

STAR GAS FINANCE CO
Form 10-Q
May 07, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

OR

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

For the transition period from _____ to _____

Commission File Number: 001-14129

Commission File Number: 333-103873

STAR GAS PARTNERS, L.P.

STAR GAS FINANCE COMPANY

(Exact name of registrants as specified in its charters)

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

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

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

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

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

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

At April 30, 2008, the registrants had units and shares of each issuer's classes of common stock outstanding as follows:

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

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STAR GAS PARTNERS, L.P. AND SUBSIDIARIES

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

(in thousands)	March 31, 2008 (unaudited)	September 30, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,624	\$ 112,886
Receivables, net of allowance of \$12,255 and \$7,645, respectively	265,472	78,923
Inventories	64,473	85,968
Fair asset value of derivative instruments	22,188	14,510
Prepaid expenses and other current assets	37,220	28,216
Total current assets	402,977	320,503
Property and equipment, net	39,404	41,721
Long-term portion of accounts receivables	956	1,362
Goodwill	181,524	181,496
Intangibles, net	38,952	48,468
Deferred charges and other assets, net	7,314	8,554
Total assets	\$ 671,127	\$ 602,104
LIABILITIES AND PARTNERS CAPITAL		
Current liabilities		
Accounts payable	\$ 21,888	\$ 18,797
Revolving credit facility borrowings	48,016	
Fair liability value of derivative instruments		5,312
Accrued expenses and other current liabilities	68,671	65,444
Unearned service contract revenue	40,219	37,219
Customer credit balances	21,570	71,109
Total current liabilities	200,364	197,881
Long-term debt	173,848	173,941
Other long-term liabilities	13,439	13,951
Partners capital		
Common unitholders	299,264	232,895
General partner	156	(129)
Accumulated other comprehensive loss	(15,944)	(16,435)
Total partners capital	283,476	216,331
Total liabilities and partners capital	\$ 671,127	\$ 602,104

See accompanying notes to condensed consolidated financial statements.

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

(in thousands, except per unit data - unaudited)	Three Months Ended March 31,		Six Months Ended March 31,	
	2008	2007	2008	2007
Sales:				
Product	\$ 620,916	\$ 534,856	\$ 1,021,956	\$ 815,258
Installations and service	44,370	42,068	97,274	91,910
Total sales	665,286	576,924	1,119,230	907,168
Cost and expenses:				
Cost of product	491,188	385,922	810,446	592,158
Cost of installations and service	45,288	44,384	97,862	94,858
(Increase) decrease in the fair value of derivative instruments	1,813	(18,462)	(15,940)	(12,147)
Delivery and branch expenses	66,802	68,652	124,754	115,146
Depreciation and amortization expenses	6,862	7,316	13,870	14,688
General and administrative expenses	4,193	6,260	9,039	10,948
Operating income	49,140	82,852	79,199	91,517
Interest expense	(5,662)	(5,136)	(10,721)	(10,244)
Interest income	1,401	1,579	2,853	3,373
Amortization of debt issuance costs	(585)	(571)	(1,155)	(1,141)
Income before income taxes	44,294	78,724	70,176	83,505
Income tax expense	2,737	3,845	3,522	3,910
Net income	\$ 41,557	\$ 74,879	\$ 66,654	\$ 79,595
General Partner's interest in net income	178	320	285	340
Limited Partners' interest in net income	\$ 41,379	\$ 74,559	\$ 66,369	\$ 79,255
Basic and Diluted income per Limited Partner Unit	\$ 0.55	\$ 0.98	\$ 0.88	\$ 1.05
Weighted average number of Limited Partner units outstanding:				
Basic and Diluted	75,774	75,774	75,774	75,774

See accompanying notes to condensed consolidated financial statements.

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

(in thousands)	Number of Units		Common	General Partner	Common	General Partner	Accum. Other Comprehensive Income (Loss)	Total Partners' Capital
	Common	General Partner						
Balance as of September 30, 2007	75,774	326	\$ 232,895	\$ (129)	\$ (16,435)	\$ 216,331		
Comprehensive Income (unaudited):								
Net income			66,369	285		66,654		
Unrealized gain on pension plan obligation					491	491		
Total comprehensive income			66,369	285	491	67,145		
Balance as of March 31, 2008 (unaudited)	75,774	326	\$ 299,264	\$ 156	\$ (15,944)	\$ 283,476		

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)	Six Months Ended March 31,	
	2008	2007
Cash flows provided by (used in) operating activities:		
Net income	\$ 66,654	\$ 79,595
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Increase in fair value of derivative instruments	(15,940)	(12,147)
Depreciation and amortization	15,025	15,829
Provision for losses on accounts receivable	6,857	4,605
Changes in operating assets and liabilities:		
Increase in receivables	(193,001)	(115,576)
Decrease in inventories	21,529	27,210
Increase in weather insurance contract		(4,305)
Decrease (increase) in other assets and assets held for sale, net	(6,014)	6,148
Increase in accounts payable	3,064	181
Decrease in customer credit balances	(49,550)	(42,275)
Increase in other current and long-term liabilities	6,135	13,290
Net cash used in operating activities	(145,241)	(27,445)
Cash flows provided by (used in) investing activities:		
Capital expenditures	(1,693)	(2,492)
Proceeds from sales of fixed assets	166	733
Cash paid for acquisitions	(400)	(2,155)
Net cash used in investing activities	(1,927)	(3,914)
Cash flows provided by (used in) financing activities:		
Revolving credit facility borrowings	57,161	
Revolving credit facility repayments	(9,145)	
Repayment of debt		(47)
Increase in deferred charges	(110)	
Net cash provided by (used in) financing activities	47,906	(47)
Net decrease in cash and cash equivalents	(99,262)	(31,406)