

INERGY L P  
Form 10-Q  
August 11, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 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: 0-32453

**Inergy, L.P.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**43-1918951**  
(IRS Employer  
Identification No.)

**Two Brush Creek Blvd., Suite 200**

**Kansas City, Missouri**  
(Address of principal executive offices)

**64112**  
(Zip code)

**(816) 842-8181**

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The following units were outstanding at August 1, 2008:

Common Units	49,849,685
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**INERGY, L.P.**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements of Inergy L.P.****INERGY L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(in millions, except unit information)*

	June 30, 2008 <i>(unaudited)</i>	September 30, 2007
<b>Assets</b>		
Current assets:		
Cash	\$ 10.7	\$ 7.7
Accounts receivable, less allowance for doubtful accounts of \$7.9 million and \$3.4 million at June 30, 2008 and September 30, 2007, respectively	123.6	112.2
Inventories <i>(Note 3)</i>	90.3	100.5
Assets from price risk management activities	110.1	55.0
Prepaid expenses and other current assets	25.6	23.2
Total current assets	360.3	298.6
Property, plant and equipment <i>(Note 3)</i>	1,190.1	1,000.3
Less: accumulated depreciation	230.9	179.6
Property, plant and equipment, net	959.2	820.7
Intangible assets <i>(Note 3)</i> :		
Customer accounts	258.9	238.8
Other intangible assets	122.7	116.8
	381.6	355.6
Less: accumulated amortization	98.3	78.8
Intangible assets, net	283.3	276.8
Goodwill	363.8	347.2
Other assets	7.1	1.1
Total assets	\$ 1,973.7	\$ 1,744.4
<b>Liabilities and partners capital</b>		
Current liabilities:		
Accounts payable	\$ 101.2	\$ 100.3
Accrued expenses	66.3	61.5
Customer deposits	39.6	73.9
Liabilities from price risk management activities	100.4	49.6
Current portion of long-term debt <i>(Note 5)</i>	11.0	25.5
Total current liabilities	318.5	310.8

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Long-term debt, less current portion <i>(Note 5)</i>	912.5	684.7
Other long-term liabilities	6.8	7.7
Interest of non-controlling partners in ASC s subsidiaries <i>(Note 4)</i>	3.2	
 Partners' capital <i>(Note 6)</i> :		
Common unitholders (49,854,685 and 49,764,486 units issued and outstanding as of June 30, 2008 and September 30, 2007, respectively)	731.3	739.5
Non-managing general partner and affiliate	1.4	1.7
 Total partners' capital	 732.7	 741.2
 Total liabilities and partners' capital	 \$ 1,973.7	 \$ 1,744.4

*The accompanying notes are an integral part of these consolidated financial statements*

**Table of Contents****INERGY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS***(in millions, except unit and per unit data)**(unaudited)*

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
Propane	\$ 220.9	\$ 168.3	\$ 1,149.6	\$ 956.2
Other	154.3	79.4	388.4	253.4
	375.2	247.7	1,538.0	1,209.6
Cost of product sold (excluding depreciation and amortization as shown below)				
Propane	173.1	122.7	862.0	666.7
Other	113.4	49.5	261.5	155.1
	286.5	172.2	1,123.5	821.8
Gross profit	88.7	75.5	414.5	387.8
Expenses:				
Operating and administrative	67.1	62.0	198.6	191.8
Depreciation and amortization	26.1	21.4	72.1	60.9
Gain (loss) on disposal of assets	(0.4)	(0.7)	0.8	(1.6)
Operating income (loss)	(4.9)	(8.6)	144.6	133.5
Other income (expense):				
Interest expense, net	(15.2)	(12.0)	(45.0)	(39.1)
Other income		0.2	0.1	1.4
Income (loss) before income taxes and interest of non-controlling partners in ASC	(20.1)	(20.4)	99.7	95.8
Provision for income taxes	(0.2)	(0.2)	(0.6)	(0.5)
Interest of non-controlling partners in ASC s consolidated net income <i>(Note 4)</i>	(0.4)		(0.9)	
Net income (loss)	\$ (20.7)	\$ (20.6)	\$ 98.2	\$ 95.3
Partners' interest information:				
Non-managing general partner and affiliates interest in net income	\$ 8.9	\$ 6.9	\$ 26.9	\$ 20.0
Distribution paid on restricted units	0.1	0.1	0.2	0.1
Beneficial conversion value of Special Units <i>(Note 6)</i>		10.3		10.3
Total interest in net income not attributable to limited partners	\$ 9.0	\$ 17.3	\$ 27.1	\$ 30.4
Total limited partners' interest in net income (loss):	\$ (29.7)	\$ (37.9)	\$ 71.1	\$ 64.9
Net income (loss) per limited partner unit:				
Basic	\$ (0.60)	\$ (0.77)	\$ 1.43	\$ 1.38

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Diluted	\$ (0.60)	\$ (0.77)	\$ 1.43	\$ 1.37
<b>Weighted average limited partners units outstanding (in thousands):</b>				
Basic	49,711	49,356	49,687	47,041
Dilutive units			85	190
Diluted	49,711	49,356	49,772	47,231

*The accompanying notes are an integral part of these consolidated financial statements.*

**Table of Contents****INERGY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL***(in millions)**(unaudited)*

	<b>Common Unit Capital</b>	<b>Non-Managing General Partner and Affiliate</b>	<b>Total Partners Capital</b>
Balance at September 30, 2007	\$ 739.5	\$ 1.7	\$ 741.2
Net proceeds from common unit options exercised	0.9		0.9
Contribution from unit based compensation charges	1.2		1.2
Distributions	(90.4)	(27.3)	(117.7)
Comprehensive income:			
Net income	71.3	26.9	98.2
Unrealized gain on cash flow hedges less the portion reclassified to realized during the period in the amount of \$9.1 million which is already included in net income above	8.8	0.1	8.9
Comprehensive income			107.1
Balance at June 30, 2008	\$ 731.3	\$ 1.4	\$ 732.7

*The accompanying notes are an integral part of these consolidated financial statements.*



**Table of Contents****INERGY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***(in millions)**(unaudited)*

	<b>Nine Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Net income	\$ 98.2	\$ 95.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	54.4	42.7
Amortization	17.7	18.2
Amortization of deferred financing costs	1.8	1.7
Unit-based compensation charges	1.2	0.5
Interest of non-controlling partners in ASC s consolidated net income	0.9	
Provision for doubtful accounts	5.0	3.5
(Gain) Loss on disposal of assets	(0.8)	1.6
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(9.5)	7.8
Inventories	14.1	29.5
Prepaid expenses and other current assets		