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September 23, 2011

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

Re: PCAOB Rulemaking Docket Matter No. 34

Ladies and Gentlemen:

FirstEnergy Corp. is pleased to submit its views in response to the PCAOB's request for comments on the Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements.

FirstEnergy is a diversified energy company with approximately \$48 billion of assets, \$19 billion in annual revenues and an equity market capitalization currently exceeding \$18 billion. Our ten electric distribution companies comprise the nation's largest investor-owned electric system. FirstEnergy's generating fleet features non-emitting nuclear, scrubbed base load coal, natural gas, and pumped-storage hydro and other renewables, and has a total generating capacity of approximately 23,000 megawatts.

We commend the PCAOB for reaching out to stakeholders through its Staff's outreach activities, the solicitation of comments and the recently concluded public roundtable addressing these issues. Chairman Doty's stated objective to "enhance the relevance of audits to the investing public" is important and we believe some of the ideas identified in the Concept Release may achieve that objective. Other alternatives included in the Concept Release could be very costly to execute and impede effective corporate governance. Our views on the major alternatives included in the Concept Release are summarized below.

#### Auditor's Discussion and Analysis (AD&A)

The proposed inclusion of an AD&A is the most troublesome of all of the alternatives put forth in the Concept Release. In addition to adding potentially significant costs to the financial reporting process, a requirement to include an AD&A accompanying the auditor's report would serve to dilute the corporate governance process.

The role of the auditor in the financial reporting process – attesting to the financial statements that have been prepared by management – would be drastically altered by requiring an AD&A. The Concept Release seeks a view of the audit and the financial statements “through the auditor’s eyes”. Providing commentary on management’s estimates, judgment, accounting policies, “close calls” and other matters places the auditor in a very different position. PCAOB Board Member Hanson was correct when he stated that, “They [auditors] are not trained to evaluate and communicate the overall business and strategic risks of the companies they audit.” It is clear that if an AD&A were required, more auditor education and training would be necessary, the cost of which would ultimately be borne by audit clients.

Audit committees represent the interests of shareholders appropriately through an effective corporate governance process and as such serve as the shareholders’ representatives in their communications with the auditors and management. Much of what has been proposed to be communicated in the AD&A is communicated by auditors to audit committees on a regular basis. From that, audit committees are in the best position to determine if management’s financial statements and related disclosures need to be supplemented, based on communications from the auditors, before completion and distribution to shareholders and other investors. Requiring an AD&A is counterproductive to effective and efficient corporate governance and could introduce a “chilling” element to the open and robust discussions that currently exist among auditors, audit committees and management.

Accompanying financial statements and related disclosures with an AD&A may be more confusing to investors and could call into question the credibility of the financial statements for which the auditors have attested. The current disclosure system, which also includes Management’s Discussion and Analysis (MD&A) can be overwhelming to investors – adding an AD&A will exacerbate that issue and could be potentially misleading to all but the most sophisticated analysts.

From a practical standpoint, the addition of an AD&A would add significantly to the financial reporting timeline, which is already challenged with fairly accelerated Securities and Exchange Commission filing deadlines. Based on our experience with drafting any document that requires review from our auditors, the review process of an AD&A within the accounting firm will be intense – involving not only the local engagement team, but likely secondary field and national office reviews followed by legal reviews and final national office sign-off. That process would be very costly to companies and their shareholders.

### Emphasis Paragraphs in Auditors’ Reports

We believe that requiring emphasis paragraphs in auditors’ reports could enhance investor understanding by providing guidance on where the most significant estimates, risks, judgments, etc. are located in the notes to the financial statements. It would be advisable to limit the additional information to no more than five of the most significant items considered by the auditor and should be limited to identification and location only, with no commentary on the items identified. Care should be taken to avoid expanding the auditor’s report so much that its usefulness becomes diminished.

### Auditor Assurance of Information Outside of the Financial Statements

The Concept Release requests views on whether the auditor's report should be expanded to include information outside of the financial statements (e.g., MD&A, earnings releases, non-GAAP financial information). We do not support extending the auditor's regular attest function beyond the financial statements. The auditors currently review this supplemental information to ensure that it is materially consistent with the financial statements – auditing this supplemental information is a very costly alternative that provides no incremental benefit to investors. Beyond the additional costs, practical considerations similar to those discussed above with the AD&A are applicable here. It is not inconceivable that management's timeline for communicating with the investment community could become hostage to the auditor's calendar.

### Clarification of the Standard Auditor's Report

We believe that investors would benefit from changes to the standard auditor's report that would describe in "plain English" what an audit entails, clarification of management's responsibility for preparing the financial statements, the auditor's responsibility for providing assurance and the auditor's responsibility to detect fraud. We believe that the report should remain concise and be easy for investors to quickly assess the "pass/fail" nature of the auditor's opinion.

### Summary

Investors' needs are paramount in the financial reporting process. We believe that some of the frustration that the PCAOB Staff may have heard in their outreach process is a function of the incredible amount of information currently disclosed in the notes to financial statements – investors may understandably have a difficult time discerning what is important. Our recommendation to require the emphasis paragraphs in the auditor's report to identify the more significant issues may help ease those frustrations.

Thank you for the opportunity to comment on the Concept Release and we look forward to participating further as the process unfolds.

Sincerely,

