AMERIGAS PARTNERS LP
Form 10-Q
August 05, 2011

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

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

For the quarterly period ended June 30, 2011

OR

o **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 1-13692

AMERIGAS PARTNERS, L.P.

(Exact name of registrant as specified in its charters)

Delaware	23-2787918
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

460 North Gulph Road, King of Prussia, PA 19406
(Address of Principal Executive Offices) (Zip Code)
(610) 337-7000
(Registrant s Telephone Number, Including Area Code)

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 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:

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

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

At July 29, 2011 there were 57,124,296 Common Units of AmeriGas Partners, L.P. outstanding.

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AMERIGAS PARTNERS, L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(Thousands of dollars)

	June 30, 2011	September 30, 2010	June 30, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,219	$ 7,726	$ 9,628
Accounts receivable (less allowances for doubtful accounts of $17,056 $15,290 and $15,326, respectively)	229,377	172,708	182,607
Accounts receivable related parties	1,206	7,039	7,232
Inventories	111,334	114,122	95,885
Derivative financial instruments	5,569	7,478	175
Prepaid expenses and other current assets	13,403	16,785	12,768
Total current assets	367,108	325,858	308,295
Property, plant and equipment (less accumulated depreciation and amortization of $923,467, $867,250 and $855,423, respectively)	649,209	642,778	634,882
Goodwill	691,355	678,721	670,438
Intangible assets, net	42,324	37,590	34,248
Other assets	19,681	11,272	11,483
Total assets	$ 1,769,677	$ 1,696,219	$ 1,659,346
LIABILITIES AND PARTNERS CAPITAL			
Current liabilities:			
Current maturities of long-term debt	$ 5,201	$ 20,123	$ 98,401
Bank loans	176,000	91,000	15,000
Accounts payable trade	129,548	130,575	100,725
Accounts payable related parties	9	2,352	984
Customer deposits and advances	38,984	86,154	43,121
Derivative financial instruments	2,400		17,975
Other current liabilities	83,374	130,058	95,193
Total current liabilities	435,516	460,262	371,399
Long-term debt	828,912	771,279	770,703
Other noncurrent liabilities	56,954	71,792	66,893
Total liabilities	1,321,382	1,303,333	1,208,995
Commitments and contingencies (note 7)			

Partners capital:			
AmeriGas Partners, L.P. partners capital:			
Common unitholders (units issued 57,124,296, 57,088,509 and 57,088,509, respectively)	428,574	372,220	453,634
General partner	4,331	3,751	4,576
Accumulated other comprehensive income (loss)	2,592	4,877	(20,334)
Total AmeriGas Partners, L.P. partners capital	435,497	380,848	437,876
Noncontrolling interest	12,798	12,038	12,475
Total partners capital	448,295	392,886	450,351
Total liabilities and partners capital	$ 1,769,677	$ 1,696,219	$ 1,659,346

See accompanying notes to condensed consolidated financial statements.

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AMERIGAS PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(Thousands of dollars, except per unit amounts)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
Revenues:				
Propane	$ 428,286	$ 356,835	$ 1,941,693	$ 1,816,236
Other	42,544	39,778	136,133	123,073
	470,830	396,613	2,077,826	1,939,309
Costs and expenses:				
Cost of sales propane (excluding depreciation shown below)	284,629	220,545	1,257,038	1,125,387
Cost of sales other (excluding depreciation shown below)	16,212	15,305	43,902	39,769
Operating and administrative expenses	147,139	138,704	474,039	451,614
Depreciation	21,435	19,739	61,853	59,653
Amortization	3,063	2,148	8,516	5,453
Other income, net	(8,329)	(5,148)	(20,404)	(3,749)
	464,149	391,293	1,824,944	1,678,127
Operating income	6,681	5,320	252,882	261,182
Loss on extinguishment of debt			(18,801)	
Interest expense	(15,643)	(16,981)	(47,365)	(50,184)
(Loss) income before income taxes	(8,962)	(11,661)	186,716	210,998
Income tax expense	(139)	(662)	(487)	(2,378)
Net (loss) income	(9,101)	(12,323)	186,229	208,620
Less: net income attributable to noncontrolling interest	(51)	(49)	(2,511)	(2,550)
Net (loss) income attributable to AmeriGas Partners, L.P.	$ (9,152)	$ (12,372)	$ 183,718	$ 206,070
General partner s interest in net (loss) income attributable to AmeriGas Partners, L.P.	$ 1,474	$ 828	$ 5,308	$ 4,148
	$ (10,626)	$ (13,200)	$ 178,410	$ 201,922

Limited partners interest in net (loss) income attributable to AmeriGas Partners, L.P.								
(Loss) income per limited partner unit basic and diluted (note 2)								
Basic	$	(0.19)	$	(0.23)	$	2.83	$	3.03
Diluted	$	(0.19)	$	(0.23)	$	2.83	$	3.03
Average limited partner units outstanding (thousands):								
Basic		57,129		57,089		57,115		57,073
Diluted		57,129		57,089		57,165		57,119

See accompanying notes to condensed consolidated financial statements.

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AMERIGAS PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(Thousands of dollars)

	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 186,229	$ 208,620
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	70,369	65,106
Provision for uncollectible accounts	9,454	9,593
Net change in realized gains and losses deferred as cash flow hedges	2,900	206
Loss on extinguishment of debt	18,801	
Other, net	(3,784)	3,040
Net change in:		
Accounts receivable	(58,547)	(56,135)
Inventories	3,851	(7,062)
Accounts payable	(3,371)	(15,585)
Other current assets	3,385	(360)
Other current liabilities	(109,335)	(73,566)
Net cash provided by operating activities	119,952	133,857
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property, plant and equipment	(59,201)	(59,796)
Proceeds from disposals of assets	2,678	1,944
Acquisitions of businesses, net of cash acquired	(31,194)	(17,296)
Net cash used by investing activities	(87,717)	(75,148)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions	(127,540)	(120,010)
Noncontrolling interest activity	(1,723)	(1,800)
Increase in bank loans	85,000	15,000
Issuance of long-term debt	462,122	
Repayment of long-term debt	(452,235)	(2,067)
Proceeds associated with equity-based compensation plans, net of tax withheld	616	566
Capital contributions from General Partner	18	17
Net cash used by financing activities	(33,742)	(108,294)
Cash and cash equivalents decrease	$ (1,507)	$ (49,585)

CASH AND CASH EQUIVALENTS:				
End of period	$	6,219	$	9,628
Beginning of period		7,726		59,213
Decrease	$	(1,507)	$	(49,585)

See accompanying notes to condensed consolidated financial statements.

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AMERIGAS PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS CAPITAL
(unaudited)
(Thousands of dollars, except unit data)

	Number of Common Units	Common unitholders	General partner	Accumulated other comprehensive income (loss)	Total AmeriGas Partners, L.P. partners capital	Noncontrolling interest	Total partners capital
For the nine months ended June 30, 2011:							
Balance September 30, 2010	57,088,509	$ 372,220	$ 3,751	$ 4,877	$ 380,848	$ 12,038	$ 392,886
Net income		178,410	5,308		183,718	2,511	186,229
Net gains on derivative instruments				26,258	26,258	267	26,525
Reclassification of net gains on derivative instruments				(28,543)	(28,543)	(295)	(28,838)
Comprehensive income		178,410	5,308	(2,285)	181,433	2,483	183,916
Distributions		(122,794)	(4,746)		(127,540)	(1,820)	(129,360)
Unit-based compensation expense		1,310			1,310		1,310
Common Units issued in connection with incentive compensation plans, net of tax withheld	35,787	(572)	18		(554)		(554)
General Partner contribution to AmeriGas Propane, L.P.						97	97
Balance June 30, 2011	57,124,296	$ 428,574	$ 4,331	$ 2,592	$ 435,497	$ 12,798	$ 448,295

	Number of Common Units	Common unitholders	General partner	Accumulated other comprehensive income (loss)	Total AmeriGas Partners, L.P. partners capital	Noncontrolling interest	Total partners capital
For the nine months ended June 30, 2010:							
Balance September 30, 2009	57,046,388	$ 367,708	$ 3,698	$ (6,947)	$ 364,459	$ 11,866	$ 376,325
Net income		201,922	4,148		206,070	2,550	208,620

Net gains on derivative instruments				12,318	12,318	125	12,443
Reclassification of net gains on derivative instruments				(25,705)	(25,705)	(266)	(25,971)
Comprehensive income		201,922	4,148	(13,387)	192,683	2,409	195,092
Distributions		(116,723)	(3,287)		(120,010)	(1,800)	(121,810)
Unit-based compensation expense		1,078			1,078		1,078
Common Units issued in connection with incentive compensation plans, net of tax withheld	42,121	(351)	17		(334)		(334)
Balance June 30, 2010	57,088,509	$ 453,634	$ 4,576	$ (20,334)	$ 437,876	$ 12,475	$ 450,351

See accompanying notes to condensed consolidated financial statements.

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AMERIGAS PARTNERS, L.P.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(Thousands of dollars, except per unit)

1. Nature of Operations

AmeriGas Partners, L.P. (AmeriGas Partners) is a publicly traded limited partnership that conducts a national propane distribution business through its principal operating subsidiary AmeriGas Propane, L.P. (AmeriGas OLP) and prior to its merger with AmeriGas OLP on October 1, 2010 (the Merger), AmeriGas OLP s subsidiary, AmeriGas Eagle Propane, L.P. (Eagle OLP). AmeriGas Partners and AmeriGas OLP are Delaware limited partnerships. AmeriGas OLP subsequent to the Merger, and AmeriGas OLP and Eagle OLP collectively prior to the Merger, are referred to herein as the Operating Partnership. AmeriGas Partners, the Operating Partnership and all of their subsidiaries are collectively referred to herein as the Partnership or we.

The Operating Partnership is engaged in the distribution of propane and related equipment and supplies. The Operating Partnership comprises the largest retail propane distribution business in the United States serving residential, commercial, industrial, motor fuel and agricultural customers in all 50 states.

At June 30, 2011, AmeriGas Propane, Inc. (the General Partner), an indirect wholly owned subsidiary of UGI Corporation (UGI), held a 1% general partner interest in AmeriGas Partners and a 1.01% general partner interest in AmeriGas OLP. The General Partner and its wholly owned subsidiary Petrolane Incorporated (Petrolane, a predecessor company of the Partnership) also owned 24,691,209 AmeriGas Partners Common Units (Common Units). The remaining 32,433,087 Common Units are publicly held. The Common Units represent limited partner interests in AmeriGas Partners.

AmeriGas Partners holds a 99% limited partner interest in AmeriGas OLP. Through September 30, 2010, AmeriGas OLP, indirectly through subsidiaries, owned an effective 0.1% general partner interest and a direct approximate 99.9% limited partner interest in Eagle OLP.

AmeriGas Partners and the Operating Partnership have no employees. Employees of the General Partner conduct, direct and manage our operations. Prior to the Merger, the General Partner provided management and administrative services to AmeriGas Eagle Holdings, Inc. (AEH), the general partner of Eagle OLP, under a management services agreement. The General Partner is reimbursed monthly for all direct and indirect expenses it incurs on our behalf (see Note 5).

2. Significant Accounting Policies

The condensed consolidated financial statements include the accounts of AmeriGas Partners and its majority-owned subsidiaries principally comprising AmeriGas OLP and, prior to the Merger, Eagle OLP. We eliminate all significant intercompany accounts and transactions when we consolidate. We account for the General Partner s 1.01% interest in AmeriGas OLP as a noncontrolling interest in the condensed consolidated financial statements.

AmeriGas Finance Corp., AmeriGas Eagle Finance Corp. and AP Eagle Finance Corp. are wholly owned finance subsidiaries of AmeriGas Partners. Their sole purpose is to serve as co-obligors for debt securities issued by AmeriGas Partners.

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Notes to Condensed Consolidated Financial Statements

(unaudited)

(Thousands of dollars, except per unit)

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC). They include all adjustments which we consider necessary for a fair statement of the results for the interim periods presented. Such adjustments consisted only of normal recurring items unless otherwise disclosed. The September 30, 2010 condensed consolidated balance sheet data were derived from audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). These financial statements should be read in conjunction with the financial statements and related notes included in our Annual Report on Form 10-K for the year ended September 30, 2010. Weather significantly impacts demand for propane and profitability because many customers use propane for heating purposes. Due to the seasonal nature of the Partnership s propane business, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Allocation of Net Income Attributable to AmeriGas Partners. Net income attributable to AmeriGas Partners, L.P. for partners capital and statement of operations presentation purposes is allocated to the General Partner and the limited partners in accordance with their respective ownership percentages after giving effect to amounts distributed to the General Partner in excess of its 1% general partner interest in AmeriGas Partners based on its incentive distribution rights (IDRs) under the Fourth Amended and Restated Agreement of Limited Partnership of AmeriGas Partners (Partnership Agreement).

Net Income Per Unit. Income per limited partner unit is computed in accordance with GAAP regarding the application of the two-class method for determining income per unit for master limited partnerships (MLPs) when IDRs are present. The two-class method requires that income per limited partner unit be calculated as if all earnings for the period were distributed and requires a separate calculation for each quarter and year-to-date period. In periods when our net income attributable to AmeriGas Partners exceeds our Available Cash, as defined in the Partnership Agreement, and is above certain levels, the calculation according to the two-class method results in an increased allocation of undistributed earnings to the General Partner. Generally, in periods when our Available Cash in respect of the quarter or year-to-date periods exceeds our net income (loss) attributable to AmeriGas Partners, the calculation according to the two-class method results in an allocation of earnings to the General Partner greater than its relative ownership interest in the Partnership (or in the case of a net loss attributable to AmeriGas Partners, an allocation of such net loss to the Common Unitholders greater than their relative ownership interest in the Partnership).

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(unaudited)

(Thousands of dollars, except per unit)

The following table sets forth the numerators and denominators of the basic and diluted income per limited partner unit computations:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Common Unitholders interest in net income attributable to AmeriGas Partners under the two-class method for MLPs	$ (10,626)	$ (13,200)	$ 161,868	$ 173,115
Weighted average Common Units outstanding basic (thousands)	57,129	57,089	57,115	57,073
Potentially dilutive Common Units (thousands)	0	0	50	46
Weighted average Common Units outstanding diluted (thousands)	57,129	57,089	57,165	57,119

Theoretical distributions of net income attributable to AmeriGas Partners, L.P. in accordance with the two-class method for the nine months ended June 30, 2011 and 2010 resulted in an increased allocation of net income attributable to AmeriGas Partners, L.P. to the General Partner in the computation of income per limited partner unit which had the effect of decreasing earnings per limited partner unit by $0.29 and $0.50, respectively. There was no dilutive effect in accordance with the two-class method for the three months ended June 30, 2011 or 2010. Potentially dilutive Common Units included in the diluted limited partner units outstanding computation reflect the effects of restricted Common Unit awards granted under the General Partner s incentive compensation plans.

Comprehensive Income. Comprehensive income comprises net income and other comprehensive income (loss). Other comprehensive income (loss) results from gains and losses on derivative instruments qualifying as cash flow hedges, net of reclassifications of net gains and losses to net income.

Use of Estimates. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and costs. These estimates are based on management s knowledge of current events, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may be different from these estimates and assumptions.

AMERIGAS PARTNERS, L.P.

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Thousands of dollars, except per unit)

3. Accounting Changes

New Accounting Standards Not Yet Adopted

Fair Value Measurements. In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04 Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in GAAP and IFRS. The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). The new guidance applies to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, liability or an instrument classified in shareholders equity. Among other things, the new guidance requires quantitative information about unobservable inputs, valuation processes and sensitivity analysis associated with fair value measurements categorized within Level 3 of the fair value hierarchy. The new guidance is effective for our interim period ending March 31, 2012 and is required to be applied prospectively. We do not expect it will have a material impact on our results of operations or financial condition.

Presentation of Comprehensive Income. In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in Accounting Standards Codification (ASC) Topic 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. ASU 2011-05 does not change the items that must be reported in other comprehensive income. The change in presentation is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and the guidance is required to be applied retrospectively. Early adoption is permitted.

4. Intangible Assets

The Partnership s goodwill and intangible assets comprise the following:

	June 30, 2011	September 30, 2010	June 30, 2010
Subject to amortization:			
Customer relationships and noncompete agreements	$ 75,814	$ 65,203	$ 62,608
Accumulated amortization	(33,490)	(27,613)	(28,360)
	$ 42,324	$ 37,590	$ 34,248
Not subject to amortization:			
Goodwill	$ 691,355	$ 678,721	$ 670,438

The increase in goodwill and other intangible assets during the nine months ended June 30, 2011 reflects the effects of acquisitions. Amortization expense of intangible assets was $2,118 and $1,505 for the three months ended June 30, 2011 and 2010, respectively. Amortization expense of intangible assets was $5,874 and $4,390 for the nine months ended June 30, 2011 and 2010, respectively. No amortization is included in cost of sales in the Condensed Consolidated Statements of Operations. Our expected aggregate amortization expense of intangible assets for the remainder of Fiscal 2011 and the next four fiscal years is as follows: remainder of Fiscal 2011 $2,100; Fiscal 2012 $8,624; Fiscal 2013 $8,040; Fiscal 2014 $7,061; Fiscal 2015 $5,057.

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(Thousands of dollars, except per unit)

5. Related Party Transactions

Pursuant to the Partnership Agreement, the General Partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of the Partnership. Prior to the Merger and pursuant to a Management Services Agreement between AmeriGas Eagle Holdings, Inc., the general partner of Eagle OLP prior to the Merger, and the General Partner, the General Partner was also entitled to reimbursement for all direct and indirect expenses it made on Eagle OLP s behalf. These costs, which totaled $84,544 and $280,737 for the three and nine months ended June 30, 2011, respectively, and $78,895 and $267,024 for the three and nine months ended June 30, 2010, respectively, include employee compensation and benefit expenses of employees of the General Partner and general and administrative expenses.

UGI provides certain financial and administrative services to the General Partner. UGI bills the General Partner monthly for all direct and indirect corporate expenses incurred in connection with providing these services and the General Partner is reimbursed by the Partnership for these expenses. The allocation of indirect UGI corporate expenses to the Partnership utilizes a weighted, three-component formula based on the relative percentage of the Partnership s revenues, operating expenses and net assets employed to the total of such items for all UGI operating subsidiaries for which general and administrative services are provided. The General Partner believes that this allocation method is reasonable and equitable to the Partnership. Such corporate expenses totaled $1,660 and $9,465 during the three and nine months ended June 30, 2011, respectively, and $2,095 and $7,966 during the three and nine months ended June 30, 2010, respectively. In addition, UGI and certain of its subsidiaries provide office space, stop loss medical coverage and automobile liability insurance to the Partnership. The costs related to these items totaled $782 and $2,350 for the three and nine months ended June 30, 2011, respectively, and $401 and $1,837 for the three and nine months ended June 30, 2010, respectively.

AmeriGas OLP purchases propane from Atlantic Energy, LLC (Atlantic Energy), a former subsidiary of UGI Energy Services, Inc. (Energy Services), a subsidiary of UGI, pursuant to a propane sales agreement (Product Sales Agreement) expiring on April 2015, whereby Atlantic Energy has agreed to sell and AmeriGas OLP has agreed to purchase a specified amount of propane annually at a terminal located in Chesapeake, Virginia. The price to be paid for product purchased under the agreement is determined annually using a contractual formula that takes into account published index prices and the locational value of deliveries at the terminal. On July 30, 2010, Energy Services sold its interest in Atlantic Energy. In addition, from time to time, AmeriGas OLP purchases propane on an as needed basis from Energy Services. The prices of the purchases are generally based on market price at the time of purchase. Purchases of propane by AmeriGas OLP from Energy Services and Atlantic Energy (through the date of its sale) totaled $4,073 during the nine months ended June 30, 2011 and $4,653 and $38,409 during the three and nine months ended June 30, 2010, respectively. AmeriGas OLP did not purchase any propane from Energy Services during the three months ended June 30, 2011. The sale of the terminal did not affect the terms of the Product Sales Agreement.

The Partnership also sells propane to other affiliates of UGI. Such amounts were not material during the periods presented.

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(Thousands of dollars, except per unit)

6. Debt

On January 20, 2011, AmeriGas Partners issued $470,000 principal amount of 6.50% Senior Notes due 2021. The proceeds from the issuance of the 6.50% Senior Notes were used in February 2011 to repay AmeriGas Partners $415,000 7.25% Senior Notes due May 15, 2015 pursuant to a January 5, 2011 tender offer and subsequent redemption. The 6.50% Senior Notes due 2021 rank pari passu with AmeriGas Partners outstanding senior debt. In addition, in February 2011, AmeriGas Partners redeemed the outstanding $14,640 principal amount of its 8.875% Senior Notes due May 2011. The Partnership incurred a loss of $18,801 on these early extinguishments of debt which amount is reflected on the Condensed Consolidated Statements of Operations under the caption Loss on extinguishment of debt. The 6.50% Senior Notes of AmeriGas Partners restrict the ability of the Partnership and AmeriGas OLP to, among other things, incur additional indebtedness, make investments, incur liens, issue preferred interests, prepay subordinated indebtedness, and effect mergers, consolidations and sales of assets.

In addition, on June 21, 2011, AmeriGas OLP entered into an unsecured revolving credit agreement (the 2011 Credit Agreement) with a group of banks providing for borrowings up to $325,000 (including a $100,000 sublimit for letters of credit). Concurrently with entering into the 2011 Credit Agreement, AmeriGas OLP terminated its then-existing $200,000 revolving credit agreement dated as of November 6, 2006 and its $75,000 credit agreement dated as of April 17, 2009. The 2011 Credit Agreement permits AmeriGas OLP to borrow at prevailing interest rates, including the base rate, defined as the higher of the Federal Funds rate plus 0.50% or the agent bank s prime rate, or at a two-week, one-, two-, three-, or six-month Eurodollar Rate, as defined in the 2011 Credit Agreement, plus a margin. The margin on base rate borrowings (which ranges from 0.75% to 1.75%), Eurodollar Rate borrowings (which ranges from 1.75% to 2.75%), and the 2011 Credit Agreement facility fee rate (which ranges from 0.30% to 0.50%) are dependent upon AmeriGas Partners ratio of debt to earnings before interest expense, income taxes, depreciation and amortization (EBITDA), each as defined in the 2011 Credit Agreement. The 2011 Credit Agreement restricts the incurrence of additional indebtedness and also restricts certain liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The 2011 Credit Agreement requires that AmeriGas OLP and AmeriGas Partners not exceed ratios of total indebtedness to EBITDA, as defined for each of those entities, and that AmeriGas Partners maintains a minimum ratio of EBITDA to interest expense, as defined.

7. Commitments and Contingencies

Environmental Matters

By letter dated March 6, 2008, the New York State Department of Environmental Conservation (DEC) notified AmeriGas OLP that DEC had placed property owned by the Partnership in Saranac Lake, New York on its Registry of Inactive Hazardous Waste Disposal Sites. A site characterization study performed by DEC disclosed contamination related to former manufactured gas plant (MGP) operations on the site. DEC has classified the site as a significant threat to public health or environment with further action required. The Partnership has researched the history of the site and its ownership interest in the site. The Partnership has reviewed the preliminary site characterization study prepared by the DEC, the extent of the contamination, and the possible existence of other potentially responsible parties. The Partnership has communicated the results of its research to DEC and is awaiting a response before doing any additional investigation. Because of the preliminary nature of available environmental information, the ultimate amount of expected clean up costs cannot be reasonably estimated.

AMERIGAS PARTNERS, L.P.
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(unaudited)
(Thousands of dollars, except per unit)

Other Matters

On May 27, 2009, the General Partner was named as a defendant in a purported class action lawsuit in the Superior Court of the State of California in which plaintiffs challenged AmeriGas OLP s weight disclosure with regard to its portable propane grill cylinders. After that initial suit, various AmeriGas entities were named in more than a dozen similar suits that were filed in various courts throughout the United States. All of those cases were consolidated and transferred to the United States District Court for the Western District of Missouri. On May 19, 2010, the Court granted the class motion seeking preliminary approval of the parties settlement. On October 4, 2010, the Court ruled that the settlement was fair, reasonable and adequate to the class and granted final approval of the settlement.

On or about October 21, 2009, the General Partner received a notice that the Offices of the District Attorneys of Santa Clara, Sonoma, Ventura, San Joaquin and Fresno Counties and the City Attorney of San Diego (the District Attorneys) have commenced an investigation into AmeriGas OLP s cylinder labeling and filling practices in California and issued an administrative subpoena seeking documents and information relating to those practices. We have responded to the administrative subpoena. On or about July 20, 2011, the General Partner received a second subpoena from the District Attorneys. The subpoena seeks information and documents regarding AmeriGas OLP s cylinder exchange program and alleges potential violations of California s Unfair Competition Law. We are reviewing the subpoena and will continue to cooperate with the District Attorneys.

In 1996, a fire occurred at the residence of Samuel and Brenda Swiger (the Swigers) when propane that leaked from an underground line ignited. In July 1998, the Swigers filed a class action lawsuit against AmeriGas Propane, L.P. (named incorrectly as UGI/AmeriGas, Inc.), in the Circuit Court of Monongalia County, West Virginia, in which they sought to recover an unspecified amount of compensatory and punitive damages and attorney s fees, for themselves and on behalf of persons in West Virginia for whom the defendants had installed propane gas lines, resulting from the defendants alleged failure to install underground propane lines at depths required by applicable safety standards. On December 14, 2010, AmeriGas OLP and its affiliates entered into a settlement agreement with the class, which was preliminarily approved by the Circuit Court of Monongalia County on January 13, 2011.

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In 2005, the Swigers also filed what purports to be a class action in the Circuit Court of Harrison County, West Virginia against UGI, an insurance subsidiary of UGI, certain officers of UGI and the General Partner, and their insurance carriers and insurance adjusters. In the Harrison County lawsuit, the Swigers are seeking compensatory and punitive damages on behalf of the putative class for alleged violations of the West Virginia Insurance Unfair Trade Practice Act, negligence, intentional misconduct, and civil conspiracy. The Swigers have also requested that the Court rule that insurance coverage exists under the policies issued by the defendant insurance companies for damages sustained by the members of the class in the Monongalia County lawsuit. The Circuit Court of Harrison County has not certified the class in the Harrison County lawsuit at this time and, in October 2008, stayed that lawsuit pending resolution of the class action lawsuit in Monongalia County. We believe we have good defenses to the claims in this action.

On July 15, 2011, BP America Production Company ("BP") filed a complaint against AmeriGas Propane, L.P. in the District Court of Denver County, Colorado, alleging, among other things, breach of contract and breach of the covenant of good faith and fair dealing relating to amounts billed for certain goods and services provided to BP since 2005 (the "Services"). The Services relate to the installation of propane-fueled equipment and appliances, and the supply of propane, to approximately 400 residential customers at the request of and for the account of BP. The complaint seeks an unspecified amount of direct, indirect, consequential, special and compensatory damages, including attorneys' fees, costs and interest and other appropriate relief. It also seeks an accounting to determine the amount of the alleged overcharges related to the Services. We recently commenced an investigation into these allegations. Because of the preliminary nature of this investigation, which is ongoing, the amount of loss, if any, cannot be reasonably estimated.

We cannot predict the final results of any of the environmental or other pending claims or legal actions described above. However, it is reasonably possible that some of them could be resolved unfavorably to us and result in losses in excess of recorded amounts. We are unable to estimate any possible losses in excess of recorded amounts. Although we currently believe, after consultation with counsel, that damages or settlements, if any, recovered by the plaintiffs in such claims or actions will not have a material adverse effect on our financial position, damages or settlements could be material to our operating results or cash flows in future periods depending on the nature and timing of future developments with respect to these matters and the amounts of future operating results and cash flows. In addition to the matters described above, there are other pending claims and legal actions arising in the normal course of our businesses. We believe, after consultation with counsel, the final outcome of such other matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

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8. Fair Value Measurement

Derivative Financial Instruments

The following table presents our financial assets and financial liabilities that are measured at fair value on a recurring basis for each of the fair value hierarchy levels, including both current and noncurrent portions, as of June 30, 2011, September 30, 2010 and June 30, 2010:

	Asset (Liability)			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
June 30, 2011:				
Assets:				
Derivative financial instruments:				
Commodity contracts	$	$ 5,569	$	$ 5,569
Liabilities:				
Derivative financial instruments:				
Commodity contracts	$	$ (2,757)	$	$ (2,757)
September 30, 2010:				
Assets:				
Derivative financial instruments:				
Commodity contracts	$	$ 8,025	$	$ 8,025
June 30, 2010:				
Assets:				
Derivative financial instruments:				
Commodity contracts	$	$ 244	$	$ 244
Liabilities:				
Derivative financial instruments:				
Commodity contracts	$	$ (18,012)	$	$ (18,012)

The fair values of our non-exchange traded commodity derivative contracts are based upon indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. For commodity option contracts we use a Black Scholes option pricing model that considers time value and volatility of the underlying commodity. The fair values of interest rate contracts are based upon third-party quotes or indicative values based on recent market transactions.

Other Financial Instruments

The carrying amounts of financial instruments included in current assets and current liabilities (excluding unsettled derivative instruments and current maturities of long-term debt) approximate their fair values because of their short-term nature. The carrying amount and estimated fair value of our long-term debt at June 30, 2011 were $834,113 and $850,188, respectively. The carrying amount and estimated fair value of our long-term debt at June 30, 2010 were $869,104 and $866,974, respectively. We estimate the fair value of long-term debt by using current market prices and by discounting future cash flows using rates available for similar type debt.

We have financial instruments such as short-term investments and trade accounts receivable which could expose us to concentrations of credit risk. We limit our credit risk from short-term investments by investing only in investment-grade commercial paper and U.S. Government securities. The credit risk from trade accounts receivable is limited because we have a large customer base which extends across many different U.S. markets.

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9. Disclosures About Derivative Instruments and Hedging Activities

The Partnership is exposed to certain market risks related to its ongoing business operations. Management uses derivative financial and commodity instruments, among other things, to manage these risks. The primary risks managed by derivative instruments are commodity price risk and interest rate risk. Although we use derivative financial and commodity instruments to reduce market risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes. The use of derivative instruments is controlled by our risk management and credit policies which govern, among other things, the derivative instruments the Partnership can use, counterparty credit limits and contract authorization limits. Because our derivative instruments generally qualify as hedges under GAAP, we expect that changes in the fair value of derivative instruments used to manage commodity or interest rate market risk would be substantially offset by gains or losses on the associated anticipated transactions.

Commodity Price Risk

In order to manage market risk associated with the Partnership s fixed-price programs which permit customers to lock in the prices they pay for propane principally during the months of October through March, the Partnership uses over-the-counter derivative commodity instruments, principally price swap contracts. At June 30, 2011 and 2010 there were 145.0 million gallons and 148.4 million gallons, respectively, of propane hedged with over-the-counter price swap and option contracts. At June 30, 2011, the maximum period over which we are hedging propane market price risk is 15 months with a weighted average of 7 months. In addition, the Partnership from time to time enters into price swap agreements to reduce short-term commodity price volatility and to provide market price risk support to a limited number of its wholesale customers. These agreements are not designated as hedges for accounting purposes and the volumes of propane subject to these agreements were not material.

We account for substantially all of our commodity price risk contracts as cash flow hedges. Changes in the fair values of contracts qualifying for cash flow hedge accounting are recorded in accumulated other comprehensive income (AOCI) and noncontrolling interests, to the extent effective in offsetting changes in the underlying commodity price risk, until earnings are affected by the hedged item. At June 30, 2011, the amount of net gains associated with commodity price risk hedges expected to be reclassified into earnings during the next twelve months based upon current fair values is $6,314.

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Interest Rate Risk

Our long-term debt is typically issued at fixed rates of interest. As these long-term debt issues mature, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce market rate risk on the underlying benchmark rate of interest associated with near- to medium-term forecasted issuances of fixed-rate debt, from time to time we enter into interest rate protection agreements (IRPAs). We account for IRPAs as cash flow hedges. Changes in the fair values of IRPAs are recorded in AOCI, to the extent effective in offsetting changes in the underlying interest rate risk, until earnings are affected by the hedged interest expense. There are no unsettled IRPAs outstanding at June 30, 2011. The amount of net losses associated with IRPAs expected to be reclassified into earnings during the next twelve months is $538 (which excludes the impact of the debt refinancing described in Note 10).

As previously disclosed, during the three months ended March 31, 2010, the Partnership s management determined that it was likely that it would not issue $150,000 of long-term debt during the summer of 2010. As a result, the Partnership discontinued cash flow hedge accounting treatment for interest rate protection agreements associated with this previously anticipated long-term debt issuance and recorded a $12,193 loss during the three months ended March 31, 2010 which is reflected in other income, net, on the Condensed Consolidated Statements of Operations for the nine months ended June 30, 2010.

Derivative Financial Instruments Credit Risk

The Partnership is exposed to credit loss in the event of nonperformance by counterparties to derivative financial and commodity instruments. Our counterparties principally consist of major energy companies and major U.S. financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits. Certain of these agreements call for the posting of collateral by the counterparty or by the Partnership in the forms of letters of credit, parental guarantees or cash. Although we have concentrations of credit risk associated with derivative financial instruments held by certain derivative financial instrument counterparties, the maximum amount of loss due to credit risk that, based upon the gross fair values of the derivative financial instruments, we would incur if these counterparties that make up the concentration failed to perform according to the terms of their contracts was not material at June 30, 2011. We generally do not have credit-risk-related contingent features in our derivative contracts.

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The following table provides information regarding the fair values and balance sheet locations of our derivative assets and liabilities existing as of June 30, 2011 and 2010:

	Derivative Assets			Derivative (Liabilities)		
	Balance Sheet Location	Fair Value June 30, 2011	2010	Balance Sheet Location	Fair Value June 30, 2011	2010
Derivatives Designated as Hedging Instruments:						
Propane contracts	Derivative financial instruments	$ 5,569	$ 180	Derivative financial instruments and Other noncurrent liabilities	$ (2,757)	$ (17,956)
Derivatives Not Designated as Hedging Instruments:						
Propane contracts	Derivative financial instruments and Other assets	$	$ 64	Derivative financial instruments	$	$ (56)
Total Derivatives		$ 5,569	$ 244		$ (2,757)	$ (18,012)

The following table provides information on the effects of derivative instruments on the Condensed Consolidated Statements of Operations and changes in AOCI and noncontrolling interest for the three and nine months ended June 30, 2011:

Three Months Ended June 30, 2011

	Gain Recognized in AOCI and Noncontrolling Interest	Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income	Location of Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income
Cash Flow Hedges:			
Propane contracts	$ 1,248	$ 9,642	Cost of sales
Interest rate contracts		(135)	Interest expense
Total	$ 1,248	$ 9,507	

Nine Months Ended June 30, 2011

	Gain Recognized in AOCI and Noncontrolling Interest	Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income	Location of Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income
Cash Flow Hedges:			
Propane contracts	$ 26,525	$ 29,242	Cost of sales
Interest rate contracts		(404)	Interest expense
Total	$ 26,525	$ 28,838	

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The following table provides information on the effects of derivative instruments on the Condensed Consolidated Statements of Operations and changes in AOCI and noncontrolling interest for the three and nine months ended June 30, 2010:

Three Months Ended June 30, 2010

	Loss Recognized in AOCI and Noncontrolling Interest	Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income	Location of Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income
Cash Flow Hedges:			
Propane contracts	$ (20,280)	$ 4,609	Cost of sales
Interest rate contracts		(135)	Interest expense/other expense
Total	$ (20,280)	$ 4,474	

Nine Months Ended June 30, 2010

	Gain Recognized in AOCI and Noncontrolling Interest	Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income	Location of Gain (Loss) Reclassified from AOCI and Noncontrolling Interest into Income
Cash Flow Hedges:			
Propane contracts	$ 10,704	$ 38,568	Cost of sales
Interest rate contracts	1,739	(12,597)	Interest expense/other expense
Total	$ 12,443	$ 25,971	

The amounts of derivative gains or losses representing ineffectiveness were not material. The amount of net gains or losses associated with propane contracts that are not designated as hedging instruments was not material during the three and nine months ended June 30, 2011 or 2010.

We are also a party to a number of contracts that have elements of a derivative instrument. These contracts include, among others, binding purchase orders, contracts which provide for the purchase and delivery of propane and service contracts that require the counterparty to provide commodity storage or transportation service to meet our normal sales commitments. Although many of these contracts have the requisite elements of a derivative instrument, these contracts qualify for normal purchase and normal sales exception accounting under GAAP because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business and the price in the contract is based on an underlying that is directly associated with the price of the product or service being purchased or sold.

10. Subsequent Event Debt Refinancing

On July 27, 2011, AmeriGas Partners announced an offer to purchase for cash any and all of its $350,000 aggregate principal amount of outstanding 7 1/8% Senior Notes (the 2016 Notes) due May 2016 (the Tender Offer), subject to receipt of the proceeds of the issuance of $450,000 of 6.25% Senior Notes due 2019 (the 6.25% Notes). The 6.25% Notes are expected to be issued on August 10, 2011. The proceeds from the offering will be used to finance the Tender Offer and for general corporate purposes, including to repay borrowings outstanding under the 2011 Credit Agreement. The Partnership intends to redeem any 2016 Notes that are not tendered in the Tender Offer. The Partnership expects to record a loss of approximately $20,000 associated with these transactions during the fourth quarter of Fiscal 2011.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Information contained in this Quarterly Report on Form 10-Q may contain forward-looking statements. Such statements use forward-looking words such as believe, plan, anticipate, continue, estimate, expect, may, similar words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that actual results almost always vary from assumed facts or bases, and the differences between actual results and assumed facts or bases can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the following important factors which could affect our future results and could cause those results to differ materially from those expressed in our forward-looking statements: (1) adverse weather conditions resulting in reduced demand; (2) cost volatility and availability of propane, and the capacity to transport propane to our customers; (3) the availability of, and our ability to consummate, acquisition or combination opportunities; (4) successful integration and future performance of acquired assets or businesses; (5) changes in laws and regulations, including safety, tax and accounting matters; (6) competitive pressures from the same and alternative energy sources; (7) failure to acquire new customers thereby reducing or limiting any increase in revenues; (8) liability for environmental claims; (9) increased customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (10) adverse labor relations; (11) large customer, counterparty or supplier defaults; (12) liability in excess of insurance coverage for personal injury and property damage arising from explosions and other catastrophic events, including acts of terrorism, resulting from operating hazards and risks incidental to transporting, storing and distributing propane, butane and ammonia; (13) political, regulatory and economic conditions in the United States and foreign countries; (14) capital market conditions, including reduced access to capital markets and interest rate fluctuations; (15) changes in commodity market prices resulting in significantly higher cash collateral requirements; (16) the impact of pending and future legal proceedings; and (17) the timing and success of our acquisitions and investments to grow our business.

These factors, and those factors set forth in Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on our business, financial condition or future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by the federal securities laws.

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ANALYSIS OF RESULTS OF OPERATIONS

The following analyses compare the Partnership s results of operations for (1) the three months ended June 30, 2011 (2011 three-month period) with the three months ended June 30, 2010 (2010 three-month period) and the nine months ended June 30, 2011 (2011 nine-month period) with the nine months ended June 30, 2010 (2010 nine-month period).

Executive Overview

Net loss attributable to AmeriGas Partners for the 2011 three-month period was $9.2 million compared with net loss attributable to AmeriGas Partners for the 2010 three-month period of $12.4 million. Temperatures in our service territory during the 2011 three-month period averaged slightly warmer than normal but colder than the prior-year three-month period. Retail propane volumes sold increased 3.3% principally due to the impact of the colder spring weather on residential volumes, increased volumes associated with commercial activity and acquisitions made since last year. The increase in retail volumes sold was partially offset by customer conservation due in part to higher propane commodity prices. Operating results for the 2011 three-month period also reflect higher operating and administrative expenses.

Net income attributable to AmeriGas Partners for the 2011 nine-month period was $183.7 million compared with net income attributable to AmeriGas Partners for the 2010 nine-month period of $206.1 million. The 2011 nine-month period results reflects an $18.8 million loss on early extinguishment of debt while the 2010 nine-month period results reflect a $12.2 million loss associated with the discontinuance of interest rate hedges. Average temperatures in our service territory during both the 2011 and 2010 nine-month periods were near normal. However, during the 2011 nine-month period, temperatures in early fall were significantly warmer than normal and we experienced an early end to the heating season weather in our southern regions. The effects of these weather patterns, customer conservation and the impact on the prior-year s volumes of a strong crop-drying season resulted in lower year-over-year retail volume sales. Total margin was slightly higher in the 2011 nine-month period as the effects on margin of the lower volumes sold were more than offset by slightly higher average retail unit margins and greater non-propane margins. Operating results for the 2011 nine-month period also reflect higher operating and administrative expenses.

We believe that the Partnership has sufficient liquidity in the form of a new $325 million revolving credit agreement entered into by AmeriGas OLP in June 2011. This new agreement replaces the $275 million of borrowing capacity under AmeriGas OLP s previous credit agreements.

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2011 three-month period compared with 2010 three-month period

Three Months Ended June 30, (millions of dollars)	2011	2010	Increase	
Gallons sold (millions):				
Retail	155.1	150.1	5.0	3.3%
Wholesale	21.6	15.8	5.8	36.7%
	176.7	165.9	10.8	6.5%
Revenues:				
Retail propane	$ 394.7	$ 337.4	$ 57.3	17.0%
Wholesale propane	33.6	19.4	14.2	73.2%
Other	42.5	39.8	2.7	6.8%
	$ 470.8	$ 396.6	$ 74.2	18.7%
Total margin (a)	$ 170.0	$ 160.8	$ 9.2	5.7%
EBITDA (b)	$ 31.1	$ 27.2	$ 3.9	14.3%
Operating income (b)	$ 6.7	$ 5.3	$ 1.4	26.4%
Net loss attributable to AmeriGas Partners	$ (9.2)	$ (12.4)	$ 3.2	(25.8)%
Heating degree days % (warmer) than normal (c)	(1.4)%	(17.0)%		

(a) Total margin represents total revenues less cost of sales propane and cost of sales other.

(b) Earnings before interest expense, income taxes, depreciation and amortization (EBITDA) should not be considered as an alternative to net income attributable to AmeriGas Partners (as an indicator of operating performance) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America (GAAP). Management believes EBITDA is a meaningful non-GAAP financial measure used by investors to (1) compare the Partnership s operating performance with other companies within the propane industry and (2) assess its ability to meet loan covenants. The Partnership s definition of EBITDA may be different from that used by other companies. Management uses EBITDA to compare year-over-year profitability of the business without regard to capital structure as well as to compare the relative performance of the Partnership to that of other master limited partnerships without regard to their financing methods, capital structure, income taxes or historical cost basis. In view of the omission of interest, income taxes, depreciation and amortization from EBITDA, management also assesses the profitability of the business by comparing net income attributable to AmeriGas Partners for the relevant years. Management also uses EBITDA to assess the Partnership s profitability because its parent, UGI Corporation, uses the Partnership s EBITDA to assess the profitability of the Partnership. UGI Corporation discloses the Partnership s EBITDA as the profitability measure to comply with the GAAP requirement to provide profitability information about its domestic propane segment.

The following table includes reconciliations of net income attributable to AmeriGas Partners to EBITDA for the periods presented:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Net loss attributable to AmeriGas Partners	$ (9.2)	$ (12.4)
Income tax expense	0.1	0.7
Interest expense	15.6	17.0
Depreciation	21.5	19.7
Amortization	3.1	2.2
EBITDA	$ 31.1	$ 27.2

(c) Deviation from average heating degree days for the 30-year period 1971-2000 based upon national weather statistics provided by the National Oceanic and Atmospheric Administration (NOAA) for 335 airports in the United States, excluding Alaska.

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Based upon heating degree-day data, average temperatures in the Partnership s service territories were 1.4% warmer than normal during the 2011 three-month period compared with temperatures that were 17.0% warmer than normal in the prior-year period. Retail propane gallons sold were higher than in the prior-year period principally reflecting the colder spring weather, improved commercial volumes and acquisitions made since last year partially offset by customer conservation.

Retail propane revenues increased $57.3 million during the 2011 three-month period reflecting a $46.1 million increase due to higher average retail selling prices and an $11.2 million increase as a result of the higher retail volumes sold. Wholesale propane revenues increased $14.2 million principally reflecting a $7.1 million increase resulting from higher year-over-year wholesale selling prices and a $7.1 million increase on higher volumes sold. Average wholesale propane commodity prices at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 38% higher in the 2011 three-month period compared to such prices in the 2010 three-month period. Revenues from fee income and other ancillary sales and services increased $2.7 million. Total cost of sales increased $64.9 million, to $300.8 million, principally reflecting the effects of the previously mentioned higher 2011 three-month period propane commodity prices and the higher sales.

Total margin increased $9.2 million in the 2011 three-month period primarily due to the higher retail volumes sold and, to a lesser extent, higher average retail unit margins and greater non-propane margin.

EBITDA in the 2011 three-month period increased $3.9 million reflecting the higher total margin ($9.2 million) and slightly higher other income ($3.2 million) offset in part by greater operating and administrative expenses ($8.4 million). The greater operating and administrative expenses principally reflect higher compensation and benefits costs ($5.1 million), higher vehicle fuel expenses ($2.8 million) and greater self-insured liability and casualty expenses ($1.9 million). Operating income in the 2011 three-month period increased $1.4 million reflecting the $3.9 million increase in EBITDA partially offset by slightly higher depreciation and amortization expense associated with acquisitions and plant and equipment expenditures made since the 2010 three-month period. Interest expense was $1.3 million lower in the 2011 three-month period principally reflecting the absence of interest on AmeriGas OLP s $80 million First Mortgage Notes which were repaid in July 2010.

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2011 nine-month period compared with 2010 nine-month period

Nine Months Ended June 30, (millions of dollars)	2011	2010	Increase (Decrease)	
Gallons sold (millions):				
Retail	727.8	746.7	(18.9)	(2.5)%
Wholesale	99.0	106.3	(7.3)	(6.9)%
	826.8	853.0	(26.2)	(3.1)%
Revenues:				
Retail propane	$ 1,796.3	$ 1,681.0	$ 115.3	6.9%
Wholesale propane	145.4	135.2	10.2	7.5%
Other	136.1	123.1	13.0	10.6%
	$ 2,077.8	$ 1,939.3	$ 138.5	7.1%
Total margin (a)	$ 776.9	$ 774.2	$ 2.7	0.3%
EBITDA (b)	$ 301.9	$ 323.7	$ (21.8)	(6.7)%
Operating income (b)	$ 252.9	$ 261.2	$ (8.3)	(3.2)%
Net income attributable to AmeriGas Partners	$ 183.7	$ 206.1	$ (22.4)	(10.9)%
Heating degree days % (warmer) than normal (c)	(0.1)%	(1.6)%		

(a) Total margin represents total revenues less cost of sales propane and cost of sales other.

(b) Earnings before interest expense, income taxes, depreciation and amortization (EBITDA) should not be considered as an alternative to net income attributable to AmeriGas Partners (as an indicator of operating performance) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America (GAAP). Management believes EBITDA is a meaningful non-GAAP financial measure used by investors to (1) compare the Partnership s operating performance with other companies within the propane industry and (2) assess its ability to meet loan covenants. The Partnership s definition of EBITDA may be different from that used by other companies. Management uses EBITDA to compare year-over-year profitability of the business without regard to capital structure as well as to compare the relative performance of the Partnership to that of other master limited partnerships without regard to their financing methods, capital structure, income taxes or historical cost basis. In view of the omission of interest, income taxes, depreciation and amortization from EBITDA, management also assesses the profitability of the business by comparing net income attributable to AmeriGas Partners for the relevant years. Management also uses EBITDA to assess the Partnership s profitability because its parent, UGI Corporation, uses the Partnership s EBITDA to assess the profitability of the Partnership. UGI Corporation discloses the Partnership s EBITDA as the profitability measure to comply with the GAAP requirement to provide profitability information about its domestic propane segment. EBITDA for the nine months ended June 30, 2011 includes a pre-tax loss of $18.8 million associated with the early extinguishment of debt. EBITDA and operating income for the nine months ended June 30, 2010 includes a pre-tax loss of $12.2 million associated with the discontinuance of interest rate hedges.

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The following table includes reconciliations of net income attributable to AmeriGas Partners to EBITDA for the periods presented:

	Nine Months Ended June 30, 2011	2010
Net income attributable to AmeriGas Partners	$ 183.7	$ 206.1
Income tax expense	0.5	2.4
Interest expense	47.3	50.2
Depreciation	61.9	59.6
Amortization	8.5	5.4
EBITDA	$ 301.9	$ 323.7

(c) Deviation from average heating degree days for the 30-year period 1971-2000 based upon national weather statistics provided by the National Oceanic and Atmospheric Administration (NOAA) for 335 airports in the United States, excluding Alaska. Prior year data has been adjusted to correct a NOAA error.

Based upon heating degree-day data, average temperatures in the Partnership s service territories were near normal during the 2011 nine-month period compared with weather that was approximately 1.6% warmer than normal in the prior-year period. However, temperatures in the early fall of the 2011 period were significantly warmer than normal and we experienced an early end to the heating season weather in our southern regions. Retail propane gallons sold declined principally due to the effects of these weather patterns, customer conservation and the impact on AmeriGas Propane s prior-year volumes of a strong crop-drying season partially offset by volumes acquired through acquisitions.

Retail propane revenues increased $115.3 million during the 2011 nine-month period reflecting higher average retail sales prices ($157.8 million) partially offset by lower retail volumes sold ($42.5 million). Wholesale propane revenues increased $10.2 million principally reflecting higher wholesale selling prices ($19.5 million) partially offset by lower wholesale volumes sold ($9.3 million). Average wholesale propane prices at Mont Belvieu, Texas, a major supply location in the U.S., were approximately 21% higher during the 2011 nine-month period compared with average wholesale propane prices during the 2010 nine-month period. Revenues from fee income and ancillary sales and services increased $13.0 million in the 2011 nine-month period. Total cost of sales increased $135.8 million, to $1,300.9 million, principally reflecting the higher 2011 wholesale propane product costs.

Total margin was $2.7 million higher in the 2011 nine-month period as non-propane margin was offset in part by lower total retail margin ($5.3 million). The lower total retail margin reflects the effects of the lower retail volumes sold ($17.4 million) partially offset by the effects of slightly higher average retail unit margins ($12.1 million).

The $21.8 million decrease in EBITDA during the 2011 nine-month period includes (1) a loss on the early extinguishment of Partnership Senior Notes ($18.8 million) and (2) modestly higher operating and administrative expenses ($22.4 million). The higher operating and administrative costs principally includes greater compensation and benefits expenses ($11.7 million) and an increase in vehicle fuel expenses ($5.9 million).The negative effects of these items on the change in Partnership EBITDA were partially offset by (1) the absence of a $12.2 million loss recorded in the prior-year nine-month period resulting from the discontinuance of interest rate hedges; (2) higher other income ($4.5 million); and (3) the previously mentioned greater total margin.

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Operating income (which excludes the loss on early extinguishment of debt) decreased $8.3 million in the 2011 nine-month period principally reflecting (1) higher combined operating, administrative and depreciation and amortization expenses ($27.7 million) partially offset by the absence of the loss on interest rate hedges recorded in the prior year ($12.2 million) and the previously mentioned higher other income ($4.5 million) and total margin ($2.7 million). Interest expense was $2.8 million lower in the 2011 nine-month period principally reflecting lower interest expense on long-term debt outstanding partially offset by higher interest expense on working capital borrowings. Net income attributable to AmeriGas Partners in the 2011 nine-month period was $22.4 million lower than the 2010 nine-month period which includes the $18.8 million loss on extinguishment of debt.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

The Partnership s debt outstanding at June 30, 2011 totaled $1,010.1 million (including current maturities of long-term debt of $5.2 million and bank loans of $176 million). The Partnership s debt outstanding at September 30, 2010 totaled $882.4 million (including current maturities of long-term debt of $20.1 million and bank loans of $91 million). Total long-term debt outstanding at June 30, 2011, including current maturities, comprises $820 million of AmeriGas Partners Senior Notes and $14.1 million of other long-term debt. On January 20, 2011, AmeriGas Partners issued $470 million principal amount of 6.50% Senior Notes due 2021. The proceeds from the issuance of the 6.50% Senior Notes were used to repay in February 2011 AmeriGas Partners $415 million 7.25% Senior Notes due May 15, 2015 pursuant to a January 5, 2011 tender offer and subsequent redemption. The 6.50% Senior Notes due 2021 rank pari passu with AmeriGas Partners outstanding senior debt. In addition, in February 2011, AmeriGas Partners redeemed $14.6 million of its 8.875% Senior Notes due May 2011. The Partnership incurred a loss on extinguishment of debt associated with these refinancings of $18.8 million. In July 2011, the Partnership announced its offer to purchase $350 million of its 7 1/8% Senior Notes due 2016 (see Subsequent Event Debt Refinancing below).

AmeriGas OLP s short-term borrowing needs are seasonal and are typically greatest during the fall and winter heating-season months due to the need to fund higher levels of working capital. In order to meet its short-term cash needs, AmeriGas OLP has a $325 million unsecured credit agreement (2011 Credit Agreement) which expires on October 15, 2015. Concurrently with entering into the 2011 Credit Agreement on June 21, 2011, AmeriGas OLP terminated its then-existing $200 million revolving credit agreement dated as of November 6, 2006 and its $75 million credit agreement dated as of April 17, 2009.

At June 30, 2011, there were $176 million of borrowings outstanding under the 2011 Credit Agreement which are classified as bank loans on the Condensed Consolidated Balance Sheets. Issued and outstanding letters of credit under AmeriGas OLP credit agreements, which reduce the amount available for borrowings, totaled $35.7 million at both June 30, 2011 and 2010. The average daily and peak bank loan borrowings outstanding under the credit agreements during the 2011 nine-month period were $161.8 million and $235 million, respectively. The average daily and peak bank loan borrowings outstanding under the credit agreements during the 2010 nine-month period were $26.6 million and $126 million, respectively. At June 30, 2011, the Partnership s available borrowing capacity under the 2011 Credit Agreement was $113.3 million.

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Based on existing cash balances, cash expected to be generated from operations, and borrowings available under the 2011 Credit Agreement, the Partnership s management believes that the Partnership will be able to meet its anticipated contractual commitments and projected cash needs during Fiscal 2011.

On July 25, 2011, the General Partner s Board of Directors approved a quarterly distribution of $0.74 per Common Unit payable on August 18, 2011 to unitholders of record on August 10, 2011. During the nine months ended June 30, 2011, the Partnership declared and paid quarterly distributions on all limited partner units at a rate of $0.74 per Common Unit for the quarter ended March 31, 2011 and $0.705 per Common Unit for the quarters ended December 31, 2010 and September 30, 2010. The ability of the Partnership to declare and pay the quarterly distribution on its Common Units in the future depends upon a number of factors. These factors include (1) the level of Partnership earnings; (2) the cash needs of the Partnership s operations (including cash needed for maintaining and increasing operating capacity); (3) changes in operating working capital; and (4) the Partnership s ability to borrow under its 2011 Credit Agreement, refinance maturing debt, and increase its long-term debt. Some of these factors are affected by conditions beyond the Partnership s control including weather, competition in markets we serve, the cost of propane and changes in capital market conditions.

Cash Flows

Operating activities. Due to the seasonal nature of the Partnership s business, cash flows from operating activities are generally strongest during the second and third fiscal quarters when customers pay for propane consumed during the heating season months. Conversely, operating cash flows are generally at their lowest levels during the first and fourth fiscal quarters when the Partnership s investment in working capital, principally accounts receivable and inventories, is generally greatest. The Partnership may use its credit agreements to satisfy its seasonal operating cash flow needs.

Cash flow provided by operating activities was $120.0 million in the 2011 nine-month period compared to $133.9 million in the 2010 nine-month period. Cash flow from operating activities before changes in operating working capital was $284.0 million in the 2011 nine-month period compared with $286.6 million in the prior-year period. Cash required to fund changes in operating working capital totaled $164.0 million in the 2011 nine-month period compared with $152.7 million in the prior-year period. The increase in cash required to fund operating working capital in the current-year period principally reflects the timing and amount of cash payments for purchases of propane.

Investing activities. Investing activity cash flow is principally affected by investments in property, plant and equipment, cash paid for acquisitions of businesses and proceeds from sales of assets. Cash flow used in investing activities was $87.7 million in the 2011 nine-month period compared with $75.1 million in the prior-year period. We spent $59.2 million for property, plant and equipment (comprising $28.2 million of maintenance capital expenditures and $31.0 million of growth capital expenditures) in the 2011 nine-month period compared with $59.8 million (comprising $27.9 million of maintenance capital expenditures and $31.9 million of growth capital expenditures) in the 2010 nine-month period. Cash paid for acquisitions reflects 13 propane business acquisitions completed during the 2011 nine-month period compared to 9 propane business acquisitions in the 2010 nine-month period.

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Financing activities. The Partnership s financing activities cash flows are typically the result of repayments and issuances of long-term debt, borrowings under AmeriGas OLP s credit agreements, issuances of Common Units and distributions on partnership interests. Cash used by financing activities was $33.7 million in the 2011 nine-month period compared with $108.3 million in the prior-year period. Distributions in the 2011 nine-month period totaled $127.5 million compared with $120.0 million in the prior-year period principally reflecting a higher quarterly per-unit distribution rate. We borrowed $85 million under the credit agreements during the 2011 nine-month period compared to $15 million during the 2010 nine-month period. The lower credit agreement borrowings in the prior year reflect higher beginning-of-period cash balances available to fund operating, investing and financing activities. As previously mentioned, the Partnership refinanced its $415 million 7.25% Senior Notes due 2015 through the issuance of $470 million of 6.50% Senior Notes due 2021. In addition, it redeemed its $14.6 million 8.875% Senior Notes due 2011. Repayments of long-term debt includes $16.8 million of transaction fees and expenses associated with the early extinguishments of debt.

Subsequent Event Debt Refinancing

On July 27, 2011, AmeriGas Partners announced an offer to purchase for cash any and all of its $350 million aggregate principal amount of outstanding 7 1/8% Senior Notes (the 2016 Notes) due May 2016 (the Tender Offer), subject to receipt of the proceeds of the issuance of $450 million of 6.25% Senior Notes due 2019 (the 6.25% Notes). The 6.25% Notes are expected to be issued on August 10, 2011. The proceeds from the offering will be used to finance the Tender Offer and for general corporate purposes, including to repay borrowings outstanding under the 2011 Credit Agreement. The Partnership intends to redeem any 2016 Notes that are not tendered in the Tender Offer. The Partnership expects to record a loss of approximately $20.0 million associated with these transactions during the fourth quarter of Fiscal 2011.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary financial market risks include commodity prices for propane and interest rates on borrowings. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

Commodity Price Risk

The risk associated with fluctuations in the prices the Partnership pays for propane is principally a result of market forces reflecting changes in supply and demand for propane and other energy commodities. The Partnership s profitability is sensitive to changes in propane supply costs and the Partnership generally passes on increases in such costs to customers. The Partnership may not, however, always be able to pass through product cost increases fully or on a timely basis, particularly when product costs rise rapidly. In order to reduce the volatility of the Partnership s propane market price risk, we use contracts for the forward purchase or sale of propane, propane fixed-price supply agreements, and over-the-counter derivative commodity instruments including price swap and option contracts. Over-the-counter derivative commodity instruments utilized by the Partnership to hedge forecasted purchases of propane are generally settled at expiration of the contract. These derivative financial instruments contain collateral provisions. The fair value of unsettled commodity price risk sensitive instruments at June 30, 2011 was a gain of $2.8 million. A hypothetical 10% adverse change in the market price of propane would result in a decrease in fair value of $21.1 million.

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Because the Partnership s propane derivative instruments generally qualify as hedges under GAAP, we expect that changes in the fair value of derivative instruments used to manage propane market price risk would be substantially offset by gains or losses on the associated anticipated transactions.

Interest Rate Risk

The Partnership has both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows.

Our variable-rate debt includes borrowings under the 2011 Credit Agreement. This agreement has interest rates that are generally indexed to short-term market interest rates. The remainder of our debt outstanding is subject to fixed rates of interest. Our long-term debt is typically issued at fixed rates of interest based upon market rates for debt having similar terms and credit ratings. As these long-term debt issues mature, we may refinance such debt with new debt having interest rates reflecting then-current market conditions. This debt may have an interest rate that is more or less than the refinanced debt. In order to reduce interest rate risk associated with forecasted issuances of fixed-rate debt, from time to time we enter into interest rate protection agreements. There were no unsettled interest rate protection agreements outstanding at June 30, 2011.

Derivative Financial Instruments Credit Risk

The Partnership is exposed to credit loss in the event of nonperformance by counterparties to derivative financial and commodity instruments. Our counterparties principally consist of major energy companies and major U.S. financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits. Certain of these agreements call for the posting of collateral by the counterparty or by the Partnership in the form of letters of credit, parental guarantees or cash.

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ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Partnership s disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Partnership in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The General Partner s management, with the participation of the General Partner s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Partnership s disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Partnership s disclosure controls and procedures, as of the end of the period covered by this Report, were effective at the reasonable assurance level.

(b) Change in Internal Control over Financial Reporting

No change in the Partnership s internal control over financial reporting occurred during the Partnership s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Partnership s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

BP America Production Company v. Amerigas Propane, L.P.

On July 15, 2011, BP America Production Company (“BP”) filed a complaint against AmeriGas Propane, L.P. in the District Court of Denver County, Colorado, alleging, among other things, breach of contract and breach of the covenant of good faith and fair dealing relating to amounts billed for certain goods and services provided to BP since 2005 (the “Services”). The Services relate to the installation of propane-fueled equipment and appliances, and the supply of propane, to approximately 400 residential customers at the request of and for the account of BP. The complaint seeks an unspecified amount of direct, indirect, consequential, special and compensatory damages, including attorneys’ fees, costs and interest and other appropriate relief. It also seeks an accounting to determine the amount of the alleged overcharges related to the Services. We recently commenced an investigation into these allegations.

ITEM 1A. RISK FACTORS

In addition to the other information presented in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing the Partnership. Other unknown or unpredictable factors could also have material adverse effects on future results.

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ITEM 6. EXHIBITS

The exhibits filed as part of this report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and registration number or last date of the period for which it was filed, and the exhibit number in such filing) :

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.1	Form of Change in Control Agreement dated as of May 9, 2011 for Mr. Iannarelli			
10.2	Credit Agreement dated as of June 21, 2011 by and among AmeriGas Propane, L.P., as Borrower, AmeriGas Propane, Inc., as a Guarantor, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender (Agent), Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Book Manager and Wells Fargo Bank, National Association, Branch Banking and Trust Company, Citibank, N.A., JPMorgan Chase Bank, N.A., PNC Bank, National Association, Citizens Bank of Pennsylvania, The Bank of New York Mellon, Compass Bank, Manufacturers and Traders Trust Company, Sovereign Bank, TD Bank, N.A. and the other financial institutions from time to time party thereto			
31.1	Certification by the Chief Executive Officer relating to the Registrant s Report on Form 10-Q for the quarter ended June 30, 2011, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2	Certification by the Chief Financial Officer relating to the Registrant s Report on Form 10-Q for the quarter ended June 30, 2011, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant s Report on Form 10-Q for the quarter ended June 30, 2011, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101.INS*	XBRL Instance			
101.SCH*	XBRL Taxonomy Extension Schema			
101.CAL*	XBRL Taxonomy Extension Calculation			
101.DEF*	XBRL Taxonomy Extension Definition			
101.LAB*	XBRL Taxonomy Extension Labels			

101.PRE*	XBRL Taxonomy Extension Presentation

* XBRL information will be considered to be furnished, not filed, for the first two years of a company s submission of XBRL information.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	AmeriGas Partners, L.P. (Registrant)
	By: AmeriGas Propane, Inc., as General Partner
Date: August 5, 2011	By: /s/ John S. Iannarelli John S. Iannarelli Vice President Finance and Chief Financial Officer
Date: August 5, 2011	By: /s/ William J. Stanczak William J. Stanczak Controller and Chief Accounting Officer

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