

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **DECEMBER 31, 2006**

OR

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

For the transition period from _____ to _____

Commission File Number: **1-31383**

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

61-1414604

(I.R.S. Employer
Identification No.)

1100 Louisiana, Suite 3300

Houston, Texas 77002

(Address of principal executive offices and zip code)

(713) 821-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Shares representing limited liability company interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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 No

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 the 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2006, the aggregate market value of the Registrant's Listed Shares held by non-affiliates of the Registrant was \$418,561,368. based on the last reported sale price of such Listed Shares on the New York Stock Exchange on that date.

As of February 22, 2007, the Registrant has 12,902,675 Listed Shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Annual Report on Form 10-K of Enbridge Energy Partners, L.P. for the year ended December 31, 2006

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This Annual Report on Form 10-K contains forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “position,” “projection,” “strategy,” “could,” “should” or “will” or the negative of those terms or other variations of them or comparable terminology. In particular, statements, expressed or implied, concerning future actions, conditions or events or future operating results or the ability to generate revenue, income or cash flow are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond the ability of Enbridge Energy Management, L.L.C. to control or predict. For additional discussion of risks, uncertainties and assumptions, see “Item 1A. Risk Factors” included elsewhere in this Form 10-K.

PART I

Item 1. Business

OVERVIEW

In this report, unless the context requires otherwise, references to “we,” “us,” “our,” the “Company,” or “Enbridge Management” are intended to mean Enbridge Energy Management, L.L.C. and its consolidated subsidiary. Our shares, representing limited liability company interests, which we refer to as our Listed Shares, are traded on the New York Stock Exchange, or NYSE, under the symbol “EEQ.” References to our “shares” in this Annual Report mean, collectively, our Listed Shares and our voting shares.

We are a publicly-traded Delaware limited liability company that was formed on May 14, 2002. We are a limited partner in Enbridge Energy Partners, L.P. (the “Partnership”), through our ownership of i-units, a special class of the Partnership’s limited partner interests. The Partnership’s Class A common units are traded on the NYSE under the symbol “EEP.” Under a delegation of control agreement among us, the Partnership and its general partner, Enbridge Energy Company, Inc. (the “General Partner”), we manage the Partnership’s business and affairs. The General Partner is an indirect, wholly-owned subsidiary of Enbridge Inc., an energy company located in Calgary, Canada that we refer to herein as Enbridge.

As of December 31, 2006 and 2005, we owned an approximate 16.0 percent and 17.5 percent limited partnership interest of the Partnership, respectively. At December 31, 2006, the General Partner owned 1.41 (100 percent) voting shares, as well as 2,182,770 (17.2 percent) Listed Shares, while the remaining 10,491,377 (82.8 percent) Listed Shares are held by the public. Our performance depends on the operations and management of the Partnership. Accordingly, we incorporate by reference the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2006 (the “Partnership’s 10-K”).

On October 17, 2002, we became a limited partner in the Partnership and, pursuant to a delegation of control agreement, assumed the management of the Partnership’s business and affairs. The delegation of control agreement provides that we will not amend or propose to amend the Partnership’s partnership agreement, allow a merger or consolidation involving the Partnership, allow a sale or exchange of all or substantially all of the assets of the Partnership or dissolve or liquidate the Partnership without the approval of the General Partner.

The General Partner remains responsible to the Partnership for actions taken or omitted by us while serving as the delegate of the General Partner as if the General Partner had taken or omitted to take such actions. The General Partner owns all of our voting shares. The General Partner has agreed not to voluntarily withdraw as general partner of the Partnership and has agreed not to transfer its interest as general partner of the Partnership unless the transferee agrees in writing to be bound by the terms and conditions of the delegation of control agreement that apply to the General Partner.

Under its partnership agreement, except for the available cash that the Partnership is required to retain in respect of the i-units, the Partnership distributes all of its available cash to its general partner and holders of its common units on a quarterly basis. The amount of cash distributed by the Partnership depends on the operations of the Partnership and its subsidiaries and is determined by our board of directors in accordance with the Partnership’s partnership agreement. We do not, however, receive distributions of cash in respect of the i-units we own and do not otherwise have any cash flow attributable to our ownership of the i-units. Instead, when the Partnership makes distributions of cash to its general partner and holders of its common units, the number of i-units we own increases automatically under the Partnership’s partnership agreement and the amount of available cash that is attributable to the i-units is retained by the Partnership. The amount of this increase is calculated by dividing the amount of the cash distribution paid by the Partnership on each of its common units by the average closing price of one of our

Listed Shares on the NYSE as determined for a 10-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares. Concurrently, with the increase in the number of i-units we own, we make distributions on our shares in the form of additional shares, with the result that the number of shares that are then outstanding equal the number of i-units that we own.

We have elected to be treated as a corporation for federal income tax purposes. Therefore, an owner of our shares does not report on its federal income tax return any of our items of income, gain, loss and deduction relating to an investment in us. We are subject to federal income tax on our taxable income; however, the i-units owned by us generally are not entitled to allocations of income, gain, loss or deduction of the Partnership unless there is a liquidation of the Partnership. Therefore, we do not anticipate that we will have material amounts of taxable income resulting from our ownership of the i-units unless we enter into a sale or exchange of the i-units, or the Partnership is liquidated.

The Partnership recognizes the delegation of rights and powers to us, and indemnifies and protects us, our officers and our directors to the same extent as it does with respect to the General Partner under the Partnership's partnership agreement. In addition, the Partnership reimburses us for expenses to the same extent as it does with respect to the General Partner under the Partnership's partnership agreement and reimburses us for any Texas franchise taxes and any other foreign, state and local taxes not otherwise paid or reimbursed pursuant to a tax indemnification agreement between Enbridge and us.

The delegation of control agreement with the General Partner continues until:

- either the General Partner has withdrawn (whether voluntarily or involuntarily) or has been removed as the general partner of the Partnership;
- all of our shares are owned by the General Partner of the Partnership or its affiliates, and termination of the delegation of control agreement has been approved by us and the General Partner of the Partnership; or
- termination of the delegation of control agreement has been approved by us, the General Partner, the record holders of a majority of the outstanding Listed Shares (other than the General Partner, the record holder of the voting shares or their respective affiliates) and the record holders of the majority of the voting shares.

The General Partner is the only general partner of the Partnership. The General Partner retains its general partner interest and shares in the profits, losses and distributions from the Partnership.

If the General Partner's power and authority as general partner are modified in the partnership agreement of the Partnership, then the power and authority delegated to us will be modified on the same basis. The delegation of control agreement can be amended by all parties to the agreement except for any amendment that, in the sole discretion of our board of directors, would reduce the time for any notice to which owners of our shares are entitled or would materially adversely affect the rights or preferences of the holders of our shares.

EMPLOYEES

We have entered into agreements with the General Partner and several of its affiliates to provide us with the necessary services and support personnel, who act on our behalf as our agents.

AVAILABLE INFORMATION

We file annual, quarterly and other reports and other information with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"). You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100F Street, NE, Washington, DC 20549. You may obtain additional information about the Public Reference Room by

calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including us.

We also make available free of charge on or through our Internet website at <http://www.enbridgemanagement.com>, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information statements, and if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not part of this report.

Item 1A. Risk Factors

As discussed above, our results of operations, financial position and cash flows depend upon the results of operations, financial position and cash flows of the Partnership. Consequently, risks and uncertainties affecting the Partnership will directly affect our results of operations, financial position and cash flows and could cause actual results to differ from the forward-looking statements herein. For a discussion of the risk factors that could affect the Partnership's actual results and cause such results to differ from forward-looking statements contained herein and in the Partnership's Annual Report, please read "Risk Factors" contained in Part I, Item 1A of the Partnership's 10-K, which discussion is incorporated herein by reference.

RISKS RELATED TO OUR BUSINESS

Because our only assets are the Partnership's i-units that we own, our financial condition and results of operations depend solely upon the performance of the Partnership.

We are a limited partner of the Partnership and our only assets are the Partnership's i-units that we own. As a result, our financial condition and results of operations are entirely dependent upon the Partnership's financial condition and results of operations. You should read the risk factors contained in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2006 and any subsequent annual and quarterly reports filed by the Partnership with the SEC for information regarding the risks and uncertainties that could affect the Partnership's financial condition and results of operations and, therefore, the value of your shares.

The distributions of additional shares that we make to our shareholders depend upon the amount of cash that the Partnership distributes to its Class A and B common unitholders.

When the Partnership makes a cash distribution on its Class A and B common units, we distribute on each of our shares that fraction of a share determined by dividing the amount of the cash distribution paid by the Partnership on each common unit by the average market price of one of our shares. Therefore, if the Partnership decreases the cash distributions that it pays to its common unitholders, the value of the distributions of additional shares that we make to our shareholders will decrease as well.

Our board of directors may establish cash reserves at the Partnership that it believes are necessary to fund the Partnership's future operating and capital expenditures, provide for the proper conduct of its business, comply with applicable laws or agreements to which the Partnership is a party, or provide funds for future distributions to partners. These cash reserves affect the amount of cash available for distribution by the Partnership to its common unitholders and, consequently, the value of the distributions of additional shares that we make to our shareholders.

In addition, the fraction of a share to be issued in each quarterly distribution on our outstanding shares is based on the average closing price of our shares for the ten consecutive trading days preceding

the ex-dividend date for our shares. Because the market price of our shares may vary substantially over time, the value of the additional shares that we distribute to our shareholders may vary substantially from the cash that you would have received had you owned common units of the Partnership instead of our shares.

The Partnership may issue additional common or other classes of units, and we may issue additional shares, which would dilute your ownership interest.

The issuance of additional common or other classes of units by the Partnership or shares by us, other than our quarterly distributions to you, may have the following effects:

- the amount available for distributions on each share may decrease;
- the relative voting power of each previously outstanding share may decrease; and
- the market price of the Listed Shares may decline.

Additionally, the public sale by the General Partner of a significant portion of the 3,912,750 Class B common units that it currently owns could reduce the market price of the Class A common units and, indirectly, our shares. The Partnership's partnership agreement allows the General Partner to cause the Partnership to register for public sale any units held by the General Partner or its affiliates. A public sale of the Class B common units currently held by the General Partner could absorb some of the trading market demand for the outstanding Class A common units, which indirectly could reduce the market price of our shares. In addition, the General Partner may sell its Class B common units in private transactions at any time, which could have a similar effect on the market for the outstanding Class A common units and, indirectly, the shares.

In August 2006, the Partnership issued approximately 10.8 million Class C units, representing a new class of limited partner interest, 50 percent to our general partner and 50 percent to an institutional investor. After August 2009, the holders of the Class C units may request that the Class C units be converted into Class A common units which could absorb some of the trading demand for the outstanding Class A common units, which indirectly could reduce the market price of our shares. Should a majority of the Partnership's unitholders not approve the conversion of the Class C units, the holders (including holders of the Class A common units, Class B common units, Class C units and i-units) of these units would be entitled to receive cash distributions equal to 115 percent of the amount paid to holders of the Partnership's common and i-units which could indirectly reduce the market price of our shares. Additionally, the holders of the Class C units may sell them in private transactions at any time, which could have a similar effect on the market for outstanding Class A common units, and indirectly, the shares.

If we are not fully reimbursed or indemnified for obligations and liabilities we incur in managing the business and affairs of the Partnership, we may be unable to pay those liabilities and the value of our shares could decline.

Under the delegation of control agreement, we have been delegated management of the Partnership and its operating subsidiaries. To the extent we incur liabilities or other obligations in connection with our performance under the delegation of control agreement, we are entitled to be reimbursed or indemnified by the Partnership to the same extent as the General Partner under the Partnership's partnership agreement. In the event the Partnership and the General Partner are either unwilling or unable to reimburse or indemnify us, we likely will be unable to satisfy these liabilities or obligations. Additionally, our right to reimbursement or indemnification is limited under certain circumstances, including if we act in bad faith or if we violate laws, like the U.S. federal securities laws, where indemnification may be against public policy.

If in the future we cease to manage the business and affairs of the Partnership, we may be deemed to be an investment company under the Investment Company Act of 1940.

If we cease to manage the Partnership's business and are deemed to be an investment company under the Investment Company Act of 1940, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC, or modify our organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with our affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add directors who are independent of us or our affiliates.

TAX RISKS TO OUR SHAREHOLDERS

If the Partnership were treated as a corporation for U.S. federal income tax purposes, the value of our shares would be substantially reduced, and the owner of our voting shares would have the right to merge us into the Partnership.

The anticipated benefit of an investment in our shares depends largely on the continued treatment of the Partnership as a partnership for U.S. federal income tax purposes. Current law requires the Partnership to derive at least 90% of its annual gross income from specific activities to continue to be treated as a partnership for U.S. federal income tax purposes. The Partnership may not find it possible, regardless of its efforts, to meet this income requirement or may inadvertently fail to meet this income requirement. Current law could change so as to cause the Partnership to be treated as a corporation for U.S. federal income tax purposes without regard to its sources of income or otherwise subject the Partnership to entity-level taxation.

If the Partnership were to be treated as a corporation for U.S. federal income tax purposes, it would pay U.S. federal income tax on its income at the corporate tax rate, which currently is a maximum of 35%, and would pay state income taxes at varying rates. Because a tax would be imposed upon the Partnership as a corporation, the cash available for distribution to its common unitholders could be substantially reduced, which could reduce the value of the i-units we own and the value of your shares. In addition, the automatic increase in the number of i-units that we will own after each quarterly distribution of cash to holders of common units generally would be taxed as a corporate distribution to us.

Under the provisions of our limited liability company agreement and the Partnership's partnership agreement, if the Partnership were to be treated as a corporation for U.S. federal income tax purposes, the owner of our voting shares has the right to cause us to merge with or into the Partnership or one of its subsidiaries. As a condition to such merger, we must obtain either an opinion of counsel that such merger should be currently non-taxable to holders of our shares or a ruling from the IRS that such merger will be currently non-taxable to holders of our shares, except as to the consideration received for fractional shares or as to the termination of any rights or obligations related to the purchase provisions. In such event, you would receive common units or other securities substantially similar to the common units in exchange for your shares.

RISKS ARISING FROM OUR ORGANIZATIONAL STRUCTURE AND RELATIONSHIPS WITH ENBRIDGE, THE GENERAL PARTNER AND THE PARTNERSHIP

Shares are subject to purchase provisions that could result in your having to sell your shares at a time or price that may be unfavorable to you.

If Enbridge exercises any of its rights to purchase our shares, you will be required to sell your shares at a time or price that may be undesirable, and you could receive less than you paid for your shares. Any sale of our shares to Enbridge or otherwise for cash will be a taxable transaction to the owner of the shares

sold. Accordingly, a gain or loss will be recognized on the sale equal to the difference between the cash received and the owner's tax basis in the shares sold.

The shares you own are not entitled to vote to elect our directors, and, therefore, you will have little or no opportunity to influence or change our management.

You have little or no opportunity to influence or change our management, because Enbridge indirectly owns all of our voting shares and elects all of our directors. Through the election of our directors, Enbridge indirectly controls us and the Partnership. Furthermore, if a person or group owns 20% or more of the aggregate number of issued and outstanding common units and our shares, that person or group may not vote its shares. This limitation does not apply to Enbridge and its affiliates. This provision may discourage a person or group from attempting to take over control of us or the Partnership and reduce the price at which our shares will trade under certain circumstances.

The terms of our shares may be changed in ways you may not like, because our board of directors will have the power to change the terms of our shares in ways our board determines, in its sole discretion, are not materially adverse to you.

As an owner of our shares, you may not like the changes made to the terms of our shares, if any, and you may disagree with our board of directors' decision that the changes are not materially adverse to you as a shareholder. If you should disagree with our board of directors' decisions, your recourse will be limited because our limited liability company agreement gives broad latitude and discretion to our board of directors and eliminates or reduces many of the fiduciary duties that our board of directors otherwise would owe to you.

Our limited liability company agreement limits the fiduciary duties that our directors owe to our shareholders and restricts the remedies available to our shareholders for actions taken by our board of directors that might otherwise constitute a breach of a fiduciary duty.

Our limited liability company agreement contains provisions that modify the fiduciary duties that our board of directors would otherwise owe to our shareholders under state fiduciary duty law. For example, our limited liability company agreement:

- permits our board of directors to make a number of decisions, including the determination of which factors it will consider in resolving conflicts of interest, in its "sole discretion." This entitles our board of directors to consider only the interests and factors that it desires, and it has no duty or obligation to give consideration to any interest of, or factors affecting, us, our affiliates or any shareholder;
- provides that Enbridge, its affiliates, and their officers and directors who are also our officers and directors are not required to offer us any business opportunities; and
- provides that none of our directors or officers will be liable to us or any other person for any act or omission taken or omitted by such director or officer, so long as such director or officer acted in good faith and in a manner that such director or officer reasonably believed to be in, or not opposed to, our best interests.

These and similar provisions in our limited liability company agreement may restrict the remedies available to our shareholders for actions taken by our board of directors that might otherwise constitute a breach of a fiduciary duty. The Partnership's partnership agreement contains similar provisions that modify the fiduciary duties that the board of directors of the General Partner would otherwise owe to the Partnership's unitholders under state fiduciary duty law. As the delegate of the General Partner, these provisions apply to our directors and officers in managing the business and affairs of the Partnership.

Potential conflicts of interest may arise among Enbridge and its shareholders, on the one hand, and us and our shareholders and the Partnership and its common unitholders, on the other hand. Because the fiduciary duties of our directors have been modified, our board of directors may be permitted to make decisions that benefit Enbridge and its shareholders or the Partnership and its unitholders more than us and our shareholders.

Conflicts of interest may arise from time to time among Enbridge and its shareholders, on the one hand, and us and our shareholders and the Partnership and its common unitholders, on the other hand. Conflicts of interest may also arise from time to time between us and our shareholders, on the one hand, and the Partnership and its unitholders, on the other hand. In managing and controlling us and the Partnership, our board of directors may consider the interests of all parties to a conflict and may resolve those conflicts by making decisions that benefit Enbridge and its shareholders or the Partnership and its unitholders more than us and our shareholders. The following decisions, among others, could involve conflicts of interest:

- whether the Partnership or Enbridge will pursue certain acquisitions or other business opportunities;
- whether the Partnership will issue additional units or other equity securities or whether it will purchase outstanding units;
- whether we will issue additional shares;
- the amount of payments to Enbridge and its affiliates for any services rendered for the Partnership's benefit;
- the amount of costs that are reimbursable to us or Enbridge by the Partnership;
- the enforcement of obligations owed to the Partnership by us, the General Partner and Enbridge, including obligations regarding competition between Enbridge and the Partnership; and
- the retention of separate counsel, accountants or others to perform services for us and the Partnership.

In these and similar situations, any decision by our board of directors may benefit one group more than another, and in making such decisions, our board of directors may consider the interests of all groups, as well as other factors, in deciding whether to take a particular course of action.

In other situations, Enbridge may take certain actions, including engaging in businesses that compete with the Partnership, that are adverse to us and our shareholders and the Partnership and its unitholders. For example, although Enbridge and its subsidiaries are generally restricted from engaging in any business that is in direct material competition with our businesses, that restriction is subject to the following significant exceptions:

- Enbridge and its subsidiaries are not restricted from continuing to engage in businesses, including the normal development of such businesses, in which they were engaged at the time of the Partnership's initial public offering in December 1991;
- Such restriction is limited geographically only to those routes and products for which the Partnership provided transportation at the time of its initial public offering;
- Enbridge and its subsidiaries are not prohibited from acquiring any business that materially and directly competes with the Partnership as part of a larger acquisition, so long as the majority of the value of the business or assets acquired, in Enbridge's reasonable judgment, is not attributable to the competitive business; and

- Enbridge and its subsidiaries are not prohibited from acquiring any business that materially and directly competes with the Partnership if that business is first offered for acquisition to the Partnership and our board of directors and the Partnership's unitholders determine not to pursue the acquisition.

Since the Partnership was not engaged in any aspect of the natural gas business at the time of its initial public offering, Enbridge and its subsidiaries are not restricted from competing with the Partnership in any aspect of the natural gas business. In addition, Enbridge and its subsidiaries would be permitted to transport crude oil and liquid petroleum over routes that are not the same as the Partnership's Lakehead system, even if such transportation is in direct material competition with the Partnership's business.

These exceptions also expressly permitted the reversal by Enbridge in 1999 of one of its pipelines that extends from Sarnia, Ontario to Montreal, Quebec. As a result of this reversal, Enbridge competes with the Partnership to supply crude oil to the Ontario, Canada market.

In the event of a liquidation of the Partnership not resulting from any action taken by the Partnership or otherwise approved by us at the direction of our shareholders, the value of our shares would likely decline.

The Partnership may not take any action to cause a liquidation of the Partnership unless, prior to such liquidation, Enbridge has agreed to purchase all of our shares or we have voted to approve such liquidation at the direction of our shareholders. In the event of a liquidation of the Partnership not resulting from any action taken by the Partnership or otherwise approved by us at the direction of our shareholders, the value of your shares will depend on the after-tax amount of the liquidating distribution received by us as the owner of i-units. The terms of the i-units provide that no allocations of income, gain, loss or deduction will be made in respect of the i-units until such time as there is a liquidation of the Partnership. If there is a liquidation of the Partnership, it is intended that we will be allocated income and gain in an amount necessary for the capital account attributable to each i-unit to be equal to that of a common unit. As a result, we likely will realize taxable income upon the liquidation of the Partnership. However, there may not be sufficient amounts of income and gain to cause the capital account attributable to each i-unit to be equal to that of a common unit. If they are not equal, we and, therefore, you will receive less value than would be received by an owner of common units. In that event, the liquidating distribution per common unit will exceed the liquidating distribution per i-unit.

Further, the tax indemnity provided to us by Enbridge only indemnifies us for our tax liabilities arising out of a transaction involving the i-units to the extent we have not received sufficient cash in the transaction generating the tax liability to pay the associated tax. Prior to any liquidation of the Partnership, we do not expect to receive cash in a taxable transaction. If a liquidation of the Partnership occurs, however, we likely would receive cash which we would use, at least in part, to pay taxes. As a result, our residual value and the value of our shares will likely be less than the value of the common units upon the liquidation of the Partnership.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

None.

Item 3. Legal Proceedings

We are a participant in various legal proceedings arising in the ordinary course of business. Some of these proceedings are covered, in whole or in part, by insurance. We believe that the outcome of all these proceedings will not, individually or in aggregate, have a material adverse effect on our financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our Listed Shares are traded on the NYSE under the symbol "EEQ." The quarterly price ranges per Listed Share are summarized as follows:

<u>Quarter ended:</u>	Market Price Data			
	2006		2005	
	Low	High	Low	High
March 31	\$42.15	\$48.45	\$47.51	\$54.12
June 30	\$40.75	\$44.05	\$47.08	\$52.35
September 30	\$41.08	\$47.09	\$50.12	\$55.98
December 31	\$45.39	\$49.90	\$43.25	\$55.50

On February 21, 2007, the last reported sales price of the Listed Shares on the NYSE was \$51.30. There were approximately 9,600 holders of our Listed Shares as of February 21, 2007, which includes individual participants in security positions listings.

Distributions. Under the terms of our limited liability company agreement, except in connection with our liquidation, we do not pay distributions on our Listed Shares in cash, but instead make distributions on our Listed Shares in additional shares or fractions of shares. At the same time the Partnership makes a distribution on its common units and i-units, we distribute on each of our shares that fraction of a share determined by dividing the amount of the cash distribution to be made by the Partnership on each common unit by the average market price of a share determined for the ten-trading day period ending on the trading day immediately prior to the ex-dividend date for our Listed Shares.

The following table sets forth the share distributions, as approved by the board of directors, for each period in the years ended December 31, 2006 and 2005.

<u>Dividend Declaration Date</u>	<u>Dividend Payment Date</u>	<u>Record Date</u>	<u>Distribution per Unit of the Partnership</u>	<u>Average Closing Price of the Listed Shares</u>	<u>Additional i-units owned</u>	<u>Listed Shares distributed to Public</u>	<u>Listed Shares distributed to General Partner</u>
2006							
October 27	November 14	November 6	\$0.925	\$49.24	233,693	193,446	40,247
July 28	August 14	August 4	\$0.925	\$44.50	253,310	209,684	43,626
April 27	May 15	May 5	\$0.925	\$43.43	254,126	210,360	43,766
January 30	February 14	February 7	\$0.925	\$47.47	228,071	188,792	39,279
					969,200	802,282	166,918
2005							
October 26	November 14	November 3	\$0.925	\$51.28	207,393	171,675	35,718
July 28	August 12	August 5	\$0.925	\$54.67	191,301	158,355	32,946
April 25	May 13	May 4	\$0.925	\$50.12	204,865	169,583	35,282
January 24	February 14	February 3	\$0.925	\$50.68	198,980	164,711	34,269
					802,539	664,324	138,215

In 2006 and 2005, we had non-cash investing activities in the form of the distributions from the i-units and corresponding non-cash financing activities in the form of the distributions to the shareholders of our Listed Shares of \$44.6 million and \$41.5 million, respectively.

On January 26, 2007, our board of directors declared a share distribution payable on February 14, 2007, to shareholders of record as of February 6, 2007, based on the \$0.925 per common unit distribution

declared by the Partnership. The Partnership's distribution increases the number of i-units we own. The amount of i-units we received from the Partnership on February 14, 2007 was 228,528.

The total i-units distributed to us was computed by dividing \$0.925, the cash amount distributed per common unit, by \$51.30, the average closing price of the Listed Shares on the NYSE for the ten consecutive trading days prior to the ex-dividend date, multiplied by 12,674,148, the number of shares outstanding prior to the distribution. We distributed additional Listed Shares to the holders of our Listed Shares and additional shares to the General Partner in respect of these additional i-units.

Item 6. Selected Financial Data

The following table sets forth our summary historical financial data for the periods and at the dates indicated. We derived the historical financial data from, and it should be read in conjunction with, our consolidated financial statements and notes thereto beginning at page F-1. See also "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year ended December 31, 2006	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	May 14, 2002 (inception) through December 31, 2002
	(in millions, except per share amounts)				
Equity income from investment in Enbridge Energy Partners, L.P.	\$ 44.6	\$ 12.0	\$ 21.6	\$ 18.9	\$ 4.7
Gain on issuance of units by Enbridge Energy Partners, L.P.	—	10.3	7.2	16.2	—
Income tax expense	(15.9)	(9.9)	(10.1)	(12.3)	(1.6)
Net income	<u>\$ 28.7</u>	<u>\$ 12.4</u>	<u>\$ 18.7</u>	<u>\$ 22.8</u>	<u>\$ 3.1</u>
Basic and diluted earnings per share	<u>\$ 2.35</u>	<u>\$ 1.10</u>	<u>\$ 1.78</u>	<u>\$ 2.35</u>	<u>\$ 1.05</u>
Weighted average shares outstanding	<u>12.2</u>	<u>11.3</u>	<u>10.5</u>	<u>9.7</u>	<u>2.9</u>
Equivalent distribution value per share ⁽¹⁾	<u>\$ 3.70</u>	<u>\$ 3.70</u>	<u>\$ 3.70</u>	<u>\$ 3.70</u>	<u>\$ 0.90</u>
Number of additional shares distributed	<u>0.97</u>	<u>0.80</u>	<u>0.84</u>	<u>0.83</u>	<u>0.23</u>
Total assets at December 31	<u>\$428.9</u>	<u>\$366.5</u>	<u>\$376.6</u>	<u>\$358.0</u>	<u>\$332.6</u>

⁽¹⁾ Represents the cash distribution paid on each common unit of the Partnership for each period shown. As more fully discussed in Note 3 to our consolidated financial statements included in this Annual Report beginning on page F-1, we receive distributions of additional i-units rather than cash.

Selected financial data of the Partnership is found in Part II, Item 6. of the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which is hereby incorporated by reference as our results of operations, financial position and cash flows are dependent on the results of operations, financial position and the cash flows of the Partnership.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations is based on and should be read in conjunction with our Consolidated Financial Statements and the accompanying notes beginning on page F-1 of this Annual Report on Form 10-K.

BUSINESS OVERVIEW

We are a Delaware limited liability company that was formed on May 14, 2002. We have elected to be treated as a corporation for U.S. federal income tax purposes. The General Partner owns all of our voting shares and is an indirect, wholly-owned subsidiary of Enbridge.

By agreement with the Partnership and the General Partner, we manage the business and affairs of the Partnership, subject to the General Partner's right to approve specified actions.

The information set forth under "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, is hereby incorporated by reference as our results of operation, financial position and cash flows are dependent on the results of operation, financial position and cash flows of the Partnership.

RESULTS OF OPERATIONS

Our results of operations consist of our share of earnings of the Partnership attributed to the i-units we own. At December 31, 2006, 2005 and 2004, through our ownership of i-units, we had an approximate 16.0 percent, 17.5 percent and 18.1 percent limited partner interest in the Partnership, respectively. Our percentage ownership in the Partnership will change over time as the number of i-units we own becomes a different percentage of the total units outstanding due to our ownership of additional i-units and other issuances of limited partner units by the Partnership.

The following table presents the Partnership's allocation of net income to its General Partner and limited partners for the periods presented.

	<u>Year ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	<u>(in millions)</u>		
Net income of the Partnership	\$284.9	\$ 89.2	\$138.2
Less: net income allocated to the General Partner	<u>(30.9)</u>	<u>(23.5)</u>	<u>(22.5)</u>
Net income allocated to limited partners	<u>\$254.0</u>	<u>\$ 65.7</u>	<u>\$115.7</u>

On August 15, 2006, the Partnership sold approximately 10.8 million Class C units to the General Partner and an institutional investor at a purchase price of \$46.00 per unit in a private transaction. As a result of this issuance, our limited partnership interest in the Partnership was reduced from approximately 18.4 percent immediately prior to the issuance to 15.8 percent following the transaction. We expect the income we are allocated for our limited partnership interest to be lower in future periods due to the reduction of our ownership interest in the Partnership and as a result of further issuances of Class A common units and potentially Class C units.

Our net income of \$28.7 million, \$12.4 million and \$18.7 million for the years ended December 31, 2006, 2005 and 2004, respectively, represents equity in earnings attributable to the i-units that we own, plus the dilution gain from the Partnership's issuance of Class A common units, reduced by deferred income tax expense. Deferred income tax expense is calculated based on the difference between the accounting and tax basis of our investment in the Partnership and the combined federal and state income tax rate of 36.8% in 2006, 37.3% in 2005 and 35% in 2004, of our share of the earnings of the Partnership. Our earnings

increased by \$16.3 million from 2005 to 2006, primarily due to higher equity income from our investment in the Partnership that was partially offset by a reduction in our percentage ownership of the Partnership due to its Class C unit issuance in August 2006. Our 2006 earnings were also offset by a reduction of dilution gains in 2006 that we recognize when the Partnership issues additional Class A common units and greater income tax expense associated with additional taxable income.

Our earnings were lower in 2005 than 2004 by \$6.3 million primarily due to lower equity income from our investment in the Partnership and a \$1.6 million charge for cumulative state income taxes on the differences between book and taxable net income resulting from the amendment to the delegation of control agreement, partially offset by higher gains resulting from the Partnership issuing more Class A common units in 2005 than 2004.

Both basic and diluted earnings per share are calculated by dividing our net income by our weighted-average number of outstanding shares during the period. Earnings per share was \$2.35 for the year ended December 31, 2006 as compared with \$1.10 for the year ended December 31, 2005. Earnings per share was \$1.10 for the year ended December 31, 2005 as compared with \$1.78 for the year ended December 31, 2004. The increase in earnings per share from 2005 to 2006 is attributable to higher net income that was partially offset by an increase in the weighted average number of our shares outstanding. The decrease in earnings per share from 2004 to 2005 is attributable to lower net income and slightly higher weighted average shares outstanding and a higher effective tax rate in 2005.

We do not have any securities outstanding that may be converted into or exercised for our shares.

LIQUIDITY AND CAPITAL RESOURCES

Our authorized capital structure consists of two classes of membership interests: (1) our Listed Shares, which represent limited liability company interests with limited voting rights, and (2) our voting shares. At December 31, 2006, our issued capitalization consisted of \$498.6 million associated with our 12,674,147 outstanding Listed Shares. At December 31, 2005, our issued capitalization consisted of \$454.0 million associated with our 11,704,947 outstanding Listed Shares.

The number of our shares outstanding, including the voting shares owned by the General Partner, will at all times equal the number of i-units we own in the Partnership. Typically, the General Partner and owners of the Partnership's Class A and B common units will receive distributions from the Partnership in cash. Instead of receiving cash distributions, however, the number of i-units we own will increase automatically under the Partnership's partnership agreement. The amount of this increase is calculated by dividing the amount of the cash distribution paid by the Partnership on each of its Class A and B common units by the average closing price of one of our Listed Shares on the New York Stock Exchange, or NYSE, as determined for a 10-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares, multiplied by the number of shares outstanding on the record date. We make share distributions to our shareholders concurrently with the i-unit distributions we receive from the Partnership that increases the number of i-units we own. As a result of our share distributions, the number of shares outstanding is equal to the number of i-units that we own in the Partnership.

We used substantially all of the net proceeds from our initial public offering to purchase i-units from the Partnership and to compensate Enbridge (the ultimate parent company of the General Partner) for its purchase provisions and tax indemnities. Under the Enbridge purchase provisions, which are a part of our limited liability company agreement, Enbridge has the right, under limited circumstances, to purchase our outstanding shares. In addition, Enbridge generally agreed to indemnify us for any tax liability attributable to our formation, our management of the Partnership or our ownership of the i-units. Additionally, Enbridge generally agreed to indemnify us for any taxes arising from a transaction involving the i-units to the extent the transaction does not generate sufficient cash to pay such taxes, in each case, other than any

Texas franchise taxes or any other similar capital-based foreign, state or local taxes that are required to be paid or reimbursed by the Partnership under the delegation of control agreement.

If we incur liabilities or other obligations in connection with the performance of our obligations under the delegation of control agreement, we are entitled to be reimbursed or to be indemnified by the Partnership or the General Partner. Thus, we expect that our expenditures associated with managing the business and affairs of the Partnership and the reimbursement of these expenses that we receive will continue to be equal. As stated above, we do not receive quarterly distributions of cash on the i-units we hold. Therefore, we expect neither to generate nor to require significant amounts of cash in ongoing operations. Any net cash proceeds we receive from the sale of additional shares will immediately be used to purchase additional i-units. Accordingly, we do not anticipate any other sources of or needs for additional liquidity.

We are not permitted to borrow money or incur debt other than with Enbridge and its affiliates without the approval of holders owning at least a majority of our shares.

INCOME TAXES

We are a limited liability company that has elected to be treated as a corporation for federal income tax purposes. Deferred income tax assets and liabilities are recognized for temporary differences between the basis of our assets and liabilities for financial reporting and income tax purposes.

Pursuant to a delegation of control agreement with the General Partner, the Partnership has agreed to reimburse us and Enbridge Management Services, L.L.C., our wholly-owned subsidiary (“EMS”), for any direct and indirect expenses we or EMS incur to the same extent as it does with respect to the General Partner as general partner, including certain tax expenses.

The delegation of control agreement with the General Partner was amended effective February 21, 2005. As a result of the amendment, the General Partner bears the economic impact for our taxes only in the event we do not have sufficient cash to pay them. Accordingly, we began accruing state income taxes in 2005 in addition to federal income taxes.

The effective tax rate used in computing the income tax provision in 2006 is 36.8%, which represents the federal statutory rate of 35.0% and the effective state rate of 1.8%.

Our income tax expense of \$15.9 million for the year ended December 31, 2006, is \$6.0 million greater than the \$9.9 million we incurred for the same period in 2005. The increase in income tax expense related to the increase of equity income from the Partnership net income in 2006 is partially offset by decreases resulting from state effective tax rate reductions impacting our deferred tax liability and from the \$1.6 million charge we recorded in 2005 for cumulative state income taxes on the differences between book and taxable net income resulting from an amendment in 2005 to the delegation of control agreement.

SUBSEQUENT EVENTS

Share distribution

On January 26, 2007, our board of directors declared a share distribution payable on February 14, 2007, to shareholders of record as of February 6, 2007, based on the \$0.925 per limited partner unit distribution declared by Enbridge Energy Partners, L.P. (the “Partnership”). We received 228,528 i-units from the Partnership, which is computed by dividing \$0.925, the cash amount distributed per limited partner unit, by the average closing price of one of our Listed Shares on the NYSE as determined for the 10-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares multiplied by the number of shares outstanding prior to the distribution. We distributed 228,528 additional

Listed Shares to our listed shareholders and additional shares to the General Partner in respect of these additional i-units.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which we refer to herein as U.S. GAAP. The preparation of these consolidated financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Our management evaluates these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from these estimates. Any effects on the consolidated financial statements resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Accounting for Investment in Enbridge Energy Partners, L.P.

We use the equity method of accounting for our ownership interest in the Partnership's net income and comprehensive income because we exercise significant influence over the Partnership. We record our share of earnings of the Partnership in the period in which it is earned. At December 31, 2006 and 2005, we owned approximately 16.0 percent and 17.5 percent of the Partnership, respectively. Our ownership percentage changes as the Partnership distributes additional limited partner units. Changes in the calculation of our ownership percentage affects our net income and comprehensive income.

Gain on issuance of units by Enbridge Energy Partners, L.P.

We recognize a gain or loss when our ownership interest in the Partnership is diluted. This occurs when the Partnership issues additional Class A common units and we do not participate in the issuance. To the extent the new issuance price per unit is greater than or less than our adjusted average cost per unit, such amount is further adjusted and a gain/(loss) is recognized.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Accounting for Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109*. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes and is effective for fiscal years beginning after December 15, 2006. We do not expect our adoption of FIN 48 to materially affect our operating results, financial position or cash flows.

Staff Accounting Bulletin No. 108

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108. This Bulletin requires a "dual approach" for quantifications of errors using both a method that focuses on the income statement impact, including the cumulative effect of prior years' misstatements, and a method that focuses on the period-end balance sheet. We adopted SAB No. 108 as of December 31, 2006. The adoption of this Bulletin did not have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The nature of our business and operations is such that no activities or transactions of the type requiring discussion under this item are conducted.

For a discussion of these matters as they pertain to the Partnership, please read “Part II, Item 7A.” of the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2006 which is hereby incorporated by reference as activities of the Partnership have an impact on our results of operations and financial position.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements, together with the notes thereto and the report of the independent registered public accounting firm, and unaudited supplementary information, begin on page F-1 of this Report and are hereby incorporated by reference.

The consolidated financial statements of the Partnership, together with the notes thereto, the report of the independent registered public accounting firm and unaudited supplementary information, can be found in the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2006 in “Part II, Item 8,” which is hereby incorporated by reference as activities of the partnership have an impact on our results of operations and financial position.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures**DISCLOSURE CONTROLS AND PROCEDURES**

Enbridge Management and Enbridge maintain systems of disclosure controls and procedures designed to provide reasonable assurance that we are able to record, process, summarize and report the information required in our annual and quarterly reports under the Exchange Act. Our management has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2006. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to accomplish their purpose. In conducting this assessment, our management relied on similar evaluations conducted by employees of Enbridge affiliates who provide certain treasury, accounting and other services on our behalf. No changes in our internal control over financial reporting were made during the three months ended December 31, 2006, that would materially affect our internal control over financial reporting.

INTERNAL CONTROL OVER FINANCIAL REPORTING***Management’s Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting as such term is defined in the Securities Exchange Act Rule 13a-15(f).

Our internal control over financial reporting is a process designed under the supervision and with the participation of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- Provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- Provide reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements is prevented or timely detected.

Our internal control over financial reporting may not prevent or detect all misstatements because of its inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or deterioration in the degree of compliance with our policies and procedures.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006, based on the framework established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management concluded that our internal control over financial reporting is effective as of December 31, 2006.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report beginning on page F-2.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our business and affairs are managed by our board of directors.

Set forth below is certain information concerning the directors and executive officers of the General Partner and us as the delegate of the General Partner under a delegation of control agreement among the Partnership, the General Partner and us. All directors of the General Partner are elected annually and may be removed by Enbridge Pipelines Inc. (“Enbridge Pipelines”), as the sole stockholder of the General Partner. All directors were elected and may be removed by the General Partner, as the sole holder of our voting shares. All of our officers and those of the General Partner serve at the discretion of the respective boards of directors of the General Partner and us. All directors and officers of the General Partner hold identical positions with us.

Name	Age	Position
J.A. Connelly	60	Director
E.C. Hambrook	69	Director
M.O. Hesse	64	Director
G.K. Petty	65	Director
S.J.J. Letwin	51	Managing Director and Director
T.L. McGill	52	President and Director
J.R. Bird	57	Executive Vice President—Liquids Pipelines and Director
L.A. Zupan	51	Vice President—Liquids Pipelines Operations
M.A. Maki	42	Vice President—Finance
R.L. Adams	42	Vice President—Operations and Technologies
J.M. Gerez	50	Vice President—Liquids Pipelines Project Management & Engineering
J.A. Holder	49	Vice President—Liquids Pipelines Support Services
J.A. Loiacono	44	Vice President—Commercial Activities
D.V. Krenz	55	Vice President
V.D. Yu	40	Treasurer
J.N. Rose	39	Assistant Treasurer
S.J. Neyland	39	Controller
E.C. Kaitson	50	Assistant Secretary
B.A. Stevenson	51	Corporate Secretary

J.A. Connelly was elected a director of the General Partner and Enbridge Management in January 2003 and serves as the Chairman of its Audit, Finance & Risk Committee. Mr. Connelly served as Executive Vice President, Senior Vice President and Vice President of the Coastal Corporation from 1988 to 2001. Mr. Connelly is a business consultant providing executive management consulting services.

E.C. Hambrook was elected a director of the General Partner and Enbridge Management in January 1992 and serves on its Audit, Finance & Risk Committee. Mr. Hambrook serves as Chairman of the board of directors of the General Partner. Mr. Hambrook has served as President of Hambrook Resources, Inc. since its inception in 1991. Hambrook Resources, Inc. is a real estate investment, marketing and sales company.

M.O. Hesse was elected a director of the General Partner and Enbridge Management in March 2003 and serves as a member of its Audit, Finance & Risk Committee. Ms. Hesse was President and CEO of Hesse Gas Company from 1990 through 2003. She served as Chairman of the U.S. Federal Energy

Regulatory Commission from 1986 to 1989. Ms. Hesse also served as Senior Vice President, First Chicago Corporation and Assistant Secretary for Management and Administration, U.S. Department of Energy. She currently serves as a director of Arizona Public Service Company, Pinnacle West Capital Corporation, and Terra Industries, Inc.

G.K. Petty was elected a director of the General Partner and Enbridge Management in February 2001 and serves on its Audit, Finance & Risk Committee. Mr. Petty has served as a director of Enbridge since January 2001. Mr. Petty served as President and Chief Executive Officer of Telus Corporation, a Canadian telecommunications company, from November 1994 to November 1999. Mr. Petty is a business consultant providing executive management consulting services to the telecommunications industry.

S.J.J. Letwin was elected Managing Director of the General Partner and Enbridge Management in May 2006. Prior to his election he served Enbridge, the indirect parent of our General Partner, as Group Vice President, Gas Strategy & Corporate Development since April 2003; prior thereto he served Enbridge as Group Vice President, Distribution & Services since September 2000.

T. L. McGill was elected to serve as President of the General Partner and Enbridge Management in May 2006. Prior to that he served as Vice President, Commercial Activity and Business Development of the General Partner and Enbridge Management since April 2002 and Chief Operating Officer since July 2004. Prior to that time, Mr. McGill was President of Columbia Gulf Transmission Company from January 1996 to March 2002.

J.R. Bird served as a director of the General Partner and Enbridge Management from September 2000 to January 2003 and was reelected as a Director in October 2003. He has also served as Executive Vice President, Liquids Pipelines of the General Partner from May 2006, and holds similar responsibilities with Enbridge. Prior to that Mr. Bird served as a Group Vice President, Liquids Transportation from May 2001 and in other senior leadership positions with Enbridge from August 1997.

L.A. Zupan was elected Vice President, Liquids Pipelines Operations of the General Partner and Enbridge Management in July 2004, and holds similar responsibilities with Enbridge. Prior to that he served as Vice President, Development & Services for Enbridge Pipelines since 2000 and prior to that as Director, Information Technology since November 1999.

M.A. Maki was elected Vice President, Finance of the General Partner and Enbridge Management in July 2002. Prior to that time, he served as Controller of the General Partner since June 2001, and prior to that, as Controller of Enbridge Pipelines since September 1999.

R.L. Adams was elected Vice President, Operations and Technologies of the General Partner and Enbridge Management in April 2003. Prior to his current position, he was Director of Technology & Operations for the General Partner since 2001, and Director of Field Operations and Technical Services and Director of Commercial Activities for Ocesa/Enbridge in Bogota, Columbia from 1997 to 2001.

J.M. Gerez was elected Vice President, Liquids Pipelines Project Management and Engineering, of the General Partner and Enbridge Management in May 2006, and holds similar responsibilities with Enbridge. Prior to that he was Vice President Operations with OCENSA, an Enbridge affiliate in Colombia from 2000 to May 2006.

J. A. Holder was elected Vice President, Liquids Pipelines Support Services of the General Partner and Enbridge Management in April 2006, and holds similar responsibilities with Enbridge. Prior to that she served as Vice President, Market Services for Enbridge Inc. since December 2004 and prior to that as Vice President, Operations for Enbridge Gas Distribution since May 2001.

J.A. Loiacono was elected Vice President, Commercial Activities, of the General Partner and Enbridge Management in July 2006. Prior to that, he was Director of Commercial Activities for the

General Partner from April 2003 and commenced employment with Midcoast Energy Resources in February 2000 as an Asset Optimizer.

D.V. Krenz was elected Vice President of the General Partner and Enbridge Management in January 2005. Prior to that, he was President of Shell Gas Transmission, LLC (previously Shell Gas Pipelines Co.) from March 1996 to December 2004.

V. D. Yu was elected as Treasurer of the General Partner and Enbridge Management in July 2005 and is also Vice President, Enterprise Risk of Enbridge. Since July 2002 he was Director Financial Management at Enbridge and previously Manager, Capital Markets and Risk Management since October 2000.

J. N. Rose was appointed as Assistant Treasurer of the General Partner and Enbridge Management in July 2005 and is also a Manager, Corporate Finance of Enbridge, a position he has held since April 2004. Prior to that Mr. Rose was a Vice President with Citigroup Global Corporate and Investment Bank from 2001 to 2004.

S.J. Neyland, was elected Controller of the General Partner and Enbridge Management effective September 2006. Prior to his election he served as Controller, Natural Gas since January 2005, Assistant Controller from May 2004 to January 2005, and in other managerial roles in Finance and Accounting from December 2001 to May 2004. Prior to that Mr. Neyland was Controller of Koch Midstream Services from 1999 to 2001.

E.C. Kaitson was elected Assistant Secretary of the General Partner and Enbridge Management in July 2004. He served as Corporate Secretary of the General Partner from October 2001 to July 2004. He also currently serves as Associate General Counsel of Enbridge. He was previously Assistant Corporate Secretary and General Counsel of Midcoast Energy Resources, Inc. from 1997 until Enbridge acquired it on May 11, 2001.

B.A. Stevenson was elected Corporate Secretary of the General Partner and Enbridge Management in July 2004. Between 2000 and 2004 Mr. Stevenson held management positions with Reliant Energy, Inc. and Arthur Andersen LLP. Prior to that Mr. Stevenson was General Counsel & Corporate Secretary of Alberta Natural Gas Company Ltd, a Canadian gas processing and transmission company, that was acquired by TransCanada Pipelines.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and 10% beneficial owners to file with the SEC reports of ownership and changes in ownership of our equity securities and to furnish us with copies of all reports filed. To our knowledge, based solely on a review of the copies of reports furnished to us and written representations that no other reports were required, the officers, directors, and greater than 10% beneficial owners complied with all applicable filing requirements of Section 16(a) of the Exchange Act during the year.

GOVERNANCE MATTERS

We are a “controlled company,” as that term is used in NYSE Rule 303A, because all of our voting shares are owned by the General Partner. Because we are a controlled company, the NYSE listing standards do not require that we or the General Partner have a majority of independent directors or a nominating or compensation committee of the General Partner’s board of directors.

The NYSE listing standards require our CEO to annually certify that he is not aware of any violation by the Partnership of the NYSE corporate governance listing standards. Accordingly, this certification was provided as required to the NYSE on March 17, 2006.

CODE OF ETHICS, STATEMENT OF BUSINESS CONDUCT AND CORPORATE GOVERNANCE GUIDELINES

We have adopted a Code of Ethics applicable to our senior financial officers, including the principal executive officer, principal financial officer and principal accounting officer. A copy of the Code of Ethics for Senior Financial Officers is available on our website at www.enbridgemanagement.com and is included herein as Exhibit 14.1. We intend to post on our website any amendments to or waivers of our Code of Ethics for Senior Financial Officers. Additionally, this material is available in print, free of charge, to any person who requests the information. Persons wishing to obtain this printed material should submit a request to Corporate Secretary, c/o Enbridge Energy Management, L.L.C., 1100 Louisiana, Suite 3300, Houston, TX 77002.

We also have a Statement of Business Conduct applicable to all of our employees, officers and directors. A copy of the Statement of Business Conduct is available on our website at www.enbridgemanagement.com. We intend to post on our website any amendments to or waivers of our Statement of Business Conduct. Additionally, this material is available in print, free of charge, to any person who requests the information. Persons wishing to obtain this printed material should submit a request to Corporate Secretary, c/o Enbridge Energy Management, L.L.C., 1100 Louisiana, Suite 3300, Houston TX 77002.

We also have a statement of Corporate Governance Guidelines that sets forth the expectation of how the Board should function and the Board's position with respect to key corporate governance issues. A copy of the Corporate Governance Guidelines is available on our website at www.enbridgemanagement.com. We intend to post on our website any amendments to our Corporate Governance Guidelines. Additionally, this material is available in print, free of charge, to any person who requests the information. Persons wishing to obtain this printed material should submit a request to Corporate Secretary, c/o Enbridge Energy Management, L.L.C., 1100 Louisiana, Suite 3300, Houston TX 77002.

AUDIT, FINANCE & RISK COMMITTEE

We have an Audit, Finance & Risk Committee (the "Audit Committee") comprised of four board members who are independent as the term is used in Section 10A of the Exchange Act of 1934, as amended. None of these members is relying upon any exemptions from the foregoing independence requirements. The members of our Audit Committee are J.A. Connelly, E.C. Hambrook, M.O. Hesse, and G.K. Petty. Our Audit Committee provides independent oversight with respect to our internal controls, accounting policies, financial reporting, internal audit function and the report of the independent registered public accounting firm. Our Audit Committee also reviews the scope and quality, including the independence and objectivity of the independent and internal auditors and the fees paid for both audit and non-audit work and makes recommendations concerning audit matters, including the engagement of the independent auditors, to the board of directors.

The charter of our Audit Committee is filed as an exhibit to this Annual Report on Form 10-K and is available on our website at www.enbridgemanagement.com. The charter of our Audit Committee complies with the listing standards of the NYSE currently applicable to us.

Our board of directors has determined that J.A. Connelly, E.C. Hambrook and M.O. Hesse qualify as "Audit Committee financial experts" as defined in Item 407(d)(ii) of SEC Regulation S-K. Each of the members of our Audit, Finance, and Risk Committee is independent as defined by Section 303A of the listing standards of the NYSE.

Mr. Petty also serves on the Audit Committees of the General Partner, Enbridge Management, Fuel Cell Energy, Inc. and of Enbridge Inc. In compliance with the provisions of the Audit, Finance & Risk

Committee Charter, the board of directors of the General Partner and of Enbridge Management have determined that Mr. Petty's simultaneous service on such audit committees would not impair his ability to effectively serve on the Audit, Finance & Risk Committee.

Our Audit Committee has established procedures for the receipt, retention and treatment of complaints we receive regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. Persons wishing to communicate with our Audit Committee may do so by writing in care of Chairman, Audit Committee, c/o Enbridge Energy Management, L.L.C., 1100 Louisiana, Suite 3300, Houston TX 77002.

EXECUTIVE SESSIONS OF NON-MANAGEMENT DIRECTORS

Our non-management directors meet at regularly scheduled executive sessions without management. J.A. Connelly or E.C. Hambrook serve as the presiding director at those executive sessions. Persons wishing to communicate with our non-management directors may do so by writing in care of Chairman, Board of Directors, Enbridge Energy Management, L.L.C., 1100 Louisiana, Suite 3300, Houston, TX 77002.

Item 11. Executive Compensation

We do not directly employ any of the individuals responsible for managing or operating our business. We obtain managerial, administrative and operational services from the General Partner and Enbridge pursuant to service agreements among us, the General Partner and other affiliates of Enbridge. Pursuant to these service agreements, the Partnership has agreed to reimburse the General Partner and affiliates of Enbridge for the cost of managerial, administrative, operational and director services they provide to us.

The compensation policies and philosophy of Enbridge govern the types and amount of compensation of the Named Executive Officers, or NEOs. Since these policies and philosophy are those of Enbridge, we refer you to a discussion of those items as set forth in the Executive Compensation section of the Enbridge "Management Information Circular" on the Enbridge website at www.enbridge.com. The Enbridge "Management Information Circular" is produced by Enbridge pursuant to Canadian securities regulations and is not incorporated into this document by reference or deemed furnished or filed by us under the Securities Exchange Act of 1934, as amended; rather the reference is to provide our investors with an understanding of the compensation policies and philosophy of the ultimate parent of the General Partner.

The discussion of executive compensation of the Partnership is found in Part III, Item 11 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2006, which is hereby incorporated by reference as the Partnership pays a portion of the compensation of our directors and officers for the services they provide to us, the General Partner and the Partnership.

Item 12. Security Ownership of Certain Beneficial Owners and Management

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of February 15, 2006, unless otherwise noted, with respect to persons known by Enbridge Management to be the beneficial owners of more than 5% of our shares:

<u>Name and Address of Beneficial Owner</u>	<u>Listed Shares⁽¹⁾</u>	
	<u>Number of Shares</u>	<u>Percent of Class</u>
Enbridge Energy Company, Inc. ⁽¹⁾⁽²⁾ 1100 Louisiana, Suite 3300 Houston, TX 77002	2,222,127	17.2%
Oppenheimer Funds, Inc. ⁽³⁾ Two World Financial Center 225 Liberty Street, 11th Floor New York, NY 10281	670,277	5.3%
Goldman, Sachs & Co. ⁽⁴⁾ The Goldman Sachs Group, Inc. 85 Broad St. New York, NY 10004	843,731	6.7%
Kayne Anderson Capital Advisors, L.P. ⁽⁵⁾ Kayne Anderson Capital Advisors, L.P. 1800 Avenue of the Stars, Second Floor Los Angeles, CA 90067	1,365,805	10.6%
Neuberger Berman, Inc. ⁽⁶⁾ 605 3rd Avenue New York, NY 10158	1,496,012	11.6%

⁽¹⁾ As of February 22, 2007, there were 12,902,675 Listed Shares issued and outstanding. In all cases we will vote, or refrain from voting, the Partnership's i-units that we own in the manner that the owners of our shares, including our voting shares, vote, or refrain from voting, their shares through the provisions in the Partnership's partnership agreement and our limited liability company agreement. The number of our outstanding shares and the number of the Partnership's i-units will at all times be equal.

⁽²⁾ The General Partner also owns 100% of our voting shares, which are not Listed Shares.

⁽³⁾ As per its report on Schedule 13G filed February 6, 2006, Oppenheimer Funds, Inc. has shared dispositive power as to 270,277 shares and shared voting as to 670,277 power, and Oppenheimer Capital Income Fund has shared voting power and shared dispositive power as to all shares included. Oppenheimer Funds, Inc. disclaims beneficial ownership of all shares indicated. The address of Oppenheimer Funds, Inc. is Two World Financial Center, 225 Liberty Street, 11th Floor, New York, NY 10281, and the address of Oppenheimer Capital Income Fund is 6803 South Tucson Way, Centennial, CO 80112.

⁽⁴⁾ As per its report on Schedule 13G filed January 31, 2007, Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. have shared voting power as to 110 shares and shared dispositive power as to all shares indicated. Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. each disclaim beneficial ownership of the securities beneficially owned by (a) any client accounts with respect to which Goldman, Sachs & Co. or its employees have voting or investment discretion or both, and (b) certain investment entities, of which a subsidiary of The Goldman Sachs Group, Inc. or Goldman, Sachs & Co. is the general partner, managing general partner or other manager, to the extent interests in such

entities are held by persons other than The Goldman Sachs Group, Inc., Goldman, Sachs & Co. or their affiliates. The address of Goldman, Sachs & Co. and the Goldman Sachs Group, Inc. is 85 Broad Street, New York, NY 10004.

- (5) Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne reported shared voting power and shared dispositive power with respect to all of such shares in its report on Form SC 13G filed February 13, 2007. Kayne Anderson Capital Advisors, L.P. disclaims beneficial ownership of the securities reported, except those attributable to it by virtue of its general partner interests in the limited partnerships. Mr. Kayne disclaims beneficial ownership of the securities reported, except those held by him or attributable to him by virtue of his limited partnership interests in the limited partnerships, his indirect interest in the interest of Kayne Anderson Capital Advisors, L.P. in the limited partnerships, and his ownership of common stock of the registered investment company.
- (6) As per its report on Schedule 13G/A filed February 13, 2007, Neuberger Berman, LLC has sole voting power as to 1,380,570 shares, shared voting power as to 1,101 shares, and shared dispositive power as to 1,496,012 shares. The address of Neuberger Berman, Inc. and Neuberger Berman, LLC is 605 Third Avenue, New York, NY 10158-3698.

We do not have any shares that have been approved for issuance under an equity compensation plan.

SECURITY OWNERSHIP OF MANAGEMENT AND DIRECTORS

The following table sets forth information as of February 15, 2006, regarding the beneficial ownership of our Listed Shares by all directors and executive officers of Enbridge Management.

Name	Enbridge Energy Management, L.L.C.			Enbridge Energy Partners, L.P.		
	Title of Class	Number of Shares ⁽¹⁾	Percent Of Class	Title of Class	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent Of Class
J.A. Connelly	Listed Shares	—	—	Class A common units	5,000	*
E.C. Hambrook	Listed Shares	1,282.30	*	Class A common units	2,000	*
M.O. Hesse	Listed Shares	7,152.60	*	Class A common units	—	—
G.K. Petty	Listed Shares	967.70	*	Class A common units	2,617	*
S.J.J. Letwin	Listed Shares	—	—	Class A common units	15,000	*
T.L. McGill	Listed Shares	1,364.70	*	Class A common units	—	—
J.R. Bird ⁽²⁾	Listed Shares	10,752.20	*	Class A common units	—	—
L.A. Zupan	Listed Shares	—	—	Class A common units	—	—
M.A. Maki	Listed Shares	—	—	Class A common units	—	—
R.L. Adams	Listed Shares	—	—	Class A common units	—	—
J.M. Gerez	Listed Shares	—	—	Class A common units	—	—
J.A. Holder	Listed Shares	—	—	Class A common units	—	—
J.A. Loiacono	Listed Shares	—	—	Class A common units	—	—
D.V. Krenz	Listed Shares	—	—	Class A common units	—	—
V.D. Yu	Listed Shares	—	—	Class A common units	—	—
J.N. Rose	Listed Shares	—	—	Class A common units	—	—
S.J. Neyland	Listed Shares	—	—	Class A common units	—	—
E.C. Kaitson	Listed Shares	—	—	Class A common units	—	—
B.A. Stevenson	Listed Shares	—	—	Class A common units	—	—
All Officers, directors and nominees as a group (17 persons)	Listed Shares	<u>21,519.50</u>	<u>*</u>	Class A common units	<u>24,617</u>	<u>*</u>

* Less than 1%

(1) Each beneficial owner has sole voting and investment power with respect to all the shares or units attributed to him/her.

(2) All of such shares held are pledged as security for debt.

Item 13. Certain Relationships and Related Transactions, and Director Independence

MANAGEMENT ARRANGEMENTS AND RELATED AGREEMENTS

Under the delegation of control agreement, the General Partner delegated, and we assumed, all of the General Partner's power and authority to manage the business and affairs of the Partnership and its subsidiaries subject to certain approval rights retained by the General Partner. At the same time, we entered into an Agency Agreement with Enbridge Management Services, L.L.C., or EMS, our wholly-owned subsidiary, under which EMS agreed to serve as our agent to carry out the ordinary course, day-to-day activities of the Partnership under the authority delegated to us by the General Partner.

The Partnership has agreed to reimburse EMS and us under the delegation of control agreement for any direct and indirect expenses we or EMS incur to the same extent as it does with respect to the General Partner as general partner. In addition, the Partnership will reimburse EMS and us for any Texas franchise taxes and any other foreign, state and local taxes not otherwise paid or reimbursed pursuant to the tax indemnification agreement between Enbridge and us. The Partnership has also agreed to indemnify and protect us, EMS and our respective officers and directors in performing these management and control functions to the same extent as it does with respect to the General Partner as general partner.

For the years ended December 31, 2006, 2005 and 2004, all expenses in connection with our management of the business and affairs of the Partnership were paid by the Partnership.

Because neither we nor EMS have employees, we have entered into various service agreements with Enbridge and certain of its subsidiaries to fulfill our obligations under the delegation of control agreement and the agency agreement. These service agreements allow EMS and us to obtain from Enbridge and its subsidiaries various administrative, operational, technical and professional services and the use of related personnel. The Partnership directly reimburses Enbridge and its subsidiaries for the actual amount of direct and indirect expenses they incur and payments they make on our behalf and that of EMS in connection with the services and personnel provided to EMS and us. In other cases, Enbridge allocates to its affiliates an agreed percentage of the total expenses with respect to a particular type of service provided by Enbridge to all of its affiliates, including EMS and us. In either case, the Partnership pays directly or reimburses EMS and us for any amounts that EMS or we incur under the service agreements. The service agreements also provide that Enbridge and its affiliates will indemnify EMS and us for certain losses and defend us against certain claims in connection with providing or failing to provide the agreed services. Similarly, we and EMS have agreed to indemnify Enbridge and its affiliates for certain losses and defend them against certain claims as a result of their provision of the agreed services.

For the years ended December 31, 2006, 2005 and 2004, expenses for services and personnel provided under the services agreements were paid by the Partnership.

SUPPORTIVE ARRANGEMENTS WITH ENBRIDGE

In connection with our initial public offering in October 2002, we entered into a tax indemnification agreement and purchase provisions with Enbridge. Under the tax indemnification agreement, Enbridge has agreed to indemnify us for any tax liability attributable to our formation, our management of the business and affairs of the Partnership and for any taxes arising out of a transaction involving the i-units we own to the extent the transaction does not generate sufficient cash to pay our taxes with respect to such transaction. Under the purchase provisions, Enbridge has the right to purchase our outstanding Listed Shares in connection with certain significant events involving the Partnership and also whenever Enbridge owns more than 80% of our outstanding Listed Shares. We paid Enbridge \$500,000 in consideration of its obligations under the tax indemnification agreement and purchase provisions.

CONFLICTS OF INTEREST AND FIDUCIARY DUTIES

Conflicts of interest may arise because of the relationship between Enbridge, the General Partner, the Partnership and us. Our directors and officers have fiduciary duties to manage our business in a manner beneficial to us and to the holders of our shares. However, these fiduciary duties have been modified pursuant to the terms of our limited liability company agreement. Simultaneously, some of our directors and officers are also directors and officers of Enbridge and the General Partner and have fiduciary duties to manage the business of Enbridge or the General Partner and the Partnership in a manner beneficial to Enbridge and its shareholders or the General Partner, the Partnership and their respective shareholders or unitholders, as the case may be. Furthermore, through its ownership of our voting shares, the General Partner has the sole power to elect all of our directors. The resolution of these conflicts of interest may not always be in our best interest or in the best interest of our shareholders.

SECURITY OWNERSHIP AND DISTRIBUTIONS

In connection with our formation on May 14, 2002, we issued the General Partner one voting share in consideration of the General Partner's initial contribution to us. In connection with our initial public offering on October 17, 2002, the General Partner acquired 1,550,000 of our Listed Shares at a price of \$39.00 per share. We make quarterly share distributions pursuant to the provisions of our limited liability company agreement as described in Part II, Item 5 of this Annual Report. At February 22, 2007, the General Partner owned approximately 2,222,128 or approximately 17.2%, of our Listed Shares and 1.43, or 100%, of our voting shares.

At February 22, 2007, we owned 12,902,676 i-units, representing all of the outstanding i-units and an approximate 16.2% limited partner interest in the Partnership. For further discussion of ownership and distributions as they pertain to the Partnership, please read "Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence" of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2006, which is hereby incorporated by reference.

OTHER RELATIONSHIPS AND RELATED TRANSACTIONS OF THE PARTNERSHIP

For a discussion of other relationships and related transactions as they pertain to the Partnership, please read "Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence" of the Partnership's Annual Report, on Form 10-K for the year ended December 31, 2006, which is hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services

The following table sets forth the aggregate fees billed for professional services rendered by PricewaterhouseCoopers LLP, Enbridge Management's principal independent auditors, for each of our last two fiscal years.

	For the years ended December 31,	
	2006	2005
Audit fees ⁽¹⁾	\$108,640	\$106,710
Audit related fees	—	—
Tax fees	—	—
All other fees	—	—
Total.....	<u>\$108,640</u>	<u>\$106,710</u>

⁽¹⁾ Audit fees consist of fees billed for professional services rendered for the audit of the consolidated financial statements and review of the interim consolidated financial statements.

Engagements for services provided by PricewaterhouseCoopers LLP are subject to pre-approval by the Audit, Finance & Risk Committee of our Board of Directors, or services up to \$50,000 may be approved by the Chairman of the Audit, Finance & Risk Committee, under Board of Directors delegated authority. All services in 2006 and 2005 were approved by the Audit, Finance & Risk Committee.

All fees, including the amounts shown above, that are billed by PricewaterhouseCoopers LLP for services rendered are paid by the Partnership on behalf of Enbridge Management.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as a part of this report:

(1) *Financial Statements, which are incorporated by reference in Item 8 are included beginning on page F-1*

- a. Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
- b. Consolidated Statements of Income for the years ended December 31, 2006, 2005 and 2004.
- c. Consolidated Statements of Comprehensive Income for the years ended December 31, 2006, 2005 and 2004.
- d. Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004.
- e. Consolidated Statements of Financial Position for the years ended December 31, 2006 and 2005.
- f. Consolidated Statements of Partners' Capital for the years ended December 31, 2006, 2005 and 2004.
- g. Notes to the Consolidated Financial Statements.

(2) *Financial Statement Schedules.*

All schedules have been omitted because they are not applicable, any required information is shown in the Consolidated Financial Statements or Notes thereto, or the required information is immaterial.

(3) *Exhibits.*

Reference is made to the "Index of Exhibits" following the signature page, which is hereby incorporated into this Item.

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.

ENBRIDGE ENERGY MANAGEMENT, L.L.C.
(Registrant)

By: /s/ STEPHEN J.J. LETWIN
Stephen J.J. Letwin
(Managing Director)

Date: February 22, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on February 22, 2007 by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ STEPHEN J.J. LETWIN
Stephen J.J. Letwin
Managing Director
(Principal Executive Officer)

/s/ M.A. MAKI
M.A. Maki
Vice President—Finance
(Principal Financial Officer)

/s/ T.L. MCGILL
T.L. McGill
President

/s/ J.R. BIRD
J.R. Bird
Director

/s/ J.A. CONNELLY
J.A. Connelly
Director

/s/ E.C. HAMBROOK
E.C. Hambrook
Director

/s/ M.O. HESSE
M.O. Hesse
Director

/s/ G.K. PETTY
G.K. Petty
Director

INDEX TO EXHIBITS

Each exhibit identified below is filed as a part of this annual report. Exhibits included in this filing are designated by an asterisk (“*”); all exhibits not so designated are incorporated by reference to a prior filing as indicated. Exhibits designated with a “+” constitute a management contract or compensatory plan arrangement required to be filed as an exhibit to this report pursuant to Item 15(c) of Form 10-K.

Exhibit Number	Description
3.1	Certificate of Formation of Enbridge Energy Management, L.L.C. (incorporated by reference to Exhibit 3.1 of Enbridge Management’s Registration Statement on Form S-1 filed on May 31, 2002).
3.2	Amended and Restated Limited Liability Company Agreement of Enbridge Energy Management, L.L.C. (including Purchase Provisions adopted by Enbridge) (incorporated by reference to Exhibit 3.2 of Enbridge Management’s Quarterly Report on Form 10-Q filed on November 25, 2002).
10.1	Tax Indemnification Agreement (incorporated by reference to Exhibit 10.1 of Enbridge Management’s Quarterly Report on Form 10-Q filed on November 25, 2002).
10.2	Delegation of Control Agreement (incorporated by reference to Exhibit 10.2 of Enbridge Management’s Quarterly Report on Form 10-Q filed on November 25, 2002).
10.3	First Amending Agreement to the Delegation of Control Agreement dated October 17, 2002 (incorporated by reference to Exhibit 10.1 of Enbridge Management’s Quarterly Report on Form 10-Q filed on May 5, 2005).
10.4	Amended and Restated Treasury Services Agreement (incorporated by reference to Exhibit 10.3 of Enbridge Management’s Quarterly Report on Form 10-Q filed on November 25, 2002).
10.5	Operational Services Agreement (incorporated by reference to Exhibit 10.4 of Enbridge Management’s Quarterly Report on Form 10-Q filed on November 25, 2002).
10.6	General and Administrative Services Agreement (incorporated by reference to Exhibit 10.5 of Enbridge Management’s Quarterly Report on Form 10-Q filed on November 25, 2002).
10.7 ⁺	Employment agreement between Mr. Letwin and Enbridge Inc. dated April 14, 2003 (incorporated by reference to our Current Report on Form 8-K dated May 3, 2006).
10.8 ^{*+}	Employment agreement between Mr. Bird and Enbridge Inc. dated April 14, 2003.
10.9 ⁺	Executive Employment Agreement, dated May 11, 2001, between E. Chris Kaitson, as Executive, and Enbridge Inc., as Corporation (incorporated by reference to Exhibit 10.27 of the Partnership’s Annual Report on Form 10-K filed on March 28, 2003).
10.10	First Amending Agreement to the Delegation of Control Agreement dated as of February 21, 2005 (incorporated by reference to Exhibit 10.1 of Enbridge Management’s Quarterly Report on Form 10-Q filed May 5, 2005).
14.1	Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.1 of Enbridge Management’s Annual Report on Form 10-K filed on March 12, 2004).
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 of Enbridge Management’s Annual Report on Form 10-K filed on March 12, 2004).
31.1 [*]	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 [*]	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 [*]	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 [*]	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description
99.1	Charter of the Audit, Finance & Risk Committee of Enbridge Energy Management, L.L.C. (incorporated by reference to Exhibit 99.1 of Enbridge Management's Annual Report on Form 10-K filed on February 25, 2005.)
99.2*	Enbridge Energy Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 2006.

Copies of Exhibits may be obtained upon written request of any shareholder to Investor Relations, Enbridge Energy Management, L.L.C., 1100 Louisiana Street, Suite 3300, Houston, Texas 77002.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES**

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

Financial Statements

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FINANCIAL STATEMENT SCHEDULES

Financial statement schedules not included in this Report have been omitted because they are not applicable. Any required information is shown in the consolidated financial statements or notes thereto, or the required information is immaterial.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Enbridge Energy Management, L.L.C.

We have completed integrated audits of Enbridge Energy Management, L.L.C.'s consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income and comprehensive income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Enbridge Energy Management L.L.C. and its subsidiary (the "Company") at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance

of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Houston, Texas

February 22, 2007

ENBRIDGE ENERGY MANAGEMENT, L.L.C.
CONSOLIDATED STATEMENTS OF INCOME

	<u>For the Year Ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(in millions, except per share amounts)		
Equity income from investment in Enbridge Energy Partners, L.P.	\$44.6	\$12.0	\$21.6
Gain on issuance of units by Enbridge Energy Partners, L.P. (Note 4) . . .	—	10.3	7.2
Income before income tax expense	44.6	22.3	28.8
Income tax expense (Note 6)	15.9	9.9	10.1
Net income	<u>\$28.7</u>	<u>\$12.4</u>	<u>\$18.7</u>
Net income per share, basic and diluted	<u>\$2.35</u>	<u>\$1.10</u>	<u>\$1.78</u>
Weighted average shares outstanding	<u>12.2</u>	<u>11.3</u>	<u>10.5</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE ENERGY MANAGEMENT, L.L.C.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>For the Year Ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		(in millions)	
Net income	\$28.7	\$ 12.4	\$18.7
Equity in other comprehensive income (loss) of Enbridge Energy Partners, L.P., net of tax expense (benefit) of \$6.9, \$(12.6), and \$(3.5), respectively	<u>10.9</u>	<u>(19.8)</u>	<u>(6.7)</u>
Comprehensive income (loss)	<u>\$39.6</u>	<u>\$ (7.4)</u>	<u>\$12.0</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE ENERGY MANAGEMENT, L.L.C.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended		
	December 31,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	<small>(in millions)</small>		
Cash provided by operating activities			
Net income	\$ 28.7	\$ 12.4	\$ 18.7
Adjustments to reconcile net income to cash flows from operating activities:			
Equity income from investment in Enbridge Energy Partners, L.P.....	(44.6)	(12.0)	(21.6)
Gain on issuance of units by Enbridge Energy Partners, L.P.	—	(10.3)	(7.2)
Deferred income taxes	<u>15.9</u>	<u>9.9</u>	<u>10.1</u>
Net cash flows from operating activities.....	<u>—</u>	<u>—</u>	<u>—</u>
Net cash flows from investing activities	<u>—</u>	<u>—</u>	<u>—</u>
Net cash flows from financing activities	<u>—</u>	<u>—</u>	<u>—</u>
Net change in cash and cash equivalents	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents at beginning of year	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents at end of year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE ENERGY MANAGEMENT, L.L.C.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2006	2005
	(in millions)	
ASSETS		
Investment in Enbridge Energy Partners, L.P.	\$428.9	\$366.5
	<u>\$428.9</u>	<u>\$366.5</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred income tax liability (Note 6)	\$ 36.2	\$ 13.4
Stockholders' equity (Note 3)		
Voting shares—unlimited authorized; 1.41 and 1.30 issued and outstanding in 2006 and 2005.	—	—
Listed shares—unlimited authorized; 12,674,147 and 11,704,947 issued and outstanding in 2006 and 2005.	498.6	454.0
Accumulated deficit.	(82.2)	(66.3)
Accumulated other comprehensive loss.	(23.7)	(34.6)
	<u>392.7</u>	<u>353.1</u>
	<u>\$428.9</u>	<u>\$366.5</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE ENERGY MANAGEMENT, L.L.C.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	For the Year Ended December 31,					
	2006		2005		2004	
	Shares	Amount	Shares	Amount	Shares	Amount
	(in millions, except shares)					
Voting shares						
Beginning balance	1.30	\$ —	1.21	\$ —	1.12	\$ —
Share dividends (Note 3) ..	0.11	—	0.09	—	0.09	—
Ending balance	<u>1.41</u>	—	<u>1.30</u>	—	<u>1.21</u>	—
Listed shares						
Beginning balance	11,704,947	454.0	10,902,408	412.5	10,062,169	374.2
Share dividends (Note 3) ..	969,200	44.6	802,539	41.5	840,239	38.3
Ending balance	<u>12,674,147</u>	498.6	<u>11,704,947</u>	454.0	<u>10,902,408</u>	412.5
Accumulated deficit						
Beginning balance		(66.3)		(37.2)		(17.6)
Net income		28.7		12.4		18.7
Share dividends (Note 3) ..		(44.6)		(41.5)		(38.3)
Ending balance		<u>(82.2)</u>		<u>(66.3)</u>		<u>(37.2)</u>
Accumulated other comprehensive loss						
Beginning balance		(34.6)		(14.8)		(8.1)
Equity in other comprehensive income (loss) of Enbridge Energy Partners, L.P. . . .		10.9		(19.8)		(6.7)
Ending balance		<u>(23.7)</u>		<u>(34.6)</u>		<u>(14.8)</u>
Total stockholders' equity . . .		<u>\$392.7</u>		<u>\$353.1</u>		<u>\$360.5</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE ENERGY MANAGEMENT, L.L.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Enbridge Energy Management, L.L.C. referred to herein with its subsidiary as “we,” “us,” “our,” the “Company,” or “Enbridge Management”, is a publicly traded Delaware limited liability company that was formed on May 14, 2002. Enbridge Management’s Listed Shares (“Listed Shares”) are traded on the New York Stock Exchange (“NYSE”) under the symbol “EEQ.” We are a limited partner of Enbridge Energy Partners, L.P. (the “Partnership”) through our ownership of i-units, a special class of the Partnership’s limited partner interests. The Partnership’s Class A common units are traded on the NYSE under the symbol “EEP.” By agreement with the Partnership and its general partner, Enbridge Energy Company, Inc., (“the General Partner”), we manage the Partnership’s business and affairs. The General Partner is an indirect, wholly-owned subsidiary of Enbridge Inc. (“Enbridge”), an energy company based in Calgary, Alberta. The General Partner owns 1.41 or 100 percent of our Voting Shares, as well as 2,182,770 or 17.2 percent, of our Listed Shares while the remaining 10,491,377 or 82.8 percent, of our Listed Shares were held by the public at December 31, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Our preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. We evaluate these estimates utilizing historical experience, consultation with experts and other methods we consider reasonable under the circumstances. Nevertheless, actual results may differ significantly from these estimates. We record the effect of any revisions to these estimates in our consolidated financial statements in the period in which the facts that give rise to the revision become known.

Principles of consolidation

The consolidated financial statements include the accounts of Enbridge Management and its wholly-owned subsidiary, Enbridge Management Services, L.L.C., on a consolidated basis. All significant intercompany transactions and balances have been eliminated in consolidation.

Accounting for investment in Enbridge Energy Partners, L.P.

We use the equity method of accounting for our ownership in the Partnership because we exercise significant influence over the Partnership per a delegation of control agreement. Our share of earnings of the Partnership is recorded in the period in which it is earned. As of December 31, 2006, 2005 and 2004, we owned approximately 16.0 percent, 17.5 percent, and 18.1 percent in the Partnership, respectively.

On August 15, 2006, the Partnership sold approximately 10.8 million Class C units to the General Partner and an institutional investor at a purchase price of \$46.00 per unit in a private transaction. As a result of this issuance, our limited partnership interest in the Partnership was reduced from approximately 18.4 percent immediately prior to the issuance to 16.0 percent following the transaction.

Gain on issuance of units by Enbridge Energy Partners, L.P.

We recognize a gain or loss when the Partnership issues additional Class A common units and we do not participate in the issuance, since our ownership interest in the Partnership is diluted. To the extent the new issuance price per unit is greater than or less than our average cost per unit, a gain or loss is recognized.

Net income per share

Both basic and diluted earnings per share are computed based on the weighted-average number of shares outstanding during each period. We have no securities outstanding that may be converted into or exercised for our shares.

Income taxes

We are a limited liability company that has elected to be treated as a corporation for federal income tax purposes. We recognize deferred income tax assets and liabilities for temporary differences between the basis of our assets and liabilities for financial reporting and tax purposes. Changes in tax legislation are included in the relevant computations in the period in which such changes are effective. Currently, the only temporary difference (and associated deferred tax expense) results from recording our equity in the earnings of the Partnership which will not become taxable until the Partnership is liquidated, or the i-units are otherwise monetized.

We are a party to a tax indemnification agreement with Enbridge. Pursuant to this tax indemnification agreement, Enbridge agreed to indemnify us from any tax liability attributable to our formation or our management of the business and affairs of the Partnership, and from any taxes arising out of a transaction involving the i-units owned to the extent the transaction does not generate sufficient cash to pay our taxes with respect to such transaction in each case, other than any Texas franchise taxes and any other similar capital-based foreign, state or local taxes that are required to be paid or reimbursed by the Partnership under the delegation of control agreement.

The delegation of control agreement with the General Partner was amended effective February 21, 2005. The effect of the amendment is that the General Partner bears the economic impact for our taxes only in the event we do not have sufficient cash to pay them. As a result, we began accruing state income taxes in 2005 in addition to federal income tax.

Comprehensive income

Comprehensive income differs from net income due to the equity in other comprehensive income (loss) of the Partnership. The Partnership enters into a variety of derivative financial instruments to mitigate its exposure to commodity price and interest rate risk, most of which are qualified cash flow hedges under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*. As such, changes in the fair market value of the Partnership's derivative financial instruments result in fluctuations in our Comprehensive income, which is reflected as Equity in other comprehensive income (loss) of Enbridge Energy Partners, L.P.

Recent Accounting Pronouncements Not Yet Adopted

Accounting for Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109*, or FIN 48. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, and is effective for fiscal years beginning after December 15, 2006. FIN 48 is required to be implemented on January 1, 2007, and we expect to adopt the provisions in the first quarter of 2007. We do not expect our adoption of FIN 48 to materially affect our operating results, financial position or cash flows.

Staff Accounting Bulletin No. 108

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108. This Bulletin requires a "dual approach" for quantifications of errors using both a method that

focuses on the income statement impact, including the cumulative effect of prior years' misstatements, and a method that focuses on the period-end balance sheet. We adopted SAB No. 108 as of December 31, 2006. The adoption of this Bulletin did not have a material impact on our consolidated financial statements.

3. SHARE DISTRIBUTIONS

Our authorized capital structure consists of two classes of interests: (1) Listed Shares, which represent limited liability company interests with limited voting rights, and (2) Voting Shares, all of which are held by the General Partner. Prior to our October 17, 2002 initial public offering of our Listed Shares, our issued capitalization consisted of cash contributed by the General Partner for one voting share.

We make share dividends at the same time that the Partnership declares and makes cash distributions to its general partner and the holders of its limited partner units, which occurs on a quarterly basis. We do not, however, receive distributions of cash in respect of the i-units we own and do not otherwise have any cash flow attributable to our ownership of the i-units. Instead, when the Partnership makes distributions of cash to its general partner and holders of its limited partner units, the number of i-units we own increases automatically under the Partnership's partnership agreement. The amount of this increase is calculated by dividing the amount of the cash distribution paid by the Partnership on each of its limited partner units by the average closing price of one of our Listed Shares on the NYSE as determined for a 10-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares multiplied by the number of shares outstanding on the record date. Concurrently with the increase in the number of i-units that we own, we make share dividends, with the result that the number of our outstanding shares, that are then outstanding, equal the number of i-units that we own in the Partnership.

The following table sets forth the share distributions, as approved by our board of directors for each period in the years ended December 31, 2006, 2005 and 2004.

<u>Dividend Declaration Date</u>	<u>Dividend Payment Date</u>	<u>Record Date</u>	<u>Distribution per Unit of the Partnership</u>	<u>Average Closing Price of the Listed Shares</u>	<u>Additional i-units owned</u>	<u>Listed Shares distributed to Public</u>	<u>Listed Shares distributed to General Partner</u>
2006							
October 27	November 14	November 6	\$0.925	\$49.24	233,693	193,446	40,247
July 28	August 14	August 4	\$0.925	\$44.50	253,310	209,684	43,626
April 27	May 15	May 5	\$0.925	\$43.43	254,126	210,360	43,766
January 30	February 14	February 7	\$0.925	\$47.47	<u>228,071</u>	<u>188,792</u>	<u>39,279</u>
					<u>969,200</u>	<u>802,282</u>	<u>166,918</u>
2005							
October 26	November 14	November 3	\$0.925	\$51.28	207,393	171,675	35,718
July 28	August 12	August 5	\$0.925	\$54.67	191,301	158,355	32,946
April 25	May 13	May 4	\$0.925	\$50.12	204,865	169,583	35,282
January 24	February 14	February 3	\$0.925	\$50.68	<u>198,980</u>	<u>164,711</u>	<u>34,269</u>
					<u>802,539</u>	<u>664,324</u>	<u>138,215</u>
2004							
October 22	November 12	November 1	\$0.925	\$43.98	224,576	185,899	38,677
July 22	August 13	August 2	\$0.925	\$43.89	220,412	182,452	37,960
April 26	May 14	May 5	\$0.925	\$45.97	206,253	170,732	35,521
January 22	February 13	February 2	\$0.925	\$49.25	<u>188,998</u>	<u>156,448</u>	<u>32,550</u>
					<u>840,239</u>	<u>695,531</u>	<u>144,708</u>

We had non-cash operating activities in the form of i-units distributed to us by the Partnership and corresponding non-cash financing activities in the form of our share distributions to the Listed Shareholders in amounts of \$44.6 million, \$41.5 million, and \$38.3 million as of December 31, 2006, 2005, and 2004, respectively.

4. GAIN ON ISSUANCES OF UNITS BY ENBRIDGE ENERGY PARTNERS, L.P.

The following table presents the gains we recognized for the dilution of our ownership resulting from the issuances of additional Class A common units. Our ownership is diluted whenever the Partnership issues Class A common units and we do not participate in the offering.

<u>Issuance Date</u>	<u>Number of Class A Common units Issued</u>	<u>Offering Price per Class A Common unit</u>	<u>Net Proceeds to the Partnership⁽¹⁾</u>	<u>Ownership Percent before Issuance</u>	<u>Ownership Percent after Issuance</u>	<u>Dilution Gain⁽²⁾</u>
(in millions, except unit and per unit amounts)						
2006:						
No Class A common units were issued in 2006.						
2005:						
December	136,200	\$46.000	\$ 6.2	17.5%	17.5%	\$ 0.2
November	3,000,000	\$46.000	135.0	18.4%	17.5%	4.5
February	<u>2,506,500</u>	\$49.875	<u>127.5</u>	18.1%	17.3%	<u>5.6</u>
2005 Totals	<u>5,642,700</u>		<u>\$268.7</u>			<u>\$10.3</u>
2004:						
September	3,680,000	\$47.900	\$172.2	18.9%	17.8%	\$ 6.3
January	<u>450,000</u>	\$50.300	<u>22.0</u>	18.2%	18.2%	<u>0.9</u>
2004 Totals	<u>4,130,000</u>		<u>\$194.2</u>			<u>\$ 7.2</u>

(1) Net of underwriters' fees and discounts, commissions and issuance expenses and including contributions from the General Partner to maintain its 2 percent general partner interest.

(2) Before the effect of income taxes.

5. RELATED PARTY TRANSACTIONS

At the time of our initial public offering, we became a limited partner in the Partnership and, pursuant to a delegation of control agreement among us, the General Partner and the Partnership, assumed the management of the Partnership's business and affairs. Pursuant to this agreement, we have assumed substantially all of the General Partner's power and authority to manage the business and affairs of the Partnership and its subsidiaries. The delegation of control agreement provides that we will not amend or propose to amend the Partnership's partnership agreement, allow a merger or consolidation involving the Partnership, allow a sale or exchange of all or substantially all of the assets of the Partnership or dissolve or liquidate the Partnership without the approval of the General Partner.

The General Partner remains responsible to the Partnership for actions taken or omitted by us while serving as the delegate of the General Partner as if the General Partner had itself taken or omitted to take such actions. The General Partner owns all of our Voting Shares. The General Partner has agreed not to voluntarily withdraw as general partner of the Partnership and has agreed not to transfer its interest as general partner of the Partnership unless the transferee agrees in writing to be bound by the terms and conditions for the delegation of control agreement that apply to the general partner.

The Partnership recognizes the delegation of rights and powers to us and indemnifies and protects us and, our officers and directors, to the same extent as it does with respect to the General Partner. In

addition, the Partnership reimburses our expenses to the same extent as it does with respect to the General Partner as general partner. The Partnership also reimburses us for any Texas franchise taxes and any other similar capital-based foreign, state and local taxes not otherwise paid or reimbursed by Enbridge pursuant to the tax indemnification agreement.

Enbridge Employee Services, Inc. (“EES”) is a wholly-owned subsidiary of the General Partner and provides employees and related employee benefits services to us, the General Partner, the Partnership, the Partnership’s operating partnerships and subsidiaries and other Enbridge affiliates (collectively, the “Group”). Employees of EES are assigned to work for one or more members of the Group. The direct costs of all compensation, benefits expenses, and employer expenses for these employees are charged by EES to the appropriate members of the Group. EES does not include profit or margin on costs charged to the members of the Group. For the periods ending December 31, 2006, 2005 and 2004, all costs from EES incurred by us were charged to the Partnership pursuant to service agreements among us, the General Partner and the Partnership.

6. INCOME TAXES

Our long-term deferred income tax liability of \$36.2 million and \$13.4 million as of December 31, 2006 and 2005, respectively, results from the deferred income tax expense associated with recording our equity in earnings of the Partnership and our share of the other comprehensive income of the Partnership. The terms of the i-units provide that the units owned by us will not be allocated income, gain, loss or deductions of the Partnership until such time that we dispose of our investment in the Partnership, thus resulting in the deferred tax liability.

The delegation of control agreement with the General Partner was amended effective February 21, 2005. The effect of the amendment is that the General Partner bears the economic impact for our taxes only in the event we do not have sufficient cash to pay them. As a result, we began accruing state income taxes in 2005 in addition to federal income tax. The effective tax rate used in computing the income tax provision in 2005 is 37.3%, which represents the federal statutory rate of 35.0% and the effective state rate of 2.3%.

The effective tax rate we used in computing the income tax provision in 2006 is 36.8%, which represents the federal statutory rate of 35.0% and the effective state rate of 1.8%. Our income tax expense of \$15.9 million for the year ended December 31, 2006, is \$6.0 million greater than the \$9.9 million we incurred for the same period in 2005. The increase in income tax expense related to our equity in partnership net income in 2006 is partially offset by decreases resulting from state effective tax rate reductions impacting our deferred tax liability and from the \$1.6 million charge we recorded in 2005 for cumulative state income taxes on the differences between book and taxable net income.

7. SUMMARIZED FINANCIAL INFORMATION FOR ENBRIDGE ENERGY PARTNERS, L.P.

Enbridge Energy Partners, L.P. is a publicly-traded Delaware limited partnership that owns and operates crude oil and liquid petroleum transportation and storage assets, and natural gas gathering, treating, processing, transportation and marketing assets in the United States of America. The following table provides summarized financial information of the Partnership:

	<u>2006</u>	<u>2005</u> (in millions)	<u>2004</u>
Operating revenues	\$6,509.0	\$6,476.9	\$4,291.7
Operating expenses	6,122.1	6,285.0	4,054.5
Operating income.....	<u>\$ 386.9</u>	<u>\$ 191.9</u>	<u>\$ 237.2</u>
Net income	<u>\$ 284.9</u>	<u>\$ 89.2</u>	<u>\$ 138.2</u>
Current assets	<u>\$1,009.3</u>	<u>\$ 985.3</u>	<u>\$ 633.8</u>
Long-term assets	<u>\$4,214.5</u>	<u>\$3,443.1</u>	<u>\$3,136.9</u>
Current liabilities	<u>\$ 961.6</u>	<u>\$ 971.3</u>	<u>\$ 564.3</u>
Long-term liabilities.....	<u>\$2,218.8</u>	<u>\$2,093.3</u>	<u>\$1,808.5</u>
Partners' capital	<u>\$2,043.4</u>	<u>\$1,363.8</u>	<u>\$1,397.9</u>

8. SUBSEQUENT EVENTS

Share distribution

On January 26, 2007, our Board of Directors declared a share distribution payable on February 14, 2007, to shareholders of record as of February 6, 2007, based on the \$0.925 per limited partner unit distribution declared by Enbridge Energy Partners, L.P. (the "Partnership"). We received 228,528 i-units from the Partnership, which is computed by dividing \$0.925, the cash amount distributed per limited partner unit, by the average closing price of one of our Listed Shares on the NYSE as determined for the 10-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares multiplied by the number of shares outstanding prior to the distribution. We distributed 228,528 additional Listed Shares to our listed shareholders and additional shares to the General Partner in respect of these additional i-units.

9. SUPPLEMENTAL SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
	(dollars in millions, except per unit amounts)				
2006 Quarters					
Net income	\$ 8.4	\$ 7.3	\$ 8.5	\$ 4.5	\$28.7
Net income per share, basic and diluted	\$0.71	\$0.60	\$ 0.69	\$0.36	\$2.35
2005 Quarters					
Net income (loss)	\$ 4.4	\$ 2.2	\$ (2.2)	\$ 8.0	\$12.4
Net income (loss) per share, basic and diluted	\$0.40	\$0.20	\$(0.19)	\$0.69	\$1.10