
PROSPECTUS SUPPLEMENT
(To Prospectus dated December 16, 1993)

\$350,000,000

HOUSTON LIGHTING & POWER COMPANY
Collateralized Medium-Term Notes, Series D
Due from 9 Months to 30 Years from Date of Issue

Houston Lighting & Power Company (Company) may offer from time to time its collateralized medium-term notes which are issuable in one or more series and may be offered and sold either in the United States or outside the United States or both, simultaneously. The Collateralized Medium-Term Notes, Series D (Notes) offered by this Prospectus Supplement are offered in the United States in an aggregate principal amount of up to \$350,000,000, subject to reduction as a result of the sale of other Debt Securities. See "Description of Notes" and "Plan of Distribution of Notes". Also see "Description of Debt Securities" in the accompanying Prospectus. The Notes will be denominated in United States dollars. Unless otherwise indicated in the applicable Prospectus Supplement to this Prospectus Supplement (Pricing Supplement), the Interest Payment Dates for each Note will be May 1 and November 1 of each year. Each Note will mature on a day from nine months to 30 years from its date of issue, and may be subject to redemption prior to Stated Maturity, as set forth in the applicable Pricing Supplement, Unless otherwise indicated in the applicable Pricing Supplement, the Notes will be issued only in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof.

The Notes will initially be issued and registered only in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (DTC). DTC will act as a securities depository for the Notes. Purchases of Notes will be made only in book-entry form and, except under the limited circumstances described herein, beneficial owners of the Notes will not receive certificates representing their ownership interests. For so long as the Notes are registered in the name of Cede & Co., (i) the principal of, premium, if any, and interest due on the Notes will be payable to DTC for payment to its participants for subsequent disbursements to the beneficial owners and (ii) all notices, including any notice of redemption, will be mailed only to Cede & Co. See "Description of Notes" herein and "Description of Debt Securities" in the accompanying Prospectus.

The Notes will be secured as to payment of principal, interest and premium, if any, by one or more series of first mortgage bonds (Mortgage Bonds) to be issued and pledged by the Company for the benefit of the holders of the Notes to the trustee (Trustee) under the indenture for the Notes. See "Description of Notes". See also "Description of Debt Securities -- Security; Pledge of Mortgage Bonds" and "Description of Mortgage Bonds" in the accompanying Prospectus.

The interest rate or interest rate formula, if any, issue price, interest payment dates (if different from those set forth above), denominations, redemption provisions, if any, and Stated Maturity for each Note will be established by the Company at the date of issuance of such Note and will be set forth in the applicable Pricing Supplement; provided, that in no event shall any Note at any time bear interest at a rate in excess of 10% per annum. Unless otherwise indicated in the applicable Pricing Supplement, the Notes will bear interest at a fixed rate or at a variable rate determined by reference to LIBOR, the Treasury Rate or the Commercial Paper Rate, as adjusted by a Spread or Spread Multiplier. Interest rates and interest rate formulas are subject to change by the Company, but no such change will affect the interest rate on any Note theretofore issued or that the Company has agreed to sell.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT, ANY SUPPLEMENT HERETO OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public (1)	Agents' Commissions (2) (3)	Proceeds to Company (2) (4)
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Per Note	100%	Not to exceed .75%	Not less than 99.25%
Total	\$350,000,000	Not to exceed \$2,625,000	Not less than \$347,375,000

- (1) Unless otherwise specified in a Pricing Supplement, Notes will be issued at 100% of their principal amount.
- (2) In the case of Notes sold directly to investors (other than the Agents) by the Company, no discount will be allowed or commission paid.
- (3) The Company has agreed to indemnify the Agents named herein against certain civil liabilities, including liabilities under the Securities Act of 1933.
- (4) Assuming the Notes are issued at 100% of principal amount and before deducting expenses payable by the Company estimated at \$720,000.

The Notes are being offered on a continuing basis by the Company through the Agents, each of which has agreed to use reasonable efforts to solicit offers to purchase the Notes in the United States. The Notes may be sold at a discount to any Agent as principal for resale to investors at varying prices related to prevailing market prices at the time of resale, as determined by such Agent. The Company reserves the right to sell Notes to or through one or more additional agents who will, if any, be named in a Prospectus Supplement hereto, which may be a Pricing Supplement. The Company may also sell Notes directly to purchasers on its own behalf in those jurisdictions where it is authorized to do so. The Notes will not be listed on any securities exchange, and there can be no assurance that the Notes will be sold or that there will be a secondary market for the Notes. The Company reserves the right to withdraw, cancel or modify the offer or solicitations of offers made hereby without notice. The Company or any Agent, if it solicits such offer, may reject any offer in whole or in part. See "Plan of Distribution of Notes".

CS First Boston

Goldman, Sachs & Co.

J.P. Morgan Securities Inc.

Chase Securities, Inc.

Chemical Securities Inc.

Citicorp Securities, Inc.

RBC Dominion Securities Corporation

SBCI Swiss Bank Corporation
Investment banking

UBS Securities Inc.

Wood Gundy Corp.

The date of this Prospectus Supplement is January 3, 1994.

IN CONNECTION WITH THIS OFFERING, THE AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS IN THE NOTES WITH A VIEW TO STABILIZING OR MAINTAINING THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

COMPANY SUMMARY INFORMATION

The following summary information is qualified in its entirety by, and should be read in conjunction with, the information and financial statements appearing elsewhere in this Prospectus Supplement, in the accompanying Prospectus or in the documents incorporated by reference in the Prospectus.

Business and Service Area..... Electric utility serving approximately 5,000 square miles of the Texas Gulf Coast, including Houston.

Property, Plant and Equipment--
Net (September 30, 1993)..... \$8,926,319,000.

Fuel for Electric Generation
(Twelve months ended September 30, 1993)..... Gas and Oil--49%; Coal and Lignite--48%; Nuclear--3%.

TWELVE MONTHS ENDED		
SEPTEMBER 30, 1993	DECEMBER 31, 1992	DECEMBER 31, 1991
(UNAUDITED)	(UNAUDITED) (RESTATED) (1)	(UNAUDITED) (RESTATED) (1)
(AMOUNTS IN THOUSANDS EXCEPT RATIOS)		

Income Summary:			
Operating Revenues.....	\$4,043,734	\$3,826,841	\$3,674,543
Operating Income.....	\$ 783,590	\$ 749,070	\$ 787,775
Allowance for Funds Used During Construction, Deferred Carrying Costs and Deferred Return.....	\$ 6,793	\$ 12,360	\$ 85,251
Net Income Before Preferred Dividends.....	\$ 477,263	\$ 415,282 (2)	\$ 518,898
Ratio of Earnings to Fixed Charges.....	3.29 (3)	2.73 (2)	2.97

SEPTEMBER 30, 1993	PERCENT OF CAPITALIZATION
(UNAUDITED)	-----
(AMOUNTS IN THOUSANDS)	

Capitalization Summary(4):		
Long-Term Debt (including current maturities).....	\$3,701,772	46.4%
Cumulative Preferred Stock Not Subject to Mandatory Redemption..	351,354	4.4
Subject to Mandatory Redemption (including current maturities).....	187,236	2.3
Common Stock Equity.....	3,744,030	46.9
Total Capitalization.....	\$7,984,392	100.0%
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(1) Restated to reflect the merger, effective as of October 8, 1993, of Utility Fuels, Inc. with and into the Company. Such merger increased Operating Income and Net Income Before Preferred Dividends in the amounts of \$40,484,000 and \$28,259,000 in 1992 and \$39,793,000 and \$24,415,000 in 1991, respectively.

(2) Before cumulative effect of change in accounting for revenues.

(3) The Company's ratio of earnings to fixed charges for the nine months ended September 30, 1993 was 3.84. The Company believes that the ratio for this

nine-month period is not necessarily indicative of the ratio for a twelve-month period due to the seasonal nature of the Company's business.

- (4) Adjustments have not been made to reflect (i) the issuance of the Notes or any of the \$230 million principal amount of other debt securities of the Company registered for sale under the Securities Act of 1933, as amended, and unsold at December 31, 1993, (ii) the redemption in October 1993 of \$390,519,000 of the Company's first mortgage bonds and a premium of \$25,657,098 paid in connection therewith, (iii) the issuance on behalf of the Company in December 1993 of \$100,165,000 of pollution control revenue bonds or the expected related redemptions in 1994 of \$100,165,000 of pollution control revenue bonds, (iv) the maturity in January 1994 of \$19,402,500 of medium-term notes collateralized by first mortgage bonds and (v) any calls for redemption or purchases of debt securities, or any premiums which may be paid in connection therewith, which have not yet been initiated by the Company. The proceeds from the offering of the Notes are expected to be used to refund then-outstanding debt. See "Application of Proceeds".

APPLICATION OF PROCEEDS

As indicated in the accompanying Prospectus, among the possible uses of the net proceeds from the sale of the Notes are the redemption, repayment or retirement of outstanding indebtedness, which may include collateralized debt securities and first mortgage bonds of the Company. As of December 31, 1993, the long-term debt that may be redeemed, repaid or retired matures in less than one year to 30 years and has interest rates ranging from 5.25% to 9.85%. See "Application of Proceeds" in the accompanying Prospectus.

DESCRIPTION OF NOTES

The following description of the particular terms of the Notes offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of Debt Securities set forth under the heading "Description of Debt Securities" in the accompanying Prospectus, to which description reference is hereby made. Capitalized terms not defined herein have the meanings assigned to such terms in the Prospectus.

GENERAL

The Notes offered hereby constitute a single series of Debt Securities, designated as Collateralized Medium-Term Notes, Series D, to be issued under the Indenture referred to in the accompanying Prospectus. The aggregate offering price or principal amount for which such series may be issued is limited to \$350,000,000. Terms of the Notes may vary, and the terms of each Note will be specified in the Pricing Supplement relating thereto.

Each Note will mature on a day from nine months to 30 years from its date of issue as agreed to by the Company and the initial purchaser and as specified in the applicable Pricing Supplement. In the event that the maturity date of any Note or any date fixed for any redemption of any Note is not a Business Day (as defined below under "Interest Rate"), principal and interest payable at maturity or upon such redemption will be paid on the next succeeding Business Day with the same effect as if such Business Day were the maturity date or the date fixed for redemption and no interest will accrue or be payable for the period from and after such original maturity date or date fixed for redemption to such next succeeding Business Day.

The Notes will be issued only in fully registered form. Initially, the Notes will be issued in the form of one or more fully registered global Securities, and the transfer of Notes will be registrable through DTC. See "---Book-Entry System". The authorized denominations of Notes will be \$100,000 and integral multiples of \$1,000 in excess thereof.

An Original Issue Discount Note is a Note, including any Zero-Coupon Note, which is issued at a price lower than the principal amount thereof and that provides that upon redemption or acceleration of the maturity thereof an amount less than the principal thereof shall become due and payable. In the event of redemption or acceleration of the maturity of an Original Issue Discount Note, the amount payable to the holder of such Note upon such redemption or acceleration will be determined in accordance with the terms of the Note, but will be an amount less than the amount payable at the Stated Maturity of such Note. See "United States Taxation -- United States Holders" in the accompanying Prospectus.

The Notes will be denominated in United States dollars and payments of principal of and premium, if any, and interest on the Notes will be made in United States dollars.

Initially, payments of principal of and premium, if any, on each Note and interest thereon payable at Maturity and, if applicable, upon redemption will be made through DTC as described herein under "Book-Entry System". The Trustee or Chemical Bank, as the Trustee's agent, will act as the Paying Agent with respect to Notes issued in book-entry form. For a description of the relationship between Chemical Bank and

the Trustee, see "--Concerning the Trustee". If the book-entry system is terminated, and Notes are issued to and registered in the name or at the direction of the Beneficial Owners (as hereinafter defined), payments of principal of and premium, if any, on each Note and interest thereon payable at Maturity and, if applicable, upon redemption will be made in immediately available funds, at the request of the Holder, at the office or agency of Houston Industries Incorporated (Houston Industries), in its capacity as Paying Agent, in Houston, Texas or at the office of any other duly appointed Paying Agent; provided that such Note is presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. Additionally, the Company currently maintains a drop agent, Midwest Stock Exchange Clearing Corporation (Drop Agent), in The City of New York, that would, if the book-entry system is terminated, provide the Holders with an office in New York at which they could present any such Notes for payment. The Drop Agent, located at 40 Broad Street, New York, New York, would accept Notes presented for payment and would take payment instructions from any such Holder. The Drop Agent would then forward any such Notes and any related payment instructions to the Paying Agent by overnight courier, for next day delivery. Such Notes would then be deemed to have been presented to the Paying Agent on the Business Day next succeeding the day any such Notes are delivered to the Drop Agent.

Interest will be paid through DTC as described herein under "Book-Entry System". If the book-entry system is terminated and Notes are issued to and registered in the name or at the direction of the Beneficial Owners, interest (other than interest payable at Maturity or, if applicable, upon redemption) will be paid by check mailed to the address of the person entitled thereto as it appears in the Security Register.

The calculation agent (Calculation Agent) with respect to any issue of Floating Rate Notes will be set forth in the Pricing Supplement relating to such Floating Rate Notes.

The transfer and exchange of Notes will be registrable through DTC, as described herein under "Book-Entry System". The Trustee or Chemical Bank, as the Trustee's agent, will act as the Security Registrar and the Authenticating Agent with respect to Notes issued in book-entry form. For a description of the relationship between Chemical Bank and the Trustee, see "--Concerning the Trustee". If the book-entry system is terminated and Notes are issued to and registered in the name or at the direction of the Beneficial Owners, Notes may be presented by the Holder thereof for registration of transfer or exchange at the office or agency of Houston Industries, in its capacity as Security Registrar and Authenticating Agent, in Houston, Texas or at the office of the Drop Agent in The City of New York. Any Notes presented to the Drop Agent for registration of transfer or exchange will be deemed to have been presented to the Security Registrar on the Business Day next succeeding the day the Notes are delivered to the Drop Agent.

The Notes will be secured as to payment of principal, interest and premium, if any, by one or more series of Mortgage Bonds, with a stated interest rate of 10% per annum, to be issued and pledged by the Company for the benefit of the holders of the Notes to the Trustee under the indenture for the Notes. The Mortgage Bonds will be issued on the basis of retired first mortgage bonds. See "Description of Debt Securities--Security; Pledge of Mortgage Bonds" and "Description of Mortgage Bonds" in the accompanying Prospectus.

For a description of the rights attaching to different series of Securities under the Indenture, see "Description of Debt Securities" in the accompanying Prospectus.

CONCERNING THE TRUSTEE

Each of Chemical Bank (an agent of the Trustee with respect to Notes issued in book-entry form) and Chemical Securities Inc. (one of the Agents) is a subsidiary of Chemical Banking Corporation, which is the parent company of Texas Commerce Bancshares, Inc. (a multi-bank holding company that owns all of the common stock of Texas Commerce Bank National Association, the Trustee and the Mortgage Trustee). See "Description of Mortgage Bonds--Concerning the Mortgage Trustee" in the accompanying Prospectus.

BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Notes. The Notes will be initially represented by one or more registered global Securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Security certificate will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (Participants) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). The Rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each beneficial owner of each Note (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participants' respective records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Any redemption notices will be sent to Cede & Co. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Company as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street-name", and will be the responsibility of such Participants and not of DTC, the Trustee, any Paying Agent, the Security Registrar or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to DTC is the responsibility of the Company, the Trustee or the Paying Agent. Disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Company or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, registered certificates representing the Notes are required to be printed and delivered. The Company may at any time decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, registered certificates representing the Notes will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Company believes such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Company and the Trustee will not have any responsibility or obligation to Direct Participants or the persons for whom they act as nominees with respect to the accuracy of the records of DTC, its nominee or any Direct Participant with respect to any ownership interest in the Notes, or payments to or the providing of notice for, Direct Participants, Indirect Participants or Beneficial Owners.

REDEMPTION

The Pricing Supplement will indicate either that the Notes to which it relates cannot be redeemed prior to the Stated Maturity or that such Notes will be redeemable at the option of the Company on or after specified dates prior to the Stated Maturity of such Notes upon payment of specified premiums, together with accrued interest to the date of redemption. Notice of any redemption will be given by mail to Holders not less than 30 nor more than 60 days prior to the applicable redemption date, all as provided in the Indenture. As provided in the Indenture, notice of any redemption as aforesaid may state that such redemption shall be conditioned upon the receipt by the Trustee or a Paying Agent of the redemption monies on or before the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received.

The Notes will not be subject to any sinking fund.

INTEREST RATE

Each Note, other than a Zero-Coupon Note, will bear interest from the date of issue or from the most recent Interest Payment Date to which interest on such Note has been paid or duly provided for at the fixed rate per annum, or at the rate per annum determined pursuant to the interest rate formula stated therein and in the applicable Pricing Supplement until the principal thereof is paid or made available for payment; provided that in no event will any Note at any time bear interest at a rate in excess of 10% per annum. Interest will be payable to the person in whose name a Note is registered at the close of business on the Regular Record Date next preceding each Interest Payment Date; provided, however, that interest payable at Maturity or, if applicable, upon redemption, will be payable to the person to whom principal will be payable. If a Note is originally issued after the Regular Record Date and before the corresponding Interest Payment Date, the

first payment of interest on such Note shall be made on the next succeeding Interest Payment Date to the person in whose name such Note was registered on the Regular Record Date with respect to such next succeeding Interest Payment Date.

Interest rates, or interest rate formulas, are subject to change by the Company from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Company.

Each Note, other than a Zero-Coupon Note, will bear interest at either (a) a fixed rate (Fixed Rate Note) or (b) a variable rate determined by reference to an interest rate formula (Floating Rate Note), which may be adjusted by adding or subtracting the Spread or multiplying by the Spread Multiplier (each term as defined below), unless otherwise specified therein; provided that in no event will any Fixed Rate Note or Floating Rate Note at any time bear interest at a rate in excess of 10% per annum. A Floating Rate Note may also have either or both of the following: (a) a maximum interest rate limitation, or ceiling, in addition to the maximum rate stated in the preceding proviso, on the rate of interest that may accrue during any interest period; and (b) a minimum interest rate limitation, or floor, on the rate of interest that may accrue during any interest period. The "Spread" is the number of basis points specified in the applicable Pricing Supplement as being applicable to the interest rate basis for such Note, and the "Spread Multiplier" is the percentage specified in the applicable Pricing Supplement as being applicable to the interest rate basis for such Note. "Business Day" means (i) with respect to any Note, any day that is not a Saturday or Sunday and that, in Houston, Texas or The City of New York, is not a day on which banking institutions generally are authorized or obligated by or pursuant to law or executive order to close, and (ii) with respect to LIBOR Notes only, any such day on which dealings in deposits in United States dollars are transacted in the London interbank market. "Index Maturity" means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Pricing Supplement.

The applicable Pricing Supplement relating to a Fixed Rate Note will designate a fixed rate of interest per annum payable on such Fixed Rate Note. The applicable Pricing Supplement relating to a Floating Rate Note will designate an interest rate basis for such Floating Rate Note. Such basis may be: (a) the Commercial Paper Rate, in which case such Note will be a Commercial Paper Rate Note, (b) LIBOR, in which case such Note will be a LIBOR Note, (c) the Treasury Rate, in which case such Note will be a Treasury Rate Note or (d) such other interest rate formula as is set forth in such Pricing Supplement. The applicable Pricing Supplement for a Floating Rate Note also will specify the Spread or Spread Multiplier, if any, and the maximum (if less than 10%) or minimum interest rate limitation, if any, applicable to each Note. In addition, such Pricing Supplement will define or particularize for each Note the following terms, if applicable: Calculation Dates, Initial Interest Rate, Interest Payment Dates, Regular Record Dates, Index Maturity, Interest Determination Dates, Interest Reset Dates, Redemption Prices and Redemption Dates.

The rate of interest on each Floating Rate Note will be reset weekly, monthly, quarterly, semiannually or annually (each an Interest Reset Date), as specified in the applicable Pricing Supplement. The Interest Reset Date will be, in the case of Floating Rate Notes (other than Treasury Rate Notes) that reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes that reset weekly, the Tuesday of each week; in the case of Floating Rate Notes that reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes that reset semiannually, the third Wednesday of two months of each year, as specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes that reset annually, the third Wednesday of one month of each year, as specified in the applicable Pricing Supplement; provided, however, that (a) the interest rate in effect from the date of issue to the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate (as set forth in the applicable Pricing Supplement) and (b) the interest rate in effect for the 10 days immediately prior to Maturity will be that in effect on the tenth day preceding such Maturity. If any Interest Reset Date for any Floating Rate Note would otherwise

be a day that is not a Business Day for such Floating Rate Note, the Interest Reset Date for such Floating Rate Note shall be postponed to the next day that is a Business Day for such Floating Rate Note, except that in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

The Interest Determination Date pertaining to an Interest Reset Date for a Commercial Paper Rate Note (Commercial Paper Interest Determination Date) will be the second Business Day preceding the Interest Reset Date with respect to such Note. The Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note (LIBOR Interest Determination Date) will be the second London Business Day (as defined below under "LIBOR Notes") preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (Treasury Interest Determination Date) will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date shall instead be the first Business Day immediately following such auction date.

Upon the request of the Holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect and, if different, the interest rate that will become effective as a result of a determination made on the most recent Interest Determination Date with respect to such Floating Rate Note.

The interest rate on the Fixed Rate Notes and the Floating Rate Notes will in no event be higher than the lower of 10% and the maximum rate permitted by applicable Texas law or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas law, which could lawfully be contracted for, charged or received. On the date of this Prospectus Supplement, such maximum rate exceeds 10%.

INTEREST PAYMENTS

Interest will be paid through DTC as described herein under "Book-Entry System" unless the book-entry system is terminated. See "---General" and "---Book-Entry System". Unless otherwise indicated in the applicable Pricing Supplement, the Interest Payment Dates for each Note shall be May 1 and November 1 in each year and the Regular Record Dates shall be the April 16 and October 16 preceding such May 1 and November 1 Interest Payment Dates. Interest will also be payable at the maturity of any Note and upon any redemption thereof.

If an Interest Payment Date with respect to any Fixed Rate Note (and, with respect to any Floating Rate Note, an Interest Payment Date coinciding with maturity or, if applicable, with redemption) would otherwise fall on a day that is not a Business Day with respect to such Note, such Interest Payment Date will be postponed to the next succeeding Business Day with respect to such Note and no interest will accrue or be payable as a result of the Interest Payment Date being such next succeeding Business Day. If an Interest Payment Date with respect to any Floating Rate Note (other than an Interest Payment Date coinciding with maturity or, if applicable, with redemption) would otherwise fall on a day that is not a Business Day with respect to such Note, such Interest Payment Date will be postponed to the next succeeding Business Day with respect to such Note, except that in the case of a LIBOR Note, if the next succeeding Business Day falls in the next calendar month, such Interest Payment Date will be the next preceding Business Day with respect to such LIBOR Note.

Except as provided in the preceding paragraph, interest payments will be the amount of interest accrued to, but excluding, the Interest Payment Date; provided, however, that if the Interest Reset Dates with respect to any Floating Rate Note are weekly, interest payable on any Interest Payment Date, other than interest payable on any date on which principal on any such Note is payable, will include interest accrued to and including the next preceding Regular Record Date.

FIXED RATE NOTES

A Fixed Rate Note will bear interest from the date of issue at the annual rate stated on the face thereof and in the applicable Pricing Supplement. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

FLOATING RATE NOTES

With respect to a Floating Rate Note, accrued interest from the date of issue or from the last date to which interest has been paid is calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the date of issue, or from the last date to which interest has been paid, to the date for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded, if necessary, to the next higher one hundred-thousandth of a percentage point (e.g., 9.876541% or .09876541 being rounded to 9.87655% or .0987655, respectively)) for each such day is computed by dividing the interest rate (expressed as a decimal rounded, if necessary, to the next higher one hundred-thousandth of a percentage point) applicable to such date by 360, in the case of Commercial Paper Rate Notes or LIBOR Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes.

COMMERCIAL PAPER RATE NOTES

A Commercial Paper Rate Note will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread or Spread Multiplier, if any), and such interest will be payable on the dates, specified on the face of the Commercial Paper Rate Note and in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, the "Calculation Date" pertaining to a Commercial Paper Interest Determination Date will be the tenth day after such Commercial Paper Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Commercial Paper Interest Determination Date, the Money Market Yield (as defined below) of the rate on such date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15 (519), Selected Interest Rates" or any successor publication of the Board of Governors of the Federal Reserve System (H.15(519)) under the heading "Commercial Paper". In the event that such rate is not published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate on such Commercial Paper Interest Determination Date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities" (Composite Quotations) under the heading "Commercial Paper". If such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate for that Commercial Paper Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean (rounded to the next higher one hundred-thousandth of a percentage point) of the offered rates of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage rounded to the next higher one hundred-thousandth of a percentage point) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360 \times 100}{360 - (D \times M)}$$

where "D" refers to the per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

LIBOR NOTES

A LIBOR Note will bear interest at the interest rates (calculated with reference to LIBOR and the Spread or Spread Multiplier, if any), and such interest will be payable on the dates, specified on the face of the LIBOR Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "LIBOR" will be determined with respect to each LIBOR Interest Determination Date by the Calculation Agent in accordance with the following provisions:

LIBOR will be determined on the basis of the rates at which deposits in United States dollars are offered by four major banks in the London interbank market selected by the Calculation Agent (Reference Banks) at approximately 11:00 A.M., London time, on that LIBOR Interest Determination Date to prime banks in the London interbank market having the Index Maturity designated in the applicable Pricing Supplement commencing on the second day on which dealings in deposits in United States dollars are transacted in the London interbank market (London Business Day) immediately following that LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR in respect of that LIBOR Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point) of such quotations. If fewer than two quotations are provided, LIBOR in respect of that LIBOR Interest Determination Date will be (i) the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point) of the rates, as communicated to the Calculation Agent by the Reference Banks concerned, quoted to not less than two of the Reference Banks at approximately 11:00 A.M., New York City time, on that LIBOR Interest Determination Date by three major banks in The City of New York, selected by the Calculation Agent, for United States dollar deposits, or (ii) if such rates are communicated by less than two Reference Banks, the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point) of the rates quoted by three major banks in The City of New York selected by the Calculation Agent at approximately 11:00 A.M., New York City time, on that LIBOR Interest Determination Date for United States dollar deposits to other leading European banks, such deposits, in the case of (i) and (ii), having the Index Maturity designated in the applicable Pricing Supplement commencing on the second London Business Day immediately following that LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks in The City of New York selected as aforesaid by the Calculation Agent are not quoting as mentioned in clause (ii) of this sentence, LIBOR with respect to such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

TREASURY RATE NOTES

A Treasury Rate Note will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread or Spread Multiplier, if any), and such interest will be payable on the dates, specified on

the face of the Treasury Rate Note and in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date" with respect to a Treasury Interest Determination Date will be the tenth day after such Treasury Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day.

Unless otherwise indicated in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Treasury Interest Determination Date, the rate for the most recent auction of direct obligations of the United States (Treasury bills) having the Index Maturity specified in the applicable Pricing Supplement as published in H.15(519) under the heading, "U.S. Government Securities/Treasury Bills/Auction Average (Investment)" or, if not so published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, the Treasury Rate will be the auction average rate (expressed as a bond equivalent, rounded to the next higher one hundred-thousandth of a percentage point, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. If the results of the auction of Treasury bills having the Index Maturity designated in the applicable Pricing Supplement are not published or announced as provided above by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent, rounded to the next higher one hundred-thousandth of a percentage point, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates as of approximately 3:30 P.M., New York City time, on such Treasury Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the Index Maturity designated in the applicable Pricing Supplement; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate with respect to such Treasury Interest Determination Date will be the Treasury Rate in effect on such Treasury Interest Determination Date.

PLAN OF DISTRIBUTION OF NOTES

Under the terms of an Agency Agreement, dated January 3, 1994, as it may be amended from time to time (Agency Agreement), the Notes are offered on a continuing basis by the Company through CS First Boston Corporation, Goldman, Sachs & Co., J.P. Morgan Securities Inc., Chase Securities, Inc., Chemical Securities Inc., Citicorp Securities, Inc., RBC Dominion Securities Corporation, SBCI Swiss Bank Corporation Investment banking Inc., UBS Securities Inc. and Wood Gundy Corp. (each an "Agent" and collectively the "Agents"), each of which has agreed to use reasonable efforts to solicit purchases of the Notes. The Company will pay each Agent a commission not to exceed .75% of the principal amount of each Note, depending on its Stated Maturity, sold through such Agent. The Company will have the sole right to accept offers to purchase Notes and may reject any such offer, in whole or in part. Each Agent shall have the right, in its discretion reasonably exercised, without notice to the Company, to reject any offer to purchase Notes received by it, in whole or in part. The Company also may sell Notes to any Agent, acting as principal, at a discount to be agreed upon at the time of sale, for resale to one or more investors at varying prices related to prevailing market prices at the time of such resale, as determined by such Agent, or for resale to certain securities dealers at the offering price set forth in the applicable Pricing Supplement, less the applicable concession. The offering price and selling terms for such resales may from time to time be varied by such Agent.

The Company may replace the Agents or appoint additional agents in connection with the offering of the Notes from time to time. The Company has reserved the right to sell Notes to or through one or more other agents. The identity of any other agent will be set forth in the Pricing Supplement relating to the Notes sold by such other agent. Any sales of Notes to or through other agents will be made in accordance with the terms and conditions of the Agency Agreement.

The Notes may also be sold by the Company directly to purchasers on its own behalf in those jurisdictions where it is authorized to do so. In the case of Notes sold directly to purchasers (other than Agents) by the Company, no discount will be allowed or commission paid.

The obligation of any Agent acting as principal to purchase Notes may be subject to certain conditions precedent; however, such Agent will, in any event, be obligated to purchase all such Notes if any are purchased.

The Agents and any other agent may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (Securities Act). The Company has agreed to indemnify the Agents against, and contribute toward, certain civil liabilities, including liabilities under the Securities Act. The Company has agreed to reimburse the Agents for certain expenses.

Each of the Agents has from time to time acted as an agent or as an underwriter in connection with offerings of securities by or on behalf of the Company. Each of CS First Boston Corporation, Goldman, Sachs & Co. and J.P. Morgan Securities Inc. engages in transactions with and performs services for the Company in the ordinary course of business. Affiliates of each of the other Agents and J.P. Morgan Securities Inc. are parties to credit agreements under which the Company, Houston Industries and certain other subsidiaries and entities in which Houston Industries has an ownership interest have bank lines of credit. The Company also maintains depository and other normal banking relationships with such affiliates. Chemical Securities Inc. (one of the Agents) is a subsidiary of Chemical Banking Corporation, which is the parent company of Texas Commerce Bancshares, Inc. (a multi-bank holding company that owns all of the common stock of Texas Commerce Bank National Association, the Trustee and the Mortgage Trustee). Chemical Bank (an agent of the Trustee with respect to Notes issued in book-entry form) is also a subsidiary of Chemical Banking Corporation. See "Description of Mortgage Bonds--Concerning the Mortgage Trustee" in the accompanying Prospectus.

The Notes will be a new issue of securities with no established trading market. No assurance can be given as to the liquidity of the trading market for the Notes.

HOUSTON LIGHTING & POWER COMPANY
COLLATERALIZED DEBT SECURITIES

Houston Lighting & Power Company (Company) may offer from time to time its collateralized debt securities consisting of notes or other evidences of indebtedness (Debt Securities) up to an aggregate principal amount of not more than \$480,000,000 or, if applicable, the equivalent thereof in any other currency or currencies, subject to reduction as a result of the sale of other debt securities. See "Description of Debt Securities". The Debt Securities may be offered as separate series in amounts, at prices and on terms to be determined in light of market conditions at the time of sale and set forth in a prospectus supplement or prospectus supplements (Prospectus Supplement).

The terms of each series of Debt Securities, including, where applicable, the specific designation, aggregate principal amount, authorized denominations, maturity date or dates, interest rate or rates (which may be fixed or variable) and time or times of payment of any interest, any terms for optional or mandatory redemption or payment of additional amounts or any sinking fund provisions, any initial public offering price, the net proceeds to the Company and any other specific terms in connection with the offering and sale of such series (Offered Securities) will be set forth in a Prospectus Supplement; provided, however, that in no event shall the interest rate (whether fixed or variable) on any Debt Securities exceed the interest rate on the underlying Mortgage Bonds (as defined below) relating thereto. As used herein, Debt Securities shall include securities denominated in United States dollars or, at the option of the Company if so specified in any applicable Prospectus Supplement, in any other currency. The Debt Securities will not be issued in composite currencies.

The Debt Securities will be secured by one or more series of first mortgage bonds (Mortgage Bonds) to be issued to and pledged by the Company with Texas Commerce Bank National Association (Texas Commerce Bank), acting as the trustee (Debt Securities Trustee) under the indenture for the Debt Securities. Texas Commerce Bank also acts as trustee under the Mortgage (as defined herein) for the Mortgage Bonds. See "Description of Mortgage Bonds--Concerning the Mortgage Trustee". The aggregate principal amount of the Debt Securities outstanding and aggregate premium thereon, if any, will not exceed the aggregate principal amount of Mortgage Bonds pledged with and held by the Debt Securities Trustee. The Mortgage Bonds will bear interest at times and in amounts sufficient to provide for the payment of interest on the Debt Securities, and the Mortgage Bonds also will be redeemed at times and in amounts that correspond to the required payments of principal of and any premium on the Debt Securities. Payments on the Debt Securities will satisfy payment obligations on the underlying Mortgage Bonds relating thereto. See "Description of Debt Securities--Security; Pledge of Mortgage Bonds" and "Description of Mortgage Bonds".

The Debt Securities may be sold directly by the Company, through agents designated from time to time or to or through underwriters or dealers. See "Plan of Distribution". If any agents of the Company or any underwriters or dealers are involved in the sale of any Debt Securities in respect of which this Prospectus is being delivered, the names of such agents or underwriters or dealers, a description of any indemnification arrangements and any applicable discounts, commissions or allowances will be set forth in, or, in the case of discounts, commissions or allowances, may be calculated on the basis set forth in, a Prospectus Supplement.

The Debt Securities may be issued in registered form or bearer form with coupons attached, or both. In addition, all or a portion of the Debt Securities of a series may be issuable in temporary or permanent global form. For certain limitations on the offer and sale of bearer securities, see "Limitations on Issuance of Bearer Securities".

For a discussion of certain United States federal income tax consequences to holders of Debt Securities, see "United States Taxation".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus may not be used to consummate sales of Debt Securities unless accompanied by a Prospectus Supplement.

The date of this Prospectus is December 16, 1993.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (Commission). Such reports and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549; and at the Commission's regional offices at Seven World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison St., 14th Floor, Chicago, Illinois 60661. Copies of such material may be obtained at prescribed rates from the Public Reference Section of the Commission at its principal office at 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have been filed by the Company with the Commission pursuant to the Exchange Act (File No. 1-3187), are incorporated by reference in this Prospectus and shall be deemed to be a part hereof:

- 1) The Company's Annual Report on Form 10-K for the year ended December 31, 1992;
- 2) The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 1993; and
- 3) The Company's Current Reports on Form 8-K dated March 10, March 17, March 18, June 25, July 1 and July 7, 1993.

All documents subsequently filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering made by this Prospectus shall be deemed to be incorporated herein by reference and to be a part hereof from the date of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company is not required to deliver an annual report to its security holders pursuant to Section 14 of the Exchange Act or any stock exchange requirements and will not deliver reports to its security holders unless otherwise required by law.

The Company hereby undertakes to provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus has been delivered, upon written or oral request of any such person, a copy of any or all of the documents referred to above that have been incorporated by reference in this Prospectus (not including exhibits to the documents that are incorporated by reference unless such exhibits are specifically incorporated by reference into such documents). Written or oral requests for such copies should be directed to the Investor Relations Department, P.O. Box 4505, Houston, Texas 77210, telephone (800) 231-6406 (if calling from outside Texas) or (800) 392-4261 (if calling from inside Texas) (toll free in either case).

Unless otherwise indicated, currency amounts in this Prospectus and any Prospectus Supplement are stated in United States dollars ("\$", "dollars", "U.S. dollars" or "U.S. \$").

THE COMPANY

Houston Lighting & Power Company (Company) is engaged in the generation, transmission, distribution and sale of electric energy, and serves customers in an approximately 5,000 square mile area of the Texas Gulf Coast, including Houston. The address of the Company's principal executive offices is 611 Walker Avenue, Houston, Texas 77002. Its telephone number is (713) 228-9211.

The Company is a subsidiary of Houston Industries Incorporated (Houston Industries), which owns directly or indirectly all of the Company's outstanding common stock. Houston Industries is a holding company as defined in the Public Utility Holding Company Act of 1935, as amended (Holding Company Act), but is exempt from regulation as a "registered" holding company under the Holding Company Act.

APPLICATION OF PROCEEDS

Except as otherwise described in the applicable Prospectus Supplement, the net proceeds from the sale of the Offered Securities will be used for general corporate purposes. These purposes include, but are not limited to, the redemption, repayment or retirement of outstanding indebtedness or preferred stock of the Company, the payment of expenditures relating to the Company's construction program (as discussed in the documents incorporated herein by reference), and the repayment of short-term indebtedness incurred in connection with any of the foregoing. Such short-term indebtedness bears or will bear interest at fluctuating rates generally lower than the prime rate.

Except as otherwise described in the applicable Prospectus Supplement, pending the uses described above, the proceeds from the sale of the Offered Securities may be invested in short-term investments or in the Houston Industries "money fund", a cash management program in which subsidiaries of Houston Industries, including the Company, may invest excess funds or borrow funds. Houston Industries pays interest on funds invested by its subsidiaries in the money fund generally at a fluctuating rate.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratios of earnings to fixed charges of the Company for each of the years 1988 through 1992 and for the twelve months ended September 30, 1993.

TWELVE MONTHS ENDED DECEMBER 31,					TWELVE MONTHS ENDED
					SEPTEMBER 30,
1988(1)	1989(1)	1990(1)	1991(1)	1992(1) (2)	1993(3)
2.78	3.12	2.85	2.97	2.73	3.29

(1) Restated to reflect the merger, effective as of October 8, 1993, of Utility Fuels, Inc. with and into the Company.

(2) Before cumulative effect of change in accounting for revenues.

(3) The ratio of earnings to fixed charges for the nine-month period ended September 30, 1993 is 3.84. The Company believes that the ratio for this nine-month period is not necessarily indicative of the ratio for a twelve-month period due to the seasonal nature of the Company's business.

For the purpose of computing the Company's ratios of earnings to fixed charges, "earnings" represent the aggregate of net income, taxes on income and fixed charges. The calculation of the Company's earnings used in the calculation of the ratios of earnings to fixed charges include the allowance for funds used during construction, deferred carrying costs and deferred return. "Fixed charges" represent interest on capital leases and short-term and long-term debt and amortization of bond premium, discount and expenses, excluding amortization of the net gain or loss on reacquired mortgage bonds.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities are to be issued under the Collateral Trust Indenture, dated as of September 1, 1988, as supplemented, and as to be further supplemented in connection with the issuance and sale of the Debt Securities, between the Company and Texas Commerce Bank, in its capacity as Debt Securities Trustee (Indenture).

A copy of the Indenture is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The statements and descriptions under this caption are summaries of certain provisions of the Indenture, do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Indenture, including the definitions therein of certain terms.

The principal amount of Debt Securities that may be offered hereunder is subject to reduction as a result of the sale of certain other debt securities. The Registration Statement of which this Prospectus is a part also includes a separate prospectus relating to an offering of up to \$480,000,000 aggregate principal amount of the Company's first mortgage bonds, which may be offered prior to or concurrently with the offering of the Debt Securities. Any first mortgage bonds sold by the Company pursuant to such separate prospectus will reduce the principal amount of Debt Securities that may be offered by the Company pursuant to this Prospectus. Conversely, any Debt Securities sold by the Company hereunder will reduce the principal amount of first mortgage bonds that may be offered pursuant to such separate prospectus.

The Company has previously issued pursuant to supplemental indentures to the Indenture \$700 million aggregate principal amount of collateralized medium-term notes. An additional \$100 million aggregate principal amount of Collateralized Medium-Term Notes, Series C may be issued by the Company pursuant to the Third Supplemental Indenture to the Indenture.

The term "Securities", as used under this caption, refers to all Securities issued under the Indenture and includes the Debt Securities.

GENERAL

The Debt Securities may be issued from time to time in one or more series. The particular terms of each series of Debt Securities offered by any Prospectus Supplement will be described in such Prospectus Supplement relating to such series.

The Indenture does not limit the aggregate amount of Securities that may be issued thereunder, and Securities may be issued thereunder from time to time in separate series up to the aggregate amount from time to time authorized by the Company for each series. For a description of the security for the Securities, see "Security; Pledge of Mortgage Bonds" below and "Description of Mortgage Bonds".

Except as may be otherwise indicated in a Prospectus Supplement, the Indenture does not contain any covenants or other provisions that afford holders of the Debt Securities special protection in the event of a highly leveraged transaction involving the Company except for any such protection provided by the provisions of the Indenture described below under "Security; Pledge of Mortgage Bonds".

The applicable Prospectus Supplement will describe the following terms of the Offered Securities: (1) the title of the Offered Securities; (2) any limit on the aggregate principal amount of the Offered Securities; (3) whether the Offered Securities are to be issuable as Registered Securities or Bearer Securities or both, whether any of the Offered Securities are to be issuable initially in temporary global form and whether any of the Offered Securities are to be issuable in permanent global form; (4) if other than as described under "Form, Exchange, Registration and Transfer" and "Limitations on Issuance of Bearer Securities" below, any restrictions applicable to the offer, sale or delivery of Bearer Securities and the terms, if any, upon which any Bearer Securities may be exchanged for Registered Securities; (5) the price or prices (expressed as a percentage

of the aggregate principal amount thereof) at which the Offered Securities will be issued; (6) the date or dates on which the Offered Securities will mature; (7) the rate or rates at which the Offered Securities will bear interest, if any, or the formula pursuant to which such rate or rates will be determined, and the date or dates from which any such interest will accrue; provided that in no event shall the interest rate (whether fixed or variable) on the Offered Securities exceed the interest rate on the underlying Mortgage Bonds relating thereto; (8) the Interest Payment Dates on which any such interest on the Offered Securities will be payable, the Regular Record Date for any interest payable on any Offered Securities that are Registered Securities on any Interest Payment Date; (9) the Person to whom any interest on any Registered Security of the series will be payable, if other than the Person in whose name such Registered Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest as described under "Payment and Paying Agents" below, and the manner in which, or the Person to whom, any interest on any Bearer Security will be paid if other than in the manner described under "Payment and Paying Agents" below and the extent to which, or the manner in which, any interest payable on a temporary global certificate for Bearer Securities on an Interest Payment Date will be paid if other than in the manner described under "Temporary Global Certificates for Bearer Securities" below and the extent to which, or the manner in which, any interest payable on a permanent global Security on an Interest Payment Date will be paid; (10) any mandatory or optional sinking fund, redemption or analogous provisions; (11) each office or agency where, subject to the terms of the Indenture as described below under "Payment and Paying Agents", the principal of (and premium, if any) and interest on the Offered Securities will be payable and each office or agency where, subject to the terms of the Indenture as described below under "Form, Exchange, Registration and Transfer", the Offered Securities may be presented for registration of transfer or exchange; (12) the date, if any, after which, and the price or prices at which, the Offered Securities may be redeemed, in whole or in part at the option of the Company, or pursuant to mandatory redemption provisions, and the other detailed terms and provisions of any such optional or mandatory redemption provisions; (13) the denominations in which any Offered Securities that are Registered Securities will be issuable, if other than denominations of \$1,000 and any integral multiple thereof, and the denomination or denominations in which any Offered Securities that are Bearer Securities will be issuable, if other than the denomination of \$5,000; (14) the currency of payment of principal of (and premium, if any) and interest on the Offered Securities; (15) any index used to determine the amount of payments of principal of (and premium, if any) and interest on the Offered Securities; (16) the portion of the principal amount of the Offered Securities, if other than the entire principal amount thereof, payable upon acceleration of maturity thereof; (17) the Person who shall be the Security Registrar for Offered Securities issuable as Registered Securities, if other than Houston Industries; (18) any deletions or modifications of or additions to the Events of Default or covenants set forth in the Indenture; (19) any applicable Paying Agent or Authenticating Agent for Offered Securities, if other than Houston Industries; (20) whether the Offered Securities will be issued in book-entry or certificated form; and (21) any other terms of the Offered Securities not inconsistent with the provisions of the Indenture. Any such Prospectus Supplement will also describe any special provisions for the payment of additional amounts with respect to the Offered Securities. (Section 301)

Offered Securities may be issued as Original Issue Discount Securities to be sold at a discount below their principal amount. Special United States federal income tax considerations applicable to Offered Securities issued at an original issue discount, including Original Issue Discount Securities, and special United States tax considerations applicable to any Offered Securities that are denominated in a currency other than U.S. dollars, are described under "United States Taxation--United States Holders".

COMPLIANCE WITH CONDITIONS AND COVENANTS

The Indenture provides that, except as otherwise set forth therein, upon application or request by the Company to the Debt Securities Trustee to take any action under the Indenture, the Company shall furnish to the Debt Securities Trustee both an Officers' Certificate and an Opinion of Counsel stating that all applicable conditions precedent contained in the Indenture have been complied with and, to the extent that conditions precedent are subject to verification by certain experts, a certificate or opinion of such persons that the applicable conditions precedent have been complied with. (Section 102)

AUTHENTICATION AND DELIVERY

The Indenture provides that the Company may deliver Securities of any series, and any related coupons, executed by the Company to the Debt Securities Trustee or an Authenticating Agent for authentication, and the Debt Securities Trustee or such Authenticating Agent shall authenticate and deliver such Securities, subject to certain conditions set forth in the Indenture with respect to Bearer Securities. The Debt Securities Trustee or an Authenticating Agent shall have the right to decline to authenticate and deliver such Securities if the Debt Securities Trustee or such Authenticating Agent, as the case may be, has determined in good faith that such action would expose the Debt Securities Trustee or such Authenticating Agent, as the case may be, to personal liability to existing Holders or has been advised by counsel that such action may not lawfully be taken. No Security or coupon shall be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless such Security has been authenticated in accordance with the Indenture. (Section 303)

Houston Industries has been appointed an Authenticating Agent with respect to the Debt Securities and, in such capacity, is authorized to act on behalf of the Trustee to authenticate and deliver Debt Securities upon original issuance or upon exchange, registration of transfer or partial redemption. Such appointment may be rescinded with respect to a particular series of Securities upon the execution of a supplemental indenture providing for such rescission. The appointment of Houston Industries as Authenticating Agent may be terminated by the Trustee only in the event of gross negligence, willful misconduct, the failure by Houston Industries to perform its duties under the Indenture or under any agreement executed in connection therewith, or for other good cause shown.

SECURITY; PLEDGE OF MORTGAGE BONDS

General. In order to secure by the lien of the Mortgage the obligation of the Company to pay the principal of (and premium, if any) and interest on the Securities, the Company will issue and deliver to and pledge with Texas Commerce Bank, acting as the Debt Securities Trustee, in trust for the ratable benefit of the Holders of the Securities, Mortgage Bonds, which Mortgage Bonds will be issued pursuant to that certain Mortgage and Deed of Trust (Mortgage), dated as of November 1, 1944, between the Company and South Texas Commercial National Bank of Houston (Texas Commerce Bank, as successor trustee), as trustee (Mortgage Trustee), as amended and supplemented. (Section 401) The aggregate principal amount of the Securities outstanding and maximum aggregate amount of premium thereon, if any, will not exceed the aggregate principal amount of Mortgage Bonds pledged with and held by the Debt Securities Trustee. The Mortgage Bonds will bear interest at times and in amounts sufficient to provide for the payment of interest on the Securities and also will be redeemed at times and in amounts that correspond to the required payments of principal of and any premium on the Securities. Payments on the Securities will satisfy payment obligations on the underlying Mortgage Bonds relating thereto. The Mortgage Bonds will be secured by a first mortgage lien on certain property owned by the Company and will rank on a parity with all other first mortgage bonds of the Company. As of December 8, 1993, the Company had outstanding \$3,151,550,000 aggregate principal amount of first mortgage bonds. See "Description of Mortgage Bonds".

Pledge of Mortgage Bonds. The Company from time to time will issue and deliver to and pledge with the Debt Securities Trustee for the benefit of the holders of the Securities, Mortgage Bonds in an aggregate principal amount such that the sum of (i) the aggregate principal amount of Mortgage Bonds then being delivered to the Debt Securities Trustee pursuant to the Indenture and (ii) the aggregate principal amount of Mortgage Bonds previously delivered to and then being held by the Debt Securities Trustee pursuant to the Indenture is equal to or greater than the sum of (x) the aggregate principal amount (or, in the case of Original Issue Discount Securities, the aggregate principal amount thereof due and payable at the Stated Maturity thereof) of, plus the maximum aggregate amount of any premium on, any Securities then being delivered to the Debt Securities Trustee or an Authenticating Agent for authentication pursuant to the Indenture and (y) the aggregate principal amount (or, in the case of Original Issue Discount Securities, the aggregate principal amount thereof due and payable at the Stated Maturity thereof) of, plus the maximum aggregate amount of

any premium on, the Securities then outstanding (treating, for purposes of this clause (y), the Securities then being delivered to the Debt Securities Trustee or an Authenticating Agent for authentication pursuant to the Indenture as not being outstanding). (Section 401(b))

The Indenture provides that the Company will not issue and deliver Securities of any series to the Debt Securities Trustee or an Authenticating Agent for authentication, and the Debt Securities Trustee or such Authenticating Agent will not authenticate Securities of any series, unless the Company has delivered to the Debt Securities Trustee or such Authenticating Agent a Company Order, pursuant to which the Company designates with respect to such series Designated Mortgage Bonds, which designation, subject to certain provisions relating to the surrender of the Designated Mortgage Bonds, shall remain in effect for so long as the series of Securities with respect to which the Designated Mortgage Bonds have been so designated are Outstanding; provided that if the Securities are to be authenticated by such Authenticating Agent, the Company Order shall also be delivered to the Debt Securities Trustee concurrently with its delivery to such Authenticating Agent. (Section 401(d)) For purposes of the foregoing, "Designated Mortgage Bonds", with respect to any series of Securities, means an aggregate principal amount of Mortgage Bonds held by (or then being delivered to) the Debt Securities Trustee, not designated at the time with respect to Outstanding Securities, equal to the aggregate principal amount (or, in the case of Original Issue Discount Securities, the aggregate principal amount thereof due and payable at the Stated Maturity thereof) of, plus the maximum aggregate amount of any premium on, the Securities of such series issued and delivered by the Company to the Debt Securities Trustee or an Authenticating Agent for authentication pursuant to the Indenture.

Payments in Foreign Currencies. Pursuant to the terms of the Indenture, a series of Securities may not be made payable in any currency unless the Designated Mortgage Bonds relating to such series are also made payable in the same currency.

Satisfaction of Payment Obligation on Mortgage Bonds. The interest rate on the Mortgage Bonds will be as specified in the applicable Prospectus Supplement. The Indenture provides that the obligation of the Company to make any payment of the principal of (and premium, if any) or interest on the Designated Mortgage Bonds will be deemed to have been satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal of (and premium, if any) or interest on the Securities to which such Designated Mortgage Bonds relate, and any coupons appertaining to such Securities, shall have been paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of (and premium, if any) or interest on the Designated Mortgage Bonds at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of (and premium, if any) or interest on the Designated Mortgage Bonds exceeds the obligation of the Company at that time to make any payment of the principal of (and premium, if any) or interest on the Securities to which such Designated Mortgage Bonds relate. The obligation of the Company to make any payment of the principal of (and premium, if any) or interest on the Mortgage Bonds other than Designated Mortgage Bonds shall be deemed to have been satisfied and discharged in full at the time any such payment shall be due. (Section 403(a))

Redemption of Mortgage Bonds. The Company covenants and agrees in the Indenture that upon the required payment of principal or premium, if any, becoming due and payable with respect to any Securities, it will redeem the Designated Mortgage Bonds relating to such Securities in an aggregate principal amount equal to the amount becoming due and payable on such Securities, plus accrued interest; provided, however, that the Company's obligation to redeem such Designated Mortgage Bonds will be fully or partially deemed to have been satisfied and discharged to the extent that at the time any such payment shall be due, the then due aggregate principal amount of the Securities to which such Designated Mortgage Bonds relate, plus the aggregate amount of any premium on, or accrued interest to the redemption date for, such Securities shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. Except for such redemption, the Company covenants that it will not redeem the Mortgage Bonds or take any action that will result in the Mortgage Trustee's incurring an obligation to redeem any Mortgage Bonds. (Section 404)

Surrender and Exchange of Mortgage Bonds. Pursuant to the Indenture, any time that Securities of any series cease to be Outstanding, the Debt Securities Trustee will, upon request of the Company, surrender to the Mortgage Trustee for cancellation Designated Mortgage Bonds relating to such series in an aggregate principal amount equal to the aggregate principal amount (or, in the case of Original Issue Discount Securities that cease to be Outstanding, the aggregate principal amount thereof that would have been due and payable at the Stated Maturity thereof) of, plus the maximum aggregate amount of any premium on, the Securities that cease to be Outstanding; provided that the aggregate principal amount of Designated Mortgage Bonds held by the Debt Securities Trustee at any time relating to any series of Outstanding Securities shall not be less than the aggregate principal amount (or, in the case of Original Issue Discount Securities, the aggregate principal amount thereof that shall be due and payable at the Stated Maturity thereof) of, plus the maximum aggregate amount of any premium on, all Outstanding Securities of such series. (Section 406(b))

The Debt Securities Trustee will, upon request of the Company, surrender to the Mortgage Trustee for cancellation Mortgage Bonds in an aggregate principal amount equal to the aggregate principal amount of any other Mortgage Bonds delivered to and pledged with the Debt Securities Trustee pursuant to the Indenture in exchange therefor; provided that the Mortgage Bonds so delivered to and pledged with the Debt Securities Trustee contain no provisions that would impair the benefit of the lien of the Mortgage in favor of the holders of the Outstanding Securities. With respect to the delivery to and pledge with the Debt Securities Trustee of Mortgage Bonds payable in a currency other than the currency of the Mortgage Bonds to be surrendered in exchange therefor, the aggregate principal amount of Mortgage Bonds to be surrendered by the Debt Securities Trustee shall be equal to the equivalent of the aggregate principal amount of Mortgage Bonds so delivered and pledged in the currency in which the Mortgage Bonds to be surrendered in exchange therefor are payable, as determined by the Company by reference to the noon buying rate in The City of New York for cable transfers for such currency on the day on which such exchange and surrender occurs, as such rate is reported or otherwise made available by the Federal Reserve Bank of New York. (Section 406(c))

From time to time upon request of the Company, the Debt Securities Trustee will surrender to the Mortgage Trustee for cancellation Mortgage Bonds other than Designated Mortgage Bonds held by the Debt Securities Trustee pursuant to the Indenture. (Section 406(d))

FORM, EXCHANGE, REGISTRATION AND TRANSFER

Securities of a series may be issuable in definitive form solely as Registered Securities, solely as Bearer Securities or as both Registered Securities and Bearer Securities. Unless otherwise indicated in an applicable Prospectus Supplement, definitive Bearer Securities will have interest coupons attached. (Section 201) The Indenture also provides that Securities of a series may be issuable in temporary and permanent global form. (Section 201) See "Temporary Global Certificates for Bearer Securities", "Permanent Global Securities" and "Book-Entry Debt Securities".

In connection with its sale during the restricted period (as defined below), no Bearer Security (including a Security in permanent global form that is either a Bearer Security or exchangeable for Bearer Securities) shall be mailed or otherwise delivered to any location in the United States or its possessions (as defined under "Limitations on Issuance of Bearer Securities") and a Bearer Security may be delivered in definitive form in connection with its original issuance only if prior to delivery the owner of such Bearer Security or a financial institution or clearing organization through which the owner holds such Bearer Security, directly or indirectly, furnishes written certification, in the form required by the Indenture, to the effect that such Bearer Security is owned by: (a) a Person (purchasing for its own account) who is not a United States person (as defined under "Limitations on Issuance of Bearer Securities"); (b) a United States person who is (i) a foreign branch of a United States financial institution purchasing for its own account or for resale or (ii) a United States person purchasing for its own account who acquired such Bearer Security through the foreign branch of a United States financial institution and who for purposes of this certification holds such Bearer Security through such financial institution on the date of certification and, in either case, such United States financial institution provides a certificate to the Company or the distributor selling the Bearer Security within a

reasonable period of time stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended (Code), and the regulations thereunder; or (c) a financial institution for purposes of resale within the "restricted period" as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7). A financial institution described in clause (c) of the preceding sentence (whether or not also described in clauses (a) and (b)) must certify that it has not acquired the Bearer Security for purposes of resale, directly or indirectly, to a United States person or to a person within the United States or its possessions. In the case of a Bearer Security in permanent global form, such certification must be given in connection with notation of a beneficial owner's interest therein in connection with the original issuance of such Security or upon exchange of a portion of a temporary global Security. (Section 303) See "Temporary Global Certificates for Bearer Securities" and "Limitations on Issuance of Bearer Securities". Each Bearer Security other than a temporary global Bearer Security will bear a legend notifying the holder thereof of certain limitations under the United States income tax laws applicable to bearer securities.

Unless otherwise indicated in an applicable Prospectus Supplement, Registered Securities of any series will be exchangeable for other Registered Securities of the same series and of like tenor of any authorized denominations and of a like aggregate principal amount and Stated Maturity. In addition, if Securities of any series are issuable as both Registered Securities and Bearer Securities, at the option of the Holder upon request confirmed in writing, and subject to the terms of the Indenture, Bearer Securities (with all unmatured coupons, except as provided below, and all matured coupons in default) of such series will be exchangeable for Registered Securities of the same series and of like tenor of any authorized denominations and of a like aggregate principal amount and Stated Maturity. Bearer Securities surrendered in exchange for Registered Securities between the close of business on a Regular Record Date or a Special Record Date and the relevant date for payment of interest shall be surrendered without the coupon relating to such date for payment of interest, and interest will not be payable in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the terms of the Indenture. Bearer Securities will not be issued in exchange for Registered Securities. (Section 305)

Unless otherwise indicated in an applicable Prospectus Supplement, Securities may be presented for exchange as provided above, and Registered Securities may be presented for registration of transfer (with the form of transfer endorsed thereon duly executed), at the office of the Security Registrar or at the office of any transfer agent designated by the Company for such purpose with respect to any series of Securities and referred to in an applicable Prospectus Supplement, without service charge and upon payment of any taxes and other governmental charges as described in the Indenture. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. (Section 305) Houston Industries is the initial Security Registrar for the Securities. (Section 101) If a Prospectus Supplement refers to any transfer agents (in addition to the Security Registrar) initially designated by the Company with respect to any series of Securities, the Company may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent (or Security Registrar) acts, except that, if Securities of a series are issuable solely as Registered Securities, the Company will be required to maintain a transfer agent in each Place of Payment for such series and, if Securities of a series are issuable as Bearer Securities, the Company will be required to maintain (in addition to the Security Registrar) a transfer agent in a Place of Payment for such series located outside the United States. The Company may at any time designate additional transfer agents with respect to any series of Securities. (Section 1102)

In the event of any redemption of Securities, the Company shall not be required to: (i) issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before any selection of Securities of that series to be redeemed and ending at the close of business on (A) if Securities of the series are issuable only as Registered Securities, the day of mailing of the relevant notice of redemption and (B) if Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, if Securities of the series are also issuable as Registered Securities

and there is no publication, the mailing of the relevant notice of redemption; (ii) register the transfer of or exchange any Registered Security, or portion thereof, called for redemption, except the unredeemed portion of any Registered Security being redeemed in part; or (iii) exchange any Bearer Security called for redemption, except to exchange such Bearer Security for a Registered Security of that series and of like tenor that is simultaneously surrendered for redemption. (Section 305)

PAYMENT AND PAYING AGENTS

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of (and premium, if any) and interest on Bearer Securities will be payable, subject to any applicable laws and regulations, at the offices of such Paying Agents outside the United States and its possessions as the Company may designate from time to time, or, at the option of the Holder, by a check or by transfer to an account maintained by the payee with a bank located outside the United States; provided, however, that the written certification described above under "Form, Exchange, Registration and Transfer" has been delivered prior to the first actual payment of interest. Unless otherwise indicated in an applicable Prospectus Supplement, payment of interest on Bearer Securities on any Interest Payment Date will be made only against surrender outside the United States, to the Paying Agent, of the coupon relating to such Interest Payment Date. No payment with respect to any Bearer Security will be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States. Notwithstanding the foregoing, payments of principal of (and premium, if any) and interest on Bearer Securities denominated and payable in U.S. dollars will be made at the office of the Company's Paying Agent in the Borough of Manhattan, The City of New York, if (but only if) payment of the full amount thereof in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions. (Section 1102)

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of (and premium, if any) and interest on Registered Securities will be made at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that at the option of the Company payment of any interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Unless otherwise indicated in an applicable Prospectus Supplement, payment of any installment of interest on Registered Securities on any Interest Payment Date will be made to the Person in whose name such Registered Security (or Predecessor Security) is registered at the close of business on the Regular Record Date for such interest. (Section 307)

Unless otherwise indicated in an applicable Prospectus Supplement, Houston Industries is the sole Paying Agent for payments with respect to Offered Securities that are issuable solely as Registered Securities. A Paying Agent will be designated as the Company's Paying Agent in the Borough of Manhattan, The City of New York, for payments with respect to Offered Securities (subject to the limitations described above in the case of Bearer Securities) that are issuable solely as Bearer Securities or as both Registered Securities and Bearer Securities. Any Paying Agents outside the United States and any other Paying Agents in the United States initially designated by the Company for the Offered Securities will be named in an applicable Prospectus Supplement. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that if Securities of a series are issuable solely as Registered Securities, the Company will be required to maintain a Paying Agent in each Place of Payment for such series and, if Securities of a series are issuable as Bearer Securities, the Company will be required to maintain (i) a Paying Agent in the Borough of Manhattan, The City of New York, for payments with respect to any Registered Securities of the series (and for payments with respect to Bearer Securities of the series in the circumstances described above, but not otherwise) and (ii) a Paying Agent in a Place of Payment located outside the United States where Securities of such series and any coupons appertaining thereto may be presented and surrendered for payment; provided that if the Securities of such series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland or the Luxembourg Stock Exchange or any other stock exchange located outside the United States

and such stock exchange shall so require, the Company will maintain a Paying Agent in London or Luxembourg or any other required city located outside the United States, as the case may be, for the Securities of such series. (Section 1102)

All moneys paid by the Company to a Paying Agent or held by the Company in trust for the payment of principal of (and premium, if any) or interest on any Security, which remain unclaimed at the end of two years after such principal, premium or interest shall have become due and payable, will be discharged from trust and repaid to the Company, and the Holder of such Security or any coupon will thereafter look only to the Company for payment thereof. (Section 1103)

TEMPORARY GLOBAL CERTIFICATES FOR BEARER SECURITIES

If so specified in an applicable Prospectus Supplement, all or any portion of the Securities of a series that are issuable as Bearer Securities will initially be represented by one or more temporary global certificates, without interest coupons, to be deposited with a common depositary in London for Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System (Euro-clear) and CEDEL S.A. (CEDEL) for credit to the designated accounts. On and after the date determined as provided in any such temporary global certificate and described in an applicable Prospectus Supplement, each such temporary global certificate will be exchangeable for definitive Bearer Securities, definitive certificates representing Registered Securities or all or a portion of a permanent global certificate representing Bearer Securities, or any combination thereof, as specified in an applicable Prospectus Supplement, but, unless otherwise specified in an applicable Prospectus Supplement, only upon written certification in the form and to the effect described under "Form, Exchange, Registration and Transfer". No definitive Bearer Security or permanent global certificates representing Bearer Securities delivered in exchange for a portion of a temporary global certificate shall be mailed or otherwise delivered to any location in the United States in connection with such exchange. (Section 304)

Unless otherwise specified in an applicable Prospectus Supplement, interest in respect of any portion of a temporary global certificate representing Bearer Securities payable in respect of an Interest Payment Date occurring prior to the issuance of definitive Securities or a permanent global certificate representing Bearer Securities will be paid to each of Euro-clear and CEDEL with respect to the portion of the temporary global certificate held for its account. Each of Euro-clear and CEDEL will undertake in such circumstances to credit such interest received by it in respect of a temporary global certificate to the respective accounts for which it holds such temporary global certificate only upon receipt in each case of written certification in the form and to the effect described above under "Form, Exchange, Registration and Transfer" as of the relevant Interest Payment Date regarding the portion of such temporary global certificate representing Bearer Securities on which interest is to be so credited. (Section 304)

PERMANENT GLOBAL SECURITIES

If any Securities of a series are issuable in permanent global form, the applicable Prospectus Supplement will describe the circumstances, if any, under which beneficial owners of interests in any such permanent global certificate may exchange such interests for Securities of such series and of like tenor and principal amount of any authorized form and denomination. No Bearer Security delivered in exchange for a portion of a permanent global certificate shall be mailed or otherwise delivered to any location in the United States in connection with such exchange. (Section 305) Except as otherwise specified in a Prospectus Supplement, a Person having a beneficial interest in a permanent global certificate will, except with respect to payment of principal of (and premium, if any) and interest on such permanent global certificate, be treated as a Holder of such principal amount of Outstanding Securities represented by such permanent global certificate as shall be specified in a written statement of the Holder of such permanent global certificate that is delivered to the Securities Registrar by such Person. Principal of (and premium, if any) and interest on a permanent global certificate will be payable in the manner described in the applicable Prospectus Supplement. (Section 203)

BOOK-ENTRY DEBT SECURITIES

The Registered Debt Securities of a series may be issued, in whole or in part, in the form of one or more global Securities that would be deposited with a depository or its nominee identified in the applicable Prospectus Supplement. The specific terms of any depository arrangement with respect to any portion of a series of Debt Securities and the rights of, and limitations on, owners of beneficial interests in any such global Security representing all or a portion of a series of Debt Securities will be described in the applicable Prospectus Supplement.

SATISFACTION AND DISCHARGE OF THE INDENTURE AND THE SECURITIES

The Indenture will cease to be of further effect, and the Debt Securities Trustee shall execute instruments acknowledging satisfaction and discharge of the Indenture and shall pay, or assign or transfer and deliver, the Trust Estate held by it as security for the Securities remaining, when (1) either (a) all Securities authenticated and delivered and any related coupons (other than certain specified Securities and coupons) have been delivered for cancellation; or (b) all such Securities and any related coupons have become or will become within one year due and payable, or are to be called for redemption within one year under arrangements satisfactory to the Debt Securities Trustee, and the Company has deposited or caused to be deposited in trust with the Debt Securities Trustee funds sufficient to pay and discharge the entire indebtedness on such Securities for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities that have become due and payable) or to their Stated Maturity or Redemption Date, as the case may be; and (2) the Company has paid or caused to be paid all other sums payable by it under the terms of the Indenture. (Section 501)

If so specified in the supplemental indenture or other instrument creating a series of Securities, the Company shall be deemed to have paid and discharged the indebtedness on all the Outstanding Securities of such series and the Debt Securities Trustee shall execute instruments acknowledging the satisfaction and discharge of such indebtedness and shall pay, or assign or transfer and deliver to the Company the Designated Mortgage Bonds which have been held as security for the Securities of such series if (1) either (a) with respect to all Outstanding Securities of such series (i) the Company has irrevocably deposited or caused to be irrevocably deposited with the Debt Securities Trustee an amount sufficient to pay and discharge the entire indebtedness on all Outstanding Securities of such series for principal (and premium, if any) and interest to the Stated Maturity or any Redemption Date, as the case may be, or (ii) the Company has irrevocably deposited or caused to be irrevocably deposited with the Debt Securities Trustee such amount of direct noncallable obligations of, or noncallable obligations the payment of principal of and interest on which is fully guaranteed by, the United States of America, or to the payment of which obligations or guarantees the full faith and credit of the United States of America is pledged, maturing as to principal and interest in such amounts and at such times as will, without consideration of any reinvestment thereof, be sufficient to pay and discharge the entire indebtedness on all Outstanding Securities of such series for principal (and premium, if any) and interest to the Stated Maturity or any Redemption Date, as the case may be, or (b) the Company has properly fulfilled such other means of satisfaction and discharge as is specified in the supplemental indenture or other instrument creating such series; (2) after giving effect to the satisfaction and discharge of the Securities of such series and to the release of the related Designated Mortgage Bonds from the lien of the Indenture, the aggregate principal amount of Designated Mortgage Bonds held by the Debt Securities Trustee and relating to all Outstanding Securities of all other series shall not be less than the aggregate principal amount of, plus the maximum aggregate amount of any premium on, all Outstanding Securities of all such other series; and (3) the Company has paid or caused to be paid all other sums payable with respect to the Outstanding Securities of such series. (Section 503)

For federal income tax purposes, the deposit in trust of cash or direct noncallable obligations of, or noncallable obligations the payment of principal of and interest on which is fully guaranteed by, the United States of America (U.S. Government Obligations) by the Company in connection with the satisfaction and

full discharge of the indebtedness on all the Outstanding Securities of a particular series may be treated as a taxable exchange of such Securities for interests in the trust. The holders of the Outstanding Securities thereafter would be treated for tax purposes as the owners of their proportionate shares of the funds or U.S. Government Obligations held in trust and would be required to include currently in their income any income, gain or loss attributable thereto, even though no cash in excess of the interest on the Outstanding Securities otherwise payable to them in accordance with the terms of such Securities would actually be received until maturity of the Securities. Prospective investors are urged to consult their own tax advisors as to the specific tax consequences of a defeasance.

EVENTS OF DEFAULT

Any one of the following events will constitute an Event of Default under the Indenture with respect to Securities of any series: (a) failure to pay any interest on any Security of that series when due, continued for 60 days; (b) failure to pay principal of (or premium, if any, on) any Security of that series when due; (c) failure to deposit any sinking fund payment, when due, in respect of any Security of that series and continuance of such default for 60 days; (d) failure to perform any other covenant or warranty of the Company in the Indenture (other than a covenant or warranty included in the Indenture solely for the benefit of a series of Securities other than that series), continued for 90 days after written notice as provided in the Indenture; (e) certain events of bankruptcy, insolvency or reorganization involving the Company; (f) the occurrence of a "default" (as such term is defined in the Mortgage); and (g) any other Event of Default provided in an indenture supplemental thereto with respect to Securities of that series. (Section 601)

Unless the Debt Securities Trustee holds more than 25% of the outstanding Mortgage Bonds under the Mortgage, it cannot, without the concurrence of other holders of first mortgage bonds, force a declaration of "default" under the Mortgage or acceleration of the Mortgage Bonds. See "Description of Mortgage Bonds--Events of Default".

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, either the Debt Securities Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series by notice as provided in the Indenture may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately. At any time after a declaration of acceleration with respect to Securities of any series has been made, but before a judgment or decree for payment of money has been obtained by the Debt Securities Trustee, and subject to applicable law and certain other provisions of the Indenture, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series may, under certain circumstances, rescind and annul such acceleration. (Section 602)

The Indenture provides that within 90 days after the occurrence of any Event of Default thereunder with respect to the Securities of any series, the Debt Securities Trustee shall transmit, in the manner set forth in the Indenture, notice of such Event of Default to the Holders of the Securities of such series unless such Event of Default has been cured or waived; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Debt Securities Trustee may withhold such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Debt Securities Trustee has in good faith determined that the withholding of such notice is in the interest of the Holders of Securities of such series; and provided, further, that in the case of any default referred to in clause (d) of the third preceding paragraph with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. (Section 702)

Upon the occurrence of an Event of Default with respect to Securities of any series, the Debt Securities Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of

Securities of such series by all appropriate judicial proceedings, including the rights of the Debt Securities Trustee as the holder of the Mortgage Bonds; provided, however, the Debt Securities Trustee shall not have the power to sell the Mortgage Bonds. (Section 603)

The Indenture provides that, subject to the duty of the Debt Securities Trustee during default to act with the required standard of care, the Debt Securities Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Debt Securities Trustee reasonable indemnity. (Sections 701 and 703) Subject to such provisions for the indemnification of the Debt Securities Trustee, and subject to applicable law and certain other provisions of the Indenture, the Holders of a majority in aggregate principal amount of the Outstanding Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Debt Securities Trustee, or exercising any trust or power conferred on the Debt Securities Trustee, with respect to the Securities of that series. (Section 612)

The Company will be required to furnish to the Debt Securities Trustee annually a statement as to the performance by the Company of certain of its obligations under the Indenture and as to any default in such performance. (Section 1109)

MEETINGS, MODIFICATION AND WAIVER

Modifications and amendments of the Indenture may be made by the Company and the Debt Securities Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Security affected thereby, (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, (b) reduce the principal amount of, or premium or interest on, any Security, (c) change the coin or currency in which any Security or any premium or any interest thereon is payable, (d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity of any Security (or, in the case of redemption, on or after the Redemption Date), (e) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required in order to take certain actions, (f) change any obligation of the Company to maintain an office or agency in the places and for the purposes required by the Indenture or (g) modify any of the above provisions. (Section 1002)

The Holders of at least 66 2/3% in aggregate principal amount of the Outstanding Securities of each series may, on behalf of the Holders of all the Securities of that series, waive, insofar as that series is concerned, compliance by the Company with certain restrictive provisions of the Indenture. (Section 1110) The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series may, on behalf of all Holders of Securities of that series and any coupons appertaining thereto, waive any past default and its consequences under the Indenture with respect to Securities of that series, except a default (a) in the payment of principal of (or premium, if any) or any interest on any Security of such series or (b) in respect of a covenant or provision of the Indenture that cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected. (Section 613)

The Indenture provides that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver thereunder or whether a quorum is present at a meeting of Holders of Securities or the number of votes entitled to be cast by the Holder of any Security (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof, (ii) the principal amount of a Security denominated in a foreign currency shall be the U.S. dollar equivalent, determined as of the date of original issuance of such Security by the Company in good faith, of the principal amount of such Security (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent,

determined as of the date of original issuance of such Security, of the amount determined as provided in (i) above) and (iii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding. (Section 101)

The Indenture contains provisions for convening meetings of the Holders of Securities of a series. (Section 1401) A meeting may be called at any time by the Debt Securities Trustee, and also, upon request, by the Company or the Holders of at least 10% in principal amount of the Outstanding Securities of such series, in any such case upon notice given in accordance with "Notices" below. (Section 1402) Except for any consent that must be given by the Holder of each Outstanding Security affected thereby, as described above, any resolution presented at a meeting or adjourned meeting at which a quorum is present may be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series; provided, however, that, except for any consent that must be given by the Holder of each Outstanding Security affected thereby, as described above, any resolution with respect to any consent or waiver that may be given by the Holders of not less than 66 2/3% in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly convened at which a quorum is present only by the affirmative vote of the Holders of 66 2/3% in principal amount of the Outstanding Securities of that series; and provided, further, that, except for any consent that must be given by the Holder of each Outstanding Security affected thereby, as described above, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken by the Holders of a specified percentage, which is less than a majority in principal amount of the Outstanding Securities of a series, may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of that series. Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with the Indenture will be binding on all Holders of Securities of that series and the related coupons. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be persons holding or representing a majority in principal amount of the Outstanding Securities of a series; provided, however, that if any action is to be taken at such meeting with respect to a consent or waiver that may be given by the Holders of not less than 66 2/3% in principal amount of the Outstanding Securities of a series, the persons holding or representing 66 2/3% in principal amount of the Outstanding Securities of such series will constitute a quorum. (Section 1404)

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company, without the consent of the Holders of any of the Outstanding Securities under the Indenture, may consolidate with or merge into, or transfer or lease its properties and assets substantially as an entirety to, any Person that is a corporation, partnership or trust organized and validly existing under the laws of any domestic jurisdiction, or may permit any such Person to consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, provided that any successor Person assumes the Company's obligations on the Securities and under the Indenture, that after giving effect to the transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and that certain other conditions are met. (Section 901)

NOTICES

Except as otherwise provided in the Indenture, notices to Holders of Bearer Securities will be given by publication at least twice in a daily newspaper in The City of New York and in such other city or cities as may be specified in such Securities. Notices to Holders of Registered Securities will be given by mail to the addresses of such Holders as they appear in the Security Register. (Section 106)

TITLE

Title to any temporary global certificate representing Bearer Securities, any Bearer Securities (including Bearer Securities in permanent global form) and any coupons appertaining thereto will pass by delivery. The

Company, the Debt Securities Trustee and any agent of the Company or the Debt Securities Trustee may treat the bearer of any Bearer Security and the bearer of any coupon and the registered owner of any Registered Security as the absolute owner thereof (whether or not such Security or coupon shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes. (Section 308)

REPLACEMENT OF SECURITIES AND COUPONS

Any mutilated Security or a Security with a mutilated coupon appertaining thereto will be replaced by the Company at the expense of the Holder upon surrender of such Security to the Debt Securities Trustee or to Houston Industries, as an Authenticating Agent. Securities or coupons that become destroyed, stolen or lost will be replaced by the Company at the expense of the Holder upon delivery to the Debt Securities Trustee or to Houston Industries, as an Authenticating Agent, of the Security, coupon or coupons or evidence of the destruction, loss or theft thereof satisfactory to the Company and the Debt Securities Trustee or Houston Industries; in the case of any coupon that becomes destroyed, stolen or lost, such coupon will be replaced by issuance of a new Security in exchange for the Security to which such coupon appertains. In the case of a destroyed, lost or stolen Security or coupon, an indemnity satisfactory to the Debt Securities Trustee or Houston Industries, as an Authenticating Agent, as the case may be, and the Company may be required at the expense of the Holder of such Security or coupon before a replacement Security will be issued. (Section 306)

GOVERNING LAW

The Indenture, the Securities and the coupons will be governed by, and construed in accordance with, the laws of the State of Texas. (Section 113)

CONCERNING THE DEBT SECURITIES TRUSTEE

Texas Commerce Bank will be the Debt Securities Trustee under the Indenture. Texas Commerce Bank also serves as Mortgage Trustee under the Mortgage. See "Description of Mortgage Bonds--Concerning the Mortgage Trustee".

DESCRIPTION OF MORTGAGE BONDS

A copy of the Mortgage is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The statements and descriptions under this caption are summaries of certain provisions of the Mortgage and the Mortgage Bonds, do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Mortgage, including the definitions therein of certain terms.

GENERAL

In order to secure by the lien of the Mortgage the obligation of the Company to pay the principal of (and premium, if any) and interest on the Securities in accordance with the terms thereof, any coupons relating thereto and the Indenture, the Company will from time to time issue and deliver to and pledge with the Debt Securities Trustee, in trust for the ratable benefit of the holders of the outstanding Securities, one or more series of Mortgage Bonds. For additional information concerning the pledge of the Mortgage Bonds with the Debt Securities Trustee, see "Description of Debt Securities--Security; Pledge of Mortgage Bonds".

SINKING OR IMPROVEMENT FUNDS

No series of the Mortgage Bonds will be entitled to the benefits of any sinking fund provision applicable specifically to the Mortgage Bonds. Such provisions are in effect with respect to certain other series of first mortgage bonds outstanding under the Mortgage. Payments required by such sinking fund provisions may be made, at the Company's option, in cash or by applying as a credit against each such required payment

either (a) retired first mortgage bonds of the series that is subject to the sinking fund provision or (b) a percentage (60%) of the cost or fair value of certain gross property additions made by the Company under the procedures described in the Mortgage. The requirement may not be anticipated.

The Mortgage also provides for a sinking or improvement fund of 1% per annum applicable to the Mortgage Bonds and each other series of first mortgage bonds at the time outstanding under the Mortgage. This fund may be satisfied with the deposit of cash or first mortgage bonds or with property additions at 100% and the same property additions may be credited to the replacement fund referred to below. In general, cash sinking fund payments with respect to a series may be used to redeem first mortgage bonds of that series, so long as the first mortgage bonds of such series are subject to redemption prior to maturity. Cash payments pursuant to the sinking or improvement fund will not be used to redeem the Mortgage Bonds except as described under "Description of Debt Securities--Security; Pledge of Mortgage Bonds--Redemption of Mortgage Bonds".

REPLACEMENT FUND

The Company agrees to expend an amount each year for replacements and improvements in respect of its depreciable mortgaged utility property equal to \$1,450,000 plus 2 1/2% of net additions to such mortgaged property made after March 31, 1948 and prior to July 1 of the preceding year. Such requirement may be met with cash, first mortgage bonds, gross property additions or expenditures for repairs or replacements or by taking credit for property additions certified under the sinking or improvement fund discussed under "Sinking or Improvement Funds" above. In general, deposited cash may be withdrawn on similar bases or, at the option of the Company, used to redeem first mortgage bonds of any series subject to special redemption at the special redemption price applicable to such series. Deposited cash will not be used to redeem the Mortgage Bonds except as described under "Description of Debt Securities--Security; Pledge of Mortgage Bonds--Redemption of Mortgage Bonds".

SECURITY

The Mortgage Bonds, together with all other first mortgage bonds now or hereafter issued under the Mortgage, will be secured by the Mortgage, which will constitute, in the opinion of counsel, a first mortgage lien on all of the present properties of the Company (except as stated below), subject to excepted encumbrances. There are excepted from the lien of the Mortgage all cash and securities; equipment, materials or supplies acquired for consumption in the operation of the Company's properties or for resale in the ordinary course of its business; timber, minerals, mineral rights and royalties; and accounts receivable, contracts, leases and operating agreements.

The Mortgage contains provisions for subjecting certain after-acquired property to the lien thereof, subject to any pre-existing liens and to certain limitations in the case of consolidation, merger or sale of substantially all of the Company's assets.

The Mortgage provides that the Mortgage Trustee will have a lien upon the mortgaged property, prior to the first mortgage bonds, for the payment of its reasonable compensation and expenses and for indemnity against certain liabilities.

ISSUANCE OF ADDITIONAL FIRST MORTGAGE BONDS

The maximum principal amount of first mortgage bonds that may be issued under the Mortgage is not limited. First mortgage bonds of any series may be issued from time to time on the basis of (a) 60% of property additions after adjustments to offset retirements; (b) retirement of first mortgage bonds or prior lien bonds; and (c) the deposit of cash. Property additions generally include utility properties acquired after October 31, 1944. With certain exceptions in the case of (b) above, the issuance of first mortgage bonds is permitted only if adjusted net earnings of the Company for 12 out of the preceding 15 months were at least twice the annual interest requirements on all first mortgage bonds at the time outstanding, plus the annual

interest requirements on the additional issue of first mortgage bonds, and all indebtedness of prior rank. Such adjusted net earnings are computed before income taxes, interest or sinking funds but after expenses for repairs and maintenance and provisions for retirement and depreciation of property. For the 12 months ended September 30, 1993, the adjusted net earnings (including the allowance for funds used during construction to the extent permitted by the Mortgage) were 3.11 times such annual interest requirements as of December 8, 1993, which would permit the issuance of approximately \$1.8 billion principal amount of first mortgage bonds in addition to the \$480,000,000 aggregate principal amount of first mortgage bonds that the Company has registered for sale with the Commission pursuant to the Registration Statement of which this Prospectus is a part and a previously filed Registration Statement or alternatively that will collateralize the Debt Securities (assuming the annual interest rate on such additional first mortgage bonds is equal to 10%).

As of December 8, 1993 the Company had retired an aggregate principal amount of approximately \$1.3 billion of first mortgage bonds, which can be used as the basis for issuing a like amount of additional first mortgage bonds.

Whether the Mortgage Bonds will be issued on the basis of retired first mortgage bonds, property additions or a combination of retired first mortgage bonds and property additions will be set forth in the applicable Prospectus Supplement. At September 30, 1993, at least \$800 million of property additions are available for the purposes permitted by the Mortgage.

The Company may acquire property subject to liens and, subject to the restrictions referred to above and to certain reductions, may issue first mortgage bonds or take credits on the basis of such property.

RELEASE AND SUBSTITUTION OF PROPERTY

Property may be released from the lien of the Mortgage upon the bases of (a) cash or, to a limited extent, purchase money mortgages, (b) property additions and (c) waiver of the right to issue first mortgage bonds that would otherwise be issuable by virtue of compliance with applicable provisions of the Mortgage (except any earnings test). Cash may be withdrawn upon the bases stated in (b) and (c) above. No prior notice to holders of first mortgage bonds is required in connection with releases, but subsequent reports are required in certain cases.

EVENTS OF DEFAULT

The following are "defaults" under the Mortgage: (a) failure to pay principal when due; (b) failure to pay any interest installment, continued for 60 days; (c) failure to pay any installment of any fund established under the Mortgage for the purchase or redemption of any first mortgage bonds, continued for 60 days; (d) failure to perform any covenant of the Company, continued for 90 days after written notice; and (e) certain events in bankruptcy, reorganization or insolvency. The Mortgage Trustee may withhold notice of default (except in the payment of principal, interest or in respect of funds established for the purchase or redemption of first mortgage bonds) if it deems such action to be in the interests of the holders of the first mortgage bonds.

Upon occurrence of a default, the holders of a majority in principal amount of the first mortgage bonds outstanding under the Mortgage may require the Mortgage Trustee to accelerate the maturity thereof, or the holders of 25% in principal amount of such first mortgage bonds may accelerate such maturity, but the holders of a majority in principal amount of such first mortgage bonds may, in any such case, annul such declaration and destroy its effect if such default has been cured. No holder of any first mortgage bond may

enforce the lien of the Mortgage except in case of the refusal or neglect of the Mortgage Trustee to act after default and after request of the holders of 25% in principal amount of outstanding first mortgage bonds and the tender to the Mortgage Trustee of indemnity or security satisfactory to it. This provision will not prevent any holder of a first mortgage bond from enforcing payment of principal thereof or interest thereon. Holders of a majority in principal amount of the first mortgage bonds may direct the Mortgage Trustee to take action in the event of any default, but the Mortgage Trustee need not take any action unless the holders of first mortgage bonds have offered it security or indemnity satisfactory to it.

MODIFICATION

The rights of the holders of first mortgage bonds may be modified with the consent of 70% of the first mortgage bonds, and, if fewer than all series of first mortgage bonds are affected, the consent also of 70% of the first mortgage bonds of each series affected. In general, no modification of the terms of payment of principal or interest, and no modification affecting the lien or reducing the percentage required for modification, is effective against any holder of a first mortgage bond without his consent.

VOTING OF THE MORTGAGE BONDS

The Debt Securities Trustee will attend such meetings of the holders of mortgage bonds, or deliver its proxy in connection therewith, as relate to matters with respect to which it is entitled to vote or consent. The Indenture provides that the Debt Securities Trustee will vote or consent as a holder of the Mortgage Bonds proportionately with what the Debt Securities Trustee reasonably believes will be the vote or consent of the holders of all other first mortgage bonds outstanding under the Mortgage that will vote or consent; provided, however, that the Debt Securities Trustee will not vote in favor of, or consent to, any modification of the Mortgage that is correlative to a modification of the Indenture that would require the approval of holders of Debt Securities without the approval of the holders of Debt Securities that would be required for such correlative modification of the Indenture. (Section 407 of the Indenture)

CONCERNING THE MORTGAGE TRUSTEE

Texas Commerce Bank National Association (TCB), the Mortgage Trustee and the Debt Securities Trustee, is a party to a credit agreement under which Paragon Communications, a Colorado partnership in which a subsidiary of Houston Industries has a 50% ownership interest, has a bank line of credit. Chemical Bank (Chemical), a subsidiary of Chemical Banking Corporation which is the parent company of Texas Commerce Bancshares, Inc. (a multi-bank holding company that owns all of the common stock of TCB), is a party to credit agreements under which the Company, Houston Industries and certain other subsidiaries and entities in which Houston Industries has an ownership interest have bank lines of credit. The Company maintains depository and other normal banking relationships with TCB and Chemical. TCB serves as the trustee under retirement, savings and welfare benefit plans of Houston Industries and KBLCOM Incorporated, a subsidiary of Houston Industries, and serves as the Trustee under the Indenture relating to the Debt Securities that may be issued from time to time pursuant to this Prospectus and any applicable Prospectus Supplements, which Indenture also relates to the Company's outstanding collateralized medium-term notes. As of December 8, 1993, \$700 million aggregate principal amount of such medium-term notes have been issued under the Indenture. The collateralized medium-term notes are, and any other notes issued under the Indenture will be, secured as to payment of principal, interest and premium, if any, by first mortgage bonds of the Company. TCB also serves as trustee under certain indentures relating to approximately \$1.3 billion aggregate principal amount of pollution control revenue bonds issued on behalf of the Company. Chemical Securities, Inc., a subsidiary of Chemical Banking Corporation and, as such, an affiliate of TCB, served as an underwriter of pollution control revenue bonds issued in December 1993 on behalf of the Company. Chemical serves as auction agent for the Company's variable term cumulative preferred stock. Mr. Don D. Jordan, Chairman, Chief Executive Officer and a director of the Company and Chairman, Chief Executive Officer and a director of Houston Industries, is a director of Texas Commerce Bancshares, Inc.

LIMITATIONS ON ISSUANCE OF BEARER SECURITIES

In compliance with United States federal tax laws and regulations, Bearer Securities (including Securities in definitive global form that are either Bearer Securities or exchangeable for Bearer Securities) may not be offered or sold during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) within the United States or its possessions or to United States persons (each as defined below) other than (a) to an office located outside the United States of a United States financial institution (as defined in Section 1.165-12(c)(1)(v) of the United States Treasury Regulations) purchasing for its own account or for resale or for the account of certain customers which financial institution provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the United States Treasury Regulations thereunder or (b) to certain other persons described in Section 1.163-5(c)(2)(i)(D)(1)(iii)(B) of the United States Treasury Regulations. Moreover, such Bearer Securities may not be delivered in connection with their sale during the restricted period within the United States or its possessions. Any underwriters, agents and dealers participating in the offering of Bearer Securities must covenant that (x) they will not offer or sell during the restricted period any Bearer Securities (1) within the United States or its possessions or (2) to United States persons (other than the persons described in clause (a) or clause (b) above) or (y) deliver in connection with the sale of Bearer Securities during the restricted period any Bearer Securities within the United States or its possessions and must covenant that they have in effect procedures reasonably designed to ensure that their employees and agents who are directly engaged in selling the Bearer Securities are aware of the restrictions described above. No Bearer Security (other than a temporary global certificate representing Bearer Securities) may be delivered in connection with its original issuance nor may interest be paid on any Bearer Security until receipt by the Company of the written certification described above under "Description of Debt Securities--Form, Exchange, Registration and Transfer".

Any United States person who holds Bearer Securities will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Code. Other purchasers of Bearer Securities also may be affected by certain limitations under United States tax laws. See "United States Taxation--United States Aliens".

As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States federal income taxation regardless of its source, "United States" means the United States of America (including the States and the District of Columbia), and "possessions" of the United States include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

FOREIGN CURRENCY RISKS

GENERAL

Debt Securities of a series may be denominated in such foreign currencies or currency units as may be designated by the Company at the time of offering (Foreign Currency Securities).

THIS PROSPECTUS DOES NOT DESCRIBE ALL RISKS OF AN INVESTMENT IN FOREIGN CURRENCY SECURITIES THAT RESULT FROM SUCH SECURITIES BEING DENOMINATED IN A FOREIGN CURRENCY OR CURRENCY UNIT EITHER AS SUCH RISKS EXIST AT THE DATE OF THIS PROSPECTUS OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS INVOLVED IN AN INVESTMENT IN FOREIGN CURRENCY SECURITIES. FOREIGN CURRENCY SECURITIES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

Unless otherwise indicated in an applicable Prospectus Supplement, a Foreign Currency Security will not be sold in, or to a resident of, the country of the Specified Currency (as defined below) in which such Security is denominated. The information set forth below is by necessity incomplete, and prospective purchasers of Foreign Currency Securities should consult their own financial and legal advisors with respect to any matters that may affect the purchase or holding of a Foreign Currency Security or the receipt of payments of principal of, and any premium and interest on, a Foreign Currency Security in a Specified Currency.

EXCHANGE RATES AND EXCHANGE CONTROLS

An investment in Foreign Currency Securities entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Such risks include, without limitation, the possibility of significant changes in rate of exchange between the U.S. dollar and the currency or currency unit designated by the Company at the time of offering (Specified Currency) and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. Such risks generally depend on economic and political events and the supply of and demand for the relevant currencies, over which the Company has no control. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Foreign Currency Security. Depreciation of the Specified Currency applicable to a Foreign Currency Security against the U.S. dollar would result in a decrease in the U.S. dollar equivalent yield of such Security, in the U.S. dollar-equivalent value of the principal repayable at Maturity of such Security and, generally, in the U.S. dollar-equivalent market value of such Security.

Governments have imposed from time to time exchange controls and may in the future impose or revise exchange controls that could affect exchange rates as well as the availability of a Specified Currency at the time of payment of principal of, and premium, if any, or interest on a Debt Security. Even if exchange controls are not in effect, it is possible that the Specified Currency for any particular Foreign Currency Security would not be available at such Security's maturity due to other circumstances beyond the control of the Company. In that event, the Company will make payment in United States dollars on the basis of the noon buying rate in The City of New York for cable transfers for such currency, as such rate is reported or otherwise made available by the Federal Reserve Bank of New York (Market Exchange Rate), on the date of such payment, or, if such rate of exchange is not available, on the basis of the last available Market Exchange Rate.

GOVERNING LAW AND JUDGMENTS

The Debt Securities will be governed by and construed in accordance with the laws of the State of Texas. In the event an action based on Foreign Currency Securities were commenced in a court of the United States, such court might grant judgment relating to such Securities only in U.S. dollars. The Indenture provides that in granting any such judgment, the rate of conversion into U.S. dollars would be determined, to the fullest extent allowed under applicable law, on the New York Business Day (as defined therein) next preceding the date judgment is rendered. Holders of Foreign Currency Securities would bear the risk of exchange rate fluctuations between the time the amount of the judgment is calculated and the time the U.S. dollars are converted to the Specified Currency for payment of the judgment.

UNITED STATES TAXATION

The following discusses the material federal income tax consequences of general application of the acquisition, disposition or holding of Debt Securities by persons who acquire such Debt Securities pursuant to this Prospectus and who hold such Debt Securities as capital assets. It does not discuss, however, the effect of such matters upon any taxpayer's particular circumstances or the effect of rules which are limited to special

classes of holders, such as dealers in securities or currencies, life insurance companies, persons holding Debt Securities as a hedge or hedged against currency risks, and United States holders whose functional currency is not the U.S. dollar. Such discussion is based upon the provisions of the Code, Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof which are in effect on the date of this Prospectus. Changes in such authorities could affect such United States federal income tax consequences, possibly with retroactive effect. In addition, the discussion of original issue discount is based in part on proposed regulations, and final regulations, when issued, may significantly alter the federal income tax treatment of Debt Securities issued with original issue discount. The Company will not request any rulings from the Internal Revenue Service concerning the federal income tax consequences of the acquisition, disposition or holding of Debt Securities.

UNITED STATES HOLDERS

The discussion under this caption "--United States Holders" in this Prospectus applies to United States persons (as defined under "Limitations on Issuance of Bearer Securities").

Stated Interest on Debt Securities. A Holder of a Debt Security will be required to report stated interest on the Debt Security in accordance with the Holder's method of accounting for tax purposes.

Original Issue Discount. If the stated redemption price at maturity of a Debt Security exceeds the issue price of the Debt Security by at least 1/4 of 1 percent of the stated redemption price at maturity of the Debt Security multiplied by the number of complete years to maturity of the Debt Security, then such excess, which is referred to as original issue discount, is included for United States federal income tax purposes in income over the term of the Debt Security by the holder of such Debt Security before the receipt of cash in respect thereof. The amount of any original issue discount which is included in income for a taxable year is equal to the sum of the daily portions of the original issue discount for each day during the taxable year during which the discount Debt Security was held. The daily portion is determined by allocating to each day in each accrual period the ratable portion for such day of the increase in the adjusted issue price during the accrual period, which is the excess of (a) the product of the adjusted issue price at the beginning of the accrual period and the yield to maturity of such Debt Security (determined on the basis of compounding at the close of each accrual period and adjusted for the length of the accrual period) over (b) the sum of the amounts payable as interest on such Debt Security during such accrual period. As a result, the terms of a Debt Security, which will be specified in the applicable Prospectus Supplement, will determine the amount of any original issue discount and the rate at which such original issue discount will be included in income.

The Code provides that (a) the stated redemption price at maturity of a Debt Security is the debt service payable on the Debt Security excluding interest ("qualified stated interest") based on a fixed rate and payable unconditionally at fixed periodic intervals of 1 year or less (any qualified stated interest is taken into account by a holder in accordance with its method of accounting), (b) the issue price of a publicly offered debt instrument (such as a Debt Security) is the initial offering price to the public (excluding bond houses and brokers) at which price a substantial amount of such issue of debt instruments was sold, (c) an accrual period is a fixed period of 6-months or less which ends on the day in the calendar year which is the maturity date of the debt instrument or the date 6 months before such maturity date, and (d) yield to maturity is determined on the basis of compounding at the close of each accrual period. Regulations were proposed in December 1992 (at which time the prior proposed regulations on the subject were withdrawn) which are to apply to debt instruments issued on or after the date that is 60 days after the date the regulations are finalized (prior to which such regulations are authority within the meaning of Section 6662 of the Code) which provide guidance beyond the language of the Code as to the meaning of the terms which are identified in the preceding sentence. The December 1992 proposed regulations, among other matters, describe the circumstances in which a variable interest rate will generate qualified stated interest, permit certain flexibility in the choice of accrual periods, and provide that there can be no "intention to call before maturity" with respect to a publicly offered debt instrument. It is possible that any final regulations will be materially different from the December 1992 proposed regulations.

In general, a person who does not use an accrual method of accounting and who holds any Debt Security that matures one year or less from the date of its issuance is not required to accrue original issue discount with respect to that Debt Security unless he elects to do so. However, certain other holders, including banks and dealers in securities, are required to accrue the original issue discount on such Debt Securities on a straight-line basis unless an election is made to accrue the original issue discount under the constant yield method (based on daily compounding). In the case of a holder not required and not electing to include the original issue discount in income currently, any gain realized on the sale or maturity of the Debt Security will be ordinary income to the extent of the original issue discount accrued on a straight-line basis through the date of sale or at maturity and deductions for interest on borrowings allocable to these Debt Securities in an amount not exceeding the deferred income are deferred until the deferred income is realized.

The Company is required to report to the Internal Revenue Service information with respect to the amount of original issue discount accrued on Debt Securities held of record by United States persons other than corporations and other exempt holders.

A holder's tax basis for determining gain or loss on a sale or other disposition of a Debt Security will generally be the holder's cost increased by any original issue discount theretofore included in income and decreased by any payments on such Debt Security other than qualified stated interest. Gain or loss on the sale or redemption of a Debt Security will generally be long-term capital gain or loss if the Debt Security was a capital asset which has been held for more than one year.

Foreign Currency-Denominated Debt Securities. If payment of interest on a Debt Security is made in a foreign currency, the amount of interest income recognized by a United States person will be the U.S. dollar value of the interest payment based on the exchange rate in effect on the date of receipt or, in the case of an accrual basis holder, based on the average exchange rate in effect during the interest accrual period. Upon receipt of an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Debt Security, in a foreign currency, an accrual basis holder will recognize ordinary income or loss measured by the difference between such average exchange rate and the exchange rate in effect on the date of receipt. Original issue discount on a foreign currency denominated Discount Security for any accrual period will be determined in the foreign currency and then translated into U.S. dollars based on the average exchange rate in effect during the accrual period. Upon the receipt of an amount attributable to original issue discount (whether in connection with a payment of interest or the sale or retirement of a Discount Security) a holder will recognize ordinary income or loss measured generally by the difference between the value of such payment using such average exchange rate and the value of such payment using the exchange rate in effect on the date of receipt.

A United States person's initial tax basis in a foreign currency denominated Debt Security at a time will be the U.S. dollar value of the purchase price on the date of purchase increased by the amount includable in income as original issue discount with respect to such Debt Security on or prior thereto. The amount realized by a United States person on a sale or retirement of a foreign currency-denominated Debt Security will be the U.S. dollar value of the foreign currency amount on the date of sale or retirement. Gain or loss recognized by a United States person on the sale or retirement of a Debt Security which is attributable to changes in exchange rates will be treated as ordinary income or loss. The amount of such exchange gain or loss will be calculated by multiplying the United States person's purchase price of a Debt Security (expressed in the relevant foreign currency) by the change in exchange rates (expressed in U.S. dollars per unit of the relevant foreign currency) between the date on which the person acquired the Debt Security and the date on which the person receives payment in respect of the sale or retirement of the Debt Security. Such foreign currency gain or loss will be recognized only to the extent of total gain or loss realized by a person on the sale or retirement of the Debt Security.

Foreign currency received as interest on a Debt Security or on the sale or retirement of a Debt Security will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to its U.S. dollar

cost. Any gain or loss recognized on a sale or other disposition of foreign currency (including its use to purchase Debt Securities or upon exchange for U.S. dollars) will generally be ordinary income or loss.

Debt Securities Purchased at a Premium. A United States person that purchases a Debt Security for an amount in excess of its principal amount may elect to treat such excess as "amortizable bond premium", in which case the amount required to be included in such holder's income each year with respect to interest on the Debt Security will be reduced by the amount of amortizable bond premium allocable (based on the Debt Security's yield to maturity) to such year. Any such election shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the holder, and is irrevocable without the consent of the Internal Revenue Service.

UNITED STATES ALIENS

Any beneficial holder of Debt Securities who is a United States Alien (as defined below) will not generally be subject to United States income tax (or the related withholding of such income tax) with respect to payments of interest (including any original issue discount) on a Debt Security provided that the interest or the original issue discount, as the case may be, is not effectively connected with the conduct of a trade or business within the United States by such beneficial holder and in the case of a Registered Security (as defined in the Indenture) provided that (a) either (i) the beneficial owner of the Debt Security certifies to the Company or its agent, under penalties of perjury, that he is not a United States person (as defined under "Limitations on Issuance of Bearer Securities") and provides his name and address or (ii) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a financial institution) and holds the Debt Security certifies to the Company under penalties of perjury that such statement has been received from the beneficial owner by it or by one or more financial institutions between it and the beneficial owner and furnishes the Company or its agent with a copy thereof, (b) the beneficial holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of voting stock of the Company, and (c) the beneficial holder is not a controlled foreign corporation related to the Company through stock ownership.

If the interest (including any original issue discount) on a Debt Security held by a United States Alien is effectively connected with the conduct of a trade or business within the United States by such United States Alien, then such United States Alien will be subject to United States federal income tax on such interest and original issue discount in the manner applicable to United States persons (including the allowance of certain deductions and credits). Moreover, any such effectively connected interest or original issue discount which is received by a foreign corporation generally will also be subject to a 30% (or any lower applicable treaty rate permitted by Section 884(e) of the Code) branch profits tax when such amount is no longer invested in certain United States trade or business assets.

A holder of a Debt Security who is a United States Alien will be subject to United States income tax in the manner applicable to United States persons (including the allowance of certain deductions and credits) on any gain realized upon the sale of a Debt Security if such gain is effectively connected with the conduct of a trade or business within the United States by such United States Alien. However, if the gain is not so effectively connected with the conduct of a trade or business within the United States, then any such gain will be subject to United States income tax only if the United States Alien is an individual who is present in the United States for 183 days or more during the calendar year (or taxable year if one has been established) in which such sale occurs, the Debt Security is a capital asset and either (a) such individual's "tax home", within the meaning of Section 911(d)(3) of the Code, is in the United States or (b) the gain is attributable to an office or other fixed place of business maintained in the United States by such individual.

A Debt Security or coupon held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax if interest thereon would be eligible

for the exemption from United States federal income tax, which is discussed above, if such interest were received by such individual at the time of his death.

As used herein, the term "United States Alien" means any person who, for United States federal income tax purposes, is a foreign corporation, a nonresident alien individual, a nonresident alien fiduciary of a foreign estate or trust or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust.

BACKUP WITHHOLDING AND INFORMATION REPORTING

The payment of interest (including original issue discount) and the payment of proceeds of the disposition of a Debt Security to or through the United States office of a broker is subject to information reporting and backup withholding at a rate of 31% unless the owner certifies that he is an "exempt foreign-person", as defined in the regulations, under penalties of perjury or otherwise establishes an exemption. The payment of any such amount to or through a foreign office of a United States broker will not generally be subject to information reporting if such broker has documentary evidence of the owner's foreign status, has no actual knowledge to the contrary and certain other requirements are satisfied. Even if a foreign office of a United States broker is subject to information reporting requirements, its payment of such amount is generally not subject to backup withholding. However, the United States Internal Revenue Service has stated that it is studying the possible application of backup withholding in the case of a foreign office of a United States broker.

Backup withholding and information reporting do not apply to payments of principal (including original issue discount, if any), premium, if any, and interest, if any, made outside the United States by the Company or a paying agent on a Bearer Security (as defined in the Indenture) or coupon provided that the payor does not have actual knowledge that the holder is a United States person. In addition, if payments are collected outside the United States by a foreign office of a custodian, nominee or other agent acting on behalf of a beneficial owner of a Bearer Security or coupon, such custodian, nominee or other agent will not be required to deduct backup withholding from payments made to such owner and information reporting requirements will not apply. However, if the custodian, nominee or other agent is a United States person, a controlled foreign corporation for United States tax purposes or a foreign person 50% or more of whose gross income for a specified period is from a United States trade or business, information reporting will be required with respect to payments made to such owner, unless the custodian, nominee or agent has documentary evidence in its records that the beneficial owner is not a United States person and other conditions are met or the beneficial owner otherwise establishes an exemption. The Internal Revenue Service has indicated that it is studying the possible application of backup withholding in such cases.

Any amounts withheld under the backup withholding rules will be refunded (or credited against the holder's United States income tax liability, if any), provided that the required information is furnished to the United States Internal Revenue Service.

PROSPECTIVE PURCHASERS OF DEBT SECURITIES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IN THEIR PARTICULAR SITUATIONS, AS WELL AS THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS.

PLAN OF DISTRIBUTION

The Company may sell Offered Securities to one or more underwriters for public offering and sale by them or may sell Offered Securities through agents or directly to purchasers on its own behalf in those jurisdictions where it is authorized to do so. Any such underwriter or agent involved in the offer and sale of the Offered Securities will be named in an applicable Prospectus Supplement.

Underwriters may offer and sell the Offered Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Company also may offer and sell the Offered Securities in exchange for one or more of its other issues of debt securities outstanding from time to time. The Company also may, from time to time, authorize underwriters acting as the Company's agents to offer and sell the Offered Securities upon the terms and conditions as shall be set forth in any Prospectus Supplement. In connection with the sale of Offered Securities, underwriters may be deemed to have received compensation from the Company in the form of underwriting discounts or commissions and may also receive commissions from purchasers of Offered Securities for whom they may act as agent. Underwriters may sell Offered Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent. In the case of Debt Securities sold directly to purchasers (other than underwriters or agents) by the Company, no discount will be allowed or commission paid.

Any underwriting compensation paid by the Company to underwriters or agents in connection with the offering of Offered Securities, and any discounts, concessions or commission allowed by underwriters to participating dealers, will be set forth in an applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of Offered Securities may be deemed to be underwriters under the Securities Act of 1933, as amended (Securities Act). Underwriters, dealers and agents may be entitled, under agreements which may be entered into by the Company, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by the Company for certain expenses.

If so indicated in an applicable Prospectus Supplement, the Company will authorize dealers acting as the Company's agents to solicit offers by certain institutions to purchase Offered Securities from the Company at the public offering price set forth in such Prospectus Supplement pursuant to delayed delivery contracts (Contracts) providing for payment and delivery on the date or dates stated in such Prospectus Supplement. Each Contract will be for an amount not less than, and the aggregate principal amount of Offered Securities sold pursuant to Contracts shall be not less nor more than, the respective amounts stated in such Prospectus Supplement. Institutions with whom Contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and other institutions, but will in all cases be subject to the approval of the Company. Contracts will not be subject to any conditions except (i) the purchase by an institution of Offered Securities covered by its Contracts shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject and (ii) if Offered Securities are being sold to underwriters, the Company shall have sold to such underwriters the total principal amount of Offered Securities less the principal amount thereof covered by Contracts. Agents and underwriters will have no responsibility in respect of the delivery or performance of Contracts.

Any underwriters, agents and dealers participating in the offering of Bearer Securities must covenant that they will not offer or sell during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) any Bearer Securities within the United States or its possessions or to United States persons (each as defined under "Limitations on Issuance of Bearer Securities"), other than certain persons described in "Limitations on Issuance of Bearer Securities", or deliver in connection with the sale of Bearer Securities during the restricted period any Bearer Securities within the United States or its possessions and that they have in effect procedures reasonably designed to ensure that their employees and agents who are directly engaged in selling the Bearer Securities are aware of the restrictions described above.

All Offered Securities will be a new issue of securities with no established trading market. Any underwriters to whom Offered Securities are sold by the Company for public offering and sale may make a market in such Offered Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of the trading market for any Offered Securities.

The principal amount of Debt Securities that may be offered hereunder is subject to reduction as a result of the sale of certain other debt securities subject to the Registration Statement of which this Prospectus is a part. See "Description of Debt Securities".

Unless otherwise indicated in the applicable Prospectus Supplement, payment of the purchase price of Debt Securities will be required to be made in immediately available funds in The City of New York.

Certain of the underwriters or agents and their associates and affiliates may be customers of, engage in transactions with and perform services for the Company or certain of its affiliates in the ordinary course of business.

EXPERTS

The financial statements and financial statement schedules of the Company included in the Company's Annual Report on Form 10-K, which is incorporated in this Prospectus by reference, have been audited by Deloitte & Touche, Independent Auditors, as stated in their report appearing therein. Such financial statements and financial statement schedules are incorporated by reference in this Prospectus in reliance upon such report, given upon the authority of that firm as experts in accounting and auditing.

LEGAL OPINIONS

Certain legal matters in connection with the Debt Securities will be passed upon for the Company by Baker & Botts, L.L.P., Houston, Texas, and either Hugh Rice Kelly, Esq., Senior Vice President, General Counsel and Corporate Secretary of the Company, or Rufus S. Scott, Esq., Associate General Counsel and Assistant Corporate Secretary of the Company, and for any underwriters or agents by Reid & Priest, New York, New York. Reid & Priest will rely as to all matters covered by their opinion governed by Texas law upon the opinion of Baker & Botts, L.L.P.

No dealer, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Prospectus, Prospectus Supplement and any Pricing Supplement in connection with this offering, and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any Agent. This Prospectus, Prospectus Supplement and any Pricing Supplement shall not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus, Prospectus Supplement and any Pricing Supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus, Prospectus Supplement and any Pricing Supplement or that the information set forth herein is correct as of any time subsequent to the date hereof or the date of filing of any documents incorporated by reference herein.

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HOUSTON LIGHTING
& POWER COMPANY

[LOGO of Houston Lighting Appears here]

\$350,000,000

Collateralized Medium-Term
Notes, Series D

PROSPECTUS SUPPLEMENT

CS First Boston
Goldman, Sachs & Co.
J.P. Morgan Securities Inc.

Chase Securities, Inc.
Chemical Securities Inc.
Citicorp Securities, Inc.
REC Dominion Securities Corporation
SBCI Swiss Bank Corporation
Investment banking
UBS Securities Inc.
Wood Gundy Corp.

