My name is Theodore H. Bunting, Jr. and I am the Chief Accounting Officer at Entergy Corporation. Entergy is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, and it is the second-largest nuclear generator in the United States. Entergy delivers electricity to 2.8 million utility customers in Arkansas, Louisiana, Mississippi and Texas.

I participated on the PCAOB's panel on March 21 on ways to enhance auditor independence, objectivity, and professional skepticism, including consideration of audit firm term limits. I would like to extend my appreciation and thanks to the board for including me in this panel discussion on such an important issue.

I believe that, at times, there may be a perception that companies want only to achieve their own objectives and will pressure the external auditor to confirm management's decisions or conclusions without much debate. While I agree that it can be difficult to be challenged, particularly on an issue where much work and thoughtful consideration has gone in to developing a conclusion, I can confirm that we are indeed challenged during the external audit process.

We understand that, while our financial statements are the responsibility of management, a thorough evaluation of financial statement and internal control issues by external auditors is a critical component of preparing and filing financial statements which comply with accounting and disclosure requirements. Compliance with such requirements is always our primary objective and it is therefore vital for us to have a technically proficient and capable audit firm and engagement team that carries out its audit with the appropriate level of independence, objectivity and professional skepticism. I believe it is important for constituents to understand this management point of view. To achieve that objective it is essential that the audit firm and the engagement team have a thorough understanding of our company and our industry.

It has become increasingly difficult for accounting practitioners, including companies and external audit firms, to navigate through the volume of complicated accounting rules where financial statement filing requirements expand but filing timelines shrink. Therefore, when considering the issue of audit quality and how auditor independence, objectivity and professional skepticism come in to play, we believe that experience, both with a company and with an industry, are the keys to performing a high-quality audit that includes an objective evaluation of a company's financial statements and internal control over financial reporting. In my opinion, better, more challenging questions are asked of management and more insight is provided into difficult issues when an audit engagement team has more experience with a company and a specific industry. This is why we believe that a mandatory audit firm rotation diminishes audit quality and becomes an unnecessary distraction to the company, which in turn creates more financial statement risk.

Mandatory audit firm rotation also has the potential to create significant disruption to our business. As a transaction-oriented business in a highly regulated industry, we frequently initiate transactions that take multiple years to complete. A mandatory firm rotation during the course of such a transaction could not only impede the progress of such a transaction, but would also invariably result in a loss of audit quality as the new audit firm would not have the knowledge that can only accrue from a full understanding of the history of the transaction.

Also, given that we are a very active company in a highly specialized industry, we frequently employ outside resources to assist us with transactional and regulatory issues. In our experience, there are a limited number of firms qualified to perform this work. The large accounting and audit firms are a primary resource in this group. Mandatory audit firm rotation would significantly limit our ability to utilize such resources because we would need to keep them “clean” from an independence standpoint in contemplation of the next mandatory rotation. This is especially problematic given the multi-year nature of many of our transactions and regulatory issues.

In my experience, the revenue stream associated with the audit has not inhibited our external audit firm from challenging management’s positions or conclusions on difficult issues. Rather, the audit firm and engagement team have much greater incentives to perform a thorough audit that is in compliance with firm and professional standards. Our audit committee of the board regularly monitors and evaluates the independence, objectivity, and performance of the external audit firm. The committee fully understands its ultimate responsibility to the shareholders and if it ever felt that the revenue stream associated with the audit was impeding the performance of a high quality, thorough, objective audit, the committee would not hesitate to change firms. I believe the operation of a strong audit committee addresses the concerns that have driven the mandatory firm rotation issue.

In terms of ways to improve auditor objectivity or professional skepticism, I do believe that there are topics that could be further discussed. In my opinion, the most important factor to achieving a high-quality audit is having the right and experienced people looking at the right things. I believe that a broader discussion regarding how much of the audit process is related to compliance based efforts, or on areas which ultimately have lower risk, would be a valuable discussion. I also believe that any discussion on this topic should be centered on ways to leverage the current regulatory framework and roles of the audit committee to achieve the broader objective, rather than approaching the issues or passage of new rules in isolation.

Thank you for the opportunity to provide input on this important topic and initiative.