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Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

December 12, 2011

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Chairman Doty,

I am writing to share my comments on the PCAOB Concept Release on Auditor Independence and Audit Firm Rotation. I am currently the Chairman of the audit committee for NorthWestern Corporation (NorthWestern). I have held this role for seven years. In addition, I serve as an independent director on several other boards and I have extensive public company reporting experience.

I believe the current rules related to auditor independence, objectivity and oversight are sufficient. The Sarbanes-Oxley Act has served to adequately enhance these rules by requiring audit committee pre-approval of all audit and non-audit services; as well as expanding requirements for the audit committee to engage, compensate and oversee the work of the independent auditor. Mandatory rotation of the audit partner every five years also significantly enhances the auditor's independence. On behalf of NorthWestern and personally, I have several concerns related to a mandatory audit firm rotation for public companies.

I believe a mandatory audit firm rotation will result in a deterioration of audit quality. While independent auditors are held to very high standards in planning and conducting their audit; a mandatory audit firm rotation will serve as a distraction to this process. In addition, there is a steep learning curve for any company with complex operations that will not be easily overcome if audit firms are required to rotate every few years. As a practical matter, the final year or two of a client audit will likely suffer as the firms are forced to allocate their resources between (1) a client they are about to lose, (2) a proposal for a new client they are trying to obtain; and (3) existing clients that aren't yet close to their mandatory rotation date. I believe this will create significant disruption to the independent auditing firms and will serve as an impediment to the very mission the PCAOB was founded upon.

Mandatory audit firm rotation would unnecessarily increase the cost of obtaining an audit. From the public accounting firms' perspective, such a rotation requirement would result in increased time in bidding/planning for new audits and I believe it would result in additional turnover of audit firm personnel. From the client perspective, such a requirement would result in significant additional time spent by management and company personnel in interviewing auditors and educating new auditors about the business. Unnecessary time spent in these areas would be very unproductive and would detract management from the job that is expected of them; running the business efficiently and effectively!

A mandatory audit firm rotation would also make it much more difficult for audit firms to build expertise in specialized areas of accounting such as the utility industry. Training of personnel would have to be more generic and personnel would be less familiar with company history. Audit firms would be less likely or able to invest in training for specialized areas if they knew their clients would turnover every few

years. Thus, a reduction in auditors who have specialized industry and company knowledge increases the risk that audit quality will decline.

I believe existing rules on partner rotation provide an environment where the client auditor relationship is refreshed periodically to maintain an independent environment. All CPAs, regardless of level follow a code of conduct to perform an audit in compliance with independence, objectivity and professional skepticism standards established by the PCAOB and the AICPA. In addition, the PCAOB audit and review of the firms is a more cost effective way of ensuring independence than implementing a mandatory audit firm rotation. I also believe the current statutory oversight rules create the appropriate environment to allow Audit Committees to independently appoint and oversee audit firms to best meet audit objectives and the needs of shareholders' interests.

Due to the concerns mentioned above, I urge you to withdraw your proposal to require mandatory rotation of audit firms. Please do not punish the majority of companies who take seriously and have maintained effective governance/internal control processes due to the folly of a few corporations who have done a poor job on such efforts.

I would be happy to discuss my concerns further with you. I can be reached at (219) 670-1963 or [spadik@comcast.net](mailto:spadik@comcast.net).

Sincerely,



Stephen P. Adik  
Chairman, Audit Committee