SUBURBAN PROPANE PARTNERS LP
Form 10-Q
August 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 24, 2017

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 1-14222

SUBURBAN PROPANE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware	22-3410353
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

240 Route 10 West

Whippany, NJ 07981

(973) 887-5300

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At July 31, 2017, there were 61,102,950 Common Units of Suburban Propane Partners, L.P. outstanding.

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements ("Forward-Looking Statements") as defined in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, relating to future business expectations and predictions and financial condition and results of operations of Suburban Propane Partners, L.P. (the "Partnership"). Some of these statements can be identified by the use of forward-looking terminology such as "prospects," "outlook," "believes," "estimates," "intends," "may," "will," "should," "could," "anticipates," "expects" or "plans" or the negative or othe these or similar words, or by discussion of trends and conditions, strategies or risks and uncertainties. These Forward-Looking Statements involve certain risks and uncertainties that could cause actual results to differ materially from those discussed or implied in such Forward-Looking Statements (statements contained in this Quarterly Report identifying such risks and uncertainties are referred to as "Cautionary Statements"). The risks and uncertainties and their impact on the Partnership's results include, but are not limited to, the following risks:

- The impact of weather conditions on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;
- Volatility in the unit cost of propane, fuel oil and other refined fuels, natural gas and electricity, the impact of the Partnership's hedging and risk management activities, and the adverse impact of price increases on volumes sold as a result of customer conservation;
- The ability of the Partnership to compete with other suppliers of propane, fuel oil and other energy sources;
- The impact on the price and supply of propane, fuel oil and other refined fuels from the political, military or economic instability of the oil producing nations, global terrorism and other general economic conditions;
- The ability of the Partnership to acquire sufficient volumes of, and the costs to the Partnership of acquiring, transporting and storing, propane, fuel oil and other refined fuels;
- The ability of the Partnership to acquire and maintain reliable transportation for its propane, fuel oil and other refined fuels;
- The ability of the Partnership to retain customers or acquire new customers;
- The impact of customer conservation, energy efficiency and technology advances on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;
- The ability of management to continue to control expenses;
- The impact of changes in applicable statutes and government regulations, or their interpretations, including those relating to the environment and climate change, derivative instruments and other regulatory developments on the Partnership's business;
- The impact of changes in tax laws that could adversely affect the tax treatment of the Partnership for income tax purposes;
- The impact of legal proceedings on the Partnership's business;
- The impact of operating hazards that could adversely affect the Partnership's operating results to the extent not covered by insurance;
- The Partnership's ability to make strategic acquisitions and successfully integrate them;
- The impact of current conditions in the global capital and credit markets, and general economic pressures;
- The operating, legal and regulatory risks the Partnership may face; and
- Other risks referenced from time to time in filings with the Securities and Exchange Commission ("SEC") and those factors listed or incorporated by reference into the Partnership's most recent Annual Report under "Risk Factors."

Some of these Forward-Looking Statements are discussed in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report. Reference is also made to the risk factors discussed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 24, 2016. On different occasions, the Partnership or its representatives have made or may make Forward-Looking Statements in other filings with the SEC, press releases or oral statements made by or with the approval of one of the Partnership's authorized executive officers. Readers are cautioned not to place undue reliance on Forward-Looking Statements, which reflect management's view only as of the date made. The Partnership undertakes no obligation to update any Forward-Looking Statement or Cautionary Statement, except as required by law. All subsequent written and oral

Forward-Looking Statements attributable to the Partnership or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements in this Quarterly Report and in future SEC reports.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	June 24, 2017	September 24, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$3,211	$37,341
Accounts receivable, less allowance for doubtful accounts of $4,196 and $2,441, respectively	72,945	53,802
Inventories	41,812	45,352
Other current assets	12,816	10,804
Total current assets	130,784	147,299
Property, plant and equipment, net	706,425	742,129
Goodwill	1,094,635	1,094,635
Other intangible assets, net	233,965	276,329
Other assets	25,491	21,907
Total assets	$2,191,300	$2,282,299
LIABILITIES AND PARTNERS’ CAPITAL		
Current liabilities:		
Accounts payable	$29,083	$32,286
Accrued employment and benefit costs	23,697	16,495
Customer deposits and advances	56,503	106,155
Accrued interest	15,555	16,589
Other current liabilities	31,041	33,529
Total current liabilities	155,879	205,054
Long-term borrowings	1,250,159	1,224,502
Accrued insurance	53,410	43,406
Other liabilities	88,334	101,106
Total liabilities	1,547,782	1,574,068
Commitments and contingencies		
Partners’ capital:		
Common Unitholders (61,078 and 60,789 units issued and outstanding at June 24, 2017 and September 24, 2016, respectively)	685,536	754,063
Accumulated other comprehensive loss	(42,018)	(45,832)
Total partners’ capital	643,518	708,231
Total liabilities and partners’ capital	$2,191,300	$2,282,299

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit amounts)

(unaudited)

	Three Months Ended	
	June 24, 2017	June 25, 2016
Revenues		
Propane	$188,406	$172,322
Fuel oil and refined fuels	12,886	12,459
Natural gas and electricity	11,923	10,596
All other	9,680	9,722
	222,895	205,099
Costs and expenses		
Cost of products sold	92,094	75,497
Operating	97,070	103,316
General and administrative	12,968	14,547
Depreciation and amortization	31,825	32,288
	233,957	225,648
Gain on sale of business	—	9,769
Operating loss	(11,062)	(10,780)
Interest expense, net	18,502	18,638
Loss before provision for income taxes	(29,564)	(29,418)
Provision for income taxes	152	180
Net loss	$(29,716)	$(29,598)
Net loss per Common Unit - basic	$(0.48)	$(0.49)
Weighted average number of Common Units outstanding - basic	61,290	61,004
Net loss per Common Unit - diluted	$(0.48)	$(0.49)
Weighted average number of Common Units outstanding - diluted	61,290	61,004

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit amounts)

(unaudited)

	Nine Months Ended	
	June 24, 2017	June 25, 2016
Revenues		
Propane	$843,519	$752,013
Fuel oil and refined fuels	69,612	61,961
Natural gas and electricity	44,229	38,232
All other	33,420	32,890
	990,780	885,096
Costs and expenses		
Cost of products sold	402,726	305,012
Operating	306,839	315,747
General and administrative	40,179	45,253
Depreciation and amortization	95,756	97,076
	845,500	763,088
Gain on sale of business	—	9,769
Operating income	145,280	131,777
Loss on debt extinguishment	1,567	292
Interest expense, net	54,820	56,383
Income before provision for income taxes	88,893	75,102
Provision for income taxes	308	423
Net income	$88,585	$74,679
Net income per Common Unit - basic	$1.45	$1.23
Weighted average number of Common Units outstanding - basic	61,227	60,947
Net income per Common Unit - diluted	$1.44	$1.22
Weighted average number of Common Units outstanding - diluted	61,410	61,127

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	June 24, 2017	June 25, 2016	June 24, 2017	June 25, 2016
Net (loss) income	$(29,716)	$(29,598)	$88,585	$74,679
Other comprehensive income:				
Net unrealized (losses) on cash flow hedges	—	(107)	(10)	(47)
Reclassification of realized losses on cash flow hedges into earnings	—	252	215	844
Amortization of net actuarial losses and prior service credits into earnings	1,203	1,130	3,609	3,390
Other comprehensive income	1,203	1,275	3,814	4,187
Total comprehensive (loss) income	$(28,513)	$(28,323)	$92,399	$78,866

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended	
	June 24, 2017	June 25, 2016
Cash flows from operating activities:		
Net income	$88,585	$74,679
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	95,756	97,076
Gain on sale of business	—	(9,769)
Loss on debt extinguishment	1,567	292
Other, net	7,271	7,269
Changes in assets and liabilities:		
Accounts receivable	(19,143)	(2,274)
Inventories	3,492	7,721
Other current and noncurrent assets	(5,193)	(1,502)
Accounts payable	(2,826)	(7,699)
Accrued employment and benefit costs	6,189	(8,339)
Customer deposits and advances	(49,652)	(40,831)
Contribution to defined benefit pension plan	(7,542)	—
Other current and noncurrent liabilities	4,738	12,037
Net cash provided by operating activities	123,242	128,660
Cash flows from investing activities:		
Capital expenditures	(22,004)	(32,261)
Acquisition of business	—	(42,945)
Proceeds from sale of business	—	21,181
Proceeds from sale of property, plant and equipment	3,829	4,663
Net cash (used in) investing activities	(18,175)	(49,362)
Cash flows from financing activities:		
Proceeds from long-term borrowings	350,000	—
Repayments of long-term borrowings (includes premium and fees)	(360,931)	—
Proceeds from borrowings under revolving credit facility	273,240	100,000
Repayments of borrowings under revolving credit facility	(232,095)	(100,000)
Issuance costs associated with long-term borrowings	(7,064)	(2,678)
Partnership distributions	(162,347)	(161,572)
Net cash (used in) financing activities	(139,197)	(164,250)
Net (decrease) in cash and cash equivalents	(34,130)	(84,952)
Cash and cash equivalents at beginning of period	37,341	152,338
Cash and cash equivalents at end of period	$3,211	$67,386

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

(in thousands)

(unaudited)

	Number of Common Units	Common Unitholders	Accumulated Other Comprehensive (Loss)	Total Partners' Capital
Balance at September 24, 2016	60,789	$ 754,063	$ (45,832)	$ 708,231
Net income		88,585		88,585
Other comprehensive income			3,814	3,814
Partnership distributions		(162,347)		(162,347)
Common Units issued under Restricted Unit Plans	289			
Compensation cost recognized under Restricted Unit Plans, net of forfeitures		5,235		5,235
Balance at June 24, 2017	61,078	$ 685,536	$ (42,018)	$ 643,518

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except unit and per unit amounts)

(unaudited)

1. Partnership Organization and Formation

Suburban Propane Partners, L.P. (the "Partnership") is a publicly traded Delaware limited partnership principally engaged, through its operating partnership and subsidiaries, in the retail marketing and distribution of propane, fuel oil and refined fuels, as well as the marketing of natural gas and electricity in deregulated markets. In addition, to complement its core marketing and distribution businesses, the Partnership services a wide variety of home comfort equipment, particularly for heating and ventilation. The publicly traded limited partner interests in the Partnership are evidenced by common units traded on the New York Stock Exchange ("Common Units"), with 61,078,243 Common Units outstanding at June 24, 2017. The holders of Common Units are entitled to participate in distributions and exercise the rights and privileges available to limited partners under the Third Amended and Restated Agreement of Limited Partnership, as amended (the "Partnership Agreement"). Rights and privileges under the Partnership Agreement include, among other things, the election of all members of the Board of Supervisors and voting on the removal of the general partner.

Suburban Propane, L.P. (the "Operating Partnership"), a Delaware limited partnership, is the Partnership's operating subsidiary formed to operate the propane business and assets. In addition, Suburban Sales & Service, Inc. (the "Service Company"), a subsidiary of the Operating Partnership, was formed to operate the service work and appliance and parts businesses of the Partnership. The Operating Partnership, together with its direct and indirect subsidiaries, accounts for substantially all of the Partnership's assets, revenues and earnings. The Partnership, the Operating Partnership and the Service Company commenced operations in March 1996 in connection with the Partnership's initial public offering.

The general partner of both the Partnership and the Operating Partnership is Suburban Energy Services Group LLC (the "General Partner"), a Delaware limited liability company, the sole member of which is the Partnership's Chief Executive Officer. Other than as a holder of 784 Common Units that will remain in the General Partner, the General Partner does not have any economic interest in the Partnership or the Operating Partnership.

The Partnership's fuel oil and refined fuels, natural gas and electricity and services businesses are structured as either limited liability companies that are treated as corporations or corporate entities (collectively referred to as the "Corporate Entities") and, as such, are subject to corporate level income tax.

Suburban Energy Finance Corp., a direct 100%-owned subsidiary of the Partnership, was formed on November 26, 2003 to serve as co-issuer, jointly and severally with the Partnership, of the Partnership's senior notes.

2. Basis of Presentation

Principles of Consolidation. The condensed consolidated financial statements include the accounts of the Partnership, the Operating Partnership and all of its direct and indirect subsidiaries. All significant intercompany transactions and account balances have been eliminated. The Partnership consolidates the results of operations, financial condition and cash flows of the Operating Partnership as a result of the Partnership's 100% limited partner interest in the Operating Partnership.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). They include all adjustments that the Partnership considers necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods presented. Such adjustments consist only of normal recurring items, unless otherwise disclosed. These financial statements should be read in conjunction with the financial statements included in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 24, 2016. Due to the seasonal nature of the Partnership's operations, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Fiscal Period. The Partnership uses a 52/53 week fiscal year which ends on the last Saturday in September. The Partnership's fiscal quarters are generally thirteen weeks in duration. When the Partnership's fiscal year is 53 weeks long, as is the case for fiscal 2017, the corresponding fourth quarter is fourteen weeks in duration.

Revenue Recognition. Sales of propane, fuel oil and refined fuels are recognized at the time product is delivered to the customer. Revenue from the sale of appliances and equipment is recognized at the time of sale or when installation is complete, as applicable. Revenue from repairs, maintenance and other service activities is recognized upon completion of the service. Revenue from annually billed service contracts is recognized ratably over the service period. Revenue from the natural gas and electricity business is recognized based on customer usage as determined by meter readings for amounts delivered, some of which may be unbilled at the end of each accounting period. Revenue from annually billed tank fees is deferred at the time of billings and recognized on a straight-line basis over one year.

Fair Value Measurements. The Partnership measures certain of its assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants – in either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability.

The common framework for measuring fair value utilizes a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Business Combinations. The Partnership accounts for business combinations using the acquisition method and accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the acquisition date. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired, including the amount assigned to identifiable intangible assets. The primary drivers that generate goodwill are the value of synergies between the acquired entities and the Partnership, and the acquired assembled workforce, neither of which qualifies as an identifiable intangible asset. Identifiable intangible assets with finite lives are amortized over their useful lives. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date. The Partnership expenses all acquisition-related costs as incurred.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates have been made by management in the areas of self-insurance and litigation reserves, pension and other postretirement benefit liabilities and costs, valuation of derivative instruments, depreciation and amortization of long-lived assets, asset impairment assessments, tax valuation allowances, allowances for doubtful accounts, and purchase price allocation for acquired businesses. The Partnership uses Society of Actuaries life expectancy information when developing the annual mortality assumptions for the pension and postretirement benefit plans, which are used to measure net periodic benefit costs and the obligation under these plans. Actual results could differ from those estimates, making it reasonably possible that a material change in these estimates could occur in the near term.

Reclassifications. Certain prior period amounts have been reclassified to conform with the current period presentation. See Recently Adopted Accounting Pronouncements, below.

Recently Issued Accounting Pronouncements. In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2017-04, "Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). This update eliminates the second of the two-step goodwill impairment test, as described in Note 5, "Goodwill and Other Intangible Assets." Instead, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit to its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for the first interim period within annual reporting periods beginning after December 15, 2019, which will be the Partnership’s first quarter of fiscal 2021. Early adoption of ASU 2017-04 is permitted. The Partnership does not expect the adoption of ASU 2017-04 will have a material impact on the Partnership’s consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”). This update addresses eight specific cash flow issues and is intended to reduce diversity in practice on how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for the first interim period within annual reporting periods beginning after December 15, 2017, which will be the Partnership’s first quarter of fiscal 2019. Early adoption of ASU 2016-15 is permitted. The Partnership is currently evaluating the impact of adopting the standard on the Partnership’s consolidated statements of cash flows.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). This update is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, which will be the Partnership’s first quarter of fiscal 2018. Early adoption of ASU 2016-09 is permitted. The Partnership does not expect the adoption of ASU 2016-09 will have a material impact on the Partnership’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases” (“ASU 2016-02”). The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 is effective for the first interim period within annual reporting periods beginning after December 15, 2018, which will be the Partnership’s first quarter of fiscal 2020. Early adoption of ASU 2016-02 is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Partnership is currently evaluating the impact of adopting ASU 2016-02 on the Partnership’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers” (“ASU 2014-09”). This update provides a principles-based approach to revenue recognition, requiring revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. On July 9, 2015, the FASB finalized a one-year deferral of the effective date of ASU 2014-09. The revenue standard is therefore effective for the first interim period within annual reporting periods beginning after December 15, 2017, which will be the Partnership’s first quarter of fiscal 2019. Early adoption as of the original effective date is permitted. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. While the Partnership is still in the process of evaluating the potential impact of ASU 2014-09, it does not expect its adoption will have a material impact on the Partnership’s consolidated financial statements.

Recently Adopted Accounting Pronouncements. During the first quarter of fiscal 2017, the Partnership adopted new accounting guidance regarding the classification of deferred debt issuance costs under ASU 2015-03 “Simplifying the Presentation of Debt Issuance Costs.” Deferred debt issuance costs associated with long-term debt are now reflected as a direct deduction from the carrying amount of such debt rather than as a deferred charge. Total deferred debt issuance costs were $19,996 and $17,391 at June 24, 2017 and September 24, 2016, respectively. Deferred debt issuance costs associated with line-of-credit arrangements remain classified as other assets on the Partnership’s consolidated balance sheet. As of June 24, 2017 and September 24, 2016, the Partnership has reflected $15,986 and $13,670 of such costs as a reduction to long-term debt on the condensed consolidated balance sheets, respectively. Refer to Note 7, “Long-Term Borrowings” for a tabular display of long-term borrowings.

3. Financial Instruments and Risk Management

Cash and Cash Equivalents. The Partnership considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short-term maturity of these instruments.

Derivative Instruments and Hedging Activities

Commodity Price Risk. Given the retail nature of its operations, the Partnership maintains a certain level of priced physical inventory to help ensure its field operations have adequate supply commensurate with the time of year. The Partnership's strategy is to keep its physical inventory priced relatively close to market for its field operations. The Partnership enters into a combination of exchange-traded futures and option contracts and, in certain instances, over-the-counter options and swap contracts (collectively, "derivative instruments") to hedge price risk associated with propane and fuel oil physical inventories, as well as future purchases of propane or fuel oil used in its operations and to help ensure adequate supply during periods of high demand. In addition, the Partnership sells propane and fuel oil to customers at fixed prices, and enters into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Under this risk management strategy, realized gains or losses on derivative instruments will typically offset losses or gains on the physical inventory once the product is sold or delivered as it pertains to fixed price contracts. All of the Partnership's derivative instruments are reported on the condensed consolidated balance sheet at their fair values. In addition, in the course of normal operations, the Partnership routinely enters into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from the fair value accounting requirements and are accounted for at the time product is purchased or sold under the related contract. The Partnership does not use derivative instruments for speculative trading purposes. Market risks associated with futures, options, forward and swap contracts are monitored daily for compliance with the Partnership's Hedging and Risk Management Policy which includes volume limits for open positions. Priced on-hand inventory is also reviewed and managed daily as to exposures to changing market prices.

On the date that derivative instruments are entered into, other than those designated as normal purchases or normal sales, the Partnership makes a determination as to whether the derivative instrument qualifies for designation as a hedge. Changes in the fair value of derivative instruments are recorded each period in current period earnings or other comprehensive income ("OCI"), depending on whether the derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, the Partnership formally assesses, both at the hedge contract's inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of derivative instruments designated as cash flow hedges are reported in OCI to the extent effective and reclassified into earnings during the same period in which the hedged item affects earnings. The mark-to-market gains or losses on ineffective portions of cash flow hedges are recognized in earnings immediately. Changes in the fair value of derivative instruments that are not designated as cash flow hedges, and that do not meet the normal purchase and normal sale exemption, are recorded within earnings as they occur. Cash flows associated with derivative instruments are reported as operating activities within the condensed consolidated statement of cash flows.

Interest Rate Risk. A portion of the Partnership's borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1% or the agent bank's prime rate, or LIBOR plus 1%, plus the applicable margin. The applicable margin is dependent on the level of the Partnership's total leverage (the ratio of total debt to income before deducting interest expense, income taxes, depreciation and amortization ("EBITDA")). Therefore, the Partnership is subject to interest rate risk on the variable component of the interest rate. From time to time, the Partnership enters into interest rate swap agreements to manage a part of its variable interest rate risk. The interest rate swaps have been designated as, and are accounted for as, cash flow hedges. The fair value of the interest rate swaps are determined using an income approach, whereby future settlements under the swaps are converted into a single present value, with fair value being based on the value of current market expectations about those future amounts. Changes in the fair value are recognized in OCI until the hedged item is recognized in earnings. However, due to changes in the underlying interest rate environment, the corresponding value in OCI is subject to change prior to its impact on earnings.

Valuation of Derivative Instruments. The Partnership measures the fair value of its exchange-traded options and futures contracts using quoted market prices found on the New York Mercantile Exchange (the "NYMEX") (Level 1 inputs); the fair value of its swap contracts using quoted forward prices, and the fair value of its interest rate swaps using model-derived valuations driven by observable projected movements of the 3-month LIBOR (Level 2 inputs); and the fair value of its over-the-counter options contracts using Level 3 inputs. The Partnership's over-the-counter options contracts are valued based on an internal option model. The inputs utilized in the model are based on publicly available information as well as broker quotes. The significant unobservable inputs used in the fair value measurements of the Partnership's over-the-counter options contracts are interest rate and market volatility.

The following summarizes the fair value of the Partnership's derivative instruments and their location in the condensed consolidated balance sheets as of June 24, 2017 and September 24, 2016, respectively:

	As of June 24, 2017		As of September 24, 2016	
Asset Derivatives	Location	Fair Value	Location	Fair Value
Derivatives not designated as hedging instruments:				
Commodity-related derivatives	Other current assets	$866	Other current assets	$3,306

	Other assets	1,079	Other assets	1,546
		$1,945		$4,852

Liability Derivatives	Location	Fair Value	Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swap	Other current liabilities	$—	Other current liabilities	$205
Derivatives not designated as hedging instruments:				
Commodity-related derivatives	Other current liabilities	$2,806	Other current liabilities	$1,002
	Other liabilities	—	Other liabilities	1,353
		$2,806		$2,355

The following summarizes the reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Nine Months Ended June 24, 2017		Nine Months Ended June 25, 2016	
	Assets	Liabilities	Assets	Liabilities
Beginning balance of over-the-counter options	$809	$ —	$2,781	$ 347
Beginning balance realized during the period	(589)	—	(2,546)	(275)
Contracts purchased during the period	—	—	762	—
Change in the fair value of outstanding contracts	(115)	—	(234)	(72)
Ending balance of over-the-counter options	$105	$ —	$763	$ —

As of June 24, 2017 and September 24, 2016, the Partnership's outstanding commodity-related derivatives had a weighted average maturity of approximately seven and six months, respectively.

The effect of the Partnership's derivative instruments on the condensed consolidated statements of operations and the condensed consolidated statements of comprehensive income, as applicable, for the three and nine months ended June 24, 2017 and June 25, 2016 are as follows:

	Three Months Ended June 24, 2017			Three Months Ended June 25, 2016		
Derivatives in Cash Flow Hedging Relationships	Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income Location	Amount	Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income Location	Amount
Interest rate swap	$—	Interest expense	$ —	$(107)	Interest expense	$ (252)

Derivatives Not Designated as Hedging Instruments	Unrealized Gains (Losses) Recognized in Income Location	Amount	Unrealized Gains (Losses) Recognized in Income Location	Amount
Commodity-related derivatives	Cost of products sold	$ (655)	Cost of products sold	$ (56)

	Nine Months Ended June 24, 2017			Nine Months Ended June 25, 2016		
Derivatives in Cash Flow Hedging Relationships	Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income Location	Amount	Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income Location	Amount
Interest rate swap	$(10)	Interest expense	$(215)	$(47)	Interest expense	$(844)

Derivatives Not Designated as Hedging Instruments	Unrealized Gains (Losses) Recognized in Income Location	Amount	Unrealized Gains (Losses) Recognized in Income Location	Amount
Commodity-related derivatives	Cost of products sold	$(2,708)	Cost of products sold	$(2,005)

The following table presents the fair value of the Partnership's recognized derivative assets and liabilities on a gross basis and amounts offset on the condensed consolidated balance sheets subject to enforceable master netting arrangements or similar agreements:

	As of June 24, 2017			As of September 24, 2016		
	Gross amounts	Effects of netting	Net amounts presented in the balance sheet	Gross amounts	Effects of netting	Net amounts presented in the balance sheet
Asset Derivatives						
Commodity-related derivatives	$6,709	$ (4,764)	$ 1,945	$6,842	$ (1,990)	$ 4,852
Interest rate swap	—	—	—	230	(230)	—
	$6,709	$ (4,764)	$ 1,945	$7,072	$ (2,220)	$ 4,852
Liability Derivatives						
Commodity-related derivatives	$7,570	$ (4,764)	$ 2,806	$4,345	$ (1,990)	$ 2,355
Interest rate swap	—	—	—	435	(230)	205
	$7,570	$ (4,764)	$ 2,806	$4,780	$ (2,220)	$ 2,560

The Partnership had $2,593 and $206 posted cash collateral as of June 24, 2017 and September 24, 2016, respectively, with its brokers for outstanding commodity-related derivatives.

Bank Debt and Senior Notes. The fair value of the borrowings under the Revolving Credit Facility (defined below in Note 7) approximates the carrying value since the interest rates are adjusted quarterly to reflect market conditions. Based upon quoted market prices (a Level 1 input), the fair value of the Senior Notes (also defined below in Note 7) of the Partnership are as follows:

	As of	
	June 24, 2017	September 24, 2016
7.375% senior notes due August 1, 2021	$—	$360,893
5.5% senior notes due June 1, 2024	522,811	534,188
5.75% senior notes due March 1, 2025	249,375	253,438
5.875% senior notes due March 1, 2027	350,000	—
	$1,122,186	$1,148,519

4. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using a weighted average method for propane, fuel oil and refined fuels and natural gas, and a standard cost basis for appliances, which approximates average cost. Inventories consist of the following:

	As of	
	June 24, 2017	September 24, 2016
Propane, fuel oil and refined fuels and natural gas	$40,642	$ 43,905
Appliances	1,170	1,447
	$41,812	$ 45,352

5. Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is subject to an impairment review at a reporting unit level, on an annual basis as of the end of fiscal July of each year, or when an event occurs or circumstances change that would indicate potential impairment.

The Partnership has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Partnership determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if the Partnership concludes otherwise, then it is required to perform the first step of the two-step impairment test.

Under the two-step impairment test, the Partnership assesses the carrying value of goodwill at a reporting unit level based on an estimate of the fair value of the respective reporting unit. Fair value of the reporting unit is estimated using discounted cash flow analyses taking into consideration estimated cash flows in a ten-year projection period and a terminal value calculation at the end of the projection period. If the fair value of the reporting unit exceeds its carrying value, the goodwill associated with the reporting unit is not considered to be impaired. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized to the extent that the carrying amount of the associated goodwill, if any, exceeds the implied fair value of the goodwill.

The carrying values of goodwill assigned to the Partnership's operating segments are as follows:

	Propane	Fuel oil and refined fuels	Natural gas and electricity	Total
Balance as of September 24, 2016 and June 24, 2017				
Goodwill	$1,082,297	$10,900	$ 7,900	$1,101,097
Accumulated adjustments	—	(6,462)	—	(6,462)
	$1,082,297	$4,438	$ 7,900	$1,094,635

Other intangible assets consist of the following:

	As of June 24, 2017	September 24, 2016
Customer relationships	$492,656	$492,656
Non-compete agreements	31,040	31,040
Tradenames	3,482	3,482
Other	1,967	1,967
	529,145	529,145
Less: accumulated amortization		
Customer relationships	(265,879)	(225,634)
Non-compete agreements	(24,583)	(22,533)
Tradenames	(3,482)	(3,482)
Other	(1,236)	(1,167)
	(295,180)	(252,816)
	$233,965	$276,329

6. Net Income Per Common Unit

Computations of basic income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units, and vested (and unissued) restricted units granted under the Partnership's Restricted Unit Plans, as defined below, to retirement-eligible grantees. Computations of diluted income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units and unissued restricted units granted under the Restricted Unit Plans. In computing diluted net income per Common Unit, weighted average units outstanding used to compute basic net income per Common Unit were increased by 183,752 and 179,864 units for the nine months ended June 24, 2017 and June 25, 2016, respectively, to reflect the potential dilutive effect of the unvested restricted units outstanding using the treasury stock method. Diluted loss per unit for the three months ended June 24, 2017 and June 25, 2016 does not include unvested Restricted Units as their effect would be anti-dilutive.

7. Long-Term Borrowings

Long-term borrowings consist of the following:

	As of June 24, 2017	September 24, 2016 (1)
7.375% senior notes, due August 1, 2021, including unamortized premium of $-0- and $16,992, respectively	$—	$363,172
5.5% senior notes, due June 1, 2024	525,000	525,000
5.75% senior notes, due March 1, 2025	250,000	250,000
5.875% senior notes due March 1, 2027	350,000	—
Revolving Credit Facility, due March 3, 2021	141,145	100,000
Less: unamortized debt issuance costs	(15,986)	(13,670)
	$1,250,159	$1,224,502

(1) Long-term borrowings as of September 24, 2016 reflect the retrospective impact from the adoption of new accounting guidance regarding the balance sheet classification of debt issuance costs (See Note 2).

Senior Notes

2021 Senior Notes

On August 1, 2012, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., issued $503,443 in aggregate principal amount of unregistered 7.375% senior notes due August 1, 2021 (the “2021 Senior Notes”) in a private placement in conjunction with the acquisition of the retail propane assets and operations of Inergy, L.P. The 2021 Senior Notes required semi-annual interest payments in February and August. On December 19, 2012, the Partnership completed an offer to exchange its then-outstanding unregistered 7.375% senior notes due 2021 for an equal principal amount of 7.375% senior notes due 2021 that were registered under the Securities Act of 1933, as amended.

On August 2, 2013, the Partnership repurchased, pursuant to an optional redemption, $133,400 of its 2021 Senior Notes using net proceeds from a public offering of Common Units and net proceeds from the underwriters’ exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, the Partnership repurchased $23,863 of 2021 Senior Notes in a private transaction using cash on hand.

On February 14, 2017, the Partnership repurchased, satisfied and discharged all of its remaining outstanding 2021 Senior Notes with net proceeds from the issuance of the 2027 Senior Notes, as defined below, and borrowings under the Revolving Credit Facility, also as defined below, pursuant to a tender offer and redemption. In connection with this tender offer and redemption, the Partnership recognized a loss on the extinguishment of debt of $1,567 consisting of $15,078 for the redemption premium and related fees, as well as the write-off of $2,272 and ($15,783) in unamortized debt origination costs and unamortized premium, respectively.

2024 Senior Notes

On May 27, 2014, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $525,000 in aggregate principal amount of 5.5% senior notes due June 1, 2024 (the “2024 Senior Notes”). The 2024 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in June and December. The net proceeds from the issuance of the 2024 Senior Notes, along with cash on hand, were used to repurchase, satisfy and discharge all of the Partnership’s then-outstanding 7.5% senior notes due in

2018.

2025 Senior Notes

On February 25, 2015, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $250,000 in aggregate principal amount of 5.75% senior notes due March 1, 2025 (the “2025 Senior Notes”). The 2025 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in March and September. The net proceeds from the issuance of the 2025 Senior Notes, along with cash on hand, were used to repurchase, satisfy and discharge all of the Partnership’s then-outstanding 7.375% senior notes due in 2020.

2027 Senior Notes

On February 14, 2017, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $350,000 in aggregate principal amount of 5.875% senior notes due March 1, 2027 (the "2027 Senior Notes"). The 2027 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in March and September. The net proceeds from the issuance of the 2027 Senior Notes, along with borrowings under the Revolving Credit Facility, were used to repurchase, satisfy and discharge all of the 2021 Senior Notes.

The Partnership's obligations under the 2024 Senior Notes, 2025 Senior Notes and 2027 Senior Notes (collectively, the "Senior Notes") are unsecured and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment with any future senior indebtedness. The Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities of the Operating Partnership. The Partnership is permitted to redeem some or all of the Senior Notes at redemption prices and times as specified in the indentures governing the Senior Notes. The Senior Notes each have a change of control provision that would require the Partnership to offer to repurchase the notes at 101% of the principal amount repurchased, if a change of control, as defined in the indenture, occurs and is followed by a rating decline (a decrease in the rating of the notes by either Moody's Investors Service or Standard and Poor's Rating Group by one or more gradations) within 90 days of the consummation of the change of control.

Credit Agreement. The Operating Partnership has an amended and restated credit agreement, dated March 3, 2016 (the "Amended Credit Agreement") that provides for a five-year $500,000 revolving credit facility (the "Revolving Credit Facility") with a maturity date of March 3, 2021, of which $141,145 and $100,000 was outstanding as of June 24, 2017 and September 24, 2016, respectively. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. The Operating Partnership has the right to prepay any borrowings under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity. In connection with the March 3, 2016 amendment and restatement, the Partnership recognized a non-cash charge of $292 during the second quarter of fiscal 2016 to write off a portion of unamortized debt origination costs of the previous credit agreement.

The Amended Credit Agreement contains certain restrictive and affirmative covenants applicable to the Operating Partnership, its subsidiaries and the Partnership, as well as certain financial covenants, including (a) requiring the Partnership's Consolidated Interest Coverage Ratio, as defined in the Amended Credit Agreement, to be not less than 2.5 to 1.0 as of the end of any fiscal quarter, (b) prohibiting the Total Consolidated Leverage Ratio, as defined in the Amended Credit Agreement, of the Partnership from being greater than 5.5 to 1.0 as of the end of any fiscal quarter and (c) prohibiting the Senior Secured Consolidated Leverage Ratio, as defined in the Amended Credit Agreement, of the Operating Partnership from being greater than 3.0 to 1.0 as of the end of any fiscal quarter.

On May 1, 2017, the Operating Partnership secured an amendment to the Amended Credit Agreement that provides for certain modifications to the terms of the Amended Credit Agreement, including the following: (i) amendment of the definition of Applicable Rate (as defined in the Amended Credit Agreement) to add an additional pricing level of 3.00% for Eurodollar Rate Loans and Letter of Credit Fees, 2.00% for Base Rate Loans and 0.500% for Commitment Fee, which would be applicable should the Total Consolidated Leverage Ratio exceed 5.5 to 1.0 at the end of the applicable measuring period and (ii) amendment of the maximum permitted Total Consolidated Leverage Ratio from 5.5 to 1.0 at the end of any fiscal quarter to 5.95 to 1.0 for each fiscal quarter ending in June, September and December 2017, and March and June 2018, 5.75 to 1.0 for the fiscal quarter ending in September 2018, and 5.5 to 1.0 for the fiscal quarter ending in December 2018 and for each fiscal quarter thereafter.

The Partnership and certain subsidiaries of the Operating Partnership act as guarantors with respect to the obligations of the Operating Partnership under the Amended Credit Agreement pursuant to the terms and conditions set forth therein. The obligations under the Amended Credit Agreement are secured by liens on substantially all of the personal property of the Partnership, the Operating Partnership and their subsidiaries, as well as mortgages on certain real property.

Borrowings under the Revolving Credit Facility bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus the Applicable Rate, or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1%, the administrative agent bank's prime rate, or LIBOR plus 1%, plus in each case the Applicable Rate. The Applicable Rate is dependent upon the Partnership's Total Consolidated Leverage Ratio. As of June 24, 2017, the interest rate for borrowings under the Revolving Credit Facility was approximately 3.6%. The interest rate and the Applicable Rate will be reset following the end of each calendar quarter.

In connection with the previous credit agreement, the Operating Partnership entered into an interest rate swap agreement with a notional amount of $100,000, an effective date of June 25, 2013 and a termination date of January 5, 2017. Under this interest rate swap agreement, the Operating Partnership paid a fixed interest rate of 1.63% to the issuing lender on the notional principal amount outstanding, and the issuing lender paid the Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swap was designated as a cash flow hedge. The Partnership did not enter into a new interest rate swap agreement upon termination.

As of June 24, 2017, the Partnership had standby letters of credit issued under the Revolving Credit Facility of $43,256 which expire periodically through April 3, 2018.

The Amended Credit Agreement and the Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership, its subsidiaries and the Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. Under the Amended Credit Agreement and the indentures governing the Senior Notes, the Operating Partnership and the Partnership are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and with respect to the indentures governing the Senior Notes, the Partnership's consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. The Partnership and the Operating Partnership were in compliance with all covenants and terms of the Senior Notes and the Amended Credit Agreement as of June 24, 2017.

The aggregate amounts of long-term debt maturities subsequent to June 24, 2017 are as follows: fiscal 2017: $-0-; fiscal 2018: $-0-; fiscal 2019: $-0-; fiscal 2020: $-0-; fiscal 2021: $141,145; and thereafter: $1,125,000.

8. Distributions of Available Cash

The Partnership makes distributions to its partners no later than 45 days after the end of each fiscal quarter in an aggregate amount equal to its Available Cash for such quarter. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of the Partnership's business, the payment of debt principal and interest and for distributions during the next four quarters.

On July 20, 2017, the Partnership announced a quarterly distribution of $0.8875 per Common Unit, or $3.55 per Common Unit on an annualized basis, in respect of the third quarter of fiscal 2017, payable on August 8, 2017 to holders of record on August 1, 2017.

9. Unit-Based Compensation Arrangements

The Partnership recognizes compensation cost over the respective service period for employee services received in exchange for an award of equity, or equity-based compensation, based on the grant date fair value of the award. The Partnership measures liability awards under an equity-based payment arrangement based on remeasurement of the award's fair value at the conclusion of each interim and annual reporting period until the date of settlement, taking into consideration the probability that the performance conditions will be satisfied.

Restricted Unit Plan. On July 22, 2009, the Partnership adopted the Suburban Propane Partners, L.P. 2009 Restricted Unit Plan, as amended (the "Restricted Unit Plan"), which authorizes the issuance of Common Units to executives, managers and other employees and members of the Board of Supervisors of the Partnership. The total number of Common Units authorized for issuance under the Restricted Unit Plan was 2,400,000 as of June 24, 2017. In accordance with an August 6, 2013 amendment to the Restricted Unit Plan, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, all restricted unit awards granted after the date of the amendment will vest 33.33% on each of the first three anniversaries of the award grant date. Prior to the August 6, 2013 amendment, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, restricted units awarded under the Restricted Unit Plan vest over time with 25% of the Common Units vesting at the end of each of the third and fourth anniversaries of the grant date and the remaining 50% of the Common Units vesting at the end of the fifth anniversary of the grant date. The Restricted Unit Plan participants are not eligible to receive quarterly distributions on, or vote, their respective restricted units until vested. Restricted units cannot be sold or transferred prior to vesting. The value of the restricted unit is established by the market price of the Common Unit on the date of grant, net of estimated future distributions during the vesting period. Restricted units are subject to forfeiture in certain circumstances as defined in the Restricted Unit Plan. Compensation expense for the unvested awards is recognized ratably over the vesting periods and is net of estimated forfeitures.

During the nine months ended June 24, 2017, the Partnership awarded 323,715 restricted units under the Restricted Unit Plan at an aggregate grant date fair value of $6,799. The following is a summary of activity for the Restricted Unit Plan for the nine months ended June 24, 2017:

	Restricted Units	Weighted Average Grant Date Fair Value Per Unit
Outstanding September 24, 2016	654,120	$ 26.74
Awarded	323,715	21.00
Forfeited	(1,758)	(30.65)
Vested (with Common Units issued)	(323,752)	(30.11)
Outstanding June 24, 2017	652,325	$ 22.21

As of June 24, 2017, unrecognized compensation cost related to unvested restricted units awarded under the Restricted Unit Plan amounted to $4,325. Compensation cost associated with unvested awards is expected to be recognized over a weighted-average period of 1 year. Compensation expense recognized under the Restricted Unit Plan, net of forfeitures, for the three and nine months ended June 24, 2017 was $1,372 and $6,209, respectively, and $1,671 and $7,062 for the three and nine months ended June 25, 2016, respectively.

Distribution Equivalent Rights Plan. On January 17, 2017, the Partnership adopted the Distribution Equivalent Rights Plan (the “DER Plan”), which gives the Compensation Committee of the Partnership’s Board of Supervisors discretion to award distribution equivalent rights (“DERs”) to executive officers of the Partnership. Once awarded, DERs entitle the grantee to a cash payment each time the Board of Supervisors declares a cash distribution on the Partnership’s Common Units, which cash payment will be equal to an amount calculated by multiplying the number of unvested restricted units which are held by the grantee on the record date of the distribution, by the amount of the declared distribution per Common Unit. Compensation expense recognized under the DER Plan was $205 and $640 for the three and nine months ended June 24, 2017, respectively.

Long-Term Incentive Plan. On August 6, 2013, the Partnership adopted the 2014 Long-Term Incentive Plan (“LTIP”). The LTIP is a non-qualified, unfunded, long-term incentive plan for officers and key employees that provides for payment, in the form of cash, of an award of equity-based compensation at the end of a three-year performance period. The level of compensation earned under the LTIP is based on the Partnership’s average distribution coverage ratio over the three-year measurement period. The Partnership’s average distribution coverage ratio is calculated as the Partnership’s average distributable cash flow, as defined by the LTIP, for each of the three years in the measurement period, subject to certain adjustments as set forth in the LTIP, divided by the amount of annualized cash distributions to be paid by the Partnership, based on the annualized cash distribution rate at the beginning of the measurement period.

As a result of the quarterly remeasurement of the liability for awards under the LTIP, compensation expense for the three and nine months ended June 24, 2017 reflected income of $550 and $2,026, respectively, and income of $671 and $1,401 for the three and nine months ended June 25, 2016, respectively. As of June 24, 2017 and September 24, 2016, the Partnership had a liability included within accrued employment and benefit costs (or other liabilities, as applicable) of $-0- and $2,026, respectively, related to estimated future payments under the LTIP.

10. Commitments and Contingencies

Self-Insurance. The Partnership is self-insured for general and product, workers' compensation and automobile liabilities up to predetermined thresholds above which third party insurance applies. As of June 24, 2017 and September 24, 2016, the Partnership had accrued insurance liabilities of $66,190 and $59,676, respectively, representing the total estimated losses under these self-insurance programs. For the portion of the estimated liability that exceeds insurance deductibles, the Partnership records an asset within other assets (or other current assets, as applicable) related to the amount of the liability expected to be covered by insurance which amounted to $18,827 and $15,524 as of June 24, 2017 and September 24, 2016, respectively.

Legal Matters. The Partnership's operations are subject to operating hazards and risks normally incidental to handling, storing and delivering combustible liquids such as propane. The Partnership has been, and will continue to be, a defendant in various legal proceedings and litigation as a result of these operating hazards and risks, and as a result of other aspects of its business. During the first quarter of fiscal 2016, the Partnership settled a product liability matter for $3,000. Although any litigation is inherently uncertain, based on past experience, the information currently available to the Partnership, and the amount of its accrued insurance liabilities, the Partnership does not believe that currently pending or threatened litigation matters, or known claims or known contingent claims, will have a material adverse effect on its results of operations, financial condition or cash flow.

11. Guarantees

The Partnership has residual value guarantees associated with certain of its operating leases, related primarily to transportation equipment, with remaining lease periods scheduled to expire periodically through fiscal 2024. Upon completion of the lease period, the Partnership guarantees that the fair value of the equipment will equal or exceed the guaranteed amount, or the Partnership will pay the lessor the difference. Although the fair value of equipment at the end of its lease term has historically exceeded the guaranteed amounts, the maximum potential amount of aggregate future payments the Partnership could be required to make under these leasing arrangements, assuming the equipment is deemed worthless at the end of the lease term, was $14,675 as of June 24, 2017. The fair value of residual value guarantees for outstanding operating leases was de minimis as of June 24, 2017 and September 24, 2016.

12. Pension Plans and Other Postretirement Benefits

The following table provides the components of net periodic benefit costs:

	Pension Benefits			
	Three Months Ended		Nine Months Ended	
	June 24, 2017	June 25, 2016	June 24, 2017	June 25, 2016
Interest cost	$1,041	$1,260	$3,123	$3,781
Expected return on plan assets	(537)	(854)	(1,611)	(2,563)
Amortization of net loss (gain)	1,301	1,304	3,901	3,913
Net periodic benefit cost	$1,805	$1,710	$5,413	$5,131

	Postretirement Benefits			
	Three Months Ended		Nine Months Ended	
	June 24, 2017	June 25, 2016	June 24, 2017	June 25, 2016
Interest cost	$96	$130	$288	$400
Amortization of prior service credits	—	(100)	—	(300)
Amortization of net loss (gain)	(98)	(74)	(292)	(223)
Net periodic benefit cost	$(2)	$(44)	$(4)	$(123)

The Partnership expects to contribute approximately $9,527 to the defined benefit pension plan during fiscal 2017, of which $7,542 was contributed during the nine months ended June 24, 2017. The projected annual contribution requirements related to the Partnership's postretirement health care and life insurance benefit plan for fiscal 2017 is $922, of which $899 was contributed during the nine months ended June 24, 2017.

The Partnership contributes to multi-employer pension plans (“MEPPs”) in accordance with various collective bargaining agreements covering union employees. As one of the many participating employers in these MEPPs, the Partnership is responsible with the other participating employers for any plan underfunding. As of June 24, 2017 and September 24, 2016, the Partnership’s estimated obligation to these MEPPs was $22,960 and $24,205, respectively, as a result of its voluntary withdrawal from certain MEPPs.

13. Amounts Reclassified Out of Accumulated Other Comprehensive Income

The following table summarizes amounts reclassified out of accumulated other comprehensive (loss) income for the three and nine months ended June 24, 2017 and June 25, 2016:

	Three Months Ended		Nine Months Ended	
	June 24, 2017	June 25, 2016	June 24, 2017	June 25, 2016
Cash Flow Hedges				
Balance, beginning of period	$—	$(659)	$(205)	$(1,311)
Other comprehensive income before reclassifications:				
Unrealized (losses) gains	—	(107)	(10)	(47)
Reclassifications to earnings:				
Realized losses (a)	—	252	215	844
Other comprehensive income	—	145	205	797
Balance, end of period	$—	$(514)	$—	$(514)
Pension Benefits				
Balance, beginning of period	$(48,791)	$(50,227)	$(51,391)	$(52,836)
Reclassifications to earnings:				
Amortization of net loss (b)	1,301	1,304	3,901	3,913
Other comprehensive income	1,301	1,304	3,901	3,913
Balance, end of period	$(47,490)	$(48,923)	$(47,490)	$(48,923)
Postretirement Benefits				
Balance, beginning of period	$5,570	$4,915	$5,764	$5,264
Reclassifications to earnings:				
Amortization of prior service credits (b)	—	(100)	—	(300)
Amortization of net gain (b)	(98)	(74)	(292)	(223)
Other comprehensive loss	(98)	(174)	(292)	(523)
Balance, end of period	$5,472	$4,741	$5,472	$4,741
Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	$(43,221)	$(45,971)	$(45,832)	$(48,883)
Other comprehensive income before reclassifications	—	(107)	(10)	(47)
Reclassifications to earnings	1,203	1,382	3,824	4,234
Other comprehensive income	1,203	1,275	3,814	4,187
Balance, end of period	$(42,018)	$(44,696)	$(42,018)	$(44,696)

(a) Reclassification of realized losses on cash flow hedges are recognized in interest expense.

(b) These amounts are included in the computation of net periodic benefit cost. See Note 12, “Pension Plans and Other Postretirement Benefits.”

14. Income Taxes

For federal income tax purposes, as well as for state income tax purposes in the majority of the states in which the Partnership operates, the earnings attributable to the Partnership and the Operating Partnership are not subject to income tax at the partnership level. With the exception of those states that impose an entity-level income tax on partnerships, the taxable income or loss attributable to the Partnership and to the Operating Partnership, which may vary substantially from the income (loss) before income taxes reported by the Partnership in the condensed consolidated statement of operations, are includable in the federal and state income tax returns of the Common Unitholders. The aggregate difference in the basis of the Partnership's net assets for financial and tax reporting purposes cannot be readily determined as the Partnership does not have access to each Common Unitholder's basis in the Partnership.

As described in Note 1, the earnings of the Corporate Entities are subject to corporate level federal and state income tax. However, based upon past performance, the Corporate Entities are currently reporting an income tax provision composed primarily of minimum state income taxes. A full valuation allowance has been provided against the deferred tax assets based upon an analysis of all available evidence, both negative and positive at the balance sheet date, which, taken as a whole, indicates that it is more likely than not that sufficient future taxable income will not be available to utilize the assets. Management's periodic reviews include, among other things, the nature and amount of the taxable income and expense items, the expected timing of when assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considered tax-planning strategies it could use to increase the likelihood that the deferred assets will be realized.

15. Segment Information

The Partnership manages and evaluates its operations in four operating segments, three of which are reportable segments: Propane, Fuel Oil and Refined Fuels, and Natural Gas and Electricity. The chief operating decision maker evaluates performance of the operating segments using a number of performance measures, including gross margins and income before interest expense and provision for income taxes (operating profit). Costs excluded from these profit measures are captured in Corporate and include corporate overhead expenses not allocated to the operating segments. Unallocated corporate overhead expenses include all costs of back office support functions that are reported as general and administrative expenses within the condensed consolidated statements of operations. In addition, certain costs associated with field operations support that are reported in operating expenses within the condensed consolidated statements of operations, including purchasing, training and safety, are not allocated to the individual operating segments. Thus, operating profit for each operating segment includes only the costs that are directly attributable to the operations of the individual segment. The accounting policies of the operating segments are otherwise the same as those described in Note 2, "Summary of Significant Accounting Policies," in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 24, 2016.

The propane segment is primarily engaged in the retail distribution of propane to residential, commercial, industrial and agricultural customers and, to a lesser extent, wholesale distribution to large industrial end users. In the residential and commercial markets, propane is used primarily for space heating, water heating, cooking and clothes drying. Industrial customers use propane generally as a motor fuel burned in internal combustion engines that power over-the-road vehicles, forklifts and stationary engines, to fire furnaces and as a cutting gas. In the agricultural markets, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

The fuel oil and refined fuels segment is primarily engaged in the retail distribution of fuel oil, diesel, kerosene and gasoline to residential and commercial customers for use primarily as a source of heat in homes and buildings.

The natural gas and electricity segment is engaged in the marketing of natural gas and electricity to residential and commercial customers in the deregulated energy markets of New York and Pennsylvania. Under this operating segment, the Partnership owns the relationship with the end consumer and has agreements with the local distribution companies to deliver the natural gas or electricity from the Partnership's suppliers to the customer.

Activities in the "all other" category include the Partnership's service business, which is primarily engaged in the sale, installation and servicing of a wide variety of home comfort equipment, particularly in the areas of heating and ventilation.

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The following table presents certain data by reportable segment and provides a reconciliation of total operating segment information to the corresponding consolidated amounts for the periods presented:

	Three Months Ended		Nine Months Ended	
	June 24, 2017	June 25, 2016	June 24, 2017	June 25, 2016
Revenues:				
Propane	$188,406	$172,322	$843,519	$752,013
Fuel oil and refined fuels	12,886	12,459	69,612	61,961
Natural gas and electricity	11,923	10,596	44,229	38,232
All other	9,680	9,722	33,420	32,890
Total revenues	$222,895	$205,099	$990,780	$885,096
Operating (loss) income:				
Propane	$11,323	$14,182	$201,332	$199,042
Fuel oil and refined fuels	199	(854)	9,875	7,585
Natural gas and electricity	2,806	1,969	11,461	8,665
All other	(5,747)	(6,014)	(16,139)	(18,882)
Corporate	(19,643)	(20,063)	(61,249)	(64,633)
Total operating (loss) income	(11,062)	(10,780)	145,280	131,777
Reconciliation to net (loss) income:				
Loss on debt extinguishment	—	—	1,567	292
Interest expense, net	18,502	18,638	54,820	56,383
Provision for income taxes	152	180	308	423
Net (loss) income	$(29,716)	$(29,598)	$88,585	$74,679
Depreciation and amortization:				
Propane	$27,787	$27,324	$83,243	$81,949
Fuel oil and refined fuels	625	673	1,923	2,055
Natural gas and electricity	—	—	—	3
All other	76	73	222	234
Corporate	3,337	4,218	10,368	12,835
Total depreciation and amortization	$31,825	$32,288	$95,756	$97,076

	As of June 24, 2017	September 24, 2016
Assets:		