SUBURBAN PROPANE PARTNERS LP
Form 10-Q
May 06, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 27, 2010

o **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 þ No o
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 o No o

* The registrant has not yet been phased into the interactive data requirements.

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 þ	Accelerated filer o	Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

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

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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 and Section 27A of the Securities Act of 1933, 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, anticipates, the negative or other variation of 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 and natural gas, the impact of the Partnership s hedging and risk management activities, and the adverse impact of price increases on volumes 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 and maintain reliable transportation for its propane, fuel oil and other refined fuels;

The ability of the Partnership to retain customers;

The impact of customer conservation, energy efficiency and technology advances on the demand for propane and fuel oil;

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 global warming, derivative instruments and other regulatory developments on the Partnership s business;

The impact of changes in tax regulations that could adversely affect the tax treatment of the Partnership for federal 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; 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 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 26, 2009. 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 otherwise 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.

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	March 27, 2010	September 26, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 140,912	$ 163,173
Accounts receivable, less allowance for doubtful accounts of $7,624 and $4,374, respectively	136,496	52,035
Inventories	66,384	70,158
Other current assets	18,268	22,190
Total current assets	362,060	307,556
Property, plant and equipment, net	351,348	357,187
Goodwill	274,897	274,897
Other assets	41,907	37,874
Total assets	$ 1,030,212	$ 977,514
LIABILITIES AND PARTNERS CAPITAL		
Current liabilities:		
Accounts payable	$ 46,186	$ 35,677
Accrued employment and benefit costs	26,782	40,875
Customer deposits and advances	36,710	69,789
Other current liabilities	25,587	33,718
Total current liabilities	135,265	180,059
Long-term borrowings	347,845	349,415
Accrued insurance	48,864	41,838
Other liabilities	45,894	46,485
Total liabilities	577,868	617,797
Commitments and contingencies		
Partners capital:		
Common Unitholders (35,290 and 35,228 units issued and outstanding at March 27, 2010 and September 26, 2009, respectively)	511,031	421,005
Accumulated other comprehensive loss	(58,687)	(61,288)
Total partners capital	452,344	359,717
Total liabilities and partners capital	$ 1,030,212	$ 977,514

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

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended	
	March 27, 2010	March 28, 2009
Revenues		
Propane	$ 369,341	$ 336,913
Fuel oil and refined fuels	61,311	65,138
Natural gas and electricity	28,841	32,093
All other	9,670	11,081
	469,163	445,225
Costs and expenses		
Cost of products sold	248,459	208,259
Operating	78,508	86,848
General and administrative	20,257	17,793
Depreciation and amortization	7,142	7,131
	354,366	320,031
Income before loss on debt extinguishment, interest expense and provision for income taxes	114,797	125,194
Loss on debt extinguishment	9,473	
Interest expense, net	6,608	9,442
Income before provision for income taxes	98,716	115,752
Provision for income taxes	328	886
Net income	$ 98,388	$ 114,866
Income per Common Unit basic	$ 2.78	$ 3.50
Weighted average number of Common Units outstanding basic	35,343	32,847
Income per Common Unit diluted	$ 2.76	$ 3.48
Weighted average number of Common Units outstanding diluted	35,622	33,051

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

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit amounts)
(unaudited)

	Six Months Ended	
	March 27, 2010	March 28, 2009
Revenues		
Propane	$ 602,872	$ 610,821
Fuel oil and refined fuels	100,558	119,329
Natural gas and electricity	45,703	54,374
All other	21,462	24,016
	770,595	808,540
Costs and expenses		
Cost of products sold	398,825	382,489
Operating	152,995	163,911
General and administrative	33,995	32,563
Depreciation and amortization	14,226	14,154
	600,041	593,117
Income before loss on debt extinguishment, interest expense and provision for income taxes	170,554	215,423
Loss on debt extinguishment	9,473	
Interest expense, net	13,791	18,845
Income before provision for income taxes	147,290	196,578
Provision for income taxes	527	1,024
Net income	$ 146,763	$ 195,554
Income per Common Unit basic	$ 4.15	$ 5.96
Weighted average number of Common Units outstanding basic	35,332	32,832
Income per Common Unit diluted	$ 4.12	$ 5.93
Weighted average number of Common Units outstanding diluted	35,581	32,996

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

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended	
	March 27, 2010	March 28, 2009
Cash flows from operating activities:		
Net income	$ 146,763	$ 195,554
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	14,226	14,154
Amortization of debt origination costs and discount on long-term borrowings	994	781
Compensation cost recognized under Restricted Unit Plan	2,017	1,241
Gain on disposal of property, plant and equipment, net	(134)	(623)
Loss on debt extinguishment	9,473	
Deferred tax provision		460
Changes in assets and liabilities:		
(Increase) in accounts receivable	(84,461)	(29,307)
Decrease in inventories	3,774	17,641
Decrease in other current and noncurrent assets	1,159	10,540
Increase (decrease) in accounts payable	10,509	(12,426)
(Decrease) increase in accrued employment and benefit costs	(14,093)	9,742
(Decrease) in customer deposits and advances	(33,079)	(26,796)
Increase in accrued insurance	7,026	3,906
(Decrease) in other current and noncurrent liabilities	(6,843)	(25,915)
Net cash provided by operating activities	57,331	158,952
Cash flows from investing activities:		
Capital expenditures	(9,450)	(8,323)
Proceeds from sale of property, plant and equipment	2,300	2,084
Net cash (used in) investing activities	(7,150)	(6,239)
Cash flows from financing activities:		
Repayments of long-term borrowings, including premium and fees	(256,510)	(2,000)
Proceeds from long-term borrowings	247,840	
Issuance costs associated with long-term borrowings	(5,018)	
Partnership distributions	(58,754)	(52,954)
Net cash (used in) financing activities	(72,442)	(54,954)
Net (decrease) increase in cash and cash equivalents	(22,261)	97,759
Cash and cash equivalents at beginning of period	163,173	137,698

Cash and cash equivalents at end of period	$ 140,912	$ 235,457

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

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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	Comprehensive Income
Balance at September 26, 2009	35,228	$ 421,005	$ (61,288)	$ 359,717	
Net income		146,763		146,763	$ 146,763
Other comprehensive income:					
Net unrealized gains on cash flow hedges			192	192	192
Amortization of net actuarial losses and prior service credits into earnings			2,409	2,409	2,409
Comprehensive income					$ 149,364
Partnership distributions		(58,754)		(58,754)	
Common Units issued under Restricted Unit Plan	62				
Compensation cost recognized under Restricted Unit Plan, net of forfeitures		2,017		2,017	
Balance at March 27, 2010	35,290	$ 511,031	$ (58,687)	$ 452,344	

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

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except 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 35,290,334 Common Units outstanding at March 27, 2010. 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 (the Partnership Agreement), adopted on October 19, 2006 following approval by Common Unitholders at the Partnership s Tri-Annual Meeting and as thereafter amended by the Board of Supervisors on July 31, 2007, pursuant to the authority granted to the Board in 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.

During fiscal 2004, the Partnership acquired substantially all of the assets and operations of Agway Energy Products, LLC, Agway Energy Services, Inc. and Agway Energy Services PA, Inc. (collectively referred to as Agway Energy). The operations of Agway Energy consisted of the distribution and marketing of propane, fuel oil and refined fuels, as well as the marketing of natural gas and electricity. The Partnership s fuel oil and refined fuels, natural gas and electricity and services businesses are structured as corporate entities (collectively referred to as the Corporate Entity) and, as such, are subject to corporate level income tax.

Suburban Energy Finance Corporation, a direct wholly-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.

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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 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 Partnership s Annual Report on Form 10-K for the fiscal year ended September 26, 2009, including management s discussion and analysis of financial condition and results of operations contained therein. 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 s fiscal periods typically end on the last Saturday of the quarter.

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 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, as adjusted for amounts delivered but unbilled at the end of each accounting period. Revenue from annually billed tank fees is deferred at the time of billing 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.

The Partnership measures the fair value of its options and futures derivative instruments using Level 1 inputs and the fair value of its interest rate swap using Level 2 inputs. See the Note on Financial Instruments Derivative Instruments and Hedging Activities, below, for additional information regarding fair value measurements.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles (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 depreciation and amortization of long-lived assets, insurance and litigation reserves, pension and other postretirement benefit liabilities and costs, valuation of derivative instruments, asset valuation assessments, tax valuation allowances, as well as the allowance for doubtful accounts. Actual results could differ from those estimates, making it reasonably possible that a 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.

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3. Financial Instruments

Cash and Cash Equivalents. The fair value of cash and cash equivalents is not materially different from their carrying amount 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 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 option 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 ensure adequate supply during periods of high demand. 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. 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 and forward 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 futures, options and forward contracts 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 cost of products sold 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 cost of products sold 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 cost of products sold 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 1/2 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. The Partnership manages part of its variable interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as, and are accounted for as, cash flow hedges. The fair value of the interest rate swaps is 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.

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The notional amount of the Partnership s outstanding derivative instruments includes the following (gallons in thousands):

Transaction Type	As of March 27, 2010	As of September 26, 2009
Commodity Options	661	6,467
Commodity Futures	13,020	15,330

The following summarizes the gross fair value of the Partnership s derivative instruments and their location in the condensed consolidated balance sheet as of March 27, 2010 and September 26, 2009, respectively:

	As of March 27, 2010		As of September 26, 2009	
Asset Derivatives	Location	Fair Value	Location	Fair Value
Derivatives not designated as hedging instruments:				
Commodity options	Other current assets	$ 1,044	Other current assets	$ 6,398
	Other assets		Other assets	241
Commodity futures	Other current assets	9	Other current assets	2,845
	Other assets		Other assets	248
		$ 1,053		$ 9,732
Liability Derivatives	Location	Fair Value	Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swaps	Other current liabilities	$ 2,644	Other current liabilities	$ 3,351
	Other liabilities	1,355	Other liabilities	840
		$ 3,999		$ 4,191
Derivatives not designated as hedging instruments:				
Commodity options	Other current liabilities	$ 118	Other current liabilities	$ 4,060
	Other liabilities		Other liabilities	175
Commodity futures		1,354		784

Other current liabilities			Other current liabilities	
Other liabilities		208	Other liabilities	
	$	1,680		$ 5,019

As of March 27, 2010 and September 26, 2009, the Partnership s outstanding commodity-related derivatives had a weighted average maturity of approximately 4 months and 7 months, respectively.

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The effect of the Partnership s derivative instruments on the condensed consolidated statement of operations for the three months ended March 27, 2010 and March 28, 2009 are as follows:

	Three months ended March 27, 2010			Three months ended March 28, 2009		
Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion) Location	Amount	Amount of Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion) Location	Amount
Interest rate swap	$ (431)	Interest expense	$	$ 704	Interest expense	$
	$ (431)		$	$ 704		$

Derivatives Not Designated as Hedging Instruments	Location of Gains (Losses) Recognized in Income	Amount of Unrealized Gains (Losses) Recognized in Income	Location of Gains (Losses) Recognized in Income	Amount of Unrealized Gains (Losses) Recognized in Income
Options	Cost of products sold	$ (2,820)	Cost of products sold	$ (4,380)
Futures	Cost of products sold	1,087	Cost of products sold	(5,310)
		$ (1,733)		$ (9,690)

	Six months ended March 27, 2010			Six months ended March 28, 2009		
Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion) Location	Amount	Amount of Gains (Losses) Recognized in OCI (Effective Portion)	Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion) Location	Amount
Interest rate swap	$ 192	Interest expense	$	$ (584)	Interest expense	$
	$ 192		$	$ (584)		$

Derivatives Not Designated as Hedging Instruments	Location of Gains (Losses) Recognized in Income	Amount of Unrealized Gains (Losses) Recognized in Income	Location of Gains (Losses) Recognized in Income	Amount of Unrealized Gains (Losses) Recognized in Income
Options	Cost of goods sold	$ (1,279)	Cost of goods sold	$ 1,546
Futures	Cost of goods sold	(3,861)	Cost of goods sold	3,770
		$ (5,140)		$ 5,316

Bank Debt and Senior Notes. The fair value of the Revolving Credit Facility (defined below) approximates the carrying value since the interest rates are periodically adjusted to reflect market conditions. Based upon quoted market prices, the fair value of the Partnership s 7.375% senior notes was $254,375 as of March 27, 2010 and $248,125 for the Partnership s previously existing 6.875% senior notes as of September 26, 2009.

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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	
	March 27, 2010	September 26, 2009
Propane, fuel oil and refined fuels and natural gas	$ 64,579	$ 67,512
Appliances and related parts	1,805	2,646
	$ 66,384	$ 70,158

5. 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 restricted units granted under the restricted unit plans 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 unvested 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 279,033 and 249,371 units for the three and six months ended March 27, 2010, respectively, and 255,947 and 215,213 for the three and six months ended March 28, 2009, respectively, to reflect the potential dilutive effect of the unvested restricted units outstanding using the treasury stock method.

6. Long-Term Borrowings

Long-term borrowings consist of the following:

	As of	
	March 27, 2010	September 26, 2009
7.375% senior notes, due March 15, 2020, net of unamortized discount of $2,155 and $-0-, respectively	$ 247,845	$
6.875% senior notes, due December 15, 2013, net of unamortized discount of $-0- and $585, respectively		249,415
Revolving credit facility, due June 25, 2013	100,000	100,000
	$ 347,845	$ 349,415

On March 23, 2010, the Partnership and its wholly-owned subsidiary, Suburban Energy Finance Corporation, completed a public offering of $250,000 in aggregate principal amount of 7.375% senior notes due March 15, 2020 (the 2020 Senior Notes). The 2020 Senior Notes were issued at 99.136% of the principal amount. The net proceeds from the issuance, along with cash on hand, were used to repurchase the 6.875% senior notes due in 2013 (the 2013 Senior Notes) on March 23, 2010 through a redemption and tender offer. In connection with the repurchase of the 2013 Senior Notes, the Partnership recognized a loss on the extinguishment of debt of $9,473 in the second quarter of fiscal 2010, consisting of $7,231 for the repurchase premium and related fees, as well as the write-off of $2,242 in unamortized debt origination costs and unamortized discount.

The Partnership s obligations under the 2020 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 2020 Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities

of the Operating Partnership. The 2020 Senior Notes mature on March 15, 2020 and require semi-annual interest payments in March and September. The Partnership is permitted to redeem some or all of the 2020 Senior Notes any time at redemption prices specified in the indenture governing the 2020 Senior Notes. In addition, the 2020 Senior Notes 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.

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On June 26, 2009, the Operating Partnership executed a Credit Agreement (the Credit Agreement) to provide a four-year $250,000 revolving credit facility (the Revolving Credit Facility). The Credit Agreement replaced the Operating Partnership s previous credit facility, which provided for a $108,000 term loan (the Term Loan) and a separate $175,000 working capital facility both of which, as amended, were scheduled to mature in March 2010. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions until maturity on June 25, 2013. 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. At closing, the Operating Partnership borrowed $100,000 under the Revolving Credit Facility and, along with cash on hand, repaid the $108,000 then outstanding under the Term Loan and terminated the previous credit facility. In addition, the Partnership has standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of $61,881 primarily in support of retention levels under its self-insurance programs, which expire periodically through April 3, 2011. Therefore, as of March 27, 2010 the Partnership had available borrowing capacity of $88,119 under the Revolving Credit Facility.

Borrowings under the Revolving Credit Facility bear interest at prevailing interest rates based upon, at the Operating Partnership s option, LIBOR plus the applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus $^{1}/_{2}$ of 1%, the agent bank s prime rate, or LIBOR plus 1%, plus in each case the applicable margin. The applicable margin is dependent upon the Partnership s ratio of total debt to EBITDA on a consolidated basis, as defined in the Revolving Credit Facility. As of March 27, 2010, the interest rate for the Revolving Credit Facility was approximately 3.3%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

The Partnership acts as a guarantor with respect to the obligations of the Operating Partnership under the Credit Agreement pursuant to the terms and conditions set forth therein. The obligations under the 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.

In connection with the Revolving Credit Facility, the Operating Partnership amended its existing interest rate swap agreement, which has a termination date of March 31, 2010, to reduce the notional amount to $100,000 from $108,000. The Operating Partnership will pay a fixed interest rate of 4.66% to the issuing lender on the notional principal amount outstanding, effectively fixing the LIBOR portion of the interest rate at 4.66%. In return, the issuing lender will pay to the Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount.

On July 31, 2009 our Operating Partnership entered into a forward starting interest rate swap agreement with a March 31, 2010 effective date, which is commensurate with the maturity of the existing interest rate swap agreement, and termination date of June 25, 2013. Under the forward starting interest rate swap agreement, the Operating Partnership will pay a fixed interest rate of 3.12% to the issuing lender on the notional principal amount outstanding, effectively fixing the LIBOR portion of the interest rate at 3.12%. In return, the issuing lender will pay to the Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swaps have been designated as a cash flow hedge.

The Revolving Credit Facility and the 2020 Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership 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. The Revolving Credit Facility contains certain financial covenants (a) requiring the Partnership s consolidated interest coverage ratio, as defined, 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, of the Partnership from being greater than 4.5 to 1.0 as of the end of any fiscal quarter; and (c) prohibiting the Operating Partnership s senior secured consolidated leverage ratio, as defined, from being greater than 3.0 to 1.0 as of the end of any fiscal quarter. Under the indenture governing the 2020 Senior Notes, the Partnership is 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 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 2020 Senior Notes and the Revolving Credit Facility as of March 27, 2010.

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Debt origination costs representing the costs incurred in connection with the placement of, and the subsequent amendment to, long-term borrowings are capitalized within other assets and amortized on a straight-line basis over the term of the respective debt agreements. Other assets at March 27, 2010 and September 26, 2009 include debt origination costs with a net carrying amount of $10,132 and $7,136, respectively. In connection with the repurchase of the 2013 Senior Notes, $1,722 and $1,385 of debt origination costs were written-off in the second quarter of fiscal 2010 and the fourth quarter of fiscal 2009, respectively.

The aggregate amounts of long-term debt maturities subsequent to March 27, 2010 are as follows: 2010 through 2012: $-0-; 2013: $100,000; 2014: $-0-; and thereafter: $250,000.

7. Distributions of Available Cash

The Partnership makes distributions to its partners no later than 45 days after the end of each fiscal quarter of the Partnership 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 April 22, 2010, the Board of Supervisors declared a quarterly distribution of $0.84 per Common Unit, or $3.36 per Common Unit on an annualized basis, in respect of the second quarter of fiscal 2010, payable on May 11, 2010 to holders of record on May 4, 2010. The annualized distribution represents an increase of $0.02 per Common Unit from the previous distribution rate, and a growth rate of 3.1% compared to the second quarter of fiscal 2009.

8. 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 Plans. In fiscal 2000 and fiscal 2009, the Partnership adopted the Suburban Propane Partners, L.P. 2000 Restricted Unit Plan and 2009 Restricted Unit Plan (collectively, the Restricted Unit Plans), respectively, which authorize 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 Plans is 1,917,805. Unless otherwise stipulated by the Compensation Committee of the Board of Supervisors on or before the grant date, restricted units issued under the Restricted Unit Plans vest over time with 25% of the Common Units vesting on the third and fourth anniversaries of the grant date and the remaining 50% of the Common Units vesting on the fifth anniversary of the grant date. The Restricted Unit Plans participants are not eligible to receive quarterly distributions or vote their respective restricted units until vested. Because each restricted unit represents a promise to issue a Common Unit at a future date, restricted units cannot be sold or transferred prior to vesting. The fair 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 Plans. Compensation expense for the unvested awards is recognized ratably over the vesting periods and is net of estimated forfeitures.

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During the six months ended March 27, 2010, the Partnership awarded 142,771 restricted units under the Restricted Unit Plans at an aggregate grant date fair value of $4,529. The following is a summary of activity for the Restricted Unit Plans for the six months ended March 27, 2010:

	Units	Weighted Average Grant Date Fair Value Per Unit
Outstanding September 26, 2009	415,295	$ 28.89
Awarded	142,771	31.72
Forfeited	(1,975)	(30.40)
Issued	(62,380)	(27.18)
Outstanding March 27, 2010	493,711	$ 29.92

As of March 27, 2010, unrecognized compensation cost related to unvested restricted units awarded under the Restricted Unit Plans amounted to $7,001. Compensation cost associated with unvested awards is expected to be recognized over a weighted-average period of 1.8 years. Compensation expense recognized under the Restricted Unit Plans, net of forfeitures, for the three and six months ended March 27, 2010 was $1,025 and $2,017, respectively, and $673 and $1,241 for the three and six months ended March 28, 2009, respectively.

Long-Term Incentive Plan. The Partnership has a non-qualified, unfunded long-term incentive plan for officers and key employees (the LTIP) which 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 market performance of the Partnership s Common Units on the basis of total return to Unitholders (TRU) compared to the TRU of a predetermined peer group consisting solely of other master limited partnerships, approved by the Compensation Committee of the Board of Supervisors, over the same three-year performance period. As a result of the quarterly remeasurement of the liability for awards under the LTIP, compensation expense for the three and six months ended March 27, 2010 was $584 and $1,619, respectively, and $1,551 and $1,952 for the three and six months ended March 28, 2009, respectively. As of March 27, 2010 and September 26, 2009, the Partnership had a liability included within accrued employment and benefit costs (or other liabilities, as applicable) of $4,820 and $6,558, respectively, related to estimated future payments under the LTIP.

9. 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 March 27, 2010 and September 26, 2009, the Partnership had accrued insurance liabilities of $56,234 and $52,248, respectively, representing the total estimated losses under these self-insurance programs. The Partnership is also involved in various legal actions that have arisen in the normal course of business, including those relating to commercial transactions and product liability. Management believes, based on the advice of legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Partnership s financial position or future results of operations, after considering its self-insurance reserves for known and unasserted claims, as well as existing insurance policies in force. For the portion of the estimated self-insurance 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 $18,226 and $14,812 as of March 27, 2010 and September 26, 2009, respectively.

10. 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 2017. 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 $9,396 as of March 27, 2010. The fair value of residual value guarantees for outstanding operating leases was de minimis as of March 27, 2010 and September 26, 2009.

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11. Pension Plans and Other Postretirement Benefits

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

	Pension Benefits			
	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Interest cost	$ 1,876	$ 2,372	$ 3,752	$ 4,744
Expected return on plan assets	(2,020)	(2,301)	(4,040)	(4,602)
Recognized net actuarial loss	1,343	1,012	2,686	2,024
Net periodic benefit cost	$ 1,199	$ 1,083	$ 2,398	$ 2,166

	Postretirement Benefits			
	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Service Cost	$ 2	$ 1	$ 4	$ 2
Interest cost	253	345	506	690
Amortization of prior service costs	(123)	(122)	(245)	(244)
Recognized net actuarial loss	(16)	(78)	(32)	(156)
Net periodic benefit cost	$ 116	$ 146	$ 233	$ 292

There are no projected minimum employer contribution requirements under ERISA laws for fiscal 2010 under our defined benefit pension plan. The projected annual contribution requirements related to the Partnership s postretirement health care and life insurance benefit plan for fiscal 2010 is $1,748, of which $696 has been contributed during the six months ended March 27, 2010.

12. 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, as a separate legal entity, and the Operating Partnership are not subject to income tax at the Partnership level. Rather, the taxable income or loss attributable to the Partnership, as a separate legal entity, and to the Operating Partnership, which may vary substantially from the income 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 individual partners. 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 information regarding each partner s basis in the Partnership.

The Partnership s fuel oil and refined fuels, natural gas and electricity, and service businesses are conducted through corporate subsidiaries and, as such, are subject to corporate level federal and state income taxes. However, because the Corporate Entity has experienced operating losses in recent years, a full valuation allowance has been provided against the deferred tax assets. The conclusion that a full valuation allowance is necessary was 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 deferred tax assets of the Corporate Entity. Management s periodic reviews include, among other things, the nature and amount of the taxable income and expense items, the expected timing 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 tax assets will be realized.

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In fiscal 2010, the Partnership adopted new accounting guidance concerning business combinations. Certain provisions of the guidance, in particular a provision related to the accounting for acquired tax benefits, are required to be applied regardless of when the business combination occurred. Therefore, to the extent the Partnership s Corporate Entity generates taxable profits that enable the utilization of tax benefits acquired in prior business combinations, the corresponding reduction in the valuation allowance will be recorded as a reduction in the provision for income taxes. Previously, such valuation allowance reductions were recorded as a reduction to goodwill. At the beginning of fiscal 2010, the Partnership had a full valuation allowance of $45,462 against the net deferred tax assets. Of the total valuation allowance, $15,057 was established through purchase accounting for acquired tax benefits.

13. Segment Information

The Partnership manages and evaluates its operations in five 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 the summary of significant accounting policies Note in the Partnership s Annual Report on Form 10-K for the fiscal year ended September 26, 2009.

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, and activities from the Partnership s HomeTown Hearth & Grill and Suburban Franchising subsidiaries.

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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		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Revenues:				
Propane	$ 369,341	$ 336,913	$ 602,872	$ 610,821
Fuel oil and refined fuels	61,311	65,138	100,558	119,329
Natural gas and electricity	28,841	32,093	45,703	54,374
All other	9,670	11,081	21,462	24,016
Total revenues	$ 469,163	$ 445,225	$ 770,595	$ 808,540
Income before loss on debt extinguishment, interest expense and income taxes:				
Propane	$ 124,780	$ 129,492	$ 198,678	$ 227,161
Fuel oil and refined fuels	14,694	15,383	14,844	23,859
Natural gas and electricity	4,674	5,852	7,219	9,022
All other	(4,139)	(3,808)	(8,213)	(6,752)
Corporate	(25,212)	(21,725)	(41,974)	(37,867)
Total income before loss on debt extinguishment, interest expense and income taxes	114,797	125,194	170,554	215,423
Reconciliation to income from continuing operations:				
Loss on debt extinguishment	9,473		9,473	
Interest expense, net	6,608	9,442	13,791	18,845
Provision for income taxes	328	886	527	1,024
Income from continuing operations	$ 98,388	$ 114,866	$ 146,763	$ 195,554
Depreciation and amortization:				
Propane	$ 3,711	$ 3,822	$ 7,361	$ 7,632
Fuel oil and refined fuels	778	825	1,544	1,640
Natural gas and electricity	253	252	506	504
All other	42	92	125	185
Corporate	2,358	2,140	4,690	4,193
Total depreciation and amortization	$ 7,142	$ 7,131	$ 14,226	$ 14,154

	As of	
	March 27, 2010	September 26, 2009
Assets:		

Propane	$ 750,947	$ 681,809
Fuel oil and refined fuels	73,025	83,416
Natural gas and electricity	22,968	17,540
All other	3,656	2,876
Corporate	267,597	279,854
Eliminations	(87,981)	(87,981)
Total assets	$ 1,030,212	$ 977,514

14. Recently Issued Accounting Pronouncements

In December 2008, the Financial Accounting Standards Board issued new financial reporting guidance to require more detailed disclosures about employers pension plan assets. These new disclosures will include more information on investment strategies, major categories of plan assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. The new guidance is effective for fiscal years ending after December 15, 2009, which is the Partnership s 2010 fiscal year ending September 25, 2010. Since it only addresses disclosures, the adoption of the new guidance is not expected to have an impact on the Partnership s consolidated financial position, results of operations or cash flows.

15. Subsequent Events

The Partnership has evaluated all subsequent events that occurred after the balance sheet date through the date its financial statements were issued, and concluded there were no events or transactions occurring during this period that required recognition or disclosure in its financial statements.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the financial condition and results of operations of the Partnership as of and for the three and six months ended March 27, 2010. The discussion should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended September 26, 2009.

Executive Overview

The following are factors that regularly affect our operating results and financial condition. In addition, our business is subject to the risks and uncertainties described in Item 1A included in the Annual Report on Form 10-K for the fiscal year ended September 26, 2009.

Product Costs and Supply

The level of profitability in the retail propane, fuel oil, natural gas and electricity businesses is largely dependent on the difference between retail sales price and product cost. The unit cost of our products, particularly propane, fuel oil and natural gas, is subject to volatility as a result of product supply or other market conditions, including, but not limited to, economic and political factors impacting crude oil and natural gas supply or pricing. We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. We attempt to reduce price risk by pricing product on a short-term basis. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas (plus transportation costs) at the time of delivery.

To supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to assure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions.

Product cost changes can occur rapidly over a short period of time and can impact profitability. There is no assurance that we will be able to pass on product cost increases fully or immediately, particularly when product costs increase rapidly. Therefore, average retail sales prices can vary significantly from year to year as product costs fluctuate with propane, fuel oil, crude oil and natural gas commodity market conditions. In addition, in periods of sustained higher commodity prices, retail sales volumes can be negatively impacted by customer conservation efforts.

Seasonality

The retail propane and fuel oil distribution businesses, as well as the natural gas marketing business, are seasonal because these fuels are primarily used for heating in residential and commercial buildings. Historically, approximately two-thirds of our retail propane volume is sold during the six-month peak heating season from October through March. The fuel oil business tends to experience greater seasonality given its more limited use for space heating and approximately three-fourths of our fuel oil volumes are sold between October and March. Consequently, sales and operating profits are concentrated in our first and second fiscal quarters. Cash flows from operations, therefore, are greatest during the second and third fiscal quarters when customers pay for product purchased during the winter heating season. We expect lower operating profits and either net losses or lower net income during the period from April through September (our third and fourth fiscal quarters). To the extent necessary, we will reserve cash from the second and third quarters for distribution to holders of our Common Units in the fourth quarter and following fiscal year first quarter.

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Weather

Weather conditions have a significant impact on the demand for our products, in particular propane, fuel oil and natural gas, for both heating and agricultural purposes. Many of our customers rely heavily on propane, fuel oil or natural gas as a heating source. Accordingly, the volume sold is directly affected by the severity of the winter weather in our service areas, which can vary substantially from year to year. In any given area, sustained warmer than normal temperatures will tend to result in reduced propane, fuel oil and natural gas consumption, while sustained colder than normal temperatures will tend to result in greater consumption.

Hedging and Risk Management Activities

We engage in hedging and risk management activities to reduce the effect of price volatility on our product costs and to ensure the availability of product during periods of short supply. We enter into propane forward and option agreements with third parties, and use fuel oil and crude oil futures and option contracts traded on the New York Mercantile Exchange (NYMEX), to purchase and sell propane, fuel oil and crude oil at fixed prices in the future. The majority of the futures, forward and option agreements are used to hedge price risk associated with propane and fuel oil physical inventory, as well as, in certain instances, forecasted purchases of propane or fuel oil. Forward contracts are generally settled physically at the expiration of the contract and futures are generally settled in cash at the expiration of the contract. Although we use derivative instruments to reduce the effect of price volatility associated with priced physical inventory and forecasted transactions, we do not use derivative instruments for speculative trading purposes. Risk management activities are monitored by an internal Commodity Risk Management Committee, made up of five members of management and reporting to our Audit Committee, through enforcement of our Hedging and Risk Management Policy.

Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 2, Summary of Significant Accounting Policies, included within the Notes to Consolidated Financial Statements section of our Annual Report on Form 10-K for the fiscal year ended September 26, 2009.

Certain amounts included in or affecting our consolidated financial statements and related disclosures must be estimated, requiring management to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared. The preparation of financial statements in conformity with generally accepted accounting principles (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. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results. Estimates are used when accounting for depreciation and amortization of long-lived assets, employee benefit plans, self-insurance and litigation reserves, allowances for doubtful accounts, asset valuation assessments and valuation of derivative instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known to us. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Supervisors.

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Results of Operations and Financial Condition

Net income for the second quarter of fiscal 2010 amounted to $98.4 million, or $2.78 per Common Unit, compared to $114.9 million, or $3.50 per Common Unit, in the prior year quarter. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of fiscal 2010 amounted to $112.5 million, compared to $132.3 million in the prior year second quarter.

Net income and EBITDA for the second quarter of fiscal 2010 included a loss on debt extinguishment of $9.5 million associated with the senior debt refinancing completed during March 2010. Therefore, excluding the effect of the loss on debt extinguishment on fiscal 2010 second quarter earnings and mark-to-market adjustment for derivative instruments used in risk management activities, Adjusted EBITDA amounted to $123.7 million, compared to Adjusted EBITDA of $142.0 million in the prior year second quarter. The second quarter of fiscal 2010 was characterized by continued adverse affects of the weak economy, an erratic weather pattern and a volatile commodity price environment. The prior year second quarter benefitted from a sharp drop in commodity prices which, as reported throughout the prior year, resulted in higher gross margins.

Retail propane gallons sold in the second quarter of fiscal 2010 decreased 10.0 million gallons, or 7.5%, to 124.5 million gallons compared to 134.5 million gallons in the prior year second quarter. Sales of fuel oil and other refined fuels decreased 5.7 million gallons, or 23.7%, to 18.4 million gallons during the second quarter of fiscal 2010 compared to 24.1 million gallons in the prior year second quarter. The weak economy continues to negatively affect sales volumes, particularly in our non-residential customer base, which accounted for 63% of the overall decline in propane sales volumes. Additionally, while average temperatures across our service territories for the second quarter of fiscal 2010 were 3% warmer than both normal and the prior year second quarter, average temperatures in our northeast and western territories were approximately 6% warmer than both normal and the prior year second quarter, which also contributed to the decline in sales volumes.

Revenues of $469.2 million for the second quarter of fiscal 2010 increased $24.0 million, or 5.4%, compared to the prior year second quarter, primarily due to higher average selling prices in line with higher average product costs, offset to an extent by the lower volumes sold. Average posted prices for propane and fuel oil were 84.4% and 52.3% higher, respectively, compared to the prior year second quarter. Cost of products sold for the second quarter of fiscal 2010 of $248.5 million increased $40.2 million, or 19.3%, compared to $208.3 million in the prior year second quarter. Cost of products sold in the second quarter of fiscal 2010 included a $1.7 million unrealized (non-cash) loss attributable to the mark-to-market adjustment for derivative instruments used in risk management activities, compared to a $9.7 million unrealized (non-cash) loss in the prior year quarter; these unrealized losses are excluded from Adjusted EBITDA for both periods in the table below.

Combined operating and general and administrative expenses of $98.8 million for the second quarter of fiscal 2010 were $5.8 million, or 5.5%, lower than the prior year second quarter, primarily due to lower variable compensation attributable to lower earnings and continued savings in vehicle expenses and insurance costs. Net interest expense decreased $2.8 million, or 29.8%, as a result of lower outstanding debt during the second quarter of fiscal 2010 compared to the prior year second quarter due to the $183.0 million debt reduction in the second half of fiscal 2009. Additionally, during the second quarter of fiscal 2010, we took proactive steps to further enhance our capital structure by extending the maturity on $250.0 million of senior debt until March 2020. On March 23, 2010, we announced the successful completion of the issuance of $250.0 million of 7.375% senior notes maturing in March 2020 to replace the previously existing 6.875% senior notes that were set to mature in December 2013. Once again, we funded all working capital requirements with cash on hand without the need to borrow under our working capital facility and ended the second quarter of fiscal 2010 with more than $140.0 million of cash.

On April 22, 2010, we announced that our Board of Supervisors had declared the twenty-fifth increase (since our recapitalization in 1999) in our quarterly distribution from $0.835 to $0.84 per Common Unit for the three months ended March 27, 2010. On an annualized basis, this increased distribution rate equates to $3.36 per Common Unit, an increase of $0.02 per Common Unit from the previous distribution rate, and an increase of 3.1% compared to the second quarter of fiscal 2009. The $0.84 per Common Unit distribution will be paid on May 11, 2010 to Common Unitholders of record as of May 4, 2010.

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Looking ahead to the remainder of fiscal 2010, we expect that the economy and volatile commodity price environment will continue to present challenges in each of our markets that will continue to affect customer buying habits, thus having a possible negative impact on sales volumes. Nonetheless, we believe that our flexible cost structure, focus on operating efficiencies and financial strength are all factors that will help us effectively manage through the challenging operating environment.

Our anticipated cash requirements for the remainder of fiscal 2010 include: (i) maintenance and growth capital expenditures of approximately $15.5 million; (ii) interest payments of approximately $13.0 million; and (iii) cash distributions of approximately $59.3 million to our Common Unitholders based on the most recently increased quarterly distribution rate of $0.84 per Common Unit. Based on our current estimates of cash flow from operations and our cash position at the end of the second quarter of fiscal 2010, we do not anticipate the need to borrow under our credit facility to meet our working capital requirements for the remainder of fiscal 2010. As of March 27, 2010, there was unused borrowing capacity under the Revolving Credit Facility of $88.1 million after considering outstanding letters of credit of $61.9 million.

Three Months Ended March 27, 2010 Compared to Three Months Ended March 28, 2009

Revenues

(Dollars in thousands)	Three Months Ended March 27, 2010	March 28, 2009	Increase/ (Decrease)	Percent Increase/ (Decrease)
Revenues				
Propane	$ 369,341	$ 336,913	$ 32,428	9.6%
Fuel oil and refined fuels	61,311	65,138	(3,827)	(5.9%)
Natural gas and electricity	28,841	32,093	(3,252)	(10.1%)
All other	9,670	11,081	(1,411)	(12.7%)
Total revenues	$ 469,163	$ 445,225	$ 23,938	5.4%

Total revenues increased $23.9 million, or 5.4%, to $469.2 million for the three months ended March 27, 2010 compared to $445.2 million for the three months ended March 28, 2009 as higher average selling prices associated with higher product costs were partially offset by lower volumes. Volumes were lower than the prior year second quarter due to the impact of continued adverse economic conditions, particularly on our commercial and industrial accounts, as well as ongoing customer conservation efforts and the unfavorable impact of warmer temperatures. Average temperatures across our service territories for the second quarter of fiscal 2010 were 3% warmer than both normal and the prior year second quarter. However, average temperatures in our northeastern and western territories, which are areas where we have a higher concentration of residential customers, were approximately 6% warmer than both normal and the prior year second quarter.

Revenues from the distribution of propane and related activities of $369.3 million in the second quarter of fiscal 2010 increased $32.4 million, or 9.6%, compared to $336.9 million in the prior year second quarter, primarily due to higher average selling prices, partially offset by lower volumes, particularly in our commercial and industrial accounts. Average propane selling prices in the second quarter of fiscal 2010 increased 16.5% compared to the prior year second quarter due to higher product costs, thereby having a positive impact on revenues. Retail propane gallons sold in the second quarter of fiscal 2010 decreased 10.0 million gallons, or 7.5%, to 124.5 million gallons from 134.5 million gallons in the prior year second quarter. The volume decline was primarily attributable to lower commercial and industrial volumes resulting from adverse economic conditions, unfavorable weather and, to a lesser extent, continued customer conservation. Lower volumes sold in the non-residential customer base accounted for approximately 63% of the decline in propane sales volume. Additionally, included within the propane segment are revenues from wholesale and other propane activities of $15.2 million in the second quarter of fiscal 2010, which increased $6.9 million compared to the prior year second quarter.

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Revenues from the distribution of fuel oil and refined fuels of $61.3 million in the second quarter of fiscal 2010 decreased $3.8 million, or 5.9%, from $65.1 million in the prior year second quarter, primarily due to lower volumes, partially offset by higher average selling prices. Fuel oil and refined fuels gallons sold in the second quarter of fiscal 2010 decreased 5.7 million gallons, or 23.7%, to 18.4 million gallons from 24.1 million gallons in the prior year second quarter. Lower volumes in our fuel oil and refined fuels segment were attributable to warmer average temperatures in our northeast territories, as well as the impact of ongoing customer conservation driven by adverse economic conditions. As mentioned above, average temperatures in the northeast were 6% warmer than both normal and the prior year second quarter and, in particular, average temperatures in the month of March 2010 were approximately 17% warmer than both normal and the comparable period in the prior year. Average selling prices in our fuel oil and refined fuels segment in the second quarter of fiscal 2010 increased 22.9% compared to the prior year second quarter due to higher product costs, thereby having a positive impact on revenues.

Revenues in our natural gas and electricity segment decreased $3.3 million, or 10.1%, to $28.8 million in the second quarter of fiscal 2010 compared to $32.1 million in the prior year second quarter primarily as a result of lower natural gas average selling prices. Revenues in our all other segment decreased 12.7% to $9.7 million in the second quarter of fiscal 2010 from $11.1 million in the prior year second quarter primarily due to reduced installation activities as a result of the market decline in residential and commercial construction and other adverse economic conditions.

Cost of Products Sold

(Dollars in thousands)	Three Months Ended March 27, 2010	March 28, 2009	Increase (Decrease)	Percent Increase (Decrease)
Cost of products sold				
Propane	$ 186,709	$ 141,201	$ 45,508	32.2%
Fuel oil and refined fuels	37,284	39,912	(2,628)	(6.6%)
Natural gas and electricity	21,721	24,165	(2,444)	(10.1%)
All other	2,745	2,981	(236)	(7.9%)
Total cost of products sold	$ 248,459	$ 208,259	$ 40,200	19.3%
As a percent of total revenues	53.0%	46.8%		

Given the retail nature of our operations, we maintain a certain level of priced physical inventory to ensure our field operations have adequate supply commensurate with the time of year. Our strategy has been, and will continue to be, to keep our physical inventory priced relatively close to market for our field operations. Consistent with past practices, we principally utilize futures and/or option contracts traded on the NYMEX to mitigate the price risk associated with our priced physical inventory. Under this risk management strategy, realized gains or losses on futures or option contracts, which are reported in cost of products sold, will typically offset losses or gains on the physical inventory once the product is sold. We do not use futures or option contracts, or other derivative instruments, for speculative trading purposes.

The cost of products sold reported in the condensed consolidated statements of operations represents the weighted average unit cost of propane and fuel oil sold, including transportation costs to deliver product from our supply points to storage or to our customer service centers. Cost of products sold also includes the cost of natural gas and electricity, as well as the cost of appliances and related parts sold or installed by our customer service centers computed on a basis that approximates the average cost of the products. Unrealized (non-cash) gains or losses from changes in the fair value of derivative instruments that are not designated as cash flow hedges are recorded in each quarterly reporting period within cost of products sold. Cost of products sold is reported exclusive of any depreciation and amortization; these amounts are reported separately within the condensed consolidated statements of operations.

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Average posted prices for propane and fuel oil in the second quarter of fiscal 2010 were 84.4% and 52.3% higher, respectively, compared to the prior year second quarter. Cost of products sold increased $40.2 million, or 19.3%, to $248.5 million in the second quarter of fiscal 2010 compared to $208.3 million in the prior year second quarter due to higher average product costs associated with the increase in commodity prices, partially offset by lower volumes sold and the favorable impact of non-cash mark-to-market adjustments from our risk management activities in the second quarter of fiscal 2010 compared to the prior year second quarter. Cost of products sold in the second quarter of fiscal 2010 included a $1.7 million unrealized (non-cash) loss representing the net change in the fair value of derivative instruments during the period, compared to a $9.7 million unrealized (non-cash) loss in the prior year second quarter, resulting in a decrease of $8.0 million in cost of products sold in the second quarter of fiscal 2010 compared to the prior year second quarter ($6.7 million decrease reported within the propane segment and $1.3 million decrease reported within the fuel oil and refined fuels segment).

Cost of products sold associated with the distribution of propane and related activities of $186.7 million in the second quarter of fiscal 2010 increased $45.5 million, or 32.2%, compared to the prior year second quarter. Higher average propane costs resulted in an increase of $56.2 million in cost of products sold during the second quarter of fiscal 2010 compared to the prior year second quarter. The impact of the sharp increase in commodity prices was partially offset by lower propane volumes which resulted in a $10.2 million decrease in cost of products sold during the second quarter of fiscal 2010 compared to the prior year second quarter. Cost of products sold from wholesale and other propane activities increased $6.2 million in the second quarter of fiscal 2010 compared to the prior year second quarter.

Cost of products sold associated with our fuel oil and refined fuels segment of $37.3 million in the second quarter of fiscal 2010 decreased $2.6 million, or 6.6%, compared to the prior year second quarter. Lower fuel oil volumes resulted in a decrease of $9.1 million in cost of products sold, substantially offset by the impact of the increase in commodity prices, which resulted in a $7.8 million increase in cost of products sold during the second quarter of fiscal 2010 compared to the prior year second quarter.

Cost of products sold in our natural gas and electricity segment of $21.7 million in the second quarter of fiscal 2010 decreased $2.4 million, or 10.1%, compared to the prior year second quarter primarily due to lower natural gas costs.

Cost of products sold in our all other segment of $2.7 million was relatively flat compared to the prior year second quarter.

For the second quarter of fiscal 2010, total cost of products sold as a percent of total revenues increased 6.2 percentage points to 53.0% from 46.8% in the prior year second quarter. The increase in cost of products sold as a percentage of revenues was primarily attributable to the favorable margins reported in the prior year second quarter that were attributable to the declining commodity price environment during that period, which situation was not repeated in the current year second quarter due to the rising commodity price environment in the current year. The declining commodity price environment in the first half of the prior year favorably impacted our risk management activities in the prior year second quarter, and contributed to a reduction in product costs that outpaced the decline in average selling prices. Conversely, the volatile commodity price environment in the current fiscal year presented challenges in managing pricing and, as a result, average product costs increased at a faster pace than average selling prices in the second quarter of fiscal 2010.

Operating Expenses

	Three Months Ended			
(Dollars in thousands)	March 27, 2010	March 28, 2009	Decrease	Percent Decrease
Operating expenses	$ 78,508	$ 86,848	$ (8,340)	(9.6%)
As a percent of total revenues	16.7%	19.5%		

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All costs of operating our retail distribution and appliance sales and service operations are reported within operating expenses in the condensed consolidated statements of operations. These operating expenses include the compensation and benefits of field and direct operating support personnel, costs of operating and maintaining our vehicle fleet, overhead and other costs of our purchasing, training and safety departments and other direct and indirect costs of operating our customer service centers.

Operating expenses of $78.5 million in the second quarter of fiscal 2010 decreased $8.3 million, or 9.6%, compared to $86.8 million in the prior year second quarter as a result of lower variable compensation associated with lower earnings, lower payroll and benefit related expense resulting from operating efficiencies, and lower insurance costs.

General and Administrative Expenses

	Three Months Ended			
(Dollars in thousands)	March 27, 2010	March 28, 2009	Increase	Percent Increase
General and administrative expenses	$ 20,257	$ 17,793	$ 2,464	13.8%
As a percent of total revenues	4.3%	4.0%		

All costs of our back office support functions, including compensation and benefits for executives and other support functions, as well as other costs and expenses to maintain finance and accounting, treasury, legal, human resources, corporate development and the information systems functions are reported within general and administrative expenses in the condensed consolidated statements of operations.

General and administrative expenses of $20.3 million for second quarter of fiscal 2010 increased $2.5 million, or 13.8%, compared to $17.8 million in the prior year second quarter primarily as a result of a reserve established for an unfavorable judgment in an uninsured legal matter, partially offset by lower variable compensation associated with lower earnings.

Depreciation and Amortization

	Three Months Ended			
(Dollars in thousands)	March 27, 2010	March 28, 2009	Increase	Percent Increase
Depreciation and amortization	$ 7,142	$ 7,131	$ 11	0.2%
As a percent of total revenues	1.5%	1.6%		

Depreciation and amortization expense of $7.1 million for the second quarter of fiscal 2010 was relatively flat compared to the prior year second quarter.

Interest Expense, net

	Three Months Ended			
(Dollars in thousands)	March 27, 2010	March 28, 2009	Decrease	Percent Decrease
Interest expense, net	$ 6,608	$ 9,442	$ (2,834)	(30.0%)
As a percent of total revenues	1.4%	2.1%		

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Net interest expense of $6.6 million for the second quarter of fiscal 2010 decreased $2.8 million compared to $9.4 million in the prior year second quarter due to a reduction of $183.0 million in long-term borrowings since March 28, 2009. See Liquidity and Capital Resources below for additional discussion on the reduction in long-term borrowings.

Net Income and EBITDA

Net income for the second quarter of fiscal 2010 amounted to $98.4 million, or $2.78 per Common Unit, compared to $114.9 million, or $3.50 per Common Unit, in the prior year quarter. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of fiscal 2010 amounted to $112.5 million, compared to $132.3 million in the prior year second quarter. Net income and EBITDA for the second quarter of fiscal 2010 included a loss on debt extinguishment of $9.5 million associated with the senior debt refinancing completed during March 2010.

EBITDA represents income before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss on mark-to-market activity for derivative instruments and loss on debt extinguishment. Our management uses EBITDA as a measure of liquidity and we disclose it because we believe that it provides our investors and industry analysts with additional information to evaluate our ability to meet our debt service obligations and to pay our quarterly distributions to holders of our Common Units. In addition, certain of our incentive compensation plans covering executives and other employees utilize Adjusted EBITDA as the performance target. Moreover, our revolving credit agreement requires us to use Adjusted EBITDA as a component in calculating our leverage and interest coverage ratios. EBITDA and Adjusted EBITDA are not recognized terms under GAAP and should not be considered as an alternative to net income or net cash (used in) provided by operating activities determined in accordance with GAAP. Because EBITDA and Adjusted EBITDA as determined by us excludes some, but not all, items that affect net income, they may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other companies.

The following table sets forth (i) our calculations of EBITDA and Adjusted EBITDA and (ii) a reconciliation of Adjusted EBITDA, as so calculated, to our net cash provided by operating activities:

	Three Months Ended	
(Dollars in thousands)	March 27, 2010	March 28, 2009
Net income	$ 98,388	$ 114,866
Add:		
Provision for income taxes	328	886
Interest expense, net	6,608	9,442
Depreciation and amortization	7,142	7,131
EBITDA	112,466	132,325
Unrealized (non-cash) losses on changes in fair value of derivatives	1,732	9,690
Loss on debt extinguishment	9,473	
Adjusted EBITDA	123,671	142,015
Add (subtract):		
Provision for income taxes current	(328)	(426)
Interest expense, net	(6,608)	(9,442)
Unrealized (non-cash) (losses) on changes in fair value of derivatives	(1,732)	(9,690)
Compensation cost recognized under Restricted Unit Plan	1,025	672
Gain on disposal of property, plant and equipment, net	293	(393)
Changes in working capital and other assets and liabilities	(44,264)	11,212

Net cash provided by operating activities	$ 72,057	$ 133,948

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Six Months Ended March 27, 2010 Compared to Six Months Ended March 28, 2009

Revenues

(Dollars in thousands)	Six Months Ended March 27, 2010	March 28, 2009	Decrease	Percent Decrease
Revenues				
Propane	$ 602,872	$ 610,821	$ (7,949)	(1.3%)
Fuel oil and refined fuels	100,558	119,329	(18,771)	(15.7%)
Natural gas and electricity	45,703	54,374	(8,671)	(15.9%)
All other	21,462	24,016	(2,554)	(10.6%)
Total revenues	$ 770,595	$ 808,540	$ (37,945)	(4.7%)

Total revenues decreased $37.9 million, or 4.7%, to $770.6 million for the six months ended March 27, 2010 compared to $808.5 million for the six months ended March 28, 2009 due to lower volumes, partially offset by higher average selling prices associated with higher product costs. Volumes were lower than the prior year period due to the impact of continued adverse economic conditions, particularly on our commercial and industrial accounts, as well as ongoing customer conservation efforts and the unfavorable impact of warmer temperatures. On an overall basis, average temperatures in our service territories during the first half of fiscal 2010 were 3% warmer than both normal levels and the comparable prior year period. In our northeastern territories, which is where we have a higher concentration of residential customers and all of our fuel oil customers, average temperatures during the first six months of fiscal 2010 were 6% warmer than the comparable prior year period.

Revenues from the distribution of propane and related activities of $602.9 million in the first six months of fiscal 2010 decreased $7.9 million, or 1.3%, compared to $610.8 million in the prior year period, due to lower volumes, particularly in our commercial and industrial accounts, partially offset by higher average selling prices. Retail propane gallons sold in the first six months of fiscal 2010 decreased 19.1 million gallons, or 8.2%, to 214.4 million gallons from 233.6 million gallons in the prior year period. The volume decline was primarily attributable to lower commercial and industrial volumes resulting from adverse economic conditions, an unfavorable weather pattern and, to a lesser extent, continued customer conservation. Lower volumes sold in the non-residential customer base accounted for approximately 63% of the decline in propane sales volume. Average propane selling prices in the first six months of fiscal 2010 increased 7.2% compared to the prior year period due to higher product costs, thereby having a positive impact on revenues. Additionally, included within the propane segment are revenues from wholesale and other propane activities of $25.8 million in the first six months of fiscal 2010, which increased $1.1 million compared to the prior year period.

Revenues from the distribution of fuel oil and refined fuels of $100.6 million in the first six months of fiscal 2010 decreased $18.8 million, or 15.7%, from $119.3 million in the prior year period, primarily due to lower volumes, partially offset by higher average selling prices. Fuel oil and refined fuels gallons sold in the first six months of fiscal 2010 decreased 9.4 million gallons, or 23.0%, to 31.4 million gallons from 40.8 million gallons in the prior year period. Lower volumes in our fuel oil and refined fuels segment were attributable to the aforementioned warmer average temperatures in the northeast region, as well as the impact of ongoing customer conservation driven by adverse economic conditions. Average selling prices in our fuel oil and refined fuels segment in the first six months of fiscal 2010 increased 9.1% compared to the prior year period due to higher product costs, thereby having a positive impact on revenues.

Revenues in our natural gas and electricity segment decreased $8.7 million, or 15.9%, to $45.7 million in the first six months of fiscal 2010 compared to $54.4 million in the prior year period primarily as a result of lower natural gas average selling prices. Revenues in our all other segment decreased 10.6% to $21.5 million in the first six months of fiscal 2010 from $24.0 million in the prior year period primarily due to reduced installation activities as a result of the market decline in residential and commercial construction and other adverse economic conditions.

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Cost of Products Sold

(Dollars in thousands)	Six Months Ended March 27, 2010	Six Months Ended March 28, 2009	Increase (Decrease)	Percent Increase (Decrease)
Cost of products sold				
Propane	$ 291,326	$ 259,086	$ 32,240	12.4%
Fuel oil and refined fuels	67,206	75,517	(8,311)	(11.0%)
Natural gas and electricity	34,174	41,848	(7,674)	(18.3%)
All other	6,119	6,038	81	1.3%
Total cost of products sold	$ 398,825	$ 382,489	$ 16,336	4.3%
As a percent of total revenues	51.8%	47.3%		

Cost of products sold increased $16.3 million, or 4.3%, to $398.8 million in the first six months of fiscal 2010 compared to $382.5 million in the prior year period due to higher average product costs, and to a lesser extent, the unfavorable impact of non-cash mark-to-market adjustments from our risk management activities in the first six months of fiscal 2010 compared to the prior year period, partially offset by lower volumes sold. Average posted prices for propane and fuel oil in the first six months of fiscal 2010 were 58.4% and 26.9% higher, respectively, compared to the prior year period. Cost of products sold in the first six months of fiscal 2010 included a $5.1 million unrealized (non-cash) loss representing the net change in the fair value of derivative instruments during the period, compared to a $5.3 million unrealized (non-cash) gain in the prior year period resulting in an increase of $10.4 million in cost of products sold in the first six months of fiscal 2010 compared to the prior year period ($3.2 million increase reported within the propane segment and $7.2 million increase reported within the fuel oil and refined fuels segment).

Cost of products sold associated with the distribution of propane and related activities of $291.3 million in the first six months of fiscal 2010 increased $32.2 million, or 12.4%, compared to the prior year period. Higher propane product costs resulted in an increase of $46.6 million in cost of products sold in the first six months of fiscal 2010 compared to the prior year period. This increase was partially offset by lower propane volumes, which resulted in a decrease of $21.6 million in cost of products sold in the first six months of fiscal 2010 compared to the prior year period. Cost of products sold from wholesale and other propane activities increased $4.0 million compared to the prior year period.

Cost of products sold associated with our fuel oil and refined fuels segment of $67.2 million in the first six months of fiscal 2010 decreased $8.3 million, or 11.0%, compared to the prior year period primarily due to lower volumes, offset to an extent by higher product costs. Lower fuel oil volumes resulted in a decrease of $17.8 million in cost of products sold, and higher product costs resulted in an increase of $2.3 million in cost of products sold during the first six months of fiscal 2010 compared to the prior year period.

Cost of products sold in our natural gas and electricity segment of $34.2 million in the first six months of fiscal 2010 decreased $7.7 million, or 18.3%, compared to the prior year period primarily due to lower natural gas product costs.

Cost of products sold in our all other segment of $6.1 million was relatively flat compared to the prior year period.

For the first six months of fiscal 2010, total cost of products sold as a percent of total revenues increased 4.5 percentage points to 51.8% from 47.3% in the prior year period. The increase in cost of products sold as a percentage of revenues was primarily attributable to the favorable margins reported in the first six months of the prior year that were attributable to the declining commodity price environment during that period, which situation was not repeated in the first six months of the current year due to the rising commodity price environment in the current year. The declining commodity price environment in the first half of the prior year favorably impacted our risk management activities in the prior year period, and contributed to a reduction in product costs that outpaced the decline in average selling prices. Conversely, the volatile commodity price environment in the current fiscal year presented challenges in managing pricing and, as a result, average product costs increased at a faster pace than average selling prices in the first six months of fiscal 2010.

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Operating Expenses

(Dollars in thousands)	Six Months Ended March 27, 2010	March 28, 2009	Decrease	Percent Decrease
Operating expenses	$ 152,995	$ 163,911	$ (10,916)	(6.7%)
As a percent of total revenues	19.9%	20.3%		

Operating expenses of $153.0 million in the first six months of fiscal 2010 decreased $10.9 million, or 6.7%, compared to $163.9 million in the prior year period as a result of lower variable compensation associated with lower earnings, lower payroll and benefit related expense resulting from operating efficiencies, lower insurance costs and lower fuel costs to operate our fleet.

General and Administrative Expenses

(Dollars in thousands)	Six Months Ended March 27, 2010	March 28, 2009	Increase	Percent Increase
General and administrative expenses	$ 33,995	$ 32,563	$ 1,432	4.4%
As a percent of total revenues	4.4%	4.0%		

General and administrative expenses of $34.0 million for first six months of fiscal 2010 increased $1.4 million, or 4.4%, compared to $32.6 million in the prior year period primarily as a result of an unfavorable judgment in an uninsured legal matter, partially offset by lower variable compensation associated with lower earnings.

Depreciation and Amortization

(Dollars in thousands)	Six Months Ended March 27, 2010	March 28, 2009	Increase	Percent Increase
Depreciation and amortization	$ 14,226	$ 14,154	$ 72	0.5%
As a percent of total revenues	1.8%	1.8%		

Depreciation and amortization expense of $14.2 million for the first six months of fiscal 2010 was relatively flat compared to the prior year period.

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Interest Expense, net

(Dollars in thousands)	Six Months Ended March 27, 2010	March 28, 2009	Decrease	Percent Decrease
Interest expense, net	$ 13,791	$ 18,845	$ (5,054)	(26.8%)
As a percent of total revenues	1.8%	2.3%		

Net interest expense of $13.8 million for the first six months of fiscal 2010 decreased $5.0 million compared to $18.8 million in the prior year period due to a reduction of $183.0 million in long-term borrowings since March 28, 2009. See Liquidity and Capital Resources below for additional discussion on the reduction in long-term borrowings.

Net Income and EBITDA

Net income for the first six months of fiscal 2010 amounted to $146.8 million, or $4.15 per Common Unit, a decrease of $48.8 million, or $1.81 per Common Unit, compared to the prior year period s net income of $195.6 million, or $5.96 per Common Unit. EBITDA amounted to $175.3 million for the first six months of fiscal 2010 compared to $229.6 million in the prior year period. Net income and EBITDA for the first six months of fiscal 2010 included a loss on debt extinguishment of $9.5 million associated with the senior debt refinancing completed during March 2010.

The following table sets forth (i) our calculations of EBITDA and Adjusted EBITDA and (ii) a reconciliation of Adjusted EBITDA, as so calculated, to our net cash provided by operating activities:

(Dollars in thousands)	Six Months Ended March 27, 2010	March 28, 2009
Net income	$ 146,763	$ 195,554
Add:		
Provision for income taxes	527	1,024
Interest expense, net	13,791	18,845
Depreciation and amortization	14,226	14,154
EBITDA	175,307	229,577
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	(5,140)	5,316
Loss on debt extinguishment	9,473	
Adjusted EBITDA	179,640	234,893
Add (subtract):		
Provision for income taxes current	(527)	(564)
Interest expense, net	(13,791)	(18,845)
Unrealized (non-cash) (losses) gains on changes in fair value of derivatives	5,140	(5,316)
Compensation cost recognized under Restricted Unit Plan	2,017	1,241
Gain on disposal of property, plant and equipment, net	(134)	(623)
Changes in working capital and other assets and liabilities	(115,014)	(51,834)
Net cash provided by operating activities	$ 57,331	$ 158,952

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Liquidity and Capital Resources

Analysis of Cash Flows

Operating Activities. Net cash provided by operating activities for the first six months of fiscal 2010 was $57.3 million, compared to net cash provided by operating activities of $159.0 million for the first six months of the prior year period. The decrease in net cash provided by operating activities was primarily attributable to the increase in propane and fuel oil commodity prices that resulted in a larger investment in working capital, coupled with a decrease in earnings in the first six months of fiscal 2010 compared to the first six months of the prior year. Despite the year over year increase in working capital requirements, we continued to fund working capital through cash on hand without the need to access the revolving credit facility.

Investing Activities. Net cash used in investing activities of $7.2 million for the first six months of fiscal 2010 consisted of capital expenditures of $9.5 million (including $4.0 million for maintenance expenditures and $5.5 million to support the growth of operations), partially offset by $2.3 million in net proceeds from the sale of property, plant and equipment. Net cash used in investing activities of $6.2 million for the first six months of fiscal 2009 consisted of capital expenditures of $8.3 million (including $3.6 million for maintenance expenditures and $4.7 million to support the growth of operations), partially offset by $2.1 million in net proceeds from the sale of property, plant and equipment.

Financing Activities. Net cash used in financing activities for the first six months of fiscal 2010 of $72.4 million reflects quarterly distributions to Common Unitholders at a rate of $0.830 per Common Unit paid in respect of the fourth quarter of fiscal 2009 and $0.835 per Common Unit paid in respect of the first quarter of fiscal 2010. In addition, financing activities for the first six months of fiscal 2010 reflects the repurchase of $250.0 million aggregate principal amount of our 6.875% senior notes due 2013 for $256.5 million (including repurchase premiums and fees), which was substantially funded by the net proceeds of $247.8 million from the issuance of 7.375% senior notes due 2020, as well as the $5.0 million payment of debt issuance costs associated with the issuance of the 2020 senior notes. Net cash used in financing activities for the six months ended March 28, 2009 of $55.0 million reflects quarterly distributions to Common Unitholders at a rate of $0.805 per Common Unit paid in respect of the fourth quarter of fiscal 2008 and $0.810 per Common Unit paid in respect of the first quarter of fiscal 2009, as well as a prepayment of $2.0 million under our previously outstanding term loan.

Summary of Long-Term Debt Obligations and Revolving Credit Lines

On March 23, 2010, we completed a public offering of $250.0 million in aggregate principal amount of 7.375% senior notes due 2020 (the 2020 Senior Notes). The 2020 Senior Notes were issued at 99.136% of the principal amount. The net proceeds from the issuance, along with cash on hand, were used to repurchase the 6.875% senior notes due 2013 on March 23, 2010 through a redemption and tender offer. In connection with the repurchase of the 2013 Senior Notes, we recognized a loss on the extinguishment of debt of $9.5 million in the second quarter of fiscal 2010, consisting of $7.2 million for the repurchase premium and related fees, as well as the write-off of $2.3 million in unamortized debt origination costs and unamortized discount.

As of March 27, 2010, our long-term borrowings and revolving credit lines consist of the 2020 Senior Notes and a $250.0 million senior secured revolving credit facility at the Operating Partnership level (the Revolving Credit Facility). The Revolving Credit Facility was executed on June 26, 2009 and replaced the Operating Partnership s previous credit facility which, as amended, provided for a $108.0 million term loan (the Term Loan) and a separate $175.0 million working capital facility both of which were scheduled to mature in March 2010. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions until maturity on June 25, 2013. Our Operating Partnership has the right to prepay loans under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity. At closing, the Operating Partnership borrowed $100.0 million under the Revolving Credit Facility and, with cash on hand, repaid the $108.0 million then outstanding under the Term Loan and terminated the previous credit agreement. We have standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of $61.9 million primarily in support of retention levels under our self-insurance programs, which expire periodically through April 3, 2011. Therefore, as of March 27, 2010 we had available borrowing capacity of $88.1 million under the Revolving Credit Facility.

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The 2020 Senior Notes mature on March 15, 2020 and require semi-annual interest payments. We are permitted to redeem some or all of the 2020 Senior Notes any time at redemption prices specified in the indenture governing the notes. In addition, the 2020 Senior Notes have a change of control provision that would require us to offer to repurchase the notes at 101% of the principal amount repurchased, if the change of control 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.

Borrowings under the Revolving Credit Facility bear interest at prevailing interest rates based upon, at our Operating Partnership s option, LIBOR plus the applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus 1/2 of 1%, the agent bank s prime rate, or LIBOR plus 1%, plus in each case the applicable margin. The applicable margin is dependent upon our ratio of total debt to EBITDA on a consolidated basis, as defined in the Revolving Credit Facility. As of March 27, 2010, the interest rate for the Revolving Credit Facility was approximately 3.3%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

In connection with the Revolving Credit Facility, our Operating Partnership amended its existing interest rate swap agreement, which has a termination date of March 31, 2010, to reduce the notional amount to $100.0 million from $108.0 million. Our Operating Partnership will pay a fixed interest rate of 4.66% to the issuing lender on the notional principal amount outstanding, effectively fixing the LIBOR portion of the interest rate at 4.66%. In return, the issuing lender will pay to our Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount.

On July 31, 2009, our Operating Partnership entered into a forward starting interest rate swap agreement with a March 31, 2010 effective date, which is commensurate with the maturity of the existing interest rate swap agreement, and termination date of June 25, 2013. Under the forward starting interest rate swap agreement, our Operating Partnership will pay a fixed interest rate of 3.12% to the issuing lender on the notional principal amount outstanding, effectively fixing the LIBOR portion of the interest rate at 3.12%. In return, the issuing lender will pay to our Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount.

The Revolving Credit Facility and the 2020 Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership 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. The Revolving Credit Facility contains certain financial covenants (a) requiring the consolidated interest coverage ratio, as defined, at the Partnership level 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, at the Partnership level from being greater than 4.5 to 1.0 as of the end of any fiscal quarter; and (c) prohibiting the senior secured consolidated leverage ratio, as defined, of the Operating Partnership from being greater than 3.0 to 1.0 as of the end of any fiscal quarter. Under the 2020 Senior Note indenture, we 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 the Partnership s consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. We were in compliance with all covenants and terms of the 2020 Senior Notes and the Revolving Credit Facility as of March 27, 2010.

Partnership Distributions

We are required to make distributions in an amount equal to all of our Available Cash, as defined in the Third Amended and Restated Partnership Agreement, as amended (the Partnership Agreement), as amended, no more than 45 days after the end of each fiscal quarter to holders of record on the applicable record dates. 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 our business, the payment of debt principal and interest and for distributions during the next four quarters. The Board of Supervisors reviews the level of Available Cash on a quarterly basis based upon information provided by management.

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On April 22, 2010, we announced a quarterly distribution of $0.84 per Common Unit, or $3.36 on an annualized basis, in respect of the second quarter of fiscal 2010 payable on May 11, 2010 to holders of record on May 4, 2010. The annualized distribution represents an increase of $0.02 per Common Unit from the previous distribution rate, representing the twenty-fifth increase since our recapitalization in 1999 and a growth rate of 3.1% in the quarterly distribution rate compared to the second quarter of fiscal 2009.

Other Commitments

We have a noncontributory, cash balance format, defined benefit pension plan which was frozen to new participants effective January 1, 2000. Effective January 1, 2003, the defined benefit pension plan was amended such that future service credits ceased and eligible employees would receive interest credits only toward their ultimate retirement benefit. We also provide postretirement health care and life insurance benefits for certain retired employees under a plan that was also frozen to new participants effective January 1, 2000. At March 27, 2010, we had a liability for the defined benefit pension plan and accrued retiree health and life benefits of $16.8 million and $20.9 million, respectively.

We are self-insured for general and product, workers compensation and automobile liabilities up to predetermined thresholds above which third party insurance applies. At March 27, 2010, we had accrued insurance liabilities of $56.2 million, and an insurance recovery asset of $18.2 million related to the amount of the liability expected to be covered by insurance carriers.

Off-Balance Sheet Arrangements

Guarantees

We have residual value guarantees associated with certain of our operating leases, related primarily to transportation equipment, with remaining lease periods scheduled to expire periodically through fiscal 2017. Upon completion of the lease period, we guarantee that the fair value of the equipment will equal or exceed the guaranteed amount, or we 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 we could be required to make under these leasing arrangements, assuming the equipment is deemed worthless at the end of the lease term, is approximately $9.4 million as of March 27, 2010. The fair value of residual value guarantees for outstanding operating leases was de minimis as of March 27, 2010 and September 26, 2009.

Recently Issued Accounting Standards

In December 2008, the Financial Accounting Standards Board issued new financial reporting guidance to require more detailed disclosures about employers pension plan assets. These new disclosures will include more information on investment strategies, major categories of plan assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. The new guidance is effective for fiscal years ending after December 15, 2009, which is our 2010 fiscal year ending September 25, 2010. Since it only addresses disclosures, the adoption of the new guidance is not expected to have an impact on our consolidated financial position, results of operations and cash flows.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas (plus transportation costs) at the time of delivery. In addition, to supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to ensure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions. In certain instances, and when market conditions are favorable, we are able to purchase product under our supply arrangements at a discount to the market.

Product cost changes can occur rapidly over a short period of time and can impact profitability. We attempt to reduce commodity price risk by pricing product on a short-term basis. The level of priced, physical product maintained in storage facilities and at our customer service centers for immediate sale to our customers will vary depending on several factors, including, but not limited to, price, availability of supply, and demand for a given time of the year. Typically, our on hand priced position does not exceed more than four to eight weeks of our supply needs, depending on the time of the year. In the course of normal operations, we routinely enter into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that, under accounting rules for derivative instruments and hedging activities, qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from fair value accounting and are accounted for at the time product is purchased or sold under the related contract.

Under our hedging and risk management strategies, we enter into a combination of exchange-traded futures and option contracts and, in certain instances, over-the-counter option contracts (collectively, derivative instruments) to manage the price risk associated with priced, physical product and with future purchases of the commodities used in our operations, principally propane and fuel oil, as well as to ensure the availability of product during periods of high demand. We do not use derivative instruments for speculative or trading purposes. Futures contracts require that we sell or acquire propane or fuel oil at a fixed price for delivery at fixed future dates. An option contract allows, but does not require, its holder to buy or sell propane or fuel oil at a specified price during a specified time period. However, the writer of an option contract must fulfill the obligation of the option contract, should the holder choose to exercise the option. At expiration, the contracts are settled by the delivery of the product to the respective party or are settled by the payment of a net amount equal to the difference between the then current price and the fixed contract price or option exercise price. To the extent that we utilize derivative instruments to manage exposure to commodity price risk and commodity prices move adversely in relation to the contracts, we could suffer losses on those derivative instruments when settled. Conversely, if prices move favorably, we could realize gains. Under our hedging and 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 to customers at market prices.

Market Risk

We are subject to commodity price risk to the extent that propane or fuel oil market prices deviate from fixed contract settlement amounts. Futures traded with brokers of the NYMEX require daily cash settlements in margin accounts. Forward and option contracts are generally settled at the expiration of the contract term either by physical delivery or through a net settlement mechanism. Market risks associated with futures, options and forward contracts are monitored daily for compliance with our Hedging and Risk Management Policy which includes volume limits for open positions. Open inventory positions are reviewed and managed daily as to exposures to changing market prices.

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Credit Risk

Exchange traded futures and option contracts are guaranteed by the NYMEX and, as a result, have minimal credit risk. We are subject to credit risk with over-the-counter forward and propane option contracts to the extent the counterparties do not perform. We evaluate the financial condition of each counterparty with which we conduct business and establish credit limits to reduce exposure to the risk of non-performance by our counterparties.

Interest Rate Risk

A portion of our 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 1/2 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 total of debt to EBITDA). Therefore, we are subject to interest rate risk on the variable component of the interest rate. We manage our interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as a cash flow hedge. Changes in the fair value of the interest rate swaps are recognized in other comprehensive income (OCI) until the hedged item is recognized in earnings. At March 27, 2010, the fair value of the interest rate swaps was $4.0 million representing an unrealized loss and is included within other current liabilities and other liabilities, as applicable, with a corresponding debit in OCI.

Derivative Instruments and Hedging Activities

All of our derivative instruments are reported on the balance sheet at their fair values. On the date that futures, forward and option contracts are entered into, we make 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 OCI, depending on whether a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, we formally assess, 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 cost of products sold 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 immediately recognized in cost of products sold. 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 cost of products sold as they occur. Cash flows associated with derivative instruments are reported as operating activities within the condensed consolidated statement of cash flows.

At March 27, 2010, the fair value of derivative instruments described above resulted in derivative assets (unrealized gains) of $1.1 million and derivative liabilities (unrealized losses) of $1.7 million.

Sensitivity Analysis

In an effort to estimate our exposure to unfavorable market price changes in commodities related to our open positions under derivative instruments, we developed a model that incorporates the following data and assumptions:

A. The fair value of open positions as of March 27, 2010.
B. The estimated forward market prices as of March 27, 2010 as derived from the NYMEX for traded commodities.
C. The market prices determined in B. above were adjusted adversely by a hypothetical 10% change in the forward prices and compared to the fair value amounts in A. above to project the potential negative impact on earnings that would be recognized for the respective scenario.

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Based on the sensitivity analysis described above, a hypothetical 10% adverse change in market prices for which futures and option contracts exists indicates potential future losses in future earnings of $1.9 million as of March 27, 2010. See also Item 7A of our Annual Report on Form 10-K for the fiscal year ended September 26, 2009. The above hypothetical change does not reflect the worst case scenario. Actual results may be significantly different depending on market conditions and the composition of the open position portfolio.

ITEM 4. CONTROLS AND PROCEDURES

(a) The Partnership maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) that are designed to provide reasonable assurance that information required to be disclosed in the Partnership s filings and submissions under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to the Partnership s management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Partnership completed an evaluation under the supervision and with participation of the Partnership s management, including the Partnership s principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Partnership s disclosure controls and procedures as of March 27, 2010. Based on this evaluation, the Partnership s principal executive officer and principal financial officer have concluded that as of March 27, 2010, such disclosure controls and procedures were effective to provide the reasonable assurance described above.

There have not been any changes in the Partnership s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) during the quarter ended March 27, 2010 that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.

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PART II

ITEM 6. EXHIBITS

(a) Exhibits

4.1	First Supplemental Indenture, dated as of March 19, 2010, relating to the 6.875% Senior Notes due 2013, among Suburban Propane Partners, L.P., Suburban Energy Finance Corporation and The Bank of New York Mellon, as Trustee. (Incorporated by reference to Exhibit 4.1 to the Partnership s Current Report on Form 8-K filed on March 19, 2010).
4.2	Indenture, dated as of March 23, 2010, relating to the 7.375% Senior Notes due 2020, among Suburban Propane Partners, L.P., Suburban Energy Finance Corporation and The Bank of New York Mellon, as Trustee, including the form of 7.375% Senior Notes due 2020. (Incorporated by reference to Exhibit 4.1 to the Partnership s Current Report on Form 8-K filed on March 23, 2010).
4.3	First Supplemental Indenture, dated as of March 23, 2010, relating to the 7.375% Senior Notes due 2020, among Suburban Propane Partners, L.P., Suburban Energy Finance Corporation and The Bank of New York Mellon, as Trustee. (Incorporated by reference to Exhibit 4.2 to the Partnership s Current Report on Form 8-K filed on March 23, 2010).
10.1	First Amendment to Credit Agreement, dated March 9, 2010, by and among Suburban Propane, L.P., Suburban Propane Partners, L.P., each lender signatory thereto and Bank of America, N.A., as the administrative agent for the lenders therein. (Incorporated by reference to Exhibit 10.1 in the Partnership s Current Report on Form 8-K dated March 9, 2010).
31.1	Certification of the President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
32.1	Certification of the President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith).

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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.

SUBURBAN PROPANE PARTNERS, L.P.

May 6, 2010 Date	By: /s/ MICHAEL A. STIVALA Michael A. Stivala Chief Financial Officer
May 6, 2010 Date	By: /s/ MICHAEL A. KUGLIN Michael A. Kuglin Controller and Chief Accounting Officer