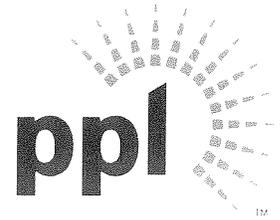


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February 27, 2007

Via e-mail to ' rule-comments@sec.gov '

Ms. Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street N.E.  
Washington, D.C. 20549-1090

RE: SEC Release Nos. 33-8762 and 34-54976; File Number S7-24-06

Dear Ms. Morris:

The PPL Corporation (PPL) respectfully submits the attached comments, in question and answer format, in response to the request for comment as outlined within the *Proposed Interpretation and Proposed Rule on Management's Report on Internal Control Over Financial Reporting*.

PPL is an international energy and utility holding company, headquartered in Allentown, PA. Through its subsidiaries, PPL generates electricity from power plants in the northeastern and western U.S.; markets wholesale or retail energy primarily in the northeastern and western portions of the U.S.; delivers electricity to approximately 5.1 million customers in Pennsylvania, the U.K. and Latin America; and provides energy services for businesses in the mid-Atlantic and northeastern U.S. PPL is a \$6.9 billion corporation that ranked 350 on the Fortune 500® for 2006. PPL's four principal business subsidiaries are PPL Generation, PPL EnergyPlus, PPL Global and PPL Electric Utilities. PPL employs about 12,600 people on three continents.

PPL appreciates and supports your efforts to provide management with a reasonable approach to complying with the requirements of the Sarbanes-Oxley Act (SOA). We also appreciate the opportunity to provide feedback on the proposed guidance. We sincerely hope that these comments will be helpful to the SEC's efforts to enhance the SOA compliance process and believe that the SEC can help to ensure that the cost of compliance is balanced with the benefits to investors in the U.S. financial markets.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dustin Wertheimer", written over a horizontal line.

Dustin W. Wertheimer  
Controller-PPL Global

Attachment

## **PPL Corporation**

### **Response to SEC's Proposed Guidance on Internal Control Over Financial Reporting**

#### **A. Proposed Interpretive Guidance**

##### **1. Will the proposed interpretive guidance be helpful to management in completing its annual evaluation process? Does the proposed guidance allow for management to conduct an efficient and effective evaluation? If not, why not?**

Yes. The guidance provides detailed information on identifying risk and controls, use and purpose of evidential matter and the role of IT controls. The guidance is especially helpful in the areas of assessing company level and IT controls.

The guidance as written provides management with some assistance in conducting an efficient and effective evaluation because of the risk-based approach. One specific area that is helpful is the section on page 25, paragraph 3 that provides management with flexibility in determining which redundant controls to assess based upon the attainability of evidence for the assessment of those controls.

Additionally, the first full paragraph on page 25 provides a good example of how management can leverage the assessment of entity-level controls in the financial reporting area to address specific transactions risks, such as the processing of interest expense.

There are several areas of the guidance where additional clarification is needed to help management to conduct an efficient and effective review. PPL will address those areas in our responses to the questions below.

##### **2. Are there particular areas within the proposed interpretive guidance where further clarification is needed? If yes, what clarification is necessary?**

Yes. On page 17 in the first full paragraph, the last sentence refers to management's evaluation of controls in low-risk areas. Throughout the proposed guidance the term "low-risk" is repeated numerous times. We believe that the term "low-risk" needs to be further defined to clarify that it is a low risk of a potential material misstatement. Without this clarification, some registrants may identify, document and assess controls that address risks that do not have the potential to result in a material misstatement of the financial statements.

Section A.2.a includes beneficial information related to assessing the risk of financial reporting elements. Similar guidance is needed in Section A.1.a, which discusses assessing risk to financial reporting elements and Section A.1.b, the section that discusses identifying controls for addressing financial reporting risk.

Additional guidance or examples, illustrating the multi-location approach, would be beneficial. Clarification should be provided on what entities are so insignificant that no further evaluation procedures are needed. Examples should be provided illustrating what level of testing is appropriate for subsidiaries based upon risk and materiality.

## **PPL Corporation**

### **3. Are there aspects of management's annual evaluation process that have not been addressed by the proposed interpretive guidance that commenter's believe should be addressed by the Commission? If so, what are those areas and what type of guidance would be beneficial?**

The proposed guidance maintains the requirement to assess controls at service providers who perform significant processes, where adequate compensating controls are not in place. However, there is no guidance for management to assess the controls at service providers or for the evaluation of Type 2 SAS 70 reports. Guidance on the time period to be covered by the Type 2 SAS 70 Report, along with guidance for assessing the sufficiency of the report and issues identified in the report would be helpful.

### **4. Do the topics addressed in the existing staff guidance (May 2005 Staff Guidance and Frequently Asked Questions (revised October 6, 2004)) continue to be relevant or should such guidance be retracted? If yes, which topics should be kept or retracted?**

PPL noted the following items:

- The May 2005 Staff Guidance reference to assessing deficiencies based on "quarterly measures" should be retracted because management's assessment is "as of" year-end and therefore interim impact is not relevant.
- The concept, from the May 2005 Staff Guidance, that not all restatements due to an error are a result of a material weakness should be reinforced in both this proposed guidance and in the PCAOB proposed Audit Standard No. 5. Emphasis should be placed upon reasonable not absolute assurance.
- Guidance for assessing partially consolidated investments should be reiterated in the proposed guidance.
- The FAQ guidance for assessing late in the year business acquisitions and combinations should be addressed in this SEC proposed guidance.

### **5. Will the proposed guidance require unnecessary changes to evaluation processes that companies have already established? If yes, please describe.**

No, PPL does not believe that the guidance will require unnecessary changes to the evaluation process. The one area where we believe that there may be significant changes to the assessment process surrounds management testing. Management may choose to rely more on monitoring and less on direct testing if the proposed guidance is approved as drafted.

### **6. Considering the PCAOB's proposed new auditing standards, An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Considering and Using the Work of Others in an Audit, are there any areas of incompatibility that limit the effectiveness or efficiency of an evaluation conducted in accordance with the proposed guidance? If so, what are those areas and how would you propose to resolve the incompatibility?**

## **PPL Corporation**

Yes. There is no mention of “relevant financial statement assertions” or the “significant financial accounts” and “significant processes” in section A.1.a, Identifying Financial Reporting Risk, or section A.1.b., Identifying Controls that Adequately Address Financial Reporting Risk. This is not consistent with the PCAOB proposed Standard No. 5 and may cause conflicts between the registrant and their auditor with regard to what is included in the scope of the assessment of ICFR. Since the risk assessment and scoping procedures are the foundation of the assessment, both the auditor and management should be using the same approach.

### **7. Are there any definitions included in the proposed interpretive guidance that are confusing or inappropriate and how would you change the definitions so identified?**

Page 42, paragraph 3 provides a list of conditions that would impact management’s assessment of the significance of a deficiency. One condition on page 43 speaks to the future consequences of the deficiencies. Since the management’s assessment is as of the fiscal year-end, it does not seem congruent to include potential future-year misstatements in the assessment of a current-year internal control deficiency.

As mentioned in #2 above, additional clarification is needed for the definition of low-risk.

The guidance refers to management’s ability to rely on monitoring in lieu of direct testing. It would be helpful for the SEC to provide some specific examples of the circumstances and monitoring activities that would be acceptable.

Also, as noted in #6 above, definitions or clarification related to significant accounts and relevant financial statement assertions would help to provide consistency between the PCAOB proposed Audit Standard No. 5 and the SEC guidance.

### **8. Will the guidance for disclosures about material weaknesses result in sufficient information to investors and if not, how would you change the guidance?**

Yes. The guidance is sufficient. The proposed guidance provides a channel for management to comment on details related to the material weakness. In many cases, such disclosure would provide the investor with additional information that could potentially lessen the interpretation of the weakness than if the disclosure simply provided the weakness.

### **9. Should the guidance be issued as an interpretation or should it, or any part, be codified as a Commission rule?**

PPL believes that the proposed guidance should be codified in a Commission Rule. We believe that the proposed rule amendment, allowing management flexibility in their assessment while providing guidance that unequivocally satisfies the rule is an ideal approach.

## **PPL Corporation**

**10. Are there any considerations unique to the evaluation of ICFR by a foreign private issuer that should be addressed in the guidance? If yes, what are they?**

None noted.

### **B. Proposed Rule Amendments**

**1. Should compliance with the interpretive guidance, if issued in final form, be voluntary, as proposed, or mandatory?**

The guidance should be voluntary as discussed in our response to question #9 above.

**2. Is it necessary or useful to amend the rules if the proposed interpretive guidance is issued in final form, or are rule revisions unnecessary?**

The proposed guidance should be issued in a rule amendment so that management's guidance carries the same weight as PCAOB proposed Audit Standard No. 5.

**3. Should the rules be amended in a different manner in view of the proposed interpretive guidance?**

PPL did not note any areas where additional changes or revisions were necessary.

**4. Is it appropriate to provide the proposed assurance in Rules 13a-15 and 15d-15 that an evaluation conducted in accordance with the interpretive guidance will satisfy the evaluation requirement in the rules?**

Yes, this will provide assurance to management and assist in the interaction with external auditors.

**5. Does the proposed revision offer too much or too little assurance to management that it is conducting a satisfactory evaluation if it complies with the interpretive guidance?**

The proposed revision provides the appropriate amount of assurance.

**6. Are the proposed revisions to Exchange Act Rules 13a-15 and 15d-15(c) sufficiently clear that management can conduct its evaluation using methods that differ from our interpretive guidance?**

Yes.

## PPL Corporation

**7. Do the proposed revisions to Rules 1-02(a) (2) and 2-02(f) of Regulations S-X effectively communicate the auditor's responsibility? Would another formulation better convey the auditor's role with respect to management's assessment and/or the auditor's reporting obligation?**

Yes. The revisions to the guidance will clarify that the auditor is providing an opinion solely on the effectiveness of ICFR.

**8. Should PPL consider changes to other definitions or rules in light of these proposed revisions?**

None noted.

**9. The proposed revision to Rule 2-02(f) highlights that disclaimers by the auditor would only be appropriate in the rare circumstance of a scope limitation. Does this adequately convey the narrow circumstances under which an auditor may disclaim an opinion under our proposed rule?**

No comment.

### **Other Comments and Observations**

- PPL recommends that the requirement for a separate assessment for subsidiary registrants be eliminated in certain instances. Specifically, this requirement should be eliminated for the subsidiaries of a parent company registrant in instances where the subsidiaries' common stock is wholly owned by a registrant that is in compliance with Section 404. This will eliminate unnecessary and redundant scoping, assessment, certification and reporting activities, which are not providing value to investors.
- PPL further recommends that the Section 302 requirement for management to report significant changes in their quarterly and annual reports should be eliminated. This requirement has caused companies to expend a significant amount of time and resources defining criteria, documenting and assessing changes to controls and reporting those changes. The effort companies expend on those activities far exceed the value they provide to investors.