UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
{X} ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED) For the fiscal year ended December 31, 1993
OR
{ } TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES ACT OF 1934 (NO FEE REQUIRED) 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 number)
5 POST OAK PARK 4400 POST OAK PARKWAY HOUSTON, TEXAS 77027 (713) 629-3000	(713) 629-3000
(Address and zip code of principal executive offices)	(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, without par value, and associated rights to purchase preference stock	New York Stock Exchange Chicago Stock Exchange London Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

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 number)
611 WALKER AVENUE HOUSTON, TEXAS 77002	(713) 228-9211
(Address and zip code of principal execuive offices)	(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
TITLE OF EACH CLASS
Preferred stock, cumulative, no par: $4 Series, $6.72 Series; $7.52 Series; $8.12 Series; Variable Term Cumulative Preferred Stock, Series A; Variable Term Cumulative Preferred Stock, Series B; Variable Term Cumulative Preferred Stock, Series C; Variable Term Cumulative Preferred Stock, Series D; and $8.50 Series.

Indicate by check mark whether the registrant: (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes { X } No { }

The aggregate market value of the voting stock held by non-affiliates of Houston Industries Incorporated was $5,203,106,003 as of March 1, 1994, using the definition of beneficial ownership contained in Rule 13d-3 promulgated pursuant to the Securities Exchange Act of 1934 and excluding shares held by directors and executive officers.

As of March 1, 1994, Houston Industries Incorporated had 130,708,985 shares of Common Stock outstanding. As of March 1, 1994, all 1,000 shares of Houston Lighting & Power Company's Class A voting common stock, without par value, were held by Houston Industries Incorporated and all 100 authorized and outstanding shares of Houston Lighting & Power Company's Class B non-voting common stock were held by Houston Industries (Delaware) Incorporated.

Portions of the definitive proxy statement relating to the 1994 Annual Meeting of Shareholders of Houston Industries Incorporated, which will be filed within 120 days of December 31, 1993, are incorporated by reference in Item 10, Item 11, Item 12 and Item 13 of Part III of this form.

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. { }

This combined Form 10-K 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.

DEFINITIONS

When used herein, the following terms will have the meanings indicated.

TERM	DEFINITION
1935 Act	Public Utility Holding Company Act of 1935
1992 Cable Act	Cable Television Consumer Protection and Competition Act of 1992
AFUDC	Allowance for Funds Used During Construction
ATC	American Television and Communications
Austin	City of Austin
BBtu	Billion British Thermal Units
Bcf	Billion Cubic Feet
Cable Act	Cable Communications Policy Act of 1984
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
Clean Air Act	Federal Clean Air Act including Amendments of 1990
Clean Water Act	Clean Water Act Amendments of 1987
CNN	Cable News Network
Company	Houston Industries Incorporated
CPL	Central Power and Light Company
CSW	Central and South West Corporation
DOE	Department of Energy
DSM	Demand Side Management
DuPont	E.I. du Pont de Nemours Company
Energy Act	Energy Policy Act of 1992
EPA	U.S. Environmental Protection Agency
ESOP	Employee Stock Ownership Plan of Houston Industries Incorporated
EWG	Exempt Wholesale Generator
ESPN	Entertainment & Sports Programming Network
Exxon	Exxon Company, U.S.A.
FASB	Financial Accounting Standards Board
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
Gulf States	Gulf States Utilities Company
HBO	Home Box Office
HL&P	Houston Lighting & Power Company
Houston	City of Houston
Houston Argentina	Houston Argentina S.A.
HI Energy	Houston Industries Energy, Inc.
Houston Industries Finance	Houston Industries Finance, Inc.
IRP	Integrated Resource Planning
IRS	Internal Revenue Service
KBL Cable	KBL Cable, Inc.
KBLCOM	KBLCOM Incorporated

TERM	DEFINITION
KW	Kilowatt (1,000 Watts)
KWH	Kilowatt-Hour
LIBOR	London Interbank Offered Rate
Limestone	Limestone Electric Generating Station
Malakoff	Malakoff Electric Generating Station
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Mva	Megavolt Amperes
MMBtu	Million British Thermal Units
MMcf	Million Cubic Feet
MW	Megawatt (1,000 KW)
NCTA	National Cable Television Association
NRC	United States Nuclear Regulatory Commission
Paragon	Paragon Communications
PCB	Polychlorinated Biphenyl
PURA	Texas Public Utility Regulatory Act of 1975 as Amended
RBOC	Regional Bell Operating Company
RCRA	Resource Conservation and Recovery Act
San Antonio	City of San Antonio
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
Showtime	Showtime Networks, Inc.
South Texas Project	South Texas Project Electric Generating Station
STEP	Success Through Excellence in Performance
Sunset Act	Texas Sunset Act
TNRCC	Texas National Resource Conservation Commission
Utility Commission	Public Utility Commission of Texas
Utility Fuels	Utility Fuels, Inc.
W. A. Parish	W. A. Parish Electric Generating Station
Westinghouse	Westinghouse Electric Corporation

HOUSTON INDUSTRIES INCORPORATED
HOUSTON LIGHTING & POWER COMPANY
Form 10-K for the Year Ended December 31, 1993

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PART I

ITEM 1. BUSINESS:

THE COMPANY AND ITS SUBSIDIARIES.

The Company, incorporated in Texas in 1976, is a holding company operating principally in two business segments, the electric utility business and the cable television business. The Company conducts its operations primarily through three subsidiaries: HL&P, its principal operating subsidiary, KBLCOM and HI Energy. See "Regulation of the Company" for a description of the Company's status under the 1935 Act.

HL&P is engaged in the generation, transmission, distribution and sale of electric energy and serves over 1.4 million customers in an approximately 5,000 square-mile area of the Texas Gulf Coast, including Houston. As of December 31, 1993, the total assets and common stock equity of HL&P represented 88% of the Company's consolidated assets and 113% of the Company's consolidated common stock equity, respectively. For the year ended December 31, 1993, the operations of HL&P accounted for 108% of the Company's consolidated net income. See "Business of HL&P."

The cable television operations of the Company are conducted through KBLCOM and its subsidiaries. This segment includes five cable television systems located in four states and a 50% interest in Paragon, a partnership which owns systems located in seven states. As of December 31, 1993, KBLCOM's systems served approximately 605,000 basic cable customers subscribing to approximately 488,000 premium programming units. According to information provided by Paragon's managing partner, Paragon served approximately 932,000 basic cable customers subscribing to approximately 542,000 premium programming units. See "Business of KBLCOM."

HI Energy was recently organized by the Company to participate in domestic and foreign power generation projects and to invest in the privatization of foreign electric utilities. HI Energy is actively engaged in the evaluation of several such projects, but has not yet committed significant financial or other resources to any single project. See "Businesses of Other Subsidiaries - HI Energy."

As of December 31, 1993, the Company and its subsidiaries had 11,350 full-time employees. HL&P had 9,578 full-time employees, and KBLCOM and its subsidiaries had 1,581 full-time employees (excluding employees of joint ventures and partnerships in which the Company holds less than a majority interest).

For certain financial information with respect to each of the Company's two principal business segments, see Note 16 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

BUSINESS OF HL&P.

HL&P, incorporated in Texas in 1906, is engaged in the generation, transmission, distribution and sale of electric energy. Sales are made to residential, commercial and industrial customers in an approximately 5,000 square-mile area of the Texas Gulf Coast, including Houston.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY BUSINESS

As an electric utility, HL&P has been affected, to varying degrees, by a number of factors that have affected the electric utility industry in general. These factors include, among others, difficulty in obtaining rate increases sufficient to provide an adequate return on invested capital, high costs and delays associated with environmental and nuclear regulations, changes in regulatory climate, prudence audits, competition from other energy suppliers and difficulty in obtaining regulatory approval for construction of new generating plants. HL&P is unable to predict the future effect of these or other factors upon its operations and financial condition. HL&P's results of operations are significantly affected by decisions of the Utility Commission primarily in connection with rate increase applications filed prior to 1991 by HL&P. Although Utility Commission action on those applications has been completed, a number of the orders of the Utility Commission are currently subject to judicial review. Rate issues relating to a possible proceeding to review HL&P's rate levels and to review costs associated with the outage of the South Texas Project are also pending before the Utility Commission. For a discussion of these matters, see Notes 9, 10, 11 and 12 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

HL&P is 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 owns a 30.8% interest in the South Texas Project. Both generating units at the South Texas Project were out of service from February 1993 to February 1994 when Unit No. 1 was authorized by the NRC to return to service. In June 1993, the NRC placed the South Texas Project on its "watch list" of plants with "weaknesses that warrant increased NRC attention." Such action followed the NRC's issuance of a report issued by its Diagnostic Evaluation Team which identified a number of areas requiring improvement. For a description of litigation and regulatory proceedings relating to the South Texas Project including, among other things, the NRC's diagnostic evaluation of the South Texas Project, the operating status of the South Texas Project and Austin's lawsuit filed on February 22, 1994, see "Regulatory Matters" below, Item 3 of this Report, "Results of Operations - HL&P - United States Nuclear Regulatory Commission (NRC) Diagnostic Evaluation of the South Texas Project" in Item 7 of this Report and Notes 9(b), 9(c), 9(f), 10 and 11 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

In 1992, Congress enacted the Energy Act which, among other changes, exempts from the 1935 Act EWGs, a class of electric power producers engaged in sales of electric energy exclusively at wholesale. For information with respect to the Energy Act, see "Competition" and "Regulatory Matters" below and Note 8(a) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report. In 1995, the Texas legislature is expected to consider various proposals regarding the organization and responsibilities of the Utility Commission. For information regarding the Sunset Act review process and Utility Commission rulemaking activities regarding IRP, see "Regulatory

Matters - Rates and Services" below.

SERVICE AREA

While employment, personal income and industrial activity in the Houston area steadily increased from 1987 to 1990, the effects of the national recession have since slowed growth in HL&P's service area. While the local economy continues to slowly expand and diversify in numerous areas, such as medical, professional and engineering services, it is still dependent, to a large degree, on oil, gas, refined products, petrochemicals and related businesses.

HL&P operates under a certificate of convenience and necessity granted by the Utility Commission which covers HL&P's present service area and facilities. In addition, HL&P holds franchises to provide electric service within the incorporated municipalities in its service territory. None of such franchises expires before 2007.

MAXIMUM HOURLY FIRM DEMAND AND CAPABILITY

The following table sets forth, for the years indicated, information with respect to HL&P's net capability, maximum hourly firm demand and the resulting reserve margin:

				Maximum Hourly Firm Demand			
Year	Installed Net Capability (MW)	Purchased Power (MW)(1)	Total Net Capability (MW)	Date	MW (2)	% Change From Prior Year	Reserve Margin (%)
1989	13,644	820	14,464	Sep. 1	10,456	0.3	38.3
1990	13,584	945	14,529	Aug. 27	11,150	6.6	30.3
1991	13,583	945	14,528	Aug. 21	10,908	(2.2)	33.2
1992	13,583	945	14,528	Jul. 30	10,783	(1.1)	34.7
1993	13,679	945	14,624	Aug. 19	11,397	5.7	28.3

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(1) Reflects firm capacity purchased.

(2) Does not include interruptible load at time of peak.

At December 31, 1993, HL&P owned and operated generating facilities with installed net generating capability of 13,679 MW.

HL&P experienced a maximum hourly firm demand in 1993, a year of unusually warm summer weather, of 11,397 MW, a 5.7% increase over the maximum hourly firm demand in 1992, a year of unusually mild summer weather. Including interruptible demand, the maximum hourly firm demand actually served in 1993 was 12,472 MW compared to 11,638 MW in 1992.

For planning purposes, HL&P currently expects maximum hourly firm demand for electricity to grow at a compound annual rate of about 1.6% over the next ten years. Assuming average weather conditions, reserve margins are projected to decrease from an estimated 25% in 1994 to an estimated 21% in 1997 as a result of growth in maximum hourly firm demand and the expiration of certain firm cogeneration contracts. Assuming average weather conditions, HL&P projects that reserve margins in 1998 will decrease to 18%. For long-term planning purposes, HL&P expects to maintain a reserve margin in the range of 17%-20% in excess of its

estimate of maximum hourly firm demand load requirements. See "Capital Program" and "Competition" below.

HL&P experiences significant seasonal variation in its sales of electricity. Sales during the summer months are typically higher than sales during other months of the year due, in large part, to the reliance on air conditioning in HL&P's service territory. See Note 20 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report for a presentation of certain quarterly unaudited financial information for 1992 and 1993.

CAPITAL PROGRAM

HL&P has a continuous program to maintain its existing facilities and to expand its physical plant as needed to meet customer requirements. Such program and the estimated construction costs set forth below are subject to periodic review and revision because of changes in load forecasts, the need to retire older plants, changing regulatory and environmental standards and other factors. HL&P's capital program is currently estimated to cost approximately $1.28 billion during the three-year period 1994-1996 with approximately $478 million, $381 million and $418 million to be spent in 1994, 1995 and 1996, respectively, excluding AFUDC. In 1993, total capital expenditures and nuclear fuel were approximately $329 million.

HL&P's capital program for 1994-1996 consists of the following principal estimated expenditures:

	Amount (millions)	Percent of Total Expenditures
Generating facilities	$ 551	43%
Transmission facilities	86	7%
Distribution facilities	466	36%
General plant facilities	141	11%
Nuclear fuel	33	3%
Total	$1,277	100%

HL&P's near-term construction program includes the installation of two gas turbines with attendant heat recovery steam generators at the DuPont chemical plant located in the Houston area. The project, which is estimated to cost $117 million, is expected to be available for peak demand in 1995 and is designed to add approximately 160 MW of electrical capacity to HL&P's system while providing needed process steam to the DuPont chemical plant. For further information regarding the DuPont project, see "Liquidity and Capital Resources - - HL&P - Capital Program" in Item 7 of this Report. The remaining construction expenditures relating to generating facilities expected in 1994-1996 are primarily associated with improvements to existing generating stations. HL&P does not forecast additional capacity needs until 1999-2001. HL&P currently believes that future capacity needs will likely be met through the construction of combined cycle gas turbines at existing HL&P plant sites, the development of additional steam sale projects or through other means, such as purchased power or additional DSM activities.

The scheduled in-service dates for the Malakoff units have been indefinitely postponed. For information with respect to expenditures on Malakoff, see Note 12 to the Company's Consolidated and HL&P's Financial

Statements in Item 8 of this Report.

Expenditures for environmental protection facilities for the five years ended December 31, 1993 aggregated $34.5 million (excluding AFUDC), including expenditures of $12.8 million and $7.6 million in 1993 and 1992, respectively. Environmental protection expenditures for 1994-1996 are estimated to be $71 million (excluding AFUDC), primarily for nitrogen oxide emissions controls and monitoring equipment. See "Regulatory Matters - Environmental Quality" below.

Actual construction expenditures and scheduled in-service dates may vary from estimates as a result of numerous factors including, but not limited to, changes in the rate of inflation, changes in equipment delivery schedules, construction delays and deferrals, the availability and relative cost of fuel, the availability and cost of purchased power, environmental protection requirements, regulatory requirements related to the South Texas Project, the availability of adequate and timely rate relief and other regulatory approvals, ability to secure external financing, legislative changes, and changes in anticipated customer demand and business conditions. In connection with its construction program planning, HL&P employs value-based planning techniques that take into account energy conservation and load management programs along with traditional utility supply options and renewable energy resources to select the plan utilizing the most appropriate and cost-effective alternatives.

In 1993, HL&P spent approximately $9.5 million, excluding AFUDC, for uranium concentrate and nuclear fuel processing services for its share of the fuel for the South Texas Project. See "Fuel - Nuclear Fuel Supply" below.

Total gross additions to the plant of HL&P during the five years ended December 31, 1993 amounted to approximately $2.9 billion and, during the same period, retirements amounted to approximately $351 million. Gross additions during the five-year period amounted to approximately 25% of total utility plant at December 31, 1993.

COMPETITION

HL&P and the electric utility industry in general are experiencing increased competition as a result of legislative and regulatory changes, technological advances, the cost and availability of natural gas, consumer demands, environmental needs and other factors.

A number of cogeneration facilities have been built in HL&P's service area as a result of the high concentration of process industries located in the Gulf Coast region and the availability of attractively priced fuels. Cogeneration is the simultaneous generation of two forms of energy, usually steam and electricity. The Public Utility Regulatory Policy Act of 1978 generally requires utilities to purchase all electricity offered to them by qualifying cogeneration facilities at or below avoided costs. In Texas, however, cogenerators generally are not permitted to make sales of electricity to parties other than electric utilities or the thermal purchaser. HL&P has experienced the loss of a number of industrial customers and continues to be faced with further customer losses as a result of cogeneration.

As of December 31, 1993, HL&P purchased energy from fourteen cogeneration facilities, representing over 3,400 MW of total generating capability. As of December 31, 1993, HL&P had contracts totaling 720 MW

of firm cogeneration capacity and associated energy which expire as follows: 1994 - 325 MW; 1998 - 125 MW and 2005 - 270 MW. In addition, a ten-year contract for 50 MW of firm capacity and associated energy becomes effective in 1994. Electric utilities in Texas are required to provide transmission wheeling service for power sales by cogenerators to other electric utilities at a compensatory rate. During 1993, approximately 1,400 MW of cogenerated power was transmitted or "wheeled" by HL&P to other utilities in Texas.

Given the uncertainties associated with efforts to obtain additional commitments for firm power on reasonable terms, HL&P is continuing to pursue plans to meet its needs for increased generation in 1999-2001, which plans include new construction. See "Capital Program" above.

In October 1992, the Energy Act became law. The Energy Act contains provisions which affect the regulatory structure of the electric utility industry. First, the legislation amends the 1935 Act, exempting a class of power producers known as EWGs. Companies that are already exempt from registration under the 1935 Act, as well as companies not otherwise engaged in the electric utility business, will be permitted to own EWGs without being subject, as a result of such ownership, to the registration requirements and the geographic, ownership and other restrictions imposed by the 1935 Act on non-exempt holding companies and their subsidiaries. Companies registered under the 1935 Act are also permitted to own EWGs. Although the Energy Act instructs state regulatory commissions to consider standards applicable to wholesale power purchases by electric utilities, including purchases from EWGs, EWG generation sources, to the extent any may be located in Texas, currently would be treated as regulated public utilities under PURA. In addition, the Energy Act permits exempt and registered holding companies to acquire and maintain an interest in "foreign utility companies" that meet certain requirements for an exemption from the 1935 Act. Second, the Energy Act significantly expands the authority of the FERC to order owners of transmission lines, such as HL&P, to carry power at the request of any electric utility, federal power marketing agency or any person generating electric energy for sale or for resale over such transmission lines. The Energy Act requires transmission for third parties to wholesale customers, provided the reliability of service to the utility's local customer base is protected and the local customer base does not subsidize the third-party service. The Energy Act prohibits the FERC from ordering the transmission of electric energy directly to an ultimate consumer (i.e. retail wheeling); however, it does not affect any authority of any state or local government under state law concerning transmission of electric energy directly to an ultimate consumer.

The Energy Act is expected to have significant implications for the utility industry by moving utilities toward a more competitive environment. Competition may be increased in connection with the generation of electricity. Pressure for access to utility retail customers is also expected to increase. The Company will actively oppose any access to its retail customers by third-party generators. In addition, the amendments to the 1935 Act will remove barriers to the Company, allowing it to develop independent electric generating plants in the United States for sales to wholesale customers as well as to contract for utility projects internationally, without becoming subject to registration under the 1935 Act as an electric utility holding company.

HL&P continues to address the issue of increased competition, among other things, by focusing on the energy needs of its customers and by

controlling and, where possible, reducing the cost to serve its customers. HL&P undertook a major operating performance improvement program in 1992 to improve the effectiveness and efficiency of its operations and continues to seek ways to improve its operations and lower costs. HL&P is attempting to control its fuel costs, which compose a substantial portion of its operating cost, by (1) purchasing gas at generally low prices and utilizing gas storage facilities to mitigate significant variations in gas demand, (2) purchasing spot coal at prices below existing contract terms and (3) contracting for additional purchased power when available on attractive terms. For information on HL&P's operating performance improvement programs, see "Results of Operations - HL&P - STEP Program" in Item 7 of this Report and Note 18 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report. Additionally, HL&P continues to encourage industrial expansion in its service area by offering an economic development tariff and economically attractive interruptible rates for those customers capable of taking such service.

FUEL

Approximately 42% of HL&P's energy requirements during 1993 were met with natural gas, 40% with coal and lignite and 1% with nuclear fuel. The remaining 17% was purchased power, principally cogenerated power. However, both nuclear-fueled units of the South Texas Project were out of service during most of 1993. During 1992, the most recent year not affected by the outage of the South Texas Project, HL&P's energy requirements were obtained from the following sources: natural gas (34%); coal and lignite (39%); nuclear fuel (9%) and purchased power (18%). Based upon various assumptions relating to the cost and availability of fuels, plant operation schedules, actual in-service dates of HL&P's planned generating facilities, load growth, load management and environmental protection requirements, HL&P currently expects its future energy mix to be in the following proportions for the indicated periods:

	Estimated Energy Mix		
	1994	1997	2000
Gas	33%	35%	43%
Coal and Lignite	42	41	39
Nuclear	7	8	8
Cogeneration	18	16	10
Total	100%	100%	100%

There can be no assurance that the various assumptions upon which the estimates set forth in the table above are based will prove to be correct, and HL&P's actual energy mix in future years may vary from the percentages shown in the table. For information on the outage of the South Texas Project, see Note 9(f) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which is incorporated herein by reference.

NATURAL GAS SUPPLY. During 1993, HL&P purchased approximately 63% of its natural gas requirements pursuant to long-term contracts with various suppliers. No individual supplier provided more than approximately 24% of HL&P's natural gas requirements during 1993. Substantially all of HL&P's natural gas supply contracts contain pricing

provisions based on fluctuating market prices. HL&P's natural gas supply contracts have expiration dates ranging from 1994 to 2002. HL&P believes that it will be able to renew such contracts as they expire or enter into similar contractual arrangements with other natural gas suppliers. HL&P expects to purchase its remaining natural gas requirements on the spot market. HL&P has a long-term contract for gas storage and gas transportation arrangements with gas pipelines connected to certain of its generating facilities. The contract for gas storage provides working storage capacity of up to 3,500 BBtu of natural gas. HL&P's average daily gas consumption during 1993 was 749 BBtu per day with peak consumption of 1,427 BBtu per day.

Although natural gas has been relatively plentiful in recent years, supplies available to HL&P and other consumers are vulnerable to disruption due to weather conditions, transportation disruptions, price changes and other events. Large boiler fuel users of natural gas, including electric utilities, generally have the lowest priority among gas users in the event pipeline suppliers are forced to curtail deliveries due to inadequate supplies. As a result of this vulnerability, supplies of natural gas may become unavailable from time to time, or prices may increase rapidly in response to temporary supply disruptions or other factors. Such events could require HL&P to withdraw gas from its gas storage facility or shift its gas-fired generation to alternative fuel sources such as fuel oil to the extent it has the capability to burn those alternative fuels. Since most of the purchased power capacity available to HL&P is also gas-fired, gas supply disruptions may also affect these suppliers.

Currently, HL&P anticipates that its alternate fuel capability, combined with its solid-fueled generating resources and available gas storage capability is adequate to meet fuel needs during any temporary gas supply interruptions. However, there is no assurance that adequate levels of gas supply will be available over the long term.

HL&P's average cost of natural gas was $2.15 per MMBtu in 1993 (excluding storage costs). HL&P's average cost of natural gas in 1992 and 1991 was $1.85 and $1.54 per MMBtu, respectively.

COAL AND LIGNITE SUPPLY. Substantially all of the coal for HL&P's four coal-fired units at W. A. Parish is purchased under two long- term contracts from mines in the Powder River Basin area of Wyoming. Additional coal is obtained on the spot market. The coal is transported under terms of a long-term rail transportation contract to the W. A. Parish coal handling facilities in HL&P's fleet of approximately 2,300 railcars. A substantial portion of the coal requirements for the projected operating lives of the four coal-fired units at W. A. Parish is expected to be met under such contracts.

The lignite for the Limestone units is obtained from a mine adjacent to the plant. HL&P owns the mining equipment, facilities and a portion of the lignite leases at the mine, which is operated by a contract miner under the terms of a long-term agreement. The lignite reserves currently under lease and contract are expected to provide a substantial portion of the fuel requirement for the projected operating lives of the Limestone units.

Prior to October 1993, coal and lignite purchasing, transportation and handling services were provided to HL&P by a subsidiary of the Company, Utility Fuels, which has since been merged into HL&P. See "Businesses of Other Subsidiaries - Utility Fuels."

NUCLEAR FUEL SUPPLY. The supply of fuel for nuclear generating facilities involves the acquisition of uranium concentrates, conversion to uranium hexafluoride, enrichment of the uranium hexafluoride and fabrication of nuclear fuel assemblies. Contracts have been entered into with various suppliers to provide the South Texas Project with converted uranium hexafluoride to permit operation through 1996, enrichment services through 2014 (except as noted below) and fuel fabrication services for the initial cores and 16 additional years of operation. Contracts for enrichment services from October 2000 through September 2002 have been terminated by HL&P, as Project Manager for the South Texas Project, under a ten-year termination notice provision, because HL&P believes that other, lower-cost options will be available.

In addition to the above, flexible contracts for the supply of uranium concentrates and uranium hexafluoride have been entered into that will provide approximately 50% of the uranium needed for South Texas Project operation from 1997 through 2000. Contracts for the balance of the uranium requirements will soon be under negotiation; however, HL&P does not presently anticipate difficulty in obtaining contracts for those requirements.

By contract, the DOE will ultimately take possession of all spent fuel generated by the South Texas Project. HL&P has been advised that the DOE plans to place the spent fuel in a permanent underground storage facility in an as-yet undetermined location. The DOE contract currently requires payment of a spent fuel disposal fee on nuclear plant generated electricity of one mill (one-tenth of a cent) per net KWH sold. This fee is subject to adjustment to ensure full cost recovery by the DOE. The South Texas Project is designed to have sufficient on-site storage facilities to accommodate over 40 years of the spent fuel discharges for each unit.

For information relating to a fee assessment upon domestic utilities having purchased enrichment services from the DOE, see Note 8(a) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

OIL SUPPLY. Fuel oil is maintained in inventory by HL&P to provide for fuel needs in emergency situations in the event sufficient supplies of natural gas are not available. In addition, certain of HL&P's generating plants have the ability to use fuel oil if oil becomes a more economical fuel than incremental gas supplies. HL&P has storage facilities for over six million barrels of oil located at those generating plants capable of burning oil. HL&P's oil inventory is adjusted periodically to accommodate changes in the availability of primary fuel supplies.

RECOVERY OF FUEL COSTS. For information relating to the cost of fuel over the last three years, see "Operating Statistics of HL&P" below and "Results of Operations - HL&P - Fuel and Purchased Power Expense" in Item 7 of this Report. Utility Commission rules provide for the recovery of certain fuel and purchased power costs through an energy component of electric rates (fixed fuel factor). The fixed fuel factor is established during either a utility's general rate proceeding or an interim fuel proceeding and is to be generally effective for a minimum of six months, unless a substantial change in a utility's cost of fuel occurs. In that event, a utility may be authorized to revise the fixed fuel factor in its rates appropriately. In any event, a fuel reconciliation is required every three years.

In October 1991, the Utility Commission approved HL&P's fixed fuel factor as contemplated in the settlement agreement reached in February 1991 by HL&P and most other parties to Docket No. 9850. See Note 10(c) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report. In November 1993, the Utility Commission authorized HL&P to implement a higher fuel factor under Docket No. 12370. The Company can request a revision to its fuel factor in April and October each year.

Reconciliation of fuel costs after March 1990 is required in 1994, and under Utility Commission rules, HL&P has anticipated that a filing would be required in May 1994. However, the Utility Commission staff has requested that such filing be delayed to the fourth quarter of 1994. If that request is granted by the Utility Commission, HL&P anticipates that fuel costs through some time in 1994 will be submitted for reconciliation at that time. No hearing would be anticipated in that reconciliation proceeding before 1995, and the schedule for reconciliation of those costs could be affected by the institution of a rate proceeding by the Utility Commission and/or a prudence inquiry concerning the outage at the South Texas Project. For a discussion of that outage and the possibility that a rate proceeding may be instituted, see Notes 9(f), 10(f) and 10(g), respectively, to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which notes are incorporated herein by reference.

REGULATORY MATTERS

ENERGY ACT. In October 1992, the Energy Act became law. For a description of the Energy Act, see "Competition" above and Note 8(a) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

RATES AND SERVICES. Pursuant to the PURA, the Utility Commission has original jurisdiction over electric rates and services in unincorporated areas of the State of Texas and in the incorporated municipalities that have relinquished original jurisdiction. Original jurisdiction over electric rates and services in the remaining incorporated municipalities served by HL&P is exercised by such municipalities, including Houston, but the Utility Commission has appellate jurisdiction over electric rates and services within those incorporated municipalities.

In 1993, the Texas Legislature considered changes to PURA as part of a required review under the Sunset Act. None of the proposed changes to the Utility Commission or Texas utility regulation were enacted. However, the legislature passed legislation continuing the current PURA until September 1, 1995. The legislature also established a joint interim committee to study certain regulatory issues prior to the next legislative session which begins in January 1995. These issues include, among other items, tax issues relating to public utilities, the organization and authority of the Utility Commission and IRP. Recommendations from this study period will be considered during the next legislative session.

UTILITY COMMISSION PROCEEDINGS. For information concerning the Utility Commission's orders with respect to HL&P's applications for general rate increases with the Utility Commission (Docket No. 8425 for the 1988 rate case and Docket No. 9850 for the 1990 rate case) and the municipalities within HL&P's service area and the appeals of such orders, see Notes 10(b) and 10(c) to the Company's Consolidated and HL&P's

Financial Statements in Item 8 of this Report, which notes are incorporated herein by reference. HL&P's 1986 general rate case (Docket Nos. 6765 and 6766) and 1984 rate case (Docket No. 5779) have been affirmed and are no longer subject to appellate review. For a discussion of the possibility that a rate proceeding may be instituted, see Notes 10(f) and 10(g) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which notes are incorporated herein by reference.

PRUDENCE REVIEW OF CONSTRUCTION OF THE SOUTH TEXAS PROJECT. For information concerning the Utility Commission's orders with respect to a prudence review of the planning, management and construction of the South Texas Project (Docket No. 6668) and the appeals of such orders, see Note 10(d) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which note is incorporated herein by reference.

DEFERRED ACCOUNTING DOCKETS. For information concerning the Utility Commission's orders allowing deferred accounting treatment for certain costs associated with the South Texas Project (Docket Nos. 8230, 9010 and 8425), the appeals of such orders and related proceedings, see Notes 10(b), 10(e) and 11 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which notes are incorporated herein by reference.

ENVIRONMENTAL QUALITY. General. HL&P is subject to regulation with respect to air and water quality, solid waste management and other environmental matters by various federal, state and local authorities. Environmental regulations continue to be affected by legislation, administrative actions and judicial review and interpretation. As a result, the precise effect of potential regulations upon existing and proposed facilities and operations cannot presently be determined. However, developments in these and other areas of regulation have required HL&P to make substantial expenditures to modify, supplement or replace equipment and facilities and may, in the future, delay or impede construction and operation of new facilities or require expenditures to modify existing facilities. For information regarding environmental expenditures, see "Capital Program" above.

Air. The TNRCC has jurisdiction and enforcement power to determine the permissible level of air contaminants emitted in the State of Texas. The standards established by the Texas Clean Air Act and the rules of the TNRCC are subject to modification by standards promulgated by the EPA. Compliance with such standards has resulted, and is expected to continue to result, in substantial expenditures by HL&P. In addition, expanded permit and fee systems and enforcement penalties may discourage industrial growth within HL&P's service area.

In November 1990, significant amendments to the Clean Air Act became law. The law is designed to control emissions of air pollutants which contribute to acid rain, to reduce urban air pollution and to reduce emissions of toxic air pollutants. Parts of the Clean Air Act are directed at reducing emissions of sulfur dioxide from electric utility generating units. This reduction program includes an "allowance" system which sets forth formulas and criteria to establish a cap on sulfur dioxide emissions from utility generating units. HL&P has been allocated allowances sufficient to permit continued operation of its existing facilities and some expansion of its solid-fuel generating facilities without substantial additional expense relating to modification of its facilities.

HL&P has already made substantial investments in pollution control facilities, and all of its generating facilities currently comply in all material respects with sulfur dioxide emission standards established by the Clean Air Act. As a result of this previous investment, HL&P does not anticipate that significant expenditures for sulfur dioxide removal equipment will be required. Provisions of the Clean Air Act dealing with urban air pollution require establishing new emission limitations for nitrogen oxides from existing sources. Although initial limitations were finalized in 1993, further reductions may be required in the future. The cost of modifications necessary to reduce nitrogen oxide emissions from existing sources has been estimated at $29 million in 1994 and $10.5 million in 1995. The Clean Air Act also calls for additional stack gas continuous emissions monitoring equipment to be installed on various HL&P generating facilities. Capital expenditures of $12 million in 1994 and $2 million in 1995 are anticipated for installation of this new monitoring equipment. See "Capital Program" above.

The Clean Air Act established a new permitting program to be administered in Texas by the TNRCC. The precise requirements of the program cannot be determined until the permit program is approved by the EPA. However, based on regulations promulgated by the TNRCC, HL&P anticipates that additional expenditures may be required for administering the permitting process. The legislation could also substantially increase the cost of constructing new generating units.

Water. The TNRCC has jurisdiction over water discharges in the State of Texas and is empowered to set water quality standards and issue permits regulating water quality. The TNRCC jurisdiction is currently shared with the EPA, which also issues water discharge permits and reviews the Texas water quality standards program.

HL&P has obtained permits from both the TNRCC and the EPA for all facilities currently in operation which require such permits. Applications for renewal of permits for existing facilities have been submitted as required. The reissued permits reflect changes in federal and state regulations which may increase the cost of maintaining compliance. Although compliance with the new regulations has resulted and will continue to result in additional costs to HL&P, the costs are not expected to have a material impact on HL&P's financial condition or results of operations.

For a description of certain Administrative Orders issued by the EPA to HL&P under the Clean Water Act and for a description of certain other environmental litigation, see Item 3 of this Report.

SOLID AND HAZARDOUS WASTE. HL&P is also subject to regulation by the TNRCC and the EPA with respect to the handling and disposal of solid waste generated on-site. Although legislation that would expand the scope of the RCRA was not adopted in 1993, the TNRCC has promulgated new rules regulating the classification of industrial solid waste. These regulations will result in increased analytical and disposal costs to HL&P. Although the precise amount of these costs is unknown at this time, HL&P does not believe, based on its current analysis, that such costs will be material. The EPA has promulgated a number of regulations to protect human health and the environment from hazardous waste. Compliance with the regulations promulgated to date has not materially affected the operation of HL&P's facilities, but such compliance has increased operating costs.

The EPA has identified HL&P as a "potentially responsible party" for

the costs of remediation of a CERCLA site located adjacent to one of HL&P's transmission lines in Harris County. For information regarding this site, see "Liquidity and Capital Resources - HL&P - Environmental Expenditures" in Item 7 of this Report.

FEDERAL REGULATION OF NUCLEAR POWER. Under the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974, operation of nuclear plants is extensively regulated by the NRC, which has broad power to impose licensing and safety requirements. In the event of non-compliance, the NRC has the authority to impose fines or shut down nuclear plants, or both, depending upon its assessment of the severity of the situation, until compliance is achieved.

For information concerning a diagnostic evaluation that was completed by the NRC at the South Texas Project, the placement of the South Texas Project on the NRC's watch list and related matters, see "Results of Operations - HL&P - - United States Nuclear Regulatory Commission (NRC) Diagnostic Evaluation of the South Texas Project" in Item 7 of this Report and Note 9(f) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which note is incorporated herein by reference.

LOW-LEVEL RADIOACTIVE WASTE. The federal Low-Level Radioactive Waste Policy Act assigns responsibility for low-level waste disposal to the states. Texas created the Texas Low-Level Radioactive Waste Disposal Authority to build and operate a low-level waste disposal facility. HL&P was assessed approximately $5.9 million in 1993 by the State of Texas for the development work on this facility and estimates that the assessment for 1994 and 1995 will be $2.2 million and $4.2 million, respectively. Texas currently has access to the low-level waste disposal facility at Barnwell, South Carolina through June 1994. Extended access beyond June will depend upon action by the governor and state legislature of South Carolina.

HL&P has constructed a temporary low-level radioactive waste storage facility at the South Texas Project. The facility was completed in late 1992 and will be utilized for interim storage of low-level radioactive waste after access to the Barnwell facility is suspended and prior to the opening of the Texas Low-Level Radioactive Waste Site.

NUCLEAR INSURANCE AND NUCLEAR DECOMMISSIONING

For information concerning nuclear insurance and nuclear decommissioning, see Notes 9(d) and 9(e) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which notes are incorporated herein by reference.

LABOR MATTERS

As of December 31, 1993, HL&P had 9,578 full-time employees of whom 3,715 were hourly-paid employees represented by the International Brotherhood of Electrical Workers under a collective bargaining agreement which expires on May 25, 1995.

For a discussion of HL&P's STEP program and related employee matters, see "Results of Operations - HL&P - STEP Program" in Item 7 of this Report and Note 18 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

OPERATING STATISTICS OF HL&P

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
Electric Energy Generated and Purchased (MWH):			
Generated - Net Station Output	52,939,551	51,065,016	52,346,488
Purchased	11,113,971	11,537,872	10,518,246
Net Interchange	(282)	204	(54)
Total	64,053,240	62,603,092	62,864,680
Company Use, Lost and Unaccounted for Energy	2,903,780	2,660,704	2,663,539
Total Energy Sold	61,149,460	59,942,388	60,201,141
Electric Sales (MWH):			
Residential	16,953,667	16,375,400	16,978,934
Commercial	13,083,391	12,541,636	12,501,613
Industrial	24,686,782	24,374,284	24,250,892
Street Lighting - Government and Municipal	112,914	110,896	109,874
Total Firm Retail Sales	54,836,754	53,402,216	53,841,313
Other Electric Utilities	223,204	243,167	506,558
Total Firm Sales	55,059,958	53,645,383	54,347,871
Interruptible	5,748,086	5,974,203	5,304,345
Off-System	341,416	322,802	548,925
Total	61,149,460	59,942,388	60,201,141
Number of Customers (End of Period):			
Residential	1,278,774	1,258,556	1,238,451
Commercial	168,284	165,241	163,054
Industrial (Including Interruptible)	1,706	1,756	1,791
Street Lighting - Government and Municipal	82	82	82
Other Electric Utilities (Including Off-System)	12	10	13
Total	1,448,858	1,425,645	1,403,391
Operating Revenue (Thousands of Dollars):			
Residential	$ 1,578,175	$ 1,465,627	$ 1,465,403
Commercial	994,461	926,157	882,873
Industrial	1,190,917	1,134,601	1,109,108
Street Lighting - Government and Municipal	24,258	23,148	21,977
Total Electric Revenue - Firm Retail Sales	3,787,811	3,549,533	3,479,361
Other Electric Utilities	26,154	26,834	41,136
Total Electric Revenue - Firm Sales	3,813,965	3,576,367	3,520,497
Interruptible	135,066	127,042	105,476
Off-System	7,313	6,364	8,907
Total Electric Revenue	3,956,344	3,709,773	3,634,880
Miscellaneous Electric Revenues	123,519	117,068	39,663
Total	$ 4,079,863	$ 3,826,841	$ 3,674,543
Installed Net Generating Capability (KW) (End of Period)	13,679,000	13,583,000	13,583,000
Cost of Fuel (Cents per Million Btu): (1)			
Gas	221.4	192.3	161.5
Coal	199.6	200.3	210.3
Lignite	122.1	132.6	129.6
Nuclear (1)	59.6	59.9	58.3
Average	195.2	171.0	161.0

(1) Both generating units of the South Texas Project were out of service from February 1993 to February 1994 when Unit No. 1 was authorized by the NRC to return to service. See "Results of Operations-HL&P-Fuel and Purchased Power Expense" in Item 7 of this Report.

BUSINESS OF KBLCOM.

GENERAL

The cable television operations of the Company are conducted through KBLCOM and its subsidiaries. KBL Cable, a subsidiary of KBLCOM, owns and operates five cable television systems located in four states. Another subsidiary of KBLCOM owns a 50% interest in Paragon, a Colorado partnership, which in turn owns twenty systems located in seven states. KBLCOM's 50% interest in Paragon is recorded in the financial statements using the equity method of accounting. The remaining 50% interest in Paragon is owned by subsidiaries of ATC, which is a subsidiary of Time Warner Inc. ATC serves as the general manager for all but one of the Paragon systems. The partnership agreement provides that, at any time after December 31, 1993, either partner may elect to divide the assets of the partnership under certain predefined procedures set forth in the agreement. To date, neither party has initiated such procedures.

As of December 31, 1993, KBL Cable served approximately 605,000 basic cable customers who subscribed to approximately 488,000 premium programming units. As of the same date, Paragon served approximately 932,000 basic cable customers who subscribed to approximately 542,000 premium programming units.

The Company has engaged an investment banking firm to assist in finding a strategic partner or investor for KBLCOM in the telecommunications industry.

Unless otherwise indicated or the context otherwise requires, all references in this section to "KBLCOM" mean KBLCOM and its subsidiaries. All references to KBL Cable mean KBL Cable and its subsidiaries, and all references to Paragon mean the Paragon partnership. All information pertaining to Paragon has been provided to KBLCOM by Paragon's managing partner, ATC, unless stated otherwise. For a discussion regarding recent developments in regulations affecting the cable television industry, see "Regulation - Rate Regulation" and "Regulation - Recent Developments in Rate Regulation" below.

CABLE TELEVISION SERVICES

The cable television business of KBLCOM consists primarily of selling to subscribers, for a monthly fee, television programming that is distributed through a network of coaxial and fiber optic cables. KBLCOM offers its subscribers both basic services and, for an extra monthly charge, premium services. Each of the KBLCOM systems carries the programming of all three major television networks, programming from independent and public television stations and certain other local and distant (out-of-market) broadcast television stations. KBLCOM also offers to its subscribers locally produced or originated video programming, advertiser-supported cable programming (such as ESPN and CNN), premium programming (such as HBO and Showtime) and a variety of other types of programming services such as sports, family and children, news, weather and home shopping programming. As is typical in the industry, KBLCOM subscribers may terminate their cable television service on notice. KBLCOM's business is generally not considered to be seasonal.

All of KBL Cable's systems are "addressable," allowing individual subscribers, among other things, to electronically select pay-per-view programs. Approximately 48% of KBL Cable's customers presently have converters permitting addressability. This allows KBL Cable to offer

pay-per-view services for various movies, sports events, concerts and other entertainment programming.

OVERVIEW OF SYSTEMS AND DEVELOPMENT

The KBL Cable systems are located in the areas of greater San Antonio and Laredo, Texas; Minneapolis, Minnesota; Portland, Oregon and Orange County, California. All of these systems other than the Laredo system, which is the smallest system, were built between 1979 and 1986 and have channel capacities ranging from 46 channels (San Antonio and California) to 132 channels (Minneapolis). The Laredo system was originally wired for cable in the 1960s and upgraded in 1979. It has a 42-channel capacity. Although all of these systems are considered fully built, annual capital expenditures will be required to accommodate growth within the service areas and to replace and upgrade existing equipment. Capital expenditures, which were approximately $54 million in 1993, are expected to be approximately $276 million over the 1994-1996 period. KBL Cable has projected an increase in its capital expenditures over the next three years in order to stay competitive in the increasingly complex cable environment. KBL Cable anticipates increased investments in rebuilds, fiber plant and addressable converter boxes. For additional information with respect to capital expenditures, see "Liquidity and Capital Resources - KBLCOM" in Item 7 of this Report and Note 8(b) to the Company's Consolidated Financial Statements in Item 8 of this Report.

Paragon owns cable television systems that serve a number of cities, towns or other areas in Texas (including El Paso), Arizona, Florida (including the Tampa Bay area), New Hampshire, New York (including a portion of Manhattan), Maine and southern California (areas in Los Angeles County). Paragon made capital expenditures of approximately $54 million in 1993 and expects to make capital expenditures of approximately $200.8 million during the 1994-1996 period.

For information regarding KBLCOM's financial results and liquidity and the financing of KBLCOM, see "Results of Operations - KBLCOM" in Item 7 of this Report and Note 4 to the Company's Consolidated Financial Statements in Item 8 of this Report.

The following table summarizes certain information relating to the cable television systems owned by KBL Cable and Paragon:

	KBL Cable As of December 31,			Total Paragon (1) As of December 31,		
	1993	1992	1991	1993	1992	1991
Estimated number of homes passed by cable(2)	1,198,000	1,176,000	1,160,000	1,575,000	1,544,000	1,513,000
Number of basic subscribers(3)	605,000	577,000	559,000	932,000	901,000	865,000
Basic subscribers as a percentage of homes passed	50.5%	49.1%	48.2%	59.2%	58.4%	57.2%
Number of premium (pay) units(4)	488,000	435,000	434,000	542,000	540,000	541,000
Premium (pay) units as a percentage of basic subscribers	80.7%	75.4%	77.6%	58.2%	59.9%	62.5%

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1) A KBLCOM subsidiary has a 50% interest in Paragon. Information has been furnished by ATC, the general manager of Paragon.

2) A home is "passed by cable" if it can be connected to cable service without extension of the distribution system.

3) Basic subscribers means the sum of (i) the number of homes receiving cable services, (ii) all units in multiple dwellings which receive one bill and (iii) each commercial establishment (hotels, hospitals, etc.) less (iv) complimentary accounts.

4) Premium (or pay) units consist of the number of subscriptions to premium programming services counting, as separate subscriptions, each service received by a subscriber.

Over the three-year period ended December 31, 1993, growth in the number of subscribers in the KBLCOM systems was achieved through marketing efforts aimed at existing homes passed by cable, population growth in the franchise areas and increased access to potential subscribers through the construction of additional distribution facilities within existing franchise areas. KBLCOM believes these same factors will contribute to continued growth. In addition, KBLCOM may, from time to time, acquire additional cable television systems. In 1993, KBL Cable acquired a small cable television system (comprising approximately 1,150 basic subscribers) which adjoined one of the existing systems. KBLCOM is also actively marketing premium programming services and intends to introduce new services as they become commercially feasible.

On February 17, 1994, KBLCOM entered into an agreement to acquire three cable companies serving approximately 47,000 customers in the Minneapolis area. KBLCOM will acquire the stock of the companies in exchange for the issuance of common stock of the Company. The amount of common stock of the Company to be issued, currently estimated to be approximately $24 million, is dependent on the amount of liabilities assumed, currently estimated to be approximately $63 million.

Approximately 40,000 of the cable customers served by the properties to be acquired are in the Minneapolis metropolitan area. The remaining 7,000 customers are located in small communities south and west of the metropolitan area. Closing of the transaction is subject to the satisfaction of certain conditions.

SOURCES OF REVENUES AND RATES TO SUBSCRIBERS

For the year ended December 31, 1993, the average monthly revenue per subscriber for KBL Cable was approximately $34.43. Approximately 67% of KBL Cable's revenue was derived from monthly fees paid by subscribers for basic cable services, and 16% was derived from premium programming services. Rates to subscribers vary from system to system and in accordance with the type of service selected. As of December 31, 1993, the average monthly basic revenue per subscriber for the KBL Cable systems generally ranged from $18.36 to $23.00. As of December 31, 1993, approximately 39% of KBL Cable's customers subscribed to one or more premium channels. KBL Cable's premium units increased during 1993 and 1992; however, the premium revenue has declined during this period due to the reduction of rates. The rates have been reduced for a variety of reasons including the effect of recessionary economic conditions, value perception and competition from other forms of entertainment such as pay-per-view and home video rental. KBL Cable implemented a number of

strategies designed to strengthen this service category including new packaging of premium units and multiplexing, which is the delivery of multiple channels of a premium service (with programs beginning at different times) with no change in price to the subscriber. The fourth quarter of 1993 showed results from these efforts as the premium revenues increased over the corresponding period in the prior year.

The remainder of KBL Cable's revenues for the year ended December 31, 1993 was derived from advertising, pay-per-view services, installation fees and other ancillary services. KBL Cable's management believes, within its present markets, the sale of commercial advertising to local, regional and national advertisers, pay-per-view services and other ancillary services offer the potential for increased revenues. Advertising revenues for the year ended December 31, 1993 increased $1.4 million or 10% over the previous year while pay-per-view and the other ancillary revenues increased by $2.0 million or 8%.

For the year ended December 31, 1993, the average monthly revenue per subscriber for the Paragon systems was approximately $30.99. Approximately 68% of Paragon's revenues was derived from monthly fees for basic services, and 19% was derived from premium services. As of December 31, 1993, the average monthly basic revenue per subscriber for the Paragon systems ranged from $18.13 to $24.10. As of December 31, 1993, approximately 31% of Paragon's customers subscribed to one or more premium channels.

FRANCHISES

KBLCOM's cable television systems generally operate pursuant to non-exclusive franchises or permits awarded by local governmental authorities, and accordingly, other applicants may obtain franchises or permits in franchise areas served by KBLCOM. See "Regulation" below. As of December 31, 1993, KBL Cable held 56 franchises with unexpired terms ranging from under one year to approximately 18 years. A single franchise agreement with San Antonio, which expires in 2003, covered approximately 32% of KBL Cable's subscribers as of December 31, 1993. The expiration periods and approximate percentages of subscribers for KBL Cable's franchises are as follows:

Percent of Subscribers	Expiration Period of Remaining Franchises
14%	1994-1997
17%	1998-2001
63%	after 2001
6%	No expiration date

As of December 31, 1993, Paragon held 147 franchises with unexpired terms ranging from 1994 to 2010. The single largest franchise, which covers a portion of Manhattan, included more than 20% of Paragon's subscribers as of December 31, 1993. This franchise expires in 2003.

The provisions of state and local franchises are subject to Federal regulation under the Cable Act. See "Regulation" below. Cable television franchises generally can be terminated prior to their stated expiration date under certain circumstances such as a material breach of the franchise by the cable operator. Franchises typically contain a number of provisions dealing with, among other things, minimum technical specifications for the systems; operational requirements; total channel

capacity; local governmental, community and educational access; franchise fees (which range up to 5% of cable system revenues) and procedures for renewal of the franchise. Sometimes conditions of franchise renewal require improved facilities, increased channel capacity or enhanced services. One franchise, with approximately 58,000 subscribers as of December 31, 1993, held by a subsidiary of KBL Cable, provides that the city granting the franchise may, at any time, require the KBL Cable subsidiary to sell, at fair market value, its franchise and operations in the city to another cable television operator with a franchise for another portion of the city.

KBLCOM's franchises are also subject to renewal and generally are not transferable without the prior approval of the franchising authority. In addition, some franchises provide for the purchase of the franchise under certain circumstances, such as a failure to renew the franchise. To date, KBLCOM's franchises have generally been renewed or extended upon their stated expirations, but there can be no assurance of renewal of franchises in the future.

PROGRAMMING CONTRACTS

A substantial portion of KBLCOM's programming is obtained under contracts with terms that typically extend for more than one year. KBLCOM generally pays program suppliers a monthly fee per subscriber. Certain of these contracts have price escalation provisions.

COMPETITION

Cable television systems experience competition from a variety of sources, including broadcast television signals, multipoint microwave distribution systems, direct broadcast satellite systems (satellite signals directly to a subscriber's satellite dish) and satellite master antenna systems (a satellite dish which receives signals and distributes them within a multiple dwelling unit). The effectiveness of such competition depends, in part, upon the quality of the signals and the variety of the programming offered over such competitive technologies and the cost thereof as compared with cable television systems. These competitive technologies are not generally subject to the same form of local regulation that affects cable television. Cable television systems also compete, to varying degrees, with other communications and entertainment media such as motion picture theaters and video cassette rental stores, and such competition may increase with the development and growth of new technologies.

It is expected that, in April 1994, two national direct broadcast satellite (DBS) systems will commence operation. These national DBS providers will compete in all KBLCOM franchise areas and it is expected that they will constitute significant new competition to such KBLCOM systems. As a result of the programming access requirements contained in the 1992 Cable Act, these two national DBS providers will have access to virtually all cable television programming services. Additionally, within the next two years, there may be significant development in the provision of "Video Dialtone" programming over telephone company facilities. This new source of competition will result from telephone companies leasing video capacity to independent programmers in KBLCOM service areas. Finally, both federal legislation and FCC proceedings are currently underway which may allow telephone companies to own and distribute their own programming over their own facilities in direct competition with cable systems. Specifically, US West has indicated, in an FCC filing, that it intends to upgrade facilities in at least one

KBLCOM service area in order to provide either Video Dialtone service or to own and distribute its own video programming services.

KBLCOM is addressing increased competition by focusing on (i) improving customer service; (ii) carrying a greater variety of local and national programming, some of which will be available in its markets only through KBLCOM and (iii) furthering the development of the interactive use of its cable systems.

Since KBLCOM's systems operate under non-exclusive franchises, other companies may obtain permission to build cable television systems in areas where KBLCOM presently operates. A 1986 United States Supreme Court decision has raised questions regarding the constitutionality of the cable television franchising process. The decision requires lower courts to decide whether, in areas where more than one cable operator can be physically accommodated by local utilities, franchising authorities may refuse to grant more than one franchise to serve that area. No prediction can be made at this time as to whether additional franchises will be granted to any competitors, or if granted and a cable television system is constructed, what the impact on KBLCOM and the Company might be.

KBLCOM competes with a variety of other media in the sale of advertising time on its cable television systems.

REGULATION

Cable television is subject to regulation at the federal, local and, in some cases, state level.

In October 1992, the 1992 Cable Act became law. The 1992 Cable Act expands the scope of cable industry regulation beyond that imposed by the Cable Act. The following are new and significant areas of regulation imposed by the 1992 Cable Act as interpreted by the FCC.

RATE REGULATION. Under the 1992 Cable Act, virtually all of the Company's cable systems are subject to rate regulation. The 1992 Cable Act mandates that the FCC establish rate standards and procedures governing regulation of basic cable service rates. Franchising authorities may certify to the FCC that they will follow the FCC standards and procedures in regulating basic rates, and once such certification is made, the franchising authorities will assume such rate regulation authority over basic rates. The 1992 Cable Act also requires that the FCC, upon complaint from a franchising authority or a cable subscriber, review the reasonableness of rates for additional tiers of cable service. Only rates for premium pay channels, single-event, pay-per-view services and a la carte (pay-per-channel) services are excluded entirely from rate regulation.

Pursuant to the congressional directive in the 1992 Cable Act, the FCC issued rules implementing, among other things, the provisions of the 1992 Act establishing rate standards and procedures governing regulation of cable television services.

Prior to the release of its rate regulation rules, the FCC entered an order, effective April 5, 1993, freezing rates for all cable television services, other than premium and pay-per-view services, for 120 days (Rate Freeze Order). Under the Rate Freeze Order, the rate frozen is the average monthly subscriber rate for non-premium cable services for the most recent billing cycle ending prior to April 5, 1993.

The Rate Freeze Order was subsequently extended by the FCC through May 15, 1994.

On May 3, 1993, the FCC issued its rate regulation rules (Rate Rule), which became effective on September 1, 1993. The Rate Rule relies primarily on a "benchmark" approach. Current rates charged by cable operators are to be evaluated initially against "competitive benchmark" rate formulas established by the FCC based upon a nationwide cable rate survey previously conducted by the FCC. At that time, the FCC estimated that, on average, the cable industry's existing rates exceed its "benchmark" levels by approximately 10%, and that up to 75% of all cable television systems have rates which exceed applicable benchmarks. Under the Rate Rule, if a cable system's rates exceed the applicable benchmark, the cable operator can be required to reduce its rates to the higher of (i) a level 10% below the level that existed as of September 30, 1992 or (ii) the applicable benchmark. For additional information regarding rate reductions, see the discussion regarding the FCC's announcement of further changes in the Rate Rule in "Recent Developments in Rate Regulation" below.

The benchmarks published in the Rate Rule vary depending on the size of cable systems, the total number of channels subject to regulation and the total number of channels which contain satellite-delivered programming. Using the benchmark tables published in the Rate Rule, the cable operator calculates a permitted monthly "per channel/per subscriber" charge. In making this calculation, the operator must include all revenues it derives from the lease of equipment to customers, such as converters, remote control devices and additional outlets, and installation services, such as installation fees, disconnect fees, reconnect fees and tier change fees, during the operator's last fiscal year.

The benchmark tables apply to both basic cable services and the tier services, known in the 1992 Act as "cable programming services". Once calculated, the same monthly per channel/per subscriber rate applies to all regulated channels. In addition, once calculated and approved by the applicable regulating authority, this benchmark rate functions as a price cap. In the future, rates for regulated channels must remain at or below this benchmark rate, adjusted for inflation measured on the gross national product-price index (GNP-PI) published by the United States government. Certain limited "external" costs beyond the cable operator's control, such as franchise fees or program license fee increases which exceed the level of GNP-PI inflation, can be charged directly through to cable consumers.

Under the Rate Rule, a cable operator which believes that the benchmark approach produces a rate which does not adequately cover its actual costs can choose to defend its current rates in a cost-of-service hearing before the applicable regulating authority. Election of this cost-of-service mode of rate regulation preempts the application of the benchmark approach and may result in rates for regulated channels below the indicated benchmark levels.

On July 15, 1993, the FCC adopted a notice of proposed rulemaking requesting comment on the substance of, and the procedure for the cost-of-service mode of rate regulation. For additional information regarding the cost-of-service mode of rate regulation, see the discussion regarding the FCC's announcement of interim cost-of-service standards (Interim COS Standards) in "Recent Developments in Rate Regulation" below.

The Rate Rule implements the requirement in the 1992 Act that local franchising authorities have the opportunity to regulate rates for basic cable service, defined as that level of service containing all local broadcast channels, all public, educational and governmental access channels and all equipment used to receive that level of service. In order for a local franchising authority to exercise regulatory authority under the Rate Rule, the local franchising authority must seek certification from the FCC. A local franchising authority must, among other things, represent in its application to the FCC that it will follow all provisions of the Rate Rule. Certification will be granted no earlier than 30 days after the date the local franchising authority's application is filed with the FCC.

The 1992 Cable Act and the Rate Rule vest regulatory authority regarding regulation of cable programming services with the FCC. The FCC's regulatory authority must be triggered, if at all, by the filing of a complaint concerning a cable operator's rate for cable programming service tier(s). Both local franchising authorities and subscribers may file such rate complaints.

The Rate Rule defines a new rate standard for commercial leased channels on a cable system. Under this standard, the FCC will allow the cable operator to charge a rate equal to the highest equivalent value which the operator could otherwise secure by distributing commercial programming of its own choice on that channel.

The FCC order establishing the September 1, 1993 effective date for the Rate Rule preempted all local, state and federal advance notice requirements, thus permitting KBLCOM to restructure its rates and service offerings up until September 1, 1993 without prior notice to subscribers. Local franchise authorities with jurisdiction over KBLCOM's franchises covering significant numbers of cable television subscribers have given KBLCOM notice that they have obtained, or are seeking, certification from the FCC to regulate basic service level rates.

RECENT DEVELOPMENTS IN RATE REGULATION. On February 22, 1994, the FCC announced further changes in the Rate Rule in several Executive Summaries. The Commission stated that it has determined that the differential between average cable system rates and rates charged by cable systems in markets with effective competition is 17%, rather than 10% as stated in the Rate Rule. Therefore, the FCC will issue revised benchmark formulas which will produce lower benchmarks, effective on May 15, 1994 (Revised Benchmarks). At that time, cable operators will be required to reduce their rates for regulated services by 17% below the level in effect in September 1992, or to the new benchmark, whichever is higher. The FCC stated that the Revised Benchmarks will require approximately 90% of all cable operators to reduce their regulated rates by about an additional 7% from their current rate levels.

In announcing the Revised Benchmarks, the FCC stated that they would apply prospectively. Therefore, the existing Rate Rule governs regulated rates from September 1, 1993 until May 15, 1994, while the Revised Benchmarks will govern regulated rates effective May 15, 1994.

The FCC also announced new criteria for determining whether a la carte carriage of previously regulated channels was valid under the 1992 Cable Act. Among other criteria, the FCC stated it will look to: (1) whether a la carte carriage avoids a rate reduction that would otherwise have been required under the FCC's rules; (2) whether an entire tier of regulated services has been converted to a la carte carriage; (3) whether

the services involved have been traditionally offered a la carte; (4) whether there is a significant equipment charge to order a la carte services rather than a discounted package of such services; (5) whether the individual subscriber is able to select the channels which comprise the a la carte package and (6) how significantly the package of a la carte services is discounted from the per channel charges for those services. A la carte packages which are found to evade rate regulation rather than enhance subscriber choice will be treated as regulated tiers, and operators engaging in such practices may be subject to sanctions.

The FCC also announced, in an Executive Summary, its Interim COS Standards. Under the Interim COS Standards which the FCC characterized as based upon principles similar to those which govern rate regulation of telephone companies, cable operators facing "unusually" high costs, may recover through their regulated rates, their normal operating expenses and a "reasonable" return on investment. The FCC provided, in the Executive Summary, that the presumptive permissible rate of return on investment under the Interim COS Standard is 11.25%. The FCC presumptively excluded acquisition costs above book value from the rate base because such "excess acquisition costs" represent the value of the monopoly rents the acquirer expected to earn during the period when an acquired cable system was effectively an unregulated monopoly. The FCC further stated that it will, under certain unspecified circumstances, allow cable operators to rebut this presumption excluding "excess acquisition costs."

Under the Interim COS Standards, cable operators which opt for the cost-of-service approach may make such filings only once every two years. The FCC also announced a streamlined cost-of-service procedure under which cable systems regulated under the Revised Benchmarks will be allowed to recover a share of system upgrade costs, offset for savings in operating expenses due to efficiencies gained by the upgrade.

While KBLCOM believes that the Revised Benchmarks will impose some further reduction in rates and new obligations which are burdensome and will increase KBLCOM's costs of doing business, it is impossible to assess the detailed impact of the Revised Benchmarks on KBLCOM until the FCC completes and issues the actual text of its rules on the Revised Benchmarks and the Interim COS Standards.

MUST CARRY/RETRANSMISSION CONSENT. The 1992 Cable Act specified certain rights for mandatory carriage on cable systems for local broadcast stations, known as must-carry rights. As an alternative, local broadcast stations were authorized to elect retransmission consent rights.

Under the must carry option, a cable operator can be compelled to allocate up to one-third of its channel capacity for carriage of local commercial broadcast television stations. In addition, a cable operator can also be required to allocate up to three additional channels to local non-commercial broadcast television stations. Such non-commercial broadcasters do not have the retransmission consent option under the 1992 Cable Act.

Under the retransmission consent option, a local commercial broadcasters can require a cable operator to make payments as a condition to granting its consent for the carriage of the broadcast station's signal on the cable system. Established "super stations" are exempted from this provision.

On March 29, 1993, the FCC issued its rules clarifying and implementing the must carry/retransmission consent portions of the 1992 Cable Act (Must Carry Rule). By June 17, 1993, the deadline specified by the Must Carry Rule, approximately 40% of the local broadcasters in KBL Cable's markets elected retransmission consent. According to the terms of the 1992 Cable Act and the Must Carry Rule, if the local commercial broadcast stations that had elected retransmission consent rights had not granted such consent by October 6, 1993, KBL Cable was required to remove them from carriage on the relevant cable system. To date, all local broadcast stations having elected retransmission consent rights have granted to KBL Cable their consent to carriage at no material cost to KBL Cable. Paragon has also reached retransmission consent agreements with all of the local broadcast affiliates in its service areas.

A challenge to the Must Carry portion of the 1992 Cable Act is presently pending in the Supreme Court of the United States, Turner Broadcasting System, Inc., et al. v. Federal Communications Commission, et al., No. 93-44. Appellants argue that the Must Carry provisions violate their rights under the First Amendment of the United States Constitution. The Supreme Court has heard oral argument, and a decision is expected by the end of June 1994.

BUY-THROUGH PROHIBITION. The 1992 Cable Act prohibits cable systems which have addressable technology and addressable converters in place from requiring cable subscribers to purchase service tiers above basic as a condition to purchasing premium channels, such as HBO or Showtime. If cable systems do not have such addressable technology or addressable converters in place, they are given up to ten years to comply with this provision.

PROGRAMMING ACQUISITION. The 1992 Cable Act directs the FCC to promulgate regulations regarding the sale and acquisition of cable programming between cable operators and programming services in which the cable operator has an attributable interest. The legislation and the subsequent FCC regulations will preclude most exclusive programming contracts, will limit volume discounts that can be offered to affiliated cable operators and will generally prohibit cable programmers from providing terms and conditions to affiliated cable operators that are more favorable than those provided to unaffiliated operators. Furthermore, the 1992 Cable Act requires that such cable programmers make their programming services available to competing video technologies, such as multi-channel, microwave distribution systems and direct broadcast satellite systems on terms and conditions that do not discriminate against such competing technologies.

PROGRAMMING CARRIAGE AGREEMENTS. The 1992 Cable Act requires the FCC to adopt regulations that will prohibit cable operators from (1) requiring ownership of a financial interest in a program service as a condition to carriage of such service, (2) coercing exclusive rights in a programming service or (3) favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete.

OWNERSHIP RESTRICTIONS. The 1992 Cable Act requires the FCC to (1) prescribe rules and regulations establishing reasonable limits on the number of cable subscribers a person is authorized to reach through cable systems owned by such person, or in which such person has an attributable interest; (2) prescribe rules and regulations establishing reasonable limits on the number of channels on a cable system that can be occupied by a video programmer in which a cable operator has an attributable interest and (3) consider the necessity and appropriateness of imposing

limitations on the degree to which multi-channel video programming distributors may engage in the creation or production of video programming. Additionally, cable operators are prohibited from selling a cable system within three years of acquisition or construction of such cable system.

CUSTOMER SERVICE/TECHNICAL STANDARDS. The 1992 Cable Act requires the FCC to promulgate regulations establishing minimum standards for customer service and technical system performance. Franchising authorities are allowed to enforce stricter customer service requirements than the standards so promulgated by the FCC.

The majority of the provisions of the Cable Act remain in place. The Cable Act continues to: (a) restrict the ownership of cable systems by prohibiting cross-ownership by a telephone company within its operating area and cross-ownership by local television broadcast station owners; (b) require cable television systems with 36 or more "activated" channels to reserve a percentage of such channels for commercial use by unaffiliated third parties; (c) permit franchise authorities to require the cable operator to provide channel capacity, equipment and facilities for public, educational and governmental access; (d) limit the amount of fees required to be paid by the cable operator to franchise authorities to a maximum of 5% of annual gross revenues; (e) grant cable operators access to public rights of way and utility easements; (f) establish a federal privacy policy regulating the use of subscriber lists and subscriber information; (g) establish civil and criminal liability for unauthorized reception or interception of programming offered over a cable television system or satellite delivered service; (h) authorize the FCC to preempt state regulation of rates, terms and conditions for pole attachments unless the state has issued effective rules; (i) require the sale or lease to subscribers of devices enabling them to block programming considered offensive and (j) contain provisions governing cable operators' compliance with equal employment opportunity requirements.

The 1992 Cable Act, together with the Cable Act, creates a comprehensive regulatory framework for cable television. Violation by a cable operator of the statutory provisions or the rules and regulations of the FCC can subject the operator to substantial monetary penalties and other significant sanctions. While many of the specific obligations imposed on cable television systems under the 1992 Cable Act are complex, burdensome and will increase KBLCOM's costs of doing business, it is impossible to assess the detailed impact of the 1992 Cable Act, other than the Rate Rule and the Must Carry Rule on KBLCOM.

Telephone companies continue in their efforts to repeal legislative prohibitions against their ownership of cable television systems. At this time, RBOCs are still prohibited by the Cable Act from owning or operating a cable television system within their service areas. However, in a decision rendered in The Chesapeake and Potomac Telephone Company of Virginia, et al. v. United States, et al., No. 92-1751-A, on August 24, 1993, the U. S. District Court for the Eastern District of Virginia ruled that the portion of the Cable Act prohibiting subsidiaries of Bell Atlantic from owning a cable television system within their service areas violated the First Amendment to the United States Constitution. The court, in subsequent rulings, refused to extend its ruling to other RBOCs and refused to stay its decision pending appeal. As a consequence, the Bell Atlantic subsidiaries can engage in the cable television business, including owning cable television systems, despite the Cable Act's language. A final affirmation of the court's decision could result in

additional direct competition for KBLCOM. No prediction can be made at this time concerning the impact, if any, of this decision on KBLCOM and the Company. Any changes to the ownership prohibitions could result in additional direct competition for KBLCOM.

FINANCIAL IMPACT ON KBLCOM. KBLCOM's responses to the Rate Rule included, among other things, restructuring of certain program offerings, a reduction in rates for services regulated according to the Rate Rule and an increase in rates for programming services previously offered in the basic service or cable programming service tier which are not subject to rate regulation and for which fees will be charged on a per-channel basis. KBLCOM estimates that revenues in 1993 from its owned and operated cable systems were reduced by approximately $6.8 million. A large portion of this decrease in revenues is derived from a reduction in revenue from additional outlets. There can be no assurance at this time, however, that the reaction of customers to these changes will continue, and variations in such matters could change the financial impact on KBLCOM. For information regarding the impact of the Cable Act regulations on KBLCOM's financial condition and results of operation, see "KBLCOM - Financial Impact on KBLCOM" in Item 7 of this Report.

EMPLOYEES

Excluding employees of Paragon, KBLCOM had 1,581 full-time employees as of December 31, 1993, none of whom are represented by a union.

As of December 31, 1993, Paragon had 1,820 full-time employees of whom 583 were represented by unions.

BUSINESSES OF OTHER SUBSIDIARIES.

HI ENERGY

HI Energy was recently organized by the Company to participate in domestic and foreign power generation projects and to invest in the privatization of foreign electric utilities. HI Energy is actively engaged in the evaluation of several such projects, but has not yet committed significant financial or other resources to any single project.

HOUSTON ARGENTINA

Houston Argentina, a subsidiary of the Company located in Buenos Aires, Argentina, acquired a 32.5% interest in Compania de Inversiones en Electricidad S.A. (COINELEC), an Argentine holding company which acquired, in December 1992, a 51% interest in Empresa Distribuidora La Plata S.A. (EDELAP), an electric utility company operating in La Plata, Argentina and surrounding areas. Houston Argentina's share of the purchase price was $37.4 million in cash. Subsequent to the acquisition, the generating assets of EDELAP were transferred to Central Dique S.A., an Argentine corporation, 51% of the stock of which is owned by COINELEC. Houston Argentina provides technical and managerial service to EDELAP and Central Dique S.A.

UTILITY FUELS

On October 8, 1993, Utility Fuels, the Company's coal supply subsidiary, was merged into HL&P. The Company's consolidated financial statements have been reclassified, and HL&P's financial statements have been restated to reflect the merger. See Note 1(b) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report. Prior to the merger, Utility Fuels provided coal and lignite purchasing, transportation and handling services to HL&P. For information with respect to HL&P's sources of coal and lignite, see "Business of HL&P - Fuel - Coal and Lignite Supply."

REGULATION OF THE COMPANY.

FEDERAL

1935 ACT. The Company is a holding company as defined in the 1935 Act. It is exempt from regulation under the 1935 Act except with respect to the acquisition of certain voting securities of other domestic public utility companies and holding companies. The Company's exemption is based upon the intrastate character of the operations of its public utility subsidiary, HL&P, and the filing with the SEC of an annual exemption statement pursuant to Section 3(a)(1) of the 1935 Act and Rule 2 thereunder. The SEC is authorized by the 1935 Act and by its own rules to deny or terminate such an exemption upon a determination that it is detrimental to the public interest or to the interest of investors or consumers. Based on past SEC policy, there may be limits on the extent to which the Company and its non-utility subsidiaries may engage in non-utility activity without affecting the Company's exempt status. The Company has no present intention, however, of becoming a registered holding company subject to regulation by the SEC under the 1935 Act.

The Energy Act, which amended the 1935 Act, provides that, subject to certain conditions, foreign utility companies are exempt from the provisions of the 1935 Act and will not be deemed to be "public utility companies" under the 1935 Act. For information with respect to the Energy Act, see "Business of HL&P - Competition" and "Business of HL&P - Regulatory Matters" and Note 8(a) to the Company's and HL&P's Financial Statements in Item 8 of this Report.

STATE

The Company is not subject to regulation by the Utility Commission under PURA or by the incorporated municipalities served by HL&P. Those regulatory bodies do, however, have authority to review accounts, records and contracts relating to transactions by HL&P with the Company and its other subsidiaries. The exemption for foreign utility affiliates of the Company from regulation under the 1935 Act as "public utility companies" is dependent upon certification by the Utility Commission to the SEC to the effect that it has the authority to protect HL&P's ratepayers from any adverse consequences of the Company's investment in foreign utilities and that it intends to exercise its authority. The Utility Commission provided to the SEC such certification at the time of the Company's acquisition of an indirect interest in an Argentine utility company. The certification is subject, however, to being revised or withdrawn by the Utility Commission as to any future acquisition.

EXECUTIVE OFFICERS OF THE COMPANY (1)
AS OF MARCH 1, 1994

Name	Age(2)	Officer Since	Business Experience 1989-1993 and Positions	
Don D. Jordan.....	61	1976	Chairman and Chief Executive Officer and Director	1993-
			Chairman and Chief Executive Officer and Director - HL&P	1989-
			Chairman, President and Chief Executive Officer and Director	1990-1993
			President and Chief Executive Officer and Director	1989-1990
Don D. Sykora.....	63	1977	President and Chief Operating Officer and Director	1993-
			Vice President and Director	1989-1993
			President and Chief Operating Officer and Director - HL&P	1989-1993
Raymond J. Snokhous.....	64	1983	Senior Vice President - Governmental and Regulatory Affairs	1990-
			Group Vice President - External Affairs - HL&P	1989-1990
William A. Cropper.....	54	1983	Vice President and Treasurer	1989-
Lee W. Hogan.....	49	1990	Vice President	1993-
			President and Chief Operating Officer - HI Energy	1993-
			Group Vice President - External Affairs - HL&P	1990-1993
			President and Chief Executive Officer - Greater Houston Partnership	1989-1990
Hugh Rice Kelly.....	51	1984	Vice President, General Counsel and Corporate Secretary	1989-
			Senior Vice President, General Counsel and Corporate Secretary - HL&P	1989-
R. Steve Letbetter.....	45	1978	Vice President	1993-
			President and Chief Operating Officer - HL&P	1993-
			Group Vice President - Finance and Regulatory Relations - HL&P	1989-1993
Stephen W. Naeve.....	46	1988	Vice President - Strategic Planning and Administration	1993-
			Vice President - Corporate Planning and Treasurer - HL&P	1990-1993
			Vice President - Corporate Planning - HL&P	1989-1990
Gary G. Weik.....	47	1989	Vice President	1990-
			President and Chief Operating Officer - KBLCOM	1989-
Mary P. Ricciardello.....	38	1993	Comptroller	1993-
			Assistant Corporate Secretary and Assistant Treasurer - HL&P	1990-1993
			Division Manager - HL&P	1989-1990

(1) All of the officers have been elected to serve until the annual meeting of the Board of Directors scheduled to occur on May 4, 1994 and until their successors qualify.
(2) At December 31, 1993.

EXECUTIVE OFFICERS OF HL&P (1)(2)
AS OF MARCH 1, 1994

Name	Age(3)	Officer Since	Business Experience 1989-1993 and Positions	
Don D. Jordan.....	61	1971	Chairman and Chief Executive Officer and Director	1989-
R. Steve Letbetter.....	45	1978	President and Chief Operating Officer	1993-
			Group Vice President - Finance and Regulatory Relations	1989-1993
William T. Cottle.....	48	1993	Group Vice President - Nuclear	1993-
			Vice President - Operations - Grand Gulf Nuclear Station, Entergy Operations, Inc.	1989-1993
Jack D. Greenwade.....	54	1982	Group Vice President - Operations	1990-
			Senior Vice President and Chief Operating Officer - KBLCOM	1989
Hugh Rice Kelly.....	51	1984	Senior Vice President, General Counsel and Corporate Secretary	1989-
David M. McClanahan.....	44	1986	Group Vice President - Finance and Regulatory Relations	1993-
			Senior Vice President and Chief Financial Officer - KBLCOM	1991-1993
			Vice President, Finance and Administration - KBLCOM	1991
			Vice President and Comptroller - HII	1989-1991
Robert L. Waldrop.....	46	1988	Group Vice President - External Affairs	1993-
			Vice President - Public and Customer Relations	1992-1993
			Vice President - Public Affairs	1989-1992
Ken W. Nabors.....	50	1986	Vice President and Comptroller	1993-
			Comptroller - HII	1990-1993
			Treasurer - HL&P	1989-1990

(1) All of the officers have been elected to serve until the annual meeting of the Board of Directors scheduled to occur on May 4, 1994 and until their successors qualify.
(2) For the purposes of the requirements of this Report, the HL&P officers listed may also be deemed to be executive officers of the Company.
(3) At December 31, 1993.

ITEM 2. PROPERTIES.

The Company considers its property and the property of its subsidiaries to be well maintained, in good operating condition and suitable for their intended purposes.

HL&P

All of HL&P's electric generating stations and all of the other operating property of HL&P are located in the State of Texas.

ELECTRIC GENERATING STATIONS. As of December 31, 1993, HL&P owned eleven electric generating stations (61 generating units) with a combined turbine nameplate rating of 13,425,868 KW, including a 30.8% interest in one station (two units) with a combined turbine nameplate rating of 2,623,676 KW.

SUBSTATIONS. As of December 31, 1993, HL&P owned 204 major substations (with capacities of at least 10.0 Mva) having a total installed rated transformer capacity of 55,257 Mva (exclusive of spare transformers), including a 30.8% interest in one major substation with an installed rated transformer capacity of 3,080 Mva.

ELECTRIC LINES-OVERHEAD. As of December 31, 1993, HL&P operated 24,084 pole miles of overhead distribution lines and 3,569 circuit miles of overhead transmission lines including 534 circuit miles operated at 69,000 volts, 2,005 circuit miles operated at 138,000 volts and 1,030 circuit miles operated at 345,000 volts.

ELECTRIC LINES-UNDERGROUND. As of December 31, 1993, HL&P operated 7,840 circuit miles of underground distribution lines and 12.6 circuit miles of underground transmission lines including 8.1 circuit miles operated at 138,000 volts and 4.5 circuit miles operated at 69,000 volts.

GENERAL PROPERTIES. HL&P owns various properties including division offices, service centers, telecommunications equipment and other facilities used for general purposes.

TITLE. The electric generating plants and other important units of property of HL&P are situated on lands owned in fee by HL&P. Transmission lines and distribution systems have been constructed in part on or across privately owned land pursuant to easements or on streets and highways and across waterways pursuant to authority granted by municipal and county permits, and by permits issued by state and federal governmental authorities. Under the laws of the State of Texas, HL&P has the right of eminent domain pursuant to which it may secure or perfect rights-of-way over private property, if necessary.

The major properties of HL&P are subject to liens securing its long-term debt, and title to some of its properties are subject to minor encumbrances and defects, none of which impairs the use of such properties in the operation of its business.

KBLCOM

The principal tangible assets (other than real estate) relating to KBLCOM's cable television operations consist of operating plant and equipment for each of its cable television systems. These include signal receiving apparatus, "headend" facilities, coaxial and fiber optic cable or wire and related electronic equipment over which programming and data

are distributed, and decoding converters attached to subscribers' television receivers. The signal receiving apparatus typically includes a tower, antennae, ancillary electronic equipment and earth stations for reception of video, audio and data signals transmitted by satellite. Headend facilities, which consist of associated electronic equipment necessary for the reception, amplification, switching and modulation of signals, are located near the signal receiving apparatus and control the programming and data signals distributed on the cable system. For certain information with respect to property owned directly or indirectly by KBLCOM, see "Business of KBLCOM" in Item 1 of this Report.

OTHER SUBSIDIARIES

For certain information with respect to property owned directly or indirectly by the other subsidiaries of the Company, see "Businesses of Other Subsidiaries" in Item 1 of this Report.

ITEM 3. LEGAL PROCEEDINGS.

For a description of certain legal and regulatory proceedings affecting the Company and its subsidiaries, see Notes 9 through 12 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report, which notes are incorporated herein by reference.

In August 1993, HL&P entered into a Consent Agreement with the EPA that resolved three Administrative Orders issued by the EPA in 1991 and 1992 regarding alleged violations of certain provisions of the Clean Water Act at Limestone during the period 1989 through 1992. Pursuant to the Consent Agreement, HL&P, while neither admitting nor denying the allegations contained in the complaint, agreed to pay the EPA $87,500. On August 29, 1991, the EPA issued an Administrative Order related to alleged noncompliance at W. A. Parish. HL&P has taken action to address the issues cited by the EPA and believes them to be substantially resolved at this time.

From time to time, HL&P sells equipment and material it no longer requires for its business. In the past, some purchasers may have improperly handled the material, principally through improper disposal of oils containing PCBs used in older transformers. Claims have been asserted against HL&P for clean-up of environmental contamination as well as for personal injury and property damages resulting from the purchasers' alleged improper activities. Although HL&P has disputed its responsibility for the actions of such purchasers, HL&P has, in some cases, participated in or contributed to the remediation of those sites. Such undertakings in the past have not required material expenditures by HL&P. In 1990, HL&P, together with other companies, participated in the clean-up of one such site. Three suits have been brought against HL&P and a number of other parties for personal injury and property damages in connection with that site and its cleanup. In two of the cases, Dumes, et al. vs. Houston Lighting & Power Company, et al., pending in the United States District Court for the Southern District of Texas, Corpus Christi Division, and Trevino, et al. vs. Houston Lighting & Power Company, et al., pending before the 117th District Court of Nueces County, Texas, landowners near the site are seeking damages primarily for lead contamination to their property. A third lawsuit, Holland vs. Central Power and Light Company, et al., involving an allegation of exposure to PCBs disposed of at the site, was dismissed pursuant to a settlement agreement entered into by the parties in July 1993. The terms of the settlement were not material. In all these cases, HL&P has disputed its responsibility for the actions of the disposal site operator and whether injuries or damages occurred. In addition, Gulf States has filed suit in the United States District Court for the Southern District of Texas, Houston Division, against HL&P and two other utilities concerning another site in Houston, Texas, which allegedly has been contaminated by PCBs and which Gulf States has undertaken to remediate pursuant to an EPA order. Gulf States seeks contribution from HL&P and the other utilities for Gulf States' remediation costs. HL&P does not currently believe that it has any responsibility for that site, and HL&P has not been determined by the EPA to be a responsible party for that site. Discovery is underway in all these pending cases and, although their ultimate outcomes cannot be predicted at this time, HL&P and the Company believe, based on information currently available, that none of these cases will result in a material adverse effect on the Company's or HL&P's financial condition or results of operations.

For information with respect to the EPA's identification of HL&P as a "potentially responsible party" for remediation of a CERCLA site

adjacent to one of HL&P's transmission lines in Harris County, see "Liquidity and Capital Resources - HL&P - Environmental Expenditures" in Item 7 of this Report, which information is incorporated herein by reference.

HL&P and the other owners of the South Texas Project have filed suit against Westinghouse in the District Court for Matagorda County, Texas (Cause No. 90-S-0684-C), alleging breach of warranty and misrepresentation in connection with the steam generators supplied by Westinghouse for the South Texas Project. In recent years, other utilities have encountered stress corrosion cracking in steam generator tubes in Westinghouse units similar to those supplied for the South Texas Project. Failure of such tubes can result in a reduction of plant efficiency, and, in some cases, utilities have replaced their steam generators. During an inspection concluded in the fall of 1993, evidence was found of stress corrosion cracking consistent with that encountered with Westinghouse steam generators at other facilities, and a small number of tubes were found to require plugging. To date, stress corrosion cracking has not had a significant impact on operation of either unit; however, the owners of the South Texas Project have approved remedial operating plans and have undertaken expenditures to minimize and delay further corrosion. The litigation, which is in discovery, seeks appropriate damages and other relief from Westinghouse and is currently scheduled for trial in the fall of 1994. No prediction can be made as to the ultimate outcome of that litigation.

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

There were no matters submitted to a vote of security holders during the fourth quarter of 1993.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock, which at February 1, 1994 was held of record by approximately 70,730 shareholders, is listed on the New York, Chicago (formerly Midwest) and London Stock Exchanges (symbol: HOU). The following table sets forth the high and low sales prices of the Common Stock on the composite tape during the periods indicated, as reported by The Wall Street Journal, and the dividends declared for such periods. Third quarter 1993 includes two quarterly dividends of $.75 per share due to a change in the timing of the Company's Board of Directors' declaration of dividends. Dividend payout was $3.00 per share for 1993. The dividend declared during the fourth quarter of 1993 is payable in March 1994.

	Market Price		Dividend Declared per Share
	High	Low	
1993			
First Quarter			$0.75
January 8		$44 3/4	
February 4	$48 3/4		
Second Quarter			$0.75
April 15	$48 3/8		
June 22		$42 1/2	
Third Quarter			$1.50
July 6		$43 3/8	
August 31	$47 1/8		
Fourth Quarter			$0.75
November 2	$49 3/4		
November 30		$44 3/4	
1992			
First Quarter			$0.74
January 2	$44 3/8		
February 24		$40 1/8	
Second Quarter			$0.74
April 8		$42	
May 5	$44 3/4		
Third Quarter			$0.75
August 3	$46 7/8		
August 26		$43 3/8	
Fourth Quarter			$0.75
October 7		$42 1/2	
December 23	$46 7/8		

On December 31, 1993, the consolidated book value of the Company's common stock was $25.06 per share, and the closing market price was $47.63 per share.

There are no contractual limitations on the payment of dividends on the common stock of the Company or on the common stock of the Company's subsidiaries other than KBL Cable. Restrictions on distributions and other financial covenants in KBL Cable credit agreements and other debt instruments affecting KBL Cable will effectively prevent the payment of common stock dividends by these subsidiaries for the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA OF THE COMPANY

The following table sets forth selected financial data with respect to the Company's consolidated financial condition and consolidated results of operations and should be read in conjunction with the Consolidated Financial Statements and the related notes included elsewhere herein.

	(Thousands of Dollars, except per share amounts) Year Ended December 31,				
	1993	1992	1991	1990	1989
Revenues (1)	$ 4,323,930	$ 4,062,099	$ 3,898,454	$ 3,668,575	$ 3,269,168
Income before cumulative effect of change in accounting	$ 416,036	$ 340,487	$ 416,754	$ 342,789	$ 413,452
Cumulative effect of change in accounting (2)		94,180		(219,718)	
Net income	$ 416,036	$ 434,667	$ 416,754	$ 123,071	$ 413,452
Earnings per share before cumulative effect of change in accounting	$ 3.20	$ 2.63	$ 3.24	$ 2.70	$ 3.32
Cumulative effect of change in accounting (2)		.73		(1.73)	
Earnings per share	$ 3.20	$ 3.36	$ 3.24	$ .97	$ 3.32
Cash dividends declared per common share (3)	$ 3.75	$ 2.98	$ 2.96	$ 2.96	$ 2.96
Return on average common equity	12.8%	13.4%	12.7%	3.6%	11.7%
Ratio of earnings to fixed charges before cumulative effect of change in accounting (4)	2.44	1.99	2.11	1.91	2.19
At Year-End:					
Book value per common share	$ 25.06	$ 25.36	$ 24.96	$ 26.76	$ 29.05
Market price per common share	$ 47.63	$ 45.88	$ 44.25	$ 36.75	$ 35.00
Market price as a percent of book value	190%	181%	177%	137%	120%
At Year-End:					
Total assets (1)	$12,230,177	$12,421,667	$12,171,677	$12,047,506	$11,697,213
Long-term obligations including current maturities (1)(5)	$ 4,465,540	$ 4,984,530	$ 5,302,564	$ 4,972,675	$ 4,986,613
Capitalization:					
Common stock equity	40%	38%	37%	39%	41%
Cumulative preferred stock of HL&P (including current maturities)	7%	7%	5%	7%	6%
Long-term debt (including current maturities)	53%	55%	58%	54%	53%
Capital Expenditures:					
Construction and nuclear fuel expenditures (excluding AFUDC)(1)	$ 329,016	$ 337,082	$ 365,486	$ 355,285	$ 386,789
Cable television additions	54,482	44,306	26,624	31,186	1,339,680
Investment in foreign electric utility	35,796	1,625			

(1) Reflects reclassification for the years 1989-1992 due to the merger of Utility Fuels into HL&P.
(2) The 1990 cumulative effect reflects the effects for years prior to 1990 of the adoption of SFAS No. 109, "Accounting for Income Taxes." The 1992 cumulative effect relates to the change in accounting for revenues. See also Note 19 to the Company's Consolidated and HL&P's Financial Statements.
(3) Year ended December 31, 1993 includes five quarterly dividends of $.75 per share due to a change in the timing of the Company's Board of Directors declaration of dividends. Dividend payout was $3.00 per share for 1993.
(4) Amounts differ from previously reported amounts for 1991 and 1992 because of the reclassification of interest income on ESOP note.
(5) Includes Cumulative Preferred Stock subject to mandatory redemption.

ITEM 6. SELECTED FINANCIAL DATA OF HL&P

The following table sets forth selected financial data with respect to HL&P's financial condition and results of operations and should be read in conjunction with the Financial Statements and the related notes included elsewhere herein.

	(Thousands of Dollars) Year Ended December 31,				
	1993	1992	1991	1990	1989
		(Restated)	(Restated)	(Restated)	(Restated)
Revenues	$ 4,079,863	$ 3,826,841	$ 3,674,543	$ 3,468,682	$ 3,118,735
Income after preferred dividends but before cumulative effect of change in accounting	$ 449,750	$ 375,955	$ 472,712	$ 429,209	$ 477,613
Cumulative effect of change in accounting (1)		94,180			
Income after preferred dividends	$ 449,750	$ 470,135	$ 472,712	$ 429,209	$ 477,613
Return on average common equity	12.3%	13.3%	13.8%	12.8%	14.5%
Ratio of earnings to fixed charges before cumulative effect of change in accounting	3.40	2.73	2.97	2.85	3.14
Ratio of earnings to fixed charges and preferred dividend requirements before cumulative effect of change in accounting	2.90	2.34	2.53	2.40	2.65
At year-end:					
Total assets	$10,753,616	$10,790,052	$10,620,642	$10,475,774	$10,180,897
Long-term obligations including current maturities (2)	$ 3,402,032	$ 3,796,719	$ 4,150,454	$ 4,065,853	$ 4,058,453
Capitalization:					
Common stock equity	50%	47%	44%	43%	43%
Cumulative preferred stock (including current maturities)	7%	7%	6%	8%	8%
Long-term debt (including current maturities)	43%	46%	50%	49%	49%
Construction and nuclear fuel expenditures (excluding AFUDC)	$ 329,016	$ 337,082	$ 365,486	$ 355,285	$ 386,789
Percent of construction expenditures financed internally from operations	158%	137%	126%	60%	82%

(1) The 1992 cumulative effect relates to the change in accounting for revenues. See also Note 19 to HL&P's Financial Statements.
(2) Includes Cumulative Preferred Stock subject to mandatory redemption.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

COMPANY. Selected financial data for Houston Industries Incorporated (Company) is set forth below:

	Year Ended December 31,		
	1993	1992	Percent Change
	(Thousands of Dollars)		
Revenues	$4,323,930	$4,062,099	6
Operating Expenses	3,301,513	3,120,231	6
Operating Income	1,022,417	941,868	9
Other Income	47,882	43,789	9
Interest and Other Charges	423,145	480,561	(12)
Income Taxes	231,118	164,609	40
Net Income	416,036	434,667	(4)

	Year Ended December 31,		
	1992	1991	Percent Change
	(Thousands of Dollars)		
Revenues	$4,062,099	$3,898,454	4
Operating Expenses	3,120,231	2,873,525	9
Operating Income	941,868	1,024,929	(8)
Other Income	43,789	94,481	(54)
Interest and Other Charges	480,561	494,476	(3)
Income Taxes	164,609	208,180	(21)
Net Income	434,667	416,754	4

Consolidated earnings per share were $3.20 for 1993 as compared to $3.36 per share in 1992 and $3.24 per share in 1991. The Company's 1992 earnings were increased by non-recurring items at Houston Lighting & Power Company (HL&P), the Company's electric utility subsidiary, as discussed below. Without these items, the Company's earnings for the year ended 1992 would have been $397.5 million or $3.07 per share. HL&P contributed $3.46 to the 1993 consolidated earnings per share on income of $449.8 million after preferred dividends. KBLCOM Incorporated (KBLCOM), the Company's cable television subsidiary, posted a loss of $13.0 million or $.10 per share. The Company and its other subsidiaries posted a combined loss of $.l6 per share.

Omnibus Budget Reconciliation Act of 1993 (OBRA). As a result of the 1% general corporate income tax rate increase imposed by OBRA, the Company's 1993 results were negatively impacted by $14.3 million. For additional information regarding the effect of OBRA on the Company, see Note 14 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

HL&P. General. Selected financial data for HL&P is set forth below:

	Year Ended December 31,		
	1993	1992	Percent Change
		(Restated)	
	(Thousands of Dollars)		
Revenues	$4,079,863	$3,826,841	7
Operating Expenses.	3,313,577	3,077,771	8
Operating Income	766,286	749,070	2
Other Income (Expense)	2,522	(9,223)	-
Interest Charges	284,585	324,565	(12)
Income After Preferred Dividends	449,750	470,135	(4)

	Year Ended December 31,		
	1992	1991	Percent Change
	(Restated)	(Restated)	
	(Thousands of Dollars)		
Revenues	$3,826,841	$3,674,543	4
Operating Expenses	3,077,771	2,886,768	7
Operating Income	749,070	787,775	(5)
Other Income (Expense)	(9,223)	58,318	-
Interest Charges	324,565	327,194	(1)
Income After Preferred Dividends	470,135	472,712	(1)

The decline in earnings from 1992 to 1993 was primarily due to the effect of nonrecurring items during 1992, which had the net effect of increasing 1992 earnings. Earnings for 1992 included $142.7 million of pre-tax income associated with the adoption of a change in accounting principle reflecting a change in the timing of recognition of revenue from electricity sales (unbilled revenues), and a one-time, pre-tax charge of $86.4 million related to HL&P's restructuring of operations as a result of the implementation of the Success Through Excellence in Performance (STEP) program discussed below. Excluding these two nonrecurring items, earnings for 1992 would have been $433.0 million. For a further discussion on HL&P's restructuring of operations and its change in accounting method for revenues, see Notes 18 and 19, respectively, to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

Earnings for 1993 were positively affected by an increase in kilowatt-hour (KWH) sales due to warmer weather compared to 1992, and the addition of approximately 23,000 customers during the year. Earnings for 1992 when compared to 1991 were negatively impacted by a decrease in KWH sales and the one-time charge related to HL&P's STEP program as discussed below. The decrease in KWH sales is primarily due to substantially milder weather than in 1991, partially offset by the addition of approximately 22,000 customers during 1992.

HL&P's results of operations are significantly affected by decisions of the Public Utility Commission of Texas (Utility Commission) in connection with rate increase applications filed prior to 1991 by HL&P relating to, among other things, the commercial operation for the South

Texas Project Electric Generating Station (South Texas Project). These decisions are discussed in Notes 9 and 10 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

OBRA. As a result of the 1% general corporate income tax rate increase imposed by OBRA, HL&P's 1993 results were negatively impacted by $8.0 million. For additional information regarding the effect of OBRA on HL&P, see Note 14 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

Operating Revenue and Sales. Electric operating revenue for 1993 increased 6.6% primarily due to increased KWH sales in all three major customer categories, excluding interruptible. Residential and commercial KWH sales increased 3.5% and 4.3%, respectively, due to warmer weather and a 1.7% increase in number of customers. Firm industrial KWH sales increased 1.3%. As a result of these increased sales, base revenues were $70 million higher in 1993 compared to the previous year. Electric operating revenue for 1992 increased 4.1% over 1991. This was due to a rate increase effective in May 1991 that reflected recovery of costs previously deferred, partially offset by a decrease in fuel revenue and lower KWH sales. Residential KWH sales in 1992 decreased 3.6% from 1991 due to substantially milder weather, while commercial and firm industrial KWH sales in 1992 were almost unchanged compared to 1991 levels. The negative effect of the mild weather in 1992, partially offset by a 1.6% increase in number of customers, resulted in a decrease in base revenues of approximately $100 million compared to 1991.

Fuel and Purchased Power Expense. Fuel expense for 1993 was $148.3 million higher than the 1992 level (an increase of 16.2%), primarily due to increases in the utilization and unit cost of gas, partially offset by decreases in the unit cost of all other fuels used in 1993. Purchased power expense increased $29.1 million due to higher fuel costs and escalating capacity charges paid to cogenerators. The average cost of fuel used by HL&P during 1993 was $1.95 per million British Thermal Units (MMBtu) compared to $1.71 per MMBtu in 1992. The combined cost of fuel used by HL&P and the fuel portion of purchased power was 2.05 cents per KWH in 1993, up from 1.84 cents per KWH in 1992. The increased fuel costs reflect in part the use of non-nuclear sources of fuel during the outage of Unit Nos. 1 and 2 of the South Texas Project, which outage covered substantially all of 1993. For additional information regarding the outage of Unit Nos. 1 and 2 of the South Texas Project, see Note 9(f) and Note 10(g) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report. Fuel expense for 1992 increased $32.6 million over the 1991 level due to the higher unit cost of fuel resulting from higher natural gas prices, partially offset by the lower unit cost of coal and increased generation from nuclear and coal units. The average cost of fuel used by HL&P during 1992 was $1.71 per MMBtu compared to $1.61 per MMBtu in 1991. The combined cost of fuel used by HL&P and the fuel portion of purchased power was 1.84 cents per KWH in 1992, up from 1.74 cents per KWH in 1991. Purchased power expense increased $42.4 million due to increased usage and escalating capacity charges paid to cogenerators.

STEP Program. In January 1992, HL&P offered certain employees a voluntary early retirement plan and announced a severance plan for those employees affected by recommended changes to HL&P's workforce under its STEP program. Approximately 500 employees accepted the early retirement offer, and an additional 1,100 positions were eliminated. Affected employees were released and offered the severance package. Various legal proceedings, which the Company and HL&P believe to be immaterial and

without merit, have been filed by some former employees of HL&P under federal and state laws seeking damages alleged to have been caused by the STEP program. There can be no assurance that additional proceedings asserting labor related claims will not be filed. The Company and HL&P believe that the resolution of such proceedings will not have a material adverse impact on the Company's or HL&P's financial position or results of operations.

Operation and Maintenance Expenses, Depreciation and Amortization, Other Taxes and Interest. Electric operation and maintenance expenses, increased $55.1 million and $33.1 million, respectively, in 1993. This is primarily due to (i) the recognition of postretirement benefit costs (pursuant to the adoption of Statement of Financial Accounting Standards (SFAS) No. 106 on January 1, 1993), (ii) costs related to the sale of receivables, and (iii) higher production plant operation and maintenance costs. Electric operating expenses in 1992 decreased $28.9 million from 1991 primarily due to savings resulting from the restructuring of operations as discussed above. Maintenance expenses increased $25.4 million due to increases in production, transmission, and distribution maintenance expenses.

Depreciation and amortization expense in 1993 was $14.1 million higher than the 1992 level primarily due to an increase in depreciable property and the additional amortization, beginning in January 1993, of project costs related to the Malakoff Electric Generating Station (Malakoff). For information regarding Malakoff, see Note 12 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report. These increases were partially offset by the cessation of property loss amortization in 1993. Depreciation and amortization expense for 1992 was $21.1 million higher than the 1991 level which was primarily due to the increase in depreciable property and the amortization of deferred plant costs related to the South Texas Project that commenced when new rates were implemented in May 1991.

Other taxes decreased $22.1 million in 1993 primarily due to state franchise tax refunds totaling approximately $33 million, partially offset by increased property taxes due to increased tax rates. Other taxes increased $39.4 million in 1992, reflecting an increase in state franchise tax due to a new required method of calculating franchise taxes, the positive effects of a state franchise tax refund in 1991, and higher property taxes in 1992 due to increased tax rates and assessments.

Interest on long-term debt was $35.2 million lower in 1993 compared to 1992 because of refinancing activities and the reduction of long-term debt (see "Liquidity and Capital Resources"). Other interest expense decreased $7.2 million in 1993 due to the reduction of intercompany borrowings and on fuel cost under-recoveries. Interest income decreased $11.1 million in 1992 compared to 1991 primarily due to interest received in 1991 on a refund of prior years' income taxes. Interest on long-term debt was $15.5 million lower in 1992 compared to 1991 because of refinancing activities and the reduction of long-term debt (see "Liquidity and Capital Resources"). Other interest expense decreased $21.7 million in 1992 compared to 1991 due to the reduction of interest on commercial paper and on fuel cost over-recoveries in 1992, and because interest was paid in 1991 on a payment of prior years' income taxes.

Rate Proceedings. On February 23, 1994, an administrative law judge (ALJ) of the Utility Commission concluded that a proceeding should be conducted under Section 42 of the Texas Public Utility Regulatory Act of 1975, as amended, with respect to whether HL&P's existing rates are unjust

and unreasonable. Although the ALJ acknowledged that the decision was a close one, and subject to the review of the Utility Commission, he concluded that information concerning HL&P's financial results as of December 1992 indicated that HL&P's adjusted revenues could be approximately $62 million (or 2.33% of its adjusted base revenues) more than might be authorized in a current rate proceeding. The ALJ's conclusion was based on various accounting considerations, including use of a different treatment of federal income tax expense than the method utilized in HL&P's last rate case. For additional information regarding the ALJ's decision and a possible proceeding to review HL&P's rate levels, see Note 10(f) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

United States Nuclear Regulatory Commission (NRC) Diagnostic Evaluation of the South Texas Project. On June 25, 1993, the NRC announced that the South Texas Project had been placed on its "watch list" of plants with "weaknesses that warrant increased NRC attention." The announcement was made following the issuance of a report on the South Texas Project by the NRC's Diagnostic Evaluation Team (DET) which had been sent to review the South Texas Project in the spring of 1993. For a further discussion of the NRC diagnostic evaluation of the South Texas Project, see Note 9(f) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report. HL&P estimates that its share of the non-fuel expenditures associated with the DET inspection and certain corrective actions taken at the South Texas Project was approximately $35 million above previously budgeted amounts for 1993. It is expected that, subsequent to 1993, operation and maintenance costs will continue to be higher than previous levels in order to support initiatives developed in 1993.

KBLCOM. General. KBLCOM experienced a net loss of $13.0 million in 1993 compared to net losses of $21.2 million in 1992 and $57.4 million in 1991. Cable television systems owned by KBL Cable, Inc. (KBL Cable), which are located in four states, served approximately 605,000, 577,000, and 559,000 basic subscribers at December 31, 1993, 1992 and 1991, respectively. For business segment information, see Note 16 to the Company's Consolidated Financial Statements in Item 8 of this Report.

KBLCOM's future earnings outlook is dependent, to a large degree, on the success of its marketing programs to increase basic subscribers and premium programming services, its success in marketing other services, such as advertising and pay-per-view, and the general economic conditions in the areas it serves. In addition, the cable television industry in general, including KBLCOM, is faced with various uncertainties including the impact of recent regulation of basic service rates by municipalities, the potential entry of telephone companies into the cable business and increased competition from other entities. Recent changes to the legislative and regulatory environment in which the cable television industry operates could limit KBLCOM's ability to increase prices charged for cable television services in the future. See "1992 Cable Act" below.

Because the Paragon Communications (Paragon) partnership is accounted for under the equity method of accounting, the following discussion of operating revenues and sales, and depreciation and interest expense results relate only to KBL Cable and its subsidiaries.

Operating Revenues and Sales. In 1993, revenues were $244.1 million, an increase of 3.7% over 1992. Revenues increased 5.1% in 1992 as compared to 1991. Gross operating margin (revenues less operating expenses, exclusive of depreciation and amortization) grew to $95.7

million in 1993, an increase of .8% over 1992. Gross operating margin increased 12.4% in 1992 over the prior year. The operating margin for 1993 was 39.2%, compared to 40.4% for 1992 and 37.7% for 1991. Cable television revenues were favorably impacted by the addition of 28,000 basic subscribers in 1993, an increase of 4.8%, and by the addition of approximately 18,000 basic subscribers in 1992, an increase of approximately 3.2%.

Basic service revenues increased $5.4 million or 3.4% and $10.6 million or 7.2% in 1993 and 1992, respectively, as compared to the prior years. Basic service revenue increases are due primarily to additional customers. However, the increase in 1993 basic service revenues was partially offset by a reduction in basic rates effective on September 1, 1993 implemented as a result of the Cable Television Consumer Protection and Competition Act of 1992 (1992 Cable Act). See "1992 Cable Act" below.

Ancillary service revenues increased significantly in 1993 and 1992. Advertising revenues and other revenues including installation fees increased $3.2 million or 11.8% in 1993 from the prior year. In 1992, these same revenue categories increased $5.5 million or 24.9% over the previous year. The increases in both years are due primarily to increased advertising sales and higher installation and other related transaction fees. Pay-per-view revenues were approximately the same in 1993 as in 1992. Pay-per-view revenues declined in 1992 as compared to the prior year by $1.2 million or 10.5%. This decrease was primarily due to the lack of major pay-per-view sporting events in 1992.

The 1993 premium revenues were approximately the same as in 1992, ending a long decline in this revenue category. Premium service revenues for 1992 were down $3.5 million or 8.3% compared to 1991, due to a decline in unit prices.

KBLCOM estimates that its revenues in 1993 from its owned and operated cable systems were reduced by approximately $6.8 million as a result of the 1992 Cable Act. A large portion of this decrease in revenues was derived from a reduction in revenue from additional outlets.

Depreciation and Interest Expense. Depreciation and amortization increased $2.3 million or 3.0% in 1993 over 1992 and $5.1 million or 7.3% in 1992 over 1991. The increases in both years were due primarily to asset additions.

In 1993, interest expense decreased $18.7 million or 26.8% due to reduced interest rates and lower debt balances. The Company recapitalized KBLCOM to reduce the amount of debt in its capital structure. As part of this restructuring, the Company contributed $177.3 million of equity which was used to reduce KBLCOM's indebtedness. This restructuring increased KBLCOM's equity, reduced the financial risks associated with indebtedness and increased KBLCOM's financial flexibility.

Interest expense decreased $18.1 million or 20.5% in 1992 when compared to the prior year due to lower interest rates and lower debt balances resulting from the conversion, in March 1992, of $117 million of intercompany loans to common stock equity. This debt conversion, which accounted for $5.4 million of the decrease in interest expense, does not affect consolidated earnings.

OBRA. As a result of the 1% general corporate income tax rate increase imposed by OBRA, KBLCOM's 1993 results were negatively impacted by $6.8 million.

Paragon Partnership. A subsidiary of KBLCOM owns a 50% interest in Paragon, a Colorado partnership, which, in turn, owns cable television systems that served approximately 932,000, 901,000 and 865,000 basic cable customers in seven states as of December 31, 1993, 1992 and 1991, respectively. Paragon's revenues were favorably impacted in 1993 and 1992 by the addition of approximately 31,000 and 36,000 basic subscribers, respectively. This represents an increase in subscribers of 3.4% and 4.2% for 1993 and 1992, respectively. KBLCOM's 1993 equity interest in the pre-tax earnings of Paragon was $32.2 million compared to $24.9 million and $10.3 million for 1992 and 1991, respectively. The increase in both of these years was due to increased revenue, improved operating margins and reduced interest expense at Paragon, partially offset in 1993 by the impact of the 1992 Cable Act.

1992 Cable Act. In October 1992, the 1992 Cable Act became law. The 1992 Cable Act significantly revised various provisions of the Cable Communications Policy Act of 1984. The 1992 Cable Act provides that the Federal Communications Commission (FCC) will set guidelines for retail prices on basic cable service, which includes network broadcast stations and educational, public and governmental access channels. Local governments will regulate retail prices for basic service based on the FCC's guidelines. The 1992 Cable Act also requires that the FCC, upon complaint from a franchising authority or a cable subscriber, review the reasonableness of rates for additional tiers consisting of cable programming services. Only rates for premium pay channels, single event pay-per-view services and a la carte (pay-per-channel) services are excluded entirely from rate regulation. Prior to the release of its rate regulation rules (Rate Rule), the FCC entered an order, effective April 5, 1993, freezing rates for all cable television services, other than premium and pay-per-view services which was subsequently extended by the FCC through May 15, 1994. The 1992 Cable Act also requires cable programmers to license their services on a fair basis to cable competitors, such as direct broadcast satellite and wireless distribution systems. In addition, at the option of the broadcasters, cable operators will be required to obtain the permission of, and potentially pay a charge to, local broadcast television affiliates to retransmit their programming to cable customers.

In February 1994, the FCC announced further changes in the Rate Rule and announced its interim cost-of-service standards (Interim COS Standards). The FCC will issue revised benchmark formulas which will produce lower benchmarks, effective May 15, 1994 (Revised Benchmarks). It is impossible to assess the detailed impact of the revised Rate Rule and Interim COS Standards on KBLCOM or Paragon until the FCC completes and issues the actual text of its rules on the Revised Benchmarks.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW. The Company's cash requirements stem primarily from operating expenses, capital expenditures, payment of common stock dividends, payment of preferred stock dividends, and interest and principal payments on debt. Net cash provided by operating activities totaled $1.2 billion in 1993.

Net cash used in investing activities in 1993 totaled $460.4 million, primarily due to electric capital expenditures of $332.8 million

(including Allowance for Funds Used During Construction (AFUDC)), cable television additions and investments of $60 million, and an investment in a foreign electric utility of $35.8 million.

Financing activities for 1993 resulted in a net cash outflow of $801.7 million. The Company's primary financing activities were the payment and extinguishment of long-term debt, the payment of dividends and HL&P's issuance of long-term debt.

The liquidity and capital requirements of the Company and its subsidiaries are affected primarily by capital programs and debt service requirements. The capital requirements for 1993, and as estimated for 1994 through 1996, are as follows:

	Millions of Dollars			
	1993	1994	1995	1996
Utility construction and nuclear fuel (excluding AFUDC)	$329	$478	$381	$ 418
Cable television additions	54	77	110	89
Other cable-related investments	6	95	1	2
Other capital improvements		42	71	19
Investment in foreign electric utility	36			
Maturities of long-term debt, preferred stock and minimum capital lease payments	338	55	66	476
Total	$763	$747	$629	$1,004

For a discussion of the Company's commitments for capital expenditures, see Note 8 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

THE COMPANY. Sources of Capital Resources and Liquidity. The Company has consolidated its financing activities in order to provide a coordinated, cost-effective method of meeting short and long-term capital requirements. As part of the consolidated financing program, the Company has established a "money fund" through which its subsidiaries can borrow or invest on a short-term basis. The funding requirements of individual subsidiaries are aggregated and borrowing or investing is conducted by the Company based on the net cash position. Net funding requirements are met with borrowings under the Company's commercial paper program except that HL&P's borrowing requirements are generally met with HL&P's commercial paper program. As of December 31, 1993, the Company had a bank credit facility of $500 million (exclusive of bank credit facilities of subsidiaries), which was used to support its commercial paper program. At December 31, 1993, the Company had approximately $420 million of commercial paper outstanding. Rates paid by the Company on its short-term borrowings are generally lower than the prime rate. Subsequent to December 31, 1993, the Company's bank line of credit was increased to $600 millon.

The Company has registered with the Securities and Exchange Commission (SEC) $250 million principal amount of debt securities which remain unissued. Proceeds from any sales of these debt securities are expected to be used for general corporate purposes including investments in and loans to subsidiaries.

The Company also has registered with the SEC five million shares of its common stock. Proceeds from the sale of these securities will be used for general corporate purposes, including, but not limited to, the

redemption, repayment or retirement of outstanding indebtedness of the Company or the advance or contribution of funds to one or more of the Company's subsidiaries to be used for their general corporate purposes, including, without limitation, the redemption, repayment or retirement of indebtedness or preferred stock.

Employee Stock Ownership Plan (ESOP). In October 1990, the Company amended its existing savings plan to add an ESOP component to the plan. The ESOP component of the plan allows the Company to satisfy a portion of its obligations to make matching contributions under the plan. The ESOP trustee purchased shares of the Company's common stock in open market transactions with funds provided by loans from the Company and completed the purchase of stock under the ESOP in December 1991 after purchasing 9,381,092 shares at a cost of $350 million. As the ESOP loans are repaid by the ESOP trustee over a period of up to 20 years, the common stock purchased for the plan will be allocated to the participants' accounts. The loans will be repaid with dividends on the common stock in, and Company contributions to, the plan. The loans to the plan were funded initially by the Company from short-term borrowings which have been refinanced with long-term debt. At December 31, 1993, the balance of the ESOP loans was approximately $332 million. For a further discussion, see Note 7(b) to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

Houston Argentina. Houston Argentina S. A. (Houston Argentina), a subsidiary of the Company, owns a 32.5% interest in Compania de Inversiones en Electricidad S. A. (COINELEC), an Argentine holding company which acquired, in December 1992, a 51% interest in Empresa Distribuidora La Plata S. A. (EDELAP), an electric utility company operating in La Plata, Argentina and surrounding regions. Houston Argentina's share of the purchase price was approximately $37.4 million, of which $1.6 million was paid in December 1992 with the remainder paid in March 1993. Subsequent to the acquisition, the generating assets of EDELAP were transferred to Central Dique S. A., an Argentine corporation, 51% of the stock of which is owned by COINELEC.

HL&P. HL&P's cash requirements stem primarily from operating expenses, capital expenditures, payment of common stock dividends, payment of preferred stock dividends, and interest and principal payments on debt. HL&P's net cash provided by operating activities for 1993 totaled approximately $1.1 billion.

Net cash used in HL&P's investing activities for 1993 totaled $345.9 million.

HL&P's financing activities for 1993 resulted in a net cash outflow of $782.4 million. Included in these activities were the payment of dividends, the payment and extinguishment of long-term debt and redemption of preferred stock, partially offset by the issuance of long-term debt. For information with respect to these matters, see Notes 3 and 4 to the Company's Consolidated and HL&P's Financial Statements in Item 8 of this Report.

Capital Program. HL&P's construction and nuclear fuel expenditures (excluding AFUDC) for 1993 totaled $329 million, which was below the authorized budgeted level of $345 million. Estimated expenditures for 1994, 1995 and 1996 are $478 million, $381 million and $418 million, respectively. Maturities of long-term debt and preferred stock with mandatory redemption provisions and capital leases for this same period include $45 million in 1994, $50 million in 1995 and $200 million in 1996.

HL&P's construction program for the next three years is expected to relate to costs for production, transmission, distribution, and general plant. HL&P began construction of the E.I. du Pont de Nemours Company (DuPont) project in 1993 in order to provide generating capacity in 1995. The DuPont project is based on a contractual agreement between HL&P and DuPont, whereby HL&P will construct, own, and operate two 80 megawatt gas turbine units located at DuPont's LaPorte, Texas facility. The project will supply DuPont with process steam while all electrical energy will be used in the HL&P system. HL&P's capital program is subject to periodic review and portions may be revised from time to time due to changes in load forecasts, changing regulatory and environmental standards and other factors.

Financing Activities. In January 1993, HL&P repaid at maturity $136 million aggregate principal amount of its 9 3/8% first mortgage bonds.

In March 1993, HL&P issued $250 million principal amount of 7 3/4% first mortgage bonds due 2023 and $150 million principal amount of 6.10% collateralized medium-term notes due 2000. In April 1993, HL&P issued $150 million principal amount of 6.50% collateralized medium-term notes due 2003. Proceeds of the offerings were used to provide funds for the purchases and redemptions of HL&P's first mortgage bonds (including those series described below) and for general corporate purposes, including the repayment of short-term indebtedness of HL&P.

In April 1993, HL&P purchased the following first mortgage bonds pursuant to tender offers for any and all bonds of such series:

Series	Principal Amount	Price as a Percent of Principal Amount
8 3/4% due March 1, 2005	$24,026,500	101.355%
8 3/8% due October 1, 2006	$74,526,500	101.093%
8 3/8% due October 1, 2007	$72,435,000	101.353%
8 1/8% due February 1, 2004	$45,955,000	101.821%

In April 1993, HL&P called for redemption the remaining $18,220,500 of its 8 3/4% first mortgage bonds due 2005 at 100.61% of their principal amount, the remaining $50,473,500 of its 8 3/8% first mortgage bonds due 2006 at 100.38% of their principal amount, the remaining $52,565,000 of its 8 3/8% first mortgage bonds due 2007 at 100.64% of their principal amount, the remaining $54,045,000 of its 8 1/8% first mortgage bonds due 2004 at 101.13% of their principal amount, the outstanding $50,000,000 of its 7 1/2% first mortgage bonds due 2001 at 100.85% of their principal amount and the outstanding $30,000,000 of its 7 1/2% first mortgage bonds due 1999 at 100.68% of their principal amount. Approximately $263 million deposited in the Replacement Fund in March 1993 was applied to the May 1993 redemption of these bonds.

In June 1993, HL&P redeemed 400,000 shares of its $8.50 cumulative preferred stock at $100 per share pursuant to sinking fund provisions.

In July 1993, HL&P issued $200 million principal amount of 7 1/2% first mortgage bonds due 2023. Proceeds were used to provide funds for the redemption of HL&P's first mortgage bonds referenced in the following paragraph and the repayment of approximately $80 million aggregate

principal amount of intercompany debt owed to the Company, which was assumed by HL&P upon the merger of Utility Fuels, Inc. into HL&P.

In October 1993, HL&P redeemed, at 106.57% of their principal amount, $390,519,000 aggregate principal amount of its 9% first mortgage bonds due 2017.

In December 1993, the Brazos River Authority (BRA) and the Gulf Coast Waste Disposal Authority (GCWDA) issued on behalf of HL&P $100,165,000 aggregate principal amount of revenue refunding bonds collateralized by HL&P's first mortgage bonds. The BRA issuance of $83,565,000 principal amount has an interest rate of 5.6% and matures in 2017. The GCWDA issuance of $16,600,000 principal amount has an interest rate of 4.9% and matures in 2003. Proceeds were used in 1994 to redeem, at 102% of their aggregate principal amount, $83,565,000 principal amount of pollution control revenue bonds previously issued on behalf of HL&P by the BRA and, at 100% of their aggregate principal amount, $16,600,000 principal amount of pollution control revenue bonds previously issued on behalf of HL&P by the GCWDA.

Sources of Capital Resources and Liquidity. HL&P expects to finance its capital program for the period 1994-1996 with funds generated internally from operations.

HL&P has registered with the SEC $230 million aggregate liquidation value of preferred stock and $580 million aggregate principal amount of debt securities that may be issued as first mortgage bonds and/or as debt securities collateralized by first mortgage bonds. Proceeds from the sales of these securities are expected to be used for general corporate purposes including the purchase, redemption (to the extent permitted by the terms of the outstanding securities), repayment or retirement of outstanding indebtedness or preferred stock of HL&P.

HL&P's interim financing requirements are met through the issuance of short-term debt, primarily commercial paper. At December 31, 1993, HL&P had outstanding commercial paper of approximately $171 million, which was supported by a bank credit facility of $250 million. Subsequent to December 31, 1993, HL&P's line of credit was increased to $400 millon.

HL&P's capitalization at December 31, 1993 was 43% long-term debt, 7% preferred stock and 50% common equity.

Environmental Expenditures. In November 1990, the Clean Air Act was extensively amended by Congress. HL&P has already made an investment in pollution control facilities, and all of its generating facilities currently comply in all material respects with sulfur dioxide emission standards established by the statute. Provisions of the Clean Air Act dealing with urban air pollution required establishing new emission limitations for nitrogen oxides from existing sources. The cost of modifications necessary to reduce nitrogen oxide emissions from existing sources has been estimated at $29 million in 1994 and $10.5 million in 1995. In addition, continuous emission monitoring regulations are anticipated to require expenditures of $12 million in 1994 and $2 million in 1995. Capital expenditures are expected to total $71 million for the years 1994 through 1996.

The United States Environmental Protection Agency (EPA) has identified HL&P as a "potentially responsible party" for the costs of remediation of a Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) site located adjacent to one of HL&P's transmission

lines in Harris County. Although HL&P did not contribute waste to or operate the site, the party primarily responsible for contributing waste to the site and possibly other potentially responsible parties have alleged that waste disposal pits dug by the site operator encroach onto HL&P's property and therefore HL&P is responsible as a site owner. Although HL&P admits that it owns an adjacent strip of land onto which substances from the site appear to have migrated, it denies that it ever owned the strip of land containing the pits. In June 1993, a Galveston County District Court entered a final judgment to the effect that HL&P did not own the disputed strip of land. In October 1992, the EPA issued an Administrative Order to HL&P and several other companies purporting to require those parties to implement the management of migration remediation at the site. A related Administrative Order had been issued in June 1990. Neither the EPA nor any other responsible party has presented HL&P with a claim for a share of costs for the management of the migration remediation design or operation. However, in the event HL&P were ultimately held to be a responsible party for the remediation of this site and if other responsible parties do not complete the management of migration remediation, CERCLA provides for substantial remedies that could be pursued by the United States, including substantial fines, punitive damages and treble damages for costs incurred by the United States in completing such remediation. The aggregate potential clean-up costs for the entire site have been estimated to be approximately $80 million. Although no prediction can be made at this time as to the ultimate outcome of this matter, in light of all the circumstances, the Company and HL&P do not believe that any costs that HL&P incurs in this matter will have a material adverse effect on the Company's or HL&P's financial condition or results of operations.

KBLCOM. KBLCOM's cash requirements stem primarily from operating expenses, capital expenditures, and interest and principal payments on debt. KBLCOM's net cash provided by operating activities was $13.9 million in 1993.

Net cash used in KBLCOM's investing activities for 1993 totaled $61.9 million, primarily due to property additions which approximated $54.5 million. These amounts were financed principally through internally generated funds and intercompany advances. A substantial portion of KBLCOM's 1994-1996 capital requirements is expected to be met through internally generated funds. It is expected that any shortfall will be met through intercompany borrowings.

KBLCOM's financing activities for 1993 resulted in a net cash inflow of $47.9 million. Included in these activities were the reduction of third party debt, proceeds from additional paid-in capital and an increase in borrowings from the Company.

Financing Activities. In the first quarter of 1993, KBL Cable repaid $6.4 million principal amount of its senior notes and senior subordinated notes. In the second and third quarters of 1993, KBL Cable repaid borrowings under its senior bank credit facility in the amounts of $15 million and $56 million, respectively. These repayments were partially offset by $20 million in additional borrowing under the senior bank credit facility during the first quarter of 1993.

In the first quarter of 1993, KBLCOM prepaid $167.3 million of senior bank debt funded with proceeds from the Company's additional equity investment. The Company obtained the funds for such investment from the sale of commercial paper. This KBLCOM debt was included in current portion of long-term debt and preferred stock at December 31, 1992 on the Company's Consolidated Balance Sheets.

Sources of Capital Resources and Liquidity. In the first quarter of 1993, KBLCOM reduced its outstanding indebtedness by approximately $153.7 million. This was accomplished through an equity investment of approximately $167.3 million from the Company (funded with proceeds from the sale of commercial paper by the Company) and offset by net additional borrowing of $13.6 million. In the second quarter of 1993, the Company made capital contributions to KBLCOM aggregating approximately $114.3 million. The capital contributions included KBL Cable senior notes aggregating approximately $29 million and KBL Cable senior subordinated notes aggregating approximately $36 million that had been previously acquired by the Company. The Company contributed such notes to KBLCOM which, in turn, contributed such notes to KBL Cable, a subsidiary of KBLCOM which retired and canceled the notes. The balance of the capital contributions resulted from the conversion to equity of intercompany debt payable by KBLCOM to the Company. The capital contributions will have no impact on the consolidated earnings of the Company.

Additional borrowing under KBL Cable's bank facility is subject to certain covenants which relate primarily to the maintenance of certain financial ratios, principally debt to cash flow and interest coverages. KBL Cable presently is in compliance with such covenants. Cash requirements for 1994 are expected to be met through intercompany borrowing and contributions, internally generated funds, and borrowing under existing credit lines of KBLCOM's subsidiaries. At December 31, 1993, KBL Cable had $108.5 million available for borrowing under its bank facility. The line of credit has scheduled reductions in March of each year until it is eliminated in March 1999.

Recent Developments. The Company has engaged an investment banking firm to assist in finding a strategic partner or investor for KBLCOM in the telecommunications industry.

On February 17, 1994, KBLCOM entered into an agreement to acquire three cable companies serving approximately 47,000 customers in the Minneapolis area. KBLCOM will acquire the stock of the companies in exchange for the issuance of common stock of the Company. The amount of common stock of the Company to be issued, currently estimated to be approximately $24 million, is dependent on the amount of liabilities assumed, currently estimated to be approximately $63 million.

Approximately 40,000 of the cable customers served by the properties to be acquired are in the Minneapolis metropolitan area. The remaining 7,000 customers are located in small communities south and west of the metropolitan area. Closing of the transaction is subject to the satisfaction of certain conditions.

HOUSTON INDUSTRIES FINANCE. During 1992, Houston Industries Finance, Inc. (Houston Industries Finance) purchased accounts receivable of HL&P and of certain KBLCOM subsidiaries. In January 1993, Houston Industries Finance sold the receivables back to the respective subsidiaries. HL&P is now selling its accounts receivable and most of its accrued unbilled revenues to a third party. As of January 12, 1993, Houston Industries Finance ceased operations and its $300 million bank revolving credit facility and related commercial paper program were terminated. The subsidiary was merged into the Company effective June 8, 1993.

NEW ACCOUNTING PRONOUNCEMENTS

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This

accounting standard, effective for fiscal years beginning after December 15, 1993 requires companies to recognize the liability for benefits provided to former or inactive employees, their beneficiaries and covered dependents after employment but before retirement. Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including worker's compensation), job training and counseling, and continuation of benefits such as health care and life insurance. The Company will adopt SFAS No. 112 in 1994. The transition obligation of approximately $20 million will be expensed upon adoption and reported similar to the cumulative effect of a change in accounting principle. The Company estimates that benefit costs for 1994 (exclusive of the transition obligation) will be approximately $1 million over the expected pay-as-you-go amount.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME
(THOUSANDS OF DOLLARS)

	Year Ended December 31,		
	1993	1992	1991
REVENUES:			
Electric	$ 4,079,863	$ 3,826,841	$ 3,674,543
Cable television	244,067	235,258	223,911
Total	4,323,930	4,062,099	3,898,454
EXPENSES:			
Electric:			
Fuel	1,063,050	914,732	882,114
Purchased power	515,502	486,414	444,040
Operation and maintenance	898,535	810,379	813,821
Taxes other than income taxes	211,295	233,439	194,069
Deferred expenses			(22,973)
Restructuring		86,431	
Cable television operating expenses	148,325	140,242	139,406
Depreciation and amortization	464,806	448,594	423,048
Total	3,301,513	3,120,231	2,873,525
OPERATING INCOME	1,022,417	941,868	1,024,929
OTHER INCOME (EXPENSE):			
Allowance for other funds used during construction	3,512	6,169	5,749
Deferred return under phase-in plan			38,758
Regulatory adjustment related to prior year's disallowed plant costs			14,483
Equity in income of cable television partnerships	31,979	24,871	10,672
Interest income	33,357	34,361	39,010
Other - net	(20,966)	(21,612)	(14,191)
Total	47,882	43,789	94,481
FIXED CHARGES:			
Interest on long-term debt	380,089	428,152	447,701
Other interest	12,364	19,273	41,332
Allowance for borrowed funds used during construction	(3,781)	(6,191)	(10,049)
Deferred carrying costs			(30,695)
Preferred dividends of subsidiary	34,473	39,327	46,187
Total	423,145	480,561	494,476
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR REVENUES	647,154	505,096	624,934
INCOME TAXES	231,118	164,609	208,180
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR REVENUES	416,036	340,487	416,754
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR REVENUES (NET OF INCOME TAXES OF $48,517)		94,180	
NET INCOME	$ 416,036	$ 434,667	$ 416,754

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HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME
(THOUSANDS OF DOLLARS)

(CONTINUED)

	Year Ended December 31,		
	1993	1992	1991
EARNINGS PER COMMON SHARE:			
EARNINGS PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR REVENUES	$ 3.20	$ 2.63	$ 3.24
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR REVENUES		.73	
EARNINGS PER COMMON SHARE	$ 3.20	$ 3.36	$ 3.24
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (000)	130,004	129,514	128,802

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS
(THOUSANDS OF DOLLARS)

	Year Ended December 31,		
	1993	1992	1991
Balance at Beginning of Year	$ 1,254,584	$ 1,202,125	$ 1,165,786
Add - Net Income	416,036	434,667	416,754
Total	1,670,620	1,636,792	1,582,540
Common Stock Dividends: 1993, $3.75; 1992, $2.98; 1991, $2.96; (per share)	(487,927)	(385,952)	(381,117)
Tax Benefit of ESOP Dividends	8,939	8,944	4,862
Redemption of HL&P Preferred Stock	(402)	(5,200)	(4,160)
Balance at End of Year	$ 1,191,230	$ 1,254,584	$ 1,202,125

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)

ASSETS

	December 31, 1993	December 31, 1992
PROPERTY, PLANT AND EQUIPMENT - AT COST:		
Electric plant:		
Production	$ 7,165,811	$ 7,108,713
Transmission	840,736	818,584
Distribution	2,503,964	2,394,226
General	969,733	978,998
Construction work in progress	242,661	205,214
Nuclear fuel	211,785	202,013
Plant held for future use	196,330	200,865
Electric plant acquisition adjustments	3,166	3,166
Cable television property	372,178	320,661
Other property	47,494	21,687
Total	12,553,858	12,254,127
Less accumulated depreciation and amortization	3,355,616	3,062,103
Property, plant and equipment - net	9,198,242	9,192,024
CURRENT ASSETS:		
Cash and cash equivalents	14,884	69,317
Special deposits	11,834	2,071
Accounts receivable:		
Customers (less allowance for doubtful accounts of $1,682 and $10,439 at December 31, 1993 and 1992, respectively)	4,985	135,072
Others	11,153	21,706
Accrued unbilled revenues	29,322	190,897
Fuel stock, at lifo cost	58,585	68,564
Materials and supplies, at average cost	166,477	167,438
Prepayments	20,432	14,765
Total current assets	317,672	669,830
OTHER ASSETS:		
Cable television franchises and intangible assets (less accumulated amortization of $184,057 and $145,856 at December 31, 1993 and 1992, respectively)	984,032	1,021,934
Deferred plant costs	664,699	690,482
Deferred debits	371,773	274,252
Unamortized debt expense and premium on reacquired debt	169,465	137,395
Equity investment in cable television partnerships	122,531	90,220
Equity investment in foreign electric utility	36,984	37,554
Regulatory asset - net	246,763	177,426
Recoverable project costs	118,016	130,550
Total other assets	2,714,263	2,559,813
Total	$12,230,177	$12,421,667

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)

CAPITALIZATION AND LIABILITIES

	December 31, 1993	December 31, 1992
CAPITALIZATION (STATEMENTS ON FOLLOWING PAGES):		
Common Stock Equity	$ 3,273,997	$ 3,284,713
Preference Stock, no par; authorized 10,000,000 shares; none outstanding		
Cumulative Preferred Stock of Subsidiary:		
Not subject to mandatory redemption	351,354	351,354
Subject to mandatory redemption	167,236	206,834
Total cumulative preferred stock	518,590	558,188
Long-Term Debt	4,243,195	4,439,892
Total capitalization	8,035,782	8,282,793
CURRENT LIABILITIES:		
Notes payable	591,385	564,249
Accounts payable	239,814	249,397
Taxes accrued	187,503	189,579
Interest accrued	84,178	101,054
Dividends accrued	105,207	7,992
Accrued liabilities to municipalities	22,589	20,947
Customer deposits	65,604	69,940
Current portion of long-term debt and preferred stock	55,109	337,804
Other	62,688	67,493
Total current liabilities	1,414,077	1,608,455
DEFERRED CREDITS:		
Accumulated deferred income taxes	1,987,336	1,789,820
Unamortized investment tax credit	434,597	454,782
Other	358,385	285,817
Total deferred credits	2,780,318	2,530,419
COMMITMENTS AND CONTINGENCIES		
Total	$12,230,177	$12,421,667

See Notes to Consolidated Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(THOUSANDS OF DOLLARS)

	December 31, 1993	December 31, 1992
COMMON STOCK EQUITY:		
Common stock, no par; authorized, 400,000,000 and 200,000,000 shares at December 31, 1993 and 1992, respectively; outstanding, 130,658,755 and 129,514,483 shares at December 31, 1993 and 1992, respectively	$ 2,415,256	$ 2,362,618
Note receivable from ESOP	(332,489)	(332,489)
Retained earnings	1,191,230	1,254,584
Total common stock equity	3,273,997	3,284,713
CUMULATIVE PREFERRED STOCK, no par; authorized, 10,000,000 shares; outstanding, 5,432,397 and 5,832,397 shares at December 31, 1993 and 1992, respectively (entitled upon liquidation to $100 per share)		
Houston Lighting & Power Company:		
Not subject to mandatory redemption:		
$4.00 series, 97,397 shares	9,740	9,740
$6.72 series, 250,000 shares	25,115	25,115
$7.52 series, 500,000 shares	50,226	50,226
$8.12 series, 500,000 shares	50,098	50,098
Series A - 1992, 500,000 shares	49,098	49,098
Series B - 1992, 500,000 shares	49,109	49,109
Series C - 1992, 600,000 shares	58,984	58,984
Series D - 1992, 600,000 shares	58,984	58,984
Total	351,354	351,354
Subject to mandatory redemption:		
$8.50 series, 600,000 and 1,000,000 shares at December 31, 1993 and 1992, respectively	59,597	99,195
$9.375 series, 1,285,000 shares	127,639	127,639
Current redemptions	(20,000)	(20,000)
Total	167,236	206,834
Total cumulative preferred stock	518,590	558,188
LONG-TERM DEBT:		
Debentures:		
7 1/4% series, due 1996	200,000	200,000
9 3/8% series, due 2001	250,000	250,000
7 7/8% series, due 2002	100,000	100,000
Unamortized discount	(1,456)	(1,641)
Total debentures	548,544	548,359
Houston Lighting & Power Company:		
First mortgage bonds:		
9 3/8% series, due 1993		136,000
5 1/4% series, due 1996	40,000	40,000
5 1/4% series, due 1997	40,000	40,000
6 3/4% series, due 1997	35,000	35,000
7 5/8% series, due 1997	150,000	150,000
6 3/4% series, due 1998	35,000	35,000
7 1/2% series, due 1999		30,000
7 1/4% series, due 2001	50,000	50,000
7 1/2% series, due 2001		50,000
8 1/8% series, due 2004		100,000
8 3/4% series, due 2005		42,247

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HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(THOUSANDS OF DOLLARS)

(CONTINUED)

	December 31, 1993	December 31, 1992
8 3/8% series, due 2006		$ 125,000
8 3/8% series, due 2007		125,000
9 % series, due 2017		390,519
9.15 % series, due 2021	$ 160,000	160,000
8 3/4% series, due 2022	100,000	100,000
7 3/4% series, due 2023	250,000	
7 1/2% series, due 2023	200,000	
4.90 % pollution control series, due 2003	16,600	
7 % pollution control series, due 2008	19,200	19,200
6 3/8% pollution control series, due 2012	33,470	33,470
6 3/8% pollution control series, due 2012	12,100	12,100
7 3/4% pollution control series, due 2015	68,700	68,700
8 1/4% pollution control series, due 2015	90,000	90,000
7 7/8% pollution control series, due 2016	68,000	68,000
6.70 % pollution control series, due 2017	43,820	43,820
5.60 % pollution control series, due 2017	83,565	
7 7/8% pollution control series, due 2018	50,000	50,000
7.20 % pollution control series, due 2018	175,000	175,000
8 1/4% pollution control series, due 2019	100,000	100,000
8.10 % pollution control series, due 2019	100,000	100,000
7 7/8% pollution control series, due 2019	29,685	29,685
7.60 % pollution control series, due 2019	70,315	70,315
7.70 % pollution control series, due 2019	75,000	75,000
7 1/8% pollution control series, due 2019	100,000	100,000
7 5/8% pollution control series, due 2019	100,000	100,000
6.70 % pollution control series, due 2027	56,095	56,095
Medium-term notes series A, 9.79%-9.85%, due 1994-1999	200,000	200,000
Medium-term notes series B, 8 5/8%, due 1996	100,000	100,000
Medium-term notes series C, 6.10%, due 2000	150,000	
Medium-term notes series B, 8.15%, due 2002	100,000	100,000
Medium-term notes series C, 6.50%, due 2003	150,000	
Total first mortgage bonds	3,051,550	3,200,151
Pollution control revenue bonds:		
Gulf Coast 1980-T series, floating rate, due 1998	5,000	5,000
Brazos River 1983 series, 10 1/2%, due 2003		17,935
Gulf Coast 1974 series, 7 3/8%, due 2004		16,950
Brazos River 1985 A2 series, 9 3/4%, due 2005	4,265	4,265
Brazos River 1983 series, 10 5/8%, due 2013		65,630
Brazos River 1985 A1 series, 9 7/8%, due 2015	87,680	87,680
Matagorda County 1985 series, 10%, due 2015	58,905	58,905
Total pollution control revenue bonds	155,850	256,365
Unamortized premium (discount) - net	(12,839)	(12,118)
Capitalized lease obligations, discount rates of 6.4%-11.7%, due 1994-2018	17,825	19,589
Notes payable	2,410	4,897
Subtotal	7,396	12,368
Total	3,214,796	3,468,884

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HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(THOUSANDS OF DOLLARS)

(CONTINUED)

	December 31, 1993	December 31, 1992
KBLCOM Incorporated and Subsidiaries:		
KBL Cable, Inc. senior bank debt	$ 364,000	$ 415,000
KBLCOM Incorporated senior bank debt		167,349
KBL Cable, Inc. senior notes	67,095	69,935
KBL Cable, Inc. senior subordinated notes	83,869	87,419
Capitalized lease obligations		750
Total	514,964	740,453
Total	4,278,304	4,757,696
Current maturities	(35,109)	(317,804)
Total long-term debt	4,243,195	4,439,892
Total capitalization	$ 8,035,782	$ 8,282,793

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)

	Year Ended December 31,		
	1993	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 416,036	$ 434,667	$ 416,754
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	464,806	448,594	423,048
Amortization of nuclear fuel	2,101	29,237	23,145
Deferred income taxes	197,516	61,670	110,243
Investment tax credit	(20,185)	(19,950)	(19,903)
Allowance for other funds used during construction	(3,512)	(6,169)	(5,749)
Deferred plant costs			(53,668)
Payment of disputed income taxes and related interest		(52,817)	
Deferred return under phase-in plan			(38,758)
Regulatory adjustment related to prior year's disallowed plant costs			(14,483)
Disallowed expenses			13,124
Fuel cost (refund) and over/(under) recovery - net	(91,863)	(84,072)	(7,061)
Restructuring		86,431	
Cumulative effect of change in accounting for revenues		(94,180)	
Regulatory asset - net	(69,337)	(12,180)	(21,614)
Equity in income of cable television partnerships	(31,979)	(24,871)	(10,672)
Changes in other assets and liabilities:			
Accounts receivable - net	302,215	10,357	5,885
Inventory	10,940	9,350	(7,182)
Other current assets	(15,430)	2,885	7,989
Accounts payable	(9,583)	10,990	16,561
Interest and taxes accrued	(18,952)	(20,693)	49,223
Other current liabilities	28,088	(53,520)	(40,225)
Other - net	46,789	68,083	16,778
Net cash provided by operating activities	1,207,650	793,812	863,435
CASH FLOWS FROM INVESTING ACTIVITIES:			
Electric capital expenditures (including allowance for borrowed funds used during construction)	(332,797)	(343,273)	(375,535)
Cable television additions	(54,482)	(44,306)	(26,624)
Investment in foreign electric utility	(35,796)	(1,625)	
Other - net	(37,313)	(10,608)	(18,998)
Net cash used in investing activities	(460,388)	(399,812)	(421,157)

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HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

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

	Year Ended December 31,		
	1993	1992	1991
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from common stock	$ 52,638		$ 50,620
Increase in note receivable from ESOP			(285,116)
Proceeds from preferred stock		$ 216,700	
Proceeds from first mortgage bonds	840,427	488,760	257,653
Proceeds from senior bank debt	20,000		23,504
Proceeds from debentures		99,216	448,935
Purchase of senior and subordinated notes		(71,419)	
Reacquisition of debentures			(205,220)
Payment of matured first mortgage bonds	(136,000)	(157,000)	(132,000)
Payment of senior bank debt	(238,349)	(5,000)	(40,000)
Payment of senior and subordinated notes	(6,390)		
Payment of common stock dividends	(389,933)	(385,952)	(381,117)
Redemption of preferred stock	(40,000)	(103,000)	(112,500)
Increase (decrease) in notes payable	27,136	233,955	(34,318)
Extinguishment of long-term debt	(995,751)	(717,912)	(35,757)
Other - net	64,527	49,300	22,053
Net cash used in financing activities	(801,695)	(352,352)	(423,263)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,433)	41,648	19,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	69,317	27,669	8,654
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 14,884	$ 69,317	$ 27,669
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
-			
Cash Payments:			
Interest (net of amounts capitalized or deferred)	$ 397,911	$ 474,655	$ 395,822
Income taxes	123,975	172,053	85,202

See Notes to Consolidated Financial Statements.

HOUSTON LIGHTING & POWER COMPANY

STATEMENTS OF INCOME
(THOUSANDS OF DOLLARS)

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
OPERATING REVENUES	$ 4,079,863	$ 3,826,841	$ 3,674,543
OPERATING EXPENSES:			
Fuel	1,063,050	914,732	882,114
Purchased power	515,502	486,414	444,040
Operation	608,912	553,847	582,712
Maintenance	289,623	256,532	231,109
Depreciation and amortization	385,731	371,645	350,593
Income taxes	239,464	174,731	225,104
Other taxes	211,295	233,439	194,069
Deferred expenses			(22,973)
Restructuring		86,431	
Total	3,313,577	3,077,771	2,886,768
OPERATING INCOME	766,286	749,070	787,775
OTHER INCOME (EXPENSE):			
Allowance for other funds used during construction	3,512	6,169	5,749
Deferred return under phase-in plan			38,758
Regulatory adjustment related to prior year's disallowed plant costs			14,483
Interest income	3,296	2,447	13,585
Other - net	(4,286)	(17,839)	(14,257)
Total	2,522	(9,223)	58,318
INCOME BEFORE INTEREST CHARGES	768,808	739,847	846,093
INTEREST CHARGES:			
Interest on long-term debt	276,049	311,208	326,722
Other interest	12,317	19,548	41,216
Allowance for borrowed funds used during construction	(3,781)	(6,191)	(10,049)
Deferred carrying costs			(30,695)
Total	284,585	324,565	327,194
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR REVENUES	484,223	415,282	518,899
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR REVENUES (NET OF INCOME TAXES OF $48,517)		94,180	
NET INCOME	484,223	509,462	518,899
DIVIDENDS ON PREFERRED STOCK	34,473	39,327	46,187
INCOME AFTER PREFERRED DIVIDENDS	$ 449,750	$ 470,135	$ 472,712

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY

STATEMENTS OF RETAINED EARNINGS
(THOUSANDS OF DOLLARS)

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
Balance at Beginning of Year	$ 1,922,558	$ 1,803,371	$ 1,685,086
Add - Net Income	484,223	509,462	518,899
Redemption of Preferred Stock	(402)	(5,200)	(4,160)
Total	2,406,379	2,307,633	2,199,825
Deduct - Cash Dividends:			
Preferred:			
$4.00 Series	390	390	390
$6.72 Series	1,680	1,680	1,680
$7.52 Series	3,760	3,760	3,760
$9.52 Series			3,290
$9.08 Series			3,138
$8.12 Series	4,060	4,060	4,060
$9.04 Series			2,343
Series A - 1984		2,720	3,550
Series B - 1985		2,625	3,430
Series A - 1992	1,366	1,425	
Series B - 1992	1,366	1,405	
Series C - 1992	1,672	356	
Series D - 1992	1,616	359	
$8.50 Series	6,517	8,500	8,500
$9.375 Series	12,047	12,047	12,046
Common	342,981	345,748	350,267
Total	377,455	385,075	396,454
Balance at End of Year	$ 2,028,924	$ 1,922,558	$ 1,803,371

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY

BALANCE SHEETS
(THOUSANDS OF DOLLARS)

ASSETS

	December 31, 1993	December 31, 1992 (Restated)
PROPERTY, PLANT AND EQUIPMENT - AT COST:		
Electric plant:		
Production	$ 7,165,811	$ 7,108,713
Transmission	840,736	818,584
Distribution	2,503,964	2,394,226
General	969,733	978,998
Construction work in progress	242,661	205,214
Nuclear fuel	211,785	202,013
Plant held for future use	196,330	200,865
Electric plant acquisition adjustments	3,166	3,166
Total	12,134,186	11,911,779
Less accumulated depreciation and amortization	3,194,127	2,936,865
Property, plant and equipment - net	8,940,059	8,974,914
CURRENT ASSETS:		
Cash and cash equivalents	12,413	4,253
Special deposits	11,834	2,071
Accounts receivable:		
Affiliated companies	1,792	2,111
Others	2,540	11,429
Accrued unbilled revenues	29,322	190,897
Fuel stock, at lifo cost	58,585	68,564
Materials and supplies, at average cost	160,371	164,221
Prepayments	9,234	9,420
Total current assets	286,091	452,966
OTHER ASSETS:		
Deferred plant costs	664,699	690,482
Deferred debits	333,620	233,253
Unamortized debt expense and premium on reacquired debt	164,368	130,461
Regulatory asset - net	246,763	177,426
Recoverable project costs	118,016	130,550
Total other assets	1,527,466	1,362,172
Total	$10,753,616	$10,790,052

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY

BALANCE SHEETS
(THOUSANDS OF DOLLARS)

CAPITALIZATION AND LIABILITIES

	December 31, 1993	December 31, 1992 (Restated)
CAPITALIZATION (STATEMENTS ON FOLLOWING PAGES):		
Common stock equity	$ 3,704,851	$ 3,598,485
Cumulative preferred stock:		
Not subject to mandatory redemption	351,354	351,354
Subject to mandatory redemption	167,236	206,834
Long-term debt	3,190,071	3,418,755
Total capitalization	7,413,512	7,575,428
CURRENT LIABILITIES:		
Notes payable	171,100	139,440
Notes payable to affiliated companies		19,000
Accounts payable	190,583	203,445
Accounts payable to affiliated companies	8,449	7,441
Taxes accrued	187,517	192,781
Interest and dividends accrued	65,238	80,010
Accrued liabilities to municipalities	22,589	20,947
Customer deposits	65,604	69,940
Current portion of long-term debt and preferred stock	44,725	171,130
Other	63,607	32,767
Total current liabilities	819,412	936,901
DEFERRED CREDITS:		
Accumulated deferred income taxes	1,798,976	1,584,607
Unamortized investment tax credit	430,996	450,793
Other	290,720	242,323
Total deferred credits	2,520,692	2,277,723
COMMITMENTS AND CONTINGENCIES		
Total	$10,753,616	$10,790,052

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY

STATEMENTS OF CAPITALIZATION
(THOUSANDS OF DOLLARS)

	December 31, 1993	December 31, 1992 (Restated)
COMMON STOCK EQUITY:		
Common stock, Class A; no par; authorized and outstanding, 1,000 shares voting	$ 1,524,949	$ 1,524,949
Common stock, Class B; no par; authorized and outstanding, 100 shares, non-voting	150,978	150,978
Retained earnings	2,028,924	1,922,558
Total common stock equity	3,704,851	3,598,485
CUMULATIVE PREFERRED STOCK, no par; authorized, 10,000,000 shares; 5,432,397 shares outstanding at December 31, 1993 and 5,832,397 shares outstanding at December 31, 1992 (entitled upon involuntary liquidation to $100 per share):		
Not subject to mandatory redemption:		
$4.00 series, 97,397 shares	9,740	9,740
$6.72 series, 250,000 shares	25,115	25,115
$7.52 series, 500,000 shares	50,226	50,226
$8.12 series, 500,000 shares	50,098	50,098
Series A - 1992, 500,000 shares	49,098	49,098
Series B - 1992, 500,000 shares	49,109	49,109
Series C - 1992, 600,000 shares	58,984	58,984
Series D - 1992, 600,000 shares	58,984	58,984
Total	351,354	351,354
Subject to mandatory redemption:		
$8.50 series, 600,000 shares and 1,000,000 shares at December 31, 1993 and 1992, respectively	59,597	99,195
$9.375 series, 1,285,000 shares	127,639	127,639
Current redemptions	(20,000)	(20,000)
Total	167,236	206,834
Total cumulative preferred stock	518,590	558,188
LONG-TERM DEBT:		
First mortgage bonds:		
9 3/8% series, due 1993		136,000
5 1/4% series, due 1996	40,000	40,000
5 1/4% series, due 1997	40,000	40,000
6 3/4% series, due 1997	35,000	35,000
7 5/8% series, due 1997	150,000	150,000
6 3/4% series, due 1998	35,000	35,000
7 1/2% series, due 1999		30,000
7 1/4% series, due 2001	50,000	50,000
7 1/2% series, due 2001		50,000
8 1/8% series, due 2004		100,000
8 3/4% series, due 2005		42,247

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HOUSTON LIGHTING & POWER COMPANY

STATEMENTS OF CAPITALIZATION
(THOUSANDS OF DOLLARS)

(CONTINUED)

	December 31, 1993	December 31, 1992 (Restated)
8 3/8% series, due 2006		$ 125,000
8 3/8% series, due 2007		125,000
9 % series, due 2017		390,519
9.15 % series, due 2021	$ 160,000	160,000
8 3/4% series, due 2022	100,000	100,000
7 3/4% series, due 2023	250,000	
7 1/2% series, due 2023	200,000	
4.90 % pollution control series, due 2003	16,600	
7 % pollution control series, due 2008	19,200	19,200
6 3/8% pollution control series, due 2012	33,470	33,470
6 3/8% pollution control series, due 2012	12,100	12,100
7 3/4% pollution control series, due 2015	68,700	68,700
8 1/4% pollution control series, due 2015	90,000	90,000
7 7/8% pollution control series, due 2016	68,000	68,000
6.70 % pollution control series, due 2017	43,820	43,820
5.60 % pollution control series, due 2017	83,565	
7 7/8% pollution control series, due 2018	50,000	50,000
7.20 % pollution control series, due 2018	175,000	175,000
8 1/4% pollution control series, due 2019	100,000	100,000
8.10 % pollution control series, due 2019	100,000	100,000
7 7/8% pollution control series, due 2019	29,685	29,685
7.60 % pollution control series, due 2019	70,315	70,315
7.70 % pollution control series, due 2019	75,000	75,000
7 1/8% pollution control series, due 2019	100,000	100,000
7 5/8% pollution control series, due 2019	100,000	100,000
6.70 % pollution control series, due 2027	56,095	56,095
Medium-term notes series A, 9.79%-9.85%, due 1994-1999	200,000	200,000
Medium-term notes series B, 8 5/8%, due 1996	100,000	100,000
Medium-term notes series C, 6.10%, due 2000	150,000	
Medium-term notes series B, 8.15%, due 2002	100,000	100,000
Medium-term notes series C, 6.50%, due 2003	150,000	
Total first mortgage bonds	3,051,550	3,200,151
Pollution control revenue bonds:		
Gulf Coast 1980-T series, floating rate, due 1998	5,000	5,000
Brazos River 1983 series, 10 1/2%, due 2003		17,935
Gulf Coast 1974 series, 7 3/8%, due 2004		16,950
Brazos River 1985 A2 series, 9 3/4%, due 2005	4,265	4,265
Brazos River 1983 series, 10 5/8%, due 2013		65,630
Brazos River 1985 A1 series, 9 7/8%, due 2015	87,680	87,680
Matagorda County 1985 series, 10%, due 2015	58,905	58,905
Total pollution control revenue bonds	155,850	256,365
Unamortized premium (discount) - net	(12,839)	(12,118)
Capitalized lease obligations, discount rates of 6.4%-11.7%, due 1994-2018	17,825	19,589
Notes payable	2,410	4,897
Notes payable to affiliated company		101,001
Subtotal	7,396	113,369
Total	3,214,796	3,569,885
Current maturities	(24,725)	(151,130)
Total long-term debt	3,190,071	3,418,755
Total capitalization	$ 7,413,512	$ 7,575,428

See Notes to Financial Statements.

HOUSTON LIGHTING & POWER COMPANY

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
(Thousands of Dollars)

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 484,223	$ 509,462	$ 518,899
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	385,731	371,645	350,593
Amortization of nuclear fuel	2,101	29,237	23,145
Deferred income taxes	214,369	73,943	124,484
Investment tax credit	(19,797)	(19,926)	(19,567)
Allowance for other funds used during construction	(3,512)	(6,169)	(5,749)
Deferred plant costs			(53,668)
Deferred return under phase-in plan			(38,758)
Regulatory adjustment related to prior year's disallowed plant costs			(14,483)
Disallowed expenses			13,124
Fuel cost (refund) and over/(under) recovery - net	(91,863)	(84,072)	(7,061)
Cumulative effect of change in accounting for revenues		(94,180)	
Restructuring		86,431	
Regulatory asset - net	(69,337)	(12,180)	(21,614)
Changes in other assets and liabilities:			
Accounts receivable - net	170,784	14,633	(9,216)
Materials and supplies	3,850	10,791	(12,691)
Fuel stock	9,979	(1,542)	5,684
Accounts payable	(11,854)	13,235	(475)
Interest and taxes accrued	(20,035)	(24,610)	52,508
Other current liabilities	18,040	(54,694)	(36,363)
Other - net	63,721	41,382	51,436
Net cash provided by operating activities	1,136,400	853,386	920,228
CASH FLOWS FROM INVESTING ACTIVITIES:			
Construction and nuclear fuel expenditures (including allowance for borrowed funds used during construction)	(332,797)	(343,273)	(375,535)
Other - net	(13,067)	(10,668)	(11,108)
Net cash used in investing activities	(345,864)	(353,941)	(386,643)

(continued on next page)

HOUSTON LIGHTING & POWER COMPANY

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
(Thousands of Dollars)

(Continued)

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from preferred stock		$ 216,700	
Proceeds from first mortgage bonds	$ 840,427	488,760	$ 257,653
Payment of matured bonds	(136,000)	(157,000)	(132,000)
Payment of dividends	(378,528)	(386,049)	(399,436)
Increase (decrease) in notes payable	31,660	139,440	(64,000)
Increase (decrease) in notes payable to affiliated company	(120,001)	19,000	(35,500)
Redemption of preferred stock	(40,000)	(103,000)	(112,500)
Extinguishment of long-term debt	(995,751)	(717,912)	(35,757)
Other - net	15,817	(5,997)	(6,935)
Net cash used in financing activities	(782,376)	(506,058)	(528,475)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,160	(6,613)	5,110
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,253	10,866	5,756
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,413	$ 4,253	$ 10,866
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
- ----------			
Cash Payments:			
Interest (net of amounts capitalized or deferred)	$ 296,201	$ 341,921	$ 278,104
Income taxes	127,713	153,010	95,759

See Notes to Financial Statements.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1993

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) SYSTEM OF ACCOUNTS. The accounting records of Houston Lighting & Power Company (HL&P), the principal subsidiary of Houston Industries Incorporated (Company), are maintained in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts as adopted by the Public Utility Commission of Texas (Utility Commission).

(B) PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Effective October 8, 1993, the Company merged Utility Fuels Inc. (Utility Fuels), the Company's coal supply subsidiary, into HL&P. Accounting for the merger did not affect consolidated earnings.

All significant intercompany transactions and balances are eliminated in consolidation except sales of accounts receivable to Houston Industries Finance, Inc. (Houston Industries Finance), a former subsidiary of the Company, which were not eliminated because of the distinction for regulatory purposes between utility and non-utility operations. As of January 12, 1993, Houston Industries Finance sold the receivables back to the respective subsidiaries and ceased operations. HL&P is now selling its accounts receivable and most of its accrued unbilled revenues to a third party.

Investments in affiliates in which the Company has a 20% to 50% interest, which include the investment in Paragon Communications (Paragon), are recorded using the equity method of accounting. See Note 17.

(C) ELECTRIC PLANT. Additions to electric plant, betterments to existing property and replacements of units of property are capitalized at cost. Cost includes the original cost of contracted services, direct labor and material, indirect charges for engineering supervision and similar overhead items and an Allowance for Funds Used During Construction (AFUDC). Customer advances for construction reduce additions to electric plant.

HL&P computes depreciation using the straight-line method. The depreciation provision as a percentage of the depreciable cost of plant was 3.1% for 1993, and 3.2% for 1992 and 1991.

(D) CABLE TELEVISION PROPERTY. KBLCOM Incorporated (KBLCOM), the Company's cable television subsidiary, records additions to property at cost which include amounts for material, labor, overhead and interest. Depreciation is computed using the straight-line method. Depreciation as a percentage of the depreciable cost of property was 11.3% for 1993, 12.1% for 1992, and 11.7% for 1991. Expenditures for maintenance and repairs are expensed as incurred.

(E) CABLE TELEVISION FRANCHISES AND INTANGIBLE ASSETS. KBLCOM has recorded the acquisition cost in excess of the fair market value of the tangible assets and liabilities of RCA Cablesystems Holding Co. (Cablesystems) in cable television franchises and intangible assets acquired in 1989. Such amount is being amortized over periods ranging from 8 to 40 years on a straight-line basis. KBLCOM periodically reviews the carrying value of

cable television franchises and intangible assets in relation to current and expected operating results of the business in order to assess whether there has been a permanent impairment of such amounts.

(F) ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION. HL&P accrues AFUDC on construction projects and nuclear fuel payments, except for amounts included in the rate base pursuant to regulatory authorization. The accrual rates were 7.25% in 1993 and 8.75% in 1992 and 1991.

(G) REVENUES. Effective January 1, 1992, HL&P changed its method of recording electricity sales from cycle billing to a full accrual method, whereby unbilled electricity sales are estimated and recorded each month in order to better match revenues with expenses. Prior to January 1, 1992, electric revenues were recognized as bills were rendered (see Note 19).

The Utility Commission provides for the recovery of certain fuel and purchased power costs through an energy component of base electric rates.

Cable television revenues are recognized as the services are provided to subscribers, and advertising revenues are recorded when earned.

(H) INCOME TAXES. The Company follows a policy of comprehensive interperiod income tax allocation. Investment tax credits are deferred and amortized over the estimated lives of the related property. In 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," with restatement to January 1, 1990 (see Note 14). Under current tax laws, the Company may realize tax savings by deducting for tax purposes dividends on the Company's common stock that are used to pay debt service on the Employee Stock Ownership Plan (ESOP) loans (see Note 7).

(I) EARNINGS PER COMMON SHARE. Earnings per common share for the Company is computed by dividing net income by the weighted average number of shares outstanding during the respective period.

(J) STATEMENTS OF CONSOLIDATED CASH FLOWS. For purposes of reporting cash flows, cash equivalents are considered to be short-term, highly liquid investments readily convertible to cash.

(2) COMMON STOCK

In May 1993, the Company's shareholders approved an increase in the Company's authorized common stock from 200,000,000 shares to 400,000,000 shares.

In 1993, the Company paid four regular quarterly dividends aggregating $3.00 per share on its common stock pursuant to dividend declarations made in 1993. In December 1993, the Company declared its regular quarterly dividend of $.75 per share to be paid in March 1994. All dividends declared in 1993 have been included in 1993 common stock dividends on the Company's Statements of Consolidated Retained Earnings and, with respect to the dividends declared in December 1993, in dividends accrued at December 31, 1993 on the Company's Consolidated Balance Sheets.

In May 1989, the Company adopted, with shareholder approval, a long-term incentive compensation plan (1989 LICP Plan), which provided for the issuance of certain stock incentives (including performance-based restricted shares and stock options). A maximum of 500,000 shares of common stock may be issued under the 1989 LICP Plan, of which 300,090 shares were available for issuance as of December 31, 1993. In 1993, 73,282 shares of performance-based restricted shares were issued to plan participants. In January 1992, non-statutory stock options for 67,984 shares of the Company's stock were granted to key employees of the Company and its subsidiaries at an option price of $43.50 per share, of which 679 shares were exercised during 1993. Options for 21,430 shares from the January 1992 grant were exercisable on December 31, 1993. In January 1993, non-

statutory stock options for 65,776 shares of the Company's stock were granted at an option price of $46.25 per share. Beginning one year after the grant date, the options become exercisable in one-third increments each year. The options expire ten years from the grant date. At December 31, 1993, 7,132 shares had been canceled under provisions of the plan.

In May 1993, the Company adopted, with shareholder approval, a new long-term incentive compensation plan (1994 LICP Plan), providing for the issuance of certain stock incentives (including performance-based restricted shares and stock options) of the general nature provided by the 1989 LICP Plan. A maximum of 2,000,000 shares of common stock may be issued under the 1994 LICP Plan. No stock incentives were awarded under the 1994 LICP Plan during the year ended December 31, 1993. However, in January of 1994, the Company granted to certain of its key employees non-statutory stock options under the 1994 LICP Plan for 65,726 shares of common stock at an option price of $46.50 per share. Beginning one year after the grant date, the options will become exercisable in one-third increments each year. The options expire ten years from the grant date.

In July 1990, the Company adopted a shareholder rights plan and declared a dividend of one right for each outstanding share of the Company's common stock. The rights, which under certain circumstances entitle their holders to purchase one one-hundredth of a share of Series A Preference Stock for an exercise price of $85, will expire on July 11, 2000. The rights will become exercisable only if a person or entity acquires 20% or more of the Company's outstanding common stock or if a person or entity commences a tender offer or exchange offer for 20% or more of the outstanding common stock. At any time after the occurrence of such events, the Company may exchange unexercised rights at an exchange ratio of one share of common stock, or equity securities of the Company of equivalent value, per right. The rights are redeemable by the Company for $.01 per right at any time prior to the date the rights become exercisable.

When the rights become exercisable, each right will entitle the holder to receive, in lieu of the right to purchase Series A Preference Stock, upon the exercise of such right, a number of shares of the Company's common stock (or under certain circumstances cash, property, other equity securities or debt of the Company) having a current market price (as defined in the plan) equal to twice the exercise price of the right, except pursuant to an offer for all outstanding shares of common stock which a majority of the independent directors of the Company determines to be a price which is in the best interests of the Company and its shareholders (Permitted Offer).

In the event that the Company is a party to a merger or other business combination (other than a merger that follows a Permitted Offer), rights holders will be entitled to receive, upon the exercise of a right, a number of shares of common stock of the acquiring company having a current market price (as defined in the plan) equal to twice the exercise price of the right.

In October 1990, the Company amended its savings plan to add an ESOP component. The ESOP component of the plan allows the Company to satisfy a portion of its obligation to make matching contributions under the plan. For additional information with respect to the ESOP component of the plan, see Note 7(b).

(3) PREFERRED STOCK OF HL&P

HL&P's cumulative preferred stock may be redeemed at the following per share prices, plus any unpaid accrued dividends to the date of redemption:

Series	Redemption Price Per Share		
	Current	Future Range	
		From	To
Not Subject to Mandatory Redemption:			
$4.00	$105.00	$105.00	$105.00
$6.72	102.51	102.51	102.51
$7.52	102.35	102.35	102.35
$8.12	102.25	102.25	102.25
Variable Term Preferred A (a)	100.00	100.00	100.00
Variable Term Preferred B (a)	100.00	100.00	100.00
Variable Term Preferred C (a)	100.00	100.00	100.00
Variable Term Preferred D (a)	100.00	100.00	100.00
Subject to Mandatory Redemption:			
$8.50 (b)	$102.13	$100.00	$100.00
$9.375 (c)	---	100.00	100.00

(a) Rates for Variable Term Preferred stock as of December 31, 1993 were as follows:

Series	Rate
Variable Term Preferred A	3.00%
Variable Term Preferred B	2.91%
Variable Term Preferred C	3.07%
Variable Term Preferred D	2.83%

(b) HL&P is required to redeem 200,000 shares of this series annually. This series is redeemable at the option of HL&P at $100 per share beginning June 1, 1994.

(c) HL&P is required to redeem 257,000 shares annually beginning April 1, 1995. This series is redeemable at the option of HL&P at $100 per share beginning April 1, 1997.

Annual mandatory redemptions of HL&P's preferred stock are $20 million in 1994, $45.7 million for 1995 and 1996, and $25.7 million for 1997 and 1998.

(4) LONG-TERM DEBT

HL&P. Sinking or improvement fund requirements of HL&P's first mortgage bonds outstanding will be approximately $37 million for each of the years 1994 through 1998. Of such requirements, approximately $34 million for each of the years 1994 through 1998 may be satisfied by certification of property additions at 100% of the requirements, and the remainder through certification of such property additions at 166 2/3% of the requirements. Sinking or improvement fund requirements for 1993 and prior years have been satisfied by certification of property additions.

HL&P has agreed to expend an amount each year for replacements and improvements in respect of its depreciable mortgaged utility property equal to $1,450,000 plus 2 1/2% of net additions to such mortgaged property made after March 31, 1948 and before July 1 of the preceding year. Such requirement may be met with cash, first mortgage bonds, gross property additions or expenditures for repairs or replacements, or by taking credit for property additions at 100% of the requirements. At the option of HL&P, but only with respect to first mortgage bonds of a series subject to special redemption, deposited cash may be used to redeem first mortgage bonds of such series at the applicable special redemption price. The replacement fund requirement to be satisfied in 1994 is approximately $271 million.

The amount of HL&P's first mortgage bonds is unlimited as to issuance, but limited by property, earnings, and other provisions of the Mortgage and Deed of Trust dated as of November 1, 1944, between HL&P and South Texas Commercial National Bank of Houston (Texas Commerce Bank National Association, as Successor Trustee) and the supplemental indentures thereto. Substantially all properties of HL&P are subject to liens securing HL&P's long-term debt under the mortgage.

HL&P's annual maturities of long-term debt and minimum capital lease payments are approximately $25 million in 1994, $4 million in 1995, $155 million in 1996, $229 million in 1997, and $40 million in 1998.

KBLCOM and Subsidiaries. As of December 31, 1993, all borrowings under KBLCOM's letter of credit and term loan facility had been repaid and such facility was utilized only in the form of letters of credit aggregating $89.3 million. In January 1994, KBLCOM terminated this facility.

KBL Cable, Inc. (KBL Cable), a subsidiary of KBLCOM, is a party to a $510.3 million revolving credit and letter of credit facility agreement with annual mandatory commitment reductions (which may require principal payments). At December 31, 1993, KBL Cable had $108.5 million available on such lines of credit. The available line of credit has scheduled reductions in March of each year until it is eliminated in March 1999. Loans have generally borne interest at an interest rate of LIBOR plus an "applicable margin." The margin was .625% at December 31, 1993. The bank credit agreement also contains certain restrictions, including restrictions on dividends, sales of assets and limitations on total indebtedness. The amount of indebtedness outstanding at December 31, 1993 and 1992 was $364 million and $415 million, respectively.

KBL Cable has interest rate swap agreements with four banks which, as of December 31, 1993 and 1992, effectively fixed the rates on the $200 million of debt under the KBL Cable senior bank credit facility at approximately 9% plus the applicable margin. As of December 31, 1993 and 1992, the effective interest rates on such debt were approximately 9.625% and 9.875%, respectively. Interest rate swaps aggregating $75 million terminated in October 1992. The remaining interest rate swaps terminate in 1994 and 1996. The differential to be paid or received under the interest rate swap agreements is accrued and is recognized over the life of the agreement. KBL Cable is exposed to risk of nonperformance by the other parties to the interest rate swap agreements. However, KBL Cable does not anticipate nonperformance by the parties.

Commitment fees are required on the unused capacity of the KBL Cable bank credit facility.

As of December 31, 1993, KBL Cable had outstanding $67.1 million of 10.95% senior notes and $83.9 million of 11.30% senior subordinated notes. Both

series mature in 1999 with annual principal payments which began in 1992. The agreement under which the notes were issued contains restrictions and covenants similar to those contained in the KBL Cable senior bank facility. During the second quarter of 1993, the Company contributed to KBLCOM KBL Cable senior notes aggregating approximately $29 million and KBL Cable senior subordinated notes aggregating approximately $36 million previously held by the Company. KBLCOM subsequently contributed such notes to KBL Cable, which retired and canceled the notes.

Annual Maturities of Company Long-Term Debt. Consolidated annual maturities of long-term debt and minimum capital lease payments for the Company are approximately $35 million in 1994, $20 million in 1995, $431 million in 1996, $359 million in 1997 and $181 million in 1998.

(5) SHORT-TERM FINANCING

The interim financing requirements of the Company's operating subsidiaries are met through short-term bank loans, the issuance of commercial paper and short-term advances from the Company. The Company and its subsidiaries had bank credit facilities aggregating $750 million at December 31, 1993 and $1.05 billion at December 31, 1992, under which borrowings are classified as short-term indebtedness. Such bank facilities limit total short-term borrowings and provide for interest at rates generally less than the prime rate. Outstanding commercial paper was $591 million at December 31, 1993 and $564 million at December 31, 1992. Commitment fees are required on the bank facilities. For a description of bank credit facilities of KBLCOM and KBL Cable, borrowings under which are classified as long-term debt or current maturities of long-term debt, see Note 4.

In January 1994, the Company's bank credit facility was increased from $500 million to $600 million and HL&P's bank credit facility was increased from $250 million to $400 million. The increased facilities aggregate $1 billion. Borrowings under these facilities continue to be available at rates generally less than the prime rate.

(6) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and estimated fair value of the Company's financial instruments at December 31, 1993 and 1992 are as follows:

	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Thousands of Dollars)			
Financial assets:				
Cash and short-term investments	$ 14,884	$ 14,884	$ 69,317	$ 69,317
Note receivable from ESOP	332,489	421,468	332,489	395,202
Financial liabilities:				
Short-term notes payable	591,385	591,385	564,249	564,249
Cumulative preferred stock (subject to mandatory redemption)	187,236	207,489	226,834	242,289
Debentures	548,544	616,672	548,359	586,405
Long-term debt:				
Electric:				
First mortgage bonds	3,039,343	3,360,442	3,188,694	3,407,236
Pollution control revenue bonds	155,218	174,094	255,704	286,813
Cable television:				
Senior bank debt	364,000	364,000	582,349	582,349
Senior and subordinated notes	150,964	180,890	157,354	184,044
Other notes payable	2,410	2,410	4,897	4,897
Unrecognized financial instruments:				
Interest rate swaps:				
Net payable position		13,604		17,162

The fair values of cash and short-term investments, short-term and other notes payable and bank debt are equivalent to the carrying amounts.

The fair values of the ESOP loan, the Company's debentures, HL&P's cumulative preferred stock subject to mandatory redemption, HL&P's first mortgage bonds, pollution control revenue bonds issued on behalf of HL&P and KBL Cable senior and senior subordinated notes are estimated using rates currently available for securities with similar terms and remaining maturities.

The fair value of interest rate swaps is the estimated amount that the swap counterparties would receive or pay to terminate the swap agreements, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(7) RETIREMENT PLANS

(A) PENSION. The Company has noncontributory retirement plans covering substantially all employees. The plans provide retirement benefits based on years of service and compensation. The Company's funding policy is to contribute amounts annually in accordance with applicable regulations in order to achieve adequate funding of projected benefit obligations. The

assets of the plans consist principally of common stocks and high quality, interest-bearing obligations.

Net pension cost for the Company includes the following components:

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of Dollars)		
Service cost - benefits earned during the period	$ 25,932	$ 24,282	$ 22,132
Interest cost on projected benefit obligation	51,343	45,585	38,564
Actual return on plan assets	(39,477)	(26,934)	(61,582)
Net amortization and deferrals	(557)	(11,749)	30,413
Net pension cost	$ 37,241	$ 31,184	$ 29,527

The funded status of the Company's retirement plans was as follows:

	December 31,	
	1993	1992
	(Thousands of Dollars)	
Actuarial present value of:		
Vested benefit obligation	$ 446,825	$ 360,714
Accumulated benefit obligation	$ 506,567	$ 396,751
Plan assets at fair value	$ 491,759	$ 444,511
Projected benefit obligation	655,593	598,677
Assets less than projected benefit obligation	(163,834)	(154,166)
Unrecognized transitional asset	(17,260)	(19,179)
Unrecognized prior service cost	23,380	12,129
Unrecognized net loss	81,826	86,084
Accrued pension cost	$ (75,888)	$ (75,132)

The projected benefit obligation was determined using an assumed discount rate of 7.25% in 1993 and 8.5% in 1992. A long-term rate of compensation increase ranging from 3.9% to 6% was assumed for 1993 and ranging from 6.9% to 9.0% was assumed in 1992. The assumed long- term rate of return on plan assets was 9.5% in 1993 and 1992. The transitional asset at January 1, 1986, is being recognized over approximately 17 years, and the prior service cost is being recognized over approximately 15 years.

(B) SAVINGS PLANS. In 1993, the Company (which includes HL&P) and KBLCOM had employee savings plans that qualified as cash or deferred arrangements under Section 401(k) of the Internal Revenue Code of 1986, as amended (IRC). Under the plans, participating employees could contribute a portion of their compensation, pre-tax or after-tax, up to a maximum of 16% of compensation limited by an annual deferral limit ($8,994 for calendar year 1993) prescribed by IRC Section 402(g) and the IRC Section 415 annual additions limits. The Company matched 70% (KBLCOM matched 50%) of the first 6% of each employee's compensation contributed, subject to a vesting schedule which entitled the employee to a percentage of the matching contributions depending on years of service. Substantially all of the Company's and KBLCOM's match was invested in the Company's common stock. Effective January 1, 1994, KBLCOM's plan was merged with the Company's plan and KBLCOM's matching contribution was increased to 70% of the first 6% of each employee's contributions.

Under the ESOP component of the Company's savings plan, the ESOP trustee purchased shares of the Company's common stock in open-market transactions with funds provided by loans from the Company and completed the purchase of stock under the ESOP in December 1991, after purchasing 9,381,092 shares at a cost of $350 million. At December 31, 1993, the balance of the ESOP loans was approximately $332 million. The loans from the Company to the ESOP are shown on the Company's Consolidated Balance Sheets as a reduction in common stock equity. Principal and interest on the loans will be paid with dividends on the common stock in, and Company contributions to, the ESOP. Repayment of the loan is scheduled to occur over a 20-year period with the first mandatory repayment in 1997. The loans to the ESOP were funded initially by the Company from short-term borrowings which have been refinanced with long-term debt.

Interest expense related to the ESOP debt service was $32.5 million in 1993, $32.6 million in 1992, and $17.9 million in 1991. ESOP benefit expense was $17.3 million, $20.0 million, and $21.3 million in 1993, 1992 and 1991, respectively.

The Company match for the savings plan is satisfied with the allocation to employee accounts of released shares of stock and with cash contributions. Shares are released from the encumbrance of the loans upon the payment of debt service using dividends on unallocated shares in the ESOP, interest earnings and cash contributions by the Company. A summary of dividends on unallocated ESOP shares and ESOP cash contributions for the three years ended December 31, 1993 is as follows:

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of Dollars)		
Dividends	$ 25,540	$ 26,306	$ 14,301
Cash Contributions	8,631	6,995	21,339

(C) POSTRETIREMENT BENEFITS. The Company and HL&P adopted SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" effective January 1, 1993. SFAS No. 106 requires companies to recognize the liability for postretirement benefit plans other than pensions, primarily health care. The Company and HL&P previously expensed the cost of these benefits as claims were incurred. SFAS No. 106 allows recognition of the transition obligation (liability for prior years' service) in the year of adoption or to be amortized over the plan participants' future service period. The Company and HL&P have elected to amortize the estimated transition obligation of approximately $213 million (including $211 million for HL&P) over 22 years. In March 1993, the Utility Commission adopted a rule governing the ratemaking treatment of postretirement benefits other than pensions. This rule provides for recovery in ratemaking proceedings (which, in HL&P's case, has not occurred) of the cost of postretirement benefits calculated in accordance with SFAS No. 106 including amortization of the transition obligation.

For 1992, the Company and HL&P continued to fund postretirement benefit costs other than pensions on a "pay-as-you-go" basis. The Company made postretirement benefit payments in 1992 of $8.6 million. The Company's postretirement benefit costs were $38 million for 1993, an increase of $27 million over the 1993 "pay-as-you-go" amount.

The net postretirement benefit cost for the Company in 1993 includes the following components, in thousands of dollars:

Service cost - benefits earned during the period	$ 9,453
Interest cost on projected benefit obligation	18,354
Actual return on plan assets	---
Net amortization and deferrals	9,773
Net postretirement benefit cost	$ 37,580

The funded status of postretirement benefit costs for the Company at December 31, 1993 was as follows, in thousands of dollars:

Accumulated benefit obligation:	
Retirees	$ (130,336)
Fully eligible active plan participants	(22,913)
Other active plan participants	(20,810)
Total	(174,059)
Plan assets at fair value	---
Assets less than accumulated benefit obligation	(174,059)
Unrecognized transitional obligation	203,273
Unrecognized net gain	(55,682)
Accrued postretirement benefit cost	$ (26,468)

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation in 1993 are as follows:

Medical - under 65	10.0%
Medical - 65 and over	11.0%
Dental	10.0%

The assumed health care rates gradually decline to 5.4% for both medical categories and 3.7% for dental by the year 2001. The accumulated postretirement benefit obligation was determined using an assumed discount rate of 7.25% for 1993.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of December 31, 1993 would be increased by approximately 8%. The annual effect of the 1% increase on the total of the service and interest costs would be an increase of approximately 10%.

(8) COMMITMENTS AND CONTINGENCIES

(a) HL&P. 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 cancellation 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.

HL&P's capital program (exclusive of AFUDC) is presently estimated to cost $478 million in 1994, $381 million in 1995 and $418 million in 1996. These amounts do not include expenditures on projects for which HL&P expects to be reimbursed by customers or other parties.

HL&P has entered into several long-term coal, lignite and natural gas contracts which have various quantity requirements and durations. Minimum obligations for coal and transportation agreements are approximately $167 million in 1994, and $165 million in 1995 and 1996. In addition, the minimum obligations under the lignite mining and lease agreements will be approximately $14 million annually during the 1994-1996 period. HL&P has entered into several gas purchase agreements containing contract terms in excess of one year which provide for specified purchase and delivery obligations. Minimum obligations for natural gas purchase and natural gas storage contracts are approximately $57.4 million in 1994, $58.9 million in 1995 and $60.5 million in 1996. Collectively, the gas supply contracts included in these figures could amount to 11% of HL&P's annual natural gas requirements. The Utility Commission's rules provide for recovery of the coal, lignite and natural gas costs described above through the energy component of HL&P's electric rates. Nuclear fuel costs are also included in the energy component of HL&P's electric rates based on the cost of nuclear fuel consumed in the reactor.

HL&P has commitments to purchase firm capacity from cogenerators of approximately $145 million in 1994, $32 million in 1995 and $22 million in 1996. The Utility Commission's rules allow recovery of these costs through HL&P's base rates for electric service and additionally authorize HL&P to charge or credit customers for any variation in actual purchased power cost 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 three principal firm capacity contracts contain provisions allowing HL&P to suspend or reduce payments and seek repayment for amounts disallowed.

In November 1990, the Clean Air Act was extensively amended by Congress. HL&P has already made an investment in pollution control facilities, and all of its generating facilities currently comply in all material respects with sulfur dioxide emission standards established by the legislation. Provisions of the Clean Air Act dealing with urban air pollution required establishing new emission limitations for nitrogen oxides from existing sources. The cost of modifications necessary to reduce nitrogen oxide emissions from existing sources has been estimated at $29 million in 1994 and $10.5 million in 1995. In addition, continuous emission monitoring regulations are anticipated to require expenditures of $12 million in 1994 and $2 million in 1995. Capital expenditures are expected to total $71 million for the years 1994 through 1996.

The Energy Policy Act of 1992, which became law in October 1992, includes a provision that assesses a fee upon domestic utilities having purchased enrichment services from the Department of Energy before October 22, 1992. This fee is to cover a portion of the cost to decontaminate and decommission the enrichment facilities. It is currently estimated that the assessment to the South Texas Project Electric Generating Station (South Texas Project) will be approximately $4 million in 1994 and approximately $2 million each year thereafter (subject to escalation for inflation), of which HL&P's share is 30.8%. This assessment will continue until the earlier of 15 years or when $2.25 billion (adjusted for inflation) has been collected from domestic utilities. Based on HL&P's actual payment of $579,810 in 1993, it recorded an estimated liability of $8.7 million.

HL&P's service area is heavily dependent on oil, gas, refined products, petrochemicals and related business. Significant adverse events affecting these industries would negatively impact the revenues of the Company and HL&P.

(b) KBLCOM COMMITMENTS AND OBLIGATIONS UNDER CABLE FRANCHISE AGREEMENTS. KBLCOM's capital additions are estimated to be $77 million in 1994, $110 million in 1995 and $89 million in 1996. KBLCOM and its subsidiaries presently have certain cable franchises containing provisions for construction of cable plant and service to customers within the franchise area. In connection with certain obligations under existing franchise agreements, KBLCOM and its subsidiaries obtain surety bonds and letters of credit guaranteeing performance to municipalities and public utilities. Payment is required only in the event of non-performance. KBLCOM and its subsidiaries have fulfilled all of their obligations such that no payments have been required.

(c) IMPACT OF THE 1992 CABLE ACT ON KBLCOM. In May 1993, the Federal Communications Commission (FCC) issued its rate regulation rules (Rate Rule) which became effective on September 1, 1993. As a result of the Rate Rule, KBLCOM estimates that revenues in 1993 were reduced by approximately $6.8 million. In February 1994, the FCC announced further changes in the Rate Rule and announced its interim cost-of-service standards (Interim COS Standards). The FCC will issue revised benchmark formulas which will produce lower benchmarks, effective May 15, 1994 (Revised Benchmarks). It is impossible to assess the detailed impact of the revised Rate Rule and Interim COS Standards on KBLCOM until the FCC completes and issues the actual text of its rules on the Revised Benchmarks and the Interim COS Standards.

(9) JOINTLY-OWNED NUCLEAR PLANT

(a) HL&P INVESTMENT. HL&P is project manager and one of four co-owners in the South Texas Project, which consists of two 1,250 megawatt nuclear generating units. Unit Nos. 1 and 2 of the South Texas Project achieved commercial operation in August 1988 and June 1989, respectively. Each co-owner funds its own share of capital and operating costs associated with the plant, with HL&P's interest in the project being 30.8%. HL&P's share of the operation and maintenance expenses is included in electric operation and maintenance expenses on the Company's Statements of Consolidated Income and in the corresponding operating expense amounts on HL&P's Statements of Income.

As of December 31, 1993, HL&P's investments (net of accumulated depreciation and amortization) in the South Texas Project and in nuclear fuel, including AFUDC, were $2.1 billion and $119 million, respectively.

(b) CITY OF AUSTIN LITIGATION. In 1983, the City of Austin (Austin), one of the four co-owners of the South Texas Project, filed a lawsuit against the Company and HL&P alleging that it was fraudulently induced to participate in the South Texas Project and that HL&P failed to perform properly its duties as project manager. After a jury trial in 1989, judgment was entered in favor of HL&P, and that judgment was affirmed on appeal. In May 1993, following the expiration of Austin's rights to appeal to the United States Supreme Court, the judgment in favor of the Company and HL&P became final.

On February 22, 1994, Austin filed a new suit against HL&P. In that suit, filed in the 164th District Court for Harris County, Texas, Austin alleges that the outages at the South Texas Project since February 1993 are due to HL&P's failure to perform obligations it owed to Austin under the Participation Agreement among the four co-owners of the South Texas Project (Participation Agreement). Austin asserts that such failures have caused Austin damages of at least $125 million, which are continuing, due to the incurrence of increased operating and maintenance costs, the cost of replacement power and lost profits on wholesale transactions that did not occur. Austin states that it will file a "more detailed" petition at a later date. For a discussion of the 1993 outage, see Note 9(f).

As it did in the litigation filed against HL&P in 1983, Austin asserts that HL&P breached obligations HL&P owed under the Participation Agreement to Austin, and Austin seeks a declaration that HL&P had as duty to exercise reasonable care in the operation and maintenance of the South Texas Project. In that earlier litigation, however, the courts concluded that the Participation Agreement did not impose on HL&P a duty to exercise reasonable skill and care as Project Manager.

Austin also asserts in its new suit that certain terms of a settlement reached in 1992 among HL&P and Central and South West Corporation (CSW) and its subsidiary, Central Power and Light Company (CPL), are invalid and void. The Participation Agreement permits arbitration of certain disputes among the owners, and the challenged settlement terms provide that in any future arbitration, HL&P and CPL would each appoint an arbitrator acceptable to the other. Austin asserts that, as a result of this agreement, the arbitration provisions of the Participation Agreement are void and Austin should not be required to participate in or be bound by arbitration proceedings; alternatively, Austin asserts that HL&P's rights with respect to CPL's appointment of an arbitrator should be shared with all the owners or canceled, and Austin seeks injunctive relief against arbitration of its dispute with HL&P. For a further discussion of the settlement among HL&P, CSW and CPL, see Note 9(c) below.

HL&P and the Company do not believe there is merit to Austin's claims, and they intend to defend vigorously against them. However, there can be no assurance as to the ultimate outcome of this matter.

(c) ARBITRATION WITH CO-OWNERS. During the course of the litigation filed by Austin in 1983, the City of San Antonio (San Antonio) and CPL, the other two co-owners in the South Texas Project, asserted claims for unspecified damages against HL&P as project manager of the South Texas Project, alleging HL&P breached its duties and obligations. San Antonio and CPL requested arbitration of their claims under the Participation Agreement. This matter was severed from the Austin litigation and is pending before the 101st District Court in Dallas County, Texas.

The 101st District Court ruled that the demand for arbitration is valid and enforceable under the Participation Agreement, and that ruling has been upheld by appellate courts. Arbitrators were appointed by HL&P and each of the other co-owners in connection with the District Court's ruling. The Participation Agreement provides that the four appointed arbitrators will select a fifth arbitrator, but that action has not yet occurred.

In 1992, the Company and HL&P entered into a settlement with CPL and CSW with respect to various matters including the arbitration and related legal proceedings. Pursuant to the settlement, CPL withdrew its demand for arbitration under the Participation Agreement, and the Company, HL&P, CSW and CPL dismissed litigation associated with the dispute. The settlement also resolved other disputes between the parties concerning various transmission agreements and related billing disputes. In addition, the parties also agreed to support, and to seek consent of the other owners of the South Texas Project to, certain amendments to the Participation Agreement, including changes in the management structure of the South Texas Project through which HL&P would be replaced as project manager by an independent entity.

Although settlement with CPL does not directly affect San Antonio's pending demand for arbitration, HL&P and CPL have reached certain other understandings which contemplate that: (i) CPL's arbitrator previously appointed for that proceeding would be replaced by CPL; (ii) arbitrators

approved by CPL and HL&P for any future arbitrations will be mutually acceptable to HL&P and CPL; and (iii) HL&P and CPL will resolve any future disputes between them concerning the South Texas Project without resorting to the arbitration provision of the Participation Agreement. The settlement with CPL did not have a material adverse effect on the Company's or HL&P's financial position and results of operations.

In February 1994, San Antonio indicated a desire to move forward with its demand for arbitration and suggested that San Antonio considers all allegations of mismanagement against HL&P to be appropriate subjects for arbitration in that proceeding, not just allegations related to the planning and construction of the South Texas Project. It is unclear what additional allegations San Antonio may make, but it is possible that San Antonio will assert that HL&P has liability for all or some portion of the additional costs incurred by San Antonio due to the 1993 outage of the South Texas Project. For a discussion of that outage see Note 9(f).

HL&P and the Company continue to regard San Antonio's claims to be without merit. From time to time, HL&P and other parties to these proceedings have held discussions with a view toward settling their differences on these matters.

While HL&P and the Company cannot give definite assurance regarding the ultimate resolution of the San Antonio litigation and arbitration, they presently do not believe such resolutions will have a material adverse impact on HL&P's or the Company's financial position and results of operations.

(d) NUCLEAR INSURANCE. HL&P and the other owners of the South Texas Project maintain nuclear property and nuclear liability insurance coverages as required by law and periodically review available limits and coverage for additional protection. The owners of the South Texas Project currently maintain $500 million in primary property damage insurance from American Nuclear Insurers (ANI). Effective November 15, 1993, the maximum amounts of excess property insurance available through the insurance industry increased from $2.125 billion to $2.2 billion. This $2.2 billion of excess property insurance coverage includes $800 million of excess insurance from ANI and $1.4 billion of excess property insurance coverage through participation in the Nuclear Electric Insurance Limited (NEIL) II program. The owners of the South Texas Project have approved the purchase of the additional available excess property insurance coverage. Additionally, effective January 1, 1994, ANI will be increasing their excess property insurance limits to $850 million, and the owners of the South Texas Project have also approved the purchase of the additional limits at the March 1, 1994 renewal for ANI excess property insurance. Under NEIL II, HL&P and the other owners of the South Texas Project are subject to a maximum assessment, in the aggregate, of approximately $15.9 million in any one policy year. The application of the proceeds of such property insurance is subject to the priorities established by the United States Nuclear Regulatory Commission (NRC) regulations relating to the safety of licensed reactors and decontamination operations.

Pursuant to the Price Anderson Act, the maximum liability to the public for owners of nuclear power plants, such as the South Texas Project, was increased from $7.9 billion to $9.3 billion effective February 18, 1994. 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. Effective August 20, 1993, the assessment of deferred premiums provided by the plan for each nuclear incident has increased from $63 million to up to $75.5 million per reactor subject to indexing for inflation, a possible 5%

surcharge (but no more than $10 million per reactor per incident in any one year) and a 3% 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.

(e) NUCLEAR DECOMMISSIONING. HL&P and the other co-owners of the South Texas Project are required by the NRC to meet minimum decommissioning funding requirements to pay the costs of decommissioning the South Texas Project. Pursuant to the terms of the order of the Utility Commission in Docket No. 9850, HL&P is currently funding decommissioning costs for the South Texas Project with an independent trustee at an annual amount of $6 million.

As of December 31, 1993, the trustee held approximately $18.7 million for decommissioning, for which the asset and liability are reflected on the Company's Consolidated and HL&P's Balance Sheets in deferred debits and deferred credits, respectively. HL&P's funding level is estimated to provide approximately $146 million in 1989 dollars, an amount which currently exceeds the NRC minimum. However, the South Texas Project co-owners have engaged an outside consultant to review the estimated decommissioning costs of the South Texas Project which review should be completed by the end of 1994. While changes to present funding levels, if any, cannot be estimated at this time, a substantial increase in funding may be necessary. No assurance can be given that the amounts held in trust will be adequate to cover the decommissioning costs.

(f) NRC INSPECTIONS AND OPERATIONS. Both generating units at the South Texas Project were out of service from February 1993 to February 1994, when Unit No. 1 was authorized by the NRC to return to service. Currently, Unit No. 1 is out of service for repairs to a small steam generator leak encountered following the unit's shutdown to repair a feedwater control valve. Those repairs are scheduled for completion by mid-March 1994, and no formal NRC approval is required to resume operation of Unit No. 1. Unit No. 2 is currently scheduled to resume operation after completion of regulatory reviews, in the spring of 1994. HL&P removed the units from service in February 1993 when a problem was encountered with certain pumps. At that time HL&P concluded that the units should not resume operation until HL&P had determined the root cause of the failure and had briefed the NRC and corrective action had been taken. The NRC formalized that commitment in a Confirmatory Action Letter, which confirmed that HL&P would not resume operations until it had briefed the NRC on its findings and actions. Subsequently, that Confirmatory Action Letter was supplemented by the NRC to require HL&P, prior to resuming operations, to address additional matters which were identified during the course of analyzing the issues associated with the original pump failure and during various subsequent NRC inspections and reviews.

In June 1993, the NRC announced that the South Texas Project had been placed on the NRC's "watch list" of plants with "weaknesses that warrant increased NRC attention." Plants in this category are authorized to operate but are subject to close monitoring by the NRC. The NRC reviews the status of plants on this list semi-annually, but HL&P does not anticipate that the South Texas Project would be removed from that list until there has been a period of operation for both units, and the NRC concludes that the concerns which led the NRC to place the South Texas Project on that list have been satisfactorily addressed.

The NRC's decision to place the South Texas Project on its "watch list" followed the June 1993 issuance of a report by its Diagnostic Evaluation Team (DET) which conducted a review of the South Texas Project in the spring of 1993 and identified a number of areas requiring improvement at the South Texas Project. Conducted infrequently, NRC diagnostic evaluations do not evaluate compliance with NRC regulations but are broad-based evaluations of overall plant operations and are intended to review the strengths and weaknesses of the licensee's performance and to identify the root cause of performance problems.

The DET report found, among other things, weaknesses in maintenance and testing, deficiencies in training and in the material condition of some equipment, strained staffing levels in operations and several weaknesses in engineering support. The report cited the need to reduce backlogs of engineering and maintenance work and to simplify work processes which, the DET found, placed excessive burdens on operating and other plant personnel. The report also identified the need to strengthen management communications, oversight and teamwork as well as the capability to identify and correct the root causes of problems. The DET also expressed concern with regard to the adequacy of resources committed to resolving issues at the South Texas Project but noted that many issues had already been identified and were being addressed by HL&P.

In response to the DET report, HL&P presented its plan to address the issues raised in that report and began its action program to address those concerns. While those programs were being implemented, HL&P also initiated additional activities and modifications that were not previously scheduled during 1993 but which are designed to eliminate the need for some future outages and to enhance operations at the South Texas Project. The NRC conducted additional inspections and reviews of HL&P's plans and agreed in February 1994 that HL&P's progress in addressing the NRC's concerns had satisfied the issues raised in the Confirmatory Action Letter with respect to Unit No. 1. The NRC concurred in HL&P's determination that Unit No. 1 could resume operation. Work is now underway to address the NRC's concerns with respect to Unit No. 2, which HL&P anticipates will not require as extensive an effort as was required by the NRC for Unit No. 1. However, difficulties encountered in completing actions required on Unit No. 2 and any additional issues which may be raised in the conduct of those activities or in the operation of Unit No. 1 could adversely affect the anticipated schedule for resuming operation of Unit No. 2. During the outage, HL&P has not had, and does not anticipate having, difficulty in meeting its energy needs.

During the outage, both fuel and non-fuel expenditures have been higher for HL&P than levels originally projected for the year. HL&P's non-fuel expenditures for the South Texas Project during 1993 were approximately $115 million greater than originally budgeted levels (of which HL&P's share was $35 million) for work undertaken in connection with the DET and for other initiatives taken during the year. It is expected that, subsequent to 1993, operation and maintenance costs will continue to be higher than previous levels in order to support additional initiatives developed in 1993. Fuel costs also were necessarily higher due to the use of higher cost alternative fuels. However, these increased expenditures are expected to be offset to some extent by savings from future outages that can now be avoided as a result of activities accelerated into 1993 and from overall improvement in operations resulting from implementing the programs developed during the outage. For a discussion of regulatory treatment related to the outage, see Notes 10(f) and 10(g).

During 1993, the NRC imposed a total of $500,000 in civil penalties (of which HL&P's share was $154,000) in connection with violations of NRC requirements.

In March 1993, a Houston newspaper reported that the NRC had referred to the Department of Justice allegations that the employment of three former employees and an employee of a contractor to HL&P had been terminated or disrupted in retaliation for their having made safety-related complaints to the NRC. Such retaliation, if proved, would be contrary to requirements of the Atomic Energy Act and regulations promulgated by the NRC. The NRC has confirmed to HL&P that these matters have been referred to the Department of Justice for consideration of further action and has notified HL&P that the NRC is considering enforcement action against HL&P and one or more HL&P employees in connection with one of those cases. HL&P has been advised by counsel that most referrals by the NRC to the Department of Justice do not result in prosecutions. The Company and HL&P strongly believe that the facts underlying these events would not support action by the Department of Justice against HL&P or any of its personnel; accordingly, HL&P intends to defend vigorously against such charges. HL&P also intends to defend vigorously against civil proceedings filed in the state court in Matagorda County, Texas, by the complaining employees and against administrative proceedings before the Department of Labor and the NRC, which, independently of the Department of Justice, could impose administrative sanctions if they find violations of the Atomic Energy Act or the NRC regulations. These administrative sanctions may include civil penalties in the case of the NRC and, in the case of the Department of Labor, ordering reinstatement and back pay and/or imposing civil penalties. Although the Company and HL&P do not believe these allegations have merit or will have a material adverse effect on the Company or HL&P, neither the Company nor HL&P can predict at this time their outcome.

(10) UTILITY COMMISSION PROCEEDINGS

Pursuant to a series of applications filed by HL&P in recent years, the Utility Commission has granted HL&P rate increases to reflect in electric rates HL&P's substantial investment in new plant construction, including the South Texas Project. Although Utility Commission action on those applications has been completed, judicial review of a number of the Utility Commission orders is pending. 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. The pending appeals from the Utility Commission orders are in various stages. In the event the courts ultimately reverse actions of the Utility Commission in any of these proceedings, such matters would be remanded to the Utility Commission for action in light of the courts' orders. Because of the number of variables which can affect the ultimate resolution of such matters on remand, the Company and HL&P generally are not in a position at this time to predict the outcome of the matters on appeal or the ultimate effect that adverse action by the courts could have on the Company and HL&P. On remand, the Utility Commission's action could range from granting rate relief substantially equal to the rates previously approved, to a reduction in the revenues to which HL&P was entitled during the time the applicable rates were in effect, which could require a refund to customers of amounts collected pursuant to such rates.

Judicial review has been concluded or currently is pending on the final orders of the Utility Commission described below.

(a) DOCKET NOS. 6765, 6766 AND 5779. In February 1993, the Austin Court of Appeals granted a motion by the Office of Public Utility Counsel (OPC) to voluntarily dismiss its appeal of the Utility Commission's order in HL&P's 1984 rate case (Docket No. 5779). In December 1993, the Supreme Court of Texas granted a similar motion by OPC to dismiss its appeal of the Utility

Commission's order in HL&P's 1986 rate case (Docket Nos. 6765 and 6766). As a result, appellate review of the Utility Commission's orders in those dockets has been concluded, and the orders have been affirmed.

(b) DOCKET NO. 8425. In October 1992, a District Court in Travis County, Texas affirmed the Utility Commission's order in HL&P's 1988 rate case (Docket No. 8425). An appeal to the Austin Court of Appeals is pending. In its final order in that docket, the Utility Commission granted HL&P a $227 million increase in base revenues, allowed a 12.92% return on common equity, authorized a qualified phase-in plan for Unit No. 1 of the South Texas Project (including approximately 72% of HL&P's investment in Unit No. 1 of the South Texas Project in rate base) and authorized HL&P to use deferred accounting for Unit No. 2 of the South Texas Project. Rates substantially corresponding to the increase granted were implemented by HL&P in June 1989 and remained in effect until May 1991.

In the appeal of the Utility Commission's order, certain parties have challenged the Utility Commission's decision regarding deferred accounting, treatment of federal income tax expense and certain other matters. A recent decision of the Austin Court of Appeals, in an appeal involving another utility (and to which HL&P was not a party), adopted some of the arguments being advanced by parties challenging the Utility Commission's order in Docket No. 8425. In that case, Public Utility Commission of Texas vs. GTE-SW, the Austin Court of Appeals ruled that when a utility pays federal income taxes as part of a consolidated group, the utility's ratepayers are entitled to a fair share of the tax savings actually realized, which can include savings resulting from unregulated activities. The Texas Supreme Court has agreed to hear an appeal of that decision, but on points not involving the federal income tax issues, though tax issues could be decided in such opinion.

In its final order in Docket No. 8425, the Utility Commission did not reduce HL&P's tax expense by any of the tax savings resulting from the Company's filing of a consolidated tax return. Although the GTE decision was not legally dispositive of the tax issues presented in the appeal of Docket No. 8425, it is possible that the Austin Court of Appeals could utilize the reasoning in GTE in addressing similar issues in the appeal of Docket No. 8425. However, in February 1993 the Austin Court of Appeals, considering an appeal involving another telephone utility, upheld Utility Commission findings that the tax expense for the utility included the utility's fair share of the tax savings resulting from a consolidated tax return, even though the utility's fair share of the tax savings was determined to be zero. HL&P believes that the Utility Commission findings in Docket No. 8425 and in Docket No. 9850 (see Note 10(c)) should be upheld on the same principle (i.e., that the Utility Commission determined that the fair share of tax savings to be allocated to ratepayers is determined to be zero). However, no assurance can be made as to the ultimate outcome of this matter.

The Utility Commission's order in Docket No. 8425 may be affected also by the ultimate resolution of appeals concerning the Utility Commission's treatment of deferred accounting. For a discussion of appeals of the Utility Commission's orders on deferred accounting, see Notes 10(e) and 11.

(c) DOCKET NO. 9850. In August 1992, a district court in Travis County affirmed the Utility Commission's final order in HL&P's 1991 rate case (Docket No. 9850). That decision was appealed by certain parties to the Austin Court of Appeals, raising issues concerning the Utility Commission's approval of a non-unanimous settlement in that docket, the Utility Commission's calculation of federal income tax expense and the allowance of deferred accounting reflected in the settlement. In August 1993, the Austin Court of Appeals

affirmed on procedural grounds the ruling by the Travis County District Court, and applications for writ of error were filed with the Supreme Court of Texas by one of the other parties to the proceeding. The Supreme Court has not yet ruled on these applications. In Docket No. 9850, the Utility Commission approved a settlement agreement reached with most parties. That settlement agreement provided for a $313 million increase in HL&P's base rates, termination of deferrals granted with respect to Unit No. 2 of the South Texas Project and of the qualified phase-in plan deferrals granted with respect to Unit No. 1 of the South Texas Project, and recovery of deferred plant costs. The settlement authorized a 12.55% return on common equity for HL&P, and HL&P agreed not to request additional increases in base rates that would be implemented prior to May 1, 1993. Rates contemplated by that settlement agreement were implemented in May 1991 and remain in effect.

The Utility Commission's order in Docket No. 9850 found that HL&P would have been entitled to more rate relief than the $313 million agreed to in the settlement, but certain recent actions of the Austin Court of Appeals could, if ultimately upheld and applied to the appeal of Docket No. 9850, require a remand of that settlement to the Utility Commission. HL&P believes that the amount which the Utility Commission found HL&P was entitled to would exceed any disallowance that would have been required under the Austin Court of Appeals' ruling regarding deferred accounting (see Notes 10(e) and 11) or any adverse effect on the calculation of tax expense if the court's ruling in the GTE decision were applied to that settlement (see Note 10(b) above). However, the amount of rate relief to which the Utility Commission found HL&P to be entitled in excess of the $313 million agreed to in the settlement may not be sufficient if the reasoning in both the GTE decision and the ruling on deferred accounting were to be applied to the settlement agreement in Docket No. 9850. Although HL&P believes that it should be entitled to demonstrate entitlement to rate relief equal to that agreed to in the stipulation in Docket No. 9850, HL&P cannot rule out the possibility that a remand and reopening of that settlement would be required if decisions unfavorable to HL&P are rendered on both the deferred accounting treatment and the calculation of tax expense for ratemaking purposes.

(d) DOCKET NO. 6668. In June 1990, the Utility Commission issued the final order in Docket No. 6668, the Utility Commission's inquiry into the prudence of the planning, management and construction of the South Texas Project. The Utility Commission's findings and order in Docket No. 6668 were incorporated in Docket No. 8425, HL&P's 1988 general rate case. Pursuant to the findings in Docket No. 6668, the Utility Commission found imprudent $375.5 million out of HL&P's $2.8 billion investment in the two units of the South Texas Project.

The Utility Commission's findings did not reflect $207 million in benefits received in a settlement of litigation with the former architect-engineer of the South Texas Project or the effects of federal income taxes, investment tax credits or certain deferrals. In addition, accounting standards require that the equity portion of AFUDC accrued for regulatory purposes under deferred accounting orders be utilized to determine the cost disallowance for financial reporting purposes. After taking all of these items into account, HL&P recorded an after-tax charge of $15 million in 1990 and continued to reduce such loss with the equity portion of deferrals in 1991 related to Unit No. 2 of the South Texas Project. The findings in Docket No. 6668 represent the Utility Commission's final determination regarding the prudence of expenditures associated with the planning and construction of the South Texas Project. Unless the order is modified or reversed on appeal, HL&P will be precluded from recovering in rate proceedings the amount found imprudent by the Utility Commission.

Appeals by HL&P and other parties of the Utility Commission's order in Docket No. 6668 were dismissed by a District Court in Travis County in May 1991. However, in December 1992 the Austin Court of Appeals reversed the District Court's dismissals on procedural grounds. HL&P and other parties have filed applications for writ of error with the Supreme Court of Texas concerning the order by the Austin Court of Appeals, but unless the order is modified on further review, HL&P anticipates that the appeals of the parties will be reinstated and that the merits of the issues raised in those appeals of Docket No. 6668 will be considered by the District Court, with the possibility of subsequent judicial review once the District Court has acted on those appeals. In addition, separate appeals are pending from Utility Commission orders in Dockets Nos. 8425 and 9850, in which the findings of the order in Docket No. 6668 are reflected in rates. See Notes 10(b) and 10(c).

(e) DOCKET NOS. 8230 AND 9010. Deferred accounting treatment for Unit No. 1 of the South Texas Project was authorized by the Utility Commission in Docket No. 8230 and was extended in Docket No. 9010. Similar deferred accounting treatment with respect to Unit No. 2 of the South Texas Project was authorized in Docket No. 8425. For a discussion of the deferred accounting treatment granted, see Note 11. In September 1992, the Austin Court of Appeals, in considering the appeal of the Utility Commission's final order in Docket Nos. 8230 and 9010, upheld the Utility Commission's action in granting deferred accounting treatment for operation and maintenance expenses, but rejected such treatment for the carrying costs associated with the investment in Unit No. 1 of the South Texas Project. That ruling followed the Austin Court of Appeals decision rendered in August 1992, on a motion for rehearing, involving another utility which had been granted similar deferred accounting treatment for another nuclear plant. In its August decision, the court ruled that Texas law did not permit the Utility Commission to allow the utility to place the carrying costs associated with the investment in the utility's rate base, though the court observed that the Utility Commission could allow amortization of such costs.

The Supreme Court of Texas has granted applications for writ of error with respect to the Austin Court of Appeals decision regarding Docket Nos. 8230 and 9010. The Supreme Court of Texas has also granted applications for writ of error on three other decisions by the Austin Court of Appeals regarding deferred accounting treatment granted to other utilities by the Utility Commission. The Supreme Court heard oral arguments on these appeals on September 13, 1993. The court has not yet ruled.

(f) DOCKET NO. 12065. HL&P is not currently seeking authority to change its base rates for electric service, but the Utility Commission has authority to initiate a rate proceeding pursuant to Section 42 of the Public Utility Regulatory Policy Act (PURA) to determine whether existing rates are unjust or unreasonable. In 1993, the Utility Commission referred to an administrative law judge (ALJ) the complaint of a former employee of HL&P seeking to initiate such a proceeding.

On February 23, 1994, the ALJ concluded that a Section 42 proceeding should be conducted and that HL&P should file full information, testimony and schedules justifying its rates. The ALJ acknowledged that the decision was a close one, and is subject to review by the Utility Commission. However, he concluded that information concerning HL&P's financial results as of December 1992 indicated that HL&P's adjusted revenues could be approximately $62 million (or 2.33% of its adjusted base revenues) more than might be authorized in a current rate proceeding. The ALJ's conclusion was based on various accounting considerations, including use of a different treatment of federal income tax expense than the method utilized in HL&P's last rate case. The ALJ also found that there could be a link between the 1993 outage at the

South Texas Project, the NRC's actions with respect to the South Texas Project and possible mismanagement by HL&P, which in turn could result in a reduction of HL&P's authorized rate of return as a penalty for imprudent management.

HL&P and the Company believe that the examiner's analysis is incorrect, that the South Texas Project has not been imprudently managed, and that ordering a Section 42 proceeding at this time is unwarranted and unnecessarily expensive and burdensome. HL&P has appealed the ALJ's decision to the Utility Commission.

If HL&P ultimately is required to respond to a Section 42 inquiry, it will assert that it remains entitled to rates at least at the levels currently authorized. However, there can be no assurance as to the outcome of a Section 42 proceeding if it is ultimately authorized, and HL&P's rates could be reduced following a hearing. HL&P believes that any reduction in base rates as a result of a Section 42 inquiry would take effect prospectively.

HL&P is also a defendant in a lawsuit filed in a Fort Bend County, Texas, district court by the same former HL&P employee who originally initiated the Utility Commission complaint concerning HL&P's rates. In that suit, Pace and Scott v. HL&P, the former employee contends that HL&P is currently charging illegal rates since the rates authorized by the Utility Commission do not allocate to ratepayers tax benefits accruing to the Company and to HL&P by virtue of the fact that HL&P's federal income taxes are paid as part of a consolidated group. HL&P is seeking dismissal of that suit because in Texas exclusive jurisdiction to set electric utility rates is vested in municipalities and in the Utility Commission, and the courts have no jurisdiction to set such rates or to set aside authorized rates except through judicial appeals of Utility Commission orders in the manner prescribed in applicable law. Although substantial damages have been claimed by the plaintiffs in that litigation, HL&P and the Company consider this litigation to be wholly without merit, and do not presently believe that it will have a material adverse effect on the Company's or HL&P's results of operations, though no assurances can be given as to its ultimate outcome at this time.

(g) FUEL RECONCILIATION. HL&P recovers fuel costs incurred in electric generation through a fixed fuel factor that is set by the Utility Commission. The difference between fuel revenues billed pursuant to such factor and fuel expense incurred is recorded as an addition to or a reduction of revenues, with a corresponding entry to under- or over-recovered fuel, as appropriate. Amounts collected pursuant to the fixed fuel factor must be reconciled periodically by the Utility Commission against actual, reasonable costs as determined by the Utility Commission. Any fuel costs which the Utility Commission determines are unreasonable in a fuel reconciliation proceeding would not be recoverable from customers, and a charge against earnings would result. Under Utility Commission rules, HL&P is required to file an application to reconcile those costs in 1994. Such a filing would also be required in conjunction with any rate proceeding that may be filed, such as the Section 42 proceeding described in Note 10(f).

Unless filed earlier in conjunction with a rate proceeding, HL&P currently anticipates filing its fuel reconciliation application in the fourth quarter of 1994 in accordance with a schedule proposed by the Utility Commission staff. If that schedule is approved by the Utility Commission, HL&P anticipates that fuel costs through some time in 1994 will be submitted for reconciliation. No hearing would be anticipated in that reconciliation proceeding before 1995.

The schedule for a fuel reconciliation proceeding could be affected by the institution of a prudence inquiry concerning the outage at the South Texas Project. The Utility Commission staff has indicated a desire to conduct an inquiry into the prudence of HL&P's management prior to and during the outage, but it is currently unknown what action the Utility Commission will take on that request or what the nature and scope of any such proceeding

would be. Such an inquiry could also be conducted in connection with a rate proceeding under Section 42 of PURA if one is instituted by the Utility Commission.

Through the end of 1993, HL&P had recovered through the fuel factor approximately $115 million (including interest) less than the amounts expended for fuel, a significant portion of which under recovery occurred in 1993 during the outage at the South Texas Project. In any review of costs incurred during the period of the 1993 outage at the South Texas Project, it is anticipated that other parties will contend that a portion of fuel costs incurred should be attributed to imprudence on the part of HL&P and thus should be disallowed as unreasonable, with recovery from rate payers denied. Those amounts could be substantial. HL&P intends to defend vigorously against any allegation that its actions have been imprudent or that any portion of its costs incurred should be judged to be unreasonable, but no prediction can be made as to the ultimate outcome of such a proceeding.

(11) DEFERRED PLANT COSTS

Deferred plant costs were authorized for the South Texas Project by the Utility Commission in two contexts. In the first context, or "deferred accounting," the Utility Commission orders permitted HL&P, for regulatory purposes, to continue to accrue carrying costs in the form of AFUDC (at a 10% rate) on its investment in the two units of the South Texas Project until costs of such units were reflected in rates (which was July 1990 for approximately 72% of Unit No. 1, and May 1991 for the remainder of Unit No. 1 and 100% of Unit No. 2) and to defer and capitalize depreciation, operation and maintenance, insurance and tax expenses associated with such units during the deferral period. Accounting standards do not permit the accrual of the equity portion of AFUDC for financial reporting purposes under these circumstances. However, in accordance with accounting standards, such amounts were utilized to determine the amount of plant cost disallowance for financial reporting purposes.

The deferred expenses and the debt portion of the carrying costs associated with the South Texas Project are included on the Company's Statements of Consolidated Income in deferred expenses and deferred carrying costs, respectively.

Beginning with the June 1990 order in Docket No. 8425, deferrals were permitted in a second context, a "qualified phase-in plan" for Unit No. 1 of the South Texas Project. Accounting standards require allowable costs deferred for future recovery under a qualified phase-in plan to be capitalized as a deferred charge if certain criteria are met. The qualified phase-in plan as approved by the Utility Commission meets these criteria.

During the period June 1990 through May 15, 1991, HL&P deferred depreciation and property taxes related to the 28% of its investment in Unit No. 1 of the South Texas Project not reflected in the Docket No. 8425 rates and recorded a deferred return on that investment as part of the qualified phase-in plan. Deferred return represents the financing costs (equity and debt) associated with the qualified phase-in plan. The deferred expenses and deferred return related to the qualified phase-in plan are included on the Company's Statements of Consolidated Income and HL&P's Statements of Income in deferred expenses and deferred return under phase-in plan, respectively. Under the phase-in plan, these accumulated deferrals will be recoverable within ten years of the June 1990 order.

On May 16, 1991, HL&P implemented under bond, in Docket No. 9850, a $313 million base rate increase consistent with the terms of the settlement. Accordingly, HL&P ceased all cost deferrals related to the South Texas Project and began the recovery of such amounts. These deferrals are being amortized on a straight-line basis as allowed by the final order in Docket No. 9850. The amortization of these deferrals totaled $25.8 million for both 1993 and 1992 and $16.1 million in 1991, and is included on the Company's Statements of Consolidated Income and HL&P's Statements of Income in depreciation and amortization expense. See also Notes 10(b), 10(c) and 10(e).

The following table shows the original balance of the deferrals and the unamortized balance at December 31, 1993.

	Original Balance	Balance at December 31, 1993
	(Thousands of Dollars)	
Deferred Accounting: (a)		
Deferred Expenses	$ 250,151	$ 233,341
Deferred Carrying Costs on Plant Investment	399,972	373,094
Total	650,123	606,435
Qualified Phase-In Plan: (b)	82,254	58,264
Total Deferred Plant Cost	$ 732,377	$ 664,699

(a) Amortized over the estimated depreciable life of the South Texas Project.

(b) Amortized over nine years beginning in May 1991.

As of December 31, 1993, HL&P has recorded deferred income taxes of $200.9 million with respect to deferred accounting and $14.5 million with respect to the deferrals associated with the qualified phase-in plan.

(12) MALAKOFF ELECTRIC GENERATING STATION

The scheduled in-service dates for the Malakoff Electric Generating Station (Malakoff) units were postponed during the 1980's as expectations of continued strong load growth were tempered. These units have been indefinitely deferred due to the availability of other cost effective resource options. In 1987, all developmental work was stopped and AFUDC accruals ceased.

Due to the indefinite postponement of the in-service date for Malakoff, the engineering design work is no longer considered viable. The costs associated with this engineering design work are currently included in rate base and are earning a return per the Utility Commission's final order in Docket No. 8425. Pursuant to HL&P's determination that such costs will have no future value, $84.1 million was reclassified from plant held for future use to recoverable project costs as of December 31, 1992. An additional $7.0 million was reclassified to recoverable project costs in 1993. Amortization of these amounts began in 1993. Amortization amounts will correspond to the amounts being earned as a result of the inclusion of such costs in rate base. The Utility Commission's action in allowing treatment of those costs as plant held for future use has been challenged in the pending appeal of the Utility

Commission's final order in Docket No. 8425. Also, recovery of such Malakoff costs may be addressed if rate proceedings are initiated such as that proposed under Section 42 of PURA. See Notes 10(b) and 10(f) for a discussion of these respective proceedings.

In June 1990, HL&P purchased from its then fuel supply affiliate, Utility Fuels, all of Utility Fuels' interest in the lignite reserves and lignite handling facilities for Malakoff. The purchase price was $138.2 million, which represented the net book value of Utility Fuels' investment in such reserves and facilities. As part of the June 1990 rate order (Docket No. 8425), the Utility Commission ordered that issues related to the prudence of the amounts invested in the lignite reserves be considered in HL&P's next general rate case which was filed in November 1990 (Docket No. 9850). However, under the October 1991 Utility Commission order in Docket No. 9850, this determination was postponed to a subsequent docket.

HL&P's remaining investment in Malakoff through December 31, 1993 of $167 million, consisting primarily of lignite reserves and land, is included on the Company's Consolidated and HL&P's Balance Sheets in plant held for future use. For the 1994-1996 period, HL&P anticipates $14 million of expenditures relating to lignite reserves, primarily to keep lignite leases and other related agreements in effect.

(13) RECOVERABLE PROJECT COSTS

The Utility Commission has allowed recovery of certain costs over a period of time by amortizing those costs for rate making purposes. However, recoverable project costs have not been included in rate base and, as a result, no return on investment is being earned during the recovery period. Malakoff is the only remaining project with an unrecovered amount of $118 million at December 31, 1993, with remaining recovery periods of 72 months ($78 million) and 78 months ($40 million).

(14) INCOME TAXES

The Company records income taxes under SFAS No. 109, which among other things, (i) requires the liability method be used in computing deferred taxes on all temporary differences between book and tax bases of assets other than goodwill; (ii) requires that deferred tax liabilities and assets be adjusted for an enacted change in tax laws or rates; and (iii) prohibits net-of-tax accounting and reporting. SFAS No. 109 requires that regulated enterprises recognize such adjustments as regulatory assets or liabilities if it is probable that such amounts will be recovered from or returned to customers in future rates. KBLCOM has significant temporary differences related to its 1986 and 1989 acquisitions of cable television systems, the tax effect of which were recognized when SFAS No. 109 was adopted.

During 1993, federal tax legislation was enacted that changes the income tax consequences for the Company and HL&P. The principal provision of the new law which affects the Company and HL&P is the change in the corporate income tax rate from 34% to 35%. A net regulatory asset and the related deferred federal income tax liability of $71.3 million was recorded by HL&P in 1993. The effect of the new law, which decreased the Company's net income by $14.3 million was recognized as a component of income tax expense in 1993. The effect on the Company's deferred taxes for the change in the new law was $10.9 million in 1993.

The Company's current and deferred components of income tax expense are as follows:

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of Dollars)		
Current:			
U.S.	$ 113,248	$ 130,360	$ 138,195
Foreign	286		
Deferred:			
Liberalized depreciation	99,426	82,013	87,282
Investment tax credit	(20,185)	(19,950)	(19,903)
Alternative minimum tax	8,542	(438)	10,391
Excess deferred taxes	(9,625)	(17,403)	(17,532)
Deferred plant costs	(6,867)	(6,671)	22,828
Malakoff write-off	43,303		
Under recovery of fuel	12,083		
IRS 1983-84 audit assessment			(2,446)
Other - net	(9,093)	(3,302)	(10,635)
Income taxes before cumulative effect of change in accounting	$ 231,118	$ 164,609	$ 208,180

The Company's effective income tax rates are lower than statutory corporate rates for each year as follows:

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of Dollars)		
Income before income taxes and cumulative effect of change in accounting	$ 647,154	$ 505,096	$ 624,934
Preferred dividends of subsidiary	34,473	39,327	46,187
Total	681,627	544,423	671,121
Statutory rate	35%	34%	34%
Income taxes at statutory rate	238,569	185,104	228,181
Net reduction in taxes resulting from:			
AFUDC - other included in income	1,229	2,097	6,658
Amortization of investment tax credit	20,185	19,950	19,903
Amortization of intangible assets	(4,389)	(4,264)	(4,264)
Excess deferred taxes	9,625	17,403	17,532
Difference between book and tax depreciation for which deferred taxes have not been normalized	(12,976)	(13,466)	(14,437)
Other - net	(6,223)	(1,225)	(5,391)
Total	7,451	20,495	20,001
Income taxes before cumulative effect of change in accounting	$ 231,118	$ 164,609	$ 208,180
Effective rate	33.9%	30.2%	31.0%

Following are the Company's tax effects of temporary differences resulting in deferred tax assets and liabilities:

	December 31, 1993	December 31, 1992
	(Thousands of Dollars)	
Deferred Tax Assets:		
Alternative minimum tax	$ 120,576	$ 108,287
IRS audit assessment	74,966	74,966
Disallowed plant cost - net	24,304	24,394
Loss and ITC carryforwards	55,822	54,799
Other	68,503	68,999
Total deferred tax assets	344,171	331,445
Less valuation allowance	57,661	56,638
Total deferred tax assets - net	286,510	274,807
Deferred Tax Liabilities:		
Depreciation	1,271,153	1,146,970
Identifiable intangibles	236,476	238,778
Deferred plant costs	215,472	216,813
Regulatory assets - net	246,763	177,426
Capitalized taxes, employee benefits and removal costs	110,252	122,268
Other	193,730	162,372
Total deferred tax liabilities	2,273,846	2,064,627
Accumulated deferred income taxes - net	$1,987,336	$1,789,820

At December 31, 1993, pursuant to the acquisition of Cablesystems, KBLCOM has unutilized Separate Return Limitation Year (SRLY) net operating loss tax benefits of approximately $23.1 million and unutilized SRLY investment tax credits of approximately $15.5 million which expire in the years 1995 through 2003, and 1994 through 2003, respectively. In addition, KBLCOM has unutilized restricted state loss tax benefits of $17.2 million, which expire in the years 1994 through 2008, and unutilized minimum tax credits of $1.8 million. The Company does not anticipate full utilization of these losses and tax credits and, therefore, has established a valuation allowance. Utilization of preacquisition carryforwards in the future would not affect income of the Company and KBLCOM but would be applied to reduce the carrying value of cable television franchises and intangible assets.

(15) SUPPLEMENTARY EXPENSE INFORMATION

Taxes, other than income taxes, were charged to expense as follows:

	Year Ended December 31, 1993	1992	1991
		(Thousands of Dollars)	
Electric:			
Ad valorem	$ 151,124	$ 138,889	$ 119,565
State gross receipts	44,805	42,662	40,876
Payroll	21,711	22,381	24,344
PUC assessment	6,560	6,163	6,001
State franchise tax (net of refunds)	(13,633)	22,392	2,403
Miscellaneous	728	952	880
Total	211,295	233,439	194,069

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of Dollars)		
Taxes included in cable television operating expenses	10,295	9,481	9,260
Total	$ 221,590	$ 242,920	$ 203,329
Research and development costs charged to expense	$ 16,557	$ 15,963	$ 15,548

(16) BUSINESS SEGMENT INFORMATION

The Company operates principally in two business segments: electric utility and cable television. Financial information by business segment is summarized as follows:

	Year Ended December 31,		
	1993	1992	1991
	(Thousands of Dollars)		
Revenues:			
Electric utility	$ 4,079,863	$ 3,826,841	$ 3,674,543
Cable television (a)	244,067	235,258	223,911
Total revenues	$ 4,323,930	$ 4,062,099	$ 3,898,454
Operating Income (Expense):			
Electric utility (b)	$ 1,005,750	$ 923,801	$ 1,012,879
Cable television (a)	17,830	19,394	14,009
Other operations	(1,163)	(1,327)	(1,959)
Total operating income	1,022,417	941,868	1,024,929
Other income (expense)	47,882	43,789	94,481
Fixed charges	(423,145)	(480,561)	(494,476)
Income before income taxes	$ 647,154	$ 505,096	$ 624,934
Depreciation and Amortization:			
Electric utility	$ 385,731	$ 371,645	$ 350,593
Cable television (a)	77,912	75,622	70,496
Other operations	1,163	1,327	1,959
Total depreciation and amortization	$ 464,806	$ 448,594	$ 423,048
Identifiable Assets (end of period):			
Electric utility	$10,753,616	$10,790,052	$10,620,642
Cable television	1,407,916	1,386,927	1,391,526
Other operations	141,542	328,231	221,160
Adjustments and eliminations	(72,897)	(83,543)	(61,651)
Total assets	$12,230,177	$12,421,667	$12,171,677
Capital Expenditures:			
Electric utility	$ 329,016	$ 337,082	$ 365,486
Cable television (a)	54,482	44,306	26,624
Other	35,796	1,625	
Total capital expenditures	$ 419,294	$ 383,013	$ 392,110

(a) Amounts do not include amounts attributable to Paragon, which is accounted for under the equity method.

(b) 1992 amounts include the effect of a charge of $86.4 million which relates to HL&P's restructuring of operations as a result of the

implementation of the Success Through Excellence in Performance (STEP) program (see Note 18).

(17) INVESTMENTS

(a) Cable Television Partnership. A KBLCOM subsidiary owns a 50% interest in Paragon, a Colorado partnership that owns cable television systems. The remaining interest in the partnership is owned by American Television and Communications Corporation (ATC), a subsidiary of Time Warner Inc. The partnership agreement provides that at any time after December 31, 1993 either partner may elect to divide the assets of the partnership under certain pre-defined procedures set forth in the agreement.

Paragon is party to a $275 million revolving credit and letter of credit facility agreement with a group of banks. Paragon also has outstanding $100 million principal amount of 9.56% senior notes due 1995. In each case, borrowings are non-recourse to the Company and to ATC.

(b) Foreign Electric Utility. Houston Argentina owns a 32.5% interest in Compania de Inversiones en Electricidad S. A. (COINELEC), an Argentine holding company which acquired, in December 1992, a 51% interest in Empresa Distribuidora La Plata S. A. (EDELAP), an electric utility company operating in La Plata, Argentina and surrounding regions. Houston Argentina's share of the purchase price was approximately $37.4 million, of which $1.6 million was paid in December 1992 with the remainder paid in March 1993. Subsequent to the acquisition, the generating assets of EDELAP were transferred to Central Dique S. A., an Argentine Corporation, 51% of the stock of which is owned by COINELEC.

(18) RESTRUCTURING

HL&P recorded a one-time, pre-tax charge of $86.4 million in the first quarter of 1992 to reflect the implementation of the STEP program, a restructuring of its operations. This charge includes $42 million related to the acceptance of an early retirement plan by 468 employees of HL&P, $31 million for severance benefits related to the elimination of an additional 1,100 positions and $13 million in other costs associated with the restructuring.

(19) CHANGE IN ACCOUNTING METHOD FOR REVENUES

During the fourth quarter of 1992, HL&P adopted a change in accounting method for revenue from a cycle billing to a full accrual method, effective January 1, 1992. Unbilled revenues represent the estimated amount customers will be charged for service received, but not yet billed, as of the end of each month. The accrual of unbilled revenues results in a better matching of revenues and expenses. This change impacts the pattern of revenue recognition, which had the effect of increasing revenues and earnings in the second and third quarters (periods of higher usage) and decreasing revenues and earnings in the first and fourth quarters (periods of lower usage).

The cumulative effect of this accounting change, less income taxes of $48.5 million, amounted to $94.2 million, and was included in 1992 income. If this change in accounting method were applied retroactively, the effect on consolidated net income in 1991 would not have been material.

(20) UNAUDITED QUARTERLY INFORMATION

The following unaudited quarterly financial information includes, in the opinion of management, all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation. Quarterly results are not necessarily indicative of a full year's operations because of seasonality and other factors, including rate increases and variations in operating expense patterns.

Quarter Ended	Revenues	Operating Income	Net Income	Earnings per Common Share (a)
		(Thousands of Dollars)		
1992				
March 31	$ 959,666	$ 53,046	$ 51,949(d)	$0.40(e)
Adjustment 1(b)	(131,952)	313		
Adjustment 2(c)	(322)			
March 31 Reclassified	$ 827,392	$ 53,359	$ 51,949(d)	$0.40(e)
June 30	$1,167,792	$ 293,154	$ 120,200	$0.93
Adjustment 1(b)	(135,430)	(330)		
Adjustment 2(c)	(350)			
June 30 Reclassified	$1,032,012	$ 292,824	$ 120,200	$0.93
September 30	$1,403,344	$ 457,461	$ 239,367	$1.85
Adjustment 1(b)	(138,076)	(384)		
Adjustment 2(c)	(389)			
Sept. 30 Reclassified	$1,264,879	$ 457,077	$ 239,367	$1.85
December 31	$1,065,586	$ 138,753	$ 23,151	$0.18
Adjustment 1(b)	(127,329)	(145)		
Adjustment 2(c)	(441)			
Dec. 31 Reclassified	$ 937,816	$ 138,608	$ 23,151	$0.18
1993				
March 31	$ 992,236	$ 127,247	$ 27,055	$0.21
Adjustment 1(b)	(125,820)	734		
Adjustment 2(c)	(457)			
March 31 Reclassified	$ 865,959	$ 127,981	$ 27,055	$0.21
June 30	$1,068,179	$ 247,686	$ 100,209	$0.77
Adjustment 2(c)	(426)			
June 30 Reclassified	$1,067,753	$ 247,686	$ 100,209	$0.77
September 30	$1,416,746	$ 513,860	$ 260,409	$2.00
Adjustment 2(c)	(415)			
Sept. 30 Reclassified	$1,416,331	$ 513,860	$ 260,409	$2.00
December 31	$ 973,887	$ 132,890	$ 28,363	$0.22

(a) Quarterly earnings per common share are based on the weighted average number of shares outstanding during the quarter, and the sum of the quarters may not equal annual earnings per common share.

(b) Adjustment required to reclassify quarterly amounts for the merger of Utility Fuels into HL&P. (see Note 1(b)).

(c) Adjustment required to reclassify quarterly amounts for certain advertising expenses at KBLCOM.

(d) Amounts include the effect of a pre-tax charge of $86.4 million which relates to HL&P's restructuring of operations as a result of the implementation of the STEP program and pre-tax income of $142.7 million associated with the adoption of a change in accounting principle reflecting a change in the timing of recognition of revenue from electricity sales. (see Notes 18 and 19, respectively).

(e) Loss from continuing operations per share for the first quarter of 1992 was $.33.

(21) RECLASSIFICATION

Certain amounts from the previous years have been reclassified to conform to the 1993 presentation of financial statements. Such reclassifications do not affect earnings.

(22) SUBSEQUENT EVENT

On February 17 1994, KBLCOM entered into an agreement to acquire three cable companies serving approximately 47,000 customers in the Minneapolis area. KBLCOM will acquire the stock of the companies in exchange for the issuance of common stock of the Company. The amount of common stock of the Company to be issued, currently estimated to be approximately $24 million, is dependent on the amount of liabilities assumed, currently estimated to be approximately $63 million.

Approximately 40,000 of the cable customers served by the properties to be acquired are in the Minneapolis metropolitan area. The remaining 7,000 customers are located in small communities south and west of the metropolitan area. Closing of the transaction is subject to the satisfaction of certain conditions.

HOUSTON LIGHTING & POWER COMPANY

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1993

Except as modified below, the Notes to Consolidated Financial Statements of the Company are incorporated herein by reference insofar as they relate to HL&P: (1) Summary of Significant Accounting Policies, (3) Preferred Stock of HL&P, (4) Long-Term Debt, (5) Short-Term Financing, (7) Retirement Plans, (8) Commitments and Contingencies, (9) Jointly-Owned Nuclear Plant, (10) Utility Commission Proceedings, (11) Deferred Plant Costs, (12) Malakoff Electric Generating Station, (13) Recoverable Project Costs, (14) Income Taxes, (15) Supplementary Expense Information, (18) Restructuring, (19) Change in Accounting Method for Revenues, and (21) Reclassification.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) MERGER OF UTILITY FUELS INTO HL&P. The merger has been accounted for in a manner similar to a pooling of interests. HL&P's financial statements have been restated to reflect the combined operations for the current and previous periods, with the appropriate eliminating entries. The merger increased HL&P's previously reported earnings by $28.3 million and $24.4 million in 1992 and 1991, respectively.

(i) EARNINGS PER COMMON SHARE. All issued and outstanding Class A voting common stock of HL&P is held by the Company and all issued and outstanding Class B non-voting common stock of HL&P is held by Houston Industries (Delaware) Incorporated (Houston Industries Delaware), a wholly owned subsidiary of the Company. Accordingly, earnings per share is not computed.

(j) STATEMENT OF CASH FLOWS. At December 31, 1993, HL&P did not have any investments with affiliated companies (considered to be cash equivalents). At December 31, 1992 and 1991, HL&P had affiliate investments of $2.1 million and $9.7 million, respectively.

(2) COMMON STOCK

All issued and outstanding Class A voting common stock of HL&P is held by the Company and all issued and outstanding Class B non-voting common stock of HL&P is held by Houston Industries Delaware.

(5) SHORT-TERM FINANCING

The interim financing requirements of HL&P are primarily met through the issuance of commercial paper. HL&P had a bank credit facility of $250 million at December 31, 1993 and 1992, which limits total short-term borrowings and provides for interest at rates generally less than the prime rate. Outstanding commercial paper was approximately $171 million at December 31, 1993 and $139 million at December 31, 1992. Commitment fees are required on HL&P's bank credit facility.

(6) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and estimated fair value of HL&P's financial instruments at December 31, 1993 and 1992 are as follows:

	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
			(Restated)	(Restated)
	(Thousands of Dollars)			
Financial assets:				
Cash and short-term investments	$ 12,413	$ 12,413	$ 4,253	$ 4,253
Financial liabilities:				
Short-term notes payable	171,100	171,100	139,440	139,440
Short-term notes payable to affiliated company			19,000	19,000
Cumulative preferred stock (subject to mandatory redemption)	187,236	207,489	226,834	242,289
Long-term debt:				
First mortgage bonds	3,039,343	3,360,442	3,188,694	3,407,236
Pollution control revenue bonds	155,218	174,094	255,704	286,813
Notes payable to affiliated company			101,001	101,001
Other notes payable	2,410	2,410	4,897	4,897

The fair values of cash and short-term investments, short-term and other notes payable, and notes payable to affiliated company are equivalent to the carrying amounts.

The fair values of cumulative preferred stock subject to mandatory redemption, first mortgage bonds and pollution control revenue bonds issued on behalf of HL&P are estimated using rates currently available for securities with similar terms and remaining maturities.

(7) RETIREMENT PLANS

(a) PENSION. The Company maintains a noncontributory retirement plan covering substantially all employees of HL&P.

Net pension cost for HL&P includes the following components:

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
	(Thousands of Dollars)		
Service cost - benefits earned during the period	$ 24,640	$ 23,211	$ 21,277
Interest cost on projected benefit obligation	49,950	44,580	37,739
Actual return on plan assets	(38,668)	(26,334)	(60,499)
Net amortization and deferrals	(683)	(11,605)	29,868
Net pension cost	$ 35,239	$ 29,852	$ 28,385

The funded status of HL&P's retirement plan was as follows:

	December 31,	
	1993	1992
		(Restated)
	(Thousands of Dollars)	
Actuarial present value of:		
Vested benefit obligation	$ 434,797	$ 352,993
Accumulated benefit obligation	$ 492,301	$ 388,335
Plan assets at fair value	$ 478,515	$ 434,781
Projected benefit obligation	636,724	585,424
Assets less than projected benefit obligation	(158,209)	(150,643)
Unrecognized transitional asset	(17,062)	(18,966)
Unrecognized prior service cost	23,183	12,027
Unrecognized net loss	77,937	83,448
Accrued pension cost	$ (74,151)	$ (74,134)

The projected benefit obligation was determined using an assumed discount rate of 7.25% in 1993 and 8.5% in 1992. A long-term rate of compensation increase ranging from 3.9% to 6% was assumed for 1993 and ranging from 6.9% to 9.0% was assumed in 1992. The assumed long- term rate of return on plan assets was 9.5% in 1993 and 1992. The transitional asset at January 1, 1986, is being recognized over approximately 17 years, and the prior service cost is being recognized over approximately 15 years.

(c) POSTRETIREMENT BENEFITS. HL&P adopted SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" effective January 1, 1993. For 1992, HL&P continued to fund postretirement benefit costs on a "pay-as-you-go" basis and made payments of $8.6 million. HL&P's 1993 postretirement benefit costs under SFAS No. 106 were $37 million, an increase of approximately $27 million over the 1993 "pay-as-you-go" amount.

The net postretirement benefit cost for HL&P in 1993 includes the following components, in thousands of dollars:

Service cost - benefits earned during the period	$ 9,297
Interest cost on projected benefit obligation	18,134
Actual return on plan assets	---
Net amortization and deferrals	9,658
Net postretirement benefit cost	$ 37,089

The funded status of postretirement benefit costs for HL&P at December 31, 1993 was as follows, in thousands of dollars:

Accumulated benefit obligation:	
Retirees	$ (128,122)
Fully eligible active plan participants	(22,691)
Other active plan participants	(20,576)
Total	(171,389)
Plan assets at fair value	---
Assets less than accumulated benefit obligation	(171,389)
Unrecognized transitional obligation	200,883
Unrecognized net gain	(55,577)
Accrued postretirement benefit cost	$ (26,083)

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation in 1993 are as follows:

Medical - under 65	10.0%
Medical - 65 and over	11.0%
Dental	10.0%

The assumed health care rates gradually decline to 5.4% for both medical categories and 3.7% for dental by the year 2001. The accumulated postretirement benefit obligation was determined using an assumed discount rate of 7.25% for 1993.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of December 31, 1993 would be increased by approximately 8%. The annual effect of the 1% increase on the total of the service and interest costs would be an increase of approximately 10%.

(14) INCOME TAXES

HL&P records income taxes under SFAS No. 109. During 1993, federal tax legislation was enacted that changes the income tax consequences for HL&P. The principal provision of the new law which affects HL&P is the change in the corporate income tax rate from 34% to 35%. A net regulatory asset and the related deferred federal income tax liability of $71.3 million was recorded by HL&P in 1993. The effect of the new law, which decreased HL&P's net income by $8.0 million was recognized as a component of income tax expense in 1993. The effect on HL&P's deferred taxes for the change in the new law was $4.5 million in 1993.

HL&P's current and deferred components of income tax expense are as follows:

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
		(Thousands of Dollars)	
Current	$ 115,745	$ 134,514	$ 145,105
Deferred:			
Liberalized depreciation	96,460	84,318	88,709
Investment tax credit - net	(19,797)	(19,926)	(19,567)
Alternative minimum tax credit	4,256	8,519	20,573
Deferred plant costs	(6,867)	(6,671)	22,828
Loss on reacquired debt	10,186	14,916	(328)
Malakoff write-off	43,303		
Under recovery of fuel	12,083		
Excess deferred taxes	(9,625)	(17,403)	(17,532)
Other - net	(6,280)	(23,536)	(14,684)
Federal income tax expense	239,464	174,731	225,104
Federal income taxes charged to other income	(2,993)	(1,062)	1,941
Income taxes before cumulative effect of change in accounting	$ 236,471	$ 173,669	$ 227,045

HL&P's effective income tax rates are lower than statutory corporate rates for each year as follows:

	Year Ended December 31,		
	1993	1992	1991
		(Restated)	(Restated)
		(Thousands of Dollars)	
Income before income taxes, preferred dividends and cumulative effect of change in accounting	$ 720,694	$ 588,951	$ 745,944
Statutory rate	35%	34%	34%
Income taxes at statutory rate	252,243	200,243	253,621
Net reduction in taxes resulting from:			
AFUDC - other included in income	1,229	2,097	6,658
Amortization of investment tax credit	19,797	19,926	19,567
Difference between book and tax depreciation for which deferred taxes have not been normalized	(12,976)	(13,466)	(14,437)
Excess deferred taxes	9,625	17,403	17,532
Other - net	(1,903)	614	(2,744)
Total	15,772	26,574	26,576
Income taxes before cumulative effect of change in accounting	$ 236,471	$ 173,669	$ 227,045
Effective rate	32.8%	29.5%	30.4%

Following are HL&P's tax effects of temporary differences resulting in deferred tax assets and liabilities:

	December 31, 1993	December 31, 1992 (Restated)
	(Thousands of Dollars)	
Deferred Tax Assets:		
Alternative minimum tax	$ 51,506	$ 54,795
IRS audit assessment	48,513	48,513
Disallowed plant cost - net	24,304	24,394
Other	47,906	50,885
Total deferred tax assets	172,229	178,587
Deferred Tax Liabilities:		
Depreciation	1,210,410	1,122,216
Regulatory assets - net	246,763	177,426
Deferred plant costs	215,472	216,813
Capitalized taxes, employee benefits, and removal costs	111,333	108,554
Other	187,227	138,185
Total deferred tax liabilities	1,971,205	1,763,194
Accumulated deferred income taxes - net	$1,798,976	$1,584,607

(20) UNAUDITED QUARTERLY INFORMATION

The following unaudited quarterly financial information includes, in the opinion of management, all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation. Quarterly results are not necessarily indicative of a full year's operations because of seasonality and other factors, including rate increases and variations in operating expense patterns.

Quarter Ended	Revenues	Operating Income	Income After Preferred Dividends
		(Thousands of Dollars)	
1992			
March 31	$ 770,379	$ 56,115	$ 59,165(b)
Adjustment (a)		10,588	6,940
March 31 Restated	$ 770,379	$ 66,703	$ 66,105(b)
June 30	$ 972,535	$ 213,122	$ 120,415
Adjustment (a)		10,372	7,119
June 30 Restated	$ 972,535	$ 223,494	$ 127,534
September 30	$1,206,367	$ 322,847	$ 236,672
Adjustment (a)		9,881	7,203
September 30 Restated	$1,206,367	$ 332,728	$ 243,875
December 31	$ 877,560	$ 116,502	$ 25,624
Adjustment (a)		9,643	6,997
December 31 Restated	$ 877,560	$ 126,145	$ 32,621

Quarter Ended	Revenues	Operating Income	Income After Preferred Dividends
	(Thousands of Dollars)		
1993			
March 31	$ 805,685	$ 104,145	$ 25,103
Adjustment (a)		9,015	6,471
March 31 Restated	$ 805,685	$ 113,160	$ 31,574
June 30	$1,005,149	$ 189,066	$ 105,765
September 30	$1,355,339	$ 355,221	$ 271,594
December 31	$ 913,690	$ 108,839	$ 40,817

(a) Adjustment required to restate quarterly amounts for the merging of Utility Fuels into HL&P. (See Note 1(b))

(b) Amounts include the effect of a pre-tax charge of $86.4 million which relates to HL&P's restructuring of operations as a result of the implementation of the STEP program and pre-tax income of $142.7 million associated with the adoption of a change in accounting principle reflecting a change in the timing of recognition of revenue from electricity sales. (see Notes 18 and 19, respectively).

(23) PRINCIPAL AFFILIATE TRANSACTIONS

Affiliated Company	Description	Year Ended December 31, 1993	1992	1991
			(Restated)	(Restated)
			(Thousands of Dollars)	
Houston Industries	Dividends	$ 342,981	$ 345,748	$ 350,267
	Service Fees (a)	21,864	18,215	21,055
	Money Fund Income (b)	2,748	930	3,229
Houston Industries Finance	Discount Expenses (a)		21,053	26,202

(a) Included in Operating Expenses
(b) Included in Other Income (Expense)

During 1992 and 1991, Houston Industries Finance purchased accounts receivable of HL&P. In January 1993, Houston Industries Finance sold the receivables back to the respective subsidiaries and ceased operations. HL&P is now selling its accounts receivable and most of its accrued unbilled revenues to an unaffiliated third party.

INDEPENDENT AUDITORS' REPORT

HOUSTON INDUSTRIES INCORPORATED

We have audited the accompanying consolidated balance sheets and the consolidated statements of capitalization of Houston Industries Incorporated and its subsidiaries as of December 31, 1993 and 1992 and the related statements of consolidated income, consolidated retained earnings and consolidated cash flows for each of the three years in the period ended December 31, 1993. Our audits also included the Company's financial statement schedules listed in Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries at December 31, 1993 and 1992 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 19 to the consolidated financial statements, the Company changed its method of accounting for revenues in 1992.

DELOITTE & TOUCHE

Houston, Texas
February 23, 1994

INDEPENDENT AUDITORS' REPORT

HOUSTON LIGHTING & POWER COMPANY

We have audited the accompanying balance sheets and the statements of capitalization of Houston Lighting & Power Company (HL&P) as of December 31, 1993 and 1992 and the related statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1993. Our audits also included the financial statement schedules of HL&P listed in Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of HL&P's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of HL&P at December 31, 1993 and 1992 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the financial statements, Utility Fuels, Inc., HL&P's coal supply affiliate, was merged into HL&P in 1993. The merger has been accounted for in a manner similar to a pooling of interests with restatement of all years presented. As discussed in Note 19 to the financial statements, HL&P changed its method of accounting for revenues in 1992.

DELOITTE & TOUCHE

Houston, Texas
February 23, 1994

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AND HL&P.

(a) The Company

The information called for by Item 10, to the extent not set forth under Item 1 "Business - Executive Officers of the Company", is or will be set forth in the definitive proxy statement relating to the Company's 1994 annual meeting of shareholders pursuant to the Commission's Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 10 is incorporated herein by reference pursuant to Instruction G to Form 10-K.

(b) HL&P

The information set forth under Item 1. "Business - Executive Officers of HL&P" is incorporated herein by reference.

Each member of the board of directors of HL&P is also a member of the board of directors of the Company. Each member of the board of directors of HL&P is elected annually for a one-year term. The HL&P annual shareholder's meeting, at which the Company elects members to the HL&P board of directors, is expected to occur on May 4, 1994. Information is set forth below with respect to the business experience for the last five years of each person who currently serves as a member of the board of directors of HL&P, certain other directorships held by each such person and certain other information. Unless otherwise indicated, each person has had the same principal occupation for at least five years.

MILTON CARROLL, age 43, has been a director since 1992. He is Chairman, President and Chief Executive Officer of Instrument Products Inc., an oil field supply manufacturing company, in Houston, Texas. Mr. Carroll currently serves as an advisor to Lazard Freres & Co., an investment banking firm, and is a director of Panhandle Eastern Corporation and the Federal Reserve Bank of Dallas.

JOHN T. CATER, age 58, has been a director since 1983. Mr. Cater is Chairman, Chief Executive Officer and a director of River Oaks Trust Company in Houston, Texas. He also serves as President and director of Compass Bank-Houston. Until his retirement in July 1990, Mr. Cater served as President, Chief Operating Officer and a director of MCorp, a Texas bank holding company. He currently serves as a director of MCorp.(1)

ROBERT J. CRUIKSHANK, age 63, has been a director since 1993. Mr. Cruikshank is primarily engaged in managing his personal investments in Houston, Texas. Prior to his retirement in 1993, Mr. Cruikshank was a Senior Partner in the accounting firm of Deloitte & Touche. Mr. Cruikshank is also Vice-Chairman of the Board of Regents of the University of Texas System. He also serves as a director of MAXXAM Inc., Compass Bank and Texas Biotechnology Corporation.

LINNET F. DEILY, age 48, has been a director since 1993. Ms. Deily is Chairman, Chief Executive Officer and President of First Interstate Bank of Texas, N.A. She has served as Chairman since 1992, Chief Executive Officer since 1991 and President since 1988. (2)

JOSEPH M. HENDRIE, PH.D., age 68, has been a director since 1985. Dr. Hendrie is a Consulting Engineer in Bellport, New York, having previously served as Chairman and Commissioner of the U.S. Nuclear Regulatory Commission and as President of the American Nuclear Society. He is also a director of Entergy Operations, Inc. of Jackson, Mississippi.

HOWARD W. HORNE, age 67, has been a director since 1978. Mr. Horne is Vice Chairman of Cushman & Wakefield of Texas, Inc., a subsidiary of a national real estate brokerage firm. Until 1990, Mr. Horne was Chairman of the Board of The Horne Company, a realty firm. (3)

DON D. JORDAN, age 61, has been a director of the Company since 1977 and of HL&P since 1974. Mr. Jordan is Chairman and Chief Executive Officer of the Company and Chairman and Chief Executive Officer of HL&P. Mr. Jordan also serves as a director of Texas Commerce Bancshares, Inc. and BJ Services Company, Inc.

THOMAS B. MCDADE, age 70, has been a director since 1980. Mr. McDade is primarily engaged in managing his personal investments in Houston, Texas. Mr. McDade also serves as a director and trustee of eleven registered investment companies for which Transamerica Fund Management Company serves as investment advisor. (4)

ALEXANDER F. SCHILT, PH.D., age 53, has been a director since 1992. He is Chancellor of the University of Houston System. Prior to 1990, Dr. Schilt was President of Eastern Washington University in Cheney and Spokane, Washington.

KENNETH L. SCHNITZER, SR., age 64, has been a director since 1983. Mr. Schnitzer is Chairman of the Board of Schnitzer Enterprises, Inc., a Houston commercial real estate development company, having previously served as a director of American Building Maintenance Industries Incorporated and Weingarten Realty, Inc. (5)

DON D. SYKORA, age 63, has been a director since 1982. Mr. Sykora is President and Chief Operating Officer of the Company. He also serves as a director of Powell Industries, Inc., Pool Energy Services Company, Inc. and TransTexas Gas Corporation.

JACK T. TROTTER, age 67, has been a director since 1985. Mr. Trotter is primarily engaged in managing his personal investments in Houston, Texas. He also serves as a director of First Interstate Bank of Texas, N.A., Howell Corporation, Weingarten Realty Investors, Zapata Corporation and Continental Airlines, Inc.

BERTRAM WOLFE, PH.D., age 66, has been a director since 1993. Prior to his retirement in 1992, Dr. Wolfe was Vice President and General Manager of General Electric Company's nuclear energy business in San Jose, California.

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(1) In March 1989, the FDIC declared 20 of MCorp's 25 banks to be insolvent and transferred their assets and deposits to another bank. In 1989, MCorp filed for protection under the Federal Bankruptcy Code.

(2) First Interstate and certain of its affiliates participate in various credit facilities with HL&P, the Company and certain of HL&P's affiliates and other entities in which the Company has an ownership interest. Under these agreements, First Interstate and certain of its affiliates have maximum aggregate loans and commitments to lend approximately $81.24 million.

(3) Under a consulting arrangement originally with Mr. Horne which was subsequently amended to be an agreement with Cushman & Wakefield of which Mr. Horne is Vice Chairman, Cushman & Wakefield represented the Company in negotiations concerning the purchase of an office building in 1993, for which that firm was paid $358,000 by the Company and $78,000 by the seller of the building.

(4) Mr. McDade is expected to retire at the date of the Company's 1994 annual meeting of shareholders.

(5) HL&P and certain of its affiliates currently lease office space in buildings owned or controlled by affiliates of Mr. Schnitzer. HL&P and certain of its affiliates paid a total of approximately $5.4 million to affiliates of Mr. Schnitzer during 1993, and it is expected that approximately $5.6 million will be paid in 1994. HL&P believes such payments are comparable to those that would have been made to other non-affiliated firms for comparable facilities and services.

ITEM 11. EXECUTIVE COMPENSATION.

(a) The Company

The information called for by Item 11 is or will be set forth in the definitive proxy statement relating to the Company's 1994 annual meeting of shareholders pursuant to the Commission's Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 11 (excluding any information required by paragraphs (i), (k) and (l) of Item 402 of Regulation S-K) are incorporated herein by reference pursuant to Instruction G to Form 10-K.

(b) HL&P

SUMMARY COMPENSATION TABLE. The following table shows, for the years ended December 31, 1991, 1992 and 1993, the annual, long-term and certain other compensation of the chief executive officer and the other four most highly compensated executive officers of HL&P including Mr. Hall who retired effective January 1, 1994 (Named Officers). The format and information presented are as prescribed in revised rules of the Securities and Exchange Commission (SEC) and in accordance with transitional provisions of the rules, information in the "All Other Compensation" column is not presented for 1991.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation: Salary (1)	Annual Compensation: Bonus (2)	Long-Term Compensation: Awards: Securities Underlying Options (#)	Long-Term Compensation: Payouts: LTIP Payouts (3)	All Other Compensation (4)
Don D. Jordan (5)	1993	$829,500		12,965	$762,962	$647,491
Chairman and	1992	785,125	$531,268	13,190	32,000	543,204
Chief Executive Officer	1991	745,883	334,688		29,062	
Hugh Rice Kelly	1993	310,500		2,621	285,078	58,218
Senior Vice President,	1992	297,583	155,439	2,667	13,188	65,266
General Counsel and Corporate Secretary	1991	283,750	86,981		12,313	
R. Steve Letbetter	1993	271,000		2,128	212,362	42,562
President and	1992	241,417	125,952	2,161	10,125	44,813
Chief Operating Officer	1991	224,583	70,484		9,125	
Donald P. Hall	1993	267,000		2,309	251,530	18,061
Senior Vice President	1992	262,000	136,170	2,345		15,669
and Assistant to the President	1991	248,750	76,483			
Jack D. Greenwade	1993	225,500		1,903	178,814	36,786
Group Vice President	1992	215,833	110,880	1,931	8,875	38,184
- Operations	1991	207,583	62,986		7,863	

(1) The amounts shown include salary earned and received by the Named Officers as well as salary earned but deferred. Also included are board of director and committee fees paid in 1991 prior to the time such fees were eliminated for employee directors.

(2) The amount of bonus earned for 1993 has not been determined because it was not calculable as of the date of this Report. In accordance with the SEC's revised rules on executive compensation, these amounts will be included for such year in HL&P's Annual Report on Form 10-K for the year ended December 31, 1994.

(3) The amounts shown represent (i) cash paid in 1991 and 1992 under the Company's executive incentive compensation plan for long-term awards based on the performance periods of 1987-1990 and 1988-1991 respectively and (ii) the dollar value of shares of the Company's common stock paid out in 1993 under the Company's long-term incentive compensation plans based on the achievement of certain performance objectives for the 1990-1992 performance cycle, plus dividend equivalent accruals during the performance period.

(4) The amounts shown include (i) Company contributions to the Company's savings plan and accruals under its savings restoration plan for 1992 and 1993 on behalf of the Named Officers, as follows: Mr. Jordan 1992 - $41,348 and 1993 - $57,152; Mr. Kelly 1992 - $26,141 and 1993 - $19,569; Mr. Letbetter 1992 - $20,225 and 1993 - $16,672; Mr. Hall 1992 - $14,005 and 1993 - $16,933; and

Mr. Greenwade 1992 - $16,898 and 1993 - $14,128 and (ii) the portion of accrued interest on amounts of compensation deferred under the Company's deferred compensation plan and executive incentive compensation plan that exceeds 120% of the applicable federal long-term rate provided under Section 1274(d) of the Internal Revenue Code, as follows: Mr. Jordan 1992 - $501,856 and 1993 - $590,339; Mr. Kelly 1992 - $39,125 and 1993 - $38,649; Mr. Letbetter 1992 - $24,588 and 1993 - $25,890; Mr. Hall 1992 - $1,664 and 1993 - $1,128; and Mr. Greenwade 1992 - $21,286 and 1993 - $22,658. With respect to the accrued interest on deferred amounts referenced in (ii) of this footnote, the Company owns and is the beneficiary under life insurance policies, and it is currently anticipated that the benefits associated with these policies will be sufficient to cover such accumulated interest.

(5) The information related to Mr. Jordan includes his compensation as Chairman and Chief Executive Officer of the Company.

STOCK OPTION GRANTS. The following table contains information concerning the grant of stock options under the Company's long-term incentive compensation plan to the Named Officers during 1993.

OPTION GRANTS IN 1993

	Individual Grants				Grant Date Value
Name	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price Per Share	Expiration Date	Grant Date Present Value (2)
Don D. Jordan	12,965	19.71%	$46.25	01/03/03	$41,618
Hugh Rice Kelly	2,621	3.98%	46.25	01/03/03	8,413
R. Steve Letbetter	2,128	3.24%	46.25	01/03/03	6,831
Donald P. Hall(3)	2,309	3.51%	46.25	01/03/03	7,412
Jack D. Greenwade	1,903	2.89%	46.25	01/03/03	6,109

(1) The nonstatutory options for shares of the Company's common stock included in the table were granted on January 4, 1993, have a ten-year term and generally become exercisable in one-third increments commencing one year after date of grant, so long as employment with the Company or its subsidiaries continues. If a change in control (as defined in the plan) of the Company occurs before the options become exercisable, the options will become immediately exercisable.

(2) Based on the Black-Scholes option pricing model adjusted for the payment of dividends. The calculations were made based on the following assumptions: volatility equal to historical volatility of the Company's common stock in the six-month period prior to grant date; risk-free interest rate equal to the ten-year average monthly U.S. Treasury rate for January 1993; option strike price equal to current stock price on the date of grant ($46.25); current dividend rate of $3 per share per year; and option term equal to the full ten-year period until the stated expiration date. No reduction has been made in the valuations on account of non-transferability of the

options or vesting or forfeiture provisions. Valuations would change if different assumptions were made. Option values are dependent on general market conditions and the performance of the Company's common stock. There can be no assurance that the values in this table will be realized.

(3) Under the terms of the Company's long-term incentive compensation plans, Mr. Hall's retirement effective January 1, 1994 resulted in his receiving options for only 770 shares of the originally granted number of shares, and resulted in the forfeiture, for no value, of his options for 1,539 shares. Options expire one year after date of retirement; therefore, Mr. Hall's options expire January 1, 1995.

STOCK OPTION VALUES. The following table sets forth information for each of the Named Officers with respect to the unexercised options to purchase the Company's common stock granted under the Company's long-term incentive compensation plans and held as of December 31, 1993, including the aggregate amount by which the market value of the option shares exceeds the exercise price of the option shares at December 31, 1993. No options were exercised by the Named Officers during 1993.

1993 YEAR-END OPTION VALUES

Name	Number of Securities Underlying Unexercised Options at December 31, 1993 Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at December 31, 1993 (1) Exercisable/ Unexercisable
Don D. Jordan	4,397 / 21,758	$18,962 / $58,178
Hugh Rice Kelly	889 / 4,399	3,834 / 11,763
R. Steve Letbetter	720 / 3,569	3,105 / 9,539
Donald P. Hall	782 / 3,872	3,372 / 10,348
Jack D. Greenwade	644 / 3,190	2,777 / 8,523

(1) Based on the average of the high and low sales prices of the the Company's common stock on the composite tape, as reported by The Wall Street Journal for December 31, 1993.

LONG-TERM INCENTIVE COMPENSATION PLANS

The following table sets forth information concerning awards made during the year ended December 31, 1993 under the Company's long-term incentive compensation plans. The table represents potential payouts of awards for performance shares (target and opportunity shares) of Common Stock based on the achievement of certain performance goals over a performance cycle of three years. The performance goals are weighted differently depending on the parent or subsidiary company by which the Named Officer is employed. The consolidated performance goal applicable to each of the Named Officers is achieving a superior total return to shareholders in relation to a panel of other companies. With respect to Messrs. Letbetter, Hall and Greenwade, subsidiary performance goals consist of (1) increasing HL&P's competitive rate advantage by

maintaining current base electric rates and (2) achieving a superior cash flow performance in relation to a panel of other companies. With respect to Messrs. Jordan and Kelly, subsidiary performance goals include all of the above as well as goals from the Company's other major subsidiary. Each of these goals has attainment levels ranging from 50% to 150% of the target amounts. Target amounts for awards will be earned if goals are achieved at the 100% level; threshold amounts if goals are achieved at the 50% level and maximum amounts if goals are achieved at the 150% level. If a change in control (as defined in the plan) of the Company occurs before the end of a performance cycle, the payouts of awards for performance shares will occur without regard to achievement of the performance goals.

LONG-TERM INCENTIVE COMPENSATION PLANS - AWARDS IN 1993

			Estimated Future Payouts Under Non-Stock Price-Based Plans(1)		
Name	Number of Shares	Performance or Other Period Until Maturation or Payout	Threshold Number of Shares	Target Number of Shares	Maximum Number of Shares
Don D. Jordan	11,659	12/31/95	5,830	11,659	17,489
Hugh Rice Kelly	2,719	12/31/95	1,360	2,719	4,079
R. Steve Letbetter	2,208	12/31/95	1,104	2,208	3,312
Donald P. Hall (2)	2,396	12/31/95	1,198	2,396	3,594
Jack D. Greenwade	1,974	12/31/95	987	1,974	2,961

(1) The table does not reflect dividend equivalent accruals during the performance period.

(2) Under the terms of the Company's long-term incentive compensation plans, Mr. Hall's retirement effective January 1, 1994 resulted in his receiving a payout in January, 1994 of 799 shares, a pro-rated amount based on the number of days elapsed in the performance cycle.

RETIREMENT PLANS, RELATED BENEFITS AND OTHER AGREEMENTS. The following table shows the estimated annual benefit payable under the Company's retirement plan, benefit restoration plan and, in certain cases, supplemental agreements, to officers in various compensation classifications upon retirement at age 65 after the indicated periods of service, determined on a single-life annuity basis. The amounts in the table are not subject to any deduction for Social Security payments or other offsetting amounts.

PENSION PLAN TABLE

Final Average Annual Compensation At Age 65	Estimated Annual Pension Based on Years of Service				
	15 Years	20 Years	25 Years	30 Years	35 or More Years
$ 300,000	$ 85,998	$114,664	$143,330	$171,996	$200,662
400,000	115,098	153,464	191,830	230,196	268,562
500,000	144,198	192,264	240,330	288,396	336,462
600,000	173,298	231,064	288,830	346,596	404,362
700,000	202,398	269,864	337,330	404,796	472,262
800,000	231,498	308,664	385,830	462,996	540,162
900,000	260,598	347,464	434,330	521,196	608,062
1,000,000	289,698	386,264	482,830	579,396	675,962
1,200,000	347,898	463,864	579,830	695,796	811,762
1,400,000	406,098	541,464	676,830	812,196	947,562
1,500,000	435,198	580,264	725,330	870,396	1,015,462
1,600,000	464,298	619,064	773,830	928,596	1,083,362
1,700,000	493,398	657,864	822,330	986,796	1,151,262

NOTE: The qualified pension plan limits compensation in accordance with IRC 401(a)(17) and also limits benefits in accordance with IRC 415. Pension benefits based on compensation above the qualified plan limit or in excess of the limit on annual benefits are provided through the benefit restoration plan.

For the purpose of the pension table above, final average annual compensation means the average of covered compensation for the 36 consecutive months out of the 120 consecutive months immediately preceding retirement in which the participant's covered compensation was the highest. Covered compensation only includes the amounts shown in the "Salary" and "Bonus" columns of the Summary Compensation Table. At December 31, 1993 the credited years of service and current covered compensation for the following persons are: Mr. Jordan, 35 years $1,360,768; Mr. Kelly, 19 years, 10 of which result from a supplemental agreement $465,939; Mr. Letbetter, 20 years $396,952 and Mr. Greenwade, 28 years $336,380. Mr. Hall , who retired effective January 1, 1994, does not participate in the Company's retirement plan, but under supplemental agreements, he receives a pension of $50,000 per year. Because bonus amounts for 1993 are not yet available, the foregoing covered compensation amounts are based in part on 1992 data.

The Company maintains an executive benefits plan that provides certain salary continuation, disability and death benefits to key officers of the Company and certain of its subsidiaries. The Named Officers participate in this plan pursuant to individual agreements. The agreements generally provide for (1) a salary continuation benefit of 100% of the officer's current salary for twelve months after death during active employment and then 50% of salary for nine years or until the deceased officer would have attained age 65, if later, and (2) if the officer retires after attainment of age 65, an annual post-retirement death benefit of 50% of the officer's preretirement annual salary payable for six years.

Effective in 1994, the Company authorized an executive life insurance plan providing for split-dollar life insurance to be

maintained on the lives of certain officers and all members of the Board of Directors. Pursuant to the plan, the Personnel Committee has authorized the Company to obtain coverage for the Named Officers, except for Mr. Hall who has retired. The amounts of their coverages are not finalized, pending completion of arrangements with the insurance carrier and certain elections by participants, but are expected to range from approximately two times current salary to six times current salary, assuming single life coverage is elected.

The death benefit for the Company's nonemployee directors is six times the annual retainer (assuming single life coverage is elected). The plan also provides that the Company may make payments to the covered individuals designed to compensate for tax consequences with respect to imputed income that they must recognize for federal income tax purposes based on the term portion of the annual premiums. If a covered executive retires at age 65 or at an earlier age under circumstances approved for this purpose by the Board of Directors, rights under the plan vest so that coverage is continued based on the same death benefit in effect at the time of retirement. Upon death, the Company will receive the balance of the insurance proceeds payable in excess of the specified death benefit which should in all cases be at least sufficient to cover the Company's cumulative outlays to pay premiums and the after-tax cost to the Company of the tax gross-up payments.

COMPENSATION OF DIRECTORS. Each nonemployee director receives an annual retainer fee of $20,000, in his or her capacity as a director of the Company, and a fee of $1,000 for each board meeting attended and a fee of $700 for each committee meeting attended. Directors may defer all or a part of their annual retainer fees (minimum deferral $2,000) and meeting fees under the Company's deferred compensation plan.

Nonemployee directors participate in a director benefits plan pursuant to which a director who serves at least one full year will receive an annual benefit in cash equal to the annual retainer payable in the year the director terminates service. Benefits under this plan will be payable to the director, commencing the January following the later of the director's termination of service or attainment of age 65, for a period equal to the number of full years of service of the director.

Nonemployee directors also participate in the Company's executive life insurance plan effective January 1994, described above under "Retirement Plans, Related Benefits and Other Agreements," under which the Company purchases split dollar life insurance so as to provide each nonemployee director a death benefit equal to six times his or her annual retainer (assuming single life coverage is elected) with coverage continuing after termination of service as a director. This plan also permits the Company to provide for a tax gross-up payment to make the directors whole with respect to imputed income recognized with respect to the term portion of the annual insurance premiums.

For a description of a consulting arrangement with Mr. Horne and a fee paid to a company of which he is Vice Chairman, see Note 3 to Item 10(b).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a) The Company

The information called for by Item 12 is or will be set forth in the definitive proxy statement relating to the Company's 1994 annual meeting of shareholders pursuant to the Commission's Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 12 is incorporated herein by reference pursuant to Instruction G to Form 10-K.

(b) HL&P

As of the date of this Report, the Company owned 1,000 shares of HL&P's Class A common stock, without par value, and Houston Industries (Delaware) Incorporated owned 100 shares of HL&P's Class B common stock, constituting all of the issued and outstanding shares of Class B common stock of HL&P.

The following table shows the beneficial ownership reported as of the date of this Report unless otherwise noted of shares of the Company's common stock, including shares as to which a right to acquire ownership exists (for example, through the exercise of stock options) within the meaning of Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, of each current director, the chief executive officer and the four other most highly compensated executive officers of HL&P and, as a group, of such persons and other executive officers of HL&P. No person or member of the group listed owns any equity securities of HL&P or any other subsidiary of the Company. Unless otherwise indicated, each person or member of the group listed has sole voting and investment power with respect to the shares of Common Stock listed. No ownership shown in the table represents 1% or more of the outstanding shares of the Company's common stock.

Name	Shares of Common Stock Beneficially Owned
Milton Carroll	1,200
John T. Cater	1,000 (1)
Robert J. Cruikshank	1,000
Linnet F. Deily	1,000 (2)
Jack D. Greenwade	9,703
Donald P. Hall	9,485 (3)(4)
Joseph M. Hendrie	415 (2)(4)
Howard W. Horne	3,233 (4)
Don D. Jordan	74,575 (5)(6)(7)
Hugh Rice Kelly	11,542 (4)(6)(7)
R. Steve Letbetter	11,942 (6)(7)
Thomas B. McDade	3,193
Alexander F. Schilt	400
Kenneth L. Schnitzer, Sr.	4,650
Don D. Sykora	33,204 (4)(6)(7)
Jack T. Trotter	1,000
Bertram Wolfe	110
All of the above and other executive officers as a group (21 persons)	179,754 (4)(6)(7)

(1) Mr. Cater disclaims beneficial ownership of these shares, which are owned by his adult children.

(2) Voting power and investment power with respect to the shares listed for Ms. Deily and Dr. Hendrie are shared with the respective spouse of each.

(3) Mr. Hall's ownership is reported as of December 31, 1993; he retired effective January 1, 1994.

(4) Includes shares held under the Company's dividend reinvestment plan as of December 31, 1993.

(5) Voting power and investment power with respect to 576 of the shares listed are shared with Mr. Jordan's spouse.

(6) Includes shares held under the savings plan of the Company or KBLCOM Incorporated as of December 31, 1993 (which plans merged January 1, 1994), as to which the participant has sole voting power (subject to such power being exercised by the plan's trustees in the same proportion as directed shares in the savings plans are voted in the event the participant does not exercise voting power).

(7) The ownership shown in the table includes shares which may be acquired within 60 days on exercise of outstanding stock options granted under the Company's long-term incentive compensation plans by each of the persons and group, as follows: Mr. Jordan - 13,115 shares; Mr. Sykora - 6,994 shares; Mr. Kelly - 2,652 shares; Mr. Letbetter - 2,150 shares; Mr. Hall - 2,333 shares; Mr. Greenwade - 1,921 shares and the group - 31,976 shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

(a) The Company

The information called for by Item 13 is or will be set forth in the definitive proxy statement relating to the Company's 1994 annual meeting of shareholders pursuant to the Commission's Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 13 is incorporated herein by reference pursuant to Instruction G to Form 10-K.

(b) HL&P

The information set forth in Notes 2, 3 and 5 to Item 10(b) above is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

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The following schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements:

I, II, III, IV, VII, X, XI, XII and XIII.

(a)(3) EXHIBITS.

See Index of Exhibits on page 135, which also includes the management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(10)(iii) of Regulation S-K.

(b) REPORTS ON FORM 8-K. None

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A Classification	Col. B Balance at Beginning of Period	Col. C Additions at Cost	Col. D Retire-ments	Col. E Other Changes-Add (Deduct)	Col. F Balance at End of Period
Year Ended December 31, 1993:					
Production Plant	$ 7,108,713	$ 66,724	$ 6,555	$ (3,071)	$ 7,165,811
Transmission Plant	818,584	26,597	4,445		840,736
Distribution Plant	2,394,226	155,071	45,333		2,503,964
General Plant	978,998	40,147	49,412		969,733
Plant Acquisition Adjustments	3,166				3,166
Plant Held for Future Use	200,865	2,509		(7,044)	196,330
Cable Television Property	320,661	54,482	2,965		372,178
Other Property	21,687	26,823	781	(235)	47,494
Total Property, Plant and Equipment	11,846,900	372,353	109,491	(10,350)	12,099,412
Construction Work in Progress	205,214	34,376		3,071	242,661
Nuclear Fuel	202,013	9,772			211,785
Total	$12,254,127	$ 416,501	$ 109,491	$ (7,279)	$12,553,858
Year Ended December 31, 1992:					
Production Plant	$ 6,977,296	$ 143,183	$ 13,272	$ 1,506	$ 7,108,713
Transmission Plant	801,049	20,352	2,817		818,584
Distribution Plant	2,302,657	126,417	34,848		2,394,226
General Plant	930,241	68,087	19,330		978,998
Plant Acquisition Adjustments	3,166				3,166
Plant Held for Future Use	275,719	9,221		(84,075)	200,865
Cable Television Property	278,052	43,236	627		320,661
Other Property	21,623	225	187	26	21,687
Total Property, Plant and Equipment	11,589,803	410,721	71,081	(82,543)	11,846,900
Construction Work in Progress	247,410	(42,196)			205,214
Nuclear Fuel	181,853	20,160			202,013
Total	$12,019,066	$ 388,685	$ 71,081	$ (82,543)	$12,254,127
Year Ended December 31, 1991:					
Production Plant	$ 6,846,074	$ 136,105	$ 4,716	$ (167)	$ 6,977,296
Transmission Plant	764,336	39,937	3,224		801,049
Distribution Plant	2,173,981	163,896	35,220		2,302,657
General Plant	898,820	68,655	37,234		930,241
Plant Acquisition Adjustments	3,166				3,166
Plant Held for Future Use	263,735	11,984			275,719
Cable Television Property	252,485	26,624	1,057		278,052
Other Property	11,995	9,606	77	99	21,623
Total Property, Plant and Equipment	11,214,592	456,807	81,528	(68)	11,589,803
Construction Work in Progress	293,773	(46,363)			247,410
Nuclear Fuel	177,308	6,049		(1,504)	181,853
Total	$11,685,673	$ 416,493	$ 81,528	$ (1,572)	$12,019,066

Notes:

(A) Substantially all electric utility additions are originally charged to Construction Work in Progress and transferred to electric utility plant accounts upon completion. Additions at cost give effect to such transfers.
(B) Additions at cost include noncash charges for AFUDC for HL&P and capitalized interest for other subsidiaries.
(C) Depreciation is computed using the straight-line method. The depreciation provisions as a percentage of the depreciable cost of plant were 3.4%, for 1993, 1992 and 1991.
(D) Other changes to Plant Held for Future Use in 1993 and 1992 represent the deduction of $7.0 million and $84.1 million, respectively, of recoverable costs related to Malakoff.
(E) 1992 and 1991 have been adjusted to reflect reclassifications due to the merger of Utility Fuels into HL&P.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE VI - ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION
AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A	Col. B	Col. C		Col. D		Col. E
		Additions		Deductions from Reserve		
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Retirements, Renewals, and Replacements	Other	Balance at End of Period
Year Ended December 31, 1993:						
Depreciation and amortization of property, plant and equipment . .	$2,971,844	$ 378,695	$ 12,806	$ 100,089		$3,263,256
Amortization of nuclear fuel	90,259	2,101				92,360
Year Ended December 31, 1992:						
Depreciation and amortization of property, plant and equipment . .	$2,658,973	$ 373,533	$ 11,887	$ 72,549		$2,971,844
Amortization of nuclear fuel	61,022	29,237				90,259
Year Ended December 31, 1991:						
Depreciation and amortization of property, plant and equipment . .	$2,368,505	$ 362,027	$ 11,867	$ 83,426		$2,658,973
Amortization of nuclear fuel	38,603	23,145			726	61,022

Notes:

(1) 1992 and 1991 have been adjusted to reflect reclassifications due to the merger of Utility Fuels into HL&P.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE VIII - RESERVES

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Year Ended December 31, 1993:					
Accumulated provisions deducted from related assets on balance sheet:					
Uncollectible accounts	$ 10,439	$ 4,803	$ (932)	$ 12,628	$ 1,682
Cable television franchises and intangible assets	145,856	38,201			184,057
Deferred tax asset valuation allowance	56,638		1,023		57,661
Reserve other than those deducted from assets on balance sheet:					
Property insurance	(2,821)	2,187		2,257	(2,891)
Injuries and damages	3,911	4,685		5,705	2,891
Year Ended December 31, 1992:					
Accumulated provisions deducted from related assets on balance sheet:					
Uncollectible accounts	$ 12,585	$ 16,634		$ 18,780	$ 10,439
Cable television franchises and intangible assets	107,681	38,175			145,856
Deferred tax asset valuation allowance	56,817			179	56,638
Reserves other than those deducted from assets on balance cheet:					
Property insurance	(4,645)	2,187		363	(2,821)
Injuries and damages	5,847	4,154		6,090	3,911
Year Ended December 31, 1991:					
Accumulated provisions deducted from related assets on balance sheet:					
Uncollectible accounts	$ 10,018	$ 14,831	$ 204	$ 12,468	$ 12,585
Cable television franchises and intangible assets	69,723	37,958			107,681
Deferred tax asset valuation allowance	52,140		4,677		56,817
Reserves other than those deducted from assets on balance sheet:					
Property insurance	(1,539)	1,764		4,870	(4,645)
Injuries and damages	2,163	9,684		6,000	5,847

Notes:

(A) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the uncollectible accounts reserve, such deductions are net of recoveries of amounts previously written off.

(B) During 1992 and 1991, Houston Industries Finance purchased accounts receivable of HL&P and of certain KBLCOM subsidiaries. In January 1993, Houston Industries Finance sold the receivables back to the respective subsidiaries and ceased operations. HL&P is now selling its accounts receivable and most of its accrued unbilled revenues to a third party.

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
SCHEDULE IX - SHORT-TERM BORROWINGS

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
Description	Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Year Ended December 31, 1993 ...	Commercial Paper	$ 591,385	3.61%	$ 591,385	$ 403,876	3.45%
Year Ended December 31, 1992 ...	Commercial Paper	$ 564,249	4.08%	$ 661,300	$ 488,582	4.14%
Year Ended December 31, 1991 ...	Bank Loans			$ 5,000	$ 521	7.75%
	Commercial Paper	$ 330,294	5.37%	689,200	445,994	6.51%

Note: The weighted average interest rate during the period is calculated by dividing interest by the weighted average proceeds from the borrowings.

HOUSTON LIGHTING & POWER COMPANY
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A Classification	Col. B Balance at Beginning of Period	Col. C Additions at Cost	Col. D Retire-ments	Col. E Other Changes-Add (Deduct)	Col. F Balance at End of Period
Year Ended December 31, 1993:					
Production Plant	$ 7,108,713	$ 66,724	$ 6,555	$ (3,071)	$ 7,165,811
Transmission Plant	818,584	26,597	4,445		840,736
Distribution Plant	2,394,226	155,071	45,333		2,503,964
General Plant	978,998	40,147	49,412		969,733
Plant Acquisition Adjustments	3,166				3,166
Plant Held for Future Use	200,865	2,509		(7,044)	196,330
Total Plant	11,504,552	291,048	105,745	(10,115)	11,679,740
Construction Work in Progress	205,214	34,376		3,071	242,661
Nuclear Fuel	202,013	9,772			211,785
Total	$11,911,779	$ 335,196	$ 105,745	$ (7,044)	$12,134,186
Year Ended December 31, 1992:					
Production Plant	$ 6,977,296	$ 143,183	$ 13,272	$ 1,506	$ 7,108,713
Transmission Plant	801,049	20,352	2,817		818,584
Distribution Plant	2,302,657	126,417	34,848		2,394,226
General Plant	930,241	68,087	19,330		978,998
Plant Acquisition Adjustments	3,166				3,166
Plant Held for Future Use	275,719	9,221		(84,075)	200,865
Total Plant	11,290,128	367,260	70,267	(82,569)	11,504,552
Construction Work in Progress	247,410	(42,196)			205,214
Nuclear Fuel	181,853	20,160			202,013
Total	$11,719,391	$ 345,224	$ 70,267	$ (82,569)	$11,911,779
Year Ended December 31, 1991:					
Production Plant	$ 6,846,074	$ 136,105	$ 4,716	$ (167)	$ 6,977,296
Transmission Plant	764,336	39,937	3,224		801,049
Distribution Plant	2,173,981	163,896	35,220		2,302,657
General Plant	898,820	68,655	37,234		930,241
Plant Acquisition Adjustments	3,166				3,166
Plant Held for Future Use	263,735	11,984			275,719
Total Plant	10,950,112	420,577	80,394	(167)	11,290,128
Construction Work in Progress	293,773	(46,363)			247,410
Nuclear Fuel	177,308	6,049		(1,504)	181,853
Total	$11,421,193	$ 380,263	$ 80,394	$ (1,671)	$11,719,391

Notes:

(A) 1992 and 1991 have been restated for the merger of Utility Fuels into HL&P.
(B) Other Changes in Plant Held for Future Use in 1993 and 1992 represent the deduction of recoverable costs of $7.0 million and $84.1 million, respectively, of recoverable costs related to Malakoff.
(C) Substantially all additions are originally charged to Construction Work In Progress and transferred to electric utility plant accounts upon completion. Additions at cost give effect to such transfers.
(D) Additions at cost include non-cash charges for an allowance for funds used during construction.
(E) HL&P computes depreciation using the straight-line method. The depreciation provisions as a percentage of the average depreciable cost of plant was 3.1% for 1993, 3.2% for 1992 and 1991.

HOUSTON LIGHTING & POWER COMPANY
SCHEDULE VI - ACCUMULATED PROVISION FOR DEPRECIATION, DEPLETION
AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A	Col. B	Col. C		Col. D		Col. E
		Additions		Deductions from Reserve		
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Retirements, Renewals, and Replacements	Other	Balance at End of Period
Year Ended December 31, 1993:						
Depreciation and amortization of property, plant and equipment . .	$2,846,606	$ 339,650	$ 12,806	$ 97,295		$3,101,767
Amortization of nuclear fuel	90,259	2,101				92,360
Year Ended December 31, 1992:						
Depreciation and amortization of property, plant and equipment . .	$2,570,440	$ 336,445	$ 11,887	$ 72,048	$ 118	$2,846,606
Amortization of nuclear fuel	61,022	29,237				90,259
Year Ended December 31, 1991:						
Depreciation and amortization of property, plant and equipment . .	$2,311,989	$ 329,205	$ 11,867	$ 82,533	$ 88	$2,570,440
Amortization of nuclear fuel	38,603	23,145			726	61,022

Notes:

(1) 1992 and 1991 have been restated for the merger of Utility Fuels into HL&P.

HOUSTON LIGHTING & POWER COMPANY
SCHEDULE VIII - RESERVES

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
Description	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Year Ended December 31, 1993:					
Reserve other than those deducted from assets on balance sheet:					
Property insurance	$ (2,821)	$ 2,187		$ 2,257	$ (2,891)
Injuries and damages	3,911	4,685		5,705	2,891
Year Ended December 31, 1992:					
Reserves other than those deducted from assets on balance sheet:					
Property insurance	$ (4,645)	$ 2,187		$ 363	$ (2,821)
Injuries and damages	5,847	4,154		6,090	3,911
Year Ended December 31, 1991:					
Reserves other than those deducted from assets on balance sheet:					
Property insurance	$ (1,539)	$ 1,764		$ 4,870	$ (4,645)
Injuries and damages	2,163	9,684		6,000	5,847

Notes:

(A) Deductions from reserves represent losses or expenses for which the respective reserves were created.
(B) HL&P has no reserves for uncollectible accounts due to sales of accounts receivable.

HOUSTON LIGHTING & POWER COMPANY
SCHEDULE IX - SHORT-TERM BORROWINGS

FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(THOUSANDS OF DOLLARS)

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
Description	Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Year Ended December 31, 1993 ...	Commercial Paper	$ 171,100	3.69%	$ 214,000	$ 105,801	3.31%
Year Ended December 31, 1992 ...	Commercial Paper	$ 139,440	3.97%	$ 240,000	$ 84,919	4.21%
Year Ended December 31, 1991 ...	Commercial Paper			$ 342,900	$ 133,988	6.80%

Note:

(A) The Balance at End of Period excludes $19 million in notes payable to the Company as of December 31, 1992.
(B) The weighted average interest rate is calculated by dividing interest by the weighted average proceeds from the borrowings.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) 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, IN THE CITY OF HOUSTON AND STATE OF TEXAS, ON THE 10TH DAY OF MARCH, 1994.

HOUSTON INDUSTRIES INCORPORATED (Registrant)

By DON D. JORDAN
(Don D. Jordan, Chairman and Chief Executive Officer)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATE INDICATED.

SIGNATURE	TITLE	DATE
DON D. JORDAN (Don D. Jordan)	Chairman and Chief Executive Officer and Director (Principal Executive and Principal Financial Officer)	
MARY P. RICCIARDELLO (Mary P. Ricciardello)	Comptroller (Principal Accounting Officer)	
MILTON CARROLL (Milton Carroll)	Director	
JOHN T. CATER (John T. Cater)	Director	
ROBERT J. CRUIKSHANK (Robert J. Cruikshank)	Director	
LINNET F. DEILY (Linnet F. Deily)	Director	
JOSEPH M. HENDRIE (Joseph M. Hendrie)	Director	March 10, 1994
HOWARD W. HORNE (Howard W. Horne)	Director	
THOMAS B. MCDADE (Thomas B. McDade)	Director	
ALEXANDER F. SCHILT (Alexander F. Schilt)	Director	
KENNETH L. SCHNITZER, SR. (Kenneth L. Schnitzer, Sr.)	Director	
DON D. SYKORA (Don D. Sykora)	Director	
JACK T. TROTTER (Jack T. Trotter)	Director	
BERTRAM WOLFE (Bertram Wolfe)	Director	

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) 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, IN THE CITY OF HOUSTON AND STATE OF TEXAS, ON THE 10TH DAY OF MARCH, 1994. THE SIGNATURE OF HOUSTON LIGHTING & POWER COMPANY SHALL BE DEEMED TO RELATE ONLY TO MATTERS HAVING REFERENCE TO SUCH COMPANY AND ANY SUBSIDIARIES THEREOF.

HOUSTON LIGHTING & POWER COMPANY (Registrant)

By DON D. JORDAN
(Don D. Jordan, Chairman and Chief Executive Officer)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATE INDICATED. THE SIGNATURE OF EACH OF THE UNDERSIGNED SHALL BE DEEMED TO RELATE ONLY TO MATTERS HAVING REFERENCE TO HOUSTON LIGHTING & POWER COMPANY AND ANY SUBSIDIARIES THEREOF.

SIGNATURE	TITLE	DATE
DON D. JORDAN (Don D. Jordan)	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	
DAVID M. McCLANAHAN (David M. McClanahan)	Group Vice President - Finance and Regulatory Relations (Principal Financial Officer)	
KEN W. NABORS (Ken W. Nabors)	Vice President and Comptroller (Principal Accounting Officer)	
MILTON CARROLL (Milton Carroll)	Director	
JOHN T. CATER (John T. Cater)	Director	
ROBERT J. CRUIKSHANK (Robert J. Cruikshank)	Director	
LINNET F. DEILY (Linnet F. Deily)	Director	March 10, 1994
JOSEPH M. HENDRIE (Joseph M. Hendrie)	Director	
HOWARD W. HORNE (Howard W. Horne)	Director	
THOMAS B. MCDADE (Thomas B. McDade)	Director	
ALEXANDER F. SCHILT (Alexander F. Schilt)	Director	
KENNETH L. SCHNITZER, SR. (Kenneth L. Schnitzer, Sr.)	Director	
DON D. SYKORA (Don D. Sykora)	Director	
JACK T. TROTTER (Jack T. Trotter)	Director	
BERTRAM WOLFE (Bertram Wolfe)	Director	

HOUSTON INDUSTRIES INCORPORATED
HOUSTON LIGHTING & POWER COMPANY

EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

INDEX OF EXHIBITS

Exhibits not incorporated by reference to a prior filing are designated by a cross (+); all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated by an asterisk (*) are management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(10)(iii) of Regulation S-K.

(a) Houston Industries Incorporated

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
2(a)	Articles of Merger of Houston Industries Finance, Inc. with the Company, effective June 8, 1993	Form 10-Q for the quarter ended June 30, 1993	1-7629	2
3(a)	Restated Articles of Incorporation of the Company (Restated as of May 1993)	Form 10-Q for the quarter ended March 31, 1993	1-7629	3
3(b)	Amended and Restated Bylaws of the Company	Form 8-K dated June 29, 1992	1-7629	3
4(a)(1)	Mortgage and Deed of Trust dated November 1, 1944 between HL&P and South Texas Commercial National Bank of Houston (Texas Commerce Bank National Association, as successor trustee), as Trustee, as amended and supplemented by 20 Supplemental Indentures thereto	Form S-7 of HL&P filed on August 25, 1977	2-59748	2(b)
4(a)(2)	Twenty-First through Fiftieth Supplemental Indentures to HL&P Mortgage and Deed of Trust	HL&P's Form 10-K for the year ended December 31, 1989	1-3187	4(a)(2)
4(a)(3)	Fifty-First Supplemental Indenture dated March 25, 1991 to HL&P Mortgage and Deed of Trust	HL&P's Form 10-Q for the quarter ended June 30, 1991	1-3187	4(a)
4(a)(4)	Fifty-Second through Fifty-Fifth Supplemental Indentures, each dated March 1, 1992, to HL&P Mortgage and Deed of Trust	HL&P's Form 10-Q for the quarter ended March 31, 1992	1-3187	4
4(a)(5)	Fifty-Sixth and Fifty-Seventh Supplemental Indentures, each dated October 1, 1992, to HL&P Mortgage and Deed of Trust	HL&P's Form 10-Q for the quarter ended September 30, 1992	1-3187	4

4(a)(6)	Fifty-Eighth and Fifty-Ninth Supplemental Indenture, each dated as of March 1, 1993 to HL&P Mortgage and Deed of Trust	HL&P's Form 10-Q for the quarter ended March 31, 1993	1-3187	4
4(a)(7)	Sixtieth Supplemental Indenture dated as July 1, 1993 to HL&P Mortgage and Deed of Trust	HL&P's Form 10-Q for the quarter ended June 30, 1993	1-3187	4
4(a)(8)	Sixty-First through Sixty-Third Supplemental Indentures to HL&P Mortgage and Deed of Trust	HL&P's Form 10-K for the year ended December 31, 1993	1-3187	4(a)(8)
4(b)(1)	Rights Agreement dated July 11, 1990 between the Company and Texas Commerce Bank National Association, as Rights Agent (Rights Agent), which includes form of Statement of Resolution Establishing Series of Shares designated Series A Preference Stock and form of Rights Certificate	Form 8-K dated July 11, 1990	1-7629	4(a)(1)
4(b)(2)	Agreement and Appoint-ment of Agent dated as of July 11, 1990 between the Company and the Rights Agent	Form 8-K dated July 11, 1990	1-7629	4(a)(2)
4(c)	Indenture dated as of April 1, 1991 between the Company and NationsBank of Texas, National Association, as Trustee	Form 10-Q for the quarter ended June 30, 1991	1-7629	4(b)

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Company has not filed as exhibits to this Form 10-K certain long-term debt instruments, under which the total amount of securities authorized do not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish a copy of any such instrument to the SEC upon request.

*10(a)	Executive Benefit Plan of the Company and First and Second Amendments thereto (effective as of June 2, 1982, July 1, 1984, May 7, 1986, respectively)	Form 10-Q for the quarter ended March 31, 1987	1-7629	10(a)(1) 10(a)(2) and 10(a)(3)
*10(b)(1)	Executive Incentive Compensation Plan of the Company (effective as of January 1, 1982)	Form 10-K for the year ended December 31, 1991	1-7629	10(b)
*10(b)(2)	First Amendment to Exhibit 10(b)(1) (effective as of March 30, 1992)	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(a)
*10(b)(3)	Second Amendment to Exhibit 10(b)(1) (effective as of November 4, 1992)	Form 10-K for the year ended December 31, 1992	1-7629	10(b)(3)

*10(c)(1)	Executive Incentive Compensation Plan of the Company (effective as of January 1, 1985)	Form 10-Q for the quarter ended March 31, 1987	1-7629	10(b)(1)
*10(c)(2)	First Amendment to Exhibit 10(c)(1) (effective as of January 1, 1985)	Form 10-K for the year ended December 31, 1988	1-7629	10(b)(3)
*10(c)(3)	Second Amendment to Exhibit 10(c)(1) (effective as of January 1, 1985)	Form 10-K for the year ended December 31, 1991	1-7629	10(c)(3)
*10(c)(4)	Third Amendment to Exhibit 10(c)(1) (effective as of March 30, 1992)	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(b)
*10(c)(5)	Fourth Amendment to Exhibit 10(c)(1) (effective as of November 4, 1992)	Form 10-K for the year ended December 31, 1992	1-7629	10(c)(5)
*10(d)	Executive Incentive Compensation Plan of HL&P (effective as of January 1, 1985)	Form 10-Q for the quarter ended March 31, 1987	1-7629	10(b)(2)
*10(e)(1)	Executive Incentive Compensation Plan of the Company (effective as of January 1, 1989)	Form 10-Q for the quarter ended June 30, 1989	1-7629	10(b)
*10(e)(2)	First Amendment to Exhibit 10(e)(1) (effective as of January 1, 1989)	Form 10-K for the year ended December 31, 1991	1-7629	10(e)(2)
*10(e)(3)	Second Amendment to Exhibit 10(e)(1) (effective as of March 30, 1992)	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(c)
*10(e)(4)	Third Amendment to Exhibit 10(e)(1) (effective as of November 4, 1992)	Form 10-K for the year ended December 31, 1992	1-7629	10(c)(4)
*10(f)(1)	Executive Incentive Compensation Plan of the Company (effective as of January 1, 1991)	Form 10-K for the year ended December 31, 1990	1-7629	10(b)
*10(f)(2)	First Amendment to Exhibit 10(f)(1) (effective as of January 1, 1991)	Form 10-K for the year ended December 31, 1991	1-7629	10(f)(2)
*10(f)(3)	Second Amendment to Exhibit 10(f)(1) (effective as of January 1, 1991)	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(d)
*10(f)(4)	Third Amendment to Exhibit 10(f)(1) (effective as of November 4, 1992)	Form 10-K for the year ended December 31, 1992	1-7629	10(f)(4)

*10(f)(5)	Fourth Amendment to Exhibit 10(f)(1) (effective as of January 1, 1993)	Form 10-K for the year ended December 31, 1992	1-7629	10(f)(5)
*10(g)(1)	Benefit Restoration Plan of the Company (effective as of June 1, 1985)	Form 10-Q for the quarter ended March 31, 1987	1-7629	10(c)
*10(g)(2)	Benefit Restoration Plan of the Company as amended and re-stated (effective as of January 1, 1988)	Form 10-K for the year ended December 31, 1991	1-7629	10(g)(2)
*10(g)(3)	Benefit Restoration Plan of the Company, as amended and re-stated (effective as of July 1, 1991)	Form 10-K for the year ended December 31, 1991	1-7629	10(g)(3)
*10(h)(1)	Deferred Compensation Plan of the Company (effective as of September 1, 1985)	Form 10-Q for the quarter ended March 31, 1987	1-7629	10(d)
*10(h)(2)	First Amendment to Exhibit 10(h)(1) (effective as of September 1, 1985)	Form 10-K for the year ended December 31, 1990	1-7629	10(d)(2)
*10(h)(3)	Second Amendment to Exhibit 10(h)(1) (effective as of March 30, 1992)	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(e)
+*10(h)(4)	Third Amendment to Exhibit 10(h)(1) (effective as of June 2, 1993)			
*10(i)(1)	Deferred Compensation Plan of the Company (effective as of January 1, 1989)	Form 10-Q for the quarter ended June 30, 1989	1-7629	10(a)
*10(i)(2)	First Amendment to Exhibit 10(i)(1) (effective as of January 1, 1989)	Form 10-K for the year ended December 31, 1989	1-7629	10(e)(3)
*10(i)(3)	Second Amendment to Exhibit 10(i)(1) (effective as of March 30, 1992)	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(f)
+*10(i)(4)	Third Amendment to Exhibit 10(i)(1) (effective as of June 2, 1993)			
*10(j)(1)	Deferred Compensation Plan of the Company (effective as of January 1, 1991)	Form 10-K for the year ended December 31, 1990	1-7629	10(d)(3)
*10(j)(2)	First Amendment to Exhibit 10(j)(1) (effective as of January 1, 1991)	Form 10-K for the year ended December 31, 1991	1-7629	10(j)(2)

*10(j)(3)	Second Amendment to Exhibit 10(j)(1) (effective as of March 30, 1992)	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(g)
+*10(j)(4)	Third Amendment to Exhibit 10(j)(1) (effective as of June 2, 1993)			
+*10(j)(5)	Fourth Amendment to Exhibit 10(j)(1) (effective as of December 1, 1993)			
*10(k)(1)	Long-Term Incentive Compensation Plan of the Company (effective as of January 1, 1989)	Form 10-Q for the quarter ended June 30, 1989	1-7629	10(c)
*10(k)(2)	First Amendment to Exhibit 10(k)(1) (effective as of January 1, 1990)	Form 10-K for the year ended December 31, 1989	1-7629	10(f)(2)
*10(k)(3)	Second Amendment to Exhibit 10(k)(1) (effective as of December 22, 1992)	Form 10-K for the year ended December 31, 1992	1-7629	10(k)(3)
*10(l)	Form of stock option agreement for nonqualified stock options granted under the Company's 1989 Long-Term Incentive Compensation Plan	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(h)
*10(m)	Forms of restricted stock agreement for restricted stock granted under the Company's 1989 Long-Term Incentive Compensation Plan	Form 10-Q for the quarter ended March 31, 1992	1-7629	10(i)
+*10(n)(1)	1994 Long-Term Incentive Compensation Plan of the Company (effective as of January 1, 1994)			
+*10(n)(2)	Form of stock option agreement for nonqualified stock options granted under the Company's 1994 Long-Term Incentive Compensation Plan			
*10(o)(1)	Savings Restoration Plan of the Company (effective as of January 1, 1991)	Form 10-K for the year ended December 31, 1990	1-7629	10(f)
*10(o)(2)	First Amendment to Exhibit 10(o)(1) (effective as of January 1, 1991)	Form 10-K for the year ended December 31, 1991	1-7629	10(l)(2)
*10(p)	Director Benefits Plan, effective as of January 1, 1992	Form 10-K for the year ended December 31, 1991	1-7629	10(m)

+*10(q)	Executive Life Insurance Plan of the Company (effective as of January 1, 1994)			
*10(r)	Employment and Supplemental Benefits Agreement between HL&P and Hugh Rice Kelly	Form 10-Q for the quarter ended March 31, 1987	1-7629	10(f)
*10(s)(1)	Employment Agreement between KBLCOM and Gary G. Weik	Form 10-K for the year ended December 31, 1989	1-7629	10(h)
+*10(s)(2)	Employment Agreement as of December 1993 between KBLCOM and Gary G. Weik			
*10(t)(1)	Employment Agreement dated as of November 2, 1992 between HL&P and Donald P. Hall	Form 10-K for the year ended December 31, 1992	1-7629	10(r)
+*10(t)(2)	Supplemental Retirement Agreement and Consulting Agreement dated as of December 8, 1993 between HL&P and Donald P. Hall			
10(u)(1)	Houston Industries Master Savings Trust, effective as of July 1, 1989, and First Amendment thereto, effective as of October 4, 1989 and Second Amendment there-to, dated October 30, 1990 each between the Company and Texas Commerce Bank National Association	Form 10-K for the year ended December 31, 1990	1-7629	10(j)(1)
10(u)(2)	Third Amendment to Exhibit 10(u)(1) (effective as of September 1, 1991)	Form 10-K for the year ended December 31, 1992	1-7629	10(s)(2)
10(u)(3)	ESOP Trust Agreement between the Company and State Street Bank and Trust Company, as ESOP Trustee, dated October 5, 1990	Form 10-K for the year ended December 31, 1990	1-7629	10(j)(2)
10(u)(4)	Note Purchase Agree-ment between the Company and the ESOP Trustee, dated as of October 5, 1990	Form 10-K for the year ended December 31, 1990	1-7629	10(j)(3)
10(u)(5)	Stock Purchase Agree-ment between the Company and the ESOP Trustee, dated as of October 5, 1990	Form 10-K for the year ended December 31, 1991	1-7629	10(j)(4)
*10(v)(1)	Letter Agreement between the Company and Howard W. Horne	Form 10-K for the year ended December 31, 1992	1-7629	10(t)

+*10(v)(2)	Letter Agreement modifying Exhibit 10(v)(1) among the Company, Howard W. Horne and Cushman & Wakefield of Texas, Inc.
+11	Computation of Earnings Per Share
+12	Computation of Ratios of Earnings to Fixed Charges
+21	Subsidiaries of the Company
+23	Consent of Deloitte & Touche

(b) Houston Lighting & Power Company

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
2	Articles of Merger of Utility Fuels, Inc. with HL&P, effective October 8, 1993	Form 10-Q for the quarter ended September 30, 1993	1-3187	2
3(a)	Restated Articles of Incorporation of HL&P dated May 11, 1993	Form 10-Q for the quarter ended June 30, 1993	1-3187	3
+3(b)	Amended and Restated Bylaws of HL&P			
4(a)(1)	Mortgage and Deed of Trust dated November 1, 1944 between HL&P and South Texas Commercial National Bank of Houston (Texas Commerce Bank National Association, as successor trustee), as Trustee, as amended and supplemented by 20 Supplemental Indentures thereto	Form S-7 filed on August 25, 1977	2-59748	2(b)
4(a)(2)	Twenty-First through Fiftieth Supplemental Indentures to HL&P Mortgage and Deed of Trust	Form 10-K for the year ended December 31, 1989	1-3187	4(a)(2)
4(a)(3)	Fifty-First Supplemental Indenture dated March 25, 1991 to HL&P Mortgage and Deed of Trust	Form 10-Q for the quarter ended June 30, 1991	1-3187	4(a)
4(a)(4)	Fifty-Second through Fifty-Fifth Supplemental Indentures, each dated March 1, 1992, to HL&P Mortgage and Deed of Trust	Form 10-Q for the quarter ended March 31, 1992	1-3187	4
4(a)(5)	Fifty-Sixth and Fifty-Seventh Supplemental Indentures, each dated October 1, 1992, to HL&P Mortgage and Deed of Trust	Form 10-Q for the quarter ended September 30, 1992	1-3187	4
4(a)(6)	Fifty-Eighth and Fifty-Ninth Supplemental Indentures, each dated March 1, 1993, to HL&P Mortgage and Deed of Trust	Form 10-Q for the quarter ended March 31, 1993	1-3187	4
4(a)(7)	Sixtieth Supplemental Indenture dated as July 1, 1993 to HL&P Mortgage and Deed of Trust	Form 10-Q for the quarter ended June 30, 1993	1-3187	4

143 +4(a)(8)	Sixty-First through Sixty-Third Supplemental Indentures to HL&P Mortgage and Deed of Trust			

There have not been filed as exhibits to this Form 10-K certain long-term debt instruments, including indentures, under which the total amount of securities do not exceed 10% of the total assets of HL&P. HL&P hereby agrees to furnish a copy of any such instrument to the SEC upon request.

*10(a)	Executive Benefit Plan of the Company and First and Second Amendments thereto (effective as of June 2, 1982, July 1, 1984, May 7, 1986, respectively)	The Company's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(a)(1) 10(a)(2) and 10(a)(3)
*10(b)(1)	Executive Incentive Compensation Plan of the Company (effective as of January 1, 1982)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(b)
*10(b)(2)	First Amendment to Exhibit 10(b)(1) (effective as of March 30, 1992)	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(a)
*10(b)(3)	Second Amendment to Exhibit 10(b)(1) (effective as of November 4, 1992)	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(b)(3)
*10(c)(1)	Executive Incentive Compensation Plan of the Company effective as of January 1, 1985)	The Company's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(b)(1)
*10(c)(2)	First Amendment to Exhibit 10(c)(1) (effective as of January 1, 1985)	The Company's Form 10-K for the year ended December 31, 1988	1-7629	10(b)(3)
*10(c)(3)	Second Amendment to Exhibit 10(c)(1) (effective as of January 1, 1985)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(c)(3)
*10(c)(4)	Third Amendment to Exhibit 10(c)(1) (effective as of March 30, 1992)	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(b)
*10(c)(5)	Fourth Amendment to Exhibit 10(c)(1) (effective as of November 4, 1992)	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(c)(5)
*10(d)	Executive Incentive Compensation Plan of HL&P (effective as of January 1, 1985)	The Company's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(b)(2)
*10(e)(1)	Executive Incentive Compensation Plan of the Company (effective as of January 1, 1989)	The Company's Form 10-Q for the quarter ended June 30, 1989	1-7629	10(b)

*10(e)(2)	First Amendment to Exhibit 10(e)(1) (effective as of January 1, 1989)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(e)(2)
*10(e)(3)	Second Amendment to Exhibit 10(e)(1) (effective as of March 30, 1992)	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(c)
*10(e)(4)	Third Amendment to Exhibit 10(e)(1) (effective as of November 4, 1992)	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(c)(4)
*10(f)(1)	Executive Incentive Compensation Plan of the Company (effective as of January 1, 1991)	The Company's Form 10-K for the year ended December 31, 1990	1-7629	10(b)
*10(f)(2)	First Amendment to Exhibit 10(f)(1) (effective as of January 1, 1991)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(f)(2)
*10(f)(3)	Second Amendment to Exhibit 10(f)(1) (effective as of January 1, 1991)	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(d)
*10(f)(4)	Third Amendment to Exhibit 10(f)(1) (effective as of November 4, 1992)	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(f)(4)
*10(f)(5)	Fourth Amendment to Exhibit 10(f)(1) (effective as of January 1, 1993)	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(f)(5)
*10(g)(1)	Benefit Restoration Plan of the Company (effective as of June 1, 1985)	The Company's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(c)
*10(g)(2)	Benefit Restoration Plan of the Company as amended and restated (effective as of January 1, 1988)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(g)(2)
*10(g)(3)	Benefit Restoration Plan of the Company as amended and restated (effective as of July 1, 1991)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(g)(3)
*10(h)(1)	Deferred Compensation Plan of the Company (effective as of September 1, 1985)	The Company's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(d)
*10(h)(2)	First Amendment to Exhibit 10(h)(1) (effective as of September 1, 1985)	The Company's Form 10-K for the year ended December 31, 1990	1-7629	10(d)(2)
*10(h)(3)	Second Amendment to Exhibit 10(h)(1) (effective as of March 30, 1992)	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(e)

*10(h)(4)	Third Amendment to Exhibit 10(h)(1) (effective as of June 2, 1993)	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(h)(4)
*10(i)(1)	Deferred Compensation Plan of the Company (effective as of January 1, 1989)	The Company's Form 10-Q for the quarter ended June 30, 1989	1-7629	10(a)
*10(i)(2)	First Amendment to Exhibit 10(i)(1) (effective as of January 1, 1989)	The Company's Form 10-K for the year ended December 31, 1989	1-7629	10(e)(3)
*10(i)(3)	Second Amendment to Exhibit 10(i)(1) (effective as of March 30, 1992)	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(f)
*10(i)(4)	Third Amendment to Exhibit 10(i)(1) (effective as of June 2, 1993)	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(i)(4)
*10(j)(1)	Deferred Compensation Plan of the Company (effective as of January 1, 1991)	The Company's Form 10-K for the year ended December 31, 1990	1-7629	10(d)(3)
*10(j)(2)	First Amendment to Exhibit 10(j)(1) (effective as of January 1, 1991)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(j)(2)
*10(j)(3)	Second Amendment to Exhibit 10(j)(1) (effective as of March 30, 1992)	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(g)
*10(j)(4)	Third Amendment to Exhibit 10(j)(1) (effective as of June 2, 1993)	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(j)(4)
*10(j)(5)	Fourth Amendment to Exhibit 10(j)(1) (effective as of December 1, 1993)	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(j)(5)
*10(k)(1)	Long-Term Incentive Compensation Plan of the Company (effective as of January 1, 1989)	The Company's Form 10-Q for the quarter ended June 30, 1989	1-7629	10(c)
*10(k)(2)	First Amendment to Exhibit 10(k)(1) (effective as of January 1, 1990)	The Company's Form 10-K for the year ended December 31, 1989	1-7629	10(f)(2)
*10(k)(3)	Second Amendment to Exhibit 10(k)(1) (effective as of December 22, 1992)	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(k)(3)
*10(l)	Form of stock option agreement for nonqual-ified stock options granted under the Company's 1989 Long-Term Incentive Compensation Plan	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(h)

*10(m)	Forms of restricted stock agreement for restricted stock granted under the Company's 1989 Long-Term Incentive Compensation Plan	The Company's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(i)
*10(n)(1)	1994 Long-Term Incentive Compensation Plan of the Company (effective as of January 1, 1994)	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(n)(1)
*10(n)(2)	Form of Stock Option Agreement for Nonqualified Stock Options Granted under the Company's 1994 Long-Term Incentive Compensation Plan	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(n)(2)
*10(o)(1)	Savings Restoration Plan of the Company (effective as of January 1, 1991)	The Company's Form 10-K for the year ended December 31, 1990	1-7629	10(f)
*10(o)(2)	First Amendment to Exhibit 10(o)(1) (effective as of January 1, 1991)	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(l)(2)
*10(p)	Director Benefits Plan, effective as of January 1, 1992	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(m)
*10(q)	Executive Life Insurance Plan of the Company (effective as of January 1, 1994)	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(q)
*10(r)	Employment and Supplemental Benefits Agreement between HL&P and Hugh Rice Kelly	The Company's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(f)
*10(s)(1)	Employment Agreement dated as of November 2, 1992 between HL&P and Donald P. Hall	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(r)
*10(s)(2)	Supplemental Retirement Agreement and Consulting Agreement dated as of December 8, 1993 between HL&P and Donald P. Hall	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(t)(2)
10(t)(1)	The Company's Master Savings Trust, effective as of July 1, 1989, and First Amendment thereto, effective as of October 4, 1989 and Second Amendment thereto, dated October 30, 1990 each between the Company and Texas Commerce Bank National Association	The Company's Form 10-K for the year ended December 31, 1990	1-7629	10(j)(1)

10(t)(2)	Third Amendment to Exhibit 10(s)(1) effective as of September 1, 1991	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(s)(2)
10(t)(3)	ESOP Trust Agreement between Houston Industries and State Street Bank and Trust Company, as ESOP Trustee, dated October 5, 1990	The Company's Form 10-K for the year ended December 31, 1990	1-7629	10(j)(2)
10(t)(4)	Note Purchase Agreement between the Company and the ESOP Trustee, dated as of October 5, 1990	The Company's Form 10-K for the year ended December 31, 1990	1-7629	10(j)(3)
10(t)(5)	Stock Purchase Agreement between the Company and the ESOP Trustee, dated as of October 9, 1990	The Company's Form 10-K for the year ended December 31, 1991	1-7629	10(j)(4)
*10(u)(1)	Letter Agreement between the Company and Howard W. Horne	The Company's Form 10-K for the year ended December 31, 1992	1-7629	10(t)
*10(u)(2)	Letter Agreement modifying Exhibit 10(u)(1) among the Company, Howard W. Horne and Cushman & Wakefield of Texas, Inc.	The Company's Form 10-K for the year ended December 31, 1993	1-7629	10(v)(2)
+12	Computation of Ratios of Earnings to Fixed Charges			
+23	Consent of Deloitte & Touche			

EXHIBIT 10(h)(4)

HOUSTON INDUSTRIES INCORPORATED
DEFERRED COMPENSATION PLAN

(As Established Effective September 1, 1985)

Third Amendment

Houston Industries Incorporated, a Texas corporation (the "Company"), having established the Houston Industries Incorporated Deferred Compensation Plan, effective September 1, 1985 (the "Plan"), and having reserved the right to amend the Plan under Section 7.1 thereof, does hereby amend Article V of the Plan by adding the following Section 5.7 thereto, effective June 2, 1993:

"5.7 Terminations Under the UFI Severance Program. (a) Prior to Early Retirement Date. Notwithstanding any other provision of the Plan to the contrary, if the employment of a Participant is terminated under the Utility Fuels, Inc. severance program, on or after July 26, 1993, and prior to the first day of the month coincident with or next following the Participant's sixtieth (60th) birthday, a Normal Retirement Distribution as described in Section 5.1 shall not be made, but the Employer (i) shall pay the Participant the sum or sums of Compensation actually deferred, with interest thereon, compounded annually, at the applicable interest rate specified in the Participant's agreement for each Participation Year, from the Commencement Date through the date of payment, (ii) shall pay such amount in a lump sum within ninety-five (95) days following the date of Participant's termination of employment or as soon as practicable thereafter (or, if a Participant is designated to receive installment payments as determined in the sole discretion of the Chief Operating Officer of the Company, shall pay such amount in fifteen (15) annual installment payments, in accordance with Section 5.1(b) above, commencing the month following the month in which such designated Participant terminates employment and payable thereafter in that same month in each remaining year), and (iii) shall not make any equal annual installments to such Participant after the date of termination.

(b) After Early Retirement Date. If the employment of a Participant is terminated as described in (a) above but after the first day of the month coincident with or next following the Participant's sixtieth (60th) birthday, distributions (including the equal annual installments) shall be made as otherwise provided in this Article V.

(c) Commutation. Any installment payments hereunder may be commuted as provided in Section 5.1(c)."

IN WITNESS WHEREOF, Houston Industries Incorporated has caused these presents to be executed by its duly authorized officers in a number of copies, all of which shall constitute but one and the same instrument which may be sufficiently evidenced by any executed copy hereof, this 23rd day of November, 1993, but effective June 2, 1993.

HOUSTON INDUSTRIES INCORPORATED

By: /s/ DON SYKORA

ATTEST:

/s/ GRETCHEN H. DENUM
Assistant Corporate Secretary

EXHIBIT 10(i)(4)

HOUSTON INDUSTRIES INCORPORATED
DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective January 1, 1989)

Third Amendment

Houston Industries Incorporated, a Texas corporation (the "Company"), having amended and restated the Houston Industries Incorporated Deferred Compensation Plan, effective January 1, 1989 (the "Plan"), and having reserved the right to amend the Plan under Section 7.1 thereof, does hereby amend Article V of the Plan by adding the following Section 5.8 thereto, effective June 2, 1993:

"5.8 Terminations Under the UFI Severance Program. (a) Prior to Early Retirement Date. Notwithstanding any other provision of the Plan to the contrary, if the employment of a Participant is terminated under the Utility Fuels, Inc. severance program, on or after July 26, 1993, and prior to the first day of the month coincident with or next following the Participant's sixtieth (60th) birthday, a Normal Retirement Distribution as described in Section 5.1 shall not be made, but the Employer (i) shall pay the Participant the sum or sums of Compensation actually deferred, with interest thereon, compounded annually, at the applicable Interest Crediting Rate for each Participation Year, from the Commencement Date through the date of payment, (ii) shall pay such amount in a lump sum (regardless of any election previously made by the Participant) within ninety-five (95) days following the date of Participant's termination of employment or as soon as practicable thereafter, and (iii) shall not make any Early Distributions to such Participant after the date of termination.

(b) After Early Retirement Date. If the employment of a Participant is terminated as described in (a) above but after the first day of the month coincident with or next following the Participant's sixtieth (60th) birthday, distributions (including Early Distributions) shall be made as otherwise provided in the preceding Sections of this Article V.

(c) Commutation. Any installment payments hereunder may be commuted as provided in Section 5.1(f)."

IN WITNESS WHEREOF, Houston Industries Incorporated has caused these presents to be executed by its duly authorized officers in a number of copies, all of which shall constitute but one and the same instrument which may be sufficiently evidenced by any executed copy hereof, this 23rd day of November, 1993, but effective June 2, 1993.

HOUSTON INDUSTRIES INCORPORATED

By: /s/ DON SYKORA

ATTEST:

/s/ GRETCHEN H. DENUM
Assistant Corporate Secretary

EXHIBIT 10(j)(4)

HOUSTON INDUSTRIES INCORPORATED
DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective January 1, 1991)

Third Amendment

Houston Industries Incorporated, a Texas corporation (the "Company"), having amended and restated the Houston Industries Incorporated Deferred Compensation Plan, effective January 1, 1991 (the "Plan"), and having reserved the right to amend the Plan under Section 7.1 thereof, does hereby amend Article V of the Plan by adding the following Section 5.8 thereto, effective June 2, 1993:

"5.8 Terminations Under the UFI Severance Program. (a) Prior to Early Retirement Date. Notwithstanding any other provision of the Plan to the contrary, if the employment of a Participant is terminated under the Utility Fuels, Inc. severance program, on or after July 26, 1993, and prior to the first day of the month coincident with or next following the Participant's sixtieth (60th) birthday, a Normal Retirement Distribution as described in Section 5.1 shall not be made, but the Employer (i) shall pay the Participant the sum or sums of Compensation actually deferred, with interest thereon, compounded annually, at the applicable Interest Crediting Rate for each Participation Year, from the Commencement Date through the date of payment, (ii) shall pay such amount in a lump sum (regardless of any election previously made by the Participant) within ninety-five (95) days following the date of Participant's termination of employment or as soon as practicable thereafter, and (iii) shall not make any Early Distributions to such Participant after the date of termination.

(b) After Early Retirement Date. If the employment of a Participant is terminated as described in (a) above but after the first day of the month coincident with or next following the Participant's sixtieth (60th) birthday, distributions (including Early Distributions) shall be made as otherwise provided in the preceding Sections of this Article V.

(c) Commutation. Any installment payments hereunder may be commuted as provided in Section 5.1(f)."

IN WITNESS WHEREOF, Houston Industries Incorporated has caused these presents to be executed by its duly authorized officers in a number of copies, all of which shall constitute but one and the same instrument which may be sufficiently evidenced by any executed copy hereof, this 23rd day of November, 1993, but effective June 2, 1993.

HOUSTON INDUSTRIES INCORPORATED

By: /s/ DON SYKORA

ATTEST:

/s/ GRETCHEN H. DENUM
Assistant Corporate Secretary

EXHIBIT 10(j)(5)

HOUSTON INDUSTRIES INCORPORATED
DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective January 1, 1991)

Fourth Amendment

Houston Industries Incorporated, a Texas corporation (the "Company"), having amended and restated the Houston Industries Incorporated Deferred Compensation Plan, effective January 1, 1991 (the "Plan"), and having reserved the right to amend the Plan under Section 7.1 thereof, does hereby amend the Plan as follows, effective as of December 1, 1993:

1. Section 1.2(m) of the Plan is hereby amended to read as follows:

> "Employee' means any person, including an officer of any Employer (whether or not he is also a director thereof), who, at the time such person is designated a Participant hereunder, is employed by an Employer on a full-time basis, who is compensated for such employment by a regular salary, and who, in the opinion of the Committee, is one of the officers or other key employees of the Employer in a position to contribute materially to the continued growth and development and to the future financial success of the Employer. Any Participant who is an Employee of a Subsidiary shall not be deemed to have terminated employment with an Employer for purposes of this Plan until the date upon which the Participant is no longer employed by any entity which would be considered an 'Employer' or Subsidiary hereunder."

2. Section 1.2(n) of the Plan is hereby amended to read as follows:

> "Employer' means (i) the Company, (ii) each Subsidiarywhich has adopted the Plan with the consent of the Committee, and (iii) each other employing organization in which the Company has a direct or indirect ownership interest and which has been approved by the Committee as an Employer under the Plan,

subject to the terms and conditions established by the Committee."

3. The first sentence of Section 3.4 is hereby amended to read as follows:

"A Participant's election to defer the payment of salary must be made prior to the first day of the Plan Year in which the salary is earned by the Participant."

4. The second paragraph of Section 3.4 is hereby amended to read as follows:

"A Participant may not elect to defer more than one hundred percent (100%) of his annual salary with respect to a particular Participation Year, nor less than $2,000 for such Participation Year."

5. The first sentence of Section 3.5 is hereby amended to read as follows:

"A Participant's election to defer the payment of a Bonus must be made prior to the first day of the Plan Year in which the Bonus is paid to the Participant."

6. The first sentence of Section 3.6 is hereby amended to read as follows:

"A Participant's election to defer the payment of a retainer fee must be made prior to the first day of the Plan Year in which the retainer fee is earned by the Participant."

7. The first sentence of Section 3.7 is hereby amended to read as follows:

"A Participant's election to defer the payment of meeting attendance fees must be made prior to the first day of the Plan Year in which the meeting attendance fees are paid to the Participant."

IN WITNESS WHEREOF, Houston Industries Incorporated has caused these presents to be executed by its duly authorized officers in a number of copies, all of which shall constitute but one and the same instrument which may be sufficiently evidenced by any executed copy hereof, this 17th day of February, 1994, but effective as of December 1, 1993.

HOUSTON INDUSTRIES INCORPORATED

By: /s/ DON SYKORA

ATTEST:

/s/ GRETCHEN H. DENUM
Assistant Corporate Secretary

EXHIBIT 10(n)(1)

1994 HOUSTON INDUSTRIES INCORPORATED LONG-TERM INCENTIVE COMPENSATION PLAN

PART I

INTRODUCTION

ARTICLE I

PURPOSE

1.1 Purpose of Plan: The purpose of this 1994 Houston Industries Incorporated Long-Term Incentive Compensation Plan (the "Plan") is to strengthen the alignment of financial interests of key employees of Houston Industries Incorporated (the "Company") and its subsidiaries with those of the Company's shareholders through the increased ownership of shares of the Company's Common Stock by such key employees. The Plan (i) enhances the Company's ability to maintain a competitive position in attracting and retaining qualified key personnel who contribute, and are expected to contribute, materially to the success of the Company and its subsidiaries; (ii) provides a means of rewarding the outstanding performance of such key employees; and (iii) enhances the interest of such key employees in the Company's continued success and progress by enabling them to obtain a proprietary interest in the Company. Stock Incentives awarded under this Plan will not have an effective date earlier than January 1, 1994.

ARTICLE II

DEFINITIONS

2.1 Definitions: For purposes of the Plan, the following terms shall have the meanings below stated, subject to the provisions of Section 11.1.

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Committee" means the Personnel Committee or such other committee appointed by the Board to administer this Plan pursuant to Article XI.

(d) "Common Stock" means, subject to the provisions of Section 13.3, the presently authorized common stock, without par value, of the Company.

(e) "Company" means Houston Industries Incorporated, a Texas corporation.

(f) "Disability" means a physical or mental impairment of sufficient severity such that an Employee is both eligible for and in receipt of benefits under the long-term disability provisions of the Company's benefit plans.

(g) "Employee" means an officer or key employee of the Company or a Subsidiary.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means the average of the high and low sales price of a share of Common Stock on the New York Stock Exchange - Composite Transactions reporting system, as reported in The Wall Street Journal on the date as of which such value is being determined or, if no sales occurred on such day, then on the next preceding day on which there were such sales.

(j) "Incentive Stock Option" means an option to purchase Common Stock, granted by the Company to a Key Employee pursuant to Section 9.1, which meets the requirements of Section 422 of the Code.

(k) "Key Employee" means an Employee selected to participate in this Plan pursuant to the terms hereof.

(l) "Nonstatutory Stock Option" means an option to purchase Common Stock, granted by the Company to a Key Employee pursuant to Section 9.1, which does not meet the requirements of Section 422 of the Code.

(m) "Option" means an Incentive Stock Option or a Nonstatutory Stock Option.

(n) "Performance Cycle" means the period of time established by the Committee of not less than one (1) year nor more than six (6) years used when measuring the degree to which the Performance Objectives relating to Stock Awards have been met.

(o) "Performance Objectives" means the criteria established by the Committee for each Performance Cycle as the basis for determining the number of shares of Common Stock which shall be released from the restrictions of a Restricted Stock Award and the number of additional "opportunity shares" of Common Stock related to such Restricted Stock Award which the Committee may elect to award to a Key Employee.

(p) "Plan" means the 1994 Houston Industries Incorporated Long-Term Incentive Compensation Plan, as set forth herein and as from time to time amended.

(q) "Restricted Stock Award" means an award of restricted shares of Common Stock, granted by the Company to a Key Employee pursuant to Section 5.1, whether implemented by credit to a bookkeeping account maintained by the Company or by delivery of certificates for shares to the Key Employee.

(r) "Stock Appreciation Right" means a right, granted by the Company to a Key Employee pursuant to Section 9.4, to earn additional compensation for services rendered based upon the appreciation of the Fair Market Value of the Common Stock.

(s) "Stock Award" means a Restricted Stock Award and, if applicable, an award of "opportunity shares" related to such Restricted Stock Award granted pursuant to Section 5.1.

(t) "Stock Incentives" refers collectively to Stock Awards, Options and Stock Appreciation Rights.

(u) "Subsidiary" means a subsidiary corporation of the Company as defined in Section 424(f) of the Code.

ARTICLE III

SHAREHOLDER APPROVAL; RESERVATION OF SHARES

3.1 Shareholder Approval: This Plan shall become effective only if approved on or before June 30, 1993 by the affirmative vote, in person or by proxy, of the holders of a majority of the shares of Common Stock present and entitled to vote at a meeting held to take action thereon at which a quorum is present.

3.2 Shares Reserved Under Plan: The aggregate number of shares of Common Stock which may be issued under this Plan shall not exceed Two Million (2,000,000) shares, subject to adjustment as hereinafter provided. All or any part of such Two Million shares may be issued pursuant to Stock Awards. The shares of Common Stock which may be granted pursuant to Stock Incentives will consist of either authorized but unissued shares of Common Stock or shares of Common Stock which have been issued and which shall have been heretofore or hereafter reacquired by the Company as treasury shares. The total number of shares authorized under this Plan shall be subject to increase or decrease in order to give effect to the adjustment provision of Section 13.3 and to give effect to any amendment adopted as provided in Section 12.1. The foregoing limitation on the number of shares of Common Stock issuable under the Plan is a limitation on the aggregate number of shares of Common Stock issued, net of any shares of Common Stock subject to a Restricted Stock Award implemented by delivery of certificates that are returned to the Company as provided in Article VI, but subject to such other rules and procedures concerning the counting of shares against the Plan maximum as the Committee may deem appropriate to apply in order that applicable exemptions under Rule 16b-3 under the Exchange Act may be available for Stock Incentives.

ARTICLE IV

PARTICIPATION IN PLAN

4.1 Eligibility to Receive Stock Incentives: Stock Incentives under this Plan may be granted only to persons selected by the Committee who are Employees of the Company or a Subsidiary on the date the Stock Incentive is granted. Employees so selected and granted a Stock Incentive are referred to herein as "Key Employees."

4.2 Participation Not Guarantee of Employment: Nothing in this Plan or in the instrument evidencing the grant of a Stock Incentive shall in any manner be construed to limit in any way the right of the Company or a Subsidiary to terminate a Key Employee's employment at any time, without regard to the effect of such termination on any rights such Key Employee would otherwise have under this Plan, or give any right to such a Key Employee to remain employed by the Company or a Subsidiary in any particular position or at any particular rate of compensation.

PART II

RESTRICTED STOCK AWARDS

ARTICLE V

STOCK AWARDS

5.1 Grant of Restricted Stock Awards:

(a) Selection of Key Employees: Subject to the terms of this Plan, the Committee shall select from among the Employees of the Company and its Subsidiaries those Key Employees to whom Stock Awards shall be awarded for each Performance Cycle. Restricted Stock Awards and the allocation of "opportunity shares" related to such Restricted Stock Awards shall generally be made at the beginning of a Performance Cycle, but may, in the Committee's discretion, be made from time to time during the term of a Performance Cycle.

(b) Award of Shares: The Committee shall determine the number of shares of Common Stock covered by each Restricted Stock Award and the maximum number of "opportunity shares," if any, related to such Restricted Stock Award which may be awarded to a Key Employee. On or about the close of, and, if appropriate and in accordance with Section 7.2(b), during the term of, each Performance Cycle, the Committee shall determine whether the restrictions set forth in Article VI hereof shall lapse with respect to a portion or all of the shares awarded under a Restricted Stock Award and whether any additional "opportunity shares" related to such Restricted Stock Award shall be awarded.

The Committee may implement the grant of a Restricted Stock Award by (i) credit to a bookkeeping account maintained by the Company evidencing the accrual to a Key Employee of unsecured and unfunded rights to receive, subject to the terms of the Restricted Stock Award, shares of Common Stock or (ii) delivery of certificates for shares of Common Stock to the Key Employee, who must execute appropriate stock powers in blank and return the certificates and stock powers to the Company to be held in escrow for future delivery in accordance with the terms of the Restricted Stock Award.

(c) Form of Instrument: Each Restricted Stock Award shall be made pursuant to an instrument prescribed in form by the Committee. Such instrument shall specify the number of shares covered thereby, the restrictions set forth in Article VI and the Performance Objectives which, if not achieved, may cause all or part of the shares to be forfeited after the close of the Performance Cycle with respect to which they were awarded.

5.2 Performance Objectives: Each Restricted Stock Award shall be subject to the achievement of Performance Objectives by the Company during the Performance Cycle with respect to which the Restricted Stock Award is made. The Committee shall generally establish Performance Objectives prior to the beginning of each Performance Cycle, but may, in the Committee's discretion, establish Performance Objectives during the term of a Performance Cycle. Once established, Performance Objectives may be changed, adjusted or amended during the term of a Performance Cycle only upon authorization by the Committee. The degree to which the Company achieves such Performance Objectives shall serve as the basis for the Committee's determination of the portion of a Key Employee's Restricted Stock Award which shall become vested by reason of the lapse of the restrictions set forth in Article VI and the number of "opportunity shares," if any, which shall be awarded. The Committee may waive the attainment of Performance Objectives (in whole or in part) during or after the close of a Performance Cycle if the Committee deems it appropriate in light of a change of circumstances.

5.3 Rights with Respect to Shares:

(a) Award by Stock Certificate: Each Key Employee to whom a Restricted Stock Award consisting of shares represented by a stock certificate has been made shall have absolute ownership of such shares including the right to vote the same and to receive dividends thereon, subject, however, to the terms, conditions and restrictions described in this Plan and in the instrument evidencing the grant of the Restricted Stock Award.

Notwithstanding the foregoing, shares of Common Stock transferred pursuant to a Restricted Stock Award shall be held in escrow pursuant to an agreement satisfactory to the Committee until such time as the Committee shall have determined whether the restrictions set forth in Article VI shall have lapsed. Each such escrow agreement shall provide, without limitation, that the shares of Common Stock subject to such agreement are subject to the restrictions set forth in Article VI.

(b) Award by Bookkeeping Entry: No Key Employee who is granted a Restricted Stock Award implemented by credit to a Company bookkeeping account shall have any rights as a stockholder by virtue of such grant until shares are actually issued or delivered to the Key Employee. The Committee may establish and express in the written instrument evidencing the Restricted Stock Award terms and conditions under which the Key Employee granted such Restricted Stock Award shall be entitled to receive an amount equivalent to any dividend payable with respect to the number of shares which, as of the record date for which dividends are payable, have been credited but not delivered to the Key Employee. At the Committee's discretion, any such dividend equivalents (i) may be paid at such time or times during the period when the shares are as yet undelivered pursuant to the terms of the Restricted Stock Award, (ii) may be paid at the time the shares to which the dividend equivalents apply are delivered, or (iii) may be reflected by the credit of additional full or fractional shares to three decimal places in an amount equal to the

amount of such dividend equivalents divided by the Fair Market Value of a full share on the date of payment of the dividend on which the dividend equivalent is based, all as shall be expressed in the written instrument evidencing the Restricted Stock Award. Any arrangements for the payment or credit of dividend equivalents shall be terminated if, and to the extent that, under the terms and conditions so established, the right to receive shares pursuant to the terms of the Restricted Stock Award shall terminate or lapse.

ARTICLE VI

RESTRICTIONS APPLICABLE TO RESTRICTED STOCK AWARDS

6.1 Restrictions: Each Restricted Stock Award granted under this Plan shall contain the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Committee.

Until the restrictions set forth in this Section 6.1 shall lapse pursuant to Article VII, shares of Common Stock awarded to a Key Employee pursuant to each Restricted Stock Award:

(a) shall not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of; and

(b) shall be returned to the Company, and all rights of the Key Employee to such shares shall terminate without any payment of consideration by the Company, if (1) the Committee notifies the Key Employee pursuant to Section 7.1 (as of the end of the Performance Cycle or portion thereof) that it has determined that the Performance Objectives established with respect to all or a portion of the shares of Common Stock granted under such Restricted Stock Award have not been achieved or (2) the Key Employee's continuous employment with the Company or any of its Subsidiaries shall terminate for any reason, except as provided in Section 7.2 or 7.3.

ARTICLE VII

LAPSE OF RESTRICTIONS

7.1 Lapse of Restrictions Due to Achievement of Performance Objectives: On or about the close of each Performance Cycle, the Committee shall determine whether, and if not, to what extent the Company has achieved the Performance Objectives established for such Performance Cycle. The Committee shall notify each Key Employee who has received a Restricted Stock Award of the Committee's determination of the extent to which the Performance Objectives established for the Performance Cycle have been achieved, the number of shares, if any, of Common Stock with respect to which the restrictions of Article VI have lapsed, the number of shares, if any, which shall be returned to the Company and the number of "opportunity shares," if any, related to such Restricted Stock Award which such Key Employee shall receive. Any lapse of restrictions or award of "opportunity shares" pursuant to this Section 7.1 shall occur on the date the Committee notifies the Key Employee thereof in writing.

7.2 Lapse of Restrictions Due to Certain Terminations of Employment: If a Key Employee who has been in the continuous employment of the Company or of any Subsidiary since the date on which a Stock Award was granted to such Key Employee shall, while in such employment and prior to the close of the Performance Cycle with respect to which such Stock Award was granted, terminate employment by reason of death, Disability or retirement on or after attainment of age sixty (60), or if such Key Employee's employment is terminated by the Company without cause, then:

(a) if such event occurs during the first year of the Performance Cycle, all shares included in the Restricted Stock Award granted to such Key Employee and the contingent allocation of "opportunity shares" made as part of that Stock Award shall be cancelled; and

(b) if such event occurs after such first year of the Performance Cycle, then (1) the Committee will take such action as it deems necessary or appropriate to determine the degree to which the applicable Performance Objectives are expected to be achieved through the end of the year in which such event occurs and determine the number (if any) of shares included in the Stock Award (including both restricted and "opportunity shares") which such Key Employee would have

otherwise been entitled to based on the attainment of such achievement level and (2) the restrictions set forth in Section 6.1(b)(2) and all other restrictions set forth in Section 6.1 shall lapse with respect to a number of shares equal to the product of (A) the number of such shares (including both restricted and "opportunity shares") determined under clause (1) immediately above times (B) a fraction, the numerator of which is the number of days elapsed in the Performance Cycle as of the date of such event and the denominator of which is the total number of days in the Performance Cycle. Any lapse of restrictions and any award of "opportunity shares" pursuant to this Section 7.2(b) shall occur on the later of December 31 of the year in which such event occurs and the date the Committee notifies the Key Employee thereof in writing.

7.3 Treatment Upon Change in Control: Notwithstanding any provision of Section 6.1 or any other provision of this Plan or any provision in any grant or award hereunder to the contrary, forthwith upon the occurrence of any "change in control" of the Company, the Company shall pay cash to each Key Employee to whom a Restricted Stock Award has been made (and with respect to which the restrictions have not previously lapsed) in an amount equal to the number of shares of Common Stock granted under this Plan pursuant to outstanding Restricted Stock Awards and all "opportunity shares" related to such Restricted Stock Awards times the Fair Market Value on the date of the "change in control." Such a "change in control" shall be deemed to have taken place if: (i) any "person," including a "group" as determined in accordance with Section 13(d)(3) of the Exchange Act, is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities; (ii) as a result of, or in connection with, any tender offer or exchange offer, merger or other business combination, sale of assets or contested election or any combination of the foregoing transactions (a "Transaction"), the persons who were directors of the Company before the Transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company; (iii) the Company is merged or consolidated with another corporation and as a result of such merger or consolidation less than seventy percent (70%) of the outstanding voting securities of the surviving or resulting corporation shall then be owned in the aggregate by the former shareholders of the Company, other than (x) any party to such merger or consolidation or (y) any affiliates of any such party; or (iv) a tender offer or exchange offer is made and consummated for the ownership of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities; or (v) the Company transfers all or substantially all of its assets to another corporation that is not a wholly owned corporation of the Company.

ARTICLE VIII

TAX PAYMENTS

8.1 Tax Payments: A Key Employee who has received shares of Common Stock pursuant to a Restricted Stock Award with respect to which all of the restrictions set forth in Article VI shall have lapsed or pursuant to an award of "opportunity shares" related to such Restricted Stock Award may also, at the discretion of the Committee, receive from the Company a cash payment in an amount determined by the Committee, if any, not to exceed that amount sufficient to pay such Key Employee's tax liability (assuming the highest rates of tax applicable to any individual taxpayer in the year in which such payment is made) with respect to (i) such shares and (ii) such cash payment.

PART III

OPTIONS AND STOCK APPRECIATION RIGHTS

ARTICLE IX

OPTIONS AND STOCK APPRECIATION RIGHTS

9.1 Grant of Options:

(a) Grant: The Committee may grant Incentive Stock Options and/or Nonstatutory Stock Options to Key Employees. All Options under this Plan shall be granted within ten years of the date this Plan is adopted or the date this Plan is approved by shareholders of the Company, whichever is earlier. No Options shall be granted pursuant to this Plan after February 2, 2003.

(b) Option Price: The purchase price per share of Common Stock under each Option shall be not less than one hundred percent (100%) of the Fair Market Value per share of such Common Stock on the date the Option is granted. The Option price shall be subject to adjustment in accordance with the provisions of Section 13.3 hereof.

(c) Option Agreements: Options and any Stock Appreciation Rights attached to such Options shall be evidenced by Option Agreements in such form as the Committee shall approve and containing such terms and conditions, including the period of their exercise and whether in installments or otherwise, as shall be contained therein, which need not be the same for all Options.

(d) Options Nontransferable: An Option granted under this Plan shall by its terms be nontransferable by the Key Employee otherwise than by will or the laws of descent and distribution, and, during the lifetime of the Key Employee, shall be exercisable only by such Key Employee. No transfer of an Option by a Key Employee by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and/or such other evidence as the Committee may determine necessary to establish the validity of the transfer.

9.2 Exercise of Options:

(a) Terms of Options: No Option granted under this Plan may be exercised until one (1) year after the date of grant thereof. The restriction contained in the preceding sentence shall cease to apply to the exercise of any Option heretofore or hereafter granted under this Plan upon and simultaneously with the occurrence of any "change in control" (as defined in Section 7.3) of the Company. Options may be exercised over such period ending not later than ten years from the date such Options shall have been granted, as the Committee shall determine at the time each Option is granted.

(b) Payment on Exercise: No shares of Common Stock shall be issued on the exercise of an Option unless paid for in full at the time of purchase. Payment for shares of Common Stock purchased upon the exercise of an Option shall be made in cash or, with the consent of the Committee, in Common Stock valued at the then Fair Market Value thereof, or by a combination of cash and Common Stock. The Committee may also provide for procedures to permit the exercise of Options by the use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Option. No Key Employee shall have any rights as a shareholder with respect to any share of Common Stock covered by an Option unless and until such Key Employee shall have become the holder of record of such share, and, other than pursuant to an adjustment made in accordance with Section 13.3 hereof, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property or distributions or other rights) in respect of such share for which the record date is prior to the date on which such Key Employee shall have become the holder of record thereof.

9.3 Incentive Stock Options:

(a) Annual Limitation: Subject to the limitation of Section 3.2 relating to the aggregate number of shares subject to this Plan, Incentive Stock Options may be granted with respect to any number of shares; provided, however, the aggregate Fair Market Value of such shares (determined as of the time such Option is granted) with respect to which such Options are exercisable for the first time by a Key Employee during any one (1) calendar year (under this Plan and any other plans of the Company and its Subsidiaries) shall not exceed $100,000. To the extent that the aggregate Fair Market Value of shares with respect

to which Incentive Stock Options (determined without regard to this subsection) are exercisable for the first time by any Key Employee during any calendar year (under this Plan and any other plan of the Company and its Subsidiaries) exceeds $100,000, such Options shall be treated as Nonstatutory Options.

(b) Incentive Stock Options Granted to Ten Percent Shareholders: No Incentive Stock Options shall be granted to any Key Employee who owns, directly or indirectly pursuant to Section 424(d) of the Code, stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Subsidiary, unless at the time such Incentive Stock Option is granted, the price of the Incentive Stock Option is at least 110 percent of the Fair Market Value of the Common Stock subject to the Incentive Stock Option and such Incentive Stock Option, by its terms, is not exercisable after the expiration of five (5) years from the date such Incentive Stock Option is granted.

(c) Notice: Each Key Employee shall give prompt notice to the Company of any disposition of shares acquired upon exercise of an Incentive Stock Option if such disposition occurs within either two (2) years after the date of grant or one (1) year after the date of transfer of such shares to the Key Employee upon the exercise of such Incentive Stock Option.

9.4 Stock Appreciation Rights Attached to Options:

(a) Award: The Committee may award a Stock Appreciation Right with respect to any shares of Common Stock covered by any Option granted under this Plan and such Stock Appreciation Right shall be granted only at the time of the grant of the related Option.

(b) Terms and Conditions: Each Stock Appreciation Right shall be subject to the same terms and conditions as the related Option with respect to date of expiration, limitations on transferability and eligibility to exercise. No Stock Appreciation Right may be exercised after the related Option becomes nonexercisable. Stock Appreciation Rights shall be payable, at the sole discretion of the Committee, in cash or in Common Stock or a combination thereof.

(c) Amount of Compensation: The amount of compensation which shall be payable to a Key Employee pursuant to the exercise of a Stock Appreciation Right shall be equal to the excess of the Fair Market Value of one (1) share of Common Stock on the date of exercise of the Stock Appreciation Right over the Fair Market Value of such share on the date the Stock Appreciation Right was granted multiplied by the number of Option shares with respect to which the Stock Appreciation Right is exercised (the spread).

(d) Tandem Nature of Awards: Upon the exercise of a Stock Appreciation Right, the related Option shall cease to be exercisable as to the number of shares of Common Stock with respect to which such Stock Appreciation Right was exercised, and upon the exercise of an Option, the related Stock Appreciation Right shall cease to be exercisable with respect to the number of shares of Common Stock with respect to which the Option was exercised.

ARTICLE X

TERMINATION OF EMPLOYMENT AND DEATH

10.1 Termination of Employment: Unless earlier terminated in accordance with its terms, an Option or Stock Appreciation Right shall terminate (i) ninety (90) days in the case of an Incentive Stock Option and (ii) three (3) years in the case of a Nonstatutory Stock Option after any of the following:

(a) voluntary termination of employment by the Key Employee, with or without consent of the Company,

(b) termination of employment of the Key Employee by the Company or any of its Subsidiaries, with or without cause, or

(c) termination of employment of the Key Employee because of Disability, retirement on or after attainment of age sixty (60) and prior to attainment of age sixty-five (65), or because the Subsidiary employing such Key Employee ceases to be a Subsidiary of the Company and the Key Employee does not, prior thereto or contemporaneously therewith, become a Key Employee of the Company or another Subsidiary;

provided that, with regard to terminations of employment pursuant to paragraph (b), the Option or Stock Appreciation Right shall terminate as of the date of such discharge if prior to such termination the Committee in its discretion shall determine that it is not in the best interest of the Company that the Option or Stock Appreciation Right should continue for said period. The Option or Stock Appreciation Right shall be exercisable only to the extent it was exercisable on the date of the event described in (a-c) above.

10.2 Normal Retirement of Optionee: If a Key Employee retires on or after attainment of age sixty-five (65), an Option or Stock Appreciation Right shall terminate (i) ninety (90) days in the case of an Incentive Stock Option and (ii) three (3) years in the case of a Nonstatutory Stock Option after the date of such Key Employee's retirement, unless such Option or Stock Appreciation Right has terminated earlier in accordance with its terms. Such Option or Stock Appreciation Right shall be fully exercisable on the date of such Key Employee's retirement.

10.3 Death of Optionee: If a Key Employee or former Key Employee shall die during the term of the Option or Stock Appreciation Right, the legal representatives of such Key Employee shall be entitled to exercise the Option or Stock Appreciation Right in whole or in part, to the extent such Option or Stock Appreciation Right was exercisable by such Key Employee on the date of such Key Employee's death, at any time within three (3) years following the death of such Key Employee, unless such Option or Stock Appreciation Right earlier terminated in accordance with its terms.

PART IV

ADMINISTRATION

ARTICLE XI

ADMINISTRATION OF PLAN

11.1 The Committee: This Plan shall be administered solely by the Personnel Committee of the Board of Directors or such other committee of the Board as the Board shall designate to administer the Plan. The Committee shall be constituted to permit transactions under the Plan to qualify for applicable exemptions under Rule 16b-3 under the Exchange Act. A majority of the Committee shall constitute a quorum thereof and the actions of a majority of the Committee at a meeting at which a quorum is present, or actions unanimously approved in writing by all members of the Committee, shall be the actions of the Committee. Vacancies occurring on the Committee shall be filled by the Board. The Committee shall have full and final authority to interpret this Plan and the agreements evidencing Stock Incentives granted hereunder, to prescribe, amend and rescind rules and regulations, if any, relating to this Plan and to make all determinations necessary or advisable for the administration of this Plan. The Committee's determination in all matters referred to herein shall be conclusive and binding for all purposes and upon all persons including, but without limitation, the Company, the shareholders of the Company, the Committee and each of the members thereof, and Employees of the Company, and their respective successors in interest. The Committee may delegate any of its rights, powers and duties to any one or more of its members, or to any other person, by written action as provided herein, acknowledged in writing by the delegate or delegates, except that the Committee may not delegate to any person the authority to grant Stock Incentives to, or take other action with respect to, Participants who are subject to Section 16 of the Exchange Act. Such delegation may include, without limitation, the power to execute any documents on behalf of the Committee.

11.2 Liability of Committee: No member of the Committee shall be liable for anything done or omitted to be done by such member or by any other member of the Committee or by any person to whom authority is delegated as provided in the last sentence of Section 11.1 in connection with this Plan, except for the willful misconduct of such member or as expressly required by law. The Committee shall have power to engage outside consultants, auditors or other professionals to assist in the fulfillment of the Committee's duties under this Plan at the Company's expense.

11.3 Determinations of the Committee: In making its determinations concerning the Key Employees who shall receive Stock Incentives, as well as the number of shares to be covered thereby and the time or times at which they shall be granted, the Committee shall take into account the nature of the services rendered by the respective Key Employees, their past, present and potential contribution to the Company's success and such other factors as the Committee may deem relevant. The Committee shall also determine the form of Stock Incentives to be issued under this Plan and the terms and conditions to be included therein, provided such terms and conditions are not inconsistent with the terms of this Plan. The Committee may, in its sole discretion, waive any provisions of any Stock Incentive, provided such waiver is not inconsistent with the terms of this Plan as then in effect.

11.4 Compliance With the Exchange Act: With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void to the extent permitted by law and deemed advisable by the Committee.

ARTICLE XII

AMENDMENT AND TERMINATION OF PLAN

12.1 Amendment, Modification, Suspension or Termination:

(a) The Board may from time to time amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law except that (i) no amendment or alteration that would impair the rights of any Key Employee under any Stock Incentive awarded to such Employee shall be made without such Employee's consent and (ii) no amendment or alteration shall be effective prior to approval by the Company's shareholders to the extent such approval is then required pursuant to Rule 16b-3 under the Exchange Act in order to preserve the applicability of any exemption provided by such rule to any Stock Incentive then outstanding (unless the holder of such Stock Incentive consents) or to the extent shareholder approval is otherwise required by applicable legal requirements.

(b) Amendments Relating to Incentive Stock Options: To the extent applicable, this Plan is intended to permit the issuance of Incentive Stock Options in accordance with the provisions of Section 422 of the Code. The Plan may be modified or amended at any time, both prospectively and retroactively, and in such manner as to affect Incentive Stock Options previously granted, if such amendment or modification is necessary for this Plan and the Incentive Stock Options granted hereunder to qualify under said provisions of the Code.

12.2 Termination: The Board may at any time terminate this Plan as of any date specified in a resolution adopted by the Board. If not earlier terminated, this Plan shall terminate on February 2, 2003. No Stock Incentives may be granted after this Plan has terminated. After this Plan has terminated, the function of the Committee with respect to this Plan will be limited to determinations, interpretations and other matters provided herein with respect to Stock Incentives previously granted.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Restrictions Upon Grant of Stock Incentives: The listing upon the New York Stock Exchange or the registration or qualification under any federal or state law of any shares of Common Stock to be granted pursuant to this Plan (whether to permit the grant of Stock Incentives or the resale or other disposition of any such shares of Common Stock by or on behalf of the Key Employees receiving such shares) may be necessary or desirable and, in any such event, if the Committee in its sole discretion so determines, delivery of the certificates for such shares of Common Stock shall not be made until such listing, registration or qualification shall have been completed. In such connection, the Company agrees that it will use its best efforts to effect any such listing, registration or qualification, provided, however, that the Company shall not be required to use its best efforts to effect such registration under the Securities Act of 1933, as amended, other than on Form S-8, as presently in effect, or other such forms as may be in effect from time to time calling for information comparable to that presently required to be furnished under Form S-8.

13.2 Restrictions Upon Resale of Unregistered Stock: If the shares of Common Stock that have been transferred to a Key Employee pursuant to the terms of this Plan are not registered under the Securities Act of 1933, as amended, pursuant to an effective registration statement, such Key Employee, if the Committee deems it advisable, may be required to represent and agree in writing (i) that any shares of Common Stock acquired by such Key Employee pursuant to this Plan will not be sold except pursuant to an effective registration statement under the Securities Act of 1933, as amended, or pursuant to an exemption from registration under said Act and (ii) that such Key Employee is acquiring such shares of Common Stock for such Key Employee's own account and not with a view to the distribution thereof.

13.3 Adjustments:

(a) The existence of outstanding Stock Incentives shall not affect in any manner the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock or declaration of a dividend payable in shares of Common Stock or capital reorganization or reclassification or other transaction involving an increase or decrease in the number of outstanding shares of Common Stock, the Committee may adjust proportionally (i) the number of shares of Common Stock reserved under this Plan and covered by outstanding Stock Incentives denominated in Common Stock or units of Common Stock; (ii) the exercise or other price in respect of such Stock Incentives; and (iii) the appropriate Fair Market Value and other price determinations for such Stock Incentives. In the event of any consolidation or merger of the Company with another corporation or entity or the adoption by the Company of a plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Committee shall make such adjustments or other provisions as it may deem equitable, including adjustments to avoid fractional shares, to give proper effect to such event. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee shall be authorized to issue or assume stock options, regardless of whether in a transaction to which Section 424(a) of the Code applies, by means of substitution of new options for previously issued options or an assumption of previously issued options, or to make provision for the acceleration of the exercisability of, or lapse of restrictions with respect to, Stock Incentives and the termination of unexercised options in connection with such transaction.

13.4 Restrictive Legends:

(a) Certificates for shares of Common Stock delivered pursuant to Stock Incentives shall bear an appropriate legend conforming to the requirements of applicable law referring to the terms, conditions and restrictions described in this Plan and in the instruments evidencing the grant of the Restricted Stock Awards. Any attempt to dispose of any such shares of Common Stock in contravention of the terms, conditions and restrictions described in this Plan or in the instruments evidencing the grant of the Restricted Stock Award shall be ineffective. The Company may also place appropriate "stop

transfer" instructions in the stock transfer books of the Company with respect to shares of Common Stock covered by a Stock Incentive.

(b) Any shares of Common Stock received by a Key Employee as a stock dividend on, or as a result of stock splits, combinations, exchanges of shares, reorganizations, mergers, consolidations or otherwise with respect to, shares of Common Stock received pursuant to a Restricted Stock Award shall have the same status and bear the same legend as the shares received pursuant to the Restricted Stock Award.

13.5 Withholding of Taxes: The Committee shall deduct applicable taxes (without regard to any alternative rule permitting the use of a flat percentage rate in computing such applicable income tax withholding amounts) with respect to any Stock Award, Stock Appreciation Right or Nonstatutory Stock Option and withhold, at the time of delivery or other appropriate time, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes required by law, such withholding to be administered on a uniform basis (not involving any election by any Key Employee.) If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made.

13.6 Restrictions on Benefit: Notwithstanding the provisions of Sections 7.3 and 9.2(a) of this Plan, the aggregate present value of all parachute payments payable to or for the benefit of a Key Employee in the Plan, whether payable pursuant to the Plan or otherwise, shall be limited to three times the Key Employee's base amount less one dollar and, to the extent necessary, the acceleration of unmatured Option installments and the cash payments in lieu of Restricted Stock Awards shall be reduced by the Committee in order that this limitation not be exceeded. For purposes of this Section 13.6, the terms "parachute payment," "base amount" and "present value" shall have the meanings assigned thereto under Section 280G of the Code. It is the intention of this Section 13.6 to avoid excise taxes on the Key Employee under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G of the Code.

HOUSTON INDUSTRIES INCORPORATED

EXHIBIT 10(n)(2)

HOUSTON INDUSTRIES INCORPORATED
1994 LONG-TERM INCENTIVE COMPENSATION PLAN

NONQUALIFIED STOCK OPTION AGREEMENT

Houston Industries Incorporated (the "Company") hereby grants on January 5, 1994, to 1~ 2~ 3~ (the "Optionee"), an employee of the Company or one of its Subsidiaries, the Nonqualified Option to purchase from the Company up to, but not exceeding in the aggregate, 4~ shares of Common Stock, without par value, of the Company at Forty-six dollars and fifty cents ($46.50) per share, such number of shares and such price per share being subject to adjustment as provided in Section 13.3 of the Houston Industries Incorporated 1994 Long-Term Incentive Compensation Plan, as amended from time to time (the "Plan"), and further subject to the following terms and conditions:

1. OPTION SUBJECT TO PLAN. This Option is issued in accordance with and subject to all of the terms, conditions and provisions of the Plan and administrative interpretations thereunder, if any, which have been adopted by the Personnel Committee of the Board of Directors of the Company (the "Committee") and are in effect on the date hereof. Unless otherwise indicated, all capitalized terms refer to and shall have the same meaning as set forth in the Plan. By executing this Agreement, the Optionee acknowledges that the Optionee has received a copy of, and is familiar with, the terms of the Plan. References to the Optionee herein also include the heirs or other legal representatives of the Optionee.

2. EXERCISE OF OPTION. (a) This Option shall not be exercisable until after one (1) year of continued employment with the Company or Subsidiary of the Company immediately following the date this Option is granted, and thereafter shall be exercisable as follows:

(i) After one (1) year of such continued employment, this Option shall be exercisable for any number of shares up to and including, but not in excess of, 33 1/3% of the aggregate number of shares subject to this Option, that being 5~ shares;

(ii) After two (2) years of such continued employment, this Option shall be exercisable for any number of shares up to and including, but not in excess of, 66 2/3 % of the aggregate number of shares subject to this Option, that being 6~ shares; and

(iii) After three (3) years of continued employment, this Option shall be fully exercisable;

provided that the number of shares as to which this Option becomes exercisable shall, in each case, be reduced by the number of shares theretofore purchased pursuant to the terms hereof. Further, any restriction contained in the preceding sentence shall cease to apply upon and simultaneously with the occurrence of any "change in control" of the Company (as defined in Plan Section 7.3).

Once available for purchase in accordance with the foregoing, unpurchased shares shall remain subject to purchase until the Option terminates in accordance with the terms of paragraph 3 hereof.

(b) In the event the Optionee terminates employment with the Company due to death, disability or retirement on or after age 60 and before age 65 under a retirement plan maintained by the Company, and such termination occurs while the Option granted hereunder is still in force and unexpired under the terms of Paragraph 3 hereof, this Option shall continue to be exercisable until the earlier of the expiration of three (3) years after the date of such termination or the remainder of the Option period, but only to the extent that it could be exercised on such termination date if the Optionee had not terminated employment. If the Optionee shall die during the term of this Option, the legal representatives of the Optionee shall be entitled to exercise the Option in whole or in part, subject to the foregoing sentence, at any time within the three-year period following the death of the Optionee.

(c) Unless earlier terminated in accordance with its terms, this Option shall continue to be exercisable until, and shall terminate, three (3) years after the earliest of the following (but only to the extent that it could be exercised on the date the employment of the Optionee terminated):

(i) voluntary termination of employment by the Optionee, with or without consent of the Company,

(ii) termination of employment of the Optionee by the Company or any of its Subsidiaries, with or without cause, or

(iii) termination of employment of the Optionee because the Subsidiary employing such Optionee ceases to be a Subsidiary of the Company and the Optionee does not, prior thereto or contemporaneously therewith, become a Key Employee of the Company or another Subsidiary;

provided that, with regard to terminations of employment pursuant to paragraph (ii), this Option shall terminate as of the date of such discharge if prior to such termination the Committee in its sole discretion shall determine that it is not in the best interest of the Company that the Option should continue for said three-year period.

In the event of termination of employment other than for death, disability or retirement after age 60 but prior to age 65, the Option may be exercised only with respect to the number of shares purchasable at the time of such termination. In the event of termination of employment because of normal retirement at or after attainment of age 65, such option shall automatically become

fully exercisable as of the date of such retirement. If the Optionee shall die during the term of this Option, the legal representatives of the Optionee shall be entitled to exercise the Option, in whole or in part, subject to the foregoing provisions.

3. OPTION PERIOD. Except as provided in the last sentence of paragraph 2(b), the Option hereby granted shall terminate and be of no force and effect with respect to any shares not previously taken up by the Optionee upon the first to occur of (i) the expiration of ten (10) years from the date of the grant of this Option, that being the close of business on January 4, 2004, or (ii) the expiration of three (3) years after the termination of employment of the Optionee as described in paragraph 2 above.

4. METHOD OF NOTICE. Subject to the limitations set forth herein and in the Plan, this Option may be exercised by written notice mailed to the Company at Attn: Executive Benefits, P. O. Box 4567, Houston, Texas 77210. Such written notice shall (a) state the number of shares with respect to which the Option is being exercised and (b) be accompanied by a check, cash or money order payable to Houston Industries Incorporated in the full amount of the purchase price for any shares being acquired or, at the option of the Optionee, accompanied by Common Stock held by such Optionee for at least six (6) months equal in value to the full amount of the purchase price (or any combination of cash, check or such Common Stock). For purposes of determining the amount, if any, of the purchase price satisfied by payment in Common Stock, such Common Stock shall be valued at its Fair Market Value on the date of exercise in accordance with Section 2.1(i) of the Plan. Any Common Stock delivered in satisfaction of all or a portion of the purchase price shall be appropriately endorsed for transfer and assignment to the Company. The Optionee shall not be or have any of the rights or privileges of a shareholder of the Company in respect of any shares purchasable upon the exercise of any part of the Option unless and until certificates representing such shares shall have been issued by the Company to the Optionee. In addition, whether or not the options and shares covered by

the Plan have been registered pursuant to the Securities Act of 1933, the Company may, at its election, require the Optionee to give a representation in writing that the Optionee is acquiring such shares for the Optionee's own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof. If any law or regulation requires the Company to take any action with respect to the shares specified in such notice, the time for delivery thereof, which would otherwise be as promptly as possible, shall be postponed for the period of time necessary to take such action.

5. TAXES. The Committee shall deduct applicable taxes with respect to the exercise of the Option and withhold, at the time of delivery, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes required by law.

6. ASSIGNMENT OR TRANSFER. The Optionee's rights under the Plan and this Nonqualified Stock Option Agreement are personal; no assignment or transfer of the Optionee's rights under and interest in this Option, whether voluntary or involuntary, by operation of law or otherwise, may be made by the Optionee other than by will or by the laws of descent and distribution; and this Option is exercisable during the lifetime of the Optionee only by the Optionee.

Dated:_____

HOUSTON INDUSTRIES INCORPORATED

By: _____

This Option has been accepted as of the above date by the undersigned, subject to the terms and provisions of the Plan and administrative interpretations thereof referred to above.

_____
Optionee, 1~ 2~ 3~

EXHIBIT 10(q)

HOUSTON INDUSTRIES INCORPORATED
EXECUTIVE LIFE INSURANCE PLAN

(Effective January 1, 1994)

ARTICLE I

PURPOSE OF THE PLAN

The purpose of the Plan is to assist Houston Industries Incorporated (the "Company") and its wholly owned subsidiaries in attracting and retaining qualified executive officers and directors and to provide such eligible employees and directors of the Company and its subsidiaries with death benefits during employment or affiliation with the Company and/or after retirement.

ARTICLE II

DEFINITIONS

2.1 "Annual Base Compensation" shall mean the basic annual rate of a Participant's compensation or salary (before making any reductions pursuant to a salary reduction agreement and which is not includable in the gross income of a Participant under Section 125 or 402(a)(8) of the Code), in effect for him or her on the later of the Entrance Date or the first day of the applicable Plan Year (which for Retired Participants shall be the Plan Year of retirement), but excluding bonuses, commissions and all other forms of compensation or benefits including additional compensation from this Plan and any amount contributed for him or her by the Company to any employee benefit plan. For purposes of the Plan, Annual Base Compensation of a Director shall be deemed to equal the annual retainer fee payable to a Director by the Company for the applicable Plan Year.

2.2 "Beneficiary" shall mean the individual or entity designated by the Benefit Owner to receive the death benefit payable under the Plan upon the Insured's death. If no such designation is made, or if every designated individual predeceases the Insured or the entity no longer exists, then the Beneficiary shall be the Participant's estate.

2.3 "Benefit Owner" shall mean that person or entity, who may or may not be the Participant, who executes the Split Dollar Insurance Agreement as the Benefit Owner and shall have all rights under the Plan which do not accrue to the Company, except the right to additional compensation.

2.4 "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.5 "Committee" shall mean the Compensation and Benefits Committee appointed by the Board of Directors of the Company which shall administer the Plan and shall be deemed the Plan Administrator for purposes of ERISA.

2.6 "Company" shall mean Houston Industries Incorporated, a Texas corporation.

2.7 "Director" means a non-employee member of the Board of Directors of the Company. A Director who is also an Employee shall be considered an Employee and not a Director for any and all purposes of the Plan.

2.8 "Effective Date" shall mean January 1, 1994.

2.9 "Eligible Employee" shall mean an individual who is employed by the Company or one of its wholly owned subsidiaries on or after the Effective Date and who (a) is (i) an officer of the Company or one of its wholly owned subsidiaries at the level of Vice President or above or (ii) a key executive of the Company or one of its wholly owned subsidiaries and has been designated by the Committee to participate in the Plan and (b) has submitted to the Insurer a properly completed application for life insurance under this Plan and such application has been approved by the Insurer. In addition to those individuals described above, all Directors of the Company on or after the Effective Date who are not otherwise eligible as Employees of the Company shall automatically participate in this Plan.

2.10 "Entrance Date" shall mean that date on which an Eligible Employee or Director first becomes a Participant. The first Entrance Date, as regards any Eligible Employee or Director, shall be the later of the Effective Date or the date of acceptance by the Insurer of such Eligible Employee's application for life insurance under this Plan. Beginning with the year 1994, subsequent Entrance Dates as regards any additional Eligible Employee(s) or Director(s), shall be the later of (i) the date of employment or affiliation with the Company and/or any of its wholly owned subsidiaries as an Eligible Employee or Director or (ii) the date of acceptance by the Insurer of their application for life insurance under this Plan.

2.11 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.12 "Insurance Contract" shall mean one or more contracts or policies of universal life insurance on the life of the Insured which is issued by an insurance company qualified to do business in the State of Texas and is specified in a Split-Dollar Life Insurance Agreement. If a Participant has entered into more than one Split-Dollar Life Insurance Agreement, the contract or contracts specified in each Split-Dollar Life Insurance Agreement shall be an Insurance Contract separate and distinct from the contract or contracts specified in the other Split-Dollar Life Insurance Agreements.

2.13 "Insured" shall mean the Participant or, collectively, the Participant and the Participant's spouse if "second-to-die" coverage is elected. Any reference to the death of the Insured shall mean the death of the second to die of the Participant and the Participant's spouse if "second-to-die" coverage is elected.

2.14 "Insurer" shall mean Metropolitan Life Insurance Company or other independent company from time to time issuing to the Company written life insurance policies on the Insured in accordance with the terms of the Plan.

2.15 "Participant" shall mean (a) each Eligible Employee or Director during his or her employment by or service with the Company or one of its subsidiaries on and after the Entrance Date in a position covered by the Plan and (b) each Retired Participant or Director, and who in both cases is accepted by the Insurer as insurable for life insurance.

2.16 "Plan" shall mean the Houston Industries Incorporated Executive Life Insurance Plan, as amended from time to time.

2.17 "Retired Participant" shall mean each Participant who leaves the employ of the Company or one of its subsidiaries at a time when he or she is eligible to receive an immediate normal or postponed pension, or, upon attaining age 65, a disability pension from the Company's (or applicable subsidiary's) qualified pension plan. "Retired Participant" shall also include any Participant who leaves the employ of the Company and all subsidiaries on or after age 55 but prior to age 65 and whose life insurance coverage has been continued by the Committee at its discretion and any Director who is a Participant and who retires from the Board of Directors of the Company.

ARTICLE III

PARTICIPATION IN THE PLAN

3.1 Eligibility: All Eligible Employees (as defined in Section 2.9) and all outside Directors shall automatically participate as of the later of the Effective Date or the Entrance Date coincident with or next following his or her becoming an Eligible Employee or Director. Upon becoming eligible, the Committee (or its delegate) shall give written notice to the Insurer specifying the name of such Employee and/or Director and the face amount of the Insurance Contract which the Company shall purchase on the life of such Participant hereunder. The Committee may make more than one such designation with respect to any Employee. Separate Insurance Contracts shall be purchased and separate Split-Dollar Insurance Agreements shall be entered into upon each subsequent designation; provided, however, that if the Committee (or its delegate) so determines, additional insurance may be added to an existing Insurance Contract and such additional insurance shall be deemed to be the Insurance Contract relating to such designation and Split-Dollar Life Insurance Agreement.

The Eligible Employee or Director shall become a Participant if and only if he or she and the Benefit Owner (if other than the Participant) execute a Split-Dollar Insurance Agreement and the underlying Insurance Contract has been approved by the Insurer.

The Split-Dollar Insurance Agreement shall set forth the conditions on which a Participant's participation in, and a Benefit Owner's rights under, the Plan may be terminated.

3.2 Split-Dollar Insurance Agreement: Each Eligible Employee or Director eligible to participate in the Plan shall be offered a Split-Dollar Insurance Agreement setting forth the specific provisions which the Committee has determined to be appropriate for such Employee or Director. No Participant or Benefit Owner shall have any rights whatsoever under the Plan other than the rights and benefits so granted under the Split-Dollar Insurance Agreement with the

Committee. The Committee may require the Insured to submit evidence of insurability. Each such Split-Dollar Insurance Agreement shall provide, among other things, that:

(a) The Participant agrees to participate in the Plan;

(b) The Split-Dollar Insurance Agreement shall incorporate the Plan by reference; and

(c) The Split-Dollar Insurance Agreement shall specify the Insurance Contract with respect to which such Split- Dollar Insurance Agreement is made.

3.3 Insurance Contracts: An Insurance Contract shall be purchased on the life of the Insured in the face amount designated by the Committee in its sole discretion. The Insurance Contract shall be owned by the Company.

ARTICLE IV

PLAN BENEFITS

4.1 The death benefit payable to each Benefit Owner's Beneficiary under this Plan shall be provided in addition to any life insurance provided a Participant under a plan of group life insurance maintained by the Company or any subsidiary for its employees.

4.2 The Company shall purchase and have all ownership rights (except as otherwise provided under Section 4.4 of this Plan) to an Insurance Contract on the life of each Insured. Such Insurance Contract shall provide a death benefit equal to such amount (which may vary among classes of Participants) as authorized by the Board of Directors of the Company in approving this Plan and as referenced in Section 6.2 hereof. Unless a "second-to-die" contract has been issued, upon the death of a Participant, the death benefit under such Insurance Contract shall be paid by the Insurer to the Benefit Owner's Beneficiary designated as provided in Section 4.4 of this Plan. If a second-to-die contract has been issued, then upon the death of the second to die of the Participant and his or her spouse, the death benefit under such Insurance Contract shall be paid by the Insurer to the Benefit Owner's Beneficiary designated in accordance with Section 4.4 of this Plan. Upon a Participant's attaining the status of a Retired Participant, the Benefit Owner's Beneficiary designation(s) made under Section 4.4 of this Plan shall remain in effect.

4.3 All premiums on each Insurance Contract described in Section 4.2 above shall be paid by the Company for the respective accounts of all Participants. The imputed income to the Insured shall be determined in accordance with Revenue Ruling 66-110, 1966-1 C.B.12, or applicable Federal tax laws, regulations or rulings which may be subsequently published relating to split-dollar life insurance programs. The Company will record this portion of the premium as taxable income to the Insured. Each year the Company may pay to the Participant (or the Participant's spouse, if second-to-die coverage is elected and the Participant is then deceased) an amount which equals the after-income tax cost of the imputed income. The computation of the amount and date of payment of such amount shall be determined by the Committee in its sole discretion which determination shall be binding and conclusive on all parties.

4.4 The Benefit Owner shall have the right to designate the Beneficiary(ies) of the death benefit under the Insurance Contract on the Insured described in Section 4.2 by a signed writing delivered to the Committee and the right to change the Beneficiary designation at any time by a similar writing. Notwithstanding the foregoing, a Benefit Owner may irrevocably assign its right to designate and change Beneficiary(ies) under the Insurance Contract by a signed writing delivered to the Committee prior to the Insured's death. The "signed writing" as contemplated in this paragraph shall be in such form as may be prescribed by the Committee from time to time.

4.5 All benefits to the Benefit Owner under this Article IV shall cease upon (i) the termination of the Participant's employment with the Company and all subsidiaries for any reason other than death and prior to age 65 unless such termination is on or after age 55 and the Committee, in its sole discretion, elects to continue the coverage of the Participant or (ii) the Participant ceasing to be employed in an employment classification or capacity covered by the Plan. If the employment of a Participant with the Company and all subsidiaries is terminated prior to age 55 or on and after age 55 and prior to age 65 and the Committee does not elect to continue the coverage of the Participant or if the Participant is no longer employed in an employment classification or capacity covered by the Plan, the Company shall use reasonable efforts to have the Insurer offer to the Benefit Owner the opportunity to purchase for cash all ownership rights in the Insurance Contract on the Insured's life at the greater of (i) its cash surrender value or (ii) the aggregate of all premiums paid by the Company with respect to the Insurance Contract, such purchase price to be paid to the Company.

ARTICLE V

ADMINISTRATION

5.1 The Committee shall be the fiduciary and, as such, shall have full responsibility and authority to interpret, control and administer the Plan and agreements entered into with Participants pursuant to the Plan, including the power to amend the Plan as provided in Section 6.2 hereof, the power to promulgate rules of Plan administration, the power to investigate and settle any disputes as to rights or benefits arising under the Plan and such agreements, the power to appoint agents, accountants and consultants, the power to delegate the Committee's duties, the power to issue instructions to the Insurer, and the power to make such other decisions or take such other actions as the Committee, in its sole discretion, deems necessary or advisable to aid in the proper administration of the Plan. Actions and determinations by the Committee shall be final, binding and conclusive for all purposes of this Plan.

5.2 Without limitation, the Company shall have the power and authority to transfer ownership of any Insurance Contract to a Benefit Owner when a Participant's employment is terminated, as provided in Section 4.5, or to a trust subject to the claims of the Company's general creditors.

5.3 Any Participant, Benefit Owner, Beneficiary or other person (hereafter called "Claimant") claiming any benefit under this Plan may submit a written claim to the Committee specifying the particular benefit claimed. If any benefit claimed under this Plan is denied in whole or in part, the Committee shall give written notice of the denial to the Claimant within a

reasonable period of time following receipt of the claim by the Committee. Such written notice to the Claimant shall set forth the specific reason(s) for denial of the benefit claimed in a manner calculated to be understood by the Claimant. In addition, the written notice shall specifically refer to the pertinent provisions of the Plan or other document on which the denial is based. If additional material or information is necessary for the Claimant to perfect the claim, then a description of such material or information and an explanation of any such material or information as is necessary shall be set forth in the written notice.

The Claimant may then, within 60 days following receipt of the written notice of denial, file with the Committee any additional evidence bearing on his or her claim and a written request for a review of the denial of the benefit. As part of the review procedure, the Claimant or his or her duly authorized representative may review pertinent documents. Within 60 days following receipt of a request for review, unless special circumstances require a further extension of time but in no event later than 120 days after a receipt of a request for review, the Committee shall conduct a full and fair review of the initial decision denying the benefit and mail to the Claimant its decision written in a manner calculated to be understood by the Claimant as well as specific references to the pertinent provisions of the Plan or other document on which the decision is based.

If the benefit or claim under review arises under a life insurance policy issued by the Insurer, the Committee shall, as part of the review, obtain from the Insurer, a determination of the reason or reasons for the denial of the benefit or claim under the relevant Insurance Contract based upon all evidence available to the Committee and the Insurer.

Claims for benefits under the Insurance Contract (including loans, withdrawals and payment of death benefits) must be submitted in writing to Metropolitan Life Insurance Company, 485-B Metropolitan Corporate Plaza, Route One South, Suite 420, Iselin, New Jersey 08820, ATTENTION: Specialized Corporate Products.

ARTICLE VI

AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

6.1 Subject to the provisions of Section 6.3, the Board of Directors of the Company may from time to time amend, suspend or terminate the Plan, in whole or in part.

6.2 The Committee also may from time to time amend the Plan as may be needed (a) to comply with applicable tax, welfare benefit plan or insurance laws, regulations or rulings related to split-dollar life insurance programs or otherwise or (b) to resolve ambiguities in the Plan or related documents, but no such amendment by the Committee shall alter, expand or contradict the intent of the authorizing resolutions adopted by the Company's Board of Directors on October 6, 1993 or any subsequent resolutions of said Board affecting the Plan.

6.3 No amendment, suspension or termination of the Plan shall materially adversely affect (i) the payment of a death benefit already due under the Plan as the result of the death of the Insured prior to the date of adoption of such amendment, suspension or termination or (ii) the payment of a death benefit to become due under the Plan on behalf of a Retired Participant

as the result of the death of the Insured who became a Retired Participant prior to the date of adoption of such amendment, suspension or termination.

ARTICLE VII

FUNDING

No promise of payment of benefits by the Company under this Plan shall be secured by any specific assets of the Company, nor shall any assets of the Company be designated as attributable or allocated to the satisfaction of such promise, except that the Company undertakes to purchase a split-dollar insurance policy on the life of the Insured as described in Section 4.2, subject to acceptance by the Insurer.

ARTICLE VIII

GENERAL PROVISIONS

8.1 No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, except by will or the laws of descent and distribution and, except as provided in Section 4.4 of this Plan, any attempt thereat shall be void. No such benefit shall, prior to receipt thereof, be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant, Benefit Owner or their Beneficiaries.

8.2 This Plan shall inure to the benefit of, and be binding upon, the Company, each Benefit Owner and each Participant, and upon the successors and assigns of the Company, each Benefit Owner and each Participant.

8.3 The Company or the Insurer shall deduct from the amount of any payments hereunder all taxes required to be withheld by applicable laws.

8.4 This Plan shall be governed by, and construed in accordance with, the laws of the State of Texas and ERISA.

8.5 The Insurer selected by the Committee shall be a reputable insurance company in good standing and authorized to issue split-dollar life insurance policies under the laws of the State of Texas, but the Company does not guarantee the payment or performance by the Insurer of the Insurer's obligations under any life insurance policies issued by it.

8.6 Each Plan Year shall begin on January 1 of one calendar year and end on December 31 of the same calendar year.

8.7 This Plan document is a complete amendment and restatement of that certain Houston Industries Incorporated Executive Life Insurance Plan effective January 1, 1994, but executed prior to the date hereof ("Prior Plan"). The provisions of this Plan and not said replaced Prior Plan shall govern the rights and benefits of all Participants, Benefit Owners, Beneficiaries and other interested parties.

HOUSTON INDUSTRIES INCORPORATED

By: /s/ D. D. SYKORA
D. D. Sykora
President and Chief Operating Officer

Date: December 14, 1993

EXHIBIT 10(s)(2)

December 8, 1993

Mr. Gary G. Weik
1904 Hidden Cove Court
League, City, Texas 77573

Dear Gary:

This letter confirms in writing our agreement regarding severance benefits which may become payable to you upon the occurrence of two events, both a "change in control" (as defined in this letter) of KBLCOM Incorporated, a Delaware corporation ("KBLCOM"), and the involuntary termination of your employment with KBLCOM within 36 months of the change in control of KBLCOM.

1. CHANGE IN CONTROL OF KBLCOM. A change in control of KBLCOM shall be deemed to have occurred if (a) any "person," including a "group" as determined in accordance with Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") other than Houston Industries Incorporated ("HII"), is or becomes the beneficial owner, directly or indirectly, of securities of KBLCOM representing thirty percent (30%) or more of the combined voting power of KBLCOM's then outstanding voting securities; (b) KBLCOM is merged or consolidated with another corporation and as a result of such merger or consolidation less than seventy percent (70%) of the outstanding voting securities of the surviving or resulting corporation shall then be owned in the aggregate by the shareholders of KBLCOM immediately prior to such merger or consolidation; or (c) KBLCOM transfers all or substantially all of its assets to a corporation, partnership, joint venture, or other entity that is not wholly owned by KBLCOM or HII. A change in control of KBLCOM shall also be deemed to have occurred while there is pending an agreement entered into by HII which, if consummated, will cause any of sub-clauses (a), (b) or (c) to occur, but only if your employment is terminated under circumstances described in Paragraph 2 during the pendency of such agreement. A change in control of KBLCOM shall also include any series of transactions occurring during the term of this agreement which result in any of the ownership changes described above.

2. INVOLUNTARY TERMINATION OF EMPLOYMENT. In order to be eligible for severance benefits under this agreement, your employment must be involuntarily terminated (or deemed to have been involuntarily terminated for the reasons set forth in paragraph (b), (c) or (d)) under any one of the following circumstances:

(a) TERMINATION WITHOUT CAUSE. Your employment is terminated by KBLCOM for any reason other than (i) fraud, (ii) misappropriation of or intentional material damage to property of KBLCOM, HII or the subsidiaries of either, (iii) substantial and intentional breach of your duty of loyalty to KBLCOM, (iv) commission of a criminally prosecutable act involving substantial moral turpitude, or (v) substantial nonperformance or gross neglect of your job duties for thirty days or more after a written demand is delivered to you by the Chief Executive Officer of HII which specifically identifies the manner in which he believes you are neglecting or are not substantially performing your job duties.

(b) RELOCATION. You terminate employment because the location of your principal place of employment is changed by more than 50 miles from the location where you were principally employed prior to the date on which the change in control occurs without your consent ("Relocation Situs"). The Severance Benefit paid to you due to relocation hereunder shall be repaid to KBLCOM should you voluntarily relocate to a place located within 100 miles of the Relocation Situs within three years after termination under this Paragraph 2(b). The amount repaid shall be a percentage of the total Severance Benefit paid that is equal to the number of months remaining before the lapse of three years after your termination divided by 36. (For example, if you voluntarily move to the Relocation Situs twelve months after your termination, you would be required to repay two-thirds of your Severance Benefit).

(c) SUBSTANTIAL REDUCTION OF JOB RESPONSIBILITIES. You terminate employment because a substantial reduction in the nature or scope of your authority or duties from those you possessed immediately prior to the date on which the change in control occurs is imposed upon you without your consent. A substantial reduction in job responsibilities includes, but is not limited to, (i) a change in reporting relationship from an executive of higher authority to an individual of the same authority as you or lower authority in the organization, (ii) a reduction in budgetary authority and responsibility, (iii) a reduction in rank of individuals reporting to you or (iv) removal of your officer status.

(d) REDUCTION IN COMPENSATION OR BENEFITS. You terminate employment because a reduction in (i) the total of your annual base salary and auto allowance or (ii) if a reduction is not similarly applied to other KBLCOM officers, your eligibility for or participation level in executive compensation and employee benefit plans from those provided to you immediately prior to the date on which the change in control occurs.

3. NON-QUALIFYING TERMINATIONS. If your employment is terminated for any reason other than as provided in Paragraph 2 above, you will not be eligible for severance benefits under this agreement. Examples of circumstances under which you would not be eligible for such benefits include, but are not limited to, the following:

(a) Death
(b) Total Disability (as determined under KBLCOM's group long term disability plan)
(c) Retirement on or after age 65
(d) Your voluntary resignation (other than one deemed to be involuntary under Paragraph 2)
(e) You are transferred to and voluntarily accept a position with HII or one of its subsidiaries.

4. SEVERANCE BENEFIT. In the event your employment is involuntarily terminated pursuant to Paragraph 2 within 36 months after a change in control of KBLCOM, KBLCOM shall pay you an amount equal to 2.99 times your average annual compensation (as defined below). This benefit will be paid (a) in a lump sum within 30 days after the date of your employment termination or (b) in 36 equal monthly installments; the form of payment shall be solely in the discretion of KBLCOM.

5. AVERAGE ANNUAL COMPENSATION. Your average annual compensation is the amount paid by KBLCOM, HII or one of its subsidiaries, exclusive of any relocation payments, staying and retention bonuses, that was includible in your gross income for the five most recent taxable years ending before the date on which the change in control occurs divided by five (or such shorter period during which you worked for KBLCOM, HII or one of its subsidiaries.)

6. MEDICAL AND DENTAL COVERAGE. If you qualify for the severance benefit, KBLCOM will also provide you (and any dependents covered immediately prior to the date on which the change in control occurs) with coverage under KBLCOM's medical and dental plans for a period of up to 36 months following your termination. Such coverage will be provided at active employee rates and on the same terms as provided to active employees. If you elect this coverage, it will be provided in lieu of any coverage available to you under the health coverage continuation provisions (COBRA) in Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"). This coverage will end at any time you become covered under another group medical or dental plan, as applicable, or should you voluntarily relocate to the Relocation Situs as provided in Paragraph 2(b).

7. YOUR OBLIGATIONS. To be eligible for the severance and health continuation benefits, you must agree that:

(a) NO COMPETITION. You will not compete with KBLCOM in any of its franchise areas or act as a consultant to any franchising authority with which KBLCOM has a franchise for 36 months after your termination. This non-competition clause specifically extends to (but is not limited to) MDS, MMDS, SMATV and DBS operators within KBLCOM franchise areas.

(b) CONFIDENTIALITY. You will not disclose the terms of this agreement at any time, except you may disclose them to your attorneys, accountants and members of your immediate family, who shall agree to keep them confidential. You may also disclose the terms of this agreement upon the valid order of a court or regulatory agency of competent jurisdiction or upon the prior written consent of KBLCOM. You will keep all trade secrets and proprietary information of KBLCOM confidential for 36 months after your termination.

If you violate the non competition or confidentiality provisions of this agreement, you will forfeit any benefits due you under this agreement and KBLCOM will be entitled to repayment of any amounts already paid to you under this agreement.

8. PARACHUTE PAYMENT LIMITATION. Notwithstanding any provision of this agreement to the contrary, the aggregate present value of all parachute payments payable to or for your benefit, whether payable pursuant to this agreement or otherwise, shall be limited to three times your base amount less one dollar and, to the extent necessary, benefits under this agreement shall be reduced by KBLCOM in order that this limitation not be exceeded. For purposes of this Paragraph 8, the terms parachute payment, base amount and present value shall have the meanings assigned under Section 280G of the Code. A copy of Section 280G as presently enacted is attached for your reference. It is the intention of this Paragraph 8 to avoid excise taxes on you under Section 4999 of the Code or the disallowance of a deduction to KBLCOM pursuant to Section 280G of the Code.

9. APPLICABLE LAW. This contract is entered into under, and shall be governed for all purposes by, the laws of the State of Texas.

10. SEVERABILITY. If a court of competent jurisdiction determines that any provision of this agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this agreement and all other provisions shall remain in full force and effect.

11. WITHHOLDING OF TAXES. KBLCOM may withhold from any benefits payable under this agreement all federal, state, city or other taxes as may be required pursuant to any applicable law or governmental regulation or ruling.

12. NO EMPLOYMENT AGREEMENT. Nothing in this agreement shall give you any rights (or impose any obligations) to continued employment by KBLCOM or any subsidiary thereof or successor thereto, nor shall it give KBLCOM any rights (or impose any obligations) with respect to continued performance of duties by you for KBLCOM or any subsidiary thereof or successor thereto.

13. NO ASSIGNMENT; SUCCESSORS.

(a) Your right to receive payments or benefits hereunder is not assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer contrary to this Paragraph 13, KBLCOM shall have no liability to pay any amount so attempted to be assigned or transferred. This agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees

and legatees.

(b) This agreement shall be binding upon and inure to the benefit of KBLCOM, its successors and assigns (including, without limitation, any company into or with which KBLCOM may merge or consolidate). KBLCOM agrees that it will not effect the sale or other disposition of all or substantially all of its assets unless either (i) the person or entity acquiring such assets or a substantial portion thereof or HII shall expressly assume by an instrument in writing all duties and obligations of KBLCOM hereunder or (ii) KBLCOM shall provide for the immediate payment in full of all amounts payable to you hereunder, that is, an involuntary termination of employment under 2 (a-d) will be deemed to have occurred solely for the purpose of this sub- paragraph.

14. TERM. This agreement shall be effective as of December 8, 1993 and shall remain in effect for a period of five years; provided, however, that in the event of a change in control during the term hereof, this agreement shall remain in effect for the immediately following 36 months. KBLCOM, in its discretion, may extend this 36-month period for two twelve-month periods at any time during the 36-month period. However, the maximum term of this agreement shall in no event extend beyond December 7, 2003.

If you agree to the terms of this letter agreement, please sign and date below.

Yours very truly,

/s/ GARY G. WEIK
Gary G. Weik

EXHIBIT 10(t)(2)

SUPPLEMENTAL RETIREMENT AGREEMENT

This Agreement is made and entered into effective this 8th day of December, 1993, by and between Houston Lighting & Power Company ("HL&P"), a Texas corporation, 611 Walker Avenue, Houston, Texas 77002, and Mr. Donald P. Hall ("Mr. Hall"), an individual whose current address is 51 Asbury Park, Sugar Land, Texas 77479.

FOR AND IN CONSIDERATION of the mutual promises and agreements set forth herein, HL&P and Mr. Hall agree as follows:

1. Mr. Hall has served and continues to serve HL&P in the capacity of Senior Vice President and Assistant to the President. If Mr. Hall continues in the employment of HL&P through December 31, 1993, he shall be entitled upon his separation from the employment of HL&P to a pension, payable from the general assets of HL&P, in the amount of $10,000 per year, payable in equal monthly installments, both (a) for the remainder of Mr. Hall's lifetime and (b) for the remainder of the lifetime of Mr. Hall's spouse, provided she survives Mr. Hall and that Mr. Hall was married to her for at least one year before his separation date.

2. This Agreement is executed in Harris County, Texas, and shall be construed and governed under the statutory and common law of the State of Texas.

3. The Company may withhold from any benefits payable under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation or ruling.

4. The benefits provided under this Agreement are in addition to those provided under that certain agreement between HL&P and Mr. Hall dated November 2, 1992.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

HOUSTON LIGHTING & POWER COMPANY

By: /s/ HUGH RICE KELLY
Hugh Rice Kelly

/s/ DONALD P. HALL
Donald P. Hall

CONSULTING AGREEMENT

This Agreement is made and entered into this 8th day of December, 1993 but to be effective January 1, 1994, by and between Houston Lighting & Power Company ("HL&P"), a Texas corporation, 611 Walker Avenue, Houston, Texas 77002, and Mr. Donald P. Hall ("Mr. Hall"), an individual whose current address is 51 Asbury Park, Sugar Land, Texas 77479.

FOR AND IN CONSIDERATION of the mutual promises and agreements set forth herein, HL&P and Mr. Hall agree as follows:

1. Mr. Hall agrees to render such reasonable consulting and advisory services as HL&P may call upon him to provide and as his health may permit from the date of his retirement until June 1, 1995, and thereafter as he shall elect in his sole discretion to render. HL&P agrees that such consulting and advisory services shall not require Mr. Hall to be active in HL&P's day-to-day activities. HL&P agrees to reimburse Mr. Hall for all out-of-pocket expenses incurred in connection with the performance of such services, including $50.00 per hour of travel time and provision of a facsimile machine and such other items as Mr. Hall and HL&P agree are necessary.

2. Mr. Hall shall not be an employee of HL&P during the term of this Agreement, but shall act in the capacity of an independent contractor. HL&P shall not exercise control over the detail, manner or methods of the performance of the services by Mr. Hall under this Agreement.

3. No amendment or modification of this Agreement will be effective unless and until executed by Mr. Hall and HL&P in the same manner as this Agreement.

4. This Agreement is executed in Harris County, Texas, and shall be construed and governed under the statutory and common law of the State of Texas.

5. Since Mr. Hall shall not be an employee of HL&P during the term of this Agreement, but shall act in the capacity of an independent contractor, HL&P will not withhold from any amounts payable under this Agreement federal, state, city or any other taxes. It is the responsibility of Mr. Hall to pay any such taxes that shall be required pursuant to any law or governmental regulation or ruling.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

HOUSTON LIGHTING & POWER COMPANY

By: /s/ HUGH RICE KELLY
Hugh Rice Kelly

/s/ DONALD P. HALL
Donald P. Hall

EXHIBIT 10(v)(2)

February 28, 1994

Mr. Howard W. Horne
Vice Chairman
Cushman & Wakefield of Texas, Inc.
1300 Post Oak Boulevard, Suite 1300
Houston, Texas 77056

Dear Howard:

This letter is to confirm our agreement regarding the modification of the January 26, 1993 letter agreement between Houston Industries Incorporated ("HI") and you with respect to your representation of HI and its affiliates in negotiations for the purchase of the 1100 Milam Building. Effective December 2, 1993, we have agreed to modify the terms of the consulting agreement as follows:

- The total fee for your services will be $436,000. Of this total, $358,000 will be paid by HI and the remainder ($78,000) will be paid by the seller of the 1100 Milam Building.

- Payment by HI will be made to Cushman & Wakefield of Texas, Inc.

We appreciate the effective and successful representation of HI in these negotiations by you and the other members of the team from Cushman & Wakefield. Please acknowledge your agreement to the foregoing modifications by signing in the space provided below.

Very truly yours,

/s/ DON D. JORDAN
Don D. Jordan
Chairman and Chief Executive Officer

AGREED AND ACCEPTED this 8th day of March, 1994.

/s/ HOWARD W. HORNE
Howard W. Horne
Cushman & Wakefield of Texas, Inc.

Exhibit 11

HOUSTON INDUSTRIES INCORPORATED AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
AND COMMON EQUIVALENT SHARE
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31,		
	1993	1992	1991
Primary Earnings Per Share:			
(1) Weighted average shares of common stock outstanding	130,004,068	129,514,102	128,802,294
(2) Effect of issuance of shares from assumed exercise of stock options (treasury stock method)	3,918	805	
(3) Weighted average shares	130,007,986	129,514,907	128,802,294
(4) Net income	$ 416,036	$ 434,667	$ 416,754
(5) Primary earnings per share (line 4/line 3)	$ 3.20	$ 3.36	$ 3.24
Fully Diluted Earnings Per Share:			
(6) Weighted average shares per computation on line 3 above	130,007,986	129,514,907	
(7) Shares applicable to options included on line 2 above	(3,918)	(805)	
(8) Dilutive effect of stock options (treasury stock method)(A)	7,300	3,520	
(9) Weighted average shares	130,011,368	129,517,622	
(10) Net income	$ 416,036	$ 434,667	
(11) Fully diluted earnings per share (line 10/line 9)(B)	$ 3.20	$ 3.36	

Notes:

(A) Based on the year-end price of $47.63 and $45.88 for 1993 and 1992, respectively.

(B) 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)

	Twelve Months Ended December 31,				
	1993	1992	1991	1990	1989
Fixed Charges as Defined:					
(1) Interest on Long-Term Debt (A)(C)	$ 380,089	$ 428,152	$ 447,701	$ 433,435	$ 416,325
(2) Other Interest (C)	12,364	19,273	41,332	48,872	46,205
(3) Preferred Dividends Factor of Subsidiary (line 12)	53,778	58,204	69,281	70,674	68,961
(4) Interest Component of Rentals Charged to Operating Expense (C)	4,449	5,116	5,943	5,628	6,123
(5) Total Fixed Charges	$ 450,680	$ 510,745	$ 564,257	$ 558,609	$ 537,614
Earnings as Defined:					
(6) Income Before Cumulative Effect of Change in Accounting	$ 416,036	$ 340,487	$ 416,754	$ 342,789	$ 413,452
(7) Income Taxes (B)	231,118	164,609	208,180	164,944	228,866
(8) Fixed Charges (line 5)	450,680	510,745	564,257	558,609	537,614
(9) Earnings Before Income Taxes and Fixed Charges	$1,097,834	$1,015,841	$1,189,191	$1,066,342	$1,179,932
Preferred Dividends Factor of Subsidiary:					
(10) Preferred Stock Dividends of Subsidiary	$ 34,473	$ 39,327	$ 46,187	$ 47,753	$ 44,491
(11) Ratio of Pre-Tax Income to Net Income (line 6 plus line 7 divided by line 6)	1.56	1.48	1.50	1.48	1.55
(12) Preferred Dividends Factor of Subsidiary (line 10 times line 11)	$ 53,778	$ 58,204	$ 69,281	$ 70,674	$ 68,961
Ratio of Earnings to Fixed Charges (line 9 divided by line 5)	2.44	1.99	2.11	1.91	2.19

(A) Amounts differ from previously reported amounts for 1991 and 1992 because of the reclassification of interest income on ESOP note.

(B) Excluded from the 1992 and 1990 amounts is the income taxes related to the cumulative effect of changes in accounting principles of $48,517 and $219,718, respectively.

(C) Reflects reclassification for the years 1989-1992 due to the merger of Utility Fuels into HL&P.

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)

	Twelve Months Ended December 31,				
	1993	1992	1991	1990	1989
		(Restated)	(Restated)	(Restated)	(Restated)
Fixed Charges as Defined:					
(1) Interest on Long-Term Debt	$ 276,049	$ 311,208	$ 326,722	$ 319,713	$ 309,742
(2) Other Interest	12,317	19,548	41,216	36,006	33,471
(3) Amortization of (Premium) Discount	7,234	5,346	4,209	4,764	4,537
(4) Interest Component of Rentals Charged to Operating Expense	4,449	5,116	5,943	5,628	6,123
(5) Total Fixed Charges	$ 300,049	$ 341,218	$ 378,090	$ 366,111	$ 353,873
Earnings as Defined:					
(6) Net Income	$ 484,223	$ 509,462	$ 518,899	$ 476,962	$ 522,104
(7) Cumulative Effect of Change in Accounting		94,180			
(8) Income Before Cumulative Effect of Change in Accounting	484,223	415,282	518,899	476,962	522,104
Income Taxes:					
(9) Current	113,394	129,611	143,054	143,653	103,604
(10) Deferred (Net)	123,077	92,575	83,991	56,031	130,420
(11) Cumulative Effect of Change in Accounting		48,517			
(12) Total Income Taxes Before Cumulative Effect of Change in Accounting	236,471	173,669	227,045	199,684	234,024
(13) Total Fixed Charges (line 5)	300,049	341,218	378,090	366,111	353,873
(14) Earnings Before Income Taxes and Fixed Charges (line 8 plus line 12 plus line 13)	$1,020,743	$ 930,169	$1,124,034	$1,042,757	$1,110,001
Ratio of Earnings to Fixed Charges (line 14 divided by line 5)	3.40	2.73	2.97	2.85	3.14
Preferred Dividend Requirements:					
(15) Preferred Dividends	$ 34,473	$ 39,327	$ 46,187	$ 47,753	$ 44,491
(16) Less Tax Deduction for Preferred Dividends	54	56	56	56	56
(17) Total	34,419	39,271	46,131	47,697	44,435
(18) Ratio of Pre-Tax Income to Net Income (line 8 plus line 12 divided by line 8)	1.49	1.42	1.44	1.42	1.45
(19) Line 17 times line 18	51,284	55,765	66,429	67,730	64,431
(20) Add Back Tax Deduction (line 17)	54	56	56	56	56
(21) Preferred Dividends Factor	$ 51,338	$ 55,821	$ 66,485	$ 67,786	$ 64,487
(22) Total Fixed Charges (line 5)	$ 300,049	$ 341,218	$ 378,090	$ 366,111	$ 353,873
(23) Preferrred Dividends Factor (line 21)	51,338	55,821	66,485	67,786	64,487
(24) Total	$ 351,387	$ 397,039	$ 444,575	$ 433,897	$ 418,360
Ratio of Earnings to Fixed Charges and Preferred Dividends Requirements					

(line 14 divided by line 24)	2.90	2.34	2.53	2.40	2.65

Exhibit 21

SUBSIDIARIES OF THE COMPANY*

NAME	JURISDICTION
Houston Lighting & Power Company	Texas
KBLCOM Incorporated	Delaware
Houston Industries (Delaware) Incorporated	Delaware

_____

*The names of certain subsidiaries of the Company are omitted pursuant to Item 601(b)(21)(ii) of Regulation S-K.

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

HOUSTON INDUSTRIES INCORPORATED:

We consent to the incorporation by reference in Registration Statement No. 33-34446 on Form S-3, in Post-Effective Amendment No. 1 to Registration Statement No. 33-12439 on Form S-8, in Registration Statement No. 33-38344, in Registration Statement No. 33-37493 on Form S-8, in Registration Statement No. 33-39921 on Form S-3, in Registration Statement No. 33-60756 on Form S-3, in Registration Statement No. 33-50629 on Form S-8, in Registration Statement No. 33-51431 on Form S-3, in Registration Statement No. 33-52207 on Form S-3, in Registration Statement No. 33-52279 on Form S-8, and in Post-Effective Amendment No. 1 to Registration Statement No. 33-38344 on Form S-8 of our report dated February 23, 1994 appearing in this Annual Report on Form 10-K of Houston Industries Incorporated for the year ended December 31, 1993.

DELOITTE & TOUCHE

HOUSTON, TEXAS
MARCH 9, 1994

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

HOUSTON LIGHTING & POWER COMPANY:

We consent to the incorporation by reference in Registration Statement No. 33-46368 on Form S-3, in Registration Statement No. 33-54228 on Form S-3, and in Post-Effective Amendment No. 1 to Registration Statement No. 33-51417 on Form S-3 of our report dated February 23, 1994 appearing in this Annual Report on Form 10-K of Houston Lighting & Power Company for the year ended December 31, 1993.

DELOITTE & TOUCHE

HOUSTON, TEXAS
MARCH 9, 1994

EXHIBIT 3(b)

AMENDED AND RESTATED BYLAWS

OF

HOUSTON LIGHTING & POWER COMPANY

(Adopted by Resolution of the
Board of Directors on
July 2, 1986)

ARTICLE I.

CAPITAL STOCK

Section 1. Certificates Representing Shares. The Company shall deliver certificates representing shares to which shareholders are entitled. Such certificates shall be signed by the President or a Vice President and either the Secretary or an Assistant Secretary and shall be sealed with the seal of the Company or a facsimile thereof. The signatures of such officers upon a certificate 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 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 Company shall be transferable on the stock certificate books of the Company by the holder of record thereof, or his duly authorized attorney or legal representative, upon surrender for cancellation of the certificate for such shares. All certificates surrendered for transfer shall be cancelled and no new certificate shall be issued until a former certificate or certificates for a like number of shares

shall have been surrendered and cancelled except that in the case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such conditions for the protection of the Company and any transfer agent or registrar as the Board of Directors or the Secretary may prescribe.

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 not later than June 30 of each year and at such time as shall be designated from time to time by the Board of Directors. Failure 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 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.

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 to each shareholder of record entitled to vote at such meetings not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or person calling the meeting. 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 stock transfer books of the Company, with postage thereon prepaid.

Section 5. Closing of Transfer Books and Fixing Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, the Board of Directors may either provide that the stock transfer books shall be closed for a stated period of not less than ten nor more than fifty days before the meeting, or it may fix in advance a record date for any such determination of shareholders, such date to be not less than ten days nor more than fifty days prior to the meeting. If the stock transfer books 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, then the date on which the notice of the meeting is mailed 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 stock transfer books and the stated period of closing has expired.

Section 6. Voting List. The officer or agent having charge of the stock transfer books 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 stock transfer books 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 6 shall not affect the validity of any action taken at such meeting.

Section 7. Voting at Meetings. Except as otherwise provided in the Articles of Incorporation of the Company, each holder of shares of capital stock of the Company entitled to vote shall be entitled to one vote for each share of such stock, either in person or by proxy executed in writing by him or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy. A proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law. At each election for 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 8. Quorum of Shareholders. Except as otherwise provided in the Articles of Incorporation of the Company, 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. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, the affirmative vote of the holders of a majority of the shares entitled to vote and thus represented at a meeting at which a quorum is present shall be the act of the shareholders' meeting.

Section 9. Officers. The President shall preside at, and the Secretary shall keep the records of, each meeting of shareholders. In the absence of either such officer, his duties shall be performed by another officer of the Company appointed at the meeting.

ARTICLE III.

DIRECTORS

Section 1. Number and Tenure. 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 shall be fixed by the affirmative vote of a majority of the members at any time constituting the Board of Directors, and such number may be increased or decreased from time to time; provided, however, that no such decrease shall have the effect of shortening the term of any incumbent director. A member of the Board of Directors shall hold office until the next annual meeting of shareholders.

No person shall be eligible to serve as a director of the Company subsequent to the annual meeting of shareholders on or immediately following such person's seventieth birthday. The term of any director who is rendered ineligible to serve as a director of the Company by the immediately preceding sentence shall expire at such annual meeting of shareholders.

The foregoing 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.

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; 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. Any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall 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. 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.

Section 3. 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 registered office of the Company in the City of Houston, Texas.

Section 4. Regular Meetings. The Board of Directors shall meet each year immediately following the annual meeting of the shareholders at the place of such meeting, for the transaction of such business as may properly be brought before the meeting. The Board of Directors shall also meet regularly at least each quarter at such time as shall be established by resolution of the Board of Directors. No notice of any kind to either old or new members of the Board of Directors for such annual or regular meetings shall be necessary.

Section 5. Special Meetings. Special meetings of the Board of Directors may be held at any time upon the call of the President or the Secretary of the Company or a majority of the directors then in office. Notice shall be sent by mail 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 announced 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 6. 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 7. Compensation. Directors shall receive such compensation for their services as shall be determined by the Board of Directors.

Section 8. Removal. Any director may be removed, either with or without cause, at any meeting of shareholders by the affirmative vote of a majority of the outstanding shares entitled to vote at elections of directors. The notice calling such meeting shall give express notice of the intention to act upon such matter, and if the notice so provides, the vacancy caused by such removal may be filled at such meeting by vote of a majority of the shares represented at such meeting and entitled to vote for the election of directors.

Section 9. Executive and Other Committees. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members an executive committee and two or more other committees, each of which shall be comprised of two or more members and, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors.

Notwithstanding the foregoing paragraph of this Section 9, no such committee shall have the authority of the Board of Directors to:

(a) amend the Articles of Incorporation of the Company;

(b) amend, alter or repeal the Bylaws of the Company or adopt new Bylaws for the Company;

(c) alter or repeal any resolution of the Board of Directors;

(d) approve a plan of merger or consolidation;

(e) take definitive action on any reclassification or exchange of securities, or repurchase by the Company of any of its equity securities;

(f) declare a dividend on the capital stock of the Company;

(g) call a special meeting of the shareholders;

(h) recommend any proposal to the shareholders for action by the shareholders;

(i) fill vacancies in the Board of Directors or any such committee;

(j) fill any directorship to be filled by reason of an increase in the number of directors;

(k) elect or remove officers or members of any such committee; or

(l) fix the compensation of any member of such committee.

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 is required 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. Each such

committee may elect a chairman and 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 3 and 5 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, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers, including assistant officers and agents, as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person. The officers of the Company shall have such powers and duties as generally pertain to their offices, respectively, as well as such powers and duties as from time to time shall be conferred by the Board of Directors.

Section 2. Vacancies. 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.

ARTICLE V.

INDEMNIFICATION

Section 1. General. Each person who at any time shall serve, or shall have served, as a director, officer, employee or agent of the Company, or any person who, while a director, officer, employee or agent of the Company, is or was serving at its request as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be entitled to indemnification as, and to the fullest extent, permitted by Article 2.02-1 of the Texas Business Corporation Act or any successor statutory provision, as from time to time amended. The foregoing right of

indemnification shall not be deemed exclusive of any other rights to which those to be indemnified may be entitled as a matter of law or under any agreement, vote of shareholders or disinterested directors, or other arrangement.

Section 2. Insurance. The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in such capacity or arising out of his status as such a person, whether or not the Company would have the power to indemnify him against that liability under this Article V or the Texas Business Corporation Act.

Article VI.

CONTRACTS AND TRANSACTIONS WITH DIRECTORS AND OFFICERS

Section 1. General Procedures. No contract or transaction between the Company and one or more of its directors or officers, or between the Company and any other corporation, partnership, association or other organization in which one or more of the Company's directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, solely because the director or officer is present at or participates in the meeting of the Company's Board of Directors or committee which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(a) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors constitute less than a quorum; or

(b) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(c) The contract or transaction is fair to the Company as of the time it is authorized, approved or ratified by the Board of Directors, the committee thereof, or the shareholders.

Section 2. Determination of Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction as provided in Section 1 of this Article VI.

ARTICLE VII.

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

Section 3. Fixing Record Dates for Payment of Dividends and Other Purposes. For the purpose of determining shareholders entitled to receive payment of any dividend or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Company may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty days. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date to be not more than fifty days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to receive payment of a dividend, then the date on which the resolution of the Board of Directors declaring such dividend is adopted shall be the record date for such determination of shareholders.

Section 4. Seal. The seal of the Company shall be circular in form, with the name "HOUSTON LIGHTING & POWER COMPANY."

Section 5. 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.

Section 6. Amendments. These Bylaws may be altered or repealed at any regular meeting of the shareholders or at any special meeting of the shareholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the shares entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors if notice of the proposed alteration or repeal be contained in the notice of such special meeting, except that the directors shall not alter, amend or repeal any bylaw adopted by the shareholders or enact any bylaw in conflict with a bylaw adopted by the shareholders.

Exhibit 4(a)(8)

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HOUSTON LIGHTING & POWER COMPANY

TO

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

(successor to SOUTH TEXAS COMMERCIAL NATIONAL BANK OF HOUSTON),

As Trustee under
Houston Lighting & Power Company's
Mortgage and Deed of Trust,
dated as of November 1, 1944.

_____

SIXTY-FIRST

SUPPLEMENTAL INDENTURE

_____

Dated as of December 1, 1993

This Instrument Contains After-Acquired Property Provisions.

This Instrument Grants A Security Interest By A Utility.

==========

This Instrument Contains After-Acquired Property Provisions.

This Instrument Grants A Security Interest By A Utility.

SIXTY-FIRST SUPPLEMENTAL INDENTURE

INDENTURE, dated as of the 1st day of December, 1993, made and entered into by and between Houston Lighting & Power Company, a corporation of the State of Texas, hereinafter sometimes called the Company, and Texas Commerce Bank National Association, a national bank organized under the banking laws of the United States of America, whose principal place of business is in Houston, Texas, hereinafter sometimes called the Trustee, under the Mortgage and Deed of Trust, dated as of November 1, 1944, hereinafter called the Mortgage, which Mortgage was executed and delivered by Houston Lighting & Power Company to secure the payment of Bonds issued or to be issued under and in accordance with the provisions of the Mortgage, this Indenture, hereinafter called the Sixty-First Supplemental Indenture, being supplemental thereto.

WHEREAS, by the Mortgage, the Company covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired and intended to be subject to the lien thereof, and the Company has heretofore executed and delivered to the Trustee or its predecessor 60 supplemental indentures; and

WHEREAS, in addition to the property described in the Mortgage, as heretofore supplemented, the Company has acquired certain other property, rights and interests in property; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, Bonds designated First Mortgage Bonds of the following series:

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
First	2 7/8% Series due 1974	$ 30,000,000	None
Second	3% Series due 1978	$ 15,000,000	None
Third	2 3/4% Series due 1985	$ 30,000,000	None
Fourth	3 1/4% Series due 1981	$ 20,000,000	None
Fifth	3% Series due 1989	$ 30,000,000	None
Sixth	3 1/4% Series due 1986	$ 30,000,000	None
Seventh	4 3/4% Series due 1987	$ 40,000,000	None
Eighth	4 7/8% Series due 1989	$ 25,000,000	None
Ninth	4 1/2% Series due 1992	$ 25,000,000	None
Tenth	5 1/4% Series due 1996	$ 40,000,000	$ 40,000,000
Eleventh	5 1/4% Series due 1997	$ 40,000,000	$ 40,000,000

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
Twelfth	6 3/4% Series due 1997	$ 35,000,000	$ 35,000,000
Thirteenth	6 3/4% Series due 1998	$ 35,000,000	$ 35,000,000
Fourteenth	7 1/2% Series due 1999	$ 30,000,000	None
Fifteenth	7 1/4% Series due 2001	$ 50,000,000	$ 50,000,000
Sixteenth	7 1/2% Series due 2001	$ 50,000,000	None
Seventeenth	8 1/8% Series due 2004	$100,000,000	None
Eighteenth	10 1/8% Series due September 1, 2004	$100,000,000	None
Nineteenth	8 3/4% Series due March 1, 2005	$125,000,000	None
Twentieth	8 3/8% Series due October 1, 2006	$125,000,000	None
Twenty-First	8 3/8% Series due October 1, 2007	$125,000,000	None
Twenty-Second	8 7/8% Series due September 1, 2008	$125,000,000	None
Twenty-Third	9 1/4% Series due December 1, 2008	$100,000,000	None
Twenty-Fourth	11 1/4% Series due December 1, 2009	$125,000,000	None
Twenty-Fifth	12% Series due June 1, 2010	$100,000,000	None
Twenty-Sixth	13 7/8% Series due February 1, 1991	$125,000,000	None
Twenty-Seventh	15 1/8% Series due March 1, 1992	$125,000,000	None
Twenty-Eighth	12 3/8% Series due March 15, 2013	$125,000,000	None
Twenty-Ninth	11 5/8% Series due November 1, 2015	$200,000,000	None
Thirtieth	Pollution Control 7 7/8% Series due 2018	$ 50,000,000	$ 50,000,000
Thirty-First	Pollution Control 7 7/8% Series due 2016	$ 68,000,000	$ 68,000,000
Thirty-Second	9% Series due March 1, 2017	$390,519,000	None
Thirty-Third	9 3/8% Series due January 20, 1991	$132,000,000	None
Thirty-Fourth	9 3/8% Series due January 20, 1992	$132,000,000	None
Thirty-Fifth	9 3/8% Series due January 20, 1993	$136,000,000	None
Thirty-Sixth	Pollution Control 8 1/4% Series due May 1, 2015	$ 90,000,000	$ 90,000,000
Thirty-Seventh	Pollution Control 8 1/4% Series due May 1, 2019	$100,000,000	$100,000,000
Thirty-Eighth	Pollution Control 8.10% Series due May 1, 2019	$100,000,000	$100,000,000
Thirty-Ninth	Pollution Control 7 3/4% Series due October 1, 2015	$ 68,700,000	$ 68,700,000
Fortieth	Medium-Term Note 15% Series due November 1, 2018	$200,000,000	$200,000,000

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
Forty-First	10 1/4% Series due February 1, 2019	$225,000,000	None
Forty-Second	Pollution Control 7 7/8% Series due February 1, 2019	$ 29,685,000	$ 29,685,000
Forty-Third	Pollution Control 7.70% Series due February 1, 2019	$ 75,000,000	$ 75,000,000
Forty-Fourth	Medium-Term Note 15% Series due May 1, 2019	$200,000,000	$200,000,000
Forty-Fifth	Pollution Control 7% Series due December 1, 2008	$ 19,200,000	$ 19,200,000
Forty-Sixth	Pollution Control 7 1/8% Series due July 1, 2019	$100,000,000	$100,000,000
Forty-Seventh	Pollution Control 7 5/8% Series due May 1, 2019	$100,000,000	$100,000,000
Forty-Eighth	Pollution Control 7.60% Series due October 1, 2019	$ 70,315,000	$ 70,315,000
Forty-Ninth	Pollution Control 7.20% Series A due December 1, 2018	$100,000,000	$100,000,000
Fiftieth	Pollution Control 7.20% Series B due December 1, 2018	$ 75,000,000	$ 75,000,000
Fifty-First	9.15% Series due March 15, 2021	$160,000,000	$160,000,000
Fifty-Second	7 5/8% Series due March 1, 1997	$150,000,000	$150,000,000
Fifty-Third	8 3/4% Series due March 1, 2022	$100,000,000	$100,000,000
Fifty-Fourth	Pollution Control 6.70% Series due March 1, 2017	$ 43,820,000	$ 43,820,000
Fifty-Fifth	Pollution Control 6.70% Series due March 1, 2027	$ 56,095,000	$ 56,095,000
Fifty-Sixth	Pollution Control 6 3/8% Series A due April 1, 2012	$ 33,470,000	$ 33,470,000
Fifty-Seventh	Pollution Control 6 3/8% Series B due April 1, 2012	$ 12,100,000	$ 12,100,000
Fifty-Eighth	Medium-Term Note 10% Series due February 1, 2028	$400,000,000	$400,000,000
Fifty-Ninth	7 3/4% Series due March 15, 2023	$250,000,000	$250,000,000
Sixtieth	7 1/2% Series due July 1, 2023	$200,000,000	$200,000,000

; and

WHEREAS, immediately following the execution and delivery of this Sixty-First Supplemental Indenture, the Company will execute and deliver a Sixty-Second Supplemental Indenture relating to a series of Bonds designated "Pollution Control 4.90% Series due December 1, 2003" in the aggregate principal amount of $16,600,000; and

WHEREAS, the Trustee is duly qualified and eligible to act, and is acting, as trustee under the Mortgage, as heretofore supplemented, in accordance with the terms thereof; and

WHEREAS, Section 8 of the Mortgage provides for the issuance of Bonds in series, with the form of each series of Bonds (other than the First Series) issued thereunder to be established by resolution of the Board of Directors of the Company and the form of such series, as established by said Board of Directors, to specify the descriptive title of the Bonds and various other terms thereof, and to also contain such provisions as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such Bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, the Company now desires to create a new series of Bonds and, in accordance with Section 126 of the Mortgage, to add to the covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and modify in certain respects provisions contained in the Mortgage, as heretofore supplemented; and

WHEREAS, the execution and delivery by the Company of this Sixty-First Supplemental Indenture, and the terms of the Bond of the Sixty-First Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That Houston Lighting & Power Company, in consideration of the premises and in order further to secure the payment of the principal of and premium, if any, and interest on the Bonds from time to time issued under the Mortgage, as heretofore supplemented, according to their tenor and effect, and performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification or alteration made as in the Mortgage provided) and of said Bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms unto Texas Commerce Bank National Association, as Trustee under the Mortgage, as heretofore supplemented, and to its successor or successors in said trust and to it and its and their assigns forever, all properties, whether real, personal or mixed of the kind or nature specifically mentioned in the Mortgage, as heretofore supplemented, or of any other kind or nature acquired by the Company on or after the date of the execution and delivery of the Mortgage (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), and whether now owned or hereafter acquired by the Company and wheresoever situated, including (without limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Sixty-First Supplemental Indenture) all lands, flowage rights, water rights, flumes, raceways, dams, rights-of-way and roads; all plants for the generation of electricity by water, steam and/or other power, power houses, gas plants, telephone systems, water works, water systems, steam heat plants, hot water plants, substations, measuring stations, regulating stations, gathering lines, gas transportation lines, transmission lines, distributing systems, bridges, culverts, tracks, rolling stock, vehicles, buses, automobiles, ice plants, refrigeration plants, railway systems whether street or interurban, all offices, buildings and structures, and the equipment thereof; all machinery, engines, boilers, dynamos, machines, regulators, meters, transformers, generators and motors; all appliances whether electrical, gas or mechanical, conduits, cables and lines; all pipes whether for water, steam heat, gas or other purposes; all mains and pipes, service pipes, fittings, valves and connections, poles, wires, tools, implements, apparatus, furniture and chattels; all municipal franchises and other franchises; all lines for the transportation, transmission and/or distribution of electric current, gas, steam heat or water for any purpose, including towers, poles, wires, cables, pipes, conduits and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, rights, powers, franchises, privileges, rights-of-way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property herein or in the Mortgage, as heretofore supplemented, described or referred to.

TOGETHER WITH all and singular the tenements, hereditaments

and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 59 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted) shall be as fully embraced within the lien hereof and the lien of the Mortgage, as heretofore supplemented, as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Sixty-First Supplemental Indenture and from the lien and operation of the Mortgage, as heretofore supplemented: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not herein or in the Mortgage, as heretofore supplemented, specifically pledged, paid, deposited or delivered hereunder or under the Mortgage, as heretofore supplemented, or covenanted to be; (2) any goods, wares, merchandise, equipment, materials or supplies acquired for the purpose of sale or resale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged hereunder or under the Mortgage, as heretofore supplemented, or covenanted so to be; and (4) all timber, minerals, mineral rights and royalties; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage, as heretofore supplemented, and this Sixty-First Supplemental Indenture in the above subdivisions (2) and (3) of this paragraph shall (to the extent permitted by law) cease to be excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged and pledged property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a completed default as defined in Section 67 thereof.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be, unto the Trustee and its successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisions and covenants as are set forth in the Mortgage, as heretofore supplemented, this Sixty-First Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors as Trustee of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustee, by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successors in said trust under the Mortgage, as follows:

ARTICLE I.

Sixty-First Series of Bonds

SECTION 1. There shall be a series of Bonds designated "Pollution Control 5.60% Series due December 1, 2017" (herein sometimes referred to as the "Bond of the Sixty-First Series") of which the Company shall be authorized to issue a maximum of $83,565,000 in total principal amount, each of which shall also bear the descriptive title First Mortgage Bond and the form thereof and the terms and provisions thereof are hereby established as follows:

{FORM OF BOND OF THE SIXTY-FIRST SERIES}

THE BOND REPRESENTED BY THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO ANY SUCCESSOR TRUSTEE UNDER THE TRUST INDENTURE, AS HEREIN DEFINED. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

HOUSTON LIGHTING & POWER COMPANY

FIRST MORTGAGE BOND,
POLLUTION CONTROL 5.60% SERIES DUE DECEMBER 1, 2017

No_____ $_____

Houston Lighting & Power Company, a corporation of the State of Texas (hereinafter called the Company), for value received, hereby promises to pay to The Chase Manhattan Bank, N.A. (Chase Manhattan), acting in its capacity as trustee (BRA Trustee) under that certain Trust Indenture, dated as of December 1, 1993 (Trust Indenture), between the Brazos River Authority and Chase Manhattan relating to the Brazos River Authority Collateralized Revenue Refunding Bonds (Houston Lighting & Power Company Project) Series 1993 (Series 1993 Revenue Bonds), and its successors, on December 1, 2017 at the office or agency of the Company in the City of Houston, Texas, _____ Dollars in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay to the BRA Trustee interest thereon from December 1, 1993 or the most recent June 1 or December 1 to which interest has been paid or duly provided for, at the rate of 5.60% per annum in like coin or currency, at said office or agency on June 1 and December 1 in each year, commencing June 1, 1994 and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged. The Company shall receive a credit against its obligation to make any payment of the principal of or premium, if any, or interest on this Bond, whether at maturity, upon redemption or otherwise, in an amount equal to the sum of (a) the amount, if any, on deposit in the Debt Service Fund maintained under the Trust Indenture that reduces the corresponding Installment Payment (with respect to each of such terms, as defined in that certain Installment Payment and Bond Amortization Agreement, dated as of December 1, 1993 (Agreement), between the Brazos River Authority and the Company relating to the Series 1993 Revenue Bonds) and (b) the amount, if any, paid by the Company pursuant to Section 5.04 of the Agreement in respect of the corresponding Installment Payment.

The Sixty-First Supplemental Indenture to the Mortgage hereinafter mentioned provides that the amount of interest payable or paid on this Bond shall be limited and subject to reduction to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received, it being the intention of the parties hereto to conform strictly to the usury laws of the State of Texas.

This Bond shall not become obligatory until Texas Commerce Bank National Association, the Trustee under the Mortgage hereinafter mentioned, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, Houston Lighting & Power Company has caused this Bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be impressed or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries.

Dated_____

HOUSTON LIGHTING & POWER COMPANY

By_____
President

Attest:

_____
Secretary

This is the Bond of the series herein designated, provided for in the within-mentioned Mortgage.

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION,
Trustee/Authenticating Agent,

By_____
Authorized Signatory

HOUSTON INDUSTRIES INCORPORATED,
Transfer Agent,

By_____
Authorized Officer

HOUSTON LIGHTING & POWER COMPANY

FIRST MORTGAGE BOND,

POLLUTION CONTROL 5.60% SERIES DUE DECEMBER 1, 2017

This Bond is the Bond of the Company of the series specified in the title hereof, and is issued in the aggregate principal amount of $83,565,000 in order to provide the benefit of a lien to secure the obligations of the Company to pay the Installment Payments under the Agreement, and is together with all Bonds of all series issued and to be issued under and equally secured (except insofar as any sinking fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for other Bonds of any particular series) by a Mortgage and Deed of Trust (herein, together with all indentures supplemental thereto, called the Mortgage), dated as of November 1,

1944, executed by the Company to South Texas Commercial National Bank of Houston (Texas Commerce Bank National Association, as successor trustee), as Trustee, to which reference is made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds in respect thereof, the duties and immunities of the Trustee and the terms and conditions upon which the Bonds are secured. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the Bonds and/or Coupons and/or the terms and provisions of the Mortgage may be modified or altered by the affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the Bonds then outstanding under the Mortgage and, if the rights of one or more, but fewer than all, series of Bonds then outstanding are to be affected, then also by the affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the Bonds then outstanding of each series of Bonds so to be affected (excluding in any case Bonds disqualified from voting by reason of the Company's interest therein as provided in the Mortgage); provided that, without the consent of the holder hereof, no such modification or alteration, among other things, shall impair or affect the right of the holder to receive payment of the principal of and premium, if any, and interest on this Bond, on or after the respective due dates expressed herein, or permit the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of the benefit of a lien on the mortgaged and pledged property.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

The applicable Supplemental Indenture to the Mortgage provides that the amount of interest payable or paid on this Bond shall be limited and subject to reduction to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received.

The Mortgage provides that no holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Mortgage or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless (i) such holder shall have previously given to the Trustee written notice of a default, (ii) the holders of 25% in principal amount of the Bonds then outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted to it in the Mortgage or to institute such action, suit or proceeding in its own name, (iii) such holders shall have offered

to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred and (iv) the Trustee shall have declined to take such action or shall have failed to do so within 60 days thereafter. Notwithstanding any other provision of the Mortgage, the right of any holder of any Bond to receive payment of the principal of and interest on such Bond, on or after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder. The Mortgage provides that the holders of not less than a majority in principal amount of the Bonds at the time outstanding may direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and the Mortgage and that, subject to certain provisions of the Mortgage, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall by responsible officers determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustifiably prejudicial to nonassenting bondholders or that it will not be sufficiently indemnified for any expenditures in any action or proceeding so directed.

This Bond has been issued and delivered to, registered in the name of and pledged with the BRA Trustee under the Trust Indenture for the benefit of the owners of the Series 1993 Revenue Bonds and shall not be transferable except to any successor trustee under the Trust Indenture, any such transfer to be made at the office or agency of the Company in the City of Houston, Texas, upon surrender and cancellation of this Bond, and thereupon a new fully registered Bond of the same series for a like principal amount will be issued to such transferee in exchange herefor as provided in the Mortgage. The Company hereby waives any right to make a charge for such an exchange or transfer of this Bond. The Company and the Trustee may deem and treat the BRA Trustee as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and premium, if any, and interest on the Bond of this series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the BRA Trustee, signed by its president, a vice president or a trust officer, stating that the corresponding Installment Payment has become due and payable and has not been fully paid and specifying the amount of funds required to make such payment.

The Bond of this series shall not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage, except that in the event that any of the Series 1993 Revenue Bonds are to be redeemed pursuant to the terms thereof by reason of a Determination of Taxability, as such term is defined in

the form of the Series 1993 Revenue Bonds, the Bond of this series, in a principal amount equal to the aggregate principal amount of the Series 1993 Revenue Bonds so to be redeemed, shall be redeemed by the Company, on the date fixed for redemption of such Series 1993 Revenue Bonds, at the principal amount thereof, plus accrued interest to such date fixed for redemption.

The Trustee may conclusively presume that no redemption of the Bond of this series is required pursuant to the immediately preceding paragraph unless and until it shall have received a written notice from the BRA Trustee under the Trust Indenture, signed by its president, a vice president or a trust officer, stating that Series 1993 Revenue Bonds are to be redeemed by reason of such Determination of Taxability and specifying the principal amount and date fixed for redemption of the Series 1993 Revenue Bonds so to be redeemed.

The Company hereby waives its right to have any notice of redemption by reason of a Determination of Taxability state that such notice is subject to the receipt of the redemption moneys by the Trustee on or before the date fixed for redemption. Notwithstanding the provisions of Section 54 of the Mortgage, any such notice will not be conditional.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors, as such, being released by the holder or owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Mortgage.

{END OF FORM OF BOND}

The Bond of the Sixty-First Series shall be issued as a fully registered Bond; it shall bear interest at the rate per annum shown in its title, payable semi-annually on June 1 and December 1 of each year, commencing June 1, 1994, and at maturity; the principal of and premium, if any, and interest on said Bond to be payable at the office or agency of the Company in the City of Houston, Texas, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. The Bond of the Sixty-First Series shall be dated as in Section 10 of the Mortgage provided.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and premium, if any, and interest on the Bond of the Sixty-First Series as the same shall

become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the BRA Trustee, signed by its president, a vice president or a trust officer, stating that the corresponding Installment Payment, as such term is defined in the Agreement, has become due and payable and has not been fully paid and specifying the amount of funds required to make such payment.

The Bond of the Sixty-First Series shall not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage, except that in the event that any of the Series 1993 Revenue Bonds are to be redeemed pursuant to the terms thereof by reason of a Determination of Taxability, as such term is defined in the form of the Series 1993 Revenue Bonds, the Bond of the Sixty-First Series, in a principal amount equal to the aggregate principal amount of the Series 1993 Revenue Bonds so to be redeemed, shall be redeemed by the Company, on the date fixed for redemption of such Series 1993 Revenue Bonds, at the principal amount thereof, plus accrued interest to such date fixed for redemption.

The Trustee may conclusively presume that no redemption of the Bond of the Sixty-First Series is required pursuant to the immediately preceding paragraph unless and until it shall have received a written notice from the BRA Trustee under the Trust Indenture, signed by its president, a vice president or a trust officer, stating that the Series 1993 Revenue Bonds are to be redeemed by reason of such Determination of Taxability and specifying the principal amount and the date fixed for redemption of the Series 1993 Revenue Bonds so to be redeemed.

The Company hereby waives its right to have any notice of redemption by reason of a Determination of Taxability state that such notice is subject to the receipt of the redemption moneys by the Trustee on or before the date fixed for redemption. Notwithstanding the provisions of Section 54 of the Mortgage, any such notice shall not be conditional.

ARTICLE II.

Replacement Fund Provisions

SECTION 2. Section 3 of the First Supplemental Indenture, as heretofore amended, is hereby further amended by inserting "Sixty-First Series," before the words "Sixtieth Series" each time such words appear in said Section 3, as heretofore amended.

ARTICLE III.

Miscellaneous Provisions

SECTION 3. Subject to the amendments provided for in this

Sixty-First Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Sixty-First Supplemental Indenture, have the meaning specified in the Mortgage, as heretofore supplemented.

So long as any Bonds of the Sixty-First Series are outstanding, whenever a net earnings certificate is required by the Mortgage to be furnished to the Trustee as a condition precedent to the authentication and delivery of Bonds, no Bonds shall be authenticated and delivered by the Trustee unless such net earnings certificate shall show, in addition to the matters required by Sections 7 and 28 of the Mortgage, that after deducting from the net earnings of the Company as so calculated an amount equal to the Company's expenses and provisions for renewals, replacements, depreciation, depletion, retirement and amortization of property during the period for which such net earnings shall have been calculated, the remainder of the net earnings of the Company shall have been at least equivalent to twice the annual interest requirements as shown by such net earnings certificate.

SECTION 4. This Sixty-First Supplemental Indenture and the Bond of the Sixty-First Series shall be deemed to be a contract made under the laws of the State of Texas, and for all purposes shall be construed in accordance with the laws of said State.

The amount of interest payable or paid on the Bond of the Sixty-First Series shall be limited to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received (the "Highest Lawful Rate"). If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any Bond, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance, the Trustee, acting on behalf of the holders, or any holder shall ever receive interest or anything that might be deemed interest under applicable law that would exceed the Highest Lawful Rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing on the applicable Bond or Bonds and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of any such Bond or Bonds, such excess shall be refunded to the Company. In addition, for purposes of determining whether payments in respect of the Bond of the Sixty-First Series are usurious, all sums paid or agreed to be paid with respect to such Bond for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Bond.

SECTION 5. The Trustee hereby accepts the trusts herein declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect to the validity or sufficiency of this Sixty-First Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVI of the Mortgage shall apply to and form part of this Sixty-First Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Sixty-First Supplemental Indenture.

SECTION 6. Subject to the provisions of Articles XV and XVI of the Mortgage, whenever in this Sixty-First Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Sixty-First Supplemental Indenture by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the respective successors and assigns of such parties, whether so expressed or not.

SECTION 7. Nothing in this Sixty-First Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the Bonds and coupons outstanding under the Mortgage, as heretofore supplemented, any right, remedy or claim under or by reason of this Sixty-First Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Sixty-First Supplemental Indenture, by or on behalf of the Company, shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the Bonds and coupons outstanding under the Mortgage, as heretofore supplemented.

SECTION 8. This Sixty-First Supplemental Indenture may be simultaneously executed in several counterparts, and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, HOUSTON LIGHTING & POWER COMPANY and TEXAS COMMERCE BANK NATIONAL ASSOCIATION each has caused this Sixty-First Supplemental Indenture to be signed in its corporate name and its corporate seal to be affixed and attested by its duly authorized officers as of the 1st day of December, 1993.

HOUSTON LIGHTING & POWER COMPANY

Attest: By /s/ KEN NABORS
Vice President

/s/ RUFUS C. SCOTT
Assistant Secretary

{Corporate Seal}

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION,

As Trustee.

Attest: By /s/ SUSAN SULT
Assistant Vice President
& Trust Officer

/s/ CHRISTI C. TODD
Christi Todd
Vice President
& Trust Officer

{Corporate Seal}

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on December 6, 1993 by K. W. Nabors of Houston Lighting & Power Company, a Texas corporation, on behalf of said corporation.

/s/ BONITA GATLIN
Notary Public for the State of Texas

My Commission Expires: 4/27/96

{Notarial Seal}

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on December 6, 1993 by Susan Sult, Assistant Vice President and Trust Officer of Texas Commerce Bank National Association, a national banking association organized under the laws of the United States, on behalf of said association.

/s/ JANE SIMMS
Notary Public for the State of Texas

My Commission Expires: 4/27/97

{Notarial Seal}

STATE OF TEXAS
COUNTY OF HARRIS

The undersigned, Rufus S. Scott, Assistant Corporate Secretary of Houston Lighting & Power Company, a corporation of the State of Texas, being first duly sworn, deposes and says that Houston Lighting & Power Company, the corporation that executed the foregoing instrument, is a utility as defined in Section 35.01(2) of the Business and Commerce Code of the State of Texas, that is to say a corporation engaged in Texas in the generation, transmission or distribution and sale of electric power.

/s/ RUFUS S. SCOTT
Rufus S. Scott

Subscribed and sworn to before me
this 6 day of December, 1993

/s/ BONITA GATLIN {Notarial Seal}
Notary Public for the State of Texas

My Commission Expires:

4/27/96

==========

HOUSTON LIGHTING & POWER COMPANY

TO

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

(successor to SOUTH TEXAS COMMERCIAL NATIONAL BANK OF HOUSTON),

As Trustee under
Houston Lighting & Power Company's
Mortgage and Deed of Trust,
dated as of November 1, 1944.

_____

SIXTY-SECOND

SUPPLEMENTAL INDENTURE

_____

Dated as of December 1, 1993

This Instrument Contains After-Acquired Property Provisions.

This Instrument Grants A Security Interest By A Utility.

==========

This Instrument Contains After-Acquired Property Provisions.

This Instrument Grants A Security Interest By A Utility.

SIXTY-SECOND SUPPLEMENTAL INDENTURE

INDENTURE, dated as of the 1st day of December, 1993, made and entered into by and between Houston Lighting & Power Company, a corporation of the State of Texas, hereinafter sometimes called the Company, and Texas Commerce Bank National Association, a national bank organized under the banking laws of the United States of America, whose principal place of business is in Houston, Texas, hereinafter sometimes called the Trustee, under the Mortgage and Deed of Trust, dated as of November 1, 1944, hereinafter called the Mortgage, which Mortgage was executed and delivered by Houston Lighting & Power Company to secure the payment of Bonds issued or to be issued under and in accordance with the provisions of the Mortgage, this Indenture, hereinafter called the Sixty-Second Supplemental Indenture, being supplemental thereto.

WHEREAS, by the Mortgage, the Company covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired and intended to be subject to the lien thereof, and the Company has heretofore executed and delivered to the Trustee or its predecessor 61 supplemental indentures; and

WHEREAS, in addition to the property described in the Mortgage, as heretofore supplemented, the Company has acquired certain other property, rights and interests in property; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, Bonds designated First Mortgage Bonds of the following series:

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
First	2 7/8% Series due 1974	$ 30,000,000	None
Second	3% Series due 1978	$ 15,000,000	None
Third	2 3/4% Series due 1985	$ 30,000,000	None
Fourth	3 1/4% Series due 1981	$ 20,000,000	None
Fifth	3% Series due 1989	$ 30,000,000	None
Sixth	3 1/4% Series due 1986	$ 30,000,000	None
Seventh	4 3/4% Series due 1987	$ 40,000,000	None
Eighth	4 7/8% Series due 1989	$ 25,000,000	None
Ninth	4 1/2% Series due 1992	$ 25,000,000	None
Tenth	5 1/4% Series due 1996	$ 40,000,000	$ 40,000,000
Eleventh	5 1/4% Series due 1997	$ 40,000,000	$ 40,000,000

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
Twelfth	6 3/4% Series due 1997	$ 35,000,000	$ 35,000,000
Thirteenth	6 3/4% Series due 1998	$ 35,000,000	$ 35,000,000
Fourteenth	7 1/2% Series due 1999	$ 30,000,000	None
Fifteenth	7 1/4% Series due 2001	$ 50,000,000	$ 50,000,000
Sixteenth	7 1/2% Series due 2001	$ 50,000,000	None
Seventeenth	8 1/8% Series due 2004	$100,000,000	None
Eighteenth	10 1/8% Series due September 1, 2004	$100,000,000	None
Nineteenth	8 3/4% Series due March 1, 2005	$125,000,000	None
Twentieth	8 3/8% Series due October 1, 2006	$125,000,000	None
Twenty-First	8 3/8% Series due October 1, 2007	$125,000,000	None
Twenty-Second	8 7/8% Series due September 1, 2008	$125,000,000	None
Twenty-Third	9 1/4% Series due December 1, 2008	$100,000,000	None
Twenty-Fourth	11 1/4% Series due December 1, 2009	$125,000,000	None
Twenty-Fifth	12% Series due June 1, 2010	$100,000,000	None
Twenty-Sixth	13 7/8% Series due February 1, 1991	$125,000,000	None
Twenty-Seventh	15 1/8% Series due March 1, 1992	$125,000,000	None
Twenty-Eighth	12 3/8% Series due March 15, 2013	$125,000,000	None
Twenty-Ninth	11 5/8% Series due November 1, 2015	$200,000,000	None
Thirtieth	Pollution Control 7 7/8% Series due 2018	$ 50,000,000	$ 50,000,000
Thirty-First	Pollution Control 7 7/8% Series due 2016	$ 68,000,000	$ 68,000,000
Thirty-Second	9% Series due March 1, 2017	$390,519,000	None
Thirty-Third	9 3/8% Series due January 20, 1991	$132,000,000	None
Thirty-Fourth	9 3/8% Series due January 20, 1992	$132,000,000	None
Thirty-Fifth	9 3/8% Series due January 20, 1993	$136,000,000	None
Thirty-Sixth	Pollution Control 8 1/4% Series due May 1, 2015	$ 90,000,000	$ 90,000,000
Thirty-Seventh	Pollution Control 8 1/4% Series due May 1, 2019	$100,000,000	$100,000,000
Thirty-Eighth	Pollution Control 8.10% Series due May 1, 2019	$100,000,000	$100,000,000
Thirty-Ninth	Pollution Control 7 3/4% Series due October 1, 2015	$ 68,700,000	$ 68,700,000
Fortieth	Medium-Term Note 15% Series due November 1, 2018	$200,000,000	$200,000,000

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
Forty-First	10 1/4% Series due February 1, 2019	$225,000,000	None
Forty-Second	Pollution Control 7 7/8% Series due February 1, 2019	$ 29,685,000	$ 29,685,000
Forty-Third	Pollution Control 7.70% Series due February 1, 2019	$ 75,000,000	$ 75,000,000
Forty-Fourth	Medium-Term Note 15% Series due May 1, 2019	$200,000,000	$200,000,000
Forty-Fifth	Pollution Control 7% Series due December 1, 2008	$ 19,200,000	$ 19,200,000
Forty-Sixth	Pollution Control 7 1/8% Series due July 1, 2019	$100,000,000	$100,000,000
Forty-Seventh	Pollution Control 7 5/8% Series due May 1, 2019	$100,000,000	$100,000,000
Forty-Eighth	Pollution Control 7.60% Series due October 1, 2019	$ 70,315,000	$ 70,315,000
Forty-Ninth	Pollution Control 7.20% Series A due December 1, 2018	$100,000,000	$100,000,000
Fiftieth	Pollution Control 7.20% Series B due December 1, 2018	$ 75,000,000	$ 75,000,000
Fifty-First	9.15% Series due March 15, 2021	$160,000,000	$160,000,000
Fifty-Second	7 5/8% Series due March 1, 1997	$150,000,000	$150,000,000
Fifty-Third	8 3/4% Series due March 1, 2022	$100,000,000	$100,000,000
Fifty-Fourth	Pollution Control 6.70% Series due March 1, 2017	$ 43,820,000	$ 43,820,000
Fifty-Fifth	Pollution Control 6.70% Series due March 1, 2027	$ 56,095,000	$ 56,095,000
Fifty-Sixth	Pollution Control 6 3/8% Series A due April 1, 2012	$ 33,470,000	$ 33,470,000
Fifty-Seventh	Pollution Control 6 3/8% Series B due April 1, 2012	$ 12,100,000	$ 12,100,000
Fifty-Eighth	Medium-Term Note 10% Series due February 1, 2028	$400,000,000	$400,000,000
Fifty-Ninth	7 3/4% Series due March 15, 2023	$250,000,000	$250,000,000
Sixtieth	7 1/2% Series due July 1, 2023	$200,000,000	$200,000,000

; and

WHEREAS, immediately prior to the execution and delivery of this Sixty-Second Supplemental Indenture, the Company has executed and delivered a Sixty-First Supplemental Indenture relating to a series of bonds designated "Pollution Control 5.60% Series due December 1, 2017" in the aggregate principal amount of $83,565,000; and

WHEREAS, the Trustee is duly qualified and eligible to act, and is acting, as trustee under the Mortgage, as heretofore supplemented, in accordance with the terms thereof; and

WHEREAS, Section 8 of the Mortgage provides for the issuance of Bonds in series, with the form of each series of Bonds (other than the First Series) issued thereunder to be established by resolution of the Board of Directors of the Company and the form of such series, as established by said Board of Directors, to specify the descriptive title of the Bonds and various other terms thereof, and to also contain such provisions as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such Bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, the Company now desires to create a new series of Bonds and, in accordance with Section 126 of the Mortgage, to add to the covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and modify in certain respects provisions contained in the Mortgage, as heretofore supplemented; and

WHEREAS, the execution and delivery by the Company of this Sixty-Second Supplemental Indenture, and the terms of the Bond of the Sixty-Second Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That Houston Lighting & Power Company, in consideration of the premises and in order further to secure the payment of the principal of and premium, if any, and interest on the Bonds from time to time issued under the Mortgage, as heretofore supplemented, according to their tenor and effect, and performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification or alteration made as in the Mortgage provided) and of said Bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms unto Texas Commerce Bank National Association, as Trustee under the Mortgage, as heretofore supplemented, and to its successor or successors in said trust and to it and its and their assigns forever, all properties, whether real, personal or mixed of the kind or nature specifically mentioned in the Mortgage, as heretofore supplemented, or of any other kind or nature acquired by the Company on or after the date of the execution and delivery of the Mortgage (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), and whether now owned or hereafter acquired by the Company and wheresoever situated, including (without limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Sixty-Second Supplemental Indenture) all lands, flowage rights, water rights, flumes, raceways, dams, rights-of-way and roads; all plants for the generation of electricity by water, steam and/or other power, power houses, gas plants, telephone systems, water works, water systems, steam heat plants, hot water plants, substations, measuring stations, regulating stations, gathering lines, gas transportation lines, transmission lines, distributing systems, bridges, culverts, tracks, rolling stock, vehicles, buses, automobiles, ice plants, refrigeration plants, railway systems whether street or interurban, all offices, buildings and structures, and the equipment thereof; all machinery, engines, boilers, dynamos, machines, regulators, meters, transformers, generators and motors; all appliances whether electrical, gas or mechanical, conduits, cables and lines; all pipes whether for water, steam heat, gas or other purposes; all mains and pipes, service pipes, fittings, valves and connections, poles, wires, tools, implements, apparatus, furniture and chattels; all municipal franchises and other franchises; all lines for the transportation, transmission and/or distribution of electric current, gas, steam heat or water for any purpose, including towers, poles, wires, cables, pipes, conduits and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, rights, powers, franchises, privileges, rights-of-way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property herein or in the Mortgage, as heretofore supplemented, described or referred to.

TOGETHER WITH all and singular the tenements, hereditaments

and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 59 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted) shall be as fully embraced within the lien hereof and the lien of the Mortgage, as heretofore supplemented, as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Sixty-Second Supplemental Indenture and from the lien and operation of the Mortgage, as heretofore supplemented: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not herein or in the Mortgage, as heretofore supplemented, specifically pledged, paid, deposited or delivered hereunder or under the Mortgage, as heretofore supplemented, or covenanted to be; (2) any goods, wares, merchandise, equipment, materials or supplies acquired for the purpose of sale or resale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged hereunder or under the Mortgage, as heretofore supplemented, or covenanted so to be; and (4) all timber, minerals, mineral rights and royalties; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage, as heretofore supplemented, and this Sixty-Second Supplemental Indenture in the above subdivisions (2) and (3) of this paragraph shall (to the extent permitted by law) cease to be excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged and pledged property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a completed default as defined in Section 67 thereof.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be, unto the Trustee and its successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisions and covenants as are set forth in the Mortgage, as

heretofore supplemented, this Sixty-Second Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors as Trustee of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustee, by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successors in said trust under the Mortgage, as follows:

ARTICLE I.

Sixty-Second Series of Bonds

SECTION 1. There shall be a series of Bonds designated "Pollution Control 4.90% Series due December 1, 2003" (herein sometimes referred to as the "Bond of the Sixty-Second Series") of which the Company shall be authorized to issue a maximum of $16,600,000 in total principal amount, each of which shall also bear the descriptive title First Mortgage Bond and the form thereof and the terms and provisions thereof are hereby established as follows:

{FORM OF BOND OF THE SIXTY-SECOND SERIES}

THE BOND REPRESENTED BY THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO ANY SUCCESSOR TRUSTEE UNDER THE TRUST INDENTURE, AS HEREIN DEFINED. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

HOUSTON LIGHTING & POWER COMPANY

FIRST MORTGAGE BOND,
POLLUTION CONTROL 4.90% SERIES DUE DECEMBER 1, 2003

No_____ $_____

Houston Lighting & Power Company, a corporation of the State of Texas (hereinafter called the Company), for value received, hereby promises to pay to The Chase Manhattan Bank, N.A. (Chase Manhattan), acting in its capacity as trustee (GCWDA Trustee) under that certain Trust Indenture, dated as of December 1, 1993 (Trust Indenture), between the Gulf Coast Waste Disposal Authority and Chase Manhattan relating to the Gulf Coast Waste Disposal Authority Collateralized Revenue Refunding Bonds (Houston Lighting & Power Company Project) Series 1993 (Series 1993 Revenue Bonds), and its successors, on December 1, 2003 at the office or agency of the Company in the City of Houston, Texas, _____ Dollars in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay to the GCWDA Trustee interest thereon from December 1, 1993 or the most recent June 1 or December 1 to which interest has been paid or duly provided for, at the rate of 4.90% per annum in like coin or currency, at said office or agency on June 1 and December 1 in each year, commencing June 1, 1994 and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged. The Company shall receive a credit against its obligation to make any payment of the principal of or premium, if any, or interest on this Bond, whether at maturity, upon redemption or otherwise, in an amount equal to the sum of (a) the amount, if any, on deposit in the Debt Service Fund maintained under the Trust Indenture that reduces the corresponding Installment Payment (with respect to each of such terms, as defined in that certain Installment Payment and Bond Amortization Agreement, dated as of December 1, 1993 (Agreement), between the Gulf Coast Waste Disposal Authority and the Company relating to the Series 1993 Revenue Bonds) and (b) the amount, if any, paid by the Company pursuant to Section 5.04 of the Agreement in respect of the corresponding Installment Payment.

The Sixty-Second Supplemental Indenture to the Mortgage hereinafter mentioned provides that the amount of interest payable or paid on this Bond shall be limited and subject to reduction to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received, it being the intention of the parties hereto to conform strictly to the usury laws of the State of Texas.

This Bond shall not become obligatory until Texas Commerce Bank National Association, the Trustee under the Mortgage hereinafter mentioned, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, Houston Lighting & Power Company has caused this Bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be impressed or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries.

Dated_____

HOUSTON LIGHTING & POWER COMPANY

By_____
President

Attest:

_____
Secretary

This is the Bond of the series herein designated, provided for in the within-mentioned Mortgage.

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION,
Trustee/Authenticating Agent,

By_____
Authorized Signatory

HOUSTON INDUSTRIES INCORPORATED,
Transfer Agent,

By_____
Authorized Officer

HOUSTON LIGHTING & POWER COMPANY

FIRST MORTGAGE BOND,

POLLUTION CONTROL 4.90% SERIES DUE DECEMBER 1, 2003

This Bond is the Bond of the Company of the series specified in the title hereof, and is issued in the aggregate principal amount of $16,600,000 in order to provide the benefit of a lien to secure the obligations of the Company to pay the Installment Payments under the Agreement, and is together with all Bonds of all series issued and to be issued under and equally secured (except insofar as any sinking fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for other Bonds of any particular series) by a Mortgage and Deed of Trust (herein, together with all indentures supplemental thereto, called the Mortgage), dated as of November 1, 1944, executed by the Company to South Texas Commercial National Bank of Houston (Texas Commerce Bank National Association, as successor trustee), as Trustee, to which reference is made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds in respect thereof, the duties and immunities of the Trustee and the

terms and conditions upon which the Bonds are secured. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the Bonds and/or Coupons and/or the terms and provisions of the Mortgage may be modified or altered by the affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the Bonds then outstanding under the Mortgage and, if the rights of one or more, but fewer than all, series of Bonds then outstanding are to be affected, then also by the affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the Bonds then outstanding of each series of Bonds so to be affected (excluding in any case Bonds disqualified from voting by reason of the Company's interest therein as provided in the Mortgage); provided that, without the consent of the holder hereof, no such modification or alteration, among other things, shall impair or affect the right of the holder to receive payment of the principal of and premium, if any, and interest on this Bond, on or after the respective due dates expressed herein, or permit the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of the benefit of a lien on the mortgaged and pledged property.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

The applicable Supplemental Indenture to the Mortgage provides that the amount of interest payable or paid on this Bond shall be limited and subject to reduction to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received.

The Mortgage provides that no holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Mortgage or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless (i) such holder shall have previously given to the Trustee written notice of a default, (ii) the holders of 25% in principal amount of the Bonds then outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted to it in the Mortgage or to institute such action, suit or proceeding in its own name, (iii) such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred and (iv) the Trustee shall have declined to take such action or shall have failed to do so within 60 days thereafter. Notwithstanding any other provision of the Mortgage, the right of any holder of any Bond to receive

payment of the principal of and interest on such Bond, on or after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder. The Mortgage provides that the holders of not less than a majority in principal amount of the Bonds at the time outstanding may direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and the Mortgage and that, subject to certain provisions of the Mortgage, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall by responsible officers determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustifiably prejudicial to nonassenting bondholders or that it will not be sufficiently indemnified for any expenditures in any action or proceeding so directed.

This Bond has been issued and delivered to, registered in the name of and pledged with the GCWDA Trustee under the Trust Indenture for the benefit of the owners of the Series 1993 Revenue Bonds and shall not be transferable except to any successor trustee under the Trust Indenture, any such transfer to be made at the office or agency of the Company in the City of Houston, Texas, upon surrender and cancellation of this Bond, and thereupon a new fully registered Bond of the same series for a like principal amount will be issued to such transferee in exchange herefor as provided in the Mortgage. The Company hereby waives any right to make a charge for such an exchange or transfer of this Bond. The Company and the Trustee may deem and treat the GCWDA Trustee as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and premium, if any, and interest on the Bond of this series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the GCWDA Trustee, signed by its president, a vice president or a trust officer, stating that the corresponding Installment Payment has become due and payable and has not been fully paid and specifying the amount of funds required to make such payment.

The Bond of this series shall not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage, except that in the event that any of the Series 1993 Revenue Bonds are to be redeemed pursuant to the terms thereof by reason of a Determination of Taxability, as such term is defined in the form of the Series 1993 Revenue Bonds, the Bond of this series, in a principal amount equal to the aggregate principal amount of the Series 1993 Revenue Bonds so to be redeemed, shall be redeemed

by the Company, on the date fixed for redemption of such Series 1993 Revenue Bonds, at the principal amount thereof, plus accrued interest to such date fixed for redemption.

The Trustee may conclusively presume that no redemption of the Bond of this series is required pursuant to the immediately preceding paragraph unless and until it shall have received a written notice from the GCWDA Trustee under the Trust Indenture, signed by its president, a vice president or a trust officer, stating that Series 1993 Revenue Bonds are to be redeemed by reason of such Determination of Taxability and specifying the principal amount and date fixed for redemption of the Series 1993 Revenue Bonds so to be redeemed.

The Company hereby waives its right to have any notice of redemption by reason of a Determination of Taxability state that such notice is subject to the receipt of the redemption moneys by the Trustee on or before the date fixed for redemption. Notwithstanding the provisions of Section 54 of the Mortgage, any such notice will not be conditional.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors, as such, being released by the holder or owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Mortgage.

{END OF FORM OF BOND}

The Bond of the Sixty-Second Series shall be issued as a fully registered Bond; it shall bear interest at the rate per annum shown in its title, payable semi-annually on June 1 and December 1 of each year, commencing June 1, 1994, and at maturity; the principal of and premium, if any, and interest on said Bond to be payable at the office or agency of the Company in the City of Houston, Texas, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. The Bond of the Sixty-Second Series shall be dated as in Section 10 of the Mortgage provided.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and premium, if any, and interest on the Bond of the Sixty-Second Series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice

from the GCWDA Trustee, signed by its president, a vice president or a trust officer, stating that the corresponding Installment Payment, as such term is defined in the Agreement, has become due and payable and has not been fully paid and specifying the amount of funds required to make such payment.

The Bond of the Sixty-Second Series shall not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage, except that in the event that any of the Series 1993 Revenue Bonds are to be redeemed pursuant to the terms thereof by reason of a Determination of Taxability, as such term is defined in the form of the Series 1993 Revenue Bonds, the Bond of the Sixty-Second Series, in a principal amount equal to the aggregate principal amount of the Series 1993 Revenue Bonds so to be redeemed, shall be redeemed by the Company, on the date fixed for redemption of such Series 1993 Revenue Bonds, at the principal amount thereof, plus accrued interest to such date fixed for redemption.

The Trustee may conclusively presume that no redemption of the Bond of the Sixty-Second Series is required pursuant to the immediately preceding paragraph unless and until it shall have received a written notice from the GCWDA Trustee under the Trust Indenture, signed by its president, a vice president or a trust officer, stating that the Series 1993 Revenue Bonds are to be redeemed by reason of such Determination of Taxability and specifying the principal amount and the date fixed for redemption of the Series 1993 Revenue Bonds so to be redeemed.

The Company hereby waives its right to have any notice of redemption by reason of a Determination of Taxability state that such notice is subject to the receipt of the redemption moneys by the Trustee on or before the date fixed for redemption. Notwithstanding the provisions of Section 54 of the Mortgage, any such notice shall not be conditional.

ARTICLE II.

Replacement Fund Provisions

SECTION 2. Section 3 of the First Supplemental Indenture, as heretofore amended, is hereby further amended by inserting "Sixty-Second Series," before the words "Sixty-First Series" each time such words appear in said Section 3, as heretofore amended.

ARTICLE III.

Miscellaneous Provisions

SECTION 3. Subject to the amendments provided for in this Sixty-Second Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Sixty-Second Supplemental Indenture, have the meaning specified in the Mortgage, as heretofore supplemented.

So long as any Bonds of the Sixty-Second Series are outstanding, whenever a net earnings certificate is required by the Mortgage to be furnished to the Trustee as a condition precedent to the authentication and delivery of Bonds, no Bonds shall be authenticated and delivered by the Trustee unless such net earnings certificate shall show, in addition to the matters required by Sections 7 and 28 of the Mortgage, that after deducting from the net earnings of the Company as so calculated an amount equal to the Company's expenses and provisions for renewals, replacements, depreciation, depletion, retirement and amortization of property during the period for which such net earnings shall have been calculated, the remainder of the net earnings of the Company shall have been at least equivalent to twice the annual interest requirements as shown by such net earnings certificate.

SECTION 4. This Sixty-Second Supplemental Indenture and the Bond of the Sixty-Second Series shall be deemed to be a contract made under the laws of the State of Texas, and for all purposes shall be construed in accordance with the laws of said State.

The amount of interest payable or paid on the Bond of the Sixty-Second Series shall be limited to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received (the "Highest Lawful Rate"). If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any Bond, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance, the Trustee, acting on behalf of the holders, or any holder shall ever receive interest or anything that might be deemed interest under applicable law that would exceed the Highest Lawful Rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing on the applicable Bond or Bonds and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of any such Bond or Bonds, such excess shall be refunded to the Company. In addition, for purposes of determining whether payments in respect of the Bond of the Sixty-Second Series are usurious, all sums paid or agreed to be paid with respect to such Bond for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Bond.

SECTION 5. The Trustee hereby accepts the trusts herein declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever

for or in respect to the validity or sufficiency of this Sixty-Second Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVI of the Mortgage shall apply to and form part of this Sixty-Second Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Sixty-Second Supplemental Indenture.

SECTION 6. Subject to the provisions of Articles XV and XVI of the Mortgage, whenever in this Sixty-Second Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Sixty-Second Supplemental Indenture by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the respective successors and assigns of such parties, whether so expressed or not.

SECTION 7. Nothing in this Sixty-Second Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the Bonds and coupons outstanding under the Mortgage, as heretofore supplemented, any right, remedy or claim under or by reason of this Sixty-Second Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Sixty-Second Supplemental Indenture, by or on behalf of the Company, shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the Bonds and coupons outstanding under the Mortgage, as heretofore supplemented.

SECTION 8. This Sixty-Second Supplemental Indenture may be simultaneously executed in several counterparts, and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, HOUSTON LIGHTING & POWER COMPANY and TEXAS COMMERCE BANK NATIONAL ASSOCIATION each has caused this Sixty-Second Supplemental Indenture to be signed in its corporate name and its corporate seal to be affixed and attested by its duly authorized officers as of the 1st day of December, 1993.

HOUSTON LIGHTING & POWER COMPANY

Attest: By /s/ K. W. NABORS
Vice President

/s/ CHRISTIAN SCHLEY
Assistant Secretary

{Corporate Seal}

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION,

As Trustee.

Attest: By /s/ SUSAN SULT
/s/ CHRISTI TODD Susan Sult
Christi Todd Assistant Vice President
Vice President & Trust Officer
& Trust Officer

{Corporate Seal}

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on December 6, 1993 by K. W. Nabors of Houston Lighting & Power Company, a Texas corporation, on behalf of said corporation.

/s/ BONITA GATLIN
Notary Public for the State of Texas

My Commission Expires: 4/27/96

{Notarial Seal}

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on December 6, 1993 by Susan Sult, Assistant Vice President and Trust Officer of Texas Commerce Bank National Association, a national banking association organized under the laws of the United States, on behalf of said association.

/s/ JANE SIMMS
Notary Public for the State of Texas

My Commission Expires: 4/27/97

{Notarial Seal}

STATE OF TEXAS
COUNTY OF HARRIS

The undersigned, Rufus S. Scott, Assistant Corporate Secretary of Houston Lighting & Power Company, a corporation of the State of Texas, being first duly sworn, deposes and says that Houston Lighting & Power Company, the corporation that executed the foregoing instrument, is a utility as defined in Section 35.01(2) of the Business and Commerce Code of the State of Texas, that is to say a corporation engaged in Texas in the generation, transmission or distribution and sale of electric power.

/s/ RUFUS S. SCOTT
Rufus S. Scott

Subscribed and sworn to before me
this 6 day of December, 1993

/s/ BONITA GATLIN {Notarial Seal}
Notary Public for the State of Texas

My Commission Expires:

4/27/96

File #1-74-00016051

==========

HOUSTON LIGHTING & POWER COMPANY

TO

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

(successor to SOUTH TEXAS COMMERCIAL NATIONAL BANK OF HOUSTON),

As Trustee under
Houston Lighting & Power Company's
Mortgage and Deed of Trust,
dated as of November 1, 1944.

_____

SIXTY-THIRD

SUPPLEMENTAL INDENTURE

_____

Dated as of December 1, 1993

This Instrument Contains After-Acquired Property Provisions.

This Instrument Grants a Security Interest by a Utility.

==========

This Instrument Contains After-Acquired Property Provisions.

This Instrument Grants a Security Interest by a Utility.

SIXTY-THIRD SUPPLEMENTAL INDENTURE

INDENTURE, dated as of the 1st day of December, 1993, made and entered into by and between Houston Lighting & Power Company, a corporation of the State of Texas, hereinafter sometimes called the Company, and Texas Commerce Bank National Association, a national bank organized under the banking laws of the United States of America, whose principal place of business is in Houston, Texas, hereinafter sometimes called the Trustee, under the Mortgage and Deed of Trust, dated as of November 1, 1944, hereinafter called the Mortgage, which Mortgage was executed and delivered by Houston Lighting & Power Company to secure the payment of Bonds issued or to be issued under and in accordance with the provisions of the Mortgage, this Indenture, hereinafter called the Sixty-Third Supplemental Indenture, being supplemental thereto.

WHEREAS, by the Mortgage, the Company covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired and intended to be subject to the lien thereof, and the Company has heretofore executed and delivered to the Trustee or its predecessor 62 supplemental indentures; and

WHEREAS, in addition to the property described in the Mortgage, as heretofore supplemented, the Company has acquired certain other property, rights and interests in property; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, Bonds designated First Mortgage Bonds of the following series:

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
First.....	2 7/8% Series due 1974	$ 30,000,000	None
Second.....	3% Series due 1978	$ 15,000,000	None
Third.....	2 3/4% Series due 1985	$ 30,000,000	None
Fourth.....	3 1/4% Series due 1981	$ 20,000,000	None
Fifth.....	3% Series due 1989	$ 30,000,000	None
Sixth.....	3 1/4% Series due 1986	$ 30,000,000	None
Seventh.....	4 3/4% Series due 1987	$ 40,000,000	None
Eighth.....	4 7/8% Series due 1989	$ 25,000,000	None
Ninth.....	4 1/2% Series due 1992	$ 25,000,000	None

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
Tenth.....	5 1/4% Series due 1996	$ 40,000,000	$ 40,000,000
Eleventh.....	5 1/4% Series due 1997	$ 40,000,000	$ 40,000,000
Twelfth.....	6 3/4% Series due 1997	$ 35,000,000	$ 35,000,000
Thirteenth.....	6 3/4% Series due 1998	$ 35,000,000	$ 35,000,000
Fourteenth.....	7 1/2% Series due 1999	$ 30,000,000	None
Fifteenth.....	7 1/4% Series due 2001	$ 50,000,000	$ 50,000,000
Sixteenth.....	7 1/2% Series due 2001	$ 50,000,000	None
Seventeenth.....	8 1/8% Series due 2004	$100,000,000	None
Eighteenth.....	10 1/8% Series due September 1, 2004	$100,000,000	None
Nineteenth.....	8 3/4% Series due March 1, 2005	$125,000,000	None
Twentieth.....	8 3/8% Series due October 1, 2006	$125,000,000	None
Twenty-First.....	8 3/8% Series due October 1, 2007	$125,000,000	None
Twenty-Second....	8 7/8% Series due September 1, 2008	$125,000,000	None
Twenty-Third.....	9 1/4% Series due December 1, 2008	$100,000,000	None
Twenty-Fourth....	11 1/4% Series due December 1, 2009	$125,000,000	None
Twenty-Fifth.....	12% Series due June 1, 2010	$100,000,000	None
Twenty-Sixth.....	13 7/8% Series due February 1, 1991	$125,000,000	None
Twenty-Seventh...	15 1/8% Series due March 1, 1992	$125,000,000	None
Twenty-Eighth....	12 3/8% Series due March 15, 2013	$125,000,000	None
Twenty-Ninth.....	11 5/8% Series due November 1, 2015	$200,000,000	None
Thirtieth.....	Pollution Control 7 7/8% Series due 2018	$ 50,000,000	$ 50,000,000
Thirty-First.....	Pollution Control 7 7/8% Series due 2016	$ 68,000,000	$ 68,000,000
Thirty-Second....	9% Series due March 1, 2017	$390,519,000	None
Thirty-Third.....	9 3/8% Series due January 20, 1991	$132,000,000	None
Thirty-Fourth....	9 3/8% Series due January 20, 1992	$132,000,000	None
Thirty-Fifth.....	9 3/8% Series due January 20, 1993	$136,000,000	None
Thirty-Sixth.....	Pollution Control 8 1/4% Series due May 1, 2015	$ 90,000,000	$ 90,000,000
Thirty-Seventh...	Pollution Control 8 1/4% Series due May 1, 2019	$100,000,000	$100,000,000

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
Thirty-Eighth.....	Pollution Control 8.10% Series due May 1, 2019	$100,000,000	$100,000,000
Thirty-Ninth.....	Pollution Control 7 3/4% Series due October 1, 2015	$ 68,700,000	$ 68,700,000
Fortieth.....	Medium-Term Note 15% Series due November 1, 2018	$200,000,000	$200,000,000
Forty-First.....	10 1/4% Series due February 1, 2019	$225,000,000	None
Forty-Second.....	Pollution Control 7 7/8% Series due February 1, 2019	$ 29,685,000	$ 29,685,000
Forty-Third.....	Pollution Control 7.70% Series due February 1, 2019	$ 75,000,000	$ 75,000,000
Forty-Fourth.....	Medium-Term Note 15% Series due May 1, 2019	$200,000,000	$200,000,000
Forty-Fifth.....	Pollution Control 7% Series due December 1, 2008	$ 19,200,000	$ 19,200,000
Forty-Sixth.....	Pollution Control 7 1/8% Series due July 1, 2019	$100,000,000	$100,000,000
Forty-Seventh.....	Pollution Control 7 5/8% Series due May 1, 2019	$100,000,000	$100,000,000
Forty-Eighth.....	Pollution Control 7.60% Series due October 1, 2019	$ 70,315,000	$ 70,315,000
Forty-Ninth.....	Pollution Control 7.20% Series A due December 1, 2018	$100,000,000	$100,000,000
Fiftieth.....	Pollution Control 7.20% Series B due December 1, 2018	$ 75,000,000	$ 75,000,000
Fifty-First.....	9.15% Series due March 15, 2021	$160,000,000	$160,000,000
Fifty-Second.....	7 5/8% Series due March 1, 1997	$150,000,000	$150,000,000
Fifty-Third.....	8 3/4% Series due March 1, 2022	$100,000,000	$100,000,000
Fifty-Fourth.....	Pollution Control 6.70% Series due March 1, 2017	$ 43,820,000	$ 43,820,000
Fifty-Fifth.....	Pollution Control 6.70% Series due March 1, 2027	$ 56,095,000	$ 56,095,000

Series No.	Title	Aggregate Principal Amount Issued	Aggregate Principal Amount Outstanding
Fifty-Sixth.....	Pollution Control 6 3/8% Series A due April 1, 2012	$ 33,470,000	$ 33,470,000
Fifty-Seventh.....	Pollution Control 6 3/8% Series B due April 1, 2012	$ 12,100,000	$ 12,100,000
Fifty-Eighth.....	Medium-Term Note 10% Series due February 1, 2028	$400,000,000	$400,000,000
Fifty-Ninth.....	7 3/4% Series due March 15, 2023	$250,000,000	$250,000,000
Sixtieth.....	7 1/2% Series due July 1, 2023	$200,000,000	$200,000,000
Sixty-First.....	Pollution Control 5.60% Series due December 1, 2017	$ 83,565,000	$ 83,565,000
Sixty-Second.....	Pollution Control 4.90% Series due December 1, 2003	$ 16,600,000	$ 16, 600,000

and;

WHEREAS, the Trustee is duly qualified and eligible to act, and is acting, as trustee under the Mortgage in accordance with the terms thereof; and

WHEREAS, Section 8 of the Mortgage provides for the issuance of Bonds in series, with the form of each series of Bonds (other than the First Series) issued thereunder to be established by resolution of the Board of Directors of the Company and the form of such series, as established by said Board of Directors, to specify the descriptive title of the Bonds and various other terms thereof, and to also contain such provisions as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such Bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, the Company now desires to create a new series of Bonds and, in accordance with Section 126 of the Mortgage, to add to the covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and modify in certain respects provisions contained in the Mortgage as heretofore supplemented; and

WHEREAS, the execution and delivery by the Company of this

Sixty-Third Supplemental Indenture, and the terms of the Bond of the Sixty-Third Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That Houston Lighting & Power Company, in consideration of the premises and in order further to secure the payment of the principal of and premium, if any, and interest on the Bonds from time to time issued under the Mortgage, as heretofore supplemented, according to their tenor and effect, and performance of all the provisions of the Mortgage, as heretofore supplemented, (including any instruments supplemental thereto and any modification or alteration made as in the Mortgage, as heretofore supplemented, provided) and of said Bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms unto Texas Commerce Bank National Association, as Trustee under the Mortgage, as heretofore supplemented, and to its successor or successors in said trust and to it and its and their assigns forever, all properties, whether real, personal or mixed of the kind or nature specifically mentioned in the Mortgage, as heretofore supplemented, or of any other kind or nature acquired by the Company on or after the date of the execution and delivery of the Mortgage (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), and whether now owned or hereafter acquired by the Company and wheresoever situated, including (without limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Sixty-Third Supplemental Indenture) all lands, flowage rights, water rights, flumes, raceways, dams, rights-of-way and roads; all plants for the generation of electricity by water, steam and/or other power, power houses, gas plants, telephone systems, water works, water systems, steam heat plants, hot water plants, substations, measuring stations, regulating stations, gathering lines, gas transportation lines, transmission lines, distributing systems, bridges, culverts, tracks, rolling stock, vehicles, buses, automobiles, ice plants, refrigeration plants, railway systems whether street or interurban, all offices, buildings and structures, and the equipment thereof; all machinery, engines, boilers, dynamos, machines, regulators, meters, transformers, generators and motors; all appliances whether electrical, gas or mechanical, conduits, cables and lines; all pipes whether for water, steam heat, gas or other purposes; all mains and pipes, service pipes, fittings, valves and connections, poles, wires, tools, implements, apparatus, furniture and chattels; all municipal franchises and other franchises; all lines for the transportation, transmission and/or distribution of electric current, gas, steam heat or water for any purpose, including towers, poles, wires, cables, pipes, conduits and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, rights, powers, franchises, privileges, rights-of-way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore

supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property herein or in the Mortgage, as heretofore supplemented, described or referred to.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 59 of the Mortgage, as heretofore supplemented) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted) shall be as fully embraced within the lien hereof and the lien of the Mortgage, as heretofore supplemented, as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Sixty- Third Supplemental Indenture and from the lien and operation of the Mortgage, as heretofore supplemented: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not herein or in the Mortgage, as heretofore supplemented, specifically pledged, paid, deposited or delivered hereunder or under the Mortgage, as heretofore supplemented, or covenanted to be; (2) any goods, wares, merchandise, equipment, materials or supplies acquired for the purpose of sale or resale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged hereunder or under the Mortgage, as heretofore supplemented, or covenanted so to be; and (4) all timber, minerals, mineral rights and royalties; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage, as heretofore supplemented, and this Sixty-Third Supplemental Indenture in the above subdivisions (2) and (3) of this paragraph shall (to the extent permitted by law) cease to be excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged and pledged property in the manner provided in Article XII of the Mortgage, as heretofore supplemented, by reason of the occurrence of a completed default as defined in Section 67 thereof.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be, unto the Trustee and its successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisions and covenants as are set forth in the Mortgage, as heretofore supplemented, this Sixty-Third Supplemental Indenture being supplemental to the Mortgage, as heretofore supplemented.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors as Trustee of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustee, by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successors in said trust under the Mortgage, as heretofore supplemented, as follows:

ARTICLE I.

Sixty-Third Series of Bonds

SECTION 1. There shall be a series of Bonds designated "Medium-Term Note 10% Series due December 1, 2028" (herein sometimes referred to as the "Bond of the Sixty-Third Series") of which the Company shall be authorized to issue a maximum of $350,000,000 in total principal amount, each of which shall also bear the descriptive title First Mortgage Bond and the form thereof and the terms and provisions thereof are hereby established as follows:

{FORM OF BOND OF THE SIXTY-THIRD SERIES}

THE BOND REPRESENTED BY THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT AS PROVIDED IN SECTION 405 OF THE INDENTURE, AS HEREIN DEFINED. IN ADDITION, THE BOND REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND SUCH BOND MAY NOT BE TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE SECURITIES LAWS.

HOUSTON LIGHTING & POWER COMPANY

FIRST MORTGAGE BOND,
MEDIUM-TERM NOTE 10% SERIES DUE DECEMBER 1, 2028

No_____ $_____

Houston Lighting & Power Company, a corporation of the State of Texas (hereinafter called the Company), for value received, hereby promises to pay to Texas Commerce Bank National Association, acting in its capacity as trustee (Indenture Trustee) under that certain Collateral Trust Indenture, dated as of September 1, 1988, as heretofore supplemented and as further supplemented by a Fourth Supplemental Indenture dated as of December 1, 1993 (as so supplemented the Collateral Trust Indenture), between the Company and the Indenture Trustee, providing for the issuance from time to time of the Company's collateral trust notes (Securities), to be issued in one or more series as in the Collateral Trust Indenture provided, and its successors, on December 1, 2028 at the office or agency of the Company in the City of Houston, Texas, for the ratable benefit of the Holders from time to time of Outstanding Securities _____ Dollars in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay to the Indenture Trustee interest thereon from December 1, 1993 or the most recent May 1 or November 1 to which interest has been paid or deemed to have been paid or otherwise satisfied and discharged, at the rate of 10% per annum in like coin or currency, at said office or agency on May 1 and November 1 in each year, commencing May 1, 1994, and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged. Notwithstanding the foregoing, the obligation of the Company to make any payment of the principal of and premium, if any, or interest on the portion of the Bond of this Series that is designated as Designated Mortgage Bonds (as such term is defined in the Collateral Trust Indenture), whether at maturity, upon redemption (including any redemption pursuant to Section 404 of the Collateral Trust Indenture) or otherwise, shall be fully or partially, as the case may be, deemed to have been paid or otherwise satisfied and discharged to the extent that at the time any such payment shall be due, the then due principal of and premium, if any, or interest on the Securities to which such Designated Mortgage Bonds relate, shall have been fully or partially paid, deemed to have been paid or otherwise satisfied and discharged. In addition, such obligation to make any payment of the principal of and premium, if any, or interest on the portion of the Bond of this Series that is designated as Designated Mortgage Bonds at any time shall be deemed to have been satisfied and discharged to the extent that the amount of the Company's obligation to make any payment of the principal of and premium, if any, or interest on the portion of the Bond of this Series that is designated as Designated Mortgage Bonds exceeds the obligation of the Company at that time to make any payment of the principal of and premium, if any, or interest on the Securities to which such portion of the Bond of this Series that is designated as Designated Mortgage Bonds relates. The obligation of the Company to make any payment of the principal of and premium, if any, or interest on the Bond of this Series other than the portion that is designated as Designated Mortgage Bonds shall be deemed to have been satisfied and discharged in full at the time any such payment shall be due.

The Sixty-Third Supplemental Indenture to the Mortgage hereinafter mentioned provides that the amount of interest payable or paid on this Bond shall be limited and subject to reduction to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received, it being the intention of the parties hereto to conform strictly to the usury laws of the State of Texas.

This Bond shall not become obligatory until Texas Commerce Bank National Association, the Trustee under the Mortgage hereinafter mentioned, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, Houston Lighting & Power Company has caused this Bond to be signed in its name by its President or one of its Vice Presidents and its corporate seal to be impressed or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries.

Dated_____

HOUSTON LIGHTING & POWER COMPANY

By_____
Vice President

Attest:

_____
Assistant Secretary

This is the Bond of the series herein designated, provided for in the within-mentioned Mortgage.

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, Trustee/Authenticating Agent,

By_____
Authorized Signatory

HOUSTON INDUSTRIES INCORPORATED, Transfer Agent,

By_____
Authorized Officer

HOUSTON LIGHTING & POWER COMPANY

FIRST MORTGAGE BOND,

MEDIUM-TERM NOTE 10% SERIES DUE DECEMBER 1, 2028

This Bond is the Bond of the Company of the series specified in the title hereof, and is issued in the aggregate principal amount of $350,000,000 in order to secure by the lien of the Mortgage hereinafter mentioned the obligation of the Company to pay duly and punctually the principal of and premium, if any, and interest on Outstanding Securities (as defined in the Collateral Trust Indenture) in accordance with the terms thereof, and the Collateral Trust Indenture, and is together with all Bonds of all series issued and to be issued under and equally secured (except insofar as any sinking fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for other Bonds of any particular series) by a Mortgage and Deed of Trust (herein, together with all indentures supplemental thereto, called the Mortgage), dated as of November 1, 1944, executed by the Company to South Texas Commercial National Bank of Houston (Texas Commerce Bank National Association, as successor trustee), as Trustee, to which reference is made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds in respect thereof, the duties and immunities of the Trustee and the terms and conditions upon which the Bonds are secured. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the Bonds and/or Coupons and/or the terms and provisions of the Mortgage may be modified or altered by the affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the Bonds then outstanding under the Mortgage and, if the rights of one or more, but fewer than all, series of Bonds then outstanding are to be affected, then also by affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the Bonds then outstanding of each series of Bonds so to be affected (excluding in any case Bonds disqualified from voting by reason of the Company's interest therein as provided in the Mortgage); provided that, without the consent of the holder hereof, no such modification or alteration, among other things, shall impair or affect the right of the holder to receive payment of the principal of and premium, if any, and interest on this Bond, on or after the respective due dates expressed herein, or permit the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of the benefit of a lien on the mortgaged and pledged property.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

The Mortgage provides that no holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Mortgage or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless (i) such holder shall have previously given to the Trustee written notice of a default, (ii) the holders of 25% in principal amount of the Bonds then outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted to it in the Mortgage or to institute such action, suit or proceeding in its own name, (iii) such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred and (iv) the Trustee shall have declined to take such action or shall have failed to do so within 60 days thereafter. Notwithstanding any other provision of the Mortgage, the right of any holder of any Bond to receive payment of the principal of and interest on such Bond, on or after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder. The Mortgage provides that the holders of not less than a majority in principal amount of the Bonds at the time outstanding may direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and the Mortgage and that, subject to certain provisions of the Mortgage, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall by responsible officers determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustifiably prejudicial to nonassenting bondholders or that it will not be sufficiently indemnified for any expenditures in any action or proceeding so directed.

This Bond has been issued and delivered to, registered in the name of and pledged with the Indenture Trustee in trust for the ratable benefit of the Holders (as defined in the Collateral Trust Indenture) from time to time of the Outstanding Securities and shall not be sold, assigned, pledged, mortgaged, transferred or otherwise disposed of except as required (a) to effect an assignment to a successor Indenture Trustee under the Collateral Trust Indenture, (b) to effect an exchange, in accordance with applicable law, in connection with any Federal or State bankruptcy, insolvency, reorganization or similar proceeding involving the Company, (c) to effect an exchange by the Company with the Indenture Trustee of any Mortgage Bonds (as defined in the Collateral Trust Indenture) upon payment or deemed payment or other

satisfaction and discharge of a portion of any Mortgage Bonds, (d) to effect a surrender or an exchange of any Mortgage Bonds pursuant to Section 406 of the Collateral Trust Indenture or (e) to obtain the final payment due on any Mortgage Bonds as required by the terms of the Mortgage. Any such transfer shall be made at the office or agency of the Company in the City of Houston, Texas, upon surrender and cancellation of this Bond. Following such transfer, and unless such transfer has been made in connection with the satisfaction and discharge of the Collateral Trust Indenture, a new fully registered Bond of the same series for a like principal amount, less the principal amount of this Bond that has been paid, deemed to have been paid or otherwise satisfied and discharged or surrendered for cancellation pursuant to Section 406 of the Collateral Trust Indenture, will be issued to such transferee in exchange heretofore as provided in the Mortgage. The Company hereby waives any right to make a charge for such an exchange or transfer of this Bond. Subject to Section 402 of the Collateral Trust Indenture, the Company and the Trustee may deem and treat the Indenture Trustee as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and premium, if any, and interest on the Bond of this series as the same shall become due and payable shall have been duly and punctually paid or deemed to have been paid or otherwise satisfied and discharged in full unless and until it shall have received notice in writing to the contrary from the Indenture Trustee, signed by a Responsible Officer (as defined in the Collateral Trust Indenture), specifying the amount of funds required to make such payment after giving effect to Section 403(a) of the Collateral Trust Indenture.

The Bond of this series shall not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage. Notwithstanding the preceding sentence, at the Maturity (as defined in the Collateral Trust Indenture) of any Securities, the Company shall redeem the portion of the Bond of this series that is designated as Designated Mortgage Bonds for such Securities in an aggregate principal amount equal to the aggregate principal amount of, plus the aggregate amount of any premium on, such Securities becoming due and payable, at such principal amount of the portion of the Bond of this series that is designated as Designated Mortgage Bonds for such Securities, plus accrued interest to the redemption date for the portion of the Bond of this series that is designated as Designated Mortgage Bonds for such Securities; provided, that the obligation of the Company to so redeem such portion of the Bond of this series shall be fully or partially, as the case may be, deemed satisfied and discharged as set forth in Section 404 of the Collateral Trust Indenture.

The Trustee may conclusively presume that no redemption of the Bond of this series is required pursuant to the immediately preceding paragraph unless and until it shall have received notice

in writing to the contrary from the Indenture Trustee, signed by a Responsible Officer, stating that the principal of such Security or an installment of principal of such Security is to become due and payable as therein or in the Collateral Trust Indenture provided and specifying such amount of principal to become due and payable and such date of Maturity (as defined in the Collateral Trust Indenture).

The Company hereby waives its right to have any notice of redemption for the Bond of this series pursuant to the immediately preceding paragraph state that such notice is subject to the receipt of the redemption moneys by the Trustee on or before the date fixed for redemption. Notwithstanding Section 54 of the Mortgage, any such notice will not be conditional.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors, as such, being released by the holder or owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Mortgage.

{END OF FORM OF BOND}

The Bond of the Sixty-Third Series shall be issued as a fully registered Bond; it shall bear interest at the rate per annum shown in its title, payable semi-annually on May 1 and November 1 of each year, commencing May 1, 1994, and at maturity; the principal of and premium, if any, and interest on said Bond to be payable at the office or agency of the Company in the City of Houston, Texas, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Interest on the Bond of the Sixty-Third Series shall be computed on the basis of a 360-day year of twelve 30-day months. The Bond of the Sixty-Third Series shall be dated as in Section 10 of the Mortgage provided.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and premium, if any, and interest on the Bond of the Sixty-Third Series as the same shall become due and payable shall have been duly and punctually paid or deemed to have been paid or otherwise satisfied and discharged in full unless and until it shall have received notice in writing to the contrary from the Indenture Trustee, signed by a Responsible Officer, specifying the amount of funds required to make such payment after giving effect to Section 403(a) of the Collateral Trust Indenture.

The Bond of the Sixty-Third Series shall not be redeemable at the option of the Company or otherwise pursuant to the requirements of the Mortgage. Notwithstanding the preceding sentence, at the Maturity of any Securities, the Company shall redeem the portion of the Bond of the Sixty-Third Series that is designated as Designated Mortgage Bonds for such Securities in an aggregate principal amount equal to the aggregate principal amount of, plus the aggregate amount of any premium on, such Securities becoming due and payable, at such principal amount of the portion of the Bond of the Sixty-Third Series that is designated as Designated Mortgage Bonds for such Securities, plus accrued interest to the redemption date for the portion of the Bond of the Sixty-Third Series that is designated as Designated Mortgage Bonds for such Securities; provided, that the obligation of the Company to so redeem such portion of the Bond of the Sixty-Third Series shall be fully or partially, as the case may be, deemed satisfied and discharged as set forth in Section 404 of the Indenture.

The Trustee may conclusively presume that no redemption of the Bond of the Sixty-Third Series is required pursuant to the immediately preceding paragraph unless and until it shall have received notice in writing to the contrary from the Indenture Trustee, signed by a Responsible Officer, stating that the principal of such Security or an installment of principal of such Security is to become due and payable as therein or in the Collateral Trust Indenture provided and specifying such amount of principal to become due and payable and such date of Maturity.

The Indenture Trustee, as holder of the Bond of the Sixty-Third Series, and pursuant to the terms of Section 402 of the Collateral Trust Indenture, hereby waives its right, pursuant to Section 54 of the Mortgage, to receive a notice by publication of redemption to be given by or on behalf of the Company or the deposit of moneys for redemption before the redemption date.

ARTICLE II.

Replacement Fund Provisions

SECTION 2. Section 3 of the First Supplemental Indenture, as heretofore amended, is hereby further amended by inserting "Sixty-Third Series," before the words "Sixty-Second Series" each time such words appear in said Section 3, as heretofore amended.

ARTICLE III.

Miscellaneous Provisions

SECTION 3. Subject to the amendments provided for in this Sixty-Third Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Sixty-Third Supplemental Indenture, have the meaning specified in the Mortgage, as heretofore supplemented.

So long as any Bonds of the Sixty-Third Series are outstanding, whenever a net earnings certificate is required by the Mortgage to be furnished to the Trustee as a condition precedent to the authentication and delivery of Bonds, no Bonds shall be authenticated and delivered by the Trustee unless such net earnings certificate shall show, in addition to the matters required by Sections 7 and 28 of the Mortgage, that after deducting from the net earnings of the Company as so calculated an amount equal to the Company's expenses and provisions for renewals, replacements, depreciation, depletion, retirement and amortization of property during the period for which such net earnings shall have been calculated, the remainder of the net earnings of the Company shall have been at least equivalent to twice the annual interest requirements as shown by such net earnings certificate.

SECTION 4. This Sixty-Third Supplemental Indenture and the Bond of the Sixty-Third Series shall be deemed to be a contract made under the laws of the State of Texas, and for all purposes shall be construed in accordance with the laws of said State.

All sums paid or agreed to be paid on the Bond of the Sixty-Third Series for the use, forbearance or detention of money shall be limited to an amount which shall not exceed the maximum nonusurious rate of interest allowed by the applicable laws of the State of Texas or any applicable law of the United States permitting a higher maximum nonusurious rate that preempts such applicable Texas laws, which could lawfully be contracted for, charged or received (the "Highest Lawful Rate"). If, as a result of any provision hereof or of the Bond of the Sixty-Third Series, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance, the person receiving such interest or anything that might be deemed interest under applicable law that would exceed the Highest Lawful Rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing on the Bond of the Sixty-Third Series, if any, remaining unpaid, and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of such Bond of the Sixty-Third Series, such excess shall be refunded to the Company. In addition, for purposes of determining whether payments in respect of the Bond of the Sixty-Third Series are usurious, all sums paid

or agreed to be paid with respect to such Bond for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Bond.

SECTION 5. The Trustee hereby accepts the trusts herein declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect to the validity or sufficiency of this Sixty-Third Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVI of the Mortgage shall apply to and form part of this Sixty-Third Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Sixty-Third Supplemental Indenture.

SECTION 6. Subject to the provisions of Articles XV and XVI of the Mortgage, whenever in this Sixty-Third Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Sixty-Third Supplemental Indenture by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the respective successors and assigns of such parties, whether so expressed or not.

SECTION 7. Nothing in this Sixty-Third Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the Bonds and Coupons outstanding under the Mortgage, any right, remedy or claim under or by reason of this Sixty-Third Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Sixty-Third Supplemental Indenture, by or on behalf of the Company, shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the Bonds and Coupons outstanding under the Mortgage.

SECTION 8. This Sixty-Third Supplemental Indenture may be simultaneously executed in several counterparts, and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, HOUSTON LIGHTING & POWER COMPANY and TEXAS COMMERCE BANK NATIONAL ASSOCIATION each has caused this Sixty-Third Supplemental Indenture to be signed in its corporate name and its corporate seal to be affixed and attested by its duly authorized officers as of the 1st day of December, 1993.

HOUSTON LIGHTING & POWER COMPANY

Attest:

By /s/ Ken Nabors
Vice President

/s/ Christian Schley
Assistant Secretary

{Corporate Seal}

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION,

As Trustee.

Attest:
/s/ Christi C. Todd
Christi Todd
Vice President
& Trust Officer

By /s/ Susan Sult
Susant Sult
Assistant Vice President
& Trust Officer

{Corporate Seal}

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STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on December 21, 1993 by K. W. Nabors of Houston Lighting & Power Company, a Texas corporation, on behalf of said corporation.

/s/ Joyce West
Notary Public for the State of Texas

My Commission Expires: 5/21/97

{Notarial Seal}

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on December 21, 1993 by Susan Sult, Assistant Vice President and Trust Officer of Texas Commerce Bank National Association, a national banking association organized under the laws of the United States, on behalf of said association.

/s/ Jane Simms
Notary Public for the State of Texas

My Commission Expires: 4/27/97

{Notarial Seal}

STATE OF TEXAS
COUNTY OF HARRIS

The undersigned, Christian Schley, Assistant Corporate Secretary of Houston Lighting & Power Company, a corporation of the State of Texas, being first duly sworn, deposes and says that Houston Lighting & Power Company, the corporation that executed the foregoing instrument, is a utility as defined in Section 35.01(2) of the Business and Commerce Code of the State of Texas, that is to say a corporation engaged in Texas in the generation, transmission or distribution and sale of electric power.

/s/ CHRISTIAN SCHLEY
Christian Schley

Subscribed and sworn to before me
this 20th day of December, 1993

{Notarial Seal}

/s/ LISA D. JONES
Notary Public for the State of Texas

My Commission Expires:

9/21/95