

STAR GAS PARTNERS LP
Form 10-Q
August 06, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

For the transition period from _____ to _____

Commission File Number: 001-14129

Commission File Number: 333-103873

STAR GAS PARTNERS, L.P.

STAR GAS FINANCE COMPANY

(Exact name of registrants as specified in its charters)

Delaware	06-1437793
Delaware (State or other jurisdiction of incorporation or organization)	75-3094991 (I.R.S. Employer Identification No.)
2187 Atlantic Street, Stamford, Connecticut (Address of principal executive office)	06902
(203) 328-7310 (Registrants telephone number, including area code)	

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrants (1) have 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) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting companies. 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 Smaller reporting company

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act). Yes No

At July 31, 2008, the registrants had units and shares of each issuer's classes of common stock outstanding as follows:

Star Gas Partners, L.P.	Common Units	75,774,336
Star Gas Partners, L.P.	General Partner Units	325,729
Star Gas Finance Company	Common Shares	100

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	June 30, 2008 (unaudited)	September 30, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 90,925	\$ 112,886
Receivables, net of allowance of \$13,678 and \$7,645, respectively	152,530	78,923
Inventories	55,253	85,968
Fair asset value of derivative instruments	59,887	14,510
Prepaid expenses and other current assets	19,966	28,216
 Total current assets	 378,561	 320,503
Property and equipment, net	38,336	41,721
Long-term portion of accounts receivables	742	1,362
Goodwill	181,897	181,496
Intangibles, net	34,787	48,468
Deferred charges and other assets, net	6,967	8,554
 Total assets	 \$ 641,290	 \$ 602,104
LIABILITIES AND PARTNERS CAPITAL		
Current liabilities		
Accounts payable	\$ 15,815	\$ 18,797
Fair liability value of derivative instruments	5,312	5,312
Accrued expenses and other current liabilities	71,446	65,444
Unearned service contract revenue	36,878	37,219
Customer credit balances	32,246	71,109
 Total current liabilities	 156,385	 197,881
Long-term debt	173,801	173,941
Other long-term liabilities	15,535	13,951
Partners capital		
Common unitholders	311,060	232,895
General partner	207	(129)
Accumulated other comprehensive loss	(15,698)	(16,435)
 Total partners capital	 295,569	 216,331
 Total liabilities and partners capital	 \$ 641,290	 \$ 602,104

See accompanying notes to condensed consolidated financial statements.

Table of Contents**STAR GAS PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per unit data - unaudited)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
Sales:				
Product	\$ 212,229	\$ 178,971	\$ 1,234,185	\$ 994,229
Installations and service	45,838	43,481	143,112	135,391
Total sales	258,067	222,452	1,377,297	1,129,620
Cost and expenses:				
Cost of product	174,979	137,922	985,425	730,080
Cost of installations and service	40,451	40,624	138,313	135,482
Increase in the fair value of derivative instruments	(30,043)	(4,857)	(45,983)	(17,004)
Delivery and branch expenses	47,231	43,771	171,985	158,917
Depreciation and amortization expenses	6,703	7,234	20,573	21,922
General and administrative expenses	4,944	4,189	13,983	15,137
Operating income (loss)	13,802	(6,431)	93,001	85,086
Interest expense	(5,189)	(5,037)	(15,910)	(15,281)
Interest income	2,131	2,953	4,984	6,326
Amortization of debt issuance costs	(592)	(571)	(1,747)	(1,712)
Income (loss) before income taxes	10,152	(9,086)	80,328	74,419
Income tax expense (benefit)	(1,695)	(818)	1,827	3,092
Net income (loss)	\$ 11,847	\$ (8,268)	\$ 78,501	\$ 71,327
General Partner's interest in net income (loss)	51	(35)	336	305
Limited Partners' interest in net income (loss)	\$ 11,796	\$ (8,233)	\$ 78,165	\$ 71,022
Basic and Diluted income (loss) per Limited Partner Unit				
	\$ 0.16	\$ (0.11)	\$ 1.03	\$ 0.94
Weighted average number of Limited Partner units outstanding:				
Basic and Diluted	75,774	75,774	75,774	75,774

See accompanying notes to condensed consolidated financial statements.

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
AND COMPREHENSIVE INCOME

(in thousands)	Number of Units		Common	General Partner	Accum. Other Comprehensive Income (Loss)	Total Partners Capital
	Common	General Partner				
Balance as of September 30, 2007	75,774	326	\$ 232,895	\$ (129)	\$ (16,435)	\$ 216,331
Comprehensive Income (unaudited):						
Net income			78,165	336		78,501
Unrealized gain on pension plan obligation					737	737
Total comprehensive income			78,165	336	737	79,238
Balance as of June 30, 2008 (unaudited)	75,774	326	\$ 311,060	\$ 207	\$ (15,698)	\$ 295,569

See accompanying notes to condensed consolidated financial statements.

Table of Contents**STAR GAS PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands - unaudited)	Nine Months Ended June 30,	
	2008	2007
Cash flows provided by (used in) operating activities:		
Net income	\$ 78,501	\$ 71,327
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Increase in fair value of derivative instruments	(45,983)	(17,004)
Depreciation and amortization	22,320	23,634
Provision for losses on accounts receivable	10,988	5,463
Changes in operating assets and liabilities:		
Increase in receivables	(83,976)	(27,676)
Decrease in inventories	30,895	16,971
Decrease in other assets and assets held for sale, net	3,084	9,038
Decrease in accounts payable	(3,009)	(4,411)
Decrease in customer credit balances	(38,960)	(29,117)
Increase in other current and long-term liabilities	7,795	7,256
Net cash provided by (used in) operating activities	(18,345)	55,481
Cash flows provided by (used in) investing activities:		
Capital expenditures	(2,213)	(3,246)
Proceeds from sales of fixed assets	426	1,824
Cash paid for acquisitions	(1,685)	(12,296)
Net cash used in investing activities	(3,472)	(13,718)
Cash flows provided by (used in) financing activities:		
Revolving credit facility borrowings	57,161	
Revolving credit facility repayments	(57,161)	
Repayment of debt		(47)
Increase in deferred charges	(144)	
Net cash used in financing activities	(144)	(47)