FirstEnergy

*76 South Main St.*
*Akron, Ohio 44308*

***K Jon Taylor***
*Vice President, Controller*
*and Chief Accounting Officer*

*330-384-5296*
*Fax: 330-436-8016*

July 11, 2016

Ms. Susan Cosper
Technical Director
File Reference No. 2016-230
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update – Intangibles – Goodwill and Other *(Topic 350)*
File Reference No. 2016-230

Dear Ms. Cosper:

FirstEnergy Corp. appreciates the opportunity to respond to the Proposed Accounting Standards Update, Intangibles – Goodwill and Other *(Topic 350) – Simplifying the Accounting for Goodwill Impairment*.

FirstEnergy is a diversified energy company in the United States with approximately $52 billion of assets, $15 billion in annual revenues, and $14 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.

In summary, we support the Financial Accounting Standards Board (FASB) in their objective to reduce the cost and complexity of the current goodwill impairment test. Below we have provided responses to the questions outlined in the exposure draft.

**Question 1: Do you agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test? Why or why not?**

Yes, we agree with the proposed amendment to eliminate Step 2 of the goodwill impairment test. We believe the reductions in time, cost and complexity resulting from eliminating Step 2 of the goodwill impairment test would outweigh the less precise goodwill impairment that would occur by basing a goodwill impairment on the amount by which the carrying amount of a reporting unit exceeds its fair value.

**Question 2: Should the requirement to perform Step 2 of the current goodwill impairment test be retained as an option? Why or why not? If the use of Step 2 is optional, should an entity be allowed to apply that option by reporting unit or should it be a policy election at the entity level applicable to all reporting units?**

No, we do not believe Step 2 should be retained as an option because it would reduce the comparability between companies. We believe allowing Step 2 as an option would go against the FASB's intent of reducing the time, cost and complexity of performing the goodwill analysis. As documented in the basis for conclusion, many users have indicated that knowing whether an impairment charge is warranted is the most useful information rather than the precise amount of the impairment.

**Question 3: Do you agree with the proposed amendments to require all entities to apply the same one-step impairment test to all reporting units, including those with zero or negative carrying amounts? Why or why not? If not, what would be the suggested goodwill impairment test for reporting units with zero or negative carrying amounts?**

Even though FirstEnergy does not have any reporting units with zero or negative carrying amounts, we agree all entities should apply the same impairment test to all reporting units for consistency and comparability between companies.

**Question 4: Should entities with reporting units with zero or negative carrying amounts be required to disclose the existence of those reporting units and the amount of goodwill allocated to them? Why or why not? Are there additional disclosures that would provide useful information to users of financial statements?**

This question is not applicable to FirstEnergy as we do not have any reporting units with zero or negative carrying amounts.

**Question 5: Should the guidance on deferred income tax considerations when determining the fair value of a reporting unit outlined in paragraphs 350-20-35-25 through 35-27 and illustrated in Example 1 and Example 2 be retained, or should this Subtopic rely on the fair value guidance in Topic 820, Fair Value Measurement? If the guidance on the tax structure is retained, what, if any, amendments are necessary to address the potential difference in the impairment charge calculated under the proposed amendments, depending on which tax structure is used in calculating the fair value of the reporting unit?**

We believe that the guidance and examples included in ASC 350 in whether a company should assume a taxable or non-taxable transaction when determining a business unit's fair value are helpful to preparers and should be retained. If the guidance is retained, additional disclosures around the assumed tax structure should be required to provide transparency to readers of the financial statements.

**Question 6: Do you agree that the proposed guidance to remove Step 2 from the goodwill impairment test should be applied prospectively? Should there be specific transition guidance for companies that previously adopted the goodwill accounting alternative for private companies in current GAAP but decide to adopt this proposed guidance after it becomes effective?**

Yes, we believe the proposed amendments should be applied prospectively as there would be no value in applying the proposed guidance retrospectively.

**Question 7: How much time would be necessary to adopt the amendments in this proposed Update? 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?**

We believe that the time necessary to adopt the amendments in this proposed update would not be significant. Early adoption should be permitted given that companies with goodwill already perform

Step 1, annually, (assuming they don't perform or don't pass step 0) which would eliminate the time, cost and complexity of performing Step 2, if required.

**Question 8: Would the proposed amendments meet the Board's objective of reducing the cost of the subsequent accounting for goodwill while maintaining the usefulness of the information provided to users of financial statements? Why or why not?**

We believe the proposed amendment would meet the objective of reducing the cost of the subsequent accounting for goodwill by eliminating the significant amount of time, resources, and complexity associated with Step 2, which depending on a company's Step 1 results would typically not result in a different outcome (e.g., we would assume that a company that fails Step 1 would typically recognize an impairment from Step 2). Additionally, we believe the usefulness of information provided to users of financial statements would be maintained under the proposed amendment if Step 2 is eliminated, as a goodwill impairment charge would be based on an analysis of a reporting unit's carrying value compared to its fair value.

**Question 9: Are there additional changes that should be made to the subsequent accounting for goodwill to meet this objective, including changes that might be considered in Phase 2 of the Board's project?**

While we believe the changes in the proposed amendments meet the Board's objectives in reducing the cost and complexity of subsequent accounting for goodwill while maintaining the usefulness of financial statements, we think it may beneficial to invite comments on two potential areas of consideration during the second Phase of the project: (1) a one-step impairment test approach performed only upon a triggering event or (2) a policy election to set an amortization period for goodwill based on an estimated useful life (subject to a maximum amortization period).

**Question 10: Are there any unintended consequences resulting from the improvements to the Overview and Background Sections of the Subtopics (discussed in Part II of the proposed amendments)?**

FirstEnergy does not believe there are any unintended consequences resulting from the improvements to the Overview and Background Sections of the subtopic.

**Conclusion**

FirstEnergy appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, Intangibles – Goodwill and Other *(Topic 350) – Simplifying the Accounting for Goodwill Impairment*.

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

Sincerely,