

ENBRIDGE ENERGY MANAGEMENT L L C

Form 10-Q

October 31, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from to

Commission file number 1-31383

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

61-1414604
(I.R.S. Employer Identification No.)

**1100 Louisiana, Suite 3300
Houston, Texas 77002**

(Address of Principal Executive Offices) (Zip Code)

(713) 821-2000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller reporting company

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

The Registrant had 79,995,975 Listed Shares outstanding as of October 28, 2016.

DOCUMENTS INCORPORATED BY REFERENCE:

**Quarterly Report on Form 10-Q of Enbridge Energy
Partners, L.P. for the quarterly period ended
September 30, 2016.**

TABLE OF CONTENTS

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.

Financial Statements

Statements of Income for the three and nine months ended September 30, 2016 and 2015 1

Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015 2

Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 3

Statements of Financial Position as of September 30, 2016 and December 31, 2015 4

Notes to the Financial Statements 5

Item 2.

10

Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3.

11

Quantitative and Qualitative Disclosures About Market Risk

Item 4.

12

Controls and Procedures

PART II OTHER INFORMATION

Item 1.

13

Legal Proceedings

Item 1A.

13

Risk Factors

Item 6.

13

Exhibits

Signatures

14

Exhibits

15

In this report, unless the context requires otherwise, references to we, us, our, the Company or Enbridge Management are intended to mean Enbridge Energy Management, L.L.C. We are a limited partner of Enbridge Energy Partners, L.P., which we refer to as the Partnership. References to Enbridge refer collectively to Enbridge Inc. and its subsidiaries other than us.

This Quarterly Report on Form 10-Q includes forward-looking statements, which are statements that frequently use words such as anticipate, believe, consider, continue, could, estimate, evaluate, expect, explore, forecast, intend, may, opportunity, plan, position, projection, should, strategy, target, will and similar words. Although we believe that such forward-looking statements are reasonable based

on currently available information, such statements involve risks, uncertainties and assumptions and are not guarantees of performance. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which it is made, and we undertake no obligation to publicly update any forward-looking statement. Our results of operations, financial position and cash flows are dependent on the results of operations, financial position and cash flows of the Partnership. Many of the factors that will determine these results are beyond the Partnership's or our ability to control or predict. Specific factors that could cause actual results to differ from those in the forward-looking statements include: (1) changes in the demand for, the supply of, forecast data for, and price trends related to crude oil, liquid petroleum, natural gas and natural gas liquids, including the rate of development of the Alberta Oil Sands; (2) the Partnership's ability to successfully complete and finance expansion projects; (3) the effects of competition, in particular, by other pipeline systems; (4) shut-downs or cutbacks at the Partnership's facilities or refineries, petrochemical plants, utilities or other businesses for which the Partnership transports products or to which it sells products; (5) hazards and operating risks that may not be covered fully by insurance, including those related to Line 6B and any additional fines and penalties assessed in connection with the crude oil release on that line; (6) changes in or challenges to the Partnership's tariff rates; (7) changes in laws or regulations to which we or the Partnership are subject, including compliance with environmental and operational safety regulations that may increase costs of system integrity testing and maintenance; and (8) permitting at federal, state, and local levels in regards to the Partnership's construction of new assets.

For additional factors that may affect results, see Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2015, which is available to the public over the Internet at the U.S. Securities and Exchange Commission's, or the SEC's, website (www.sec.gov) and at our website (www.enbridgemanagement.com).

Also see information regarding forward-looking statements and Item 1A. Risk Factors included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2015 for a discussion of risks to the Partnership that also may affect us.

TABLE OF CONTENTS**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****ENBRIDGE ENERGY MANAGEMENT, L.L.C.****STATEMENTS OF INCOME**

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	(unaudited; in millions, except per share amounts)			
Equity loss from investment in Enbridge Energy Partners, L.P. (Note 1)	\$(1.9)	\$(117.3)	\$(120.0)	\$(192.3)
Loss before income tax benefit (expense)	(1.9)	(117.3)	(120.0)	(192.3)
Income tax benefit (expense) (Note 3)	0.6	(160.5)	1.2	(132.8)
Net loss	\$(1.3)	\$(277.8)	\$(118.8)	\$(325.1)
Net loss per share, (basic and diluted)	\$(0.02)	\$(3.91)	\$(1.54)	\$(4.65)
Weighted average shares outstanding	79.1	71.7	76.9	69.9

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

TABLE OF CONTENTS

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	(unaudited; in millions)			
Net loss	\$(1.3)	\$(277.8)	\$(118.8)	\$(325.1)
Equity in other comprehensive income (loss) of Enbridge Energy Partners, L.P., net of tax expense (benefit) of \$0.6 million, \$(10.0) million, \$1.2 million and \$(14.4) million, respectively	1.3	(16.5)	(13.7)	(24.1)
Comprehensive loss	\$	\$(294.3)	\$(132.5)	\$(349.2)

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

TABLE OF CONTENTS**ENBRIDGE ENERGY MANAGEMENT, L.L.C.****STATEMENTS OF CASH FLOWS**

	For the nine months ended September 30,	
	2016	2015
	(unaudited; in millions)	
Cash provided by operating activities:		
Net loss	\$(118.8)	\$(325.1)
Adjustments to reconcile net loss to net cash in operating activities:		
Equity loss from investment in Enbridge Energy Partners, L.P.	120.0	192.3
Changes in operating assets and liabilities:		
Due from affiliates		0.2
Due to affiliates		(0.1)
Deferred income taxes	(1.2)	132.8
Net cash provided by operating activities		0.1
Cash used in investing activities:		
Net cash used in investing activities		
Cash provided by financing activities:		
Net cash provided by financing activities		
Net increase in cash and cash equivalents		0.1
Cash and cash equivalents at beginning of year	0.8	0.7
Cash and cash equivalents at end of period	\$0.8	\$0.8

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

TABLE OF CONTENTS**ENBRIDGE ENERGY MANAGEMENT, L.L.C.****STATEMENTS OF FINANCIAL POSITION**

	September 30, 2016	December 31, 2015
	(unaudited; in millions)	
ASSETS		
Cash	\$0.8	\$0.8
Investment in Enbridge Energy Partners, L.P. (Note 2)		132.5
	\$0.8	\$133.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Commitments and contingencies		
Shareholders' equity (Note 2)		
Voting shares unlimited authorized; 6.03 and 5.53 issued and outstanding at September 30, 2016 and December 31, 2015, respectively	\$	\$
Listed shares unlimited authorized; 79,995,975 and 73,285,734 issued and outstanding at September 30, 2016 and December 31, 2015, respectively	1,576.3	1,443.8
Accumulated deficit	(1,517.7)	(1,266.4)
Accumulated other comprehensive loss	(57.8)	(44.1)
	\$0.8	\$133.3

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

TABLE OF CONTENTS

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

We are a limited partner of Enbridge Energy Partners, L.P., which we refer to as the Partnership, through our ownership of i-units, a special class of the Partnership's limited partner interests. Under a delegation of control agreement among us, the Partnership and its general partner, Enbridge Energy Company, Inc., referred to as the General Partner, we manage the Partnership's business and affairs. The General Partner is an indirect, wholly-owned subsidiary of Enbridge Inc., an energy company based in Calgary, Alberta, Canada that we refer to herein as Enbridge.

We have prepared the accompanying unaudited interim financial statements in accordance with generally accepted accounting principles in the United States of America, or GAAP, for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, they contain all adjustments, consisting only of normal recurring adjustments, which management considers necessary to present fairly our financial position at September 30, 2016, our results of operations for the three and nine months ended September 30, 2016 and 2015 and our cash flows for the nine months ended September 30, 2016 and 2015. We derived our statements of financial position as of December 31, 2015 from the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Our results of operations for the three and nine months ended September 30, 2016 and 2015 should not be taken as indicative of the results to be expected for the full year.

The unaudited interim financial statements should be read in conjunction with our financial statements and notes thereto presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Our results of operations, financial position and cash flows are dependent on the results of operations, financial position and cash flows of the Partnership. As a result, these unaudited interim financial statements should also be read in conjunction with the Partnership's audited consolidated financial statements and notes thereto presented in its Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as well as the Partnership's unaudited interim consolidated financial statements presented in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016.

Variable Interest Entities

On January 1, 2016, we adopted Accounting Standards Update No. 2015-02, which amended consolidation guidance to, among other things, eliminate the specialized consolidation model and guidance for limited partnerships, including the presumption that the general partner should consolidate a limited partnership. As a result, we have determined that the Partnership, which historically has not been consolidated by us under this presumption as we are not the general partner, is a variable interest entity, or VIE. Further, we determined that we are not the primary beneficiary of the Partnership. While the amended guidance did not impact our conclusion that the Partnership should not be consolidated, because the Partnership is now considered a VIE, additional disclosures are necessary. We have applied this amended guidance retrospectively to our disclosures.

Upon inception of a contractual agreement, we perform an assessment to determine whether the arrangement contains a variable interest in a legal entity and whether that legal entity is a VIE. We assess all aspects of our interests in an entity and use judgment when determining if we are the primary beneficiary. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Other qualitative factors that are considered include decision-making responsibilities, the VIE capital structure, risk and rewards sharing, contractual agreements with the VIE, voting rights and level of involvement of other parties.

A reassessment of the primary beneficiary conclusion is conducted when there are changes in the facts and circumstances related to a VIE.

TABLE OF CONTENTS

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION (continued)

As discussed above, we are a limited partner of the Partnership, through our ownership of i-units, a special class of the Partnership's limited partner interests. At September 30, 2016, we owned approximately 16.3% of the Partnership through our ownership of the i-units. Further, under a delegation of control agreement among us, the Partnership and the General Partner, we manage the Partnership's business and affairs. However, the General Partner has the ultimate responsibility to direct the activities that most significantly impact the Partnership's economic performance. Further, the General Partner has the power to direct the activities that most significantly impact our economic performance through its 100% ownership interest in our voting shares. As a result, we have determined that we are not the primary beneficiary of the Partnership.

Partnership Incentive and Other Distributions

The General Partner receives distributions from the Partnership through a wholly-owned subsidiary's ownership of Incentive Distribution Units, or IDUs, on the portion of cash distributions that exceed certain target thresholds on a per unit basis under the Seventh Amended and Restated Agreement of the Limited Partnership of the Partnership dated as of January 2, 2015, as amended, or the Partnership Agreement. The IDUs entitle the holder thereof to receive 23% of the incremental cash distributions paid by the Partnership in excess of \$0.5435 per unit per quarter on its Class A and Class B common units, collectively, the common units, the i-units we own, the Class D Units, and the Class E Units.

In addition, the General Partner receives distributions from the Partnership through its ownership of Preferred Units, Class D units, and Class E units. The Preferred Units are entitled to annual distributions of 7.50% of the issue price, payable quarterly. Class D and Class E units entitle the holders thereof to receive quarterly distributions equal to the amount derived by multiplying the number of Class D and Class E units outstanding by the distribution rate on the Partnership's common units and i-units.

Distributions to holders of the IDUs, Preferred Units, Class D units, and Class E units reduce the amount of income that is allocated to the Partnership's remaining limited partners: (1) Class A common units, (2) Class B common units, and (3) i-units on a pro-rata basis based on our ownership interest in the Partnership. Thus, our Equity income (loss) from the investment in Enbridge Energy Partners, L.P. on our statements of income reflects our pro-rata share of these allocations every quarter.

The Partnership Agreement does not permit capital deficits to accumulate in the capital account of any limited partner and thus requires that such capital account deficits brought to zero, or cured, by additional allocations from the positive capital accounts of the common units, i-units, and General Partner, generally on a pro-rata basis. Our equity income from the Partnership is adjusted for our pro-rata share of such reallocations. Until we discontinued equity accounting for our investment in the Partnership on March 31, 2016, our equity earnings were reduced by \$121.3 million, for our pro-rata share of the allocation needed to cure the capital account deficits of the Class A and Class B common units.

During the first quarter of 2016, our share of losses in the Partnership, driven primarily from curing losses, exceeded the carrying amount of our investment in the Partnership. As a result, we ceased recognition of our equity interest in the earnings of the Partnership when the carrying amount of our investment was reduced to zero and will no longer provide for additional losses as we are not obligated to provide further financial support to the Partnership. Further, our accumulated other comprehensive income is comprised of our historical interest in the Partnership's other comprehensive income, which is based primarily on the effective mark-to-market changes in the Partnership's underlying cash flow hedge contracts. We will amortize into earnings the remaining accumulated other comprehensive loss on a straight-line basis over the remaining term of the Partnership's underlying hedge contracts.

TABLE OF CONTENTS**ENBRIDGE ENERGY MANAGEMENT, L.L.C.****NOTES TO THE FINANCIAL STATEMENTS (unaudited)****2. SHAREHOLDERS EQUITY**

The following table presents significant changes in Shareholders' equity during the nine months ended September 30, 2016 and 2015.

	For the nine months ended September 30, 2016		2015	
	(in millions)			
Listed Shares:				
Beginning balance	\$ 1,443.8		\$ 1,358.0	
Capital account adjustments			(75.6)	
Share distributions	132.5		119.5	
Ending balance	\$ 1,576.3		\$ 1,401.9	
Accumulated deficit:				
Beginning balance	\$ (1,266.4)		\$ (592.7)	
Net loss	(118.8)		(325.1)	
Share distributions	(132.5)		(119.5)	
Ending balance	\$ (1,517.7)		\$ (1,037.3)	
Accumulated other comprehensive loss:				
Beginning balance	\$ (44.1)		\$ (23.7)	
Equity in other comprehensive income of the Partnership	(13.7)		(24.1)	
Ending balance	\$ (57.8)		\$ (47.8)	
Total Shareholders' equity	\$ 0.8		\$ 316.8	

Share Distributions

The following table sets forth the details regarding our share distributions, as approved by our board of directors, for the nine months ended September 30, 2016:

Distribution Declaration Date	Record Date	Distribution Payment Date	Distribution per Unit of the Partnership	Average Closing Price of the Listed Shares	Additional i-units Owned	Listed Shares Distributed to Public	Shares Distributed to General Partner
July 28, 2016	August 5, 2016	August 12, 2016	\$0.5830	\$ 22.84	1,991,304	1,758,587	232,717

(in millions, except per unit and per share amounts)

April 29, 2016	May 6, 2016	May 13, 2016	\$0.5830	\$ 21.14	2,093,257	1,848,626	244,631
January 29, 2016	February 5, 2016	February 12, 2016	\$0.5830	\$ 16.27	2,625,681	2,318,827	306,854

We had non-cash operating activities in the form of i-units distributed to us by the Partnership and corresponding non-cash financing activities in the form of share distributions to our shareholders in the amounts of \$132.5 million and \$119.5 million during the nine months ended September 30, 2016 and 2015, respectively.

3. INCOME TAXES

The terms of the i-units provide that the units owned by us will not be allocated income, gain, loss or deductions of the Partnership for tax purposes until such time that we dispose of our investment in the Partnership. As a result, actual realization of any long-term deferred income tax asset or liability would only occur upon liquidation of our investment in the Partnership.

Based on the estimates of our future operating income included in our forecasts, including curing impacts, we have concluded that it is not more likely than not that our deferred tax assets will be realized. As a result, we continue to maintain a full valuation allowance on those tax assets as of September 30, 2016.

TABLE OF CONTENTS**ENBRIDGE ENERGY MANAGEMENT, L.L.C.****NOTES TO THE FINANCIAL STATEMENTS (unaudited)****3. INCOME TAXES (continued)**

The effective income tax rates for the three and nine months ended September 30, 2016 and 2015 are presented in the following table.

	For the three months ended September 30, 2016		For the nine months ended September 30, 2015	
	2016	2015	2016	2015
	(unaudited; in millions except for tax rate amounts)			
Loss before income tax benefit	\$(1.9)	\$(117.3)	\$(120.0)	\$(192.3)
Income tax benefit (expense)	0.6	44.2	44.3	71.9
Tax Rate change	(3.7)	0.3	(3.7)	0.3
Valuation allowance	3.7	(205.0)	(39.4)	(205.0)
Total income tax benefit (expense) ⁽¹⁾	\$0.6	\$(160.5)	\$1.2	\$(132.8)
Effective income tax rate	31.6%	(136.8)%	1.0%	(69.1)%

⁽¹⁾ Amortization of accumulated other comprehensive income into earnings is recorded before tax to recognize the related tax benefit. Recognition of the tax benefit in earnings does not impact the balance of the deferred tax asset and associated full valuation allowance, which were previously recorded when the losses were reflected in Other Comprehensive Income.

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

	For the three months ended September 30, 2016		For the nine months ended September 30, 2015	
	2016	2015	2016	2015
	(in millions)			
Operating revenue	\$1,120.6	\$1,267.7	\$3,231.1	\$4,009.4
Operating expenses	1,599.5	1,012.9	3,180.3	3,524.6
Operating income (loss)	\$(478.9)	\$254.8	\$50.8	\$484.8
Net income (loss)	\$(574.6)	\$184.5	\$(224.5)	\$341.8
Less: Net income (loss) attributable to:				
Noncontrolling interest	(191.9)	77.8	(52.8)	139.1
Series 1 preferred unit distributions	22.5	22.5	67.5	67.5
Accretion of discount on Series 1 Preferred Units	1.2	2.1	3.5	10.1
Net income (loss) attributable to Enbridge Energy Partners, L.P.	\$(406.4)	\$82.1	\$(242.7)	\$125.1

Edgar Filing: ENBRIDGE ENERGY MANAGEMENT L L C - Form 10-Q

Less: Net income attributable to the General Partner ⁽¹⁾	46.2	56.0	158.1	162.5
Net income (loss) attributable to common units and i-units ⁽²⁾	\$(452.6)	\$26.1	\$(400.8)	\$(37.4)

⁽¹⁾ Net income attributable to the General Partner includes net income attributable to the general partner interest as well as to Class D units, Class E units, and IDUs.

The Partnership allocates its net income among the holders of Preferred Units, the General Partner and limited partners first using preferred unit distributions and then the two-class method in accordance with applicable authoritative accounting guidance. Under the two-class method, the Partnership allocates its net income, after noncontrolling interest and preferred unit distributions, to the General Partner and its limited partners, including us, according to the distribution formula for available cash as set forth in the Partnership Agreement.

We owned approximately 16.3% and 14.8% of the Partnership at September 30, 2016 and 2015, respectively.

8

TABLE OF CONTENTS

ENBRIDGE ENERGY MANAGEMENT, L.L.C.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

5. SUBSEQUENT EVENTS

Share Distribution

On October 28, 2016, our board of directors declared a share distribution payable on November 14, 2016, to shareholders of record as of November 7, 2016, based on the \$0.5830 per limited partner unit distribution declared by the Partnership. The Partnership's distribution increases the number of i-units that we own. The amount of this increase is calculated by dividing the cash amount distributed by the Partnership per common unit by the average closing price of one of our Listed Shares on the New York Stock Exchange for the 10 trading day period immediately preceding the ex-dividend date for our shares, multiplied by the number of shares outstanding on the record date. We distribute additional Listed Shares to our shareholders and additional voting shares to the General Partner in respect of these additional i-units.

TABLE OF CONTENTS**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****RESULTS OF OPERATIONS**

The information set forth under Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Partnership's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016 is hereby incorporated by reference, as our results of operations, financial position and cash flows are dependent on the results of operations, financial position and cash flows of the Partnership.

Our results of operations consist of our share of earnings from Enbridge Energy Partners, L.P., or the Partnership, attributed to our ownership of the i-units, a special class of limited partner interest in the Partnership. At September 30, 2016 and 2015, through our ownership of i-units, we had an approximate 16.3% and 14.8%, respectively, limited partner voting interest in the Partnership. Our percentage ownership of the Partnership will change over time as the number of i-units we own becomes a different percentage of the total limited partner interests outstanding due to our ownership of additional i-units and other issuances of limited partner interests by the Partnership. Historically, our share of the Partnership's earnings was reduced by (1) allocations of income to the Preferred Units, Class D and Class E units, and IDUs, and (2) curing impacts on limited partnership interests whose capital account balances become negative during a quarter.

During the first quarter of 2016, our share of losses in the Partnership, driven primarily from curing losses, exceeded the carrying amount of our investment in the Partnership. As a result, we discontinued application of the equity method of accounting when the carrying amount of our investment was reduced to zero and will no longer provide for additional losses as we are not obligated to provide further financial support to the Partnership. Further, we will amortize into earnings the remaining accumulated other comprehensive loss on a straight-line basis over the remaining term of the Partnership's underlying hedge contracts. As a result, our net loss of \$1.3 million for the three months ended September 30, 2016, and future losses will consist only of amortization of remaining accumulated other comprehensive income.

The following table presents our results of operations for each of the three and nine months ended September 30, 2016 and 2015:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Equity loss from investment in Enbridge Energy Partners, L.P	\$(1.9)	\$(117.3)	\$(120.0)	\$(192.3)
Loss before income tax benefit (expense)	(1.9)	(117.3)	(120.0)	(192.3)
Income tax benefit (expense)	0.6	(160.5)	1.2	(132.8)
Net loss	\$(1.3)	\$(277.8)	\$(118.8)	\$(325.1)

Our net loss of \$118.8 million for the nine months ended September 30, 2016, and our net loss of \$277.8 million and \$325.1 million for the three and nine months ended September 30, 2015, respectively, represent our equity in earnings attributable to the i-units that we own, adjusted for deferred income tax expense or benefit.

Edgar Filing: ENBRIDGE ENERGY MANAGEMENT L L C - Form 10-Q

For the three months ended September 30, 2016, our net loss decreased by \$276.5 million as compared to the net loss in the same period in 2015, due primarily to the discontinuance of equity method accounting at March 31, 2016, which limited the amount of losses recorded during the applicable period to the amortization of the remaining accumulated other comprehensive income as discussed above. Additionally, during the third quarter of 2015, we recognized a full valuation allowance against our deferred tax asset, which resulted in additional tax expense of \$205.0 million. No similar charge was recorded during the same period in 2016.

For the nine months ended September 30, 2016, our net loss decreased by \$206.3 million, as compared to the net loss in the same period in 2015. The decrease in the net loss is predominately attributable to additional tax expense of \$205.0 million during the third quarter of 2015 due to recognition of a full valuation allowance, as discussed above, with no similar charge recorded in 2016. Additionally, the decrease in net losses are attributable to increases in curing impacts of the i-units, during the first quarter of 2016, which were curing the negative capital balances of both the Partnership's Class A and Class B common units. For the nine months ended September 30, 2015, the i-units shared the curing burden of the Class B common units with the Class A common units. As discussed above, after the discontinuance of the equity method of accounting, no losses were recognized during the second and third quarters of 2016, other than amortization of losses from accumulated other comprehensive income.

TABLE OF CONTENTS

LIQUIDITY AND CAPITAL RESOURCES

Our authorized capital structure consists of two classes of limited liability company interests: (1) our Listed Shares, which are traded on the New York Stock Exchange, or NYSE, and represent limited liability company interests with limited voting rights, and (2) our voting shares, which represent limited liability company interests with full voting rights and are held solely by the General Partner. At September 30, 2016, our issued capitalization consisted of \$1,576.3 million associated with our 79,995,975 Listed Shares outstanding.

We use our capital to invest in i-units of the Partnership. We have, from time to time, raised capital through public equity offerings. Any net cash proceeds we receive from the sale of additional shares will immediately be used to purchase additional i-units. We have not issued additional shares in 2016. The number of our shares outstanding, including the voting shares owned by the General Partner, will at all times equal the number of i-units we own in the Partnership. Typically, the General Partner and owners of the Partnership's Class A and B common units, Class D units, Class E units, and IDUs will receive distributions from the Partnership in cash. Instead of receiving cash distributions on the i-units we own, however, we receive additional i-units under the terms of the Partnership Agreement. The number of additional i-units we receive is calculated by dividing the amount of the cash distribution paid by the Partnership on each of its common units by the average closing price of one of our Listed Shares on the NYSE for the 10 trading day period immediately preceding the ex-dividend date for our shares, multiplied by the number of our shares outstanding on the record date. We make share distributions to our shareholders concurrently with the i-unit distributions we receive from the Partnership that increase the number of i-units we own. As a result of our share distributions, the number of shares outstanding is equal to the number of i-units that we own in the Partnership.

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

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

SUBSEQUENT EVENTS

Share Distribution

On October 28, 2016, our board of directors declared a share distribution payable on November 14, 2016, to shareholders of record as of November 7, 2016, based on the \$0.5830 per limited partner unit distribution declared by the Partnership. The Partnership's distribution increases the number of i-units that we own. The amount of this increase is calculated by dividing the cash amount distributed by the Partnership per common unit by the average closing price of one of our Listed Shares on the NYSE for the 10 trading day period immediately preceding the ex-dividend date for our shares, multiplied by the number of shares outstanding on the record date. We distribute additional Listed Shares to our shareholders and additional voting shares to the General Partner in respect of these additional i-units.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The nature of our business and operations is such that we do not conduct activities or enter into transactions of the type requiring discussion under this item.

For a discussion of these matters as they pertain to the Partnership, please read the information set forth under Part I, Item 3. *Quantitative and Qualitative Disclosures About Market Risk* of the Partnership's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016, which is hereby incorporated by reference, as activities of the Partnership have an impact on our results of operations and financial position.

TABLE OF CONTENTS

Item 4. Controls and Procedures

We and Enbridge Inc., or Enbridge, maintain systems of disclosure controls and procedures designed to provide reasonable assurance that we are able to record, process, summarize and report the information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2016. Based upon that evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures are effective at a reasonable assurance level. In conducting this assessment, our management relied on similar evaluations conducted by employees of Enbridge affiliates who provide certain treasury, accounting and other services on our behalf.

There have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the three months ended September 30, 2016.

TABLE OF CONTENTS

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 6. Exhibits

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

13

TABLE OF CONTENTS

SIGNATURES

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

Enbridge Energy Management, L.L.C.
(Registrant)

By:

Date: October 31, 2016

/s/ Mark A. Maki

Mark A. Maki
President and Principal Executive Officer

By:

Date: October 31, 2016

/s/ Stephen J. Neyland

Stephen J. Neyland
Vice President Finance
(Principal Financial Officer)

TABLE OF CONTENTS**Index of Exhibits**

Each exhibit identified below is filed as a part of this Quarterly Report on Form 10-Q. Exhibits included in this filing are designated by an asterisk; all exhibits not so designated are incorporated by reference to a prior filing as indicated.

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Enbridge Energy Partners, L.P.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.