UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-7629

HOUSTON INDUSTRIES INCORPORATED
(Exact name of registrant as specified in its charter)

Texas	74-1885573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Louisiana Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 207-3000
(Registrant's telephone number, including area code)

Commission file number 1-3187

HOUSTON LIGHTING & POWER COMPANY
(Exact name of registrant as specified in its charter)

Texas	74-0694415
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Louisiana Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 207-1111
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No
----- -----

As of April 30, 1997, Houston Industries Incorporated had 246,793,504 shares of common stock outstanding, including 12,969,969 ESOP shares not deemed outstanding for financial statement purposes and excluding 16,042,027 shares held as treasury stock. As of April 30, 1997, all 1,100 shares of Houston Lighting & Power Company's common stock were held, directly or indirectly, by Houston Industries Incorporated.

HOUSTON INDUSTRIES INCORPORATED AND HOUSTON LIGHTING & POWER COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 1997

This combined Form 10-Q is separately filed by Houston Industries Incorporated and Houston Lighting & Power Company. Information contained herein relating to Houston Lighting & Power Company is filed by Houston Industries Incorporated and separately by Houston Lighting & Power Company on its own behalf. Houston Lighting & Power Company makes no representation as to information relating to Houston Industries Incorporated (except as it may relate to Houston Lighting & Power Company) or to any other affiliate or subsidiary of Houston Industries Incorporated.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1997	1996
REVENUES:		
Electric utility	$ 856,534	$ 811,965
Other	21,567	11,542
Total	878,101	823,507
EXPENSES:		
Electric utility:		
Fuel	219,330	197,622
Purchased power	100,992	78,179
Operation and maintenance	183,633	193,448
Taxes other than income taxes	62,811	62,565
Depreciation and amortization	130,990	129,347
Other operating expenses	24,129	25,207
Total	721,885	686,368
OPERATING INCOME	156,216	137,139
OTHER INCOME (EXPENSE):		
Litigation settlements		(95,000)
Allowance for other funds used during construction	(727)	1,131
Time Warner dividend income	10,403	10,403
Other - net	(1,035)	(1,407)
Total	8,641	(84,873)
INTEREST AND OTHER CHARGES:		
Interest on long-term debt	62,801	71,395
Other interest	16,410	1,574
Distributions on trust securities	4,519	
Allowance for borrowed funds used during construction	(1,100)	(685)
Preferred dividends of subsidiary	2,125	6,632
Total	84,755	78,916
INCOME (LOSS) BEFORE INCOME TAXES	80,102	(26,650)
INCOME TAXES	20,482	(9,910)
NET INCOME (LOSS)	$ 59,620	$ (16,740)
EARNINGS (LOSS) PER COMMON SHARE	$ .26	$ (.07)
DIVIDENDS DECLARED PER COMMON SHARE	$ .375	$ .375
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (000)	233,689	248,466

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)

ASSETS

	March 31, 1997	December 31, 1996
PROPERTY, PLANT AND EQUIPMENT - AT COST:		
Electric plant:		
Electric plant in service	$ 12,434,432	$ 12,387,375
Construction work in progress	232,737	251,497
Nuclear fuel	241,397	241,001
Plant held for future use	48,631	48,631
Other property	107,721	86,969
Total	13,064,918	13,015,473
Less accumulated depreciation and amortization	4,362,539	4,259,050
Property, plant and equipment - net	8,702,379	8,756,423
CURRENT ASSETS:		
Cash and cash equivalents	15,351	8,001
Special deposits	16	10
Accounts receivable - net	24,118	36,277
Accrued unbilled revenues	81,647	77,853
Time Warner dividends receivable	10,313	10,313
Fuel stock	57,209	61,795
Materials and supplies, at average cost	127,299	130,380
Prepayments	9,454	19,291
Total current assets	325,407	343,920
OTHER ASSETS:		
Investment in Time Warner securities	1,033,250	1,027,500
Deferred plant costs - net	580,906	587,352
Equity investments in and advances to foreign and non-regulated affiliates - net	501,636	501,991
Regulatory tax asset - net	359,872	362,310
Deferred debits	313,929	306,473
Unamortized debt expense and premium on reacquired debt	156,360	153,823
Recoverable project costs - net	153,375	163,630
Fuel-related debits	93,025	84,435
Total other assets	3,192,353	3,187,514
Total	$ 12,220,139	$ 12,287,857

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)

CAPITALIZATION AND LIABILITIES

	March 31, 1997	December 31, 1996
CAPITALIZATION:		
Common stock equity:		
Common stock, no par value	$ 2,449,778	$ 2,446,754
Treasury stock, at cost	(361,196)	(361,196)
Unearned ESOP shares	(243,796)	(251,350)
Retained earnings	1,969,454	1,997,490
Unrealized loss on investment in Time Warner common stock		(3,737)
Total common stock equity	3,814,240	3,827,961
Preference stock, no par value, authorized 10,000,000 shares; none outstanding		
Cumulative preferred stock of subsidiary, no par value, not subject to mandatory redemption	9,740	135,179
HL&P obligated mandatorily redeemable trust securities	340,810	
Long-term debt:		
Debentures	349,144	349,098
Long-term debt of subsidiaries:		
First mortgage bonds	2,552,349	2,670,041
Pollution control revenue bonds	123,000	5,000
Other	2,087	1,511
Total long-term debt	3,026,580	3,025,650
Total capitalization	7,191,370	6,988,790
CURRENT LIABILITIES:		
Notes payable	1,439,622	1,337,872
Accounts payable	102,094	157,682
Taxes accrued	85,703	191,011
Interest accrued	69,894	67,707
Dividends declared	92,548	92,515
Customer deposits	51,112	53,633
Current portion of long-term debt and preferred stock	63,054	254,463
Other	70,072	89,238
Total current liabilities	1,974,099	2,244,121
DEFERRED CREDITS:		
Accumulated deferred income taxes	2,273,235	2,265,031
Unamortized investment tax credit	368,870	373,749
Fuel-related credits	65,913	74,639
Other	346,652	341,527
Total deferred credits	3,054,670	3,054,946
COMMITMENTS AND CONTINGENCIES		
Total	$ 12,220,139	$ 12,287,857

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 59,620	$ (16,740)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	130,990	129,347
Amortization of nuclear fuel	6,657	7,595
Deferred income taxes	6,191	(8,774)
Investment tax credit	(4,879)	(4,864)
Allowance for other funds used during construction	727	(1,131)
Fuel surcharge	31,239	
Fuel cost over/(under) recovery - net	(39,828)	(11,112)
Changes in other assets and liabilities:		
Accounts receivable - net	8,365	28,797
Inventory	9,138	1,485
Other current assets	9,831	10,783
Accounts payable	(55,588)	10,078
Interest and taxes accrued	(103,121)	(112,616)
Other current liabilities	(21,743)	(11,013)
Other - net	1,095	58,103
Net cash provided by operating activities	38,694	79,938
CASH FLOWS FROM INVESTING ACTIVITIES:		
Electric capital and nuclear fuel expenditures (including allowance for borrowed funds used during construction)	(44,384)	(70,141)
Non-regulated electric power project expenditures and advances (including capitalized interest)	(18,913)	(8,809)
Other - net	(1,880)	(7,392)
Net cash used in investing activities	(65,177)	(86,342)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of HL&P obligated mandatorily redeemable trust securities	340,810	
Payment of matured bonds	(190,000)	(110,000)
Proceeds from issuance of pollution control revenue bonds	115,795	
Redemption of preferred stock	(127,928)	
Payment of common stock dividends	(87,567)	(93,209)
Increase in notes payable - net	101,750	286,428
Extinguishment of long-term debt	(120,360)	(85,263)
Other - net	1,333	3,001
Net cash provided by financing activities	33,833	957
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,350	(5,447)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,001	11,779
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 15,351	$ 6,332
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Payments:		
Interest (net of amounts capitalized)	$ 80,721	$ 61,385
Income taxes	27,914	18,365

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED RETAINED EARNINGS
(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1997	1996
Balance at Beginning of Period	$ 1,997,490	$ 1,953,672
Net Income (Loss) for the Period	59,620	(16,740)
Total	2,057,110	1,936,932
Common Stock Dividends	(87,656)	(93,209)
Balance at End of Period	$ 1,969,454	$ 1,843,723

See Notes to Consolidated Financial Statements.

HOUSTON LIGHTING & POWER COMPANY
STATEMENTS OF INCOME
(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1997	1996
OPERATING REVENUES	$ 856,534	811,965
OPERATING EXPENSES:		
Fuel	219,330	197,622
Purchased power	100,992	78,179
Operation	127,383	139,772
Maintenance	56,250	53,676
Depreciation and amortization	130,251	128,434
Income taxes	33,322	32,063
Other taxes	62,811	62,565
Total	730,339	692,311
OPERATING INCOME	126,195	119,654
OTHER INCOME (EXPENSE):		
Litigation settlements (net of tax)		(61,750)
Allowance for other funds used during construction	(727)	1,131
Other - net	(4,140)	(3,360)
Total	(4,867)	(63,979)
INCOME BEFORE INTEREST CHARGES	121,328	55,675
INTEREST AND OTHER CHARGES:		
Interest on long-term debt	52,533	57,504
Other interest	2,212	2,411
Distributions on trust securities	4,519	
Allowance for borrowed funds used during construction	(1,100)	(685)
Total	58,164	59,230
NET INCOME (LOSS)	63,164	(3,555)
DIVIDENDS ON PREFERRED STOCK	2,125	6,632
INCOME (LOSS) AFTER PREFERRED DIVIDENDS	$ 61,039	$ (10,187)

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY
BALANCE SHEETS
(THOUSANDS OF DOLLARS)

ASSETS

	March 31, 1997	December 31, 1996
PROPERTY, PLANT AND EQUIPMENT - AT COST:		
Electric plant in service	$ 12,434,432	$ 12,387,375
Construction work in progress	232,737	251,497
Nuclear fuel	241,397	241,001
Plant held for future use	48,631	48,631
Total	12,957,197	12,928,504
Less accumulated depreciation and amortization	4,355,935	4,252,745
Property, plant and equipment - net	8,601,262	8,675,759
CURRENT ASSETS:		
Cash and cash equivalents	634	643
Special deposits	16	10
Accounts receivable:		
Affiliated companies	2,772	1,493
Others	9,395	16,996
Accrued unbilled revenues	81,647	77,853
Inventory:		
Fuel stock	57,209	61,795
Materials and supplies, at average cost	127,198	130,281
Prepayments	2,672	10,770
Total current assets	281,543	299,841
OTHER ASSETS:		
Deferred plant costs - net	580,906	587,352
Regulatory tax asset - net	359,872	362,310
Deferred debits	264,701	270,381
Unamortized debt expense and premium on reacquired debt	155,131	152,524
Recoverable project costs - net	153,375	163,630
Fuel-related debits	93,025	84,435
Total other assets	1,607,010	1,620,632
Total	$ 10,489,815	$ 10,596,232

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY
BALANCE SHEETS
(THOUSANDS OF DOLLARS)

CAPITALIZATION AND LIABILITIES

	March 31, 1997	December 31, 1996
CAPITALIZATION:		
Common stock equity:		
Common stock, class A; no par value	$ 1,524,949	$ 1,524,949
Common stock, class B; no par value	150,978	150,978
Retained earnings	2,206,730	2,227,941
Total common stock equity	3,882,657	3,903,868
Cumulative preferred stock, not subject to mandatory redemption	9,740	135,179
HL&P obligated mandatorily redeemable trust securities	340,810	
Long-term debt:		
First mortgage bonds	2,552,349	2,670,041
Pollution control revenue bonds	123,000	5,000
Other	2,087	1,511
Total long-term debt	2,677,436	2,676,552
Total capitalization	6,910,643	6,715,599
CURRENT LIABILITIES:		
Notes payable	327,722	234,665
Notes payable to affiliated companies		19,600
Accounts payable	92,978	142,439
Accounts payable to affiliated companies		5,744
Taxes accrued	99,336	196,444
Interest accrued	56,644	60,234
Customer deposits	51,112	53,633
Current portion of long-term debt and preferred stock	63,054	254,463
Other	62,212	85,274
Total current liabilities	753,058	1,052,496
DEFERRED CREDITS:		
Accumulated deferred federal income taxes	2,131,747	2,124,567
Unamortized investment tax credit	368,870	373,749
Fuel-related credits	65,913	74,639
Other	259,584	255,182
Total deferred credits	2,826,114	2,828,137
COMMITMENTS AND CONTINGENCIES		
Total	$ 10,489,815	$ 10,596,232

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY
STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 63,164	$ (3,555)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	130,251	128,434
Amortization of nuclear fuel	6,657	7,595
Deferred income taxes	7,180	(5,309)
Investment tax credits	(4,879)	(4,864)
Allowance for other funds used during construction	727	(1,131)
Fuel surcharge	31,239	
Fuel cost over/(under) recovery - net	(39,828)	(11,112)
Changes in other assets and liabilities:		
Accounts receivable - net	2,527	28,738
Material and supplies	4,553	2,586
Fuel stock	4,586	(806)
Accounts payable	(55,205)	16,460
Interest and taxes accrued	(100,698)	(122,376)
Other current liabilities	(23,207)	(11,425)
Other - net	12,759	54,011
Net cash provided by operating activities	39,826	77,246
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital and nuclear fuel expenditures (including allowance for borrowed funds used during construction)	(44,384)	(70,141)
Other - net	(668)	(2,233)
Net cash used in investing activities	(45,052)	(72,374)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of HL&P obligated mandatorily redeemable trust securities	340,810	
Payment of matured bonds	(190,000)	(110,000)
Redemption of preferred stock	(127,928)	
Proceeds from issuance of pollution control revenue bonds	115,795	
Payment of dividends	(86,750)	(89,175)
Increase in notes payable	93,057	203,648
Extinguishment of long-term debt	(120,360)	(85,263)
Decrease in notes payable to affiliated company	(19,600)	
Other - net	193	2,143
Net cash provided by (used in) financing activities	5,217	(78,647)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9)	(73,775)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	643	75,851
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 634	$ 2,076
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Payments:		
Interest (net of amounts capitalized)	$ 62,336	$ 56,393
Income taxes	30,257	22,892

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY
STATEMENTS OF RETAINED EARNINGS
(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1997	1996
Balance at Beginning of Period	$ 2,227,941	$ 2,150,086
Net Income (Loss) for the Period	63,164	(3,555)
Total	2,291,105	2,146,531
Deduct - Cash Dividends:		
Preferred	2,125	6,632
Common	82,250	82,250
Total	84,375	88,882
Balance at End of Period	$ 2,206,730	$ 2,057,649

See Notes to Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AND

HOUSTON LIGHTING & POWER COMPANY

NOTES TO FINANCIAL STATEMENTS

(1) GENERAL

The interim financial statements and notes (Interim Financial Statements) contained in this Form 10-Q for the period ended March 31, 1997 (Form 10-Q) are unaudited and condensed. Certain notes and other information contained in the Combined Annual Report on Form 10-K (File Nos. 1-7629 and 1-3187) for the year ended December 31, 1996 (Form 10-K) of Houston Industries Incorporated (Company) and Houston Lighting & Power Company (HL&P) have been omitted in accordance with Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934. The information presented in the Interim Financial Statements should be read in combination with the information presented in the Form 10-K, including the financial statements and notes contained therein.

The following notes to the financial statements of the Form 10-K (as updated by the notes contained in this Form 10-Q) are incorporated herein by reference: Note 1(b) (System of Accounts and Effects of Regulation), Note 1(n) (Nature of Operations), Note 1(o) (Use of Estimates), Note 1(p) (Long-Lived Assets), Note 2 (Jointly-Owned Nuclear Plant), Note 3 (Rate Matters), Note 11 (Commitments and Contingencies) and Note 16 (NorAm Merger).

(2) NORAM MERGER

In August 1996, the Company, HL&P and a newly formed Delaware subsidiary of the Company entered into an Agreement and Plan of Merger (Merger Agreement) with NorAm Energy Corp. (NorAm) under which the Company will merge into HL&P, and NorAm will merge into the newly-formed subsidiary. For information regarding the mergers (Merger), reference is made to the Form 10-K and the joint registration statement on Form S-4 filed by the Company and HL&P with the Securities and Exchange Commission (SEC) (Reg. No. 333-11329). Unless otherwise stated, the information in this Form 10-Q relates solely to the Company and HL&P without giving effect to the Merger.

Under the Merger Agreement, each outstanding share of common stock of NorAm will be converted into the right to receive at the effective time of The Merger cash and/or common stock of HL&P (which will be renamed "Houston Industries Incorporated" after the Merger). Commencing on May 11, 1997, the cash consideration for each NorAm share ($16.00) will increase by two percent (simple interest) per quarter until the consummation of the Merger.

The closing of the Merger is subject to the satisfaction or waiver of various conditions in the Merger Agreement, including the obtaining of all required governmental consents. The Company and NorAm have received approvals from all state regulatory commissions and municipalities whose prior approval is required to close the Merger.

In February 1997, the Federal Energy Regulatory Commission (FERC) issued an order directing NorAm Energy Services (NES), a subsidiary of NorAm engaged in the power marketing business, to set forth its views as to whether prior approval of the Merger by FERC may be required because of NES' jurisdictional status as a power marketer. In the alternative, FERC invited NES to submit an application for approval of the Merger under Section 203 of the Federal Power Act of 1935.

On March 7, 1997, NES filed a response asserting that FERC lacked jurisdiction over the Merger. On March 27, 1997, without conceding FERC jurisdiction over the Merger, NES filed an application with FERC for approval of the Merger. In its merger policy statement, FERC indicated it intends to act on applications within 60 to 90 days after the closing of the applicable comment period where the proposed transaction does not adversely affect competition, rates or regulations. NES' application requests that FERC grant approval of the Merger within 60 days of the closing of the comment period (expected to occur on May 27, 1997) but, in any event, no later than August 1, 1997.

On April 30, 1997, FERC issued an order asserting jurisdiction over the Merger and over similar transactions involving other power marketers. The Company and HL&P understand that NES intends to file a petition for rehearing of FERC's decision on or prior to May 30, 1997.

In connection with the Merger, the Company and HL&P have filed with the SEC an application requesting an exemption from regulation as a registered public utility holding company under Section 3(a)(2) of the Public Utility Holding Company Act of 1935 (1935 Act). The SEC is considering the application. If the requested order is not granted, the Merger Agreement provides that NorAm and the Company would both be merged into HL&P, with HL&P being the surviving corporation. The primary difference resulting from this alternative merger structure is that NorAm would not be a subsidiary and all regulatory utility assets would be held within the same corporation. Under such circumstances, no public utility holding company would exist.

(3) DEPRECIATION

The Company and HL&P calculate depreciation using the straight-line method. The Company's depreciation expense for the first quarter of 1997 and 1996 was $90 million and $89 million, respectively. HL&P's depreciation expense for the first quarter of 1997 and 1996 was $90 million and $88 million, respectively.

(4) RATE CASE PROCEEDINGS

For information regarding the appeal of Docket No. 6668, an inquiry into the prudence of the planning and construction of the South Texas Project Electric Generating Station (South Texas Project), see Note 3(b) to the financial statements contained in the Form 10-K.

(5) CAPITAL STOCK

Company. At March 31, 1997, and December 31, 1996, the Company had 400,000,000 authorized shares of common stock. As of such dates, 233,823,535 and 233,325,030 shares of common stock were outstanding, respectively. Outstanding common shares exclude (i) shares pledged to secure a loan to the Company's Employee Stock Ownership Plan (12,969,969 and 13,370,939 at March 31, 1997, and December 31, 1996, respectively) and (ii) shares repurchased by the Company under its common stock repurchase program and held as treasury shares (16,042,027 at March 31, 1997 and December 31, 1996).

The Company calculates earnings per common share data by dividing its net income by the weighted average number of its common shares outstanding during the relevant period.

The Financial Accounting Standards Board (FASB) recently issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." This new standard requires dual presentation of basic and diluted earnings per share on the face of the Statements of Consolidated Income and requires a reconciliation of the numerators and denominators of basic and diluted earnings per share calculations. The Company's current earnings per share calculation conforms to basic earnings per share. Diluted earnings per share are not expected to be materially different from basic earnings per share. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, earlier adoption is not permitted.

HL&P. The Company owns all issued and outstanding shares of Class A voting common stock of HL&P. Houston Industries (Delaware) Incorporated, a wholly-owned subsidiary of the Company, owns all issued and outstanding shares of Class B non-voting common stock of HL&P. The financial statements do not include earnings per share data for HL&P because the common stock of HL&P is owned by the Company and its affiliates.

On March 31, 1997 and December 31, 1996, HL&P had 10,000,000 authorized shares of preferred stock. As of such dates, 354,397 and 1,604,397 shares of preferred stock were outstanding, respectively. For information regarding the redemption of certain series of HL&P's preferred stock in February 1997, see Note 7 to the Interim Financial Statements.

(6) LONG-TERM DEBT

In January 1997, the Brazos River Authority (BRA) and the Matagorda County Navigation District Number One (MCND) issued, on behalf of HL&P, $118 million aggregate principal amount of pollution control revenue bonds. The BRA and MCND bonds will mature in 2018 and 2028, respectively. HL&P used the proceeds from the sale of these securities to redeem all outstanding 7 7/8% BRA Series 1986A pollution control revenue bonds ($50 million) and 7 7/8% MCND Series 1986A pollution control revenue bonds ($68 million) at a redemption price of 102% of the aggregate principal amount of each series.

The new bonds initially will bear interest at a floating daily rate. Subject to certain conditions, HL&P may change the method of determining the interest rate on the bonds to a daily, weekly, commercial paper or long-term interest rate. The bonds are subject to a mandatory tender for purchase upon certain events, including changes in the method of determining interest rates on the bonds. When a daily or weekly rate is in effect for the bonds, holders of the bonds of such issue have the option to have their bonds purchased at 100% of principal amount plus accrued interest to the date of purchase. Bonds tendered prior to maturity may be remarketed. Although it is anticipated that all bonds tendered will be purchased with proceeds from the subsequent offer and sale of the

tendered bonds, HL&P has entered into standby purchase agreements with commercial banks to provide approximately $120 million for the purchase of tendered bonds in the event that such proceeds are not available. Facility fees are payable in connection with these facilities.

In January 1997, HL&P repaid upon maturity $40 million aggregate principal amount of its 5 1/4% first mortgage bonds. In March 1997, HL&P repaid upon maturity $150 million aggregate principal amount of its 7 5/8% first mortgage bonds.

(7) HL&P OBLIGATED MANDATORILY REDEEMABLE TRUST SECURITIES

In February 1997, two Delaware statutory business trusts (Trusts) established by HL&P issued (i) $250 million of preferred securities and (ii) $100 million of capital securities, respectively. The preferred securities have a distribution rate of 8.125%, a stated liquidation amount of $25 per preferred security and must be redeemed by March 2046. The capital securities have a distribution rate of 8.257%, a stated liquidation amount of $1,000 per capital security and must be redeemed by February 2037.

The Trusts sold the preferred and capital securities to the public and used the proceeds to purchase $350 million aggregate principal amount of subordinated debentures (Debentures) from HL&P having interest rates corresponding to the distribution rates of the securities and maturity dates corresponding to the mandatory redemption dates of the securities. The Trusts are accounted for as wholly-owned consolidated subsidiaries of HL&P. The Debentures are the Trusts' principal assets. Proceeds from the sale of the Debentures were used by HL&P for general corporate purposes, including the repayment of short-term debt and the redemption of three series of HL&P's outstanding cumulative preferred stock at the following redemption prices, plus accrued dividends:

Series	Number of Shares	Redemption Price Per Share
$6.72	250,000	$102.51
$7.52	500,000	$102.35
$8.12	500,000	$102.25

HL&P has fully and unconditionally guaranteed, on a subordinated basis, distributions and all other payments due on the preferred and capital securities.

The preferred and capital securities are mandatorily redeemable upon the repayment of the related Debentures at their stated maturity or earlier redemption.

Subject to certain limitations, HL&P has the option of deferring payments of interest on the Debentures held by the Trusts. If and for as long as payments on the Debentures have been deferred, or an event of default under the indenture relating thereto has occurred and is continuing, HL&P may not pay dividends on its capital stock.

(8) SUBSEQUENT EVENTS

In April 1997, HL&P redeemed all outstanding shares of its $9.375 cumulative preferred stock in satisfaction of mandatory sinking fund requirements.

In April 1997, a subsidiary of Houston Industries Energy, Inc. (HI Energy) borrowed

$167.5 million under a five-year term loan facility. The proceeds of the loan, net of a $17.5 million debt reserve account established for the benefit of the lenders, were used to refinance a portion of the acquisition costs of Light-Servicos de Eletricidade S.A. (Light). The loan, which is non-recourse to the Company and HL&P, restricts payments of dividends if Light fails to meet certain financial covenants. The loan is secured by, among other things, a pledge of the shares of Light. HI Energy acquired an 11.35 percent interest in Light in May 1996 for $392 million.

In February 1996, three Texas cities filed a lawsuit against HL&P and Houston Industries Finance, Inc., formerly a wholly-owned subsidiary of the Company, seeking recovery of unspecified damages relating to the alleged underpayment of municipal franchise fees. In April 1997, the plaintiffs amended their pleadings to assert damages alleged to exceed $250 million. The Company and HL&P believe that the lawsuit is without merit. The Company and HL&P cannot estimate a range of possible losses, if any, from this lawsuit, nor can any assurance be given as to its ultimate outcome. For additional information regarding this lawsuit, reference is made to Note 11(c) to the financial statements included in the Form 10-K, which Note is incorporated herein by reference.

In May 1997, the Company sold in open market transactions 550,000 shares of Time Warner Inc. (Time Warner) common stock for approximately $25 million, representing an average sales price of $45.49 per share, net of fees and other commissions . For information regarding the Company's investment in Time Warner securities, see Notes 1(j) and 13 to the financial statements included in the Form 10-K.

(9) INTERIM PERIOD RESULTS: RECLASSIFICATIONS

The results of interim periods are not necessarily indicative of results expected for the year due to the seasonal nature of HL&P's business. In the opinion of management, the interim information reflects all adjustments (consisting only of normal recurring adjustments) necessary for a full presentation of the results for the interim periods. Certain amounts from the previous year have been reclassified to conform to the 1997 presentation of financial statements. Such reclassifications do not affect earnings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in combination with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of the Form 10-K, the financial statements and notes contained in Item 8 of the Form 10-K and the Interim Financial Statements.

Statements contained in this Form 10-Q that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements are expectations as to future economic performance and are not statements of fact. Actual results may differ materially from those projected in these statements. Important factors that could cause future results to differ include the effects of competition, legislative and regulatory changes, fluctuations in the weather and changes in the economy as well as other factors discussed in this and other filings by the Company and HL&P with the SEC. When used in the Company's and HL&P's documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal" or similar words are intended to identify forward-looking statements. The sections of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned "The Merger," "Recent Developments" and "New Accounting Issues" contain or incorporate forward-looking statements.

THE MERGER

On December 17, 1996, the shareholders of the Company and NorAm approved a Merger Agreement providing for the merger of the Company into HL&P and the merger of NorAm into a subsidiary of the Company (Merger Sub). Upon consummation of the Merger, HL&P, the surviving corporation of the Company/HL&P merger, will be renamed "Houston Industries Incorporated" (Houston) and Merger Sub, the surviving corporation of the NorAm/Merger Sub merger, will be renamed "NorAm Energy Corp." and will become a wholly-owned subsidiary of Houston.

For additional information regarding the Merger, reference is made to "Liquidity and Capital Resources--Company--Sources of Capital Resources and Liquidity" below, Note 2 to the Interim Financial Statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations--The Merger" in the Form 10-K and Note 16 to the Financial Statements contained in the Form 10-K.

RESULTS OF OPERATIONS

COMPANY

A summary of selected financial data for the Company and its subsidiaries is set forth below:

	Three Months Ended March 31,		Percent
	1997	1996	Change
	(Thousands of Dollars)		
Revenues	$ 878,101	$ 823,507	7
Operating Expenses	721,885	686,368	5
Operating Income	156,216	137,139	14
Other Income (Expense)	8,641	(84,873)	--
Interest and Other Charges	84,755	78,916	7
Income Taxes	20,482	(9,910)	--
Net Income (Loss)	59,620	(16,740)	--

The Company's consolidated earnings for the first quarter of 1997 were $60 million or $.26 per share compared to a first quarter 1996 consolidated loss of $17 million or a loss of $.07 per share.

First quarter 1996 earnings included non-recurring charges of $62 million (after-tax) taken in connection with the settlement of litigation claims relating to the South Texas Project and $5 million associated with an investment in two tire-to-energy plants in Illinois. Excluding these non-recurring charges, the Company's 1996 first quarter earnings would have been $50 million or $.20 per share.

The improvement in first quarter 1997 results of operations reflects a decrease in HL&P operation and maintenance expenses and improved results of operations at HI Energy. The Company's 1997 first quarter results of operation include $10 million in equity earnings from HI Energy's investments in foreign electric utility systems in Brazil (acquired in May 1996) and Argentina. For additional information regarding HI Energy's foreign investments, see Note 4 to the financial statements in the Form 10-K.

HL&P

A summary of selected financial data for HL&P is set forth below:

	Three Months Ended March 31,		Percent
	1997	1996	Change
	(Thousands of Dollars)		
Base Revenues (1)	$ 552,547	$ 552,335	--
Reconcilable Fuel Revenues (2)	303,987	259,630	17
Operating Expenses (3)	730,339	692,311	5
Operating Income (3)	126,195	119,654	5
Other Income (Expense) (3)	(4,867)	(63,979)	--
Interest Charges	58,164	59,230	(2)
Income (Loss) After Preferred Dividends	61,039	(10,187)	--

(1) Includes miscellaneous revenues, certain non-reconcilable fuel revenues and certain purchased power related revenues.
(2) Includes revenues collected through a fixed fuel factor net of adjustment for over/under recovery. See "Operating Revenues and Sales" below.
(3) Includes income taxes.

HL&P's first quarter 1997 net income after preferred dividends was $61 million compared to a loss of $10 million in the first quarter of 1996. Excluding the effects of the $62 million after-tax charge described above, HL&P's first quarter 1996 net income after preferred dividends would have been $52 million. The improved results of operations at HL&P reflect a $10 million decrease in operation and maintenance expenses and a $5 million decrease in preferred dividends.

OPERATING REVENUES AND SALES

Notwithstanding mild weather in the first quarter of 1997, HL&P's base revenues between the quarterly periods were relatively unchanged. The adverse effects of weather-related factors were offset by increases in the number of customers in the first quarter of 1997.

Reconcilable fuel revenue increased 17 percent in the first quarter of 1997 primarily as a result of an increase in natural gas prices. The Public Utility Commission of Texas (Utility Commission) permits recovery of certain fuel and purchased power costs through a fixed fuel factor included in electric rates. The fixed fuel factor is established during either a utility's general rate proceeding or its fuel factor proceeding and is generally effective for a minimum of six months. Since reconcilable fuel revenues are adjusted monthly to equal expenses, these items have no effect on earnings unless fuel costs are subsequently determined by the Utility Commission not to be recoverable. The adjusted over/under recovery of fuel costs is recorded on HL&P's Balance Sheets as fuel-related credits or fuel- related debits. For information regarding the recovery of fuel costs, see "Business of HL&P--Fuel --Recovery of Fuel Costs " in Item 1 of the Form 10-K.

At March 31, 1997, HL&P's cumulative under-recovery of fuel costs was $93 million. In January 1997, HL&P implemented a $70 million temporary fuel surcharge, inclusive of interest through June 30, 1997. The fuel surcharge was intended to recover HL&P's cumulative fuel under-recovery balance as of August 31, 1996. In April 1997, HL&P filed with the Utility Commission a request to implement a $62 million temporary fuel surcharge, inclusive of interest, during the six-month period beginning July 1, 1997. HL&P requested the surcharge in order to recover its under-recovery of fuel expenses for the period between September 1996 and February 1997.

FUEL AND PURCHASED POWER EXPENSES

HL&P's 1997 first quarter fuel expenses increased $22 million compared to the first quarter of 1996. The increase was due to an increase in the unit cost of natural gas. The average cost of fuel for the first quarter of 1997 was $1.88 per million British Thermal Units (MMBtu) compared to $1.70 per MMBtu for the same period in 1996, including an average gas cost of $3.09 per MMBtu and $2.13 per MMBtu, respectively. Purchased power expense increased $23 million for the first quarter of 1997 primarily as a result of increased energy purchases and higher unit costs.

OTHER OPERATING EXPENSES

HL&P's 1997 first quarter operation and maintenance expenses decreased $10 million in comparison to the first quarter of 1996. The largest component of the decrease related to pension benefit costs, which declined during the first quarter of 1997 as a result of an increase in the estimated return on assets held in the Company's pension benefit plans. Other factors relating to the decline in operation and maintenance expenses included a reduction in severance cost expenses between the two periods. Other operating expenses were relatively constant between the two periods.

In each of the first quarter of 1997 and 1996, depreciation and amortization expense included (i) a $13 million write down of HL&P's investment in the South Texas Project and (ii) a $5 million write down of HL&P's investment in lignite reserves associated with a canceled generation project. The settlement of HL&P's most recent rate case (Docket No. 12065) permits HL&P to write down up to $50 million per year of its investment in the South Texas Project through December 31, 1999. HL&P must amortize the remaining $98 million of its investment in the lignite reserves no later than 2002. For additional information regarding these expenses, see Note 3(a) to the Financial Statements included in the Form 10-K.

RECENT DEVELOPMENTS

In connection with the current session of the Texas legislature, various proposals have been discussed that would permit Texas retail electric customers to choose their own electric suppliers beginning in December 2001. The proposals include provisions relating to full stranded cost recovery, rate reductions, rate freezes, the unbundling of generation operations, transmission and distribution operations and customer service operations, and the securitization of regulatory assets. The Company and HL&P are reviewing the proposals.

However, at this time, the Company and HL&P cannot predict what, if any, action the Texas legislature may take on the proposals or the ultimate form in which such proposals may be adopted, if at all. The 1997 session of the Texas legislature is scheduled to end on June 2, 1997.

A number of bills have been introduced in the United States Congress calling for the repeal of the 1935 Act and/or requiring that retail electric customers be permitted to choose their own electric supplier. Although the Company and HL&P cannot predict what action Congress may take with respect to these bills, enactment of any of these bills would likely have a profound effect on the electric utility industry.

In March 1997, the Utility Commission issued a final order in a rate proceeding involving a Texas utility that owns a 25.2 percent interest in the South Texas Project. HL&P owns a 30.8 percent interest in the South Texas Project. A major provision of the Utility Commission's final order was the categorization of approximately $859 million of the utility's investment in the South Texas Project as Excess Cost Over Market (ECOM). The term ECOM refers to the amount of cost that potentially would become "stranded" if retail competition were mandated and prices were set by the market rather than being determined by current regulatory standards of reasonable and necessary cost of providing service. The final order reduced the utility's return on common equity for the ECOM portion of its investment in the South Texas Project to 7.96 percent, as compared with the 10.9 percent return on common equity approved for all other invested capital. At the same time, the final order accelerated the recovery of the $859 million designated as ECOM to 20 years from the remaining 32-year life of the South Texas Project. The Company and HL&P are unable to predict at this time whether the policies reflected in this rate order will be applied to other Texas utilities.

As discussed in Note 1(b) (System of Accounts and Effects of Regulation) to the financial statements contained in the Form 10-K, HL&P follows the accounting policies set forth in SFAS No. 71. The accounting staff of the SEC has raised issues with respect to the continued use of SFAS No. 71 by other utilities in the context of the enactment of regulations providing for increased competition and market-based pricing. These issues have been referred to the Emerging Issues Task Force (EITF) of the FASB for consideration at its May 1997 meeting. The Company and HL&P cannot predict what position the EITF may adopt regarding these issues or how the EITF's position may be applied in the context of future legislation affecting HL&P.

For information on other developments, factors, and trends that may have an impact on the Company's and HL&P's future earnings, reference is made to Item 7 of the Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations --The Merger " and "--Certain Factors Affecting Future Earnings of the Company and HL&P."

LIQUIDITY AND CAPITAL RESOURCES

COMPANY

GENERAL

During the first quarter of 1997, the Company' s net cash from operating activities and financing activities was $39 million and $34 million, respectively. The Company's first quarter investment activities resulted in expenditures of $65 million, of which $44 million represented HL&P capital expenditures. The Company's primary financing activities during the first quarter of 1997 were the payment of dividends on its common stock, the redemption of preferred stock, the redemption or repayment of long-term debt and the sale of pollution control revenue bonds and HL&P trust securities.

SOURCES OF CAPITAL RESOURCES AND LIQUIDITY

As of March 31, 1997, the Company had approximately $1.1 billion of commercial paper outstanding, supported by two bank credit facilities aggregating $1.5 billion. As of this date, HL&P had approximately $328 million of commercial paper outstanding, supported by a bank credit facility of $400 million. Rates paid by the Company and HL&P on their short-term borrowings are generally lower than the prime rate.

The cash portion of the Merger consideration (estimated to be approximately $1.25 billion) is expected to be funded through bank borrowings under new bank credit facilities (Bank Facilities) to be arranged by a newly-formed subsidiary of Houston with a group of commercial banks. For information regarding the proposed credit facility, reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operation--Liquidity and Capital Resources--Company--Sources of Capital Resources and Liquidity--The Merger" in the Form 10-K. In April 1997, the Company negotiated an extension of the term of the bank commitments for the Bank Facilities to October 31, 1997. The Company has paid fees relating to the commitments of approximately $1.6 million.

In April 1997, a subsidiary of HI Energy borrowed $167.5 million under a five-year term loan facility. The proceeds of the loan, net of a $17.5 million deposited in a debt reserve account for the benefit of the lenders, were used to refinance a portion of the acquisition costs of Light. For additional information, see Note 8 to the Interim Financial Statements.

RATIOS OF EARNINGS TO FIXED CHARGES

The Company's ratios of earnings to fixed charges for the three and twelve months ended March 31, 1997, were 1.92 and 3.04, respectively. The Company believes that the ratio for the three-month period is not necessarily indicative of the ratio for a twelve-month period due to the seasonal nature of HL&P's business.

HL&P

GENERAL

During the first quarter of 1997, HL&P's net cash from operating activities and financing activities was $40 million and $5 million, respectively. HL&P's first quarter investment activities resulted in expenditures of $45 million, of which $44 million represented capital expenditures. The 1997 annual budget for capital and nuclear expenditures is $239 million. HL&P's primary financing activities during the first quarter of 1997 were the payment of dividends, the redemption of preferred stock, the redemption or repayment of long-term debt and the sale of pollution control revenue bonds and HL&P trust securities, as described in greater detail below.

SOURCES OF CAPITAL RESOURCES AND LIQUIDITY

As of March 31, 1997, HL&P had approximately $328 million of commercial paper outstanding. HL&P's commercial paper borrowings are supported by a bank line of credit of $400 million. A temporary $346 million increase in the amount of the facility was in effect during a portion of the first quarter of 1997.

In January 1997, the BRA and MCND issued on behalf of HL&P $118 million aggregate principal amount of pollution control revenue bonds. As of March 31, 1997, the new bonds bore a floating daily interest rate and mature in 2018 and 2028, respectively. HL&P used the proceeds from the sale of these securities to redeem, at 102% of their aggregate principal amount, pollution control revenue bonds aggregating $118 million. For additional information regarding the bonds, see Note 6 to the Interim Financial Statements.

In February 1997, two Delaware business trusts established by HL&P issued capital securities and preferred securities aggregating $350 million. The Trusts sold securities to the public ($100 million of 8.257% capital securities and $250 million of 8.125% preferred securities) and used the proceeds to purchase subordinated debentures from HL&P. HL&P used the proceeds from the sale of the subordinated debentures for general corporate purposes, including the repayment of short-term debt and the redemption of three series of cumulative preferred stock having an aggregate liquidation value of $125 million. For additional information regarding these securities, see Note 7 to the Interim Financial Statements.

In the first quarter of 1997, HL&P repaid at maturity $40 million aggregate principal amount of its 5 1/4% series first mortgage bonds and $150 million aggregate principal amount of its 7 5/8% series first mortgage bonds. HL&P redeemed the remaining $25.7 million of its $9.375 series preferred stock in April 1997.

RATIOS OF EARNINGS TO FIXED CHARGES

HL&P's ratios of earnings to fixed charges for the three and twelve months ended March 31, 1997 were 2.56 and 4.13, respectively. HL&P's ratios of earnings to fixed charges and preferred dividends for the three and twelve months ended March 31, 1997 were 2.43 and 3.71, respectively. HL&P believes that the ratios for the three-month period are not necessarily indicative of the ratios for a twelve-month period due to the seasonal nature of HL&P's business.

NEW ACCOUNTING ISSUES

For information regarding SFAS No. 128, "Earnings Per Share," which will be effective for the Company's 1997 fiscal year, see Note 5 to the Interim Financial Statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

For a description of legal proceedings affecting the Company and its subsidiaries, reference is made to Note 8 of the Interim Financial Statements, Item 3 of the Form 10-K and Notes 2(b), 3, 10 and 11(c) to the Financial Statements in the Form 10-K, which information is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS.

Company

At the annual meeting of the Company's shareholders held on May 9, 1997, the matters voted upon and the number of votes cast for, against or withheld, as well as the number of abstentions and broker non- votes as to such matters (including a separate tabulation with respect to each nominee for office) were as stated below:

For Item 1, the election of four nominees for Class I directors to serve three-year terms expiring in 2000:

	For	Against or Withheld	Broker Non-Vote
Robert J. Cruikshank	207,334,178	6,513,323	0
Linnet F. Deily	207,634,170	6,213,331	0
Lee W. Hogan	207,578,134	6,269,367	0
Alexander F. Schilt	207,436,204	6,411,297	0

For Item 2, the adoption of an Amendment to the 1994 Houston Industries Incorporated Long-Term Incentive Compensation Plan:

For	Against	Abstain	Broker Non-Vote
193,894,695	15,772,203	4,180,599	4

For Item 3, the ratification of the appointment of Deloitte & Touche LLP as independent accountants and auditors for the Company for 1997:

For	Against	Abstain	Broker Non-Vote
210,392,841	1,950,691	1,503,968	1

HL&P

The annual shareholder meeting of HL&P was held on May 9, 1997. The Company, the owner and holder of all of the outstanding Class A voting common stock of HL&P,

by the duly authorized vote of its Chairman and Chief Executive Officer, Don D. Jordan, elected the following Board of Directors for the ensuing year or until their successors shall have qualified:

Charles R. Crisp	Hugh Rice Kelly
William T. Cottle	R. Steve Letbetter
Jack D. Greenwade	David M. McClanahan
Lee W. Hogan	Stephen W. Naeve
Don D. Jordan	Stephen C. Schaeffer
	Robert L. Waldrop

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Houston Industries Incorporated:

Exhibit 3 -	Amended and Restated Bylaws of the Company (effective December 4, 1996).
Exhibit 11 -	Computation of Earnings per Common Share and Common Equivalent Share.
Exhibit 12 -	Computation of Ratios of Earnings to Fixed Charges.
Exhibit 27 -	Financial Data Schedule.
Exhibit 99(a) -	Notes 1(b), 1(n), 1(o), 1(p), 2, 3, 11 and 16 to the Financial Statements included on pages 60 through 65, pages 76 through 77, and pages 80 through 81 of the Form 10-K.

Houston Lighting & Power Company:

Exhibit 12 -	Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Fixed Charges and Preferred Dividends.
Exhibit 27 -	Financial Data Schedule.
Exhibit 99(a) -	Notes 1(b), 1(n), 1(o), 1(p), 2, 3, 11 and 16 to the Financial Statements included on pages 60 through 65, pages 76 through 77, and pages 80 through 81 of the Form 10-K.

(b) Reports on Form 8-K.

Form 8-K of HL&P dated February 4, 1997. (Item 5)
Form 8-K of the Company and HL&P dated February 5, 1997. (Item 5)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOUSTON INDUSTRIES INCORPORATED
(Registrant)

/s/ Mary P. Ricciardello

Mary P. Ricciardello
Vice President and Comptroller
(Principal Accounting Officer)

Date: May 14,1997

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOUSTON LIGHTING & POWER COMPANY
(Registrant)

/s/ Mary P. Ricciardello

Mary P. Ricciardello
Vice President and Comptroller
(Principal Accounting Officer)

Date: May 14, 1997

INDEX TO EXHIBITS

Exhibit No.	Description
Houston Industries Incorporated:	
Exhibit 3 -	Amended and Restated Bylaws of the Company (effective December 4, 1996).
Exhibit 11 -	Computation of Earnings per Common Share and Common Equivalent Share.
Exhibit 12 -	Computation of Ratios of Earnings to Fixed Charges.
Exhibit 27 -	Financial Data Schedule.
Exhibit 99(a) -	Notes 1(b), 1(n), 1(o), 1(p), 2, 3, 11 and 16 to the Financial Statements included on pages 60 through 65, pages 76 through 77, and pages 80 through 81 of the Form 10-K.
Houston Lighting & Power Company:	
Exhibit 12 -	Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Fixed Charges and Preferred Dividends.
Exhibit 27 -	Financial Data Schedule.
Exhibit 99(a) -	Notes 1(b), 1(n), 1(o), 1(p), 2, 3, 11 and 16 to the Financial Statements included on pages 60 through 65, pages 76 through 77, and pages 80 through 81 of the Form 10-K.

Exhibit 3

AMENDED AND RESTATED BYLAWS

OF

HOUSTON INDUSTRIES INCORPORATED

Adopted and Amended by Resolution of the Board of Directors on December 4, 1996

ARTICLE I

CAPITAL STOCK

Section 1. Share Ownership. Shares for the capital stock of the Company may be certificated or uncertificated. Owners of shares of the capital stock of the Company shall be recorded in the share transfer records of the Company and ownership of such shares shall be evidenced by a certificate or book entry notation in the share transfer records of the Company. Any certificates representing such shares shall be signed by the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President or a Vice President and either the Secretary or an Assistant Secretary and shall be sealed with the seal of the Company, which signatures and seal may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer at the date of its issuance.

Section 2. Shareholders of Record. The Board of Directors of the Company may appoint one or more transfer agents or registrars of any class of stock of the Company. The Company may be its own transfer agent if so appointed by the Board of Directors. The Company shall be entitled to treat the holder of record of any shares of the Company as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such shares or any rights deriving from such shares, on the part of any other person, including (but without limitation) a purchaser, assignee or transferee, unless and until such other person becomes the holder of record of such shares, whether or not the Company shall have either actual or constructive notice of the interest of such other person.

Section 3. Transfer of Shares. The shares of the capital stock of the Company shall be transferable in the share transfer records of the Company by the holder of record thereof, or his duly authorized attorney or legal representative. All certificates representing shares surrendered for transfer, properly endorsed, shall be cancelled and new certificates for a like number of shares shall be issued therefor. In the case of lost, stolen, destroyed or mutilated certificates representing shares for which the Company has been requested to issue new certificates, new certificates or other evidence of such new shares may be issued upon such conditions as may be required by the Board of Directors or the Secretary for the protection of the Company and any transfer agent or registrar. Uncertificated shares shall be transferred in the share transfer records of the Company upon the written instruction originated by the appropriate person to transfer the shares.

Section 4. Shareholders of Record and Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive a distribution by the Company (other than a distribution involving a purchase or redemption by the Company of any of its own shares) or a share dividend, or in order to make a determination of shareholders for any other proper purpose (other than determining shareholders entitled to consent to action by shareholders proposed to be taken without a meeting of shareholders), the Board of Directors may provide that the share transfer records shall be closed for a stated period of not more than sixty days, and in the case of a meeting of shareholders not less than ten days, immediately preceding the meeting, or it may fix in advance a record date for any such determination of shareholders, such date to be not more than sixty days, and in the case of a meeting of shareholders not less than ten days, prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the share transfer records are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the Company of any of its own shares) or a share dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such distribution or share dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as herein provided, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the share transfer records and the stated period of closing has expired.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meetings. All meetings of shareholders shall be held at the registered office of the Company, in the City of Houston, Texas, or at such other place within or without the State of Texas as may be designated by the Board of Directors or officer calling the meeting.

Section 2. Annual Meeting. The annual meeting of the shareholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors or as may otherwise be stated in the notice of the meeting. Failure to designate a time for the annual meeting or to hold the annual meeting at the designated time shall not work a dissolution of the Company.

Section 3. Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President, the Secretary, the Board of Directors, the holders of not less than one-tenth of all of the shares outstanding and entitled to vote at such meeting or such other persons as may be authorized in the Articles of Incorporation of the Company.

Section 4. Notice of Meeting. Written or printed notice of all meetings stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President, the Secretary or the officer or person calling the meeting to each shareholder of record entitled to vote at such meetings . If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the share transfer records of the Company, with postage thereon prepaid.

Any notice required to be given to any shareholder, under any provision of the Texas Business Corporation Act, as amended (TBCA), the Articles of Incorporation of the Company or these Bylaws, need not be given to a shareholder if notice of two consecutive annual meetings and all notices of meetings held during the period between those annual meetings, if any, or all (but in no event less than two) payments (if sent by first class mail) of distributions or interest on securities during a 12-month period have been mailed to that person, addressed at his address as shown on the share transfer records of the Company, and have been returned undeliverable. Any action or meeting taken or held without notice to such person shall have the same force and effect as if the notice had been duly given. If such a person delivers to the Company a written notice setting forth his then current address, the requirement that notice be given to that person shall be reinstated.

Section 5. Voting List. The officer or agent having charge of the share transfer records for shares of the Company shall make, at least ten days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Company and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share transfer records shall be prima facie evidence as to who are the shareholders entitled to examine such list or to vote at any meeting of shareholders. Failure to comply with any requirements of this Section 5 shall not affect the validity of any action taken at such meeting.

Section 6. Voting; Proxies. Except as otherwise provided in the Articles of Incorporation of the Company or as otherwise provided in the TBCA, each holder of shares of capital stock of the Company entitled to vote shall be entitled to one vote for each share standing in his name on the records of the Company, either in person or by proxy executed in writing by him or by his duly authorized attorney-in-fact. A proxy shall be revocable unless expressly provided therein to be irrevocable and the proxy is coupled with an interest. At each election of directors, every holder of shares of the Company entitled to vote shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, and for whose election he has a right to vote, but in no event shall he be permitted to cumulate his votes for one or more directors.

Section 7. Quorum and Vote of Shareholders. Except as otherwise provided by law, the Articles of Incorporation of the Company or these Bylaws, the holders of a majority of shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders, but, if a quorum is not represented, a majority in interest of those represented may adjourn the meeting from time to time. Directors shall be elected by a plurality of the votes cast by the holders of shares entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present. With respect to each matter other than the election of directors as to which no other voting requirement is specified by law, the Articles of Incorporation of the Company or in this Section 7 or in Article VII of these Bylaws, the affirmative vote of the holders of a majority of the shares entitled to vote on that matter and represented in person or by proxy at a meeting at which a quorum is present shall be the act of the shareholders. With respect to a matter submitted to a vote of the shareholders as to which a shareholder approval requirement is applicable under the shareholder approval policy of the New York Stock Exchange, Rule 16b-3 under the Securities Exchange Act of 1934, as amended (Exchange Act), or any provision of the Internal Revenue Code, in each case for which no higher voting requirement is specified by law, the Articles of Incorporation of the Company or these Bylaws, the affirmative vote of the holders of a majority of the shares entitled to vote on, and voted for or against, that matter at a meeting at which a quorum is present shall be the act of the shareholders, provided that approval of such matter shall also be conditioned on any more restrictive requirement of such shareholder approval policy, Rule 16b- 3 or Internal Revenue Code provision, as applicable, being satisfied. With respect to the approval of independent public accountants (if submitted for a vote of the shareholders), the affirmative vote of the holders of a majority of the shares entitled to vote on, and voted for or against, that matter at a meeting of shareholders at which a quorum is present shall be the act of the shareholders.

Section 8. Presiding Officer and Conduct of Meetings. The Chairman of the Board, if there is one, or in his absence, the Chief Executive Officer, if there is one, or in his absence, the President shall preside at all meetings of the shareholders or, if such officers are not present at a meeting, by such other person as the Board of Directors shall designate or if no such person is designated by the Board of Directors, the most senior officer of the Company present at the meeting. The Secretary of the Company, if present, shall act as secretary of each meeting of shareholders; if he is not present at a meeting, then such person as may be designated by the presiding officer shall act as secretary of the meeting. Meetings of shareholders shall follow reasonable and fair procedure. Subject to the

foregoing, the conduct of any meeting of shareholders and the determination of procedure and rules shall be within the absolute discretion of the officer presiding at such meeting (Chairman of the Meeting), and there shall be no appeal from any ruling of the Chairman of the Meeting with respect to procedure or rules. Accordingly, in any meeting of shareholders or part thereof, the Chairman of the Meeting shall have the sole power to determine appropriate rules or to dispense with theretofore prevailing rules. Without limiting the foregoing, the following rules shall apply:

(a) If disorder should arise which prevents continuation of the legitimate business of meeting, the Chairman of the Meeting may announce the adjournment of the meeting; and upon so doing, the meeting shall be immediately adjourned.

(b) The Chairman of the Meeting may ask or require that anyone not a bona fide shareholder or proxy leave the meeting.

(c) A resolution or motion shall be considered for vote only if proposed by a shareholder or a duly authorized proxy, and seconded by an individual who is a shareholder or a duly authorized proxy, other than the individual who proposed the resolution or motion, subject to compliance with any other requirements concerning such proposed resolution or motion contained in these Bylaws. The Chairman of the Meeting may propose any motion for vote.

(d) The order of business at all meetings of shareholders shall be determined by the Chairman of the Meeting.

(e) The Chairman of the Meeting may impose any reasonable limits with respect to participation in the meeting by shareholders, including, but not limited to, limits on the amount of time taken up by the remarks or questions of any shareholder, limits on the number of questions per shareholder and limits as to the subject matter and timing of questions and remarks by shareholders.

(f) Before any meeting of shareholders, the Board of Directors may appoint three persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the Chairman of the Meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting of the shareholders and the number of such inspectors shall be three. If any person appointed as inspector fails to appear or fails or refuses to act, the Chairman of the Meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill such vacancy.

The duties of the inspectors shall be to:

(i) determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies and ballots;

(ii) receive votes or ballots;

(iii) hear and determine all challenges and questions in any way arising in connection with the vote;

(iv) count and tabulate all votes;

(v) report to the Board of Directors the results based on the information assembled by the inspectors; and

(vi) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

Notwithstanding the foregoing, the final certification of the results of the election or other matter acted upon at a meeting of shareholders shall be made by the Board of Directors.

All determinations of the Chairman of the Meeting shall be conclusive unless a matter is determined otherwise upon motion duly adopted by the affirmative vote of the holders of at least 80% of the voting power of the shares of capital stock of the Company entitled to vote in the election of directors held by shareholders present in person or represented by proxy at such meeting.

ARTICLE III

DIRECTORS

Section 1. Number and Classification of Board of Directors; Qualifications. The business and affairs of the Company shall be managed by the Board of Directors. The number of directors that shall constitute the whole Board of Directors of the Company shall be not less than nine nor more than eighteen as specified from time to time by the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Board of Directors called for that purpose. The directors shall be divided into three classes, Class I, Class II and Class III. Such classes shall be as nearly equal in number of directors as possible. Each director, other than those who may be elected by the holders of Preference Stock pursuant to Section 6 of Division A of Article VI of the Articles of Incorporation of the Company (or elected by such directors to fill a vacancy) and except as provided in the penultimate paragraph of this Section 1, shall serve for a term ending

on the third annual meeting following the annual meeting at which such director was elected. Each director elected by the holders of Preference Stock pursuant to Section 6 of Division A of Article VI of the Articles of Incorporation of the Company (or elected by such directors to fill a vacancy) shall serve for a term ending upon the earlier of the election of his successor or the termination at any time of a right of the holders of Preference Stock to elect members of the Board of Directors.

At each annual election, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless, by reason of any intervening changes in the authorized number of directors, the Board of Directors shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

Notwithstanding the rule that the three classes shall be as nearly equal in number of directors as possible, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, resignation, disqualification or removal. If any newly created directorship may, consistent with the rule that the three classes shall be as nearly equal in number of directors as possible, be allocated to any of the three classes, the Board of Directors shall allocate it to that available class whose term of office is due to expire at the earliest date following such allocation. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

No person shall be eligible to serve as a director of the Company subsequent to the annual meeting of shareholders occurring on or after the first day of the month immediately following the month of such person's seventieth birthday. No person shall be eligible to stand for reelection at the annual meeting of shareholders on or immediately following the tenth anniversary of such person's initial election or appointment to the Board of Directors. Any vacancy on the Board of Directors resulting from any director being rendered ineligible to serve as a director of the Company by the immediately preceding two sentences shall be filled by the shareholders entitled to vote thereon at such annual meeting of shareholders. Any director chosen to succeed a director who is so rendered ineligible to serve as a director of the Company shall be of the same class as the director he succeeds. Notwithstanding the rule that a director may not stand for reelection at the annual meeting of shareholders on or immediately following the tenth anniversary of such person's initial election or appointment to the Board of Directors, an incumbent director may nevertheless continue as a director until the expiration of his current term, or his prior death, resignation, disqualification or removal; provided, however, that no person serving as a director as of April 1, 1992 shall be affected by such term limitation provision, nor shall such term limitation provision apply to directors who are also employees of the Company or its corporate affiliates.

The above notwithstanding, each director shall serve until his successor shall have been duly elected and qualified, unless he shall resign, become disqualified, disabled or shall otherwise be removed.

No person shall be eligible for election or reelection or to continue to serve as a member of the Board of Directors who is an officer, director, agent, representative, partner, employee, or nominee of, or otherwise acting at the direction of, or acting in concert with, (a) a "public-utility company" (other than any direct or indirect subsidiary of the company) as such term is defined in Section 2(a)(5) of the Public Utility Holding Company Act of 1935, as in effect on May 1, 1996 (35 Act), or (b) an "affiliate" (as defined in either Section 2(a)(11) of the 35 Act or in Rule 405 under the Securities Act of 1933, as amended) of any such "public-utility company" specified in clause (a) immediately preceding.

Section 2. Newly Created Directorships and Vacancies. Newly created directorships resulting from any increase in the number of directors may be filled by the affirmative vote of a majority of the directors then in office for a term of office continuing only until the next election of one or more directors by the shareholders entitled to vote thereon, or may be filled by election at an annual or special meeting of the shareholders called for that purpose; provided, however, that the Board of Directors shall not fill more than two such directorships during the period between two successive annual meetings of shareholders. Except as provided in Section 1 of this Article III, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause may be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or may be filled by election at an annual or special meeting of the shareholders called for that purpose. Any director elected to fill any such vacancy shall hold office for the remainder of the full term of the director whose departure from the Board of Directors created the vacancy and until such newly elected director's successor shall have been duly elected and qualified.

Notwithstanding the foregoing paragraph of this Section 2, whenever holders of outstanding shares of Preference Stock are entitled to elect members of the Board of Directors pursuant to the provisions of Section 6 of Division A of Article VI of the Articles of Incorporation of the Company, any vacancy or vacancies resulting by reason of the death, resignation, disqualification or removal of any director or directors or any increase in the number of directors shall be filled in accordance with the provisions of such section.

Section 3. Nomination of Directors. Nominations for the election of directors may be made by the Board of Directors or by any shareholder (Nominator) entitled to vote in the election of directors. Such nominations, other than those made by the Board of Directors, shall be made in writing pursuant to timely notice delivered to or mailed and received by the Secretary of the Company as set forth in this Section 3. To be timely in connection with an annual meeting of shareholders, a Nominator's notice, setting forth the name and address of the person to be nominated, shall be delivered to or mailed and received at the principal executive offices of the Company not less than ninety days nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held. To be timely in connection with any election of a director at a special meeting of the shareholders, a Nominator's notice, setting forth the name of the person to be nominated, shall be delivered to or mailed and received at the principal executive offices of the Company not less than forty days nor more than sixty days prior to the date of such

meeting; provided, however, that in the event that less than forty-seven days' notice or prior public disclosure of the date of the special meeting of the shareholders is given or made to the shareholders, the Nominator's notice to be timely must be so received not later than the close of business on the seventh day following the day on which such notice of date of the meeting was mailed or such public disclosure was made. At such time, the Nominator shall also submit written evidence, reasonably satisfactory to the Secretary of the Company, that the Nominator is a shareholder of the Company and shall identify in writing (a) the name and address of the Nominator, (b) the number of shares of each class of capital stock of the Company owned beneficially by the Nominator, (c) the name and address of each of the persons with whom the Nominator is acting in concert, (d) the number of shares of capital stock beneficially owned by each such person with whom the Nominator is acting in concert, and (e) a description of all arrangements or understandings between the Nominator and each nominee and any other persons with whom the Nominator is acting in concert pursuant to which the nomination or nominations are to be made. At such time, the Nominator shall also submit in writing (i) the information with respect to each such proposed nominee that would be required to be provided in a proxy statement prepared in accordance with Regulation 14A under the Exchange Act and (ii) a notarized affidavit executed by each such proposed nominee to the effect that, if elected as a member of the Board of Directors, he will serve and that he is eligible for election as a member of the Board of Directors. Within thirty days (or such shorter time period that may exist prior to the date of the meeting) after the Nominator has submitted the aforesaid items to the Secretary of the Company, the Secretary of the Company shall determine whether the evidence of the Nominator's status as a shareholder submitted by the Nominator is reasonably satisfactory and shall notify the Nominator in writing of his determination. The failure of the Secretary of the Company to find such evidence reasonably satisfactory, or the failure of the Nominator to submit the requisite information in the form or within the time indicated, shall make the person to be nominated ineligible for nomination at the meeting at which such person is proposed to be nominated. The presiding person at each meeting of shareholders shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Beneficial ownership shall be determined in accordance with Rule 13d-3 under the Exchange Act.

Section 4. Place of Meetings and Meetings by Telephone. Meetings of the Board of Directors may be held either within or without the State of Texas, at whatever place is specified by the officer calling the meeting. Meetings of the Board of Directors may also be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting by means of conference telephone or similar communications equipment shall constitute presence in person at such meeting, except where a director participates in a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. In the absence of specific designation by the officer calling the meeting, the meetings shall be held at the principal office of the Company.

Section 5. Regular Meetings. The Board of Directors shall meet each year immediately following the annual meeting of the shareholders for the transaction of such business as may properly be brought before the meeting. The Board of Directors shall also meet regularly at such other times as shall be designated by the Board of Directors. No notice of any kind to either existing or newly elected members of the Board of Directors for such annual or regular meetings shall be necessary.

Section 6. Special Meetings. Special meetings of the Board of Directors may be held at any time upon the call of the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President or the Secretary of the Company or a majority of the directors then in office. Notice shall be sent by mail, facsimile or telegram to the last known address of the director at least two days before the meeting, or oral notice may be substituted for such written notice if received not later than the day preceding such meeting. Notice of the time, place and purpose of such meeting may be waived in writing before or after such meeting, and shall be equivalent to the giving of notice. Attendance of a director at such meeting shall also constitute a waiver of notice thereof, except where he attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Except as otherwise provided by these Bylaws, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 7. Quorum and Voting. Except as otherwise provided by law, the Articles of Incorporation of the Company or these Bylaws, a majority of the number of directors fixed in the manner provided in these Bylaws as from time to time amended shall constitute a quorum for the transaction of business. Except as otherwise provided by law, the Articles of Incorporation of the Company or these Bylaws, the affirmative vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. Any regular or special directors' meeting may be adjourned from time to time by those present, whether a quorum is present or not.

Section 8. Compensation. Directors shall receive such compensation for their services as shall be determined by the Board of Directors.

Section 9. Removal. No director of the Company shall be removed from his office as a director by vote or other action of the shareholders or otherwise except (a) with cause, as defined below, by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of capital stock of the Company entitled to vote in the election of directors, voting together as a single class, or (b) without cause by (i) the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Board of Directors called for that purpose or (ii) the affirmative vote of the holders of at least 80% of the voting power of all outstanding shares of capital stock of the Company entitled to vote in the election of directors, voting together as a single class.

Except as may otherwise be provided by law, cause for removal of a director shall be construed to exist only if: (a) the director whose removal is proposed has been convicted, or where

a director is granted immunity to testify where another has been convicted, of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (b) such director has been found by the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Board of Directors called for that purpose or by a court of competent jurisdiction to have been negligent or guilty of misconduct in the performance of his duties to the Company in a matter of substantial importance to the Company; or (c) such director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects his ability as a director of the Company.

Notwithstanding the first paragraph of this Section 9, whenever holders of outstanding shares of Preference Stock are entitled to elect members of the Board of Directors pursuant to the provisions of Section 6 of Division A of Article VI of the Articles of Incorporation of the Company, any director of the Company may be removed in accordance with the provisions of such section.

No proposal by a shareholder to remove a director of the Company, regardless of whether such director was elected by holders of outstanding shares of Preference Stock (or elected by such directors to fill a vacancy), shall be voted upon at a meeting of the shareholders unless such shareholder shall have delivered or mailed in a timely manner (as set forth in this Section 9) and in writing to the Secretary of the Company (a) notice of such proposal, (b) a statement of the grounds, if any, on which such director is proposed to be removed, (c) evidence, reasonably satisfactory to the Secretary of the Company, of such shareholder's status as such and of the number of shares of each class of the capital stock of the Company beneficially owned by such shareholder, (d) a list of the names and addresses of other beneficial owners of shares of the capital stock of the Company, if any, with whom such shareholder is acting in concert, and of the number of shares of each class of the capital stock of the Company beneficially owned by each such beneficial owner, and (e) an opinion of counsel, which counsel and the form and substance of which opinion shall be reasonably satisfactory to the Board of Directors of the Company (excluding the director proposed to be removed), to the effect that, if adopted at a duly called special or annual meeting of the shareholders of the Company by the required vote as set forth in the first paragraph of this Section 9, such removal would not be in conflict with the laws of the State of Texas, the Articles of Incorporation of the Company or these Bylaws. To be timely in connection with an annual meeting of shareholders, a shareholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Company not less than ninety nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held. To be timely in connection with the removal of any director at a special meeting of the shareholders, a shareholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Company not less than forty days nor more than sixty days prior to the date of such meeting; provided, however, that in the event that less than forty-seven days' notice or prior public disclosure of the date of the special meeting of shareholders is given or made to the shareholders, the shareholder's notice and other aforesaid items to be timely must be so received not later than the close of business on the seventh day following the day on which such notice of date of the meeting was mailed or such public disclosure was made. Within thirty days (or such shorter period that may exist prior to the date of the meeting) after such shareholder shall have

delivered the aforesaid items to the Secretary of the Company, the Secretary and the Board of Directors of the Company shall respectively determine whether the items to be ruled upon by them are reasonably satisfactory and shall notify such shareholder in writing of their respective determinations. If such shareholder fails to submit a required item in the form or within the time indicated, or if the Secretary or the Board of Directors of the Company determines that the items to be ruled upon by them are not reasonably satisfactory, then such proposal by such shareholder may not be voted upon by the shareholders of the Company at such meeting of shareholders. The presiding person at each meeting of shareholders shall, if the facts warrant, determine and declare to the meeting that a proposal to remove a director of the Company was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective proposal shall be disregarded. Beneficial ownership shall be determined as specified in accordance with Rule 13d-3 under the Exchange Act.

Section 10. Executive and Other Committees. The Board of Directors, by resolution or resolutions adopted by a majority of the full Board of Directors, may designate one or more members of the Board of Directors to constitute an Executive Committee, and one or more other committees, which shall in each case be comprised of such number of directors as the Board of Directors may determine from time to time. Subject to such restrictions as may be contained in the Company's Articles of Incorporation or that may be imposed by the TBCA, any such committee shall have and may exercise such powers and authority of the Board of Directors in the management of the business and affairs of the Company as the Board of Directors may determine by resolution and specify in the respective resolutions appointing them, or as permitted by applicable law, including, without limitation, the power and authority to (a) authorize a distribution, (b) authorize the issuance of shares of the Company and (c) exercise the authority of the Board of Directors vested in it pursuant to Article 2.13 of the TBCA or such successor statute as may be in effect from time to time. Each duly- authorized action taken with respect to a given matter by any such duly-appointed committee of the Board of Directors shall have the same force and effect as the action of the full Board of Directors and shall constitute for all purposes the action of the full Board of Directors with respect to such matter.

The designation of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law, nor shall such committee function where action of the Board of Directors cannot be delegated to a committee thereof under applicable law. The Board of Directors shall have the power at any time to change the membership of any such committee and to fill vacancies in it. A majority of the members of any such committee shall constitute a quorum. The Board of Directors shall name a chairman at the time it designates members to a committee. Each such committee shall appoint such subcommittees and assistants as it may deem necessary. Except as otherwise provided by the Board of Directors, meetings of any committee shall be conducted in accordance with the provisions of Sections 4 and 6 of this Article III as the same shall from time to time be amended. Any member of any such committee elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Company will be served

thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of a member of a committee shall not of itself create contract rights.

ARTICLE IV

OFFICERS

Section 1. Officers. The officers of the Company shall consist of a President and a Secretary and such other officers and agents as the Board of Directors may from time to time elect or appoint, which may include, without limitation, a Chairman of the Board, a Chief Executive Officer, one or more Vice Presidents (whose seniority and titles, including Executive Vice Presidents, Senior Vice Presidents and such assistant or subordinate Vice Presidents, may be specified by the Board of Directors), a Treasurer, one or more Assistant Treasurers, and one or more Assistant Secretaries. Each officer shall hold office until his successor shall have been duly elected and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any two or more offices may be held by the same person. Except for the Chairman of the Board, if any, no officer need be a director.

Section 2. Vacancies; Removal. Whenever any vacancies shall occur in any office by death, resignation, increase in the number of offices of the Company, or otherwise, the officer so elected shall hold office until his successor is chosen and qualified. The Board of Directors may at any time remove any officer of the Company, whenever in its judgment the best interests of the Company will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 3. Powers and Duties of Officers. The officers of the Company shall have such powers and duties as generally pertain to their offices as well as such powers and duties as from time to time shall be conferred by the Board of Directors.

ARTICLE V

INDEMNIFICATION

Section 1. General. The Company shall indemnify and hold harmless the Indemnitee (as this and all other capitalized words are defined in this Article or in Article 2.02-1 of the TBCA), to the fullest extent permitted, or not prohibited, by the TBCA or other applicable law as the same exists or may hereafter be amended (but in the case of any such amendment, with respect to Matters occurring before such amendment, only to the extent that such amendment permits the Company to

provide broader indemnification rights than said law permitted the Company to provide prior to such amendment). The provisions set forth below in this Article are provided as means of furtherance and implementation of, and not in limitation on, the obligation expressed in this Section 1.

Section 2. Advancement or Reimbursement of Expenses. The rights of the Indemnitee provided under Section 1 of this Article shall include, but not be limited to, the right to be indemnified and to have Expenses advanced (including the payment of expenses before final disposition of a Proceeding) in all Proceedings to the fullest extent permitted, or not prohibited, by the TBCA or other applicable law. If the Indemnitee is not wholly successful, on the merits or otherwise, in a Proceeding, but is successful, on the merits or otherwise, as to any Matter in such Proceeding, the Company shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf relating to each Matter. The termination of any Matter in a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such Matter. In addition, to the extent the Indemnitee is, by reason of his Corporate Status, a witness or otherwise participates in any Proceeding at a time when he is not named a defendant or respondent in the Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. The Indemnitee shall be advanced Expenses, within ten days after any request for such advancement, to the fullest extent permitted, or not prohibited, by Article 2.02-1 of the TBCA; provided that the Indemnitee has provided to the Company all affirmations, acknowledgments, representations and undertakings that may be required of the Indemnitee by Article 2.02-1 of the TBCA.

Section 3. Determination of Request. Upon written request to the Company by an Indemnitee for indemnification pursuant to these Bylaws, a determination, if required by applicable law, with respect to an Indemnitee's entitlement thereto shall be made in accordance with Article 2.02-1 of the TBCA; provided, however, that notwithstanding the foregoing, if a Change in Control shall have occurred, such determination shall be made by Special Legal Counsel selected by the Indemnitee, unless the Indemnitee shall request that such determination be made in accordance with Article 2.02-1F (1) or (2). The Company shall pay any and all reasonable fees and expenses of Special Legal Counsel incurred in connection with any such determination. If a Change in Control shall have occurred, the Indemnitee shall be presumed (except as otherwise expressly provided in this Article) to be entitled to indemnification under this Article upon submission of a request to the Company for indemnification, and thereafter the Company shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. The presumption shall be used by Special Legal Counsel, or such other person or persons determining entitlement to indemnification, as a basis for a determination of entitlement to indemnification unless the Company provides information sufficient to overcome such presumption by clear and convincing evidence or the investigation, review and analysis of Special Legal Counsel or such other person or persons convinces him or them by clear and convincing evidence that the presumption should not apply.

Section 4. Effect of Certain Proceedings. The termination of any Proceeding or of any Matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or

its equivalent, shall not (except as otherwise expressly provided in this Article) of itself adversely affect the right of the Indemnitee to indemnification or create a presumption that (a) the Indemnitee did not conduct himself in good faith and in a manner which he reasonably believed, in the case of conduct in his official capacity as a director of the Company, to be in the best interests of the Company, or, in all other cases, that at least his conduct was not opposed to the Company's best interests, or (b) with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful.

Section 5. Expenses of Enforcement of Article. In the event that an Indemnitee, pursuant to this Article, seeks a judicial adjudication to enforce his rights under, or to recover damages for breach of, rights created under or pursuant to this Article, the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication but only if he prevails therein. If it shall be determined in said judicial adjudication that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication shall be reasonably prorated in good faith by counsel for the Indemnitee. Notwithstanding the foregoing, if a Change in Control shall have occurred, Indemnitee shall be entitled to indemnification under this Section regardless of whether indemnitee ultimately prevails in such judicial adjudication.

Section 6. Nonexclusive Rights. The rights of indemnification and to receive advancement of Expenses as provided by this Article shall not be deemed exclusive of any other rights to which the Indemnitee may at any time be entitled under applicable law, the Articles of Incorporation of the Company, these Bylaws, agreement, insurance, arrangement, a vote of shareholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Article or any provision thereof shall be effective as to any Indemnitee for acts, events and circumstances that occurred, in whole or in part, before such amendment, alteration or repeal. The provisions of this Article shall continue as to an Indemnitee whose Corporate Status has ceased and shall inure to the benefit of his heirs, executors and administrators.

Section 7. Invalidity. If any provision or provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby; and, to the fullest extent possible, the provisions of this Article shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 8. Definitions. For purposes of this Article:

"Change of Control" means a change in control of the Company occurring after the date of adoption of these Bylaws in any of the following circumstances: (a) there shall have occurred an event required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such

reporting requirement; (b) any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation or other entity owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall have become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities without prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person attaining such percentage interest; (c) the Company is a party to a merger, consolidation, share exchange, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; (d) during any fifteen month period, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

"Corporate Status" means the status of a person who is or was a director, officer, partner, venturer, proprietor, trustee, employee (including an employee acting in his Designated Professional Capacity), or agent or similar functionary of the Company or of any other foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise which such person is or was serving in such capacity at the request of the Company. The Company hereby acknowledges that unless and until the Company provides the Indemnitee with written notice to the contrary, the Indemnitee's service as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of an Affiliate of the Company shall be conclusively presumed to be at the Company's request. An Affiliate of the Company shall be deemed to be (a) any foreign or domestic corporation in which the Company owns or controls, directly or indirectly, 5% or more of the shares entitled to be voted in the election of directors of such corporation; (b) any foreign or domestic partnership, joint venture, proprietorship or other enterprise in which the Company owns or controls, directly or indirectly, 5% or more of the revenue interests in such partnership, joint venture, proprietorship or other enterprise; or (c) any trust or employee benefit plan the beneficiaries of which include the Company, any Affiliate of the Company as defined in the foregoing clauses (a) and (b) or any of the directors, officers, partners, venturers, proprietors, employees, agents or similar functionaries of the Company or of such Affiliates of the Company.

"Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending,

preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

"Indemnitee" includes any person who is, or is threatened to be made, a witness in or a party to any Proceeding as described in Section 1 or 2 of this Article by reason of his Corporate Status.

"Matter" is a claim, a material issue, or a substantial request for relief.

"Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution proceeding, investigation, administrative hearing and any other proceeding, whether civil, criminal, administrative, investigative or other, any appeal in such action, suit, arbitration, proceeding or hearing, or any inquiry or investigation, whether conducted by or on behalf of the Company, a subsidiary of the Company or any other party, formal or informal, that the Indemnitee in good faith believes might lead to the institution of any such action, suit, arbitration, proceeding, investigation or hearing, except one initiated by an Indemnitee pursuant to Section 5 of this Article.

"Special Legal Counsel" means a law firm, or member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the five years previous to his selection or appointment has been, retained to represent: (a) the Company or the Indemnitee in any matter material to either such party; (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder; or (c) the beneficial owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities. Notwithstanding the foregoing, the term "Special Legal Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights to indemnification under these Bylaws.

For the purposes of this Article, an employee acting in his "Designated Professional Capacity" shall include, but not be limited to, a physician, nurse, psychologist or therapist, registered surveyor, registered engineer, registered architect, attorney, certified public accountant or other person who renders such professional services within the course and scope of his employment, who is licensed by appropriate regulatory authorities to practice such profession and who, while acting in the course of such employment, committed or is alleged to have committed any negligent acts, errors or omissions in rendering such professional services at the request of the Company or pursuant to his employment (including, without limitation, rendering written or oral opinions to third parties).

Section 9. Notice. Any communication required or permitted to the Company under this Article shall be addressed to the Secretary of the Company and any such communication to the

Indemnitee shall be addressed to his home address unless he specifies otherwise and shall be personally delivered or delivered by overnight mail or courier delivery.

Section 10. Insurance and Self-Insurance Arrangements. The Company may procure or maintain insurance or other similar arrangements, at its expense, to protect itself and any Indemnitee against any expense, liability or loss asserted against or incurred by such person, incurred by him in such a capacity or arising out of his Corporate Status as such a person, whether or not the Company would have the power to indemnify such person against such expense or liability. In considering the cost and availability of such insurance, the Company (through the exercise of the business judgment of its directors and officers) may, from time to time, purchase insurance which provides for any and all of (a) deductibles, (b) limits on payments required to be made by the insurer, or (c) coverage which may not be as comprehensive as that previously included in insurance purchased by the Company. The purchase of insurance with deductibles, limits on payments and coverage exclusions will be deemed to be in the best interest of the Company but may not be in the best interest of certain of the persons covered thereby. As to the Company, purchasing insurance with deductibles, limits on payments, and coverage exclusions is similar to the Company's practice of self-insurance in other areas. In order to protect the Indemnitees who would otherwise be more fully or entirely covered under such policies, the Company shall indemnify and hold each of them harmless as provided in Section 1 or 2 of this Article, without regard to whether the Company would otherwise be entitled to indemnify such officer or director under the other provisions of this Article, or under any law, agreement, vote of shareholders or directors or other arrangement, to the extent (i) of such deductibles, (ii) of amounts exceeding payments required to be made by an insurer or (iii) that prior policies of officer's and director's liability insurance held by the Company or its predecessors would have provided for payment to such officer or director. Notwithstanding the foregoing provision of this Section, no Indemnitee shall be entitled to indemnification for the results of such person's conduct that is intentionally adverse to the interests of the Company. This Section is authorized by Section 2.02-1(R) of the TBCA as in effect on May 1, 1996, and further is intended to establish an arrangement of self-insurance pursuant to that section.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 1. Offices. The principal office of the Company shall be located in Houston, Texas, unless and until changed by resolution of the Board of Directors. The Company may also have offices at such other places as the Board of Directors may designate from time to time, or as the business of the Company may require. The principal office and registered office may be, but need not be, the same.

Section 2. Resignations. Any director or officer may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the Chairman of the Board, if there is one, the Chief Executive Officer,

if there is one, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 3. Seal. The seal of the Company shall be circular in form, with the name "HOUSTON INDUSTRIES INCORPORATED."

Section 4. Separability. If one or more of the provisions of these Bylaws shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision hereof and these Bylaws shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

ARTICLE VII

AMENDMENT OF BYLAWS

Section 1. Vote Requirements. The Board of Directors shall have the power to alter, amend or repeal the Bylaws or adopt new Bylaws by the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Board of Directors, subject to repeal or change by the affirmative vote of the holders of at least 80% of the voting power of all the shares of the Company entitled to vote in the election of directors, voting together as a single class.

Section 2. Shareholder Proposals. No proposal by a shareholder made pursuant to Section 1 of this Article VII may be voted upon at a meeting of shareholders unless such shareholder shall have delivered or mailed in a timely manner (as set forth in this Section 2) and in writing to the Secretary of the Company (a) notice of such proposal and the text of the proposed alteration, amendment or repeal, (b) evidence reasonably satisfactory to the Secretary of the Company, of such shareholder's status as such and of the number of shares of each class of capital stock of the Company of which such shareholder is the beneficial owner, (c) a list of the names and addresses of other beneficial owners of shares of the capital stock of the Company, if any, with whom such shareholder is acting in concert, and the number of shares of each class of capital stock of the Company beneficially owned by each such beneficial owner and (d) an opinion of counsel, which counsel and the form and substance of which opinion shall be reasonably satisfactory to the Board of Directors of the Company, to the effect that the Bylaws (if any) resulting from the adoption of such proposal would not be in conflict with the Articles of Incorporation of the Company or the laws of the State of Texas. To be timely in connection with an annual meeting of shareholders, a shareholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Company not less than ninety nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held. To be timely in connection with the voting on any such proposal at a special meeting of the shareholders, a shareholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Company not less than forty days nor more than sixty days prior to the date of such meeting; provided, however, that in the event that less than forty-seven days' notice or prior public disclosure

of the date of the special meeting of the shareholders is given or made to the shareholders, the shareholder's notice and other aforesaid items to be timely must be so received not later than the close of business on the seventh day following the day on which such notice of date of the meeting was mailed or such public disclosure was made. Within thirty days (or such shorter period that may exist prior to the date of the meeting) after such shareholder shall have submitted the aforesaid items, the Secretary and the Board of Directors of the Company shall respectively determine whether the items to be ruled upon by them are reasonably satisfactory and shall notify such shareholder in writing of their respective determinations. If such shareholder fails to submit a required item in the form or within the time indicated, or if the Secretary or the Board of Directors of the Company determines that the items to be ruled upon by them are not reasonably satisfactory, then such proposal by such shareholder may not be voted upon by the shareholders of the Company at such meeting of shareholders. The presiding person at each meeting of shareholders shall, if the facts warrant, determine and declare to the meeting that a proposal made pursuant to Section 1 of this Article VII was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective proposal shall be disregarded. Beneficial ownership shall be determined in accordance with Rule 13d-3 under the Exchange Act.

Exhibit 11

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE
AND COMMON EQUIVALENT SHARE
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended March 31,	
	1997	1996
Primary Earnings (Loss) Per Share:		
(1) Weighted average shares of common stock outstanding	233,689,318	248,466,091
(2) Effect of issuance of shares from assumed exercise of stock options (treasury stock method)	31,761	21,668
(3) Weighted average shares	233,721,079	248,487,759
(4) Net income (loss)	$ 59,620	$ (16,740)
(5) Primary earnings (loss) per share (line 4 divided by line 3)	$ .26	$ (.07)
Fully Diluted Earnings (Loss) Per Share:		
(6) Weighted average shares per computation (line 3)	233,721,079	248,487,759
(7) Shares applicable to options included (line 2)	(31,761)	(21,668)
(8) Dilutive effect of stock options based on the average price for the quarter or quarter-end price, whichever is higher, of $22.50 and $22.75 for 1997 and 1996, respectively (treasury stock method)	31,761	21,668
(9) Weighted average shares	233,721,079	248,487,759
(10) Net income (loss)	$ 59,620	$ (16,740)
(11) Fully diluted earnings (loss) per share (line 10 divided by line 9)	$ .26	$ (.07)

Notes:

These calculations are submitted in accordance with Regulation S-K item 601(b)(11) although it is not required for financial presentation disclosure per footnote 2 to paragraph 14 of Accounting Principles Board Opinion No. 15 because it does not meet the 3% dilutive test.

Exhibit 12

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(THOUSANDS OF DOLLARS)

		Three Months Ended March 31, 1997	Twelve Months Ended March 31, 1997
Fixed Charges as Defined:			
(1)	Interest on Long-Term Debt	$ 62,801	$ 267,648
(2)	Other Interest	16,410	49,718
(3)	Distributions on HL&P Trust Securities	4,519	4,519
(4)	Preferred Dividends Factor of Subsidiary	2,848	26,721
(5)	Interest Component of Rentals Charged to Operating Expense	211	768
(6)	Total Fixed Charges	$ 86,789	$ 349,374
Earnings as Defined:			
(7)	Net Income	$ 59,620	$ 481,304
(8)	Income Tax	20,482	230,558
(9)	Fixed Charges (line 6)	86,789	349,374
(10)	Income from Continuing Operations Before Income Taxes and Fixed Charges	$ 166,891	$ 1,061,236
Preferred Dividends Factor of Subsidiary:			
(11)	Preferred Stock Dividends of Subsidiary	$ 2,125	$ 18,055
(12)	Ratio of Pre-Tax Income (Loss) from Continuing Operations to Income (Loss) from Continuing Operations (line 7 plus line 8 divided by line 7)	1.34	1.48
(13)	Preferred Dividends Factor of Subsidiary (line 11 times line 12)	$ 2,848	$ 26,721
Ratio of Earnings to Fixed Charges (line 10 divided by line 6)		1.92	3.04

UT
0000202131
HOUSTON INDUSTRIES INCORPORATED
1,000

3-MOS	
DEC-31-1997	
MAR-31-1997	
PER-BOOK	
8,601,262	
1,636,003	
325,407	
1,141,235	
516,232	
12,220,139	
1,844,786	
0	
1,969,454	
3,814,240	
0	
9,740	
3,025,105	
0	
5,000	
1,434,622	
35,130	
25,700	
1,475	
2,224	
3,866,903	
12,220,139	
878,101	
20,482	
721,885	
721,885	
156,216	
8,641	
164,857	
82,630	
61,745	
2,125	
59,620	
87,656	
52,533	
38,694	
0.26	
0.26	

TOTAL ANNUAL INTEREST CHARGES ON ALL BONDS FOR YEAR-TO-DATE 3/31/97.

Exhibit 12

HOUSTON LIGHTING & POWER COMPANY
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND
RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS
(THOUSANDS OF DOLLARS)

		Three Months Ended March 31, 1997	Twelve Months Ended March 31, 1997
Fixed Charges as Defined:			
(1)	Interest on Long-Term Debt	$ 52,533	$ 216,894
(2)	Other Interest	2,212	12,565
(3)	Distributions on Trust Securities.	4,519	4,519
(4)	Amortization of (Premium) Discount	2,294	9,099
(5)	Interest Component of Rentals Charged to Operating Expense	211	768
(6)	Total Fixed Charges	$ 61,769	$ 243,845
Earnings as Defined:			
(7)	Net Income (Loss)	$ 63,164	$ 496,136
	Federal Income Taxes:		
(8)	Current	29,254	231,079
(9)	Deferred (Net)	3,876	35,859
(10)	Total Federal Income Taxes	33,130	266,938
(11)	Fixed Charges (line 6)	61,769	243,845
(12)	Earnings Before Income Taxes and Fixed Charges (line 7 plus line 10 plus line 11)	$ 158,063	$ 1,006,919
Ratio of Earnings to Fixed Charges (line 12 divided by line 6)		2.56	4.13
Preferred Dividends Requirements:			
(13)	Preferred Dividends	$ 2,125	$ 18,055
(14)	Less Tax Deduction for Preferred Dividends	14	54
(15)	Total	2,111	18,001
(16)	Ratio of Pre-Tax Income (Loss) to Net Income (Loss) (line 7 plus line 10 divided by line 7)	1.52	1.54
(17)	Line 15 times line 16	3,209	27,722
(18)	Add Back Tax Deduction (line 14)	14	54
(19)	Preferred Dividends Factor	$ 3,223	$ 27,776
(20)	Fixed Charges (line 6)	$ 61,769	$ 243,845
(21)	Preferred Dividends Factor (line 19)	3,223	27,776
(22)	Total	$ 64,992	$ 271,621
Ratio of Earnings to Fixed Charges and Preferred Dividends (line 12 divided by line 22)		2.43	3.71

UT
0000048732
HOUSTON LIGHTING & POWER COMPANY
1,000

3-MOS	
DEC-31-1997	
MAR-31-1997	
PER-BOOK	
8,601,262	
0	
281,543	
1,092,007	
515,003	
10,489,815	
1,675,927	
0	
2,206,730	
3,882,657	
0	
9,740	
2,675,961	
0	
0	
327,722	
35,130	
25,700	
1,475	
2,224	
3,529,206	
10,489,815	
856,534	
33,322	
697,017	
730,339	
126,195	
(4,867)	
121,328	
58,164	
63,164	
2,125	
61,039	
82,250	
52,533	
39,826	
0	
0	

Total annual interest charges on all bonds for year-to-date 3/31/97.

EXHIBIT 99(A)

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1996

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) SYSTEM OF ACCOUNTS AND EFFECTS OF REGULATION. HL&P, the principal subsidiary of the Company, maintains its accounting records in accordance with the FERC Uniform System of Accounts. HL&P's accounting practices are subject to regulation by the Utility Commission, which has adopted the FERC Uniform System of Accounts.

As a result of its regulated status, HL&P follows the accounting policies set forth in SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," which allows a utility with cost-based rates to defer certain costs in concert with rate recovery that would otherwise be expensed. In accordance with this statement, HL&P has deferred certain costs pursuant to rate actions of the Utility Commission and is recovering or expects to recover such costs in electric rates charged to customers. The regulatory assets are included in other assets on the Company's Consolidated and HL&P's Balance Sheets. The regulatory liabilities are included in deferred credits on the Company's Consolidated and HL&P's Balance Sheets. The following is a list of significant regulatory assets and liabilities reflected on the Company's Consolidated and HL&P's Balance Sheets:

	December 31, 1996 (Millions of Dollars)
Deferred plant costs - net	$ 587
Malakoff and Trinity mine investments	164
Regulatory tax asset - net	362
Unamortized loss on reacquired debt	116
Deferred debits	102
Unamortized investment tax credit	(374)
Accumulated deferred income taxes-regulatory tax asset	(101)

If, as a result of changes in regulation or competition, HL&P's ability to recover these assets and/or liabilities would not be assured, then pursuant to SFAS Nos. 71, 101 (Accounting for the Discontinuation of Application of SFAS No. 71) and 121 (Accounting for the Impairment of Long- Lived Assets and for Long-Lived Assets to be Disposed of) and to the extent that such regulatory assets or liabilities ultimately were determined not to be recoverable, HL&P would be required to write off or write down such assets or liabilities.

(n) NATURE OF OPERATIONS. The Company is a holding company operating principally in the electric utility business. HL&P is engaged in the generation, transmission, distribution and sale of electric energy. HL&P's service area covers a 5,000 square mile area in the Texas Gulf Coast, including Houston. Another subsidiary of the Company, HI Energy, participates in domestic and foreign power generation projects and invests in the privatization of foreign electric utilities. The business and operations of HL&P account for substantially all of the Company's income from continuing operations and common stock equity. For a description of the Merger, see Note 16 to the Financial Statements.

(o) USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) LONG-LIVED ASSETS. Effective January 1, 1996, the Company and HL&P adopted SFAS No. 121. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles to be held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company and HL&P have determined that no impairment loss need be recognized for applicable assets of continuing operations as of December 31, 1996. This conclusion, however, may change in the future as competition influences wholesale and retail pricing in the electric utility industry.

(2) JOINTLY-OWNED NUCLEAR PLANT

(a) HL&P INVESTMENT. HL&P is the project manager (and one of four co-owners) of the South Texas Project, which consists of two 1,250 MW nuclear generating units. HL&P has a 30.8 percent interest in the project and bears a corresponding share of capital and operating costs associated with the project. As of December 31, 1996, HL&P's investment in the South Texas Project was $2.0 billion (net of $503 million accumulated depreciation). HL&P's investment in nuclear fuel (including AFUDC) was $65 million (net of $176 million amortization) as of such date.

(b) REGULATORY PROCEEDINGS AND LITIGATION. All litigation and arbitration claims formerly pending between HL&P and the other co-owners of the South Texas Project have been settled and dismissed with prejudice.

On April 30, 1996, HL&P and the City of Austin (Austin), one of the four co-owners of the South Texas Project, agreed to settle a lawsuit in which Austin had alleged that outages occurring at the South Texas Project between early 1993 and early 1994 were due to HL&P's failure to perform certain obligations it owed Austin under a Participation Agreement relating to the project. Under the settlement, HL&P agreed to pay Austin $20 million in cash to resolve all pending disputes between HL&P and Austin, and Austin agreed to support the formation of a new operating company to assume HL&P's role as project manager for the South Texas Project. The Company and HL&P have recorded the $20 million ($13 million net of tax) payment to Austin on the Company's Statements of Consolidated Income and HL&P's Statements of Income as litigation settlements expense.

In July 1996, HL&P and the City of San Antonio, acting through the City Public Service Board of San Antonio (CPS), entered into a settlement agreement providing, among other things, for (i) the dismissal with prejudice of all pending arbitration claims and lawsuits between HL&P and CPS relating to the South Texas Project, (ii) a cash payment by HL&P to CPS of $75 million, (iii) an agreement to support formation of a new operating company to replace HL&P as project manager for the South Texas Project and (iv) the execution of a 10-year joint operations agreement under which HL&P and CPS will share savings resulting from the joint dispatching of their respective generating assets in order to take advantage of each system's lower cost resources. Under the terms of the joint operations agreement entered into between CPS and HL&P, HL&P guarantees CPS minimum annual savings of $10 million and a minimum cumulative savings of $150 million over the ten-year term of the agreement. Based on current forecasts and other assumptions regarding the combined operation of the two generating systems, HL&P anticipates that the savings resulting from joint operations will equal or exceed the minimum savings guaranteed under the joint operating agreement. In 1996, savings generated for CPS' account for a partial year of joint operations were approximately $14 million.

The operating company (OPCO) which is being formed to replace HL&P as project manager of the South Texas Project will be a Texas non-profit corporation. Regulatory and governmental approvals are being sought for the implementation of OPCO. Once this process is completed, HL&P's employees working at the South Texas Project will become employees of OPCO and OPCO will assume responsibility for managing the South Texas Project. Oversight will be provided by an Owners' Committee and OPCO's board of directors, under the direction of directors appointed by each of the co-owners.

In 1996, the capability factor at the South Texas Project improved to 93.9 percent from 87.7 percent in 1995 (the 1995 median capability factor for U.S. nuclear facilities was 75.9 percent).

In 1996, the Nuclear Regulatory Commission (NRC) graded the South Texas Project "superior" in the areas of maintenance and support and "good" in areas of operations and engineering in the NRC's most recent Systematic Assessment of Licensees Performance. Between June 1993 and February 1995, the South Texas Project had been listed on the NRC's "watch list" of plants with weaknesses that warrant increased NRC regulatory attention.

(c) NUCLEAR INSURANCE. HL&P and the other owners of the South Texas Project maintain nuclear property and nuclear liability insurance coverage as required by law and periodically review available limits and coverage for additional protection. The owners of the South Texas Project currently maintain $2.75 billion in property damage insurance coverage, which is above the legally required minimum, but is less than the total amount of insurance currently available for such losses. This coverage consists of $500 million in primary property damage insurance and excess property insurance in the amount of $2.25 billion. Under the excess property insurance (which became effective in November 1996), HL&P and the other owners of the South Texas Project are subject to assessments, the maximum aggregate assessment under current policies being $14.8 million during any one policy year. The application of the proceeds of such property insurance is subject to the priorities established by the NRC regulations relating to the safety of licensed reactors and decontamination operations.

Pursuant to the Price Anderson Act (Act), the maximum liability to the public of owners of nuclear power plants, such as the South Texas Project, was $8.92 billion as of December 1996. Owners are required under the Act to insure their liability for nuclear incidents and protective evacuations by maintaining the maximum amount of financial protection available from private sources and by maintaining secondary financial protection through an industry retrospective rating plan. The assessment of deferred premiums provided by the plan for each nuclear incident is up to $75.5 million per reactor, subject to indexing for inflation, a possible 5 percent surcharge (but no more than $10 million per reactor per incident in any one year) and a 3 percent state premium tax. HL&P and the other owners of the South Texas Project currently maintain the required nuclear liability insurance and participate in the industry retrospective rating plan.

There can be no assurance that all potential losses or liabilities will be insurable, or that the amount of insurance will be sufficient to cover them. Any substantial losses not covered by insurance would have a material effect on HL&P's and the Company's financial condition and results of operations.

(d) NUCLEAR DECOMMISSIONING. In accordance with the Rate Case Settlement, HL&P contributes $14.8 million per year to a trust established to fund HL&P's share of the decommissioning costs for the South Texas Project. For a discussion of securities held in the Company's nuclear decommissioning trust, see Note 1(j). In May 1994, an outside consultant estimated HL&P's portion of decommissioning costs to be approximately $318 million (1994 dollars). The consultant's calculation of decommissioning costs for financial planning purposes used the DECON methodology (prompt removal/dismantling), one of the three alternatives acceptable to the NRC, and assumed deactivation of Unit Nos. 1 and 2 upon the expiration of their 40-year operating licenses. While the current and projected funding levels currently exceed minimum NRC requirements, no assurance can be given that the amounts held in trust will be adequate to cover the actual decommissioning costs of the South Texas Project. Such costs may vary because of changes in the assumed date of decommissioning, changes in regulatory and accounting requirements, changes in technology and changes in costs of labor, materials and equipment.

(3) RATE MATTERS

The Utility Commission has original (or in some cases appellate) jurisdiction over HL&P's electric rates and services. In Texas, Utility Commission orders may be appealed to a District Court in

Travis County, and from that court's decision an appeal may be taken to the Court of Appeals for the 3rd District at Austin (Austin Court of Appeals). Discretionary review by the Supreme Court of Texas may be sought from decisions of the Austin Court of Appeals. In the event that the courts ultimately reverse actions of the Utility Commission, such matters are remanded to the Utility Commission for action in light of the courts' orders.

(a) 1995 RATE CASE. In August 1995, the Utility Commission unanimously approved the Rate Case Settlement, which resolved HL&P's 1995 rate case (Docket No. 12065) as well as a separate proceeding (Docket No. 13126) regarding the prudence of operation of the South Texas Project. Subject to certain changes in existing regulation or legislation, the Rate Case Settlement precludes HL&P from seeking rate increases until after December 31, 1997.

The Rate Case Settlement gives HL&P the option to write down up to $50 million per year of its investment in the South Texas Project through December 31, 1999, which write-downs will be treated under the terms of the Rate Case Settlement as reasonable and necessary expenses for purposes of reviews of HL&P's earnings and any rate review proceeding initiated against HL&P. In both 1995 and 1996, HL&P recorded a $50 million pre-tax write down of its investment in the South Texas Project as amortization expense. In 1996, HL&P also amortized $50 million (pre-tax) of its $153 million investment in certain lignite reserves associated with a canceled generating station. In accordance with the settlement, HL&P's remaining investment in the canceled generating station and certain lignite reserves ($164 million at December 31, 1996) will be amortized fully no later than December 31, 2002.

(b) RATE CASE APPEALS. The only HL&P rate order currently under appeal is Docket No. 6668 (the Utility Commission's inquiry into the prudence of the planning and construction of the South Texas Project). Review of the Utility Commission's order in Docket No. 6668 is pending before a Travis County district court. In that order, the Utility Commission determined that $375.5 million of HL&P's $2.8 billion investment in the South Texas Project had been imprudently incurred. That ruling was incorporated into HL&P's 1988 and 1991 rate cases. Unless the order is modified or reversed on appeal, the amount found imprudent by the Utility Commission will be sustained.

In June 1996, the Supreme Court of Texas unanimously upheld the decision of the Utility Commission in Docket No. 8425 (HL&P's 1988 rate case) to include in HL&P's rate base $93 million in construction costs relating to the canceled generating station. The Supreme Court also affirmed the Utility Commission's decision granting deferred accounting treatment for Unit No. 2 of the South Texas Project and the calculation of HL&P's federal income tax expenses without taking into account deductions for expenses paid by the Company's shareholders. As a result of this decision, HL&P's 1988 rate case has now become final.

(11) COMMITMENTS AND CONTINGENCIES

(a) HL&P COMMITMENTS. HL&P has various commitments for capital expenditures, fuel, purchased power, cooling water and operating leases. Commitments in connection with HL&P's capital program are generally revocable by HL&P, subject to reimbursement to manufacturers for expenditures incurred or other cancelation penalties. HL&P's other commitments have various quantity requirements and durations. However, if these requirements could not be met, various alternatives are available to mitigate the cost associated with the contracts' commitments.

(b) FUEL AND PURCHASED POWER. HL&P is a party to several long-term coal, lignite and natural gas contracts which have various quantity requirements and durations. Minimum payment obligations for coal and transportation agreements are approximately $194 million in 1997, $200 million in 1998 and $204 million in 1999. Additionally, minimum payment obligations for lignite mining and lease agreements are approximately $8 million for 1997, $9 million for 1998 and $9 million for 1999. Collectively, the fixed price gas supply contracts, which expire in 1997, could amount to 9 percent of HL&P's annual natural gas requirements for 1997. Minimum payment obligations for both natural gas purchase and storage contracts are approximately $38 million in 1997, $9 million in 1998 and $9 million in 1999.

HL&P also has commitments to purchase firm capacity from cogenerators of approximately $22 million in each of the years 1997 through 1999. Utility Commission rules currently allow recovery of these costs through HL&P's base rates for electric service and additionally authorize HL&P to charge or credit customers through a purchased power cost recovery factor for any variation in actual purchased power costs from the cost utilized to determine its base rates. In the event that the Utility Commission, at some future date, does not allow recovery through rates of any amount of purchased power payments, the two principal firm capacity contracts contain

provisions allowing HL&P to suspend or reduce payments and seek repayment for amounts disallowed.

(c) OTHER. HL&P's service area is heavily dependent on oil, gas refined products, petrochemicals and related businesses. Significant adverse events affecting these industries would negatively affect the revenues of the Company and HL&P. The Company and HL&P are involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts.

In February 1996, the cities of Wharton, Galveston and Pasadena filed suit, for themselves and a proposed class, against HL&P and Houston Industries Finance Inc., (formerly a wholly-owned subsidiary of the Company), citing underpayment of municipal franchise fees. The principal claim contends that, from 1957 to the present, franchise fees should have been paid on sales taxes collected by HL&P and on non-electric receipts as well as on electric sales. Plaintiffs advance such assertion notwithstanding that no such claim had been noticed over the previous four decades. Because all of the franchise ordinances affecting HL&P expressly impose fees only on electric sales, the Company regards plaintiffs' allegations as spurious and is aggressively contesting the matter. With regard to damages, the pleadings make no specific dollar claim, although one plaintiff-sponsored witness claims to have calculated damages of $220 million on the theory that franchise fees are owed on all sales taxes and receipts, electric or otherwise. The class action aspects of this case are currently under a stay order by the Texas Supreme Court pending its review of the class action certifications of the lower courts. The Company and HL&P cannot estimate a range of possible loss, if any, from this lawsuit, nor can any assurance be given as to its ultimate outcome. The case is pending in the District Court of Harris County, Texas.

(16) NORAM MERGER

On December 17, 1996, the shareholders of the Company and NorAm approved the Merger Agreement under which the Company will merge into HL&P, and NorAm will merge into a subsidiary of the Company. Upon consummation of the Merger, HL&P, the surviving corporation of the Company/HL&P merger, will be renamed "Houston Industries Incorporated" (Houston) and will continue to conduct HL&P's electric utility business under HL&P's name. Merger Sub, the surviving corporation of the NorAm/Merger Sub merger, will be renamed "NorAm Energy Corp." and will continue to conduct NorAm's natural gas distribution and transmission business under NorAm's name. As a result of the Merger, NorAm will become a wholly owned subsidiary of Houston.

The closing of the Merger is subject to the satisfaction or waiver of various conditions precedent contained in the Merger Agreement, including the obtaining of all required governmental authorizations and consents.

Consideration for the purchase of NorAm shares will be a combination of cash and shares of Houston common stock. The transaction is valued at $3.9 billion, consisting of $2.5 billion for NorAm's common stock and equivalents and $1.4 billion of NorAm debt. If the closing does not occur by May 11, 1997, the cash consideration (but not the stock consideration) will increase thereafter by two percent per quarter until the consummation of the Merger. The increase, if any, will be calculated pro rata on a daily basis for the period from May 11, 1997, until consummation. The Merger Agreement contains provisions generally designed to result in 50 percent of the outstanding shares of NorAm common stock being converted into stock consideration and 50 percent being converted into cash consideration.

The Company intends to finance the cash portion of the Merger consideration (estimated to be approximately $1.25 billion) through bank borrowings under new bank credit facilities to be arranged by a newly formed subsidiary of Houston with a group of commercial banks. As of the date hereof, the term, structure and provisions of these facilities are being negotiated with potential lenders and have not been finalized.

The Company and HL&P will account for the Merger as a purchase and, following consummation of the Merger, will include the results of operation of NorAm in Houston's consolidated statement of income.

Unless otherwise stated, the information presented in the Financial Statements and Notes in this Form 10-K relates solely to the Company and HL&P without giving effect to the Merger.