FirstEnergy
Harvey L. Wagner
Vice President, Controller
And Chief Accounting Officer

March 31, 2008

Ms. Nancy M. Morris
Federal Management Committee Management Officer
Securities and Exchange Commission
100 F Street
Washington, D.C. 20549-1090

File Reference No: 265-24

Dear Ms. Morris:

FirstEnergy Corp. appreciates the opportunity to share our thoughts on the *Progress Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission.* FirstEnergy is a diversified energy company with $32 billion of assets and nearly $13 billion in annual revenues. Our electric utility operating companies comprise the nation's fifth largest investor-owned electric system, serving 4.5 million customers within 36,100 square miles of Ohio, Pennsylvania and New Jersey; our generation subsidiaries control more than 14,000 megawatts of capacity.

We applaud the Advisory Committee's work and recognize its value in furthering the objective of improving financial reporting. As one of the largest United States investor-owned utilities, we support the Advisory Committee's recommendation to focus on the pre-eminent needs of investors. It is with this view that we have framed our thoughts on several of the recommendations outlined in the Progress Report.

We agree that the financial reporting system in the United States is unnecessarily complex due to many factors, including increasingly complicated business activities, the nature and volume of accounting standards, the limited ability to exercise professional judgment and the securities law issues surrounding information delivery. Accordingly, we support the Advisory Committee's goal of eliminating avoidable complexity in financial reporting.

The Progress Report states that there are a vast number of formal and informal accounting standards, part of which is due to the existence of industry-specific Committee's recommendations is that Generally Accepted Accounting Principles (GAAP) be based on business activities, not on industries, and that industry-specific guidance should be removed.

The Progress Report attributes the accumulating mass of industry-specific guidance on the following factors:

1. Existence of multiple standard-setters;

2. Desire for uniformity in an industry;

3. “Special” transactions or investor needs, and

4. In some cases, industry developed practices created due to the lack of applicable authoritative guidance.

We agree that it is inefficient and counterproductive for several bodies to independently work toward a single authoritative standard and, therefore, concur with the Advisory Committee’s recommendation to address the existence of multiple standard-setters. However, we do not agree that “special” transactions and an industry’s desire for uniformity are contributing factors to the accumulation of industry-specific guidance. Rather, we believe that the primary factor contributing to the accumulation of industry-specific guidance stems from the lack of specific or applicable authoritative guidance in a rule-based environment that does not allow for principles-based, business-objective, professional judgment. In the case where an industry has developed its own standard, they have generally done so to compensate for inadequate or incomplete guidance in today’s rule-based environment. If all members of an industry were applying the same interpretive guidance, using the appropriate professional judgment and adequate standards in a principles-based environment, the accounting treatment of a given transaction should be uniform in the absence of industry-specific guidance.

As we stated above, we support the Advisory Committee’s goal to eliminate avoidable complexity in financial reporting, but are concerned that guidance the Advisory Committee defines as “industry-specific guidance” will be eliminated before adopting a principles-based framework that sufficiently allows for the interpretation of transactions based on their business purpose. For example, the Progress Report identifies SFAS 71 as industry-specific guidance. SFAS 71 specifically provides the accounting rules for recording transactions under which a regulator must approve the rates charged to customers where this approval process can take years to finalize. In today’s rule-based environment, SFAS 71 is the only guidance available to properly reflect the economics of a business subject to rate regulation. For example, SFAS 71 is similar to SFAS 109, which is not industry-specific, in that they both provide guidance regarding the accounting for the economic effects of actions by governmental agencies and/or regulators. Absent the guidance in SFAS 71, we believe we would reach similar conclusions if given the ability to apply GAAP under a principles-based framework.

The Advisory Committee further points to industry-specific guidance and the volumes of literature it produces as a factor that inhibits the widespread use of XBRL. We support the use of XBRL and do not object to the Advisory Committee’s recommendation to eventually mandate XBRL-tagged financial statements; as long as a proper transition and test periods are provided. However, we believe that XBRL should be a tool used to efficiently report GAAP financial information; it should not prescribe which standards are included in GAAP.

We agree with the Advisory Committee’s recommendation to enhance investor representation in the standard-setting process by adding investors to the Financial Accounting Foundation, as well as the FASB and its Staff. We believe that experienced investors will bring practical insight and assistance to the standard-setters in identifying and incorporating information into new standards that add value to users of financial statements.

We support the Advisory Committee’s recommendation to create a formal FASB Agenda Advisory Committee in an effort to improve the timeliness of the standard-setting process. We believe the FASB Agenda Advisory Committee will be a valuable resource for all parties involved in the financial reporting process, as well as users of financial information. In addition, refining the procedures for issuing new standards will help promote and simplify preparers’ and investors’ participation in the standard-setting process. We further encourage the FASB Agenda

Advisory Committee to be accessible to financial statement preparers and users, allowing those parties to request projects without distracting or influencing the FASB Staff or Board.

We agree with the Advisory Committee's recommendation to reduce the number of parties that formally or informally interpret GAAP and provide the volumes of interpretive implementation guidance. We further believe that the FASB should be deemed the sole GAAP standard-setter. We believe having a sole GAAP standard-setter who must formally approve other parties' proposed guidance will eliminate inconsistent and differing interpretations. We further support post-adoption review of standards as it will give the FASB the ability to analyze interpretation issues and broadly address them in a single piece of authoritative interpretive guidance.

We fully support the Advisory Committee's recommendation that the FASB or SEC should issue guidance regarding the evaluation of materiality and correction of errors. We believe that SAB 99 and SAB 108 are lacking in terms of comprehensive guidance related to the evaluation, materiality and correction of an error. Further clarifying guidance in these three areas will eliminate unnecessary restatements. In connection with this recommendation, we suggest that the Advisory Committee also consider the relationship between the identification and correction of an error with the control issues under the Sarbanes-Oxley Act.

As stated in the Progress Report, professional judgment is not new to the areas of accounting, auditing or securities regulation. Judgments are required in all aspects of accounting. We support the Advisory Committee's recommendation to have the SEC adopt a framework for accounting judgments. The adoption of a framework would address the following issues that have arisen over time:

1. Investors' lack of confidence in the use of judgment;

2. Preparers' and auditors' concerns regarding whether reasonable judgments are respected;

3. Lack of agreement in principle on criteria for evaluating judgments; and

4. Concern over increased use of "principles-based" standards.

A judgment framework will give all parties involved in preparing, evaluating and using financial statements a sound basis for evaluating the judgments necessary in the preparation of financial statements. It is imperative that investors and analysts rely on the judgments of a company's management. We agree that careful consideration should be given when implementing the framework to ensure it does not limit the ability of auditors and regulators to ask appropriate questions regarding judgments and take actions to require correction of unreasonable judgments. The evaluation of materiality must be based on the perspective of a reasonable investor, and the use of qualitative factors is as important as quantitative factors in this evaluation. The judgment framework, along with increased education in the area of materiality, will allow management and their auditors to better evaluate the necessity of restatements related to the correction of errors.

Improved corporate website use, involving drill-down company information, enhances the timeliness of information available to investors and analysts. We support the increased use of corporate websites for disclosure of corporate information. However, we hesitate to promote the Advisory Committee's recommendation that the SEC provide new or additional interpretive guidance regarding the use of corporate websites. The corporate website gives companies a forum to express their individual corporate cultures and communicate information in the manner they deem most appropriate. It will be difficult for industry participants to agree on best practices in the complex area of corporate website usage, which could lead to additional regulations. In addition, much of the information provided to investors on corporate websites is non-financial. It will be difficult for companies to display this information in a consistent format to allow for comparability between companies, while keeping the information easy to understand. We do, however, support the issuance of a new SEC comprehensive interpretive release regarding the information provided on a company's website, to the extent that it improves consistency and clarity without limiting companies' ability to company-specific tone and unique information. An interpretive release that becomes too prescriptive may hinder the development of corporate websites as a medium for communicating information in a way most meaningful to all of a company's stakeholders.

In conclusion, we applaud the work of the Advisory Committee to implement improvements in the financial reporting process. As expressed above, we support the majority of the ongoing work that is outlined in the Progress Report. Nevertheless, we encourage the Advisory Committee to re-evaluate their recommendation to prematurely eliminate industry-specific guidance, particularly without first ensuring that accounting standards under GAAP have evolved to a principles-based framework from the current rules-based environment.

FirstEnergy looks forward to continued participation in this important project. We believe the end result will provide a model that improves financial reporting by offering useful and understandable information to investors and other financial statement users.

Sincerely,

clr