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October 22, 2010

Mr. Russell G. Golden  
Director of Technical Application  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

Re: File Reference Number 1820-100

Dear Mr. Golden:

FirstEnergy Corp. appreciates the opportunity to respond to the Financial Accounting Standards Board's (FASB) proposed Accounting Standards Update, *Revenue Recognition (Topic 605): Revenue from Contracts with Customers* (the proposed ASU).

FirstEnergy is a diversified energy company in the United States 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 efforts by the FASB and the International Accounting Standards Board (IASB) to develop a converged standard on revenue recognition guidance and to improve financial reporting through the development of a single source of accounting standards. However, we believe that the proposed ASU will have a significant adverse impact on energy companies and regulated utilities and, therefore, do not support the issuance of the proposed ASU as a final standard. We have limited our responses to specific provisions of the proposed ASU that are applicable to our operations.

Accounting Standards Codification (ASC) 980-605-25, Regulated Operations, currently includes the pre-codified guidance of Emerging Issues Task Force (EITF) Issue 92-7, *Accounting by Rate-Regulated Utilities for the Effects of Certain Alternative Revenue Programs*, which would be eliminated by the proposed ASU. EITF 92-7 provides entities with the ability to accrue revenue and record regulatory assets associated with undercollected revenue requirements pertaining to alternative revenue programs. We believe the provisions of EITF 92-7 continue to be relevant and that the recognition of a regulatory asset should continue based on a probable future revenue stream established by an order from the utility's regulatory commission. Therefore, we encourage the FASB to retain this guidance in the ASC.

## Responses to Questions on the Proposed ASU

*Question 1: Paragraphs 12–19 propose a principle (price interdependence) to help an entity determine whether to:*

- a) combine two or more contracts and account for them as a single contract;*
- b) segment a single contract and account for it as two or more contracts; and*
- c) account for a contract modification as a separate contract or as part of the original contract.*

*Do you agree with that principle? If not, what principle would you recommend, and why, for determining whether (a) to combine or segment contracts and (b) to account for a contract modification as a separate contract?*

We agree that accounting guidance regarding contract modifications is needed and that such guidance should reflect the economic substance of the contract. We believe guidance pertaining to executory contracts should address the areas of accounting for contract modifications involving cash payments, partial contract terminations, financial statement recognition/derecognition of contract modifications and symmetry in contract modification accounting by the buyer and seller. In addition, we believe that unless specifically identified as relating to a past event, the results of contract modifications should be accounted for prospectively since contract modifications represent an exchange of future economic positions and should not impact past transactions.

*Question 2: The Boards propose that an entity should identify the performance obligations to be accounted for separately on the basis of whether the promised good or service is distinct. Paragraph 23 proposes a principle for determining when a good or service is distinct. Do you agree with that principle? If not, what principle would you specify for identifying separate performance obligations and why?*

We agree an entity should identify the performance obligations to be accounted for separately on the basis of whether the promised good or service is distinct. However, we encourage the Boards to issue guidance clarifying the basis for evaluating bundled contracts. Bundled contracts may contain various elements that meet the criteria of a lease, derivative, or that have other accounting requirements within a single contract. Therefore, guidance indicating the order of application of relevant accounting standards should be addressed. For example, guidance could indicate that contracts should be evaluated by first applying revenue recognition guidance to identify contract elements that are distinct and deemed separate performance obligations and that the applicable generally accepted accounting principles be applied to the identified components.

*Question 5: Paragraph 43 proposes that the transaction price should reflect the customer's credit risk if its effects on the transaction price can be reasonably estimated. Do you agree that the customer's credit risk should affect how much revenue an entity recognizes when it satisfies a performance obligation rather than whether the entity recognizes revenue? If not, why?*

We do not agree with the credit risk model of the proposed ASU or that the guidance will be an improvement to financial reporting. Current guidance appropriately recognizes credit losses as a cost and allows for credit risk to be recognized in the financial statements as bad debt expense. We believe this approach is sufficient and appropriate to ensure financial statements provide information that is relevant to users.

In addition, prices that rate-regulated entities charge their customers are in the form of approved tariff rates and the rate-making process incorporates collectability from customers. Therefore, we believe that revenue presented in financial statements of rate-regulated entities should continue to reflect those authorized rates. We encourage the retention of existing generally accepted accounting principles pertaining to credit risk since the changes outlined within the proposed ASU will not simplify accounting or improve financial reporting.

*Question 9: Paragraph 58 proposes the costs that relate directly to a contract for the purposes of (a) recognizing an asset for resources that the entity would use to satisfy performance obligations in a contract and (b) any additional liability recognized for an onerous performance obligation.*

We do not agree with the proposed guidance pertaining to the recognition and measurement of onerous performance obligations due to added complexity and administrative requirements. The proposed guidance requirement to periodically assess performance obligations to determine if they have become onerous would require entities to remeasure performance obligations at each reporting period to reflect changes in commodity prices or changes in quantities to be transferred to the buyer to satisfy the performance obligation. The additional administrative and operational issues of implementing such provisions outweigh the benefits. We encourage the Boards to forgo the onerous performance obligation provisions as the proposed guidance will not simplify accounting or improve financial reporting.

*Question 11: The Boards propose that an entity should disclose the amount of its remaining performance obligations and the expected timing of their satisfaction for contracts with an original duration expected to exceed one year.*

We do not agree that entities should be required to disclose the amount of their remaining performance obligations and the expected timing of their satisfaction for contracts; the potential benefits to financial statement users do not outweigh the costs of preparing such information. In addition, judgment will be required to estimate revenues for each period and the timing of performance obligation satisfaction may also require judgment. It is inherent that actual amounts will differ from those disclosed and we are concerned that financial statement users may interpret such information to be the amount of future revenues guaranteed as opposed to current probability-weighted estimates for each period. Since we believe the information required to be disclosed may be confusing to financial statement users, we encourage the Boards to forgo these proposed disclosure requirements.

*Question 13: Do you agree that an entity should apply the proposed guidance retrospectively (that is, as if the entity had always applied the proposed guidance to all contracts in existence during any reporting periods presented)? If not, why?*

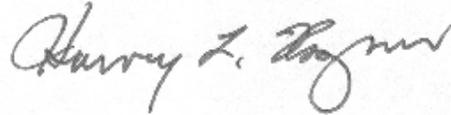
We do not agree that an entity should apply the proposed guidance retrospectively since the costs associated with such an implementation far outweigh the potential benefits. In addition, the impact of a cumulative adjustment would not improve financial reporting as such information may prove to be confusing to financial statement users. Therefore, we encourage the Board consider only prospective implementation.

Mr. Russell G. Golden

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We support the FASB and the IASB working jointly to establish accounting standards applicable to revenue recognition. We appreciate this opportunity to comment on the FASB's proposed Accounting Standards Update, *Revenue Recognition (Topic 605): Revenue from Contracts with Customers*. In light of the concerns expressed above, we believe that the FASB should not issue the proposed ASU as a final standard.

Sincerely,

A handwritten signature in black ink, appearing to read "Harvey L. Rogman". The signature is written in a cursive style and is centered below the word "Sincerely,".