SUBURBAN PROPANE PARTNERS LP
Form 10-K
November 24, 2010

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

þ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended September 25, 2010

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 1-14222
SUBURBAN PROPANE PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

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

240 Route 10 West
Whippany, NJ 07981
(973) 887-5300
(Address, including zip code, and telephone number,
including area code, of registrant s principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	*Name of each exchange on which registered*
Common Units	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(do not check if a smaller reporting company)

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No þ

The aggregate market value as of March 26, 2010 of the registrant s Common Units held by non-affiliates of the registrant, based on the reported closing price of such units on the New York Stock Exchange on such date ($46.75 per unit), was approximately $1,649,823,000.

Documents Incorporated by Reference: None Total number of pages (excluding Exhibits): 125

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 ability of the Partnership to compete with other suppliers of propane, fuel oil and other energy sources;
- The impact on the price and supply of propane, fuel oil and other refined fuels from the political, military or economic instability of the oil producing nations, global terrorism and other general economic conditions;
- The ability of the Partnership to acquire and maintain reliable transportation for its propane, fuel oil and other refined fuels;
- The ability of the Partnership to retain customers 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 regulations that could adversely affect the tax treatment of the Partnership for federal income tax purposes;
- The impact of legal proceedings on the Partnership s business;
- The impact of operating hazards that could adversely affect the Partnership s operating results to the extent not covered by insurance;
- The Partnership s ability to make strategic acquisitions and successfully integrate them;
- The impact of current conditions in the global capital and credit markets, and general economic pressures; and

Other risks referenced from time to time in filings with the Securities and Exchange Commission (SEC) and those factors listed or incorporated by reference into this 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 Annual Report. 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 Annual Report and in future SEC reports. For a more complete discussion of specific factors which could cause actual results to differ from those in the Forward-Looking Statements or Cautionary Statements, see Risk Factors in this Annual Report.

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PART I

ITEM 1. BUSINESS

Development of Business

Suburban Propane Partners, L.P. (the Partnership), a publicly traded Delaware limited partnership, is a nationwide marketer and distributor of a diverse array of products meeting the energy needs of our customers. We specialize in the distribution of propane, fuel oil and refined fuels, as well as the marketing of natural gas and electricity in deregulated markets. In support of our core marketing and distribution operations, we install and service a variety of home comfort equipment, particularly in the areas of heating and ventilation. We believe, based on *LP/Gas Magazine* dated February 2010, that we are the fifth largest retail marketer of propane in the United States, measured by retail gallons sold in the calendar year 2009. As of September 25, 2010, we were serving the energy needs of approximately 800,000 active residential, commercial, industrial and agricultural customers through approximately 300 locations in 30 states located primarily in the east and west coast regions of the United States, including Alaska. We sold approximately 317.9 million gallons of propane and 43.2 million gallons of fuel oil and refined fuels to retail customers during the year ended September 25, 2010. Together with our predecessor companies, we have been continuously engaged in the retail propane business since 1928.

We conduct our business principally through Suburban Propane, L.P., a Delaware limited partnership, which operates our propane business and assets (the Operating Partnership), and its direct and indirect subsidiaries. Our general partner, and the general partner of our Operating Partnership, is Suburban Energy Services Group LLC (the General Partner), a Delaware limited liability company. Since October 19, 2006, the General Partner has had no economic interest in either the Partnership or the Operating Partnership other than as a holder of 784 Common Units of the Partnership. Prior to October 19, 2006, the General Partner was majority-owned by senior management of the Partnership and owned an approximate combined 1.75% general partner interest in the Partnership and the Operating Partnership.

On October 19, 2006, the Partnership, the Operating Partnership and the General Partner consummated an Exchange Agreement by and among the parties dated July 27, 2006 (the Exchange Agreement), pursuant to which the Partnership issued 2,300,000 Common Units to the General Partner in exchange for the cancellation of the General Partner s incentive distribution rights (IDRs), the economic interest in the Partnership included in the general partner interest therein and the economic interest in the Operating Partnership included in the general partner interest therein (the GP Exchange Transaction). Pursuant to a Distribution, Release and Lockup Agreement dated July 27, 2006 by and among the Partnership, the Operating Partnership, the General Partner and the then individual members of the General Partner (the Distribution Agreement), the Common Units received by the General Partner (other than 784 Common Units that will remain in the General Partner) were distributed to the then members of the General Partner in exchange for their interests in the General Partner.

In addition to the GP Exchange Transaction, the Partnership adopted the Third Amended and Restated Agreement of Limited Partnership (the Partnership Agreement), which amended the previous partnership agreement to, among other things, effectuate the GP Exchange Transaction. Under the Partnership Agreement, the General Partner will continue to be the general partner of both the Partnership and the Operating Partnership, but its general partner interests will have no economic value (which means that such general partner interests do not entitle the holder thereof to any cash distributions of either partnership, or to any cash payment upon the liquidation of either partnership, or any other economic rights in either partnership). Following the GP Exchange Transaction and the consummation of the Distribution Agreement, the sole member of the General Partner is the Chief Executive Officer of the Partnership and the General Partner holds 784 Common Units received in the GP Exchange Transaction. The Partnership continues to own (directly and indirectly) all of the limited partner interests in the Operating Partnership. Additionally, under the Partnership Agreement no IDRs are outstanding and no provisions for future IDRs are contained in the Partnership Agreement. The Common Units represent 100% of the limited partner interests in the Partnership.

Subsidiaries of the Operating Partnership include Suburban Sales and Service, Inc. (the Service Company), which conducts a portion of the Partnership s service work and appliance and parts businesses. The Service Company is the sole member of Gas Connection, LLC (d/b/a HomeTown Hearth & Grill), and Suburban Franchising, LLC. HomeTown Hearth & Grill sells and installs natural gas and propane gas grills, fireplaces and related accessories and supplies through two retail stores in the northwest and northeast regions as of September 25, 2010. Suburban Franchising creates and develops propane related franchising business opportunities.

Through an acquisition in fiscal 2004, we transformed our business from a marketer of a single fuel into one that provides multiple energy solutions, with expansion into the marketing and distribution of fuel oil and refined fuels, as well as the marketing of natural gas and electricity. Our fuel oil and refined fuels, natural gas and electricity and services businesses are structured as corporate entities (collectively referred to as Corporate Entities) and, as such, are subject to corporate level income tax.

Suburban Energy Finance Corporation, a direct wholly-owned subsidiary of the Partnership, was formed on November 26, 2003 to serve as co-issuer, jointly and severally with the Partnership, of the Partnership s unsecured 6.875% senior notes due December 2013 (all of which were repurchased by the Partnership on March 23, 2010) and, subsequently, of the Partnership s unsecured 7.375% senior notes issued on March 23, 2010 and due March 15, 2020. Suburban Energy Finance Corporation has nominal assets and conducts no business operations.

In this Annual Report, unless otherwise indicated, the terms Partnership, we, us, and our are used to refer to Subur Propane Partners, L.P. and its consolidated subsidiaries, including the Operating Partnership. The Partnership, the Operating Partnership and the Service Company commenced operations in March 1996 in connection with the Partnership s initial public offering of Common Units.

We currently file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and current reports on Form 8-K with the SEC. You may read and receive copies of any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any information filed by us is also available on the SEC s EDGAR database at www.sec.gov.

Upon written request or through a link from our website at www.suburbanpropane.com, we will provide, without charge, copies of our Annual Report on Form 10-K for the year ended September 25, 2010, each of the Quarterly Reports on Form 10-Q, current reports filed or furnished on Form 8-K and all amendments to such reports as soon as is reasonably practicable after such reports are electronically filed with or furnished to the SEC. Requests should be directed to: Suburban Propane Partners, L.P., Investor Relations, P.O. Box 206, Whippany, New Jersey 07981-0206.

Our Strategy

Our business strategy is to deliver increasing value to our Unitholders through initiatives, both internal and external, that are geared toward achieving sustainable profitable growth and increased quarterly distributions. The following are key elements of our strategy:

Internal Focus on Driving Operating Efficiencies, Right-Sizing Our Cost Structure and Enhancing Our Customer Mix. We focus internally on improving the efficiency of our existing operations, managing our cost structure and improving our customer mix. Through investments in our technology infrastructure, we continue to seek to improve operating efficiencies and the return on assets employed. We have developed a streamlined operating footprint and management structure to facilitate effective resource planning and decision making. Our internal efforts are particularly focused in the areas of route optimization, forecasting customer usage, inventory control, cash management and customer tracking.

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Growing Our Customer Base by Improving Customer Retention and Acquiring New Customers. We set clear objectives to focus our employees on seeking new customers and retaining existing customers by providing highly responsive customer service. We believe that customer satisfaction is a critical factor in the growth and success of our operations. ***Our Business is Customer Satisfaction*** is one of our core operating philosophies. We measure and reward our customer service centers based on a combination of profitability of the individual customer service center and net customer growth.

Selective Acquisitions of Complementary Businesses or Assets. Externally, we seek to extend our presence or diversify our product offerings through selective acquisitions. Our acquisition strategy is to focus on businesses with a relatively steady cash flow that will extend our presence in strategically attractive markets, complement our existing business segments or provide an opportunity to diversify our operations with other energy-related assets. While we are active in this area, we are also very patient and deliberate in evaluating acquisition candidates. During fiscal 2010, we completed four acquisitions of mid-sized propane operations in markets in which we already have a strong presence. These acquisitions complemented our existing operations, expanded our customer base and, with our focus on operational efficiencies, provided synergies through the blending of operations and assets into our existing facilities. There were no acquisitions completed during fiscal 2009 or 2008.

Selective Disposition of Non-Strategic Assets. We continuously evaluate our existing facilities to identify opportunities to optimize our return on assets by selectively divesting operations in slower growing markets, generating proceeds that can be reinvested in markets that present greater opportunities for growth. Our objective is to maximize the growth and profit potential of all of our assets. In that regard, in fiscal 2008 we completed the sale of our Tirzah, South Carolina underground granite propane storage cavern, and associated 62-mile pipeline, for approximately $53.7 million in net proceeds.

Business Segments

We manage and evaluate our operations in five operating segments, three of which are reportable segments: Propane, Fuel Oil and Refined Fuels and Natural Gas and Electricity. These business segments are described below. See the Notes to the Consolidated Financial Statements included in this Annual Report for financial information about our business segments.

Propane

Propane is a by-product of natural gas processing and petroleum refining. It is a clean burning energy source recognized for its transportability and ease of use relative to alternative forms of stand-alone energy sources. Propane use falls into three broad categories:

- residential and commercial applications;
- industrial applications; and
- agricultural uses.

In the residential and commercial markets, propane is used primarily for space heating, water heating, clothes drying and cooking. Industrial customers use propane generally as a motor fuel to power over-the-road vehicles, forklifts and stationary engines, to fire furnaces, as a cutting gas and in other process applications. In the agricultural market, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

Propane is extracted from natural gas or oil wellhead gas at processing plants or separated from crude oil during the refining process. It is normally transported and stored in a liquid state under moderate pressure or refrigeration for ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, propane becomes a flammable gas that is colorless and odorless, although an odorant is added to allow its detection. Propane is clean burning and, when consumed, produces only negligible amounts of pollutants.

Product Distribution and Marketing

We distribute propane through a nationwide retail distribution network consisting of approximately 300 locations in 30 states as of September 25, 2010. Our operations are concentrated in the east and west coast regions of the United States, including Alaska. As of September 25, 2010, we serviced approximately 644,000 active propane customers. Typically, our customer service centers are located in suburban and rural areas where natural gas is not readily available. Generally, these customer service centers consist of an office, appliance showroom, warehouse and service facilities, with one or more 18,000 to 30,000 gallon storage tanks on the premises. Most of our residential customers receive their propane supply through an automatic delivery system. These deliveries are scheduled through computer technology, based upon each customer s historical consumption patterns and prevailing weather conditions. Additionally, as is common practice in the industry, we offer our customers a budget payment plan whereby the customer s estimated annual propane purchases and service contracts are paid for in a series of estimated equal monthly payments over a twelve-month period. From our customer service centers, we also sell, install and service equipment to customers who purchase propane from us including heating and cooking appliances, hearth products and supplies and, at some locations, propane fuel systems for motor vehicles.

We sell propane primarily to six customer markets: residential, commercial, industrial (including engine fuel), agricultural, other retail users and wholesale. Approximately 97% of the propane gallons sold by us in fiscal 2010 were to retail customers: 45% to residential customers, 28% to commercial customers, 7% to industrial customers, 5% to agricultural customers and 15% to other retail users. The balance of approximately 3% of the propane gallons sold by us in fiscal 2010 was for risk management activities and wholesale customers. No single customer accounted for 10% or more of our propane revenues during fiscal 2010.

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from bobtail trucks, which have capacities ranging from 2,125 gallons to 2,975 gallons of propane, into a stationary storage tank on the customers premises. The capacity of these storage tanks ranges from approximately 100 gallons to approximately 1,200 gallons, with a typical tank having a capacity of 300 to 400 gallons. As is common in the propane industry, we own a significant portion of the storage tanks located on our customers premises. We also deliver propane to retail customers in portable cylinders, which typically have a capacity of 5 to 35 gallons. When these cylinders are delivered to customers, empty cylinders are refilled in place or transported for replenishment at our distribution locations. We also deliver propane to certain other bulk end users in larger trucks known as transports, which have an average capacity of approximately 9,000 gallons. End users receiving transport deliveries include industrial customers, large-scale heating accounts, such as local gas utilities that use propane as a supplemental fuel to meet peak load delivery requirements, and large agricultural accounts that use propane for crop drying.

Supply

Our propane supply is purchased from approximately 57 oil companies and natural gas processors at approximately 110 supply points located in the United States and Canada. We make purchases primarily under one-year agreements that are subject to annual renewal, and also purchase propane on the spot market. Supply contracts generally provide for pricing in accordance with posted prices at the time of delivery or the current prices established at major storage points, and some contracts include a pricing formula that typically is based on prevailing market prices. Some of these agreements provide maximum and minimum seasonal purchase guidelines. Propane is generally transported from refineries, pipeline terminals, storage facilities (including our storage facility in Elk Grove, California) and coastal terminals to our customer service centers by a combination of common carriers, owner-operators and railroad tank cars. See Item 2 of this Annual Report.

Historically, supplies of propane have been readily available from our supply sources. Although we make no assurance regarding the availability of supplies of propane in the future, we currently expect to be able to secure adequate supplies during fiscal 2011. During fiscal 2010, Targa Liquids Marketing and Trade (Targa) and Enterprise Products Operating L.P. (Enterprise) provided approximately 19% and 11% of our total propane purchases, respectively. The availability of our propane supply is dependent on several factors, including the severity of winter weather and the price and availability of competing fuels, such as natural gas and fuel oil. We believe that if supplies from Targa or Enterprise were interrupted, we would be able to secure adequate propane supplies from other sources without a material disruption of our operations. Nevertheless, the cost of acquiring such propane might be higher and,

at least on a short-term basis, margins could be affected. Approximately 95% of our total propane purchases were from domestic suppliers in fiscal 2010.

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We seek to reduce the effect of propane price volatility on our product costs and to help ensure the availability of propane during periods of short supply. We are currently a party to forward and option contracts with various third parties to purchase and sell propane at fixed prices in the future. These activities are monitored by our senior management through enforcement of our Hedging and Risk Management Policy. See Items 7 and 7A of this Annual Report.

We own and operate a large propane storage facility in California. We also operate smaller storage facilities in other locations and have rights to use storage facilities in additional locations. These storage facilities enable us to buy and store large quantities of propane particularly during periods of low demand, which generally occur during the summer months. This practice helps ensure a more secure supply of propane during periods of intense demand or price instability. As of September 25, 2010, the majority of our storage capacity in California was leased to third parties.

Competition

According to the Energy Information Administration s Short-Term Energy Outlook Model Documentation (November 2009), propane ranks as the fourth most important source of residential energy in the nation, with about 5% of all households using propane as their primary space heating fuel. This level has not changed materially over the previous two decades. As an energy source, propane competes primarily with natural gas, electricity and fuel oil, principally on the basis of price, availability and portability.

Propane is more expensive than natural gas on an equivalent British Thermal Unit (BTU) basis in locations serviced by natural gas, but it is an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Historically, the expansion of natural gas into traditional propane markets has been inhibited by the capital costs required to expand pipeline and retail distribution systems. Although the recent extension of natural gas pipelines to previously unserved geographic areas tends to displace propane distribution in those areas, we believe new opportunities for propane sales will arise as new neighborhoods are developed in geographically remote areas.

We also have some relative advantages over suppliers of other energy sources. For example, propane is generally less expensive to use than electricity for space heating, water heating, clothes drying and cooking. Fuel oil has not been a significant competitor due to the current geographical diversity of our operations, and propane and fuel oil are not significant competitors because of the cost of converting from one to the other.

In addition to competing with suppliers of other energy sources, our propane operations compete with other retail propane distributors. The retail propane industry is highly fragmented and competition generally occurs on a local basis with other large full-service multi-state propane marketers, thousands of smaller local independent marketers and farm cooperatives. Based on industry statistics contained in *2008 Sales of Natural Gas Liquids and Liquefied Refinery Gases*, as published by the American Petroleum Institute in December 2009, and *LP/Gas Magazine* dated February 2010, the ten largest retailers, including us, account for approximately 38% of the total retail sales of propane in the United States. For fiscal years 2010 and 2009, no single marketer had a greater than 10% share of the total retail propane market in the United States. For fiscal year 2008 one marketer had more than a 10% share of the total retail propane market in the United States. Most of our customer service centers compete with five or more marketers or distributors. However, each of our customer service centers operates in its own competitive environment because retail marketers tend to locate in close proximity to customers in order to lower the cost of providing service. Our typical customer service center has an effective marketing radius of approximately 50 miles, although in certain rural areas the marketing radius may be extended by one or more satellite offices.

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Fuel Oil and Refined Fuels

Product Distribution and Marketing

We market and distribute fuel oil, kerosene, diesel fuel and gasoline to approximately 55,000 residential and commercial customers in the northeast region of the United States. Sales of fuel oil and refined fuels for fiscal 2010 amounted to 43.2 million gallons. Approximately 67% of the fuel oil and refined fuels gallons sold by us in fiscal 2010 were to residential customers, principally for home heating, 4% were to commercial customers, 1% were to agricultural and 4% to other users. Sales of diesel and gasoline accounted for the remaining 24% of total volumes sold in this segment during fiscal 2010. Fuel oil has a more limited use, compared to propane, for space and water heating in residential and commercial buildings. We sell diesel fuel and gasoline to commercial and industrial customers for use primarily to propel motor vehicles.

Approximately 49% of our fuel oil customers receive their fuel oil under an automatic delivery system. These deliveries are scheduled through computer technology, based upon each customer s historical consumption patterns and prevailing weather conditions. Additionally, as is common practice in the industry, we offer our customers a budget payment plan whereby the customer s estimated annual fuel oil purchases are paid for in a series of estimated equal monthly payments over a twelve-month period. From our customer service centers, we also sell, install and service equipment to customers who purchase fuel oil from us including heating appliances.

Deliveries of fuel oil are usually made to customers by means of tankwagon trucks, which have capacities ranging from 2,500 gallons to 3,000 gallons. Fuel oil is pumped from the tankwagon truck into a stationary storage tank that is located on the customer s premises, which is owned by the customer. The capacity of customer storage tanks ranges from approximately 275 gallons to approximately 1,000 gallons. No single customer accounted for 10% or more of our fuel oil revenues during fiscal 2010.

Supply

We obtain fuel oil and other refined fuels in either pipeline, truckload or tankwagon quantities, and have contracts with certain pipeline and terminal operators for the right to temporarily store fuel oil at 13 terminal facilities we do not own. We have arrangements with certain suppliers of fuel oil, which provide open access to fuel oil at specific terminals throughout the northeast. Additionally, a portion of our purchases of fuel oil are made at local wholesale terminal racks. In most cases, the supply contracts do not establish the price of fuel oil in advance; rather, prices are typically established based upon market prices at the time of delivery plus or minus a differential for transportation and volume discounts. We purchase fuel oil from more than 25 suppliers at approximately 60 supply points. While fuel oil supply is more susceptible to longer periods of supply constraint than propane, we believe that our supply arrangements will provide us with sufficient supply sources. Although we make no assurance regarding the availability of supplies of fuel oil in the future, we currently expect to be able to secure adequate supplies during fiscal 2011.

Competition

The fuel oil industry is a mature industry with total demand expected to remain relatively flat to moderately declining. The fuel oil industry is highly fragmented, characterized by a large number of relatively small, independently owned and operated local distributors. We compete with other fuel oil distributors offering a broad range of services and prices, from full service distributors to those that solely offer the delivery service. We have developed a wide range of sales programs and service offerings for our fuel oil customer base in an attempt to be viewed as a full service energy provider and to build customer loyalty. For instance, like most companies in the fuel oil business, we provide home heating equipment repair service to our fuel oil customers on a 24-hour a day basis. The fuel oil business unit also competes for retail customers with suppliers of alternative energy sources, principally natural gas, propane and electricity.

Natural Gas and Electricity

We market natural gas and electricity through our wholly-owned subsidiary Agway Energy Services, LLC (AES) in the deregulated markets of New York and Pennsylvania primarily to residential and small commercial customers. Historically, local utility companies provided their customers with all three aspects of electric and natural gas service: generation, transmission and distribution. However, under deregulation, public utility commissions in several states are licensing energy service companies, such as AES, to act as alternative suppliers of the commodity to end consumers. In essence, we make arrangements for the supply of electricity or natural gas to specific delivery points. The local utility companies continue to distribute electricity and natural gas on their distribution systems. The business strategy of this business segment is to expand its market share by concentrating on growth in the customer base and expansion into other deregulated markets that are considered strategic markets.

We serve nearly 86,000 natural gas and electricity customers in New York and Pennsylvania. During fiscal 2010, we sold approximately 3.5 million dekatherms of natural gas and 597.7 million kilowatt hours of electricity through the natural gas and electricity segment. Approximately 69% of our customers were residential households and the remainder were small commercial and industrial customers. New accounts are obtained through numerous marketing and advertising programs, including telemarketing and direct mail initiatives. Most local utility companies have established billing service arrangements whereby customers receive a single bill from the local utility company which includes distribution charges from the local utility company, as well as product charges for the amount of natural gas or electricity provided by AES and utilized by the customer. We have arrangements with several local utility companies that provide billing and collection services for a fee. Under these arrangements, we are paid by the local utility company for all or a portion of customer billings after a specified number of days following the customer billing with no further recourse to AES.

Supply of natural gas is arranged through annual supply agreements with major national wholesale suppliers. Pricing under the annual natural gas supply contracts is based on posted market prices at the time of delivery, and some contracts include a pricing formula that typically is based on prevailing market prices. The majority of our electricity requirements is purchased through the New York Independent System Operator (NYISO) under an annual supply agreement, as well as purchase arrangements through other national wholesale suppliers on the open market. Electricity pricing under the NYISO agreement is based on local market indices at the time of delivery. Competition is primarily with local utility companies, as well as other marketers of natural gas and electricity providing similar alternatives as AES.

All Other

We sell, install and service various types of whole-house heating products, air cleaners, humidifiers, hearth products and space heaters to the customers of our propane, fuel oil, natural gas and electricity businesses. Our supply needs are filled through supply arrangements with several large regional equipment manufacturers and distribution companies. Competition in this business segment is primarily with small, local heating and ventilation providers and contractors, as well as, to a lesser extent, other regional service providers. The focus of our ongoing service offerings are in support of the service needs of our existing customer base within our propane, refined fuels and natural gas and electricity business segments. Additionally, we have entered into arrangements with third-party service providers to complement and, in certain instances, supplement our existing service capabilities.

In addition, activities from our HomeTown Hearth & Grill and Suburban Franchising subsidiaries are also included in the all other business category.

Seasonality

The retail propane and fuel oil distribution businesses, as well as the natural gas marketing business, are seasonal because the primary use of these fuels is for heating 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).

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.

Trademarks and Tradenames

We utilize a variety of trademarks and tradenames owned by us, including Suburban Propane, Gas Connection, Suburban Cylinder Express and HomeTown Hearth & Grill. Additionally, we hold rights to certain trademarks and tradenames, including Agway Propane, Agway and Agway Energy Products in connection with the distribution o petroleum-based fuel and sales and service of heating and ventilation products. We regard our trademarks, tradenames and other proprietary rights as valuable assets and believe that they have significant value in the marketing of our products and services.

Government Regulation; Environmental and Safety Matters

We are subject to various federal, state and local environmental, health and safety laws and regulations. Generally, these laws impose limitations on the discharge of pollutants and establish standards for the handling of solid and hazardous wastes and can require the investigation and cleanup of environmental contamination. These laws include the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Clean Air Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes. CERCLA, also known as the Superfund law, imposes joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons that are considered to have contributed to the release or threatened release of a hazardous substance into the environment. Propane is not a hazardous substance within the meaning of CERCLA, whereas some constituents contained in fuel oil are considered hazardous substances. We own real property at locations where such hazardous substances may be present as a result of prior activities.

We expect that we will be required to expend funds to participate in the remediation of certain sites, including sites where we have been designated by the Environmental Protection Agency as a potentially responsible party under CERCLA and at sites with aboveground and underground fuel storage tanks. We will also incur other expenses associated with environmental compliance. We continually monitor our operations with respect to potential environmental issues, including changes in legal requirements and remediation technologies.

Through an acquisition in fiscal 2004, we acquired certain properties with either known or probable environmental exposure, some of which are currently in varying stages of investigation, remediation or monitoring. Additionally, we identified that certain active sites acquired contained environmental conditions which required further investigation, future remediation or ongoing monitoring activities. The environmental exposures included instances of soil and/or groundwater contamination associated with the handling and storage of fuel oil, gasoline and diesel fuel. As of September 25, 2010, we had accrued environmental liabilities of $0.7 million representing the total estimated future liability for remediation and monitoring.

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Estimating the extent of our responsibility at a particular site, and the method and ultimate cost of remediation of that site, requires making numerous assumptions. As a result, the ultimate cost to remediate any site may differ from current estimates, and will depend, in part, on whether there is additional contamination, not currently known to us, at that site. However, we believe that our past experience provides a reasonable basis for estimating these liabilities. As additional information becomes available, estimates are adjusted as necessary. While we do not anticipate that any such adjustment would be material to our financial statements, the result of ongoing or future environmental studies or other factors could alter this expectation and require recording additional liabilities. We currently cannot determine whether we will incur additional liabilities or the extent or amount of any such liabilities.

National Fire Protection Association (NFPA) Pamphlet Nos. 54 and 58, which establish rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted, in whole, in part or with state addenda, as the industry standard for propane storage, distribution and equipment installation and operation in all of the states in which we operate. In some states these laws are administered by state agencies, and in others they are administered on a municipal level. Pamphlet No. 58 has adopted storage tank valve retrofit requirements due to be completed by June 2011 or later depending on when each state adopts the 2001 edition of NFPA Pamphlet No. 58. We have a program in place to meet this deadline.

NFPA Pamphlet Nos. 30, 30A, 31, 385 and 395, which establish rules and procedures governing the safe handling of distillates (fuel oil, kerosene and diesel fuel) and gasoline, or comparable regulations, have been adopted, in whole, in part or with state addenda, as the industry standard for fuel oil, kerosene, diesel fuel and gasoline storage, distribution and equipment installation/operation in all of the states in which we sell those products. In some states these laws are administered by state agencies and in others they are administered on a municipal level.

With respect to the transportation of propane, distillates and gasoline by truck, we are subject to regulations promulgated under the Federal Motor Carrier Safety Act. These regulations cover the transportation of hazardous materials and are administered by the United States Department of Transportation or similar state agencies. We conduct ongoing training programs to help ensure that our operations are in compliance with applicable safety regulations. We maintain various permits that are necessary to operate some of our facilities, some of which may be material to our operations. We believe that the procedures currently in effect at all of our facilities for the handling, storage and distribution of propane, distillates and gasoline are consistent with industry standards and are in compliance, in all material respects, with applicable laws and regulations.

The Department of Homeland Security (DHS) has published regulations under 6 CFR Part 27 Chemical Facility Anti-Terrorism Standards. Our facilities are registered with the DHS we have 468 facilities determined to be Not a High Risk Chemical Facility . 36 facilities have been determined by DHS to be Tier 4 (lowest level of security risk). Security Vulnerability Assessments for 30 facilities are under review by DHS and 6 facilities have been verified as Tier 4 with Site Security Plans under development for submission to DHS by January 2011. Because our facilities are currently operating under the security programs developed under guidelines issued by the Department of Transportation, Department of Labor and Environmental Protection Agency, we do not anticipate that we will incur significant costs in order to comply with these DHS regulations.

On June 26, 2009, the U.S. House of Representatives approved adoption of the American Clean Energy and Security Act of 2009, also known as the Waxman-Markey cap-and-trade legislation (ACESA). The purpose of ACESA is to control and reduce emissions of greenhouse gases (GHGs) in the United States. GHGs are certain gases, including carbon dioxide and methane, that may contribute to the warming of the Earth s atmosphere and other climatic changes. ACESA would establish an economy-wide cap on emissions of GHGs in the United States and would require certain regulated entities to obtain GHG emission allowances corresponding to the annual emission of GHGs attributable to their products or operations. Regulated entities under ACESA include producers of natural gas liquids (NGLs), local natural gas distribution companies and certain industrial facilities. Under ACESA, the number of authorized emission allowances would decline each year, resulting in an expected and progressive increase in the cost or value of the allowances. The net effect of maintaining emission allowances under ACESA would be to increase the costs associated with the combusting of carbon-based fuels such as natural gas, NGLs (including propane), and refined petroleum products. We cannot predict whether or in what form the cap-and-trade provisions and renewable energy standards in the bill passed by the U.S. House of Representatives will become law.

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Although it is not possible at this time to predict the impact of the climate change regulatory and legislative initiatives described above, any adopted laws or regulations, or judicial determinations, that restrict or reduce GHG emissions could require us to incur increased operating and product costs and could adversely affect demand for certain of the products and services we provide.

Future developments, such as stricter environmental, health or safety laws and regulations thereunder, could affect our operations. We do not anticipate that the cost of our compliance with environmental, health and safety laws and regulations, including CERCLA, as currently in effect and applicable to known sites will have a material adverse effect on our financial condition or results of operations. To the extent we discover any environmental liabilities presently unknown to us or environmental, health or safety laws or regulations are made more stringent, however, there can be no assurance that our financial condition or results of operations will not be materially and adversely affected.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law. The Dodd-Frank Act regulates derivative transactions, which include certain instruments used by the Partnership for risk management activities.

The Dodd-Frank Act contemplates that most swaps will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While the Partnership may ultimately be eligible for such exceptions, the scope of these exceptions currently is somewhat uncertain, pending further definition through rulemaking proceedings.

Among the other provisions of the Dodd-Frank Act that may affect derivative transactions are those relating to establishment of capital and margin requirements for certain derivative participants; establishment of business conduct standards, recordkeeping and reporting requirements; and imposition of position limits.

Although the Dodd-Frank Act includes significant new provisions regarding the regulation of derivatives, the impact of those requirements will not be known definitely until regulations have been adopted by the SEC and the Commodities Futures Trading Commission. The new legislation and any new regulations could increase the operational and transactional cost of derivatives contracts and affect the number and/or creditworthiness of available counterparties to the Partnership.

Employees

As of September 25, 2010, we had 2,598 full time employees, of whom 508 were engaged in general and administrative activities (including fleet maintenance), 45 were engaged in transportation and product supply activities and 2,045 were customer service center employees. As of September 25, 2010, 58 of our employees were represented by 6 different local chapters of labor unions. We believe that our relations with both our union and non-union employees are satisfactory. From time to time, we hire temporary workers to meet peak seasonal demands.

ITEM 1A. RISK FACTORS

You should carefully consider the specific risk factors set forth below as well as the other information contained or incorporated by reference in this Annual Report. Some factors in this section are Forward-Looking Statements. See Disclosure Regarding Forward-Looking Statements above.

Risks Inherent in our Business Operations

Since weather conditions may adversely affect demand for propane, fuel oil and other refined fuels and natural gas, our results of operations and financial condition are vulnerable to warm winters.

Weather conditions have a significant impact on the demand for propane, fuel oil and other refined fuels 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. The volume of propane, fuel oil and natural gas sold is at its highest during the six-month peak heating season of October through March and is directly affected by the severity of the winter. Typically, we sell approximately two-thirds of our retail propane volume and approximately three-fourths of our retail fuel oil volume during the peak heating season.

Actual weather conditions can vary substantially from year to year, significantly affecting our financial performance. For example, average temperatures in our service territories were 5%, 1% and 6% warmer than normal for fiscal 2010, fiscal 2009 and fiscal 2008, respectively, as measured by the number of heating degree days reported by the National Oceanic and Atmospheric Administration. Furthermore, variations in weather in one or more regions in which we operate can significantly affect the total volume of propane, fuel oil and other refined fuels and natural gas we sell and, consequently, our results of operations. Variations in the weather in the northeast, where we have a greater concentration of propane accounts and substantially all of our fuel oil and natural gas operations, generally have a greater impact on our operations than variations in the weather in other markets. We can give no assurance that the weather conditions in any quarter or year will not have a material adverse effect on our operations, or that our available cash will be sufficient to pay principal and interest on our indebtedness and distributions to unitholders.

Sudden increases in the price of propane, fuel oil and other refined fuels and natural gas due to, among other things, our inability to obtain adequate supplies from our usual suppliers, may adversely affect our operating results.

Our profitability in the retail propane, fuel oil and refined fuels and natural gas businesses is largely dependent on the difference between our product cost and retail sales price. Propane, fuel oil and other refined fuels and natural gas are commodities, and the unit price we pay is subject to volatile changes in response to changes in supply or other market conditions over which we have no control, including the severity of winter weather and the price and availability of competing alternative energy sources. In general, product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major supply points, including Mont Belvieu, Texas, and Conway, Kansas. In addition, our supply from our usual sources may be interrupted due to reasons that are beyond our control. As a result, the cost of acquiring propane, fuel oil and other refined fuels and natural gas from other suppliers might be materially higher at least on a short-term basis. Since we may not be able to pass on to our customers immediately, or in full, all increases in our wholesale cost of propane, fuel oil and other refined fuels and natural gas, these increases could reduce our profitability. We engage in transactions to manage the price risk associated with certain of our product costs from time to time in an attempt to reduce cost volatility and to help ensure availability of product. We can give no assurance that future volatility in propane, fuel oil and natural gas supply costs will not have a material adverse effect on our profitability and cash flow, or that our available cash will be sufficient to pay principal and interest on our indebtedness and distributions to our unitholders.

High prices for propane, fuel oil and other refined fuels and natural gas can lead to customer conservation, resulting in reduced demand for our product.

Prices for propane, fuel oil and other refined fuels and natural gas are subject to fluctuations in response to changes in wholesale prices and other market conditions beyond our control. Therefore, our average retail sales prices can vary significantly from year to year as wholesale prices fluctuate with propane, fuel oil and natural gas commodity market conditions. During periods of high propane, fuel oil and other refined fuels and natural gas product costs our selling prices generally increase. High prices can lead to customer conservation, resulting in reduced demand for our product.

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Because of the highly competitive nature of the retail propane and fuel oil businesses, we may not be able to retain existing customers or acquire new customers, which could have an adverse impact on our operating results and financial condition.

The retail propane and fuel oil industries are mature and highly competitive. We expect overall demand for propane to remain relatively constant over the next several years, while we expect the overall demand for fuel oil to be relatively flat to moderately declining during the same period. Year-to-year industry volumes of propane and fuel oil are expected to be primarily affected by weather patterns and from competition intensifying during warmer than normal winters, as well as from the impact of a sustained higher commodity price environment on customer conservation or the impact of continued weakness in the economy on customer buying habits.

Propane and fuel oil compete in the alternative energy sources market with electricity, natural gas and other existing and future sources of energy, some of which are, or may in the future be, less costly for equivalent energy value. For example, natural gas is a significantly less expensive source of energy than propane and fuel oil on an equivalent BTU basis. As a result, except for some industrial and commercial applications, propane and fuel oil are generally not economically competitive with natural gas in areas where natural gas pipelines already exist. The gradual expansion of the nation s natural gas distribution systems has made natural gas available in many areas that previously depended upon propane or fuel oil. Propane and fuel oil compete to a lesser extent with each other due to the cost of converting from one to the other.

In addition to competing with other sources of energy, our propane and fuel oil businesses compete with other distributors principally on the basis of price, service, availability and portability. Competition in the retail propane business is highly fragmented and generally occurs on a local basis with other large full-service multi-state propane marketers, thousands of smaller local independent marketers and farm cooperatives. Our fuel oil business competes with fuel oil distributors offering a broad range of services and prices, from full service distributors to those offering delivery only. In addition, our existing fuel oil customers, unlike our existing propane customers, generally own their own tanks, which can result in intensified competition for these customers.

As a result of the highly competitive nature of the retail propane and fuel oil businesses, our growth within these industries depends on our ability to acquire other retail distributors, open new customer service centers, add new customers and retain existing customers. We can give no assurance that we will be able to acquire other retail distributors, add new customers and retain existing customers.

Energy efficiency, general economic conditions and technological advances have affected and may continue to affect demand for propane and fuel oil by our retail customers.

The national trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, has adversely affected the demand for propane and fuel oil by our retail customers which, in turn, has resulted in lower sales volumes to our customers. In addition, continued weakness in the economy may lead to additional conservation by retail customers seeking to further reduce their heating costs, particularly during periods of sustained higher commodity prices. Future technological advances in heating, conservation and energy generation may adversely affect our volumes sold, which, in turn, may adversely affect our financial condition and results of operations.

Current conditions in the global capital and credit markets, and general economic pressures, may adversely affect our financial position and results of operations.

Our business and operating results are materially affected by worldwide economic conditions. Current conditions in the global capital and credit markets and general economic pressures have led to declining consumer and business confidence, increased market volatility and widespread reduction of business activity generally. As a result of this turmoil, coupled with increasing energy prices, our customers may experience cash flow shortages which may lead to delayed or cancelled plans to purchase our products, and affect the ability of our customers to pay for our products. In addition, disruptions in the U.S. residential mortgage market, increases in mortgage foreclosure rates and failures of lending institutions may adversely affect retail customer demand for our products (in particular, products used for home heating and home comfort equipment) and our business and results of operations.

Our operating results and ability to generate sufficient cash flow to pay principal and interest on our indebtedness, and to pay distributions to unitholders, may be affected by our ability to continue to control expenses.

The propane and fuel oil industries are mature and highly fragmented with competition from other multi-state marketers and thousands of smaller local independent marketers. Demand for propane and fuel oil is expected to be affected by many factors beyond our control, including, but not limited to, the severity of weather conditions during the peak heating season, customer conservation driven by high energy costs and other economic factors, as well as technological advances impacting energy efficiency. Accordingly, our propane and fuel oil sales volumes and related gross margins may be negatively affected by these factors beyond our control. Our operating profits and ability to generate sufficient cash flow may depend on our ability to continue to control expenses in line with sales volumes. We can give no assurance that we will be able to continue to control expenses to the extent necessary to reduce the effect on our profitability and cash flow from these factors.

The risk of terrorism and political unrest and the current hostilities in the Middle East or other energy producing regions may adversely affect the economy and the price and availability of propane, fuel oil and other refined fuels and natural gas.

Terrorist attacks and political unrest and the current hostilities in the Middle East or other energy producing regions may adversely impact the price and availability of propane, fuel oil and other refined fuels and natural gas, as well as our results of operations, our ability to raise capital and our future growth. The impact that the foregoing may have on our industry in general, and on us in particular, is not known at this time. An act of terror could result in disruptions of crude oil or natural gas supplies and markets (the sources of propane and fuel oil), and our infrastructure facilities could be direct or indirect targets. Terrorist activity may also hinder our ability to transport propane, fuel oil and other refined fuels if our means of supply transportation, such as rail or pipeline, become damaged as a result of an attack. A lower level of economic activity could result in a decline in energy consumption, which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism could also affect our ability to raise capital. Terrorist activity and hostilities in the Middle East or other energy producing regions could likely lead to increased volatility in prices for propane, fuel oil and other refined fuels and natural gas. We have opted to purchase insurance coverage for terrorist acts within our property and casualty insurance programs, but we can give no assurance that our insurance coverage will be adequate to fully compensate us for any losses to our business or property resulting from terrorist acts.

Our financial condition and results of operations may be adversely affected by governmental regulation and associated environmental and health and safety costs.

Our business is subject to a wide range of federal, state and local laws and regulations related to environmental and health and safety matters including those concerning, among other things, the investigation and remediation of contaminated soil and groundwater and transportation of hazardous materials. These requirements are complex, changing and tend to become more stringent over time. In addition, we are required to maintain various permits that are necessary to operate our facilities, some of which are material to our operations. There can be no assurance that we have been, or will be, at all times in complete compliance with all legal, regulatory and permitting requirements or that we will not incur significant costs in the future relating to such requirements. Violations could result in penalties, or the curtailment or cessation of operations.

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Moreover, currently unknown environmental issues, such as the discovery of additional contamination, may result in significant additional expenditures, and potentially significant expenditures also could be required to comply with future changes to environmental laws and regulations or the interpretation or enforcement thereof. Such expenditures, if required, could have a material adverse effect on our business, financial condition or results of operations.

We are subject to operating hazards and litigation risks that could adversely affect our operating results to the extent not covered by insurance.

Our operations are subject to all operating hazards and risks normally associated with handling, storing and delivering combustible liquids such as propane, fuel oil and other refined fuels. We have been, and are likely to continue to be, a defendant in various legal proceedings and litigation arising in the ordinary course of business, both as a result of these operating hazards and risks and as a result of other aspects of our business. We are self-insured for general and product, workers compensation and automobile liabilities up to predetermined amounts above which third-party insurance applies. We cannot guarantee that our insurance will be adequate to protect us from all material expenses related to potential future claims for personal injury and property damage or that these levels of insurance will be available at economical prices, or that all legal matters that arise will be covered by our insurance programs.

If we are unable to make acquisitions on economically acceptable terms or effectively integrate such acquisitions into our operations, our financial performance may be adversely affected.

The retail propane and fuel oil industries are mature. We foresee only limited growth in total retail demand for propane and flat to moderately declining retail demand for fuel oil. With respect to our retail propane business, it may be difficult for us to increase our aggregate number of retail propane customers except through acquisitions. As a result, we expect the success of our financial performance to depend, in part, upon our ability to acquire other retail propane and fuel oil distributors or other energy-related businesses and to successfully integrate them into our existing operations and to make cost saving changes. The competition for acquisitions is intense and we can make no assurance that we will be able to acquire other propane and fuel oil distributors or other energy-related businesses on economically acceptable terms or, if we do, to integrate the acquired operations effectively.

The adoption of climate change legislation by Congress could result in increased operating costs and reduced demand for the products and services we provide.

On June 26, 2009, the U.S. House of Representatives approved adoption of the American Clean Energy and Security Act of 2009, also known as the Waxman-Markey cap-and-trade legislation (ACESA). The purpose of ACESA is to control and reduce emissions of greenhouse gases (GHGs) in the United States. GHGs are certain gases, including carbon dioxide and methane, that may contribute to the warming of the Earth s atmosphere and other climatic changes. ACESA would establish an economy-wide cap on emissions of GHGs in the United States and would require certain regulated entities to obtain GHG emission allowances corresponding to the annual emission of GHGs attributable to their products or operations. Regulated entities under ACESA include producers of natural gas liquids (NGLs), local natural gas distribution companies and certain industrial facilities. Under ACESA, the number of authorized emission allowances would decline each year, resulting in an expected and progressive increase in the cost or value of the allowances. The net effect of maintaining emission allowances under ACESA would be to increase the costs associated with the combusting of carbon-based fuels such as natural gas, NGLs (including propane), and refined petroleum products.

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We cannot predict whether or in what form the cap-and-trade provisions and renewable energy standards in the bill passed by the U.S. House of Representatives will become law.

Although it is not possible at this time to predict the impact of the climate change regulatory and legislative initiatives described above, any adopted laws or regulations, or judicial determinations, that restrict or reduce GHG emissions could require us to incur increased operating and product costs and could adversely affect demand for certain of the products and services we provide.

The adoption of derivatives legislation by Congress could have an adverse impact on our ability to hedge risks associated with our business.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law. The Dodd-Frank Act regulates derivative transactions, which include certain instruments used in our risk management activities.

The Dodd-Frank Act contemplates that most swaps will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While we may ultimately be eligible for such exceptions, the scope of these exceptions currently is somewhat uncertain, pending further definition through rulemaking proceedings.

Among the other provisions of the Dodd-Frank Act that may affect derivative transactions are those relating to establishment of capital and margin requirements for certain derivative participants; establishment of business conduct standards, recordkeeping and reporting requirements; and imposition of position limits.

Although the Dodd-Frank Act includes significant new provisions regarding the regulation of derivatives, the impact of those requirements will not be known definitely until regulations have been adopted by the SEC and the Commodities Futures Trading Commission. The new legislation and any new regulations could increase the operational and transactional cost of derivatives contracts and affect the number and/or creditworthiness of available counterparties to us.

Risks Inherent in the Ownership of Our Common Units

Cash distributions are not guaranteed and may fluctuate with our performance and other external factors.

Cash distributions on our common units are not guaranteed, and depend primarily on our cash flow and our cash on hand. Because they are not dependent on profitability, which is affected by non-cash items, our cash distributions might be made during periods when we record losses and might not be made during periods when we record profits.

The amount of cash we generate may fluctuate based on our performance and other factors, including:

- the impact of the risks inherent in our business operations, as described above;
- required principal and interest payments on our debt and restrictions contained in our debt instruments;
- issuances of debt and equity securities;

- our ability to control expenses;
- fluctuations in working capital;
- capital expenditures; and
- financial, business and other factors, a number which will be beyond our control.

Our Third Amended and Restated Agreement of Limited Partnership, as amended (Partnership Agreement), gives our Board of Supervisors broad discretion in establishing cash reserves for, among other things, the proper conduct of our business. These cash reserves will affect the amount of cash available for distributions.

We have substantial indebtedness. Our debt agreements may limit our ability to make distributions to unitholders, as well as our financial flexibility.

As of September 25, 2010, we had total outstanding borrowings of $350.0 million, including $250.0 million of senior notes issued by the Partnership and our wholly-owned subsidiary, Suburban Energy Finance Corporation, and $100.0 million of borrowings outstanding under the Operating Partnership s revolving credit facility. The payment of principal and interest on our debt will reduce the cash available to make distributions on our common units. In addition, we will not be able to make any distributions to our unitholders if there is, or after giving effect to such distribution, there would be, an event of default under the indenture governing the senior notes. The amount of distributions that the Partnership makes to its unitholders is limited by the senior notes, and the amount of distributions that the Operating Partnership may make to the Partnership is limited by the revolving credit facility.

The revolving credit facility and the senior notes both contain various restrictive and affirmative covenants applicable to us and the Operating Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. The revolving credit facility contains certain financial covenants: (a) requiring our consolidated interest coverage ratio, as defined, to be not less than 2.5 to 1.0 as of the end of any fiscal quarter; (b) prohibiting our total consolidated leverage ratio, as defined, from being greater than 4.5 to 1.0 as of the end of any fiscal quarter; and (c) prohibiting the senior secured consolidated leverage ratio, as defined, of the Operating Partnership from being greater than 3.0 to 1.0 as of the end of any fiscal quarter. Under the senior note indenture, we are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and our consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. We and the Operating Partnership were in compliance with all covenants and terms of the senior notes and the revolving credit facility as of September 25, 2010.

The amount and terms of our debt may also adversely affect our ability to finance future operations and capital needs, limit our ability to pursue acquisitions and other business opportunities and make our results of operations more susceptible to adverse economic and industry conditions. In addition to our outstanding indebtedness, we may in the future require additional debt to finance acquisitions or for general business purposes; however, credit market conditions may impact our ability to access such financing. If we are unable to access needed financing or to generate sufficient cash from operations, we may be required to abandon certain projects or curtail capital expenditures. Additional debt, where it is available, could result in an increase in our leverage. Our ability to make principal and interest payments depends on our future performance, which is subject to many factors, some of which are beyond our control.

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Unitholders have limited voting rights.

A Board of Supervisors manages our operations. Our unitholders have only limited voting rights on matters affecting our business, including the right to elect the members of our Board of Supervisors every three years and the right to vote on the removal of the general partner.

It may be difficult for a third party to acquire us, even if doing so would be beneficial to our unitholders.

Some provisions of our Partnership Agreement may discourage, delay or prevent third parties from acquiring us, even if doing so would be beneficial to our unitholders. For example, our Partnership Agreement contains a provision, based on Section 203 of the Delaware General Corporation Law, that generally prohibits the Partnership from engaging in a business combination with a 15% or greater unitholder for a period of three years following the date that person or entity acquired at least 15% of our outstanding common units, unless certain exceptions apply. Additionally, our Partnership Agreement sets forth advance notice procedures for a unitholder to nominate a Supervisor to stand for election, which procedures may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer s own slate of Supervisors or otherwise attempting to obtain control of the Partnership. These nomination procedures may not be revised or repealed, and inconsistent provisions may not be adopted, without the approval of the holders of at least 66 2/3% of the outstanding common units. These provisions may have an anti-takeover effect with respect to transactions not approved in advance by our Board of Supervisors, including discouraging attempts that might result in a premium over the market price of the common units held by our unitholders.

Unitholders may not have limited liability in some circumstances.

A number of states have not clearly established limitations on the liabilities of limited partners for the obligations of a limited partnership. Our unitholders might be held liable for our obligations as if they were general partners if:

- a court or government agency determined that we were conducting business in the state but had not complied with the state s limited partnership statute; or

- unitholders rights to act together to remove or replace the General Partner or take other actions under our Partnership Agreement are deemed to constitute participation in the control of our business for purposes of the state s limited partnership statute.

Unitholders may have liability to repay distributions.

Unitholders will not be liable for assessments in addition to their initial capital investment in the common units. Under specific circumstances, however, unitholders may have to repay to us amounts wrongfully returned or distributed to them. Under Delaware law, we may not make a distribution to unitholders if the distribution causes our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and nonrecourse liabilities are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that a limited partner who receives a distribution of this kind and knew at the time of the distribution that the distribution violated Delaware law will be liable to the limited partnership for the distribution amount for three years from the distribution date. Under Delaware law, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of the assignor to make contributions to the partnership. However, such an assignee is not obligated for liabilities unknown to him at the time he or she became a limited partner if the liabilities could not be determined from the partnership agreement.

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If we issue additional limited partner interests or other equity securities as consideration for acquisitions or for other purposes, the relative voting strength of each unitholder will be diminished over time due to the dilution of each unitholder s interests and additional taxable income may be allocated to each unitholder.

Our Partnership Agreement generally allows us to issue additional limited partner interests and other equity securities without the approval of our unitholders. Therefore, when we issue additional common units or securities ranking on a parity with the common units, each unitholder s proportionate partnership interest will decrease, and the amount of cash distributed on each common unit and the market price of common units could decrease. The issuance of additional common units will also diminish the relative voting strength of each previously outstanding common unit. In addition, the issuance of additional common units will, over time, result in the allocation of additional taxable income, representing built-in gains at the time of the new issuance, to those unitholders that existed prior to the new issuance.

Tax Risks to Unitholders

Our tax treatment depends on our status as a partnership for federal income tax purposes. The Internal Revenue Service (IRS) could treat us as a corporation, which would substantially reduce the cash available for distribution to unitholders.

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We believe that, under current law, we will be classified as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us. The IRS may adopt positions that differ from the positions we take. In addition, current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level federal income taxation. Members of Congress have proposed substantive changes to the current federal income tax laws that would affect certain publicly traded partnerships and legislation that would eliminate partnership tax treatment for certain publicly traded partnerships. Although no legislation is currently pending that would affect our tax treatment as a partnership, we are unable to predict whether any such changes or other proposals will ultimately be enacted. Any modification to the U.S. tax laws and interpretations thereof may or may not be applied retroactively. If we were treated as a corporation for federal income tax purposes, we would be required to pay tax on our income at corporate tax rates (currently a maximum of U.S. federal rate of 35%) and likely would be required to pay state income tax at varying rates. Because a tax would be imposed upon us as a corporation, our cash available for distribution to our unitholders would be substantially reduced. Therefore, our treatment as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. Any such changes could negatively impact our ability to make distributions and also impact the value of an investment in our common units.

A successful IRS contest of the federal income tax positions we take may adversely affect the market for our common units, and the cost of any IRS contest will reduce our cash available for distribution to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders because the costs will reduce our cash available for distribution.

A unitholder s tax liability could exceed cash distributions on its common units.

Because our unitholders are treated as partners to whom we allocate taxable income which could be different in amount than the cash we distribute, a unitholder is required to pay federal income taxes and, in some cases, state and local income taxes on its allocable share of our income, even if it receives no cash distributions from us. We cannot guarantee that a unitholder will receive cash distributions equal to its allocable share of our taxable income or even the tax liability to it resulting from that income.

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Ownership of common units may have adverse tax consequences for tax-exempt organizations and foreign investors.

Investment in common units by certain tax-exempt entities and foreign persons raises issues specific to them. For example, virtually all of our taxable income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and thus will be taxable to the unitholder. Distributions to foreign persons will be reduced by withholding taxes at the highest applicable effective tax rate, and foreign persons will be required to file United States federal tax returns and pay tax on their share of our taxable income. Tax-exempt entities and foreign persons should consult their own tax advisors before investing in our common units.

There are limits on a unitholder s deductibility of losses.

In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), any losses generated by us will only be available to offset our future income and cannot be used to offset income from other activities, including other passive activities or investments. Unused losses may be deducted when the unitholder disposes of its entire investment in us in a fully taxable transaction with an unrelated party. A unitholder s share of our net passive income may be offset by unused losses from us carried over from prior years, but not by losses from other passive activities, including losses from other publicly-traded partnerships.

The tax gain or loss on the disposition of common units could be different than expected.

A unitholder who sells common units will recognize a gain or loss equal to the difference between the amount realized and its adjusted tax basis in the common units. Prior distributions in excess of cumulative net taxable income allocated to a common unit which decreased a unitholder s tax basis in that common unit will, in effect, become taxable income if the common unit is sold at a price greater than the unitholder s tax basis in that common unit, even if the price is less than the original cost of the common unit. A portion of the amount realized, if the amount realized exceeds the unitholder s adjusted basis in that common unit, will likely be characterized as ordinary income. Furthermore, should the IRS successfully contest some conventions used by us, a unitholder could recognize more gain on the sale of common units than would be the case under those conventions, without the benefit of decreased income in prior years.

Reporting of partnership tax information is complicated and subject to audits.

We furnish each unitholder with a Schedule K-1 that sets forth its allocable share of income, gains, losses and deductions. In preparing these schedules, we use various accounting and reporting conventions and adopt various depreciation and amortization methods. We cannot guarantee that these conventions will yield a result that conforms to statutory or regulatory requirements or to administrative pronouncements of the IRS. Further, our income tax return may be audited, which could result in an audit of a unitholder s income tax return and increased liabilities for taxes because of adjustments resulting from the audit.

We treat each purchaser of our common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, uniformity of the economic and tax characteristics of the common units to a purchaser of common units of the same class must be maintained. To maintain uniformity and for other reasons, we have adopted certain depreciation and amortization conventions which may be inconsistent with Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to a unitholder. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units, and could have a negative impact on the value of our common units or result in audit adjustments to a unitholder s income tax return.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations. If the IRS were to challenge this method or new Treasury Regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

Unitholders may have negative tax consequences if we default on our debt or sell assets.

If we default on any of our debt obligations, our lenders will have the right to sue us for non-payment. This could cause an investment loss and negative tax consequences for unitholders through the realization of taxable income by unitholders without a corresponding cash distribution. Likewise, if we were to dispose of assets and realize a taxable gain while there is substantial debt outstanding and proceeds of the sale were applied to the debt, unitholders could have increased taxable income without a corresponding cash distribution.

The sale or exchange of 50% or more of our common units during any twelve-month period will result in a deemed termination (and reconstitution) of the Partnership for federal income tax purposes which would cause unitholders to be allocated an increased amount of taxable income.

We will be deemed to have terminated (and reconstituted) for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our common units within a twelve-month period. Were this to occur, it would, among other things, result in the closing of our taxable year for all unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income. This would result in unitholders being allocated an increased amount of taxable income.

There are state, local and other tax considerations for our unitholders.

In addition to United States federal income taxes, unitholders will likely be subject to other taxes, such as state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property, even if the unitholder does not reside in any of those jurisdictions. A unitholder will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. It is the responsibility of each unitholder to file all United States federal, state and local income tax returns that may be required of such unitholder.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

As of September 25, 2010, we owned approximately 75% of our customer service center and satellite locations and leased the balance of our retail locations from third parties. We own and operate a 22 million gallon refrigerated, aboveground propane storage facility in Elk Grove, California. Additionally, we own our principal executive offices located in Whippany, New Jersey.

The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. As of September 25, 2010, we had a fleet of 6 transport truck tractors, of which we owned two, and 23 railroad tank cars, of which we owned none. In addition, as of September 25, 2010 we had 722 bobtail and rack trucks, of which we owned 38%, 95 fuel oil tankwagons, of which we owned 29%, and 962 other delivery and service vehicles, of which we owned 47%. We lease the vehicles we do not own. As of September 25, 2010, we also owned 219,528 customer propane storage tanks with typical capacities of 100 to 500 gallons, 654,150 customer propane storage tanks with typical capacities of over 500 gallons and 140,695 portable propane cylinders with typical capacities of five to ten gallons.

ITEM 3. LEGAL PROCEEDINGS

Litigation

Our operations are subject to all 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 arising in the ordinary course of business, both as a result of these operating hazards and risks, and as a result of other aspects of our business. We are self-insured for general and product, workers compensation and automobile liabilities up to predetermined amounts above which third party insurance applies. We believe that the self-insured retentions and coverage we maintain are reasonable and prudent. Although any litigation is inherently uncertain, based on past experience, the information currently available to us, and the amount of our self-insurance reserves for known and unasserted self-insurance claims (which was approximately $55.4 million at September 25, 2010), we do not believe that these pending or threatened litigation matters, or known claims or known contingent claims, will have a material adverse effect on our future results of operations, financial condition or cash flow, after considering our self-insurance reserves for known and unasserted claims, as well as existing insurance policies in force. For the portion of our estimated self-insurance liability that exceeds our deductibles, we record a corresponding asset related to the amount of the liability covered by insurance (which was approximately $18.0 million at September 25, 2010).

ITEM 4. REMOVED AND RESERVED

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PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON UNITS, RELATED UNITHOLDER MATTERS AND ISSUER PURCHASES OF UNITS

(a) Our Common Units, representing limited partner interests in the Partnership, are listed and traded on the New York Stock Exchange (NYSE) under the symbol SPH. As of November 22, 2010, there were 869 Common Unitholders of record (based on the number of record holders and nominees for those Common Units held in street name). The following table presents, for the periods indicated, the high and low sales prices per Common Unit, as reported on the NYSE, and the amount of quarterly cash distributions declared and paid per Common Unit in respect of each quarter.

	Common Unit Price Range		Cash Distribution Declared per Common Unit
	High	Low	
Fiscal 2010			
First Quarter	$ 47.12	$ 41.10	$ 0.8350
Second Quarter	50.00	42.53	0.8400
Third Quarter	49.46	39.16	0.8450
Fourth Quarter	55.01	45.85	0.8500
Fiscal 2009			
First Quarter	$ 35.46	$ 20.40	$ 0.8100
Second Quarter	41.60	31.00	0.8150
Third Quarter	42.98	35.81	0.8250
Fourth Quarter	46.41	39.79	0.8300

We make quarterly distributions to our partners in an aggregate amount equal to our Available Cash (as defined in our Partnership Agreement as adopted effective October 19, 2006, as amended) with respect to such quarter. Available Cash generally means all cash on hand at the end of the fiscal quarter plus all additional cash on hand as a result of borrowings subsequent to the end of such quarter less cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements.

We are a publicly traded limited partnership and, other than certain corporate subsidiaries, we are not subject to federal income tax. Instead, Unitholders are required to report their allocable share of our earnings or loss, regardless of whether we make distributions.

(b) Not applicable.

(c) None.

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ITEM 6. SELECTED FINANCIAL DATA

The following table presents our selected consolidated historical financial data as derived from our audited consolidated financial statements, certain of which are included elsewhere in this Annual Report. All amounts in the table below, except per unit data, are in thousands.

			Year Ended		
	September 25, 2010	September 26, 2009	September 27, 2008	September 29, 2007	September 30, 2006 (a)
Statement of Operations Data					
Revenues	$ 1,136,694	$ 1,143,154	$ 1,574,163	$ 1,439,563	$ 1,657,130
Costs and expenses	980,508	932,539	1,424,035	1,270,213	1,516,879
Restructuring charges and severance costs (b)				1,485	6,076
Pension settlement charge (c)	2,818			3,269	4,437
Income before interest expense, loss on debt extinguishment and provision for income taxes	153,368	210,615	150,128	164,596	129,738
Interest expense, net	27,397	38,267	37,052	35,596	40,680
Loss on debt extinguishment (d)	9,473	4,624			
Provision for income taxes	1,182	2,486	1,903	5,653	764
Income from continuing operations	115,316	165,238	111,173	123,347	88,294
Discontinued operations:					
Gain on disposal of discontinued operations (e)			43,707	1,887	
Income from discontinued operations				2,053	2,446
Net income	115,316	165,238	154,880	127,287	90,740
Income from continuing operations per Common Unit basic	3.26	4.99	3.39	3.79	2.76
Net income per Common Unit basic (f)	3.26	4.99	4.72	3.91	2.84
Net income per Common Unit diluted (f)	3.24	4.96	4.70	3.89	2.83
Cash distributions declared per unit	$ 3.35	$ 3.26	$ 3.09	$ 2.76	$ 2.48
Balance Sheet Data					
Cash and cash equivalents	$ 156,908	$ 163,173	$ 137,698	$ 96,586	$ 60,571
Current assets	296,427	307,556	359,551	295,940	236,027
Total assets	970,260	977,514	1,035,713	988,947	945,566
Current liabilities, excluding short-term borrowings and current portion of long-term borrowings	164,514	181,930	226,780	206,633	191,748
Total debt	347,953	349,415	531,772	548,538	548,304
Total liabilities	605,423	617,797	815,637	822,670	844,865
Partners capital Common Unitholders	422,063	421,005	264,231	208,230	170,151
Partner s (deficit) General Partner	$	$	$	$	$ (1,969)
Statement of Cash Flows Data					
Cash provided by (used in)					
Operating activities	$ 155,797	$ 246,551	$ 120,517	$ 145,957	$ 170,321
Investing activities	(30,111)	(16,852)	36,630	(19,689)	(19,092)
Financing activities	$ (131,951)	$ (204,224)	$ (116,035)	$ (90,253)	$ (105,069)

Other Data					
Depreciation and amortization continuing operations	$ 30,834	$ 30,343	$ 28,394	$ 28,790	$ 32,653
Depreciation and amortization discontinued operations				452	498
EBITDA (g)	174,729	236,334	222,229	197,778	165,335
Adjusted EBITDA (g)	192,420	239,245	220,465	208,602	155,300
Capital expenditures maintenance and growth (h)	19,131	21,837	21,819	26,756	23,057
Retail gallons sold					
Propane	317,906	343,894	386,222	432,526	466,779
Fuel oil and refined fuels	43,196	57,381	76,515	104,506	145,616

(a) Fiscal 2006 includes 53 weeks of operations compared to 52 weeks in each of fiscal 2010, 2009, 2008 and 2007.

(b) During fiscal 2007, we incurred $1.5 million in charges associated with severance for positions eliminated unrelated to any specific plan of restructuring. During fiscal 2006, we incurred $6.1 million in restructuring charges associated primarily with severance costs from our field realignment efforts initiated during the fourth quarter of fiscal 2005,

including the restructuring of our services business.

(c) We incurred non-cash pension settlement charges of $2.8 million, $3.3 million and $4.4 million during fiscal 2010, 2007, and 2006, respectively, to accelerate the recognition of actuarial losses in our defined benefit pension plan as a result of the level of lump sum retirement benefit payments made.

(d) During fiscal 2010 we completed the issuance of $250.0 million of 7.375% senior notes maturing in March 2020 to replace the previously existing 6.875% senior notes that were set to mature in December 2013. In connection with the refinancing, we recognized a loss on debt extinguishment of $9.5 million in the second quarter of fiscal 2010, consisting of $7.2 million for the repurchase premium and related fees, as well as the write-off of $2.2 million in

unamortized debt origination costs and unamortized discount. During fiscal 2009, we purchased $175.0 million aggregate principal amount of the 6.875% senior notes through a cash tender offer. In connection with the tender offer, we recognized a loss on the extinguishment of debt of $4.6 million in the fourth quarter of fiscal 2009, consisting of $2.8 million for the tender premium and related fees, as well as the write-off of $1.8 million in unamortized debt origination costs and unamortized discount.

(e) Gain on disposal of discontinued operations for fiscal 2008 of $43.7 million reflects the October 2, 2007 sale of our Tirzah, South Carolina underground granite propane storage cavern, and associated 62-mile pipeline, for $53.7 million in net proceeds (the Tirzah Sale). Gain on disposal of

discontinued operations for fiscal 2007 of $1.9 million reflects the exchange, in a non-cash transaction, of nine non-strategic customer service centers for three customer service centers of another company in Alaska, as well as the sale of three additional customer service centers for net cash proceeds of $1.3 million. The gains on disposal have been accounted for within discontinued operations. Prior period results of operations attributable to the customer service centers sold during fiscal 2007 were not significant and, as such, prior period results were not reclassified to remove financial results from continuing operations. The prior period results of operations attributable to the sale of our Tirzah, South Carolina storage cavern and associated pipeline have been reclassified to remove their

financial results from continuing operations.

(f) Computations of basic earnings per Common Unit for the years ended September 25, 2010, September 26, 2009, September 27, 2008 and September 29, 2007 were performed by dividing net income by the weighted average number of outstanding Common Units, and restricted units granted under our restricted unit plans to retirement-eligible grantees. Computations of diluted earnings per Common Unit for fiscal 2010, 2009, 2008 and 2007 were performed by dividing net income by the weighted average number of outstanding Common Units and unvested restricted units granted under our restricted unit plans. For fiscal 2006, earnings per Common Unit were performed using the two-class

method, as applicable, when participating securities other than Common Units exist. The two-class method is an earnings allocation formula that computes earnings per unit for each class participating security according to distributions declared and rights to participate in undistributed earnings, as if all of the earnings for the period were distributed. The General Partner interest, inclusive of the previously outstanding IDRs of the General Partner was considered a participating security for purposes of the two-class method. Net income was allocated to the Common Unitholders and the General Partner in accordance with their respective partnership ownership interests, after giving effect to any priority income allocations for IDRs of the General Partner. As a result of the GP Exchange Transaction on

October 19, 2006, the two-class method of computing income per Common Unit is no longer applicable. Application of the two-class method had a dilutive effect on income per Common Unit of $0.07 for the year ended September 30, 2006. For purposes of the computation of income per Common Unit for the year ended September 29, 2007, earnings that would have been allocated to the General Partner for the period prior to the GP Exchange Transaction were not significant.

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(g) EBITDA represents net income before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss from mark-to-market activity for derivative instruments, loss on debt extinguishment and pension settlement charge. 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. In addition, certain of our incentive compensation plans covering executives and other employees utilize Adjusted EBITDA as the performance target. Moreover, our revolving credit agreement requires us to use Adjusted EBITDA in calculating our leverage and interest coverage ratios. EBITDA and Adjusted EBITDA are not recognized terms under accounting principles generally accepted in the United States of America (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 EBITDA and Adjusted EBITDA, as so calculated, to our net cash provided by operating activities (amounts in thousands):

	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Net income	$ 115,316	$ 165,238	$ 154,880	$ 127,287	$ 90,740
Add:					
Provision for income taxes	1,182	2,486	1,903	5,653	764
Interest expense, net	27,397	38,267	37,052	35,596	40,680
Depreciation and amortization					
Continuing operations	30,834	30,343	28,394	28,790	32,653
Discontinued operations				452	498
EBITDA	174,729	236,334	222,229	197,778	165,335
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	5,400	(1,713)	(1,764)	7,555	(14,472)
Loss on debt extinguishment	9,473	4,624			
Pension settlement charge	2,818			3,269	4,437
Adjusted EBITDA	192,420	239,245	220,465	208,602	155,300
Add (subtract):					
Provision for income taxes current	(1,182)	(1,101)	(626)	(1,853)	(764)
Interest expense, net	(27,397)	(38,267)	(37,052)	(35,596)	(40,680)
Unrealized (non-cash) (losses) gains on changes in fair value of derivatives	(5,400)	1,713	1,764	(7,555)	14,472
Compensation cost recognized under Restricted Unit Plan	4,005	2,396	2,156	3,014	2,221
Loss (gain) on disposal of property, plant and equipment, net	38	(650)	(2,252)	(2,782)	(1,000)
Gain on disposal of discontinued operations			(43,707)	(1,887)	
Changes in working capital and other assets and liabilities	(6,687)	43,215	(20,231)	(15,986)	40,772

Net cash provided by operating activities	$ 155,797	$ 246,551	$ 120,517	$ 145,957	$ 170,321

(h) Our capital expenditures fall generally into two categories: (i) maintenance expenditures, which include expenditures for repair and replacement of property, plant and equipment; and (ii) growth capital expenditures which include new propane tanks and other equipment to facilitate expansion of our customer base and operating capacity.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations, which should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Annual Report.

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 of this Annual Report.

Product Costs and Supply

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

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

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

Seasonality

The retail propane and fuel oil distribution businesses, as well as the natural gas marketing business, are seasonal because of the primary use 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 first and fourth fiscal quarters.

Weather

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

Hedging and Risk Management Activities

We engage in hedging and risk management activities to reduce the effect of price volatility on our product costs and to ensure the availability of product during periods of short supply. We enter into propane forward and option agreements with third parties, and use fuel oil and crude oil futures and option contracts traded on the New York Mercantile Exchange (NYMEX) to purchase and sell propane, fuel oil and crude oil at fixed prices in the future. The majority of the futures, forward and option agreements are used to hedge price risk associated with propane and fuel oil physical inventory, as well as, in certain instances, forecasted purchases of propane or fuel oil. Forward contracts are generally settled physically at the expiration of the contract whereas futures and option 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 elsewhere in this Annual Report.

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 are used when accounting for depreciation and amortization of long-lived assets, employee benefit plans, self-insurance and litigation reserves, environmental reserves, allowances for doubtful accounts, asset valuation assessments and valuation of derivative instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known to us. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Supervisors. We believe that the following are our critical accounting estimates:

Allowances for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We estimate our allowances for doubtful accounts using a specific reserve for known or anticipated uncollectible accounts, as well as an estimated reserve for potential future uncollectible accounts taking into consideration our historical write-offs. If the financial condition of one or more of our customers were to deteriorate resulting in an impairment in their ability to make payments, additional allowances could be required. As a result of our large customer base, which is comprised of approximately 800,000 customers, no individual customer account is material. Therefore, while some variation to actual results occurs, historically such variability has not been material. Schedule II, Valuation and Qualifying Accounts, provides a summary of the changes in our allowances for doubtful accounts during the period.

Pension and Other Postretirement Benefits. We estimate the rate of return on plan assets, the discount rate used to estimate the present value of future benefit obligations and the expected cost of future health care benefits in determining our annual pension and other postretirement benefit costs. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in market conditions may materially affect our pension and other postretirement benefit obligations and our future expense. See Liquidity and Capital Resources Pension Plan Assets and Obligations below for additional disclosure regarding pension benefits. With other assumptions held constant, an increase or decrease of 100 basis points in the discount rate would have an immaterial impact on net pension and postretirement benefit costs.

Self-Insurance Reserves. Our accrued self-insurance reserves represent the estimated costs of known and anticipated or unasserted claims under our general and product, workers compensation and automobile insurance policies. Accrued insurance provisions for unasserted claims arising from unreported incidents are based on an analysis of historical claims data. For each unasserted claim, we record a self-insurance provision up to the estimated amount of the probable claim utilizing actuarially determined loss development factors applied to actual claims data. Our self-insurance provisions are susceptible to change to the extent that actual claims development differs from historical claims development. We maintain insurance coverage wherein our net exposure for insured claims is limited to the insurance deductible, claims above which are paid by our insurance carriers. For the portion of our estimated self-insurance liability that exceeds our deductibles, we record an asset related to the amount of the liability expected to be paid by the insurance companies. Historically, we have not experienced significant variability in our actuarial estimates for claims incurred but not reported. Accrued insurance provisions for reported claims are reviewed at least quarterly, and our assessment of whether a loss is probable and/or reasonably estimable is updated as necessary. Due to the inherently uncertain nature of, in particular, product liability claims, the ultimate loss may differ materially from our estimates. However, because of the nature of our insurance arrangements, those material variations historically have not, nor are they expected in the future to have, a material impact on our results of operations or financial position.

Results of Operations and Financial Condition

Net income for fiscal 2010 amounted to $115.3 million, or $3.26 per Common Unit, compared to net income of $165.2 million, or $4.99 per Common Unit, in fiscal 2009. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), as defined and reconciled below, amounted to $192.4 million, compared to $239.2 million for fiscal 2009. Net income and EBITDA for fiscal 2010 were negatively impacted by certain items, including: (i) a loss on debt extinguishment of $9.5 million associated with the refinancing of senior notes completed during the second quarter; (ii) a non-cash pension settlement charge of $2.8 million during the fourth quarter; and (iii) a non-cash charge of $1.8 million during the third quarter to accelerate depreciation expense on certain assets taken out of service. Net income and EBITDA for fiscal 2009 included a loss on debt extinguishment of $4.6 million associated with the debt tender offer completed during the fourth quarter of fiscal 2009.

Fiscal 2010 presented a challenging operating environment characterized by the continued adverse effects of the weak economy, relatively mild temperatures during the peak winter heating season and a volatile commodity price environment. The prior year benefited from a rapid and dramatic decline in commodity prices which resulted in higher gross margins.

Fiscal 2010 also included several notable achievements, including: (i) the refinancing of our senior notes, extending maturities on all $250.0 million outstanding until March 2020 at attractive rates; (ii) the acquisition of four independent propane operators which expanded our footprint in strategic markets where we already have a strong presence; (iii) from a liquidity standpoint, the funding of all of our working capital needs, our capital expenditures, and the four acquisitions from cash on hand and ending the fiscal year with nearly $157.0 million of cash; and (iv) the increase in the annualized distribution rate by $0.02 per Common Unit each quarter to an annualized distribution rate of $3.40 per Common Unit at the end of the fourth quarter a growth rate of 2.4% compared to the annualized rate at the end of the prior year.

Retail propane gallons sold for fiscal 2010 decreased 26.0 million gallons, or 7.6%, to 317.9 million gallons from 343.9 million gallons in fiscal 2009. Sales of fuel oil and other refined fuels decreased 14.2 million gallons, or 24.7%, to 43.2 million gallons compared to 57.4 million gallons in the prior year. Sales volumes were negatively affected by the impact of the weak economy, particularly in our non-residential customer base, which accounted for 60.6% of the overall decline in propane sales volumes. Erratic weather patterns, particularly in our northeast and western territories, also contributed to the decline in sales volumes. During the peak heating months from October 2009 through March 2010, average temperatures in our northeast service territories were 5% and 6% warmer than normal and prior year, respectively. Overall, average temperatures during fiscal 2010 throughout all service territories were 5% warmer than normal and 4% warmer than the prior year.

Revenues of $1,136.7 million decreased $6.5 million, or 0.6%, compared to $1,143.2 million in the prior year, primarily due to the aforementioned decrease in volumes sold substantially offset by the impact of higher average selling prices associated with higher product costs. Overall, in the commodities markets, average posted prices for propane and fuel oil during fiscal 2010 were 46.3% and 26.1% higher, respectively, compared to fiscal 2009. Therefore, notwithstanding the decline in volumes, cost of products sold increased $58.1 million, or 10.7%, to $598.5 million in fiscal 2010, compared to $540.4 million in the prior year. Cost of products sold for fiscal 2010 also included $5.4 million in net unrealized (non-cash) losses attributable to the mark-to-market adjustment for derivative instruments used in our commodity price risk management activities, compared to $1.7 million in net unrealized (non-cash) gains in the prior year, both of which are excluded from the computation of Adjusted EBITDA in both years.

Combined operating and general and administrative expenses of $351.2 million decreased $10.6 million, or 2.9%, compared to $361.8 million in the prior year, primarily due to lower variable compensation associated with lower earnings, lower insurance costs and continued savings in payroll and vehicle expenses attributable to further operating efficiencies.

Net interest expense decreased $10.9 million, or 28.5%, to $27.4 million in fiscal 2010, compared to $38.3 million in fiscal 2009, primarily as a result of lower debt levels attributable to our $183.0 million debt reduction in the second half of fiscal 2009.

As we look ahead to fiscal 2011, our anticipated cash requirements include: (i) maintenance and growth capital expenditures of approximately $25.0 million; (ii) approximately $29.5 million of interest and income tax payments; and (iii) assuming distributions remain at the current annualized level of $3.40 per Common Unit, approximately $120.4 million of distributions to Common Unitholders. Based on our current cash position, availability under the Revolving Credit Agreement (unused borrowing capacity of $91.5 million at September 25, 2010) and expected cash flow from operating activities, we expect to have sufficient funds to meet our current and future obligations. Based on our current forecast of working capital requirements for fiscal 2011, we currently do not expect to borrow under our credit facility to fund those requirements.

Fiscal Year 2010 Compared to Fiscal Year 2009

Revenues

(Dollars in thousands)	Fiscal 2010	Fiscal 2009	Increase/ (Decrease)	Percent Increase/ (Decrease)
Revenues				
Propane	$ 885,459	$ 864,012	$ 21,447	2.5%
Fuel oil and refined fuels	135,059	159,596	(24,537)	(15.4)%
Natural gas and electricity	77,587	76,832	755	1.0%
All other	38,589	42,714	(4,125)	(9.7)%
Total revenues	$ 1,136,694	$ 1,143,154	$ (6,460)	(0.6)%

Total revenues decreased $6.5 million, or 0.6%, to $1,136.7 million for the year ended September 25, 2010 compared to $1,143.2 million for the year ended September 26, 2009, due to lower volumes, partially offset by higher average selling prices associated with higher product costs. Volumes for the fiscal 2010 were lower than the prior year due to the negative impact of adverse economic conditions, particularly on our commercial and industrial accounts, as well as the unfavorable impact of warmer average temperatures, particularly in our northeastern and western service territories, and ongoing residential customer conservation. From a weather perspective, average temperatures as measured in heating degree days, as reported by the National Oceanic and Atmospheric Administration (NOAA), in our service territories during fiscal 2010 were 5% warmer than normal and 4% warmer than the prior year. In our northeastern territories, which is where we have a higher concentration of residential propane customers and all of our fuel oil customers, average temperatures during fiscal 2010 were 9% warmer than both normal and the prior year. The unfavorable weather pattern occurred primarily during the peak heating months (from October through March) and therefore, contributed to the lower volumes sold.

Revenues from the distribution of propane and related activities of $885.5 million for the year ended September 25, 2010 increased $21.4 million, or 2.5%, compared to $864.0 million for the year ended September 26, 2009, primarily as a result of higher average selling prices associated with higher product costs, partially offset by lower volumes, particularly in our commercial and industrial accounts. Average propane selling prices in fiscal 2010 increased 9.8% compared to the prior year due to higher product costs, thereby having a positive impact on revenues. This increase was partially offset by lower retail propane gallons sold in fiscal 2010 which decreased 26.0 million gallons, or 7.6%, to 317.9 million gallons from 343.9 million gallons in the prior year. The volume decline was primarily attributable to lower commercial and industrial volumes resulting from adverse economic conditions, an unfavorable weather pattern and, to a lesser extent, continued residential customer conservation. Lower volumes sold in the non-residential customer base accounted for approximately 60% of the decline in propane sales volume. Additionally, included within the propane segment are revenues from wholesale and other propane activities of $52.7 million in fiscal 2010, which increased $9.3 million compared to the prior year.

Revenues from the distribution of fuel oil and refined fuels of $135.1 million for the year ended September 25, 2010 decreased $24.5 million, or 15.4%, from $159.6 million in the prior year primarily due to lower volumes, partially offset by higher average selling prices. Fuel oil and refined fuels gallons sold in fiscal 2010 decreased 14.2 million gallons, or 24.7%, to 43.2 million gallons from 57.4 million gallons in the prior year. Lower volumes in our fuel oil and refined fuels segment were attributable to the aforementioned warmer average temperatures in the northeast region, as well as the impact of ongoing residential customer conservation driven by adverse economic conditions. Average selling prices in our fuel oil and refined fuels segment in fiscal 2010 increased 12.2% compared to the prior year due to higher product costs, thereby having a positive impact on revenues.

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Revenues in our natural gas and electricity segment increased $0.8 million, or 1.0%, to $77.6 million for the year ended September 25, 2010 compared to $76.8 million in the prior year as a result of higher electricity volumes, partially offset by lower natural gas volumes. Revenues in our all other businesses decreased 9.7% to $38.6 million in fiscal 2010 from $42.7 million in the prior year, primarily due to reduced installation service activities as a result of the general market decline in residential and commercial construction and other adverse economic conditions.

Cost of Products Sold

(Dollars in thousands)	Fiscal 2010	Fiscal 2009	Increase/ (Decrease)	Percent Increase/ (Decrease)
Cost of products sold				
Propane	$ 436,825	$ 367,016	$ 69,809	19.0%
Fuel oil and refined fuels	92,037	104,634	(12,597)	(12.0)%
Natural gas and electricity	57,892	57,216	676	1.2%
All other	11,697	11,519	178	1.5%
Total cost of products sold	$ 598,451	$ 540,385	$ 58,066	10.7%
As a percent of total revenues	52.6%	47.3%		

The cost of products sold reported in the consolidated statements of operations represents the weighted average unit cost of propane, fuel oil and refined fuels, natural gas and electricity 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 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 within cost of products sold. Cost of products sold excludes depreciation and amortization; these amounts are reported separately within the consolidated statements of operations.

Cost of products sold increased $58.1 million, or 10.7%, to $598.5 million for the year ended September 25, 2010 compared to $540.4 million in the prior year due to higher average product costs and, to a lesser extent, the unfavorable impact of non-cash mark-to-market adjustments from our risk management activities in fiscal 2010 compared to the prior year, partially offset by lower volumes sold. Average posted prices for propane and fuel oil in fiscal 2010 were 46.3% and 26.1% higher, respectively, compared to the prior year. Cost of products sold in fiscal 2010 included a $5.4 million unrealized (non-cash) loss representing the net change in the fair value of derivative instruments during the period, compared to a $1.7 million unrealized (non-cash) gain in the prior year resulting in an increase of $7.1 million in cost of products sold in fiscal 2010 compared to the prior year ($1.3 million decrease reported within the propane segment and $8.4 million increase reported within the fuel oil and refined fuels segment).

Cost of products sold associated with the distribution of propane and related activities of $436.8 million for the year ended September 25, 2010 increased $69.8 million, or 19.0%, compared to the prior year. Higher propane product costs resulted in an increase of $89.2 million in cost of products sold in fiscal 2010 compared to the prior year. This increase was partially offset by lower propane volumes, which resulted in a decrease of $27.5 million in cost of products sold in fiscal 2010 compared to the prior year. Cost of products sold from wholesale and other propane activities increased $9.4 million compared to the prior year.

Cost of products sold associated with our fuel oil and refined fuels segment of $92.0 million for the year ended September 25, 2010 decreased $12.6 million, or 12.0%, compared to the prior year primarily due to lower volumes, offset to an extent by higher product costs and the unfavorable impact of non-cash mark-to-market adjustments from our risk management activities. Lower fuel oil volumes resulted in a decrease of $26.2 million in cost of products sold, and higher product costs resulted in an increase of $5.2 million in cost of products sold during fiscal 2010 compared to the prior year.

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Cost of products sold in our natural gas and electricity segment of $57.9 million for the year ended September 25, 2010 increased $0.6 million, or 1.2%, compared to the prior year primarily due to higher electricity volumes, partially offset by lower natural gas volumes. Cost of products sold in our all other businesses of $11.7 million was relatively flat compared to the prior year.

For fiscal 2010, total cost of products sold as a percent of total revenues increased 5.3 percentage points to 52.6% from 47.3% in the prior year. The year-over-year increase in cost of products sold as a percentage of revenues was primarily attributable to the favorable margins reported in the prior year that were attributable to the declining commodity price environment during that period, which situation was not repeated in the current year due to the rising commodity price environment in the current year. The declining commodity price environment in the prior year favorably impacted our risk management activities in fiscal 2009, and contributed to a reduction in product costs that outpaced the decline in average selling prices. Conversely, the volatile and rising commodity price environment in the current fiscal year presented challenges in managing pricing and, as a result, average product costs increased at a faster pace than average selling prices in fiscal 2010.

Operating Expenses

(Dollars in thousands)	**Fiscal 2010**	**Fiscal 2009**	**(Decrease)**	**Percent (Decrease)**
Operating expenses	$ 289,567	$ 304,767	$ (15,200)	(5.0)%
As a percent of total revenues	25.5%	26.7%		

All costs of operating our retail distribution and appliance sales and service operations are reported within operating expenses in the 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 $289.6 million for the year ended September 25, 2010 decreased $15.2 million, or 5.0%, compared to $304.8 million in the prior year as a result of lower variable compensation associated with lower earnings, lower payroll and benefit related expenses resulting from operating efficiencies, and lower insurance costs.

General and Administrative Expenses

(Dollars in thousands)	**Fiscal 2010**	**Fiscal 2009**	**Increase**	**Percent Increase**
General and administrative expenses	$ 61,656	$ 57,044	$ 4,612	8.1%
As a percent of total revenues	5.4%	5.0%		

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

General and administrative expenses of $61.6 million for the year ended September 25, 2010 increased $4.6 million, or 8.1%, compared to $57.0 million during the prior year as savings from lower variable compensation associated with lower earnings were more than offset by an unfavorable judgment in a legal matter and an increase in accruals for uninsured legal matters, as well as higher advertising costs.

Depreciation and Amortization

(Dollars in thousands)	Fiscal 2010	Fiscal 2009	Increase	Percent Increase
Depreciation and amortization	$ 30,834	$ 30,343	$ 491	1.6%
As a percent of total revenues	2.7%	2.7%		

Depreciation and amortization expense of $30.8 million for the year ended September 25, 2010 increased $0.5 million, or 1.6%, compared to $30.3 million in the prior year primarily as a result of accelerating depreciation expense in the third quarter of fiscal 2010 for certain assets retired.

Interest Expense, net

(Dollars in thousands)	Fiscal 2010	Fiscal 2009	(Decrease)	Percent (Decrease)
Interest expense, net	$ 27,397	$ 38,267	$ (10,870)	(28.4)%
As a percent of total revenues	2.4%	3.3%		

Net interest expense decreased $10.9 million, or 28.4%, to $27.4 million for the year ended September 25, 2010, compared to $38.3 million in the prior year primarily due to the reduction of $183.0 million in long-term borrowings during the second half of fiscal 2009, coupled with a lower effective interest rate for borrowings under our revolving credit facility. See Liquidity and Capital Resources below for additional discussion on the reduction and changes in long-term borrowings.

Loss on Debt Extinguishment

On March 23, 2010, we repurchased $250.0 million aggregate principal amount of the 2013 Senior Notes through a cash tender offer. In connection with the repurchase, we recognized a loss on the extinguishment of debt of $9.5 million in the second quarter of fiscal 2010, consisting of $7.2 million for the repurchase premium and related fees, as well as the write-off of $2.3 million in unamortized debt origination costs and unamortized discount.

On September 9, 2009, we purchased $175.0 million aggregate principal amount of the 2013 Senior Notes through a cash tender offer. In connection with the repurchase, we recognized a loss on the extinguishment of debt of $4.6 in the fourth quarter of fiscal 2009, consisting of $2.8 million for the tender premium and related fees, as well as the write-off of $1.8 million in unamortized debt origination costs and unamortized discount.

Net Income and Adjusted EBITDA

We reported net income of $115.3 million, or $3.26 per Common Unit, for the year ended September 25, 2010 compared to net income of $165.2 million, or $4.99 per Common Unit, in the prior year. Adjusted EBITDA amounted to $192.4 million, compared to $239.2 million for fiscal 2009.

Net income and EBITDA for fiscal 2010 were negatively impacted by certain items, including: (i) a loss on debt extinguishment of $9.5 million associated with the refinancing of senior notes completed during the second quarter; (ii) a non-cash pension settlement charge of $2.8 million during the fourth quarter; and (iii) a non-cash charge of $1.8 million during the third quarter to accelerate depreciation expense on certain assets taken out of service. Net income and EBITDA for fiscal 2009 included a loss on debt extinguishment of $4.6 million associated with the debt tender offer completed during the fourth quarter of fiscal 2009.

Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss from mark-to-market activity for derivative instruments, loss on debt extinguishment and pension settlement charge. 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. In addition, certain of our incentive compensation plans covering executives and other employees utilize Adjusted EBITDA as the performance target. Moreover, our revolving credit agreement requires us to use Adjusted EBITDA as a component in calculating our leverage and interest coverage ratios. EBITDA and Adjusted EBITDA are not recognized terms under 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.

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

(Dollars in thousands)	Year Ended September 25, 2010	Year Ended September 26, 2009
Net income	$ 115,316	$ 165,238
Add:		
Provision for income taxes	1,182	2,486
Interest expense, net	27,397	38,267
Depreciation and amortization	30,834	30,343
EBITDA	174,729	236,334
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	5,400	(1,713)
Loss on debt extinguishment	9,473	4,624
Pension settlement charge	2,818	
Adjusted EBITDA	192,420	239,245
Add (subtract):		
Provision for income taxes current	(1,182)	(1,101)
Interest expense, net	(27,397)	(38,267)
Unrealized (non-cash) (losses) gains on changes in fair value of derivatives	(5,400)	1,713
Compensation cost recognized under Restricted Unit Plans	4,005	2,396
Loss (gain) on disposal of property, plant and equipment, net	38	(650)
Changes in working capital and other assets and liabilities	(6,687)	43,215
Net cash provided by operating activities	$ 155,797	$ 246,551

Fiscal Year 2009 Compared to Fiscal Year 2008

Revenues

(Dollars in thousands)	Fiscal 2009	Fiscal 2008	(Decrease)	Percent (Decrease)
Revenues				
Propane	$ 864,012	$ 1,132,950	$ (268,938)	(23.7)%
Fuel oil and refined fuels	159,596	288,078	(128,482)	(44.6)%
Natural gas and electricity	76,832	103,745	(26,913)	(25.9)%
All other	42,714	49,390	(6,676)	(13.5)%
Total revenues	$ 1,143,154	$ 1,574,163	$ (431,009)	(27.4)%

Total revenues decreased $431.0 million, or 27.4%, to $1,143.2 million for the year ended September 26, 2009 compared to $1,574.2 million for the year ended September 27, 2008, due to a combination of lower volumes and lower average selling prices associated with lower product costs. Volumes for the fiscal 2009 were lower than the prior year due to the negative impact of adverse economic conditions, particularly on our commercial and industrial accounts, as well as ongoing customer conservation, partially offset by the favorable impact of colder temperatures.

From a weather perspective, average heating degree days, as reported by the NOAA, in our service territories were 99% of normal for fiscal 2009 and 5% colder compared to the prior year.

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Revenues from the distribution of propane and related activities of $864.0 million for the year ended September 26, 2009 decreased $268.9 million, or 23.7%, compared to $1,133.0 million for the year ended September 27, 2008, primarily due to lower average selling prices, as well as lower volumes in our commercial and industrial accounts and, to a lesser extent, our residential accounts. Retail propane gallons sold in fiscal 2009 decreased 42.3 million gallons, or 11.0%, to 343.9 million gallons from 386.2 million gallons in the prior year. The average propane selling prices during fiscal 2009 decreased approximately 14.0% compared to the prior year due to lower product costs, thereby having a negative impact on revenues. Additionally, revenues from wholesale and other propane activities of $43.4 million for the year ended September 26, 2009 decreased $18.3 million compared to the prior year.

Revenues from the distribution of fuel oil and refined fuels of $159.6 million for the year ended September 26, 2009 decreased $128.5 million, or 44.6%, from $288.1 million in the prior year, primarily due to lower volumes and lower average selling prices. Fuel oil and refined fuels gallons sold in fiscal 2009 decreased 19.1 million gallons, or 25.0%, to 57.4 million gallons from 76.5 million gallons in the prior year. Lower volumes in our fuel oil and refined fuels segment were primarily attributable to the impact of ongoing customer conservation driven by adverse economic conditions and continued high energy prices relative to historical averages. The average fuel oil and refined fuels selling prices during fiscal 2009 decreased approximately 26.9% compared to the prior year due to lower product costs, thereby having a negative impact on revenues.

Revenues in our natural gas and electricity segment decreased $26.9 million, or 25.9%, to $76.8 million for the year ended September 26, 2009 compared to $103.7 million in the prior year as a result of lower average selling prices and lower volumes. Revenues in our all other businesses decreased 13.5% to $42.7 million in fiscal 2009 from $49.4 million in the prior year, primarily due to reduced installation service activities as a result of the market decline in residential and commercial construction and other adverse economic conditions.

Cost of Products Sold

(Dollars in thousands)	**Fiscal 2009**	**Fiscal 2008**	**(Decrease)**	**Percent (Decrease)**
Cost of products sold				
Propane	$ 367,016	$ 689,921	$ (322,905)	(46.8)%
Fuel oil and refined fuels	104,634	247,310	(142,676)	(57.7)%
Natural gas and electricity	57,216	87,600	(30,384)	(34.7)%
All other	11,519	14,605	(3,086)	(21.1)%
Total cost of products sold	$ 540,385	$ 1,039,436	$ (499,051)	(48.0)%
As a percent of total revenues	47.3%	66.0%		

Cost of products sold decreased $499.0 million, or 48.0%, to $540.4 million for the year ended September 26, 2009 compared to $1,039.4 million in the prior year due to the impact of the decline in product costs, lower volumes sold and the favorable impact from our risk management activities (during fiscal 2008 we reported realized losses from risk management activities that were not fully offset by sales of the physical product, resulting in a $10.8 million reduction to cost of products sold in fiscal 2009 compared to the prior year). Cost of products sold in fiscal 2009 and fiscal 2008 included a $1.7 million and $1.8 million unrealized (non-cash) gain, respectively, representing the net change in the fair value of derivative instruments during the period ($3.1 million increase in cost of products sold reported within the propane segment, offset by a $3.0 million decrease in cost of products sold within the fuel oil and refined fuels segment).

Cost of products sold associated with the distribution of propane and related activities of $367.0 million for the year ended September 26, 2009 decreased $322.9 million, or 46.8%, compared to the prior year. Lower average propane costs and lower propane volumes resulted in a decrease of $234.1 million and $71.8 million, respectively, in cost of products sold during fiscal 2009 compared to the prior year. Cost of products sold from wholesale and other propane activities decreased $20.1 million compared to the prior year due to lower product costs and lower sales volumes.

Cost of products sold associated with the distribution of fuel oil and refined fuels of $104.6 million for the year ended September 26, 2009 decreased $142.7 million, or 57.7%, compared to the prior year. Lower average fuel oil and refined fuels costs and lower volumes resulted in decreases of $72.7 million and $56.2 million, respectively, in cost of products sold during fiscal 2009 compared to the prior year. In addition, during fiscal 2008 we reported realized losses from risk management activities that were not fully offset by sales of the physical product, resulting in a $10.8 million reduction to cost of products sold associated with our fuel oil and refined fuels segment in fiscal 2009 compared to the prior year.

Cost of products sold in our natural gas and electricity segment of $57.2 million for the year ended September 26, 2009 decreased $30.4 million, or 34.7%, compared to the prior year due to lower product costs and lower sales volumes. Cost of products sold in our all other businesses of $11.5 million for the year ended September 26, 2009 decreased $3.1 million, or 21.1%, compared to the prior year primarily due to lower sales volumes.

For the fiscal year ended September 26, 2009, total cost of products sold represented 47.3% of revenues compared to 66.0% in the prior year. The decrease in costs as a percentage of revenues was primarily attributable to the decline in product costs which outpaced the decline in average selling prices, and, to a much lesser extent, the favorable variance attributable to risk management activities discussed above.

Operating Expenses

(Dollars in thousands)	**Fiscal 2009**	**Fiscal 2008**	**(Decrease)**	**Percent (Decrease)**
Operating expenses	$ 304,767	$ 308,071	$ (3,304)	(1.1)%
As a percent of total revenues	26.7%	19.6%		

Operating expenses of $304.8 million for year ended September 26, 2009 decreased $3.3 million, or 1.1%, compared to $308.1 million in the prior year as higher variable compensation expense associated with higher earnings was more than offset by our continued efforts to drive operational efficiencies and reduce costs across all operating segments. Savings were primarily attributable to payroll and benefit related expenses as a result of lower headcount, lower fuel costs to operate our fleet and lower bad debt expense.

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General and Administrative Expenses

(Dollars in thousands)	Fiscal 2009	Fiscal 2008	Increase	Percent Increase
General and administrative expenses	$ 57,044	$ 48,134	$ 8,910	18.5%
As a percent of total revenues	5.0%	3.1%		

General and administrative expenses of $57.0 million for the year ended September 26, 2009 increased $8.9 million, or 18.5%, compared to $48.1 million during the prior year. The increase was primarily attributable to higher variable compensation expense resulting from higher earnings in fiscal 2009 compared to the prior year, and higher compensation costs recognized under certain long-term incentive plans.

Depreciation and Amortization

(Dollars in thousands)	Fiscal 2009	Fiscal 2008	Increase	Percent Increase
Depreciation and amortization	$ 30,343	$ 28,394	$ 1,949	6.9%
As a percent of total revenues	2.7%	1.8%		

Depreciation and amortization expense of $30.4 million for the year ended September 26, 2009 increased $1.9 million, or 6.9%, compared to $28.4 million in the prior year primarily as a result of accelerating depreciation expense for certain assets retired in the second half of fiscal 2009.

Interest Expense, net

(Dollars in thousands)	Fiscal 2009	Fiscal 2008	Increase	Percent Increase
Interest expense, net	$ 38,267	$ 37,052	$ 1,215	3.3%
As a percent of total revenues	3.3%	2.4%		

Net interest expense increased $1.2 million, or 3.3%, to $38.3 million for the year ended September 26, 2009, compared to $37.1 million in the prior year as a result of lower market interest rates for short-term investments, which contributed to less interest income earned, and a non-cash charge of $0.4 million to write-off the unamortized debt issuance costs associated with the previous credit agreement which was terminated in the third quarter of fiscal 2009.

Loss on Debt Extinguishment

On September 9, 2009, we purchased $175.0 million aggregate principal amount of the 2003 Senior Notes through a cash tender offer. In connection with the tender offer, we recognized a loss on the extinguishment of debt of $4.6 million in the fourth quarter of fiscal 2009, consisting of $2.8 million for the tender premium and related fees, as well as the write-off of $1.8 million in unamortized debt origination costs and unamortized discount.

Discontinued Operations

On October 2, 2007, the Operating Partnership completed the sale of its Tirzah, South Carolina underground granite propane storage cavern, and associated 62-mile pipeline, for approximately $53.7 million in cash, after taking into account certain adjustments. As part of the agreement, we entered into a long-term storage arrangement, not to exceed 7 million propane gallons, with the purchaser of the cavern that will enable us to continue to meet the needs of our retail operations, consistent with past practices. As a result of this sale, we reported a $43.7 million gain on disposal of discontinued operations during the first quarter of fiscal 2008.

Net Income and Adjusted EBITDA

We reported net income of $165.2 million, or $4.99 per Common Unit, for the year ended September 26, 2009 compared to net income of $154.9 million, or $4.72 per Common Unit, in the prior year. Adjusted EBITDA for fiscal 2009 of $234.6 million increased $14.1 million compared to Adjusted EBITDA of $220.5 million in the prior year.

Net income and EBITDA for fiscal 2009 included a $4.6 million charge for the loss on extinguishment of $175.0 million of our 6.875% Senior Notes. By comparison, net income and EBITDA for fiscal 2008 included a gain (reported within discontinued operations) of $43.7 million from our sale of its Tirzah, South Carolina underground storage cavern and associated 62-mile pipeline. 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:

	Year Ended	
(Dollars in thousands)	**September 26, 2009**	**September 27, 2008**
Net income	$ 165,238	$ 154,880
Add:		
Provision for income taxes	2,486	1,903
Interest expense, net	38,267	37,052
Depreciation and amortization	30,343	28,394
EBITDA	236,334	222,229
Unrealized (non-cash) (gains) on changes in fair value of derivatives	(1,713)	(1,764)
Loss on debt extinguishment	4,624	
Adjusted EBITDA	239,245	220,465
Add (subtract):		
Provision for income taxes current	(1,101)	(626)
Interest expense, net	(38,267)	(37,052)
Unrealized (non-cash) gains on changes in fair value of derivatives	1,713	1,764
Compensation cost recognized under Restricted Unit Plans	2,396	2,156
Gain on disposal of property, plant and equipment, net	(650)	(2,252)
Gain on disposal of discontinued operations		(43,707)
Changes in working capital and other assets and liabilities	43,215	(20,231)
Net cash provided by operating activities	$ 246,551	$ 120,517

Liquidity and Capital Resources

Analysis of Cash Flows

Operating Activities. Net cash provided by operating activities for fiscal 2010 amounted to $155.8 million, a decrease of $90.8 million compared to the prior year. The decrease was attributable to a $40.9 million decrease in earnings, after adjusting for non-cash items in both periods, coupled with a $49.9 million increase in our investment in working capital as a result of the increase in propane and fuel oil product costs as a result in the increase in commodity prices. Despite the year-over-year increase in working capital requirements, we continued to fund working capital through cash on hand without the need to access the revolving credit facility.

Investing Activities. Net cash used in investing activities of $30.1 million for the year ended September 25, 2010 consisted of capital expenditures of $19.1 million (including $9.7 million for maintenance expenditures and $9.4 million to support the growth of operations) and business acquisitions of $14.5 million, partially offset by the net proceeds from the sale of property, plant and equipment of $3.5 million. Net cash used in investing activities of $16.9 million for the year ended September 26, 2009 consisted of capital expenditures of $21.8 million (including $12.2 million for maintenance expenditures and $9.6 million to support the growth of operations), partially offset by the net proceeds from the sale of property, plant and equipment of $4.9 million.

Financing Activities. Net cash used in financing activities for fiscal 2010 of $132.0 million reflects $118.3 million in quarterly distributions to Common Unitholders at a rate of $0.83 per Common Unit paid in respect of the fourth quarter of fiscal 2009, $0.835 per Common Unit paid in respect of the first quarter of fiscal 2010, $0.84 per Common Unit paid in respect of the second quarter of fiscal 2010, and $0.845 per Common Unit paid in respect of the third quarter of fiscal 2010. In addition, financing activities for fiscal 2010 also reflects the repurchase of $250.0 million aggregate principal amount of our 6.875% senior notes due 2013 for $256.5 million (including repurchase premiums and fees), which was substantially funded by the net proceeds of $247.8 million from the issuance of 7.375% senior notes due 2020, as well as the $5.0 million payment of debt issuance costs associated with the issuance of the 2020 senior notes.

Net cash used in financing activities for fiscal 2009 of $204.2 million reflects $106.7 million in quarterly distributions to Common Unitholders at a rate of $0.805 per Common Unit in respect of the fourth quarter of fiscal 2008, at a rate of $0.81 per Common Unit in respect of the first quarter of fiscal 2009, at a rate of $0.815 per Common Unit in respect of the second quarter of fiscal 2009 and at a rate of $0.825 per Common Unit in respect of the third quarter of fiscal 2009. In addition, financing activities for fiscal 2009 also reflects $110.0 million of repayments on our term loan, which was partially funded by borrowings of $100.0 million under the revolving credit facility executed on June 26, 2009; the $5.5 million payment of debt issuance costs associated with the execution of the new revolving credit facility; and the repurchase of $175.0 million aggregate principal amount of our 6.875% senior notes due 2013 for $177.8 million, which was partially funded by the proceeds of $95.9 million from the issuance of 2,430,934 of our Common Units.

Equity Offering

On August 10, 2009, we sold 2,200,000 Common Units in a public offering (the Equity Offering) at a price of $41.50 per Common Unit, realizing proceeds of $86.7 million, net of underwriting commissions and other offering expenses. On August 24, 2009, we announced that the underwriters had given notice of their exercise of their over-allotment option, in part, to acquire 230,934 Common Units at the Equity Offering price of $41.50 per Common Unit. Net proceeds from the over-allotment exercise amounted to $9.2 million. The aggregate net proceeds from the Equity Offering of $95.9 million were used, along with cash on hand, to fund the purchase of $175.0 million aggregate principal amount of our 6.875% senior notes due 2013. These transactions increased the total number of Common Units outstanding by 2,430,934 to 35,227,954.

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Summary of Long-Term Debt Obligations and Revolving Credit Lines

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

As of September 25, 2010, our long-term borrowings and revolving credit lines consist of the 2020 Senior Notes and a $250.0 million senior secured revolving credit facility at the Operating Partnership level (the Revolving Credit Facility). The Revolving Credit Facility was executed on June 26, 2009 and replaced the Operating Partnership s previous credit facility which, as amended, provided for a $108.0 million term loan (the Term Loan) and a separate $175.0 million working capital facility both of which were scheduled to mature in March 2010. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions until maturity on June 25, 2013. Our Operating Partnership has the right to prepay loans under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity. At closing, the Operating Partnership borrowed $100.0 million under the Revolving Credit Facility and, with cash on hand, repaid the $108.0 million then outstanding under the Term Loan and terminated the previous credit agreement. We have standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of $58.5 million primarily in support of retention levels under our self-insurance programs, which expire periodically through April 15, 2011. Therefore, as of September 25, 2010 we had available borrowing capacity of $91.5 million under the Revolving Credit Facility.

The 2020 Senior Notes mature on March 15, 2020 and require semi-annual interest payments in March and September. We are permitted to redeem some or all of the 2020 Senior Notes any time at redemption prices specified in the indenture governing the notes. In addition, the 2020 Senior Notes have a change of control provision that would require us to offer to repurchase the notes at 101% of the principal amount repurchased, if the change of control is followed by a rating decline (a decrease in the rating of the notes by either Moody s Investors Service or Standard and Poor s Rating group by one or more gradations) within 90 days of the consummation of the change of control.

Borrowings under the Revolving Credit Facility bear interest at prevailing interest rates based upon, at our Operating Partnership s option, LIBOR plus the applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus 1/2 of 1%, the agent bank s prime rate, or LIBOR plus 1%, plus in each case the applicable margin. The applicable margin is dependent upon our ratio of total debt to EBITDA on a consolidated basis, as defined in the Revolving Credit Facility. As of September 25, 2010, the interest rate for the Revolving Credit Facility was approximately 3.5%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

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

The Revolving Credit Facility and the 2020 Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. The Revolving Credit Facility contains certain financial covenants (a) requiring the consolidated interest coverage ratio, as defined, at the Partnership level to be not less than 2.5 to 1.0 as of the end of any fiscal quarter; (b) prohibiting the total consolidated leverage ratio, as defined, at the Partnership level from being greater than 4.5 to 1.0 as of the end of any fiscal quarter; and (c) prohibiting the senior secured consolidated leverage ratio, as defined, of the Operating Partnership from being greater than 3.0 to 1.0 as of the end of any fiscal quarter. Under the 2020 Senior Note indenture, we are generally

permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and the Partnership s consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. We were in compliance with all covenants and terms of the 2020 Senior Notes and the Revolving Credit Facility as of September 25, 2010.

Partnership Distributions

We are required to make distributions in an amount equal to all of our Available Cash, as defined in the Partnership Agreement, as amended, no more than 45 days after the end of each fiscal quarter to holders of record on the applicable record dates. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of our business, the payment of debt principal and interest and for distributions during the next four quarters. The Board of Supervisors reviews the level of Available Cash on a quarterly basis based upon information provided by management.

On October 21, 2010, we announced a quarterly distribution of $0.85 per Common Unit, or $3.40 on an annualized basis, in respect of the fourth quarter of fiscal 2010 payable on November 9, 2010 to holders of record on November 2, 2010. This quarterly distribution included an increase of $0.005 per Common Unit, or $0.02 per Common Unit on an annualized basis, from the previous quarterly distribution rate representing the twenty-seventh increase since our recapitalization in 1999 and a 2.4% increase in the quarterly distribution rate compared to the fourth quarter of the prior year.

Pension Plan Assets and Obligations

Our defined benefit pension plan was frozen to new participants effective January 1, 2000 and, in furtherance of our effort to minimize future increases in our benefit obligations, effective January 1, 2003, all future service credits were eliminated. Therefore, eligible participants will receive interest credits only toward their ultimate defined benefit under the defined benefit pension plan. There were no minimum funding requirements for the defined benefit pension plan during fiscal 2010, 2009 or 2008. As of September 25, 2010 and September 26, 2009 the plan s projected benefit obligation exceeded the fair value of plan assets by $17.7 million and $17.1 million, respectively. As a result, the funded status of the defined benefit pension plan declined $0.6 million during fiscal 2010, which was primarily attributable to an increase in the present value of the benefit obligation due to a general decrease in market interest rates, partially offset by a positive return on plan assets during fiscal 2010. The funded status of pension and other postretirement benefit plans are recognized as an asset or liability on our balance sheets and the changes in the funded status are recognized in comprehensive income (loss) in the year the changes occur.

Our investment policies and strategies, as set forth in the Investment Management Policy and Guidelines, are monitored by a Benefits Committee comprised of five members of management. The Benefits Committee employs a liability driven investment strategy, which seeks to increase the correlation of the plan s assets and liabilities to reduce the volatility of the plan s funded status. The execution of this strategy has resulted in an asset allocation that is largely comprised of fixed income securities. A liability driven investment strategy is intended to reduce investment risk and, over the long-term, generate returns on plan assets that largely fund the annual interest on the accumulated benefit obligation. However, as we experienced in fiscal 2009 and fiscal 2008, significant declines in interest rates relevant to our benefit obligations, or poor performance in the broader capital markets in which our plan assets are invested, could have an adverse impact on the funded status of the defined benefit pension plan. For purposes of measuring the projected benefit obligation as of September 25, 2010 and September 26, 2009, we used a discount rate of 4.750% and 5.125%, respectively, reflecting current market rates for debt obligations of a similar duration to our pension obligations.

During fiscal 2010, lump sum settlement payments of $7.9 million exceeded the interest cost component of the net periodic pension cost. As a result, we recorded a non-cash settlement charge of $2.8 million during the fourth quarter of fiscal 2010 in order to accelerate recognition of a portion of cumulative unrecognized losses in the defined benefit pension plan. These unrecognized losses were previously accumulated as a reduction to partners capital and were being amortized to expense as part of our net periodic pension cost. During fiscal 2009 and fiscal 2008, the amount of the pension benefit obligation settled through lump sum payments did not exceed the settlement threshold; therefore, a settlement charge was not required to be recognized for fiscal 2009 or fiscal 2008. Additional pension settlement charges may be required in future periods depending on the level of lump sum benefit payments made in future periods.

We also provide postretirement health care and life insurance benefits for certain retired employees. Partnership employees who were hired prior to July 1993 and retired prior to March 1998 are eligible for health care benefits if they reached a specified retirement age while working for the Partnership. Partnership employees hired prior to July 1993 are eligible for postretirement life insurance benefits if they reach a specified retirement age while working for the Partnership. Effective January 1, 2000, we terminated our postretirement health care benefit plan for all eligible employees retiring after March 1, 1998. All active and eligible employees who were to receive health care benefits under the postretirement plan subsequent to March 1, 1998 were provided an increase to their accumulated benefits under the defined benefit pension plan. Our postretirement health care and life insurance benefit plans are unfunded. Effective January 1, 2006, we changed our postretirement health care plan from a self-insured program to one that is fully insured under which we pay a portion of the insurance premium on behalf of the eligible participants.

Long-Term Debt Obligations and Operating Lease Obligations

Contractual Obligations

The following table summarizes payments due under our known contractual obligations as of September 25, 2010.

(Dollars in thousands)	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016 and thereafter
Long-term debt obligations	$	$	$ 100,000	$	$	$ 250,000
Future interest payments	25,015	25,015	25,015	18,438	18,437	82,969
Operating lease obligations (a)	15,112	11,916	9,844	8,357	6,063	4,830
Self-insurance obligations (b)	16,087	10,360	7,366	5,108	3,105	13,420
Other contractual obligations (c)	9,565	6,877	3,704	1,470	2,280	16,220
Total	$ 65,779	$ 54,168	$ 145,929	$ 33,373	$ 29,885	$ 367,439

(a) Payments exclude costs associated with insurance, taxes and maintenance, which are not material to the operating lease obligations.

(b)

The timing of when payments are due for our self-insurance obligations is based on estimates that may differ from when actual payments are made. In addition, the payments do not reflect amounts to be recovered from our insurance providers, which was $18.0 million as of September 25, 2010 and included in other assets on the consolidated balance sheet.

(c) Primarily includes payments for postretirement and long-term incentive benefits as well as periodic settlements of our interest rate swap agreement.

Additionally, we have standby letters of credit in the aggregate amount of $58.5 million, in support of retention levels under our casualty insurance programs and certain lease obligations, which expire periodically through April 15, 2011.

Operating Leases

We lease certain property, plant and equipment for various periods under noncancelable operating leases, including 57% of our vehicle fleet, approximately 25% of our customer service centers and portions of our information systems equipment. Rental expense under operating leases was $17.6 million, $17.3 million and $17.7 million for fiscal 2010, 2009 and 2008, respectively. Future minimum rental commitments under noncancelable operating lease agreements as of September 25, 2010 are presented in the table above.

Off-Balance Sheet Arrangements

Guarantees

Certain of our operating leases, primarily those for transportation equipment with remaining lease periods scheduled to expire periodically through fiscal 2017, contain residual value guarantee provisions. Under those provisions, we guarantee that the fair value of the equipment will equal or exceed the guaranteed amount upon completion of the lease period, or we will pay the lessor the difference between fair value and the guaranteed amount. Although the fair value of equipment at the end of its lease term has historically exceeded the guaranteed amounts, the maximum potential amount of aggregate future payments we could be required to make under these leasing arrangements, assuming the equipment is deemed worthless at the end of the lease term, is approximately $8.2 million. The fair value of residual value guarantees for outstanding operating leases was de minimis as of September 25, 2010 and September 26, 2009.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

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

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

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

Market Risk

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

Credit Risk

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

Interest Rate Risk

A portion of our borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership s option, LIBOR, plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus 1/2 of 1% or the agent bank s prime rate, or LIBOR plus 1%, plus the applicable margin. The applicable margin is dependent on the level of the Partnership s total leverage (the total of debt to EBITDA). Therefore, we are subject to interest rate risk on the variable component of the interest rate. We manage our interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as a cash flow hedge. Changes in the fair value of the interest rate swaps are recognized in other comprehensive income (OCI) until the hedged item is recognized in earnings. At September 25, 2010, the fair value of the interest rate swaps was $6.3 million representing an unrealized loss and is included within other current liabilities and other liabilities, as applicable, with a corresponding debit in OCI.

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Derivative Instruments and Hedging Activities

All of our derivative instruments are reported on the balance sheet at their fair values. On the date that futures, forward and option contracts are entered into, we make a determination as to whether the derivative instrument qualifies for designation as a hedge. Changes in the fair value of derivative instruments are recorded each period in current period earnings or OCI, depending on whether a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, we formally assess, both at the hedge contract s inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of derivative instruments designated as cash flow hedges are reported in OCI