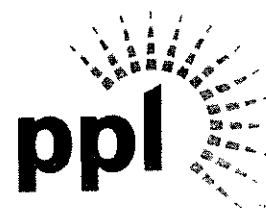


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January 15, 2009

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



LETTER OF COMMENT NO. 25

Re: File Reference Proposed FSP FAS 107-a

Dear Technical Director, Board Members and Staff:

PPL Corporation ("PPL") appreciates the opportunity to comment on the Proposed FSP FAS 107-a ("Proposed FSP") 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.

Summary

PPL supports the FASB's goal of increasing the comparability of financial statements and acknowledges that the current global financial crisis may have accelerated the need for comparability related to how financial assets are presented. However, PPL concurs with the points raised in a comment letter submitted by the Edison Electric Institute and is strongly opposed to the Proposed FSP with respect to non-financial institutions for the following three reasons:

- The scope of the Proposed FSP is too broad, introducing (rather than eliminating) complexity for entities that report financial instruments at fair value;
- Certain of the required disclosures involve significant practical application difficulties;
- The time allowed for implementation is not sufficient.

For these reasons, we believe that any incremental disclosures that result from the issuance of a final FSP be voluntary. However, if the incremental disclosures are

mandatory for all entities, we believe that many non-financial institutions, particularly entities in the utility industry, would not be able to implement the new disclosure requirements for financial reports dated December 31, 2008. Therefore, we believe that the effective date of any required new disclosures should be fiscal years ending after *December 15, 2009, with early adoption permitted*. We have presented the basis for our views below.

Increased Complexity

PPL understands constituents' concern that additional complexity is created due to different measurement attributes and impairment models resulting from the application of SFAS 114, *Accounting by Creditors for Impairment of a Loan* ("FAS 114") and FAS 115, *Accounting for Certain Investments in Debt and Equity Securities* ("FAS 115"). However, we believe that, although the financial assets have similar economic characteristics, the differences in measurement attributes and impairment models were created intentionally to reflect the different business purposes for which the financial assets are held. As such, some complexity is the natural result of faithful representation of a wide range of business activities.

The existing requirement to present fair value disclosures in accordance with SFAS 107, *Disclosures about Fair Value of Financial Instruments* ("FAS 107"), combined with the measurement of available-for-sale and trading securities at fair value, already provides comparability based upon what the Board has determined to be the most relevant measurement attribute for financial assets. Additionally, although changes in fair value for available-for-sale securities are not recognized immediately through earnings (unless impaired) these unrealized gains and losses recorded in Other Comprehensive Income are already disclosed under FAS 115. In the absence of a comprehensive project on the accounting for financial instruments, the introduction of another measurement attribute (the incurred loss amount) is not necessary or appropriate, and will require a significant effort by PPL with minimal, if any, benefit to many of our users.

Rather than achieving the stated objective of reducing complexity, the incurred loss model, which is not well understood outside of the financial industry, introduces additional complexity. For those entities like PPL that already comply with existing accounting and disclosure requirements to present fair value information, the disclosure of incurred loss amounts is not useful incremental information and does not justify the cost of producing and auditing that information, particularly if this is only expected to be a disclosure requirement until completion of the broader project on other-than-temporary impairment ("OTTI").

Application Difficulties

For entities like PPL that do not currently record any financial assets under SFAS 114, calculation of the incurred loss amount for securities will be a difficult, costly, time-consuming exercise for the preparers of those financial statements. Recording an OTTI under FAS 115 establishes a new cost basis and effective interest rate for a marketable

debt security, whereas the original effective interest rate is maintained over the life of a loan under FAS 114. It is unclear under the Proposed FSP whether the calculation of the incurred loss amount will require the use of the original or current effective rate in calculating an impairment under the incurred loss model, if an OTTI has been previously recognized. Since the original effective interest rate was not needed prospectively under FAS 115, it may not have been historically maintained. The current effective rate is not relevant as it may reflect the impact of recognized impairments related to factors other than credit losses, including interest rate fluctuations and liquidity discounts. In the utility industry, this is particularly relevant in the area of nuclear decommissioning trust assets, where assets are more likely to have experienced OTTIs due to management's inability to assert its ability and intent to hold a security until recovery.

Insufficient Time to Implement

The proposed effective date for interim and annual periods ending after December 15, 2008, does not provide adequate time for PPL and other companies with trust funds managed by others to successfully implement the Proposed FSP for calendar year 2008 financial statements. The disclosures presented in the Proposed FSP will require coordination with investment custodians to gather 2008 information that may not be readily available and is likely not to have been previously computed. Furthermore, the investment custodians may need to enhance computer systems to provide the necessary information. Ensuring that their systems are reprogrammed and thoroughly tested in such a short time frame would be extremely difficult and could lead to inaccuracy.

Additionally, because it is highly likely that these systems were not in place at the beginning of 2008, computing the information required for the pro forma income from continuing operations disclosures under paragraph 14 of the Proposed FSP will be extremely difficult. Additional time will be necessary for companies to review the information provided by the investment custodians for accuracy and prepare the related disclosures. Finally, if the Proposed FSP is approved, PPL would be required to create and test internal control processes around these disclosures to comply with the requirements of the Sarbanes-Oxley Act of 2002.

Therefore, if the Board decides to proceed with the disclosures in the Proposed FSP for all entities, including non-financial institutions, we strongly believe that the required effective date should be fiscal years ending after December 15, 2009, with early adoption permitted. PPL believes this approach would accommodate those entities that believe the *incurred loss amount is a more relevant measurement, while providing entities whose systems, processes and disclosures were designed to meet the disclosure requirements that were actually in place as of the end of 2008, additional time to create and test systems that will insure revised disclosures in 2009 and beyond are accurate.*

Summary and Conclusion

For the reasons noted above, PPL believes the Proposed FSP should not be required; rather, its provisions should be voluntarily available to those entities that believe the

proposed disclosures would provide relevant information to the users of their financial reports. However, if the Proposed FSP is adopted and applicable to all entities, we believe it should only be required for reporting periods ending after December 15, 2009, with early adoption permitted.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Matt Simmons", with a long horizontal line extending to the right.

Matt Simmons
Vice President & Controller

Copies:

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