



# PENGROWTH

PENGROWTH ENERGY CORPORATION  
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April 3rd, 2012

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street  
Washington, D.C.  
2006-2803

Re: PCAOB Rulemaking Docket Matter No 37

Dear PCAOB Board Members,

I am writing to you as Chief Financial Officer of Pengrowth Energy Corporation, a dual listed Canadian company, a foreign private issuer and a Form 40-F filer. In response to your request for comments on the Concept Release on Auditor Independence and Audit Firm Rotation, we agree with the PCAOB that auditor independence is a key element in protecting the interests of any company's stakeholders but disagree that mandatory audit firm rotation will enhance auditor independence. Mandatory audit firm rotation does not assure improved auditor independence and raises the risk of several unintended negative impacts. As such, we do not support mandatory audit firm rotation rules because we believe the costs and risks of mandatory audit firm rotation outweigh the assumed benefits.

Independent audit committees have the primary responsibility for selecting and recommending, subject to shareholder approval, the engagement of external auditors. The independent audit committee, through overseeing the outside auditor also reviews the performance and assesses the independence of the external auditors. In passing Sarbanes-Oxley, Congress clearly recognized the audit committee brings a unique and informed perspective to consideration of which firm is best positioned to serve as a company's outside auditor. Our audit committee fully embraces these responsibilities and expends considerable effort each year assessing whether the outside audit firm is providing high-quality audits. Pengrowth's audit committee considers the outside auditors' independence, technical expertise, knowledge of our industry and operating practices in the markets in which we operate, experience with complex transactions and their service levels, among other factors.

Imposing a mandatory rotation requirement would inevitably interfere with the audit committee's responsibility for assessing the effectiveness of the auditor and choosing whether to retain the auditor based on this assessment. That key responsibility would be subordinate to a mandate to choose a new firm, even when that firm, in the judgment of the audit committee, may not be as well positioned or as qualified as the current auditor to serve the Company and its investors. Audit committees would also

have to focus additional resources on assessing the tradeoffs of transitional abilities of an audit firm in addition to other qualifications.

Knowledge and experience are critical components of a quality audit. An effective audit firm brings a level of technical expertise and knowledge of the industry to an audit. However, an auditor can achieve a profound understanding of a company only through active engagement over an extended period of time. The cumulative value of this institutional knowledge should not be underestimated. Attaining this deeper understanding of the company, its philosophy, policies, standards, goals, processes, systems and culture is critical to audit effectiveness and takes many years to achieve. If an entirely new firm had to be retained on a fixed rotation schedule, the ability of the external auditors to observe changes in control environments, philosophy and the mindset of management is interrupted. Replacing the institutional knowledge of our audit firm may not serve the interests of our investors and indeed could reduce the quality of the audit. We believe the rotating of the engagement partner from the audit firm already achieves the balance of ensuring independence, retaining institutional knowledge and expertise while also adding a fresh perspective to promote high quality audits

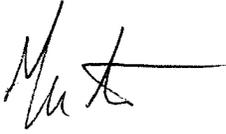
Mandatory rotation would impose significant new costs. Each rotation would require the commitment of substantial financial and human resources to efficiently transfer auditing responsibilities to a new firm and to familiarize the new firm with the company's business practices and policies. Key resources would need to be diverted from core operations to building a working relationship with the new audit firm, only to repeat the pattern in a few years. In addition, the possibility would exist for an audit firm to bid for a new client on a cost basis that is not sufficient to perform the audit. The audit committee would not necessarily have sufficient information to assess whether the lower cost bid is in the best interest of investors.

Sarbanes-Oxley prohibits a company's auditor from providing certain "non-audit services." Like many companies, we engage the Big Four and other accounting firms, other than our auditor, to provide certain of these non-audit services. Forced firm rotation could significantly impact timing, delivery and success of the other key initiatives and at a minimum, require that we manage these projects to specified rotation timelines. Mandatory firm rotation requirement could lead to a situation where two firms are essentially set aside to provide audit services – the current auditor and an alternative firm that satisfies expertise and geographic requirements and that is not precluded due to independence concerns. If this were the case, the result would not be a competitive process, but rather a situation in which the Company would be required to switch back and forth between these two firms on a periodic basis.

We are of the view that the independent audit committee is in the best position to make the decision as to if or when a change in the external audit firm is in the best interests of investors and stakeholders. We also believe our current practice of asking for annual shareowner ratification of the audit committee's recommendation appointing the external audit firm provides a mechanism for our shareowner's to voice their support or disapproval of the recommendation.

Thank you for your consideration and opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris Webster', with a long horizontal stroke extending to the right.

Chris Webster  
Chief Financial Officer  
Pengrowth Energy Corporation