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Technical Director
File Reference No. 2018-200
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update – Leases (Topic 842) – File Reference No. 2018-200

Dear Technical Director:

FirstEnergy Corp. appreciates the opportunity to respond to the Proposed Accounting Standards Update, Leases (Topic 842).

FirstEnergy is a diversified energy company in the United States with approximately $44 billion of assets, $14 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 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 more than 16,000 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 simplify the implementation, or continued application, of Topic 842. Below we have provided responses to the questions outlined in the exposure draft.

Question 1: Would the proposed optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption reduce the costs and complexity associated with implementing Topic 842? If not, please explain why.

Yes. FirstEnergy is in the process of implementing a system to support the accounting and reporting requirements of the new standard, including accumulating and analyzing data for financial statement reporting under a modified retrospective transition as of January 1, 2017. Allowing companies to focus the scope of implementation efforts to exclude the computation of prior period activity and balances that would come along with comparative period reporting would, in turn, reduce the complexity and cost of implementing Topic 842. More specifically, applying the new lease standard's presentation and disclosure requirements under this transition option will lessen the number of contracts and contract modifications to be analyzed, extracted, and input into lease-tracking software. We believe that this complexity would be significantly lessened by the optional transition method in this proposed update, which would allow for the initial application of the new lease requirements to all leases that exist at the adoption date, with the cumulative effect of initially applying the new lease guidance recognized as an adjustment to retained earnings as of the adoption date.

Question 2: Is the proposed transition method, as written in this proposed Update, operable? If not, please explain why.

Yes. We believe that the proposed transition method would lessen the complexity of adopting the new standards as well as allow companies to focus its implementation efforts on the period of adoption and thereafter.

Question 3: Would the practical expedient in this proposed Update for lessors to not separate non-lease components from the related lease components and, instead, to account for those components as a single lease component reduce the costs and complexity associated with applying Topic 842 by lessors? If not, please explain why.

Yes, although FirstEnergy does not believe this will have a significant impact on its lease assessment, we still believe this practical expedient will reduce the costs and complexity of implementing Topic 842. Similar to the feedback outlined in the proposed Update that led the Board to propose this practical expedient, we believe the requirement to separate lease and non-lease components, especially with respect to the allocation of consideration, would add an element of judgment to the estimate of a standalone selling price for each of the separate components and, therefore, make application of the new standard more complex as well as costly.

Question 4: Is the proposed practical expedient, as written in this proposed Update, operable? If not, please explain why.

Yes. We believe that the proposed practical expedient is operable as it is in line with how contracts are typically executed by not separating lease and non-lease payments.

Question 5: Would the information in the financial statements, including disclosures, provided by lessors electing the practical expedient in this proposed Update be decision useful? If not, please explain why.

Yes. We believe that the information provided in the financial statements by lessors electing the practical expedient would not significantly impact the usefulness of the information for decision-making. Moreover, we also believe that the expected reduction in costs to lessors (by not having to separate and allocate consideration) would likely justify the decrease in the usefulness of the information as a result of electing the proposed practical expedient.

Conclusion

FirstEnergy appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, Leases *(Topic 842)*. We agree with the amendments outlined in the proposal and believe it will reduce the costs and complexity of applying ASC 842.

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

Sincerely,