



December 14, 2011

Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

File Reference: PCAOB Rulemaking Docket Matter No. 37

Dear Board Members and Chairman Doty:

As Chair of the Audit Committee of New Jersey Resources, I appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB) Rulemaking Docket No. 37 *Concept Release on Auditor Independence and Audit Firm Rotation*. As a former Vice Chair and Global Managing Partner of KPMG, LLP and a current member of several audit committees, I believe I have a unique and informed perspective.

New Jersey Resources is a Fortune 1000 company comprised principally of a regulated natural gas distribution company in New Jersey, and other non-regulated energy businesses including wholesale natural gas marketing and the operation of solar energy facilities.

I support the PCAOB's objectives of ensuring auditor independence and audit quality. However, I believe that the proposed rulemaking fails to further those objectives and could result in additional costs. My reasons for this statement are as follows:

- Under the current system of rules, mandatory rotation of audit personnel is a requirement. This ensures that the audit professionals maintain independence from the client and employ the appropriate level of professional skepticism.
- A key assumption in requiring mandatory rotation of audit firms is that it is not occurring naturally. However, based on my personal experience, and as can be seen from the number of Form 8-K's filed noticing changes each year, rotation of audit firms occurs frequently. Further, the concept release does not contemplate circumstances where the audit committee issues a request for proposals, but subsequently decides to retain the current audit firm. Nor does it consider when audit committees request a change in personnel relating to concerns about skills or relevant experience. My experience suggests that audit committees are actively managing the audit relationship as required by Sarbanes-Oxley and listing regulations.

- By forcing audit firm rotation, the presumption is that the same level of expertise exists at each audit firm, and that is simply not the case. The energy industry, for example, is host to a number of complex accounting and audit issues. Among the largest audit firms, there is not necessarily the same number of resources with the appropriate level of experience and expertise. This issue is exacerbated when considering geographic needs.
- Mandatory rotation would result in the reassignment of audit personnel to different clients on a more frequent basis. Since energy companies are typically concentrated in certain geographical areas, this would naturally necessitate the relocation and redeployment of audit personnel. I believe this would result in an increase in attrition at the audit firms that, in turn, would have an adverse effect on audit quality.
- The oversight of the firm auditing New Jersey Resources is the responsibility of the Audit Committee. The Audit Committee, through its charter, is responsible for ensuring the independence and performance of our independent auditors. The proposed rulemaking appears to strip the Audit Committee of that responsibility.
- The proposed rulemaking will increase the costs associated with audits. The selection of a new audit firm is a time consuming process for both the client company and the audit firms themselves. Additionally, newly selected audit firms will need to spend additional hours becoming familiar with well-established and previously audited accounting practices without the benefit of institutional knowledge. To maintain the same level of profitability, audit firms will presumably need to incorporate these costs into their fee structures.

The PCAOB has instituted many changes over the years that have improved auditor independence and improved the quality of audits. However, I believe that the selection of the audit firm should be left to the audit committee. It is the audit committee member's independence and financial expertise that should be relied upon to determine when and if an audit firm rotation is necessary.

Sincerely,



J. Terry Strange
Audit Committee Chairperson