

ENBRIDGE ENERGY PARTNERS LP  
Form 424B5  
May 05, 2003

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**File Pursuant to Rule 424(b)(5)  
Registration Number 333-59758**

**Subject to Completion  
Preliminary Prospectus Supplement dated May 5, 2003**

**The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

PROSPECTUS SUPPLEMENT  
(To Prospectus dated October 10, 2001)

**2,750,000 Class A Common Units**  
**Enbridge Energy Partners, L.P.**  
**Representing Limited Partner Interests**

**\$ \_\_\_\_\_ per unit**

We are selling 2,750,000 Class A Common Units as described in this prospectus supplement and the accompanying prospectus. Our units are traded on the New York Stock Exchange under the symbol "EEP." The last reported sale price of the units on May 2, 2003 was \$45.75 per unit.

**Investing in our Class A Common Units involves risks. See "Risk Factors" beginning on page S-14 of this prospectus supplement and beginning on page 4 of the accompanying prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<b>Per Common Unit</b>	<b>Total</b>
Public Offering Price	\$ _____	\$ _____
Underwriting Discount	\$ _____	\$ _____
Proceeds to Enbridge Energy, before Expenses	\$ _____	\$ _____

We have granted the underwriters a 30-day option to purchase up to 412,500 additional Class A Common Units on the same terms and conditions as set forth above to cover over-allotments, if any.

The underwriters are offering the units subject to various conditions. The underwriters expect to deliver the units to purchasers on or about May 1, 2003.

—————  
*Joint Book-running Managers*  
—————

**UBS Warburg**

**Lehman Brothers**

**Citigroup**

**A.G. Edwards & Sons, Inc.**

**RBC Capital Markets**

**Wachovia Securities**

May , 2003

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**PROSPECTUS**

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**IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT  
AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is the prospectus supplement, which describes our business and the specific terms of this Class A Common Unit offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer of the Class A Common Units in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of those documents.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information from this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you should consider before investing in the Class A Common Units. This prospectus supplement and the accompanying prospectus include specific terms of the offering of the Class A Common Units, information about our business and our financial data. You should read the entire prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference carefully, including "Risk Factors" beginning on page S-14 of this prospectus supplement and on page 4 of the accompanying prospectus, and our financial statements and the notes to those statements, before making an investment decision.*

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*As used in this prospectus supplement and the accompanying prospectus, "we," "us," "our" and "Enbridge Energy" mean Enbridge Energy Partners, L.P. and includes our subsidiaries; "Enbridge Energy Company" means Enbridge Energy Company, Inc., our general partner; "Enbridge Management" means Enbridge Energy Management, L.L.C., the delegate of our general partner; and "Enbridge" means Enbridge Inc., the indirect parent of our general partner. Our Class A Common Units represent limited partner interests in Enbridge Energy Partners, L.P. We also have limited partner interests that are represented by Class B Common Units and i-units. All of our Class B Common Units are owned by our general partner and all of our i-units are owned by Enbridge Management. The Class A Common Units, the Class B Common Units and the i-units are referred to in this prospectus supplement as "units."*

### Enbridge Energy

#### Business Description

We are a publicly traded Delaware limited partnership that owns and operates crude oil and liquid petroleum transportation assets and natural gas gathering, treating, processing, transmission and marketing assets in the United States. Our Class A Common Units are traded on the New York Stock Exchange under the symbol "EEP." We were formed in 1991 by Enbridge Energy Company to own and operate the Lakehead system, which is the U.S. portion of a crude oil and liquid petroleum pipeline system extending from western Canada through the upper and lower Great Lakes region of the United States to eastern Canada. A subsidiary of Enbridge owns the Canadian portion of the system. Enbridge, which is based in Calgary, Alberta, provides energy transportation, distribution and related services in North America and internationally.

We began to diversify geographically and operationally by acquiring a crude oil gathering and transportation system known as the North Dakota system in May 2001, and a natural gas gathering, treating, processing and transmission system known as the East Texas system in November 2001. In October 2002, we acquired Enbridge Energy Company's Midcoast, Northeast Texas and South Texas systems, which materially increased the size and diversity of our business.

Enbridge Energy Company owns an 8.6% limited partner interest (in the form of 3,912,750 Class B Common Units) and a 2% general partner interest in us. Our remaining 89.4% limited partner interest is represented by 31,313,634 publicly traded Class A Common Units, or 68.7%, and 9,454,342 i-units, or 20.7%, a class of limited partner interests owned by Enbridge Management.

Enbridge Management is a Delaware limited liability company that was formed in May 2002. Enbridge Management's shares representing limited liability company interests are traded on the New York Stock Exchange under the symbol "EEQ." Its principal asset is a class of our limited partner interests, referred to as "i-units." Enbridge Management's principal activity is managing and controlling our business and affairs. Under a Delegation of Control Agreement, our general partner delegated substantially all of its power and authority to manage and control our business and affairs to Enbridge Management. Our general partner, through its direct ownership of the voting shares of Enbridge Management, elects all of the directors of Enbridge Management.

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#### Business Segments

We conduct our business through five business segments:

**Liquids Transportation.** This segment includes our Lakehead system, a common carrier pipeline, and our North Dakota system, a feeder pipeline that transports crude oil and other liquid hydrocarbons.

**Lakehead System:** The Lakehead system consists primarily of crude oil and liquid petroleum transportation and storage assets in the Great Lakes and Midwest regions of the United States. This system, together with the Enbridge system in Canada owned by Enbridge, forms the longest crude oil and liquid petroleum pipeline systems in the world. The Enbridge/Lakehead system, which spans 3,100 miles, has been in operation for over 50 years and is the primary transporter of crude oil and liquid petroleum from western Canada to the United States. The Enbridge/Lakehead system serves all the major refining centers in the Great Lakes and Midwest regions of the United States and the Province of Ontario, Canada. Through its interconnection with the Enbridge system, the Lakehead system is well positioned to capitalize on expected increases in crude oil supplies over the next ten years from previously announced heavy crude oil and oil sands projects in the Province of Alberta, Canada.

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**North Dakota System:** The North Dakota system includes approximately 330 miles of crude oil gathering lines connected to a transportation line that is approximately 620 miles long. The North Dakota system connects directly with the Lakehead system.

**Natural Gas Transportation.** This segment includes the operations of our United States interstate and intrastate natural gas transmission pipeline systems. These include the following systems, which we acquired in connection with the Midcoast system acquisition in October 2002:

the Kansas Pipeline, Midla Pipeline, AlaTenn Pipeline, and UTOS Pipeline systems, which are FERC regulated interstate pipelines; and

the Bamagas Pipeline, Mid-Louisiana Gas Transmission Pipeline and Magnolia Pipeline systems, which are intrastate pipelines.

**Natural Gas Gathering and Processing.** This segment includes the operations of our natural gas gathering pipelines, treating plants and processing plants and includes the following systems:

**East Texas System:** The East Texas system includes approximately 2,000 miles of natural gas gathering and transmission pipelines, two active natural gas treating plants, and two active natural gas processing plants.

**Anadarko System:** The Anadarko system consists of 730 miles of pipeline in southwest Oklahoma and the Texas panhandle, one natural gas treating plant and one active gas processing plant.

**Northeast Texas System:** The Northeast Texas system includes approximately 1,200 miles of natural gas gathering pipelines, four active natural gas treating plants, and two active natural gas processing plants.

**South Texas System:** The South Texas system includes approximately 175 miles of natural gas gathering pipelines and a hydrogen sulfide treatment plant. The South Texas gathering system also interconnects with a 500-mile natural gas transmission pipeline system, which we have the right to acquire for \$41 million.

**Harmony System:** The Harmony system consists of 155 miles of pipeline in southeast Mississippi, and it includes an active natural gas treating plant and processing plant.

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Our Natural Gas Gathering and Processing Segment also includes the transportation of natural gas liquids, crude oil and carbon dioxide by rail and road and the trucks, trailers and rail cars included in the assets of the Midcoast system.

**Marketing.** This segment provides natural gas supply, transmission and sales services.

**Corporate.** This segment consists of costs of financing, interest income, minority interest and certain other costs such as franchise taxes, that are not allocated to the other business segments.

For the year ended December 31, 2002, our Liquids Transportation segment contributed 28.2%, 81.2% and 94.3% of our operating revenues, operating income and capital expenditures (excluding acquisitions), respectively. As a result of an anticipated full year contribution from our recently acquired Midcoast, Northeast Texas and South Texas systems, we expect our Natural Gas Transportation and Natural Gas Gathering and Processing segments will contribute a larger portion of our operating revenues and operating income in 2003. See Note 13. "Segment Information" of the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, which is incorporated by reference herein.

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Our principal executive offices are located at 1100 Louisiana, Suite 3300, Houston, Texas 77002 and our telephone number is (713) 650-8900.

### Business Strategy

Our objective is to continue to increase cash distributions to unitholders. To achieve this objective, we intend to:

Expand and increase the utilization of our pipeline systems' capacity to meet the supply of and demand for hydrocarbons in the markets they serve.

Develop and acquire complementary energy delivery assets, particularly in the Gulf Coast region of the United States, and improve the financial performance and operating efficiency of acquired assets. We believe that attractive acquisition opportunities exist and that we are well positioned to acquire additional assets that meet our financial and operational criteria.

### Competitive Strengths

Our business strategy is supported by the following competitive strengths:

**Strategic Market Position:** The Enbridge/Lakehead system is the primary transporter of western Canadian crude oil to the Great Lakes and Midwest regions of the United States and the sole transporter of western Canadian crude oil to the Province of Ontario, Canada.

**Diversified Business and Geographical Presence:** Following the acquisition of the Midcoast, Northeast Texas and South Texas systems, our business consists of a diverse group of energy delivery assets located in some of North America's most significant areas of hydrocarbon supply and demand.

**Low Cost Operations:** The Enbridge/Lakehead system is among the lowest cost transporters of crude oil and liquid petroleum in North America, based on operating cost per barrel mile transported.

**Competitive Cost of Capital:** Our cost of capital, due to our partnership structure, helps us compete more effectively in acquiring assets and expanding our existing systems.

**Diversified Access to Capital Markets:** Our investment grade credit rating, as well as the institutional share/i-unit structure established in connection with the recent offering of Enbridge Management's shares, provides us diversified access to both the debt and equity capital markets.

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**Experienced Management:** Our management has substantial industry experience and a strong track record of growth through development and enhancement of existing assets as well as through acquisitions.

**Beneficial Relationship with Enbridge:** Our relationship with Enbridge exposes us to possible acquisition opportunities and provides us with managerial, financial and operational expertise that might not otherwise be available to us.

### Recent Developments

#### Increase in Distributions

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Effective in January 2003, we increased our per unit cash distribution rate to unitholders from \$0.90 per quarter to \$0.925 per quarter, or \$3.70 per unit on an annualized basis. Since our initial public offering in 1991, we have increased our quarterly cash distribution rate seven times from an initial annual distribution rate of \$0.59 per unit.

### **Enbridge Management**

On October 17, 2002, Enbridge Management closed a public offering of 9,000,000 of its shares for net proceeds of approximately \$333.2 million. It used all of the net proceeds from that offering to purchase from us a class of our limited partner interests that we call i-units. We, in turn, used all of the net proceeds from the sale of i-units to Enbridge Management to repay a portion of the debt owed to affiliates of Enbridge that we assumed in connection with the acquisition of the Midcoast, Northeast Texas and South Texas systems.

### **SEC Inquiry**

In October 2002, we acquired the Midcoast, Northeast Texas, and South Texas systems from Enbridge Energy Company. A committee of independent members of the Board of Directors of Enbridge Energy Company negotiated the purchase price and terms of the acquisition on behalf of our public unitholders and recommended that the Board approve the acquisition. The independent committee retained its own legal and expert financial advisors to assist in this process, and the financial advisor rendered a fairness opinion in connection with the acquisition.

In November 2002, the staff of the Securities and Exchange Commission, referred to as the "SEC", advised us, Enbridge Management, Enbridge Energy Company and Enbridge, referred to as the "Enbridge Group", that it had commenced an informal inquiry into the acquisition and the initial public offering by Enbridge Management. The SEC staff has advised us that its principal focus includes the financial forecast made in connection with the acquisition and the price paid for the assets. The SEC staff has not asserted that we or others in the Enbridge Group have acted improperly or illegally, and it has not indicated an intention to seek a formal order of investigation. We are cooperating fully with the SEC staff.

We continue to believe that the financial forecast had a reasonable basis, and the price paid for the assets was fair to us. Although we cannot predict the outcome or timing of the informal inquiry, we believe that the informal inquiry will not have a material adverse effect on our financial condition.

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### **Organizational Structure**

The following chart shows our organization and ownership structure as of the date of this prospectus supplement before giving effect to this offering. The ownership percentages referred to in this prospectus supplement reflect the approximate effective ownership in us.



**Ownership of Enbridge Energy Partners, L.P. as of March 31, 2003**

i-units owned by Enbridge Management	20.7%
Class A Common Units owned by the public	68.7%
Class B Common Units owned by Enbridge Energy Company	8.6%
General Partner Interest	2.0%
<b>Total</b>	<b>100.0%</b>

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**The Offering**

The following information assumes, unless otherwise noted, that the underwriters do not exercise the option we have granted to them to purchase up to 412,500 additional Class A Common Units to cover over-allotments.

<b>Securities Offered</b>	2,750,000 Class A Common Units. (3,162,500 Class A Common Units if the underwriter's over-allotment option is exercised in full).
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<b>Units to be Outstanding After the Offering</b>	34,063,634 Class A Common Units (representing a 70.4% limited partner interest)
	3,912,750 Class B Common Units (representing a 8.1% limited partner interest)
	9,454,342 i-units (representing a 19.5% limited partner interest)
<b>New York Stock Exchange Symbol</b>	EEP
<b>Use of Proceeds</b>	We estimate that we will receive net proceeds from the offering of approximately \$120.0 million (based on an assumed offering price of \$45.75 per Class A Common Unit and after payment of expenses), or approximately \$138.0 million if the underwriters' over-allotment option is exercised in full. We intend to use (a) \$63.1 million of the net proceeds from the offering to repay a portion of our existing loans from Enbridge affiliates and (b) the remainder of the net proceeds to repay a portion of the amount outstanding under our \$300 million 364-day revolving credit facility. These borrowings were incurred primarily to fund recently completed acquisitions. Please read "Use of Proceeds".
<b>Timing of Quarterly Distributions</b>	Cash distributions are made on our units on a quarterly basis. Our current quarterly distribution rate is \$0.925 per unit, or \$3.70 per unit on an annualized basis, based on the last quarterly distribution paid by us. Cash distributions on our units are generally paid before the end of the second month following March 31, June 30, September 30 and December 31. The first distribution payable to purchasers of the units offered hereby will be declared and paid in the third quarter of 2003.
<b>Risk Factors</b>	An investment in the Class A Common Units involves risk. Please read "Risk Factors" in this prospectus supplement and in the accompanying prospectus.

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### Summary Historical Financial and Operating Data

We have derived the summary historical financial data as of and for each of the years ended December 31, 2000, 2001 and 2002 from our audited financial statements and related notes. We have derived the summary historical financial and operating data as of March 31, 2002 and 2003 for the three-month period then ended from our unaudited financial statements which, in the opinion of management, include all adjustments necessary for a fair presentation of the data. The results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for any other quarter or for the full fiscal year. You should read the information below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and related notes appearing in our Annual Report on Form 10-K for the year ended December 31, 2002, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, both of which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

We acquired the North Dakota system on May 18, 2001, the East Texas system on November 30, 2001 and the Midcoast, Northeast Texas and South Texas systems on October 17, 2002. Our summary financial information as of and for the years ended December 31, 2001 and 2002 reflects the inclusion of these systems since the dates they were acquired.

Year Ended December 31,			Three Months Ended March 31,	
2000	2001	2002	2002	2003

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Year Ended December 31, Three Months Ended  
March 31,

(dollars in millions, except per unit amounts)

(unaudited)

**Income Statement Data:**

Operating revenue	\$ 307.0	\$ 342.3	\$ 1,185.5	\$ 181.8	\$ 896.1
Operating and administrative expenses	128.0	180.7	967.6	131.0	818.8
Depreciation and amortization	61.1	63.8	79.9	18.3	23.4
Total operating expenses	189.1	244.5	1,047.5	149.3	842.2
Operating income	117.9	97.8	138.0	32.5	53.9
Interest and other income	3.4	0.9	(0.2)	0.1	
Interest expense	(60.4)	(59.3)	(59.2)	(14.7)	(21.3)
Minority interest	(0.7)	(0.5)	(0.5)	(0.2)	
Net income	\$ 60.2	\$ 38.9	\$ 78.1	17.7	32.6
Net income per common unit (1)	\$ 1.78	\$ 0.98	\$ 1.76	\$ 0.43	\$ 0.62
Cash distribution paid per common unit	3.500	3.500	3.600	0.900	0.925

**Financial Position Data (at period end):**

Property, plant and equipment, net	\$ 1,281.9	\$ 1,486.6	\$ 2,253.3	\$ 1,498.5	\$ 2,249.4
Total assets	1,376.7	1,649.2	2,834.9	1,682.6	2,992.9
Long-term debt	799.3	715.4	1,011.4	683.4	757.4
Partners' capital:					
Class A common unitholders	488.6	577.0	604.8	647.1	595.0
Class B common unitholder	42.1	48.8	48.7	53.4	47.8
i-units			335.6		341.2
General partner	5.2	6.5	18.8	7.7	19.1
Accumulated other comprehensive income		11.9	(16.3)	(2.6)	(38.0)
Total partners' capital	\$ 535.9	\$ 644.2	\$ 991.6	\$ 705.6	\$ 965.1

**Other Financial Data:**

EBITDA (2)	\$ 179.0	\$ 161.6	\$ 217.9	\$ 50.8	\$ 77.3
Cash flow from operating activities	118.9	125.3	200.6	52.7	78.4
Cash flow used in investing activities	(22.3)	(302.1)	(557.2)	(29.6)	(23.3)
Cash flow from (used in) financing activities	(99.4)	179.8	376.7	(1.0)	(44.9)
Additions to property, plant and equipment and asset acquisitions included in investing activities	(21.7)	(300.0)	(563.9)	(30.0)	(18.3)

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Year Ended December 31,			Three Months Ended March 31,	
2000	2001	2002	2002	2003

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	Year Ended December 31,			Three Months Ended March 31,	
<b>Operating Data:</b>					
Lakehead system:					
Barrel miles (billions) (3)	341	333	341	86	85
Deliveries (thousands of barrels per day) (4):					
United States	976	960	937	906	951
Ontario	362	355	365	408	375
<b>Total</b>	<b>1,338</b>	<b>1,315</b>	<b>1,302</b>	<b>1,314</b>	<b>1,326</b>
East Texas system (5)					
Average daily volume (MMBtu/day) (6)	362	394	405	427	483

- (1) The general partner's allocation of net income with respect to its general partner interest in the following amounts has been deducted before calculating net income per common unit: 2000, \$8.8 million; 2001, \$9.1 million; 2002, \$13.1 million; three months ended March 31, 2002, \$3.2 million; three months ended March 31, 2003, \$4.9 million. The weighted average number of outstanding common units for each period is as follows: 2000, 28.9 million; 2001, 30.2 million; 2002, 36.7 million; three months ended March 31, 2002, 33.6 million; three months ended March 31, 2003, 44.6 million. Our i-units are included in the calculations for a portion of 2002 and the full first quarter of 2003.
- (2) We define EBITDA as net income before (a) depreciation and amortization, (b) interest expense, net of capitalized interest, (c) minority interest, (d) interest and other income and (e) income taxes. EBITDA is used as a supplemental financial measurement in the evaluation of our business, as described more fully below, and should not be considered as an alternative to net income as an indicator of our operating performance, cash flows from operating activities or other cash flow data calculated in accordance with generally accepted accounting principles or as a measure of liquidity. EBITDA is not defined under generally accepted accounting principles, and it may not be the same as similarly titled measures used by others.

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EBITDA is used as a supplemental financial measure to assess: (a) the ability of assets to generate cash sufficient to pay interest costs and make cash distributions to unitholders, (b) the financial performance of assets and (c) the appropriateness of the purchase price of assets being considered for acquisition. As such, this supplemental financial measure provides a basis for investors and management to assess and measure performance over time and in relation to companies who own similar assets. Moreover, our revolving credit agreements require us to use EBITDA in calculating certain financial ratios. Although EBITDA is used as a supplemental financial measure to assess our ability to generate cash sufficient to pay interest costs and make cash distributions to unitholders as noted above, the amount of cash available for such payments is also subject to our ability to reserve cash for other uses, such as debt repayments, capital expenditures and operating activities. The following table sets forth (i) our calculation of EBITDA and (ii) a reconciliation of EBITDA, as so calculated, to our cash flow from operating activities.

	Year Ended December 31,			Three Months Ended March 31,	
	2000	2001	2002	2002	2003
Net income	\$ 60.2	\$ 38.9	\$ 78.1	\$ 17.7	\$ 32.6

(dollars in millions)

(unaudited)

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	<u>Year Ended December 31,</u>			<u>Three Months Ended March 31,</u>	
Add (deduct):					
Depreciation and amortization	61.1	63.8	79.9	18.3	23.4
Interest expense	60.4	59.3	59.2	14.7	21.3
Minority interest	0.7	0.5	0.5	0.2	
Interest and other income	(3.4)	(0.9)	0.2	(0.1)	
Income taxes					
EBITDA	\$ 179.0	\$ 161.6	\$ 217.9	\$ 50.8	\$ 77.3
Add (deduct):					
Interest expense	(60.4)	(59.3)	(59.2)	(14.7)	(21.3)
Interest and other income	3.4	0.9	(0.2)	0.1	
Minority interest	(0.7)	(0.5)	(0.5)	(0.2)	
Other adjustments to reconcile net income to cash provided from operating activities (7)	1.5	0.5	0.5	0.1	3.7
Changes in operating assets and liabilities (net) (8)	(3.9)	22.1	42.1	16.6	18.7
Cash flow from operating activities	\$ 118.9	\$ 125.3	\$ 200.6	\$ 52.7	\$ 78.4

- (3) "Barrel miles" is a measurement of how fully a pipeline is used over its length and is calculated by multiplying the amount of each individual delivery (measured in barrels) by the distance it is shipped (measured in miles) and then adding the results so obtained for all deliveries.
- (4) "Deliveries" means the amount of liquid hydrocarbons delivered by a pipeline to certain points along the system and is quantified using a barrel as a unit of measure. "Barrels per day" delivery data is a measurement of average deliveries for the indicated period and is computed by dividing the number of barrels delivered for the period by the number of days in the period.
- (5) East Texas system operating statistics for 2000 and 2001 are shown on a full-year basis for comparative purposes. We acquired the East Texas system on November 30, 2001.
- (6) In millions of British thermal units per day, or "MMBtu/day."
- (7) As disclosed on Enbridge Energy Partners, L.P. Consolidated Statements of Cash Flows.
- (8) Summation of "Changes in operating assets and liabilities" as disclosed on Enbridge Energy Partners, L.P. Consolidated Statements of Cash Flows.

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**Tax Considerations**

**The tax consequences to you of an investment in Class A Common Units will depend in part on your own tax circumstances. You are encouraged to consult your own tax advisor about the federal, state, local and foreign tax consequences to you of an investment in Class A Common Units.**

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For a discussion of the principal U.S. federal income tax considerations associated with our operations and the purchase, ownership and disposition of Class A Common Units, see "Tax Considerations" beginning on page 20 of the accompanying prospectus.

### **Ratio of Taxable Income to Distributions**

We estimate that if you purchase a Class A Common Unit in this offering and hold the unit through the record date for the distribution with respect to the final calendar quarter of 2005, you will be allocated an amount of U.S. federal taxable income for 2003, 2004 and 2005 that averages approximately 10% of the amount of cash distributed to you with respect to each such period.

These estimates are based on numerous assumptions regarding our business and operations, including assumptions as to tariffs, capital expenditures, growth, financings, cash flows and anticipated cash distributions. In particular, these estimates do not assume any acquisitions. Our estimate assumes no increase in taxable income with respect to that period and that quarterly distributions on the units with respect to that period are equal to the current quarterly distribution rate of \$0.925 per unit. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory and competitive uncertainties beyond our control and to tax reporting positions (including estimates of the relative fair market values of our assets and the validity of curative allocations) that we have adopted or intend to adopt and with which the Internal Revenue Service could disagree. Accordingly, the estimates may not turn out to be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower, and any differences could be material.

### **Ownership of Class A Common Units by Tax-Exempt Entities, Regulated Investment Companies and Foreign Investors**

Ownership of Class A Common Units by tax-exempt entities, regulated investment companies and foreign investors raises issues unique to such persons. Please read "Tax Considerations" and "Investment in Enbridge Energy by Employee Benefit Plans" in the accompanying prospectus.

### **Unitholders may be required to report their acquisition of Class A Common Units to the IRS.**

Recently issued final Treasury Regulations require taxpayers to report certain information on IRS Form 8886 if they participate in a "reportable transaction." A transaction may be a reportable transaction based upon any of several factors, including the existence of book-tax differences common to financial transactions, one or more of which may be present with respect to your acquisition of Class A Common Units. Additionally, Congress is considering legislative proposals that, if enacted, would impose significant penalties for failure to comply with these disclosure requirements. The new Treasury Regulations also impose obligations on "material advisors" that organize, manage or sell interests in registered "tax shelters." As described in the accompanying prospectus, we are registered as a tax shelter, and one of our material advisors will be required to maintain a list with specific information, including each unitholder's name and tax identification number, and to furnish this information to the IRS upon request. You are urged to consult your own tax advisor concerning any possible disclosure obligation with respect to your acquisition of Class A Common Units and should be aware that we and our material advisors intend to comply with the list and disclosure requirements.

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## **RISK FACTORS**

Before you invest in our Class A Common Units, you should be aware that such an investment involves various risks, including those described in the accompanying prospectus and the documents we have incorporated by reference. If any of those risks actually occurs, then our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of our Class A Common Units could decline, and you could lose all or part of your investment. We have listed below the risks that we consider to be material to your decision whether to invest in our Class A Common Units at this time. You should consider carefully the risk factors listed below as well as the more detailed discussions of these risks beginning on page 4 of the accompanying prospectus and on page 16 of our Annual Report on Form 10-K for our fiscal year ended December 31, 2002. A number of the risks related to our business that are described in the accompanying prospectus have been updated and are superseded by the related risk factor descriptions found in our Annual Report on Form 10-K for our fiscal year ended December 31, 2002.

### **Risks Related to Our Business**

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Our financial performance could be adversely affected if our pipeline systems are used less.

Changes in our tariff rates or challenges to our tariff rates could have a material adverse effect on our financial condition and results of operations.

Rate disputes and a rate proceeding involving the Kansas pipeline system, if resolved adversely to us, could adversely affect us.

Competition from other pipelines, competitors to our natural gas gathering, processing and transmission businesses, or our affiliate, Enbridge, may reduce our revenues.

Our gas marketing operations involve market risks that may adversely impact the profitability of our operations.

Compliance with environmental and operational safety regulations, including any remediation of soil or water pollution or hydrostatic testing of our pipeline systems, may increase our costs and reduce our revenues.

Failure of pipeline operations due to unforeseen interruptions or catastrophic events may adversely affect our business and financial condition.

Our acquisition strategy may be unsuccessful if we incorrectly predict operating results, are unable to identify and complete future acquisitions, including the \$41 million South Texas acquisition, or to integrate acquired assets or businesses or are unable to raise financing on acceptable terms.

Oil measurement losses on the Lakehead system can be materially impacted by changes in estimation, commodity price differentials and other factors.

Canada's ratification of the Kyoto Protocol, a treaty designed to reduce greenhouse gas emissions, may increase our costs and those of our shippers and adversely impact our operations.

The need for special committee or unitholder approvals may limit our ability to grow by acquiring assets from Enbridge.

Our results may be adversely affected by commodity price volatility and risks associated with our hedging activities. We buy and sell natural gas in connection with our marketing activities. Commodity price exposure is inherent in unhedged gas purchase and resale activities. To the extent that we engage in hedging activities to reduce our commodity price exposure, we may be prevented from realizing the benefits of price increases above the fixed prices established in the

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hedging contracts. Further, hedging contracts are subject to the credit risk that the other party may prove unable or unwilling to perform its obligations under such contracts.

We may not be able to renew or replace the current natural gas transportation and delivery contracts and natural gas sales contracts with Midcoast system customers as those contracts expire. Many of these contracts are with a relatively small number of customers but account for a significant portion of the gross margin attributable to the Midcoast system. The renewal or replacement of these contracts at rates sufficient to maintain current gross margin depends on a number of factors beyond our control, including competition from other natural gas pipelines and the price of, and demand for, natural gas in markets served by the Midcoast system. Additionally, if these customers fail to perform their contractual obligations and we are unable to recontract the natural gas on the Midcoast system or collect monies owed by these customers, our financial

condition and results of operations could be adversely affected.

Because we depend upon Enbridge and its affiliates for employees to manage our business and affairs, a decrease in the availability of employees from Enbridge and its affiliates could adversely affect us. We do not have any employees. In managing our business and affairs, we will rely on employees of Enbridge and its affiliates, who will act on behalf of and as agents for us. A decrease in the availability of employees from Enbridge could adversely affect us.

#### **Risks Arising from Our Partnership Structure and Relationship with Our General Partner**

Our general partner may have conflicts of interest that may adversely impact us.

Provisions of our partnership agreement limit the general partner's fiduciary duties to us and to our unitholders.

We can issue an unlimited number of additional units or other equity securities, and any issuances could result in reduced cash distributions to you and harm the market value of your units.

Our general partner can sell its Class B Common Units, which could harm the market value of your units.

The general partner may increase our cash reserves, which may reduce your cash distributions.

Your control over management is limited and it is difficult to remove the general partner.

You may be required to sell your Class A Common Units to the general partner at a time or on terms that are unsatisfactory to you.

It is difficult to enforce civil liabilities against our officers, directors and controlling persons.

#### **Risks Related to Our Debt and Our Ability to Distribute Cash**

Agreements relating to our debt restrict our ability to make cash distributions, which could adversely affect the value of our units, and to incur additional debt, which may restrict our ability to grow through acquisitions.

#### **Risks Related to Taxes**

We may be classified as an association taxable as a corporation rather than as a partnership, which would substantially reduce the value of our Class A Common Units.

If the Internal Revenue Service does not respect our curative tax allocations, your after-tax return on your investment in our Class A Common Units would be adversely affected.



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Your tax liability could exceed your cash distributions or proceeds from sales of Class A Common Units.

A unitholder may be required to file tax returns with and pay income taxes to the states where we own property and conduct business.

Ownership of Class A Common Units raises issues for tax-exempt entities and other investors.

Our registration with the Secretary of the Treasury as a "tax shelter" may increase your risk of an IRS audit.

Our treatment of a purchaser of Class A Common Units as having the same tax benefits as the seller could be challenged, resulting in a reduction in value of the Class A Common Units.

Many states, including states in which we operate, are considering tax legislation that may have an adverse effect on us and that could reduce the value of our Class A Common Units.

Proposed changes to the taxation of corporate dividends could materially affect the value of the Class A Common Units. On January 7, 2003, the Bush Administration released a proposal that would exclude certain corporate dividends from an individual's federal taxable income. Enactment of legislation reducing or eliminating the federal income tax on corporate dividends may cause some investments in corporations to be more attractive to individual investors than an investment in the Class A Common Units. We cannot predict whether the Bush Administration's plan will ultimately be enacted into law, and if so, the form or effective date of that legislation.

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### USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$120.0 million (based on an assumed offering price of \$45.75 per Class A Common Unit and after payment of offering expenses).

We intend to use (a) \$63.1 million of the net proceeds from the offering, including approximately \$2.6 million from the related capital contribution by our general partner, to repay existing loans from Enbridge affiliates, which totaled approximately \$449.6 million as of March 31, 2003 and (b) the remainder of such net proceeds to repay a portion of the amount outstanding under our \$300 million 364-day revolving credit facility. The portion of the indebtedness owed to Enbridge affiliates to be repaid bears interest at a rate of 2.34% per annum and matures on the later to occur of December 2007 or 6 months following the maturity date of our Amended and Restated Credit Agreement. As of March 31, 2003, \$242 million of indebtedness was outstanding under our \$300 million 364-day revolving credit facility at a weighted average interest rate of 2.05% per annum. These borrowings were incurred primarily to fund the acquisition of the Midcoast, Northeast Texas and South Texas systems and to finance enhancements to the Lakehead system.

### CAPITALIZATION

The following table shows our unaudited capitalization at March 31, 2003, and as adjusted to give effect to this offering, the related capital contribution by our general partner and the application of the estimated net offering proceeds to repay a portion of our indebtedness from Enbridge affiliates and a portion of the amount outstanding under our \$300 million 364-day revolving credit facility. Please read "Use of Proceeds." You should read this table in conjunction with our financial statements and the notes to the financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus. The following table assumes that the underwriters do not exercise the option we granted to them to buy additional Class A Common Units in the offering.

As of March 31, 2003

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Actual	As Adjusted
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As of March 31, 2003

	(dollars in millions)	
<b>Short-term debt:</b>		
364-day revolving credit facility	\$ 242.0	\$ 182.6
Current portion of first mortgage notes	31.0	31.0
<b>Long-term debt:</b>		
First mortgage notes	248.0	248.0
3-year revolving credit facility	210.0	210.0
7% senior notes due 2018	100.0	100.0
7 <sup>1</sup> / <sub>8</sub> % senior notes due 2028	100.0	100.0
7.9% senior notes due 2012	100.0	100.0
Unamortized discount	(0.6)	(0.6)
<b>Total long-term debt</b>	<b>757.4</b>	<b>757.4</b>
Loans from Enbridge affiliates	449.6	386.5
Partners' capital	965.1	1,087.6
<b>Total capitalization</b>	<b>\$ 2,445.1</b>	<b>\$ 2,445.1</b>

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### PRICE RANGE OF CLASS A COMMON UNITS AND DISTRIBUTIONS

Our Class A Common Units are listed and traded on the New York Stock Exchange, the principal market for the Class A Common Units, under the symbol EEP. On May 2, 2003, the last reported sales price of the Class A Common Units on the New York Stock Exchange was \$45.75. At May 2, 2003, we had 31,313,634 Class A Common Units outstanding held by approximately 48,000 Class A Common Unitholders of which there were approximately 2,300 registered Class A Common Unitholders of record. The quarterly price range per Class A Common Unit and cash distributions paid per unit in 2003, 2002 and 2001 are summarized as follows:

	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
<b>2003 Quarters (includes second quarter through May 2, 2003)</b>				
High	\$ 45.85	\$ 46.83		
Low	\$ 41.70	\$ 42.00		
Cash distributions	\$ 0.925	\$ 0.925(1)		
<b>2002 Quarters</b>				
High	\$ 46.25	\$ 46.75	\$ 46.25	\$ 44.00
Low	\$ 41.00	\$ 43.15	\$ 35.68	\$ 37.80
Cash distributions	\$ 0.900	\$ 0.900	\$ 0.900	\$ 0.900
<b>2001 Quarters</b>				
High	\$ 46.90	\$ 46.50	\$ 49.60	\$ 48.90
Low	\$ 41.25	\$ 43.80	\$ 39.50	\$ 38.90
Cash distributions	\$ 0.875	\$ 0.875	\$ 0.875	\$ 0.875

(1)

The cash distribution with respect to the first quarter of 2003 was declared on April 24, 2003 and is payable May 15, 2003, to unitholders of record on May 2, 2003. The first cash distribution to the purchasers of Class A Common Units in this offering will be declared and paid in the third quarter of 2003.

We distribute quarterly to our general partner and the holders of our common units an amount equal to our "available cash". This term generally is defined in our partnership agreement to mean for any calendar quarter the sum of all of our cash receipts plus net reductions to reserves less all of our cash disbursements and net additions to reserves. These reserves are retained to provide for the proper conduct of our business, to stabilize distributions of cash to unitholders and our general partner and, as necessary, to comply with the same terms of any of our agreements or obligations. Enbridge Management, as the delegate of our general partner under the Delegation of Control Agreement, computes the amount of our available cash. Enbridge Management, as owner of the i-units, however, does not receive distributions in cash. Instead, each time that we make a cash distribution to our general partner and the holders of our common units, the number of i-units owned by Enbridge Management and the percentage of our total units owned by Enbridge Management will increase automatically under the provisions of our partnership agreement with the result that the number of i-units owned by Enbridge Management will equal the number of Enbridge Management's shares and voting shares that are then outstanding. The amount of this increase per i-unit is determined by dividing the cash amount distributed per common unit by the average price of one of Enbridge Management's listed shares on the NYSE for the 10-day period immediately preceding the ex-dividend date for Enbridge Management's shares. For purposes of calculating the sum of all distributions of available cash, the cash equivalent amount of the additional i-units that are issued when a distribution of cash is made to our general partner and owners of common units are treated as distributions of available cash, even though the i-unit holder will not receive cash. We will retain and use that cash in our business.

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## UNDERWRITING

Under the Underwriting Agreement, which we will file as an exhibit to our current report on Form 8-K relating to this Class A Common Unit offering, each of the underwriters named below have severally agreed to purchase from us the respective number of Class A Common Units indicated in the following table:

Underwriters	Number of Class A Common Units
UBS Warburg LLC	
Lehman Brothers Inc.	
Citigroup Global Markets Inc.	
A.G. Edwards & Sons, Inc.	
RBC Dain Rauscher Inc.	
Wachovia Securities, Inc.	
Total	2,750,000

The underwriting agreement provides that the underwriters are obligated to purchase, subject to certain conditions, all of the Class A Common Units in the offering if any are purchased, other than those covered by the over-allotment option described below. The conditions contained in the underwriting agreement include requirements that:

the representations and warranties made by us to the underwriters are true;

there has been no material adverse change in our condition or in the financial markets; and

we deliver the customary closing documents to the underwriters.

### Over-Allotment Option

We have granted the underwriters a 30-day option after the date of the underwriting agreement to purchase, in whole or part, up to an aggregate of 412,500 additional Class A Common Units at the public offering price less the underwriting discounts and commissions. Such

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option may be exercised to cover over-allotments, if any, made in connection with the Class A Common Unit offering. To the extent that the option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional Class A Common Units based on the underwriter's percentage underwriting commitment in the offering as indicated on the preceding table.

### Commission and Expenses

We have been advised by the underwriters that the underwriters propose to offer the Class A Common Units directly to the public at the price to the public set forth on the cover page of this prospectus supplement and to selected dealers (who may include the underwriters) at the offering price less a selling concession not in excess of \$ \_\_\_\_\_ per unit. The underwriters may allow, and the selected dealers may reallow, a discount from the concession not in excess of \$ \_\_\_\_\_ per unit to other dealers. After the Class A Common Unit offering, the underwriters may change the offering price and other selling terms.

The following table shows the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional Class A Common Units. The underwriting

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fee is the difference between the public offering price and the amount the underwriters pay to us to purchase the Class A Common Units from us.

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Unit	\$	\$
Total	\$	\$

We estimate that the total expenses for this Class A Common Unit offering and related transactions, excluding underwriting discounts and commissions, will be approximately \$500,000.

### Stabilization, Short Positions and Penalty Bids

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the Class A Common Units in accordance with Regulation M under the Exchange Act.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment transactions involve sales by the underwriters of the Class A Common Units in excess of the number of Class A Common Units the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of Class A Common Units over-allotted by the underwriters is not greater than the number of Class A Common Units that they may purchase in the over-allotment option. In a naked short position, the number of Class A Common Units involved is greater than the number of Class A Common Units in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing the Class A Common Units in the open market.

Syndicate covering transactions involve purchases of the Class A Common Units in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of the Class A Common Units to close out the short position, the underwriters will consider, among other things, the price of Class A Common Units available for purchase in the open market as compared to the price at which they may purchase Class A Common Units through the over-allotment option. If the underwriters sell more Class A Common Units than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying Class A Common Units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the Class A Common Units in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the Class A Common Units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover a syndicate short position.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our Class A Common Units or preventing or retarding a decline in the market price of the Class A Common Units. As a result, the price of the Class A Common Units may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time. On the date of this prospectus supplement purchased Class A Common Units on behalf of the underwriters at a price of \$ per Class A Common Unit.

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Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Class A Common Units. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

#### **Lock-up Agreements**

We, together with Enbridge Energy Company, Enbridge Management and Enbridge Energy, Limited Partnership, have agreed that, for a period of 90 days after the date of this prospectus supplement, they will not, without the prior written consent of UBS Warburg LLC and Lehman Brothers Inc., offer, sell, contract to sell or otherwise dispose of or hedge any units or any securities substantially similar to, convertible into or exercisable or exchangeable for units, or grant any options or warrants to purchase any units or any such securities. UBS Warburg LLC and Lehman Brothers Inc., in their discretion, may release any of the securities subject to these lock-up agreements at any time without notice.

#### **Listing**

Our Class A Common Units are traded on the New York Stock Exchange under the symbol "EEP."

#### **Indemnification**

We, together with Enbridge Energy Company, Enbridge Management and Enbridge Energy, Limited Partnership, have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that may be required to be made in respect of these liabilities.

#### **Affiliations**

Some of the underwriters have performed investment banking, commercial banking and advisory services for us and our affiliates from time to time for which they have received customary fees and expenses. The underwriters may, from time to time in the future, engage in transactions with and perform services for us or our affiliates in the ordinary course of their business.

Affiliates of Citigroup Global Markets Inc., RBC Dain Rauscher Inc. and Wachovia Securities, Inc. are lenders under our \$300 million 364-day revolving credit facility and our \$300 million three-year revolving credit facility. We intend to use a portion of the proceeds from this offering to repay indebtedness outstanding under our \$300 million 364-day revolving credit facility, resulting in a payment to the lenders of more than 10% of the net proceeds of this offering. See "Use of Proceeds." Because more than 10% of the net proceeds of this offering will be paid to affiliates of members of the NASD who are participating in this offering, this offering is being made in compliance with the requirements of Rule 2710(c)(8) of the NASD's Conduct Rules.

#### **NASD Conduct Rules**

The compensation received by the underwriters in connection with this Class A Common Unit offering does not exceed 10% of the gross proceeds from this Class A Common Unit offering for commission and .5% for due diligence.

Because the NASD views the Class A Common Units offered hereby as interest in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD Conduct

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Rules. Investor suitability with respect to the Class A Common Units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

#### **Discretionary Sales**

No sales to accounts over which the underwriters have discretionary authority may be made without the prior written approval of the customer.

#### **Electronic Distribution**

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this Class A Common Unit offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of Class A Common Units for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other website maintained by any underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

### **LEGAL MATTERS**

Fulbright & Jaworski L.L.P., Houston, Texas, will issue opinions about the validity of the Class A Common Units offered hereby and various legal matters in connection with the offering on our behalf. Baker Botts L.L.P., Houston, Texas, the underwriters' counsel, will issue opinions about various legal matters in connection with the offering on behalf of the underwriters. Baker Botts L.L.P. has served on several occasions, including in connection with the Midcoast, Northeast Texas and South Texas systems acquisition, as legal advisor to a committee of independent members of the Board of Directors of Enbridge Energy Company in connection with its sale of assets to us.

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#### **PROSPECTUS**

### **\$500,000,000 Class A Common Units**

## **Enbridge Energy Partners, L.P.**

### **Representing Limited Partner Interests**

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We may offer and sell up to \$500,000,000 of our Class A Common Units in one or more separate offerings with this prospectus. We will determine the prices and terms of the sales at the time of each offering and will describe them in a supplement to this prospectus.

This prospectus can be used to offer or sell units only if it is accompanied by a prospectus supplement. The prospectus supplement will contain important information about us and the units that is not included in this prospectus. You should read this prospectus and the prospectus supplement carefully.

We may sell these units to underwriters or dealers, or we may sell them directly to other purchasers. Please read "Plan of Distribution." The prospectus supplement will list any underwriters and the compensation that they will receive. The prospectus supplement will also show you the total amount of money that we will receive from selling the units, after we pay certain expenses of the offering.

The Class A Common Units are listed on the New York Stock Exchange under the symbol "EEP." Prior to September 5, 2001, our name was Lakehead Pipe Line Partners, L.P. and our trading symbol was "LHP."

Our executive offices are located at Lake Superior Place, 21 West Superior Street, Duluth, Minnesota 55802, and our telephone number is (218) 725-0100. After November 1, 2001, our executive offices will be located at 1100 Louisiana, Suite 2900, Houston, Texas 77002 and our telephone number will be (713) 650-8900.

**Investing in the units involves risk. You should consider each of the factors described or referenced under "Risk Factors" beginning on page 4 of this prospectus and in any applicable prospectus supplement before purchasing any units.**

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Dated October 10, 2001

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

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This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission ("SEC") using a "shelf" registration process. Under this shelf registration process, we may sell the Class A Common Units described in this prospectus in one or more offerings up to a total dollar amount of \$500,000,000. This prospectus provides you with a general description of us and the Class A Common Units. Each time we sell Class A Common Units with this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update or change information in this prospectus. The information in this prospectus is accurate as of the date on the cover page. You should carefully read both this prospectus and any prospectus supplement, together with additional information described under the heading "Where You Can Find More Information."

As used in this prospectus, "we," "us," "our," and "Enbridge Energy" means Enbridge Energy Partners, L.P. and includes our subsidiary operating partnership, Enbridge Energy, Limited Partnership. "Enbridge" refers to Enbridge Inc. of Canada, which is the indirect owner of our general partner. We and Enbridge transport crude oil and other liquid hydrocarbons through the world's longest liquid petroleum pipeline system, which we refer to as the "System." We own the U.S. portion of the System, which we refer to as the "Enbridge Energy System" and a subsidiary of Enbridge, Enbridge Pipelines Inc., owns the Canadian portion of the System, which we refer to as the "Enbridge System." Our Class A Common Units represent limited partner interests in Enbridge Energy Partners, L.P. We also have limited partner interests that are represented by Class B Common Units. All of our Class B Units are owned by our general partner. The Class A Common Units and Class B Common Units are referred to in this prospectus as "units."

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### RISK FACTORS

Before you invest in our Class A Common Units, you should consider carefully the risk factors described below together with all of the other information included in the prospectus, any prospectus supplement and the documents we have incorporated by reference.

If any of the following risks actually occur, then our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of the Class A Common Units could decline, and you could lose all or part of your investment.

#### Risks of Our Business

*An inadequate supply of western Canadian crude oil can adversely affect our business.*

The volume of shipments on the Enbridge Energy System and our financial performance depend on adequate supplies of western Canadian crude oil. Insufficient supplies can adversely affect our business by limiting shipments on our pipeline system. In 1999 and 2000, for example, our crude oil deliveries declined compared with 1998. This decline resulted primarily from decreased crude oil production in western Canada, which in turn resulted primarily from reduced spending levels for exploration and development activities in western Canada. These reduced spending levels resulted from low oil prices in 1998 and the first part of 1999. Our ability to increase deliveries and to expand the Enbridge Energy System in the future also depends on increased supplies of western Canadian crude oil.

There is some risk that regulations of the Federal Energy Regulatory Commission, which we refer to as the "FERC," would not allow us to raise our rates if our pipeline system transported significantly less crude oil and if there was a large difference between our rates and our costs. Even if the FERC allowed us to raise our rates in such a case, we might still have lower revenues during the time before our rate increases became effective. If our pipeline system transports lower volumes of crude oil, our revenues could decrease, and we could have less cash to distribute to our unitholders.

*Our pipeline system might be used less if demand for crude oil and natural gas liquids decreases.*

If our pipeline system transports lower volumes of crude oil and natural gas liquids, our revenues could decrease and we could have less cash to distribute to our unitholders. The volumes we transport depend largely on the demand for western Canadian crude oil and natural gas liquids in the Midwest region of the United States, which is the principal geographic area served by our pipeline system.

A variety of factors could cause the demand for crude oil and natural gas liquids to fall in the markets that we serve. These factors include:

economic conditions;

fuel conservation measures;



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alternative fuel requirements;

government regulation; and

technological advances in fuel economy and energy generation devices.

Demand for western Canadian crude oil in our geographic markets also is affected by the delivery of other crude oil and refined products into the same areas. Existing pipeline capacity for the delivery of crude oil to the Midwest region of the United States exceeds current refining capacity.

***A successful challenge to our tariff rates could reduce our revenues.***

Since the Enbridge Energy System is an interstate common carrier, our tariff rates are regulated by the FERC under the Interstate Commerce Act. If our tariff rates were successfully challenged in the future and we had to lower rates, our revenues would be reduced. Application of the regulatory standards for establishing tariff rates for liquids pipelines is sometimes uncertain.

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***Competition with other pipelines and refineries may reduce our revenues.***

We face competition for transporting western Canadian crude oil from other pipelines, which may reduce our revenues. We compete with other crude oil and refined product pipelines and other methods of delivering crude oil and refined products to the refining centers of Minneapolis-St. Paul, Minnesota; Chicago, Illinois; Detroit, Michigan; Toledo, Ohio; Buffalo, New York; Sarnia, Ontario and the refinery market and pipeline hub located in the Patoka/Wood River area of southern Illinois. Refineries in the markets we serve compete with those in western Canada for supplies of western Canadian crude oil. Shipments on our pipeline system may be reduced if producers choose to sell their crude oil for use in western Canada. Please read "Items 1 and 2. Business and Properties Competition" in our Form 10-K and Forms 10-K/A for the year ended December 31, 2001.

***Compliance with environmental regulations, including any remediation of soil or water pollution or hydrostatic testing of our pipeline system, may increase our costs and reduce our revenues.***

Our operations are subject to federal and state laws and regulations relating to environmental protection and operational safety. Pipeline operations always involve the risk of costs or liabilities related to environmental protection and operational safety matters. As a result, we may incur costs or liabilities of this type in the future. It is also possible that we will have to pay amounts in the future because of changes in environmental and safety laws or enforcement policies or claims for environmental-related damage to persons or property. If we cannot recover these costs from insurance or through higher tariffs, we could be adversely affected and we could have less cash to distribute to our unitholders.

We have hydrostatically tested parts of our pipeline system in the past, which means that we have tested the structural integrity of our pipelines by filling them with water at high pressures. We may decide that we need to do additional hydrostatic testing in the future, or a regulatory authority may require such testing. If this testing occurs, it could result in significant expense arising out of treatment and disposal of the test water and lost transportation revenues while the pipelines are being tested. In addition, if Enbridge performs hydrostatic testing on its pipelines in Canada, this could reduce deliveries into our pipeline system because lower volumes would be received from western Canada.

***Future acquisitions may be unsuccessful if we are unable to raise financing on acceptable terms, if we incorrectly predict combined results, or if we are unable to integrate operations and management.***

The acquisition of complementary businesses with risk profiles similar to that of our current crude oil and natural gas liquids transportation business is a focus of our strategic plan. Any acquisition may present various risks and challenges, including:

the risk of incorrect assumptions regarding the future combined results of the then-existing and to be acquired operations;

the risk of failing to integrate the operations or management of an acquired business or a significant delay in such integration; and

diversion of management's attention.

In addition, we may be unable to consummate any acquisitions in the future or be unable to raise, on terms acceptable to us, any debt or equity financing that may be required for any such acquisition.

*The need for special committee or unitholder approvals may limit our ability to grow by acquiring assets from Enbridge.*

We may not be able to acquire assets from Enbridge or our general partner as part of our strategy to diversify our energy transportation business. We anticipate that the terms of any acquisition from Enbridge or our general partner would be either submitted for the approval of our unitholders or negotiated on our behalf by a special committee of the board of directors of our general partner comprised of members who are not otherwise affiliated with Enbridge or our general partner. The special committee would be

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authorized in its discretion to accept or reject any proposed acquisition from Enbridge or our general partner and to engage independent counsel and financial advisors to assist it.

**Risks Arising from Our Partnership Structure and Relationships with Our General Partner**

*Our general partner may have conflicts of interest.*

Since our general partner is related to both Enbridge and us, conflicts of interest between us and Enbridge may arise from time to time. The following situations could give rise to conflicts of interest:

The general partner determines the amount and timing of any capital expenditures, borrowings and reserves, which can impact the amount of cash that is distributed by us to our unitholders and to the general partner.

The general partner determines which expenditures are capital expenditures that are necessary to maintain our pipeline system. (Those expenditures reduce the cash from operations that is used to make distributions to our unitholders.)

The general partner determines whether to issue additional units or other equity securities or whether to purchase outstanding units.

The general partner controls payments to Enbridge for any services rendered for our benefit, subject to the limitations described in "Conflicts of Interest and Fiduciary Responsibilities."

The general partner determines which costs are reimbursable by us.

The general partner controls the enforcement of obligations owed to us by the general partner.

The general partner decides whether to retain separate counsel, accountants or others to perform services for us.

There also may be conflicts of interest if Enbridge conducts businesses that compete with our pipeline system. We have an agreement with Enbridge that generally allows Enbridge to pursue its business interests, even if these interests involve pipelines in the U.S. This agreement and our partnership agreement do not restrict Enbridge from engaging in businesses that it was engaged in at the time of our initial public offering in December 1991, even if such business competes with ours. With the reversal of a section of the Enbridge System that extends from Sarnia to Montreal, which we refer to as "Line 9", Enbridge competes with us to supply crude oil to the Ontario market. Our agreement with Enbridge expressly permitted this reversal. Please read "Conflicts of Interest and Fiduciary Responsibilities."

Our partnership agreement allows the general partner to resolve conflicts of interest by considering the interests of all the parties to the conflict. Therefore, the general partner can consider the interests of Enbridge if a conflict of interest arises. This is very different from the more familiar legal duty of a trustee, who must act solely in the best interests of the trust's beneficiary. Please read "Conflicts of Interest and Fiduciary Responsibilities."

We are very dependent on Enbridge and the Enbridge System. Nearly all of the crude oil and natural gas liquids we ship comes from the Enbridge System in Canada, and shipments on our pipeline system are scheduled by Enbridge in coordination with our general partner. In addition, neither we nor the general partner has any employees. In operating our pipeline system, we and the general partner rely solely on employees of Enbridge and its affiliates.

*Provisions of our partnership agreement limit the general partner's fiduciary duties to us and to our unitholders.*

Our partnership agreement limits the fiduciary duties of the general partner to us and to our unitholders that would otherwise exist under Delaware law. In addition, our unitholders have effectively consented to certain actions and conflicts of interest that might otherwise be deemed a breach of fiduciary or other duties under state law. These modifications of the standards of fiduciary duty may make it much more difficult for a unitholder to successfully challenge the actions of, or failure to act by, the general

partner as being in breach of a fiduciary duty. Please read "Conflicts of Interest and Fiduciary Responsibilities."

***We can issue an unlimited number of additional units or other equity securities, and any issuances could result in reduced cash distributions to you and harm the market value of your units.***

We can issue an unlimited number of additional units or other equity securities, including equity securities with rights to distributions and allocations or rights in liquidation superior to the Class A Common Units offered by this prospectus. If we issue more units or other equity securities, your proportionate ownership interest in Enbridge Energy will be reduced. This could cause the market price of your units to fall, reduce the cash distributions paid to you as a unitholder, or both.

***Our general partner can sell its Class B Common Units, which could harm the market value of your units.***

A 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 your Class A Common Units. Our partnership agreement allows the general partner to cause us to register for public sale any units held by the general partner or its affiliates. Since the Class B Common Units are economically similar to your Class A Common Units, a public sale of Class B Common Units could absorb some of the trading market demand for Class A Common Units. In addition, the general partner and its affiliates may sell their units in private transactions at any time, which could have a similar effect on the market for your Class A Common Units.

***The general partner may increase our cash reserves, which may reduce your cash distributions.***

The general partner has broad discretion in establishing cash reserves for the proper conduct of our business. These cash reserves include reserves for future capital expenditures. If we increase cash reserves, the amount of cash that we can distribute to our unitholders may decrease.

***Your control over our management is limited and it is difficult to remove the general partner.***

The general partner generally manages the activities of Enbridge Energy, and unitholders do not have the right to elect the general partner or its directors or officers on an annual basis. In addition, it is difficult to remove our general partner because the vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding Class A Common Units is required to do so. As a result, the unitholders have only limited control over our management.

***You may be required to sell your Class A Common Units to the general partner at a time or on terms that are unsatisfactory to you.***

If at any time less than 15% of the outstanding units are held by persons other than the general partner and its affiliates, the general partner has the right to purchase all of the outstanding units at the price described in our partnership agreement, which may be lower than the then current market price. You may be required to sell your units at a time you did not wish to do so and at a price that is less than the current market price for your Class A Common Units.

***It is difficult to enforce civil liabilities against our officers, directors and controlling persons.***

Some of the officers and directors of our general partner and some of our controlling persons (as defined under U.S. federal securities laws) are not U.S. residents and have most of their assets outside of the United States. As a result, it might be difficult for you to serve process on these persons. You might want to serve process on them if you are suing them for civil liabilities under U.S. federal securities law. Our Canadian lawyers have told us that it may not be possible to enforce U.S. judgments against these persons if the judgment is based solely on the U.S. federal securities laws.

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***Agreements relating to our debt restrict our ability to make cash distributions, which could adversely affect the value of your units, and to incur additional debt, which may restrict our ability to grow through acquisitions.***

Our debt agreements relating to our First Mortgage Notes, our Revolving Credit Facility and our Senior Notes contain various restrictions. Most importantly,

our First Mortgage Notes restrict the amount of new debt that our operating partnership can issue and may restrict its operations;

our Revolving Credit Facility restricts the amount of new debt that we and our operating partnership can issue and may restrict our operations and those of our operating partnership; and

our First Mortgage Notes and the Revolving Credit Facility restrict cash distributions that the operating partnership can make to us.

This is important because the operating partnership is our primary source of cash. Therefore, restrictions on the operating partnership's ability to make distributions to us may reduce our ability to make distributions to you. In addition, the operating partnership will be prevented from making distributions to us if there is a continuing default on any of its debt.

### **Risks Related to Taxes**

You are encouraged to read "Tax Considerations" for a more complete discussion of the expected and potential material income tax consequences of owning and disposing of Class A Common Units.

***We may be classified as an association taxable as a corporation rather than as a partnership, which would substantially reduce the value of our Class A Common Units.***

Our classification as an association taxable as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to you, and this would likely result in a substantial reduction in the value of your Class A Common Units. If we are classified as an association taxable as a corporation, items of our income, gain, loss, deduction and credit would not flow through to you. In addition, we would have to pay U.S. federal income tax on our net income at corporate rates. Distributions that we make to you would be treated as dividend income to the extent of current or accumulated earnings and profits, as calculated for U.S. federal income tax purposes. In the absence of earnings and profits, those distributions would be treated as a nontaxable return of capital to the extent of your adjusted tax basis in your units or as capital gain after your tax basis in your units is reduced to zero.

Fulbright & Jaworski L.L.P., our legal counsel, has rendered its opinion that, under current law, Enbridge Energy will be classified as a partnership for U.S. federal income tax purposes. Counsel's opinion is based on certain factual representations made by the general partner. If any of those facts are incorrect, particularly facts relating to the nature of our gross income, Enbridge Energy could be classified as an association taxable as a corporation for U.S. federal income tax purposes. Please read "Tax Considerations Partnership Status" elsewhere in this prospectus.

***If the IRS does not respect our curative tax allocations, your after-tax return on your investment in our Class A Common Units would be adversely affected.***

Our partnership agreement allows curative allocations of income, deduction, gain and loss by us to account for differences between the tax basis and fair market value of property at the time the property is contributed or deemed contributed to Enbridge Energy and to account for differences between the fair market value and book basis of our assets existing at the time of issuance of any Class A Common Units. If the Internal Revenue Service, which we refer to as the "IRS," does not respect our curative allocations, ratios of taxable income to cash distributions received by the holders of Class A Common Units will be materially higher than any estimates in any accompanying prospectus supplement.

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***Your tax liability could exceed your cash distributions or proceeds from sales of Class A Common Units.***

You will be required to pay U.S. federal income tax and, in some cases, state and local income taxes on your allocable share of our income, even if you do not receive cash distributions from us. You will not necessarily receive cash distributions equal to the tax on your allocable share of our taxable income. Further, if we have a large amount of nonrecourse liabilities, you may incur a tax liability that is greater than the money

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you receive when you sell your Class A Common Units. See "Tax Considerations Allocation of Enbridge Energy's Income, Gain, Losses, Deductions and Credits" and "Tax Considerations Disposition of Class A Common Units."

***A unitholder may be required to file tax returns with and pay income taxes to the states where we own property and conduct business.***

In some cases, a unitholder may be required to file income tax returns with and pay income taxes to the states in which we own property and conduct business, which are currently Illinois, Indiana, Michigan, Minnesota, Montana, New York, North Dakota and Wisconsin. In the future, we may acquire property or do business in other states or in foreign jurisdictions. In addition to tax liabilities to such state and foreign jurisdictions, the owner of a Class A Common Unit may also incur tax and filing responsibilities to localities within such jurisdictions.

***Ownership of Class A Common Units raises issues for tax-exempt entities and other investors.***

An investment in our Class A Common Units by tax-exempt entities, including employee benefit plans, individual retirement accounts, Keogh plans and other retirement plans, regulated investment companies and foreign persons raises issues unique to them. Virtually all of the income derived from our Class A Common Units by a tax-exempt entity will be "unrelated business taxable income" and will be taxable to the tax-exempt entity. Additionally, no significant part of our gross income will be considered qualifying income for purposes of determining whether a unitholder qualifies as a regulated investment company. Further, a unitholder who is a nonresident alien, a foreign corporation or other foreign person will be required to file a federal income tax return and pay tax on his share of our taxable income because he will be regarded as being engaged in a trade or business in the United States as a result of his ownership of a Class A Common Unit.

***Our registration with the Secretary of the Treasury as a "tax shelter" may increase your risk of an IRS audit.***

Because we are a registered "tax shelter" with the Secretary of the Treasury, a unitholder may face an increased risk of an IRS audit resulting in taxes payable on our income as well as income not related to us. We could be audited by the IRS and adjustments to our income or losses could be made. Any unitholder owning less than a 1% profit interest in us has very limited rights to participate in the income tax and audit process. Further, any adjustments in our tax returns will lead to adjustments in the unitholders' tax returns and may lead to audits of unitholders' tax returns and adjustments of items unrelated to us. Each unitholder is responsible for any tax owed as the result of an examination of his personal tax return.

***Our treatment of a purchaser of Class A Common Units as having the same tax benefits as the seller could be challenged, resulting in a reduction in value of the Class A Common Units.***

Because we cannot match transferors and transferees of Class A Common Units, we are required to maintain the uniformity of the economic and tax characteristics of these units in the hands of the purchasers and sellers of these units. We do so by adopting certain depreciation conventions that do not conform with all aspects of the Treasury regulations. An IRS challenge to these conventions could adversely affect the tax benefits to you of ownership of the Class A Common Units and could have a negative impact on their value. Please read "Tax Considerations Uniformity of Class A Common Units."

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### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and other reports and other information with the SEC. You may read and copy any materials we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding us and other issuers that file electronically with the SEC. Our SEC filings are also available at our website at <http://www.enbridgepartners.com>. You can also obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to "incorporate by reference" the information we have filed with the SEC, which means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Information that we file later with the SEC will automatically update and may replace information in this prospectus and information previously filed with the SEC. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until we sell all of the Class A Common Units offered by this prospectus.

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Our Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "Form 10-K"), filed March 30, 2001 (File No. 1-10934);

Our Current Report on Form 8-K filed March 13, 2001 (File No. 1-10934);

Our Current Report on Form 8-K filed May 7, 2001 (File No. 1-10934);

Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, filed May 15, 2001 (File No. 1-10934);

Our Current Report on Form 8-K filed May 17, 2001 (File No. 1-10934);

Our Current Report on Form 8-K filed June 4, 2001 (File No. 1-10934);

Our Current Report on Form 8-K filed June 13, 2001 (File No. 1-10934);

Our Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000 (the "Form 10-K/A"), filed July 12, 2001 (File No. 1-10934);

The description of the Class A Common Units contained in our Registration Statement on Form 8-A, dated November 14, 1991, as amended by Amendment No. 1 to Form 8-A on Form 8, filed December 9, 1991, Amendment No. 2 on Form 8-A/A, filed May 2, 1997 and Amendment No. 3 on Form 8-A/A, filed August 8, 2001 (File No. 1-10934);

Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, filed August 14, 2001 (File No. 1-10934);

Our Current Report on Form 8-K filed September 5, 2001 (File No. 1-10934); and

Our Second Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000, filed October 9, 2001 (File No. 1-10934).

We will provide you a copy of these filings, at no cost, if you contact us at:

Mr. Tracy Barker  
Investor Relations  
800-525-3999  
403-231-5949  
investor@enbridgepartners.com

### FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus, any accompanying prospectus supplement and the documents we incorporate by reference contain forward-looking statements. These statements use forward-looking words such as "may," "will," "anticipate," "believe," "expect," "project" or other similar words. These statements discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition or state other "forward-looking" information. These statements reflect Enbridge Energy's current views with respect to future events and are subject to various risks, uncertainties and assumptions including, but not limited, to the price of crude oil, the supply of western Canadian crude oil, the willingness of western Canadian producers to ship on the Enbridge Energy System, governmental regulatory policies, competitive factors, our ability to acquire other companies and assets and other conditions. These factors and conditions are subject to risks and uncertainties that may cause our actual results to differ substantially from those expressed or implied by these statements. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We will not update these statements unless the securities laws require us to do so.

### THE PARTNERSHIP

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We are a publicly traded Delaware limited partnership that owns and operates a regulated crude oil and natural gas liquids pipeline business in the United States. Enbridge Energy Company, Inc., an indirect wholly owned subsidiary of Enbridge, serves as our general partner. We and Enbridge transport crude oil and other liquid hydrocarbons for our customers through the world's longest liquid petroleum pipeline system. We own the United States portion of the System and a subsidiary of Enbridge, Enbridge Pipelines, owns the Canadian portion of the System. The System is the primary transporter of crude oil from western Canada to the United States and is the only pipeline system that transports crude oil from western Canada to eastern Canada. The System serves all the major refining centers in the Great Lakes region of the United States, as well as the Province of Ontario, Canada.

Crude oil shipments tendered to the System originate primarily in oil fields in the western Canadian provinces of Alberta, Saskatchewan, Manitoba and British Columbia and in the Northwest Territories of Canada. Shipments reach the System through facilities owned and operated by third parties or affiliates of Enbridge. Deliveries from the System are currently made in the prairie provinces of Canada and, through the Enbridge Energy System, to the Great Lakes and Midwest regions of the United States and to Ontario, Canada. These deliveries are made principally to refineries either directly or through connecting pipelines of other companies or affiliates of Enbridge.

The System extends from Edmonton, Alberta, across the Canadian prairies to the United States border near Neche, North Dakota. From Neche, the System continues on to Superior, Wisconsin, where it splits into two branches with one branch traveling through the upper Great Lakes region and the other through the lower Great Lakes region of the United States. Both branches reenter Canada near Marysville, Michigan. From Marysville, the System continues on to Toronto, Ontario, with lateral lines to Nanticoke, Ontario and the Buffalo, New York area. The System is approximately 3,100 miles long, including the Enbridge Energy System in the United States, which is approximately 1,880 miles long.

Enbridge handles all scheduling of shipments, including routes and storage, in coordination with us. The Enbridge Energy System includes 15 connections to other pipelines and refineries at various locations in the United States, including the refining areas in and around Minneapolis-St. Paul, Minnesota, Chicago, Illinois, Detroit, Michigan, Toledo, Ohio, Buffalo, New York and Patoka/Wood River, Illinois. The Enbridge Energy System has three main terminals at Clearbrook, Minnesota, Superior, Wisconsin and Griffith, Indiana. The terminals are used to gather crude oil prior to injection into the Enbridge Energy System and to provide tankage in order to allow for more flexible scheduling of oil movements.

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### USE OF PROCEEDS

Unless otherwise specified in a related prospectus supplement, the net proceeds received by us from the sale of the Class A Common Units will be used for general partnership purposes, including the operation and expansion of our pipeline system, acquisitions and the repayment of debt incurred for these purposes. As of the date of this prospectus, we have not definitively identified any material acquisitions of businesses or assets for which we may use a portion of the net proceeds of this offering. We anticipate that any businesses or assets that we acquire in the future would be complementary to our existing businesses and have comparable risk profiles.

### CASH DISTRIBUTIONS

#### General

One of our principal objectives is to generate cash from our operations and to distribute Available Cash to our unitholders and our general partner. "Available Cash" means generally, with respect to any calendar quarter, the sum of all of our cash receipts plus net reductions to cash reserves less the sum of all of our cash disbursements and net additions to cash reserves. The full definition of Available Cash is set forth in "Certain Defined Terms." The definition of Available Cash permits our general partner to establish cash reserves that it determines are necessary or appropriate to provide for the proper conduct of our business (including cash reserves for future capital expenditures), to stabilize distributions of cash to our unitholders and the general partner or as necessary to comply with the terms of any of our agreements or obligations. The general partner has broad discretion in establishing reserves, and its decisions regarding reserves could have a significant impact on the amount of Available Cash distributed to our unitholders and the general partner. The timing of additions and reductions to reserves may impact the amount of incentive distributions payable to the general partner and may result in the realization of taxable income by unitholders before funds related to that income are distributed.

We will distribute 100% of our Available Cash as of the end of each calendar quarter on or about 45 days after the end of such calendar quarter to unitholders of record on the record date and to the general partner. The record date will generally be the last day of the month immediately following the close of a calendar quarter.

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Cash distributions will be characterized as either distributions of Cash from Operations or Cash from Interim Capital Transactions. The distinction is important because it affects the amount of cash that is distributed to the unitholders relative to the general partner. To the extent a distribution is Cash from Interim Capital Transactions, the general partner may receive a smaller share. Please read " Quarterly Distributions of Available Cash Distributions of Cash from Operations" and " Quarterly Distributions of Available Cash Distributions of Cash from Interim Capital Transactions" below.

Cash from Operations, which is determined on a cumulative basis, generally means the \$54 million cash balance we had on the date of our initial public offering in 1991, plus all cash generated by our operations, after deducting related cash expenditures, reserves and certain other items.

Cash from Interim Capital Transactions is generated by:

borrowings and sales of debt securities (other than for working capital purposes and other than for items purchased on open account in the ordinary course of business);

sales of units or other equity interests for cash; and

sales or other dispositions of any assets for cash (other than inventory, accounts receivable and other current assets and assets disposed of in the ordinary course of business).

The full definitions of Cash from Operations, Interim Capital Transactions and Cash from Interim Capital Transactions are set forth in " Certain Defined Terms."

Cash distributions will be treated as distributions of Cash from Operations if the sum of all amounts distributed to the unitholders and to the general partner (including any incentive distributions) does not

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exceed the aggregate amount of all Cash from Operations from December 27, 1991 (the date Enbridge Energy commenced operations) through the end of the calendar quarter prior to such distribution. Any cash distributed in excess of that amount will be deemed to constitute Cash from Interim Capital Transactions and distributed accordingly. Please read " Quarterly Distributions of Available Cash" and " Distributions of Cash from Interim Capital Transactions" and " Adjustment of the Target Distributions."

If we distribute cash that is Cash from Interim Capital Transactions in an aggregate amount per unit equal to \$21.50 (the offering price of the Class A Common Units in our initial public offering in December 1991), the distinction between Cash from Operations and Cash from Interim Capital Transactions will cease, and all cash will, in general, be distributed as Cash from Operations. Please read " Quarterly Distributions of Available Cash" and " Distributions of Cash from Interim Capital Transactions." To date, we have not distributed Cash from Interim Capital Transactions. We do not anticipate distributing significant amounts of Cash from Interim Capital Transactions in the future.

Capital expenditures that are necessary to maintain our pipeline system (as opposed to expanding or improving it) will reduce the amount of Cash from Operations. Therefore, if the general partner determines that a substantial portion of our capital expenditures were necessary to maintain our pipeline system, the amount of cash distributions that are deemed to constitute Cash from Operations might decrease and the amount of cash distributions that are Cash from Interim Capital Transactions might increase.

### **Quarterly Distributions of Available Cash**

We will distribute to our unitholders and our general partner 100% of our Available Cash for each quarter. The amount of cash distributed will depend on our future performance.

### **Distributions of Cash from Operations**

Quarterly distributions of Cash from Operations will be divided as follows:

*First*, 98% to all unitholders, pro rata, and 2% to the general partner, until all unitholders have received distributions of \$0.59 per unit for such quarter (the "First Target Distribution");



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*Second*, 85% to all unitholders, pro rata, and 15% to the general partner, until all unitholders have received distributions of \$0.70 per unit for such quarter (the "Second Target Distribution");

*Third*, 75% to all unitholders, pro rata, and 25% to the general partner, until all unitholders have received distributions of \$0.99 per unit for such quarter (the "Third Target Distribution"); and

*Thereafter*, 50% to all unitholders, pro rata, and 50% to the general partner.

The following table illustrates the allocation of Cash from Operations among the unitholders and the general partner for each quarter.

	Quarterly Distribution	Marginal Percentage Interest in Distribution	
		Unitholders	General Partner
First Target Distribution	up to \$0.59	98%	2%
Second Target Distribution	over \$0.59 and up to \$0.70	85%	15%
Third Target Distribution	over \$0.70 and up to \$0.99	75%	25%
Thereafter	over \$0.99	50%	50%

### Distributions of Cash from Interim Capital Transactions

Distributions of Cash from Interim Capital Transactions will be made 98% to all unitholders, pro rata, and 2% to the general partner until all distributions of Cash from Interim Capital Transactions since our initial public offering aggregate \$21.50 per unit. Thereafter, all distributions will be distributed as if they

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were Cash from Operations, and because the Target Distributions will have been reduced to zero, as described under " Adjustment of the Target Distributions," the general partner's share of distributions of Available Cash will increase, in general, to 50% of all distributions of Available Cash. Notwithstanding the foregoing, if the Target Distributions have been reduced to zero as a result of distributions of Cash from Interim Capital Transactions and the holders of the Class A Common Units have ever failed to receive the First Target Distribution, distributions will first be made 98% to all holders of Class A Common Units and 2% to the general partner until there has been distributed in respect of each Class A Unit then outstanding (taking into account all prior distributions of Available Cash constituting Cash from Operations) Available Cash constituting Cash from Operations since inception in an amount equal to the First Target Distribution for all periods since inception. To date, the holders of the Class A Common Units have always received at least the First Target Distribution.

Distributions of Cash from Interim Capital Transactions will not reduce Target Distributions in the quarter in which they are distributed.

### Adjustment of the Target Distributions

The Target Distributions will be proportionately adjusted if any combination or subdivision of units occurs (whether effected by a distribution payable in units or otherwise). In addition, if a distribution is made of Cash from Interim Capital Transactions, the Target Distributions will be adjusted downward by multiplying each amount, as the same may have been previously adjusted, by a fraction, the numerator of which is the Unrecovered Initial Unit Price (as defined below) immediately after giving effect to such repayment and the denominator of which is the Unrecovered Initial Unit Price immediately prior to such repayment. The "Unrecovered Initial Unit Price" is the amount by which \$21.50 exceeds the aggregate per unit distributions of Cash from Interim Capital Transactions on the Class A Common Units. If and when the Unrecovered Initial Unit Price is zero, the Target Distributions each will have been reduced to zero.

The Target Distributions may also be adjusted if legislation is enacted that causes us to become taxable as a corporation or otherwise subjects us to taxation as an entity for federal income tax purposes. In such event, the Target Distributions for each quarter thereafter would be reduced to an amount equal to the product of (i) each of the Target Distributions multiplied by (ii) one minus the sum of (x) the effective federal income tax rate to which we are subject as an entity (expressed as a fraction) plus (y) the effective overall state and local income tax rate to which we are subject as an entity (expressed as a fraction) for the taxable year in which such quarter occurs.

### Distribution of Cash on Liquidation

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When we dissolve or liquidate, our assets will be sold or otherwise disposed of, and the capital account balances of the unitholders and the general partner will be adjusted to reflect any resulting gain or loss. The proceeds of liquidation will first be applied to the payment of our creditors in the order of priority provided in our partnership agreement and by law and thereafter will be distributed to the unitholders and the general partner in accordance with their respective capital account balances, as adjusted.

Generally, the holders of Class A Common Units will have no preference over the general partner or holders of Class B Units upon our dissolution and liquidation and will instead be entitled to share with the general partner and the holders of Class B Units in the remainder of our assets in proportion to their respective capital account balances as adjusted as provided in our partnership agreement. Any gain (or unrealized gain attributable to assets distributed in kind) will be allocated among the unitholders and the general partner as follows:

*First*, to each unitholder and the general partner having a deficit balance in its capital account to the extent of and in proportion to such deficit balance;

*Second*, any remaining gain would be allocated 98% to all unitholders, pro rata, and 2% to the general partner, until the capital account for each Class A Unit is equal to the Unrecovered Capital (as defined below) in respect of such Class A Unit;

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*Third*, any then remaining gain would be allocated 98% to the holders of Class B Units, pro rata, and 2% to the general partner until the capital account for each Class B Unit is equal to the Unrecovered Capital in respect of such Class B Unit;

*Fourth*, any then remaining gain would be allocated 98% to all unitholders, pro rata, and 2% to the general partner until the capital account for each unit is equal to the sum of the Unrecovered Capital in respect of such unit plus any cumulative arrearages then existing in the First Target Distribution in respect of such unit for each quarter since inception;

*Fifth*, any then remaining gain would be allocated 85% to all unitholders, pro rata, and 15% to the general partner until the capital account for each unit is equal to the sum of:

the Unrecovered Capital in respect of such unit, plus

any cumulative arrearages then existing in the First Target Distribution in respect of such unit, plus

the excess of the Second Target Distribution over the First Target Distribution for each quarter since inception, less

the amount of any distributions of Available Cash constituting Cash from Operations in respect of such unit in excess of the First Target Distribution that were distributed 85% to the unitholders pro rata and 15% to the general partner for each quarter since inception

(the sum of the second and third bullet points less the fourth bullet point being the "Target Amount");

*Sixth*, any then remaining gain would be allocated 75% to all unitholders, pro rata, and 25% to the general partner, until the capital account for each unit is equal to the sum of:

the Unrecovered Capital in respect of each unit, plus

the Target Amount, plus

the excess of the Third Target Distribution over the Second Target Distribution for each quarter since inception, less

the amount of any distributions of Available Cash constituting Cash from Operations in respect of such unit in excess of the Second Target Distribution that were distributed 75% to the unitholders pro rata and 25% to the general partner for each quarter since inception; and

*Thereafter*, any then remaining gain would be allocated 50% to all unitholders, pro rata, and 50% to the general partner.

Unrecovered Capital with respect to a unit means, in general, the amount equal to the excess of (i) \$21.50 over (ii) the aggregate per unit distributions of Cash from Interim Capital Transactions in respect of such unit. Any loss or unrealized loss will be allocated to the unitholders

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and the general partner first in proportion to the positive balances in the unitholders' and general partner's capital accounts until all such balances are reduced to zero, and, thereafter, to the general partner.

### Certain Defined Terms

The following terms have the respective meanings set forth below:

"Available Cash" means, with respect to any calendar quarter, *the sum of:*

(a) all cash receipts of Enbridge Energy during such quarter from all sources (including distributions of cash received from the Operating Partnership); and

(b) any reduction in cash reserves established in prior quarters (either by reversal or utilization),

*less the sum of:*

(aa) all cash disbursements of Enbridge Energy during such quarter (excluding cash distributions to unitholders and to the general partner);

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(bb) any cash reserves established in such quarter in such amounts as the general partner shall determine to be necessary or appropriate in its reasonable discretion

to provide for the proper conduct of the business of Enbridge Energy (including cash reserves for possible rate refunds or future capital expenditures) or

to provide funds for distributions with respect to any of the next four quarters; and

(cc) any other cash reserves established in such quarter in such amounts as the general partner determines in its reasonable discretion to be necessary because the distribution of such amounts would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which Enbridge Energy is a party or by which it is bound or its assets are subject.

Taxes paid by Enbridge Energy on behalf of, or amounts withheld with respect to, all or less than all of the unitholders shall not be considered cash disbursements of Enbridge Energy that reduce "Available Cash," but the payment or withholding thereof shall be deemed to be a distribution of "Available Cash" to such unitholders. Alternatively, in the discretion of the general partner, such taxes (if pertaining to all unitholders) may be considered to be cash disbursements of Enbridge Energy that reduce "Available Cash," but the payment or withholding thereof shall not be deemed to be a distribution of "Available Cash" to unitholders. Notwithstanding the foregoing, "Available Cash" shall not include any cash receipts or reductions in reserves or take into account any disbursements made or reserves established after commencement of the dissolution and liquidation of Enbridge Energy.

"Cash from Interim Capital Transactions" means cash distributed by Enbridge Energy in excess of the cumulative amount that is Cash from Operations.

"Cash from Operations" means, at any date but prior to the commencement of the dissolution and liquidation of Enbridge Energy, on a cumulative basis, the cash balance of Enbridge Energy at December 27, 1991 (excluding any cash on hand from the exercise of the Underwriters' over-allotment option), plus all cash receipts of Enbridge Energy from its operations (excluding any cash proceeds from Interim Capital Transactions) during the period since December 27, 1991 through such date less the sum of:

all cash operating expenditures of Enbridge Energy, including, without limitation, taxes paid by Enbridge Energy as an entity after December 27, 1991;

all cash debt service payments of Enbridge Energy during such period (other than payments or prepayments of principal and premium required by reason of loan agreements (including covenants and default provisions therein) or by lenders, in each

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case in connection with sales or other dispositions of assets or made in connection with refinancing or refunding of indebtedness, provided that any payment or prepayment of principal, whether or not then due, shall be determined at the election and in the discretion of the general partner to be refunded or refinanced by any indebtedness incurred or to be incurred by Enbridge Energy simultaneously with or within 180 days prior to or after such payment or prepayment to the extent of the principal amount of such indebtedness so incurred);

all cash capital expenditures of Enbridge Energy during such period necessary to maintain the service capability of our pipeline system;

an amount equal to the incremental revenues collected pursuant to a rate increase that are, at such date, subject to possible refund and for which the general partner has established a cash reserve;

any cash reserves outstanding as of such date that the general partner determines in its reasonable discretion to be necessary or appropriate to provide for the future cash payment of items of the type referred to in (a) through (c) above; and

any cash reserves outstanding as of such date that the general partner determines to be necessary or appropriate in its reasonable discretion to provide funds for distributions with respect to any one or

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more of the next four quarters, all as determined on a consolidated basis after elimination of intercompany items and the general partner interest of the general partner in the Operating Partnership.

Taxes paid by Enbridge Energy on behalf of, or amounts withheld with respect to, all or less than all of the unitholders shall not be considered cash operating expenditures of Enbridge Energy that reduce "Cash from Operations," but the payment or withholding thereof shall be deemed to be a distribution of Available Cash to such unitholders. Alternatively, in the discretion of the general partner, such taxes (if pertaining to all unitholders) may be considered to be cash disbursements of Enbridge Energy that reduces "Cash from Operations," but the payment or withholding thereof shall not be deemed to be a distribution to unitholders.

"Interim Capital Transactions" means in general, extraordinary transactions that have an impact on the capital of Enbridge Energy, which are defined in the Partnership Agreement to be:

borrowings and sales of debt securities (other than for working capital purposes and other than for items purchased on open account in the ordinary course of business) by Enbridge Energy;

sales of equity interests by Enbridge Energy; and

sales or other voluntary or involuntary dispositions of any assets of Enbridge Energy (other than sales or other dispositions of inventory in the ordinary course of business, sales or other dispositions of other current assets including accounts receivable or sales or other dispositions of assets as part of normal retirements or replacements), in each case prior to the commencement of the dissolution and liquidation of Enbridge Energy.

### **CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES**

Certain conflicts of interest could arise as a result of the relationships among us, the general partner and Enbridge and its affiliates. The general partner makes all decisions relating to us. The following officers of the general partner who make such decisions are also officers of Enbridge and its affiliates:

D.C. Tutchter (President);

L.H. DeBriyn (Vice President, Special Projects);

G. L. Sevick (Vice President, Operations);

M.A. Maki (Controller);

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J.K. Whelen (Treasurer);

J.L. Balko (Chief Accountant); and

C. Kaitson (Corporate Secretary).

In addition, Enbridge indirectly owns all of the capital stock of the general partner. The directors and officers of Enbridge have fiduciary duties to manage Enbridge, including its investments in its affiliates (including the general partner), in a manner beneficial to the shareholders of Enbridge. In general, the general partner has a fiduciary duty to manage us in a manner beneficial to the unitholders. However, our partnership agreement allows the general partner to take into account the interests of parties in addition to us and the unitholders in resolving conflicts of interest. Our partnership agreement also may restrict the remedies available to unitholders for actions taken that might otherwise constitute breaches of fiduciary duty. The duties of the directors and officers of the general partner and Enbridge to their shareholders and affiliates may, therefore, conflict with the duties of the general partner to the unitholders.

Potential conflicts of interest could arise in the situations described below, among others:

(a) The amount of cash expenditures, borrowings and reserves in any quarter may affect whether or the extent to which there is sufficient Cash from Operations to make distributions to the unitholders. In addition, the general partner's determination to make a capital expenditure to maintain our pipeline system or its determination as to what portion of a capital expenditure was

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made to maintain our pipeline system may have the same effect. Borrowings and issuances of additional units also increase the amount of Available Cash and, in the case of working capital borrowings, the amount of Cash from Operations. The Partnership Agreement provides that any borrowings by us, or the approval thereof by the general partner, will not constitute a breach of any duty by the general partner to us or the unitholders, including borrowings that have the purpose or effect of enabling the general partner to receive incentive distributions. Further, any actions taken by the general partner consistent with the standards of reasonable discretion set forth in the definitions of Available Cash, Cash from Operations and Interim Capital Transactions will not breach any duty of the general partner to us or the unitholders. Please read "Cash Distributions."

(b) Under the terms of our partnership agreement and the partnership agreement of the Operating Partnership, the general partner will exercise its discretion in managing our business. As a result, the general partner is not restricted from paying Enbridge or its affiliates for any services rendered on terms that are fair and reasonable to us. The general partner will determine which of its direct or indirect costs (including costs allocated to the general partner by Enbridge and its affiliates) are reimbursable by us. Employees of Enbridge and its affiliates currently provide services to the general partner for our benefit pursuant to a Services Agreement between Enbridge (U.S.) Inc., an affiliate of Enbridge, and the general partner. Substantially all of the shipments of crude oil and natural gas liquids delivered by the Enbridge Energy System originate from the Enbridge System, and Enbridge handles all scheduling of shipments (including routes and storage) in coordination with us.

(c) The general partner has certain varying percentage interests and priorities with respect to Available Cash. Please read "Cash Distributions." The timing and amount of cash receipts may be affected by various determinations made by the general partner under our partnership agreements (including, for example, those relating to the timing of any capital transaction, the establishment and maintenance of reserves, the timing of expenditures, the incurrence of debt and other matters).

(d) Enbridge and its affiliates may from time to time offer to us the opportunity to acquire selected mature assets held by U.S. subsidiaries of Enbridge. The terms of any sales of assets from Enbridge or its affiliates to us will involve a conflict of interest. The general partner intends that any transactions will be subject to negotiation and approval by a special committee of independent members of our general partner's board of directors.

(e) Neither of our partnership agreements nor any of the other contemporaneous agreements, contracts and arrangements between us, on the one hand, and the general partner, Enbridge and its affiliates, on the other hand, were or will be the result of arm's-length negotiations. The interests of the unitholders have not been represented by separate legal counsel in connection with the preparation of such agreements, contracts or arrangements.

(f) The decision whether we or the general partner should purchase outstanding units at any time may involve the general partner or Enbridge in a conflict of interest.

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(g) Enbridge and its affiliates (other than the general partner) are expressly permitted by the terms of our partnership agreement to engage in any businesses and activities, including in certain instances, those in direct competition with us, except as described below under " Restrictions on General Partner Activity."

(h) As a matter of practice and whenever possible, the general partner limits the liability under our contractual arrangements to all assets, with the other party to have no recourse against the general partner or its assets other than its interest in us. In some circumstances, that may result in the terms of the transaction being less favorable to us than would otherwise be the case. Our partnership agreement provides that such action does not constitute a breach of the general partner's fiduciary obligations.

(i) We are, and may in the future be, a party to various agreements to which the general partner and its affiliates, including Enbridge, are also parties and that provide certain benefits to us. However,

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unitholders do not have the right under these agreements to enforce directly the obligations of the general partner or of those affiliates in our favor. Therefore, the unitholders must depend on the general partner to enforce those obligations, including obligations that it or its affiliates may owe to Enbridge Energy.

### **Restrictions on General Partner Activity**

The general partner's activities are restricted. The sole business of the general partner is to act as general partner of us and our Operating Partnership, to manage certain subsidiaries and to undertake ancillary activities. Further, our partnership agreement provides that no subsidiary of the general partner will engage in or acquire any business that is in direct material competition with the business as conducted at the time of our formation in 1991, subject to the exceptions set forth below. None of the instruments to which we or the Operating Partnership is a party imposes any restriction on the ability of Enbridge and its affiliates, other than the general partner, to engage in any business. Enbridge agreed, however, in a separate agreement (the "Distribution Support Agreement") that for so long as an affiliate of Enbridge is the general partner of us and our Operating Partnership, Enbridge and its other subsidiaries will not engage in or acquire any business that is in direct material competition with our business as conducted at the time of our formation in 1991, subject to the following important exceptions:

*First*, there is no restriction on the ability of Enbridge and its other subsidiaries to continue to engage in businesses, including the normal development of those businesses in the future, in which they were engaged as of December 1991 and that are or may be in the future in competition with us;

*Second*, the scope of the competition restriction is limited geographically to those routes and products in respect of which we provided transportation as of December 1991. For example, Enbridge and its other subsidiaries would be permitted to acquire a pipeline business in which transportation is made over routes not served by us or involving products not transported by us as of December 1991;

*Third*, Enbridge and its other subsidiaries may acquire any competitive business as part of a larger acquisition so long as the majority of the value of the business or assets acquired, in Enbridge's judgement, is not attributable to the competitive business; and

*Fourth*, Enbridge and its other subsidiaries may acquire any competitive business if it is first offered for acquisition to us and we fail to approve, after submission to a unitholder vote, the making of such acquisition. The approval of the holders of a majority of the outstanding units (excluding any units held by the general partner and its affiliates) is required for us to exercise our right to accept such an offer.

Except as specified above, Enbridge and its affiliates are not restricted by the terms of the Distribution Support Agreement or our partnership agreements from engaging in businesses that may be in competition with us. In addition, our partnership agreement specifically states that it will not constitute a breach of the general partner's fiduciary duty for Enbridge or its other subsidiaries to take advantage of any business opportunity in preference to or to the exclusion of us, except as specifically limited by the restrictions described above.

### **Fiduciary Responsibilities of the General Partner**

The general partner is generally accountable to us and the unitholders as a fiduciary. Consequently, the general partner must exercise good faith and integrity in handling our assets and affairs. In contrast to the relatively well-developed state of the law concerning fiduciary duties owed by officers and directors to the shareholders of a corporation, the law concerning the duties owed by general partners to the other partners and to their partnerships is relatively undeveloped. The Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") provides that Delaware limited partnerships may, in their partnership agreements, restrict or expand the fiduciary duties that might otherwise be applied by a

court in analyzing the standard of duty owed by general partners to limited partners. Our partnership agreement, as permitted by the Delaware Act, contains various provisions that have the effect of restricting the

fiduciary duties that might otherwise be owed by the general partner to us and our partners. In addition, holders of Class A Common Units are deemed to have consented to certain actions and conflicts of interest that might otherwise be deemed a breach of fiduciary or other duties under state law.

Our partnership agreement provides that whenever a conflict of interest arises between the general partner or its affiliates, on the one hand, and us or any unitholder, on the other hand, the general partner will be authorized, in resolving such conflict or determining such action, to consider the relative interests of the parties involved in such conflict or affected by such action, any customary or accepted industry practices, if applicable, generally accepted accounting or engineering practices or principles and such additional factors as the general partner determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. The same considerations will apply whenever our partnership agreement requires the general partner to act in a manner that is fair and reasonable to us or the unitholders. Thus, unlike the strict duty of a trustee who must act solely in the best interests of his beneficiary, our partnership agreement permits the general partner to consider the interests of all parties to a conflict of interest, including the interests of the general partner and its affiliates, including Enbridge. Our partnership agreement also provides that in certain circumstances the general partner will act in its sole discretion, in good faith or pursuant to other appropriate standards.

Our partnership agreement also provides that any standard of care and duty imposed on the general partner will be modified, waived or limited as required to permit the general partner to act under our partnership agreement and to make any decision pursuant to the authority prescribed in our partnership agreement so long as such action is reasonably believed by the general partner to be in our best interests. Further, our partnership agreement provides that the general partner will not be liable for monetary damages to us or the unitholders for errors of judgement or for any other acts or omissions if the general partner acted in good faith. We are required, under the terms of our partnership agreement, to indemnify the general partner and its officers, directors, employees and agents against liabilities, costs and expenses, if the general partner or such persons acted in good faith and in a manner they reasonably believed to be in, or not opposed to, our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe their conduct was unlawful. This indemnification provision could include indemnification of the general partner for its negligent acts.

The Delaware Act provides that a limited partner may institute legal action on behalf of the partnership (a partnership derivative action) to recover damages from a third party where the general partner has refused to institute the action or where an effort to cause the general partner to do so is not likely to succeed. In addition, the statutory or case law of certain jurisdictions may permit a limited partner to institute legal action on behalf of himself or all other similarly situated limited partners (a class action) to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

The fiduciary obligations of general partners is a developing area of the law. The general partner has not obtained an opinion of counsel covering the provisions set forth in our partnership agreement that purport to waive or restrict fiduciary duties of the general partner.

## TAX CONSIDERATIONS

This section was prepared by Fulbright & Jaworski L.L.P., our tax counsel ("Counsel"), and discloses all material U.S. federal income tax consequences to individuals who are citizens or residents of the United States. Unless otherwise noted, this section is Counsel's opinion with respect to the matters set forth except for statements of fact and the representations and estimates of the results of future operations of the general partner included in such discussion as to which no opinion is expressed. Counsel bases its opinions on its interpretation of the Internal Revenue Code of 1986, as amended (the "Code") and Treasury Regulations issued thereunder, judicial decisions, the facts set forth in this prospectus and factual representations made by the general partner. Counsel's opinions are subject to both the accuracy of such facts and the continued applicability of such legislative, administrative and judicial authorities, all of which authorities are subject to changes and interpretations that may or may not be retroactively applied.

We have not requested a ruling from the Internal Revenue Service ("IRS") with respect to our classification as a partnership for federal income tax purposes or any other matter affecting us.

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Accordingly, the IRS may adopt positions that differ from Counsel's conclusions expressed herein. We may need to resort to administrative or court proceedings to sustain some or all of Counsel's conclusions, and some or all of these conclusions ultimately may not be sustained. The costs of any contest with the IRS will be borne directly or indirectly by some or all of the unitholders and the general partner. Furthermore, neither we nor Counsel can assure you that the tax consequences of investing in units will not be significantly modified by future legislation or administrative changes or court decisions. Any such modifications may or may not be retroactively applied.

It is impractical to comment on all aspects of federal, state, local and foreign laws that may affect the tax consequences of the transactions contemplated by the sale of units made by this prospectus and of an investment in such units. Moreover, taxpayers such as tax-exempt entities, regulated investment companies and insurance companies may be subject to rules and regulations unique to their status or form of organization in addition to those rules and regulations described herein. A prospective unitholder is encouraged to consult his own tax advisor about the tax consequences peculiar to his circumstances. Unless the context otherwise requires, references in this section to "Enbridge Energy," "we" or "us" are references to both Enbridge Energy and the Operating Partnership.

### Partnership Status

An organization that is classified for U.S. federal income tax purposes as a partnership is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner of a partnership is required to take into account in computing his U.S. federal income tax liability his allocable share of income, gains, losses, deductions and credits of the partnership, regardless of whether cash distributions are made. Distributions by a partnership to a partner are generally not taxable unless the amount of cash distributed is in excess of the partner's adjusted tax basis in his partnership interest.

Counsel is of the opinion that, under current law, Enbridge Energy and the Operating Partnership will each be classified as a partnership for U.S. federal income tax purposes. Counsel has rendered its opinion in reliance upon the accuracy of the following representations made by the general partner:

1. Neither Enbridge Energy nor the Operating Partnership has elected or will elect to be classified as an association taxable as a corporation.
2. Enbridge Energy and the Operating Partnership have been operated and will be operated in accordance with applicable state partnership statutes and their respective partnership agreements.
3. For each taxable year, more than 90% of the gross income of Enbridge Energy has been and will be income that is "qualifying income" within the meaning of Section 7704(d) of the Code.

Counsel's opinion as to the classification of Enbridge Energy is based on the assumption that if the general partner ceases to be a general partner, any successor general partner (or general partners) will make and satisfy such representations. In this regard, if the general partner were to withdraw as a general partner at a time when there is no successor general partner, or if the successor general partner could not satisfy the above representations, then the IRS might attempt to classify Enbridge Energy as an association taxable as a corporation.

Counsel's opinion as to the partnership status of Enbridge Energy is based principally upon its interpretation of Treasury Regulations under Section 7701 of the Code and Section 7704 of the Code, and upon the continuing accuracy of the representations made by the general partner described above.

Section 7704 of the Code provides that publicly traded partnerships will, generally, be taxed as corporations. Section 7704 of the Code provides an exception to its general rule (the "Natural Resource Exception") in the case of a publicly traded partnership if 90% or more of its gross income for every taxable year consists of "qualifying income." Whether Enbridge Energy will continue to meet the Natural Resource Exception is a matter to be determined by Enbridge Energy's operations and the facts existing at the time of determination. However, the general partner will use its best efforts to cause Enbridge Energy to operate in such fashion as is necessary for Enbridge Energy to continue to meet the Natural Resource Exception.

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If Enbridge Energy fails to meet the Natural Resource Exception (other than a failure determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery), Enbridge Energy will be treated as if it had transferred all of its assets (subject to liabilities) to a newly formed corporation (on the first day in which it fails to meet the Natural Resource Exception) in return for stock in such corporation, and then distributed such stock to the Partners in liquidation of their interests in Enbridge Energy. This contribution and liquidation should be tax-free to unitholders and Enbridge Energy, so long as Enbridge Energy, at such time, does not have liabilities in excess of the adjusted tax basis of its assets. Thereafter, Enbridge Energy will be treated as an association taxable as a corporation for U.S. federal income tax purposes.



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If Enbridge Energy is classified as a corporation for U.S. federal income tax purposes, Enbridge Energy will be a separate taxpayer, and its income, gains, losses, deductions and credits will be reported on its own U.S. federal income tax return instead of being passed through to unitholders. Enbridge Energy's net income will be subject to U.S. federal income tax at the applicable corporate rate. Distributions made to unitholders generally will be treated as either a taxable dividend to the extent of its current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, or, in the absence of earnings and profits, as a nontaxable return of capital to the extent of the unitholder's adjusted tax basis in his units and thereafter as taxable capital gain, provided the units are held as "capital assets" within the meaning of Section 1221 of the Code. Accordingly, the classification of Enbridge Energy as an association taxable as corporation would result in a material reduction in a unitholder's cash flow and after-tax return.

The discussion below is based on the assumption that Enbridge Energy and the Operating Partnership will each be classified as a partnership for U.S. federal income tax purposes. If that assumption proves to be erroneous, most, if not all, of the tax consequences described below would not be applicable to unitholders, and distributions to unitholders would be materially reduced.

### **Limited Partner Status**

Unitholders who become limited partners pursuant to the provisions of our partnership agreement will be treated as partners of Enbridge Energy for U.S. federal income tax purposes.

Counsel is also of the opinion that (i) assignees who have executed and delivered transfer applications and are awaiting admission as limited partners and (ii) unitholders whose units are held in street name or by another nominee will be treated as partners for U.S. federal income tax purposes. As there is no direct authority addressing assignees of units who are entitled to execute and deliver transfer applications and thereby become entitled to direct the exercise of attendant rights, but who fail to execute and deliver such transfer applications, Counsel's opinion does not extend to such persons. Furthermore, a purchaser or other transferee of units who does not execute and deliver a transfer application may not receive certain tax information or reports furnished to unitholders unless the units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application with respect to such units.

A beneficial owner of units whose units have been transferred to a "short seller" to complete a short sale would appear to lose his status as a partner with respect to such units for U.S. federal income tax purposes. Please read " Tax Treatment of Operations Treatment of Units Loaned to Cover Short Sales."

Income, gain, losses, deductions and credits would not appear to be reportable by a unitholder who is not a partner for U.S. federal income tax purposes, and any cash distributions received by such a unitholder would be fully taxable as ordinary income. These holders are encouraged to consult their own tax advisors with respect to their status as partners in Enbridge Energy for U.S. federal income tax purposes.

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### **Tax Consequences of Unit Ownership**

#### *Flow-Through of Taxable Income*

No U.S. federal income tax will be paid by Enbridge Energy. Instead, each unitholder will be required to report on his income tax return his allocable share of income, gains, losses, deductions and credits without regard to whether he receives cash distributions. Consequently, a unitholder may be allocated income from Enbridge Energy even if he has not received a cash distribution. Each unitholder will be required to report on his U.S. federal income tax return his allocable share of our income, gain, losses, deductions and credits for our taxable year ending with or within the taxable year of the unitholder.

#### *Treatment of Enbridge Energy Distributions*

Cash distributions by Enbridge Energy generally will not be taxable to a unitholder for U.S. federal income tax purposes to the extent of his adjusted tax basis in his units immediately before the distribution. Cash distributions in excess of a unitholder's adjusted tax basis generally will be considered to be a gain from the sale or exchange of the units, taxable in accordance with the rules described under "Disposition of Class A Common Units" below. Any reduction in a unitholder's share of Enbridge Energy's liabilities for which no partner, including the general partner, bears the economic risk of loss ("nonrecourse liabilities") will be treated as a distribution of cash to such unitholder. To the extent that distributions by Enbridge Energy cause a unitholder's "at risk" amount, as determined under Section 465 of the Code, to be less than zero at the end of any taxable year, he must recapture as income in the year of such distributions any losses deducted in previous years. Please read " Limitations on Deductibility of Enbridge Energy Losses."

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A decrease in a unitholder's percentage interest in Enbridge Energy because of its issuance of additional units will decrease his share of Enbridge Energy's nonrecourse liabilities, thus resulting in a corresponding deemed distribution of cash. A non-pro rata distribution of money or property may result in ordinary income to a unitholder, regardless of his basis in his units, if such distribution reduces the unitholder's share of Enbridge Energy's "unrealized receivables" (including depreciation recapture) and/or "substantially appreciated inventory items," as such terms are defined in Section 751 of the Code (collectively, "Section 751 Assets"). Our partnership agreement provides that recapture income will be allocated, to the extent possible, to the unitholders who were allocated the deductions giving rise to the treatment of gain as recapture income. Such allocations, along with allocations in accordance with principles under Section 704(c) of the Code, should minimize the risk to a holder of Class A Common Units of recognition of ordinary income under Section 751(b) of the Code upon a non-pro rata distribution of cash or property. The IRS may contend, however, that such a deemed exchange of Section 751 Assets has occurred and therefore, ordinary income must be recognized under Section 751(b) of the Code by unitholders on such a non-pro rata distribution of cash or other property.

### *Special Allocation of Gross Income*

As provided in our partnership agreement, the holders of Class A Common Units may be allocated amounts of gross income that would otherwise be allocated to the holders of Class B Units (the "Special Allocation"). With respect to taxable years 1999 and 2000, the amounts of the Special Allocations were \$11 million and \$13 million, respectively. Thereafter, the Special Allocation to be made each year will increase by \$2 million every two years until the taxable year beginning with 2012, for which the Special Allocation will be \$25 million for that year and for each taxable year thereafter. Notwithstanding the above, the Special Allocation will not be made (or will be reduced) in any taxable year to the extent that a purchaser of a Class A Common Unit in Enbridge Energy's initial public offering would be allocated taxable income with respect to such taxable year that would exceed 65% of the amount of cash distributed to such a unitholder with respect to that taxable year. However, there can be no assurance that the ratio of taxable income to cash distributed with respect to any taxable year will not exceed 65%. Based on the current level of distributions, the general partner anticipates that the Special Allocation will be used in its

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entirety for the taxable year 2001. To the extent that the Special Allocation is not made in any year, it cannot be carried forward.

### *Tax Basis of Units*

A unitholder's initial tax basis in his units will be the amount paid for the units plus his share of Enbridge Energy's nonrecourse liabilities. The initial tax basis will be increased by the unitholder's share of Enbridge Energy's income and by increases in his share of Enbridge Energy's nonrecourse liabilities. That basis will be decreased (but not below zero) by distributions from Enbridge Energy, by the unitholder's share of Enbridge Energy's losses and by the unitholder's share of expenditures of Enbridge Energy that are not deductible in computing its taxable income and are not required to be capitalized. A limited partner will have no share of Enbridge Energy's debt which is recourse to the general partner, but will have a share, generally based on his share of profits, of Enbridge Energy's nonrecourse liabilities. Please read "Disposition of Class A Common Units Recognition of Gain or Loss."

### *Limitations on Deductibility of Enbridge Energy Losses*

The deduction by a unitholder of his share of Enbridge Energy's losses will be limited to the adjusted tax basis in his units (the "basis limitation") and, in the case of an individual unitholder or a corporate unitholder, if more than 50% of the value of its stock is owned directly or indirectly by five or fewer individuals or some tax-exempt organizations, to the amount for which the unitholder is considered to be "at risk" under Section 465 of the Code (the "at risk" limitation") with respect to Enbridge Energy's activities, if that amount is less than his adjusted tax basis. A unitholder must recapture losses deducted in previous years to the extent that distributions cause his "at risk" amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that his adjusted tax basis or "at risk" amount, whichever is the limiting factor, is subsequently increased. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the "at risk" limitation but may not be offset by losses suspended by the basis limitation. Any excess loss above that gain previously suspended by the "at risk" limitation or basis limitation is no longer utilizable.

Under Section 465 of the Code, a unitholder will generally be "at risk" to the extent of his adjusted tax basis in his units, excluding any portion of the basis attributable to his share of Enbridge Energy's nonrecourse liabilities, reduced by any amount of money the unitholder borrowed to purchase his units if the lender of such borrowed funds owns an interest in Enbridge Energy, is related to such unitholder or can look only to the purchased units for repayment. A unitholder's "at risk" amount will increase or decrease as the adjusted tax basis of the unitholder's units increases or decreases (other than tax basis increases or decreases attributable to increases or decreases in his share of Enbridge Energy nonrecourse liabilities).

The passive loss limitation under Section 469 of the Code generally provides that individuals, estates, trusts and certain closely held corporations and personal service corporations can only deduct losses from passive activities (generally activities in which the taxpayer does not materially participate) only to the extent of the taxpayer's income from such passive activities. The passive loss limitation is to be applied separately with respect to each publicly traded partnership. Consequently, a unitholder's allocable share of any passive losses generated by Enbridge Energy, if any, will only be available to offset future passive income generated by Enbridge Energy and will not be available to offset income from other passive activities or investments (including other publicly traded partnerships) or salary or active business income. Passive losses that are not deductible because they exceed the unitholder's allocable share of the income generated by Enbridge Energy may be deducted in full when the unitholder disposes of his entire investment in Enbridge Energy in a fully taxable transaction to an unrelated party. The passive activity loss rules are applied after other applicable limitations on deductions, such as the "at risk" limitation and the basis limitation.

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***Limitations on Interest Deductions***

The deductibility of a non-corporate taxpayer's "investment interest expense" is generally limited to the amount of such taxpayer's "net investment income." The IRS has announced that Treasury Regulations will be issued that characterize "net passive income" from a publicly traded partnership as "investment income" for purposes of the limitations on the deductibility of investment interest, and until such Treasury Regulations are issued, "net passive income" from a publicly traded partnership shall be treated as "investment income." Therefore, a unitholder's "net passive income" from Enbridge Energy will be treated as "investment income" for this limitation on interest deductions. In addition, the unitholder's share of Enbridge Energy's portfolio income will be treated as investment income. Investment interest expense includes:

interest on indebtedness properly allocable to property held for investment;

a partnership's interest expense attributed to portfolio income; and

the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income pursuant to the passive loss rules less deductible expenses (other than interest) directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment.

**Allocation of Enbridge Energy's Income, Gain, Losses, Deductions and Credits**

In general, if Enbridge Energy has a net profit, items of income, gain, losses, deductions and credits will be allocated among the general partner and the unitholders in accordance with their respective percentage interests in Enbridge Energy. If Enbridge Energy has a net loss, items of income, gain, losses, deductions and credits generally for both book and tax purposes will be allocated, first, to the general partner and the unitholders in accordance with their respective percentage interests to the extent of their positive capital accounts (as maintained under our partnership agreement), and second, to the general partner. In addition, by reason of the Special Allocation discussed in "Tax Consequences of Unit Ownership Special Allocation of Gross Income," there is a high probability that the holders of Class A Common Units will continue to be allocated amounts of gross income with respect to taxable years of Enbridge Energy that would otherwise be allocated to the holders of Class B Units. Although Enbridge Energy does not expect that its operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of Enbridge Energy income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible. On a liquidating sale of assets, our partnership agreement provides separate gain and loss allocations designed, to the extent possible, to eliminate a deficit in any unitholder's capital account and to produce capital accounts that, when followed on liquidation, will result in each unitholder recovering the Unrecovered Capital, and his distributive share of any additional value.

Notwithstanding the above, as required by Section 704(c) of the Code, certain items of Enbridge Energy's income, deduction, gain and loss will be specially allocated for U.S. federal income tax purposes to account for the difference between the adjusted tax basis and fair market value of property contributed to Enbridge Energy by the general partner ("Contributed Property"), and to account for the difference between the fair market value of Enbridge Energy's assets and their carrying value on Enbridge Energy's books at the time of any offering made pursuant to this prospectus. In addition, certain items of recapture income will be allocated to the extent possible to the unitholder allocated the deduction or curative allocation (discussed below) giving rise to the treatment of such gain as recapture income in order to minimize the recognition of

ordinary income by some unitholders, but these allocations may not be

respected by the IRS. If these allocations of recapture are not respected, the amount of the income or gain allocated to a unitholder will not change but instead a change in the character of the income allocated to the unitholder would result.

Treasury Regulations permit curative allocations similar to those provided for by our partnership agreement. However, the application of those Treasury Regulations in the context of a publicly traded partnership existing at the time of promulgation is unclear. Because such curative allocations are consistent with Counsel's view of the purposes of Section 704(c) and with the principles of the Treasury Regulations, Counsel believes that it is unlikely that the IRS will challenge the curative allocations. However, if the IRS were to litigate the matter, it is uncertain whether the curative allocations would be respected by a court. Counsel believes that there is substantial authority (within the meaning of Section 6662 of the Code) for Enbridge Energy's tax reporting position, and that no penalties would be applicable if the IRS were to litigate successfully against the curative allocations. Because Enbridge Energy has a relatively low tax basis in its properties, a successful challenge by the IRS of the curative allocation would result in ratios of taxable income to cash distributions received by holders of Class A Common Units that are materially higher than the estimates that may be set forth in any accompanying prospectus supplement.

Counsel is of the opinion that, with the exception of the curative allocations, the Special Allocation and the allocation of recapture income discussed above will be respected for U.S. federal income tax purposes in determining each unitholder's allocable share of Enbridge Energy's income, gain, loss and deduction. There are, however, uncertainties in the Treasury Regulations relating to allocations of partnership taxable items, and investors should be aware that some of the allocations in our partnership agreement may be successfully challenged by the IRS.

If an allocation contained in our partnership agreement is not respected for U.S. federal income tax purposes, notwithstanding the opinion of Counsel, items of income, gain, loss, deduction and credit will be reallocated to the unitholders and the general partner in accordance with their respective interests in such items. Such reallocation among the unitholders and the general partner of such items of income, gain, loss, deduction and credit allocated under our partnership agreement could result in additional taxable income to the unitholders. If the Special Allocation is not given effect, the gross income subject to these allocations will be allocated to the holders of Class B Units.

## **Tax Treatment of Operations**

### ***Income and Deductions in General***

Each unitholder will be required to report on his U.S. income tax return his allocable share of Enbridge Energy's income, gain, loss, deduction and credit for the taxable year of Enbridge Energy ending within or with the taxable year of the unitholder. Such items must be included on the unitholder's U.S. federal income tax return without regard to whether Enbridge Energy makes a distribution of cash to the unitholder.

A unitholder who owns units at any time during a quarter and who disposes of such units prior to the record date set for a distribution with respect to such quarter will be allocated items of Enbridge Energy's income and gain attributable to the months in such quarter during which such units were owned but will not be entitled to receive such cash distribution.

### ***Accounting Method and Taxable Year***

Enbridge Energy uses the calendar year as its taxable year and the accrual method of accounting for U.S. federal income tax purposes.

### ***Initial Tax Basis, Depreciation and Amortization***

The tax basis established for the various assets of Enbridge Energy will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of such assets. The aggregate tax basis established for the assets contributed to Enbridge Energy by the general partner was initially equal to the adjusted tax basis of the general partner in such assets immediately before their contribution to Enbridge Energy. Please read "Allocation of Enbridge Energy's Income, Gain, Losses, Deductions and Credits."

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Enbridge Energy has both tangible assets of substantial value (including the pipeline and related equipment) and rights of way of substantial value. Amortization deductions in respect of such assets are based on determinations as to their relative fair market values and useful lives by Enbridge Energy. The IRS may (i) challenge either the fair market values or the useful lives assigned to such assets or (ii) seek to characterize intangible assets as nonamortizable goodwill. If any such challenge or characterization were successful, the deductions allocated to a unitholder in respect of such assets would be reduced or eliminated and a unitholder's share of taxable income from Enbridge Energy would be increased accordingly. Any such increase could be material.

### *Section 754 Election*

Enbridge Energy has made the election permitted by Section 754 of the Code. Such an election is irrevocable without the consent of the IRS. The election generally permits a purchaser of Class A Common Units to adjust his share of the adjusted tax basis in Enbridge Energy's properties ("inside basis") pursuant to Section 743(b) of the Code to fair market value (as reflected by his unit price). The 743(b) adjustment is attributed solely to a purchaser of Class A Common Units and is not added to the basis of Enbridge Energy's assets. (For purposes of this discussion, a unitholder's inside basis in Enbridge Energy's assets will be considered to have two components: (i) his share of Enbridge Energy's actual basis in such assets ("Common Basis") and (ii) his Section 743(b) adjustment allocated to each such asset.)

Treasury Regulations under Section 743 of the Code require, if the remedial allocation method is adopted, a portion of the Section 743(b) adjustment attributable to recovery property to be depreciated over the remaining cost recovery period for the Section 704(c) built-in gain. Under Treasury Regulations Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Code rather than cost recovery deductions under Section 168 is generally required to be depreciated using either the straight-line method or the 150% declining balance method. Our partnership agreement authorizes the general partner to adopt a convention to preserve the uniformity of units even if that convention is not consistent with certain Treasury Regulations. Please read "Uniformity of Class A Common Units" below.

Although Counsel is unable to opine as to the validity of such an approach, Enbridge Energy intends to depreciate or amortize the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Section 704(c) built-in gain using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the Common Basis of such property, or treat that portion as non-amortizable to the extent attributable to property the Common Basis of which is not depreciable or amortizable. This method is consistent with the Treasury Regulation under Section 743 but is arguably inconsistent with Treasury Regulations Section 1.167(c)(1)(a)(6). To the extent such Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Section 704(c) built in gain, Enbridge Energy will apply the rules described in the Treasury Regulations and legislative history. If Enbridge Energy determines that such position cannot reasonably be taken, Enbridge Energy may adopt a depreciation or amortization convention under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to Common Basis or Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in Enbridge Energy's assets. Such an aggregate approach may result in lower annual depreciation or amortization

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deductions than would otherwise be allowable to certain unitholders. Please read "Uniformity of Class A Common Units" below.

The allocation of the Section 743(b) adjustment must be made in accordance with the principles of Section 1060 of the Code. Based on these principles, the IRS may seek to reallocate some or all of any Section 743(b) adjustment not allocated by Enbridge Energy to goodwill. As an intangible asset, goodwill would be amortizable over a longer period of time than Enbridge Energy's tangible assets.

A Section 754 election is advantageous if the transferee's basis in his units is higher than such units' share of Enbridge Energy's aggregate adjusted tax basis in its assets immediately prior to the transfer. In such case, pursuant to the election, the transferee would take a new and higher basis in his share of Enbridge Energy's assets for purposes of calculating, among other items, his depreciation deductions and his share of any gain or loss on a sale of Enbridge Energy's assets. Conversely, a Section 754 election is disadvantageous if the transferee's basis in such units is lower than such units' share of Enbridge Energy's aggregate adjusted tax basis in its assets immediately prior to the transfer. Thus, the price that a unitholder will be able to obtain upon the sale of his units may be affected either favorably or adversely by the Section 754 election.

The calculations involved in the Section 754 election are complex and will be made by Enbridge Energy on the basis of certain assumptions as to the value of Enbridge Energy's assets and other matters. There is no assurance that the determinations made by Enbridge Energy will not be successfully challenged by the IRS and that the deductions attributable to them will not be disallowed or reduced. If the IRS requires a different basis adjustment to be made, and if, in the general partner's opinion, the expense of compliance exceeds the benefit of the election, the general partner may seek permission from the IRS to revoke the Section 754 election. If such permission is granted, a purchaser of units subsequent to such revocation may incur an increased tax liability.

### *Alternative Minimum Tax*

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Each unitholder will be required to take into account his distributive share of items of Enbridge Energy's income, gain, loss, deduction and credit for purposes of the alternative minimum tax. A portion of Enbridge Energy's depreciation deductions may be treated as an item of tax preference for this purpose.

A unitholder's alternative minimum taxable income derived from Enbridge Energy may be higher than his share of Enbridge Energy's net income because Enbridge Energy may use accelerated methods of depreciation for purposes of computing U.S. federal taxable income or loss. Prospective unitholders are encouraged to consult with their tax advisors as to the impact of an investment in Class A Common Units on their liability for the alternative minimum tax.

### ***Valuation and Tax Basis of Enbridge Energy Property***

The U.S. federal income tax consequences of the ownership and disposition of units will depend in part on estimates by the general partner of the relative fair market values, and determinations of the initial tax bases of the assets of Enbridge Energy. Although the general partner may from time to time consult with professional appraisers with respect to valuation matters, many of the relative fair market value estimates will be made solely by the general partner. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or determinations of basis are subsequently found to be incorrect, the character and amount of items of income, gain, loss, deductions and credits previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years.

### ***Treatment of Units Loaned to Cover Short Sales***

A unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of ownership of such units. If so, he would no longer be a partner with

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respect to those units during the period of such loan. As a result, during such period, any income, gain, deductions, losses and credits of Enbridge Energy with respect to those units would appear not to be reportable by such unitholder, any cash distributions received by the unitholder with respect to those units would be fully taxable and all of such distributions would appear to be treated as ordinary income. Counsel has not rendered an opinion regarding the treatment of a unitholder whose units are loaned to a short seller to cover a short sale of units; therefore, unitholders desiring to assure their status as partners should modify their brokerage account agreements, if any, to prohibit their brokers from borrowing their units. The IRS has announced that it is actively studying issues relating to the tax treatment of short sales of partnership interests.

Other provisions of the Code affect the taxation of certain financial products and securities, including partnership interests, by treating a taxpayer as having sold an "appreciated" partnership interest (in other words, one in which gain would be recognized if it were sold, assigned or otherwise terminated at its fair market value) if the taxpayer or related persons enter into a short sale, an offsetting notional principal contract, or a futures or forward contract with respect to the partnership interest or substantially identical property. Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to a partnership interest, the taxpayer will be treated as having sold such position if the taxpayer or a related party then acquires the partnership interest or substantially identical property. The Secretary of Treasury is also authorized to issue Treasury Regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

### **Disposition of Class A Common Units**

#### ***Recognition of Gain or Loss***

Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the unitholder's adjusted tax basis in the units sold. A unitholder's amount realized will be measured by the sum of the cash and the fair market value of other property received plus his share of Enbridge Energy's nonrecourse liabilities. Since the amount realized includes a unitholder's share of Enbridge Energy's nonrecourse liabilities, the gain recognized on the sale of units may result in a tax liability in excess of any cash received from such sale.

Prior distributions by Enbridge Energy in excess of cumulative net taxable income in respect of a Class A Common Unit that decreased a unitholder's adjusted tax basis in such Class A Common Unit will, in effect, become taxable income if the Class A Unit is sold at a price greater than the unitholder's adjusted tax basis in such unit, even if the price is less than his original cost.

Except as noted below and provided the unit is held as a "capital asset" within the meaning of Section 1221 of the Code, gain or loss recognized by a unitholder (other than a "dealer" in units) on the sale or exchange of a unit will generally be taxable as capital gain or loss, and

the gain or loss will generally be a long term capital gain or loss if the unit is held for more than one year. A substantial portion of this gain or loss, however, will be separately computed and taxed as ordinary income or loss under Section 751 of the Code to the extent attributable to assets giving rise to depreciation recapture or other "unrealized receivables" or to "inventory items" owned by Enbridge Energy. The term "unrealized receivables" includes potential recapture items, including depreciation recapture. Ordinary income attributable to "unrealized receivables," "inventory items" and depreciation recapture may exceed net taxable gain realized upon the sale of the unit and may be recognized even if there is a net taxable capital loss realized on the sale of the unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon disposition of units. Net capital loss may offset no more than \$3,000 of ordinary income in the case of individuals and may only be used to offset capital gain in the case of a corporation.

The IRS has ruled that a partner acquiring interests in a partnership in separate transactions at different prices must combine those interests and maintain a single adjusted tax basis. Upon a sale or other

disposition of some of the interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method. Although the ruling is unclear as to how the holding period of these interests is determined once they are combined, recently finalized Treasury Regulations allow a selling partner who can identify the partnership interest transferred with an ascertainable holding period to elect to use the actual holding period of the transferred interest. Thus, according to the ruling, a unitholder will be unable to select high or low basis units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, may designate the specific units sold for purposes of determining the holding period of the units transferred. A unitholder electing to use the actual holding period of units transferred must consistently use that identification method for all subsequent sales or exchanges of units. A unitholder considering the purchase of additional units or a sale of units purchased in separate transactions is encouraged to consult his tax advisor as to the possible consequences of the ruling and application of the final Treasury Regulations.

#### *Allocations Between Transferors and Transferees*

In general, Enbridge Energy's income, gain, losses, deductions and credits will be determined annually and will be prorated on a monthly basis and subsequently apportioned among the unitholders in proportion to the number of units owned by them as of the opening of the first business day of the month to which they relate. However, gain or loss realized on a sale or other disposition of Enbridge Energy's assets other than in the ordinary course of business will be allocated among the unitholders as of the opening of the NYSE on the first business day of the month in which such gain or loss is recognized. As a result of this monthly allocation, a unitholder transferring units in the open market may be allocated income, gain, losses, deductions and credits accrued after the transfer.

The use of the monthly conventions discussed above may not be permitted by existing Treasury Regulations and accordingly, Counsel does not opine on the validity of the method of allocating income, gain, losses, deductions and credits between the transferors and the transferees of Class A Common Units. If a monthly convention is not allowed by the Treasury Regulations (or only applies to transfers of less than all of the unitholder's units), income, gain, losses, deductions and credits of Enbridge Energy might be reallocated among the unitholders. The general partner is authorized to revise Enbridge Energy's method of allocation between the transferors and transferees (as well as among partners whose interests otherwise vary during a taxable period) to conform to a method permitted by Treasury Regulations.

A unitholder who owns units at any time during a quarter and who disposes of such units prior to the record date set for a distribution with respect to such quarter will be allocated items of Enbridge Energy's income, gain, losses, deductions and credits attributable to such quarter during which such units were owned, but will not be entitled to receive such cash distribution.

#### *Notification Requirements*

A unitholder who sells or exchanges units is required to notify Enbridge Energy in writing of such sale or exchange within 30 days of the sale or exchange and in any event no later than January 15 of the year following the calendar year in which the sale or exchange occurred. Enbridge Energy is required to notify the IRS of such transaction and to furnish certain information to the transferor and transferee. However, these reporting requirements do not apply with respect to a sale by an individual who is a citizen of the United States and who effects such sale through a broker. Additionally, a transferor and a transferee of a unit will be required to furnish statements to the IRS, filed with their U.S. federal income tax returns for the taxable year in which the sale or exchange occurred, which set forth the amount of the consideration received for such unit that is allocated to goodwill or going concern value of Enbridge Energy. Failure to satisfy such reporting obligations may lead to the imposition of substantial penalties.

### *Constructive Termination*

Enbridge Energy and the Operating Partnership will be considered to have been terminated if there is a sale or exchange of 50% or more of the total interests in Enbridge Energy capital and profits within a 12-month period. A termination of Enbridge Energy will cause a termination of the Operating Partnership. A termination of Enbridge Energy will result in the closing of Enbridge Energy's taxable year for all unitholders. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of Enbridge Energy's taxable year may result in more than 12 months' taxable income or loss of Enbridge Energy being includable in his taxable income for the year of termination. New tax elections required to be made by Enbridge Energy, including a new election under Section 754 of the Code, must be made subsequent to a termination, and a termination could result in a deferral of Enbridge Energy deductions for depreciation. A termination could also result in penalties if Enbridge Energy were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject Enbridge Energy to, any tax legislation enacted prior to the termination.

### *Entity-level Collections*

If Enbridge Energy is required or elects under applicable law to pay any federal, state or local income tax on behalf of any unitholder or former unitholder, the general partner is authorized to pay such taxes from Enbridge Energy funds. Such payments, if made, will be deemed current distributions of cash to the unitholders and the general partner. The general partner is authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust subsequent distributions so that after giving effect to such deemed distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by Enbridge Energy as described above could give rise to an overpayment of tax on behalf of an individual unitholder, in which event the unitholder could file a claim for credit or refund.

### **Uniformity of Class A Common Units**

Since Enbridge Energy cannot match transferors and transferees of Class A Common Units, uniformity of the economic and tax characteristics of the Class A Common Units to a purchaser of such Class A Common Units must be maintained. In the absence of uniformity, compliance with a number of U.S. federal income tax requirements could be substantially diminished. A lack of uniformity can result from a literal application of Treasury Regulations Section 1.167(c)-1(a)(6). Any such non-uniformity could have a negative impact on the value of a unitholder's interest in Enbridge Energy.

Consistent with the recently finalized Treasury Regulations under Section 743, Enbridge Energy intends to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property or Adjusted Property, as defined in our partnership agreement, (to the extent of any unamortized Section 704(c) built-in gain) using a rate of depreciation or amortization derived from the depreciation method and useful life applied to the Common Basis of such property, or treat that portion as non-amortizable to the extent attributable to property the Common Basis of which is not amortizable, consistent with the Treasury Regulations under Section 743, but despite its inconsistency with Treasury Regulations Section 1.167(c)-1(a)(6). Please read " Tax Treatment of Operations Section 754 Election" above. To the extent that the Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Section 704(c) built-in gain, Enbridge Energy will apply the rules described in the Treasury Regulations and legislative history. If Enbridge Energy determines that such position cannot reasonably be taken, Enbridge Energy may adopt a depreciation convention under which all purchasers acquiring Class A Common Units in the same month would receive depreciation and amortization deductions, whether attributable to Common Basis or Section 743(b) basis, based upon the same applicable rate as if they had purchased a direct interest in Enbridge Energy's property. If such an aggregate approach is adopted, annual depreciation and amortization deductions might be lower than

would otherwise be allowable to certain unitholders and risk the loss of depreciation and amortization deductions not taken in the year that such deductions are otherwise allowable. Such convention will not be adopted if Enbridge Energy determines that the loss of such depreciation and amortization deductions will have a material adverse effect on the unitholders. If Enbridge Energy chooses not to utilize this aggregate method, Enbridge Energy may use any other reasonable depreciation and amortization convention to preserve the uniformity of the intrinsic tax characteristics of any Class A Common Units that would not have a material adverse effect on the unitholders. The IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If such a challenge were to be sustained, the uniformity of Class A Common Units may be affected, and gain from the sale of units might be increased without the benefit of additional deductions. Please read " Disposition of Class A Common Units Recognition of Gain or Loss."

Because of the Special Allocation of gross income to the Class A Common Units, the capital accounts underlying the Class A Common Units will likely differ, perhaps materially, from the capital accounts underlying the Class B Units. Our partnership agreement contains a method by which the general partner may cause the capital accounts underlying the Class A Common Units to equal the capital accounts underlying the



Class B Units. The general partner must be reasonably assured, based on advice of counsel, that the Class B Units and the Class A Common Units share the same intrinsic economic and U.S. federal income tax characteristics, in all material respects, before the Class A Common Units and the Class B Units will be treated as one class of units.

#### **Tax-Exempt Organizations and Certain Other Investors**

Ownership of units by employee benefit plans, other tax-exempt organizations, nonresident aliens, foreign corporations, other foreign persons and regulated investment companies raises issues unique to such persons and, as described below, may have substantially adverse tax consequences.

Employee benefit plans and most other organizations exempt from U.S. federal income tax (including individual retirement accounts and other retirement plans) are subject to U.S. federal income tax on unrelated business taxable income.

Virtually all of the taxable income derived by such an organization from the ownership of a unit will be unrelated business taxable income and thus will be taxable to such a unitholder.

A regulated investment company or mutual fund is required to derive 90% or more of its gross income from interest, dividends, gains from the sale of stocks or securities or foreign currency or certain related sources. It is not anticipated that any significant amount of Enbridge Energy's gross income will qualify as such income.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the United States on account of ownership of units. As a consequence, they will be required to file U.S. federal income tax returns for their shares of Enbridge Energy's income, gain, loss, deduction and credit and pay U.S. federal income tax at regular rates on such income.

Generally, a partnership is required to pay a withholding tax on the portion of the partnership's income that is effectively connected with the conduct of a U.S. trade or business and which is allocable to the foreign partners, regardless of whether any actual distributions have been made to these partners. However, under rules applicable to publicly traded partnerships, Enbridge Energy will withhold (currently at the rate of 39.6%) on actual cash distributions made quarterly to foreign unitholders. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to Enbridge Energy's Transfer Agent on a Form W-8 BEN or applicable substitute form in order to obtain credit for the taxes withheld. A change in applicable law may require Enbridge Energy to change these procedures.

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Because a foreign corporation that owns units will be treated as engaged in a U.S. trade or business, that corporation may be subject to U.S. branch profits tax at a rate of 30%, in addition to regular U.S. federal income tax, on its share of Enbridge Energy's income and gain (as adjusted for changes in the foreign corporation's "U.S. net equity") which are effectively connected with the conduct of a U.S. trade or business. That tax may be reduced or eliminated by an income tax treaty between the U.S. and the country with respect to which the foreign corporate unitholder is a "qualified resident." In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Code.

Under a ruling of the IRS, a foreign unitholder who sells or otherwise disposes of a unit will be subject to U.S. federal income tax on gain realized on the disposition of such unit to the extent that such gain is effectively connected with a U.S. trade or business of the foreign unitholder. Apart from the ruling, a foreign unitholder will not be taxed or subject to withholding upon the disposition of a unit if that foreign unitholder has owned less than 5% in value of the units during the five-year period ending on the date of the disposition and if the units are regularly traded on an established securities market at the time of the disposition.

#### **Administrative Matters**

##### ***Enbridge Energy Information Returns and Audit Procedures***

Enbridge Energy intends to furnish each unitholder, within 90 days after the close of each calendar year, certain tax information, including a Schedule K-1, that sets forth each unitholder's allocable share of Enbridge Energy's income, gain, loss, deduction and credit for the preceding taxable year of Enbridge Energy. If Enbridge Energy elects large partnership treatment under the Code, this tax information will be provided to unitholders by March 15th for the preceding taxable year of Enbridge Energy as required. In preparing this information, which will generally not be reviewed by Counsel, the general partner will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine the respective unitholder's allocable share of income, gain, loss, deduction and credit. Please read "Allocation of Enbridge Energy's Income, Gain, Losses, Deductions and Credits," "Tax Treatment of Operations Initial Tax Basis, Depreciation and

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Amortization" and "Section 754 Election" and "Disposition of Class A Common Units Allocations Between Transferors and Transferees." There is no assurance that any such conventions will yield a result that conforms to the requirements of the Code, Treasury Regulations or administrative interpretations of the IRS. The general partner cannot assure prospective unitholders that the IRS will not successfully contend in court that such accounting and reporting conventions are impermissible. Any such challenge by the IRS could negatively affect the value of the units.

The U.S. federal income tax information returns filed by Enbridge Energy may be audited by the IRS. Adjustments resulting from such audit may require each unitholder to file an amended tax return, and possibly may result in an audit of the unitholder's return. If Enbridge Energy elects large partnership treatment, partnership adjustments would not result in unitholders having to file amended returns. Instead, these adjustments generally would flow through to the unitholders for the year in which the adjustment takes effect. Thus, the current year unitholders' share of current year partnership items of income, gains, losses, deductions and credits would be adjusted to reflect partnership audit adjustments that take effect in that year. In addition, in lieu of flowing adjustments through to its unitholders, Enbridge Energy may elect to pay an imputed underpayment. In either case, unitholders could bear significant economic burdens associated with tax adjustments relating to periods predating their acquisition of units. Any audit of a unitholder's return could result in adjustments of not only Enbridge Energy but also non-partnership items.

Partnerships generally are treated as separate entities for purposes of U.S. federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss, deduction and credit is determined at the partnership level in a unified partnership proceeding rather than in separate proceedings with the partners. The Code provides

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for one partner to be designated as the "Tax Matters Partner" for these purposes. Our partnership agreement appoints the general partner as the Tax Matters Partner.

The Tax Matters Partner will make certain elections on behalf of Enbridge Energy and unitholders and can extend the statute of limitations for assessment of tax deficiencies against unitholders with respect to Enbridge Energy items. The Tax Matters Partner may bind any unitholder with less than a 1% profits interest in Enbridge Energy to a settlement with the IRS unless the unitholder elects, by filing a statement with the IRS, not to give such authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review (to which all the unitholders are bound) of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, such review may be sought by any unitholder having at least a 1% profits interest in Enbridge Energy and by unitholders having, in the aggregate, at least a 5% profits interest. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

A unitholder must file a statement with the IRS identifying the treatment of any item on his U.S. federal income tax return that is not consistent with the treatment of the item on Enbridge Energy's return to avoid the requirement that all items be treated consistently on both returns. Intentional or negligent disregard of the consistency requirement may subject a unitholder to substantial penalties. Under the Code, partners in a partnership electing to be treated as a large partnership are required to treat all partnership items in a manner consistent with the partnership return.

If Enbridge Energy elects to be treated as a large partnership, each partner would take into account separately his share of the following items, determined at the partnership level:

taxable income or loss from passive loss limitation activities;

taxable income or loss from other activities (such as portfolio income or loss);

net capital gains (or net capital loss) to the extent allocable to passive loss limitation activities and other activities;

a net alternative minimum tax adjustment separately computed for passive loss limitation activities and other activities;

general credits;

low-income housing credit;

rehabilitation credit;

tax-exempt interest;

for certain partnerships, foreign taxes paid and foreign source partnership items; and

any other items designated by the IRS to be separately treated.

A number of other changes to the tax compliance and administrative rules relating to partnerships that elect large partnership treatment have been made. As stated above, one provision requires that each partner in an electing large partnership take into account his share of any adjustments to partnership items in the year such adjustments are made. Under current law, adjustments relating to partnership items for a previous taxable year are taken into account by those persons who were partners in the previous taxable year. Alternatively, a partnership could elect to or, in some circumstances, could be required to, pay directly the tax resulting from any such adjustments. In either case, therefore, unitholders could bear significant economic burdens associated with tax adjustments relating to periods predating their acquisition of units. It is unlikely that Enbridge Energy will elect to have these provisions apply because of the cost of their application.

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### ***Nominee Reporting***

Persons who hold units in Enbridge Energy as a nominee for another person are required to furnish to Enbridge Energy: (i) the name, address and taxpayer identification number of the beneficial owners and the nominee; (ii) whether the beneficial owner is (a) a person that is not a "United States person" (as defined in Section 7701 of the Code), (b) a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing, or (c) a tax-exempt entity; (iii) the amount and description of the units held, acquired or transferred for the beneficial owners; and (iv) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers and acquisition cost for purchases, as well as the amount of the net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are a "United States person" and certain information on units they acquire, hold or transfer for their own account. A penalty of \$50 per failure (up to a maximum of \$100,000 per calendar year) is imposed by the Code for failure to report such information to Enbridge Energy. The nominee is required to supply the beneficial owner of the units with the information furnished to Enbridge Energy.

### ***Registration as a Tax Shelter***

The Code requires that "tax shelters" be registered with the Secretary of the Treasury. The temporary Treasury Regulations interpreting the tax shelter registration provisions of the Code are extremely broad. It is arguable that Enbridge Energy will not be subject to the registration requirement on the basis that it will not constitute a tax shelter. However, the general partner, as principal organizer of Enbridge Energy, has registered Enbridge Energy as a tax shelter in the absence of assurance that Enbridge Energy will not be subject to tax shelter registration and in light of the substantial penalties that might be imposed if registration is required and not undertaken. Enbridge Energy has been issued the following shelter registration number: 92008000124. ISSUANCE OF THE REGISTRATION NUMBER DOES NOT INDICATE THAT AN INVESTMENT IN ENBRIDGE ENERGY OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE IRS. Enbridge Energy must furnish the registration number to the unitholders, and a unitholder who sells or otherwise transfers a unit in a subsequent transaction must furnish the registration number to the transferee. The penalty for failure of the transferor of a unit to furnish such registration number to the transferee is \$100 for each such failure. The unitholders must disclose the tax shelter registration number of Enbridge Energy on Form 8271 to be attached to the U.S. federal income tax return on which any deduction, loss, credit or other benefit generated by Enbridge Energy is claimed or income of Enbridge Energy is included. A unitholder who fails to disclose the tax shelter registration number on his U.S. federal income tax return, without reasonable cause for such failure, will be subject to a \$250 penalty for each such failure. Any penalties discussed herein are not deductible for U.S. federal income tax purposes.

### ***Accuracy Related Penalties***

An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more of certain listed causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation

misstatements, is imposed by the Code. No penalty will be imposed, however, with respect to any portion of an underpayment if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

A substantial understatement of U.S. federal income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or \$5,000 (\$10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return with respect to which there is, or was, "substantial authority" or as to which there is reasonable basis and the pertinent facts are disclosed on the return. Certain more stringent rules apply to "tax shelters," a term that does not appear to

include Enbridge Energy. If any Enbridge Energy item of income, gain, loss, deduction or credit included in the distributive shares of the unitholders might result in such an "understatement" of income for which no "substantial authority" exists, Enbridge Energy must disclose the pertinent facts on its U.S. federal tax information. In addition, Enbridge Energy will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their U.S. federal income tax returns to avoid liability for this penalty.

A substantial valuation misstatement exists if the value of any property (or the adjusted basis of any property) claimed on a tax return is 200% or more of the amount determined to be the correct amount of such valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds \$5,000 (\$10,000 for most corporations). If the valuation claimed on a return is 400% or more than the correct valuation, the penalty imposed increases to 40%.

#### **Other Tax Considerations**

Prospective investors should consider state and local tax consequences of an investment in Enbridge Energy. Enbridge Energy owns property and does business in Illinois, Indiana, Michigan, Minnesota, Montana, New York, North Dakota and Wisconsin. The unitholder will likely be required to file state income tax returns and/or to pay such taxes in such states and may be subject to penalties for failure to comply with such requirements. Some of the states may require that a partnership withhold a percentage of income from amounts that are to be distributed to a partner that is not a resident of the state. The amounts withheld, which may be greater or less than a particular partner's income tax liability to the state, generally do not relieve the non-resident partner from the obligation to file a state income tax return. In addition, an obligation to file tax returns or to pay taxes may arise in other states.

IT IS THE RESPONSIBILITY OF EACH UNITHOLDER TO INVESTIGATE THE LEGAL AND TAX CONSEQUENCES, UNDER THE LAWS OF PERTINENT STATES AND LOCALITIES, OF HIS INVESTMENT IN US. ACCORDINGLY, EACH PROSPECTIVE UNITHOLDER IS ENCOURAGED TO CONSULT, AND MUST DEPEND UPON, HIS OR HER OWN TAX COUNSEL OR OTHER ADVISOR WITH REGARD TO THOSE MATTERS. FURTHER, IT IS THE RESPONSIBILITY OF EACH UNITHOLDER TO FILE ALL STATE AND LOCAL, AS WELL AS UNITED STATES FEDERAL, INCOME TAX RETURNS THAT MAY BE REQUIRED. COUNSEL HAS NOT RENDERED AN OPINION ON THE STATE OR LOCAL TAX CONSEQUENCES OF AN INVESTMENT IN US.

#### **INVESTMENT IN ENBRIDGE ENERGY BY EMPLOYEE BENEFIT PLANS**

An investment in Enbridge Energy by an employee benefit plan is subject to certain additional considerations because persons with discretionary control of assets of such plans (a "fiduciary") are subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and transactions are subject to restrictions imposed by Section 4975 of the Code. As used herein, the term "employee benefit plan" includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, Simplified Employee Pension Plans, and tax deferred annuities or Individual Retirement Accounts ("IRAs") established or maintained by an employer or employee organization. Among other things, consideration should be given to (i) whether such investment is prudent under Section 404(a)(1)(B) of ERISA, (ii) whether in making such investment such plan will satisfy the diversification requirement of Section 404(a)(1)(C) of ERISA, and (iii) whether such investment will result in recognition of unrelated business taxable income by such plan. Please read "Tax Considerations Tax-Exempt Organizations and Certain Other Investors." Fiduciaries should determine whether an investment in Enbridge Energy is authorized by the appropriate governing instrument and is an appropriate investment for such plan.

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In addition, a fiduciary of an employee benefit plan should consider whether such plan will, by investing in Enbridge Energy, be deemed to own an undivided interest in the assets of Enbridge Energy, with the result that the general partner would also be a fiduciary of such plan and Enbridge Energy would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Code.

Section 406 of ERISA and Section 4975 of the Code (which also applies to IRAs that are not considered part of an employee benefit plan; i.e., IRAs established or maintained by individuals rather than an employer or employee organization) prohibit an employee benefit plan from engaging in certain transactions involving "plan assets" with parties who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the plan. Under Department of Labor regulations the assets of an entity in which employee benefit plans acquire equity interests would not be deemed "plan assets" if, among other things, (i) the equity interests acquired by employee benefit plans are publicly offered securities *i.e.*, the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered pursuant to certain provisions of the federal securities law, (ii) the entity is an "operating company" *i.e.*, it is primarily engaged in the production or sale of a product or service other than the investment of capital, or (iii) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest is held by the employee benefit plans referred to above, IRAs and other employee benefit plans not subject to ERISA (such as government plans). Enbridge Energy's assets are not expected to be considered "plan assets" under these regulations because it is expected that the investment will satisfy the requirements in (i) above, and may also satisfy the requirements in (ii) and (iii).

### PLAN OF DISTRIBUTION

We may sell the Class A Common Units to one or more underwriters for public offering and sale, or we may sell the Class A Common Units to investors directly or through agents. The applicable prospectus supplement will name any underwriter or agent involved in the offer and sale of the Class A Common Units.

Underwriters may offer and sell the Class A Common Units at fixed prices, which may be changed, at prices related to the prevailing market prices at the time of sale or at negotiated prices. We also may authorize underwriters acting as our agents to offer and sell the Class A Common Units upon the terms and conditions as are set forth in the applicable prospectus supplement. In connection with the sale of Class A Common Units, underwriters may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from purchasers of the Class A Common Units for whom they may act as agent. Underwriters may sell the Class A Common Units to or through dealers. Dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agent.

The applicable prospectus supplement will disclose any underwriting compensation we pay to underwriters or agents in connection with the offering of the Class A Common Units, and any discounts, concessions or commissions allowed by underwriters to participating dealers. Underwriters, dealers and agents participating in the distribution of the Class A Common Units may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on resale of the Class A Common Units may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements entered into with us, to indemnification against the contribution toward certain civil liabilities, including liabilities under the Securities Act.

If a prospectus supplement so indicates, we will authorize agents, underwriters or dealers to solicit offers by certain institutional investors to purchase the Class A Common Units to which such prospectus supplement relates, providing for payment and delivery on a future date specified in such prospectus

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supplement. There may be limitations on the minimum amount that may be purchased by any such institutional investor or on the number of the Class A Common Units that may be sold pursuant to such arrangements. Institutional investors include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and such other institutions as we may approve. The obligations of the purchasers pursuant to such delayed delivery and payment arrangements will not be subject to any conditions except that (i) the purchase by an institution of the Class A Common Units shall not be prohibited under the applicable laws of any jurisdiction in the United States and (ii) if the Class A Common Units are being sold to underwriters, we shall have sold to such underwriters the total number of such Class A Common Units less the number thereof covered by such arrangements. Underwriters will not have any responsibility in respect of the validity of such arrangements or our performance or such institutional investors thereunder.

If a prospectus supplement so indicates, the underwriters engaged in an offering of Class A Common Units may purchase and sell Class A Common Units in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created

by short sales. Short sales involve the sale by the underwriters of a greater number of Class A Common Units than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional Class A Common Units from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional Class A Common Units or purchasing Class A Common Units in the open market. In determining the source of Class A Common Units to close out the covered short position, the underwriters will consider, among other things, the price of Class A Common Units available for purchase in the open market as compared to the price at which they may purchase Class A Common Units through the overallotment option. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing Class A Common Units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A Common Units in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of Class A Common Units made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives of the underwriters have repurchased Class A Common Units sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the Class A Common Units, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Class A Common Units. As a result, the price of the Class A Common Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

Certain of the underwriters and their affiliates may be customers of, engage in transactions with and perform services for us in the ordinary course of business.

#### LEGAL MATTERS

The validity of the Class A Common Units is being passed upon by Fulbright & Jaworski L.L.P., as counsel for Enbridge Energy. If the Class A Common Units are being distributed in an underwritten offering, certain legal matters will be passed upon for the Underwriters by counsel identified in the related prospectus supplement.

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#### EXPERTS

The consolidated financial statements incorporated in this prospectus by reference to the Annual Report on Form 10-K of Enbridge Energy Partners, L.P. for the year ended December 31, 2000 and the audited consolidated statement of financial position of Enbridge Energy Company, Inc. as of December 31, 2000 and 1999, incorporated in this prospectus by reference to the Current Report on Form 8-K of Enbridge Energy Partners, L.P. filed on May 7, 2001 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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**2,750,000 Class A Common Units**

**Enbridge Energy Partners, L.P.**

**Representing Limited Partner Interests**

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**PROSPECTUS SUPPLEMENT**

May , 2003

(Including Prospectus dated October 10, 2001)

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**UBS Warburg**

**Lehman Brothers**

**Citigroup**

**A.G. Edwards & Sons, Inc.**

**RBC Capital Markets**

**Wachovia Securities**

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