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December 14, 2011

Mr. J. Gordon Seymour, Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Sent via email: [comments@pcaobus.org](mailto:comments@pcaobus.org)

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

Dear Mr. Seymour:

FirstEnergy Corp. appreciates the opportunity to provide comments to the Public Company Accounting Oversight Board (PCAOB) on its concept release on auditor independence and audit firm rotation.

FirstEnergy Corp. is a diversified energy company headquartered in Akron, Ohio, serving both regulated and competitive markets. Its ten electric distribution companies serve approximately six million customers in the Midwest and Mid-Atlantic regions of the United States, comprising the nation's largest investor-owned electric system. FirstEnergy owns and operates a power generation fleet with a total capacity of approximately 23,000 megawatts, primarily consisting of non-emitting nuclear, scrubbed baseload coal, natural gas, pumped-storage hydro and other renewables-based power generating stations.

We support the PCAOB's efforts to continue to explore avenues to increase audit quality and assure that auditors approach and perform an audit with independence, objectivity and professional skepticism. However, we do not believe that mandatory audit firm rotation would have a beneficial impact on auditor independence or improve the reliability of financial reporting. Further, we believe that mandatory audit firm rotation would result in inefficiencies, increased costs and the potential for decreased audit quality.

We believe that the audit committee is in the best position to evaluate and select the independent audit firm – imposition of a mandatory auditor rotation process conflicts with that critically important function of audit committees. Audit committees are composed of independent board members, including at least one financial expert, and are well positioned to develop an informed opinion regarding whether an audit firm is qualified to perform a quality audit for the reporting entity and whether it is appropriate to retain or replace the audit firm. Mandatory audit firm rotation would override an audit committee's preference to retain the existing auditor, potentially resulting in the engagement of an audit firm with less than desired industry or institutional knowledge. In addition, we believe that the PCAOB's rigorous inspection process has resulted in increased emphasis on the performance of quality audits without regard to the duration of the audit firm relationship.

An audit firm makes a significant investment in time and resources in connection with a new audit relationship, especially for a large or complex company. This investment may include the development of industry knowledge, obtaining institutional knowledge through discussions with management, the former auditor, review of prior audit documentation, review of historical company records and documentation, repositioning or relocating audit partners and staff, etc. Large audit firms have typically absorbed some or all of these initial start-up costs in the interest of securing a long-term relationship. We believe it is inevitable that audit firms would pass these incremental costs along to their clients if there is mandatory audit firm rotation, resulting in higher audit fees. We also anticipate that mandatory rotation would cause audit firms to expend significantly greater time and focus on securing new clients to replace those clients nearing the end of the maximum term of an existing audit relationship, further increasing audit fees.

A change in audit firm creates significant burdens on the company and the predecessor and successor audit firms. In addition to the higher fees, mandatory audit firm rotation would result in the diversion of the time and attention of the company's board of directors, management and staff from other important responsibilities, without any evidence that the rotation will result in a higher quality audit.

A quality audit requires objectivity and professional skepticism on the part of auditors with appropriate knowledge of the company, its industry and the environment in which it operates. It may take significant time in the form of a "learning curve" to understand the complexities of a company and its industry and fully address how challenges and risks could impact the company's financial statements and the audit plan. Mandatory audit firm rotation could result in the loss of industry and institutional knowledge and increase the risk of a lesser quality or failed audit, especially in the early years of the auditor's involvement with a complex company.

For companies that operate in specialized industries or widely dispersed geographic locations, there may be a limited number of audit firms with the expertise or resources to be able to perform a quality audit. The number of qualified firms may be further limited by their performance of non-audit services that would be considered to impair their independence for periods of time. In these circumstances, a mandatory audit firm rotation could be problematic and increase the likelihood of a lower quality audit or the risk of a failed audit.

We are not aware of any evidence that suggests that long-term relationships between a company and its audit firm are detrimental to the quality of the audit or are linked to audit failures. It is important to recognize that a company is managed by individuals and that management changes periodically, sometimes frequently. Similarly, although an audit firm is responsible for the tone at the top and overall firm policies and direction, the actual audit is performed by an engagement team comprised of individuals. As a result, we believe that the faulty application of professional skepticism or objectivity, if any, is more likely to be attributable to the conduct of individuals and their relationships with other individuals than to the relationship between a company and its audit firm. We believe that the current mandatory five year audit partner rotation is beneficial and results in new perspectives and appropriately refreshes the relationship between the company (and its management) and the audit firm (and the audit engagement partner), without the significant costs and disruptions that would otherwise result from a mandatory audit firm rotation.

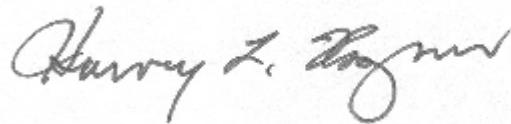
We encourage the PCAOB to continue to analyze audit failures and audit deficiencies noted during its inspection process in an attempt to determine their root cause, especially failures and

deficiencies arising in periods subsequent to the effective dates of Auditing Standard No. 7, *Engagement Quality Review*, and recent risk assessment standards (Auditing Standard No. 8 through No. 15). For audit deficiencies caused by the faulty application of professional skepticism or objectivity, we suggest that the PCAOB review the adequacy and completeness of the individual audit firm's training, audit methodology and other processes and the need for enhancement or improvement. We would not object to a practice under which the PCAOB could recommend or require the rotation of an audit firm for a specific company through its enforcement process against a firm where it has noted a significant and repeated lack of professional skepticism or objectivity with respect to that company.

To summarize, we do not support mandatory audit firm rotation and believe that the result would be an unintended compromise in overall audit quality.

Thank you again for the opportunity to express our opinion on the Concept Release. Please feel free to contact me if you have any questions or need further clarification regarding our response.

Sincerely,

A handwritten signature in cursive script, appearing to read "Harvey L. Seymour". The signature is written in dark ink on a light-colored background.