

Letter of Comment No: 5439 File Reference: 1102-100

June 25, 2004

Ms. Suzanne Bielsten
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 1102-100 – Proposed Statement of Financial Accounting Standards – Share-Based Payment, an amendment of FASB Statements No. 123 and 95

We are writing to provide the Board with our comments on several issues associated with the above-noted proposed statement of financial accounting standards ("Exposure Draft"). As a member of the Edison Electric Institute ("EEI") our company participated in the drafting of the EEI's comment letter on this Exposure Draft, which was submitted to the FASB, and concur with the views expressed therein. This letter is being submitted to provide the FASB with our company's view of some of the more difficult implementation issues associated with the Exposure Draft as well as to emphasize certain theoretical issues we believe the Exposure Draft presents. Our company prospectively adopted the fair value based method of accounting for stock options prescribed by FASB Statement No. 123 effective January 1, 2003 and our comments are reflective of lessons learned in accounting for stock options at fair value. We appreciate the FASB's consideration of our letter.

Entergy is an integrated energy company engaged primarily in electric power production, retail electric distribution operations, energy marketing and trading, and gas transportation. Entergy owns and operates power plants with approximately 30,000 MW of electric generating capacity, and is the second-largest nuclear power generator in the United States. Entergy is a registered holding company under the Public Utility Holding Company Act of 1935, as amended, and owns six utility operating subsidiaries, all of which are registrants under Securities and Exchange Commission regulations.

Accounting for Stock Options with Graded Vesting Schedules (issue 9)

We do not agree with the conclusion in the Exposure Draft requiring awards with graded vesting to be treated as separate awards, each with a different fair value measurement and requisite service period and accounted for separately. Specifically, we disagree with an approach that requires a portion of expense for the future tranches (e.g., years 2 and 3 for an award which vests 1/3 each year over a 3-year period) to be recognized in the year of the grant. We believe that a stock option award is an instrument that companies utilize to

attract and retain employees. A graded vesting schedule provides economic incentives to employees to continue working for the company over the entire vesting period to yield the maximum potential of their award. The company derives value from that employee's service in all years and the expenses should more closely reflect that fact. The Exposure Draft presents an approach which results in significantly higher expense recorded in the early years of an option award although it is very likely that actual exercises by the employee would not track this same pattern because they are not economically incented to do so.

Additionally, requiring awards to be separated and valued introduces a significant amount of complexity in the tracking and measurement of option activity including monitoring activity to support assumptions that would be utilized in an open-form model, such as the lattice model proposed in the Exposure Draft. The estimate of the fair value of compensation expense is an estimate. We believe that the costs of measuring and tracking individual grants as separate awards significantly outweigh the benefits because, as noted above, we do not believe that this method provides a better estimate of the fair value of compensation cost in each period's financial statements and better information to readers and users of a company's financial statements. In fact, we believe that attributing more compensation expense to earlier periods will confuse readers who we believe would tend to view and understand options as we have described above - one award that accrues ratably over the entire service period. We believe that measurement of one award with a straight line amortization over the entire vesting period is a more appropriate and reasonable method to value and record option expense as well as a better estimate, at period-end, of a company's legal liability to employees for amounts owed to them under the stock option program

Accounting for Income Tax Effects (issue 11)

We do not agree with the proposed treatment of income taxes included in the Exposure Draft. Specifically we do not agree with shortfalls in deferred taxes being charged to expense and excess tax benefits being recognized in equity. Book-tax basis differences for individual items are identified and recorded on an overall basis, consistent with the guidance in FASB Statement No. 109. Any difference in the amounts of deferred taxes initially provided and ultimately realized through a tax deduction flow through the overall calculations of current and deferred taxes. To treat this particular item in a new and different manner imposes a significantly different requirement on companies to identify the portion of deferred taxes specifically attributable to stock options and treat them differently from most other items in the financial statements. We do not understand the theoretical basis for this treatment as we believe that both shortfalls and excess are similar types of transactions and one should not be viewed as an income event with the other viewed as an equity transaction. The Internal Revenue Code allows this deduction for tax purposes as compensation cost versus any form of capital or equity expenditure.

Presentation of Excess Tax Benefits (issue 16)

We do not agree with the suggested presentation of excess tax benefits in the financing section of the statement of cash flows which results in the separation of cash flows related to taxes between operating and financing activities. From an operational standpoint companies generally calculate, record and present income taxes as one amount classified separately between current and deferred taxes. We believe that the Exposure Draft imposes a significantly different requirement related to the reporting of income taxes in the statement of cash flows for this one item – excess tax benefits on stock options. This requirement introduces additional complexity in the tracking and recording of income taxes for an item which we do not believe should be reported in this fashion. Our company does not believe that lower taxes, due to additional realized tax benefits related to an employee expense, is a financing activity, rather is a component of total taxes which should be recorded as a component of operating activities in accordance with FASB Statement No. 95.

Other Comments (re: Effective Date of Standard)

The Exposure Draft would be applied to public companies prospectively for fiscal years beginning after December 15, 2004 (effectively January 1, 2005 for calendar year-end companies). Our company is concerned regarding the timing of the issuance of a final standard which would include this effective date. As discussed above the valuation of options is a time consuming effort and will require the gathering of a significant amount of data to the extent that changes in a model or implementation of a new fair value model are required as a result of the final standard's guidance. Our company is concerned that the issuance of a final standard during the fourth quarter of 2004 will not allow companies to appropriately evaluate and implement the provisions of the final standard effective January 1, 2005, especially given that significant resources will be devoted to year-end issues and reporting within that same timeframe. We request that the FASB consider a delay in the effective date of application of the final standard.

We appreciate the opportunity to comment on this Exposure Draft, 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 Entergy Corporation