

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

FORM 8-K  
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): SEPTEMBER 30, 1997

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

TEXAS (State or other jurisdiction of incorporation)	1-3187 (Commission File Number)	74-0694415 (IRS Employer Identification No.)
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1111 LOUISIANA HOUSTON, TEXAS (Address of principal executive offices)	77002 (Zip Code)
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Registrant's telephone number, including area code: (713) 207-3000

## ITEM 5. OTHER ITEMS

On August 6, 1997, Houston Industries Incorporated ("Former HI") merged with and into Houston Lighting & Power Company ("HL&P"), which was renamed "Houston Industries Incorporated" (the "Company"), and NorAm Energy Corp., a natural gas gathering, transmission, marketing and distribution company ("Former NorAm"), merged with and into a subsidiary of the Company, HI Merger, Inc., which was renamed "NorAm Energy Corp." ("NorAm"). Effective upon the mergers (collectively, the "Merger"), each outstanding share of common stock of Former HI was converted into one share of common stock (including associated preference stock purchase rights) of the Company, and each outstanding share of common stock of Former NorAm was converted into the right to receive \$16.3051 cash or 0.74963 shares of common stock of the Company (including associated preference stock purchase rights). The aggregate consideration paid to Former NorAm stockholders in connection with the Merger consisted of \$1.4 billion in cash and 47.8 million shares of the Company's common stock valued at approximately \$1 billion. The overall transaction was valued at \$4.0 billion consisting of \$2.4 billion for Former NorAm's common stock and common stock equivalents and \$1.6 billion of Former NorAm debt (\$1.3 billion of which was long-term debt).

The following unaudited pro forma combined condensed financial statements give effect to the Merger. The unaudited pro forma combined condensed statements of income for the year ended December 31, 1996 and the nine months ended September 30, 1997 assume that the Merger occurred at the beginning of each of the periods presented. The acquisition of NorAm has been treated as a purchase for accounting purposes. The assets acquired and liabilities assumed have been recorded at their estimated fair values based on preliminary analysis.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical financial statements and related notes of the Company, Former HI, NorAm and Former NorAm. The unaudited pro forma combined condensed statements of income are not necessarily indicative of the financial results that would have occurred had the Merger been completed on the indicated dates, nor are they necessarily indicative of future financial results. Results for interim periods do not necessarily indicate results for the full year. The historical NorAm condensed statements of income for the year ended December 31, 1996, and the nine months ended September 30, 1997 (included in the unaudited pro forma combined condensed statements of income under the caption "Historical NorAm") reflect operations of Former NorAm through the acquisition date.

The pro forma adjustments are based on assumptions and estimates made by the Company's management and do not reflect adjustments for anticipated operating efficiencies and cost savings the Company expects to achieve as a result of the Merger.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1996  
(THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)

	HISTORICAL		PRO FORMA	
	HI	FORMER NORAM(i)	ADJUSTMENTS	COMBINED
Operating Revenues:				
Electric .....	\$4,025,027			\$ 4,025,027
Gas .....		\$ 4,788,462		4,788,462
Other .....	70,250			70,250
Total .....	4,095,277	4,788,462		8,883,739
Operating Expenses:				
Fuel and purchased power .....	1,347,208	3,667,954		5,015,162
Operation and maintenance .....	888,699	524,736	\$ (5,812)(h)	1,407,623
Depreciation and amortization .....	550,038	142,362	34,912 (d) 9,440 (c)	736,752
Taxes other than income taxes .....	246,288	116,600		362,888
Other .....	72,578	22,344		94,922
Total .....	3,104,811	4,473,996	38,540	7,617,347
Operating Income .....	990,466	314,466	(38,540)	1,266,392
Other Income (Expense):				
Litigation settlements .....	(95,000)			(95,000)
Time Warner dividend income .....	41,610			41,610
Other .....	(2,022)	(14,577)		(16,599)
Total .....	(55,412)	(14,577)		(69,989)
Interest and Other Charges .....	307,382	138,399	60,625 (b) (4,757)(e)	501,649
From Continuing Operations:				
Income before income taxes .....	627,672	161,490	(94,408)	694,754
Income taxes .....	200,165	66,352	(24,453)(g)	242,064
Income before preferred dividends .....	427,507	95,138	(69,955)	452,690
Preferred dividends .....	22,563	3,597		26,160
Income available for common stock .....	\$ 404,944	\$ 91,541	\$(69,955)	\$ 426,530
Weighted average common shares outstanding (000).....	244,443	131,648		292,283 (f)
Earnings per common share .....	\$ 1.66	\$ 0.70		\$ 1.46

See Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997  
(THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)

	HISTORICAL		PRO FORMA	
	HI	FORMER NORAM(i)	ADJUSTMENTS	COMBINED
<b>Operating Revenues:</b>				
Electric .....	\$ 3,285,005			\$ 3,285,005
Gas .....	737,206	\$ 3,337,048		4,074,254
Other .....	78,889			78,889
<b>Total .....</b>	<b>4,101,100</b>	<b>3,337,048</b>		<b>7,438,148</b>
<b>Operating Expenses:</b>				
Fuel and purchased power .....	1,640,296	2,700,400		4,340,696
Operation and maintenance .....	850,249	306,309	\$ (3,390)(h)	1,153,168
Depreciation and amortization .....	446,889	84,901	20,365 (d) 5,507 (c)	557,662
Taxes other than income taxes .....	207,008	73,142		280,150
Other .....	90,593	17,256		107,849
<b>Total .....</b>	<b>3,235,035</b>	<b>3,182,008</b>	<b>22,482</b>	<b>6,439,525</b>
<b>Operating Income .....</b>	<b>866,065</b>	<b>155,040</b>	<b>(22,482)</b>	<b>998,623</b>
<b>Other Income (Expense):</b>				
Time Warner dividend income .....	31,028			31,028
Other .....	13,631	7,210		20,841
<b>Total .....</b>	<b>44,659</b>	<b>7,210</b>		<b>51,869</b>
<b>Interest and Other Charges .....</b>	<b>288,430</b>	<b>84,977</b>	<b>35,365 (b) (5,117)(e)</b>	<b>403,655</b>
<b>From Continuing Operations:</b>				
Income before income taxes .....	622,294	77,273	(52,730)	646,837
Income taxes .....	197,249	31,398	(13,302)(g)	215,345
<b>Income before preferred dividends .....</b>	<b>425,045</b>	<b>45,875</b>	<b>(39,428)</b>	<b>431,492</b>
Preferred dividends .....	64			64
<b>Income available for common stock .....</b>	<b>\$ 424,981</b>	<b>\$ 45,875</b>	<b>\$ (39,428)</b>	<b>\$ 431,428</b>
<b>Weighted average common shares</b>				
outstanding (000).....	243,769			281,796 (f)
<b>Earnings per common share .....</b>	<b>\$ 1.74</b>			<b>\$ 1.53</b>

See Notes to Unaudited Combined Condensed Pro Forma Financial Statements.

## NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

	(Thousands)
	-----
(a) NorAm common stock exchanged:	
NorAm common shares outstanding at August 6, 1997 (the "Merger Date") .....	149,683
Less shares accepted for cash .....	85,865
	-----
NorAm shares exchanged for HI stock.....	63,818
Exchange rate.....	.74963
	-----
Shares of HI common stock exchanged.....	47,840
	=====
Value of HI common stock consideration .....	\$1,005,836
	=====
Cash consideration and acquisition debt .....	\$1,400,033
	=====
	(Thousands)
	-----
(b) Interest expense and fair value adjustments for long-term debt are as follows:	
Acquisition debt - see note (a) .....	\$1,400,033
Approximate annual interest rate on acquisition debt .....	6.01%(1)
	-----
Adjustment to 1996 interest expense for acquisition debt .....	\$ 84,142
	-----
Adjustment to interest expense for acquisition debt for the period from January 1, 1997 to the Merger Date .....	49,083
	-----
NorAm long-term debt assumed:	
Principal amount .....	\$1,249,844
Fair value .....	1,324,037
	-----
Revaluation adjustment of debt assumed to fair value .....	\$ 74,193
	=====
Adjustment to 1996 interest expense for revaluation of long-term debt assumed (using the effective interest rate method) .....	\$ (23,517)
	-----
Adjustment to interest expense for revaluation of long-term debt assumed for the period from January 1, 1997 to the Merger Date .....	\$ (13,718)
	-----
Total interest expense adjustment for 1996 .....	\$ 60,625
	=====
Total interest expense adjustment for the period from January 1, 1997 to the Merger Date .....	\$ 35,365
	=====

- (1) For purposes of the unaudited pro forma condensed statements of income, the annual interest rate on the acquisition debt was approximately 6.01%. A 1% change in the interest rate on the acquisition debt would change 1996 interest expense by \$14.0 million and interest expense for the period from January 1, 1997 to the Merger Date by \$8.2 million. The cash portion of the consideration was obtained by issuance of Commercial Paper under a revolving credit and letter of credit facility which had been negotiated with a syndicate of banks and financial institutions. The annual interest rate for direct borrowings under the facility is based upon either the London interbank offered rate ("LIBOR") plus .25% or the greater of the prime rate or the federal funds rate plus .5%, plus a .125% facility fee. LIBOR was 5.63% on the Merger Date.

- (c) Based on preliminary analyses, the following adjustment has been made to reflect the fair value of property, plant and equipment:

	(Thousands)
	-----
Revaluation of property, plant and equipment to fair value .....	\$283,196
	=====
Adjustment to 1996 depreciation expense (assumes 30 year average depreciable life).....	\$ 9,440
	=====
Adjustment to depreciation expense for the period from January 1, 1997 to the Merger Date .....	\$ 5,507
	=====

- (d) The excess of the total purchase price over the allocation of fair value to the net assets was recorded as goodwill. HI's calculation of goodwill is based on the following:

	(Thousands)
	-----
Value of HI Common Stock consideration - see note (a) .....	\$1,005,836
Acquisition debt - see note (a) .....	1,400,033
Transaction fees .....	26,043
Net asset value of NorAm at the Merger Date.....	(977,833)
	-----
Initial purchase price in excess of historical net asset value .....	\$1,454,079
Increase (decrease) from fair value allocations:	
Elimination of NorAm historical goodwill .....	458,663
Property, plant and equipment - see note (c) .....	(283,196)
Deferred income taxes .....	137,449
Unrecognized postretirement benefits liability - see note (h) .....	80,836
Debt assumed - see note (c) .....	74,193
Regulated asset related to pension and post-retirement assets/liabilities .....	(66,859)
Accrual of severance .....	51,000
Unrecognized pension liability - see note (h) .....	17,969
Other .....	39,834
	-----
Total goodwill .....	1,963,968
	=====
Increase in goodwill amortization expense (assumes 40 year life) .....	49,099
Less NorAm historical goodwill amortization .....	(14,187)
	=====
Adjustment to 1996 amortization expense .....	34,912
	=====
Adjustment to amortization expense for the period from January 1, 1997 to the Merger Date .....	20,365
	=====

- (e) Prior to the Merger Date, 81% of NorAm Convertible Preferred Securities was converted into shares of NorAm Common Stock. Because of the conversion, a portion of preferred dividends of subsidiary trust (\$4,757,000 and \$5,117,000) have been eliminated for 1996 and for the period from January 1, 1997 to the Merger Date, respectively.
- (f) Pro forma number of common shares outstanding represents the historical weighted average shares outstanding of HI Common Stock in addition to the actual number of shares of HI Common Stock issued in exchange for the NorAm Common Stock and stock equivalents at the Merger Date (see note (a)).
- (g) Represents the tax effect at the effective tax rate of all pre-tax pro forma adjustments after excluding nondeductible goodwill amortization.
- (h) Pension and postretirement benefits liabilities:

	(Thousands)
	-----
Unrecognized pension liability - see note (d) .....	17,969
Unrecognized postretirement benefits liability - see note (d) .....	80,836
	-----
	98,805
	=====
Adjustment to 1996 operation and maintenance expense (assumes 17-year amortization period) .....	(5,812)
	=====
Adjustment to operation and maintenance expense for the period from January 1, 1997 to the Merger Date .....	(3,390)
	=====

(i) The historical NorAm condensed statements of income reflect operations of Former NorAm through the Merger Date.

SIGNATURE

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

HOUSTON INDUSTRIES INCORPORATED

Date: November 20, 1997

By: /s/ MARY P. RICCIARDELLO

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Mary P. Ricciardello  
Vice President and Comptroller