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September 12, 2005

**Letter of Comment No:** 111  
**File Reference:** 1215-001  
**Date Received:** 9/12/05

Ms. Suzanne Bielstein  
Technical Director  
File Reference No. 1215-001  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

Re: Proposed Interpretation of FASB No. 109 "Accounting for Uncertain Tax Positions"

Dear Ms. Bielstein,

We appreciate the opportunity to comment on the issues under consideration by the FASB in its Exposure Draft "Accounting for Uncertain Tax Positions". CenterPoint Energy, Inc. is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution and sales, interstate pipeline and gathering operation. The company serves nearly five million customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas, with assets of approximately \$16 billion.

We agree with the Board's initiative to clarify accounting for uncertain tax positions. However, as we discuss in our response, we disagree with the approach taken in the draft of the proposed interpretation. We believe the tax expenses recorded by applying the guidance in the draft of the proposed interpretation will not be representative of the taxes incurred by a company for the period reported.

### **Issue 2 & 3: Initial Recognition**

We agree that the recognition threshold should presume a taxing authority will, during an audit, evaluate a tax position taken or expected to be taken when assessing recognition of an uncertain tax position, however, we do not agree with the selection of probable as the recognition threshold. We believe the application of the "probable recognition threshold" creates a significant deviation from the actual tax process which, for many enterprises, will result in a systematic overstatement of tax liabilities, with tax expense overstated in periods prior to the resolution of the uncertain tax positions and understated in periods when the positions are finally resolved. The proposed interpretation does not allow enterprises to recognize estimable partial concessions that are common at the Internal Revenue Service (IRS) Appeals level and therefore, fails to match the tax expense with the appropriate earnings. Often negotiations with IRS Appeals yield percentage settlements that could be predicted with reasonable accuracy but would not meet the probable threshold required by the proposed interpretation. The tax benefits of these settlements would only be recognized after negotiations are concluded with IRS Appeals

which may not occur until many years after the related income and expense was recognized. In our opinion, such a result would be contrary to basic matching principles.

The establishment of such a high threshold for recognizing tax benefits will not eliminate inconsistencies in reporting tax effects because the determination of whether an item meets that threshold or not is still, in most cases, a matter of considerable judgment. However, because of the higher threshold, the comparability of tax expenses between companies and between reporting periods will likely decrease. Consequently, we agree with the alternative view suggested by the dissenting Board members in paragraph B47 that "substantial authority" should be adopted as the threshold for determining when to record a benefit for any tax position.

**Effective Date and Transition, Issue 11**

Considering the complexity and broad reach of the issues and the need to do sufficient analysis, we believe the Board did not allow enough time to comply with the proposed interpretation. The effective date should, therefore, be extended one year so as to first apply to fiscal years ending after December 15, 2006.

I would be glad to discuss our comments with you in further detail.

Sincerely,

A handwritten signature in cursive script that reads "Mark Veltman, Esq." The signature is written in black ink and is positioned above the typed name.

Walter Fitzgerald  
Vice President and Controller