

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-3187

A. Full title of the plan and address of the plan, if different from that of the  
issuer named below:

MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of  
its principal executive office:

HOUSTON INDUSTRIES INCORPORATED

1111 Louisiana Street  
Houston, Texas 77002

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Pursuant to Item 4 of Form 11-K, the financial statements and schedules referred to above have been prepared in accordance with regulations of the Employee Retirement Income Security Act of 1974.

## INDEPENDENT AUDITORS' REPORT

## MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN:

We have audited, by fund and in total, the accompanying financial statements of the Minnegasco Division Employee Retirement Savings Plan ("Plan") as of December 31, 1997 and for the year then ended, listed in the Table of Contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, by fund and in total, in all material respects, the net assets available for benefits of the Plan as of December 31, 1997, and the changes in net assets available for benefits for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules, listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of Plan's management. Such have been subjected to the auditing procedures applied in our audit of the basic 1997 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Houston, Texas

June 24, 1998

## REPORT OF INDEPENDENT ACCOUNTANTS

## MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN:

We have audited the accompanying statement of net assets available for benefits of the Minnegasco Division Employees' Retirement Savings Plan as of December 31, 1996, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Minnegasco Division Employees' Retirement Savings Plan as of December 31, 1996, and the changes in net assets available for benefits for the year then ended, in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The fund information in the statement of net assets available for benefits as of December 31, 1996 and the statement of changes in net assets available for benefits for the year then ended is presented for the purpose of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of each fund. The fund information has been subjected to the auditing procedures applied in the audit of the basic 1996 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COOPERS & LYBRAND L.L.P.

Minneapolis, Minnesota  
June 20, 1997

## MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 1997

	PARTICIPANT INVESTMENT FUNDS					
	HII COMMON STOCK FUND	IDS U.S. GOVERNMENT SECURITIES FUND	IDS SELECTIVE FUND, INC.	IDS MUTUAL FUND	IDS DIVERSIFIED EQUITY INCOME FUND	IDS EQUITY INDEX FUND I
ASSETS						
INVESTMENTS						
HII COMMON STOCK	\$ 23,039,385					
IDS U.S. GOVERNMENT SECURITIES FUND		\$ 8,149,090				
IDS SELECTIVE FUND			\$ 5,417,098			
IDS MUTUAL FUND				\$ 14,352,963		
IDS DIVERSIFIED EQUITY INCOME FUND					\$ 18,651,647	
IDS EQUITY INDEX FUND						\$ 14,651,014
IDS NEW DIMENSIONS FUND						
TEMPLETON FOREIGN FUND						
PARTICIPANT LOANS						
TOTAL	23,039,385	8,149,090	5,417,098	14,352,963	18,651,647	14,651,014
RECEIVABLES						
ACCRUED INCOME RECEIVABLE	302,685	38,256				
FUND TRANSFERS	(77,250)	2,214	(3,414)	20,400	20,200	
TOTAL	225,435	40,470	(3,414)	20,400	20,200	
NET ASSETS AVAILABLE FOR BENEFITS	\$ 23,264,820	\$ 8,189,560	\$ 5,413,684	\$ 14,373,363	\$ 18,671,847	\$ 14,651,014

	PARTICIPANT INVESTMENT FUNDS			
	IDS NEW DIMENSIONS FUND	TEMPLETON FOREIGN FUND	PARTICIPANT LOANS	TOTAL
ASSETS				
INVESTMENTS				
HII COMMON STOCK				\$ 23,039,385
IDS U.S. GOVERNMENT SECURITIES FUND				8,149,090
IDS SELECTIVE FUND				5,417,098
IDS MUTUAL FUND				14,352,963
IDS DIVERSIFIED EQUITY INCOME FUND				18,651,647
IDS EQUITY INDEX FUND				14,651,014
IDS NEW DIMENSIONS FUND	\$ 24,239,079			24,239,079
TEMPLETON FOREIGN FUND		\$ 4,253,357		4,253,357
PARTICIPANT LOANS			\$ 1,860,430	1,860,430
TOTAL	24,239,079	4,253,357	1,860,430	114,614,063
RECEIVABLES				
ACCRUED INCOME RECEIVABLE				340,941
FUND TRANSFERS	18,950	18,900		
TOTAL	18,950	18,900		340,941
NET ASSETS AVAILABLE FOR BENEFITS	\$ 24,258,029	\$ 4,272,257	\$ 1,860,430	\$ 114,955,004

See notes to financial statements.

## MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 1996

	PARTICIPANT INVESTMENT FUNDS					
	NorAm ENERGY CORP. POOLED COMMON STOCK FUND	IDS U.S. GOVERNMENT SECURITIES FUND	IDS SELECTIVE FUND, INC.	IDS MUTUAL FUND	IDS DIVERSIFIED EQUITY INCOME FUND	IDS EQUITY INDEX FUND I
ASSETS						
INVESTMENTS						
NorAm ENERGY CORP. COMMON STOCK	\$ 28,829,351					
IDS U.S. GOVERNMENT SECURITIES FUND		\$ 7,876,110				
IDS SELECTIVE FUND			\$ 4,653,187			
IDS MUTUAL FUND				\$ 11,421,006		
IDS DIVERSIFIED EQUITY INCOME FUND					\$ 13,643,397	
IDS EQUITY INDEX FUND						\$ 9,733,364
IDS NEW DIMENSIONS FUND						
TEMPLETON FOREIGN FUND						
CASH, NON-INTEREST BEARING	14,860	16,148	15,134	38,116	51,738	27,811
PARTICIPANT LOANS						
TOTAL	28,844,211	7,892,258	4,668,321	11,459,122	13,695,135	9,761,175
RECEIVABLES						
ACCRUED INCOME RECEIVABLE		34,152				
FUND TRANSFERS		152,326				
TOTAL		186,478				
NET ASSETS AVAILABLE FOR BENEFITS	\$ 28,844,211	\$ 8,078,736	\$ 4,668,321	\$ 11,459,122	\$ 13,695,135	\$ 9,761,175

	PARTICIPANT INVESTMENT FUNDS			
	IDS NEW DIMENSIONS FUND	TEMPLETON FOREIGN FUND	PARTICIPANT LOAN FUND	TOTAL
ASSETS				
INVESTMENTS				
NorAm ENERGY CORP. COMMON STOCK				\$ 28,829,351
IDS U.S. GOVERNMENT SECURITIES FUND				7,876,110
IDS SELECTIVE FUND				4,653,187
IDS MUTUAL FUND				11,421,006
IDS DIVERSIFIED EQUITY INCOME FUND				13,643,397
IDS EQUITY INDEX FUND				9,733,364
IDS NEW DIMENSIONS FUND	\$ 16,895,399			16,895,399
TEMPLETON FOREIGN FUND		\$ 2,608,013		2,608,013
CASH, NON-INTEREST BEARING	70,408	22,196		256,411
PARTICIPANT LOANS			\$ 1,757,546	1,757,546
TOTAL	16,965,807	2,630,209	1,757,546	97,673,784
RECEIVABLES				
ACCRUED INCOME RECEIVABLE				34,152
FUND TRANSFERS	(152,326)			
TOTAL	(152,326)			34,152
NET ASSETS AVAILABLE FOR BENEFITS	\$ 16,813,481	\$ 2,630,209	\$ 1,757,546	\$ 97,707,936

See notes to financial statements.

## MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 1997

	PARTICIPANT INVESTMENT FUNDS					
	HII COMMON STOCK FUND	IDS U.S. GOVERNMENT SECURITIES FUND	IDS SELECTIVE FUND, INC.	IDS MUTUAL FUND	IDS DIVERSIFIED EQUITY INCOME FUND	IDS EQUITY INDEX FUND I
INVESTMENT INCOME						
Interest		\$ 432,344				
Dividends						
Common Stock	\$ 1,119,457					
Mutual Funds			\$ 365,840	\$ 2,042,715	\$ 2,361,847	\$ 94
NET APPRECIATION/ (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	5,524,255	(27,047)	43,914	98,520	508,521	3,287,985
Total	6,643,712	405,297	409,754	2,141,235	2,870,368	3,288,079
CONTRIBUTIONS						
Participants	286,411	281,591	232,120	633,297	900,207	516,879
Employer	104,152	97,311	85,307	218,361	305,933	180,610
Total	390,563	378,902	317,427	851,658	1,206,140	697,489
FUND TRANSFERS	(9,210,730)	625,180	501,524	1,072,918	1,842,203	1,643,849
FORFEITURES APPLIED AGAINST ADMINISTRATIVE EXPENSES	(7,987)	28,887	(1,944)	(4,469)	(2,296)	(1,451)
BENEFIT PAYMENTS	(3,394,949)	(1,327,442)	(481,398)	(1,147,101)	(939,703)	(738,127)
CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS	(5,579,391)	110,824	745,363	2,914,241	4,976,712	4,889,839
NET ASSETS AVAILABLE FOR BENEFITS:						
BEGINNING OF YEAR	28,844,211	8,078,736	4,668,321	11,459,122	13,695,135	9,761,175
END OF YEAR	\$ 23,264,820	\$ 8,189,560	\$ 5,413,684	\$ 14,373,363	\$ 18,671,847	\$ 14,651,014

	PARTICIPANT INVESTMENT FUNDS			
	IDS NEW DIMENSIONS FUND	TEMPLETON FOREIGN FUND	PARTICIPANT LOANS	TOTAL
INVESTMENT INCOME				
Interest				\$ 432,344
Dividends			\$ 102,884	102,884
Common Stock				1,119,457
Mutual Funds	\$ 1,798,065	\$ 472,544		7,041,105
NET APPRECIATION/ (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	2,528,029	(279,795)		11,684,382
Total	4,326,094	192,749	102,884	20,380,172
CONTRIBUTIONS				
Participants	1,214,287	431,339		4,496,131
Employer	417,467	138,137		1,547,278
Total	1,631,754	569,476		6,043,409
FUND TRANSFERS	2,441,793	1,083,263		
FORFEITURES APPLIED AGAINST ADMINISTRATIVE EXPENSES	(8,711)	(2,029)		
BENEFIT PAYMENTS	(946,382)	(201,411)		(9,176,513)
CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS	7,444,548	1,642,048	102,884	17,247,068
NET ASSETS AVAILABLE				

FOR BENEFITS:  
BEGINNING OF YEAR

	16,813,481	2,630,209	1,757,546	97,707,936
	-----	-----	-----	-----
END OF YEAR	\$ 24,258,029	\$ 4,272,257	\$ 1,860,430	\$114,955,004
	=====	=====	=====	=====

See notes to financial statements.



## MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 1996

	PARTICIPANT INVESTMENT FUNDS					
	NorAm ENERGY CORP. POOLED COMMON STOCK FUND	IDS U.S GOVERNMENT SECURITIES FUND	IDS SELECTIVE FUND, INC.	IDS MUTUAL FUND	IDS DIVERSIFIED EQUITY INCOME FUND	IDS EQUITY INDEX FUND I
INVESTMENT INCOME						
Interest						
Net Increase in Collective Investment Funds		\$ 355,338				\$ 1,805,300
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	\$ 13,394,223		\$ 101,695	\$ 1,405,913	\$ 2,142,570	
Total	13,394,223	355,338	101,695	1,405,913	2,142,570	1,805,300
CONTRIBUTIONS						
Participants	213,542	229,913	252,282	640,580	812,023	438,568
Employer	70,800	86,351	89,840	221,715	279,359	152,272
Total	284,342	316,264	342,122	862,295	1,091,382	590,840
FUND TRANSFERS	(1,500,971)	1,314,430	(501,887)	(291,607)	37,120	85,695
FORFEITURES APPLIED AGAINST ADMINISTRATIVE EXPENSES	(1,456)	(12,276)	(1,340)	(2,175)	(2,875)	(5,647)
BENEFIT PAYMENTS	(2,619,117)	(1,079,719)	(409,282)	(845,285)	(665,144)	(966,311)
CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS	9,557,021	894,037	(468,692)	1,129,141	2,603,053	1,509,877
NET ASSETS AVAILABLE FOR BENEFITS						
BEGINNING OF YEAR	19,287,190	7,184,699	5,137,013	10,329,981	11,092,082	8,251,298
END OF YEAR	\$ 28,844,211	\$ 8,078,736	\$ 4,668,321	\$ 11,459,122	\$ 13,695,135	\$ 9,761,175

	PARTICIPANT INVESTMENT FUNDS				
	IDS NEW DIMENSIONS FUND	IDS INTERNATIONAL FUND	TEMPLETON FOREIGN FUND	PARTICIPANT LOANS	TOTAL
INVESTMENT INCOME					
Interest				\$ 148,534	\$ 148,534
Net Increase in Collective Investment Funds					2,160,638
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	\$ 3,187,018	\$ 7,947	\$ 317,919		20,557,285
Total	3,187,018	7,947	317,919	148,534	22,866,457
CONTRIBUTIONS					
Participants	1,088,757		380,227		4,055,892
Employer	373,615		117,504		1,391,456
Total	1,462,372		497,731		5,447,348
FUND TRANSFERS	439,789	(1,543,418)	1,960,849		
FORFEITURES APPLIED AGAINST ADMINISTRATIVE EXPENSES	(7,071)		(1,285)		(34,125)
BENEFIT PAYMENTS	(754,180)		(145,005)	4,783	(7,479,260)
CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS	4,327,928	(1,535,471)	2,630,209	153,317	20,800,420

NET ASSETS AVAILABLE FOR BENEFITS	-----	-----	-----	-----	-----
BEGINNING OF YEAR	12,485,553	1,535,471		1,604,229	76,907,516
END OF YEAR	<u>\$ 16,813,481</u>	<u>\$ 0</u>	<u>\$ 2,630,209</u>	<u>\$ 1,757,546</u>	<u>\$ 97,707,936</u>

See notes to financial statements.

## MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

## 1. ACCOUNTING POLICIES

In accordance with the provisions of the Minnegasco Division Employees' Retirement Savings Plan ("Plan"), of the Minnegasco Division (the "Company" or "Minnegasco") of NorAm Energy Corp. ("NorAm") (see Note 5), the financial records of the Plan are generally kept and the valuations of accounts of participating employees ("Participants") are determined on the accrual basis. Interest income is recorded as earned on the accrual basis.

The Plan recognizes net appreciation or depreciation in the fair value of its investments. Investments are reflected at fair value in the financial statements. Fair value for securities listed on a national exchange is principally determined using the closing price on the New York Stock Exchange. Fair value for mutual funds is determined using net asset value. Investments in common stock are stated at quoted market prices of the stock on the last day of business of the year. Purchases and sales of investments are recorded on their trade date.

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts as well as certain disclosures. The Plan's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

Benefit payments are recorded when paid.

## 2. SUMMARY OF THE PLAN

## GENERAL

The Plan is a defined contribution plan formed by the combination of two previously separate benefit programs. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is an eligible individual account plan as defined by ERISA Section 407((d)(3)) which is authorized to acquire and hold qualifying employee securities (as defined by ERISA Section 407((d)(3)) with a value in excess of ten percent of the fair market value of the assets of the Plan.

The Retirement Savings Plan was added to the Plan in 1983 to provide employees a pre-tax savings option. As of January 1, 1990, the Stock Purchase Plan is no longer available to employees as the collective bargaining groups who previously participated in the Stock Purchase Plan have elected to participate in the Retirement Savings Plan. Contributions are no longer made to the Stock Purchase Plan.

The Benefits Committee ("Committee") appointed by the Board of Directors of Houston Industries Incorporated ("HII"), is responsible for directing American Express Bank & Trust ("Trustee"), in the day to day administration of the Plan. All administrative expenses not paid by Minnegasco are borne by the Plan.

## INVESTMENT PROGRAMS

Retirement Savings Plan participants direct the investment of contributions allocated to their accounts to one or more of the following investment funds held by the Trustee:

HII COMMON STOCK FUND: Invested primarily in shares of common stock of HII (formerly NorAm Energy Corp. Pooled Common Stock Fund). See note 5 regarding the merger of HII and NorAm.

IDS U.S. GOVERNMENT SECURITIES FUND: Invests in short-term bond or debt instruments guaranteed as to principal and interest by the U.S. Government or its agencies or instrumentalities.

IDS SELECTIVE FUND INC.: Invests in a portfolio of primarily high-quality corporate bonds, government securities and money market securities.

IDS MUTUAL FUND: Invests in a portfolio of common stocks, which offer capital appreciation, and in senior securities, such as bonds and preferred stocks, that offer fixed interest and dividend payments.

IDS DIVERSIFIED EQUITY INCOME FUND: Invests in a portfolio of medium to large, well-established companies that offer long-term capital growth potential as well as reasonable income from dividends and interest.

IDS EQUITY INDEX FUND I: Invests primarily in medium-to-large, well-established companies offering both long-term capital appreciation and income potential.

IDS NEW DIMENSIONS FUND: Invests in a portfolio of primarily common stocks of U.S. and foreign companies in which powerful economic and technical changes may take place. Such companies may also have demonstrated excellent technology, marketing or management expertise.

Templeton Foreign Fund: Invests primarily in common stocks of companies outside the U.S., as well as preferred stocks and certain debt securities.

As of December 31, 1997 and 1996, the number of participants in each fund was as follows:

	1997 ----	1996 ----
HII Common Stock Fund (NorAm Energy Corp. for 1996)	1,218	1,207
IDS U.S. Government Securities Fund	867	889
IDS Selective Fund, Inc.	854	894
IDS Mutual Fund	1,059	1,023
IDS Diversified Equity Income Fund	1,195	1,110
IDS Equity Index Fund I	1,035	933
IDS New Dimensions Fund	1,278	1,173
Templeton Foreign Fund	679	575

PARTICIPANT ACCOUNTS

Each Participant's account is credited with the Participant's and Minnegasco's contributions, and an allocation of the Plan's earnings. Earnings allocations are based on Participant account balances as defined by the Plan.

The allocation of the Participant's contributions to the investment funds is selected by the Participant and may be changed at any time. Allocation between funds is at the discretion of the Participant. Contributions for each calendar month shall be deemed to have been deposited as of the last day of such month for purposes of allocating investment earnings.

PARTICIPATION

Eligible employees may contribute up to 12% of their earnings to the Retirement Savings Plan as pre-tax savings contributions. Company's matching contributions are equal to 50% of the first 6% of employee pre-tax contributions. Participants of the Retirement Savings Plan can also designate that their portion of the Company contribution to the DEI Flexible Benefits Plan be contributed to the Retirement Savings Plan. The Company does not match these additional contributions. However, by Resolution of the Board of Directors of HII, HII has the discretion to determine the matching contribution from year to year and may specify a zero percentage.

The Retirement Savings Plan is available to all full-time employees with at least 30 days of service, part-time employees scheduled to work more than 1,000 hours per year with at least 30 days of experience, and other part time employees with one year of service. The Plan is not available to employees covered by a collective bargaining agreement unless the bargaining agreement expressly provides that such employee will be eligible to participate. In addition the Plan is not available to non-resident aliens, interns, temporary employees, seasonal employees, and leased employees.

DISTRIBUTIONS AND FORFEITURES

A terminated Participant or the beneficiary of a deceased Participant is entitled to a distribution of the value of the Participant's entire account in case of death, disability, or retirement at or after the later of (i) the Participant's attainment of age 65 or (ii) the fifth anniversary of the Participant's commencement of participation in the Plan. In case of termination of service for other reasons, a Participant is entitled to a distribution of the entire value of his contribution account plus the vested portion of his Employer Contribution account. Vesting is determined by vesting service years in accordance with the following schedule:

Vesting Service Years -----	Vested Percentage -----
Less than three .....	0%
Three but less than four .....	50%
Four but less than five .....	75%
Five or more .....	100%

Any portion of the value of the Company's contributions not vested will be forfeited. The amount forfeited by a Participant is applied to reduce the respective Company's subsequent contribution to the Plan.

A terminated Participant may elect a lump sum distribution or installment payments of the vested amount accumulated in each participant's account. Immediate lump sum distributions are made for accounts which do not exceed \$3,500.

## PARTICIPANT LOANS

A Participant may borrow up to 50% of their vested account balance, up to a maximum of \$50,000, reduced by the excess, if any, of the highest outstanding loan balance during the previous 12 months of loans issued to the Participant from all plans maintained by Minnegasco or an affiliated entity during the one-year period ending on the day before the date on which such loan is made over the outstanding balance of loan from the Plan on the date on which such loan is made (\$1,000 minimum). A Participant may have only one loan outstanding at any one time. Interest rates are fixed for the term of the loan at the time of loan origination and ranged from 9.25% to 9.5% on loans originated during 1997 and ranged from 8.25% to 10% for loans outstanding as of December 31, 1997. Principal and interest payments are paid ratably through monthly payroll deductions over a term not to exceed sixty months. Participants' account balances are used as collateral for the loans.

## TERMINATION OF THE PLAN

Although it has not expressed any intent to do so, HII has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, Participants will become 100% vested in their accounts and the Plan assets will be distributed by the trustee only after the occurrence of death, disability, retirement or other termination of employment or pursuant to the Plan's withdrawal provisions.

## 3. FEDERAL INCOME TAXES

No provision for federal income taxes has been made in the financial statements of the Plan. The Internal Revenue Service determined and informed Minnegasco, by letter dated October 10, 1995 that the Plan, as amended, qualifies under Section 401(a) and 401(k) of the Internal Revenue Code ("Code") and is exempt from federal taxes under the provisions of Section 501 (a). Although the Plan was amended, the Committee and the Minnegasco's counsel believe that the Plan was designed and operated in compliance with the requirements of the Code. As a result, the Participant's Pre-tax Contributions, up to a specified maximum amount each calendar year, and the Employer Contributions to the Trust on behalf of a Participant are not currently taxable to a Participant when made, and income from any source accruing to a Participant's account is not taxable when realized by the Trust. The After-tax Contributions made by a Participant will not be deductible by the Participant. However, Participant withdrawals of After-tax Contributions made to the Plan prior to May 3, 1994, are excludable from the Participant's gross income for federal income tax purposes. The continued status of the Trust as a tax-exempt trust and the Plan as a qualified plan are contingent upon the continuing operation of the Trust and the Plan in accordance with applicable provisions of the Code.

## 4. RELATED PARTY TRANSACTIONS

The Trustee is authorized under contract provisions and by ERISA regulations providing administrative and statutory exemptions, to invest in funds under its control and in securities of HII. During 1997 and 1996, the Trustee purchased and sold units of HII and NorAm Common Stock and IDS Trust Funds as temporary investments, which are shown below (in thousands):

	1997 -----		1996 -----
Purchases (HII)	\$ 3,524,761	Purchases (NorAm)	\$ 2,444,166
(Trustee)	33,691,803	(Trustee)	14,825,298
Sales (HII)	\$ 32,300,714	Sales (NorAm)	\$ 4,844,911
(Trustee)	17,711,722	(Trustee)	11,255,745

## 5. MERGER WITH HOUSTON INDUSTRIES INCORPORATED

On August 6, 1997, Minnegasco's parent NorAm merged with and into a subsidiary of HII and became a wholly owned subsidiary of HII. Consideration for the purchase of NorAm's Common Stock was a combination of cash and HII Common Stock. As a result of the merger, the Plan Participants received cash and HII Common Stock as merger consideration in exchange for their NorAm common stock. The cash portion of merger consideration received was automatically invested based upon Participant investment elections. The Merger Agreement stipulates that HII, for a period of one year subsequent to the consummation of the Merger will continue or cause to be continued, without adverse change to any employee or former employee, all NorAm benefit plans.

## Item 27a-Schedule of Assets Held for Investment Purposes

MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN  
 SUPPLEMENTAL SCHEDULE OF INVESTMENTS  
 ASSETS HELD FOR INVESTMENT PURPOSES  
 DECEMBER 31, 1997

DESCRIPTION OF ASSET	SHARES	COST	CURRENT VALUE
*Houston Industries Incorporated Common Stock	1,002,937	\$ 8,928,820	\$ 23,039,385
*IDS U.S. Government Securities Fund	8,149,090	8,149,090	8,149,090
*IDS Selective Fund, Inc.	590,098	5,338,855	5,417,098
*IDS Mutual Fund	1,047,351	13,513,276	14,352,963
*IDS Diversified Equity Income Fund	1,985,484	16,717,554	18,651,647
*IDS Equity Index Fund I	537,612	9,028,602	14,651,014
*IDS New Dimensions Fund	1,015,803	18,589,583	24,239,079
Templeton Foreign Fund	427,473	4,450,785	4,253,357
		-----	-----
TOTAL		\$ 84,716,565	\$ 112,753,633
		=====	=====
Participant Loans, 8.25% to 10%		\$ 1,860,430	\$ 1,860,430
		=====	=====

\*Party-in-interest



MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN  
 SUPPLEMENTAL SCHEDULE OF INVESTMENTS  
 LINE 27(d)--SCHEDULE OF 5% REPORTABLE TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 1997

DESCRIPTION	PURCHASE PRICE	SELLING PRICE	EXPENSE INCURRED	COST OF ASSET	CURRENT VALUE ON TRANSACTION DATE	NET GAIN OR (LOSS)
-----						
SINGLE TRANSACTIONS						
*HII Common Stock Fund 1 Sale (303,083 Shares)		\$ 5,351,846		\$ 2,431,635		\$2,920,211
SERIES OF TRANSACTIONS--SAME BROKER						
*HII Common Stock Fund 59 Purchases (72,457 Shares) 135 Sales (767,105 Shares)	\$ 1,347,548	13,466,379		6,139,665	\$ 1,347,548	7,326,714
SERIES OF TRANSACTIONS--SAME SECURITY						
*HII Common Stock Fund 64 Purchases (118,141 Shares) 138 Sales (768,040 Shares)	2,177,213	13,482,489		6,147,206	2,177,213	7,335,283
*IDS Mutual Fund 110 Purchases (346,757 Shares) 105 Sales (146,464 Shares)	4,938,832	2,081,266		1,825,524	4,938,832	255,742
*IDS Diversified Equity Income Fund 194 Purchases (624,797 Shares) 96 Sales (158,625 Shares)	6,036,843	1,536,907		1,277,218	6,036,843	259,689
*IDS New Dimensions Fund 127 Purchases (359,038 Shares) 107 Sales (159,110 Shares)	8,562,214	3,747,587		2,638,062	8,562,214	1,109,525
Templeton Foreign Fund 123 Purchases (308,456 Shares) 76 Sales (132,732 Shares)	3,384,611	1,479,906		1,362,435	3,384,611	117,471
*IDS U.S. Government Securities Fund 203 Purchases (6,622,128 Shares) 136 Sales (6,349,151 Shares)	6,622,128	6,349,151		6,349,151	6,622,128	0
*IDS Equity Index Fund I 120 Purchases (167,382 Shares) 84 Sales (104,426 Shares)	4,147,175	2,516,905		1,575,720	4,147,175	941,185
*Party-in-interest						

SIGNATURE

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

MINNEGASCO DIVISION EMPLOYEES' RETIREMENT SAVINGS PLAN

By /s/ LEE W. HOGAN

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(Lee W. Hogan, Chairman of the  
Benefits Committee of  
Houston Industries Incorporated,  
Plan Administrator)

June 24, 1998

## EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
23.1	Independent Auditors' Consent Deloitte & Touche LLP
23.2	Consent of Independent Accountants Coopers & Lybrand L.L.P.

## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-11329 of NorAm Energy Corp. and Subsidiaries on Form S-8 of our report dated June 24, 1998, appearing in the Annual Report on Form 11-K of the Minnegasco Division Employees' Retirement Savings Plan for the year end December 31, 1997.

DELOITTE & TOUCHE LLP

Houston, Texas  
June 29, 1998

## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of NorAm Energy Corp. and HII on Form S-3 (File Nos. 33-64001, 33-41493, 33-52853, and 33-55071) and Form S-8 (File Nos. 2-61923, 33-10806, 33-20594, 33-38063, 33-38064, 33-54241, 33-54247, and 33-54253) of our report dated June 20, 1997, on our audit of the Minnegasco Division Employees' Retirement Savings Plan as of December 31, 1996, and for the year then ended, which report is included in this Annual Report on Form 11-K.

COOPERS & LYBRAND L.L.P.

Houston, Texas  
June 29, 1998