

STAR GAS FINANCE CO
Form 10-Q
August 03, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 001-14129

Commission File Number: 333-103873

STAR GAS PARTNERS, L.P.

STAR GAS FINANCE COMPANY

(Exact name of registrants as specified in its charters)

<p>Delaware Delaware (State or other jurisdiction of incorporation or organization)</p>	<p>06-1437793 75-3094991 (I.R.S. Employer Identification No.)</p>
<p>2187 Atlantic Street, Stamford, Connecticut (Address of principal executive office)</p>	<p>06902</p>
<p>(203) 328-7310</p>	
<p>(Registrants telephone number, including area code)</p>	
<p>(Former name, former address and former fiscal year, if changed since last report)</p>	

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

Indicate by check mark whether the 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

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

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

At July 31, 2010, the registrants had units and shares of each issuer's classes of common stock outstanding as follows:

Star Gas Partners, L.P.	Common Units	68,274,306
Star Gas Partners, L.P.	General Partner Units	325,729

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

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

(in thousands)	June 30, 2010 (unaudited)	September 30, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 43,951	\$ 195,160
Receivables, net of allowance of \$8,446 and \$6,267, respectively	106,074	58,854
Inventories	62,851	62,636
Fair asset value of derivative instruments	6,652	14,676
Current deferred tax asset, net	24,940	30,135
Prepaid expenses and other current assets	20,545	15,437
Total current assets	265,013	376,898
Property and equipment, net	43,971	37,494
Long-term portion of accounts receivables	662	504
Goodwill	202,803	182,942
Intangibles, net	59,552	20,468
Long-term deferred tax asset, net	1,300	36,265
Deferred charges and other assets, net	6,721	9,555
Total assets	\$ 580,022	\$ 664,126
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	\$ 15,788	\$ 17,103
Fair liability value of derivative instruments	276	665
Accrued expenses and other current liabilities	70,061	64,446
Unearned service contract revenue	40,066	37,121
Customer credit balances	33,533	74,153
Total current liabilities	159,724	193,488
Long-term debt	82,797	133,112
Other long-term liabilities	30,821	31,192
Partners' capital		
Common unitholders	331,516	332,340
General partner	397	309
Accumulated other comprehensive income (loss), net of taxes	(25,233)	(26,315)
Total partners' capital	306,680	306,334
Total liabilities and partners' capital	\$ 580,022	\$ 664,126

See accompanying notes to condensed consolidated financial statements.

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(in thousands, except per unit data - unaudited)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Sales:				
Product	\$ 130,168	\$ 126,404	\$ 942,646	\$ 959,433
Installations and service	46,593	41,265	134,666	131,586
Total sales	176,761	167,669	1,077,312	1,091,019
Cost and expenses:				
Cost of product	93,345	85,100	669,573	658,511
Cost of installations and service	40,066	37,447	128,255	130,790
(Increase) decrease in the fair value of derivative instruments	2,324	(9,656)	(5,770)	(15,064)
Delivery and branch expenses	45,076	44,776	169,770	180,903
Depreciation and amortization expenses	4,083	3,744	11,179	15,853
General and administrative expenses	5,748	5,302	16,447	15,556
Operating income (loss)	(13,881)	956	87,858	104,470
Interest expense	(3,103)	(4,119)	(11,258)	(13,487)
Interest income	1,421	1,305	2,750	3,593
Amortization of debt issuance costs	(660)	(564)	(1,988)	(1,732)
Gains (loss) on redemption of debt			(1,132)	9,740
Income (loss) before income taxes	(16,223)	(2,422)	76,230	102,584
Income tax expense (benefit)	(6,232)	(498)	33,681	3,852
Net income (loss)	\$ (9,991)	\$ (1,924)	\$ 42,549	\$ 98,732
General Partner's interest in net income (loss)	(47)	(8)	194	423
Limited Partners' interest in net income (loss)	\$ (9,944)	\$ (1,916)	\$ 42,355	\$ 98,309
Basic and Diluted income (loss) per Limited Partner Unit (1)	\$ (0.14)	\$ (0.03)	\$ 0.53	\$ 1.07
Weighted average number of Limited Partner units outstanding:				
Basic and Diluted	69,469	75,774	70,819	75,774

(1) See Note 2 Summary of Significant Accounting Policies - Net Income (Loss) 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, 2009	75,137	326	\$ 332,340	\$ 309	\$ (26,315)	\$ 306,334
Comprehensive income (unaudited):						
Net income			42,355	194		42,549
Unrealized gain on pension plan obligation					1,848	1,848
Tax affect of unrealized gain on pension plan					(766)	(766)
Total comprehensive income			42,355	194	1,082	43,631
Distributions			(15,251)	(106)		(15,357)
Retirement of units (1)	(6,863)		(27,928)			(27,928)
Balance as of June 30, 2010 (unaudited)	68,274	326	\$ 331,516	\$ 397	\$ (25,233)	\$ 306,680

(1)