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April 25, 2016

Ms. Susan Cosper
Technical Director
File Reference No. 2016-200
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update – Compensation–Retirement Benefits *(Topic 715)*
File Reference No. 2016-200

Dear Ms. Cosper:

FirstEnergy Corp. appreciates the opportunity to respond to the Proposed Accounting Standards Update, Compensation–Retirement Benefits *(Topic 715)*.

FirstEnergy is a diversified energy company in the United States with approximately $52 billion of assets, $15 billion in annual revenues, and $15 billion in market capitalization. Our subsidiaries are involved in the generation, transmission and distribution of electricity. Our ten utility operating companies and two transmission companies comprise one of the nation's largest investor-owned electric systems, serving six million customers in the Midwest and Mid-Atlantic regions. Our subsidiaries control nearly 17,000 megawatts of capacity from a diverse mix of non-emitting nuclear, scrubbed coal, natural gas, hydroelectric and other renewables.

We support the Financial Accounting Standards Board (FASB) in their objective to simplify and improve financial statement presentation; however, we have some concerns as discussed in our responses below.

Question 1: Should the service cost component be reported in the income statement apart from the other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 and be the only component eligible to be capitalized in assets? Why or why not?

FirstEnergy does not believe the service cost component of net benefit cost should be reported separately on the income statement, nor does it believe the service cost component should be the only cost eligible for capitalization. All net benefit costs, not just the service cost component, are costs incurred by a company for providing benefit plans to, and for, employees. The other components of net benefit cost (interest cost, expected return on assets, prior service cost, and net gain/loss) are integral components of the cost of providing those benefits in the future. Existing GAAP states that "in the aggregate, net periodic pension cost is viewed as an element of employee compensation." We believe this view has been and continues to be the best presentation for investors. Reporting all components of net periodic pension and other postretirement benefit cost as a total cost is appropriate as it represents a company's cost in providing employees their overall compensation for services performed.

Additionally, since FirstEnergy believes net benefit cost represents costs incurred by a company in exchange for the services of employees, we also believe all of the net benefit cost should be eligible for capitalization. The proposal, in our opinion, goes beyond simplification by changing the bottom line earnings impact of having and maintaining a benefit plan for employees.

Question 2: Would it be useful to require presentation of the prior service cost or credit component separately from the other components? Should all of the components of net benefit cost other than the service cost component (for example, the prior service cost or credit component) be presented outside a subtotal of income from operations, if one is presented? Why or why not?

We do not believe it would be useful to require the separate presentation of the prior service cost or credit component from the other components on the income statement, as all components are broken out in the footnotes to the financial statements. We believe the existing GAAP requirements regarding presentation represent the best disclosure for investors and users of financial statements.

We do not agree that certain components of net benefit cost should be presented outside a subtotal of income from operations and believe this would result in a fundamental change in the understanding of what net benefit cost represents, thereby resulting in inconsistencies in GAAP between what is considered an operating versus non-operating cost. As we noted above, reporting all components of net periodic pension and other postretirement benefit cost as an operating cost is appropriate as it represents a company's cost in providing employees their overall compensation for services performed.

Question 3: Would it be useful to require presentation of the net amount of the interest cost component and expected return on plan assets separately from the other components of net benefit cost to improve convergence with International Financial Reporting Standards (IFRS) or for other purposes? Why or why not?

We do not think it would be useful to require income statement presentation of a net interest cost and expected return on plan assets separately from the other components, but rather believe these components should be separated in the disclosure of the components of net benefit costs, consistent with current requirements. Combining the two could result in misleading information about a plan's financing cost or income. A plan's net financing cost or income is calculated using the two separate and distinct components of interest and an expected return on trust investments. We do not think that converging with IFRS on this presentation is a meaningful reason to net and present separately the interest and expected return on plan asset components which have different attributes.

Question 4: Would the proposed amendments improve the usefulness of financial information provided to users? Why or why not?

FirstEnergy does not believe the proposed amendments would improve the usefulness of financial information because these presentation changes would result in a significant modification to how users look at operating and non-operating expenses.

Question 5: Should the proposed amendments be different for rate-regulated entities? Why or why not?

Should the Board not accept our recommendation for continuing to reflect all net benefit cost components in operating expense, we believe specific guidance related for rate-regulated entities should be included in the final ASU, allowing regulated utilities to capitalize all the components of pension and other postretirement benefit expenses that are required to be capitalized by the utility's regulator and also continue reporting all components of pension and other postretirement benefit expenses as operating expenses for consistency with the capitalization of such costs.

This approach appropriately reflects the economic effect of the ratemaking process, whereby rates charged to a regulated utility's customers include the recovery of the pension and OPEB expense that are capitalized as assets as well as a return on those capitalized costs through depreciation expense. If the non-service cost components are not reported as operating expenses, there will be a mismatch in the operating revenues collected from customers and amounts included in operating expense. Recording a regulatory asset for a portion of the non-service cost components in lieu of capitalization as assets would not be a meaningful presentation to investors and would require significant effort to identify and track those separate components as both PP&E and regulatory assets over the lives of those assets, combined with the practical complexities associated with application of composite depreciation methods.

Question 6: Would the proposed amendments be operable without incurring significant incremental costs by entities (such as not-for-profit entities, entities that enter into cost-plus contracts or government contracts including but not limited to contracts under Cost Accounting Standards Board regulations, and entities that allocate cost from cost pools)? Why or why not?

The proposed amendments could cause incremental costs to be incurred due to the system and process changes behind the scenes without adding much incremental benefit.

Question 7: How much time would be necessary to adopt the proposed amendments? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Why or why not?

A moderate amount of time could be necessary to implement these changes depending on the process and system change requirements noted above.

Question 8: Should the proposed amendments be applied retrospectively for the presentation of the service cost component and other components of net benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net benefit cost in assets when applicable?

If there are no changes to the main concepts of the exposure draft, we believe both the presentation of the service cost component along with the other components of net benefit cost and the capitalization of the service cost component should be presented on a prospective basis. The proposed amendment is a fundamental change in the understanding of what these costs represent and since the capitalization will not be retrospectively applied, the presentation shouldn't either.

Question 9: Should the disclosures of the nature of and reason for the change in accounting principle be required in the first interim and annual reporting periods of adoption? Why or why not?

Yes, an entity should provide transition disclosures in the interim and annual period in which the amendments in the Update are adopted to provide transparency to the financial statements and awareness to the amendments.

Conclusion

FirstEnergy appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, Compensation–Retirement Benefits *(Topic 715)*. We ask the FASB consider the concerns we expressed above.

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

Sincerely,