

STAR GAS FINANCE CO
Form 10-Q
February 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 December 31, 2009

OR

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

For the transition period from to

Commission File Number: 001-14129

Commission File Number: 333-103873

STAR GAS PARTNERS, L.P.

STAR GAS FINANCE COMPANY

(Exact name of registrants as specified in its charters)

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

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

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

Indicate by check mark whether the 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 January 31, 2010, the registrants had units and shares of each issuer's classes of common stock outstanding as follows:

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Star Gas Partners, L.P.	Common Units	70,880,583
Star Gas Partners, L.P.	General Partner Units	325,729
Star Gas Finance Company	Common Shares	100

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

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

(in thousands)	December 31, 2009 (unaudited)	September 30, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 98,671	\$ 195,160
Receivables, net of allowance of \$6,848 and \$6,267, respectively	133,518	58,854
Inventories	72,023	62,636
Fair asset value of derivative instruments	19,796	14,676
Current deferred tax asset, net	32,067	30,135
Prepaid expenses and other current assets	24,780	15,437
Total current assets	380,855	376,898
Property and equipment, net	37,727	37,494
Long-term portion of accounts receivables	644	504
Goodwill	182,942	182,942
Intangibles, net	18,396	20,468
Long-term deferred tax asset, net	24,851	36,265
Deferred charges and other assets, net	9,001	9,555
Total assets	\$ 654,416	\$ 664,126
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	\$ 25,217	\$ 17,103
Fair liability value of derivative instruments	1,696	665
Accrued expenses and other current liabilities	68,350	64,446
Unearned service contract revenue	45,408	37,121
Customer credit balances	52,363	74,153
Total current liabilities	193,034	193,488
Long-term debt	133,059	133,112
Other long-term liabilities	31,570	31,192
Partners' capital		
Common unitholders	322,366	332,340
General partner	341	309
Accumulated other comprehensive income (loss), net of taxes	(25,954)	(26,315)
Total partners' capital	296,753	306,334
Total liabilities and partners' capital	\$ 654,416	\$ 664,126

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,	
	2009	2008
Sales:		
Product	\$ 301,765	\$ 354,267
Installations and service	47,054	48,583
Total sales	348,819	402,850
Cost and expenses:		
Cost of product	214,515	249,706
Cost of installations and service	45,672	48,782
(Increase) decrease in the fair value of derivative instruments	(3,392)	36,854
Delivery and branch expenses	56,822	63,571
Depreciation and amortization expenses	3,535	6,043
General and administrative expenses	5,053	5,260
Operating income	26,614	(7,366)
Interest expense	(4,270)	(5,019)
Interest income	394	1,092
Amortization of debt issuance costs	(656)	(592)
Gain on redemption of debt		3,522
Income (loss) before income taxes	22,082	(8,363)
Income tax expense (benefit)	10,077	(352)
Net income (loss)	\$ 12,005	\$ (8,011)
General Partner's interest in net income (loss)	54	(35)
Limited Partners' interest in net income (loss)	\$ 11,951	\$ (7,976)
Basic and Diluted income (loss) per Limited Partner Unit (1)	\$ 0.15	\$ (0.11)
Weighted average number of Limited Partner units outstanding:		
Basic and Diluted	72,661	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:						
Net income (unaudited)			11,951	54		12,005
Unrealized gain on pension plan obligation					616	616
Tax affect of unrealized gain on pension plan					(255)	(255)
Total comprehensive income			11,951	54	361	12,366
Distributions			(5,037)	(22)		(5,059)
Retirement of units (1)	(4,256)		(16,888)			(16,888)
Balance as of December 31, 2009 (unaudited)	70,881	326	\$ 322,366	\$ 341	\$ (25,954)	\$ 296,753

(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,	
	2009	2008
Cash flows provided by (used in) operating activities:		
Net income (loss)	\$ 12,005	\$ (8,011)
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
(Increase) decrease in fair value of derivative instruments	(3,392)	36,854
Depreciation and amortization	4,191	6,635
Gain on redemption of debt		(3,522)
Provision for losses on accounts receivable	2,148	2,868
Change in deferred taxes	9,482	
Changes in operating assets and liabilities:		
Increase in receivables	(76,952)	(54,998)
Increase in inventories	(9,387)	(21,029)
Increase in other assets	(10,282)	(16,025)
Increase in accounts payable	8,114	7,925
Increase (decrease) in customer credit balances	(21,790)	8,713
Increase in other current and long-term liabilities	12,876	20,399
Net cash used in operating activities	(72,987)	(20,191)
Cash flows provided by (used in) investing activities:		
Capital expenditures	(1,636)	(837)
Proceeds from sales of fixed assets	81	74
Acquisitions		(3,241)
Net cash used in investing activities	(1,555)	(4,004)
Cash flows provided by (used in) financing activities:		