



July 20, 2007

Dear Township Supervisor:

As your township is one of 88 townships that provided financial support for a joint defense of the liquefied petroleum pipeline valuation multiplier tables developed by the Michigan State Tax Commission challenged by Enbridge Energy, I am writing to inform you that the lead test case has been settled.

Financial data provided by Enbridge led the respondent township to conclude that the valuations arrived at through Schedule K would not withstand judicial review; consequently, the consent judgment to which the parties stipulated resulted in reductions to Enbridge Energy's valuations. However, the determination was approximately one-third of the reduction originally sought by Enbridge.

The accompanying letter, signed by the attorneys for both petitioner and respondent, explain the basis for the settlement. Enbridge Energy is willing to extend the same settlement terms to your township and others to avoid the need to continuing litigation of this matter.

Townships that had been challenged by Enbridge contributed \$54,160.79 to the case, and to date \$67,054.57 has been expended by the Michigan Townships Association. The balance has been absorbed by the MTA Legal Defense Fund, and the Fund will cover any remaining legal expenses incurred.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "G. Lawrence Merrill". The signature is written in a cursive, flowing style.

G. Lawrence Merrill
Executive Director

July 12, 2007

To: Attorney/Assessor for Township/City
In Enbridge Pipeline Tax Tribunal Litigation

RE: Settlement Negotiations for the Enbridge Energy, Limited Partnership Property
Tax Matter

Dear Sir or Madam:

This joint letter is in regards to the pending property tax matters of Enbridge Energy, Limited Partnership. As you may have heard, Enbridge has been negotiating a settlement with Wakeshma Township on this matter. There are over 200 pending appeals at the Michigan Tax Tribunal regarding Enbridge's Lakehead pipeline system, and Wakeshma Township has acted as the lead test case before the Michigan Tax Tribunal. The remaining parcels have been placed in abeyance under a Tax Tribunal order pending the outcome of the test case. We are pleased to announce that the test case has settled.

Enbridge and Wakeshma Township each hired their own experts that they believed were experienced appraisers in the field of pipeline valuation, and those appraisers generated detailed appraisals for the Lakehead pipeline system. As a matter of appraisal methodology, both experts agreed that property like a petroleum pipeline should be valued as a whole unit, and part of that unit value is allocated down to the individual parcels. The parties served extensive discovery requests upon the other party, and took full-day depositions of each appraiser. The parties also researched caselaw and appraisal literature on the subject. After reviewing all the documents and transcripts, the parties were able for settlement purposes to reach a unit value and allocation methodology that was within the range of the positions in the appraisals and both parties considered reasonable for the purpose of settlement. A copy of the Consent Judgment and the signed stipulation is enclosed along with this letter for your review.

The parties carefully weighed the evidence and, for settlement purposes, agreed to select a unit value for Enbridge's Lakehead Pipeline System of \$924,000,000. The parties considered all approaches to value, including the cost approach, the income approach, the sales comparison approach, and the stock and debt approach, and determined that the income approach for valuing the Lakehead pipeline system was best suited in determining its true cash value. This value was obtained using an average net operating income of \$91,000,000 for the tax years in question, and selecting a capitalization rate of 9.30%.

The parties also extensively evaluated the allocation data regarding the pipeline, and decided to allocate the unit value to the parcel on the basis of gross costs. For the tax years in question, the gross cost for the Lakehead pipeline system varied between \$1.7 billion to \$2.1 billion. The gross costs associated with the test parcel were \$215,257 which generated an allocation figure to the test parcel of 0.0120% to 0.0101%, as applicable, for the tax years in question.

Enbridge and Wakeshma Township also reviewed Table K for reporting fluid pipeline assets, and concluded that the values it produced were not in line with the true cash value of the test parcel or the Lakehead pipeline system. While it is true that a municipality should examine the State Tax Commission tables when making an assessment, MCL 211.27 clearly requires an assessor to use independent judgment and consider more than just a cost figure from a STC table to calculate the true cash value of actual property within its jurisdiction.

Enbridge is willing to extend the same settlement terms described above to you regarding the pending case (or cases) in your township/city so that Enbridge and your township/city may avoid the need to continue to incur the cost of litigating this case. Given the fact that the test case has settled, the parcels in abeyance will be placed back onto the Tribunal general call docket at some point in the near future. Based on the methodology used in the Wakeshma Township test case, Enbridge has under separate cover letter computed the figures that would be available as a settlement in your township or city. A table with this information is contained in an attachment to that separate letter and also includes a proposed stipulation for entry of consent judgment for your township.

This letter is intended for settlement discussion purposes only and accordingly pursuant to MRE 408, nothing herein, or in the course of communication that follows this letter, shall be admissible in evidence nor shall it constitute an admission on the part of any party.

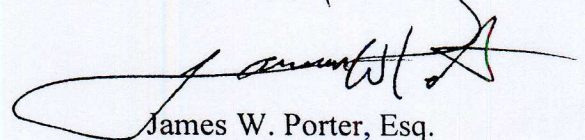
If you have any questions, please do not hesitate to contact either of the undersigned. Thank you for your time and efforts in this matter.

Very truly yours,



Michael S. Ashton, Esq.
Fraser Trebilcock Davis & Dunlap, P.C.
Attorney for Petitioner
Enbridge Energy, Limited Partnership
124 West Allegan Street, Suite 1000
Lansing, Michigan 48933
Telephone: (517) 377-0875

Very truly yours,



James W. Porter, Esq.
James W. Porter, P.C.
Attorney for Respondent
Wakeshma Township
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Telephone: (269) 375-7195

**STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC GROWTH
MICHIGAN TAX TRIBUNAL**

**ENBRIDGE ENERGY,
LIMITED PARTNERSHIP,**

Petitioner,

MTT Docket No. 0301678

v

**WAKESHMA TOWNSHIP and
KALAMAZOO COUNTY,**

Respondent.

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Co-Counsel for Respondent
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STIPULATION FOR ENTRY OF CONSENT JUDGMENT

NOW COME the parties, by and through their respective counsel and representatives,
and do hereby stipulate and agree to the entry of a Consent Judgment in this matter based upon
the following:


1. The subject property is located in Kalamazoo County and in the Vicksburg school district.
2. The average level of assessment is 50% for the tax years at issue in the case.
3. The property at issue is parcel number 3916-90-100-031.
4. The tax years in issue in this case are 2003, 2004, 2005, 2006, and 2007.
5. For each of the tax years in issue, Petitioner's property is classified as utility personal property.
6. Each party retained an experienced appraiser in the area of petroleum pipeline valuation, and generated appraisals based on the financial and regulatory information of Petitioner.
7. After an extensive discovery and litigation process, the parties have agreed that the income method is the appropriate approach for valuing the subject property.
8. The parties determined the true cash value of the subject property by calculating the value of the entire pipeline system under the unitary valuation method using the income approach to valuation.
9. For settlement purposes, the parties determined that the fair market value of the entire pipeline system is \$924,000,000 for the tax years at issue in this case.
10. This value was determined by dividing the property's average Net Operating Income of \$91,000,000 by a capitalization rate of 9.30%.
11. The parties agree that the allocation factor for the tax years at issue in this case is the gross cost associated with the subject property compared to the gross cost associated with the entire pipeline system.
12. The assessed value, state equalized value, taxable value, and true cash value of the subject property for settlement purposes are set forth on Schedule A.

13. The parties agree that Table K for reporting fluid pipeline assets did not yield true cash value for the subject property.
14. That this Stipulation constitutes the entire agreement between the parties, written or otherwise, as to the property's assessment for the tax years at issue or any other tax year as the case may be.
15. The parties agree that all refund amounts shall bear interest at the rate prescribed by the Tax Tribunal Act, as amended.

IT IS HEREBY RESPECTFULLY REQUESTED that the Michigan Tax Tribunal enter a Consent Judgment consistent with this Stipulation.

Fraser Trebilcock Davis & Dunlap, P.C.
Attorney for Petitioner

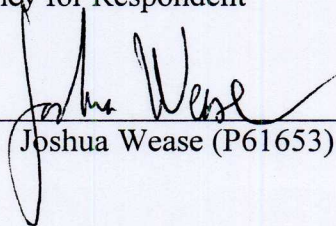
Dated: 6/25/07

By: 

Michael S. Ashton (P40474)

Halloran & Associates, PLC
Attorney for Respondent

Dated: 6/25/07

By: 

Joshua Wease (P61653)