

STAR GAS PARTNERS LP
Form 10-Q
February 07, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2011

OR

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

For the transition period from to

Commission File Number: 001-14129

STAR GAS PARTNERS, L.P.

(Exact name of registrants as specified in its charters)

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Delaware
(State or other jurisdiction of
incorporation or organization)

06-1437793
(I.R.S. Employer
Identification No.)

2187 Atlantic Street, Stamford, Connecticut
(Address of principal executive office)

06902

(203) 328-7310
(Registrant's telephone number, including area code)

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

At January 31, 2012, the registrant had 61,301,777 common units outstanding.

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

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

(in thousands)	December 31, 2011 (unaudited)	September 30, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,920	\$ 86,789
Receivables, net of allowance of \$9,749 and \$9,530 respectively	177,676	92,967
Inventories	100,505	80,536
Fair asset value of derivative instruments		3,674
Current deferred tax asset, net	12,625	13,155
Prepaid expenses and other current assets	26,792	22,296
Total current assets	331,518	299,417
Property and equipment, net	52,296	47,131
Goodwill	205,466	199,296
Intangibles, net	60,570	52,348
Long-term deferred tax asset, net	16,741	17,646
Deferred charges and other assets, net	10,585	10,291
Total assets	\$ 677,176	\$ 626,129
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	\$ 25,776	\$ 18,569
Revolving credit facility borrowings	46,834	
Fair liability value of derivative instruments	8,122	3,322
Accrued expenses and other current liabilities	75,821	76,428
Unearned service contract revenue	49,895	40,903
Customer credit balances	66,345	67,214
Total current liabilities	272,793	206,436
Long-term debt	124,286	124,263
Other long-term liabilities	21,840	22,797
Partners' capital		
Common unitholders	285,173	299,913
General partner	144	187
Accumulated other comprehensive loss, net of taxes	(27,060)	(27,467)
Total partners' capital	258,257	272,633
Total liabilities and partners' capital	\$ 677,176	\$ 626,129

See accompanying notes to condensed consolidated financial statements.

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data - unaudited)	Three Months Ended December 31,	
	2011	2010
Sales:		
Product	\$ 406,669	\$ 404,968
Installations and service	54,805	54,533
Total sales	461,474	459,501
Cost and expenses:		
Cost of product	316,673	301,672
Cost of installations and service	52,351	52,622
(Increase) decrease in the fair value of derivative instruments	7,118	(13,906)
Delivery and branch expenses	67,757	65,961
Depreciation and amortization expenses	3,629	4,577
General and administrative expenses	5,365	4,924
Operating income	8,581	43,651
Interest expense	(3,452)	(4,220)
Interest income	728	532
Amortization of debt issuance costs	(274)	(694)
Loss on redemption of debt		(1,700)
Income before income taxes	5,583	37,569
Income tax expense	2,652	17,011
Net income	\$ 2,931	\$ 20,558
General Partner's interest in net income	15	99
Limited Partners' interest in net income	\$ 2,916	\$ 20,459
Basic and Diluted income per Limited Partner Unit (1)	\$ 0.05	\$ 0.26
Weighted average number of Limited Partner units outstanding:		
Basic and Diluted	64,189	67,078

(1) See Note 3 Summary of Significant Accounting Policies - Net Income per Limited Partner Unit.
See accompanying notes to condensed consolidated financial statements.

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

(in thousands)	Number of Units		Common	General Partner	Accum. Other Comprehensive Income (Loss)	Total Partners Capital
	Common	General Partner				
Balance as of September 30, 2011	64,970	326	\$ 299,913	\$ 187	\$ (27,467)	\$ 272,633
Comprehensive income (unaudited):						
Net income			2,916	15		2,931
Unrealized gain on pension plan obligation					688	688
Tax effect of unrealized gain on pension plan					(281)	(281)
Total comprehensive income			2,916	15	407	3,338
Distributions			(5,014)	(58)		(5,072)
Retirement of units (1)	(2,448)		(12,642)			(12,642)
Balance as of December 31, 2011 (unaudited)	62,522	326	\$ 285,173	\$ 144	\$ (27,060)	\$ 258,257

(1) See Note 2 - Common Unit Repurchase and Retirement.

See accompanying notes to condensed consolidated financial statements.

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

(in thousands - unaudited)	Three Months Ended December 31,	
	2011	2010
Cash flows provided by (used in) operating activities:		
Net income	\$ 2,931	\$ 20,558
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
(Increase) decrease in fair value of derivative instruments	7,118	(13,906)
Depreciation and amortization	3,903	5,271
Loss on redemption of debt		1,700
Provision for losses on accounts receivable	1,450	2,648
Change in deferred taxes	1,154	14,980
Changes in operating assets and liabilities:		
Increase in receivables	(79,111)	(115,161)
Increase in inventories	(18,883)	(10,324)
Increase in other assets	(3,202)	(7,358)
Increase in accounts payable	7,205	16,781
Decrease in customer credit balances	(5,316)	(23,134)
Increase in other current and long-term liabilities	7,986	19,235
Net cash used in operating activities	(74,765)	(88,710)
Cash flows provided by (used in) investing activities:		
Capital expenditures	(1,276)	