

December 22, 2003

Director, TA&I – FSP
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed FSP FAS 106-a – Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003

We are writing to provide our comments on the above-noted proposed FSP. Entergy is an integrated energy company with annual revenues of over \$8 billion and more than 15,000 employees. Entergy provides postretirement benefits such as health care and life insurance to our retirees, and we are therefore significantly impacted by SFAS 106 and its interpretations.

Overall Comments

Entergy is not persuaded that there are sufficient reasons to amend the guidance in 106 for this specific issue. Further, we are concerned that this interpretation could set a precedent that will make the future application of 106 to plan changes more subjective and less clear, as the timing and significance of plan changes could be seen as being important factors with regard to when the changes should be implemented. We prefer the clear guidance that currently exists in paragraph 40 of 106, whereby “presently enacted changes” are to be considered in current measurements.

Entergy understands that there are valid concerns regarding the ability of companies to prepare accurate estimates of the effect of the changes caused by passage of the Act. We believe that, instead of proscribing the implementation of these changes or the disclosure of their anticipated effects, the FSP should provide companies with an option to not implement these changes or disclose their effect in 2003 financial statements, if the company does not believe that it can reasonably estimate the effect of these changes. In this case, the FSP should also require all companies to disclose whether or not the effect of these changes has been implemented and, if the changes have been implemented, the important assumptions used in estimating their effect.

Entergy is also concerned that an across-the-board proscription of disclosure of estimated effects would be a clear deficiency in the information provided to users in 2003 financial statements, as users would likely be required to wait until the first quarter of 2005, at the earliest, to obtain information on the potential effect of this change in law. We believe that this deficiency outweighs concerns over comparability, and that companies should be

allowed to disclose estimated effects, if sufficient information is available to develop a reasonable estimate.

Accounting Issues Raised by the Act

Entergy notes that the proposed FSP indicates that “certain accounting issues raised by the Act may not be explicitly addressed by Statement 106”. Entergy agrees with this statement, but does not see it as a sufficient reason to delay implementation of the effects of the Act. It is common for specific transactions or circumstances to not be explicitly addressed by accounting literature. In that case, judgment must be used in determining how to most reasonably account for the specific transaction, based on analogous literature, common practice and economic substance. Those same judgments can certainly be applied in this case.

Entergy notes the proposed FSP’s discussion of whether the federal subsidy should be accounted for as a reduction of the APBO. In Entergy’s view, it seems that it would be difficult to justify any other treatment – the subsidy is a direct result of benefits provided, and offsets a portion of the costs of those benefits. In a sense, it is comparable to retiree contributions for the costs of their benefits, which are accounted for as a reduction of the APBO. Entergy also notes the proposed FSP’s discussion of the Act’s provision regarding a two-year transitional period. Entergy views this issue as irrelevant to the question of when the effects of the Act should be implemented; SFAS 106 has clear provisions for the treatments of plan amendments.

Measurement Uncertainties

With regard to the uncertainties involved in the measurement of the effect of the Act, Entergy is not persuaded that these uncertainties are of sufficient significance to warrant the special treatment proposed by the FSP. The employee behavior effects and macroeconomic impacts of the Act are similar to other uncertainties that companies and their actuaries must address every year in measuring 106 costs. Unquestionably, initial estimates of these impacts will need to be updated as experience is accumulated but, again, this is not an unusual matter in the context of 106 accounting. Additionally, Entergy is confident that actuaries can reasonably estimate the ultimate outcome of the regulatory determination of “actuarial equivalency.”

It is also important to note that these estimates are only a few of the many estimates that go into the determination of overall postretirement costs for a company, and these uncertainties can be overemphasized if they are focused on solely. In Entergy’s view, the financial accounting for these issues should not be contingent upon final regulatory determinations. Rather, the effects of these issues should be estimated and subsequently updated as experience or regulations change.

We appreciate the opportunity to comment on this proposed FSP, and would welcome the opportunity to discuss these issues with you further.

Sincerely,

/s/ Nathan E. Langston

Nathan E. Langston
Senior Vice President and Chief Accounting Officer