generally made public, but depending
on the stage of the legal proceeding, a defendant may not have had the opportunity to fully evaluate the case, formulate its defenses or disclose its defenses publicly. Under the proposed guidance, if entities are required to disclose information about a claim, these timing differences could result in a one-sided disclosure where the defendant entity’s position could appear worse than it is because only the plaintiff’s initial allegations have been disclosed. This could mislead financial statement users and lead them to unduly assume the worst case scenario and conclude that the outcome of a particular proceeding will be negative.

Another significant concern for PPL relates to disclosures for remote contingencies. What constitutes a severe remote contingency will be open to significant judgment. PPL believes that disclosures surrounding severe remote contingencies could mislead financial statement users and cause them to overreact to events that have a very low probability of occurring. Generally, it is the responsibility of management to assess the materiality of contingencies and to report those that are material to an investor’s decisions about the reporting entity’s business. The proposed rule would reverse this responsibility, leaving the responsibility to assess the probability and materiality of the disclosed contingency to the financial statement users.

PPL is also concerned that certain of the proposed rules would require an entity to disclose information that could be prejudicial to its case. Even though the proposed guidance allows an entity to aggregate similar contingencies, the entity may only have one contingency in a particular category. The requirement to disclose the accrual for the loss contingency in a tabular reconciliation will make that fact quite evident. This disclosure would provide confidential information, such as a proposed settlement amount or the amount the entity believes the claim will be settled for, which would prejudice the disclosing entity and benefit the plaintiff.

PPL recommends that the tabular reconciliation be excluded from this guidance entirely, as it will not benefit financial statement users and will potentially cause confidential information to be disclosed. Alternatively, PPL suggests allowing entities to provide an aggregated tabular reconciliation for all contingencies or incorporate it into the Financial Statement Presentation guidance when issued, as it appears tabular reconciliations will be more prevalent in that guidance. Another suggestion is to require this disclosure only annually instead of quarterly since many contingencies do not change frequently.

PPL does not agree that disclosing insurance information should be required, even if it has been provided to the plaintiff or is discoverable. Deciding if information is discoverable may not be easily determinable and even if the information is discoverable, the plaintiff might not have requested the information. Additionally, the insurance information provided to the plaintiff is often considered confidential and requiring entities to disclose such information may infringe on attorney-client privileges and/or subject the disclosing party to damages for breach of contract.

While PPL does not agree that insurance information should be disclosed, we do believe that insurance proceeds should be taken into consideration when determining if a loss contingency should be disclosed. If an entity believes a loss contingency is substantially covered by insurance, disclosing the loss contingency adds little value to financial statement users and could be misleading.
Finally, the amount of damages claimed by a plaintiff or indicated by the testimony of expert witnesses is often exaggerated for strategic or tactical purposes and routinely far exceeds the ultimate value of the case. Therefore, PPL does not believe that this information is useful to the financial statement users and could mislead them to assume the worst. Additionally, requiring additional qualitative disclosure will cloud disclosure that is already quite lengthy.

**Question 2:** Are the proposed disclosures auditable? If not, please explain why.

PPL will defer to the audit firms to make this assessment. However, we believe the requirement to audit these disclosures could hinder the entity because otherwise privileged and/or confidential information could now be contained in the auditors’ workpapers that could be discoverable. Additionally, the proposed disclosures could increase costs to entities for legal and audit fees.

**Question 3:** The June 2008 FASB Exposure Draft, *Disclosure of Certain Loss Contingencies*, had proposed certain disclosures based on management’s predictions about a contingency’s resolution. The amendments in this proposed Update would eliminate those disclosure requirements such as estimating when a loss contingency would be resolved and the entity’s maximum exposure to loss. Do you agree that an explicit exemption from disclosing information that is “prejudicial” to the reporting entity is not necessary because the amendments in this proposed Update would:

a. Not require any new disclosures based on management’s predictions about a contingency’s resolution
b. Generally focus on information that is publicly available
c. Relate to amounts already accrued in the financial statements
d. Permit information to be presented on an aggregated basis with other similar loss contingencies?

If not, please explain why.

PPL believes that an explicit exemption from disclosing information that is “prejudicial” to the reporting entity is necessary. While the proposed guidance has addressed some of the concerns related to the 2008 FASB Exposure Draft, there are still instances where we believe confidential or prejudicial information could be required to be disclosed. This is addressed further in our response to Question 1.

**Question 4:** Is the proposed effective date operational? If not, please explain.

Given that the final guidance will not be available until the end of the third quarter, PPL does not believe the proposed effective date is feasible. For PPL, the proposed effective date would require providing the disclosures in its Form 10-K for the period ended December 31, 2010, which would not provide enough time to perform the analysis to determine the appropriate levels of aggregation, what should be considered individually material and whether unasserted claims that meet the new disclosure criteria exist.

**Question 5:** Do you believe that the proposed disclosures will enhance and improve the information provided to financial statement users about the nature, potential magnitude, and potential timing (if known) of loss contingencies?
PPL believes that the proposed disclosures could enhance and improve the information provided to financial statement users if the concerns expressed in this comment letter are addressed. Otherwise, PPL believes that the disclosures could potentially mislead financial statement users. This is addressed further in our response to Question 1.

**Questions 6&7:** N/A; PPL does not believe it would be appropriate to provide comments that would only impact nonpublic entities.

**Question 8:** Do you believe that the proposed and existing XBRL elements are sufficient to meet the Securities and Exchange Commission’s requirements to provide financial statement information in the XBRL interactive data format? If not, please explain why.

PPL believes that the existing and proposed XBRL elements are sufficient to accommodate the SEC’s requirements in XBRL format regarding the proposed disclosure. However, PPL expects it will need to create additional customized XBRL elements to meet the additional disclosures.

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

Very truly yours,

Vincent Sorgi  
Vice President & Controller

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