Covanta Energy Corporation
445 South Street
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December 14, 2011

Mr. J. Gordon Seymour
Secretary
Public Company Accounting Oversight Board (PCAOB)
1666 K Street, N.W.
Washington, D.C. 20006-2803
Email: comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 37
Concept Release on Auditor Independence and Audit Firm Rotation

Dear Mr. Seymour:

The Audit Committee of Covanta Holding Corporation is pleased to respond to your invitation to comment on the matters included in the PCAOB Rulemaking Docket Matter No. 37, Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release"). Covanta Holding Corporation (the "Company") is a public registrant under the United States Securities and Exchange Commission ("SEC") and files its audited and unaudited financial statements in its annual and quarterly reports, respectively. The Company is one of the world's largest owners and operators of infrastructure for the conversion of waste to energy, conducting their operations through subsidiaries that provide essential public services.

Role of the Audit Committee

The Company takes very seriously its responsibility to provide an accurate and complete set of financial statements to its shareholders. To ensure their effectiveness, management established and maintains internal controls over the financial reporting process. These controls include the independent and objective oversight by the Audit Committee of the Board of Directors. In addition to the review of the financial statements, quarterly reviews, earnings releases and other information provided, we consider and recommend to the full Board the engagement of the independent auditor that audits the Company's

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consolidated financial statements. The Board of Directors then asks the shareholders to ratify their selection of the independent auditor. Once ratification has occurred, all audit and non-audit fees are then reviewed and pre-approved by us prior to any audit work being performed.

Evidence Not Supporting Mandatory Audit Firm Rotation

Based on the information presented in the Concept Release, there does not appear to be clear evidence that mandatory audit firm rotation is necessary. While the Concept Release notes examples of audit deficiencies related to acceptance of management perspective rather than independent review or verification, the linkage of these occurrences to the length of an audit firm's engagement is not established. There does not appear to be direct support that audit firm rotation mitigates the risk of misrepresentation in the financial statements. There were also no specific examples provided in the Concept Release of recent audit deficiencies that were a direct result of pressure from management.

The potential downside of a mandatory audit firm rotation must also be fully vetted against the potential upside of a "fresh look" offered by the incoming audit firm after a rotation. Further exploration of the costs, both financial and otherwise, would be useful in the analysis, such as the likelihood of error in the first few years of a new audit engagement, the quality of audits when there is a loss of in-depth cumulative audit knowledge, and identification of less costly, more effective methods of bolstering objectivity and skepticism.

Significant Audit Costs

Today, audit costs are already significant to all public registrants. We realize these costs are a necessary part of independent assurance that the financial statements are free of material misstatement and, in that way protect our shareholders. However, the requirement for mandatory audit firm rotation would place an additional undue financial and personnel burden on a company without a clear benefit. The Company's staff spends an exorbitant amount of time and effort with the external auditors explaining its policies and procedures each year. With any company, change in personnel results in decreased productivity, lower morale, and a decrease in service. We would expect similar results with a recurring rotation in audit firms. While the Company believes that their internal

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controls over financial reporting adequately ensure completeness and accuracy of information, with a "regular" change in external auditors, we would also expect heightened risk of audit error. It should be proven that this would not be the case before approving such a requirement.

Root Causes of Audit Deficiencies

We would suggest that further analysis is required before a final conclusion is reached. If and when audit deficiencies are identified through your inspection process, a detailed study of the root causes of these deficiencies should be performed. The study should assess whether there is any correlation between auditor tenure and the findings in the inspection process. In circumstances where an investigation of an audit deficiency relates to the application of new accounting pronouncements, we would ask that consideration be given to the sufficiency of the existing accounting and auditing standards. Furthermore, consideration should be given to the current trend in accounting pronouncements that involve both a high degree of complexity and require the issuer to employ a significant amount of judgment. The audit of such items may require an increasing reliance on management perspective, which was cited in the Concept Release as a source of potential audit deficiencies. It would be helpful if the governing authorities sought ways to mitigate the risk associated with these types of circumstances. Examples and more robust implementation guidance issued along with the issuance of new accounting standards would be helpful to both the financial statement preparers and auditors. By setting a level of expectations, the PCAOB may better assess the capabilities and cooperation by the audit firms. We also believe that the study should include an appropriate time frame (i.e., 5 or more years) to adequately identify recurring problem areas.

Our Position

Absent findings linking the length of audit tenure to decreased objectivity and professional skepticism and a thorough exploration of the methods by which such objectivity and professional skepticism can be effectively maintained, adopting a mandatory audit firm rotation would be premature and could have a detrimental impact. In the meantime, we continue to believe that our oversight is the most effective way to ensure independence, objectivity, and professional skepticism of our external auditors.

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We appreciate your re-considerations over the proposal for mandatory audit firm rotation.

Sincerely,

William C. Pate
Audit Committee Chair of Covanta Holding Corporation
And Managing Director of Equity Group Investments, LLC

cc:
Joseph M. Holsten, Audit Committee Member
Jean Smith, Audit Committee Member
Anthony J. Orlando, Chief Executive Officer
Sanjiv Khattri, Chief Financial Officer