

SUBURBAN PROPANE PARTNERS LP
Form 10-Q
August 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 28, 2014**

- .. **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
(State or other jurisdiction of

22-3410353
(I.R.S. Employer

incorporation or organization)

Identification No.)

240 Route 10 West

Whippany, NJ 07981

(973) 887-5300

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Smaller reporting company

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

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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 Annual 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 cost savings expected from the Partnership s acquisition of the retail propane operations formerly owned by Inergy, L.P. (the Inergy Propane Acquisition) may not be fully realized or realized within the expected time frame;

The revenue gained by the Partnership from the Inergy Propane Acquisition may be lower than expected;

The costs of integrating the business acquired in the Inergy Propane Acquisition into the Partnership s existing operations may be greater than expected;

The ability of the Partnership to compete with other suppliers of propane, fuel oil and other energy sources;

The impact on the price and supply of propane, fuel oil and other refined fuels from the political, military or economic instability of the oil producing nations, global terrorism and other general economic conditions;

The ability of the Partnership to acquire sufficient volumes of, and the costs to the Partnership of acquiring, transporting and storing, propane, fuel oil and other refined fuels;

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The ability of the Partnership to acquire and maintain reliable transportation for its propane, fuel oil and other refined fuels;

The ability of the Partnership to retain customers or acquire new customers;

The impact of customer conservation, energy efficiency and technology advances on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;

The ability of management to continue to control expenses;

The impact of changes in applicable statutes and government regulations, or their interpretations, including those relating to the environment and global warming, derivative instruments and other regulatory developments on the Partnership's business;

The impact of changes in tax laws that could adversely affect the tax treatment of the Partnership for income tax purposes;

The impact of legal proceedings on the Partnership's business;

The impact of operating hazards that could adversely affect the Partnership's operating results to the extent not covered by insurance;

The Partnership's ability to make strategic acquisitions and successfully integrate them, including but not limited to Inergy Propane;

The impact of current conditions in the global capital and credit markets, and general economic pressures;

The operating, legal and regulatory risks the Partnership may face; and

Other risks referenced from time to time in filings with the Securities and Exchange Commission (SEC) and those factors listed or incorporated by reference into the Partnership's 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 28, 2013. On different occasions, the Partnership or its representatives have made or may make Forward-Looking Statements in other filings with the SEC, press releases or oral statements made by or with the approval of one of the Partnership's authorized executive officers. Readers are cautioned not to place undue reliance on Forward-Looking Statements, which reflect management's view only as of the date made. The Partnership undertakes no obligation to update any Forward-Looking Statement or Cautionary Statement, except as required by law. All subsequent written and oral Forward-Looking Statements attributable to the Partnership or persons acting on its behalf are expressly qualified in

their entirety by the Cautionary Statements in this Quarterly Report and in future SEC reports.

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

	June 28, 2014	September 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 69,317	\$ 107,232
Accounts receivable, less allowance for doubtful accounts of \$12,774 and \$6,786, respectively	139,981	94,854
Inventories	78,508	77,623
Other current assets	17,372	13,613
Total current assets	305,178	293,322
Property, plant and equipment, net	843,175	888,232
Goodwill	1,087,429	1,087,429
Other intangible assets, net	373,631	416,771
Other assets	40,087	42,233
Total assets	\$ 2,649,500	\$ 2,727,987
LIABILITIES AND PARTNERS CAPITAL		
Current liabilities:		
Accounts payable	\$ 39,071	\$ 52,766
Accrued employment and benefit costs	26,714	23,559
Customer deposits and advances	47,733	107,562
Accrued interest	20,030	24,357
Other current liabilities	25,641	25,650
Total current liabilities	159,189	233,894
Long-term borrowings	1,243,297	1,245,237
Accrued insurance	48,961	51,502
Other liabilities	69,052	68,228
Total liabilities	1,520,499	1,598,861
Commitments and contingencies		
Partners capital:		
Common Unitholders (60,312 and 60,231 units issued and outstanding at June 28, 2014 and September 28, 2013, respectively)	1,173,128	1,176,479
Accumulated other comprehensive loss	(44,127)	(47,353)

Total partners' capital	1,129,001	1,129,126
Total liabilities and partners' capital	\$ 2,649,500	\$ 2,727,987

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	
	June 28,	June 29,
	2014	2013
Revenues		
Propane	\$ 242,173	\$ 230,777
Fuel oil and refined fuels	26,898	31,026
Natural gas and electricity	16,912	16,132
All other	11,160	12,870
	297,143	290,805
Costs and expenses		
Cost of products sold	161,482	148,176
Operating	115,991	118,314
General and administrative	13,253	13,465
Depreciation and amortization	32,992	31,505
	323,718	311,460
Operating loss	(26,575)	(20,655)
Loss on debt extinguishment	11,589	
Interest expense, net	20,662	24,385
Loss before provision for income taxes	(58,826)	(45,040)
Provision for income taxes	163	148
Net loss	\$ (58,989)	\$ (45,188)
Loss per Common Unit basic	\$ (0.98)	\$ (0.77)
Weighted average number of Common Units outstanding basic	60,462	58,730
Loss per Common Unit diluted	\$ (0.98)	\$ (0.77)
Weighted average number of Common Units outstanding diluted	60,462	58,730

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)

	Nine Months Ended	
	June 28, 2014	June 29, 2013
Revenues		
Propane	\$ 1,409,271	\$ 1,164,099
Fuel oil and refined fuels	174,888	185,967
Natural gas and electricity	74,311	64,253
All other	38,501	45,615
	1,696,971	1,459,934
Costs and expenses		
Cost of products sold	959,206	740,275
Operating	361,035	359,621
General and administrative	51,105	51,060
Depreciation and amortization	101,101	93,347
	1,472,447	1,244,303
Operating income	224,524	215,631
Loss on debt extinguishment	11,589	
Interest expense, net	63,095	73,284
Income before provision for income taxes	149,840	142,347
Provision for income taxes	611	430
Net income	\$ 149,229	\$ 141,917
Income per Common Unit basic	\$ 2.47	\$ 2.46
Weighted average number of Common Units outstanding basic	60,448	57,718
Income per Common Unit diluted	\$ 2.46	\$ 2.45
Weighted average number of Common Units outstanding diluted	60,710	57,924

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 COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months		Nine Months Ended	
	Ended June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net (loss) income	\$ (58,989)	\$ (45,188)	\$ 149,229	\$ 141,917
Other comprehensive income:				
Net unrealized (losses) gains on cash flow hedges	(433)	857	(689)	1,176
Reclassification of realized losses on cash flow hedges into earnings	351	702	1,050	2,100
Amortization of net actuarial losses and prior service credits into earnings	955	1,198	2,865	3,596
Other comprehensive income	873	2,757	3,226	6,872
Total comprehensive (loss) income	\$ (58,116)	\$ (42,431)	\$ 152,455	\$ 148,789

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)

	Nine Months Ended	
	June 28, 2014	June 29, 2013
Cash flows from operating activities:		
Net income	\$ 149,229	\$ 141,917
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	101,101	93,347
Loss on debt extinguishment	11,589	
Other, net	3,643	(2,073)
Changes in assets and liabilities:		
Accounts receivable	(45,127)	(16,726)
Inventories	(885)	19,227
Other current and noncurrent assets	(810)	3,116
Accounts payable	(13,695)	(7,069)
Accrued employment and benefit costs	3,155	11,671
Customer deposits and advances	(59,829)	(62,446)
Accrued insurance	(2,541)	8,100
Other current and noncurrent liabilities	(860)	11,404
Net cash provided by operating activities	144,970	200,468
Cash flows from investing activities:		
Capital expenditures	(21,642)	(21,167)
Proceeds from sale of property, plant and equipment	9,540	5,633
Adjustment to purchase price for Inergy Propane		5,850
Net cash (used in) investing activities	(12,102)	(9,684)
Cash flows from financing activities:		
Proceeds from long-term borrowings	525,000	
Repayment of long-term borrowings (includes premium and fees)	(528,077)	
Proceeds from borrowings under revolving credit facility	61,700	
Repayment of borrowings under revolving credit facility	(61,700)	
Issuance costs associated with long-term borrowings	(9,463)	
Net proceeds from issuance of Common Units		143,444
Partnership distributions	(158,243)	(148,555)
Net cash (used in) financing activities	(170,783)	(5,111)

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Net (decrease) increase in cash and cash equivalents	(37,915)	185,673
Cash and cash equivalents at beginning of period	107,232	134,317
Cash and cash equivalents at end of period	\$ 69,317	\$ 319,990

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
Balance at September 28, 2013	60,231	\$ 1,176,479	\$ (47,353)	\$ 1,129,126
Net income		149,229		149,229
Other comprehensive income			3,226	3,226
Partnership distributions		(158,243)		(158,243)
Common Units issued under Restricted Unit Plans	81			
Compensation cost recognized under Restricted Unit Plans, net of forfeitures		5,663		5,663
Balance at June 28, 2014	60,312	\$ 1,173,128	\$ (44,127)	\$ 1,129,001

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 unit and per unit amounts)

(unaudited)

1. Partnership Organization and Formation

Suburban Propane Partners, L.P. (the Partnership) is a publicly traded Delaware limited partnership principally engaged, through its operating partnership and subsidiaries, in the retail marketing and distribution of propane, fuel oil and refined fuels, as well as the marketing of natural gas and electricity in deregulated markets. In addition, to complement its core marketing and distribution businesses, the Partnership services a wide variety of home comfort equipment, particularly for heating and ventilation. The publicly traded limited partner interests in the Partnership are evidenced by common units traded on the New York Stock Exchange (Common Units), with 60,311,633 Common Units outstanding at June 28, 2014. The holders of Common Units are entitled to participate in distributions and exercise the rights and privileges available to limited partners under the Third Amended and Restated Agreement of Limited Partnership as amended (the Partnership Agreement). Rights and privileges under the Partnership Agreement include, among other things, the election of all members of the Board of Supervisors and voting on the removal of the general partner.

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

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

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

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

On August 1, 2012 (the Acquisition Date), the Partnership completed the acquisition of the sole membership interest in Inergy Propane, LLC (the Inergy Propane Acquisition), including certain wholly-owned subsidiaries of Inergy Propane, LLC, and the assets of Inergy Sales and Service, Inc. The acquired interests and assets are collectively referred to as Inergy Propane. As of the Acquisition Date, Inergy Propane consisted of the former retail propane assets and operations of Inergy, L.P. (Inergy). On the Acquisition Date, Inergy Propane and its remaining wholly-owned subsidiaries acquired became subsidiaries of the Operating Partnership, but were merged into the Operating

Partnership on April 30, 2013. The results of operations of Inergy Propane have been included in the Partnership's results of operations since the Acquisition Date. See Note 3, Acquisition of Inergy Propane, included within the Notes to Consolidated Financial Statements section of our Annual Report on Form 10-K for the fiscal year ended September 28, 2013.

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 financial statements included in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 28, 2013. Due to the seasonal nature of the Partnership's operations, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Fiscal Period. The Partnership uses a 52/53 week fiscal year which ends on the last Saturday in September. The Partnership's fiscal quarters are generally 13 weeks in duration. When the Partnership's fiscal year is 53 weeks long, the corresponding fourth quarter is 14 weeks in duration.

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

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

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

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

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

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Recently Issued Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (ASU 2014-09). This update provides a principles-based approach to revenue recognition, requiring revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. The revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016, which will be the Partnership's first quarter of fiscal year 2018. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. The Partnership is evaluating the impacts, if any, the adoption of ASU 2014-09 will have on the Partnership's results of operations, financial position or cash flows.

Recently Adopted Accounting Pronouncements. In December 2011, the FASB issued an ASU regarding disclosures about offsetting assets and liabilities (ASU 2011-11). The new guidance requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position. The amendment, further clarified with ASU 2013-01, enhances disclosures by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with other US GAAP or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether or not they are offset in the balance sheet. The Partnership adopted ASU 2011-11 and ASU 2013-01 on September 29, 2013 and included further disclosure regarding offsetting assets and liabilities for derivative instruments accounted for under ASC 815. As this guidance affects disclosures only, its adoption had no impact on the Partnership's financial position, results of operations or cash flows.

In February 2013, the FASB issued an ASU to establish the effective date for the requirement to present components of reclassifications out of accumulated other comprehensive income either parenthetically on the face of the financial statements or in the notes to the financial statements (ASU 2013-02). The Partnership adopted ASU 2013-02 on September 29, 2013 and its adoption did not change the items that must be reported in other comprehensive income, nor did it have an impact on the Partnership's financial position, results of operations or cash flows.

3. Financial Instruments and Risk Management

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

Derivative Instruments and Hedging Activities.

Commodity Price Risk. Given the retail nature of its operations, the Partnership maintains a certain level of priced physical inventory to help ensure its field operations have adequate supply commensurate with the time of year. The Partnership's strategy is to keep its physical inventory priced relatively close to market for its field operations. The Partnership enters into a combination of exchange-traded futures and option contracts and, in certain instances, over-the-counter options and swap contracts (collectively, derivative instruments) to hedge price risk associated with propane and fuel oil physical inventories, as well as future purchases of propane or fuel oil used in its operations and to help ensure adequate supply during periods of high demand. In addition, the Partnership sells propane and fuel oil to customers at fixed prices, and enters into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Under this risk management strategy, realized gains

or losses on derivative instruments will typically offset losses or gains on the physical inventory once the product is sold or delivered as it pertains to fixed price contracts. All of the Partnership's derivative instruments are reported on the condensed consolidated balance sheet at their fair values. In addition, in the course of normal operations, the Partnership routinely enters into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from the fair value accounting requirements and are accounted for at the time product is purchased or sold under the related contract. The Partnership does not use derivative instruments for speculative trading purposes. Market risks associated with futures, options, forward and swap contracts are monitored daily for compliance with the Partnership's Hedging and Risk Management Policy which includes volume limits for open positions. Priced on-hand inventory is also reviewed and managed daily as to exposures to changing market prices.

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

Interest Rate Risk. A portion of the Partnership's borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus $\frac{1}{2}$ 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 consolidated 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 are determined using an income approach, whereby future settlements under the swaps are converted into a single present value, with fair value being based on the value of current market expectations about those future amounts. Changes in the fair value are recognized in OCI until the hedged item is recognized in earnings. However, due to changes in the underlying interest rate environment, the corresponding value in OCI is subject to change prior to its impact on earnings.

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

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The following summarizes the gross fair value of the Partnership's derivative instruments and their location in the condensed consolidated balance sheet as of June 28, 2014 and September 28, 2013, respectively:

	As of June 28, 2014		As of September 28, 2013	
	Location	Fair Value	Location	Fair Value
Asset Derivatives				
Derivatives not designated as hedging instruments:				
Commodity-related				
derivatives	Other current assets	\$ 2,628	Other current assets	\$ 2,546
	Other assets	104	Other assets	716
		\$ 2,732		\$ 3,262

	As of June 28, 2014		As of September 28, 2013	
	Location	Fair Value	Location	Fair Value
Liability Derivatives				
Derivatives designated as hedging instruments:				
Interest rate swap				
	Other current liabilities	\$ 1,335	Other current liabilities	\$ 1,307
	Other liabilities	733	Other liabilities	1,121
		\$ 2,068		\$ 2,428

Derivatives not designated as hedging instruments:				
Commodity-related				
derivatives	Other current liabilities	\$ 434	Other current liabilities	\$ 430

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

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Nine Months Ended June 28, 2014		Nine Months Ended June 29, 2013	
	Assets	Liabilities	Assets	Liabilities
Beginning balance of over-the-counter options	\$ 1,847	\$	\$ 5,002	\$ 1,209
Beginning balance realized during the period	(773)		(3,933)	(1,162)
Contracts purchased during the period	1,141		984	
Change in the fair value of outstanding contracts	(85)		(544)	(43)
Ending balance of over-the-counter options	\$ 2,130	\$	\$ 1,509	\$ 4

As of June 28, 2014 and September 28, 2013, the Partnership's outstanding commodity-related derivatives had a weighted average maturity of approximately six and four months, respectively.

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The effect of the Partnership's derivative instruments on the condensed consolidated statement of operations and the condensed consolidated statement of comprehensive income, as applicable, for the three and nine months ended June 28, 2014 and June 29, 2013 are as follows:

Derivatives in Cash Flow Hedging Relationships	Three months ended June 28, 2014			Three months ended June 29, 2013		
	Gains (Losses) Reclassified			Gains (Losses) Reclassified		
	Gains (Losses) from Accumulated OCI into Recognized in OCI	Income Location	Amount	Gains (Losses) from Accumulated OCI into Recognized in OCI	Income Location	Amount
Interest rate swap	(Effective Portion)	Interest expense	\$ (351)	(Effective Portion)	Interest expense	\$ (702)
	\$ (433)			\$ 857		
	Unrealized Gains (Losses)			Unrealized Gains (Losses)		
Derivatives Not Designated as Hedging Instruments	Recognized in Income			Recognized in Income		
Commodity-related derivatives	Location	Amount		Location	Amount	
	Cost of products sold	\$ 707		Cost of products sold	\$ (73)	
Derivatives in Cash Flow Hedging Relationships	Nine months ended June 28, 2014			Nine months ended June 29, 2013		
	Gains (Losses) Reclassified			Gains (Losses) Reclassified		
	Gains (Losses) from Accumulated OCI into Recognized in OCI	Income Location	Amount	Gains (Losses) from Accumulated OCI into Recognized in OCI	Income Location	Amount
Interest rate swap	(Effective Portion)	Interest expense	\$ (1,050)	(Effective Portion)	Interest expense	\$ (2,100)
	\$ (689)			\$ 1,176		
	Unrealized Gains (Losses)			Unrealized Gains (Losses)		
Derivatives Not Designated as Hedging Instruments	Recognized in Income			Recognized in Income		
Commodity-related derivatives	Location	Amount		Location	Amount	
	Cost of products sold	\$ 708		Cost of products sold	\$ (6,333)	

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

As of June 28, 2014			
	Gross amounts	Effects of netting	Net amounts presented in the balance sheet
Asset Derivatives			
Commodity-related derivatives	\$ 4,086	\$ (1,354)	\$ 2,732
Interest rate swap	1,994	(1,994)	
	\$ 6,080	\$ (3,348)	\$ 2,732
Liability Derivatives			
Commodity-related derivatives	\$ 1,788	\$ (1,354)	\$ 434
Interest rate swap	4,062	(1,994)	2,068
	\$ 5,850	\$ (3,348)	\$ 2,502
As of September 28, 2013			
	Gross amounts	Effects of netting	Net amounts presented in the balance sheet
Asset Derivatives			
Commodity-related derivatives	\$ 3,634	\$ (372)	\$ 3,262
Interest rate swap	2,804	(2,804)	
	\$ 6,438	\$ (3,176)	\$ 3,262
Liability Derivatives			
Commodity-related derivatives	\$ 802	\$ (372)	\$ 430
Interest rate swap	5,232	(2,804)	2,428
	\$ 6,034	\$ (3,176)	\$ 2,858

The Partnership posted cash collateral of \$958 and \$-0- as of June 28, 2014 and September 28, 2013, respectively, with its brokers for outstanding commodity-related derivatives.

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

	June 28, 2014	As of September 28, 2013
7.5% senior notes due October 1, 2018	\$	\$ 533,799
7.375% senior notes due March 15, 2020	264,250	268,125
7.375% senior notes due August 1, 2021	378,565	372,143
5.50% senior notes due June 1, 2024	532,628	
	\$ 1,175,443	\$ 1,174,067

Table of Contents**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:

	June 28, 2014	As of September 28, 2013
Propane, fuel oil and refined fuels and natural gas	\$ 76,691	\$ 75,885
Appliances	1,817	1,738
	\$ 78,508	\$ 77,623

5. Goodwill

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

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

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

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

	June 28, 2014	As of September 28, 2013
Propane	\$ 1,075,091	\$ 1,075,091
Fuel oil and refined fuels	4,438	4,438
Natural gas and electricity	7,900	7,900

\$ 1,087,429 \$ 1,087,429

6. Net Income Per Common Unit

Computations of basic income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units and 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 261,804 and 205,828 units for the nine months ended June 28, 2014 and June 29, 2013, respectively, to reflect the potential dilutive effect of the unvested restricted units outstanding using the treasury stock method. Diluted loss per unit for the three months ended June 28, 2014 and June 29, 2013 does not include unvested Restricted Units as their effect would be anti-dilutive.

Table of Contents**7. Long-Term Borrowings**

Long-term borrowings consist of the following:

	June 28, 2014	As of September 28, 2013
7.5% senior notes, due October 1, 2018, including unamortized premium of \$-0- and \$28,614, respectively	\$	\$ 525,171
7.375% senior notes, due March 15, 2020, net of unamortized discount of \$1,237 and \$1,400, respectively	248,763	248,600
7.375% senior notes, due August 1, 2021, including unamortized premium of \$23,354 and \$25,286, respectively	369,534	371,466
5.50% senior notes, due June 1, 2024	525,000	
Revolving Credit Facility, due January 5, 2017	100,000	100,000
	\$ 1,243,297	\$ 1,245,237

Senior Notes.*2018 Senior Notes and 2021 Senior Notes*

On August 1, 2012, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., issued \$496,557 in aggregate principal amount of unregistered 7.5% senior notes due October 1, 2018 (the 2018 Senior Notes) and \$503,443 in aggregate principal amount of unregistered 7.375% senior notes due August 1, 2021 (the 2021 Senior Notes) in a private placement in connection with the Inergy Propane Acquisition described in Note 1. Based on market rates for similar issues, the 2018 Senior Notes and 2021 Senior Notes were valued at 106.875% and 108.125%, respectively, of the principal amount, on the Acquisition Date as they were issued in exchange for Inergy's outstanding notes, not for cash. The 2018 Senior Notes required semi-annual interest payments in April and October, and the 2021 Senior Notes require semi-annual interest payments in February and August.

On December 19, 2012, the Partnership completed an offer to exchange its existing unregistered 7.5% senior notes due 2018 and 7.375% senior notes due 2021 (the Old Notes) for an equal principal amount of 7.5% senior notes due 2018 and 7.375% senior notes due 2021 (the Exchange Notes), respectively, that have been registered under the Securities Act of 1933, as amended. The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate, maturity and redemption rights) to the Old Notes for which they were exchanged, except that the Exchange Notes generally will not be subject to transfer restrictions.

On August 2, 2013, the Partnership repurchased, pursuant to an optional redemption, \$133,400 of its 2021 Senior Notes using net proceeds from the May 2013 public offering and net proceeds from the underwriters' exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, the Partnership repurchased \$23,863 of 2021 Senior Notes in a private transaction using cash on hand. During the fourth quarter of fiscal 2013, in connection with these repurchases, which totaled \$157,263 in aggregate principal amount, the

Partnership recognized a loss on the extinguishment of debt of \$2,144 consisting of \$11,759 for the repurchase premium and related fees, as well as the write-off of \$2,064 and (\$11,678) in unamortized debt origination costs and unamortized premium, respectively.

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On May 27, 2014, the Partnership repurchased and satisfied and discharged all of its 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes (see below) and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption during the third quarter of fiscal 2014, the Partnership recognized a loss on the extinguishment of debt of \$11,589 consisting of \$31,633 for the redemption premium and related fees, as well as the write-off of \$5,230 and (\$25,274) in unamortized debt origination costs and unamortized premium, respectively.

2020 Senior Notes

On March 23, 2010, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., 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 2020 Senior Notes require semi-annual interest payments in March and September.

2024 Senior Notes

On May 27, 2014, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$525,000 in aggregate principal amount of 5.50% senior notes due June 1, 2024 (the 2024 Senior Notes). The 2024 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in June and December, beginning in December 2014. The net proceeds from the issuance of the 2024 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2018 Senior Notes.

The Partnership's obligations under the 2020 Senior Notes, 2021 Senior Notes and 2024 Senior Notes (collectively, the Senior Notes) are unsecured and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment with any future senior indebtedness. The Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities of the Operating Partnership. The Senior Notes each have a change of control provision that would require the Partnership to offer to repurchase the notes at 101% of the principal amount repurchased, if a change of control, as defined in the applicable indenture, occurs and is followed by a rating decline (a decrease in the rating of the notes by either Moody's Investors Service, Inc. or Standard and Poor's Rating Group by one or more gradations) within 90 days of the consummation of the transaction giving rise to the change of control.

Credit Agreement

The Operating Partnership has an amended and restated credit agreement entered into on January 5, 2012, as amended on August 1, 2012 and May 9, 2014 (collectively, the Amended Credit Agreement) that provides for a five-year \$400,000 revolving credit facility (the Revolving Credit Facility) of which \$100,000 was outstanding as of June 28, 2014 and September 28, 2013. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. The Operating Partnership has the right to prepay any borrowings under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity.

During the second quarter of fiscal 2014, the Partnership experienced a significant increase in working capital requirements as a result of the significant increase in wholesale propane costs. The increase in working capital resulted in the net borrowing of \$55,000 under the Partnership's Revolving Credit Facility in the second quarter of fiscal 2014. These additional borrowings were repaid in full in April 2014 with internally generated cash.

The amendment and restatement of the credit agreement on January 5, 2012 amended the previous credit agreement to, among other things, extend the maturity date from June 25, 2013 to January 5, 2017, reduce the borrowing rate and commitment fees, and amend certain affirmative and negative covenants.

On August 1, 2012, the Operating Partnership executed an amendment to the Amended Credit Agreement to, among other things, provide for (i) a \$250,000 senior secured 364-Day Facility and (ii) an increase in its revolving credit facility under the Amended Credit Agreement from \$250,000 to \$400,000. The amendment to the Amended Credit Agreement on August 1, 2012 also amended certain restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, as well as certain financial covenants, including (a) requiring the Partnership's consolidated interest coverage ratio, as defined in the amendment, to be not less than 2.0 to 1.0 as of the end of any fiscal quarter; (b) prohibiting the total consolidated leverage ratio, as defined in the amendment, of the Partnership from being greater than 7.0 to 1.0 as of the end of any fiscal quarter. The minimum consolidated interest coverage ratio increases over time, and commencing with the second quarter of fiscal 2014, such minimum ratio is 2.5 to 1.0. The maximum consolidated leverage ratio decreased over time, as well as upon the occurrence of certain events, and commencing with the second quarter of fiscal 2013, such maximum ratio is 4.75 to 1.0 (or 5.0 to 1.0 during an acquisition period, as defined in the amendment).

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On May 9, 2014, the Operating Partnership executed a second amendment to the Amended Credit Agreement to make certain technical amendments with respect to agreements relating to debt refinancing.

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

Borrowings under the Revolving Credit Facility of the Amended Credit Agreement 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 $\frac{1}{2}$ 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 June 28, 2014, the interest rate for the Revolving Credit Facility was approximately 2.5%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

In connection with the Amended Credit Agreement, the Operating Partnership entered into an interest rate swap agreement with a June 25, 2013 effective date and a maturity date of January 5, 2017. Under this interest rate swap agreement, the Operating Partnership will pay a fixed interest rate of 1.63% to the issuing lender on the \$100,000 notional principal amount outstanding, and the issuing lender will pay to the Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swap has been designated as a cash flow hedge.

As of June 28, 2014, the Partnership had standby letters of credit issued under the Revolving Credit Facility of the Amended Credit Agreement in the aggregate amount of \$53,681 which expire periodically through April 3, 2015. Therefore, as of June 28, 2014, the Partnership had available borrowing capacity of \$246,319 under the Revolving Credit Facility.

The Amended Credit Agreement and the 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. Under the Amended Credit Agreement and the indentures governing the Senior Notes, the Operating Partnership and the Partnership are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter if no event of default exists or would exist upon making such distributions, and with respect to the indentures governing the Senior Notes, the Partnership's consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. The Partnership and the Operating Partnership were in compliance with all covenants and terms of the Senior Notes and the Amended Credit Agreement as of June 28, 2014.

The aggregate amounts of long-term debt maturities subsequent to June 28, 2014 are as follows: fiscal 2014 through fiscal 2016: \$-0-; fiscal 2017: \$100,000; fiscal 2018: \$-0-; and thereafter: \$1,121,180.

8. Distributions of Available Cash

The Partnership makes distributions to its partners no later than 45 days after the end of each fiscal quarter in an aggregate amount equal to its Available Cash for such quarter. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These

reserves are retained for the proper conduct of the Partnership's business, the payment of debt principal and interest and for distributions during the next four quarters.

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On July 23, 2014, the Partnership announced a quarterly distribution of \$0.8750 per Common Unit, or \$3.50 per Common Unit on an annualized basis, in respect of the third quarter of fiscal 2014, payable on August 12, 2014 to holders of record on August 5, 2014.

9. Unit-Based Compensation Arrangements

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

Restricted Unit 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 authorizes the issuance of Common Units to executives, managers and other employees and members of the Board of Supervisors of the Partnership. The total number of Common Units authorized for issuance under the Restricted Unit Plans was 1,902,122 as of June 28, 2014. In accordance with an August 6, 2013 amendment to the Restricted Unit Plans, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, all restricted unit awards granted after the date of the amendment will vest 33.33% on each of the first three anniversaries of the award grant date. Prior to the August 6, 2013 amendment, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, restricted units issued under the Restricted Unit Plans vest over time with 25% of the Common Units vesting at the end of each of the third and fourth anniversaries of the grant date and the remaining 50% of the Common Units vesting at the end of the fifth anniversary of the grant date. The Restricted Unit Plans participants are not eligible to receive quarterly distributions on, or vote, their respective restricted units until vested. Restricted units cannot be sold or transferred prior to vesting. The value of the restricted unit is established by the market price of the Common Unit on the date of grant, net of estimated future distributions during the vesting period. Restricted units are subject to forfeiture in certain circumstances as defined in the Restricted Unit Plans. Compensation expense for the unvested awards is recognized ratably over the vesting periods and is net of estimated forfeitures.

During the nine months ended June 28, 2014, the Partnership awarded 256,273 restricted units under the Restricted Unit Plans at an aggregate grant date fair value of \$9,593. The following is a summary of activity for the Restricted Unit Plans for the nine months ended June 28, 2014:

	Units	Grant Date Fair Value Per Unit
Outstanding September 28, 2013	527,627	\$ 29.30
Awarded	256,273	37.43
Forfeited	(3,119)	(28.39)
Issued	(80,741)	(31.03)
Outstanding June 28, 2014	700,040	\$ 32.08

As of June 28, 2014, unrecognized compensation cost related to unvested restricted units awarded under the Restricted Unit Plans amounted to \$9,983. Compensation cost associated with unvested awards is expected to be recognized over

a weighted-average period of 1.2 years. Compensation expense recognized under the Restricted Unit Plans, net of forfeitures, for the three and nine months ended June 28, 2014, was \$2,074 and \$5,663, respectively, and \$840 and \$3,253 for the three and nine months ended June 29, 2013, respectively.

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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. For the fiscal 2013 and 2012 awards, 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. On August 6, 2013, the Compensation Committee of the Partnership's Board of Supervisors adopted the 2014 Long-Term Incentive Plan of the Partnership (2014 LTIP) as a replacement for the existing LTIP. As a result, for the fiscal 2014 award, the level of compensation earned under the 2014 LTIP is based on the average distribution coverage ratio over the three-year measurement period. The average distribution coverage ratio is calculated as the Partnership's average distributable cash flow, as defined in the 2014 LTIP, for each of the three years in the measurement period, subject to certain adjustments as set forth in the 2014 LTIP, divided by the amount of annualized cash distributions to be paid by the Partnership, based on the annualized cash distribution rate at the beginning of the measurement period.

As a result of the quarterly remeasurement of the liability for awards under the LTIP and 2014 LTIP, compensation expense for the three and nine months ended June 28, 2014 was (\$343) and \$1,162, respectively, and \$615 and \$2,333 for the three and nine months ended June 29, 2013, respectively. As of June 28, 2014 and September 28, 2013, the Partnership had a liability included within accrued employment and benefit costs (or other liabilities, as applicable) of \$4,089 and \$2,927, respectively, related to estimated future payments under the LTIP and 2014 LTIP.

10. Commitments and Contingencies

Self-Insurance. The Partnership is self-insured for general and product, workers' compensation and automobile liabilities up to predetermined thresholds above which third party insurance applies. As of June 28, 2014 and September 28, 2013, the Partnership had accrued insurance liabilities of \$58,701 and \$58,152, respectively, representing the total estimated losses under these self-insurance programs. 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 \$16,315 and \$18,330 as of June 28, 2014 and September 28, 2013, respectively.

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

11. Guarantees

The Partnership has residual value guarantees associated with certain of its operating leases, related primarily to transportation equipment, with remaining lease periods scheduled to expire periodically through fiscal 2021. 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 \$15,520 as of June 28, 2014. The fair value of residual value

guarantees for outstanding operating leases was de minimis as of June 28, 2014 and September 28, 2013.

Table of Contents**12. Pension Plans and Other Postretirement Benefits**

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

	Pension Benefits			
	Three Months Ended		Nine Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Interest cost	\$ 1,443	\$ 1,307	\$ 4,330	\$ 3,921
Expected return on plan assets	(1,275)	(1,320)	(3,826)	(3,961)
Amortization of net loss	1,123	1,321	3,369	3,964
Net periodic benefit cost	\$ 1,291	\$ 1,308	\$ 3,873	\$ 3,924

	Postretirement Benefits			
	Three Months Ended		Nine Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Service cost	\$ 1	\$ 2	\$ 4	\$ 6
Interest cost	160	146	480	439
Amortization of prior service costs	(122)	(122)	(367)	(367)
Amortization of net (gain)	(46)		(137)	
Net periodic benefit cost	\$ (7)	\$ 26	\$ (20)	\$ 78

There are no projected minimum employer cash contribution requirements under ERISA laws for fiscal 2014 under the Partnership's defined benefit pension plan. The projected annual contribution requirements related to the Partnership's postretirement health care and life insurance benefit plan for fiscal 2014 is \$1,337, of which \$878 has been contributed during the nine months ended June 28, 2014.

As a result of the Inergy Propane Acquisition, the Partnership contributes to multi-employer pension plans (MEPP) in accordance with various collective bargaining agreements covering union employees. As one of the many participating employers in these MEPPs, the Partnership is responsible with the other participating employers for any plan underfunding. As of June 28, 2014, the Partnership had accrued \$6,909 for its estimated obligation to certain MEPPs due to the Partnership's voluntary partial withdrawal from one such MEPP and full withdrawal from four MEPPs. Due to the uncertainty regarding future factors that could trigger withdrawal liability, including the integration of Inergy Propane, the Partnership is unable to determine the amount and timing of any future withdrawal liability, if any.

Table of Contents**13. Amounts Reclassified Out of Accumulated Other Comprehensive Income**

The following table summarizes amounts reclassified out of accumulated other comprehensive (loss) income for the three and nine months ended June 28, 2014:

	For the three months ended June 28, 2014			
	Gains and Losses on Cash Flow Hedges	Pension Benefits	Postretirement Benefits	Total
Balance, beginning of period	\$ (1,985)	\$ (47,741)	\$ 4,726	\$ (45,000)
Other comprehensive income before reclassifications	(433)			(433)
Amounts reclassified from accumulated other comprehensive income	351(a)	1,123(b)	(168)(b)	1,306
Net current period other comprehensive income	(82)	1,123	(168)	873
Balance, end of period	\$ (2,067)	\$ (46,618)	\$ 4,558	\$ (44,127)

	For the nine months ended June 28, 2014			
	Gains and Losses on Cash Flow Hedges	Pension Benefits	Postretirement Benefits	Total
Balance, beginning of period	\$ (2,428)	\$ (49,987)	\$ 5,062	\$ (47,353)
Other comprehensive income before reclassifications	(689)			(689)
Amounts reclassified from accumulated other comprehensive income	1,050(a)	3,369(b)	(504)(b)	3,915
Net current period other comprehensive income	361	3,369	(504)	3,226
Balance, end of period	\$ (2,067)	\$ (46,618)	\$ 4,558	\$ (44,127)

- (a) Reclassification of realized losses on cash flow hedges are recognized in interest expense.
- (b) These amounts are included in the computation of net periodic benefit cost. See Note 12, Pension Plan and Other Postretirement Benefits .

14. Income Taxes

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

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

15. Segment Information

The Partnership manages and evaluates its operations in 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 revenues 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 consolidated statements of operations. In addition, certain costs associated with field operations support that are reported in operating expenses within the consolidated statements of operations, including purchasing, training and safety, are not allocated to the individual operating segments. Thus, operating profit for each operating segment includes only the costs that are directly attributable to the operations of the individual segment. The accounting policies of the operating segments are otherwise the same as those described in Note 2,

Summary of Significant Accounting Policies, in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 28, 2013.

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 Suburban Franchising subsidiaries.

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

	Three Months Ended		Nine Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Revenues:				
Propane	\$ 242,173	\$ 230,777	\$ 1,409,271	\$ 1,164,099
Fuel oil and refined fuels	26,898	31,026	174,888	185,967
Natural gas and electricity	16,912	16,132	74,311	64,253
All other	11,160	12,870	38,501	45,615
Total revenues	\$ 297,143	\$ 290,805	\$ 1,696,971	\$ 1,459,934
Operating (loss) income:				
Propane	\$ 4,457	\$ 12,267	\$ 300,356	\$ 294,713
Fuel oil and refined fuels	(3,160)	(5,263)	6,590	1,186
Natural gas and electricity	1,492	1,802	9,166	10,079
All other	(6,724)	(7,625)	(19,112)	(19,019)
Corporate	(22,640)	(21,836)	(72,476)	(71,328)
Total operating (loss) income	(26,575)	(20,655)	224,524	215,631
Reconciliation to net (loss) income:				
Loss on debt extinguishment	11,589		11,589	
Interest expense, net	20,662	24,385	63,095	73,284
Provision for income taxes	163	148	611	430
Net (loss) income	\$ (58,989)	\$ (45,188)	\$ 149,229	\$ 141,917
Depreciation and amortization:				
Propane	\$ 26,067	\$ 24,802	\$ 78,608	\$ 74,189
Fuel oil and refined fuels	1,240	1,284	4,435	4,212
Natural gas and electricity	2	40	44	158
All other	187	227	584	518
Corporate	5,496	5,152	17,430	14,270
Total depreciation and amortization	\$ 32,992	\$ 31,505	\$ 101,101	\$ 93,347

	As of	
	June 28, 2014	September 28, 2013
Assets:		
Propane	\$ 2,418,145	\$ 2,452,909

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Fuel oil and refined fuels	74,314	77,473
Natural gas and electricity	14,495	16,789
All other	4,391	3,860
Corporate	138,155	176,956
Total assets	\$ 2,649,500	\$ 2,727,987

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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 nine months ended June 28, 2014. 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 28, 2013.

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 28, 2013.

Product Costs and Supply

The level of profitability in our 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 supply and demand dynamics 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.

We purchase propane from approximately 65 oil companies and natural gas processors at approximately 160 supply points located in the United States and Canada. Our supply from our usual sources may be interrupted or curtailed due to reasons that are beyond our control; including but not limited to, availability of product and bottlenecks in logistics/transportation. 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, in particular, during periods of tighter supply; 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 periods of sustained higher commodity prices, retail sales volumes can be negatively impacted by customer conservation, resulting in reduced demand for our product. In addition, during periods of tighter product supply, we may be unable to obtain sufficient product volumes to satisfy all customer demand for our product.

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 help ensure the availability of product during periods of short supply. We enter into propane forward and option agreements with third parties, and use 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 options 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 and fuel oil. In addition, we sell propane and fuel oil to customers at fixed prices, and enter into derivative instruments to hedge a portion of our exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Forward contracts are generally settled physically at the expiration of the contract whereas futures, options and swap contracts 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 28, 2013.

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 accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results. Estimates have been made by us in the areas of self-insurance and litigation reserves, pension and other postretirement benefit liabilities and costs, valuation of derivative instruments, depreciation and amortization of long-lived assets, asset impairment assessments, tax valuation allowances, allowances for doubtful accounts, and purchase price allocation for acquired businesses. 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 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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Consistent with the seasonal nature of the propane and fuel oil businesses, we typically experience a net loss in the third quarter of our fiscal year. Net loss for the third quarter of fiscal 2014 was \$59.0 million, or \$0.98 per Common Unit, compared to a net loss of \$45.2 million, or \$0.77 per Common Unit, in the prior year third quarter. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the third quarter of fiscal 2014 amounted to a loss of \$5.2 million, compared to EBITDA of \$10.9 million in the prior year third quarter.

Net income and EBITDA for the third quarter of fiscal 2014 included a loss on debt extinguishment of \$11.6 million and expenses of \$4.3 million related to the ongoing integration of Inergy Propane. Net income and EBITDA for the third quarter of fiscal 2013 included a charge of \$6.0 million related to the Partnership's voluntary withdrawal from multi-employer pension plans covering certain employees acquired in the acquisition of Inergy Propane, as well as \$2.2 million in expenses related to the integration of Inergy Propane.

Excluding the effects of these items, as well as the unrealized (non-cash) mark-to-market adjustments on derivative instruments in both quarters, Adjusted EBITDA (as defined and reconciled below) amounted to \$10.0 million for the third quarter of fiscal 2014, compared to Adjusted EBITDA of \$19.2 million in the prior year third quarter.

Retail propane gallons sold in the third quarter of fiscal 2014 decreased 8.9 million, or 9.7%, to 83.2 million, compared to 92.1 million in the prior year third quarter. Sales of fuel oil and other refined fuels decreased 1.3 million gallons, or 15.7%, to 7.0 million gallons compared to 8.3 million gallons in the prior year third quarter. The decrease in volumes was primarily due to a combination of lower customer demand following a winter heating season in which consumers experienced significantly higher energy bills, as a result of both greater usage and higher average prices, as well as from the Partnership's efforts to manage exposure to higher than normal customer receivable balances. In addition, although weather during the third quarter typically has less of an impact on volumes sold than it does during the heating season, volumes in the prior year third quarter benefitted from a late burst of cold weather that contributed to higher volumes in April 2013 compared to April 2014.

According to the National Oceanic and Atmospheric Administration (NOAA), average temperatures (as measured by heating degree days) across all of the Partnership's service territories during April 2014 were 5% warmer than normal and 7% warmer than the comparable prior year period. Overall, average temperatures for the third quarter of fiscal 2014 were 10% warmer than normal and 4% warmer than the prior year third quarter.

Revenues of \$297.1 million increased \$6.3 million, or 2.2%, compared to the prior year third quarter, primarily due to higher retail selling prices associated with higher wholesale product costs, offset to an extent by lower volumes sold. Average posted propane prices (basis Mont Belvieu, Texas) and fuel oil prices for the third quarter of fiscal 2014 were 16.6% and 2.1% higher than the prior year third quarter, respectively. Cost of products sold for the third quarter of fiscal 2014 of \$161.5 million increased \$13.3 million, or 9.0%, compared to \$148.2 million in the prior year third quarter, primarily due to higher wholesale product costs, offset to an extent by lower volumes sold. Cost of products sold for the third quarter of fiscal 2014 included a \$0.7 million unrealized (non-cash) gain attributable to the mark-to-market adjustment for derivative instruments used in risk management activities, compared to a \$0.1 million unrealized (non-cash) loss in the prior year third quarter. These unrealized gains and losses are excluded from Adjusted EBITDA for both periods in the table below.

Combined operating and general and administrative expenses of \$129.2 million for the third quarter of fiscal 2014 were \$2.5 million, or 1.9%, lower than the prior year third quarter, primarily due to operating efficiencies and synergies realized as a result of the integration of Inergy Propane; including lower payroll and benefit-related expenses attributable to lower headcount and lower vehicle expenses from a reduction in the quantity of vehicles in

use, offset to an extent by higher bad debt expense as a result of an increase in the allowance for potential uncollectible accounts.

Depreciation and amortization expense of \$33.0 million increased \$1.5 million, or 4.7%, primarily due to the acceleration of depreciation expense on assets taken out of service as a result of integration activities. Net interest expense of \$20.7 million decreased \$3.7 million, or 15.3%, due to the reduction of \$157.3 million in long-term borrowings during the fourth quarter of fiscal 2013 and, to a lesser extent, the refinancing of \$496.6 million in aggregate principal amount of 7.5% Senior Notes due 2018 with \$525.0 million in aggregate principal amount of 5.5% Senior Notes due 2024 in the third quarter of fiscal 2014.

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With respect to the integration of Inergy Propane, with the heating season now completed, we resumed our integration activities in the third quarter and have made substantial progress executing on our system conversion plans, further refining our operating model and providing enhanced employee training. As the new fiscal year approaches, we will be substantially completed with our system conversions and physical blending activities and will continue to fine-tune our operating model to maximize operating efficiencies within the combined footprint.

As announced on July 23, 2014, our Board of Supervisors has declared a quarterly distribution of \$0.8750 per Common Unit for the three months ended June 28, 2014. On an annualized basis, this distribution rate equates to \$3.50 per Common Unit. The \$0.8750 per Common Unit distribution is payable on August 12, 2014 to Common Unitholders of record as of August 5, 2014.

Our anticipated cash requirements for the remainder of fiscal 2014 include: (i) maintenance and growth capital expenditures of approximately \$8.4 million; (ii) interest payments of approximately \$24.5 million; and (iii) cash distributions of approximately \$52.8 million to our Common Unitholders based on the current quarterly distribution rate of \$0.8750 per Common Unit. As of June 28, 2014, we had cash and cash equivalents of \$69.3 million and unused borrowing capacity under our Revolving Credit Facility of \$246.3 million, after considering outstanding letters of credit of \$53.7 million and outstanding borrowings of \$100.0 million.

Three Months Ended June 28, 2014 Compared to Three Months Ended June 29, 2013*Revenues*

(Dollars in thousands)	Three Months Ended			Percent
	June 28, 2014	June 29, 2013	Increase / (Decrease)	Increase / (Decrease)
Revenues				
Propane	\$ 242,173	\$ 230,777	\$ 11,396	4.9%
Fuel oil and refined fuels	26,898	31,026	(4,128)	(13.3%)
Natural gas and electricity	16,912	16,132	780	4.8%
All other	11,160	12,870	(1,710)	(13.3%)
Total revenues	\$ 297,143	\$ 290,805	\$ 6,338	2.2%

Revenues from the distribution of propane and related activities of \$242.2 million for the third quarter of fiscal 2014 increased \$11.4 million, or 4.9%, compared to \$230.8 million in the prior year third quarter, primarily due to higher average retail selling prices associated with higher wholesale costs, partially offset by a decrease in retail propane volumes sold. Average propane selling prices for the third quarter of fiscal 2014 increased 15.7% compared to the prior year third quarter due to higher wholesale costs, resulting in a \$30.4 million increase in revenues year-over-year. Retail propane gallons sold in the third quarter of fiscal 2014 decreased 8.9 million gallons, or 9.7%, to 83.2 million gallons from 92.1 million gallons in the prior year third quarter, primarily due to a combination of lower customer demand following a winter heating season in which consumers experienced significantly higher energy bills, as a result of both greater usage and higher average prices, as well as from the Partnership's efforts to manage exposure to higher than normal customer receivable balances. In addition, while weather during the third quarter typically has less of an impact on volumes sold than it does during the heating season, warmer temperatures during the month of April 2014, and colder temperatures during the month of April 2013, had an unfavorable impact on volumes sold compared

to the prior year. According to NOAA, average temperatures (as measured by heating degree days) across all of the Partnership's service territories during April 2014 were 5% warmer than normal and 7% warmer than the comparable prior year period. Overall, average temperatures across the Partnership's service territories for the third quarter of fiscal 2014 were 10% warmer than normal, and 4% warmer than the prior year third quarter. Lower propane volumes sold resulted in a decrease of \$20.9 million in revenues during the third quarter of fiscal 2014 compared to the prior year third quarter. Included within the propane segment are revenues from other propane activities of \$17.7 million for the third quarter of fiscal 2014, which increased \$1.9 million compared to the prior year third quarter.

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Revenues from the distribution of fuel oil and refined fuels of \$26.9 million for the third quarter of fiscal 2014 decreased \$4.1 million, or 13.3%, from \$31.0 million in the prior year third quarter, primarily due to lower volumes sold, partially offset by higher selling prices. Fuel oil and refined fuels gallons sold in the third quarter of fiscal 2014 decreased 1.3 million gallons, or 15.7%, to 7.0 million gallons from 8.3 million gallons in the prior year third quarter, primarily due to a decline in lower margin gasoline and diesel volumes and the unfavorable impact of weather discussed above. Lower fuel oil and refined fuels volumes sold resulted in a decrease of \$5.0 million in revenues during the third quarter of fiscal 2014 compared to the prior year third quarter. Average selling prices in our fuel oil and refined fuels segment in the third quarter of fiscal 2014 increased 3.3% compared to the prior year third quarter, resulting in a \$0.9 million increase in revenues year-over-year.

Revenues in our natural gas and electricity segment of \$16.9 million for the third quarter of fiscal 2014 were \$0.8 million higher compared to the prior year third quarter, due to higher average selling prices for natural gas and electricity associated with higher average wholesale costs, partially offset by lower volumes sold.

Cost of Products Sold

	Three Months Ended			Percent
	June 28, 2014	June 29, 2013	Increase / (Decrease)	Increase / (Decrease)
(Dollars in thousands)				
Cost of products sold				
Propane	\$ 123,943	\$ 106,278	\$ 17,665	16.6%
Fuel oil and refined fuels	21,754	25,656	(3,902)	(15.2%)
Natural gas and electricity	12,335	11,510	825	7.2%
All other	3,450	4,732	(1,282)	(27.1%)
Total cost of products sold	\$ 161,482	\$ 148,176	\$ 13,306	9.0%
As a percent of total revenues	54.3%	51.0%		

The cost of products sold reported in the condensed consolidated statements of operations represents the weighted average unit cost of propane and fuel oil and refined fuels 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.

Given the retail nature of our operations, we maintain a certain level of priced physical inventory to help ensure that 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 options 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 options contracts, which are reported in cost of products sold, will typically offset losses or gains on the physical inventory once the product is sold (which may or may not occur in the same accounting period). We do not use futures or options contracts, or other derivative instruments, for speculative trading purposes.

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Average posted propane prices for the third quarter of fiscal 2014 were 16.6% higher than the prior year third quarter, basis Mont Belvieu, Texas. Average posted prices for fuel oil for the third quarter of fiscal 2014 were 2.1% higher than the prior year third quarter. Included in cost of products sold for the third quarters of fiscal 2014 and 2013 were unrealized (non-cash) gains of \$0.7 million and unrealized (non-cash) losses of \$0.1 million, respectively, attributable to the mark-to-market adjustment for derivative instruments used in risk management activities, resulting in a decrease of \$0.8 million in cost of products sold, all of which was reported in the propane segment.

Cost of products sold associated with the distribution of propane and related activities of \$123.9 million for the third quarter of fiscal 2014 increased \$17.7 million, or 16.6%, compared to the prior year third quarter. Higher average propane costs resulted in an increase of \$23.5 million in cost of products sold during the third quarter of fiscal 2014 compared to the prior year. The impact of the increase in product cost was partially offset by lower volumes sold, which resulted in a \$10.1 million decrease in cost of products sold year-over-year. Cost of products sold from other propane activities increased \$5.1 million in the third quarter of fiscal 2014 compared to the prior year third quarter.

Cost of products sold associated with our fuel oil and refined fuels segment of \$21.8 million for the third quarter of fiscal 2014 decreased \$3.9 million, or 15.2%, compared to the prior year third quarter. Lower fuel oil and refined fuels volumes sold and higher fuel oil and refined fuels average costs resulted in a decrease of \$4.2 million and increase of \$0.3 million, respectively, in cost of products sold during the third quarter of fiscal 2014 compared to the prior year third quarter.

Cost of products sold in our natural gas and electricity segment of \$12.3 million for the third quarter of fiscal 2014 increased \$0.8 million, or 7.2%, compared to the prior year third quarter, primarily due to higher natural gas and electricity wholesale costs, partially offset by lower volumes sold.

For the third quarter of fiscal 2014, total cost of products sold as a percent of total revenues increased 3.3 percentage points to 54.3% from 51.0% in the prior year third quarter. The increase in cost of products sold as a percentage of revenues was primarily attributable to the rise in wholesale propane costs, which includes the realization of propane purchased during the second quarter of fiscal 2014, outpacing the rise in propane average selling prices during the third quarter of fiscal 2014.

Operating Expenses

(Dollars in thousands)	Three Months Ended		Decrease	Percent Decrease
	June 28, 2014	June 29, 2013		
Operating expenses	\$ 115,991	\$ 118,314	\$ (2,323)	(2.0%)
As a percent of total revenues	39.0%	40.7%		

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 \$116.0 million in the third quarter of fiscal 2014 decreased \$2.3 million, or 2.0%, compared to \$118.3 million in the prior year third quarter, primarily due to operating efficiencies and synergies realized as a result of the continuing integration of Inergy Propane, including lower payroll and benefit-related expenses attributable to

reduced headcount and lower vehicle expenses attributable to the reduction of vehicles in our fleet, partially offset by higher bad debt expense as a result of an increase to the allowance for doubtful accounts. Operating expenses for the third quarter of fiscal 2014 and fiscal 2013 included integration-related expenses of \$3.0 million and \$1.5 million, respectively, associated with the integration of the Inergy Propane operations. The third quarter of fiscal 2013 also included a \$6.0 million charge related to our voluntary partial withdrawal from a multi-employer pension plan and full withdrawal from two multi-employer pension plans. Both the integration-related expenses and the multi-employer pension plan withdrawal charge were excluded from our calculation of Adjusted EBITDA.

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(Dollars in thousands)	Three Months Ended		Decrease	Percent Decrease
	June 28, 2014	June 29, 2013		
General and administrative expenses	\$ 13,253	\$ 13,465	\$ (212)	(1.6%)
As a percent of total revenues	4.5%	4.6%		

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 \$13.3 million for the third quarter of fiscal 2014 decreased \$0.2 million, or 1.6%, compared to \$13.5 million in the prior year third quarter, primarily due to lower variable compensation expense. General and administrative expenses for the third quarter of fiscal 2014 and fiscal 2013 included \$1.3 million and \$0.7 million, respectively, of professional services and other expenses associated with the integration of Inergy Propane. These integration-related items were excluded from our calculation of Adjusted EBITDA for both periods.

Depreciation and Amortization

(Dollars in thousands)	Three Months Ended		Increase	Percent Increase
	June 28, 2014	June 29, 2013		
Depreciation and amortization	\$ 32,992	\$ 31,505	\$ 1,487	4.7%
As a percent of total revenues	11.1%	10.8%		

Depreciation and amortization expense of \$33.0 million for the third quarter of fiscal 2014 increased \$1.5 million compared to the prior year third quarter, primarily due to acceleration of depreciation expense on buildings, vehicles and equipment taken out of service as a result of integration activities.

Interest Expense, net

(Dollars in thousands)	Three Months Ended		Decrease	Percent Decrease
	June 28, 2014	June 29, 2013		
Interest expense, net	\$ 20,662	\$ 24,385	\$ (3,723)	(15.3%)
As a percent of total revenues	7.0%	8.4%		

Net interest expense of \$20.7 million for the third quarter of fiscal 2014 decreased \$3.7 million compared to the prior year third quarter, primarily due to the reduction of \$157.3 million in long-term borrowings during the fourth quarter of fiscal 2013 and, to a lesser extent, the refinancing of \$496.6 million in aggregate principal amount of 7.5% Senior Notes due 2018 with \$525.0 million in aggregate principal amount of 5.5% Senior Notes due 2024 in the third quarter of fiscal 2014. See Liquidity and Capital Resources below for additional discussion.

Table of Contents*Loss on Debt Extinguishment*

On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes (see below) and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of \$11.6 million consisting of \$31.6 million for the redemption premium and related fees, as well as the write-off of \$5.3 million and (\$25.3) million in unamortized debt origination costs and unamortized premium, respectively.

EBITDA and Adjusted EBITDA

EBITDA represents net income (loss) 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 certain other items, as applicable, as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as measures of liquidity and we are including them because we believe that they provide 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. EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be considered as an alternative to net income or net cash provided by operating activities determined in accordance with US 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:

(Dollars in thousands)	Three Months Ended	
	June 28, 2014	June 29 2013
Net loss	\$ (58,989)	\$ (45,188)
Add:		
Provision for income taxes	163	148
Interest expense, net	20,662	24,385
Depreciation and amortization	32,992	31,505
EBITDA	(5,172)	10,850
Integration-related costs	4,313	2,248
Unrealized (non-cash) (gains) losses on changes in fair value of derivatives	(707)	73
Loss on debt extinguishment	11,589	
Multi-employer pension plan withdrawal charge		6,000
Adjusted EBITDA	10,023	19,171
Add (subtract):		
Provision for income taxes	(163)	(148)
Interest expense, net	(20,662)	(24,385)
Integration-related costs	(4,313)	(2,248)
Multi-employer pension plan withdrawal charge		(6,000)

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Unrealized (non-cash) gains (losses) on changes in fair value of derivatives	707	(73)
Loss (gain) on disposal of property, plant and equipment, net	179	(301)
Compensation cost recognized under Restricted Unit Plans	2,074	840
Changes in working capital and other assets and liabilities	136,738	79,649
Net cash provided by operating activities	\$ 124,583	\$ 66,505

Table of Contents***Nine Months Ended June 28, 2014 Compared to Nine Months Ended June 29, 2013****Revenues*

(Dollars in thousands)	Nine Months Ended			Percent
	June 28, 2014	June 29, 2013	Increase / (Decrease)	Increase / (Decrease)
Revenues				
Propane	\$ 1,409,271	\$ 1,164,099	\$ 245,172	21.1%
Fuel oil and refined fuels	174,888	185,967	(11,079)	(6.0%)
Natural gas and electricity	74,311	64,253	10,058	15.7%
All other	38,501	45,615	(7,114)	(15.6%)
Total revenues	\$ 1,696,971	\$ 1,459,934	\$ 237,037	16.2%

Average temperatures (as measured by heating degree days) across all of our service territories for the first nine months of fiscal 2014 were 3% colder than normal and 8% colder than the comparable prior year period. However, the weather pattern during the fiscal 2014 heating season was characterized by warmer than normal temperatures for the first two months of the period, followed by significantly colder than normal temperatures for the remainder of the heating season. In addition, during the peak of our heating season, we experienced considerably colder than normal temperatures in our east and midwest service territories, but sustained unseasonably warm temperatures in our western territories. In fact, average temperatures in our western territories during the fiscal 2014 heating season were 11% warmer than normal and 6% warmer than the comparable prior year period.

Revenues from the distribution of propane and related activities of \$1,409.3 million for the first nine months of fiscal 2014 increased \$245.2 million, or 21.1%, compared to \$1,164.1 million in the comparable prior year period, primarily due to higher average retail selling prices associated with higher wholesale propane costs, partially offset by a decrease in retail propane volumes sold. Average propane selling prices for the first nine months of fiscal 2014 increased 22.2% compared to the first nine months of the prior year due to higher wholesale costs, resulting in a \$243.6 million increase in revenues year-over-year. Retail propane gallons sold in the first nine months of fiscal 2014 decreased 1.7 million gallons, or 0.4%, to 454.7 million gallons from 456.4 million gallons in the comparable prior year period. Volumes sold during the first nine months of fiscal 2014 were adversely affected by supply constraints resulting from industry-wide supply shortages and logistics issues adversely affecting propane transportation sourcing and costs; these constraints persisted throughout much of our heating season. Customer conservation attributable to the significant rise in propane prices also adversely affected volumes sold. Lower propane volumes sold resulted in a decrease of \$4.0 million in revenues during the first nine months of fiscal 2014 compared to the first nine months of the prior year. Included within the propane segment are revenues from other propane activities of \$66.4 million for the first nine months of fiscal 2014, representing an increase of \$5.6 million compared to the first nine months of the prior year.

Revenues from the distribution of fuel oil and refined fuels of \$174.9 million for the first nine months of fiscal 2014 decreased \$11.1 million, or 6.0%, from \$186.0 million in the comparable prior year period, primarily due to lower volumes sold, partially offset by higher average selling prices. Fuel oil and refined fuels gallons sold in the first nine months of fiscal 2014 decreased 3.8 million gallons, or 8.0%, to 43.6 million gallons from 47.4 million gallons in the comparable prior year period, primarily due to a decline in lower margin gasoline and diesel volumes. Lower fuel oil

and refined fuels volumes sold resulted in a decrease of \$15.1 million in revenues during the first nine months of fiscal 2014 compared to the first nine months of the prior year. Average selling prices in our fuel oil and refined fuels segment increased 2.3% during the first nine months of fiscal 2014 compared to the first nine months of the prior year, resulting in a \$4.0 million increase in revenues year-over-year.

Revenues in our natural gas and electricity segment of \$74.3 million for the first nine months of fiscal 2014 increased \$10.1 million, or 15.7%, over the comparable prior year period, primarily due to higher average selling prices for natural gas and electricity as a result of higher average wholesale costs, partially offset by lower electricity usage.

Table of Contents*Cost of Products Sold*

(Dollars in thousands)	Nine Months Ended		Increase / (Decrease)	Percent Increase / (Decrease)
	June 28, 2014	June 29, 2013		
Cost of products sold				
Propane	\$ 752,090	\$ 524,868	\$ 227,222	43.3%
Fuel oil and refined fuels	139,200	153,088	(13,888)	(9.1%)
Natural gas and electricity	55,732	45,074	10,658	23.6%
All other	12,184	17,245	(5,061)	(29.3%)
Total cost of products sold	\$ 959,206	\$ 740,275	\$ 218,931	29.6%
As a percent of total revenues	56.5%	50.7%		

Average posted propane prices for the first nine months of fiscal 2014 were 33.9% higher than the comparable prior year period (basis Mont Belvieu, Texas). The significant rise in average posted propane prices, which increased at an even greater rate at other supply points, translated into a significant rise in wholesale propane costs, particularly during the peak of our heating season. Average posted prices for fuel oil for the first nine months of fiscal 2014 were 0.3% lower than the comparable prior year period. Included in cost of products sold for the first nine months of fiscal 2014 were \$0.7 million of unrealized (non-cash) gains attributable to the mark-to-market adjustment for derivative instruments used in risk management activities, compared to an unrealized (non-cash) loss of \$6.3 million in the first nine months of the prior year, resulting in a decrease of \$7.0 million in cost of products sold, all of which was reported in the propane segment.

Cost of products sold associated with the distribution of propane and related activities of \$752.1 million for the first nine months of fiscal 2014 increased \$227.2 million, or 43.3%, compared to the first nine months of the prior year, primarily due to higher wholesale costs and higher transportation costs associated with extraordinary measures we took to ensure that adequate propane supplies were delivered to our customer service centers to meet customer demand during the heating season, partially offset by lower propane volumes sold. Higher average propane costs resulted in an increase of \$221.9 million which was partially offset by a decrease \$1.8 million related to lower propane volumes sold, in cost of products sold during the first nine months of fiscal 2014 compared to the first nine months of the prior year. Cost of products sold from other propane activities increased \$14.1 million.

Cost of products sold associated with our fuel oil and refined fuels segment of \$139.2 million for the first nine months of fiscal 2014 decreased \$13.9 million, or 9.1%, compared to the first nine months of the prior year. Lower fuel oil and refined fuels volumes sold and lower fuel oil and refined fuels wholesale costs resulted in decreases of \$12.4 million and \$1.5 million, respectively, in cost of products sold during the first nine months of fiscal 2014 compared to the corresponding period of the prior year.

Cost of products sold in our natural gas and electricity segment of \$55.7 million for the first nine months of fiscal 2014 increased \$10.7 million compared to the first nine months of the prior year, due to higher natural gas volumes sold, partially offset by lower electricity usage.

For the first nine months of fiscal 2014, total cost of products sold as a percent of total revenues increased 5.8 percentage points to 56.5% from 50.7% in the comparable prior year period. The increase in cost of products sold as a

percentage of revenues was primarily attributable to the rise in wholesale propane costs outpacing the rise in propane average selling prices during the first nine months of fiscal 2014.

Table of Contents*Operating Expenses*

(Dollars in thousands)	Nine Months Ended		Increase	Percent Increase
	June 28, 2014	June 29, 2013		
Operating expenses	\$ 361,035	\$ 359,621	\$ 1,414	0.4%
As a percent of total revenues	21.3%	24.6%		

Operating expenses of \$361.0 million in the first nine months of fiscal 2014 increased \$1.4 million, or 0.4%, compared to \$359.6 million in the first nine months of the prior year, primarily due to higher overtime and vehicle expenses attributable to higher volumes sold and harsh weather conditions, as well as higher bad debt expense as a result of higher revenues, offset to an extent by synergies realized associated with the continuing integration of Inergy Propane operations. Operating expenses for the first nine months of fiscal 2014 included integration-related expenses of \$5.8 million associated with the integration of the Inergy Propane operations, compared to \$2.5 million of integration-related expenses in the first nine months of fiscal 2013. The first nine months of fiscal 2013 also included a \$6.0 million charge related to our voluntary partial withdrawal from a multi-employer pension plan and full withdrawal from two multi-employer pension plans. Both the integration-related expenses and the multi-employer pension plan withdrawal charge were excluded from our calculation of Adjusted EBITDA.

General and Administrative Expenses

(Dollars in thousands)	Nine Months Ended		Increase	Percent Increase
	June 28, 2014	June 29, 2013		
General and administrative expenses	\$ 51,105	\$ 51,060	\$ 45	0.1%
As a percent of total revenues	3.0%	3.5%		

General and administrative expenses of \$51.1 million for the first nine months of fiscal 2014 were flat compared to the first nine months of the prior year as higher payroll and benefit related expenses were mostly offset by lower legal expenses associated with uninsured matters. In addition, general and administrative expenses for the first nine months of fiscal 2014 and fiscal 2013 included \$3.3 million and \$3.5 million, respectively, of professional services and other expenses associated with the integration of Inergy Propane. These integration-related items were excluded from our calculation of Adjusted EBITDA for both periods.

Table of Contents*Depreciation and Amortization*

(Dollars in thousands)	Nine Months Ended		Increase	Percent Increase
	June 28, 2014	June 29, 2013		
Depreciation and amortization	\$ 101,101	\$ 93,347	\$ 7,754	8.3%
As a percent of total revenues	6.0%	6.4%		

Depreciation and amortization expense of \$101.1 million for the first nine months of fiscal 2014 increased \$7.8 million compared to the prior year period, primarily as a result of acceleration of depreciation expense on buildings, vehicles and equipment taken out of service as a result of integration activities.

Interest Expense, net

(Dollars in thousands)	Nine Months Ended		Decrease	Percent Decrease
	June 28, 2014	June 29, 2013		
Interest expense, net	\$ 63,095	\$ 73,284	\$ (10,189)	(13.9%)
As a percent of total revenues	3.7%	5.0%		

Net interest expense of \$63.1 million for the first nine months of fiscal 2014 decreased \$10.2 million compared to the first nine months of the prior year, primarily due to the reduction of \$157.3 million in long-term borrowings during the fourth quarter of fiscal 2013. See Liquidity and Capital Resources below for additional discussion.

Loss on Debt Extinguishment

On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes (see below) and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of \$11.6 million consisting of \$31.6 million for the redemption premium and related fees, as well as the write-off of \$5.3 million and (\$25.3) million in unamortized debt origination costs and unamortized premium, respectively.

Table of Contents*EBITDA and Adjusted EBITDA*

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)	Nine Months Ended	
	June 28, 2014	June 29 2013
Net income	\$ 149,229	\$ 141,917
Add:		
Provision for income taxes	611	430
Interest expense, net	63,095	73,284
Depreciation and amortization	101,101	93,347
 EBITDA	 314,036	 308,978
Integration-related costs	9,083	6,001
Unrealized (non-cash) (gains) losses on changes in fair value of derivatives	(708)	6,333
Loss on debt extinguishment	11,589	
Multi-employer pension plan withdrawal charge		6,000
 Adjusted EBITDA	 334,000	 327,312
Add (subtract):		
Provision for income taxes	(611)	(430)
Interest expense, net	(63,095)	(73,284)
Integration-related costs	(9,083)	(6,001)
Multi-employer pension plan withdrawal charge		(6,000)
Unrealized (non-cash) gains (losses) on changes in fair value of derivatives	708	(6,333)
(Gain) on disposal of property, plant and equipment, net	(340)	(2,891)
Compensation cost recognized under Restricted Unit Plans	5,663	3,253
Changes in working capital and other assets and liabilities	(122,272)	(35,158)
 Net cash provided by operating activities	 \$ 144,970	 \$ 200,468

Liquidity and Capital Resources*Analysis of Cash Flows*

Operating Activities. Net cash provided by operating activities for the first nine months of fiscal 2014 and fiscal 2013 was \$145.0 million and \$200.5 million, respectively. The decrease in net cash provided by operating activities was primarily attributable to a substantial increase in working capital requirements as a result of the impact of the significant increase in wholesale propane costs on our inventory, revenues and resulting accounts receivables, offset to an extent by a year-over-year increase in earnings. Also, cash flows from operating activities for the first nine months of fiscal 2013 benefited to an extent by the realization of working capital acquired in the Inergy Propane acquisition.

Investing Activities. Net cash used in investing activities of \$12.1 million for the first nine months of fiscal 2014 consisted of capital expenditures of \$21.6 million (including approximately \$13.0 million for maintenance expenditures and \$8.6 million to support the growth of operations), partially offset by \$9.5 million in net proceeds from the sale of property, plant and equipment.

Net cash used in investing activities of \$9.7 million for the first nine months of fiscal 2013 consisted of capital expenditures of \$21.2 million (including approximately \$6.3 million for maintenance expenditures and \$14.9 million to support the growth of operations), partially offset by \$5.9 million in net proceeds from Inergy as a result of a purchase price adjustment attributable to the working capital of Inergy Propane, and \$5.6 million in net proceeds from the sale of property, plant and equipment.

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Financing Activities. Net cash used in financing activities for the first nine months of fiscal 2014 of \$170.8 million reflects \$158.2 million in quarterly distributions to Common Unitholders at a rate of \$0.8750 per Common Unit paid in respect of the fourth quarter of fiscal 2013 and first and second quarters of fiscal 2014. In addition, cash used in financing activities included proceeds of \$525.0 million from the issuance of the 2024 Senior Notes in May 2014. The net proceeds from the 2024 Senior Notes offering were used, along with cash on hand, to repurchase and satisfy and discharge all of the outstanding 2018 Senior Notes, as well as to pay tender premiums and other related fees of \$31.6 million and debt issuance costs of \$9.5 million, pursuant to a tender offer and redemption.

Net cash used in financing activities for the first nine months of fiscal 2013 of \$5.1 million reflects the quarterly distribution to Common Unitholders at a rate of \$0.8525 per Common Unit paid in respect of the fourth quarter of fiscal 2012 and at a rate of \$0.8750 per Common Unit paid in respect of the first and second quarters of fiscal 2013. In addition, net cash used in financing activities for the first nine months of fiscal 2013 included proceeds of \$143.4 million from the issuance of 3,105,000 of our Common Units on May 17, 2013. The net proceeds from the equity offering, along with cash on hand, were used to redeem \$157.3 million of our 2021 Senior Notes in August 2013.

Summary of Long-Term Debt Obligations and Revolving Credit Lines

As of June 28, 2014, our long-term debt consisted of \$250.0 million in aggregate principal amount of 7.375% senior notes due March 15, 2020, \$346.2 million in aggregate principal amount of 7.375% senior notes due August 1, 2021, \$525.0 million in aggregate principal amount of 5.50% senior notes due June 1, 2024 and \$100.0 million outstanding under our senior secured Revolving Credit Facility.

Senior Notes***2018 Senior Notes and 2021 Senior Notes***

On August 1, 2012, we and our 100%-owned subsidiary, Suburban Energy Finance Corp., issued \$496.6 million in aggregate principal amount of unregistered 7.5% senior notes due October 1, 2018 (the 2018 Senior Notes) and \$503.4 million in aggregate principal amount of unregistered 7.375% senior notes due August 1, 2021 (the 2021 Senior Notes) in a private placement in connection with the Inergy Propane acquisition. The 2018 Senior Notes required semi-annual interest payments in April and October, and the 2021 Senior Notes require semi-annual interest payments in February and August.

On December 19, 2012, we completed an offer to exchange our existing unregistered 7.5% senior notes due 2018 and 7.375% senior notes due 2021 (collectively, the Old Notes) for an equal principal amount of 7.5% senior notes due 2018 and 7.375% senior notes due 2021 (collectively, the Exchange Notes), respectively, that have been registered under the Securities Act of 1933, as amended. The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate, maturity and redemption rights) to the Old Notes for which they were exchanged, except that the Exchange Notes generally will not be subject to transfer restrictions.

On August 2, 2013, we repurchased pursuant to optional redemption \$133.4 million of our 2021 Senior Notes using net proceeds from our May 2013 public offering and net proceeds from the underwriters' exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, we repurchased \$23.9 million of our 2021 Senior Notes in a private transaction using cash on hand. During the fourth quarter of fiscal 2013, in connection with these repurchases, which totaled \$157.3 million in aggregate principal amount, we recognized a loss on the extinguishment of debt of \$2.1 million consisting of \$11.7 million for the repurchase premium and related fees, as well as the write-off of \$2.1 million and (\$11.7) million in unamortized debt origination costs and unamortized premium, respectively.

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On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes (see below) and cash on hand, pursuant to a tender offer and redemption. In connection with this tender offer and redemption during the third quarter of fiscal 2014, we recognized a loss on the extinguishment of debt of \$11.6 million consisting of \$31.6 million for the redemption premium and related fees, as well as the write-off of \$5.3 million and (\$25.3) million in unamortized debt origination costs and unamortized premium, respectively.

2020 Senior Notes

On March 23, 2010, we and our 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$250.0 million in aggregate principal amount of 7.375% senior notes due March 15, 2020 (the 2020 Senior Notes). The 2020 Senior Notes require semi-annual interest payments in March and September.

2024 Senior Notes

On May 27, 2014, we and our 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$525.0 million in aggregate principal amount of 5.50% senior notes due June 1, 2024 (the 2024 Senior Notes). The 2024 Senior Notes require semi-annual interest payments in June and December, beginning in December 2014. The net proceeds from the issuance of the 2024 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge the 2018 Senior Notes.

Our obligations under the 2020 Senior Notes, 2021 Senior Notes and 2024 Senior Notes (collectively, the Senior Notes) are unsecured and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment with any future senior indebtedness. The Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities of the Operating Partnership. The Senior Notes each have a change of control provision that would require us to offer to repurchase the notes at 101% of the principal amount repurchased, if a change of control, as defined in the applicable indenture, occurs and is followed by a rating decline (a decrease in the rating of the notes by either Moody's Investors Service or Standard and Poor's Rating Group by one or more gradations) within 90 days of the consummation of the change of control.

Credit Agreement

Our Operating Partnership has an amended and restated credit agreement entered into on January 5, 2012, as amended on August 1, 2012 and May 9, 2014 (collectively, the Amended Credit Agreement) that provides for a five-year \$400.0 million revolving credit facility (the Revolving Credit Facility) of which, \$100.0 million was outstanding as of June 28, 2014. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. Our 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.

During the second quarter of fiscal 2014, we experienced a significant increase in working capital requirements as a result of the impact of the significant increase in wholesale propane costs. This increase in working capital requirements resulted in the net borrowing of \$55.0 million under the Partnership's Revolving Credit Facility in the second quarter of fiscal 2014. The borrowings were repaid in full in April 2014 with internally generated cash.

The amendment and restatement of the credit agreement on January 5, 2012 amended the previous credit agreement to, among other things, extend the maturity date from June 25, 2013 to January 5, 2017, reduce the borrowing rate and commitment fees, and amend certain affirmative and negative covenants.

Borrowings under the Revolving Credit Facility of the Amended Credit Agreement may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. 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. We have standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of \$53.7 million primarily in support of retention levels under our self-insurance programs, which expire periodically through April 3, 2014. Therefore, as of June 28, 2014, we had available borrowing capacity of \$246.3 million under the Revolving Credit Facility.

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Borrowings under the Revolving Credit Facility of the Amended Credit Agreement 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 $\frac{1}{2}$ 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 June 28, 2014, the interest rate for the Revolving Credit Facility was approximately 2.5%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

The amendment on August 1, 2012 to the Amended Credit Agreement also amended certain restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, as well as certain financial covenants, including (a) requiring the Partnership's consolidated interest coverage ratio, as defined in the amendment, to be not less than 2.0 to 1.0 as of the end of any fiscal quarter; (b) prohibiting the total consolidated leverage ratio, as defined in the amendment, of the Partnership from being greater than 7.0 to 1.0 as of the end of any fiscal quarter. The minimum consolidated interest coverage ratio increases over time, and commencing with the second quarter of fiscal 2014, such minimum ratio will be 2.5 to 1.0. The maximum consolidated leverage ratio decreased over time, as well as upon the occurrence of certain events, and commencing with the second quarter of fiscal 2013, such maximum ratio is 4.75 to 1.0 (or 5.0 to 1.0 during an acquisition period, as defined in the amendment).

On May 9, 2014, the Operating Partnership executed a second amendment to the Amended Credit Agreement to make certain technical amendments with respect to agreements relating to debt refinancing.

In connection with the Amended Credit Agreement, our Operating Partnership entered into an interest rate swap agreement with a June 25, 2013 effective date and a maturity date of January 5, 2017. Under this interest rate swap agreement, our Operating Partnership will pay a fixed interest rate of 1.63% to the issuing lender on the notional principal amount outstanding, and the issuing lender will pay our Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swap has been designated as a cash flow hedge.

The Amended Credit Agreement and the 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. Under the Amended Credit Agreement and the indentures governing the Senior Notes, the Operating Partnership and the Partnership are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and with respect to the indentures governing the Senior Notes, the Partnership's consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. We and our Operating Partnership were in compliance with all covenants and terms of the Senior Notes and the Amended Credit Agreement as of June 28, 2014.

Partnership Distributions

We are required to make distributions in an amount equal to all of our Available Cash, as defined in our Third Amended and Restated Partnership Agreement, as amended (the Partnership Agreement), 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 July 23, 2014, we announced a quarterly distribution of \$0.8750 per Common Unit, or \$3.50 on an annualized basis, in respect of the third quarter of fiscal 2014 payable on August 12, 2014 to holders of record on August 5, 2014.

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 June 28, 2014, we had a liability for the defined benefit pension plan and accrued retiree health and life benefits of \$28.4 million and \$20.4 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 June 28, 2014, we had accrued insurance liabilities of \$58.7 million, and an insurance recovery asset of \$16.3 million related to the amount of the liability expected to be covered by insurance carriers.

Legal Matters

Our operations are subject to operating hazards and risks normally incidental to handling, storing and delivering combustible liquids such as propane. We have been, and will continue to be, a defendant in various legal proceedings and litigation as a result of these operating hazards and risks, and as a result of other aspects of our business. Although any litigation is inherently uncertain, based on past experience, the information currently available to us, and the amount of our accrued insurance liabilities, we do not believe that currently pending or threatened litigation matters, or known claims or known contingent claims, will have a material adverse effect on our results of operations, financial condition or cash flow.

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 2021. 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, was approximately \$15.5 million as of June 28, 2014. The fair value of residual value guarantees for outstanding operating leases was de minimis as of June 28, 2014.

Recently Issued Accounting Pronouncements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (ASU 2014-09). This update provides a principles-based approach to revenue recognition, requiring revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides a five-step model to be applied to all contracts with customers. The five steps are to

identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. The revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016, which will be our first quarter of fiscal year 2018. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. We are evaluating the impacts, if any, the adoption of ASU 2014-09 will have on our results of operations, financial position or cash flows.

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Recently Adopted Accounting Pronouncements.

In December 2011, the FASB issued an ASU regarding disclosures about offsetting assets and liabilities (ASU 2011-11). The new guidance requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position. The amendment, further clarified with ASU 2013-01, enhances disclosures by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with other US GAAP or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether or not they are offset in the balance sheet. We adopted ASU 2011-11 and ASU 2013-01 on September 29, 2013 and included further disclosure regarding offsetting assets and liabilities for derivative instruments accounted for under ASC 815. As this guidance affects disclosures only, its adoption had no impact on our financial position, results of operations or cash flows.

In February 2013, the FASB issued an ASU to establish the effective date for the requirement to present components of reclassifications out of accumulated other comprehensive income either parenthetically on the face of the financial statements or in the notes to the financial statements (ASU 2013-02). We adopted ASU 2013-02 on September 29, 2013 and its adoption did not change the items that must be reported in other comprehensive income, nor did it have an impact on our financial position, results of operations or cash flows.

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 help 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, supply and demand dynamics 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.

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Under our hedging and risk management strategies, we enter into a combination of exchange-traded futures and options contracts and, in certain instances, over-the-counter options and swap contracts (collectively, derivative instruments) to manage the price risk associated with physical product and with future purchases of the commodities used in our operations, principally propane and fuel oil, as well as to help ensure the availability of product during periods of high demand. In addition, the Partnership sells propane and fuel oil to customers at fixed prices, and enters into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. We do not use derivative instruments for speculative or trading purposes. Futures and swap 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 market 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, or delivered to customers as it pertains to fixed price contracts.

Futures are traded with brokers of the NYMEX and require daily cash settlements in margin accounts. Forward contracts are generally settled at the expiration of the contract term by physical delivery, and swap and options contracts are generally settled at expiration through a net settlement mechanism. Market risks associated with our derivative instruments 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.

Credit Risk

Exchange-traded futures and options 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, swap and options 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 $\frac{1}{2}$ 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 ratio of debt to consolidated 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 June 28, 2014, the fair value of the interest rate swaps was a net liability of \$2.1 million, which is included within other current liabilities and other liabilities, as applicable, with a corresponding unrealized loss reflected in accumulated 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 derivative instruments 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 earnings during the same period in which the hedged item affects earnings. The mark-to-market gains or losses on ineffective portions of cash flow hedges are immediately recognized in earnings. 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 in earnings as they occur. Cash flows associated with derivative instruments are reported as operating activities within the condensed consolidated statement of cash flows.

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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 June 28, 2014.
- B. The market prices for the underlying commodities used to determine A. above were adjusted adversely by a hypothetical 10% change 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.

Based on the sensitivity analysis described above, a hypothetical 10% adverse change in market prices for open derivative instruments as of June 28, 2014 indicates an increase in potential future net losses of \$0.2 million. See also Item 7A of our Annual Report on Form 10-K for the fiscal year ended September 28, 2013. 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

Evaluation of Disclosure Controls and Procedures

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, as amended (the Exchange Act)) that are designed to provide reasonable assurance that information required to be disclosed in the Partnership's filings and submissions under the Exchange Act 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 June 28, 2014. Based on this evaluation, the Partnership's principal executive officer and principal financial officer have concluded that as of June 28, 2014, such disclosure controls and procedures were effective to provide the reasonable assurance described above.

Changes in Internal Control Over Financial Reporting

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 Exchange Act) during the quarter ended June 28, 2014 that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

Part I, Item 1. Financial Statements, Note 10 to the Condensed Consolidated Financial Statements, of this Form 10-Q is hereby incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 28, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

INDEX TO EXHIBITS

The exhibits listed on this Exhibit Index are filed as part of this Quarterly Report. Exhibits required to be filed by Item 601 of Regulation S-K, which are not listed below, are not applicable.

Description

Exhibit
Number

- 2.1 Contribution Agreement dated as of April 25, 2012, as amended as of June 15, 2012, July 6, 2012 and July 19, 2012, among Inergy, L.P., Inergy GP, LLC, Inergy Sales and Service, Inc. and Suburban Propane Partners, L.P. (Incorporated by reference to Exhibit 2.1 to the Partnership's Current Reports on Form 8-K filed April 26, 2012, June 15, 2012, July 6, 2012 and July 19, 2012, respectively).
- 3.1 Third Amended and Restated Agreement of Limited Partnership of the Partnership dated as of October 19, 2006, as amended as of July 31, 2007. (Incorporated by reference to Exhibit 3.1 to the Partnership's Current Report on Form 8-K filed August 2, 2007).
- 3.2 Third Amended and Restated Agreement of Limited Partnership of the Operating Partnership dated as of October 19, 2006, as amended as of June 24, 2009. (Incorporated by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8-K filed June 30, 2009).

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- 3.3 Amended and Restated Certificate of Limited Partnership of the Partnership dated May 26, 1999 (Incorporated by reference to Exhibit 3.2 to the Partnership's Quarterly Report on Form 10-Q filed August 6, 2009).
- 3.4 Amended and Restated Certificate of Limited Partnership of the Operating Partnership dated May 26, 1999 (Incorporated by reference to Exhibit 3.3 to the Partnership's Quarterly Report on Form 10-Q filed August 6, 2009).
- 4.1 Description of Common Units of the Partnership. (Incorporated by reference to Exhibit 4.1 to the Partnership's Current Report on Form 8-K filed October 19, 2006).
- 4.2 Indenture, dated as of March 23, 2010, related to the 7.375% Senior Notes due 2020, by and among Suburban Propane Partners, L.P., Suburban Energy Finance Corp. 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 March 23, 2010).
- 4.3 First Supplemental Indenture, dated as of March 23, 2010, related to the 7.375% Senior Notes due 2020, by and among Suburban Propane Partners, L.P., Suburban Energy Finance Corp. 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 March 23, 2010).
- 4.4 Indenture, dated as of August 1, 2012, related to the 7.5% Senior Notes due 2018 and the 7.375% Senior Notes due 2021, by and among Suburban Propane Partners, L.P., Suburban Energy Finance Corp. and The Bank of New York Mellon, as Trustee, including the form of 7.5% Senior Notes due 2018 and the form of 7.375% Senior Notes due 2021. (Incorporated by reference to Exhibit 4.1 to the Partnership's Current Report on Form 8-K filed August 2, 2012).
- 4.5 First Supplemental Indenture, dated as of May 23, 2014, related to the 7.5% Senior Notes due 2018 and the 7.375% Senior Notes due 2021, by and among Suburban Propane Partners, L.P., Suburban Energy Finance Corp. 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 May 27, 2014).
- 4.6 Indenture, dated as of May 27, 2014, relating to the 5.50 % Senior Notes due 2024, among Suburban Propane Partners, L.P., Suburban Energy Finance Corp. and The Bank of New York Mellon, as Trustee, including the form of 5.50 % Senior Notes due 2024. (Incorporated by reference to Exhibit 4.1 to the Partnership's Current Report on Form 8-K filed May 28, 2014).
- 4.7 First Supplemental Indenture, dated as of May 27, 2014, relating to the 5.50 % Senior Notes due 2024, among Suburban Propane Partners, L.P., Suburban Energy Finance Corp. 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 May 28, 2014).
- 4.8 Support Agreement, dated as of August 1, 2012, among Inergy, L.P., the Partnership and Suburban Energy Finance Corp. (Incorporated by reference to Exhibit 4.3 to the Partnership's Registration Statement on Form S-4 dated September 19, 2012).
- 10.1 Agreement between Michael J. Dunn, Jr. and the Partnership, effective as of September 27, 2009. (Incorporated by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K filed November 10, 2009).

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- 10.2 Suburban Propane Partners, L.P. 2000 Restricted Unit Plan, as amended and restated effective October 17, 2006 and as further amended on July 31, 2007, October 31, 2007, January 24, 2008, January 20, 2009, November 10, 2009 and November 13, 2012. (Incorporated by reference to Exhibit 99.1 to the Partnership's Current Report on Form 8-K filed November 14, 2012).
- 10.3 Suburban Propane Partners, L.P. 2009 Restricted Unit Plan, effective August 1, 2009, as amended on November 13, 2012 and August 6, 2013. (Incorporated by reference to Exhibit 99.2 to the Partnership's Current Report on Form 8-K filed August 7, 2013).
- 10.4 Suburban Propane, L.P. Severance Protection Plan, as amended on January 24, 2008, January 20, 2009 and November 10, 2009. (Incorporated by reference to Exhibit 10.8 to the Partnership's Annual Report on Form 10-K for the fiscal year ended September 26, 2009).
- 10.5 Suburban Propane L.P. 2003 Long Term Incentive Plan, as amended on October 17, 2006 and as further amended on July 31, 2007, October 31, 2007, January 24, 2008 and January 20, 2009. (Incorporated by reference to Exhibit 10.3 to the Partnership's Quarterly Report on Form 10-Q for the fiscal quarter ended December 27, 2008).
- 10.6 Suburban Propane, L.P. 2013 Long Term Incentive Plan. (Incorporated by reference to Exhibit 99.1 to the Partnership's Current Report on Form 8-K filed November 10, 2011).
- 10.7 Suburban Propane, L.P. 2014 Long Term Incentive Plan. (Incorporated by reference to Exhibit 99.1 to the Partnership's Current Report on Form 8-K filed August 7, 2013).
- 10.8 Amended and Restated Retirement Savings and Investment Plan of Suburban Propane effective as of January 1, 1998). (Incorporated by reference to Exhibit 10.24 to the Partnership's Annual Report on Form 10-K for the fiscal year ended September 29, 2001).
- 10.9 Amendment No. 1 to the Retirement Savings and Investment Plan of Suburban Propane (effective January 1, 2002). (Incorporated by reference to Exhibit 10.25 to the Partnership's Annual Report on Form 10-K for the fiscal year ended September 28, 2002).
- 10.10 Amended and Restated Credit Agreement, among the Operating Partnership, the Partnership and Bank of America, N.A., as Administrative Agent and the Lenders party thereto, dated January 5, 2012. (Incorporated by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K filed on January 6, 2012).
- 10.11 First Amendment to the Amended and Restated Credit Agreement, among the Operating Partnership, the Partnership and Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, dated August 1, 2012. (Incorporated by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K filed on August 2, 2012).
- 10.12 Second Amendment to the Amended and Restated Credit Agreement, among the Operating Partnership, the Partnership and Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, dated May 9, 2014. (Incorporated by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K filed on May 12, 2014).
- 10.13 Propane Storage Agreement, dated September 17, 2007, between Suburban Propane, L.P. and Plains LPG Services, L.P. (Incorporated by reference to Exhibit 10.3 to the Partnership's Current Report on Form 8-K filed September 20, 2007).
- 31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).

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31.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
32.1	Certification of the 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 Principal 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).
99.1	Equity Holding Policy for Supervisors and Executives of Suburban Propane Partners, L.P. (Incorporated by reference to Exhibit 99.1 to the Partnership's Current Report on Form 8-K dated May 10, 2010).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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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.

August 7, 2014
Date

By: /s/ MICHAEL A. KUGLIN
Michael A. Kuglin
Vice President Finance & Chief Accounting Officer

August 7, 2014
Date

By: /s/ DANIEL S. BLOOMSTEIN
Daniel S. Bloomstein
Controller