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October 15, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Email: rule-comments@sec.gov

Re: Notice of Solicitation of Public Comment on Consideration of Incorporating IFRS into the Financial Reporting System for U.S. Issuers Release Nos. 33-9134; 34-62700; File No. 4-608

Dear Ms. Murphy:

FirstEnergy Corp. appreciates the opportunity to respond to the Securities and Exchange Commission's "*Notice of Solicitation of Public Comment on Consideration of Incorporating IFRS into the Financial Reporting System for U.S. Issuers.*"

FirstEnergy is a diversified energy company with approximately $34 billion of assets, $13 billion in annual revenues and $12 billion in market capitalization. Our subsidiaries and affiliates are involved in the generation, transmission, and distribution of electricity, as well as energy management and other energy-related services. Our seven 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 support the Commission's view that a single set of high-quality global accounting standards is an important means of enhancing the ability to compare financial information of U.S. companies with those of non-U.S. companies. An imperative to achieving that end state is universal application of International Financial Reporting Standards (IFRS) among the major international economies, without local variants in principles. If that is not possible, IFRS should not be pursued by the Commission. In that case, current Financial Accounting Standards Board (FASB) / International Accounting Standards Board (IASB) convergence activities should continue indefinitely. The transition to IFRS from generally accepted accounting principles used in the United States (U.S. GAAP) by U.S. companies will be a significant effort, specifically in terms of time and resources. It is critical that this transition be undertaken in the most efficient and cost-effective manner, particularly considering current economic conditions.

We are concerned with the ambiguity surrounding the Commission's decision to adopt IFRS. For example, the Commission has been silent as to whether there will there be a strict "go/no-go" decision in 2011 regarding mandatory adoption of IFRS, or if mandatory adoption will be delayed. Transparency around the Commission's planning is absolutely critical. Companies need timely and frequent communications from the Commission in order to manage their IFRS preparations and to adequately assess how much time, effort and money should be allocated for those preparations. The Commission's proposed 2011 decision point does not provide sufficient early notice of the transition to IFRS. Mandatory adoption of IFRS by 2015 means that U.S. issuers will need to begin reporting under IFRS in early 2013. In order to meet this deadline, U.S. issuers must start planning their transition to IFRS now. Absent a clear decision from the Commission, there is the risk that companies could spend a significant amount of time and money to adequately prepare for the adoption only to have the Commission ultimately decide not to mandate the use of IFRS. Alternatively, it is possible, if not likely, that U.S. issuers will wait too long to begin implementation since many companies may not make an investment prior to a final decision by the Commission and will therefore face major time and resource constraints if the mandatory adoption of IFRS in 2015 is required. Therefore, we recommend that the Commission provide a clear decision on whether reporting under IFRS will be mandated for U.S. issuers and provide a clear timeline for its implementation, if applicable.

As a diversified energy company involved in the generation, transmission, and distribution of electricity, we are particularly concerned that IFRS does not appropriately address utility regulatory accounting. The majority of rate regulation in the U.S. is based on a "cost-of-service" model. Under this model, a utility's rates are established based on the costs to provide service to its customers. This type of environment produces scenarios where actions by a regulator result in a future economic benefit or obligation for the utility. We believe that recorded regulatory assets and liabilities represent the economic substance of transactions for companies operating in regulatory environments with cost-based rates. Typically, in this type of environment, there is a direct link between costs and revenues provided by established rates. The use of regulatory accounting to facilitate the refunding of excess recoveries to, or recovery of prior period costs from, customers represents the true economic substance of a company's position if it operates in this type of regulatory environment.

The recognition of regulatory assets and liabilities also plays a key role in the evaluation, by financial statement users (e.g., investors, regulators), of a company operating under cost-based rate regulation. The impact of regulatory assets and liabilities on a regulated company's equity structure is significant, including the ability to pay dividends and obtain financing for capital requirements.

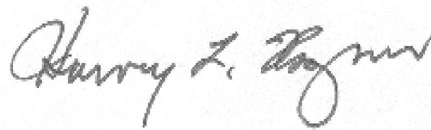
While we acknowledge an objective of the IASB is to eliminate or minimize industry specific guidance, the FASB and the Commission have determined that the recognition of regulatory assets and liabilities is appropriate under U.S. GAAP. Migrating to IFRS does not change the underlying economics of a utility's business, as the basic business model remains the same. If a company is required to derecognize its regulatory assets and liabilities, it could have a significant detrimental impact on its capital structure and its ability to declare dividends. Further, it will be necessary for users of these financial statements to utilize non-IFRS measures in order to properly evaluate their true financial position on an on-going basis.

Finally, there is no indication that the Commission is willing to consider the impact of other regulators in its decision making process. The electric utility industry is one of many that are regulated on a state and federal basis; those agencies require audited financial statements prepared on a U.S. GAAP basis. This should be taken into consideration when the Commission ultimately decides to require the use of IFRS. If regulated businesses must continue to issue financial statements based on U.S. GAAP, dual accounting will be required indefinitely. This would be a very costly endeavor for those companies in terms of financial statement preparation, audit fees, and other considerations.

We support the Commission's continuing effort to evaluate whether or not U.S. companies should transition from U.S. GAAP to IFRS. We agree with many of the Commission's tentative conclusions, but caution the Commission to consider the concerns expressed above. Please refer to the Appendix for a detailed discussion of certain questions posed by the Commission.

FirstEnergy Corp. looks forward to continued participation in this important project and appreciates the opportunity to present our views.

Sincerely,



Contractual Arrangements

Question #1: To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers be likely to affect the application, interpretation, or enforcement of contractual commercial arrangements such as financing agreements, trust indentures, executive employment agreements, stock incentive plans, leases, franchise agreements, royalty agreements, and preferred stock designations?

Response: Many contractual arrangements are linked to financial statements, therefore, the incorporation of IFRS into the financial reporting system will significantly impact the application, interpretation, and enforcement of these arrangements as they include requirements based in U.S. GAAP.

U.S. GAAP often appears in defined terms or is alluded to in contractual arrangements. For example, certain financial covenants require financial statements be prepared under U.S. GAAP and provide for the computation of financial metrics such as the debt to capitalization ratio and the fixed charge coverage ratio by reference to U.S. GAAP. Similarly, certain senior note indentures include general restrictions on the encumbrance of assets that provide for exemptions up to a certain percentage of net tangible assets or total capitalization, which are terms currently computed based on U.S. GAAP. There are also provisions relating to the valuation of assets and the limitations on loan to value ratios that are similarly tied to U.S. GAAP. The changes in recognition and measurement requirements resulting from the adoption of IFRS, in addition to the impact of significant first-time adoption adjustments to retained earnings, could result in disagreements when interpreting these provisions and/or non-compliance with existing financial requirements.

Executive employment agreements and compensation plans such as bonus and incentive plans are also tied to U.S. GAAP and may impact the accounting for payroll, bonuses, stock-based compensation and other compensation provisions to the extent that differences between U.S. GAAP and IFRS exist. These differences will impact earnings and in many cases will result in increased volatility in net income, thereby affecting the financial performance measures used by many companies to determine incentive compensation (e.g., earnings per share, total shareholder return, other metrics). These differences may prompt companies to revise compensation arrangements, which under certain circumstances could require shareholder approval.

Companies, with the assistance of counsel, will need to perform an extensive review of all contractual arrangements in order to ensure that these types of issues are adequately identified and addressed. Companies will have to discuss these issues with the relevant users of financial statements and other stakeholders well in advance of the adoption of IFRS to determine if contractual arrangements need to be amended or renegotiated. While some contractual arrangements may contain a provision in their definition of U.S. GAAP that may automatically substitute IFRS for U.S. GAAP upon adoption, the majority presumably do not. In these cases, third parties may be unwilling to revise these arrangements (or willing to do so only for a costly incremental benefit), forcing companies to maintain multiple accounting systems. In any case, companies will incur significant cost to assess and manage the impact of IFRS on contractual arrangements, in addition to the other costs associated with implementing IFRS, at a time when cost containment is a priority. We recommend that the Commission provide companies with a clear decision on whether reporting under IFRS will be mandated for U.S. issuers and provide a clear timeline for implementation so that companies can properly plan for and address these issues.

Question #2: What types of contractual commercial arrangements aside from those specifically identified in the previous question would likely be affected by the incorporation of IFRS into the financial reporting system for U.S. issuers, and in what ways?

Response: Other contractual commercial arrangements that may be affected by incorporating IFRS into the financial reporting system for U.S. issuers may include financial instruments. For example, hedging contracts with counter-parties such as interest rate swaps, cash flow and foreign exchange hedges may be interpreted differently under IFRS than under U.S. GAAP.

Additionally, as stated earlier, we are concerned that IFRS does not appropriately address utility regulatory accounting. If utility companies are required to set rates using IFRS as opposed to U.S. GAAP, the ratemaking process could be adversely impacted and recovery of costs could become problematic. Migrating to IFRS does not change the underlying economics of a utility's business, as the basic business model remains the same.

Question #3: With respect to existing contractual commercial arrangements, would the incorporation of IFRS into the financial reporting system for U.S. issuers be treated differently as compared to how a change in an existing financial reporting standard under U.S. GAAP would be treated today?

Response: For those agreements that do reference U.S. GAAP, it is possible to conceive, in theory, an "official" adoption of IFRS that would garner the same treatment as a change in an existing standard under U.S. GAAP; however, we do not believe this could be achieved in practice as it constitutes a major change in the basis of accounting and would impact the financial statements of U.S. issuers on many different levels. In addition, many contractual arrangements reference U.S. GAAP as in effect at the time of entry, making that argument moot.

Question #4: To the extent that incorporating IFRS into the financial reporting system for U.S. issuers would affect the application, interpretation, or enforcement of contractual commercial arrangements, how would parties to such arrangements most likely address such effects (e.g., by modifying the contract, or adopting multiple accounting systems)?

Response: Depending on the respective terms of the contractual commercial arrangement as well as its materiality to the financial position of a company, contract re-negotiation may be a preferred option to ensuring that companies remain in compliance with their obligations under contract.

To the extent financing arrangements are with a discreet number of counterparties (i.e., bank credit facilities or privately placed debt), provisions that require a reference to U.S. GAAP could conceivably be amended by agreement of the parties to provide the flexibility to instead use IFRS upon final convergence, although most likely for a cost or fee. Lenders may also try to use this process as an opportunity to renegotiate other terms of a credit facility or similar financing arrangement, which could be economically disadvantageous to companies. For debt instruments that are widely held and traded, attempting to amend or refinance such arrangements would likely involve some combination of refunding, negotiation/consent solicitations and/or tender offers, all of which could prove costly and time consuming and, depending upon market conditions, otherwise economically disadvantageous.

Another potential avenue short of renegotiating involves submitting U.S. GAAP information based on making certain reconciling adjustments to financial records that were prepared in accordance with IFRS. Alternatively, companies may consider the use of dual accounting reporting systems under IFRS and U.S. GAAP until the expiration of the existing contractual arrangements. The costs of maintaining such dual accounting reporting systems would certainly be burdensome.

A careful and thorough study of all contractual arrangements will need to be undertaken to determine which, if any, will need to be modified or otherwise addressed to permit a seamless implementation of IFRS and avoid any possible noncompliance.

Question #5: To what extent would any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of contractual commercial arrangements likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonably mitigate the effects? Are there any other means by which such effects can be mitigated or avoided?

Response: A reasonable transition or phase-in period could: (i) mitigate the costs involved in transitioning to IFRS; (ii) give U.S. issuers more time to negotiate revised terms (if necessary) with counterparties for those contractual arrangements that would be impacted by a change to IFRS; and (iii) permit U.S. issuers to reevaluate the financial statement impact of, and possibly terminate, those contractual arrangements that may thereafter become economically disadvantageous because of a change from U.S. GAAP to IFRS. As stated earlier, we recommend that the Commission provide a clear decision as to whether reporting under IFRS will be mandated for U.S. issuers and a clear timeline for its implementation, if applicable.

Corporate Governance; Stock Exchange Listing Requirements

Question #1: To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers likely affect compliance with corporate governance and related disclosure requirements applicable to U. S. issuers, such as stock exchange listing requirements relating to the composition and function of audit committees of the boards of directors and disclosure requirements regarding audit committee financial experts?

Response: The commentary to New York Stock Exchange (NYSE) listed company rule 303A.07 states that each member of the audit committee of a listed company must (i) be financially literate, as such qualification is interpreted by the listed company's board in its business judgment, or (ii) become financially literate within a reasonable period of time after his or her appointment to the audit committee. Furthermore, at least one member of the audit committee must have accounting or related financial management expertise, as the listed company's board interprets such qualification in its business judgment. However, the NYSE listed company rules do not require that a listed company's audit committee include a person who satisfies the definition of an “audit committee financial expert” set out in Item 407(d)(5)(ii) of Regulation S-K (as discussed further below) and a board may presume that such a person has accounting or related financial management expertise.

The NYSE listed company rules do not expressly require that the audit committee members of a NYSE listed company be specifically literate in U.S. GAAP; rather, the financial literacy qualifications are left to the business judgment of the board of directors of the NYSE listed company. In practical terms, the boards of directors of NYSE listed companies, in their determination of the eligibility of a particular candidate for audit committee service, base such evaluation on a person’s financial literacy qualification in the context of U.S. GAAP. Arguably, audit committee members who are financially literate in U.S. GAAP may be deemed, in the business judgment of the board of directors, to be also financially literate in IFRS, since there are similarities between the two accounting systems. If the audit committee members are deemed not to be financially literate at the time of their appointment to serve on the audit committee of an NYSE listed company, they are required to attain such financial literacy within a “reasonable time” after such appointment. Audit committee members’ ability to continue to serve on the audit committee if “grandfathering” from U.S. GAAP to IFRS is not prescribed would require that the NYSE change the rules to provide for a reasonable period of time (similar to what the NYSE rules currently provide for new audit committee members) to become financially literate in IFRS.

Under item 407(d)(5)(i) of Regulation S-K, the board of directors of a registrant must disclose whether the registrant has an "audit committee financial expert" serving on its audit committee. A registrant that does not have an "audit committee financial expert" serving on its audit committee is required, pursuant to item 407(d)(5)(i)(C) of Regulation S-K, to disclose in its periodic filings filed with the Commission the reasons for not having such an expert. Item 407(d)(5)(ii) of Regulation S-K defines an "audit committee financial expert" to mean a person who has the following attributes: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant' s financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal control over financial reporting; and (v) an understanding of audit committee functions.

Although it is not entirely clear for purposes of SEC disclosure rules whether the term "generally accepted accounting principles" only means U.S. GAAP, it may be appropriate to read it as such since U.S. GAAP is the required body of accounting standards used by registrants to prepare financial statements for submission to the Commission. In order to adopt IFRS, the SEC would likely have to amend the definition of "generally accepted accounting principles" to include IFRS and, if the adoption of IFRS is mandatory for all registrants, the definition of "audit committee financial expert" would need to be revised accordingly. In that case, such qualifying persons would be required to have an understanding of IFRS. To the extent that IFRS differs from U.S. GAAP and the registrant's "audit committee financial expert" is currently unfamiliar with all of the differences between the two, incorporating IFRS into the financial reporting system for U.S. issuers would likely affect such U.S. issuer's compliance with SEC disclosure requirements regarding "audit committee financial experts."

Question #2: To what extent would current members of the Company's board of directors likely have the education or experience needed to meet the requirements of the definition of "audit committee financial expert" or the stock exchange listing requirements related to accounting or financial management expertise following the incorporation of IFRS into the financial reporting system for U.S. issuers? Would there be adverse effects (e.g. how would Institutional Shareholder Services ("ISS") react?) if the Company was required to disclose that it does not have any current audit committee financial experts while its audit committee members are in the process of obtaining the necessary expertise?

Response: As discussed above, NYSE listed company rules and SEC disclosure rules on financial competence only apply to audit committee members and not all members of a company's board of directors. However, the NYSE listed company rules are less stringent in comparison to SEC disclosure rules regarding the financial literacy of audit committee members.

For the reasons stated in the response to Question #1 above, incorporating IFRS into the financial reporting system should not likely affect the qualifications of the current members of audit committees for purposes of NYSE listed company rules because the test for financial literacy does not directly tie to each audit committee member's knowledge of IFRS in determining each audit committee member's ability to serve on an audit committee.

Furthermore, incorporating IFRS into the financial reporting system should not likely affect the qualifications of "audit committee financial experts" to the extent that they are financially literate in IFRS and already meet the other requirements of item 407(d)(5)(ii) of Regulation S-K. However, in the event that differences between IFRS and U.S. GAAP make it unlikely that "audit committee financial experts" will be able to meet the qualifications, companies will need to consider additional

training options to assist in the understanding of IFRS or appointing others more familiar with IFRS to audit committees and subsequently designating them as "audit committee financial experts."
It is our understanding that ISS does not currently change the governance risk concern level for an issuer listed solely in the U.S. if such issuer discloses that it does not have an "audit committee financial expert." However, if shareholders have made a proposal to the issuer regarding the rotation of the existing audit firm, we understand that ISS takes into account the number of financial experts serving on the issuer's audit committee for purposes of making its shareholder voting recommendation.

Question #3: To the extent that incorporating IFRS into the financial reporting system for U.S. issuers would adversely affect board members' ability to meet the requirements or result in disclosure that the issuer does not have an audit committee financial expert, how would the Company and the individual directors most likely address such effects (e.g. by additional training)?

Response: As was discussed in the response to Question # 2 above, if IFRS is adopted and companies are adversely affected because their "audit committee financial experts" no longer meet the qualifications, then one remedial option would be to provide additional training to assist "audit committee financial experts" in understanding IFRS. Providing IFRS training to audit committee members (as well as management because of its responsibility in preparing the financial statements) may be one important way to minimize any adverse effect on companies. This need for possible training underscores the need for a phase-in period.

Question #4: To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers likely affect the Company's ability to comply with quantitative securities exchange listing standards?

Response: NYSE listed company rule 102.01C states that a U.S. issuer must generally meet at least one of the following classes of quantitative tests as part of the minimum requirements to be a NYSE listed company, namely: (i) an earnings test; (b) a valuation/revenue test; (iii) an affiliated company test; or (iv) an assets and equity test. For example, the assets and equity test generally requires the listed company to have at least $150 million in global market capitalization and at least $75 million in total assets with at least $50 million in stockholders' equity.

The adoption of IFRS will result in different earnings, revenues, assets and equity than those currently reported by companies under U.S. GAAP -- thereby increasing risk of noncompliance with quantitative securities exchange listing standards.

Question #5: To what extent would any potential adverse effects of incorporating IFRS into the U.S. financial reporting system on issuers' compliance with corporate governance and related disclosure requirements likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period (e.g., 18-24 months) would be necessary to reasonably mitigate the adverse effects? Are there any other means by which such effects can be mitigated or avoided?

Response: A transition or phase-in period could mitigate some potential adverse effects of incorporating IFRS into the U.S. financial reporting system and be beneficial to companies because it would, among other reasons: (i) not be as costly; (ii) give companies more time to train management and audit committee members (if necessary) to understand IFRS; (iii) give companies time to determine if any technical revisions need to be made to their existing accounting systems; and (iv) give companies more time to amend their audit committee charters to comply with any different requirements imposed by the incorporation of IFRS. As stated earlier, we recommend that the

Commission provide a clear decision on whether reporting under IFRS will be required for U.S. issuers and provide a clear timeline for its implementation, if applicable.

Question #6: Are there any corporate governance and related disclosure requirements other than those identified above that would be affected by incorporating IFRS into the financial reporting system for U.S. issuers?

Response: Disclosures on Internal Control over Financial Reporting: Under item 9A of Form 10-K and item 4 of Form 10-Q, a registrant must disclose any changes in internal control over financial reporting in its periodic SEC filings. A change from U.S. GAAP to IFRS would prompt changes in internal control over financial reporting and would have to be disclosed by management in its SEC filings. Additionally, implementing changes in internal control resulting from the adoption of IFRS will be another costly change for companies to absorb in connection with implementation.

Executive Compensation: Under item 11 of Form 10-K, extensive information is required to be disclosed concerning executive compensation, which may include information as to how certain share-based payments are accounted for by companies in light of substantial differences between IFRS and U.S. GAAP on accounting for stock based compensation.

Off-Balance Sheet Financing: Under item 303 of Regulation S-K relating to management's discussion and analysis of hedging transactions under item 11 of Form 10-K, extensive information is required to be disclosed concerning hedging activities, potentially including information as to how such hedging and related financial instruments are accounted for by companies in light of substantial differences between IFRS and U.S. GAAP.

Statutory Distribution Restrictions and Other Legal Standards Tied to Financial Reporting Standards

Question #1: To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S issuers likely affect the application of limits in the state statutes on the ability of issuers to make distributions to holders of equity securities, either through dividends or similar distributions in respect of those securities, or to repurchase such securities?

Response: Some state laws provide that directors may only declare dividends and distributions on outstanding shares or repurchase stock if the company meets certain requirements based on U.S. GAAP. To the extent companies are not able to meet these requirements as a result of the adoption of IFRS, companies may no longer have the ability to declare and pay dividends or repurchase stock, which could affect investors' expectations. This is especially important with respect to expectations of the investment community.

Question #2: To what extent would any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of the state statutes governing distributions to equity security holders be avoided or minimized by state law permitting the board of directors to rely on reasonable valuation methods, rather than on financial statements, in determining whether a distribution is permissible (e.g., when transitioning to IFRS, if the value of an asset is determined to be lower using IFRS than it would be using the current standard in U.S. GAAP, would the board be able to make a determination that the value of the asset is higher than as calculated under IFRS)?

Response: It may be possible, but not recommended, for directors to rely on "reasonable valuation methods" rather than on financial statements. The use of a qualitative, as opposed to a strict quantitative, standard in this regard could subject the directors to a claim that the amount of dividends they authorized and paid violated their fiduciary duties.

Question #3: To what extent would any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of statutory limits on distributions to equity security holders likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonably mitigate the effects (e.g., 18 - 24 months)? Are there any other means by which such effects can be mitigated or avoided?

Response: A transition or phase-in period would provide time for state legislatures to amend state laws to incorporate the provisions of IFRS as deemed necessary. As stated earlier, we recommend that the Commission provide a clear decision on whether reporting under IFRS will be required for U.S. issuers and provide a clear timeline for its implementation, if applicable.

Question #4: Are there any other state statutes the application of which is likely to be affected by incorporating IFRS into the financial reporting system for U.S. issuers? To what extent and in what ways, and why?

Response: Some state laws prescribe the financial information companies are required to provide annually to shareholders. Companies may to be required to maintain two sets of financial records to the extent that state statutes require companies to provide financial information prepared in accordance with U.S. GAAP and the statues are not amended.